

Frederick County Maryland



Old Trail Headed West

Mick Williams

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

Front Cover: "The "Old Trail Headed West" depicts Gas House Pike before it was paved and when times were simpler. This is an autumn scene that emphasizes the natural beauty and glorious color that makes up our landscape.

To see more of this artist's work visit his website at <http://mickwilliams.theartistangle.com>

Frederick County photos were provided by Robin Santangelo, Public Information Officer.

Frederick County, Maryland
Comprehensive Annual Financial Report
Fiscal Year 2011
July 1, 2010 – June 30, 2011



Prepared by the Finance Division

OUR MISSION



FREDERICK COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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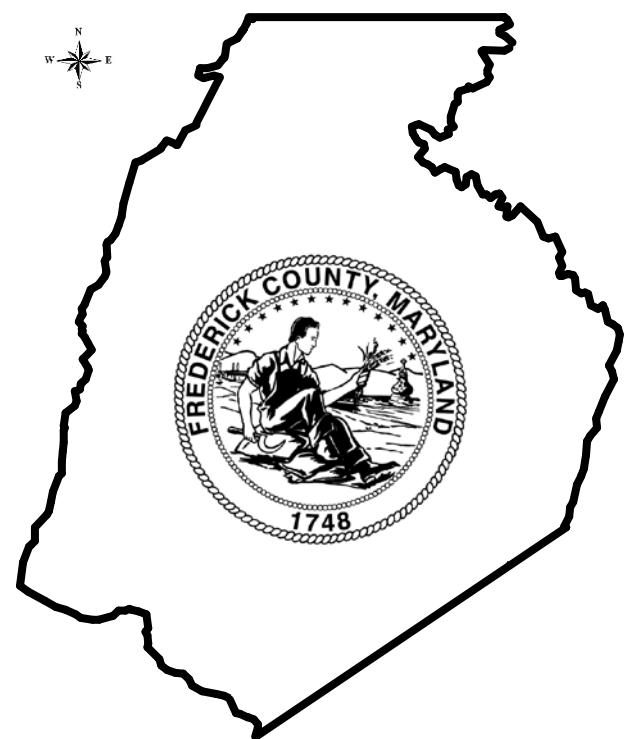
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INTRODUCTORY SECTION





FINANCE DIVISION

FREDERICK COUNTY, MARYLAND

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www.FrederickCountyMD.gov

December 9, 2011

COMMISSIONERS

Blaine R. Young
President

C. Paul Smith
Vice President

Billy Shreve

David P. Gray

Kirby Delauter

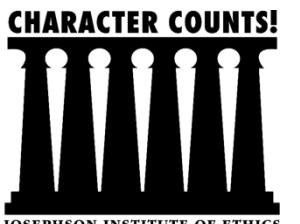
COUNTY MANAGER

David B. Dunn

FINANCE DIVISION

Lori L. Depies, CPA
Director

Richard J. Duthoy, CPA
Assistant Director



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RESPONSIBILITY • FAIRNESS
CARING • CITIZENSHIP

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www.charactercounts.org

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, 2011.

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, 2011. 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 auditor's 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 235,400. 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 65,500. The City of Frederick is located approximately 45 miles northwest of Washington, D.C. and 45 miles west of Baltimore, Maryland.

Frederick County is governed by an elected five-member Board of County Commissioners that serves for four years. Section 3 of Article 25 of the Annotated Code of Maryland of 1957, as amended (the "Maryland Code") sets out the enumerated powers of the county commissioners of each county in the State of Maryland (the "State") that is governed by the county commissioner form of government. Section 1 of Article 25 declares the county commissioners of a county to be a corporation. Under Maryland law, the county commissioners combine executive and legislative functions. The executive offices of the County are located at Winchester Hall, 12 East Church Street, Frederick, Maryland 21701. The County's Internet address is www.frederickcountymd.gov.

The Board may exercise only such powers as are expressly conferred on it: (1) by the Maryland General Assembly as codified in the Maryland Code, and (2) by public local laws enacted by the Maryland General Assembly, which apply only to Frederick County and are codified as Part II of the Frederick County Code, 2004, as amended (the "County Code"). Part II of the Frederick County Code is known as the Code of Public Local Laws of Frederick County, 1979.

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

- The Reporting Entity

The County provides a full range of services, including fire and rescue; law enforcement; sanitation services (including water, sewer, solid waste management and residential recycling); construction and maintenance of highways, streets, and infrastructure; recreational activities; and general government activities. Bell Court Apartments, the Solid Waste Management, and Water and Sewer Enterprise Funds are supported through user fees. The Citizens Care and Rehabilitation Center 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: an “unappropriated undesignated” fund balance equal to 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; 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 mandatory five percent fund balance noted above 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* (GASB No. 54).

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 is 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 GAAP to the budgetary presentation is presented in Footnote 2.B.

Impact of Financial Policies

The long-term economic outlook and condition continue to improve from the 2007 – 2009 down turn. While positive signs are returning and while the economy is in fact beginning to recover, the Board of County Commissioners continue to react to the declines experienced in FY2009 and FY2010 by maintaining a number of policies and safeguards to ensure the preservation of County services together with a faster turn-around of the

local economy. Capital spending on selected projects has been either eliminated or delayed. Operating budget spending levels have been cut at both the program level and at the department level. Employees have been asked to forego pay increases in FY2009, FY2010, and FY2011. Hiring freezes (with the exception of critical positions) were initiated in October 2008 and have continued to the date of this letter. The County has a recurring three-year cycle review process for examining job classifications to ensure the County remains competitive in duties and salaries with neighboring governmental jurisdictions and private employers. This review process was suspended in November 2008 and the suspension is still in effect as of the date of this letter. The effect of these measures and other similar cost cutting actions, such as travel and training reductions, and reductions to health care benefits, has helped restore the General Fund fund balances from \$52.3 million at the end of FY2009 to \$85.2 million at the end of FY2011.

Information to Assess Economic 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 Frederick County operates.

Local Economy – According to U.S. Bureau of Census, the population of the County has grown from 150,208 in 1990 to 195,277 in 2000 to 233,385 in 2010, a 55.4 percent increase from 1990. The Community Development Division estimates that County population growth will be steady through calendar year 2020, when the population will reach an estimated 287,900. As both the national and State economies continue to shed jobs, Frederick County had the lowest number of job losses and the lowest percentage in decreased job numbers for the State of Maryland for the period of calendar year 2006 through calendar year 2010, for a net total of only 28 jobs lost and a decrease of 0.003 percent. The State of Maryland lost a total of 74,047 jobs for a decrease of 3 percent for the same timeframe. The civilian labor force in the County was estimated at 124,100 in June 2011. Of this number, 116,000 were employed, resulting in an unemployment rate for the County of 6.5 percent. This rate is substantially lower than the June 30, 2011 statewide unemployment rate of 7.4 percent and the national unemployment rate of 9.2 percent (Source: Maryland Department of Labor, Licensing and Regulation). The County's unemployment rate and job growth figures continue to rank more favorably than the State of Maryland and the Nation's figures. The County's unemployment rate is 5.7% as of the latest measurable date – October 20, 2011.

The County's estimated taxable assessed property value has increased \$10.0 billion since 2005 or 59 percent. As of June 30, 2011, taxable assessed value totaled \$26.9 billion. The growth in the taxable assessable base from FY2009 to FY2011 was 7.8 percent. The continued emphasis on economic development within the County should result in assessable base growth in the foreseeable future although residential housing construction and resale of existing homes has been slowing as evidenced by the decrease in recordation taxes from FY2008 to FY2011 (although up slightly from FY2009 to FY2010 and then down slightly from FY2010 to FY2011) in the amount of \$7.7 million, or 29.4 percent. The commercial market does not appear to have been as directly

affected by the downturn in the construction industry as the residential market as evidenced by its continued strong growth.

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 \$373 million in ongoing construction, including a total of seven new or expanded buildings currently under construction, and another \$2 billion in total projects over the next three years representing an additional 1,200+ jobs projected from 2010 through 2018. In related bioscience research expansions, the National Cancer Institute (NCI) and Science Applications International Corporation (SAIC) - Frederick, Inc. officially opened a new 330,000 square foot Advanced Technology Research Facility in early 2011 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.

Long-term Financial Planning - Major initiatives during FY2011 were predominately in the Capital Budget area. Major general governmental projects approved in the six year Capital Improvements Program (fiscal years 2011-2016) include:

- Continuation of Citizens Care and Rehabilitation Center Replacement
- Continuation of Montevue Home Replacement
- Point of Rocks Community Commons
- Ballenger Creek Multi-purpose Building
- Reich's Ford Road Bridge

Additional projects to expand and improve proprietary infrastructure to serve the growing population are included in the plan. The entire Capital Improvements Plan totals \$305.1 million for fiscal years 2011 to 2016. The County considers the effects of resulting incremental operating costs when it formulates its Capital Improvement Plan.

Frederick County concluded the fiscal year ended June 30, 2011 with a General Fund usable fund balance of Committed and Assigned of \$61.6 million. Section 2-7-1(a) of the Frederick County Code provides that "the County must maintain an unappropriated undesignated General Fund balance equal to 5 percent of General Fund expenditures and transfers to the Board of Education and the Frederick Community College." This portion of Fund Balance totaling \$20.2 million is classified as Restricted. Expenditures and transfers to component units measured on a budgetary basis totaled \$404.3 million. The required balance of the restriction was \$20.2 million, a decrease of \$.1 million from FY2010. The actual fund balance increased \$28.1 million from the fund balance at June 30, 2010. Therefore, the June 30, 2011 fund balance of \$85.2 million provides \$65.0 million of excess fund balance above the required 5 percent requirement. Accordingly, this amount is available and legislatively mandated for use in funding future budgets. Of this amount, \$1.6 million is unspendable.

The major rating agencies have recognized Frederick County's strong financial management skills and practices. During the latest general obligation bond issuance process (July 2011), Fitch Ratings, Moody's Investors Service, Inc. and Standard &

Poor's Credit Market Services 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.

Retirement Plans and Other Post Employment Benefits – Frederick County employees participate in a single-employer pension plan that is administered by the County in a separate trust fund and two cost-sharing multiple-employer pension plans administered by the State. Each year an independent actuary engaged by the pension trust calculates the amount of annual contributions the County must make to ensure that the plan will be able to meet its obligations to retired employees as the requirements come due. As a matter of policy, the County fully funds each year's annual required contribution to the pension plan as determined by the actuary. The County fully funds its obligations to the State plans as well.

The County participates in a Length of Service Awards Program (LOSAP) that provides annuities to former volunteer members of the County's fire companies and rescue squads who meet certain qualifying age and service criteria. These benefits are intended to be funded on a pay-as-you-go basis.

The County also provides other post employment benefits (OPEB), principally healthcare, for certain eligible retirees and their dependents. These benefits are funded on a schedule designed to achieve Annual Required Contribution funding beginning in FY2012.

Additional information related to the County's pension and OPEB benefits can be found in Note 4.D. and Note 4.E. in the Notes to Financial Statements (Exhibit II-A-14).

Debt Management Policy – The County has adopted a debt policy that establishes the administrative and procedural processes employed to manage its long-term debt. The policy sets the parameters for issuing new debt. It provides guidance from the Board of County Commissioners regarding the timing, amounts and purposes for which debt can be issued, together with the types of debt, method of sale, and length of maturities. By establishing and following a formal debt policy, the County has ensured that it will maintain a strong debt position, will commit itself to full and timely repayment of its debt, and therefore protect its credit quality.

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, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

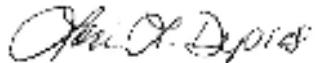
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements. Accordingly, we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the dedicated team effort of the staff of the County's Finance Division. Each member of the Division has my sincere appreciation for the contributions made in preparation of this report. Special recognition is given to the Director of Accounting, Erin White, and the Accounting Team Leaders, Susan Blum, Regina Howell, and Rob Reilly, along with their staffs; 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 now in the capable hands of Regina Howell, who was recently promoted to Budget Officer, 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 Richard Duthoy, Assistant Director of Finance, for his oversight of the Division, and to County Manager David Dunn, 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 (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,



Lori L. Depies, CPA
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, 2010

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.




President

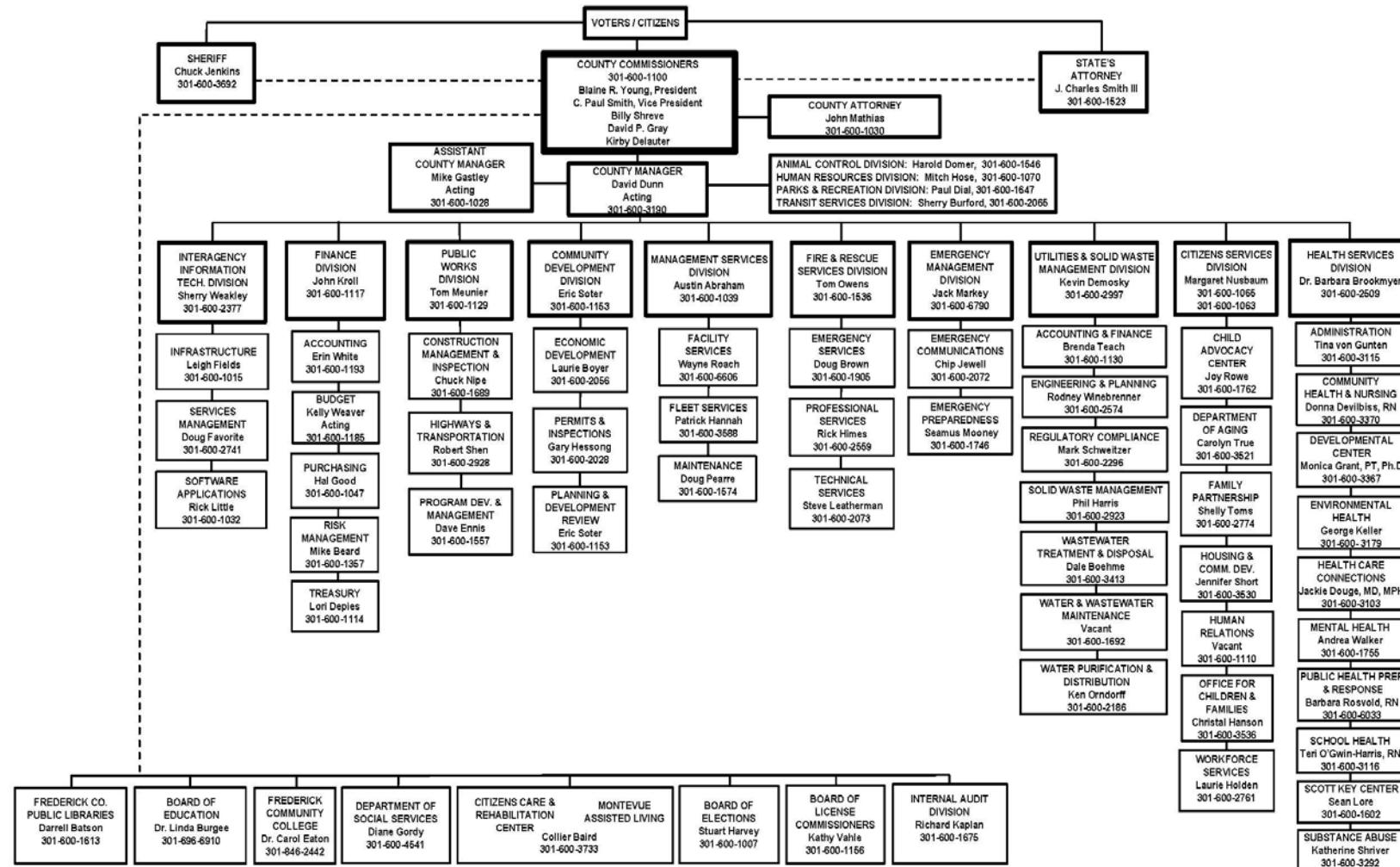
Executive Director

Key

Coordination

Reporting

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	John S. Mathias, Esquire
County Manager (Acting)	David B. Dunn
Assistant County Manager (Acting)	Michael Gastley
Animal Control Division Director	Harold L. Domer, Jr.
Citizens Care & Rehabilitation Center Executive Director (Interim)	Collier W. Baird, III
Citizens Services Division Director	Margaret L. Nusbaum
Community Development Division	Eric E. Soter
Emergency Management Division Director	John E. "Jack" Markey
Finance Division Director	John R. Kroll
Fire and Rescue Services Division Director	Thomas W. Owens
Health Services Division Health Officer	Barbara A. Brookmyer, MD, MPH
Human Resources Division Director	Mitchell L. Hose
Interagency Information Technologies Division Director	Sherry A. Weakley
Internal Audit Division Director	Richard A. Kaplan
Management Services Division Director	Austin S. Abraham
Montevue Assisted Living Executive Director (Interim)	Collier W. Baird, III
Parks and Recreation Division Director	W. Paul Dial
Public Works Division Director	Thomas J. Meunier, P.E.
Transit Services Division Director	Sherry C. Burford
Utilities and Solid Waste Management Division Director	Kevin L. Demosky

Component Units

Board of Education

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

Frederick Community College

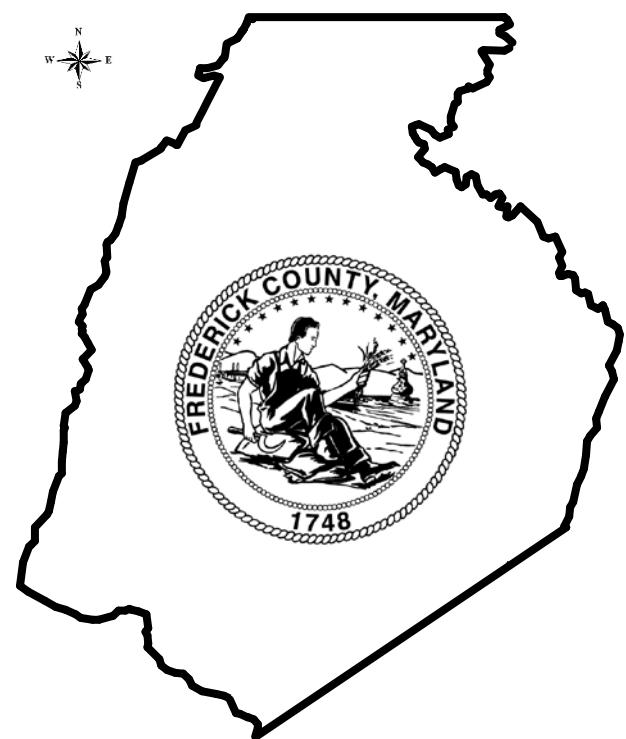
Chairperson	Nick Diaz
Vice Chairperson	Dixie J. Miller
Trustee	Debra S. Borden
Trustee	Byron J. Grayson
Trustee	Donald C. Linton
Trustee	Peter H. Michael
Trustee	Doris J. White
President	Carol W. Eaton, Ph.D.

Frederick County Public Library

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



FINANCIAL SECTION





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

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, 2011, 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, 2011, 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.



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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.

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.

Hunt Valley, Maryland
December 9, 2011

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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 34). 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 \$638.6 million (net assets), approximately 69.1 percent of which is attributable to the County's business-type activities. Of total net assets, \$621.2 million is invested in capital assets, net of related debt, and \$147.8 million is restricted for specific purposes (restricted net assets). The County's unrestricted net assets are a negative \$130.4 million. This total unrestricted net asset amount includes a balance of \$98.3 million from business-type activities, offset by a deficit balance in unrestricted net assets from governmental activities of \$228.7 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 \$269.5 million of bonds payable, the proceeds of which have been used to fund school and college construction.
- The County's overall financial position experienced a planned reduction in operations from the prior fiscal year in an effort to restore fund balances. As a result, total government-wide net assets increased by \$68.7 million or 12.0 percent. The governmental net assets increased by \$27.4 million versus a reduction of \$52.6 million in FY2010. The major reasons for the increase in net assets include reductions in expenses from the prior fiscal year totaling \$52.9 million, nearly all of which occurred in the governmental activities. A major contribution to this reduction was a decrease in expenses for payments to the Board of Education and Frederick Community College for construction costs. This reduction amounted to approximately \$40.0 million from FY2010. There were also salary savings due to layoffs and not filling vacant positions throughout the government. There was an increase in general revenues totaling approximately \$30.0 million. Increases in income taxes, intergovernmental revenues, and miscellaneous revenues contributed to this increase.

- The business-type net assets increased by \$41.3 million or 10.3 percent, primarily the result of increases in the operating charges and increases to capital grants and contributions in the Water and Sewer Fund in excess of operating expenses.
- The governmental activities revenue totaled \$539.6 million or 83.1 percent of total revenue and the net results from governmental activities was an increase in net assets of \$27.4 million.
- The business-type activities revenue totaled \$109.5 million or 16.9 percent of total revenue and the net assets from business-type activities increased by \$41.3 million.
- The total cost of all County programs was \$580.4 million, a decrease of \$52.9 million or 8.4% from FY2010 and a decrease of \$83.8 million or 12.6% from FY2009.
- As of June 30, 2011, the County's governmental funds have a combined fund balance of \$192.0 million, a decrease of \$37.6 million from the previous fiscal year. While there is an increase in the General Fund of \$28.1 million, there is a decrease in the Capital Projects Fund of \$62.9 million. This decrease is only temporary as the County issued general obligation bonds shortly after the end of the fiscal year to fund the expenditures (see note 4.H). The remainder was caused by a one-time transfer to the General Fund totaling \$.5 million. The General Fund increase of \$28.1 million is due primarily to income tax revenues that exceeded the conservative budget by almost \$18.7 million along with a favorable variance in property taxes that exceeded revenue estimated by almost \$2.7 million. The remainder of the increase in fund balance was created by reductions in expenditures of \$3.7 million across most functions as a result of continued vacancy savings, layoffs and general operating savings in an attempt to restore healthier fund balances. The original attempt was to reduce the size of government by budgeting a reduction of fund balance in the original budget in the amount of \$13.2 million. The unexpected revenues and increased expenditure savings actually resulted in an increase in fund balance totaling \$28.1 million. The Agricultural Preservation Special Revenue Fund remained nearly at a breakeven point with a reduction of fund balance of \$.2 million as a result of a one-time transfer to the General Fund. The Nonmajor Governmental Funds had a reduction of fund balance of \$2.5 million. The largest single contributor to this reduction was the Fire/Rescue Tax Districts Special Revenue Fund which had a budgeted use of fund balance in excess of \$6.8 million. However, expenditure savings totaled in excess of \$4.3 million resulting in a fund balance reduction of only \$2.0 million.
- At the close of each fiscal year, there is a legislated mandate for a set-aside described in the County Code as "unappropriated undesignated general fund balance" in an amount equal to five percent of total General Fund expenditures and transfers to the Board of Education and Community College. This amounts to \$20.2 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) decreased by \$35.4 million during the current fiscal year, the result of not having a 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 interest on long term debt. 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 34-36 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 Grants Fund, the Fire/Rescue Tax Districts Fund, the Agricultural Preservation Fund (a Major Governmental 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.

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.

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.

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 \$638.6 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, \$621.2 million or 97.3 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 23.2 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 \$130.4 million. The unrestricted net assets for business-type activities have a balance of \$98.3 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 FY2010 to FY2011. The deficit decreased in the Unrestricted Net Assets of the Governmental activities by \$59.4 million while the already positive Business Activities Unrestricted Net Assets increased \$20.7 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 \$7.1 million and \$6.1 million were sent to the Board of Education and Community College, respectively. This expense has no revenue or other financing sources associated because it is bond funded. This will be explained more in the discussion of the Governmental Activities. Overall, total net assets increased by \$68.7 million. Reasons for the increase in net assets include, but are not limited to, the following: continued salary reductions due to layoffs and delays in filling permanent full-time positions or abolishing those positions. This expense savings was complimented by income taxes and property taxes materializing in amounts that exceeded the estimates.

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Statement of Net Assets

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

Statement of Net Assets as of June 30 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 271,026	\$ 314,720	\$ 156,402	\$ 145,603	\$ 427,428	\$ 460,323
Capital assets	467,137	433,944	517,644	482,519	984,781	916,463
Total assets	738,163	748,664	674,046	628,122	1,412,209	1,376,786
Current and other liabilities	34,364	54,047	28,069	26,839	62,433	80,886
Long-term debt outstanding	506,175	524,378	204,977	201,555	711,152	725,933
Total Liabilities	540,539	578,425	233,046	228,394	773,585	806,819
Net Assets:						
Invested in capital assets, net of debt	282,853	273,493	338,312	312,459	621,165	585,952
Restricted	143,504	184,829	4,371	9,714	147,875	194,543
Unrestricted (deficit)	(228,733)	(288,083)	98,317	77,555	(130,416)	(210,528)
Total net assets	<u>\$ 197,624</u>	<u>\$ 170,239</u>	<u>\$ 441,000</u>	<u>\$ 399,728</u>	<u>\$ 638,624</u>	<u>\$ 569,967</u>

As noted earlier, the government's net assets increased by \$68.7 million during the fiscal year. Net assets of governmental activities increased \$27.4 million. The increase in net assets of business-type activities was \$41.3 million in FY2011.

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

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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			
	2011	2010	2011	2010	2011	2010	2011	2010
REVENUES								
Program revenues								
Charges for services	\$ 17,722	\$ 21,561	\$ 67,490	\$ 63,368	\$ 85,212	\$ 84,929		
Operating grants and contributions	22,051	23,530	-	25	22,051	23,555		
Capital grants and contributions	8,007	7,426	40,907	27,685	48,914	35,111		
General revenues								
Local property taxes	289,330	289,145	-	-	289,330	289,145		
Local income taxes	165,839	143,208	-	-	165,839	143,208		
Other local taxes	21,939	23,080	-	-	21,939	23,080		
Intergovernmental	3,677	-	-	-	3,677	-		
Build America Bond subsidy	1,375	592	364	157	1,739	749		
Investment earnings	1,759	4,905	642	893	2,401	5,798		
Miscellaneous	7,903	914	56	662	7,959	1,576		
Total revenues	539,602	514,361	109,459	92,790	649,061	607,151		
EXPENSES								
Program Activities								
Governmental Activities:								
General government	47,444	47,427	-	-	47,444	47,427		
Public safety	94,015	96,002	-	-	94,015	96,002		
Public works	38,082	42,608	-	-	38,082	42,608		
Health	7,389	8,666	-	-	7,389	8,666		
Social services	8,607	8,700	-	-	8,607	8,700		
Education	255,092	296,414	-	-	255,092	296,414		
Parks, recreation, and culture	18,295	17,106	-	-	18,295	17,106		
Conservation of natural resources	2,515	3,204	-	-	2,515	3,204		
Community development and public housing	7,069	6,125	-	-	7,069	6,125		
Economic development and opportunity	12,777	14,318	-	-	12,777	14,318		
Interest on long term debt	15,105	17,983	-	-	15,105	17,983		
Business-type Activities:								
Water and sewer	-	-	29,623	28,895	29,623	28,895		
Solid waste management	-	-	19,949	20,467	19,949	20,467		
Non-major Business-type Activities	-	-	24,442	25,405	24,442	25,405		
Total expenses	506,390	558,553	74,014	74,767	580,404	633,320		
Incr. (decr.) in net assets before transfers	33,212	(44,192)	35,445	18,023	68,657	(26,169)		
Transfers	(5,827)	(8,381)	5,827	8,381	-	-		
Increase (decrease) in net assets	27,385	(52,573)	41,272	26,404	68,657	(26,169)		
Net Assets - beginning of year	170,239	222,812	399,728	373,324	569,967	596,136		
Net Assets - ending of year	\$ 197,624	\$ 170,239	\$ 441,000	\$ 399,728	\$ 638,624	\$ 569,967		

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 \$27.4 million. These increases were due to general salary savings across all funds and unexpected income tax revenues (approximately \$18.7 million) in the General Fund. Another \$.7 million was received from the State of Maryland for highway user and inmate care revenues in excess of the budget. 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 \$41.3 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 \$40.9 million in revenue. In addition, operating revenues increased approximately \$4.1 million due to expansion of services.

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 \$192.0 million. Approximately 96.2 percent of this total amount (\$184.8 million) constitutes restricted, committed and/or assigned fund balance, which is generally available for spending. The remainder of fund balance (\$7.2 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 \$39.1 million is \$20.2 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 \$83.6 million. Reducing the restricted fund balance for the legislative mandate noted earlier still provides a fund balance of \$63.4 million spendable for current operations. Total fund balance reached \$85.2 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 20.7 percent of total General Fund expenditures, while total fund balance represents 21.1 percent of that same amount.

Frederick County's General Fund fund balance increased by \$28.1 million during the current fiscal year. This increase is due primarily to continued expenditure reductions across nearly all functions of government, especially public safety, and public works together with unexpected increases in income tax and property tax revenues. In addition, unanticipated increases in State grants for highway user fees and police protection totaled \$.7 million.

The Agricultural Preservation Fund has a total fund balance of \$45.5 million. \$40.6 million is committed for debt service related to the Installment Purchase Agreements. The total fund balance decreased by \$.2 million during FY2011 primarily due to a transfer to the General Fund of \$.2 million. Revenues and other financing sources equaled expenditures for the fiscal year.

The Capital Projects Fund has a total fund balance of \$43.8 million. The decrease in fund balance was \$62.9 million. This decrease is primarily due to a delayed issue of general obligation bonds until after the fiscal year and the timing of related construction spending.

Proprietary Funds: Frederick County's proprietary fund statements provide the same type of information found in the Government-Wide Financial Statements, but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$79.5 million and unrestricted net assets in the Solid Waste Management Fund totaled \$14.7 million. The Nonmajor Enterprise Funds had unrestricted net assets totaling \$3.2 million.

General Fund Budgetary Highlights

The final expenditure and transfers budgets for the General Fund was decreased \$4.4 million over the original budget. During the year, revenues were greater than budgetary estimates by \$22.3 million and expenditures were less than budgetary estimates by \$12.0 million. Other financing sources and uses had a favorable variance of \$2.7 million. The favorable variances totaled \$37.0 million thereby eliminating the need to draw upon the appropriated fund balance of \$9.6 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 \$2.7 million. This is primarily due to tax credits being less than originally estimated. In addition, interest on delinquent accounts was \$.7 million higher than estimated, reflecting the economics of the period. These increases were partially offset by abated taxes.
- Local income tax distributions were greater than the budgeted amount by \$18.7 million. This is the result of a conservative budget and may indicate that the recovery to the recession may be happening sooner than originally anticipated.
- Other local taxes, primarily recordation tax collections, continue to lag behind expectations by \$.4 million, thereby possibly negating any notion that the recession recovery included the housing industry. New home construction and the real estate market, in general are still lagging behind the previous peak period of 2002-2006.

- State grants were greater than the budgeted amount by \$.7 million and investment earnings were less than budget by \$.3 million. The State of Maryland did a mid-year budget adjustment and increased Highway User Fees by \$.5 million and inmate housing by \$.2 million. The investment shortfall was due to investment rates being lower than expected.
- Various departmental under spending of appropriations resulted in total expenditures being under budget by \$12.0 million generally throughout all functions of government. The largest contributors to this savings were \$2.7 million in general government, \$2.5 million in public safety, \$1.5 million in public works, and \$3.4 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, 2010 and 2011, amount to \$916.5 million and \$984.8 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 7.4 percent.

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 87,426	\$ 77,362	\$ 7,088	\$ 7,088	\$ 94,514	\$ 84,450
Construction in prog.	48,031	31,908	99,172	139,945	147,203	171,853
Buildings, impr. & equip.	285,273	267,099	247,299	177,439	532,572	444,538
Infrastructure	344,763	334,409	297,557	281,181	642,320	615,590
Depreciation	(298,356)	(276,835)	(133,472)	(123,133)	(431,828)	(399,968)
Total	<u>\$ 467,137</u>	<u>\$ 433,943</u>	<u>\$ 517,644</u>	<u>\$ 482,520</u>	<u>\$ 984,781</u>	<u>\$ 916,463</u>

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

	Governmental Activities	Business-type Activities	Total
Beginning Balance	\$ 433,943	\$ 482,520	\$ 916,463
Additions	87,231	131,574	218,805
Depreciation	(23,519)	(10,384)	(33,903)
Retirement*	<u>(30,518)</u>	<u>(86,066)</u>	<u>(116,584)</u>
Ending Balance	<u><u>\$ 467,137</u></u>	<u><u>\$ 517,644</u></u>	<u><u>\$ 984,781</u></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 \$15.6 million
 - Digital Radio System Upgrade 9.1 million
 - Pavement Management 5.0 million
 - Brunswick Branch Library 3.2 million
 - Urbana District Park 2.6 million
 - Public Safety Training Facility 2.4 million
 - Reich's Ford Road 1.9 million
 - Parks Acquisition 1.6 million
 - Catoctin Creek Nature Center 1.1 million
- The following transfers were made to the Frederick County Board of Education for school construction:
 - Walkersville Elementary \$3.3 million
 - Lincoln Elementary Addition 2.6 million
 - Carroll Manor Elementary 2.4 million
- The following transfer was made to Frederick Community College for school construction.
 - Advanced Workforce Training Center \$5.5 million

Business-type Activities:

- Construction costs were incurred for the following major projects:
 - McKinney Wastewater Treatment Plant \$30.8 million
 - Lake Linganore Pinehurst Water & Sewer Improve. 3.2 million
 - New Design Water Treatment Plant Expansion 2.4 million

Debt Outstanding

As of year-end, the County had \$555.3 million in general obligation bonds outstanding compared to a total of \$590.6 million last year, a 6.0 percent net decrease. This decrease results from not issuing General Obligation Debt while retiring \$35.4 million of General Obligation Debt.

The County maintains a debt affordability index to determine its self-imposed limits for issuing long-term 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.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Governmental Activities:		
Bonds and notes payable:		
General obligation bonds	\$ 409,779	\$ 435,384
Installment purchase agreements	53,023	48,556
Other notes payable	2,092	2,922
	<u>464,894</u>	<u>486,862</u>
Add remaining original issue premium	14,107	17,301
Less deferred amount on bond refundings	(8,766)	(9,824)
Total bonds and notes payable	<u>470,235</u>	<u>494,339</u>
Other liabilities:		
Capital lease obligations	4,072	5,850
Compensated absences	9,450	10,257
Net OPEB obligation	22,195	13,702
Termination benefits	223	230
Total other liabilities	<u>35,940</u>	<u>30,039</u>
Governmental activities long-term liabilities	<u>\$ 506,175</u>	<u>\$ 524,378</u>
Business-type Activities:		
Bonds and notes payable:		
General obligation bonds	\$ 145,506	\$ 155,261
Other notes payable	41,793	28,232
	<u>187,299</u>	<u>183,493</u>
Add remaining original issue premium	4,785	5,836
Less deferred amount on bond refundings	(2,714)	(3,051)
Total bonds and notes payable	<u>189,370</u>	<u>186,278</u>
Other liabilities:		
Landfill closure costs	13,966	13,542
Compensated absences	1,618	1,690
Termination benefits	23	45
Total other liabilities	<u>15,607</u>	<u>15,277</u>
Business-type activities long-term liabilities	<u>\$ 204,977</u>	<u>\$ 201,555</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. The rating agencies provided 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 \$25.6 million and \$9.8 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 90-105 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S PROPERTY TAX RATES

The following summarizes some economic factors and trends:

- As of June 2011 the average unemployment rate for the County was 6.5 percent, while the average unemployment rate for the State of Maryland was 7.4 percent.
- The total percentage of decrease in the number of new jobs from 2006 through 2010 was 0.003 percent (28 jobs) compared to the State of Maryland percentage decrease of 3.0 percent for the same period. Only one Maryland county (Howard County) experienced a positive job growth from 2006-2010 and of the remaining 23 jurisdictions that experienced job losses, Frederick County had both the lowest percentage and lowest number decrease in jobs.
- The FY2012 property tax remained at \$.936 per \$100 of assessed valuation. The tax rate is based on a full market value taxable assessment of \$25,867,895,299.

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, 2011

	Primary Government			Component Units		
	Governmental Activities		Business-type Activities	Total	Board of Education	Community College
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Assets						
Cash	\$ 25,253,883	\$ 91,909	\$ 25,345,792	\$ 6,790,078	\$ 24,999,603	\$ 6,609
Equity in pooled invested cash	97,848,795	95,368,416	193,217,211	-	-	-
Total cash and cash equivalents	123,102,678	95,460,325	218,563,003	6,790,078	24,999,603	6,609
Investments	66,855,079	30,361,701	97,216,780	33,106,397	9,460,944	457,597
Receivables, net of allowance for uncollectibles:						
Property taxes	610,958	-	610,958	-	-	-
Accounts	3,212,168	15,026,380	18,238,548	2,318,798	1,237,614	4,785
Intergovernmental	50,151,929	-	50,151,929	3,376,610	2,029,595	-
Internal balances	(858,247)	858,247	-	-	-	-
Due from primary government	-	-	-	2,711,225	-	2,461,067
Due from component units	4,578,037	-	4,578,037	-	-	-
Inventories	1,735,129	155,929	1,891,058	929,462	567,736	-
Prepaid items	179,386	-	179,386	257,880	145,508	20,580
Deferred charges	2,448,079	833,953	3,282,032	-	-	-
Long-term receivables, net of allowance for uncollectibles	7,389,563	8,848,946	16,238,509	-	-	-
Cash and cash equivalents - restricted	11,621,108	4,857,326	16,478,434	1,465,893	-	20,000
Beneficial interest in charitable remainder trust	-	-	-	-	351,990	-
Capital assets:						
Land	87,426,055	7,088,479	94,514,534	46,295,756	271,620	-
Buildings and improvements	191,889,237	197,311,467	389,200,704	803,446,942	80,799,857	-
Equipment	93,384,089	50,054,572	143,438,661	80,467,473	4,083,057	222,794
Library collection	-	-	-	-	1,900,441	10,338,792
Infrastructure	344,762,496	297,557,005	642,319,501	-	-	-
Construction in progress	48,030,810	99,171,959	147,202,769	5,367,928	712,494	-
Accumulated depreciation	(298,355,792)	(133,539,772)	(431,895,564)	(275,691,540)	(30,574,164)	(6,661,592)
Total assets	738,162,762	674,046,517	1,412,209,279	710,842,902	95,986,295	6,870,632

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Liabilities						
Accounts payable	\$ 2,809,530	\$ 2,416,837	\$ 5,226,367	\$ 11,764,198	\$ 685,850	\$ 117,809
Accrued liabilities	10,651,186	9,187,984	19,839,170	250,765	445,915	-
Payroll and benefit deductions	6,276,018	945,350	7,221,368	7,821,209	354,446	224,837
Property taxes payable	212,908	-	212,908	-	-	-
Due to third parties	1,152,378	-	1,152,378	-	231,359	-
Due to other governmental units	53,285	3,150	56,435	-	-	-
Due to primary government	-	-	-	-	4,502,879	-
Due to component units	5,020,819	100	5,020,919	-	-	-
Due to fiduciary funds	-	-	-	61,358	-	-
Unearned revenues	4,308,895	10,274,605	14,583,500	6,752,083	1,514,796	145,688
Performance and security deposits	-	9,656	9,656	-	-	-
Other liabilities	3,879,539	5,230,930	9,110,469	-	-	-
Noncurrent liabilities:						
Due within one year	33,044,875	14,511,730	47,556,605	6,394,451	163,204	22,712
Due in more than one year	473,129,617	190,465,398	663,595,015	160,890,060	8,960,150	1,862,031
Total liabilities	<u>540,539,050</u>	<u>233,045,740</u>	<u>773,584,790</u>	<u>193,934,124</u>	<u>16,858,599</u>	<u>2,373,077</u>
Net Assets						
Investment in capital assets, net of related debt	282,853,416	338,311,974	621,165,390	643,603,119	52,350,917	3,899,994
Restricted for:						
School and library construction	25,590,511	-	25,590,511	-	-	-
Additional or expanded road facilities	8,671,416	-	8,671,416	-	-	-
Capital Projects	35,532,858	3,928,828	39,461,686	-	-	-
Agricultural preservation	42,508,527	-	42,508,527	-	-	-
Fire and rescue services	8,435,797	-	8,435,797	-	-	-
County code required set-aside	20,213,585	-	20,213,585	-	-	-
Other purposes	2,550,712	442,437	2,993,149	1,465,893	10,417,545	717,708
Unrestricted (Deficit)	<u>(228,733,110)</u>	<u>98,317,538</u>	<u>(130,415,572)</u>	<u>(128,160,234)</u>	<u>16,359,234</u>	<u>(120,147)</u>
Total net assets	<u>\$ 197,623,712</u>	<u>\$ 441,000,777</u>	<u>\$ 638,624,489</u>	<u>\$ 516,908,778</u>	<u>\$ 79,127,696</u>	<u>\$ 4,497,555</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, 2011

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
Primary government:												
Governmental activities:												
General government	\$ 47,444,418	\$ 7,755,507	\$ 1,667,366	\$ -	\$ (38,021,545)	\$ -	\$ -	\$ (38,021,545)	\$ -	\$ -	\$ -	\$ -
Public safety	94,014,597	6,456,180	1,566,287	1,966,824	(84,025,306)	-	-	(84,025,306)	-	-	-	-
Public works	38,082,578	785,085	4,052,546	2,625,735	(30,619,212)	-	-	(30,619,212)	-	-	-	-
Health	7,389,079	43,167	1,373,818	207,862	(5,764,232)	-	-	(5,764,232)	-	-	-	-
Social services	8,607,518	1,388,107	895,469	-	(6,323,942)	-	-	(6,323,942)	-	-	-	-
Education	255,092,160	-	-	36,458	(255,055,702)	-	-	(255,055,702)	-	-	-	-
Parks, recreation and culture	18,294,771	1,045,575	-	1,016,817	(16,232,379)	-	-	(16,232,379)	-	-	-	-
Conservation of natural resources	2,514,717	183,549	308,644	2,146,823	124,299	-	-	124,299	-	-	-	-
Community development and public housing	7,068,638	-	6,662,759	-	(405,879)	-	-	(405,879)	-	-	-	-
Economic development and opportunity	12,777,129	65,258	5,523,976	6,061	(7,181,834)	-	-	(7,181,834)	-	-	-	-
Interest on long term debt	15,104,694	-	-	-	(15,104,694)	-	-	(15,104,694)	-	-	-	-
Total governmental activities	506,390,299	17,722,428	22,050,865	8,006,580	(458,610,426)	-	-	(458,610,426)	-	-	-	-
Business-type activities:												
Water and sewer	29,622,835	24,274,317	-	40,376,293	-	35,027,775	-	35,027,775	-	-	-	-
Solid waste management	19,949,545	24,584,906	-	531,000	-	5,166,361	-	5,166,361	-	-	-	-
Nursing homes	19,217,797	14,185,948	-	-	-	(5,031,849)	-	(5,031,849)	-	-	-	-
Public housing	143,837	94,815	-	-	-	(49,022)	-	(49,022)	-	-	-	-
Permitting & development review	5,080,138	4,350,081	-	-	-	(730,057)	-	(730,057)	-	-	-	-
Total business-type activities	74,014,152	67,490,067	-	40,907,293	-	34,383,208	-	34,383,208	-	-	-	-
Total primary government	\$ 580,404,451	\$ 85,212,495	\$ 22,050,865	\$ 48,913,873	(458,610,426)	\$ 34,383,208	\$ (424,227,218)	\$ 34,383,208	\$ -	\$ -	\$ -	\$ -
Component Units:												
Board of Education	\$ 587,309,436	\$ 8,807,761	\$ 361,514,312	\$ 19,197,375	-	-	-	-	(197,789,988)	-	-	-
Community College	56,152,452	20,380,927	31,417,944	1,647,961	-	-	-	-	-	(2,705,620)	-	-
Public Libraries	12,621,577	2,268,240	9,336,531	-	-	-	-	-	-	-	(1,016,806)	-
Total Component Units	\$ 656,083,465	\$ 31,456,928	\$ 402,268,787	\$ 20,845,336	-	-	-	-	(197,789,988)	(2,705,620)	(1,016,806)	-
General Revenues:												
Local property taxes					289,330,130	-	289,330,130	-	-	-	-	-
Local income taxes					165,839,265	-	165,839,265	-	-	-	-	-
Recordation taxes					18,578,790	-	18,578,790	-	-	-	-	-
Excise taxes					829,160	-	829,160	-	-	-	-	-
Hotel rental tax					1,089,661	-	1,089,661	-	-	-	-	-
Admission and amusement tax					821,594	-	821,594	-	-	-	-	-
Agriculture transfer tax					619,786	-	619,786	-	-	-	-	-
Intergovernmental					3,676,983	-	3,676,983	-	-	-	-	-
Build America Bond Subsidy					1,374,892	363,764	1,738,656	-	-	-	-	-
Grants and contributions not restricted to specific programs					-	-	-	-	140,790,234	-	-	-
Investment earnings					1,758,640	642,203	2,400,843	369,693	1,397,300	1,329	-	-
Miscellaneous					7,903,103	56,804	7,959,907	794,618	3,803,143	-	-	-
Transfers					(5,826,523)	5,826,523	-	-	-	-	-	-
Total general revenues and transfers					485,995,481	6,889,294	492,884,775	141,954,545	5,200,443	1,329	-	-
Change in net assets					27,385,055	41,272,502	68,657,557	(55,835,443)	2,494,823	(1,015,477)	-	-
Net assets - beginning of year					170,238,657	399,728,275	569,966,932	572,744,221	76,632,873	5,513,032	-	-
Total net assets - end of year					\$ 197,623,712	\$ 441,000,777	\$ 638,624,489	\$ 516,908,778	\$ 79,127,696	\$ 4,497,555	-	-

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

FREDERICK COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 25,154,327	\$ -	\$ -	\$ 99,556	\$ 25,253,883
Equity in pooled invested cash	25,991,541	11,120,657	38,797,795	12,677,330	88,587,323
Total cash and cash equivalents	<u>51,145,868</u>	<u>11,120,657</u>	<u>38,797,795</u>	<u>12,776,886</u>	<u>113,841,206</u>
Investments	28,942,899	35,886,693	2,025,487	-	66,855,079
Receivables, net of allowance for uncollectibles:					
Property taxes	549,682	-	-	61,276	610,958
Accounts	859,458	8,031	68,088	2,061,714	2,997,291
Intergovernmental	46,132,212	-	558,982	2,887,862	49,579,056
Prepays	103,364	-	-	-	103,364
Due from other funds	10,162	-	-	-	10,162
Due from component units	14,024	-	-	15,876	29,900
Inventories	1,481,274	-	-	-	1,481,274
Long-term receivables, net of allowance for uncollectibles:					
Employee salary advances	77,452	-	-	-	77,452
MILA/MICRF loans	-	-	-	375,649	375,649
Fire/Rescue loans	-	-	-	126,813	126,813
Non profit organization loans	89,963	-	-	1,518,131	1,608,094
Small business loans	-	-	-	53,284	53,284
Housing loans	-	-	-	5,148,271	5,148,271
Cash and cash equivalents - restricted	<u>1,747,696</u>	<u>-</u>	<u>9,782,857</u>	<u>90,555</u>	<u>11,621,108</u>
Total assets	<u><u>\$ 131,154,054</u></u>	<u><u>\$ 47,015,381</u></u>	<u><u>\$ 51,233,209</u></u>	<u><u>\$ 25,116,317</u></u>	<u><u>\$ 254,518,961</u></u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 565,876	\$ -	\$ 1,783,950	\$ 363,098	\$ 2,712,924
Accrued liabilities	180,558	21,461	2,196,125	780,359	3,178,503
Payroll and benefit deductions	4,762,354	3,394	-	1,425,586	6,191,334
Property taxes payable	212,908	-	-	-	212,908
Due to other funds	-	-	-	10,162	10,162
Due to third parties	551,620	-	-	600,758	1,152,378
Due to other governmental units	-	-	-	53,285	53,285
Due to component units	4,976,848	-	-	-	4,976,848
Other liabilities	-	-	3,030,660	848,879	3,879,539
Deferred revenue	<u>34,678,488</u>	<u>1,463,492</u>	<u>459,576</u>	<u>3,573,458</u>	<u>40,175,014</u>
Total liabilities	<u><u>45,928,652</u></u>	<u><u>1,488,347</u></u>	<u><u>7,470,311</u></u>	<u><u>7,655,585</u></u>	<u><u>62,542,895</u></u>
Fund balances:					
Nonspendable	1,648,689	199,067	-	5,328,368	7,176,124
Restricted	21,961,726	1,700,060	15,301,345	185,770	39,148,901
Committed	1,246,864	40,609,400	28,461,553	9,049,795	79,367,612
Assigned	60,368,123	3,018,507	-	2,896,799	66,283,429
Total fund balances	<u><u>85,225,402</u></u>	<u><u>45,527,034</u></u>	<u><u>43,762,898</u></u>	<u><u>17,460,732</u></u>	<u><u>191,976,066</u></u>
Total liabilities and fund balances	<u><u>\$ 131,154,054</u></u>	<u><u>\$ 47,015,381</u></u>	<u><u>\$ 51,233,209</u></u>	<u><u>\$ 25,116,317</u></u>	<u><u>\$ 254,518,961</u></u>

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

Exhibit II-A-4

FREDERICK COUNTY, MARYLAND
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balance - governmental funds (See Exhibit II-A-3) \$ 191,976,066

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

Long-term due from component unit 4,502,879

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	\$ 87,426,055
Buildings and Improvements	191,889,237
Equipment	93,384,089
Infrastructure	344,762,496
Construction in Progress	48,030,810
Less Accumulated Depreciation	<u>(298,355,792)</u> 467,136,895

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	(401,012,146)
Accrued Bond Interest	(7,376,458)
Installment Purchase Agreements	(53,023,478)
Notes Payable	(2,092,380)
Capital Lease Obligations	(4,071,505)
Unamortized Premium on Bonds Payable	(14,106,899)
Compensated Absences	(9,449,793)
Termination Benefits	(223,310)
Net Other Post Employment Benefit Obligation	(22,194,981)
Recognition of Deferred Revenue	<u>35,866,119</u> (477,684,831)

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	2,142,391
Deferred Issuance Costs - IPAs	284,373
Deferred Issuance Costs - Capital Leases	<u>21,315</u> 2,448,079

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.

9,244,624

Net assets of governmental activities (See Exhibit II-A-1) \$ 197,623,712

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 255,257,972	\$ -	\$ -	\$ 34,377,384	\$ 289,635,356
Local income taxes	157,826,635	- -	- -	- -	157,826,635
Other local taxes	12,475,976	2,942,135	7,022,208	1,089,661	23,529,980
Licenses and permits	517,020	- -	- -	- -	517,020
Grants from federal government	265,300	- -	3,387,584	16,855,769	20,508,653
Grants from state government	2,129,991	2,146,823	1,316,823	3,949,149	9,542,786
Intergovernmental	3,676,983	- -	- -	- -	3,676,983
Charges for services	3,459,426	- -	6,861,498	5,080,926	15,401,850
Fines and forfeitures	159,132	- -	- -	113,408	272,540
Interest from loans	- -	- -	- -	26,130	26,130
Investment earnings	461,454	727,378	404,410	103,586	1,696,828
Build America bond subsidy	740,304	- -	605,685	48,001	1,393,990
Miscellaneous	2,893,628	6,551	229,675	570,610	3,700,464
Total revenues	<u>439,863,821</u>	<u>5,822,887</u>	<u>19,827,883</u>	<u>62,214,624</u>	<u>527,729,215</u>
Expenditures					
Current:					
General government	28,688,914	- -	- -	2,344,387	31,033,301
Public safety	46,385,580	- -	- -	39,896,830	86,282,410
Public works	16,748,724	- -	- -	5,322,867	22,071,591
Health	5,251,076	- -	- -	1,302,573	6,553,649
Social services	5,493,276	- -	- -	1,845,774	7,339,050
Education	241,906,846	- -	- -	- -	241,906,846
Parks, recreation and culture	13,977,415	- -	- -	- -	13,977,415
Conservation of natural resources	597,832	8,239,206	- -	318,108	9,155,146
Community development and public housing	332,178	- -	- -	6,701,568	7,033,746
Economic development and opportunity	2,291,472	- -	- -	9,523,628	11,815,100
Miscellaneous	1,322,468	- -	- -	- -	1,322,468
Intergovernmental	7,451,352	- -	- -	- -	7,451,352
Debt service	33,149,352	2,300,754	12,590,334	2,745,006	50,785,446
Capital projects	- -	- -	68,903,882	- -	68,903,882
Total expenditures	<u>403,596,485</u>	<u>10,539,960</u>	<u>81,494,216</u>	<u>70,000,741</u>	<u>565,631,402</u>
Excess (deficiency) of revenues over expenditures	<u>36,267,336</u>	<u>(4,717,073)</u>	<u>(61,666,333)</u>	<u>(7,786,117)</u>	<u>(37,902,187)</u>
Other financing sources (uses)					
Transfers in from:					
General fund	- -	238,887	3,082,682	5,733,956	9,055,525
Capital projects fund	4,500,000	- -	- -	- -	4,500,000
Special revenue funds	547,695	- -	148,669	- -	696,364
Internal service funds	1,674,000	- -	- -	- -	1,674,000
Transfers out to:					
General fund	- -	(200,000)	(4,500,000)	(347,695)	(5,047,695)
Capital projects fund	(3,082,682)	- -	- -	(148,669)	(3,231,351)
Special revenue funds	(5,972,843)	- -	- -	- -	(5,972,843)
Enterprise funds	(5,735,201)	- -	- -	- -	(5,735,201)
Internal service funds	(129,592)	- -	- -	- -	(129,592)
Installment purchase agreement	- -	4,467,570	- -	- -	4,467,570
Total other financing sources and (uses)	<u>(8,198,623)</u>	<u>4,506,457</u>	<u>(1,268,649)</u>	<u>5,237,592</u>	<u>276,777</u>
Net change in fund balances	<u>28,068,713</u>	<u>(210,616)</u>	<u>(62,934,982)</u>	<u>(2,548,525)</u>	<u>(37,625,410)</u>
Fund balances - beginning of year (restated)	<u>57,156,689</u>	<u>45,737,650</u>	<u>106,697,880</u>	<u>20,009,257</u>	<u>229,601,476</u>
Fund balances - end 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>

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, 2011

Net change in fund balances - total governmental funds (See Exhibit II-A-5) \$ (37,625,410)

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	\$ 6,402,058
Depreciation Expense	(23,519,482)
Adjusted for Internal Service Fund Depreciation	<u>3,179,003</u> (13,938,421)

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

Donation of Capital Assets	3,916,965
Additions to Construction in Progress	46,210,366
Asset Replacements, Retirements and Deletions	<u>(391,903)</u> 49,735,428

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	33,582,764
Income Taxes - Recognized as Income in the Prior Year	(25,570,134)
Other Revenues - Deferred in the Fund Statements	2,283,355
Other Revenues - Recognized as Income in the Prior Year	<u>(3,000,465)</u> 7,295,520

(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, 2011

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 IPAs	\$ (4,467,570)
Principal Payments on General Obligation Debt	25,605,747
Principal Payments on Notes Payable	829,738
Principal Payments on Capital Leases	1,778,730
Loan to Component Unit	4,548,094
Deferred Charge for Issuance Costs	50,829
Build America Bonds Subsidy	572,873
Amortization of Bond Premiums	3,193,634
Amortization of Deferred Loss on Bonds	(1,057,399)
Amortization of Issuance Costs	<u>(221,896)</u>
	<u>\$ 30,832,780</u>

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	7,811,482
Accrued Interest - Current Year	(7,376,458)
Net Other Post Employment Benefit Obligation	(8,493,528)
Compensated Absences Accrual	800,013
Termination Benefits Accrual	<u>6,744</u>
	<u>(7,251,747)</u>

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

(1,663,095)

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

\$ 27,385,055

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, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Local property taxes				
Real property (inc. additions & abatements)	\$ 275,152,000	\$ 275,152,000	\$ 274,753,304	\$ (398,696)
Public utilities	7,315,000	7,315,000	6,869,882	(445,118)
Payments in lieu of taxes	50,000	50,000	125,600	75,600
Total levy	<u>282,517,000</u>	<u>282,517,000</u>	<u>281,748,786</u>	<u>(768,214)</u>
Tax credit - state reimbursement	3,025,000	3,025,000	3,918,110	893,110
Homestead credit	(29,381,600)	(29,381,600)	(26,912,989)	2,468,611
Other tax credits and refunds	(4,055,400)	(4,055,400)	(4,623,664)	(568,264)
Interest - delinquent taxes	1,963,500	1,963,500	2,683,108	719,608
Discounts allowed on taxes	(1,501,500)	(1,501,500)	(1,555,379)	(53,879)
Total adjustments	<u>(29,950,000)</u>	<u>(29,950,000)</u>	<u>(26,490,814)</u>	<u>3,459,186</u>
Total local property taxes	<u>252,567,000</u>	<u>252,567,000</u>	<u>255,257,972</u>	<u>2,690,972</u>
Local income taxes				
	<u>139,145,505</u>	<u>139,145,505</u>	<u>157,826,635</u>	<u>18,681,130</u>
Other local taxes				
Admission and amusement	800,000	800,000	821,594	21,594
Recordation	10,442,200	10,442,200	10,063,393	(378,807)
911 fees - local	1,494,300	1,494,300	1,499,606	5,306
Trailer parks	84,700	84,700	91,018	6,318
Security interest filing fees	500	500	365	(135)
Total other local taxes	<u>12,821,700</u>	<u>12,821,700</u>	<u>12,475,976</u>	<u>(345,724)</u>
Licenses and permits				
Alcoholic beverage licenses	224,400	224,400	240,260	15,860
Traders' licenses	212,200	212,200	199,388	(12,812)
Animal licenses	40,200	40,200	47,702	7,502
Marriage fees	12,000	12,000	12,280	280
Miscellaneous licenses and permits	16,000	16,000	17,390	1,390
Total licenses and permits	<u>504,800</u>	<u>504,800</u>	<u>517,020</u>	<u>12,220</u>
Grants from federal government				
	<u>-</u>	<u>128,000</u>	<u>265,300</u>	<u>137,300</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, 2011

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Grants from state government				
Police protection	\$ 660,000	\$ 660,000	\$ 664,585	\$ 4,585
Aid for fire, rescue and ambulance services	360,000	360,000	365,088	5,088
Highway user revenues	388,942	388,942	855,248	466,306
County inmate housing	-	-	245,070	245,070
Total grants from state government	<u>1,408,942</u>	<u>1,408,942</u>	<u>2,129,991</u>	<u>721,049</u>
Intergovernmental	<u>3,676,983</u>	<u>3,676,983</u>	<u>3,676,983</u>	<u>-</u>
Charges for services				
Planning and zoning fees	36,500	36,500	34,187	(2,313)
Court costs, fees and charges	2,300	2,300	2,782	482
Scott Key Center	1,359,500	1,359,500	1,378,030	18,530
Other general government	125,800	125,800	169,733	43,933
Public safety	306,700	306,700	357,477	50,777
Public improvement inspections	44,800	44,800	92,043	47,243
Workforce services	49,000	49,000	64,858	15,858
Frederick County Developmental Center	53,000	10,000	9,483	(517)
Weed control	199,231	199,231	183,549	(15,682)
Municipal recoveries	334,285	334,285	111,632	(222,653)
Citizens services	843,000	-	10,077	10,077
Recreation	<u>880,100</u>	<u>880,100</u>	<u>1,045,575</u>	<u>165,475</u>
Total charges for services	<u>4,234,216</u>	<u>3,348,216</u>	<u>3,459,426</u>	<u>111,210</u>
Fines and forfeitures				
Court	79,000	79,000	60,812	(18,188)
Alcoholic beverages	5,000	5,000	15,150	10,150
Other fines and forfeitures	<u>76,500</u>	<u>76,500</u>	<u>83,170</u>	<u>6,670</u>
Total fines and forfeitures	<u>160,500</u>	<u>160,500</u>	<u>159,132</u>	<u>(1,368)</u>
Investment earnings	<u>750,000</u>	<u>750,000</u>	<u>461,454</u>	<u>(288,546)</u>
Build America Bond Subsidy	<u>740,304</u>	<u>740,304</u>	<u>740,304</u>	<u>-</u>
Miscellaneous revenues				
Rents and concessions	1,281,310	1,281,310	1,497,401	216,091
Contributions and donations	39,000	43,010	44,879	1,869
Sale of property	10,000	10,000	13,550	3,550
Other miscellaneous revenues	<u>1,006,159</u>	<u>999,159</u>	<u>1,337,798</u>	<u>338,639</u>
Total miscellaneous revenues	<u>2,336,469</u>	<u>2,333,479</u>	<u>2,893,628</u>	<u>560,149</u>
Total revenues	<u>418,346,419</u>	<u>417,585,429</u>	<u>439,863,821</u>	<u>22,278,392</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, 2011

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
General government				
Legislative and executive				
County commissioners	\$ 675,240	\$ 665,345	\$ 597,187	\$ 68,158
County manager	1,137,192	1,162,192	1,208,979	(46,787)
Boards and commissions	6,359	6,359	5,570	789
Total legislative and executive	<u>1,818,791</u>	<u>1,833,896</u>	<u>1,811,736</u>	<u>22,160</u>
Judicial				
Circuit court	1,064,131	1,063,197	1,032,827	30,370
Orphans court	26,272	26,272	20,121	6,151
States attorney	5,196,960	5,196,960	5,211,499	(14,539)
Grand jury	85,864	85,864	63,377	22,487
Total judicial	<u>6,373,227</u>	<u>6,372,293</u>	<u>6,327,824</u>	<u>44,469</u>
Elections				
Board of supervisors of elections	<u>1,614,060</u>	<u>1,614,060</u>	<u>1,040,075</u>	<u>573,985</u>
Financial administration				
Accounting	2,410,444	2,410,444	2,308,556	101,888
Independent auditing	62,850	62,850	69,510	(6,660)
Budgeting	517,545	517,545	486,893	30,652
Purchasing	938,132	938,132	848,448	89,684
Risk Management	324,399	324,399	323,161	1,238
Treasury	1,023,735	1,023,735	962,325	61,410
Total financial administration	<u>5,277,105</u>	<u>5,277,105</u>	<u>4,998,893</u>	<u>278,212</u>
Legal				
County attorney	<u>882,601</u>	<u>907,601</u>	<u>908,194</u>	<u>(593)</u>
Personnel administration				
Personnel	<u>907,003</u>	<u>907,003</u>	<u>906,377</u>	<u>626</u>
Planning and zoning				
Planning	2,016,093	2,016,093	1,881,855	134,238
Board of zoning appeals	11,622	11,622	5,994	5,628
Total planning and zoning	<u>2,027,715</u>	<u>2,027,715</u>	<u>1,887,849</u>	<u>139,866</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, 2011

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Management services				
General services	\$ 2,351,786	\$ 2,348,786	\$ 2,096,259	\$ 252,527
Logistical services	312,181	312,181	315,552	(3,371)
Maintenance	<u>7,686,273</u>	<u>7,618,273</u>	<u>7,200,527</u>	<u>417,746</u>
Total management services	<u>10,350,240</u>	<u>10,279,240</u>	<u>9,612,338</u>	<u>666,902</u>
Other general government				
Interagency Information Technologies	6,706,343	6,639,919	5,773,790	866,129
Internal Audit	307,505	307,505	170,438	137,067
Board of liquor license commissioners	<u>271,464</u>	<u>271,464</u>	<u>255,376</u>	<u>16,088</u>
Total other general government	<u>7,285,312</u>	<u>7,218,888</u>	<u>6,199,604</u>	<u>1,019,284</u>
Total general government	<u>36,536,054</u>	<u>36,437,801</u>	<u>33,692,890</u>	<u>2,744,911</u>
Public safety				
Sheriff	22,467,261	22,442,950	21,714,391	728,559
Detention center	11,633,726	11,539,034	10,486,233	1,052,801
Work release center	2,442,943	2,442,943	2,149,145	293,798
Alternative sentencing	831,273	831,273	786,222	45,051
Emergency communications	4,542,587	4,542,587	4,502,543	40,044
Fire and rescue companies	1,395,651	1,407,611	1,314,529	93,082
Fire and rescue services	331,301	331,301	257,631	73,670
Fire inspection	545,831	545,831	450,508	95,323
Emergency preparedness	440,566	440,566	421,686	18,880
Fire/rescue state grant allocation	360,000	360,000	348,065	11,935
Public safety director	432,453	432,453	417,544	14,909
Division of Emergency Planning & Management	267,592	267,592	265,842	1,750
Animal control	<u>1,643,593</u>	<u>1,647,603</u>	<u>1,605,454</u>	<u>42,149</u>
Total public safety	<u>47,334,777</u>	<u>47,231,744</u>	<u>44,719,793</u>	<u>2,511,951</u>
Public works				
Highways	12,385,527	12,806,087	12,570,495	235,592
Public works administration	325,722	325,722	271,506	54,216
Project management	498,853	498,853	328,120	170,733
Construction management	1,941,744	1,941,744	1,079,857	861,887
Watershed management section	614,081	604,927	589,168	15,759
Program development and management	497,454	497,454	500,428	(2,974)
Transportation engineering	<u>1,292,643</u>	<u>1,292,643</u>	<u>1,134,359</u>	<u>158,284</u>
Total public works	<u>17,556,024</u>	<u>17,967,430</u>	<u>16,473,933</u>	<u>1,493,497</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, 2011

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Health				
County administrator	\$ 118,082	\$ 118,082	\$ 116,598	\$ 1,484
Core services	1,932,916	1,932,916	1,569,456	363,460
Detention center substance abuse	132,572	132,572	132,572	-
Mental health	1,380,517	530,517	479,182	51,335
Frederick County Developmental Center	2,168,713	2,285,360	2,296,423	(11,063)
ARC of Frederick County	25,000	25,000	25,000	-
Counseling services	21,660	21,660	21,660	-
Mental Health Association hotline	54,150	54,150	54,150	-
Child Abuse Prevention-Mental Health Association	5,866	5,866	5,866	-
Alzheimer's Association of Frederick County	11,734	11,734	11,734	-
Central Maryland Catholic Charities	21,118	21,118	21,118	-
Hepatitis Clinic	10,000	10,000	10,000	-
Total health	<u>5,882,328</u>	<u>5,148,975</u>	<u>4,743,759</u>	<u>405,216</u>
Social services				
Contribution to Department of Social Services	1,078,771	1,078,771	1,078,739	32
Scott Key Center	2,768,521	2,768,521	2,684,855	83,666
Department of Aging	408,824	402,256	367,368	34,888
Office of Children and Families	97,180	97,180	61,419	35,761
Medical transportation services	152,714	152,714	85,679	67,035
Family Partnership	298,364	298,364	290,337	8,027
Child Advocacy Center	268,825	268,825	215,271	53,554
Deinstitutionalization day care	11,514	11,514	-	11,514
Community Agency School Services	22,000	22,000	22,000	-
Daybreak Adult Daycare Center	15,000	15,000	15,000	-
Advocates for the Homeless	22,564	22,564	22,564	-
The Volunteer Center - United Way	15,000	15,000	15,000	-
American Red Cross	14,250	14,250	14,250	-
Emergency food/fuel/shelter	108,536	108,536	108,536	-
Cakes for Cause	7,500	7,500	7,500	-
Goodwill Industries	14,250	14,250	14,250	-
Healthy Family/Heartly House	5,000	5,000	5,000	-
CASA of Frederick County	5,415	5,415	5,415	-
Other social services	122,497	122,497	122,497	-
Total social services	<u>5,436,725</u>	<u>5,430,157</u>	<u>5,135,680</u>	<u>294,477</u>
Education				
Maryland School for the Blind	2,000	2,000	-	2,000
Frederick County Board of Education	228,880,954	228,849,307	228,374,917	474,390
Frederick Community College	13,568,387	13,568,387	13,531,929	36,458
Total education	<u>242,451,341</u>	<u>242,419,694</u>	<u>241,906,846</u>	<u>512,848</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, 2011

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Parks, recreation and culture				
Frederick County Public Libraries	\$ 8,362,162	\$ 8,877,142	\$ 8,885,956	\$ (8,814)
Parks	5,341,349	5,359,939	4,891,397	468,542
Frederick Arts Council	20,000	20,000	20,000	-
Historical Society of Frederick County	5,000	5,000	5,000	-
Total parks, recreation and culture	<u>13,728,511</u>	<u>14,262,081</u>	<u>13,802,353</u>	<u>459,728</u>
Conservation of natural resources				
Extension service	320,393	320,393	282,970	37,423
Weed Control	199,231	199,231	188,930	10,301
Soil conservation	101,530	101,530	102,545	(1,015)
Gypsy moth control	15,000	15,000	-	15,000
Forestry Board	900	900	900	-
Total conservation of natural resources	<u>637,054</u>	<u>637,054</u>	<u>575,345</u>	<u>61,709</u>
Community development and public housing				
Housing administration	<u>393,843</u>	<u>393,843</u>	<u>309,691</u>	<u>84,152</u>
Total community development and public housing	<u>393,843</u>	<u>393,843</u>	<u>309,691</u>	<u>84,152</u>

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FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Economic development and opportunity				
Office of Economic Development	\$ 873,823	\$ 873,823	\$ 806,605	\$ 67,218
Citizens Services Administration	354,897	354,897	403,641	(48,744)
Workforce Services	597,234	597,234	588,986	8,248
Frederick Innovative Technology Center	100,000	100,000	100,000	-
Head Start	57,527	57,527	38,216	19,311
Human relations	151,779	151,779	151,466	313
Jeanne Bussard Center	10,000	10,000	10,000	-
Commission for Women	375	375	375	-
Commission for Disabilities	378	378	224	154
Seton Center	45,125	45,125	45,125	-
Emmitsburg Child Care Center	27,075	27,075	27,075	-
Child Care Consortium	27,075	27,075	27,075	-
MHA E-Care	22,562	22,562	22,562	-
Total economic development and opportunity	<u>2,267,850</u>	<u>2,267,850</u>	<u>2,221,350</u>	<u>46,500</u>
Non-departmental				
Property and liability insurance	1,267,500	1,267,500	847,001	420,499
Other post employment benefits	7,649,518	4,455,589	4,455,589	-
Other employee benefits and taxes	888,982	888,982	463,508	425,474
Other various contingencies	3,263,288	2,779,866	11,959	2,767,907
Indirect cost recovery	(5,361,305)	(5,373,888)	(5,158,419)	(215,469)
Other miscellaneous	<u>(514,096)</u>	<u>(503,299)</u>	<u>(530,272)</u>	<u>26,973</u>
Total non-departmental	<u>7,193,887</u>	<u>3,514,750</u>	<u>89,366</u>	<u>3,425,384</u>
Intergovernmental				
Financial corporations grant to municipalities	50,000	50,000	49,273	727
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>7,452,081</u>	<u>7,452,081</u>	<u>7,451,352</u>	<u>729</u>
Debt service				
Principal - general obligation debt	18,918,527	18,918,527	18,918,528	(1)
Principal - state loans	803,307	803,307	803,307	-
Interest - general obligation debt	13,278,407	13,278,407	13,278,407	-
Interest - state loans	149,111	149,111	149,110	1
Total debt service	<u>33,149,352</u>	<u>33,149,352</u>	<u>33,149,352</u>	<u>-</u>
Total expenditures	<u>420,019,827</u>	<u>416,312,812</u>	<u>404,271,710</u>	<u>12,041,102</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, 2011

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Other financing sources (uses)				
Transfers in from				
Park development fund	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ -
Fleet services internal service fund	1,674,000	1,674,000	1,674,000	-
Agriculture preservation fund	200,000	200,000	200,000	-
Housing initiatives fund	150,000	150,000	150,000	-
Economic development loan fund	92,695	92,695	92,695	-
Non-profit organization loan fund	80,000	80,000	80,000	-
Grants fund	25,000	25,000	25,000	-
Transfers out to				
Grants special revenue fund	(7,353,301)	(7,406,851)	(5,733,956)	1,672,895
Agriculture preservation special revenue fund	(238,887)	(238,887)	(238,887)	-
Capital projects fund	(6,490,160)	(3,082,682)	(3,082,682)	-
Enterprise fund - Solid Waste	-	(149,737)	(149,737)	-
Enterprise - Water/Sewer	-	(478,075)	(478,075)	-
Enterprise fund - Citizens Care & Rehabilitation Center	(2,098,999)	(3,637,220)	(2,637,220)	1,000,000
Enterprise fund - Montevue Home	(2,106,845)	(2,311,169)	(2,311,169)	-
Enterprise fund - Permitting and Development Review	-	(159,000)	(159,000)	-
Internal service fund - Fleet services	-	(113,334)	(113,334)	-
Internal service fund - Voice services	-	(16,258)	(16,258)	-
Total other financing sources (uses)	<u><u>(11,566,497)</u></u>	<u><u>(10,871,518)</u></u>	<u><u>(8,198,623)</u></u>	<u><u>2,672,895</u></u>
Budgeted use of fund balance	<u><u>\$ (13,239,905)</u></u>	<u><u>\$ (9,598,901)</u></u>	<u><u>\$ 27,393,488</u></u>	<u><u>\$ 36,992,389</u></u>
Change in fund balance			\$ 27,393,488	
Net change in reserves and adjustments to GAAP basis			675,225	
Fund balance - beginning of year			57,156,689	
Fund balance - end of year			<u><u>\$ 85,225,402</u></u>	

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
AGRICULTURAL PRESERVATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Amended Budget	Actuals	Variance - Positive (Negative)
Revenues				
Other local taxes	\$ 2,999,107	\$ 2,999,107	\$ 2,942,135	\$ (56,972)
Grants from state government	-	3,967,181	2,146,823	(1,820,358)
Investment earnings	378,927	378,927	727,378	348,451
Miscellaneous	-	-	6,551	6,551
Total revenues	<u>3,378,034</u>	<u>7,345,215</u>	<u>5,822,887</u>	<u>(1,522,328)</u>
Expenditures				
Conservation of natural resources	3,871,076	8,630,793	8,239,206	391,587
Debt Service	2,176,927	2,258,360	2,300,754	(42,394)
Total expenditures	<u>6,048,003</u>	<u>10,889,153</u>	<u>10,539,960</u>	<u>349,193</u>
Excess (deficiency) of revenues over expenditures	<u>(2,669,969)</u>	<u>(3,543,938)</u>	<u>(4,717,073)</u>	<u>(1,173,135)</u>
Other financing sources (uses)				
Appropriated fund balance	631,082	1,505,051	-	(1,505,051)
Transfer from General Fund	238,887	238,887	238,887	-
Transfer to General Fund	(200,000)	(200,000)	(200,000)	-
Installment purchase agreement	2,000,000	2,000,000	4,467,570	2,467,570
Total other financing sources (uses)	<u>2,669,969</u>	<u>3,543,938</u>	<u>4,506,457</u>	<u>962,519</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(210,616)</u>	<u>\$ (210,616)</u>
Net change in reserves and adjustment to GAAP basis			-	
Fund balance - beginning			45,737,650	
Fund balance - ending			<u>\$ 45,527,034</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, 2011

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	
Assets					
Current assets:					
Cash	\$ 500	\$ 2,600	\$ 88,809	\$ 91,909	\$ 9,261,472
Equity in pooled invested cash	61,225,335	26,958,640	7,184,441	95,368,416	
Restricted cash and cash equivalents	4,414,889	17,650	424,787	4,857,326	
Total cash and cash equivalents	65,640,724	26,978,890	7,698,037	100,317,651	9,261,472
Short-term investments	20,357,651	10,004,050	-	30,361,701	-
Receivables, net of allowance for uncollectibles accounts	11,401,791	1,651,535	1,973,054	15,026,380	214,877
Due from other funds	1,152,547	-	-	1,152,547	
Due from component units	-	-	-	-	43
Inventories	109,176	-	46,753	155,929	253,855
Prepaid items	-	-	-	-	76,022
Total current assets	98,661,889	38,634,475	9,717,844	147,014,208	9,806,269
Noncurrent assets:					
Notes receivable	8,848,946	-	-	8,848,946	-
Due from other funds	1,155,350	-	-	1,155,350	-
Capital assets:					
Land	3,605,173	2,837,164	646,142	7,088,479	-
Buildings and improvements	130,959,887	52,636,278	13,715,302	197,311,467	1,833,133
Equipment	41,429,510	6,135,483	2,489,579	50,054,572	26,757,799
Other improvements	297,557,005	(33,969,008)	-	297,557,005	-
Accumulated depreciation	(90,442,847)	(33,969,008)	(9,127,917)	(133,539,772)	(18,294,491)
Construction in progress	98,747,188	424,771	-	99,171,959	-
Deferred bond issue expense	684,964	121,348	27,641	833,953	-
Total noncurrent assets	492,545,176	28,186,036	7,750,747	528,481,959	10,296,441
Total assets	591,207,065	66,820,511	17,468,591	675,496,167	20,102,710
Liabilities					
Current liabilities:					
Accounts payable	2,375,545	19,971	21,321	2,416,837	96,606
Payroll and benefit deductions	342,707	80,123	522,520	945,350	84,684
Accrued expenses	7,185,022	1,342,798	660,164	9,187,984	96,225
Due to other funds	-	1,152,547	-	1,152,547	-
Due to other government units	-	-	3,150	3,150	-
Due to component units	-	-	100	100	-
Deferred revenues	6,495,237	22,763	3,756,605	10,274,605	-
Security deposits	-	-	9,656	9,656	-
Other liabilities	4,955,295	-	275,635	5,230,930	-
Current portion landfill closure and postclosure liability	-	258,056	-	258,056	-
Current portion general obligation bonds and notes	10,462,777	3,255,804	427,982	14,146,563	-
Current portion of compensated absences	38,919	6,968	61,224	107,111	2,699
Total current liabilities	31,855,502	6,139,030	5,738,357	43,732,889	280,214
Noncurrent liabilities:					
Long term portion landfill closure and postclosure liability	-	13,707,601	-	13,707,601	-
Long term portion general obligation bonds and notes	140,416,187	29,500,050	5,307,317	175,223,554	-
Liability for compensated absences	600,795	146,524	763,095	1,510,414	165,042
Accrued termination benefits	3,190	354	20,285	23,829	-
Due to other funds	-	1,155,350	-	1,155,350	-
Total noncurrent liabilities	141,020,172	44,509,879	6,090,697	191,620,748	165,042
Total liabilities	172,875,674	50,648,909	11,829,054	235,353,637	445,256
Net Assets					
Invested in capital assets, net of related debt	334,905,780	1,418,387	1,987,807	338,311,974	10,296,441
Restricted for:					
Capital projects	3,928,828	-	-	3,928,828	-
Other purposes	-	17,650	424,787	442,437	-
Unrestricted	79,496,783	14,735,565	3,226,943	97,459,291	9,361,013
Total net assets	\$ 418,331,391	\$ 16,171,602	\$ 5,639,537	\$ 440,142,530	\$ 19,657,454

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds. 858,247

Net assets of business-type activities \$ 441,000,777

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, 2011

	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Operating revenues					
Service charges	\$ 22,941,159	\$ 24,512,628	\$ -	\$ 47,453,787	\$ 11,740,009
Charges for health care services, net of contractual adjustments	-	-	13,502,876	13,502,876	-
License and permit revenue	-	-	2,825,518	2,825,518	-
Fee revenue	-	-	1,451,555	1,451,555	-
Rental charges	-	-	161,213	161,213	-
Total net charges for services	22,941,159	24,512,628	17,941,162	65,394,949	11,740,009
Delinquent fees collected	55,130	72,278	-	127,408	-
Other revenues	1,278,028	-	689,682	1,967,710	-
Total operating revenues	24,274,317	24,584,906	18,630,844	67,490,067	11,740,009
Operating expenses					
Personnel services	8,713,691	1,993,376	17,369,184	28,076,251	2,743,056
Operating expenses (including administrative overhead)	6,459,561	15,013,334	4,739,570	26,212,465	1,201,782
Supplies	987,452	26,820	1,343,631	2,357,903	4,236,371
Repairs and maintenance	1,789,352	190,784	63,916	2,044,052	576,825
Depreciation expense	8,257,544	1,396,548	729,923	10,384,015	3,179,003
Total operating expenses	26,207,600	18,620,862	24,246,224	69,074,686	11,937,037
Operating income (loss)	(1,933,283)	5,964,044	(5,615,380)	(1,584,619)	(197,028)
Nonoperating revenues (expenses)					
Donations	-	-	15,984	15,984	-
Investment earnings	492,480	127,440	22,283	642,203	35,682
Miscellaneous income	40,765	-	-	40,765	6,409
Capital grants	7,714,232	-	-	7,714,232	-
Build America Bonds Subsidy	354,480	9,284	-	363,764	-
Insurance recovery	-	-	-	-	52,601
Interest expense	(3,429,346)	(1,337,085)	(200,532)	(4,966,963)	-
Gain (loss) on disposition of capital assets	(4,984)	-	55	(4,929)	110,323
Total nonoperating revenues (expenses)	5,167,627	(1,200,361)	(162,210)	3,805,056	205,015
Net income (loss) before contributions and transfers	3,234,344	4,763,683	(5,777,590)	2,220,437	7,987
Capital contributions	32,662,061	531,000	-	33,193,061	-
Transfers in	586,811	163,978	5,107,389	5,858,178	163,490
Transfers out	(31,655)	-	-	(31,655)	(1,799,220)
Total contributions and transfers	33,217,217	694,978	5,107,389	39,019,584	(1,635,730)
Change in net assets	36,451,561	5,458,661	(670,201)	41,240,021	(1,627,743)
Net assets - beginning of year	381,879,830	10,712,941	6,309,738		21,285,197
Net assets - end of year	\$ 418,331,391	\$ 16,171,602	\$ 5,639,537		\$ 19,657,454

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds. 32,481

Change in net assets of business-type activities (Exhibit II-A-2) \$ 41,272,502

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, 2011

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	
Cash flows from operating activities					
Cash received from residents and customers	\$ 23,695,695	\$ 24,531,268	\$ 18,866,870	\$ 67,093,833	\$ 11,692,290
Cash received from interfund services	-	-	66,408	66,408	-
Cash paid to suppliers	(7,817,959)	(15,001,014)	(5,463,877)	(28,282,850)	(5,983,754)
Cash paid to employees	(9,095,830)	(2,101,463)	(18,018,227)	(29,215,520)	(2,830,099)
Other	-	-	600	600	-
Net cash provided (used) by operating activities	<u>6,781,906</u>	<u>7,428,791</u>	<u>(4,548,226)</u>	<u>9,662,471</u>	<u>2,878,437</u>
Cash flows from noncapital financing activities					
Transfers in	1,266,051	163,978	5,107,389	6,537,418	(1,635,730)
Cash received from donations	-	-	15,984	15,984	-
Transfers out	-	(710,895)	-	(710,895)	-
Cash received from patient and resident funds	-	-	(273)	(273)	-
Cash paid to memorial and employee funds	-	-	(285)	(285)	-
Net cash provided (used) by noncapital financing activities	<u>1,266,051</u>	<u>(546,917)</u>	<u>5,122,815</u>	<u>5,841,949</u>	<u>(1,635,730)</u>
Cash flows from capital and related financing activities					
Cash received from capital grants	7,714,232	-	-	7,714,232	-
Acquisition and construction of capital assets	(43,962,222)	(696,829)	55	(44,658,996)	(589,060)
Recoveries for damages	-	-	-	-	52,601
Payment of bond issue expense	-	-	-	-	123,816
Proceeds from debt issues	15,496,920	-	(26)	15,496,894	-
Payment of bond and note principal	(9,441,963)	(2,969,540)	(301,223)	(12,712,726)	-
Gain on disposal of capital assets	1,504	-	-	1,504	-
Interest paid on bonds	(3,501,090)	(1,409,275)	(244,292)	(5,154,657)	-
Contributed capital	31,803,388	531,000	-	32,334,388	-
Net cash used by capital & related financing activities	<u>(1,889,231)</u>	<u>(4,544,644)</u>	<u>(545,486)</u>	<u>(6,979,361)</u>	<u>(412,643)</u>
Cash flows from investing activities					
Purchase of investments	(34,759,273)	(9,984,789)	-	(44,744,062)	-
Proceeds from the sale of investments	58,506,896	20,000,000	-	78,506,896	-
Interest received on investments	935,325	288,994	22,784	1,247,103	35,682
Net cash provided by investing activities	<u>24,682,948</u>	<u>10,304,205</u>	<u>22,784</u>	<u>35,009,937</u>	<u>35,682</u>
Net increase in cash and cash equivalents	30,841,674	12,641,435	51,887	43,534,996	865,746
Cash and cash equivalents - beginning of year	34,799,050	14,337,455	7,646,150	56,782,655	8,395,726
Cash and cash equivalents - end 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>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (1,933,283)	\$ 5,964,044	\$ (5,615,380)	\$ (1,584,619)	\$ (197,028)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	8,257,544	1,396,548	729,923	10,384,015	3,179,003
Landfill closing costs	-	672,652	-	672,652	-
Accrued termination benefits	(11,427)	(9,391)	-	(20,818)	-
Miscellaneous non operating income	45,688	-	-	45,688	6,409
Change in assets and liabilities:					
(Increase) decrease:					
Accounts receivable	(180,403)	(60,533)	399,518	158,582	(54,128)
Bad debt allowance	-	24,584	-	24,584	-
Inventory	23,926	-	(8,969)	14,957	2,039
Prepaid items	-	-	-	-	985
Increase (decrease):					
Accounts payable	1,120,454	(9,522)	(5,493)	1,105,439	10,332
Accrued expenses	(73,701)	(296,294)	(325,556)	(695,551)	(61,606)
Deferred revenues	(443,907)	6,895	106,019	(330,993)	-
Liability for compensated leave	(22,985)	(10,832)	(38,816)	(72,633)	(7,569)
Closure liability	-	(249,360)	-	(249,360)	-
Other liabilities	-	-	210,528	210,528	-
Net cash provided (used) by operating activities	\$ 6,781,906	\$ 7,428,791	\$ (4,548,226)	\$ 9,662,471	\$ 2,878,437

Noncash investing, capital, and financing activities:

Included in interest income in the Water and Sewer Fund is an unrealized loss of \$173,034. Included in interest income in the Solid Waste Fund is an unrealized loss of \$16,101.

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	Pension Trust	Other Post Employment Benefits Trust	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 1,046,806	\$ -	\$ 282,008
Equity in pooled invested cash	958,926	1,050,688	3,297,314
Investments:			
Money markets	6,215,119	13	-
Fixed income securities	31,259,534	-	-
Equity securities	261,434,219	36,420,691	-
Accounts receivable	-	229,599	-
Interest receivable	350,592	-	-
Total assets	<u>301,265,196</u>	<u>37,700,991</u>	<u>\$ 3,579,322</u>
LIABILITIES			
Accounts payable	269,966	4,296	\$ -
Accrued payroll	717,716	-	-
Due to third parties	-	-	849,230
Performance deposits	-	-	2,730,092
Retirement benefit deductions	118,146	-	-
Total liabilities	<u>1,105,828</u>	<u>4,296</u>	<u>\$ 3,579,322</u>
NET ASSETS			
Assets held in trust for pension benefits and other purposes	<u>\$ 300,159,368</u>	<u>\$ 37,696,695</u>	

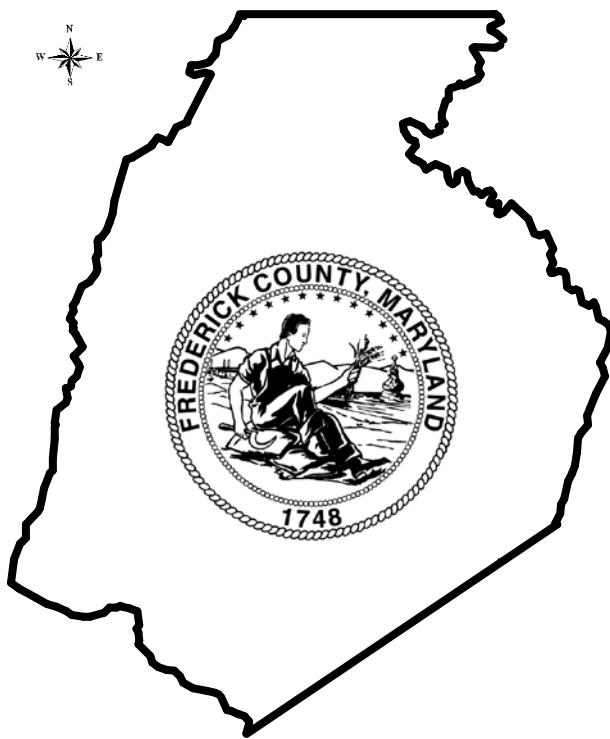
The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Pension Trust	Other Post Employment Benefits Trust
Additions		
Contributions		
Employer contributions	\$ 20,207,459	\$ 11,729,902
Member contributions	5,738,898	-
Member contributions for current benefits	-	902,608
Other	-	229,599
Total contributions	<u>25,946,357</u>	<u>12,862,109</u>
Investment income		
Net appreciation in fair value of plan investments	48,860,914	4,979,826
Interest and dividends	4,728,354	808,582
Investment expense	<u>(1,004,172)</u>	<u>(1,688)</u>
Net investment income	<u>52,585,096</u>	<u>5,786,720</u>
Total additions	<u>78,531,453</u>	<u>18,648,829</u>
Deductions		
Benefits and refunds	9,461,328	6,093,559
Administrative expenses	<u>784,589</u>	<u>30,053</u>
Total deductions	<u>10,245,917</u>	<u>6,123,612</u>
Change in net assets	68,285,536	12,525,217
Net assets - beginning of year	<u>231,873,832</u>	<u>25,171,478</u>
Net assets - end of year	<u>\$ 300,159,368</u>	<u>\$ 37,696,695</u>

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

NOTES TO FINANCIAL SECTION



Frederick County, Maryland

Directory For

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JUNE 30, 2011

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**FREDERICK COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 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).

NOTES TO FINANCIAL STATEMENTS

(Continued)

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.

Board of Education of Frederick County
191 South East Street
Frederick, Maryland 21701

Frederick Community College
7932 Opossumtown Pike
Frederick, Maryland 21702

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

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 nonfiduciary activities of the primary government and its component units. The effect of interfund activity, for the most part, and all fiduciary activity have 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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

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.
- *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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

- *Sheriff's Activities Fund* – These four funds account for activities such as the Sheriff's Drug Enforcement, Sheriff's Office, 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.
- *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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

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, 2011, was \$26,609,347,752. The Countywide property tax rate was \$.936 per \$100 of assessed value. In addition, taxes were levied in two fire tax districts and three lighting tax districts. The County collected 99.88 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 \$451,330 and is included in total property taxes receivable of \$610,958 on the Statement of Net Assets. This compares to the current portion of the prior year levy of \$621,592 included in the total property taxes of \$899,127 as of June 30, 2010.

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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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	5	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:

	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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 includes the County code, ordinances, and resolutions. Those committed amounts cannot be used for any other purpose unless the County 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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 a County designee.

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.

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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. Supplemental appropriations were not material in relation to the budget originally appropriated.
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 a other 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	\$ 439,863,821	\$ 404,271,710	\$ (8,198,623)	\$ 27,393,488
Basis Adjustments:				
Encumbrance adjustment	-	(329,809)	-	329,809
Inventory adjustment	-	(345,416)	-	345,416
Net affect of basis adjustments	-	(675,225)	-	675,225
GAAP Basis	<u><u>\$ 439,863,821</u></u>	<u><u>\$ 403,596,485</u></u>	<u><u>\$ (8,198,623)</u></u>	<u><u>\$ 28,068,713</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

The following departments over expended their FY2011 budgets:

	Amended Budget	Actual	Variance
County Manager	\$ 1,162,192	\$ 1,208,979	\$ (46,787)
Citizens Service Administration	354,897	403,641	(48,744)
Indirect Cost Recovery	(5,373,888)	(5,158,419)	(215,469)

Variances for County Manager and Citizens Service Administration were due primarily to annual leave pay off for retiring employees. The variance for Indirect Cost Recovery was created because the off-setting recoveries did not materialize, primarily related to internal audit and Board of Education activities.

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 \$50,920,953 and the bank balance was \$53,496,970. 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)	\$ 28,008,560
National Credit Union Administration (NCUA)	915
Held by the government's agent, in the government's name	<u>25,487,495</u>
Total Bank Balance	<u><u>\$ 53,496,970</u></u>

The County's cash and investments as of June 30, 2011, totaled \$332,258,217 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:

NOTES TO FINANCIAL STATEMENTS
(Continued)

Total Primary Government - Exhibit II-A-1	
Cash	\$ 25,345,792
Equity in Pooled Invested Cash	193,217,211
Investments	97,216,780
Restricted Cash and Cash Equivalents	16,478,434
Total	\$ 332,258,217
Deposit & Investment Summary:	
Investments	\$ 286,633,930
Cash on Hand	12,193
Deposits	52,274,445
Less: Component Units and Agency Fund Cash Equivalents	
Pension Trust	(2,005,732)
OPEB Trust	(1,050,688)
Frederick County Public Libraries	(26,609)
Agency Funds	(3,579,322)
Total	\$ 332,258,217

Pension Trust Fund

At June 30, 2011, the carrying amount of the Pension Trust Fund's deposits was \$1,046,806 and the bank balance was \$1,047,451. The deposits of the Pension Trust Fund were not exposed to custodial risk at June 30, 2011.

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, 2011, BOE's cash on hand for petty cash was \$11,775. The carrying amount of the Board's deposits was \$10,707,517 and the bank balance was \$14,262,777. The deposits of the Board were not exposed to custodial risk at June 30, 2011.

At June 30, 2011, FCC's cash on hand for petty cash was \$8,152. The carrying amount of the College's deposits was \$15,880,489 and the bank balance was \$16,274,627. The deposits of the College were not exposed to custodial risk at June 30, 2011.

At June 30, 2011, the carrying amount and bank balance of FCPL's deposits was \$6,609.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

Primary Government

As of June 30, 2011, Frederick County held the following investments and maturities. The government's investment balances were as follows:

Investment Type (All funds)	Fair Value	0 - 18 Month Maturities	18 - 24 Month Maturities	> 24 Month Maturities
U. S. Treasuries	\$ 35,886,693	\$ 9,122	\$ 824,590	\$ 35,052,981
Repurchase Agreements	6,292,287	6,292,287	-	-
MD Local Government Investment Pool	177,633,943	177,633,943	-	-
Money Market Funds	11,783,207	11,783,207	-	-
Federal Agency Securities	55,037,800	55,037,800	-	-
Total Fair Value	\$ 286,633,930	\$ 250,756,359	\$ 824,590	\$ 35,052,981

Interest Rate Risk – The County recognizes that interest rate risk can result from market price losses due to changes in interest rates. Portfolio diversification of maturities is employed as a way to control these risks. The County's investment policy limits General fund investments to maturities within eighteen months from the date of purchase. Up to one-half of Water and Sewer Fund investments may have maturities from two to ten years, with the remaining investments maturing within two years. In all funds, portfolio maturities are staggered to avoid undue concentration of assets in a specific maturity sector. The Maryland Local Government Investment Pool is managed to a Weighted Average Maturity (WAM) of a sixty day maximum to reduce their exposure to interest rate risk.

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

1. U. S. Treasury securities
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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 following ratings:

Investment	Fair Value	Moody's	Standard & Poors	Fitch Ratings
MD Local Government Investment Pool	\$ 177,633,943	not rated	AAAm	not rated
Repurchase Agreement	6,292,287	Aa2	A+	A+
Federal Home Loan Bank (FHLB)	50,037,850	Aaa	AAA	not rated
Federal National Mortgage Assoc. (FNMA)	4,999,950	AAA	AA+	not rated

The repurchase agreements are collateralized with Small Business Administration (SBA) securities and are explicitly guaranteed by the U.S. Government. All other investments are debt securities of the U.S. government or obligations of the U.S. government that are explicitly guaranteed by the U.S. government.

Concentration of Credit Risk – To reduce this risk, the County seeks to maintain a balanced portfolio by issuer or financial institution and class of security or money market instrument. A portion of the portfolio shall be invested in marketable U. S. Treasury bills at all times. More than 5 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.

Investment Type		% of Portfolio
U. S. Treasuries	\$ 35,886,693	12.520 %
Repurchase Agreements	6,292,287	2.195
MD Local Government Investment Pool (MLGIP)	177,633,943	61.973
Money Market Funds	11,783,207	4.111
Federal Home Loan Bank (FHLB)	50,037,850	17.457
Federal National Mortgage Assoc. (FNMA)	4,999,950	1.744
Total Fair Value	\$ 286,633,930	100.000 %

NOTES TO FINANCIAL STATEMENTS
(Continued)

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investment policy requires that all securities purchased by the County and securities taken as collateral, shall be held in third-party safekeeping by an institution designated as primary agent. All securities shall be purchased, sold, titled or released using the delivery vs. payment procedure. Collateral shall be:

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

Pension Trust Fund

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

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

As of June 30, 2011, the Plan held the following investments and maturities:

Investment Type (All funds)	0 - 18 Month Maturities		18 - 24 Month Maturities		> 24 Month Maturities	
	Fair Value	Maturities	Fair Value	Maturities	Fair Value	Maturities
Money Market Funds	\$ 6,215,119	\$ 6,215,119	\$ -	\$ -	\$ -	\$ -
Mutual Funds	151,506,635	151,506,635	-	-	-	-
U.S. Government Securities (Fixed Income)	19,238,094	2,629,444	-	-	16,608,650	-
Corporate Bonds and Notes (Fixed Income)	11,716,304	543,027	301,980	-	10,871,297	-
Other Government Agencies (Fixed Income)	305,136	-	-	-	305,136	-
Common Stocks	109,927,584	109,927,584	-	-	-	-
Total Fair Value	\$ 298,908,872	\$ 270,821,809	\$ 301,980	\$ 27,785,083		

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Equities

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

Fixed Income

All debt instruments except:

1. Tax-exempt municipal bonds;
2. Securities of the asset manager, their parent or subsidiaries (excluding money market funds and publicly available market funds);
3. Common stock;
4. Inverse floaters;
5. CLOs (Collateralized Loan Obligations);
6. CBOs (Collateralized Bond Obligations);
7. Capped floaters;
8. Interest-only MBS (Mortgage Backed Securities) securities;
9. Principal-only MBS (Mortgage Backed Securities) securities;
10. Support CMO (Collateralized Mortgage Obligation) or Support MBS (Mortgage Backed Securities) tranches;
11. Swap contracts; and

NOTES TO FINANCIAL STATEMENTS
(Continued)

12. Derivative securities including, futures, options, swaps, and high risk mortgage derivatives (not permitted for active investment managers; permitted for index fund managers).

The money market funds are unrated, as are the mutual funds and common stocks used by the Plan. As of June 30, 2011, the Plan's fixed income investments had the following characteristics:

<u>Moody's Rating or Comparable</u>	<u>Fair Value</u>
AAA to A1	\$ 16,096,193
BAA3 to BA1	6,170,193
Not rated	<u>8,993,149</u>
Total Fair Value	<u><u>\$ 31,259,535</u></u>

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

Foreign Currency Risk – The Plan's exposure to foreign currency risk derives from its investment in foreign currency or instruments denominated in foreign currency. The Plan recognizes the value of global diversification and retains 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, 2011.

Component Units

The Board of Education's investments at June 30, 2011 are categorized in the following table:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30	
		Less than 1	1-5	6-10		
MLGIP	\$ 2,156,884	\$ 2,156,884	\$ -	\$ -	0.10%	
Money Market	30,949,517	30,949,517	- -	- -	0.25%	
Certificates of Deposit	11,075	11,075	- -	- -	Various	
Fixed Income Securities	7,469,816	7,469,816	- -	- -	0.00%	
Equity Securities	15,043,080	15,043,080	- -	- -	1.85%	
Totals	<u>\$ 55,630,372</u>	<u>\$ 55,630,372</u>	<u>\$ -</u>	<u>\$ -</u>		

NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment income includes the following for the year ended June 30, 2011:

Total net investment income per statement of activities at June 30, 2011 was \$369,693.

FCC's investments at June 30, 2011 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
MLGIP	\$ 8,407,827	\$ 8,407,827	\$ -	\$ -	0.10%

Investment income includes the following for the year ended June 30, 2011:

Total net investment income for FCC (excluding the FCC Foundation) at June 30, 2011 was \$29,433.

The Frederick Community College Foundation investments at June 30, 2011 are:

Investment Type	June 30, 2011			June 30, 2010		
	Cost	Market	Unrealized Gains (Losses)	Cost	Market	Unrealized Gains (Losses)
USMF Fund	\$ 9,650,411	\$ 9,460,944	\$ (189,467)	\$ 8,712,908	\$ 7,427,513	\$ (1,285,395)
Charitable Remainder Trust	486,758	351,990	(134,768)	479,043	287,794	(191,249)
Total Investments	\$ 10,137,169	\$ 9,812,934	\$ (324,235)	\$ 9,191,951	\$ 7,715,307	\$ (1,476,644)

On June 30, 2011, the Foundation had 352,295.5352 units of the University System of Maryland Foundation, Inc. Unitized Investment Fund valued at \$26.85514 per unit with a value of \$9,460,944.

FCPL's investments at June 30, 2011 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
MLGIP	\$ 283,338	\$ 283,338	\$ -	\$ -	0.10%
Certificates of Deposit	194,259	194,259	-	-	Various
Total Investments	\$ 477,597	\$ 477,597	\$ -	\$ -	

NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment income includes the following for the year ended June 30, 2011:

Total net investment income per statement of activities - \$1,329

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 AAA by Standard and Poor's, their highest rating for money market funds. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the BOE, FCC and FCPL will not be able to recover all or portion of the value of its investments or collateral securities that are in possession of an outside party. At June 30, 2011, all of the component unit investments were insured or registered, or securities were held by the unit or its agent in the unit's name or were invested in the MLGIP.

Foreign Currency Risk: There are no investments in foreign currency by the BOE, FCC or FCPL.

B. Receivables and Payables

1. *Accounts and Other Receivables*

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

Fire/Rescue Tax Districts	\$520,752
Water and Sewer	1,092
Solid Waste	39,183
Citizen's Nursing Home	213,882
Montevue Home	27,883

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

The receivable and payable balances between the primary government and its component units at June 30, 2011, are reconciled as follows:

	BOE	FCC	FCPL	TOTAL
Due from component units per Primary Government	\$ 11,526	\$ 4,566,511	\$ -	\$ 4,578,037
Less: Not recorded as payable by component unit in FY11	(11,526)	(63,632)	-	(75,158)
Due to primary government per Component Units	<u>\$ -</u>	<u>\$ 4,502,879</u>	<u>\$ -</u>	<u>\$ 4,502,879</u>
Due to component units per Primary Government	\$ 2,559,852	\$ -	\$ 2,461,067	\$ 5,020,919
Plus: Receivables recorded by component unit in FY11	151,373	-	-	151,373
Due from primary government per Component Units	<u>\$ 2,711,225</u>	<u>\$ -</u>	<u>\$ 2,461,067</u>	<u>\$ 5,172,292</u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2011 is as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 77,362,009	\$ 10,140,535	\$ (76,489)	\$ 87,426,055
Construction in progress	31,908,432	46,210,366	(30,087,988)	48,030,810
Total capital assets at historical cost not being depreciated	<u>109,270,441</u>	<u>56,350,901</u>	<u>(30,164,477)</u>	<u>135,456,865</u>
Capital assets being depreciated:				
Buildings and improvements	174,716,310	17,524,576	(351,649)	191,889,237
Equipment	92,382,680	2,875,345	(1,873,936)	93,384,089
Infrastructure	334,408,506	10,480,573	(126,583)	344,762,496
Total capital assets at historical cost being depreciated	<u>601,507,496</u>	<u>30,880,494</u>	<u>(2,352,168)</u>	<u>630,035,822</u>
Less accumulated depreciation for:				
Buildings and improvements	55,903,449	5,363,275	(161,759)	61,104,965
Equipment	49,895,997	9,064,753	(1,709,959)	57,250,791
Infrastructure	171,035,165	9,091,454	(126,583)	180,000,036
Total accumulated depreciation	<u>276,834,611</u>	<u>23,519,482</u>	<u>(1,998,301)</u>	<u>298,355,792</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>324,672,885</u>	<u>7,361,012</u>	<u>(353,867)</u>	<u>331,680,030</u>
Governmental activities capital assets, net	<u><u>\$ 433,943,326</u></u>	<u><u>\$ 63,711,913</u></u>	<u><u>\$ (30,518,344)</u></u>	<u><u>\$ 467,136,895</u></u>
Depreciation expense was charged to governmental functions as follows:				
General government				\$ 2,616,639
Public safety				5,455,561
Public works				2,856,870
Health				230,019
Social services				508,519
Rec and culture				2,701,126
Conservation of Natural Resources				6,900
Economic Development and Opportunity				52,394
Infrastructure				9,091,454
Total depreciation expense				<u>\$ 23,519,482</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 7,088,479	\$ -	\$ -	\$ 7,088,479
Construction in progress	139,944,629	45,286,954	(86,059,624)	99,171,959
Total capital assets at historical cost not being depreciated	<u>147,033,108</u>	<u>45,286,954</u>	<u>(86,059,624)</u>	<u>106,260,438</u>
Capital assets being depreciated:				
Buildings and improvements	133,915,845	63,405,232	(9,610)	197,311,467
Equipment	43,522,978	6,506,409	(41,634)	49,987,753
Infrastructure	281,181,443	16,375,562	-	297,557,005
Total capital assets at historical cost being depreciated	<u>458,620,266</u>	<u>86,287,203</u>	<u>(51,244)</u>	<u>544,856,225</u>
Less accumulated depreciation for:				
Buildings and improvements	54,571,505	3,978,802	(8,114)	58,542,193
Equipment	26,056,245	2,505,710	(36,641)	28,525,314
Infrastructure	42,505,943	3,899,503	-	46,405,446
Total accumulated depreciation	<u>123,133,693</u>	<u>10,384,015</u>	<u>(44,755)</u>	<u>133,472,953</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>335,486,573</u>	<u>75,903,188</u>	<u>(6,489)</u>	<u>411,383,272</u>
Business-type activities capital assets, net of accumulated depreciation	<u><u>\$ 482,519,681</u></u>	<u><u>\$ 121,190,142</u></u>	<u><u>\$ (86,066,113)</u></u>	<u><u>\$ 517,643,710</u></u>
Depreciation expense was charged to business-type functions as follows:				
Citizens Nursing Home				\$ 223,955
Montevue Home				194,967
Bell Court				71,346
Permitting & Development Review				239,655
Solid Waste				1,396,548
Water & Sewer				8,257,544
Total depreciation expense				<u><u>\$ 10,384,015</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Component units' capital asset activity for the year ended June 30, 2011 was as follows:

BOE	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	\$ 37,060,664	\$ 9,235,092	\$ -	\$ 46,295,756
Construction in progress	214,770,760	23,713,217	(233,116,049)	5,367,928
Total capital assets at historical cost not being depreciated	<u>251,831,424</u>	<u>32,948,309</u>	<u>(233,116,049)</u>	<u>51,663,684</u>
Capital assets being depreciated:				
Building and improvements	597,353,340	205,515,269	\$ -	802,868,609
Furniture and equipment	70,768,446	13,089,765	(2,812,405)	81,045,806
Total capital assets at historical cost being depreciated	<u>668,121,786</u>	<u>218,605,034</u>	<u>(2,812,405)</u>	<u>883,914,415</u>
Less accumulated depreciation for:				
Building and improvements	202,974,477	19,725,806	\$ -	222,700,283
Furniture and equipment	50,658,524	4,983,233	(2,650,500)	52,991,257
Total accumulated depreciation	<u>253,633,001</u>	<u>24,709,039</u>	<u>(2,650,500)</u>	<u>275,691,540</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>414,488,785</u>	<u>193,895,995</u>	<u>(161,905)</u>	<u>608,222,875</u>
BOE's capital assets, net of accumulated depreciation	<u>\$ 666,320,209</u>	<u>\$ 226,844,304</u>	<u>\$ (233,277,954)</u>	<u>\$ 659,886,559</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCC

Capital assets not being depreciated:

Land
 Construction in progress

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Land	\$ 271,620	\$ -	\$ -	\$ 271,620
Construction in progress	450,088	693,081	(430,675)	712,494
 Total capital assets at historical cost not being depreciated	 721,708	 693,081	 (430,675)	 984,114
 Capital assets being depreciated:				
Library collection	1,883,034	17,407	-	1,900,441
Building and improvements	75,062,072	5,737,785	-	80,799,857
Furniture and equipment	3,485,077	630,513	(32,533)	4,083,057
 Total capital assets at historical cost being depreciated	 80,430,183	 6,385,705	 (32,533)	 86,783,355
 Less accumulated depreciation for:				
Library collection	1,705,866	34,598	-	1,740,464
Building and improvements	23,993,244	2,156,084	-	26,149,328
Furniture and equipment	2,403,897	321,784	(41,309)	2,684,372
Total accumulated depreciation	28,103,007	2,512,466	(41,309)	30,574,164
 Total capital assets being depreciated, net of accumulated depreciation	 52,327,176	 3,873,239	 8,776	 56,209,191
 FCC's capital assets, net of accumulated depreciation	 \$ 53,048,884	 \$ 4,566,320	 \$ (421,899)	 \$ 57,193,305

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCPL

Capital assets being depreciated:

Library collection

Furniture and equipment

Total capital assets at historical cost being depreciated

Less accumulated depreciation for:

Library collection

Furniture and equipment

Total accumulated depreciation

Total capital assets being depreciated, net of accumulated depreciation

FCPL's capital assets, net of accumulated depreciation

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Library collection	\$ 9,931,255	\$ 1,457,464	\$ (1,049,927)	\$ 10,338,792
Furniture and equipment	187,619	35,175	-	222,794
Total capital assets at historical cost being depreciated	10,118,874	1,492,639	(1,049,927)	10,561,586
Less accumulated depreciation for:				
Library collection	6,036,911	1,579,577	(1,049,927)	6,566,561
Furniture and equipment	75,668	19,363	-	95,031
Total accumulated depreciation	6,112,579	1,598,940	(1,049,927)	6,661,592
Total capital assets being depreciated, net of accumulated depreciation	4,006,295	(106,301)	-	3,899,994
FCPL's capital assets, net of accumulated depreciation	\$ 4,006,295	\$ (106,301)	\$ -	\$ 3,899,994

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>Due from Other Funds</u>	
General Fund	\$ 10,162	\$ 10,162	
Total Due to Other Funds	\$ 10,162	\$ 10,162	

Interfund balances due from the nonmajor governmental funds include \$10,162 from the Grants Fund. The amount due from the Grant Fund is primarily the additional cash amounts needed during the year ended June 30, 2011, 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, 2011 consists of the following:

<u>Transfers Out</u>	<u>Transfers In</u>								<u>Total Transfers to Other Funds</u>
	<u>General Fund</u>	<u>Agricultural Preservation</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service Funds</u>	
General Fund	\$ -	\$ 238,887	\$ 3,082,682	\$ 5,733,956	\$ 478,075	\$ 149,737	5,107,389	\$ 129,592	\$ 14,920,318
Agricultural Preservation	200,000	-	-	-	-	-	-	-	200,000
Capital projects	4,500,000	-	-	-	-	-	-	-	4,500,000
Nonmajor governmental	347,695	-	148,669	-	-	-	-	-	496,364
Water and Sewer	-	-	-	-	-	-	-	31,655	31,655
Internal service funds	1,674,000	-	-	-	108,736	14,241	-	2,243	1,799,220
Total Transfers in from Other Funds	<u>\$ 6,721,695</u>	<u>\$ 238,887</u>	<u>\$ 3,231,351</u>	<u>\$ 5,733,956</u>	<u>\$ 586,811</u>	<u>\$ 163,978</u>	<u>\$ 5,107,389</u>	<u>\$ 163,490</u>	<u>\$ 21,947,557</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Primary activities include:

- Transfers of pay-go funding from the General Fund and various non-major governmental funds to the Capital Projects Fund;
- Transfers of matching County grants funding from the General Fund to the Grants Fund and;
- Transfers to the enterprise funds of the Citizens Care and Rehabilitation Center and Montevue Home for operating purposes from the General Fund.
- Transfers to enterprise funds from the General Fund to fund 100 percent of the annual required contribution for other post-employment benefits

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 2011 were 1,251,047.

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

<u>Years Ending June 30,</u>	<u>Total Payment</u>
2012	\$ 909,778
2013	906,244
2014	558,285
2015	485,407
2016	478,512
2017-2021	2,195,484
2022-2026	1,246,124
2027-2031	486,891
2032-2036	414,891
2037-2041	13,830
Total	<u>\$ 7,695,446</u>

The County subleases a portion of one of these buildings to other companies and government agencies; this does not, however, release the County from the lease obligation. Lease revenues from subleases for Fiscal Year 2011 totaled \$118,376.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

<u>Years Ending June 30,</u>	<u>Total Payment</u>
2012	\$ 120,136
2013	123,139
2014	20,607
2015	-
2016	-
2017-thereafter	-
	<hr/> <u>\$ 263,882</u>

The County is committed under various rental lease agreements as lessor. All leases are considered for accounting purposes to be collectable leases. Lease revenues for Fiscal Year 2011 totaled \$327,391.

Future minimum lease revenues for these rentals are as follows:

<u>Years Ending June 30,</u>	<u>Total Payment</u>
2012	\$ 182,594
2013	78,877
2014	38,400
2015	38,400
2016	38,400
2017-thereafter	361,600
	<hr/> <u>\$ 738,271</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Non-Current Liabilities

1. *Changes in Non-Current Liabilities*

Primary Government:

	Balance July 1, 2010	Additions	Principal Repayments & Reductions	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 435,384,332	\$ -	\$ (25,605,747)	\$ 409,778,585	\$ 28,417,445
Unamortized Premium on Bonds	17,300,533	-	(3,193,634)	14,106,899	2,874,125
Deferred Loss on Bond Refunding	(9,823,838)	-	1,057,399	(8,766,439)	(1,037,314)
Installment Purchase Agreements	48,555,908	4,467,570	-	53,023,478	-
Notes Payable	2,922,118	-	(829,738)	2,092,380	847,510
Capital Lease Obligations	5,850,235	-	(1,778,730)	4,071,505	1,489,359
Compensated Absences	10,257,377	9,411,575	(10,219,159)	9,449,793	453,750
Net OPEB Obligation	13,701,453	16,175,350	(7,681,822)	22,194,981	-
Termination Benefits	230,054	43,533	(50,277)	223,310	-
Total Governmental Activity- Long Term Liabilities	<u>\$ 524,378,172</u>	<u>\$ 30,098,028</u>	<u>\$ (48,301,708)</u>	<u>\$ 506,174,492</u>	<u>\$ 33,044,875</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, Fire/Rescue Tax Districts, Agricultural Preservation, Impact Fee, Economic Development Loan, School Construction and Hotel Rental Tax Funds. A portion of the notes payable are repaid to the County by private users, as discussed in this section under Note 3.F.5 (Notes Payable). The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund. The additions to the unamortized premium on bonds payable for governmental activities are recorded as an Other Financing Source in the respective fund.

The Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities related to the Internal Service Funds are included as part of the above totals for governmental activities. At June 30, 2011, Internal Service Funds compensated absences totaling \$167,741 are included in the above amounts.

NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Principal Repayments & Reductions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
Business-type Activities:					
Bonds Payable	\$ 155,260,668	\$ -	\$ (9,754,253)	\$ 145,506,415	\$ 10,452,555
Unamortized Premium on Bonds	5,836,193	-	(1,051,428)	4,784,765	956,292
Deferred Loss on Bond Refundings	(3,050,961)	-	337,119	(2,713,842)	(312,359)
Notes Payable	28,232,168	16,519,083	(2,958,473)	41,792,778	3,050,075
Landfill Closure Costs	13,542,365	672,652	(249,360)	13,965,657	258,056
Compensated Absences	1,690,158	2,083,206	(2,155,838)	1,617,526	107,111
Net OPEB Obligation	-	3,533,100	(3,533,100)	-	-
Termination Benefits	<u>44,647</u>	<u>3,544</u>	<u>(24,362)</u>	<u>23,829</u>	<u>-</u>
Total Business-type Activities - Long Term Liabilities	<u>\$ 201,555,238</u>	<u>\$ 22,811,585</u>	<u>\$ (19,389,695)</u>	<u>\$ 204,977,128</u>	<u>\$ 14,511,730</u>

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

The debt limit for the primary government's water, sewer and solid waste activities at June 30, 2011 was \$1,614,294,873 and the legal debt margin was \$1,430,067,178.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

Component Units:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Net Changes</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
Board of Education				
Capital lease obligations	\$ 17,918,100	\$ (1,634,660)	\$ 16,283,440	\$ 436,265
Compensated absences	6,741,003	511,402	7,252,405	4,131,934
Net OPEB liability	71,386,728	51,526,743	122,913,471	-
Termination benefits payable	21,366,415	(531,220)	20,835,195	1,826,252
Board of Education - Long-term Liabilities	<u>\$ 117,412,246</u>	<u>\$ 49,872,265</u>	<u>\$ 167,284,511</u>	<u>\$ 6,394,451</u>
Frederick Community College				
Certificates of Participation	\$ -	\$ 7,511,476	\$ 7,511,476	\$ -
Compensated absences	1,685,523	(73,645)	1,611,878	163,204
Net OPEB liability	79,633	65,232	144,865	-
Frederick Community College - Long-term Liabilities	<u>\$ 1,765,156</u>	<u>\$ 7,503,063</u>	<u>\$ 9,268,219</u>	<u>\$ 163,204</u>
Frederick County Public Libraries				
Compensated absences	\$ 439,930	\$ 2,459	\$ 442,389	\$ 22,712
Net OPEB liability	883,784	558,570	1,442,354	-
Frederick County Public Libraries - Long-term Liabilities	<u>\$ 1,323,714</u>	<u>\$ 561,029</u>	<u>\$ 1,884,743</u>	<u>\$ 22,712</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 \$70,114,094 which is the remaining authorization under Chapter 382 of the Laws of Maryland of 2007, as of June 30, 2011.

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)

Governmental Activities	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/11
Public Facilities Refunding Bonds of 1998, Series A (1)	General	10/15/98	Due serially to 07/1/2015	3.30-5.00%	\$ 19,346,419	\$ 10,274,178
Public Facilities Bonds of 2000 (3)	General	11/15/00	Due serially to 12/1/2010	5.00%	36,161,520	-
Public Facilities Bonds of 2000 (3)	Impact Fee	11/15/00	Due serially to 12/1/2010	5.00%	16,653,480	-
Public Facilities Refunding Bonds of 2002, Series A (6)	General	04/01/02	Due serially to 07/1/2016	5.0000%	13,999,267	2,822,783
Public Facilities Bonds of 2002	General	11/01/02	Due serially to 11/1/2022	2.00-4.68%	38,200,000	13,602,172
Public Facilities and Refunding Bonds of 2003	General	09/01/03	Due serially to 08/1/2018	2.00-4.25%	33,013,847	14,987,607
Public Facilities and Refunding Bonds of 2003	Fire-Urban	09/01/03	Due serially to 08/1/2018	2.00-4.25%	2,505,905	1,489,963
Public Facilities and Refunding Bonds of 2003	Impact Fee	09/01/03	Due serially to 08/1/2018	2.00-4.25%	6,269,108	3,727,490
Public Facilities Refunding Bonds of 2005	General	05/19/05	Due serially to 08/1/2020	3.50-5.00%	62,517,781	59,048,328
Public Facilities Refunding Bonds of 2005	Impact Fee	05/19/05	Due serially to 08/1/2020	3.50-5.00%	29,264,191	28,050,247
Public Facilities Refunding Bonds of 2006	General	02/01/06	Due serially to 11/01/2022	4.00-5.25%	12,608,476	12,608,476
Public Facilities Bonds of 2007	General	05/15/07	Due serially to 06/01/2027	4.00-5.00%	37,886,000	32,453,392
Public Facilities Bonds of 2007	Hotel Rental	05/15/07	Due serially to 06/01/2027	4.00-5.00%	1,285,000	1,100,739
Public Facilities Bonds of 2007	Impact Fee	05/15/07	Due serially to 06/01/2027	4.00-5.00%	8,172,000	7,000,188
Public Facilities Bonds of 2007	Fire-Urban	05/15/07	Due serially to 06/01/2027	4.00-5.00%	2,402,780	2,066,991
Public Facilities Bonds of 2007	Fire-Sub	05/15/07	Due serially to 06/01/2027	4.00-5.00%	110,220	85,661
Public Facilities Bonds of 2008	General	06/15/08	Due serially to 06/01/2028	3.50-5.00%	36,402,805	32,383,271
Public Facilities Bonds of 2008	CCRC	06/15/08	Due serially to 06/01/2028	3.50-5.00%	6,700,000	5,960,198
Public Facilities Bonds of 2008	Impact Fee	06/15/08	Due serially to 06/01/2028	3.50-5.00%	11,094,300	9,869,287
Public Facilities Bonds of 2008	Fire-Urban	06/15/08	Due serially to 06/01/2028	3.50-5.00%	2,122,252	1,887,917
Public Facilities Bonds of 2008	School Const	06/15/08	Due serially to 06/01/2028	3.50-5.00%	3,094,748	2,753,031
Public Facilities Bonds of 2008	Fire-Sub	06/15/08	Due serially to 06/01/2028	3.50-5.00%	1,640,895	1,459,710
Public Facilities Bonds of 2010A	CCRC	01/26/10	Due serially to 06/01/2020	2.00-5.00%	2,550,474	2,347,564
Public Facilities Bonds of 2010A	Fire-Sub	01/26/10	Due serially to 06/01/2020	2.00-5.00%	147,902	136,135
Public Facilities Bonds of 2010A	Fire-Urban	01/26/10	Due serially to 06/01/2020	2.00-5.00%	1,477,863	1,360,288
Public Facilities Bonds of 2010A	General	01/26/10	Due serially to 06/01/2020	2.00-5.00%	25,073,567	23,078,769
Public Facilities Bonds of 2010A	Impact Fee	01/26/10	Due serially to 06/01/2020	2.00-5.00%	148,431	136,622
Public Facilities Bonds of 2010A	School Const	01/26/10	Due serially to 06/01/2020	2.00-5.00%	17,815,220	16,397,879
Public Facilities Bonds of 2010B (BAB)	CCRC	01/26/10	Due serially to 06/01/2030	4.90-5.90%	3,849,526	3,849,526
Public Facilities Bonds of 2010B (BAB)	Fire-Sub	01/26/10	Due serially to 06/01/2030	4.90-5.90%	223,234	223,234
Public Facilities Bonds of 2010B (BAB)	Fire-Urban	01/26/10	Due serially to 06/01/2030	4.90-5.90%	2,230,595	2,230,595
Public Facilities Bonds of 2010B (BAB)	General	01/26/10	Due serially to 06/01/2030	4.90-5.90%	37,844,476	37,844,476
Public Facilities Bonds of 2010B (BAB)	Impact Fee	01/26/10	Due serially to 06/01/2030	4.90-5.90%	224,032	224,032
Public Facilities Bonds of 2010B (BAB)	School Const	01/26/10	Due serially to 06/01/2030	4.90-5.90%	26,889,180	26,889,180
Pub Fac Bonds of 2010C Refunding	CCRC	04/27/10	Due serially to 12/01/2020	2.00-5.00%	628,280	592,142
Pub Fac Bonds of 2010C Refunding	Fire-Urban	04/27/10	Due serially to 12/01/2020	2.00-5.00%	209,427	197,381
Pub Fac Bonds of 2010C Refunding	General	04/27/10	Due serially to 12/01/2020	2.00-5.00%	37,089,587	34,956,230
Pub Fac Bonds of 2010C Refunding	Impact Fee	04/27/10	Due serially to 12/01/2020	2.00-5.00%	16,640,022	15,682,903
					\$ 554,492,810	\$ 409,778,585

NOTES TO FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize governmental activities bond debt as of June 30, 2011 are as follows:

Years Ending June 30,	Public Facilities Bonds	
	Principal	Interest
2012	\$ 28,417,445	\$ 18,658,578
2013	28,033,086	17,598,067
2014	28,336,906	16,504,759
2015	29,564,219	15,209,360
2016	30,842,316	13,846,375
2017-2021	147,976,888	48,089,393
2022-2026	73,014,729	22,505,454
2027-2030	43,592,996	5,421,694
	\$ 409,778,585	\$ 157,833,680

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NOTES TO FINANCIAL STATEMENTS
(Continued)

Business Type Activities	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/11
Public Facilities Refunding Bonds of 1998, Series A (1)	W&S	10/15/98	07/01/15	3.30-5.00%	\$ 2,849,000	\$ 1,513,000
Public Facilities Refunding Bonds of 1998, Series A (1)	SW	10/15/98	07/01/15	3.30-5.00%	6,294,581	3,342,822
Public Facilities Bonds of 2000	W&S	11/15/00	12/01/10	5.00%	14,185,000	-
Public Facilities Bonds of 2000	SW	11/15/00	12/01/10	5.00%	5,000,000	-
Public Facilities Refunding Bonds of 2002, Series A (6)	W&S	04/01/02	07/01/16	5.00%	8,590,733	1,732,217
Public Facilities Bonds of 2002	W&S	11/01/02	11/01/16	2.00-4.68%	16,680,000	5,939,377
Public Facilities Bonds of 2002	SW	11/01/02	11/01/16	2.00-4.68%	6,820,000	2,428,451
Public Facilities and Refunding Bonds of 2003	W&S	09/01/03	08/01/18	2.00-4.25%	7,216,140	1,754,940
Public Facilities Refunding Bonds of 2005	W&S	05/19/05	08/01/20	3.50-5.00%	12,091,361	11,878,231
Public Facilities Refunding Bonds of 2005	SW	05/19/05	08/01/20	3.50-5.00%	3,141,667	3,138,194
Public Facilities Refunding Bonds of 2006	W&S	02/01/06	11/01/22	4.00-5.25%	5,505,482	5,505,482
Public Facilities Refunding Bonds of 2006	SW	02/01/06	11/01/22	4.00-5.25%	2,251,042	2,251,042
Public Facilities Bonds of 2007	DPDR	05/15/07	06/01/27	4.00-5.00%	3,034,000	2,598,944
Public Facilities Bonds of 2007	SW	05/15/07	06/01/27	4.00-5.00%	7,200,000	6,167,566
Public Facilities Bonds of 2007	W&S	05/15/07	06/01/27	4.00-5.00%	31,790,000	27,231,519
Public Facilities Bonds of 2008	SW	06/15/08	06/01/28	3.50-5.00%	815,000	725,009
Public Facilities Bonds of 2008	W&S	06/15/08	06/01/28	3.50-5.00%	17,510,000	15,576,577
Public Facilities Bonds of 2010A	SW	01/26/10	02/01/20	2.00-5.00%	318,809	293,445
Public Facilities Bonds of 2010A	W&S	01/26/10	02/01/20	2.00-5.00%	12,172,734	11,204,298
Public Facilities Bonds of 2010B (BAB)	SW	01/26/10	02/01/30	4.90-5.90%	481,191	481,191
Public Facilities Bonds of 2010B (BAB)	W&S	01/26/10	02/01/30	4.90-5.90%	18,372,766	18,372,766
Public Facilities Bonds of 2010C Refunding	DPDR	04/27/10	12/01/20	2.00-5.00%	3,218,967	3,033,815
Public Facilities Bonds of 2010C Refunding	SW	04/27/10	12/01/20	2.00-5.00%	4,266,102	4,020,719
Public Facilities Bonds of 2010C Refunding	W&S	04/27/10	12/01/20	2.00-5.00%	17,312,615	16,316,810
					\$ 207,117,190	\$ 145,506,415

NOTES TO FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize business-type bond debt as of June 30, 2011 are as follows:

Years Ending June 30,	Public Facilities Bonds	
	Principal	Interest
2012	\$ 10,452,554	\$ 6,481,494
2013	9,401,913	6,119,869
2014	9,563,094	5,761,817
2015	9,960,781	5,328,343
2016	10,372,684	4,871,093
2017-2021	50,928,113	17,452,302
2022-2026	30,950,271	7,857,506
2027-2030	<u>13,877,005</u>	<u>1,539,188</u>
	<u><u>\$ 145,506,415</u></u>	<u><u>\$ 55,411,612</u></u>

3. Agricultural Preservation Installment Purchase Agreements

The County acquires development rights on a parcel of agricultural property by entering into an installment purchase agreement with the property owner. Under the terms of the agreement, the County pays the property owner annual or semi-annual interest payments for the term of the agreement, which range in length from 10 to 20 years. At the time the agreement is made, the County purchases securities with maturities that coincide with the principal payment due to the property owner at the end of the agreement. The interest rate of the investment is the interest rate paid to the owner on the installment purchase agreement. Recordation taxes and Rural Legacy grant funds are the revenue source for the investment purchases.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

Installment Purchase Agreements	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Amount of Original Issue	Amount Outstanding 6/30/11
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
Installment Purchase Agreement #05-41	Ag Pres	07/20/05	05/15/25	4.52%	541,512	541,512

NOTES TO FINANCIAL STATEMENTS
(Continued)

Installment Purchase Agreements	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Amount of Original Issue	Amount Outstanding 6/30/11
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
Installment Purchase Agreement #07-82	Ag Pres	12/13/07	05/15/17	4.22%	1,151,068	1,151,068
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 #08-83	Ag Pres	02/07/08	05/15/20	4.20%	1,284,116	1,284,116

NOTES TO FINANCIAL STATEMENTS
(Continued)

Installment Purchase Agreements	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Amount of Original Issue	Amount Outstanding 6/30/11
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%	433,274	433,274
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	195,197
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 #10-104A	Ag Pres	01/13/11	05/15/31	4.70%	156,973	156,973
Installment Purchase Agreement #10-104B	Ag Pres	01/13/11	05/15/31	4.70%	156,973	156,973
Installment Purchase Agreement #10-104C	Ag Pres	01/13/11	05/15/31	4.70%	156,973	156,973
Installment Purchase Agreement #10-104D	Ag Pres	01/13/11	05/15/31	4.70%	156,973	156,973
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
Total Installment Purchase Agreements					\$ 53,023,478	\$ 53,023,478

NOTES TO FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize installment purchase agreement debt as of June 30, 2011 are as follows:

Years Ending June 30,	Installment Purchase Agreements	
	Principal	Interest
2012	\$ -	\$ 2,438,164
2013	827,100	2,495,987
2014	972,759	2,473,224
2015	3,154,400	2,483,476
2016	2,630,349	2,342,494
2017-2021	11,625,649	9,632,794
2022-2026	17,080,454	6,754,024
2027-2031	<u>16,732,767</u>	<u>2,468,615</u>
	<u><u>\$ 53,023,478</u></u>	<u><u>\$ 31,088,778</u></u>

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.

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 15,035,330
Less: Accumulated depreciation	<u>(7,555,690)</u>
Total:	<u><u>\$ 7,479,640</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Years Ending June 30,	Total Payment
2012	\$ 1,624,140
2013	1,131,995
2014	634,632
2015	402,013
2016	402,012
2017	201,006
	<hr style="border-top: 1px solid black;"/>
	4,395,798
Less: amount representing interest	(324,293)
Present value-net minimum lease payments	<hr style="border-top: 1px solid black;"/> <hr style="border-top: 1px solid black;"/> \$ 4,071,505

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 \$1,182,000 for technology upgrades, \$1,178,477 for a new central office building, and \$87,193 for the food service equipment.

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:

	Governmental Activities
Asset:	
Building	\$ 16,361,160
Machinery and equipment	15,364,560
Less: Accumulated depreciation	(10,618,146)
Total	<hr style="border-top: 1px solid black;"/> \$ 21,107,574

NOTES TO FINANCIAL STATEMENTS
(Continued)

As of June 30, 2011, the minimum obligation under capital leases was as follows:

Years Ending June 30,	Governmental Activities
2012	\$ 1,178,482
2013	1,178,492
2014	1,178,504
2015	1,178,522
2016	1,178,544
2017-2021	5,893,228
2022-2026	5,894,605
2027-2031	5,896,860
2032-2033	<u>2,359,515</u>
Total Obligations	25,936,752
Less: Portion representing interest	<u>(9,653,312)</u>
Present value of lease obligation	<u><u>\$ 16,283,440</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 FY2014.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize the certificates of participation as of June 30, 2011 are as follows:

Years Ending June 30,	Certificates of Participation			
	Princial	Less Discount	Net	Interest
2012	\$ -	\$ 5,664	\$ (5,664)	\$ 469,277
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
2017-2021	1,415,000	27,395	1,387,605	2,047,088
2022-2026	1,555,000	26,003	1,528,997	1,640,978
2027-2031	1,855,000	26,003	1,828,997	1,080,487
2032-2035	1,765,000	20,803	1,744,197	337,875
	<u>\$ 7,640,000</u>	<u>\$ 128,524</u>	<u>\$ 7,511,476</u>	<u>\$ 7,410,110</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, 2011 was \$344,343. 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, 2011 was \$104,558.

NOTES TO FINANCIAL STATEMENTS
(Continued)

United States Environmental Protection Agency

On April 17, 1992, the County entered into a loan agreement with the United States Environmental Protection Agency. These funds were provided in accordance with the provisions of the Asbestos School Hazard Abatement Reauthorization Act of 1990, 20 U.S.C. 4011 et. seq, for the purpose of removing asbestos from Frederick County Public Schools. The original amount of this loan was \$1,370,471, and the balance due as of June 30, 2011, is \$38,069. This is a non-interest bearing note. Semi-annual principal payments of \$38,069 are required, with a final payment due on November 30, 2011.

Maryland State Retirement System

Effective June 30, 1993, the County withdrew from the Maryland State Retirement System for all hires after June 30, 1993. The State calculated a net unfunded amount due from the County, which is further explained in Note 4.D. The original amount of this liability was \$7,036,995. Under the Reformed Plan, established in 1999, this liability was increased to \$7,388,271. The balance due at June 30, 2011 is \$1,605,410.

	Paying Fund	Amount of Original Issue	Date of Debt Issue	Date of Debt Maturity	Annual Rate/ Payment Frequency	Amount Outstanding 06/30/11
Governmental Activity:						
MD Industrial Land Act Loan - Dan Jay LLC	Econ Dev	\$ 630,000	02/11/94	02/11/21	5.23%/Quarterly	\$ 344,343
MD Industrial Land Act Loan - State Farm	General	181,059	05/12/94	05/12/21	5.93%/Quarterly	104,558
EPA Asbestos School Hazard Abatement	General	1,370,471	04/17/92	11/30/11	0.00%/Semi-annually	38,069
Maryland State Retirement System	General	7,388,271	06/30/93	12/31/12	7.5%/Annually	1,605,410
Total Notes Payable		\$ 9,569,801				\$ 2,092,380

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

Years Ending June 30,	Principal	Interest
2012	\$ 847,510	\$ 112,148
2013	869,432	52,157
2014	39,786	19,459
2015	41,973	17,272
2016	44,281	14,964
2017-2021	249,398	35,499
	\$ 2,092,380	\$ 251,499

NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2011, 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, 2011, \$50,001,588 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, 2011 is \$41,792,778. These loans have interest rates of 1.00 – 4.56 percent.

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

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

As of June 30, 2005, the Site A landfill was 100 percent to capacity. Total capacity of Site A is 3,228,000 tons. In Fiscal Year 2011, \$249,360 of operating activities such as leachate treatment and well testing related to Site A were incurred. The liability for Site A closure was decreased \$2,091 to reflect the variance between estimated and actual costs. The total remaining estimated costs for closure and post closure care of Site A are \$3,773,056 as of June 30, 2011. This entire amount is reported as a liability for Site A.

As of June 30, 2011, the Site B landfill had capacity used of 2,009,096 tons, which is 48.75 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 \$20,907,347. The resulting liability is \$10,192,601, with \$10,714,746 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 \$13,965,657 as of June 30, 2011. 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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Fund Balances/Net Assets

1. *Governmental Activities- Nonspendable*

	General Fund	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Inventory	\$ 1,481,274	\$ -	\$ -	\$ -	\$ 1,481,274
Prepaid	89,963	-	-	-	89,963
Long-term receivables	77,452	-	-	5,328,368	5,405,820
Agricultural compliance monitoring	-	199,067	-	-	199,067
Total nonspendable fund balances	<u>\$ 1,648,689</u>	<u>\$ 199,067</u>	<u>\$ -</u>	<u>\$ 5,328,368</u>	<u>\$ 7,176,124</u>

2. *Governmental Activities – Restricted*

	General Fund	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Debt service	\$ 1,748,141	\$ -	\$ -	\$ 138,563	\$ 1,886,704
Enabling legislation *	20,213,585	-	-	-	20,213,585
School and library construction	-	-	5,886,686	-	5,886,686
Parks construction	-	-	160,259	-	160,259
Roads and bridges construction	-	-	8,556,496	-	8,556,496
General government/other construction	-	-	697,904	-	697,904
Sheriffs activities	-	-	-	47,207	47,207
Rural Legacy	-	1,700,060	-	-	1,700,060
Total restricted fund balances	<u>\$ 21,961,726</u>	<u>\$ 1,700,060</u>	<u>\$ 15,301,345</u>	<u>\$ 185,770</u>	<u>\$ 39,148,901</u>

* 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, 2011 the required balance is \$20,213,585. 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*.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

3. *Governmental Activities – Committed*

	General Fund	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Bond rating enhancement	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Length of Service Award Program	129,611	-	-	-	129,611
Encumbrances	1,017,253	-	-	-	1,017,253
School and library construction	-	-	911,248	-	911,248
Parks construction	-	-	14,694,433	-	14,694,433
Roads and bridges construction	-	-	2,427,594	-	2,427,594
General government/other construction	-	-	10,428,278	-	10,428,278
Fire/Rescue services	-	-	-	8,435,797	8,435,797
Electric lighting	-	-	-	6,356	6,356
Tourism	-	-	-	75,057	75,057
Sheriffs activities	-	-	-	532,585	532,585
Installment purchase agreements	-	40,609,400	-	-	40,609,400
Total committed fund balances	<u>\$ 1,246,864</u>	<u>\$ 40,609,400</u>	<u>\$ 28,461,553</u>	<u>\$ 9,049,795</u>	<u>\$ 79,367,612</u>

4. *Governmental Activities – Assigned*

	General Fund	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Snow removal	\$ 675,601	\$ -	\$ -	\$ -	\$ 675,601
Lobbying monitoring	2,657	-	-	-	2,657
FY 12 budget	20,129,637	-	-	-	20,129,637
FY 13 budget	38,855,177	-	-	-	38,855,177
Encumbrances	705,051	-	-	-	705,051
Grant activities	-	-	-	750,174	750,174
Fire/Rescue services	-	-	-	592,293	592,293
Electric lighting	-	-	-	2,803	2,803
Loan activities	-	-	-	1,551,529	1,551,529
Agricultural Preservation	-	3,018,507	-	-	3,018,507
Total assigned fund balances	<u>\$ 60,368,123</u>	<u>\$ 3,018,507</u>	<u>\$ -</u>	<u>\$ 2,896,799</u>	<u>\$ 66,283,429</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	\$ 127,516,675	\$ -
Other Amounts Restricted by 3rd Parties	<u>15,986,731</u>	<u>4,371,265</u>
 Total Restricted Net Assets	 <u>\$ 143,503,406</u>	 <u>\$ 4,371,265</u>

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, 2011, the calculation of these reserves is \$83,081,517 (detailed below). These reserves are a part of the \$418,331,391 net asset balance.

Reserved for:	
Operating Reserves	\$ 4,487,514
3 R Reserves	1,874,975
Tap Credits	2,895,846
Cash Funding of Capital Projects	5,005,629
System Development	<u>68,817,553</u>
Total Water and Sewer Reserves	<u>83,081,517</u>
Unfunded reserves	(3,584,734)
Unrestricted net assets	<u>\$ 79,496,783</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

7. Investment in Capital Assets Net of Related Debt

As of June 30, 2011, 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)	\$ 467,136,895	\$ 517,643,710
Debt related to Capital Assets	(195,904,587)	(179,331,736)
Unspent bond proceeds included in debt related to capital assets	<u>11,621,108</u>	-
 Investment in Capital Assets net of related debt (Exhibit II-A-1)	 <u>\$ 282,853,416</u>	 <u>\$ 338,311,974</u>

8. Restatement of Beginning Fund Balances:

	School Construction Special Revenue Fund	Impact Fees Special Revenue Fund	Development Road Improvement Special Revenue Fund	Parks Acquisition & Development Special Revenue Fund	Nursing Home Construction Special Revenue Fund	Capital Projects Fund
Ending Fund Balance in Prior Comprehensive Annual Financial Report (as of June 30, 2010)	\$ 13,417,135	\$ 11,551,411	\$ 2,383,589	\$ 6,330,226	\$ 6,909,215	\$ 66,106,304
GASB No. 54 Elimination/Consolidation	<u>(13,417,135)</u>	<u>(11,551,411)</u>	<u>(2,383,589)</u>	<u>(6,330,226)</u>	<u>(6,909,215)</u>	<u>40,591,576</u>
Beginning Balance Restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,697,880</u>

The above noted Special Revenue Funds had as their sole purpose the accumulation of revenues to contribute to capital projects and/or to pay debt service on general obligation debt issued for related construction. They do remain in the budgetary section, however, as the Board of County Commissioners has adopted legal budgets for these funds.

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4. OTHER INFORMATION

A. Commitments and Contingencies

1. Construction Commitments

As of June 30, 2011, the County had the following commitments with respect to unfinished capital projects:

	Total Project Budget	Total Expenditures	Amount Funded	Required Future Funding
General government	\$ 99,577,407	\$ 59,439,719	\$ 45,827,993	\$ 53,749,414
Roads and Bridges	32,366,784	18,143,386	20,842,490	11,524,294
Board of Education	99,143,081	90,244,072	68,227,552	30,915,529
Frederick Community College	25,304,662	18,511,254	21,746,012	3,558,650
Parks and Recreation	26,777,184	12,057,980	19,854,841	6,922,343
Watershed Restoration	659,275	234,809	659,275	-
Municipal	103,964	25,676	21,879	82,085
	<u>\$ 283,932,357</u>	<u>\$ 198,656,896</u>	<u>\$ 177,180,042</u>	<u>\$ 106,752,315</u>

2. Federal Financial Assistance

The County participates in a number of federally assisted programs, principal of which are the Child Support Enforcement, Mass Transit Programs, Section 8 Housing, Capital Projects, and State Homeland Security Programs. Audits of these programs are conducted according to the Federal Office of Management and Budget Circular A-133. The Single Audit Report for the year ended June 30, 2011 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, 2011.

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Economic Dependency

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

Citizens Care and Rehabilitation Center, a non-major enterprise fund, has two payor types that individually exceed 10 percent of total operating revenues for this fund. They are Medicaid (46.20 percent) and Medicare (23.78 percent).

The Solid Waste Enterprise Fund has three customers which account for 23.87 percent of total operating revenues. Two commercial haulers accounted for \$4,380,016, or 17.82 percent, of the Fiscal Year 2011 operating revenues. A single municipality accounted for \$1,487,759 or 6.05 percent of the Fiscal Year 2011 operating revenues. Should the revenues from any of these customers decrease significantly, certain variable operating expenses, such as transfer expense and closure and post closure care costs, would decrease.

5. Risk Management

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

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

6. Contingent Liability

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

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 County issued bonds on May 31, 2007, that will require arbitrage rebate in the amount of \$108,986. The County has elected a computation period through November 30, 2011, so as to limit the arbitrage liability. All funds from this bond issue have been spent. No further arbitrage rebate calculations are required.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, neither the bonds nor the assets are reported in the accompanying financial statements.

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 6/30/2011
Toys'R-Us	\$ 1,890,094	09/26/96	09/15/18	8.16%	Annually	\$ 1,065,047

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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Retirement Plans

Frederick County employees participate in a single-employer pension plan that is administered by the County in a separate trust fund and in two cost-sharing multiple-employer pension plans administered by the State. These plans are as follows:

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 of the County Code. Benefit provisions of the plan were adopted by resolution after a public hearing.

Employees of the County hired on or after July 1, 1993, and current employees electing transfer into the plan on that date are members of the plan. Effective July 1, 2000, to be eligible for benefits, an employee must work 700 hours per year. Participation classification is based on the employee's status as either "uniformed" or "non-uniformed".

The type and number of employees covered as of June 30, 2011, 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	102	412	-	-
Terminated employees entitled to benefits	-	-	184	187
Active employees	571	1321	-	-

Effective July 1, 2000, a uniformed employee may retire at the earlier of age 50 or 20 years of eligibility service. Vesting begins after 5 years of service. Retirement benefits are calculated by formula and provide approximately 50 percent of average pay after 20 years or 66 percent after 28 years of service. Early retirement benefits are not available. A non-uniformed employee may retire at the earlier of age 60 or 25 years of eligibility service. Vesting begins after 5 years of service. Retirement benefits are calculated by formula and provide approximately 50 percent of average pay after 25 years or 60 percent after 30 years of service. An employee may also take early retirement with reduced benefits at age 55 with 15 years of service.

On November 30, 2010, the Board of County Commissioners amended the plan for all employees hired after July 1, 2011. Uniformed employees hired on or after July 1, 2011, may retire the earlier of 25 years of eligible service or age 55 with five years of eligible service. The retirement benefit calculation for uniformed employees was unchanged by this amendment. A non-uniformed employee hired after this date may retire at the earlier of 30 years of eligible service or age 65 with five years of eligible service. This amendment changed the retirement benefit formula for non-uniformed employees to be approximately 50% of average pay after 30 years or 60% after 36 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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 18.6% of pay as long as that amortizes cumulative gains/losses and assumption changes over a period that satisfies Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. Required contributions under the plan that are not funded by employee contributions are funded entirely by the County. Costs of administering the plan are financed on a current funding basis.

As of July 1, 2000, uniformed employees contribute 8 percent of their base pay under the plan, and non-uniformed employees contribute 4 percent. The County's required payroll contribution in FY2011 was 18.6 percent.

Annual Pension Cost

During the Fiscal Year ending June 30, 2011 contributions to the plan were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at July 1, 2009.

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

The projected unit credit cost method is the actuarial cost method used to determine the plan's normal cost and the actuarial accrued liability. The actuarial value of assets is determined by adjusting the market value of assets as of the actuarial valuation date for any actuarial gains and losses. The smoothed market value method is the actuarial method used to determine asset values. There was an actuarial loss during FY2010 caused primarily by the continued recognition of investment returns that were less than assumptions during FY2008 and FY2009. These losses were partially offset by salary increases that were less than assumption.

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, 2010 there are three plan change bases which are currently outstanding – the COLA plan change (17 years remaining), July 1, 2000 plan improvements for all employees (19 years remaining) and the July 1, 2009 disability plan changes (28 years remaining). All amortization payments are calculated as a level percent of payroll, which is assumed to increase 3.5 percent each year.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Fiscal Years	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2011	\$ 20,207,459	100%	\$ -
2010	20,438,562	100	-
2009	20,360,404	100	-

At June 30, 2011, the plan's net assets are \$300,159,368.

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)
07/01/10	\$ 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
07/01/08	213,314,439	273,383,310	60,068,871	78.0	110,497,740	54.4

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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 5 years of service. A member is eligible for vesting after 5 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 5 years of service; however, the contribution must be left in the Pension System in order to qualify for benefits at age 62.

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

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

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 7 percent and 5 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% 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, 2011 was \$1,605,410. Interest and principal payments due to maturity as of June 30, 2011, are \$1,724,688. The County has 2 remaining payments of \$862,344 to amortize plus interest on the liability. The required contributions and the percentage of that amount contributed for the past three years is as follows:

Fiscal Years	Required Contribution	Actual Contribution	Percentage Contribution
2011	\$862,344	\$862,344	100.00%
2010	862,344	862,344	100.00
2009	862,344	862,344	100.00

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. 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 \$37,199,847 in Fiscal Year 2011. 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 2011 the Superintendent of Schools was the only employee 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, 2011 no contributions were made to the Plan. 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 \$1,192,413 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 \$709,725 to these plans while FCC provided \$173,246. These non-State plans are defined contribution plans requiring an employer contribution of 7.25 percent of employees' base salary. Employee contributions to the non-State plans are not mandatory.

Substantially all employees of the FCPL are covered under the Maryland State Teachers' Retirement System or the Maryland State Teachers' Pension System. Plan members on December 31, 1979, are members of the Teachers' Retirement System unless they elected to join the Pension System. No new Retirement System members were accepted after December 31, 1979. A member of the Teachers' Retirement System may retire with full benefits at age 60 or with 30 years of service. A member of the Teachers' Pension System may retire with full benefits with 30 years of service or at age 62 or older with specified years of service. For both systems, vesting starts after 5 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 7 percent and 5 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, 2011, the State paid \$727,816 in retirement costs on its behalf. This amount has been shown as grant revenue and current expenditures for the FCPL.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 2011, LOSAP provided 173 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 \$512,590 in Fiscal Year 2011 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 October 1, 2009, the date of the July 1, 2010 actuarial valuation report:

Retirees and beneficiaries receiving benefits	437
Terminated plan members entitled to but not yet receiving benefits	N/A
Active plan members	<u>2,091</u>
Total	<u><u>2,528</u></u>

Summary of Significant Accounting Policies

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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% of the cost of the premium with 10 to 14.9 years of service, 65% with 15 to 19.9 years, 55% with 20 to 24.9 years, and 45% 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 2011, the County contributed \$11,729,901 to the Plan, including \$5,178,177 for current premiums (approximately 85 percent of total premiums including the implicit subsidy) and an additional \$6,551,724 to prefund benefits. Plan members receiving benefits contributed \$902,608 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:

Annual required contribution	\$ 20,626,000
Interest on net OPEB obligation	966,000
Amortization of net OPEB obligation	<u>(810,000)</u>
Annual OPEB cost	20,782,000
Contribution made	<u>(11,729,901)</u>
Increase in net OPEB obligation	9,052,099
Net OPEB - beginning of year	<u>14,585,236</u>
Net OPEB obligation - end of year	<u><u>\$ 23,637,335</u></u>
Recorded in the Primary Government	\$ 22,194,981
Recorded in the FCPL Component Unit	<u>1,442,354</u>
Total Net OPEB obligation - end of year	<u><u>\$ 23,637,335</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2011, 2010 and 2009 were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation (Asset)
2011	\$ 20,782,000	56.44 %	\$ 23,637,335
2010	18,637,000	60.91	14,585,236
2009	17,159,000	42.07	7,299,253

Funded 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	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
						Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll
07/01/10	\$ 25,171,478	\$ 211,958,000	11.9 %	\$ 186,786,522	\$ 108,101,751	172.8 %
07/01/09	15,499,400	189,613,000	8.2	174,113,600	111,777,209	155.8
07/01/08	13,327,892	173,968,000	7.7	160,640,108	110,497,740	145.4

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2010, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included: a) 6.5 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%, 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, 2011 there were 1,397 retirees (of which 321 had dependent coverage) and 4,966 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 \$5,661,961 to the Plan. Plan members receiving benefits contributed \$5,447,019 or approximately 49 percent of the total premiums. The rates for Fiscal Year 2011 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). On May 29, 2008 the Board of Education established a 115 Trust account (the "Trust") for the purposes of prefunding a portion of retiree health benefits in the future. Due to budgetary constraints, the Board has not funded the annual required contribution (ARC) per the policy. The funding of the ARC is a budgetary consideration through the normal operating budget cycle.

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 2011, retirees paid \$6,000 in premiums. Coverage for retirees will be governed by contracts in effect with the insurance carriers. FCC has eighteen eligible retirees of which seventeen retirees participate in the healthcare plan.

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 2011 approximately 20.9 percent of the County's eligible employees elected to participate in the plan.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

G. Joint Venture

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

Northeast Maryland Waste Disposal Authority (NMWDA)

NMWDA is a body politic and corporate and a public instrumentality of the State of Maryland. NMWDA was established to assist the political subdivisions in the Northeast Maryland Region and the private sector in waste management and the development of waste disposal facilities adequate to accommodate the region's requirements for disposal of solid waste. NMWDA has the following eight member jurisdictions from the State of Maryland: 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 2011 membership dues and fees for services amounting to \$60,000.

H. Subsequent Events

The County sold tax-exempt general Obligation Public Facilities Bonds, Series 2011A in the amount of \$55,810,000 on July 28, 2011. These bonds mature August 1, 2013 through 2031.

On July 28, 2011, the County sold tax-exempt General Obligation Public Facility Refunding Bonds, Series 2011B in the amount of \$16,005,000 to advance refund \$16,315,000 of tax-exempt General Obligation Public Facilities Bonds, Series 2002. These bonds mature August 1, 2013 through 2017.

On November 22, 2011 the Board of County Commissioners authorized equipment lease financing and refunding of the 2006 equipment lease relative to Fire-Rescue equipment. The new money is estimated at \$830,000 and the refunding portion is estimated at \$1,810,000. Settlement is anticipated to be December 15, 2011 or before.

NOTES TO FINANCIAL STATEMENTS
(Continued)

I. New Governmental Accounting Standards Board (GASB) Standard

The County adopted the provisions of three Governmental Accounting Standards Board (GASB) Statements; Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; Statement No. 58, entitled *Accounting and Financial Reporting for Chapter 9 Bankruptcies*; and Statement No. 59, entitled *Financial Instruments Omnibus* and. Neither Statement No. 58 nor Statement No. 59 has an impact on the County's financial statements for the current Fiscal Year.

Statement No. 54 was adopted to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

During the year ended June 30, 2011, GASB issued Statement No. 60, entitled *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, entitled *The Financial Reporting Entity: Omnibus-an amendment of GASB No. 14 and No. 34*; Statement No. 62, entitled *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1998 GASB and AICPA Pronouncements*; Statement No. 63, entitled *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 64, entitled *Derivative Instruments: Application of Hedge Accounting Termination Provisions (an Amendment of GASB Statement No. 53)*. The County is analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective dates.

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REQUIRED SUPPLEMENTARY INFORMATION

The information provided in this section is required supplementary disclosures.

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

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Actuarial Value of Plan Assets as a Percentage of the Actuarial Accrued Liability		Unfunded Actuarial Liability	Annual Covered Payroll	Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll
07/01/05	\$ 134,532,516	\$ 173,960,143	77.3 %		\$ 39,427,627	\$ 75,072,119	52.5 %
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

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

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

Fiscal Years	Annual Required Contribution (ARC)	ARC Recognized in Plan Financial Statements	Percentage Recognized
2006	\$ 11,736,171	\$ 11,736,171	100 %
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

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
			Percentage of the Actuarial Accrued Liability	Unfunded Actuarial Liability			
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

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

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

Fiscal Years	Annual Required Contribution (ARC)	Contribution Recognized in Plan Financial Statements	Percentage Contributed
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

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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, 2011

	Special Revenue Funds						Total Non Major Governmental Funds (See Exhibit II-A-3)
	Grants	Fire/Rescue Tax Districts	Electric Lighting Tax Districts	Hotel Rental Tax	Sheriff's Activities	Loan Activities	
Assets							
Cash	\$ 7,519	\$ -	\$ -	\$ -	\$ 92,037	\$ -	\$ 99,556
Equity in pooled invested cash	-	10,422,060	10,053	150,115	548,329	1,546,773	12,677,330
Total cash and cash equivalents	7,519	10,422,060	10,053	150,115	640,366	1,546,773	12,776,886
Receivables, net of allowance for uncollectibles:							
Property taxes	-	61,276	-	-	-	-	61,276
Accounts	160,035	1,704,074	41	149,679	43,129	4,756	2,061,714
Intergovernmental	2,887,862	-	-	-	-	-	2,887,862
Due from component units	15,876	-	-	-	-	-	15,876
Long term receivables, net of allowance for uncollectibles:							
MILA loans	-	-	-	-	-	375,649	375,649
Fire/ Rescue loans	-	-	-	-	-	126,813	126,813
Non-Profit Organization loans	-	-	-	1,518,131	-	-	1,518,131
Small business loans	-	-	-	-	-	53,284	53,284
Housing loans	1,514,500	-	-	-	-	3,633,771	5,148,271
Cash and cash equivalents - restricted	-	90,555	-	-	-	-	90,555
Total assets	<u>\$ 4,585,792</u>	<u>\$ 12,277,965</u>	<u>\$ 10,094</u>	<u>\$ 1,817,925</u>	<u>\$ 683,495</u>	<u>\$ 5,741,046</u>	<u>\$ 25,116,317</u>
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ 258,373	\$ 74,754	\$ 174	\$ -	\$ 29,797	\$ -	\$ 363,098
Accrued liabilities	480,475	74,386	761	224,737	-	-	780,359
Payroll and benefit deductions	364,326	1,061,260	-	-	-	-	1,425,586
Due to other funds	10,162	-	-	-	-	-	10,162
Due to third parties	-	526,852	-	-	73,906	-	600,758
Due to other governmental units	53,285	-	-	-	-	-	53,285
Other liabilities	473,230	-	-	-	-	375,649	848,879
Deferred revenue	681,267	1,374,060	-	1,518,131	-	-	3,573,458
Total liabilities	<u>2,321,118</u>	<u>3,111,312</u>	<u>935</u>	<u>1,742,868</u>	<u>103,703</u>	<u>375,649</u>	<u>7,655,585</u>
Fund balances							
Nonspendable	1,514,500	-	-	-	-	3,813,868	5,328,368
Restricted	-	138,563	-	-	47,207	-	185,770
Committed	-	8,435,797	6,356	75,057	532,585	-	9,049,795
Assigned	750,174	592,293	2,803	-	-	1,551,529	2,896,799
Total fund balance	<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>
Total liabilities and fund balance	<u>\$ 4,585,792</u>	<u>\$ 12,277,965</u>	<u>\$ 10,094</u>	<u>\$ 1,817,925</u>	<u>\$ 683,495</u>	<u>\$ 5,741,046</u>	<u>\$ 25,116,317</u>

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
SHERIFF'S ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2011

	Sheriff's Drug Enforcement	Narcotics Task Force	Inmates' Canteen	Total Sheriff's Activities (See Exhibit II-B-1)
Assets				
Cash	\$ 18,131	\$ -	\$ 73,906	\$ 92,037
Equity in pooled invested cash	32,841	184,512	330,976	548,329
Total cash and cash equivalents	50,972	184,512	404,882	640,366
Receivables, net of allowance for uncollectibles:				
Accounts	48	-	43,081	43,129
Total assets	\$ 51,020	\$ 184,512	\$ 447,963	\$ 683,495
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ 7,699	\$ 22,098	\$ 29,797
Due to third parties	-	-	73,906	73,906
Total liabilities	-	7,699	96,004	103,703
Fund balances				
Restricted	32,767	14,440	-	47,207
Committed	18,253	162,373	351,959	532,585
Total fund balance	51,020	176,813	351,959	579,792
Total liabilities and fund balance	\$ 51,020	\$ 184,512	\$ 447,963	\$ 683,495

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
LOAN ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2011

	Housing Initiative	Non-Profit Organizations Loans	Fire/Rescue Loans	Economic Development Loans	Total Loan Activities (See Exhibit II-B-1)
Assets					
Equity in pooled invested cash	\$ 1,141,018	\$ 20,000	\$ 49,085	\$ 336,670	\$ 1,546,773
Total cash and cash equivalents	1,141,018	20,000	49,085	336,670	1,546,773
Receivables, net of allowance for uncollectibles:					
Accounts	-	-	4,756	-	4,756
Long term receivables, net of allowance for uncollectibles:					
MILA loans	-	-	-	375,649	375,649
Fire/ Rescue loans	-	-	126,813	-	126,813
Small business loans	-	-	-	53,284	53,284
Housing loans	3,633,771	-	-	-	3,633,771
Total assets	<u>\$ 4,774,789</u>	<u>\$ 20,000</u>	<u>\$ 180,654</u>	<u>\$ 765,603</u>	<u>\$ 5,741,046</u>
Liabilities and fund balance					
Liabilities					
Other liabilities	\$ -	\$ -	\$ -	\$ 375,649	\$ 375,649
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,649</u>	<u>375,649</u>
Fund balances					
Nonspendable	3,633,771	-	126,813	53,284	3,813,868
Assigned	1,141,018	20,000	53,841	336,670	1,551,529
Total fund balance	<u>4,774,789</u>	<u>20,000</u>	<u>180,654</u>	<u>389,954</u>	<u>5,365,397</u>
Total liabilities and fund balance	<u>\$ 4,774,789</u>	<u>\$ 20,000</u>	<u>\$ 180,654</u>	<u>\$ 765,603</u>	<u>\$ 5,741,046</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Special Revenue Funds						Total Nonmajor Governmental Funds (See Exhibit II-A-5)	
	Grants	Electric		Hotel Rental Tax	Sheriff's Activities	Loan Activities		
		Fire/Rescue Tax Districts	Lighting Tax Districts					
Revenues								
Fire tax levy	\$ -	\$ 34,367,469	\$ -	\$ -	\$ -	\$ -	\$ 34,367,469	
Lighting tax levy	-	-	9,915	-	-	-	9,915	
Other local taxes	-	-	-	1,089,661	-	-	1,089,661	
Grants from federal government	16,855,769	-	-	-	-	-	16,855,769	
Grants from state government	3,922,718	-	-	-	-	26,431	3,949,149	
Charges for services	737,544	3,981,611	-	-	361,371	400	5,080,926	
Fines and forfeitures	-	-	-	-	113,408	-	113,408	
Interest from loans	-	-	-	-	-	26,130	26,130	
Investment earnings	2,102	91,837	62	750	2,567	6,268	103,586	
Build America Bond Subsidy	-	48,001	-	-	-	-	48,001	
Miscellaneous revenue	257,061	214,599	-	98,950	-	-	570,610	
Total revenues	<u>21,775,194</u>	<u>38,703,517</u>	<u>9,977</u>	<u>1,189,361</u>	<u>477,346</u>	<u>59,229</u>	<u>62,214,624</u>	
Expenditures								
General government	2,344,387	-	-	-	-	-	2,344,387	
Public safety	1,540,903	37,843,014	-	-	512,913	-	39,896,830	
Public works	5,307,977	-	14,890	-	-	-	5,322,867	
Health	1,302,573	-	-	-	-	-	1,302,573	
Social services	1,845,774	-	-	-	-	-	1,845,774	
Conservation of natural resources	318,108	-	-	-	-	-	318,108	
Community development and public housing	6,678,245	-	-	-	-	23,323	6,701,568	
Economic development and opportunity	8,386,276	-	-	1,089,090	-	48,262	9,523,628	
Debt service	-	2,646,056	-	98,950	-	-	2,745,006	
Total expenditures	<u>27,724,243</u>	<u>40,489,070</u>	<u>14,890</u>	<u>1,188,040</u>	<u>512,913</u>	<u>71,585</u>	<u>70,000,741</u>	
Excess (deficiency) of revenues over expenditures	<u>(5,949,049)</u>	<u>(1,785,553)</u>	<u>(4,913)</u>	<u>1,321</u>	<u>(35,567)</u>	<u>(12,356)</u>	<u>(7,786,117)</u>	
Other financing sources (uses)								
Transfers in from General Fund	5,733,956	-	-	-	-	-	5,733,956	
Transfers in from Special Taxing Districts-Fire	38,020	-	-	-	-	-	38,020	
Transfers out to General Fund	(25,000)	-	-	-	-	-	(25,000)	
Transfers out to Grants Fund	-	(38,020)	-	-	-	(322,695)	(360,715)	
Transfers out to Capital Projects Fund	-	(148,669)	-	-	-	-	(148,669)	
Total other financing sources (uses)	<u>5,746,976</u>	<u>(186,689)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(322,695)</u>	<u>5,237,592</u>	
Net change in fund balances	(202,073)	(1,972,242)	(4,913)	1,321	(35,567)	(335,051)	(2,548,525)	
Fund balance - beginning of year, as restated	<u>2,466,747</u>	<u>11,138,895</u>	<u>14,072</u>	<u>73,736</u>	<u>615,359</u>	<u>5,700,448</u>	<u>20,009,257</u>	
Fund balance - end 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>	

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, 2011

	<u>Sheriff's Drug Enforcement</u>	<u>Narcotics Task Force</u>	<u>Inmates' Canteen</u>	<u>Total Sheriff's Activities (See Exhibit II-B-4)</u>
Revenues				
Charges for services	\$ -	\$ -	\$ 361,371	\$ 361,371
Fines and forfeitures	14,864	98,544	-	113,408
Investment earnings	244	716	1,607	2,567
Miscellaneous revenue	-	-	-	-
Total revenues	<u>15,108</u>	<u>99,260</u>	<u>362,978</u>	<u>477,346</u>
Expenditures				
Public safety	28,751	139,161	345,001	512,913
Total expenditures	<u>28,751</u>	<u>139,161</u>	<u>345,001</u>	<u>512,913</u>
Excess (deficiency) of revenues over expenditures	(13,643)	(39,901)	17,977	(35,567)
Net change in fund balances	(13,643)	(39,901)	17,977	(35,567)
Fund balance - beginning of year	<u>64,663</u>	<u>216,714</u>	<u>333,982</u>	<u>615,359</u>
Fund balance - end of year	<u>\$ 51,020</u>	<u>\$ 176,813</u>	<u>\$ 351,959</u>	<u>\$ 579,792</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, 2011

	Housing Initiative	Non-Profit Organizations Loans	Fire/Rescue Loans	Economic Development Loans	Total Loan Activities (See Exhibit II-B-4)
Revenues					
Grants from state government	\$ -	\$ -	\$ -	\$ 26,431	\$ 26,431
Charges for services	-	-	-	400	400
Interest from loans	-	-	6,717	19,413	26,130
Investment earnings	4,685	-	168	1,415	6,268
Total revenues	<u>4,685</u>	<u>-</u>	<u>6,885</u>	<u>47,659</u>	<u>59,229</u>
Expenditures					
Community development and public housing	23,323	-	-	-	23,323
Economic development and opportunity	-	-	-	48,262	48,262
Total expenditures	<u>23,323</u>	<u>-</u>	<u>-</u>	<u>48,262</u>	<u>71,585</u>
Excess (deficiency) of revenues over expenditures	<u>(18,638)</u>	<u>-</u>	<u>6,885</u>	<u>(603)</u>	<u>(12,356)</u>
Other financing sources (uses)					
Transfer out to General Fund	(150,000)	(80,000)	-	(92,695)	(322,695)
Total other financing sources (uses)	<u>(150,000)</u>	<u>(80,000)</u>	<u>-</u>	<u>(92,695)</u>	<u>(322,695)</u>
Net change in fund balances	(168,638)	(80,000)	6,885	(93,298)	(335,051)
Fund balance - beginning of year	<u>4,943,427</u>	<u>100,000</u>	<u>173,769</u>	<u>483,252</u>	<u>5,700,448</u>
Fund balance - end of year	<u>\$ 4,774,789</u>	<u>\$ 20,000</u>	<u>\$ 180,654</u>	<u>\$ 389,954</u>	<u>\$ 5,365,397</u>

FREDERICK COUNTY, MARYLAND
SPECIAL REVENUE FUNDS
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2011

	Grants			Fire/Rescue Tax Districts			School Construction		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
Revenues									
Fire tax levy	\$ -	\$ -	\$ -	\$ 34,372,679	\$ 34,367,469	\$ (5,210)	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	3,214,000	3,096,526	(117,474)
Other local taxes	-	-	-	-	-	-	-	-	-
Grants from federal government	23,544,831	16,855,768	(6,689,063)	-	-	-	-	-	-
Grants from state government	4,664,426	3,922,718	(741,708)	-	-	-	-	-	-
Charges for services	747,003	737,544	(9,459)	3,452,500	3,981,611	529,111	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	16	2,102	2,086	195,000	91,837	(103,163)	25,000	55,976	30,976
Build America Bonds Subsidy	-	-	-	48,001	48,001	-	525,999	525,999	-
Miscellaneous revenue	243,575	257,062	13,487	192,100	214,599	22,499	-	-	-
Total revenues	<u>29,199,851</u>	<u>21,775,194</u>	<u>(7,424,657)</u>	<u>38,260,280</u>	<u>38,703,517</u>	<u>443,237</u>	<u>3,764,999</u>	<u>3,678,501</u>	<u>(86,498)</u>
Expenditures									
General government	2,922,430	2,344,387	578,043	-	-	-	-	-	-
Public safety	3,792,232	1,525,315	2,266,917	42,241,852	37,892,877	4,348,975	-	-	-
Public works	7,385,690	5,307,977	2,077,713	-	-	-	-	-	-
Health	1,738,842	1,302,572	436,270	-	-	-	-	-	-
Social services	2,362,316	1,845,775	516,541	-	-	-	-	-	-
Conservation of natural resources	1,650,295	318,108	1,332,187	-	-	-	-	-	-
Community development and public housing	6,940,449	6,687,745	252,704	-	-	-	-	-	-
Economic development and opportunity	10,686,076	8,359,819	2,326,257	-	-	-	-	-	-
Debt service	-	-	-	2,645,427	2,646,056	(629)	3,848,908	3,849,495	(587)
Total expenditures	<u>37,478,330</u>	<u>27,691,698</u>	<u>9,786,632</u>	<u>44,887,279</u>	<u>40,538,933</u>	<u>4,348,346</u>	<u>3,848,908</u>	<u>3,849,495</u>	<u>(587)</u>
Excess (deficiency) of revenues over expenditures	<u>(8,278,479)</u>	<u>(5,916,504)</u>	<u>2,361,975</u>	<u>(6,626,999)</u>	<u>(1,835,416)</u>	<u>4,791,583</u>	<u>(83,909)</u>	<u>(170,994)</u>	<u>(87,085)</u>
Other financing sources (uses)									
Appropriated fund balance	957,880	755,540	(202,340)	6,813,688	-	(6,813,688)	83,909	-	(83,909)
Transfers in from general fund	7,307,579	5,733,956	(1,573,623)	-	-	-	-	-	-
Transfers in from fire/rescue tax district fund	38,020	38,020	-	-	-	-	-	-	-
Transfers out to general fund	(25,000)	(25,000)	-	(38,020)	(38,020)	-	-	-	-
Transfers out to grants fund	-	-	-	(148,669)	(148,669)	-	-	-	-
Transfers out to capital projects fund	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>8,278,479</u>	<u>6,502,516</u>	<u>(1,775,963)</u>	<u>6,626,999</u>	<u>(186,689)</u>	<u>(6,813,688)</u>	<u>83,909</u>	<u>-</u>	<u>(83,909)</u>
Net change in fund balances	<u>\$ -</u>	<u>586,012</u>	<u>\$ 586,012</u>	<u>\$ -</u>	<u>(2,022,105)</u>	<u>\$ (2,022,105)</u>	<u>\$ -</u>	<u>(170,994)</u>	<u>\$ (170,994)</u>
Fund balance - beginning of year (restated)		2,466,747			11,138,895				
Net change in reserves and adjustments to GAAP basis		<u>(788,085)</u>			<u>49,863</u>			<u>170,994</u>	
Fund balance - end of year		<u>\$ 2,264,674</u>			<u>\$ 9,166,653</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, 2011

	Impact Fees			Development Road Improvement			Electric Lighting Tax Districts		
	Final Amended Budget	Impact Fees Actual	Variance - Positive (Negative)	Final Amended Budget	Development Road Improvement Actual	Variance - Positive (Negative)	Final Amended Budget	Electric Lighting Tax Districts Actual	Variance - Positive (Negative)
Revenues									
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,881	\$ 9,915	\$ -
Lighting tax levy	-	-	-	-	-	-	-	-	34
Other local taxes	-	-	-	900,000	829,160	(70,840)	-	-	-
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	6,848,463	6,861,498	13,035	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	324,912	199,890	(125,022)	25,000	38,841	13,841	-	62	62
Build America Bonds Subsidy	4,383	4,382	(1)	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
Total revenues	7,177,758	7,065,770	(111,988)	925,000	868,001	(56,999)	9,881	9,977	96
Expenditures									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	14,220	14,890	(670)
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	-	-	-	-	-	-
Debt service	7,209,995	7,211,599	(1,604)	-	-	-	-	-	-
Total expenditures	7,209,995	7,211,599	(1,604)	-	-	-	14,220	14,890	(670)
Excess (deficiency) of revenues over expenditures	(32,237)	(145,829)	(113,592)	925,000	868,001	(56,999)	(4,339)	(4,913)	(574)
Other financing sources (uses)									
Appropriated fund balance	32,237	-	(32,237)	575,000	-	(575,000)	4,339	-	(4,339)
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers in from fire/rescue tax district fund	-	-	-	-	-	-	-	-	-
Transfers out to general fund	-	-	-	-	-	-	-	-	-
Transfers out to general fund	-	-	-	-	-	-	-	-	-
Transfers out to grants fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	(1,500,000)	(1,500,000)	-	-	-	-
Total other financing sources (uses)	32,237	-	(32,237)	(925,000)	(1,500,000)	(575,000)	4,339	-	(4,339)
Net change in fund balances	\$ -	\$ (145,829)	\$ (145,829)	\$ -	\$ (631,999)	\$ (631,999)	\$ -	\$ (4,913)	\$ (4,913)
Fund balance - beginning of year (restated)	-	-	-	-	-	-	-	14,072	-
Net change in reserves and adjustments to GAAP basis	\$ 145,829	\$ -	\$ -	\$ 631,999	\$ -	\$ -	\$ 9,159	\$ -	\$ -
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,159	\$ -	\$ -

(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, 2011

	Parks Acquisition & Development			Hotel Rental Tax			Nursing Home Construction		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	-	-	-
Other local taxes	2,410,040	2,322,349	(87,691)	1,052,000	1,089,661	37,661	804,000	774,173	(29,827)
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	150,000	65,856	(84,144)	2,000	750	-	50,000	43,847	(6,153)
Build America Bonds Subsidy	-	-	-	-	-	-	75,303	75,304	1
Miscellaneous revenue	-	-	-	98,950	98,950	-	-	-	-
Total revenues	<u>2,560,040</u>	<u>2,388,205</u>	<u>(171,835)</u>	<u>1,152,950</u>	<u>1,189,361</u>	<u>37,661</u>	<u>929,303</u>	<u>893,324</u>	<u>(35,979)</u>
Expenditures									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	1,054,000	1,089,090	(35,090)	-	-	-
Debt service	-	-	-	98,950	98,950	-	1,127,043	1,127,228	(185)
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,152,950</u>	<u>1,188,040</u>	<u>(35,090)</u>	<u>1,127,043</u>	<u>1,127,228</u>	<u>(185)</u>
Excess (deficiency) of revenues over expenditures	<u>2,560,040</u>	<u>2,388,205</u>	<u>(171,835)</u>	-	1,321	2,571	(197,740)	(233,904)	(36,164)
Other financing sources (uses)									
Appropriated fund balance	4,562,384	-	(4,562,384)	-	-	-	197,740	-	(197,740)
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers in from fire/rescue tax district fund	-	-	-	-	-	-	-	-	-
Transfers out to general fund	(4,500,000)	(4,500,000)	-	-	-	-	-	-	-
Transfers out to grants fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	(2,622,424)	(2,622,424)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(2,560,040)</u>	<u>(7,122,424)</u>	<u>(4,562,384)</u>	-	-	-	<u>197,740</u>	-	<u>(197,740)</u>
Net change in fund balances	<u>\$ -</u>	<u>(4,734,219)</u>	<u>\$ (4,734,219)</u>	<u>\$ -</u>	<u>1,321</u>	<u>\$ 2,571</u>	<u>\$ -</u>	<u>(233,904)</u>	<u>\$ (233,904)</u>
Fund balance - beginning of year (restated)	6,330,226				73,736			6,909,215	
Net change in reserves and adjustments to GAAP basis		<u>(1,596,007)</u>				<u>-</u>		<u>(6,675,311)</u>	
Fund balance - end of year	<u>\$ -</u>				<u>\$ 75,057</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, 2011

	Housing Initiative			Economic Development Loans		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
Revenues						
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-
Grants from federal government	-	-	-	-	-	-
Grants from state government	-	-	-	26,431	26,431	-
Charges for services	-	-	-	-	400	400
Interest from loans	-	-	-	18,879	19,413	534
Investment earnings	1,500	4,685	3,185	4,000	1,415	(2,585)
Miscellaneous revenue	-	49,746	49,746	-	-	-
Total revenues	<u>1,500</u>	<u>54,431</u>	<u>52,931</u>	<u>49,310</u>	<u>47,659</u>	<u>(1,651)</u>
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health	-	-	-	-	-	-
Social services	-	-	-	-	-	-
Conservation of natural resources	254,720	208,550	46,170	-	-	-
Community development and public housing	-	-	-	-	-	-
Economic development and opportunity	-	-	-	48,310	48,262	48
Debt service	-	-	-	-	-	-
Total expenditures	<u>254,720</u>	<u>208,550</u>	<u>46,170</u>	<u>48,310</u>	<u>48,262</u>	<u>48</u>
Excess (deficiency) of revenues over expenditures	<u>(253,220)</u>	<u>(154,119)</u>	<u>99,101</u>	<u>1,000</u>	<u>(603)</u>	<u>(1,603)</u>
Other financing sources (uses)						
Appropriated fund balance	403,220	-	(403,220)	91,695	-	(91,695)
Transfers in from general fund	-	-	-	-	-	-
Transfers in from capital projects fund	-	-	-	-	-	-
Transfers in from fire/rescue tax district fund	-	-	-	-	-	-
Transfers out to general fund	(150,000)	(150,000)	-	(92,695)	(92,695)	-
Transfers out to grants fund	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	-	-	-
Total other financing sources (uses)	<u>253,220</u>	<u>(150,000)</u>	<u>(403,220)</u>	<u>(1,000)</u>	<u>(92,695)</u>	<u>(91,695)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (304,119)</u>	<u>\$ (304,119)</u>	<u>\$ -</u>	<u>\$ (93,298)</u>	<u>\$ (93,298)</u>
Fund balance - beginning of year (restated)		4,943,427			483,252	
Net change in reserves and adjustments to GAAP basis		<u>135,481</u>			<u>-</u>	
Fund balance - end of year		<u>\$ 4,774,789</u>			<u>\$ 389,954</u>	

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, 2011

	<u>Project Budget</u>	<u>Current Year Actual</u>	<u>Total To Date</u>	<u>Variance - Positive (Negative)</u>
Revenues				
Grants from federal government				
ARRA	\$ 4,381,740	\$ 2,512,203	\$ 3,170,401	\$ (1,211,339)
Highways	2,380,344	62,610	-	(2,380,344)
Miscellaneous grants	2,017,302	812,771	849,815	(1,167,487)
Grants from state government:				
Highways	1,844,000	-	4,630	(1,839,370)
Program open space	3,372,578	1,016,817	1,200,239	(2,172,339)
Detention center	1,065,000	63,548	211,659	(853,341)
Education	2,009,527	36,458	40,633	(1,968,894)
Miscellaneous grants	200,000	200,000	200,000	-
Miscellaneous	298,137	229,675	108,692	(189,445)
Total revenues	<u>17,568,628</u>	<u>4,934,082</u>	<u>5,786,069</u>	<u>(11,782,559)</u>
Expenditures				
General government	99,577,407	25,560,808	59,439,719	40,137,688
Roads and bridges	32,366,784	7,716,777	18,143,386	14,223,398
Board of Education	99,143,081	7,108,739	90,244,072	8,899,009
Frederick Community College	25,304,662	6,076,575	18,511,254	6,793,408
Parks and recreation	26,777,184	5,328,945	12,057,980	14,719,204
Watershed restoration	659,275	138,668	234,809	424,466
Municipal	103,964	4,311	25,676	78,288
Total expenditures	<u>283,932,357</u>	<u>51,934,823</u>	<u>198,656,896</u>	<u>85,275,461</u>
Excess (deficiency) of revenues over expenditures	<u>(266,363,729)</u>	<u>(47,000,741)</u>	<u>(192,870,827)</u>	<u>73,492,902</u>
Other financing sources (uses)				
Transfers (to) from general fund	32,622,252	3,082,682	32,622,252	-
Transfers (to) from impact fees fund	11,997,568	-	11,997,568	-
Transfers (to) from parks acquisition & development fund	16,882,602	2,622,424	16,882,602	-
Transfers in from special tax district	44,753	148,669	44,753	-
Transfers in from development road improvement fund	9,739,521	1,500,000	9,739,521	-
Transfers in from nursing home construction fund	1,869,600	-	1,869,600	-
Transfers in from hotel rental tax refund	20,227	-	20,227	-
Transfers in from water and sewer fund	901	-	901	-
Transfers in from DPDR	9,169	-	9,169	-
Proceeds from public facilities and refunding bonds	<u>193,177,136</u>	<u>-</u>	<u>98,207,380</u>	<u>(94,969,756)</u>
Total other financing sources (uses)	<u>266,363,729</u>	<u>7,353,775</u>	<u>171,393,973</u>	<u>(94,969,756)</u>
Net change in fund balances	<u>\$ -</u>	<u>(39,646,966)</u>	<u>\$ (21,476,854)</u>	<u>\$ (21,476,854)</u>
Net change in reserves and adjustment to GAAP basis		(23,288,016)		
Fund balance - beginning of year (restated)		106,697,880		
Fund balance - end of year		<u>\$ 43,762,898</u>		

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2011

Business-type Activities-Enterprise Funds					
	Nursing Homes		Public Housing		Total Nonmajor Enterprise Funds (See Exhibit II-A-9)
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review	
Assets					
Current assets:					
Cash	\$ 49,390	\$ 25,038	\$ 14,381	\$ -	\$ 88,809
Equity in pooled invested cash	900,784	598,636	-	5,685,021	7,184,441
Restricted cash and cash equivalents	-	-	424,787	-	424,787
Total cash and cash equivalents	<u>950,174</u>	<u>623,674</u>	<u>439,168</u>	<u>5,685,021</u>	<u>7,698,037</u>
Receivables, net of allowance for uncollectible accounts	1,954,997	16,359	1,698	-	1,973,054
Inventories	46,753	-	-	-	46,753
Total current assets	<u>2,951,924</u>	<u>640,033</u>	<u>440,866</u>	<u>5,685,021</u>	<u>9,717,844</u>
Noncurrent assets:					
Capital assets:					
Land	-	-	132,200	513,942	646,142
Buildings and improvements	3,319,323	2,254,017	1,877,880	6,264,082	13,715,302
Equipment	1,216,163	102,137	175,000	996,279	2,489,579
Accumulated depreciation	(4,296,033)	(2,161,187)	(858,172)	(1,812,525)	(9,127,917)
Deferred bond issue expense	-	-	-	27,641	27,641
Total noncurrent assets	<u>239,453</u>	<u>194,967</u>	<u>1,326,908</u>	<u>5,989,419</u>	<u>7,750,747</u>
Total assets	<u>3,191,377</u>	<u>835,000</u>	<u>1,767,774</u>	<u>11,674,440</u>	<u>17,468,591</u>
Liabilities					
Current liabilities:					
Accounts payable	11,461	6,445	122	3,293	21,321
Payroll and benefit deductions	358,382	76,071	742	87,325	522,520
Accrued expenses	622,795	9,982	4,919	22,468	660,164
Due to other government units	-	-	-	3,150	3,150
Due to component units	-	-	-	100	100
Deferred revenues	-	4,351	-	3,752,254	3,756,605
Security deposits	-	-	9,656	-	9,656
Other liabilities	257,559	18,076	-	-	275,635
Current portion general obligation bonds and notes	-	-	-	427,982	427,982
Current portion of compensated absences	33,672	3,916	-	23,636	61,224
Total current liabilities	<u>1,283,869</u>	<u>118,841</u>	<u>15,439</u>	<u>4,320,208</u>	<u>5,738,357</u>
Noncurrent liabilities:					
Long term portion general obligation bonds and notes	-	-	-	5,307,317	5,307,317
Liability for compensated absences	467,998	89,528	-	205,569	763,095
Accrued termination benefits	-	-	-	20,285	20,285
Total noncurrent liabilities	<u>467,998</u>	<u>89,528</u>	-	<u>5,533,171</u>	<u>6,090,697</u>
Total liabilities	<u>1,751,867</u>	<u>208,369</u>	<u>15,439</u>	<u>9,853,379</u>	<u>11,829,054</u>
Net Assets					
Invested in capital assets, net of related debt	239,453	194,967	1,326,908	226,479	1,987,807
Restricted	-	-	424,787	-	424,787
Unrestricted	1,200,057	431,664	640	1,594,582	3,226,943
Total net assets	<u>\$ 1,439,510</u>	<u>\$ 626,631</u>	<u>\$ 1,752,335</u>	<u>\$ 1,821,061</u>	<u>\$ 5,639,537</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities-Enterprise Funds				Total Nonmajor Enterprise Funds (See Exhibit II-A-10)	
	Nursing Homes		Public Housing			
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review		
Operating revenues						
Charges for health care services, net of contractual adjustments	\$ 12,688,144	\$ 814,732	\$ -	\$ -	\$ 13,502,876	
License and permit revenue	-	-	-	2,825,518	2,825,518	
Fee revenue	-	-	-	1,451,555	1,451,555	
Rental charges	-	-	94,805	66,408	161,213	
Total net charges for services	<u>12,688,144</u>	<u>814,732</u>	<u>94,805</u>	<u>4,343,481</u>	<u>17,941,162</u>	
Other revenues	682,750	322	10	6,600	689,682	
Total operating revenues	<u>13,370,894</u>	<u>815,054</u>	<u>94,815</u>	<u>4,350,081</u>	<u>18,630,844</u>	
Operating expenses						
Personnel services	11,890,787	2,015,385	22,147	3,440,865	17,369,184	
Other operating expenses (including administrative overhead)	2,668,541	879,298	32,698	1,159,033	4,739,570	
Supplies	1,221,533	95,799	-	26,299	1,343,631	
Repairs and maintenance	5,651	23,995	17,646	16,624	63,916	
Depreciation	223,955	194,967	71,346	239,655	729,923	
Total operating expenses	<u>16,010,467</u>	<u>3,209,444</u>	<u>143,837</u>	<u>4,882,476</u>	<u>24,246,224</u>	
Operating income (loss)	<u>(2,639,573)</u>	<u>(2,394,390)</u>	<u>(49,022)</u>	<u>(532,395)</u>	<u>(5,615,380)</u>	
Nonoperating revenues (expenses)						
Donations	14,458	1,526	-	-	15,984	
Investment earnings	-	2,244	3,903	16,136	22,283	
Gain (loss) on sale/disposal of capital assets	55	-	-	-	55	
Interest expense	-	-	-	(200,532)	(200,532)	
Total nonoperating revenues (expenses)	<u>14,513</u>	<u>3,770</u>	<u>3,903</u>	<u>(184,396)</u>	<u>(162,210)</u>	
Net income (loss) before transfers	<u>(2,625,060)</u>	<u>(2,390,620)</u>	<u>(45,119)</u>	<u>(716,791)</u>	<u>(5,777,590)</u>	
Transfers in	<u>2,637,220</u>	<u>2,311,169</u>	<u>-</u>	<u>159,000</u>	<u>5,107,389</u>	
Total transfers	<u>2,637,220</u>	<u>2,311,169</u>	<u>-</u>	<u>159,000</u>	<u>5,107,389</u>	
Change in net assets	12,160	(79,451)	(45,119)	(557,791)	(670,201)	
Net assets - beginning of year	<u>1,427,350</u>	<u>706,082</u>	<u>1,797,454</u>	<u>2,378,852</u>	<u>6,309,738</u>	
Net assets - end of year	<u>\$ 1,439,510</u>	<u>\$ 626,631</u>	<u>\$ 1,752,335</u>	<u>\$ 1,821,061</u>	<u>\$ 5,639,537</u>	

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities-Enterprise Funds				Total Nonmajor Enterprise Funds (See Exhibit II-A-11)	
	Nursing Homes		Public Housing			
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review		
Cash flows from operating activities						
Cash received from residents and customers	\$ 13,589,276	\$ 792,789	\$ 95,113	\$ 4,389,692	\$ 18,866,870	
Cash received from (paid to) interfund services	-	-	-	66,408	66,408	
Cash paid to suppliers	(3,216,324)	(981,101)	(50,051)	(1,216,401)	(5,463,877)	
Cash paid to employees	(12,302,603)	(2,056,836)	(22,897)	(3,635,891)	(18,018,227)	
Other	-	-	-	600	600	
Net cash provided (used) by operating activities	<u>(1,929,651)</u>	<u>(2,245,148)</u>	<u>22,165</u>	<u>(395,592)</u>	<u>(4,548,226)</u>	
Cash flows from noncapital financing activities						
Transfers in	2,637,220	2,311,169	-	159,000	5,107,389	
Cash received from donations	14,458	1,526	-	-	15,984	
Cash received from (paid to) patient and resident funds	1,050	(1,323)	-	-	(273)	
Cash received from (paid to) memorial and employee funds	-	(285)	-	-	(285)	
Net cash provided by noncapital financing activities	<u>2,652,728</u>	<u>2,311,087</u>	<u>-</u>	<u>159,000</u>	<u>5,122,815</u>	
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	55	-	-	-	55	
Proceeds from debt issues	-	-	-	(26)	(26)	
Payment of bond and note principal	-	-	-	(301,223)	(301,223)	
Interest paid on bonds	-	-	-	(244,292)	(244,292)	
Net cash provided (used) by capital & related financing activities	<u>55</u>	<u>-</u>	<u>-</u>	<u>(545,541)</u>	<u>(545,486)</u>	
Cash flows from investing activities						
Interest received on investments	-	2,244	4,404	16,136	22,784	
Net cash provided by investing activities	<u>-</u>	<u>2,244</u>	<u>4,404</u>	<u>16,136</u>	<u>22,784</u>	
Net increase (decrease) in cash and cash equivalents	723,132	68,183	26,569	(765,997)	51,887	
Cash and cash equivalents - beginning of year (restated)	<u>227,042</u>	<u>555,491</u>	<u>412,599</u>	<u>6,451,018</u>	<u>7,646,150</u>	
Cash and cash equivalents - end of year	<u>\$ 950,174</u>	<u>\$ 623,674</u>	<u>\$ 439,168</u>	<u>\$ 5,685,021</u>	<u>\$ 7,698,037</u>	

(continued)

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities-Enterprise Funds				Total Nonmajor Enterprise Funds (See Exhibit II-A-11)	
	Nursing Homes		Public Housing			
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (2,639,573)	\$ (2,394,390)	\$ (49,022)	\$ (532,395)	\$ (5,615,380)	
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	223,955	194,967	71,346	239,655	729,923	
Change in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	405,959	(6,441)	-	-	399,518	
Inventory	(8,969)	-	-	-	(8,969)	
Increase (decrease) in:						
Accounts payable	(4,037)	2,642	35	(4,133)	(5,493)	
Accrued expenses	(103,115)	(48,109)	(492)	(173,840)	(325,556)	
Deferred revenues	-	-	-	106,019	106,019	
Liability for compensated leave	(13,226)	5,908	-	(31,498)	(38,816)	
Other liabilities	209,355	275	298	600	210,528	
Net cash provided (used) by operating activities	\$ <u>(1,929,651)</u>	\$ <u>(2,245,148)</u>	\$ <u>22,165</u>	\$ <u>(395,592)</u>	\$ <u>(4,548,226)</u>	
Noncash investing, capital, and financing activities:						
None						

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2011

	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-9)
Assets			
Current assets:			
Equity in pooled invested cash	\$ 942,559	\$ 8,318,913	\$ 9,261,472
Total cash and cash equivalents	<u>942,559</u>	<u>8,318,913</u>	<u>9,261,472</u>
Receivables, net of allowance for uncollectible accounts	88,564	126,313	214,877
Due from component units	43	-	43
Inventories	-	253,855	253,855
Prepaid items	70,911	5,111	76,022
Total current assets	<u>1,102,077</u>	<u>8,704,192</u>	<u>9,806,269</u>
Noncurrent assets:			
Capital assets:			
Buildings and improvements	-	1,833,133	1,833,133
Equipment	1,589,484	25,168,315	26,757,799
Accumulated depreciation	<u>(1,306,512)</u>	<u>(16,987,979)</u>	<u>(18,294,491)</u>
Total noncurrent assets	<u>282,972</u>	<u>10,013,469</u>	<u>10,296,441</u>
Total assets	<u>1,385,049</u>	<u>18,717,661</u>	<u>20,102,710</u>
Liabilities			
Current liabilities:			
Accounts payable	585	96,021	96,606
Payroll and benefit deductions	17,159	67,525	84,684
Accrued expenses	-	96,225	96,225
Current portion of compensated absences	-	2,699	2,699
Total current liabilities	<u>17,744</u>	<u>262,470</u>	<u>280,214</u>
Noncurrent liabilities:			
Liability for compensated absences	33,460	131,582	165,042
Total noncurrent liabilities	<u>33,460</u>	<u>131,582</u>	<u>165,042</u>
Total liabilities	<u>51,204</u>	<u>394,052</u>	<u>445,256</u>
Net Assets			
Invested in capital assets, net of related debt	282,972	10,013,469	10,296,441
Unrestricted	1,050,873	8,310,140	9,361,013
Total net assets	<u>\$ 1,333,845</u>	<u>\$ 18,323,609</u>	<u>\$ 19,657,454</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, 2011

	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-10)
Operating revenues			
Service charges	\$ 1,355,960	\$ 10,384,049	\$ 11,740,009
Total operating revenues	<u>1,355,960</u>	<u>10,384,049</u>	<u>11,740,009</u>
Operating expenses			
Personnel services	536,791	2,206,265	2,743,056
Other operating expenses (including administrative overhead)	477,060	724,722	1,201,782
Supplies	11,295	4,225,076	4,236,371
Repairs and maintenance	205,010	371,815	576,825
Depreciation	133,806	3,045,197	3,179,003
Total operating expenses	<u>1,363,962</u>	<u>10,573,075</u>	<u>11,937,037</u>
Operating income (loss)	<u>(8,002)</u>	<u>(189,026)</u>	<u>(197,028)</u>
Nonoperating revenues (expenses)			
Investment earnings	4,192	31,490	35,682
Miscellaneous income	-	6,409	6,409
Insurance recovery	-	52,601	52,601
Gain (loss) on disposition of capital assets	(24,960)	135,283	110,323
Total nonoperating revenues (expenses)	<u>(20,768)</u>	<u>225,783</u>	<u>205,015</u>
Net income (loss) before contributions and transfers	<u>(28,770)</u>	<u>36,757</u>	<u>7,987</u>
Transfers out	-	(1,799,220)	(1,799,220)
Transfers in	18,501	144,989	163,490
Total contributions and transfers	<u>18,501</u>	<u>(1,654,231)</u>	<u>(1,635,730)</u>
Change in net assets	(10,269)	(1,617,474)	(1,627,743)
Net assets - beginning of year	<u>1,344,114</u>	<u>19,941,083</u>	<u>21,285,197</u>
Net assets - end of year	<u>\$ 1,333,845</u>	<u>\$ 18,323,609</u>	<u>\$ 19,657,454</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-11)
Cash flows from operating activities			
Cash received from residents and customers	\$ 1,332,896	\$ 10,359,394	\$ 11,692,290
Cash paid to suppliers	(692,959)	(5,290,795)	(5,983,754)
Cash paid to employees	<u>(552,060)</u>	<u>(2,278,039)</u>	<u>(2,830,099)</u>
Net cash provided by operating activities	<u>87,877</u>	<u>2,790,560</u>	<u>2,878,437</u>
Cash flows from noncapital financing activities			
Transfers in (out)	<u>18,501</u>	<u>(1,654,231)</u>	<u>(1,635,730)</u>
Net cash provided (used) by noncapital financing activities	<u>18,501</u>	<u>(1,654,231)</u>	<u>(1,635,730)</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(136,622)	(452,438)	(589,060)
Recoveries for damages	-	52,601	52,601
Proceeds from sale of capital assets	<u>(24,960)</u>	<u>148,776</u>	<u>123,816</u>
Net cash provided (used) by capital & related financing activities	<u>(161,582)</u>	<u>(251,061)</u>	<u>(412,643)</u>
Cash flows from investing activities			
Interest received on investments	<u>4,192</u>	<u>31,490</u>	<u>35,682</u>
Net cash provided by investing activities	<u>4,192</u>	<u>31,490</u>	<u>35,682</u>
Net increase (decrease) in cash and cash equivalents	(51,012)	916,758	865,746
Cash and cash equivalents - beginning of year	<u>993,571</u>	<u>7,402,155</u>	<u>8,395,726</u>
Cash and cash equivalents - end of year	<u>\$ 942,559</u>	<u>\$ 8,318,913</u>	<u>\$ 9,261,472</u>

(continued)

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-11)
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (8,002)	\$ (189,026)	\$ (197,028)
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation	133,806	3,045,197	3,179,003
Miscellaneous non operating income	-	6,409	6,409
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(23,064)	(31,064)	(54,128)
Inventory	-	2,039	2,039
Prepaid items	3,597	(2,612)	985
Increase (decrease) in:			
Accounts payable	(2,997)	13,329	10,332
Accrued expenses	(16,746)	(44,860)	(61,606)
Liability for compensated leave	1,283	(8,852)	(7,569)
Net cash provided by operating activities	<u>\$ 87,877</u>	<u>\$ 2,790,560</u>	<u>\$ 2,878,437</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, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Tax Agency Fund				
Assets				
Cash and cash equivalents	\$ 188,500	\$ 294,936	\$ 228,566	\$ 254,870
Equity in pooled invested cash	365,966	3,621,384	3,423,518	563,832
Total Assets	<u>\$ 554,466</u>	<u>\$ 3,916,320</u>	<u>\$ 3,652,084</u>	<u>\$ 818,702</u>
Liabilities				
Due to third parties	<u>\$ 554,466</u>	<u>\$ 3,728,618</u>	<u>\$ 3,464,382</u>	<u>\$ 818,702</u>
Subdivision and Driveway Deposits Fund				
Assets				
Equity in pooled invested cash	<u>\$ 3,439,436</u>	<u>\$ 557,101</u>	<u>\$ 1,263,055</u>	<u>\$ 2,733,482</u>
Liabilities				
Due to third parties	\$ -	\$ 3,390	\$ -	\$ 3,390
Performance deposits	3,439,436	553,711	1,263,055	2,730,092
Total Liabilities	<u>\$ 3,439,436</u>	<u>\$ 557,101</u>	<u>\$ 1,263,055</u>	<u>\$ 2,733,482</u>
Work Release Fund				
Assets				
Cash and cash equivalents	<u>\$ 12,817</u>	<u>\$ 774,436</u>	<u>\$ 760,115</u>	<u>\$ 27,138</u>
Liabilities				
Due to third parties	<u>\$ 12,817</u>	<u>\$ 774,436</u>	<u>\$ 760,115</u>	<u>\$ 27,138</u>
Tax Incremental Financing Bond Fund				
Assets				
Cash and cash equivalents	\$ -	\$ 306,575	\$ 306,575	\$ -
Liabilities				
Due to third parties	\$ -	\$ 306,575	\$ 306,575	\$ -
Totals - All Agency funds				
Assets				
Cash and cash equivalents	\$ 201,317	\$ 1,375,947	\$ 1,295,256	\$ 282,008
Equity in pooled invested cash	3,805,402	4,178,485	4,686,573	3,297,314
Total assets	<u>\$ 4,006,719</u>	<u>\$ 5,554,432</u>	<u>\$ 5,981,829</u>	<u>\$ 3,579,322</u>
Liabilities				
Due to third parties	\$ 567,283	\$ 4,813,019	\$ 4,531,072	\$ 849,230
Performance deposits	3,439,436	553,711	1,263,055	2,730,092
Total liabilities	<u>\$ 4,006,719</u>	<u>\$ 5,366,730</u>	<u>\$ 5,794,127</u>	<u>\$ 3,579,322</u>

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE (1)
JUNE 30, 2011

	<u>2011</u>
Governmental funds capital assets	
Land and improvements	\$ 108,983,536
Buildings	168,498,623
Equipment	66,626,290
Infrastructure	344,762,497
Construction in progress	48,030,810
Total governmental funds capital assets	<u>\$ 736,901,756</u>
Investment in governmental funds capital assets by source	
Capital projects fund (2)	\$ 610,145,891
General fund	2,673,950
Special revenue funds	91,902,218
Donations	32,179,697
Total governmental funds capital assets	<u>\$ 736,901,756</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$28,590,932 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, 2011

Function	Land and Improvements	Buildings	Equipment	Infrastructure	Construction in Progress	Total
General government	\$ 1,339,396	\$ 39,051,561	\$ 13,613,748	\$ -	\$ -	\$ 54,004,705
Public safety	6,729,627	58,471,148	38,175,290	-	-	103,376,065
Public works	3,210,319	10,147,296	9,323,800	-	-	22,681,415
Public health	-	7,584,601	52,772	-	-	7,637,373
Social services	531,518	8,449,075	1,370,165	-	-	10,350,758
Recreation and culture	32,116,977	43,736,942	3,967,547	-	-	79,821,466
Conservation of natural resources	64,837,730	-	100,287	-	-	64,938,017
Economic Development and Opportunity	217,969	1,058,000	22,681	-	-	1,298,650
Infrastructure	-	-	-	344,762,497	-	344,762,497
Construction in progress	-	-	-	-	48,030,810	48,030,810
Total governmental funds capital assets	\$ 108,983,536	\$ 168,498,623	\$ 66,626,290	\$ 344,762,497	\$ 48,030,810	\$ 736,901,756

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$28,590,932 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, 2011

<u>Function</u>	<u>Governmental Funds Capital Assets July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2011</u>
General government	\$ 53,634,710	\$ 535,147	\$ 165,152	\$ 54,004,705
Public safety	93,008,827	10,385,438	18,200	103,376,065
Public works	21,927,100	882,146	392,375	22,416,871
Public health	7,629,511	7,862	-	7,637,373
Social services	10,269,501	345,801	-	10,615,302
Recreation and culture	69,307,602	10,886,728	372,864	79,821,466
Conservation of natural resources	58,060,232	6,877,785	-	64,938,017
Economic Development and Opportunity	1,940,007	5,963	647,320	1,298,650
Infrastructure	334,408,506	10,480,574	126,583	344,762,497
Construction in progress	<u>31,908,432</u>	<u>46,210,366</u>	<u>30,087,988</u>	<u>48,030,810</u>
 Total governmental funds capital assets	 <u>\$ 682,094,428</u>	 <u>\$ 86,617,810</u>	 <u>\$ 31,810,482</u>	 <u>\$ 736,901,756</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$28,590,932 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.

STATISTICAL SECTION

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.	157 - 162
Revenue Capacity These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	163 - 166
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.	167 - 170
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.	171 - 172
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.	173 - 177

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)

	Fiscal Year									
	2011	2010	2009	2008	2007 (3)	2006 (3)	2005	2004 (3)	2003 (3)	2002 (3)
Governmental activities										
Investment in capital assets, net of related debt	\$ 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	\$ 220,801,250
Restricted (1)	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	27,623,228
Unrestricted (Deficit) (2)	(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)	(89,884,660)
Total governmental activities net assets	<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>	<u>158,539,818</u>
Business-type activities										
Investment in capital assets, net of related debt	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	136,917,343
Restricted	4,371,265	9,714,241	679,335	15,750,610	24,851,353	3,206,982	229,896	191,252	1,971,389	64,458,990
Unrestricted (Deficit)	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	4,920,701
Total business-type activities net assets	<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>	<u>206,297,034</u>
Primary government										
Investment in capital assets, net of related debt	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	357,718,593
Restricted (1)	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	92,082,218
Unrestricted (Deficit) (2)	(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	(84,963,959)
Total primary government net assets	<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>	<u>\$ 364,836,852</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									
	2011	2010	2009	2008	2007 (1)	2006 (1)	2005	2004 (1)	2003 (1)	2002 (1)
Expenses										
Governmental activities:										
General government	\$ 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	\$ 35,292,562
Public safety	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	42,848,265
Public works	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	13,759,447
Health	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	19,353,858
Social services	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	3,532,518
Education	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	200
Parks, recreation and culture	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	2,980,654
Conservation of natural resources	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	6,350,141
Community development and public housing	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	2,664,445
Economic development and opportunity	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	9,884,959
Miscellaneous	-	-	-	-	-	-	3,803,446	4,397,069	2,291,509	1,465,739
Intergovernmental	-	-	-	-	-	-	6,006,926	4,796,634	16,383,165	3,094,971
Interest on long term debt	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	21,031,442
Total governmental activities expenses	<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>	<u>162,259,201</u>
Business-type activities:										
Water and sewer	29,622,835	28,894,767	27,858,760	25,789,356	23,082,586	21,623,009	19,977,977	19,785,831	17,681,970	18,220,967
Solid waste management	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	9,265,701
Nursing homes	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	11,710,121
Public housing	143,837	174,279	138,883	121,973	127,423	106,859	107,323	111,334	(1,715,127)	1,918,836
Permitting and development review	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>74,014,152</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>	<u>41,115,625</u>
Total primary government expenses	<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>	<u>\$ 203,374,826</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 7,083,797
Public safety	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	1,230,503
Public works	785,085	657,612	681,480	798,599	699,799	838,845	743,694	759,069	1,991,378	1,232,383
Health	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	6,763,320
Social services	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	279,257
Parks, recreation and culture	1,045,575	859,500	796,378	727,658	640,439	554,694	466,417	472,016	388,072	341,685
Conservation of natural resources	183,549	-	183,704	193,410	198,663	213,945	129,844	120,408	95,161	100,226
Community development and public housing	-	-	-	-	-	-	-	-	200	-
Economic development and opportunity	65,258	94,066	131,241	75,736	250,412	353,402	374,485	402,481	240,751	235,403
Operating grants and contributions:	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	38,364,035
Capital grants and contributions:	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	11,388,734
Total governmental activities program revenues	<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>	<u>\$ 67,019,343</u>

(continued)

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

	Fiscal Year									
	2011	2010	2009	2008	2007 (1)	2006 (1)	2005	2004 (1)	2003 (1)	2002 (1)
Business-type activities:										
Charges for services:										
Water and sewer	\$ 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	\$ 16,733,299
Solid waste management	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	9,427,143
Nursing homes	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	9,605,018
Public housing	94,815	94,164	94,347	95,121	88,299	84,584	82,043	81,765	81,206	80,828
Permitting and development review	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:										
Total business-type activities program revenues	40,907,293	27,684,963	32,266,084	12,881,554	13,869,468	21,425,241	10,234,860	5,928,940	3,312,279	5,367,499
Total primary government program revenues	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	53,786,132
Total primary government program revenues	<u>\$ 156,177,233</u>	<u>\$ 143,594,664</u>	<u>\$ 166,597,397</u>	<u>\$ 134,035,356</u>	<u>\$ 140,968,337</u>	<u>\$ 152,953,681</u>	<u>\$ 120,241,934</u>	<u>\$ 109,226,805</u>	<u>\$ 104,032,380</u>	<u>\$ 120,805,475</u>
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (95,239,858)
Business-type activities	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	12,670,507
Total primary government net expense	<u>\$ (424,227,218)</u>	<u>\$ (489,725,370)</u>	<u>\$ (497,589,365)</u>	<u>\$ (467,781,413)</u>	<u>\$ (385,069,241)</u>	<u>\$ (350,976,552)</u>	<u>\$ (327,221,807)</u>	<u>\$ (328,308,014)</u>	<u>\$ (294,941,315)</u>	<u>\$ (82,569,351)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Local property taxes	\$ 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	\$ 145,435,575
Local income taxes	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	116,189,559
Other local taxes	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	34,312,865
Intergovernmental	3,676,983	-	-	-	-	-	-	-	-	-
Build America Bonds Subsidy	1,374,892	591,969	-	-	-	-	-	-	-	60,000
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	-	-	-	5,628,438
Investment earnings	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	2,259,256
Miscellaneous	7,903,103	914,146	7,630,745	3,270,163	3,904,920	2,722,004	2,693,466	2,250,381	2,024,356	(201,515,249)
Transfers	(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)	102,370,444
Total governmental activities	<u>\$ 485,995,481</u>	<u>\$ 453,463,167</u>	<u>\$ 442,275,130</u>	<u>\$ 452,654,729</u>	<u>\$ 430,275,452</u>	<u>\$ 406,174,141</u>	<u>\$ 386,672,865</u>	<u>\$ 352,627,438</u>	<u>\$ 342,694,411</u>	<u>\$ 204,740,888</u>
Business-type activities:										
Build America Bonds Subsidy	363,764	156,620	-	-	-	-	-	-	-	4,833,207
Investment earnings	642,203	892,586	4,244,887	6,719,219	7,525,143	4,226,175	2,848,200	654,240	4,155,084	497,603
Miscellaneous	56,804	661,855	27,662	729,699	635,984	240,664	465,661	694,704	659,649	1,868,768
Transfers	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	7,199,578
Total business-type activities	<u>\$ 6,889,294</u>	<u>\$ 10,092,540</u>	<u>\$ 9,679,550</u>	<u>\$ 14,835,858</u>	<u>\$ 11,826,237</u>	<u>\$ 10,777,377</u>	<u>\$ 7,182,596</u>	<u>\$ 8,255,274</u>	<u>\$ 7,256,392</u>	<u>\$ 109,570,022</u>
Total primary government	<u>\$ 492,884,775</u>	<u>\$ 463,555,707</u>	<u>\$ 451,954,680</u>	<u>\$ 467,490,587</u>	<u>\$ 442,101,689</u>	<u>\$ 416,951,518</u>	<u>\$ 393,855,461</u>	<u>\$ 360,882,712</u>	<u>\$ 349,950,803</u>	<u>\$ 314,310,910</u>
Change in Net Assets										
Governmental activities	\$ 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	\$ 7,130,586
Business-type activities	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	19,870,085
Total primary government	<u>\$ 68,657,557</u>	<u>\$ (26,169,663)</u>	<u>\$ (45,634,685)</u>	<u>\$ (290,826)</u>	<u>\$ 57,032,448</u>	<u>\$ 65,974,966</u>	<u>\$ 66,633,654</u>	<u>\$ 32,574,698</u>	<u>\$ 55,009,488</u>	<u>\$ 27,000,671</u>

(1) Restated

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

	Fiscal Year									
	<u>2011</u>	<u>2010(1)</u>	<u>2009(1)</u>	<u>2008(1)</u>	<u>2007(1)</u>	<u>2006(1)</u>	<u>2005(1)</u>	<u>2004 (1)(2)</u>	<u>2003(1)</u>	<u>2002 (1)(2)</u>
General Fund										
Nonspendable	\$ 1,648,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	21,961,726	-	-	-	-	-	-	-	-	-
Committed	1,246,864	-	-	-	-	-	-	-	-	-
Assigned	60,368,123	-	-	-	-	-	-	-	-	-
Total General Fund	<u>85,225,402</u>	<u>-</u>	<u>-</u>							
All other Governmental Funds										
Nonspendable										
Special revenue funds	5,527,435	-	-	-	-	-	-	-	-	-
Restricted										
Capital project funds	15,301,345	-	-	-	-	-	-	-	-	-
Special revenue funds	1,885,830	-	-	-	-	-	-	-	-	-
Committed										
Capital project funds	28,461,553	-	-	-	-	-	-	-	-	-
Special revenue funds	49,659,195	-	-	-	-	-	-	-	-	-
Assigned										
Special revenue funds	5,915,306	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>106,750,664</u>	<u>-</u>	<u>-</u>							
General Fund										
Reserved	-	2,712,109	2,808,056	3,105,738	3,394,405	3,825,762	3,567,549	3,390,883	3,755,322	4,214,879
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	15,126,472
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	26,706,089
Total General Fund	<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>	<u>46,047,440</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	10,399,734
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	20,055,771
Undesignated	-									
Capital project funds	-	11,442,860	17,869,398	97,993,054	70,046,722	12,503,245	(9,658,250)	25,306,231	20,349,294	(10,373,628)
Special revenue 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	9,695,453
Total all other governmental funds	<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>	<u>29,777,330</u>
Total Governmental Fund Balance	<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>	<u>\$ 75,824,770</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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Local property taxes	\$ 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	\$ 145,823,757
Local income taxes	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	111,018,868
Other local taxes	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	33,894,663
Licenses and permits	517,020	508,039	529,307	525,736	555,708	831,982	979,054	847,080	2,294,473	2,202,833
Grants from federal government	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	9,706,831
Grants from state government	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	32,808,334
Intergovernmental	3,676,983	-	-	-	-	-	-	-	-	-
Charges for services	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	15,026,098
Fines and forfeitures	272,540	225,230	399,997	428,472	304,985	308,518	330,530	424,633	210,678	261,839
Interest from loans	26,130	36,243	39,347	59,566	89,802	19,512	11,078	8,440	11,197	-
Investment earnings	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	5,627,783
Build America bond subsidy	1,393,990	-	-	-	-	-	-	-	-	-
Miscellaneous	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	2,139,761
Total revenues	527,729,215	517,778,272	525,649,363	515,162,382	496,356,771	474,724,888	438,635,829	403,366,254	387,722,402	358,510,767
Expenditures										
Current										
General government	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	23,411,460
Public safety	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	42,033,139
Public works	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	13,957,272
Health	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	19,199,353
Social services	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	3,422,847
Education	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	200
Parks, recreation and culture	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	2,807,366
Conservation of natural resources	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	6,350,666
Community development and public housing	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	2,407,231
Economic development and opportunity	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	9,856,451
Miscellaneous	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	1,960,755
Intergovernmental	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	3,094,971
Debt service										
Principal	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	13,046,143
Interest	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	10,558,830
Capital projects	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	21,549,878
Total expenditures	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	173,656,562
Excess of revenues over expenditures	(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	184,854,205

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

	Fiscal Year										
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	
Other Financing Sources (Uses)											
Transfers in from:											
General Fund	\$ 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	\$ 22,966,955	
Special Revenue Funds	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	7,793,112	
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	(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)	(6,377,395)	
Capital Projects Fund	(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)	(24,382,672)	
Enterprise Funds	(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)	(1,868,768)	
Internal Service Funds	(129,592)	(250,648)	(15,527)	(976,979)	(796,768)	(1,690,917)	(14,804)	(220,000)	-	-	
Transfer to component units	-	-	-	-	-	-	-	-	-	(199,646,481)	
Proceeds from public facilities and refunding bonds	-	173,041,815	-	61,055,000	49,856,000	82,958,476	91,781,972	41,792,400	50,157,925	20,053,810	
Payment to refunded bond escrow agent	-	(59,789,074)	-	-	-	(13,710,975)	(96,489,172)	(13,032,948)	(1,178,545)	(20,578,753)	
Bond premium on public facilities and refunding bonds	-	10,503,504	-	2,385,238	919,527	4,751,327	8,870,030	654,580	588,545	524,943	
Installment purchase agreement	4,467,570	6,509,802	2,437,428	7,948,699	-	-	-	-	-	-	
Repayment of bond anticipation notes	-	-	-	-	-	-	-	-	-	-	
Proceeds of capital lease	-	-	2,120,000	2,394,000	5,325,000	731,000	852,100	2,515,000	2,961,260	-	
Sale of capital assets	-	45,918	7,023	17,475	1,250	14,550	18,000	6,900	2,000	-	
Total other financing sources (uses)	<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>	<u>(201,515,249)</u>	
Net change in fund balances	<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>	<u>\$ (16,661,044)</u>	
Total expenditures	\$ 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	\$ 173,656,562	
Less: Capital outlay	(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)	(21,820,477)	
Noncapital expenditures	<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>	<u>\$ 151,836,085</u>	
Debt service	<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>	<u>\$ 23,604,973</u>	
Debt service as a percentage of noncapital expenditures	9.08%	7.51%	7.28%	6.83%	7.10%	5.61%	8.10%	6.68%	5.62%	15.55%	

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)
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
2002	n/a	n/a	n/a	12,972,034,400	1.000	382,963,100	2.50	13,354,997,500	1.043

Source: County Treasurer's Office and Maryland State Department of Assessments and Taxation

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

(1) Per \$100 of assessed value

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

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

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

	Fiscal Year										
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	
Direct Property Tax Rates											
Frederick County	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	
Total Direct Property Tax Rates	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	
Overlapping property tax rates											
<u>Fire and lighting tax districts</u>											
Suburban Fire/Rescue	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.065	\$ 0.065	\$ 0.045	\$ 0.045	
Urban Fire/Rescue	0.128	0.128	0.128	0.128	0.128	0.135	0.135	0.135	0.100	0.100	
Braddock lighting tax district	0.010	0.006	0.006	0.006	0.012	0.016	0.020	0.024	0.024	0.024	
Libertytown lighting tax district	0.013	0.013	0.013	0.013	0.018	0.021	0.022	0.020	0.020	0.020	
New Addition lighting tax district	0.010	0.007	0.007	0.007	0.012	0.014	0.021	0.028	0.028	0.028	
State	0.112	0.112	0.112	0.112	0.112	0.132	0.132	0.132	0.084	0.084	
<u>Municipalities</u>											
Brunswick	0.462	0.422	0.422	0.432	0.452	0.452	0.488	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	0.670	0.690	0.690	0.690	0.640	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	0.165	0.165	0.174	0.183	0.188	0.193	0.202	0.206	0.206	
Myersville	0.274	0.274	0.274	0.274	0.274	0.274	0.274	0.236	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	0.270	0.280	0.265	0.270	0.273	0.248	0.248	0.248	
Walkersville	0.170	0.156	0.156	0.156	0.156	0.166	0.176	0.176	0.176	0.176	
Woodsboro	0.130	0.120	0.120	0.120	0.129	0.138	0.152	0.152	0.152	0.152	

Source: County Treasurer's Office

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

Name of Taxpayer	Fiscal Year 2011				Fiscal Year 2002			
	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	%	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	%
Potomac Edison/Alleghany Power	\$ 125,969,200	1	0.47	%	\$ 158,545,526	1	1.19	%
Verizon Maryland/Bell Atlantic	81,254,110	2	0.30		109,153,640	2	0.82	
PR Financing Limited Partnership	73,405,433	3	0.27		-	-	-	
Medimmune, Inc.	52,191,900	4	0.19		-	-	-	
River X, LLC	44,901,000	5	0.17		-	-	-	
Washington Gas Light Company	42,689,890	6	0.16		30,518,540	9	0.23	
State Farm Mutual Auto Insurance	41,615,200	7	0.15		38,286,666	7	0.29	
Writ Frederick Crossing Land, LLC	39,208,500	8	0.15		-	-	-	
Frederick Westview Properties, LLC	36,053,333	9	0.13		-	-	-	
Fannie Mae	35,889,300	10	0.13		-	-	-	
Westview Corporate Center, Inc.	-		-		45,509,032	4	0.34	
Crown American Financing Part.	-		-		65,542,832	3	0.49	
American Telephone & Telegraph	-		-		36,187,150	8	0.27	
Frederick Towne Mall Associates	-		-		28,354,500	10	0.21	
Eastalco Aluminum Company	-		-		40,130,796	6	0.30	
Manekin/Morecop	-		-		43,240,685	5	0.32	
Totals	\$ 573,177,866		2.12	%	\$ 595,469,367		4.46	%

Source: County Treasurer's Office

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy
2011	\$ 245,857,629	\$ (2,208,994)	\$ 243,648,635	\$ 243,347,532	99.88 %	\$ -	\$ 243,347,532	99.88 %
2010	243,164,858	(1,913,319)	241,251,539	240,846,665	99.83	310,532	241,157,197	99.96
2009	227,624,313	(1,559,310)	226,065,003	225,751,007	99.86	273,260	226,024,267	99.98
2008	207,783,675	(2,264,381)	205,519,294	205,408,797	99.95	91,457	205,500,254	99.99
2007	184,843,834	(718,504)	184,125,330	183,777,116	99.81	337,348	184,114,464	99.99
2006	172,329,130	(847,822)	171,481,308	171,182,698	99.83	318,863	171,501,561	100.01
2005	160,956,202	5,986,647	166,942,849	166,492,845	99.73	448,529	166,941,374	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
2002	127,284,351	10,697,607	137,981,958	137,338,900	99.53	641,426	137,980,326	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 2011, only additions and abatements are included in this column.

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

Governmental Activities							
Fiscal Year	General Obligation Bonds	Bond Anticipation Notes	Capital Leases	Notes Payable	Agricultural Preservation Installment Purchase Agreements	Total Governmental Activities	
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	
2002	198,049,009	621,075	1,428,274	2,653,604	-	202,751,962	

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)
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
2002	61,560,990	6,583,925	33,269,694	101,414,609	304,166,571	4.2%	1,448

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, 2011)

(2) Notes payable includes Interfund Solid Waste Cart Loan of \$2,307,896.

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

Fiscal Year	General Obligation Debt	Installment Purchase Agreements (1)	Less Amounts to be Paid with Other Resources	Total Net General Obligation Debt Outstanding	Percentage of Total Estimated Actual Value of Taxable Property (2)	Per Capita (3)
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
2002	259,609,999	-	(106,330,430)	153,279,569	1.15%	717

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.

Exhibit III-A-11

FREDERICK COUNTY, MARYLAND
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 AS OF JUNE 30, 2011

<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>468,965,948</u>	100 %	\$ <u>468,965,948</u>
Overlapping Debt:			
Component Units:			
Frederick County Public Schools	16,283,440	100 %	16,283,440
Frederick Community College	5,711,476	100 %	5,711,476
Towns, Cities and Villages:			
Brunswick	496,817	100 %	496,817
Emmitsburg	446,204	100 %	446,204
Frederick City	71,268,848	100 %	71,268,848
Middletown	1,158,626	100 %	1,158,626
Myersville	3,526,124	100 %	3,526,124
Thurmont	1,579,166	100 %	1,579,166
Walkersville	487,212	100 %	487,212
Subtotal Overlapping:	<u>100,957,913</u>		<u>100,957,913</u>
Totals	\$ <u>569,923,861</u>		\$ <u>569,923,861</u>

Source: Division of Finance

(1) Debt repaid by general government activities

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

	<u>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>
Debt limitation - 6% of total assessed value	\$ 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	\$ 801,299,850
Total debt applicable to limit (2)	<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>	<u>94,830,685</u>
Legal debt margin	<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>	<u>\$ 706,469,165</u>
Total net debt applicable to the limit as a percentage of debt limit	11.49%	10.63%	12.46%	12.65%	11.09%	10.31%	11.92%	13.44%	11.83%

Legal debt margin calculation for fiscal year 2011

Assessed valuations (1)	<u>\$ 26,904,914,552</u>
Debt limitation - 6% of total assessed value	1,614,294,873
Debt applicable to limitation	
Total bonds payable	145,506,415
Total notes payable	<u>38,721,280</u>
Total debt applicable to limit (2)	<u>184,227,695</u>
Legal debt margin	<u>\$ 1,430,067,178</u>
Total net debt applicable to the limit as a percentage of debt limit	11.41%

(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)
					Credit	Non- Credit	Total	
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
2002	210,100	7,212,448	34,577	38,122	2,484	276	2,760	3.1

Sources: (1) Estimated by Frederick County Community Development Division
 (2) Frederick County Office of Economic Development, US Bureau of Economic Analysis (All data updated as of June 30, 2011)
 (3) Frederick County Board of Education
 (4) Frederick Community College
 (5) Maryland Department of Labor, Licensing & Regulation
 (6) U.S. Census
 N/A - Not available

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

<u>Employer</u>	2011			2002		
	<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	9.88 %	6,279 *	1	7.50 %
Frederick County Board of Education	5,540	2	5.95	4,382	2	5.23
Frederick County Government	2,355	3	2.53	2,572	4	3.07
Frederick Memorial Healthcare System	2,295	4	2.46	2,004	6	2.39
Bechtel Corporation (formerly Bechtel Power)	2,203	5	2.37	2,800	3	3.34
SAIC - Frederick	1,965	6	2.11	-	-	-
Wells Fargo Home Mortgage	1,500	7	1.61	1,300	8	1.55
Frederick Community College	899	8	0.97	1,137	9	1.36
Frederick City Government	852	9	0.91	-	-	-
United Health Care (formerly MAMSI)	832	10	0.89	2,376	5	2.84
CitiMortgage (formerly First Nationwide Mortgage)	-	-	-	1,900	7	2.27
State Farm Insurance	-	-	-	948	10	1.13
	<u><u>27,641</u></u>		<u><u>29.68 %</u></u>	<u><u>25,698</u></u>		<u><u>30.68 %</u></u>

* Includes military personnel

Source: Frederick County Office of Economic Development

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

<u>Function/Program</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>
General government	332	356	378	384	350	335	335	326	305	312
Public safety	801	831	864	846	762	704	646	584	561	536
Public works	407	422	443	421	395	383	359	363	357	338
Health	318	326	333	337	316	313	292	299	300	326
Social services	109	138	149	141	136	126	125	128	127	122
Parks, recreation and culture	46	46	48	50	49	50	42	42	44	43
Library	119	117	123	121	116	108	91	89	88	86
Conservation of natural resources	5	7	7	7	7	7	7	7	6	6
Community dev. & public housing	9	11	11	11	8	7	6	6	6	5
Economic dev. & opportunity	33	114	119	114	104	111	106	110	120	122
Total	<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>	<u>1,896</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>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>
General Government										
Human Resources										
Employment announcements issued	180	110	133	272	265	182	170	180	215	201
Employment applications received/reviewed	7,515	4,698	5,127	7,968	6,989	6,000	7,000	6,000	6,000	3,800
Finance/Accounting										
Accounts payable checks generated	22,310	21,580	22,719	29,216	23,557	28,000	31,000	31,000	29,840	29,600
Invoices prepared	2,573	2,413	2,318	2,291	2,235	1,920	1,800	1,700	1,550	1,850
Purchasing										
Formal bids, RFP's, sole source & emergencies	204	203	210	204	207	225	200	*	*	*
Treasurer										
Property tax bills/delinquent notices mailed	106,612	101,345	103,892	101,648	106,403	87,207	93,000	87,000	87,000	86,000
Building Maintenance										
Buildings	142	145	145	136	121	116	114	110	106	73
Work orders/service requests	5,815	4,231	5,043	4,040	3,767	4,486	4,272	3,758	3,654	3,232
Square feet of properties managed	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	970,455
Facility Services										
Square footage of properties cleaned	778,376	733,624	743,876	713,033	713,919	644,419	644,419	627,493	627,493	567,898
Number of leases managed	33	41	39	37	35	37	37	44	38	21
Square feet of leased property managed	141,742	161,996	159,227	169,258	166,769	155,303	155,303	172,519	172,931	151,349
Pieces of outgoing U.S. mail	326,858	334,375	400,976	415,488	425,899	400,560	485,000	465,458	455,136	454,942
Elections										
Registered voters	136,014	135,264	132,866	127,227	124,000	124,000	122,000	113,000	118,000	113,832
Liquor Board										
Regular liquor licenses	304	284	300	299	294	298	295	290	295	295
Liquor inspections	5,864	4,449	3,463	3,652	3,260	3,260	3,200	3,130	3,600	3,400
Internal Audit										
Internal Audits performed	8	10	11	16	19	16	21	20	21	20
Circuit Court										
New cases filed	10,431	12,499	12,429	11,168	10,053	9,303	7,939	6,106	10,071	6,806
Public Safety										
Housing units constructed	581	788	665	738	1,143	2,087	1,653	1,781	1,924	1,639
Sheriff's Office										
Administration Bureau										
Civil Process papers served	20,648	28,286	30,993	24,771	21,596	25,200	24,500	29,050	*	30,784
Courthouse Security										
Prisoners handled: adult/juvenile	4,241	4,535	4,684	4,844	5,336	5,200	5,250	4,050	3,730	4,297
Operations: Law Enforcement										
Arrests: adult/juvenile	3,826	3,892	4,226	4,197	4,376	4,961	4,386	4,700	5,119	4,541
Calls for service	99,047	101,728	96,469	88,434	68,159	58,687	68,340	65,000	*	48,354
Adult Detention Center										
Average daily population	442	416	425	484	498	464	466	452	429	449
Emergency Communications										
Fire/EMS dispatches	32,453	30,457	27,674	26,642	26,378	25,591	22,827	25,368	26,470	22,816
Police dispatches	142,662	150,634	144,158	131,355	109,285	102,598	79,297	83,761	80,692	76,998
911 calls	128,383	117,346	109,111	107,353	109,601	107,127	109,210	109,795	98,871	94,380
Animal Control										
Calls for service	9,726	9,373	9,022	8,110	7,771	7,061	6,960	6,838	6,469	6,148

(continued)

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

<u>Function/Program</u>	<u>Fiscal Year</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>
Public Works										
Water facilities										
Customers (FY 03-11), Equiv units (FY 02)	20,549	20,263	20,062	20,131	20,081	19,692	17,578	17,039	16,628	16,276
Annual production (1,000 gals.)	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	1,700,000
Sewer facilities										
Customers (FY 03-11), Equiv units (FY 02)	28,221	27,874	27,559	25,923	25,890	24,787	24,614	23,724	23,153	22,663
Fleet Services										
Work orders	5,716	5,613	6,066	5,507	5,372	4,277	7,695	6,300	5,557	5,850
Vehicles maintained	967	1,045	1,016	994	959	888	820	802	788	777
Highway Operations										
County roads - mileage maintained	1,264	1,264	1,264	1,258	1,257	1,256	1,245	1,237	1,235	1,221
Tar and chip maintenance (miles)	21	12	32	41	59	95	*	53	54	46
Usage of salt & cinders (tons)	15,263	16,998	14,793	22,911	24,144	25,000	18,900	27,118	*	*
Transportation Engineering										
Bridges inspected	116	136	114	170	170	170	172	265	*	*
Road overlay (miles)	3	37	48	32	25	26	26	22	49	*
Construction Management										
CIP and developer funded subdivision projects completed	41	74	69	106	77	193	163	80	170	118
TransIT										
Passenger trips	835,880	786,711	791,961	737,974	709,701	651,306	553,344	460,738	378,094	313,238
Revenue vehicle miles	1,173,086	1,196,533	1,218,305	1,112,748	1,096,130	1,053,170	994,505	867,664	749,759	725,841
	83,154	86,305	85,770	85,829	83,467	80,541	83,038	76,641	67,913	54,924
Health										
Health Department										
Public health nursing contacts	21,499	22,632	25,575	25,839	35,046	31,379	29,866	*	*	*
Mental health visits	10,724	10,133	10,182	10,691	10,803	5,958	7,053	*	*	*
Substance abuse visits	26,464	28,860	29,630	30,474	32,063	10,932	13,734	*	*	*
Dental visits for children	4,242	4,384	4,851	5,056	4,410	4,486	4,556	*	*	*
Environmental health reviews/inspections	14,799	14,668	16,684	14,664	15,132	14,041	13,588	*	*	*
School health program										
Children served	40,484	40,210	40,155	40,566	40,315	39,741	39,564	39,004	38,621	38,122
Health room visits	304,730	307,925	270,234	271,815	248,626	160,000	147,070	150,000	201,000	156,280
Developmental Center										
Infants & Toddlers Program children served	638	583	548	529	533	*	*	*	*	*
School-based services visits	14,378	14,734	12,442	11,512	10,551	*	*	*	*	*
Audiology services visits	809	835	801	877	860	969	861	921	1,049	969
Social Services										
Social Services										
Child & Adult Care Food Program										
Home visits	843	825	900	900	900	1,344	1,026	981	*	*
Department of Aging										
Home delivered meals served to elderly	50,220	45,490	44,624	50,042	52,141	20,000	21,000	27,000	25,000	24,000
Congregate meals served	15,522	15,338	16,936	16,638	16,656	19,000	21,500	23,000	30,000	31,000

(continued)

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

<u>Function/Program</u>	<u>Fiscal Year</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>
Parks, recreation and culture										
Parks & Recreation										
Parks acres maintained	2,066	2,066	1,792	1,572	1,534	1,534	1,511	1,511	1,511	1,526
Recreation center attendance	95,135	99,247	90,645	77,138	76,844	54,718	45,000	46,066	42,400	*
Conservation of natural resources										
Agriculture										
Farms	1,442	1,442	1,442	1,273	1,273	1,273	1,273	1,273	1,304	1,304
Acreage	202,087	202,087	202,087	195,827	195,827	195,827	195,827	195,827	215,927	215,927
Preserved land										
Farms	390	376	355	298	274	244	220	195	168	144
Acreage	52,802	50,946	47,538	40,163	37,807	33,836	30,782	27,396	23,147	20,398
Community development and public housing										
Bell Court housing project (28 units)										
Occupancy rate	100%	100%	100%	100%	99%	99%	99%	99%	98%	*
Economic development and opportunity										
Workforce Services										
One - stop services - customers served	6,547	5,122	2,744	2,365	2,507	2,310	2,310	2,310	2,000	2,000
One - stop services - youth customers served	242	214	200	330	*	*	*	*	*	*
Job orders received	4,446	2,761	1,765	2,116	*	*	*	*	*	*
Customized training provided (trainees)	1,413	998	2,319	1,663	*	*	*	*	*	*
Maryland Business works projects (trainees)	351	187	190	310	*	*	*	*	*	*
Recruitment for business	32	90	81	*	*	*	*	*	*	*
Customized & onsite recruitment events	364	18	28	31	*	*	*	*	*	*
Website unique visitors	82,422	79,697	55,605	21,774	*	*	*	*	*	*
Office of Economic Development										
Average web hits per month	422,119	390,112	370,934	365,115	326,761	280,396	251,629	169,475	98,791	63,305
Inquiries	2,590	3,847	3,943	3,343	3,273	2,507	*	*	*	*
Prospects	150	164	311	440	405	482	*	*	*	*
Projects	513	541	513	422	396	137	184	187	125	*
Companies visited	311	348	429	424	455	486	321	349	356	342
Companies assisted	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>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>
General Government										
Building maintenance										
Buildings managed	142	145	145	136	121	116	114	110	106	73
Public Safety										
Fire/rescue stations	30	30	30	30	30	30	30	30	30	30
Adult Detention Center average daily population	442	416	425	484	498	464	466	452	429	449
Public Works										
County roads - mileage	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	14	14	14	14	14	15	15
Daily capacity (1,000 gals.)	18,124	12,432	12,432	12,432	10,193	10,193	9,485	9,485	9,645	9,645
Miles of water mains	293	290	289	284	271	253	243	231	228	211
Hydrants	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	15	15	16	16	16	17	17	17	16	16
Daily capacity (1,000 gals.)	8,677	8,677	7,727	7,677	7,677	7,707	7,707	7,701	7,701	7,766
Miles of sewer mains	357	353	352	344	339	327	313	303	293	283
Bridges										
Bridges (over 20' spans)	219	219	219	215	215	214	214	213	213	213
Fleet services										
Vehicles	967	1,045	1,016	994	959	888	820	802	788	777
Parks, Recreation and Culture										
County park acreage	2,066	2,066	1,792	1,572	1,534	1,534	1,511	1,511	1,511	1,526
County facilities	36	36	31	30	30	29	29	29	29	*

* Information not available

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

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