

# 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>*

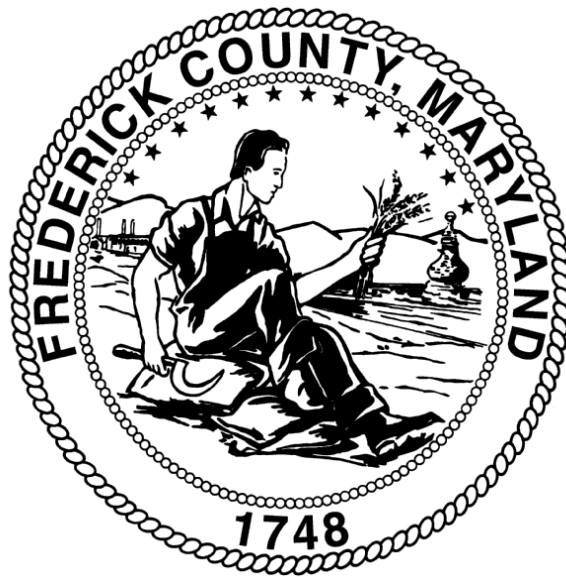
*Frederick County photos were provided by Robin Santangelo, Public Information Officer.*

*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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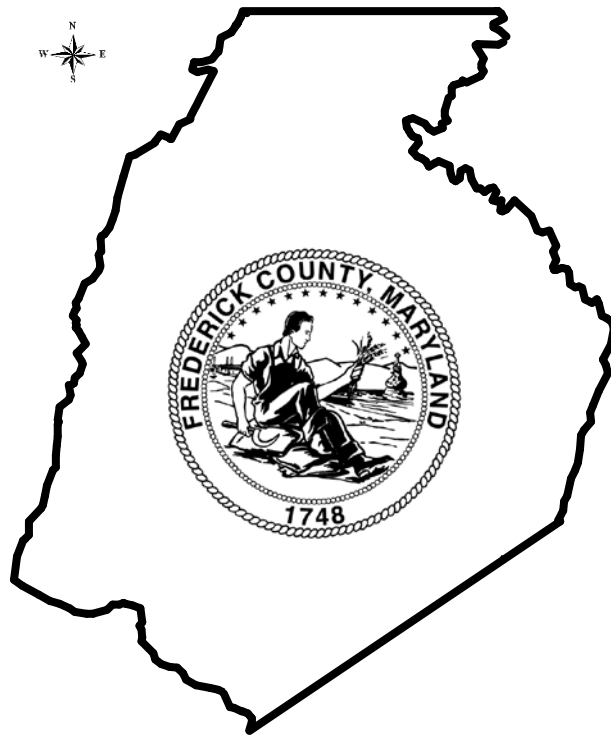
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## STATISTICAL SECTION

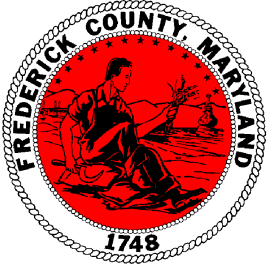
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# INTRODUCTORY SECTION









# FINANCE DIVISION FREDERICK COUNTY, MARYLAND

Winchester Hall • 12 East Church Street • Frederick, Maryland 21701  
301-600-1117 • FAX 301-600-2302 • TTY Use Maryland Relay  
[www.FrederickCountyMD.gov](http://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

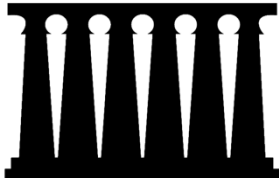
David B. Dunn

## FINANCE DIVISION

Lori L. Depies, CPA  
*Director*

Richard J. Duthoy, CPA  
*Assistant Director*

## CHARACTER COUNTS!



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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](http://www.frederickcountymd.gov).

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

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

#### - The Reporting Entity

The County provides a full range of services, including fire and rescue; law enforcement; sanitation services (including water, sewer, solid waste management and residential recycling); construction and maintenance of highways, streets, and infrastructure; recreational activities; and general government activities. Bell Court Apartments, the Solid Waste Management, and Water and Sewer Enterprise Funds are supported through user fees. The Citizens Care and Rehabilitation Center and the Permitting & Development Review Funds are primarily supported through user fees with supplemental support from the General Fund. Montevue Home, while supported by user fees, is more heavily subsidized by General Fund contributions. Incorporated municipalities within Frederick County provide some or all of the following services within their boundaries which relieves the County from providing these services in those areas: highway and street maintenance, parks and recreation, planning services, and police protection. The County is also financially accountable for legally separate entities, which are reported separately within the County's financial statements. The entities, known as component units, that meet these criteria are the Frederick County Board of Education, the Frederick Community College, and the Frederick County Public Libraries. The County has no blended component units. Additional information on the component units can be found in Note 1 in Exhibit II-A-14.

#### - Budgetary Overview

The annual budget serves as the foundation for the County's financial planning and control. The County budget is comprised of the operating budget for the General Fund, the Capital Budget (from project inception through the current year), and the Capital Program (a six year plan). Budgets are also adopted for most Special Revenue Funds and the Enterprise and Internal Service Funds. The formulation of the County's budget is the responsibility of the Budget Officer. Public local law requires the budget (1) to be adopted by the Board prior to the beginning of the fiscal year, and (2) maintain a surplus at the end of the fiscal year.

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

General Fund budget must contain: 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](http://www.FrederickCountyMD.gov/reports) (See Departments; Budget [for other information] and Treasury [for other information]). In addition, copies of this report are placed in the Frederick County Public Library system for use by the general public.

Respectfully submitted,



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.

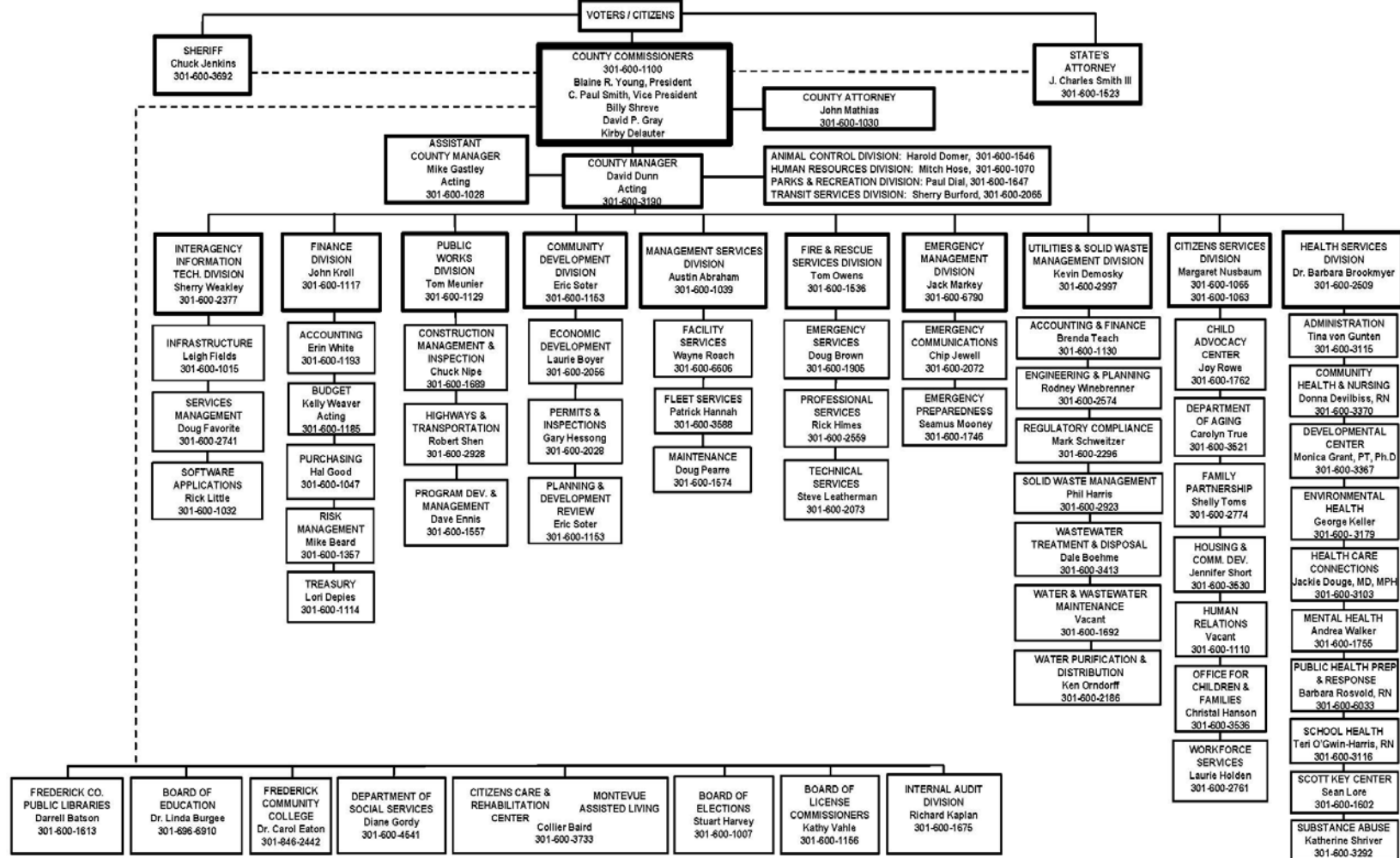


President

Executive Director



# FREDERICK COUNTY GOVERNMENT ORGANIZATION CHART





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

**Seated from left**

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

**Standing from left**

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

**Frederick County, Maryland**  
**Summary of Elected and Appointed Officials**

**Board of County Commissioners**

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

**Sheriff**

Charles A. "Chuck" Jenkins

**State's Attorney**

J. Charles Smith III, Esquire

**Administrative Judge of the Circuit Court**

Honorable G. Edward Dwyer, Jr.

**Clerk of the Circuit Court**

Sandra K. Dalton, Clerk

**Appointed Officials**

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

John S. Mathias, Esquire  
David B. Dunn  
Michael Gastley  
Harold L. Domer, Jr.  
  
Collier W. Baird, III  
Margaret L. Nusbaum  
Eric E. Soter  
John E. "Jack" Markey  
John R. Kroll  
Thomas W. Owens  
Barbara A. Brookmyer, MD, MPH  
Mitchell L. Hose  
Sherry A. Weakley  
Richard A. Kaplan  
Austin S. Abraham  
Collier W. Baird, III  
W. Paul Dial  
Thomas J. Meunier, P.E.  
Sherry C. Burford  
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**

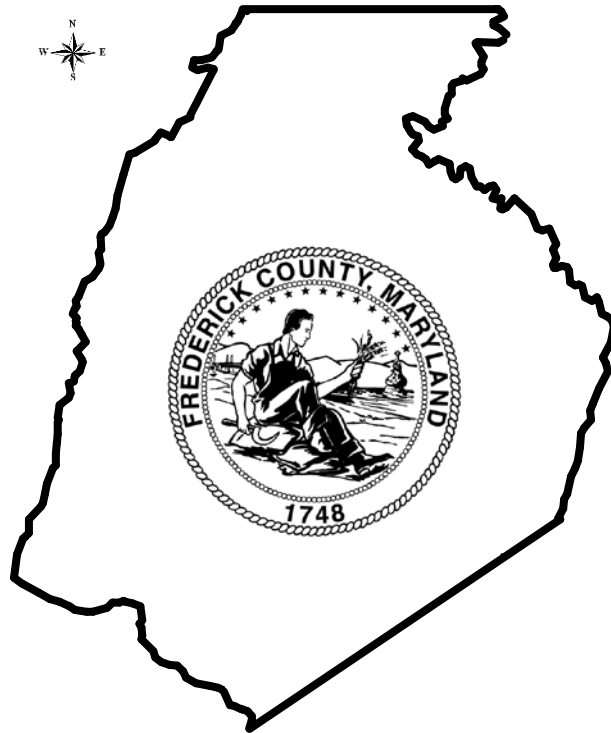
|                           |                   |
|---------------------------|-------------------|
| President                 | Michael Kurtianyk |
| Vice-President            | Blanca Poteat     |
| Secretary/Treasurer       | Tina B. Prensky   |
| Member                    | Eric S. Larson    |
|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







# FINANCIAL SECTION









## **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.



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

*SB & Company, LLC*

## **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<br>as of June 30<br>(In Thousands) |                            |            |                             |            |                                |            |
|--|----------------------------|------------|-----------------------------|------------|--------------------------------|------------|
|  | Governmental<br>Activities |            | Business-type<br>Activities |            | Total<br>Primary<br>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,<br>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   | \$ 197,624                 | \$ 170,239 | \$ 441,000                  | \$ 399,728 | \$ 638,624                     | \$ 569,967 |

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)

|   | <b>Governmental<br/>Activities</b> |                   | <b>Business-type<br/>Activities</b> |                   | <b>Total<br/>Primary<br/>Government</b> |                   |
|---|------------------------------------|-------------------|-------------------------------------|-------------------|---|-------------------|
|   | <b>2011</b>                        | <b>2010</b>       | <b>2011</b>                         | <b>2010</b>       | <b>2011</b>                             | <b>2010</b>       |
| <b>REVENUES</b>                                     |                                    |                   |                                     |                   |   |                   |
| <b>Program revenues</b>                             |                                    |                   |                                     |                   |   |                   |
| 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            |
| <b>General revenues</b>                             |                                    |                   |                                     |                   |   |                   |
| 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             |
| <b>Total revenues</b>                               | <b>539,602</b>                     | <b>514,361</b>    | <b>109,459</b>                      | <b>92,790</b>     | <b>649,061</b>                          | <b>607,151</b>    |
| <b>EXPENSES</b>                                     |                                    |                   |                                     |                   |   |                   |
| <b>Program Activities</b>                           |                                    |                   |                                     |                   |   |                   |
| <b>Governmental Activities:</b>                     |                                    |                   |                                     |                   |   |                   |
| 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            |
| <b>Business-type Activities:</b>                    |                                    |                   |                                     |                   |   |                   |
| 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            |
| <b>Total expenses</b>                               | <b>506,390</b>                     | <b>558,553</b>    | <b>74,014</b>                       | <b>74,767</b>     | <b>580,404</b>                          | <b>633,320</b>    |
| <b>Incr. (decr.) in net assets before transfers</b> | <b>33,212</b>                      | <b>(44,192)</b>   | <b>35,445</b>                       | <b>18,023</b>     | <b>68,657</b>                           | <b>(26,169)</b>   |
| <b>Transfers</b>                                    | <b>(5,827)</b>                     | <b>(8,381)</b>    | <b>5,827</b>                        | <b>8,381</b>      | <b>-</b>                                | <b>-</b>          |
| <b>Increase (decrease) in net assets</b>            | <b>27,385</b>                      | <b>(52,573)</b>   | <b>41,272</b>                       | <b>26,404</b>     | <b>68,657</b>                           | <b>(26,169)</b>   |
| <b>Net Assets - beginning of year</b>               | <b>170,239</b>                     | <b>222,812</b>    | <b>399,728</b>                      | <b>373,324</b>    | <b>569,967</b>                          | <b>596,136</b>    |
| <b>Net Assets - ending of year</b>                  | <b>\$ 197,624</b>                  | <b>\$ 170,239</b> | <b>\$ 441,000</b>                   | <b>\$ 399,728</b> | <b>\$ 638,624</b>                       | <b>\$ 569,967</b> |

**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<br>Activities |                   | Business-type<br>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.

|                   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>      |
|-------------------|------------------------------------|-------------------------------------|-------------------|
| Beginning Balance | \$ 433,943                         | \$ 482,520                          | \$ 916,463        |
| Additions         | 87,231                             | 131,574                             | 218,805           |
| Depreciation      | (23,519)                           | (10,384)                            | (33,903)          |
| Retirement*       | (30,518)                           | (86,066)                            | (116,584)         |
| Ending Balance    | <u>\$ 467,137</u>                  | <u>\$ 517,644</u>                   | <u>\$ 984,781</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
  - Catocin 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> |
|--|----------------------|----------------------|
| <b>Governmental Activities:</b>                |                      |                      |
| 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>    |
| <b>Business-type Activities:</b>               |                      |                      |
| 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<br>Activities | Business-type<br>Activities | Total         | Board of<br>Education | Community<br>College | Public<br>Libraries |
| <b>Assets</b>  |                            |                             |               |                       |                      |                     |
| 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<br>Activities | Business-type<br>Activities | Total                 | Board of<br>Education | Community<br>College | Public<br>Libraries |
| <b>Liabilities</b>                                   |                            |                             |                       |                       |                      |                     |
| 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>    |
| <b>Net Assets</b>                                    |                            |                             |                       |                       |                      |                     |
| Investment in capital assets,<br>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)                               | (228,733,110)              | 98,317,538                  | (130,415,572)         | (128,160,234)         | 16,359,234           | (120,147)           |
| 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                              |                          | Component Units |                    |                   | Public Libraries |
|  |                |                      |                                    |                                  | Governmental Activities                         | Business-type Activities | Total           | Board of Education | Community College |                  |
| <b>Primary government:</b>                                   |                |                      |                                    |                                  |   |                          |                 |                    |                   |                  |
| 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)   | -                  | -                 | -                |
| <b>Component Units:</b>                                      |                |                      |                                    |                                  |   |                          |                 |                    |                   |                  |
| 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**

|   | <b>General</b>        | <b>Agricultural<br/>Preservation</b> | <b>Capital<br/>Projects</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-----------------------|--------------------------------------|-----------------------------|--|---|
| <b>Assets</b>   |                       |                                      |                             |  |   |
| 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                             | 51,145,868            | 11,120,657                           | 38,797,795                  | 12,776,886                                 | 113,841,206                             |
| 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                      | 1,747,696             | -                                    | 9,782,857                   | 90,555                                     | 11,621,108                              |
| Total assets  | <u>\$ 131,154,054</u> | <u>\$ 47,015,381</u>                 | <u>\$ 51,233,209</u>        | <u>\$ 25,116,317</u>                       | <u>\$ 254,518,961</u>                   |
| <b>Liabilities and Fund Balances</b>                        |                       |                                      |                             |  |   |
| 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  | 34,678,488            | 1,463,492                            | 459,576                     | 3,573,458                                  | 40,175,014                              |
| Total liabilities   | <u>45,928,652</u>     | <u>1,488,347</u>                     | <u>7,470,311</u>            | <u>7,655,585</u>                           | <u>62,542,895</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>85,225,402</u>     | <u>45,527,034</u>                    | <u>43,762,898</u>           | <u>17,460,732</u>                          | <u>191,976,066</u>                      |
| Total liabilities and fund balances                         | <u>\$ 131,154,054</u> | <u>\$ 47,015,381</u>                 | <u>\$ 51,233,209</u>        | <u>\$ 25,116,317</u>                       | <u>\$ 254,518,961</u>                   |

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

FREDERICK COUNTY, MARYLAND  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET 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<br>Preservation | Capital<br>Projects  | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|------------------------------|----------------------|-----------------------------------|--------------------------------|
| <b>Revenues</b>                                   |                      |                              |                      |                                   |                                |
| 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>             |
| <b>Expenditures</b>                               |                      |                              |                      |                                   |                                |
| 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>            |
| <b>Other financing sources (uses)</b>             |                      |                              |                      |                                   |                                |
| 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.

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 | 3,179,003    | (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 | (391,903)  | 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 | (3,000,465)  | 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> | \$ 30,832,780 |

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> | (7,251,747) |

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<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>       | <u>Variance-<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|---------------------------|---------------------|--|
| <b>Local property taxes</b>                 |                            |                           |                     |  |
| 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>                             |
| <b>Local income taxes</b>                   | <u>139,145,505</u>         | <u>139,145,505</u>        | <u>157,826,635</u>  | <u>18,681,130</u>                            |
| <b>Other local taxes</b>                    |                            |                           |                     |  |
| 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>                             |
| <b>Licenses and permits</b>                 |                            |                           |                     |  |
| 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>                                |
| <b>Grants from federal government</b>       | <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<br>Budget | Amended<br>Budget  | Actual             | Variance-<br>Positive<br>(Negative) |
|---|--------------------|--------------------|--------------------|-------------------------------------|
| <b>Grants from state government</b>         |                    |                    |                    |                                     |
| Police protection                           | \$ 660,000         | \$ 660,000         | \$ 664,585         | \$ 4,585                            |
| Aid for fire, rescue and ambulance services | 360,000            | 360,000            | 365,088            | 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>                      |
| <b>Intergovernmental</b>                    | <u>3,676,983</u>   | <u>3,676,983</u>   | <u>3,676,983</u>   | <u>-</u>                            |
| <b>Charges for services</b>                 |                    |                    |                    |                                     |
| 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                                  | 880,100            | 880,100            | 1,045,575          | 165,475                             |
| Total charges for services                  | <u>4,234,216</u>   | <u>3,348,216</u>   | <u>3,459,426</u>   | <u>111,210</u>                      |
| <b>Fines and forfeitures</b>                |                    |                    |                    |                                     |
| Court                                       | 79,000             | 79,000             | 60,812             | (18,188)                            |
| Alcoholic beverages                         | 5,000              | 5,000              | 15,150             | 10,150                              |
| Other fines and forfeitures                 | 76,500             | 76,500             | 83,170             | 6,670                               |
| Total fines and forfeitures                 | <u>160,500</u>     | <u>160,500</u>     | <u>159,132</u>     | <u>(1,368)</u>                      |
| <b>Investment earnings</b>                  | <u>750,000</u>     | <u>750,000</u>     | <u>461,454</u>     | <u>(288,546)</u>                    |
| <b>Build America Bond Subsidy</b>           | <u>740,304</u>     | <u>740,304</u>     | <u>740,304</u>     | <u>-</u>                            |
| <b>Miscellaneous revenues</b>               |                    |                    |                    |                                     |
| 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                | 1,006,159          | 999,159            | 1,337,798          | 338,639                             |
| Total miscellaneous revenues                | <u>2,336,469</u>   | <u>2,333,479</u>   | <u>2,893,628</u>   | <u>560,149</u>                      |
| <b>Total revenues</b>                       | <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**

|                                   | <u>Original<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>    | <u>Variance-<br/>Positive<br/>(Negative)</u> |
|-----------------------------------|----------------------------|---------------------------|------------------|--|
| <b>General government</b>         |                            |                           |                  |  |
| <b>Legislative and executive</b>  |                            |                           |                  |  |
| 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            | <u>6,359</u>               | <u>6,359</u>              | <u>5,570</u>     | <u>789</u>                                   |
| Total legislative and executive   | <u>1,818,791</u>           | <u>1,833,896</u>          | <u>1,811,736</u> | <u>22,160</u>                                |
| <b>Judicial</b>                   |                            |                           |                  |  |
| 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                        | <u>85,864</u>              | <u>85,864</u>             | <u>63,377</u>    | <u>22,487</u>                                |
| Total judicial                    | <u>6,373,227</u>           | <u>6,372,293</u>          | <u>6,327,824</u> | <u>44,469</u>                                |
| <b>Elections</b>                  |                            |                           |                  |  |
| Board of supervisors of elections | <u>1,614,060</u>           | <u>1,614,060</u>          | <u>1,040,075</u> | <u>573,985</u>                               |
| <b>Financial administration</b>   |                            |                           |                  |  |
| 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                          | <u>1,023,735</u>           | <u>1,023,735</u>          | <u>962,325</u>   | <u>61,410</u>                                |
| Total financial administration    | <u>5,277,105</u>           | <u>5,277,105</u>          | <u>4,998,893</u> | <u>278,212</u>                               |
| <b>Legal</b>                      |                            |                           |                  |  |
| County attorney                   | <u>882,601</u>             | <u>907,601</u>            | <u>908,194</u>   | <u>(593)</u>                                 |
| <b>Personnel administration</b>   |                            |                           |                  |  |
| Personnel                         | <u>907,003</u>             | <u>907,003</u>            | <u>906,377</u>   | <u>626</u>                                   |
| <b>Planning and zoning</b>        |                            |                           |                  |  |
| Planning                          | 2,016,093                  | 2,016,093                 | 1,881,855        | 134,238                                      |
| Board of zoning appeals           | <u>11,622</u>              | <u>11,622</u>             | <u>5,994</u>     | <u>5,628</u>                                 |
| 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<br>Budget | Amended<br>Budget | Actual       | Variance-<br>Positive<br>(Negative) |
|---|--------------------|-------------------|--------------|-------------------------------------|
| <b>Management services</b>                  |                    |                   |              |                                     |
| General services                            | \$ 2,351,786       | \$ 2,348,786      | \$ 2,096,259 | \$ 252,527                          |
| Logistical services                         | 312,181            | 312,181           | 315,552      | (3,371)                             |
| Maintenance                                 | 7,686,273          | 7,618,273         | 7,200,527    | 417,746                             |
| Total management services                   | 10,350,240         | 10,279,240        | 9,612,338    | 666,902                             |
| <b>Other general government</b>             |                    |                   |              |                                     |
| 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       | 271,464            | 271,464           | 255,376      | 16,088                              |
| Total other general government              | 7,285,312          | 7,218,888         | 6,199,604    | 1,019,284                           |
| Total general government                    | 36,536,054         | 36,437,801        | 33,692,890   | 2,744,911                           |
| <b>Public safety</b>                        |                    |                   |              |                                     |
| 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                              | 1,643,593          | 1,647,603         | 1,605,454    | 42,149                              |
| Total public safety                         | 47,334,777         | 47,231,744        | 44,719,793   | 2,511,951                           |
| <b>Public works</b>                         |                    |                   |              |                                     |
| 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                  | 1,292,643          | 1,292,643         | 1,134,359    | 158,284                             |
| Total public works                          | 17,556,024         | 17,967,430        | 16,473,933   | 1,493,497                           |

(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**

|  | <u>Original<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>      | <u>Variance-<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|---------------------------|--------------------|--|
| <b>Health</b>                                    |                            |                           |                    |  |
| 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>                               |
| <b>Social services</b>                           |                            |                           |                    |  |
| 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>                               |
| <b>Education</b>                                 |                            |                           |                    |  |
| 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<br>Budget | Amended<br>Budget | Actual            | Variance-<br>Positive<br>(Negative) |
|---|--------------------|-------------------|-------------------|-------------------------------------|
| <b>Parks, recreation and culture</b>            |                    |                   |                   |                                     |
| 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>                      |
| <b>Conservation of natural resources</b>        |                    |                   |                   |                                     |
| 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>                       |
| <b>Community development and public housing</b> |                    |                   |                   |                                     |
| Housing administration                          | 393,843            | 393,843           | 309,691           | 84,152                              |
| 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<br>Budget | Amended<br>Budget  | Actual             | Variance-<br>Positive<br>(Negative) |
|--|--------------------|--------------------|--------------------|-------------------------------------|
| <b>Economic development and opportunity</b>    |                    |                    |                    |                                     |
| 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>                       |
| <b>Non-departmental</b>                        |                    |                    |                    |                                     |
| 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                            | (514,096)          | (503,299)          | (530,272)          | 26,973                              |
| Total non-departmental                         | <u>7,193,887</u>   | <u>3,514,750</u>   | <u>89,366</u>      | <u>3,425,384</u>                    |
| <b>Intergovernmental</b>                       |                    |                    |                    |                                     |
| Financial corporations grant to municipalities | 50,000             | 50,000             | 49,273             | 727                                 |
| Tax rebate to municipalities                   | 7,402,081          | 7,402,081          | 7,402,079          | 2                                   |
| Total intergovernmental                        | <u>7,452,081</u>   | <u>7,452,081</u>   | <u>7,451,352</u>   | <u>729</u>                          |
| <b>Debt service</b>                            |                    |                    |                    |                                     |
| 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<br>Budget     | Amended<br>Budget     | Actual               | Variance-<br>Positive<br>(Negative) |
|---|------------------------|-----------------------|----------------------|-------------------------------------|
| <b>Other financing sources (uses)</b>                   |                        |                       |                      |                                     |
| 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>(11,566,497)</u>    | <u>(10,871,518)</u>   | <u>(8,198,623)</u>   | <u>2,672,895</u>                    |
| Budgeted use of fund balance                            | \$ <u>(13,239,905)</u> | \$ <u>(9,598,901)</u> | \$ <u>27,393,488</u> | \$ <u>36,992,389</u>                |
| Change in fund balance                                  |                        |                       | \$ 27,393,488        |                                     |
| Net change in reserves and adjustments to<br>GAAP basis |                        |                       | 675,225              |                                     |
| Fund balance - beginning of year                        |                        |                       | <u>57,156,689</u>    |                                     |
| Fund balance - end of year                              |                        |                       | <u>\$ 85,225,402</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**

|   | <b>Original<br/>Budget</b> | <b>Amended<br/>Budget</b> | <b>Actuals</b>       | <b>Variance -<br/>Positive<br/>(Negative)</b> |
|---|----------------------------|---------------------------|----------------------|---|
| <b>Revenues</b>                                     |                            |                           |                      |   |
| 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>                            |
| <b>Expenditures</b>                                 |                            |                           |                      |   |
| Conservation of natural resources                   | 3,871,076                  | 8,630,793                 | 8,239,206            | 391,587                                       |
| Debt Service  | <u>2,176,927</u>           | <u>2,258,360</u>          | <u>2,300,754</u>     | <u>(42,394)</u>                               |
| 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>                            |
| <b>Other financing sources (uses)</b>               |                            |                           |                      |   |
| 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                      | <u>2,000,000</u>           | <u>2,000,000</u>          | <u>4,467,570</u>     | <u>2,467,570</u>                              |
| 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**

|  | <b>Business-type Activities-Enterprise Funds</b> |                               |  |                    | <b>Governmental Activities-Internal Service Funds</b> |
|--|--|-------------------------------|--|--------------------|---|
|  | <b>Water and Sewer</b>                           | <b>Solid Waste Management</b> | <b>Total Nonmajor Enterprise Funds</b> | <b>Total</b>       |   |
| <b>Assets</b>  |  |                               |  |                    |   |
| Current assets:  |  |                               |  |                    |   |
| Cash   | \$ 500   | \$ 2,600                      | \$ 88,809                              | \$ 91,909          | \$ -  |
| Equity in pooled invested cash                               | 61,225,335                                       | 26,958,640                    | 7,184,441                              | 95,368,416         | 9,261,472   |
| 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   | <u>98,661,889</u>                                | <u>38,634,475</u>             | <u>9,717,844</u>                       | <u>147,014,208</u> | <u>9,806,269</u>                                      |
| 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                                      | -                             | -                                      | 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                                      | <u>492,545,176</u>                               | <u>28,186,036</u>             | <u>7,750,747</u>                       | <u>528,481,959</u> | <u>10,296,441</u>                                     |
| Total assets   | <u>591,207,065</u>                               | <u>66,820,511</u>             | <u>17,468,591</u>                      | <u>675,496,167</u> | <u>20,102,710</u>                                     |
| <b>Liabilities</b>   |  |                               |  |                    |   |
| 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                                    | <u>31,855,502</u>                                | <u>6,139,030</u>              | <u>5,738,357</u>                       | <u>43,732,889</u>  | <u>280,214</u>  |
| 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                                 | <u>141,020,172</u>                               | <u>44,509,879</u>             | <u>6,090,697</u>                       | <u>191,620,748</u> | <u>165,042</u>  |
| Total liabilities  | <u>172,875,674</u>                               | <u>50,648,909</u>             | <u>11,829,054</u>                      | <u>235,353,637</u> | <u>445,256</u>  |
| <b>Net Assets</b>  |  |                               |  |                    |   |
| 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   | <u>\$ 418,331,391</u>                            | <u>\$ 16,171,602</u>          | <u>\$ 5,639,537</u>                    | <u>440,142,530</u> | <u>\$ 19,657,454</u>                                  |

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**

|  | <b>Water<br/>and<br/>Sewer</b> | <b>Solid<br/>Waste<br/>Management</b> | <b>Total<br/>Nonmajor<br/>Enterprise<br/>Funds</b> | <b>Total</b>  | <b>Governmental<br/>Activities-<br/>Internal Service<br/>Funds</b> |
|--|--------------------------------|---------------------------------------|--|---------------|--|
| <b>Operating revenues</b>  |                                |                                       |  |               |  |
| 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   |
| <b>Operating expenses</b>  |                                |                                       |  |               |  |
| 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)  |
| <b>Nonoperating revenues (expenses)</b>  |                                |                                       |  |               |  |
| 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**

|   | <b>Business-type Activities-Enterprise Funds</b> |                               |  |                | <b>Governmental Activities-Internal Service Funds</b> |
|---|--|-------------------------------|--|----------------|---|
|   | <b>Water and Sewer</b>                           | <b>Solid Waste Management</b> | <b>Total Nonmajor Enterprise Funds</b> | <b>Total</b>   |   |
| <b>Cash flows from operating activities</b>                     |  |                               |  |                |   |
| Cash received from residents and customers                      | \$ 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                | 6,781,906  | 7,428,791                     | (4,548,226)                            | 9,662,471      | 2,878,437   |
| <b>Cash flows from noncapital financing activities</b>          |  |                               |  |                |   |
| 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     | 1,266,051  | (546,917)                     | 5,122,815                              | 5,841,949      | (1,635,730)   |
| <b>Cash flows from capital and related financing activities</b> |  |                               |  |                |   |
| 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         | (1,889,231)                                      | (4,544,644)                   | (545,486)                              | (6,979,361)    | (412,643)   |
| <b>Cash flows from investing activities</b>                     |  |                               |  |                |   |
| 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                       | 24,682,948                                       | 10,304,205                    | 22,784                                 | 35,009,937     | 35,682  |
| 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                         | \$ 65,640,724                                    | \$ 26,978,890                 | \$ 7,698,037                           | \$ 100,317,651 | \$ 9,261,472  |

(continued)

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

|   | Business-type Activities-Enterprise Funds |                              |  |                     | Governmental<br>Activities-<br>Internal Service<br>Funds |
|---|---|------------------------------|--|---------------------|--|
|   | Water<br>and<br>Sewer                     | Solid<br>Waste<br>Management | Total<br>Nonmajor<br>Enterprise<br>Funds | Total               |  |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>     |   |                              |  |                     |  |
| 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  | \$ <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>                                      |

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**

|  | <u>Pension Trust</u>  | <u>Other Post<br/>Employment<br/>Benefits Trust</u> | <u>Agency<br/>Funds</u> |
|--|-----------------------|---|-------------------------|
| <b>ASSETS</b>  |                       |   |                         |
| 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>     |
| <b>LIABILITIES</b>   |                       |   |                         |
| 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>     |
| <b>NET ASSETS</b>  |                       |   |                         |
| Assets held in trust for pension benefits and other purposes | <u>\$ 300,159,368</u> | <u>\$ 37,696,695</u>                                |                         |

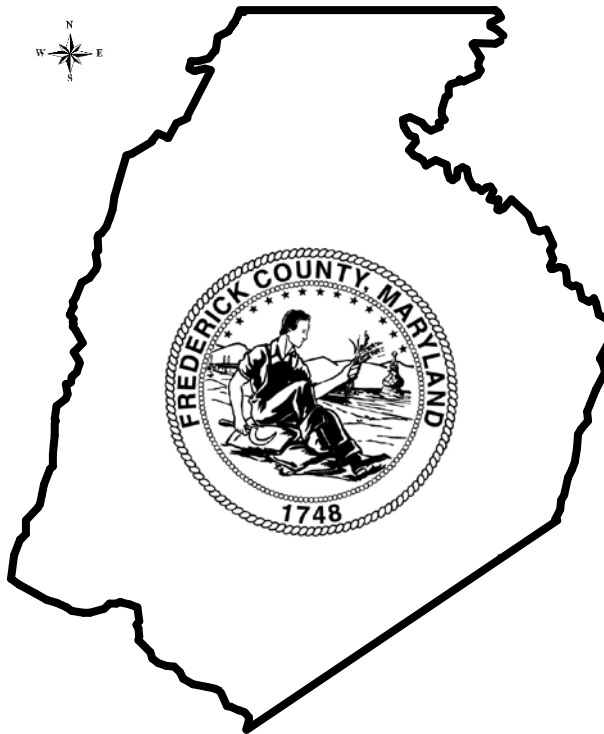
The notes to the financial statements are an integral part of this statement.

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

|   | <b>Pension<br/>Trust</b>     | <b>Other Post<br/>Employment<br/>Benefits Trust</b> |
|---|------------------------------|---|
| <b>Additions</b>                                      |                              |   |
| 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<br>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>                                   |
| <b>Deductions</b>                                     |                              |   |
| 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><u>\$ 300,159,368</u></u> | <u><u>\$ 37,696,695</u></u>                         |

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

## NOTES TO FINANCIAL SECTION



Frederick County, Maryland

Directory For

NOTES TO FINANCIAL STATEMENTS  
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 prepaids.

### 4. *Capital Assets*

Capital assets, including property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items) are recorded at historical costs or at estimated historical cost if actual historical cost is not available. Donated 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   |            |             |
|----------------------------|------------|------------|-------------|
|                            | <b>BOE</b> | <b>FCC</b> | <b>FCPL</b> |
| 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<br>Sources (Uses) | Net change in<br>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>\$ 439,863,821</u> | <u>\$ 403,596,485</u> | <u>\$ (8,198,623)</u>             | <u>\$ 28,068,713</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  | <u>\$ 332,258,217</u> |
| 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  | <u>\$ 332,258,217</u> |

**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:

| <u>Investment Type (All funds)</u>  | <u>Fair Value</u>     | <u>0 - 18 Month<br/>Maturities</u> | <u>18 - 24 Month<br/>Maturities</u> | <u>&gt; 24 Month<br/>Maturities</u> |
|-------------------------------------|-----------------------|------------------------------------|-------------------------------------|-------------------------------------|
| 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                    | <u>\$ 286,633,930</u> | <u>\$ 250,756,359</u>              | <u>\$ 824,590</u>                   | <u>\$ 35,052,981</u>                |

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

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

1. U. S. Treasury securities
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 followings ratings:

| <u>Investment</u>                       | <u>Fair Value</u> | <u>Moody's</u> | <u>Standard &amp; Poors</u> | <u>Fitch Ratings</u> |
|---|-------------------|----------------|-----------------------------|----------------------|
| 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.

| <u>Investment Type</u>                      | <u>Fair Value</u>     | <u>% of Portfolio</u> |
|---|-----------------------|-----------------------|
| 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                            | <u>\$ 286,633,930</u> | <u>100.000 %</u>      |

**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:

| <b><u>Investment Type (All funds)</u></b> | <b><u>Fair Value</u></b> | <b><u>0 - 18 Month<br/>Maturities</u></b> | <b><u>18 - 24 Month<br/>Maturities</u></b> | <b><u>&gt; 24 Month<br/>Maturities</u></b> |
|---|--------------------------|---|--|--|
| 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                          | <u>\$ 298,908,872</u>    | <u>\$ 270,821,809</u>                     | <u>\$ 301,980</u>                          | <u>\$ 27,785,083</u>                       |

**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                           | 8,993,149            |
| Total Fair Value                    | <u>\$ 31,259,535</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:

| <u>Investment Type</u>  | <u>Fair Value</u>    | <u>Investment Maturities (in Years)</u> |             |             | <u>Interest Rate At June 30</u> |
|-------------------------|----------------------|---|-------------|-------------|---------------------------------|
|                         |                      | <u>Less than 1</u>                      | <u>1-5</u>  | <u>6-10</u> |                                 |
| 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 AAAM by Standard and Poor's, their highest rating for money market funds. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the BOE, FCC and FCPL will not be able to recover all or portion of the value of its investments or collateral securities that are in possession of an outside party. At June 30, 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:

|   | <b>Primary Government</b>    |                      |                        |                       |
|---|------------------------------|----------------------|------------------------|-----------------------|
|   | <b>Beginning<br/>Balance</b> | <b>Increases</b>     | <b>Decreases</b>       | <b>Ending Balance</b> |
| <b>Governmental activities:</b>   |                              |                      |                        |                       |
| 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>\$ 433,943,326</u>        | <u>\$ 63,711,913</u> | <u>\$ (30,518,344)</u> | <u>\$ 467,136,895</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)

|  | <b>Primary Government</b>    |                       |                        |                       |
|--|------------------------------|-----------------------|------------------------|-----------------------|
|  | <b>Beginning<br/>Balance</b> | <b>Increases</b>      | <b>Decreases</b>       | <b>Ending Balance</b> |
| <b>Business-type activities:</b>   |                              |                       |                        |                       |
| Capital assets not being depreciated:                                    |                              |                       |                        |                       |
| Land   | \$ 7,088,479                 | \$ -                  | \$ -                   | \$ 7,088,479          |
| Construction in progress   | 139,944,629                  | 45,286,954            | (86,059,624)           | 99,171,959            |
| Total capital assets at historical cost not being depreciated            | 147,033,108                  | 45,286,954            | (86,059,624)           | 106,260,438           |
| 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                | 458,620,266                  | 86,287,203            | (51,244)               | 544,856,225           |
| 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   | 123,133,693                  | 10,384,015            | (44,755)               | 133,472,953           |
| Total capital assets being depreciated, net of accumulated depreciation  | 335,486,573                  | 75,903,188            | (6,489)                | 411,383,272           |
| Business-type activities capital assets, net of accumulated depreciation | <u>\$ 482,519,681</u>        | <u>\$ 121,190,142</u> | <u>\$ (86,066,113)</u> | <u>\$ 517,643,710</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>\$ 10,384,015</u>  |

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

| <b>BOE</b>  | <b>Beginning<br/>Balance</b> | <b>Additions</b>      | <b>Retirements/<br/>Reclassifications</b> | <b>Ending Balance</b> |
|---|------------------------------|-----------------------|---|-----------------------|
| 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           | 251,831,424                  | 32,948,309            | (233,116,049)                             | 51,663,684            |
| 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               | 668,121,786                  | 218,605,034           | (2,812,405)                               | 883,914,415           |
| 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  | 253,633,001                  | 24,709,039            | (2,650,500)                               | 275,691,540           |
| Total capital assets being depreciated, net of accumulated depreciation | 414,488,785                  | 193,895,995           | (161,905)                                 | 608,222,875           |
| 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)

| <b>FCC</b>  | <b>Beginning<br/>Balance</b> | <b>Additions</b>    | <b>Retirements/<br/>Reclassifications</b> | <b>Ending Balance</b> |
|---|------------------------------|---------------------|---|-----------------------|
| Capital assets not being depreciated:                                   |                              |                     |   |                       |
| 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                   | <u>\$ 53,048,884</u>         | <u>\$ 4,566,320</u> | <u>\$ (421,899)</u>                       | <u>\$ 57,193,305</u>  |

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

| <b>FCPL</b>   | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Retirements/<br/>Reclassifications</b> | <b>Ending Balance</b> |
|---|------------------------------|------------------|---|-----------------------|
| Capital assets being depreciated:                                       |                              |                  |   |                       |
| 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>Payable Fund</u>              |   |
|--------------------------|----------------------------------|---|
| <u>Receivable Fund</u>   | <u>Nonmajor<br/>Governmental</u> | <u>Total<br/>Due from<br/>Other Funds</u> |
| General Fund             | \$ 10,162                        | \$ 10,162                                 |
| Total Due to Other Funds | <u>\$ 10,162</u>                 | <u>\$ 10,162</u>                          |

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 In</u>     |                                      |                             |                                  |                            |                        |                                |                                   |   |
|--|-------------------------|--------------------------------------|-----------------------------|----------------------------------|----------------------------|------------------------|--------------------------------|-----------------------------------|---|
|  | <u>General<br/>Fund</u> | <u>Agricultural<br/>Preservation</u> | <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Governmental</u> | <u>Water and<br/>Sewer</u> | <u>Solid<br/>Waste</u> | <u>Nonmajor<br/>Enterprise</u> | <u>Internal<br/>Service Funds</u> | <u>Total<br/>Transfers to<br/>Other Funds</u> |
| <b><u>Transfers Out</u></b>            |                         |                                      |                             |                                  |                            |                        |                                |                                   |   |
| 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<br>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                     |
| <b>Total</b>                 | <u><u>\$ 7,695,446</u></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              | -                    |
|                              | <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              |
|                              | <u>\$ 738,271</u>    |

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**F. Non-Current Liabilities**

*1. Changes in Non-Current Liabilities*

**Primary Government:**

|  | Balance<br>July 1, 2010 | Additions            | Principal<br>Repayments<br>& Reductions | Balance<br>June 30, 2011 | Due Within<br>One Year |
|--|-------------------------|----------------------|---|--------------------------|------------------------|
| <b>Governmental Activities:</b>                    |                         |                      |   |                          |                        |
| 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</u><br><u>July 1, 2010</u> | <u>Additions</u>     | <u>Principal</u><br><u>Repayments</u><br><u>&amp; Reductions</u> | <u>Balance</u><br><u>June 30, 2011</u> | <u>Due Within</u><br><u>One Year</u> |
|---------------------------------------|---------------------------------------|----------------------|--|--|--------------------------------------|
| <b>Business-type Activities:</b>      |                                       |                      |  |  |                                      |
| 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                  | 44,647                                | 3,544                | (24,362)   | 23,829                                 | -                                    |
| 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:**

|   | Balance<br>July 1, 2010 | Net Changes          | Balance<br>June 30, 2011 | Due Within<br>One Year |
|---|-------------------------|----------------------|--------------------------|------------------------|
| <b>Board of Education</b>                                 |                         |                      |                          |                        |
| 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>    |
| <b>Frederick Community College</b>                        |                         |                      |                          |                        |
| 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>      |
| <b>Frederick County Public Libraries</b>                  |                         |                      |                          |                        |
| 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)

| <b>Governmental Activities</b>                          | <b>Paying Fund</b> | <b>Date of Debt Issue</b> | <b>Date of Debt Maturity</b> | <b>Range of Interest Rates</b> | <b>Amount of Original Issue</b> | <b>Amount Outstanding 6/30/11</b> |
|---|--------------------|---------------------------|------------------------------|--------------------------------|---------------------------------|-----------------------------------|
| 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                        |
|   |                    |                           |                              |                                | <u>\$ 554,492,810</u>           | <u>\$ 409,778,585</u>             |

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

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

| <b>Years<br/>Ending<br/>June 30,</b> | <b>Public Facilities Bonds</b> |                       |
|--------------------------------------|--------------------------------|-----------------------|
|                                      | <b>Principal</b>               | <b>Interest</b>       |
| 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             |
|                                      | <u>\$ 409,778,585</u>          | <u>\$ 157,833,680</u> |

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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

| <b>Business Type Activities</b>                         | <b>Paying Fund</b> | <b>Date of Debt Issue</b> | <b>Date of Debt Maturity</b> | <b>Range of Interest Rates</b> | <b>Amount of Original Issue</b> | <b>Amount Outstanding 6/30/11</b> |
|---|--------------------|---------------------------|------------------------------|--------------------------------|---------------------------------|-----------------------------------|
| 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                        |
|   |                    |                           |                              |                                | <u>\$ 207,117,190</u>           | <u>\$ 145,506,415</u>             |

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

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

| Years<br>Ending<br>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                   | 13,877,005              | 1,539,188            |
|                             | <u>\$ 145,506,415</u>   | <u>\$ 55,411,612</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)

| <b>Installment Purchase Agreements</b> | <b>Paying Fund</b> | <b>Date of Debt Issue</b> | <b>Date of Debt Maturity</b> | <b>Interest Rate</b> | <b>Amount of Original Issue</b> | <b>Amount Outstanding 6/30/11</b> |
|--|--------------------|---------------------------|------------------------------|----------------------|---------------------------------|-----------------------------------|
| Installment Purchase Agreement #02-04  | Ag Pres            | 05/15/03                  | 05/15/23                     | 4.95%                | \$ 484,567                      | \$ 484,567                        |
| Installment Purchase Agreement #02-08  | Ag Pres            | 05/15/03                  | 05/15/13                     | 3.82%                | 171,052                         | 171,052                           |
| Installment Purchase Agreement #02-07A | Ag Pres            | 05/15/03                  | 05/15/15                     | 4.16%                | 224,695                         | 224,695                           |
| Installment Purchase Agreement #02-07B | Ag Pres            | 05/15/03                  | 05/15/15                     | 4.16%                | 266,914                         | 266,914                           |
| Installment Purchase Agreement #02-19  | Ag Pres            | 07/14/03                  | 05/15/13                     | 3.84%                | 656,048                         | 656,048                           |
| Installment Purchase Agreement #02-03  | Ag Pres            | 07/14/03                  | 05/15/23                     | 5.03%                | 1,273,527                       | 1,273,527                         |
| Installment Purchase Agreement #02-10  | Ag Pres            | 10/08/03                  | 05/15/23                     | 5.52%                | 696,992                         | 696,992                           |
| Installment Purchase Agreement #02-24  | Ag Pres            | 12/11/03                  | 05/15/23                     | 5.46%                | 753,565                         | 753,565                           |
| Installment Purchase Agreement #02-28  | Ag Pres            | 12/11/03                  | 05/15/15                     | 4.76%                | 385,748                         | 385,748                           |
| Installment Purchase Agreement #02-22  | Ag Pres            | 12/11/03                  | 05/15/23                     | 5.46%                | 1,320,273                       | 1,320,273                         |
| Installment Purchase Agreement #02-01  | Ag Pres            | 02/25/04                  | 05/15/24                     | 5.20%                | 174,701                         | 174,701                           |
| Installment Purchase Agreement #02-11  | Ag Pres            | 02/25/04                  | 05/15/24                     | 5.20%                | 695,412                         | 695,412                           |
| Installment Purchase Agreement #02-21  | Ag Pres            | 05/04/04                  | 05/15/14                     | 4.76%                | 221,896                         | 221,896                           |
| Installment Purchase Agreement #02-18  | Ag Pres            | 06/15/04                  | 05/15/24                     | 5.73%                | 99,717                          | 99,717                            |
| Installment Purchase Agreement #04-10  | Ag Pres            | 06/15/04                  | 05/15/24                     | 5.73%                | 388,192                         | 388,192                           |
| Installment Purchase Agreement #04-15  | Ag Pres            | 06/18/04                  | 05/15/14                     | 4.87%                | 447,207                         | 447,207                           |
| Installment Purchase Agreement #04-06  | Ag Pres            | 06/29/04                  | 05/15/24                     | 5.61%                | 252,395                         | 252,395                           |
| Installment Purchase Agreement #02-13  | Ag Pres            | 06/29/04                  | 05/15/24                     | 5.61%                | 261,769                         | 261,769                           |
| Installment Purchase Agreement #02-15  | Ag Pres            | 08/03/04                  | 05/15/14                     | 4.53%                | 303,656                         | 303,656                           |
| Installment Purchase Agreement #04-16  | Ag Pres            | 08/03/04                  | 05/15/24                     | 5.43%                | 592,631                         | 592,631                           |
| Installment Purchase Agreement #04-11  | Ag Pres            | 08/03/04                  | 05/15/24                     | 5.43%                | 225,942                         | 225,942                           |
| Installment Purchase Agreement #04-12  | Ag Pres            | 08/03/04                  | 05/15/24                     | 5.43%                | 208,592                         | 208,592                           |
| Installment Purchase Agreement #04-03  | Ag Pres            | 08/03/04                  | 05/15/24                     | 5.43%                | 194,975                         | 194,975                           |
| Installment Purchase Agreement #04-01  | Ag Pres            | 08/03/04                  | 05/15/24                     | 5.43%                | 262,012                         | 262,012                           |
| Installment Purchase Agreement #04-08  | Ag Pres            | 08/31/04                  | 05/15/24                     | 5.25%                | 234,717                         | 234,717                           |
| Installment Purchase Agreement #04-05  | Ag Pres            | 08/31/04                  | 05/15/24                     | 5.25%                | 300,000                         | 300,000                           |
| Installment Purchase Agreement #04-09  | Ag Pres            | 08/31/04                  | 05/15/24                     | 5.25%                | 87,850                          | 87,850                            |
| Installment Purchase Agreement #05-29  | Ag Pres            | 03/29/05                  | 05/15/25                     | 4.98%                | 670,000                         | 670,000                           |
| Installment Purchase Agreement #05-30  | Ag Pres            | 03/29/05                  | 05/15/25                     | 4.98%                | 388,538                         | 388,538                           |
| Installment Purchase Agreement #05-31  | Ag Pres            | 03/29/05                  | 05/15/25                     | 4.64%                | 389,471                         | 389,471                           |
| Installment Purchase Agreement #05-32  | Ag Pres            | 04/19/05                  | 05/15/15                     | 4.28%                | 366,975                         | 366,975                           |
| Installment Purchase Agreement #05-33  | Ag Pres            | 04/19/05                  | 05/15/15                     | 4.28%                | 157,757                         | 157,757                           |
| Installment Purchase Agreement #05-34  | Ag Pres            | 04/19/05                  | 05/15/25                     | 4.74%                | 686,271                         | 686,271                           |
| Installment Purchase Agreement #05-35  | Ag Pres            | 04/19/05                  | 05/15/15                     | 4.28%                | 632,168                         | 632,168                           |
| Installment Purchase Agreement #05-36  | Ag Pres            | 05/19/05                  | 05/15/20                     | 4.44%                | 544,114                         | 544,114                           |
| Installment Purchase Agreement #05-37  | Ag Pres            | 05/19/05                  | 05/15/20                     | 4.44%                | 92,894                          | 92,894                            |
| Installment Purchase Agreement #05-38  | Ag Pres            | 05/19/05                  | 05/15/15                     | 4.12%                | 282,021                         | 282,021                           |
| Installment Purchase Agreement #05-40  | Ag Pres            | 05/19/05                  | 05/15/15                     | 4.12%                | 372,079                         | 372,079                           |
| Installment Purchase Agreement #05-41  | Ag Pres            | 07/20/05                  | 05/15/25                     | 4.52%                | 541,512                         | 541,512                           |

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

| <b>Installment Purchase Agreements</b> | <b>Paying Fund</b> | <b>Date of Debt Issue</b> | <b>Date of Debt Maturity</b> | <b>Interest Rate</b> | <b>Amount of Original Issue</b> | <b>Amount Outstanding 6/30/11</b> |
|--|--------------------|---------------------------|------------------------------|----------------------|---------------------------------|-----------------------------------|
| 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)

| <b>Installment Purchase Agreements</b>       | <b>Paying Fund</b> | <b>Date of Debt Issue</b> | <b>Date of Debt Maturity</b> | <b>Interest Rate</b> | <b>Amount of Original Issue</b> | <b>Amount Outstanding 6/30/11</b> |
|--|--------------------|---------------------------|------------------------------|----------------------|---------------------------------|-----------------------------------|
| 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                           |
| <b>Total Installment Purchase Agreements</b> |                    |                           |                              |                      | <b>\$ 53,023,478</b>            | <b>\$ 53,023,478</b>              |

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

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

| <b>Years<br/>Ending<br/>June 30,</b> | <b>Installment Purchase<br/>Agreements</b> |                      |
|--------------------------------------|--|----------------------|
|                                      | <b>Principal</b>                           | <b>Interest</b>      |
| 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                            | 16,732,767                                 | 2,468,615            |
|                                      | <u>\$ 53,023,478</u>                       | <u>\$ 31,088,778</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 | (7,555,690)         |
| Total:                         | <u>\$ 7,479,640</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:

| <b>Years<br/>Ending<br/>June 30,</b>     | <b>Total Payment</b>       |
|--|----------------------------|
| 2012                                     | \$ 1,624,140               |
| 2013                                     | 1,131,995                  |
| 2014                                     | 634,632                    |
| 2015                                     | 402,013                    |
| 2016                                     | 402,012                    |
| 2017                                     | 201,006                    |
|  | <u>4,395,798</u>           |
| Less: amount representing interest       | (324,293)                  |
| Present value-net minimum lease payments | <u><u>\$ 4,071,505</u></u> |

**Component Unit**

The BOE has various capital lease agreements for the purchase of a wide area network technology upgrade, a new central office building, and food service equipment. Payments, including interest, during FY2011 were \$1,182,000 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:

|                                | <b>Governmental<br/>Activities</b> |
|--------------------------------|------------------------------------|
| Asset:                         |                                    |
| Building                       | \$ 16,361,160                      |
| Machinery and equipment        | 15,364,560                         |
| Less: Accumulated depreciation | (10,618,146)                       |
| Total                          | <u><u>\$ 21,107,574</u></u>        |

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

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

| <b>Years<br/>Ending<br/>June 30,</b> | <b>Governmental<br/>Activities</b> |
|--------------------------------------|------------------------------------|
| 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                            | 2,359,515                          |
| Total Obligations                    | 25,936,752                         |
| Less: Portion representing interest  | (9,653,312)                        |
| Present value of lease obligation    | <u>\$ 16,283,440</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<br>Ending<br>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.

|   | <b>Paying<br/>Fund</b> | <b>Amount of<br/>Original<br/>Issue</b> | <b>Date of<br/>Debt<br/>Issue</b> | <b>Date of<br/>Debt<br/>Maturity</b> | <b>Annual Rate/<br/>Payment<br/>Frequency</b> | <b>Amount<br/>Outstanding<br/>06/30/11</b> |
|---|------------------------|---|-----------------------------------|--------------------------------------|---|--|
| <b>Governmental Activity:</b>             |                        |   |                                   |                                      |   |  |
| 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                       |                        | <u>\$ 9,569,801</u>                     |                                   |                                      |   | <u>\$ 2,092,380</u>                        |

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

| <b>Years<br/>Ending<br/>June 30,</b> | <b>Principal</b>    | <b>Interest</b>   |
|--------------------------------------|---------------------|-------------------|
| 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            |
|                                      | <u>\$ 2,092,380</u> | <u>\$ 251,499</u> |

## 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*

|                                    | <b>General<br/>Fund</b> | <b>Agricultural<br/>Preservation</b> | <b>Capital<br/>Projects</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|------------------------------------|-------------------------|--------------------------------------|-----------------------------|--|---|
| 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*

|                                       | <b>General<br/>Fund</b> | <b>Agricultural<br/>Preservation</b> | <b>Capital<br/>Projects</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---------------------------------------|-------------------------|--------------------------------------|-----------------------------|--|---|
| 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                                 |
| Sheriff's 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*

|                                       | <b>General<br/>Fund</b> | <b>Agricultural<br/>Preservation</b> | <b>Capital<br/>Projects</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---------------------------------------|-------------------------|--------------------------------------|-----------------------------|--|---|
| 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                                  |
| Sheriff's 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*

|                              | <b>General<br/>Fund</b> | <b>Agricultural<br/>Preservation</b> | <b>Capital<br/>Projects</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|------------------------------|-------------------------|--------------------------------------|-----------------------------|--|---|
| 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<br>Activities | Business-type<br>Activities |
|---|----------------------------|-----------------------------|
| Restricted by Enabling Legislation      | \$ 127,516,675             | \$ -                        |
| Other Amounts Restricted by 3rd Parties | 15,986,731                 | 4,371,265                   |
| 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               | 68,817,553           |
| 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<br>Activities   | Business-type<br>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<br>in debt related to capital assets  | <u>11,621,108</u>            | <u>-</u>                     |
| Investment in Capital Assets<br>net of related debt (Exhibit II-A-1) | <u><u>\$ 282,853,416</u></u> | <u><u>\$ 338,311,974</u></u> |

*8. Restatement of Beginning Fund Balances:*

|  | School<br>Construction<br>Special<br>Revenue Fund | Impact Fees<br>Special<br>Revenue Fund | Development<br>Road<br>Improvement<br>Special<br>Revenue Fund | Parks<br>Acquisition &<br>Development<br>Special<br>Revenue Fund | Nursing Home<br>Construction<br>Special<br>Revenue Fund | Capital Projects<br>Fund     |
|--|---|--|---|--|---|------------------------------|
| Ending Fund Balance in Prior<br>Comprehensive Annual Financial<br>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<br>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></u>  | <u><u>\$ -</u></u>   | <u><u>\$ -</u></u>                                      | <u><u>\$ 106,697,880</u></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<br>Project<br>Budget | Total<br>Expenditures | Amount<br>Funded      | Required<br>Future<br>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):

| <u>Payee</u> | <u>Amount of<br/>Original Issue</u> | <u>Date of<br/>Debt<br/>Issue</u> | <u>Date of<br/>Debt<br/>Maturity</u> | <u>Interest<br/>Rate</u> | <u>Payment<br/>Frequency</u> | <u>Amount<br/>Outstanding<br/>6/30/2011</u> |
|--------------|-------------------------------------|-----------------------------------|--------------------------------------|--------------------------|------------------------------|---|
| Toys'R-Us    | <u>\$ 1,890,094</u>                 | 09/26/96                          | 09/15/18                             | 8.16%                    | Annually                     | <u>\$ 1,065,047</u>                         |

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 2-2-2 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:

| <u>Fiscal<br/>Years</u> | <u>Annual<br/>Pension<br/>Cost</u> | <u>Percentage<br/>Contributed</u> | <u>Net<br/>Pension<br/>Obligation</u> |
|-------------------------|------------------------------------|-----------------------------------|---------------------------------------|
| 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:

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets (a)</u> | <u>Actuarial<br/>Accrued<br/>Liability (AAL)-<br/>Projected Unit<br/>Credit (b)</u> | <u>Unfunded<br/>AAL (UAAL)<br/>(b-a)</u> | <u>Funded<br/>Ratio<br/>(a/b)</u> | <u>Covered<br/>Payroll (c)</u> | <u>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>((b-a) / c )</u> |
|---|--|---|--|-----------------------------------|--------------------------------|---|
| 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:

| <b><u>Fiscal<br/>Years</u></b> | <b><u>Required<br/>Contribution</u></b> | <b><u>Actual<br/>Contribution</u></b> | <b><u>Percentage<br/>Contribution</u></b> |
|--------------------------------|---|---------------------------------------|---|
| 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<br>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            | 14,585,236                  |
| 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:

| <b>Fiscal<br/>Year</b> | <b>Annual<br/>OPEB<br/>Cost</b> | <b>Percentage of<br/>Annual OPEB<br/>Costs Contributed</b> | <b>Net<br/>OPEB<br/>Obligation (Asset)</b> |
|------------------------|---------------------------------|--|--|
| 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:

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Plan Assets</b> | <b>Actuarial<br/>Accrued<br/>Liability</b> | <b>Actuarial Value<br/>of Plan Assets as a<br/>Percentage of<br/>the Actuarial<br/>Accrued Liability</b> | <b>Unfunded<br/>Actuarial<br/>Liability</b> | <b>Annual Covered<br/>Payroll</b> | <b>Ratio of the<br/>Unfunded Actuarial<br/>Liability to Annual<br/>Covered Payroll</b> |
|---|---|--|--|---|-----------------------------------|--|
| 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**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Plan Assets</b> | <b>Actuarial<br/>Accrued<br/>Liability</b> | <b>Actuarial Value<br/>of Plan Assets as a<br/>Percentage of<br/>the Actuarial<br/>Accrued Liability</b> | <b>Unfunded<br/>Actuarial<br/>Liability</b> | <b>Annual Covered<br/>Payroll</b> | <b>Ratio of the<br/>Unfunded Actuarial<br/>Liability to Annual<br/>Covered Payroll</b> |
|---|---|--|--|---|-----------------------------------|--|
| 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**

| <b>Fiscal<br/>Years</b> | <b>Annual Required<br/>Contribution (ARC)</b> | <b>ARC Recognized<br/>in Plan Financial<br/>Statements</b> | <b>Percentage<br/>Recognized</b> |
|-------------------------|---|--|----------------------------------|
| 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**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Plan Assets</b> | <b>Actuarial<br/>Accrued<br/>Liability</b> | <b>Actuarial Value<br/>of Plan Assets as a<br/>Percentage of<br/>the Actuarial<br/>Accrued Liability</b> | <b>Unfunded<br/>Actuarial<br/>Liability</b> | <b>Annual Covered<br/>Payroll</b> | <b>Ratio of the<br/>Unfunded Actuarial<br/>Liability to Annual<br/>Covered Payroll</b> |
|---|---|--|--|---|-----------------------------------|--|
| 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**

| <b>Fiscal<br/>Years</b> | <b>Annual Required<br/>Contribution (ARC)</b> | <b>Contribution Recognized<br/>in Plan Financial<br/>Statements</b> | <b>Percentage<br/>Contributed</b> |
|-------------------------|---|---|-----------------------------------|
| 2008                    | \$ 13,858,000                                 | \$ 16,449,487   | 119 %                             |
| 2009                    | 17,193,000                                    | 7,218,260   | 42                                |
| 2010                    | 18,552,000                                    | 11,351,017  | 61                                |
| 2011                    | 20,626,000                                    | 11,729,902  | 57                                |

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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**

|  | <b>Special Revenue Funds</b> |                                      |  |                             |                                 |                            | <b>Total<br/>Non Major<br/>Governmental<br/>Funds<br/>(See Exhibit II-A-3)</b> |
|--|------------------------------|--------------------------------------|--|-----------------------------|---------------------------------|----------------------------|--|
|  | <b>Grants</b>                | <b>Fire/Rescue<br/>Tax Districts</b> | <b>Electric Lighting<br/>Tax Districts</b> | <b>Hotel Rental<br/>Tax</b> | <b>Sheriff's<br/>Activities</b> | <b>Loan<br/>Activities</b> |  |
| <b>Assets</b>  |                              |                                      |  |                             |                                 |                            |  |
| 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<br>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   | \$ 4,585,792                 | \$ 12,277,965                        | \$ 10,094                                  | \$ 1,817,925                | \$ 683,495                      | \$ 5,741,046               | \$ 25,116,317  |
| <b>Liabilities and fund balance</b>                            |                              |                                      |  |                             |                                 |                            |  |
| <b>Liabilities</b>   |                              |                                      |  |                             |                                 |                            |  |
| 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  | 2,321,118                    | 3,111,312                            | 935  | 1,742,868                   | 103,703                         | 375,649                    | 7,655,585  |
| <b>Fund balances</b>   |                              |                                      |  |                             |                                 |                            |  |
| 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   | 2,264,674                    | 9,166,653                            | 9,159                                      | 75,057                      | 579,792                         | 5,365,397                  | 17,460,732   |
| Total liabilities and fund balance                             | \$ 4,585,792                 | \$ 12,277,965                        | \$ 10,094                                  | \$ 1,817,925                | \$ 683,495                      | \$ 5,741,046               | \$ 25,116,317  |

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

|   | <u>Sheriff's Drug<br/>Enforcement</u> | <u>Narcotics<br/>Task Force</u> | <u>Inmates'<br/>Canteen</u> | <u>Total<br/>Sheriff's Activities<br/>(See Exhibit II-B-1)</u> |
|---|---------------------------------------|---------------------------------|-----------------------------|--|
| <b>Assets</b>                                     |                                       |                                 |                             |  |
| 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                                      | <u>\$ 51,020</u>                      | <u>\$ 184,512</u>               | <u>\$ 447,963</u>           | <u>\$ 683,495</u>  |
| <b>Liabilities and fund balance</b>               |                                       |                                 |                             |  |
| Liabilities                                       |                                       |                                 |                             |  |
| Accounts payable                                  | \$ -                                  | \$ 7,699                        | \$ 22,098                   | \$ 29,797  |
| Due to third parties                              | -                                     | -                               | 73,906                      | 73,906   |
| Total liabilities                                 | <u>-</u>                              | <u>7,699</u>                    | <u>96,004</u>               | <u>103,703</u>   |
| Fund balances                                     |                                       |                                 |                             |  |
| Restricted  | 32,767                                | 14,440                          | -                           | 47,207   |
| Committed   | 18,253                                | 162,373                         | 351,959                     | 532,585  |
| Total fund balance                                | <u>51,020</u>                         | <u>176,813</u>                  | <u>351,959</u>              | <u>579,792</u>   |
| Total liabilities and fund balance                | <u>\$ 51,020</u>                      | <u>\$ 184,512</u>               | <u>\$ 447,963</u>           | <u>\$ 683,495</u>  |

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

|  | <u>Housing<br/>Initiative</u> | <u>Non-Profit<br/>Organizations<br/>Loans</u> | <u>Fire/Rescue<br/>Loans</u> | <u>Economic<br/>Development<br/>Loans</u> | <u>Total<br/>Loan Activities<br/>(See Exhibit II-B-1)</u> |
|--|-------------------------------|---|------------------------------|---|---|
| <b>Assets</b>  |                               |   |                              |   |   |
| 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<br>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>                                       |
| <b>Liabilities and fund balance</b>                            |                               |   |                              |   |   |
| 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<br>Nonmajor<br>Governmental<br>Funds<br>(See Exhibit II-A-5) |
|---|-----------------------|------------------------------|---------------------------------------|---------------------|-------------------------|---------------------|--|
|   | Grants                | Fire/Rescue<br>Tax Districts | Electric<br>Lighting<br>Tax Districts | Hotel Rental<br>Tax | Sheriff's<br>Activities | Loan<br>Activities  |  |
| <b>Revenues</b>                                   |                       |                              |                                       |                     |                         |                     |  |
| 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>  |
| <b>Expenditures</b>                               |                       |                              |                                       |                     |                         |                     |  |
| 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>   |
| <b>Other financing sources (uses)</b>             |                       |                              |                                       |                     |                         |                     |  |
| 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**

|   | <b><u>Sheriff's Drug<br/>Enforcement</u></b> | <b><u>Narcotics<br/>Task Force</u></b> | <b><u>Inmates'<br/>Canteen</u></b> | <b><u>Total<br/>Sheriff's Activities<br/>(See Exhibit II-B-4)</u></b> |
|---|--|--|------------------------------------|---|
| <b>Revenues</b>                                   |  |  |                                    |   |
| 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>  |
| <b>Expenditures</b>                               |  |  |                                    |   |
| Public safety                                     | <u>28,751</u>                                | <u>139,161</u>                         | <u>345,001</u>                     | <u>512,913</u>  |
| Total expenditures                                | <u>28,751</u>                                | <u>139,161</u>                         | <u>345,001</u>                     | <u>512,913</u>  |
| Excess (deficiency) of revenues over expenditures | <u>(13,643)</u>                              | <u>(39,901)</u>                        | <u>17,977</u>                      | <u>(35,567)</u>   |
| 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**

|   | <u>Housing<br/>Initiative</u> | <u>Non-Profit<br/>Organizations<br/>Loans</u> | <u>Fire/Rescue<br/>Loans</u> | <u>Economic<br/>Development<br/>Loans</u> | <u>Total<br/>Loan Activities<br/>(See Exhibit II-B-4)</u> |
|---|-------------------------------|---|------------------------------|---|---|
| <b>Revenues</b>                                   |                               |   |                              |   |   |
| 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>   |
| <b>Expenditures</b>                               |                               |   |                              |   |   |
| 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>   |
| <b>Other financing sources (uses)</b>             |                               |   |                              |   |   |
| 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<br>Amended<br>Budget | Actual              | Variance -<br>Positive<br>(Negative) | Final<br>Amended<br>Budget | Actual              | Variance -<br>Positive<br>(Negative) | Final<br>Amended<br>Budget | Actual           | Variance -<br>Positive<br>(Negative) |
| <b>Revenues</b>   |                            |                     |                                      |                            |                     |                                      |                            |                  |                                      |
| Fire tax levy   | \$ -                       | \$ -                | \$ -                                 | \$ 34,372,679              | \$ 34,367,469       | \$ (5,210)                           | \$ -                       | \$ -             | \$ -                                 |
| Lighting tax levy                                       | -                          | -                   | -                                    | -                          | -                   | -                                    | -                          | -                | -                                    |
| Other local taxes                                       | -                          | -                   | -                                    | -                          | -                   | -                                    | 3,214,000                  | 3,096,526        | (117,474)                            |
| 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>                      |
| <b>Expenditures</b>                                     |                            |                     |                                      |                            |                     |                                      |                            |                  |                                      |
| 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<br>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>                      |
| <b>Other financing sources (uses)</b>                   |                            |                     |                                      |                            |                     |                                      |                            |                  |                                      |
| 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)            | -                                    | -                          | -                   | -                                    | -                          | -                | -                                    |
| Transfers out to grants fund                            | -                          | -                   | -                                    | (38,020)                   | (38,020)            | -                                    | -                          | -                | -                                    |
| Transfers out to capital projects fund                  | -                          | -                   | -                                    | (148,669)                  | (148,669)           | -                                    | -                          | -                | -                                    |
| 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<br>GAAP basis |                            | (788,085)           |                                      |                            | 49,863              |                                      |                            | 170,994          |                                      |
| 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<br>Amended<br>Budget | Actual           | Variance -<br>Positive<br>(Negative) | Final<br>Amended<br>Budget   | Actual             | Variance -<br>Positive<br>(Negative) | Final<br>Amended<br>Budget      | Actual          | Variance -<br>Positive<br>(Negative) |
| <b>Revenues</b>   |                            |                  |                                      |                              |                    |                                      |                                 |                 |                                      |
| Fire tax levy   | \$ -                       | \$ -             | \$ -                                 | \$ -                         | \$ -               | \$ -                                 | \$ -                            | \$ -            | \$ -                                 |
| Lighting tax levy                                       | -                          | -                | -                                    | -                            | -                  | -                                    | 9,881                           | 9,915           | 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  | <u>7,177,758</u>           | <u>7,065,770</u> | <u>(111,988)</u>                     | <u>925,000</u>               | <u>868,001</u>     | <u>(56,999)</u>                      | <u>9,881</u>                    | <u>9,977</u>    | <u>96</u>                            |
| <b>Expenditures</b>                                     |                            |                  |                                      |                              |                    |                                      |                                 |                 |                                      |
| 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                                      | <u>7,209,995</u>           | <u>7,211,599</u> | <u>(1,604)</u>                       | <u>-</u>                     | <u>-</u>           | <u>-</u>                             | <u>14,220</u>                   | <u>14,890</u>   | <u>(670)</u>                         |
| Excess (deficiency) of revenues<br>over expenditures    | <u>(32,237)</u>            | <u>(145,829)</u> | <u>(113,592)</u>                     | <u>925,000</u>               | <u>868,001</u>     | <u>(56,999)</u>                      | <u>(4,339)</u>                  | <u>(4,913)</u>  | <u>(574)</u>                         |
| <b>Other financing sources (uses)</b>                   |                            |                  |                                      |                              |                    |                                      |                                 |                 |                                      |
| 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)                    | <u>32,237</u>              | <u>-</u>         | <u>(32,237)</u>                      | <u>(925,000)</u>             | <u>(1,500,000)</u> | <u>(575,000)</u>                     | <u>4,339</u>                    | <u>-</u>        | <u>(4,339)</u>                       |
| Net change in fund balances                             | <u>\$ -</u>                | <u>(145,829)</u> | <u>\$ (145,829)</u>                  | <u>\$ -</u>                  | <u>(631,999)</u>   | <u>\$ (631,999)</u>                  | <u>\$ -</u>                     | <u>(4,913)</u>  | <u>\$ (4,913)</u>                    |
| Fund balance - beginning of year (restated)             |                            | -                |                                      |                              | -                  |                                      |                                 | 14,072          |                                      |
| Net change in reserves and adjustments to<br>GAAP basis |                            | <u>145,829</u>   |                                      |                              | <u>631,999</u>     |                                      |                                 | <u>-</u>        |                                      |
| Fund balance - end of year                              |                            | <u>\$ -</u>      |                                      |                              | <u>\$ -</u>        |                                      |                                 | <u>\$ 9,159</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

|   | Parks Acquisition & Development |                    |                                      | Hotel Rental Tax           |                  |                                      | Nursing Home Construction  |                    |                                      |
|---|---------------------------------|--------------------|--------------------------------------|----------------------------|------------------|--------------------------------------|----------------------------|--------------------|--------------------------------------|
|   | Final<br>Amended<br>Budget      | Actual             | Variance -<br>Positive<br>(Negative) | Final<br>Amended<br>Budget | Actual           | Variance -<br>Positive<br>(Negative) | Final<br>Amended<br>Budget | Actual             | Variance -<br>Positive<br>(Negative) |
| <b>Revenues</b>   |                                 |                    |                                      |                            |                  |                                      |                            |                    |                                      |
| 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>                      |
| <b>Expenditures</b>                                     |                                 |                    |                                      |                            |                  |                                      |                            |                    |                                      |
| General government                                      | -                               | -                  | -                                    | -                          | -                | -                                    | -                          | -                  | -                                    |
| Public safety   | -                               | -                  | -                                    | -                          | -                | -                                    | -                          | -                  | -                                    |
| Public works  | -                               | -                  | -                                    | -                          | -                | -                                    | -                          | -                  | -                                    |
| Health  | -                               | -                  | -                                    | -                          | -                | -                                    | -                          | -                  | -                                    |
| Social services   | -                               | -                  | -                                    | -                          | -                | -                                    | -                          | -                  | -                                    |
| Conservation of natural resources                       | -                               | -                  | -                                    | -                          | -                | -                                    | -                          | -                  | -                                    |
| Community development and public housing                | -                               | -                  | -                                    | -                          | -                | -                                    | -                          | -                  | -                                    |
| Economic development and opportunity                    | -                               | -                  | -                                    | 1,054,000                  | 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<br>over expenditures    | <u>2,560,040</u>                | <u>2,388,205</u>   | <u>(171,835)</u>                     | <u>-</u>                   | <u>1,321</u>     | <u>2,571</u>                         | <u>(197,740)</u>           | <u>(233,904)</u>   | <u>(36,164)</u>                      |
| <b>Other financing sources (uses)</b>                   |                                 |                    |                                      |                            |                  |                                      |                            |                    |                                      |
| 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>-</u>                   | <u>-</u>         | <u>-</u>                             | <u>197,740</u>             | <u>-</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<br>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<br>Amended<br>Budget | Actual              | Variance -<br>Positive<br>(Negative) | Final<br>Amended<br>Budget | Actual            | Variance -<br>Positive<br>(Negative) |
| <b>Revenues</b>   |                            |                     |                                      |                            |                   |                                      |
| 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>                       |
| <b>Expenditures</b>                                     |                            |                     |                                      |                            |                   |                                      |
| 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<br>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>                       |
| <b>Other financing sources (uses)</b>                   |                            |                     |                                      |                            |                   |                                      |
| 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<br>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**

|  | <b>Project<br/>Budget</b> | <b>Current Year<br/>Actual</b> | <b>Total To<br/>Date</b> | <b>Variance -<br/>Positive<br/>(Negative)</b> |
|--|---------------------------|--------------------------------|--------------------------|---|
| <b>Revenues</b>  |                           |                                |                          |   |
| 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>                           |
| <b>Expenditures</b>                                      |                           |                                |                          |   |
| 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>                             |
| <b>Other financing sources (uses)</b>                    |                           |                                |                          |   |
| 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      | 193,177,136               | -                              | 98,207,380               | (94,969,756)                                  |
| 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   |                  |                          |                                       | Total<br>Nonmajor<br>Enterprise Funds<br>(See Exhibit II-A-9) |
|---|---|------------------|--------------------------|---------------------------------------|---|
|   | Nursing Homes                               |                  | Public Housing           |                                       |   |
|   | Citizens Care<br>& Rehabilitation<br>Center | Montevue<br>Home | Bell Court<br>Apartments | Permitting<br>& Development<br>Review |   |
| <b>Assets</b>   |   |                  |                          |                                       |   |
| 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                             | 950,174                                     | 623,674          | 439,168                  | 5,685,021                             | 7,698,037   |
| Receivables, net of allowance for uncollectible<br>accounts | 1,954,997                                   | 16,359           | 1,698                    | -                                     | 1,973,054   |
| Inventories   | 46,753                                      | -                | -                        | -                                     | 46,753  |
| Total current assets  | 2,951,924                                   | 640,033          | 440,866                  | 5,685,021                             | 9,717,844   |
| 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                                     | 239,453                                     | 194,967          | 1,326,908                | 5,989,419                             | 7,750,747   |
| <br>Total assets  | <br>3,191,377                               | <br>835,000      | <br>1,767,774            | <br>11,674,440                        | <br>17,468,591  |
| <b>Liabilities</b>  |   |                  |                          |                                       |   |
| 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                                   | 1,283,869                                   | 118,841          | 15,439                   | 4,320,208                             | 5,738,357   |
| 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                                | 467,998                                     | 89,528           | -                        | 5,533,171                             | 6,090,697   |
| <br>Total liabilities                                       | <br>1,751,867                               | <br>208,369      | <br>15,439               | <br>9,853,379                         | <br>11,829,054  |
| <b>Net Assets</b>   |   |                  |                          |                                       |   |
| 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  | \$ 1,439,510                                | \$ 626,631       | \$ 1,752,335             | \$ 1,821,061                          | \$ 5,639,537  |

**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   |                  |                          |                                       |   |
|--|---|------------------|--------------------------|---------------------------------------|---|
|  | Nursing Homes                               |                  | Public Housing           |                                       | Total   |
|  | Citizens Care<br>& Rehabilitation<br>Center | Montevue<br>Home | Bell Court<br>Apartments | Permitting<br>& Development<br>Review | Nonmajor<br>Enterprise Funds<br>(See Exhibit II-A-10) |
| 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                                   | 12,688,144                                  | 814,732          | 94,805                   | 4,343,481                             | 17,941,162  |
| Other revenues   | 682,750                                     | 322              | 10                       | 6,600                                 | 689,682   |
| Total operating revenues   | 13,370,894                                  | 815,054          | 94,815                   | 4,350,081                             | 18,630,844  |
| 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   | 16,010,467                                  | 3,209,444        | 143,837                  | 4,882,476                             | 24,246,224  |
| Operating income (loss)  | (2,639,573)                                 | (2,394,390)      | (49,022)                 | (532,395)                             | (5,615,380)   |
| 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)                           | 14,513                                      | 3,770            | 3,903                    | (184,396)                             | (162,210)   |
| Net income (loss) before transfers                               | (2,625,060)                                 | (2,390,620)      | (45,119)                 | (716,791)                             | (5,777,590)   |
| Transfers in   | 2,637,220                                   | 2,311,169        | -                        | 159,000                               | 5,107,389   |
| Total transfers  | 2,637,220                                   | 2,311,169        | -                        | 159,000                               | 5,107,389   |
| Change in net assets   | 12,160                                      | (79,451)         | (45,119)                 | (557,791)                             | (670,201)   |
| Net assets - beginning of year                                   | 1,427,350                                   | 706,082          | 1,797,454                | 2,378,852                             | 6,309,738   |
| Net assets - end of year   | \$ 1,439,510                                | \$ 626,631       | \$ 1,752,335             | \$ 1,821,061                          | \$ 5,639,537  |

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

|   | <b>Business-type Activities-Enterprise Funds</b>         |                          |  |                     | <b>Total<br/>Nonmajor<br/>Enterprise Funds<br/>(See Exhibit II-A-11)</b> |
|---|--|--------------------------|--|---------------------|--|
|   | <b>Nursing Homes</b>                                     | <b>Public Housing</b>    | <b>Permitting<br/>&amp; Development<br/>Review</b> |                     |  |
|   | <b>Citizens Care<br/>&amp; Rehabilitation<br/>Center</b> | <b>Montevue<br/>Home</b> | <b>Bell Court<br/>Apartments</b>                   |                     |  |
| <b>Cash flows from operating activities</b>                           |  |                          |  |                     |  |
| 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<br>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>   |
| <b>Cash flows from noncapital financing activities</b>                |  |                          |  |                     |  |
| 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<br>financing activities               | <u>2,652,728</u>   | <u>2,311,087</u>         | <u>-</u>   | <u>159,000</u>      | <u>5,122,815</u>   |
| <b>Cash flows from capital and related financing activities</b>       |  |                          |  |                     |  |
| 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 &<br>related financing activities | <u>55</u>  | <u>-</u>                 | <u>-</u>   | <u>(545,541)</u>    | <u>(545,486)</u>   |
| <b>Cash flows from investing activities</b>                           |  |                          |  |                     |  |
| 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<br>Nonmajor<br>Enterprise Funds<br>(See Exhibit II-A-11) |
|---|---|------------------|--------------------------|---------------------------------------|--|
|   | Nursing Homes                               |                  | Public Housing           |                                       |  |
|   | Citizens Care<br>& Rehabilitation<br>Center | Montevue<br>Home | Bell Court<br>Apartments | Permitting<br>& Development<br>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  | \$ (1,929,651)                              | \$ (2,245,148)   | \$ 22,165                | \$ (395,592)                          | \$ (4,548,226)   |
| Noncash investing, capital, and financing activities:   |   |                  |                          |                                       |  |
| None  |   |                  |                          |                                       |  |

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

|  | <u>Voice<br/>Services</u> | <u>Fleet<br/>Services</u> | <u>Total<br/>Internal Service<br/>Funds<br/>(See Exhibit II-A-9)</u> |
|--|---------------------------|---------------------------|--|
| <b>Assets</b>  |                           |                           |  |
| Current assets:  |                           |                           |  |
| Equity in pooled invested cash                           | \$ 942,559                | \$ 8,318,913              | \$ 9,261,472   |
| Total cash and cash equivalents                          | 942,559                   | 8,318,913                 | 9,261,472  |
| 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>  |
| <b>Liabilities</b>                                       |                           |                           |  |
| 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>   |
| <b>Net Assets</b>  |                           |                           |  |
| Invested in capital assets, net of related debt          | 282,972                   | 10,013,469                | 10,296,441   |
| Unrestricted   | <u>1,050,873</u>          | <u>8,310,140</u>          | <u>9,361,013</u>   |
| 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**

|  | <u>Voice<br/>Services</u> | <u>Fleet<br/>Services</u> | <u>Total<br/>Internal Service<br/>Funds<br/>(See Exhibit II-A-10)</u> |
|--|---------------------------|---------------------------|---|
| <b>Operating revenues</b>                                    |                           |                           |   |
| 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>   |
| <b>Operating expenses</b>                                    |                           |                           |   |
| 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>  |
| <b>Nonoperating revenues (expenses)</b>                      |                           |                           |   |
| 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**

|  | <b>Voice<br/>Services</b> | <b>Fleet<br/>Services</b> | <b>Total<br/>Internal Service<br/>Funds<br/>(See Exhibit II-A-11)</b> |
|--|---------------------------|---------------------------|---|
| <b>Cash flows from operating activities</b>                        |                           |                           |   |
| 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   | (552,060)                 | (2,278,039)               | (2,830,099)   |
| Net cash provided by operating activities                          | <u>87,877</u>             | <u>2,790,560</u>          | <u>2,878,437</u>  |
| <b>Cash flows from noncapital financing activities</b>             |                           |                           |   |
| 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>  |
| <b>Cash flows from capital and related financing activities</b>    |                           |                           |   |
| 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>  |
| <b>Cash flows from investing activities</b>                        |                           |                           |   |
| 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

|   | <u>Voice<br/>Services</u> | <u>Fleet<br/>Services</u> | <u>Total<br/>Internal Service<br/>Funds<br/>(See Exhibit II-A-11)</u> |
|---|---------------------------|---------------------------|---|
| <b>Reconciliation of operating income to net cash provided by operating activities:</b>     |                           |                           |   |
| 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   | <u>1,283</u>              | <u>(8,852)</u>            | <u>(7,569)</u>  |
| 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**

|   | <b>Balance<br/>July 1, 2010</b> | <b>Additions</b>    | <b>Deductions</b>   | <b>Balance<br/>June 30, 2011</b> |
|---|---------------------------------|---------------------|---------------------|----------------------------------|
| <b>Tax Agency Fund</b>                            |                                 |                     |                     |                                  |
| 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>                |
| <br><b>Subdivision and Driveway Deposits Fund</b> |                                 |                     |                     |                                  |
| 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>              |
| <br><b>Work Release Fund</b>                      |                                 |                     |                     |                                  |
| 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>                 |
| <br><b>Tax Incremental Financing Bond Fund</b>    |                                 |                     |                     |                                  |
| Assets  |                                 |                     |                     |                                  |
| Cash and cash equivalents                         | <u>\$ -</u>                     | <u>\$ 306,575</u>   | <u>\$ 306,575</u>   | <u>\$ -</u>                      |
| Liabilities                                       |                                 |                     |                     |                                  |
| Due to third parties                              | <u>\$ -</u>                     | <u>\$ 306,575</u>   | <u>\$ 306,575</u>   | <u>\$ -</u>                      |
| <br><b>Totals - All Agency funds</b>              |                                 |                     |                     |                                  |
| 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><b>2011</b></u>           |
|--|------------------------------|
| <b>Governmental funds capital assets</b>                             |                              |
| 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><u>\$ 736,901,756</u></u> |
| <br><b>Investment in governmental funds capital assets by source</b> |                              |
| 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><u>\$ 736,901,756</u></u> |

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

| <u>Function</u>                         | <u>Land and<br/>Improvements</u> | <u>Buildings</u>      | <u>Equipment</u>     | <u>Infrastructure</u> | <u>Construction<br/>in Progress</u> | <u>Total</u>          |
|---|----------------------------------|-----------------------|----------------------|-----------------------|-------------------------------------|-----------------------|
| 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 | <u>\$ 108,983,536</u>            | <u>\$ 168,498,623</u> | <u>\$ 66,626,290</u> | <u>\$ 344,762,497</u> | <u>\$ 48,030,810</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.

**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<br/>Funds Capital<br/>Assets<br/>July 1, 2010</u> | <u>Additions</u>     | <u>Deductions</u>    | <u>Governmental<br/>Funds Capital<br/>Assets<br/>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.

| <b><u>Contents</u></b>  | <b><u>Page</u></b> |
|---|--------------------|
| Financial Trends<br>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<br>These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.   | 163 - 166          |
| Debt Capacity<br>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<br>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<br>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           |                       |                       |                       |                       |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | <u>2011</u>           | <u>2010</u>           | <u>2009</u>           | <u>2008</u>           | <u>2007 (3)</u>       | <u>2006 (3)</u>       | <u>2005</u>           | <u>2004 (3)</u>       | <u>2003 (3)</u>       | <u>2002 (3)</u>       |
| 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)              |
| <b>Expenses</b>                                |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| 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> |
| <b>Program Revenues</b>                        |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| 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:                          | -                | 25,000           | -                | 5,159,639        | 10,418,677       | 12,951,233       | 12,810,064       | 8,810,279        | 6,303,545        | 12,572,345      |
| Capital grants and contributions:                            | 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 business-type activities 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                    | \$ 156,177,233   | \$ 143,594,664   | \$ 166,597,397   | \$ 134,035,356   | \$ 140,968,337   | \$ 152,953,681   | \$ 120,241,934   | \$ 109,226,805   | \$ 104,032,380   | \$ 120,805,475  |
| <b>Net (Expense)/Revenue</b>                                 |                  |                  |                  |                  |                  |                  |                  |                  |                  |                 |
| 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                         | \$ (424,227,218) | \$ (489,725,370) | \$ (497,589,365) | \$ (467,781,413) | \$ (385,069,241) | \$ (350,976,552) | \$ (327,221,807) | \$ (328,308,014) | \$ (294,941,315) | \$ (82,569,351) |
| <b>General Revenues and Other Changes in Net Assets</b>      |                  |                  |                  |                  |                  |                  |                  |                  |                  |                 |
| 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                                | 485,995,481      | 453,463,167      | 442,275,130      | 452,654,729      | 430,275,452      | 406,174,141      | 386,672,865      | 352,627,438      | 342,694,411      | 204,740,888     |
| 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                               | 6,889,294        | 10,092,540       | 9,679,550        | 14,835,858       | 11,826,237       | 10,777,377       | 7,182,596        | 8,255,274        | 7,256,392        | 109,570,022     |
| Total primary government                                     | \$ 492,884,775   | \$ 463,555,707   | \$ 451,954,680   | \$ 467,490,587   | \$ 442,101,689   | \$ 416,951,518   | \$ 393,855,461   | \$ 360,882,712   | \$ 349,950,803   | \$ 314,310,910  |
| <b>Change in Net Assets</b>                                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                 |
| 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                                     | \$ 68,657,557    | \$ (26,169,663)  | \$ (45,634,685)  | \$ (290,826)     | \$ 57,032,448    | \$ 65,974,966    | \$ 66,633,654    | \$ 32,574,698    | \$ 55,009,488    | \$ 27,000,671   |

(1) Restated

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

|                                    | Fiscal Year           |                       |                       |                       |                       |                       |                       |                       |                       |                      |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|
|                                    | 2011                  | 2010(1)               | 2009(1)               | 2008(1)               | 2007(1)               | 2006(1)               | 2005(1)               | 2004 (1)(2)           | 2003(1)               | 2002 (1)(2)          |
| 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>              | <u>-</u>              | <u>-</u>              | <u>-</u>              | <u>-</u>              | <u>-</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>              | <u>-</u>              | <u>-</u>              | <u>-</u>              | <u>-</u>              | <u>-</u>              | <u>-</u>              | <u>-</u>             |
| General Fund                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |                      |
| Reserved                           | -                     | 2,712,109             | 2,808,056             | 3,105,738             | 3,394,405             | 3,825,762             | 3,567,549             | 3,390,883             | 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                         |                       |                       |                       |                       |                       |                       |                       |                       |                       |                      |
| Special revenue funds              | -                     | 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               |
| <b>Revenues</b>                          |                     |                     |                     |                     |                    |                    |                    |                    |                    |                    |
| 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                           | <u>527,729,215</u>  | <u>517,778,272</u>  | <u>525,649,363</u>  | <u>515,162,382</u>  | <u>496,356,771</u> | <u>474,724,888</u> | <u>438,635,829</u> | <u>403,366,254</u> | <u>387,722,402</u> | <u>358,510,767</u> |
| <b>Expenditures</b>                      |                     |                     |                     |                     |                    |                    |                    |                    |                    |                    |
| 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                       | <u>565,631,402</u>  | <u>603,135,281</u>  | <u>612,169,382</u>  | <u>584,849,851</u>  | <u>498,282,241</u> | <u>477,565,612</u> | <u>425,739,545</u> | <u>398,653,734</u> | <u>386,960,755</u> | <u>173,656,562</u> |
| Excess of revenues over expenditures     | <u>(37,902,187)</u> | <u>(85,357,009)</u> | <u>(86,520,019)</u> | <u>(69,687,469)</u> | <u>(1,925,470)</u> | <u>(2,840,724)</u> | <u>12,896,284</u>  | <u>4,712,520</u>   | <u>761,647</u>     | <u>184,854,205</u> |

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                   |
| <b>Other Financing Sources (Uses)</b>                   |                        |                       |                        |                       |                       |                       |                       |                       |                       |                        |
| 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 |             |             |             |             |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
| <b>Direct Property Tax Rates</b>       |             |             |             |             |             |             |             |             |             |             |
| 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    |
| <b>Overlapping property tax rates</b>  |             |             |             |             |             |             |             |             |             |             |
| <u>Fire and lighting tax districts</u> |             |             |             |             |             |             |             |             |             |             |
| Suburban Fire/Rescue                   | \$ 0.080    | \$ 0.080    | \$ 0.080    | \$ 0.080    | \$ 0.080    | \$ 0.080    | \$ 0.065    | \$ 0.065    | \$ 0.045    | \$ 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**

| <u>Name of Taxpayer</u>            | <u>Fiscal Year 2011</u> |             |  | <u>Fiscal Year 2002</u> |             |  |
|------------------------------------|-------------------------|-------------|--|-------------------------|-------------|--|
|                                    | <u>Assessed Value</u>   | <u>Rank</u> | <u>Percentage of Total County Taxable Assessed Value</u> | <u>Assessed Value</u>   | <u>Rank</u> | <u>Percentage of Total County Taxable Assessed Value</u> |
| Potomac Edison/Alleghany Power     | \$ 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                             | <u>\$ 573,177,866</u>   |             | <u>2.12 %</u>  | <u>\$ 595,469,367</u>   |             | <u>4.46 %</u>  |

Source: County Treasurer's Office

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

| <u>Fiscal<br/>Year</u> | <u>Taxes Levied<br/>for the<br/>Fiscal Year<br/>(Original Levy)</u> | <u>Adjustments (1)</u> | <u>Total<br/>Adjusted Levy</u> | <u>Collected within the<br/>Fiscal Year of the Levy</u> |  | <u>Collections<br/>in Subsequent<br/>Years</u> | <u>Total Collections to Date</u> |  |
|------------------------|---|------------------------|--------------------------------|---|--|--|----------------------------------|--|
|                        |   |                        |                                | <u>Amount</u>   | <u>Percentage of<br/>Original Levy</u> |  | <u>Amount</u>                    | <u>Percentage of<br/>Adjusted Levy</u> |
| 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, abateements and new construction bills. For fiscal years 2006 through 2011, only additions and abateements are included in this column.



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

| <b>Governmental Activities</b> |                                 |                                |                       |                      |  |                                      |
|--------------------------------|---------------------------------|--------------------------------|-----------------------|----------------------|--|--------------------------------------|
| <b>Fiscal Year</b>             | <b>General Obligation Bonds</b> | <b>Bond Anticipation Notes</b> | <b>Capital Leases</b> | <b>Notes Payable</b> | <b>Agricultural Preservation Installment Purchase Agreements</b> | <b>Total Governmental Activities</b> |
| 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                          |

| <b>Business-Type Activities</b> |                                 |                                |                          |                                       |                                 |  |                       |
|---------------------------------|---------------------------------|--------------------------------|--------------------------|---------------------------------------|---------------------------------|--|-----------------------|
| <b>Fiscal Year</b>              | <b>General Obligation Bonds</b> | <b>Bond Anticipation Notes</b> | <b>Notes Payable (2)</b> | <b>Total Business-Type Activities</b> | <b>Total Primary Government</b> | <b>Percentage of Personal Income (1)</b> | <b>Per Capita (1)</b> |
| 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**

| <b>Fiscal<br/>Year</b> | <b>General<br/>Obligation<br/>Debt</b> | <b>Installment<br/>Purchase<br/>Agreements (1)</b> | <b>Less Amounts<br/>to be Paid<br/>with Other<br/>Resources</b> | <b>Total Net General<br/>Obligation Debt<br/>Outstanding</b> | <b>Percentage of<br/>Total Estimated Actual<br/>Value of Taxable<br/>Property (2)</b> | <b>Per<br/>Capita (3)</b> |
|------------------------|--|--|---|--|---|---------------------------|
| 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.

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

| <u>Governmental Unit</u>        | <u>Debt<br/>Outstanding (1)</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>Estimated<br/>Share of<br/>Direct and<br/>Overlapping<br/>Debt</u> |
|---------------------------------|---------------------------------|--|---|
| Direct:                         |                                 |  |   |
| Frederick County                | \$ 468,965,948                  | 100 %  | \$ 468,965,948  |
| 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**

| <u>Year</u> | <u>Population(1)</u> | <u>Personal<br/>Income<br/>(thousands<br/>of dollars) (2)</u> | <u>Per<br/>Capita<br/>Personal<br/>Income (2)</u> | <u>Public<br/>School<br/>Enrollment (3)</u> | <u>Community<br/>College<br/>Academic<br/>State FTE (4)</u> |                        |              | <u>Unemployment<br/>Rate (5)</u> |
|-------------|----------------------|---|---|---|---|------------------------|--------------|----------------------------------|
|             |                      |   |   |   | <u>Credit</u>   | <u>Non-<br/>Credit</u> | <u>Total</u> |                                  |
| 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>                                   | <u>2011</u>      |             |  | <u>2002</u>      |             |  |
|---|------------------|-------------|--|------------------|-------------|--|
|   | <u>Employees</u> | <u>Rank</u> | <u>Percentage<br/>of Total County<br/>Employment</u> * | <u>Employees</u> | <u>Rank</u> | <u>Percentage<br/>of Total County<br/>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>27,641</u>    |             | <u>29.68 %</u>   | <u>25,698</u>    |             | <u>30.68 %</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**

| <b><u>Function/Program</u></b>    | <b><u>2011</u></b> | <b><u>2010</u></b> | <b><u>2009</u></b> | <b><u>2008</u></b> | <b><u>2007</u></b> | <b><u>2006</u></b> | <b><u>2005</u></b> | <b><u>2004</u></b> | <b><u>2003</u></b> | <b><u>2002</u></b> |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 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**

| <b>Function/Program</b>                       | <b>Fiscal Year</b> |             |             |             |             |             |             |             |             |             |
|---|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | <b>2011</b>        | <b>2010</b> | <b>2009</b> | <b>2008</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> |
| <b>General Government</b>                     |                    |             |             |             |             |             |             |             |             |             |
| 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       |
| <b>Public Safety</b>                          |                    |             |             |             |             |             |             |             |             |             |
| 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 populaton                       | 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> |
| <b>Public Works</b>                                     |                    |             |             |             |             |             |             |             |             |             |
| 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     |
| Revenue vehicle hours                                   | 83,154             | 86,305      | 85,770      | 85,829      | 83,467      | 80,541      | 83,038      | 76,641      | 67,913      | 54,924      |
| <b>Health</b>   |                    |             |             |             |             |             |             |             |             |             |
| 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         |
| <b>Social Services</b>                                  |                    |             |             |             |             |             |             |             |             |             |
| 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**

| <b>Function/Program</b>                         | <b>Fiscal Year</b> |             |             |             |             |             |             |             |             |             |
|---|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | <b>2011</b>        | <b>2010</b> | <b>2009</b> | <b>2008</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> |
| <b>Parks, recreation and culture</b>            |                    |             |             |             |             |             |             |             |             |             |
| 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      | *           |
| <b>Conservation of natural resources</b>        |                    |             |             |             |             |             |             |             |             |             |
| 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      |
| <b>Community development and public housing</b> |                    |             |             |             |             |             |             |             |             |             |
| Bell Court housing project (28 units)           |                    |             |             |             |             |             |             |             |             |             |
| Occupancy rate                                  | 100%               | 100%        | 100%        | 100%        | 99%         | 99%         | 99%         | 99%         | 98%         | *           |
| <b>Economic development and opportunity</b>     |                    |             |             |             |             |             |             |             |             |             |
| 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**

| <b><u>Function/Program</u></b>                     | <b><u>Fiscal Year</u></b> |                    |                    |                    |                    |                    |                    |                    |                    |                    |
|--|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | <b><u>2011</u></b>        | <b><u>2010</u></b> | <b><u>2009</u></b> | <b><u>2008</u></b> | <b><u>2007</u></b> | <b><u>2006</u></b> | <b><u>2005</u></b> | <b><u>2004</u></b> | <b><u>2003</u></b> | <b><u>2002</u></b> |
| <b>General Government</b>                          |                           |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Building maintenance                               |                           |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Buildings managed                                  | 142                       | 145                | 145                | 136                | 121                | 116                | 114                | 110                | 106                | 73                 |
| <b>Public Safety</b>                               |                           |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Fire/rescue stations                               | 30                        | 30                 | 30                 | 30                 | 30                 | 30                 | 30                 | 30                 | 30                 | 30                 |
| Adult Detention Center average<br>daily population | 442                       | 416                | 425                | 484                | 498                | 464                | 466                | 452                | 429                | 449                |
| <b>Public Works</b>                                |                           |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| 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                |
| <b>Parks, Recreation and Culture</b>               |                           |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| 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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