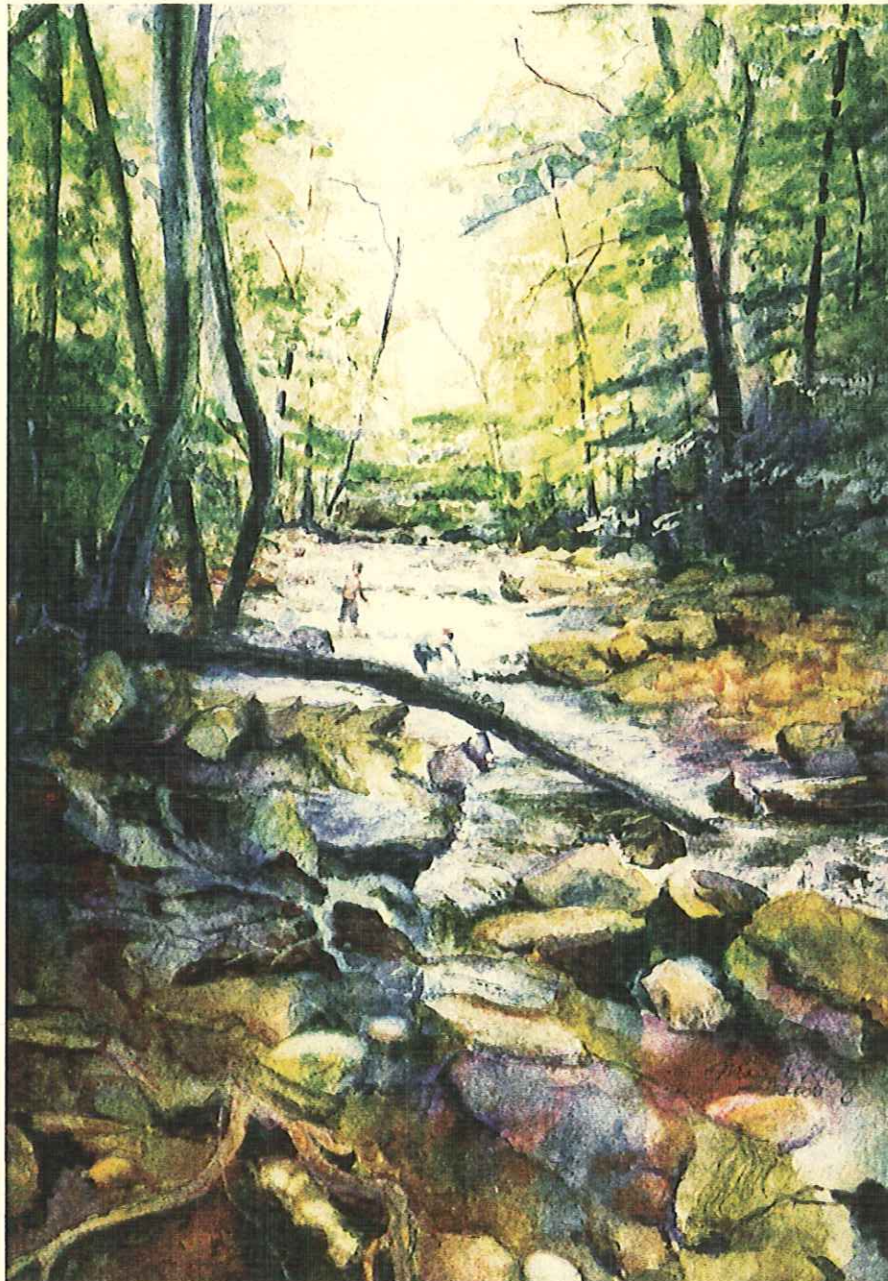


# Frederick County Maryland

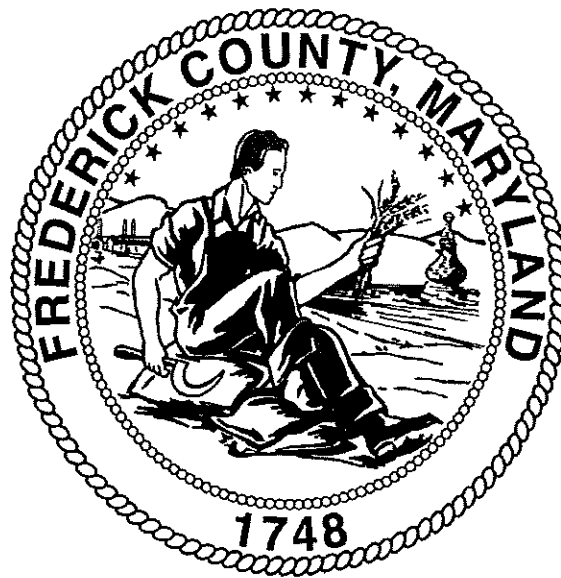


*Boys in Creek, Manor Area, Cunningham Falls*

*Mary T. Klotz*

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2008**

*Frederick County, Maryland*  
*Comprehensive Annual Financial Report*  
*Fiscal Year 2008*  
*July 1, 2007 – June 30, 2008*

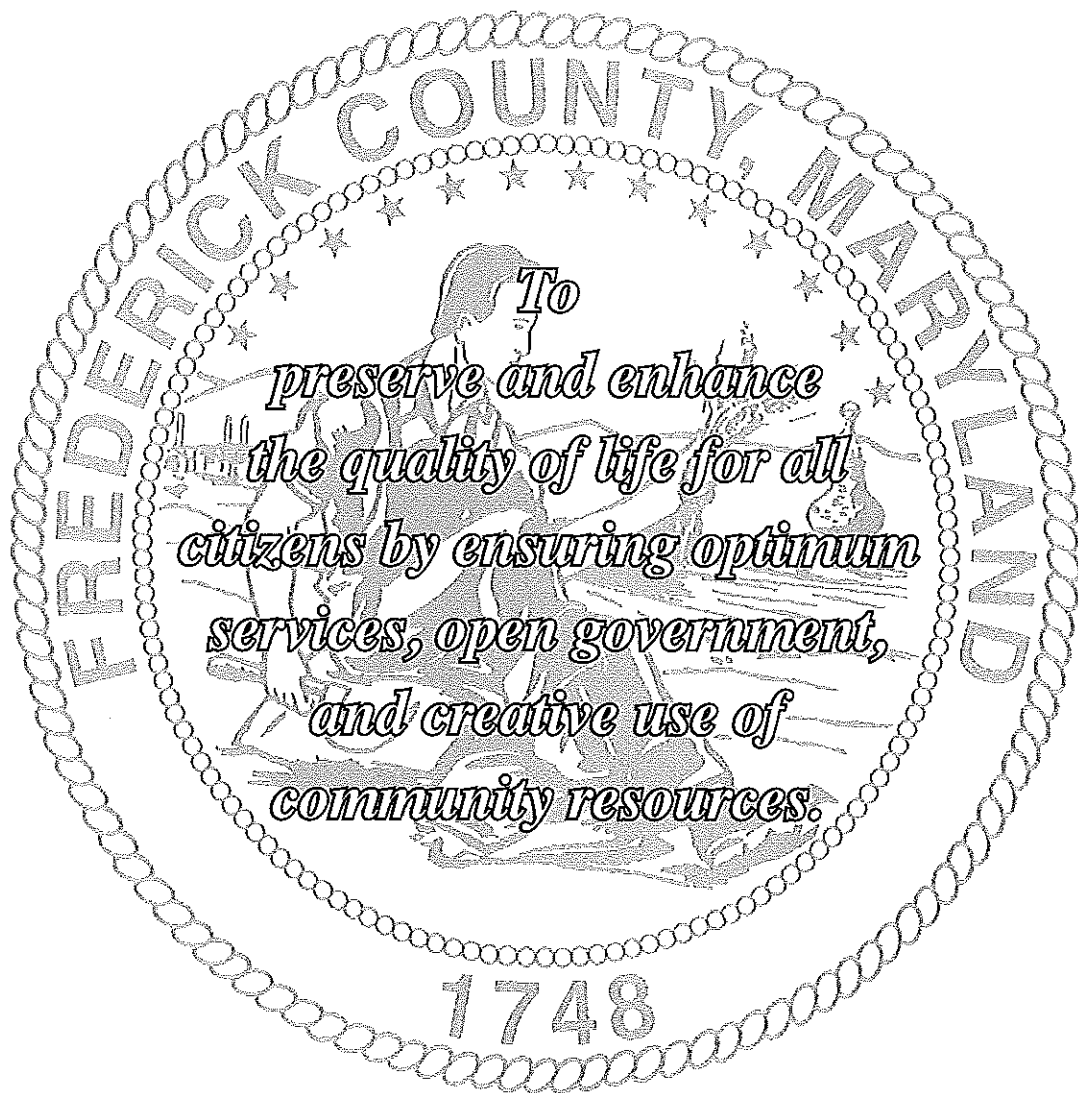


*Prepared by the Finance Division*

*Front Cover: "Boys in Creek, Manor Area, Cunningham Falls." This painting is contributed by artist Mary T. Klotz of Frederick, Maryland. She is the owner of Forestheart Studio in Woodsboro, Maryland. The painting depicts the natural beauty of one of the real treasures of Frederick County, a trout stream fed by Little Hunting Creek in Cunningham Falls State Park. The park is located in the Catoclin Mountains near Thurmont. A major attraction in the park is a 78-foot waterfall which is the largest cascading waterfall in the State of Maryland.*

*Frederick County photos were provided by Robin Santangelo, Public Information Officer and the Parks and Recreation Division of Frederick County.*

# OUR MISSION





**FREDERICK COUNTY, MARYLAND  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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# FREDERICK COUNTY, MARYLAND

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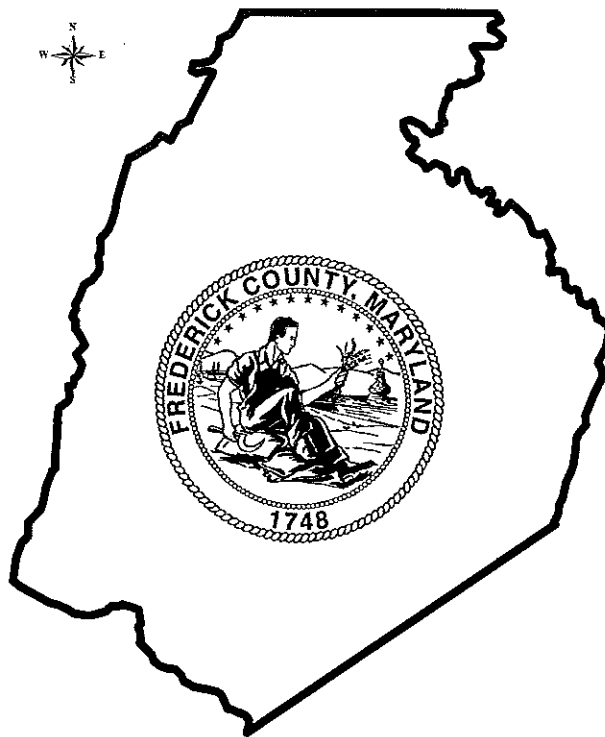
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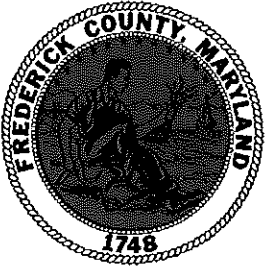
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## INTRODUCTORY SECTION





## 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.co.frederick.md.us](http://www.co.frederick.md.us)

December 5, 2008

### COMMISSIONERS

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David P. Gray  
*Vice President*

Kai J. Hagen

Charles A. Jenkins

John L. Thompson, Jr.

### COUNTY MANAGER

Ronald A. Hart

### DIVISION DIRECTOR

John R. Kroll

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, 2008.

### **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 auditor's 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. 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 Linton Shafer Warfield & Garrett, P.A. (LSWG), a firm of licensed certified public accountants. LSWG has issued an unqualified opinion on the County's financial statements as of and for the fiscal year ended June 30, 2008. The independent audit involved examining, on a test basis, evidence supporting

### **CHARACTER COUNTS!**



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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.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

Frederick County, founded in 1748, originally included the present Maryland counties of Garrett, Allegany, Washington, Carroll and Montgomery. It is located in the north central part of Maryland, is 664 square miles in area, and serves an estimated population of 232,700. 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 61,750. 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. The County's Internet address is [www.co.frederick.md.us](http://www.co.frederick.md.us).

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; 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 Division of Permitting and Development Review are primarily supported through user fees with supplemental support from the General Fund. Montevue Home 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-13.

#### - Budgetary Overview

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

The General Fund budget is prepared and submitted to the Board by the Budget Officer based on estimated revenues and expenditures of operations submitted by the County departments and agencies for the ensuing fiscal year. When submitted to the Board, the General Fund budget must contain: the prior fiscal year's fund balance in excess of five percent of the General Fund expenditures and transfers to the Board of Education and Frederick Community College on a budgetary basis for the prior fiscal year, if any; estimates of taxes and other revenue sources at a rate sufficient to balance the budget; recommended appropriations for current expenditures for each department or agency, and for other purposes; and amounts sufficient to meet all general obligation debt service requirements for the next fiscal year, including portions of the Capital Program to be financed out of current

revenues during the fiscal year.

The Capital Budget is the County's plan to receive and expend funds for capital projects during the ensuing fiscal year. The Capital Program sets forth the County's plan of proposed capital projects to be undertaken in the ensuing fiscal year and the following five fiscal years and the proposed means of financing all projects. The Capital Budget and Capital Program are prepared by the Finance Division from submissions by the County departments and agencies and must be approved by the Board. The portion of the cost of the Capital Budget that is to be paid from current funds may be included in the General Fund Budget or certain special revenue 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 for the same general classification of expenditure 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 which adopts an annual budget, and is presented in Exhibit II-A-7 as part of the basic financial statements. Budget-to-actual comparison schedules for special revenue funds with legally adopted budgets are presented in the Supplementary Data portion of the Financial Section.

### **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** - The economic condition and outlook of the County have substantially improved during the past ten years. According to census records, the population of the County has grown from 150,208 in 1990 to 195,277 in 2000, with an estimated population of 232,700 as of July 2008, a 54.9 percent increase from 1990. The growth rate for the State of Maryland for that same time period was 18 percent. The Division of Planning and Zoning estimates the growth will be steady through calendar year 2020, when the population will reach an estimated 287,900.

Frederick County had the sixth highest number of new jobs created in the State of Maryland for calendar year 2003 to calendar year 2007, for a total of 8,745 new jobs created. The civilian labor force in the County was estimated at 125,500 in June 2008. Of this number, 121,060 were employed, resulting in an unemployment rate for the County of 3.6 percent. This rate is substantially lower than the statewide unemployment rate of 4.2 percent and the national unemployment rate of 4.6 percent. (Source: Maryland Department of Labor, Licensing and Regulation)

The County's estimated taxable assessed real property value has increased \$8.7 billion since 2003 or 62.9 percent. As of June 30, 2008, taxable assessed value totaled \$22.6 billion. The growth in the taxable assessable base from FY2007 to FY2008 was 11.8 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 is slowing as evidenced by the decrease in recordation taxes. The commercial market does not appear to have been as directly affected by the drop in 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 \$1.3 billion in ongoing construction, representing an additional 1,500 jobs over the next few years. In related bioscience research expansions, the National Cancer Institute (NCI) and Science Applications International Corporation (SAIC) - Frederick, Inc. broke ground in November 2008 on an advanced technology research facility which will provide 330,000 square feet for offices and state-of-the art laboratories for cancer and AIDS research, and will be the cornerstone for a research campus facility at this site.

**Long-term Financial Planning** - Major initiatives during FY2008 were predominately in the Capital Budget area. Major general governmental projects approved in the six year Capital Improvements Program (fiscal years 2008-2013) include:

- New Market Fire Rescue Station
- Citizens Nursing Home and Rehabilitation Center (Replacement)
- Montevue Home (Replacement)
- Catoctin Creek District Park
- Frederick Community College Classroom/Student Center Building
- Rosehill Manor Rehabilitation
- Ballenger Creek District Park Multipurpose Building

Additional projects to expand and improve park facilities and construct water and wastewater infrastructure to serve the growing population are included in the plan. The entire Capital Improvements Plan totals \$885 million for fiscal years 2008 to 2013.

Frederick County concluded the fiscal year ended June 30, 2008 with a General Fund unreserved fund balance of \$67.8 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." Expenditures and transfers to component units measured on a budgetary basis totaled \$419.5 million. The required balance of the reserve was \$21.0 million, an increase of \$2.7 million over FY2007. The actual unreserved fund balance decreased \$29.8 million from the unreserved fund balance at June 30, 2007. Therefore, the June 30, 2008 unreserved fund balance of \$67.8 million provides \$46.8 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, \$29.5 million and \$8.9 million have been designated for the FY2009 and FY2010 budgets, respectively.

The major rating agencies have recognized Frederick County's strong financial management skills and practices. During the latest general obligation bond issuance process (June 2008), Standard & Poor's Credit Market Services increased the County's rating from AA to AA+ and Moody's Investors Service, Inc. increased its Aa2 outlook from "Stable:" to "Positive." Fitch Ratings maintained its rating of AA+. The rating upgrades 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.

**Cash Management Policies and Practices** - In accordance with State law, Frederick County has adopted an investment policy that provides the legal framework for the County's investment and cash management operation. Within this framework, the County maintains a conservative cash management and investment program in order to achieve maximum financial return on available funds without undue risk. Idle cash is pooled and invested on a daily basis at the best obtainable rates. Investments are generally limited to federal obligations and fully collateralized repurchase agreements. For FY2008 General Fund earnings from these programs totaled \$7.7 million.

**Risk Management** - The County continues to work to keep safety programs and loss control operations working effectively. The Office of Risk Management is tasked with protecting the assets of Frederick County from unnecessary and controllable losses. The primary goal is to reduce losses by providing a safe workplace for our employees, and eliminating hazards to the public on County property. Implementation of Safety and Loss Control programs combined with ongoing analysis of exposures has reduced our overall losses and the associated cost. As liaison to the appointed insurance committee, the County's Risk Manager is to act in an advisory capacity to aid in obtaining the best insurance coverage possible for the most economical premiums available. The broad knowledge base of the Insurance Committee assists the County in negotiating premiums lower than that of the standard market. The County's workers' compensation policy carries a .85 experience modification factor that equates to a premium savings of \$745,286 on a base policy price of \$4,184,371. The County's modified duty policy, which returns injured workers back to the workplace during recuperation, saves in lost work time and increases productivity. The Office of Risk Management is instrumental in the review of contracts and leases to ensure that adequate levels of insurance are obtained from third party providers to protect the County from unreasonable liability.

## **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, 2007. 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, Carol Abramson, Susan Blum, Regina Howell, and Rob Reilly, along with their staffs; and the Director of Treasury, Lori Decker, and her staff who administer the County's property tax and revenue collection systems. Administration of the budget process, without which the accounting and financial reporting could not exist, is in the capable hands of Michael Gastley, Budget Officer, and his staff. A special thanks goes to them as well. I express my appreciation to Richard Duthoy, Deputy Director of Finance, for his oversight of the Division, and to County Manager, Ronald Hart, and the Board of County Commissioners and their staffs for their continuing 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 <http://www.co.frederick.md.us> (See Departments; Finance; then Accounting [for this report and other information], Budget [for other information] and Treasury [for other information]). In addition, copies of this report are placed in the County Library System for use by the general public.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "John R. Kroll".

John R. Kroll  
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, 2007

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.



*Charles S. Cox*

President

*Jeffrey R. Emswiler*

Executive Director

**VOTERS / CITIZENS**

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 301-400-1100  
 Jim V. Gray, Vice President  
 David P. Gray, Vice President  
 Kai J. Hagen  
 Charles A. Jenkins  
 John L. Thompson, Jr.

**COUNTY ATTORNEY**  
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 J. Charles Smith III  
 301-400-1023

**SHERIFF**  
 301-400-1048  
 Chuck Jenkins

**COUNTY MANAGER**  
 301-400-3999  
 Ronald Hart

**ASSISTANT COUNTY MANAGER**  
 301-400-1028  
 Barry Stanton

**INTERAGENCY SERVICES DIVISION**  
 301-400-4016  
 Dale Spangenberg

**FINANCE DIVISION**  
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 Joe Smith

**ACCOUNTING DIVISION**  
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 Joe Smith

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 Chuck Nipo

**HIGHWAYS & TRANSPORTATION**  
 301-400-2050  
 Tom Mauler

**PROGRAM DIV. & MANAGEMENT**  
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 Dave Ellis

**PERMITTING & REVIEW DIVISION**  
 301-400-1172  
 Gary Hoesent

**DEVELOPMENT REVIEW**  
 301-400-2981  
 Elizabeth Smith

**DEVELOPMENT PLANNING**  
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 Vazant

**OFFICE OF LIFE SAFETY**  
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 Byron Mitchell

**PERMITS & INSPECTIONS**  
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 Sharon Goetz

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 Al Hudak

**CONSTRUCTION MANAGEMENT & INSPECTION**  
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 Chuck Nipo

**HIGHWAYS & TRANSPORTATION**  
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 Tom Mauler

**PROGRAM DIV. & MANAGEMENT**  
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 Dave Ellis

**PERMITTING & REVIEW DIVISION**  
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 Gary Hoesent

**DEVELOPMENT REVIEW**  
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**DEVELOPMENT PLANNING**  
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 Vazant

**OFFICE OF LIFE SAFETY**  
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 Byron Mitchell

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 Sharon Goetz

**PLANNING DIVISION**  
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 Eric Soter

**COMPREHENSIVE DATA SERVICES**  
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 Jim Day

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 Mark Depo

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 Tim Blaser

**ZONING ADMINISTRATION**  
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 Larry Smith

**MANAGEMENT SERVICES DIVISION**  
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 Austin Abraham

**FACILITY SERVICES**  
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 Wayne Reach

**FLEET SERVICES**  
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 Patrick Hannah

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 Doug Peurre

**FIRE & RESCUE SERVICES DIVISION**  
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 Gene Mollin

**EMERGENCY COMMUNICATIONS**  
 301-400-3072  
 Chip Jewell

**LOGISTICS & FINANCE SERVICES**  
 301-400-2559  
 Rick Himes

**OFFICE OF THE FIRE MARSHALL**  
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 Mars McNeil

**OPERATIONS DIVISION**  
 301-400-1995  
 Doug Omor

**VOLUNTEER RESOURCES SERVICES**  
 301-400-3465  
 Doug Omor

**EMERGENCY MANAGEMENT DIVISION**  
 301-400-0790  
 Chip Jewell

**EMERGENCY COMMUNICATIONS**  
 301-400-3072  
 Chip Jewell

**LOGISTICS & FINANCE SERVICES**  
 301-400-2559  
 Rick Himes

**OFFICE OF THE FIRE MARSHALL**  
 301-400-1415  
 Mars McNeil

**OPERATIONS DIVISION**  
 301-400-1995  
 Doug Omor

**VOLUNTEER RESOURCES SERVICES**  
 301-400-3465  
 Doug Omor

**CITIZENS SERVICES DIVISION**  
 301-400-2065  
 Margaret Nilsen

**DEPARTMENT OF FAMILY PARTNERSHIP**  
 301-400-2774  
 Shelly Toms

**HEAD START**  
 301-400-1024  
 Pat Rosenstiel

**HOUSING & COMM. DEV.**  
 301-400-3536  
 Jennifer Short

**HUMAN RELATIONS**  
 301-400-1110  
 Henry Templeton

**OFFICE FOR CHILDREN & YOUTH**  
 301-400-3536  
 Cynthia Hanson

**UTILITIES & SOLID WASTE MANAGEMENT DIVISION**  
 301-400-2097  
 Mike Mancher

**ACCOUNTING & FINANCE**  
 301-400-1130  
 Brenda Toach

**ENGINEERING & PLANNING**  
 301-400-2574  
 Ron Hammer

**SOLID WASTE MANAGEMENT**  
 301-400-2206  
 Phil Harris

**WASTEWATER TREATMENT & DISPOSAL**  
 301-400-3413  
 Dale Boehme

**WATER PURIFICATION & DISTRIBUTION**  
 301-400-2180  
 Ken Omdorff

**WATER & WASTEWATER MAINTENANCE**  
 301-400-1082  
 Sam Lore

**HEALTH SERVICES DIVISION**  
 301-400-2900  
 Dr. Barbara Throemmer

**COMMUNITY HEALTH NURSING**  
 301-400-3549  
 Melinda Malet, RN

**DEVELOPMENTAL CENTER**  
 301-400-3307  
 Monica Grant

**ENVIRONMENTAL HEALTH**  
 301-400-3170  
 George Keller

**MENTAL HEALTH**  
 301-400-1755  
 Dr. Robert Schner

**PUBLIC HEALTH PREVENTION & RESPONSE**  
 301-400-4033  
 Barbara Rowell, RN

**SCHOOL HEALTH**  
 301-400-3116  
 Terri Rowell, RN

**SCOTT KEY CENTER**  
 301-400-1002  
 Sam Lore

**SUBSTANCE ABUSE SERVICES**  
 301-400-3302  
 Katherine Shriver

**INTERNAL AUDIT DIVISION**  
 301-400-1075  
 Richard Kellan

**BOARD OF LICENSING COMMISSIONERS**  
 301-400-1150  
 Kathy Vahle

**BOARD OF ELECTIONS**  
 301-400-1607  
 Stuart Harvey

**MONTEVUE HOME**  
 301-400-1502  
 Diane Grove

**CITIZENS CARE & REHABILITATION CENTER**  
 301-400-1550  
 Nicole Bohne-Sanshort

**DEPARTMENT OF SOCIAL SERVICES**  
 301-400-1041  
 Diane Conely

**FREDERICK COMMUNITY COLLEGE**  
 301-444-2442  
 Dr. Carol Eaton

**BOARD OF EDUCATION**  
 301-400-0910  
 Dr. Linda Burpee

**FREDERICK CO. PUBLIC LIBRARIES**  
 301-400-1013  
 Darrell Babin

**Key**  
 -----  
 Coordination  
 Reporting

**Key**



**Board of County Commissioners of Frederick County,  
Maryland  
2006-2010 Term**

**Seated from left  
Commissioner David P. Gray, Vice President;  
Commissioner Jan H. Gardner, President; and Commissioner Kai J. Hagen.**

**Standing from left  
Commissioner Charles A. Jenkins and Commissioner John. L. Thompson, Jr.  
(Photo by C. Kurt Holter)**

## Frederick County, Maryland

### Summary of Elected and Appointed Officials

#### Board of County Commissioners

Jan H. Gardner, *President*  
David P. Gray, *Vice President*  
Kai J. Hagen  
Charles A. Jenkins  
John L. Thompson, Jr.

#### Sheriff

Charles A. "Chuck" Jenkins

#### State's Attorney

J. Charles Smith III, Esquire

#### Appointed Officials

County Attorney  
County Manager  
Animal Control Division Director  
Citizens Care and Rehabilitation Center Administrator  
Citizens Services Division Director  
Economic Development Division Director  
Emergency Planning and Management Division Director  
Finance Division Director  
Fire and Rescue Services Division Director  
Interagency Information Technologies Division Director  
Health Officer - Health Services Division  
Human Resources Division Director  
Internal Audit Division Director  
Management Services Division Director  
Montevue Home Administrator  
Permitting & Development Review Division Director  
Planning Division Director  
Public Works Division Director  
Transit Division Director  
Utilities and Solid Waste Management Division Director

John S. Mathias, Esquire  
Ronald A. Hart  
Harold L. Domer  
Nicole M. Bohrer-Banzhoff, LNHA  
Margaret Nusbaum  
Laurie M. Boyer  
John E. "Jack" Markey  
John R. Kroll  
Gene A. Mellin  
Dale R. Spangenberg  
Barbara A. Brookmyer, MD  
Mitchell L. Hose  
Richard Kaplan  
Austin S. Abraham  
Diane L. Grove, RN  
Gary W. Hessong  
Eric E. Soter  
Alan J. Hudak, P.E.  
Sherry C. Burford  
Michael G. Marschner

## **Component Units**

### **Board of Education**

President	Daryl A. Boffman
Vice-President	Bonnie M. Borsa, Ph.D
Member	Donna J. Crook
Member	Kathryn B. Groth
Member	Leslie A. Mansfield
Member	Michael E. Schaden, VMD
Member	Jean A. Smith
Student Member	Taylor A. Zickefoose
Superintendent	Linda D. Burgee, Ed.D.

### **Frederick Community College**

Chairperson	Timothy J. Wesolek
Vice Chairperson	Bishop Samie L. Conyers
Trustee	Nick Diaz
Trustee	George H. Littrell III
Trustee	Peter H. Michael
Trustee	Doris J. White
Trustee	Brad W. Young
President	Dr. Carol W. Eaton

### **Frederick County Public Library**

President	Eric S. Larson
Vice-President	Thomas C. Kutz
Member	Frances G. Baker
Member	Michael Kurtianyk
Member	Tina B. Prensky
Member	Shirley M. Sandage
Member	Perlyn S. Staggers, Ph.D.
Student Representative	Nick Merrill
Public Libraries Director	Darrell L. Batson



# FINANCIAL SECTION





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MEREDITH C. HARSHMAN, CPA  
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DONALD C. LINTON, CPA, CFP, PFS  
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RONALD W. SHAFER, CPA  
DOUGLAS C. WARFIELD, CPA, CVA

## **Report of Independent Certified Public Accountants on Basic Financial Statements**

Board of County Commissioners of  
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 as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Frederick County, Maryland's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Frederick County Board of Education and the Frederick Community College, which represents 99% and 98%, respectively, of total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Frederick County Board of Education and the Frederick Community College, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

In our opinion, based on our audit and the reports of the other auditors, 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, the budgetary comparison for the General Fund and the aggregate remaining fund information, of Frederick County, Maryland, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2008 on our consideration of Frederick County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and other information on Exhibits II-A-14 through II-A-17, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Frederick County, Maryland's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and budgetary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Linton Shafer Warfield & Garrett, P.A.*

December 3, 2008

## **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 30).

### **FINANCIAL HIGHLIGHTS**

- The assets of Frederick County Government exceeded its liabilities at the close of this fiscal year by \$641.8 million (net assets), approximately 53.8 percent of which is attributable to the County's business-type activities. Of total net assets, \$456.1 million is invested in capital assets, net of related debt, and \$185.7 million is restricted for specific purposes (restricted net assets). The County's unrestricted net assets total \$36.9 million. This total unrestricted net asset amount includes a balance of \$96.5 million from business-type activities, offset by a deficit balance in unrestricted net assets from governmental activities of \$59.6 million. This deficit balance in unrestricted net assets is the result of the County issuing debt to fund construction for the Frederick County Board of Education, a component unit. The school buildings that are constructed through the County's financial support are assets of the Frederick County Board of Education, and therefore are not shown as assets of Frederick County Primary Government. Included in the County's liabilities at year-end is approximately \$231.2 million of bonds payable, the proceeds of which have been used to fund school construction.
- The County's overall financial position has remained constant since the prior fiscal year. Total net assets decreased by \$.3 million or .04 percent. The governmental net assets decreased by \$18.6 million. Under more normal operating conditions, net assets would have increased as a result of increases in property taxes and income taxes. These two revenue sources increased \$36.3 million from FY2007 to FY2008. However, these gains were negated by first time expenditures related to the first year activity of the Other Post Employment Benefits Trust Fund for both the County Government and the Board of Education. The business-type net assets increased by \$18.3 million or 5.6 percent, primarily the result of operating and capital contributions in the Water and Sewer Fund.
- The governmental activities revenue totaled \$518.8 million or 86.3 percent of total revenue and the net results from governmental activities was a decrease of \$18.6 million.
- The business-type activities revenue totaled \$82.7 million or 13.7 percent of total revenue and the net assets from business-type activities increased by \$18.3 million.

- The total cost of all County programs was \$601.8 million.
- The Frederick County Government General Fund (the primary operating fund) reflected on a current financial resource basis, reports a decrease in fund balance of \$30.1 million. The original FY2008 budget provided for a decrease in fund balance of \$43.6 million. The actual reduction was only \$32.2 million resulting from \$10.7 million savings in expenditures (spread throughout all functions of government), \$2.6 savings in other financing sources and uses (primarily transfers to grants and GO Bond premium) offset by an unfavorable variance in revenues (primarily an unfavorable variance in Recordation Taxes partially offset by property and income taxes). At the close of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$21.0 million, or 5.0 percent of total General Fund expenditures. This total unreserved amount is a legislatively mandated set-aside. Designated fund balance of the General Fund was \$46.8 million, or 69.0 percent of the total unreserved fund balance.
- As of June 30, 2008, the County's governmental funds reported a combined fund balance of \$278.9 million, a decrease of \$4.3 million. Included in this decreased fund balance is a decrease in the General Fund of \$30.1 million (as noted above), an increase in the Capital Projects Fund of \$18.8 million and an increase in the Nonmajor Governmental Funds of \$7.0 million. The decrease in the General Fund actually strengthened the financial condition of the government as the BOCC budgeted a \$43.6 million use of fund balance for the year and only used \$32.2 million. As noted elsewhere in this report, other revenue and expenditure favorable variances reduced the actual use of fund balance to \$30.1 million. A major contributor to this total increase in governmental funds net assets is the \$61.1 million in bond proceeds received in June 2008 to fund general government capital projects, of which a majority was unspent at year-end. In addition, a major portion of the transfers from the operating funds to the Capital Projects Fund in support of the capital program also were not spent at year-end. The increase in the fund balance of the nonmajor governmental funds is a result of reduced expenditures in the Agricultural Preservation and School Construction Special Revenue Funds.
- Frederick County's total bonded debt increased by \$50.7 million during the current fiscal year. The County issued General Obligation debt totaling \$79,380,000 on June 15, 2008.

## **OVERVIEW OF THE 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. This discussion and analysis is intended to serve as an introduction to Frederick County Government's basic financial statements. 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 (the "Unrestricted Net Assets") 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 changes in the County's property tax base, the condition of its schools, and the quality of its facilities and infrastructure should also be a consideration of the County's condition and health.

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.

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, has 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 operation including water and

sewer services, solid waste management, nursing homes, public housing and permitting & development review, where the fee for service typically covers all or most of the cost of operation, including depreciation.

The Government-Wide Financial Statements can be found on Exhibits II-A-1 and II-A-2 of this report.

## **Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been separated for specific activities or objectives. The County, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The Governmental Major Fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the fund financial statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith (beginning on page 33).

Frederick County maintains twenty individual governmental funds: the General Fund, the Capital Projects Fund, the Grants Fund, the Fire/Rescue Tax Districts Fund, the Agricultural Preservation 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 Sheriff's Office 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.

Frederick County adopts an annual appropriated budget for its General Fund and each of the Special Revenue Funds (except for the School Construction Fund, the Sheriff's Drug Enforcement Fund, the Sheriff's Office Fund, the Narcotics Task Force Fund, the Inmates Canteen Fund, the Non-Profit Organizations Loans Fund, and the Fire/Rescue Loans Fund). A budgetary comparison schedule has been prepared for the General Fund and can be found as Exhibit II-A-7 of this report. Budgetary schedules for the non-major special revenue funds can be found as Exhibit II-B-7 in the Supplementary Data section. The Capital Projects Fund has a budget by project from inception until completion of the project. The budgetary display of this activity can be found as 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-8, II-A-9, and II-A-10.

**Fiduciary Funds:** The Fund Financial Statements also allow the government to address its Fiduciary Funds, (See Exhibits II-A-11 and II-A-12). 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 government, these assets are restricted in purpose and do not represent discretionary assets of the government. 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-8 and II-A-9) 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-13.

## **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-14 to Exhibit II-A-17.

## **Infrastructure Assets**

Infrastructure Assets is the government'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 life 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 \$641.8 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, \$456.1 million or 71.0 percent, reflects its investment in capital assets net of depreciation (e.g., land, buildings, equipment, infrastructure, construction in progress, and improvements), less any unmatured 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 balance of \$36.9 million, which represents 5.8 percent of total net assets. The unrestricted net assets for business-type activities have a balance of \$96.5 million.

The result of these basic calculations is that the County's overall financial position has improved from FY2007 to FY2008.

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 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 schools being financed by the County as assets, has an 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.

## Statement of Net Assets

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

Table1  
Statement of Net Assets  
as of June 30  
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 384,156	\$ 376,017	\$ 173,268	\$ 188,785	\$ 557,424	\$ 564,802
Capital assets	389,961	361,930	382,890	336,955	772,851	698,885
Total assets	774,117	737,947	556,158	525,740	1,330,275	1,263,687
Current and other liabilities	47,866	43,543	22,344	16,255	70,210	59,798
Long-term debt outstanding	429,553	379,080	188,741	182,747	618,294	561,827
Total Liabilities	477,419	422,623	211,085	199,002	688,504	621,625
Net Assets:						
Invested in capital assets, net of debt	223,296	220,486	232,786	214,475	456,082	434,961
Restricted	133,033	157,735	15,751	24,851	148,784	182,586
Unrestricted (deficit)	(59,631)	(62,897)	96,536	87,412	36,905	24,515
Total net assets	\$ 296,698	\$ 315,324	\$ 345,073	\$ 326,738	\$ 641,771	\$ 642,062

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets as a whole.

The government's net assets decreased by \$.3 million during the fiscal year. Net assets of governmental activities decreased \$18.6 million in FY2008, compared to an increase of \$31.7 million for FY2007. The increase in net assets of business-type activities was \$18.3 million in FY2008, compared to an increase of \$25.5 million for FY2007.

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.

Table 2  
Statement of Activities  
For the Fiscal Year Ended June 30,  
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 17,234	\$ 21,064	\$ 57,186	\$ 55,379	\$ 74,420	\$ 76,443
Operating grants and contributions	37,094	35,353	5,160	10,419	42,254	45,772
Capital grants and contributions	4,480	4,884	12,881	13,870	17,361	18,754
<b>General revenues</b>						
Local property taxes	244,968	220,103	-	-	244,968	220,103
Local income taxes	164,717	153,232	-	-	164,717	153,232
Other local taxes	31,602	41,285	-	-	31,602	41,285
Investment earnings	15,485	15,415	6,719	7,525	22,204	22,940
Miscellaneous	3,270	3,905	730	636	4,000	4,541
<b>Total revenues</b>	<b>518,850</b>	<b>495,241</b>	<b>82,676</b>	<b>87,829</b>	<b>601,526</b>	<b>583,070</b>
<b>EXPENSES</b>						
<b>Program Activities</b>						
<b>Primary Government</b>						
<b>Governmental Activities:</b>						
General government	47,366	44,609	-	-	47,366	44,609
Public safety	92,368	82,347	-	-	92,368	82,347
Public works	36,273	33,364	-	-	36,273	33,364
Health	8,351	12,023	-	-	8,351	12,023
Social services	9,035	7,434	-	-	9,035	7,434
Education	280,572	234,952	-	-	280,572	234,952
Parks, recreation, and culture	16,541	13,028	-	-	16,541	13,028
Conservation of natural resources	5,284	2,018	-	-	5,284	2,018
Community development and public housing	5,532	4,692	-	-	5,532	4,692
Economic development and opportunity	13,586	12,368	-	-	13,586	12,368
Interest on long term debt	15,181	13,236	-	-	15,181	13,236
<b>Business-type Activities:</b>						
Water and sewer	-	-	25,789	23,083	25,789	23,083
Solid waste management	-	-	20,989	20,650	20,989	20,650
Non-major proprietary funds	-	-	24,950	22,234	24,950	22,234
<b>Total expenses</b>	<b>530,089</b>	<b>460,071</b>	<b>71,728</b>	<b>65,967</b>	<b>601,817</b>	<b>526,038</b>
<b>Incr. (decr.) in net assets before transfers</b>	<b>(11,239)</b>	<b>35,170</b>	<b>10,948</b>	<b>21,862</b>	<b>(291)</b>	<b>57,032</b>
<b>Transfers</b>	<b>(7,387)</b>	<b>(3,665)</b>	<b>7,387</b>	<b>3,665</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net assets</b>	<b>(18,626)</b>	<b>31,505</b>	<b>18,335</b>	<b>25,527</b>	<b>(291)</b>	<b>57,032</b>
<b>Net Assets - beginning of year</b>	<b>315,324</b>	<b>283,819</b>	<b>326,738</b>	<b>301,211</b>	<b>642,062</b>	<b>585,030</b>
<b>Net Assets - ending of year</b>	<b>\$ 296,698</b>	<b>\$ 315,324</b>	<b>\$ 345,073</b>	<b>\$ 326,738</b>	<b>\$ 641,771</b>	<b>\$ 642,062</b>

**Governmental Activities:** Governmental activities decreased Frederick County's net assets by \$18.6 million. A key element of this overall decrease is due to a budgeted use of General Fund fund balance of \$43.6 million, of which \$32.2 million was actually used, with the Special Revenue Funds making up the difference. Total tax revenue increased by \$13.6 million or 3.4 percent, during FY2008. Property tax increases of \$17.7 million and income tax increases of \$3.6 million were offset by reductions in other local taxes, primarily recordation taxes. Income taxes and property taxes increased by a combination of \$32.1 million and other local taxes (primarily recordation taxes) decreased by \$10.2 million. Overall, revenues and other financing sources increased by \$32.8 million while expenditures increased by \$86.5 million, facilitating the planned use of fund balances.

**Business-type Activities:** Business-type activities increased Frederick County's net assets by \$18.3 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 \$18.0 million in revenue.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Frederick County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds:** The focus of Frederick County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Frederick County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Frederick County's governmental funds reported combined ending fund balance of \$278.9 million. Approximately 89.6 percent of this total amount (\$249.9 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the prior period (\$24.4 million), (2) for inventories (\$1.3 million), (3) for long-term receivables (\$2.8 million) or (4) dedicated for other restricted purposes (\$5 million). The reserved fund balance, at 10.4 percent of total fund balance, does not significantly affect the availability of fund resources for future use.

The General Fund is the chief operating fund of Frederick County. At the end of the current fiscal year, unreserved and undesignated fund balance of the General Fund was \$21.0 million, while total fund balance reached \$70.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 16.3 percent of total General Fund expenditures, while total fund balance represents 17.1 percent of that same amount.

The fund balance of Frederick County's General Fund decreased by \$30.1 million during the current fiscal year. This decrease is due primarily to a budgeted use of fund balance totaling \$43.6 million of which \$32.2 million was actually used.

The Capital Projects Fund has a total fund balance of \$120.5 million. The total increase in fund balance was \$18.8 million. This increase is primarily due to the difference in unspent bond proceeds between the 2007 and 2008 issues.

**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 \$87.3 million and unrestricted net assets in the Solid Waste Management Fund totaled \$5.8 million. The Permitting and Development Review Fund had unrestricted net assets totaling \$3.1 million.

## **General Fund Budgetary Highlights**

The final expenditure and transfers budgets for the General Fund was increased \$.3 million over the original budget. During the year, revenues were less than budgetary estimates by \$1.8 million and expenditures were less than budgetary estimates by \$10.7 million, partially eliminating the need to draw upon the appropriated fund balance of \$43.6 million. The major differences between the final budget and the actual amounts are summarized as follows:

- Local property tax revenue exceeded the budget amount by \$3.3 million due to conservative budget estimates for property tax credits and additions and abatements.
- Local income tax distributions exceeded the budget by \$2.0 million. This represents 1.3 percent increase over the budget of \$159.6 million.
- Other local taxes, primarily recordation tax collections, were less than budgeted amounts by \$5.8 million. These funds were generated by recordation taxes charged on the recording of mortgage instruments (\$14.3 million) and Local 911 fees (\$1.8 million). Of the \$5.8 million budget shortfall, \$5.7 million was attributed to recordation taxes.
- Investment earnings were less than budget by \$.3 million due to overly aggressive estimates.
- Various departmental under spending of appropriations resulted in total expenditures being under budget by \$10.7 million generally throughout all functions of government. The largest contribution to this savings was \$4.8 million in miscellaneous non-departmental expenditures, primarily contingencies and fringe benefits.

## **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, 2008 and 2007, amount to \$772.8 million and \$698.9 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 10.6 percent.



**Table 3**  
**Capital Assets, Net of Depreciation**  
**June 30,**  
**(In Thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Land	\$ 61,446	\$ 52,506	\$ 6,953	\$ 6,953	\$ 68,399	\$ 59,459
Construction in prog.	24,122	26,956	80,296	53,307	104,418	80,263
Buildings, impr. & equip.	150,295	136,069	77,822	78,007	228,117	214,076
Infrastructure	154,098	146,399	217,819	198,688	371,917	345,087
<b>Total</b>	<b>\$ 389,961</b>	<b>\$ 361,930</b>	<b>\$ 382,890</b>	<b>\$ 336,955</b>	<b>\$ 772,851</b>	<b>\$ 698,885</b>

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

**Table 4**  
**Change in Capital Assets**  
**For the Fiscal Year Ended June 30, 2008**  
**(In Thousands)**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Beginning Balance	\$ 361,930	\$ 336,955	\$ 698,885
Additions	83,291	83,077	166,368
Depreciation	(20,867)	(8,126)	(28,993)
Retirement*	(34,393)	(29,016)	(63,409)
<b>Ending Balance</b>	<b>\$ 389,961</b>	<b>\$ 382,890</b>	<b>\$ 772,851</b>

\*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:
  - Thurmont Regional Library \$6.0 million
  - Ballenger Creek Ballfields 2.8 million
  - English Muffin Way 2.2 million
  - Spectrum Drive Improvements 2.0 million
  - Big Woods Road Bridge 1.8 million
  - Winchester Hall East Wing 1.7 million
  - Pinecliff Park Paving & Shelters 1.6 million

- The following transfers were made to the Frederick County Board of Education for school construction:

○ Oakdale High	\$32.8 million
○ New Market Elementary	2.6 million
○ West Frederick Middle	2.1 million
○ Linganore High	2.0 million
○ Computer Upgrades	1.1 million

### **Business-type Activities:**

- Construction costs were incurred for the following major projects:
 

○ New Design Water Treatment Plant Expansion	\$13.4 million
○ Landfill Transfer Station	8.5 million
○ Lake Linganore Water & Sewer Improvements	7.7 million
○ McKinney Wastewater Treatment Plant	4.1 million
○ Libertytown Wastewater Treatment Plant	3.0 million

### **Debt Outstanding**

As of year-end, the County had \$506.2 million in bonded debt outstanding compared to a total of \$455.5 million last year, an 11.1 percent net increase. This increase results from issuing General Obligation Debt of \$79.4 million of new debt while retiring \$28.7 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 each year and in total for its 6-year capital program. The County's financial advisor reviews this index periodically.

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**Table 5**  
**Outstanding Debt**  
**(In Thousands)**

	<u>Balance</u> <u>June 30, 2008</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Governmental Activities:</b>		
Bonds and notes payable:		
General obligation bonds	\$ 363,377	\$ 322,447
Installment purchase agreements	39,609	31,660
Other notes payable	4,429	5,923
	<u>407,415</u>	<u>360,030</u>
Add remaining original issue premium	12,808	12,108
Less deferred amount on bond refundings	<u>(7,931)</u>	<u>(8,710)</u>
Total bonds and notes payable	<u>412,292</u>	<u>363,428</u>
Other liabilities:		
Capital lease obligations	7,843	7,629
Termination benefits	227	200
Compensated absences	9,190	7,823
Total other liabilities	<u>17,260</u>	<u>15,652</u>
Governmental activities long-term liabilities	<u>\$ 429,552</u>	<u>\$ 379,080</u>
<b>Business-type Activities:</b>		
Bonds and notes payable:		
General obligation bonds	\$ 142,783	\$ 133,058
Other notes payable	28,294	29,688
	<u>171,077</u>	<u>162,746</u>
Add remaining original issue premium	4,169	4,032
Less deferred amount on bond refundings	<u>(1,904)</u>	<u>(2,158)</u>
Total bonds and notes payable	<u>173,342</u>	<u>164,620</u>
Other liabilities:		
Compensated absences	1,529	1,397
Landfill closure costs	13,870	16,730
Total other liabilities	<u>15,399</u>	<u>18,127</u>
Business-type activities long-term liabilities	<u>\$ 188,741</u>	<u>\$ 182,747</u>

On June 15, 2008 the County issued the General Obligation Public Facilities Bonds of 2008 in the amount of \$79,380,000. The gross proceeds of \$82.7 million were used to fund capital projects. The rating agencies provided the following ratings to this debt issue:

Aa2 from Moody's Investors Service Inc.  
AA+ from Standard & Poor's  
AA+ from Fitch Ratings

Principal payments and reductions of long-term debt in the amounts of \$32.0 million and \$16.2 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 83 – 96 of this report.

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

The following summarizes some economic factors and trends:

- As of June 2008 the average unemployment rate for the County is 3.6 percent, while the average unemployment rate for the State of Maryland is 4.2 percent.
- Median household effective buying income in Frederick County is estimated at \$59,008 while the estimate for the State of Maryland is \$53,064 for calendar year 2007.
- The total percentage of increase in the number of new jobs from 2003 through 2007 was 10.5 percent (8,745 jobs). This is more than double the State of Maryland percentage of increase (4.62 percent) for the same period. The County's five-year average employment growth rate is 2.9 percent.
- The FY2009 property tax is \$.936 per \$100 of assessed valuation. The tax rate is based on a full market value taxable assessment of \$25,292,000,000.

## **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, 2008

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
<b>Assets</b>						
Cash	\$ 288,231	\$ 2,202,186	\$ 2,490,417	\$ 5,960,690	\$ 10,731,377	\$ 8,402
Equity in pooled invested cash	140,504,345	11,079,849	151,584,194	-	15,936	-
Total cash and cash equivalents	140,792,576	13,282,035	154,074,611	5,960,690	10,747,313	8,402
Investments	90,258,885	122,306,354	212,565,239	17,927,638	6,103,038	417,658
Receivables, net of allowance for uncollectibles:						
Property taxes	723,213	-	723,213	-	-	-
Accounts	5,900,962	12,778,195	18,679,157	2,230,436	679,880	36,394
Intergovernmental	68,347,124	-	68,347,124	2,375,725	2,269,272	-
Bonds	62,243,502	19,283,990	81,527,492	-	-	-
Internal balances	802,621	(802,621)	-	-	-	-
Net other post employment benefits	2,641,487	-	2,641,487	-	-	-
Due from primary government	-	-	-	8,614,936	-	2,486,964
Due from component units	13,243	-	13,243	-	-	-
Inventories	1,537,269	225,354	1,762,623	915,141	405,514	-
Prepaid items	2,128,409	540	2,128,949	50,093	316,538	13,305
Deferred charges	2,240,763	824,970	3,065,733	-	-	-
Long-term receivables, net of allowance for uncollectibles	4,946,492	-	4,946,492	-	-	-
Cash and cash equivalents - restricted	1,579,417	5,369,427	6,948,844	15,876,575	-	-
Beneficial interest in charitable remainder trust	-	-	-	-	349,617	-
Capital assets:						
Land	61,446,093	6,953,179	68,399,272	35,762,931	271,620	-
Buildings and improvements	153,376,158	112,800,798	266,176,956	545,684,044	54,611,930	-
Equipment	84,223,808	35,164,500	119,388,308	64,400,092	3,442,347	99,506
Library collection	-	-	-	-	1,835,691	11,812,097
Infrastructure	308,392,749	253,012,133	561,404,882	-	-	-
Construction in progress	24,122,004	80,296,280	104,418,284	122,474,295	2,462,967	-
Accumulated depreciation	(241,600,011)	(105,336,956)	(346,936,967)	(220,105,020)	(24,424,788)	(7,621,020)
Total assets	774,116,764	556,158,178	1,330,274,942	602,167,576	59,070,939	7,253,306

(continued)

FREDERICK COUNTY, MARYLAND  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
<b>Liabilities</b>						
Accounts payable	\$ 4,334,508	\$ 2,332,860	\$ 6,667,368	\$ 19,970,639	\$ 1,655,573	\$ 56,417
Accrued liabilities	14,809,101	7,761,181	22,570,282	382,948	137,849	-
Payroll and benefit deductions	8,983,751	1,822,001	10,805,752	8,115,104	256,321	420,817
Property taxes payable	220,969	-	220,969	-	-	-
Due to third parties	954,150	-	954,150	-	206,199	-
Due to other governmental units	460,181	-	460,181	-	-	-
Due to component units	11,069,206	-	11,069,206	-	-	-
Unearned revenues	4,497,365	3,846,052	8,343,417	-	987,575	170,869
Performance and security deposits	-	9,016	9,016	-	-	-
Other liabilities	2,537,196	6,573,481	9,110,677	-	-	-
Noncurrent liabilities:						
Due within one year	27,285,757	13,134,736	40,420,493	7,242,847	-	10,751
Due in more than one year	402,266,002	175,606,149	577,872,151	56,018,040	1,363,205	381,343
Total liabilities	<u>477,418,186</u>	<u>211,085,476</u>	<u>688,503,662</u>	<u>91,729,578</u>	<u>4,606,722</u>	<u>1,040,197</u>
<b>Net Assets</b>						
Investment in capital assets, net of related debt	223,296,140	232,785,591	456,081,731	527,980,098	38,199,767	4,290,583
Restricted for:						
School and library construction	23,535,598	-	23,535,598	-	-	-
Additional or expanded road facilities	9,271,128	-	9,271,128	-	-	-
Capital Projects	31,023,897	14,810,729	45,834,626	-	-	-
Agricultural preservation	34,702,757	-	34,702,757	-	-	-
Fire and rescue services	10,528,843	-	10,528,843	-	-	-
County code required set-aside	20,973,351	-	20,973,351	-	-	-
Other purposes	2,996,932	939,881	3,936,813	-	6,250,789	581,279
Unrestricted (Deficit)	<u>(59,630,068)</u>	<u>96,536,501</u>	<u>36,906,433</u>	<u>(17,542,100)</u>	<u>10,013,661</u>	<u>1,341,247</u>
Total net assets	<u>\$ 296,698,578</u>	<u>\$ 345,072,702</u>	<u>\$ 641,771,280</u>	<u>\$ 510,437,998</u>	<u>\$ 54,464,217</u>	<u>\$ 6,213,109</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, 2008

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	\$ 47,365,230	\$ 6,123,458	\$ 1,340,453	\$ 367,964	\$ (39,533,355)	\$ -	\$ (39,533,355)	\$ -	\$ -	\$ -
Public safety	92,368,561	6,000,432	5,020,371	498,987	(80,848,771)	-	(80,848,771)	-	-	-
Public works	36,272,941	798,599	15,939,288	2,726,249	(16,808,805)	-	(16,808,805)	-	-	-
Health	8,350,521	1,955,859	512,248	-	(5,882,414)	-	(5,882,414)	-	-	-
Social services	9,034,819	1,359,191	916,482	-	(6,759,146)	-	(6,759,146)	-	-	-
Education	280,571,794	-	-	-	(280,571,794)	-	(280,571,794)	-	-	-
Parks, recreation and culture	16,540,827	727,658	92,842	870,901	(14,849,426)	-	(14,849,426)	-	-	-
Conservation of natural resources	5,284,255	193,410	1,576,269	16,075	(3,498,501)	-	(3,498,501)	-	-	-
Community development and public housing	5,532,210	-	5,135,868	-	(396,342)	-	(396,342)	-	-	-
Economic development and opportunity	13,586,428	75,736	6,559,826	-	(6,950,866)	-	(6,950,866)	-	-	-
Interest on long term debt	15,180,615	-	-	-	(15,180,615)	-	(15,180,615)	-	-	-
Total governmental activities	530,088,201	17,234,343	37,093,647	4,480,176	(471,280,035)	-	(471,280,035)	-	-	-
Business-type activities:										
Water and sewer	25,789,356	19,879,735	-	18,041,193	-	12,131,572	12,131,572	-	-	-
Solid waste management	20,989,211	19,286,726	-	-	-	(1,702,485)	(1,702,485)	-	-	-
Nursing homes	17,961,626	12,276,779	-	-	-	(5,684,847)	(5,684,847)	-	-	-
Public housing	121,973	95,121	-	-	-	(26,852)	(26,852)	-	-	-
Permitting & development review	6,866,402	5,647,636	-	-	-	(1,218,766)	(1,218,766)	-	-	-
Total business-type activities	71,728,568	57,185,997	-	18,041,193	-	3,498,622	3,498,622	-	-	-
Total primary government	\$ 601,816,769	\$ 74,420,340	\$ 37,093,647	\$ 22,521,369	(471,280,035)	3,498,622	(467,781,413)	-	-	-
<b>Component Units:</b>										
Board of Education	\$ 511,912,448	\$ 9,678,564	\$ 318,744,433	\$ 56,624,977	-	-	(126,864,474)	-	-	-
Community College	44,086,878	16,195,801	26,268,161	3,272,124	-	-	-	1,649,208	-	-
Public Libraries	11,234,810	545,254	11,297,377	-	-	-	-	-	-	607,821
Total Component Units	\$ 567,234,136	\$ 26,419,619	\$ 356,309,971	\$ 59,897,101	\$ -	\$ -	(126,864,474)	1,649,208	-	607,821
<b>General Revenues:</b>										
Local property taxes					244,968,090	-	244,968,090	-	-	-
Local income taxes					164,716,995	-	164,716,995	-	-	-
Recordation taxes					26,315,292	-	26,315,292	-	-	-
Excise taxes					1,308,920	-	1,308,920	-	-	-
Hotel rental tax					1,112,083	-	1,112,083	-	-	-
Admission and amusement tax					834,477	-	834,477	-	-	-
Agriculture transfer tax					2,031,084	-	2,031,084	-	-	-
Grants and contributions not restricted to specific programs					-	-	-	149,793,340	-	-
Investment earnings					15,484,565	6,719,219	22,203,784	1,286,680	515,382	16,400
Miscellaneous					3,270,163	729,699	3,999,862	1,132,729	2,484,831	-
Transfers					(7,386,940)	7,386,940	-	-	-	-
Total general revenues and transfers					452,654,729	14,835,858	467,490,587	152,212,749	3,000,213	16,400
Change in net assets					(18,625,306)	18,334,480	(290,826)	25,348,275	4,649,421	624,221
Net assets - beginning of year, as restated					315,323,884	326,738,222	642,062,106	485,089,723	49,814,796	5,588,888
Total net assets - end of year					\$ 296,698,578	\$ 345,072,702	\$ 641,771,280	\$ 510,437,998	\$ 54,464,217	\$ 6,213,109

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



**FREDERICK COUNTY, MARYLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 63,947	\$ -	\$ 224,284	\$ 288,231
Equity in pooled invested cash	2,387,640	67,554,855	63,433,042	133,375,537
Total cash and cash equivalents	2,451,587	67,554,855	63,657,326	133,663,768
Investments	65,860,866	-	24,398,019	90,258,885
Receivables, net of allowance for uncollectibles:				
Property taxes	670,714	-	52,499	723,213
Accounts	4,421,460	180,000	1,119,494	5,720,954
Intergovernmental	64,598,589	337,496	3,411,041	68,347,126
Bonds receivable	1,422,150	60,020,957	800,395	62,243,502
Prepays	2,021,667	-	75,392	2,097,059
Due from other funds	1,365,523	-	-	1,365,523
Due from component units	13,079	-	-	13,079
Inventories	1,266,459	-	-	1,266,459
Long-term receivables, net of allowance for uncollectibles:				
Employee salary advances	106,201	-	-	106,201
MILA/MICRF loans	-	-	118,677	118,677
Fire/Rescue loans	-	-	255,416	255,416
Non profit organization loans	106,505	-	1,903,635	2,010,140
Small business loans	-	-	442,303	442,303
Housing loans	-	-	2,013,755	2,013,755
Cash and cash equivalents - restricted	-	1,447,148	132,269	1,579,417
Total assets	<u>\$ 144,304,800</u>	<u>\$ 129,540,456</u>	<u>\$ 98,380,221</u>	<u>\$372,225,477</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,573,237	\$ 2,031,399	\$ 299,313	\$ 3,903,949
Accrued liabilities	924,156	5,092,256	3,231,350	9,247,762
Payroll and benefit deductions	8,067,392	75,129	841,230	8,983,751
Property taxes payable	220,969	-	-	220,969
Due to third parties	560,390	-	393,760	954,150
Due to other governmental units	-	-	460,181	460,181
Due to component units	11,043,252	-	-	11,043,252
Other liabilities	-	1,861,588	675,608	2,537,196
Deferred revenue	51,047,738	-	4,919,748	55,967,486
Total liabilities	<u>73,437,134</u>	<u>9,060,372</u>	<u>10,821,190</u>	<u>93,318,696</u>
<b>Fund balances:</b>				
Reserved	3,105,738	22,487,030	3,415,521	29,008,289
Unreserved:				
Designated for:				
Subsequent year's expenditures - General fund	41,809,940	-	-	41,809,940
Subsequent year's expenditures - Special revenue funds	-	-	3,715,944	3,715,944
Other purposes - General fund	4,978,637	-	-	4,978,637
Other purposes - Special revenue funds	-	-	56,057,461	56,057,461
Undesignated:				
General fund	20,973,351	-	-	20,973,351
Capital projects fund	-	97,993,054	-	97,993,054
Special revenue funds	-	-	24,370,105	24,370,105
Total fund balances	<u>70,867,666</u>	<u>120,480,084</u>	<u>87,559,031</u>	<u>278,906,781</u>
Total liabilities and fund balances	<u>\$ 144,304,800</u>	<u>\$ 129,540,456</u>	<u>\$ 98,380,221</u>	<u>\$372,225,477</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, 2008

Exhibit II-A-4

Total fund balance - governmental funds (See Exhibit II-A-3) \$ 278,906,781

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds (includes Capital Assets of the internal service fund).

Land	\$	61,446,093	
Buildings and Improvements		153,376,158	
Equipment		84,223,808	
Infrastructure		308,382,749	
Construction in Progress		24,122,004	
Less Accumulated Depreciation		<u>(241,600,011)</u>	389,960,801

Contributions made to the Other Post Employment Benefits Trust in excess of the annual required contributions are recognized as expenditures in the fund statements, but are recognized as a receivable in the government-wide statements. 2,641,487

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		(355,446,148)	
Accrued Bond Interest		(5,317,942)	
Installment Purchase Agreements		(39,608,678)	
Notes Payable		(4,429,258)	
Capital Lease Obligations		(7,842,795)	
Unamortized Premium on Bonds Payable		(12,807,475)	
Compensated Absences		(9,190,289)	
Termination Benefits		(227,116)	
Recognition of Deferred Revenue		<u>51,470,120</u>	(383,399,581)

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		1,933,468	
Deferred Issuance Costs - IPAs		257,437	
Deferred Issuance Costs - Capital Leases		<u>49,857</u>	2,240,762

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.

6,348,328

Net assets of governmental activities (See Exhibit II-A-1) \$ 296,698,578

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, 2008**

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local property taxes	\$ 216,114,216	\$ -	\$ 28,958,183	\$ 245,072,399
Local income taxes	161,633,784	-	-	161,633,784
Other local taxes	16,942,253	-	16,513,394	33,455,647
Licenses and permits	525,736	-	-	525,736
Grants from federal government	-	1,814,613	13,158,307	14,972,920
Grants from state government	16,880,544	2,122,125	7,643,207	26,645,876
Charges for services	4,722,172	-	9,751,073	14,473,245
Fines and forfeitures	192,115	-	236,357	428,472
Interest from loans	-	-	52,750	52,750
Investment earnings	7,737,772	-	7,513,601	15,251,373
Miscellaneous	2,235,248	127,129	287,803	2,650,180
Total revenues	<u>426,983,840</u>	<u>4,063,867</u>	<u>84,114,675</u>	<u>515,162,382</u>
<b>Expenditures</b>				
Current:				
General government	31,449,387	-	2,339,317	33,788,704
Public safety	55,185,762	-	36,559,338	91,745,100
Public works	18,026,574	-	5,565,969	23,592,543
Health	7,437,632	-	853,266	8,290,898
Social services	6,368,201	-	2,003,720	8,371,921
Education	241,164,441	-	-	241,164,441
Parks, recreation and culture	14,549,408	-	-	14,549,408
Conservation of natural resources	868,563	-	13,255,867	14,124,430
Community development and public housing	393,631	-	5,148,310	5,541,941
Economic development and opportunity	2,662,234	-	11,993,108	14,655,342
Miscellaneous	1,471,497	-	-	1,471,497
Intergovernmental	6,630,971	-	-	6,630,971
Debt service	28,348,145	402,012	10,551,133	39,301,290
Capital projects	-	81,621,365	-	81,621,365
Total expenditures	<u>414,556,446</u>	<u>82,023,377</u>	<u>88,270,028</u>	<u>584,849,851</u>
Excess (deficiency) of revenues over expenditures	<u>12,427,394</u>	<u>(77,959,510)</u>	<u>(4,155,353)</u>	<u>(69,687,469)</u>
<b>Other financing sources (uses)</b>				
Transfers in from general fund	-	24,449,856	11,748,149	36,198,005
Transfers in from special revenue funds	-	11,894,630	-	11,894,630
Transfers out to:				
Capital projects fund	(24,449,856)	-	(11,894,630)	(36,344,486)
Special revenue funds	(11,748,149)	-	-	(11,748,149)
Enterprise funds	(6,812,495)	(646,700)	-	(7,459,195)
Internal service funds	(935,613)	-	(41,366)	(976,979)
General obligation bonds issued	-	61,055,000	-	61,055,000
Premium on debt	1,422,150	-	963,088	2,385,238
Installment purchase agreement	-	-	7,948,699	7,948,699
Capital leases	-	-	2,394,000	2,394,000
Sale of capital assets	-	-	17,475	17,475
Total other financing sources and (uses)	<u>(42,523,963)</u>	<u>96,752,786</u>	<u>11,135,415</u>	<u>65,364,238</u>
Net change in fund balances	<u>(30,096,569)</u>	<u>18,793,276</u>	<u>6,980,062</u>	<u>(4,323,231)</u>
Fund balances - beginning of year	<u>100,964,235</u>	<u>101,686,808</u>	<u>80,578,969</u>	<u>283,230,012</u>
Fund balances - end of year	<u>\$ 70,867,666</u>	<u>\$ 120,480,084</u>	<u>\$ 87,559,031</u>	<u>\$ 278,906,781</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, 2008

Net change in fund balances - total governmental funds (See Exhibit II-A-5) \$ (4,323,231)

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	\$ 9,772,187	
Depreciation Expense	(20,867,248)	
Adjusted for Internal Service Fund Depreciation	2,880,487	(8,214,574)

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

Donation of Capital Assets	5,075,847	
Additions to Construction in Progress	31,098,648	
Asset Replacements, Retirements and Deletions	(240,894)	35,933,601

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	49,541,570	
Income Taxes - Recognized as Income in the Prior Year	(46,458,359)	
Other Revenues - Deferred in the Fund Statements	1,928,550	
Other Revenues - Recognized as Income in the Prior Year	(2,040,017)	2,971,744

(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, 2008

The issuance of long-term debt (i.e. bonds, leases, installment purchase agreements) proceeds provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of General Obligation Bonds	\$ (61,055,000)	
Issuance of IPAs	(7,948,699)	
Capital Lease Financing	(2,394,000)	
Bond Premiums	(2,385,238)	
Deferred Charge for Issuance Costs	605,052	
Principal Payments on General Obligation Debt	20,125,072	
Principal Payments on Notes Payable	1,494,029	
Principal Payments on Capital Leases	2,179,398	
Amortization of Bond Premiums	1,686,115	
Amortization of Issuance Costs	<u>(908,225)</u>	(48,601,496)

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	5,120,752	
Accrued Interest - Current Year	(5,317,942)	
Net Other Post Employment Benefit Asset	2,641,487	
Compensated Absences Accrual	(1,350,039)	
Termination Benefits Accrual	<u>(27,483)</u>	1,066,775

Internal service funds are used by management to charge the costs of motor pool services to individual funds.

2,541,875

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

\$ (18,625,306)

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, 2008

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Local property taxes</b>				
Real property (inc. additions & abatements)	\$ 241,804,000	\$ 241,804,000	\$ 243,616,501	\$ 1,812,501
Public utilities	7,500,000	7,500,000	7,516,136	16,136
Payments in lieu of taxes	50,000	50,000	45,891	(4,109)
Total levy	<u>249,354,000</u>	<u>249,354,000</u>	<u>251,178,528</u>	<u>1,824,528</u>
Tax credit - state reimbursement	2,500,000	2,500,000	2,570,188	70,188
Homestead credit	(35,938,000)	(35,938,000)	(35,101,641)	836,359
Other tax credits and refunds	(3,420,000)	(3,420,000)	(3,468,805)	(48,805)
Interest - delinquent taxes	1,525,000	1,525,000	2,251,931	726,931
Discounts allowed on taxes	(1,250,000)	(1,250,000)	(1,315,985)	(65,985)
Total adjustments	<u>(36,583,000)</u>	<u>(36,583,000)</u>	<u>(35,064,312)</u>	<u>1,518,688</u>
Total local property taxes	<u>212,771,000</u>	<u>212,771,000</u>	<u>216,114,216</u>	<u>3,343,216</u>
<b>Local income taxes</b>	<u>159,600,000</u>	<u>159,600,000</u>	<u>161,633,784</u>	<u>2,033,784</u>
<b>Other local taxes</b>				
Admission and amusement	850,000	850,000	834,477	(15,523)
Recordation	20,000,000	20,000,000	14,253,985	(5,746,015)
911 fees - local	1,850,000	1,850,000	1,769,075	(80,925)
Trailer parks	82,000	82,000	84,346	2,346
Security interest filing fees	1,000	1,000	370	(630)
Total other local taxes	<u>22,783,000</u>	<u>22,783,000</u>	<u>16,942,253</u>	<u>(5,840,747)</u>
<b>Licenses and permits</b>				
Alcoholic beverage licenses	204,300	204,300	230,717	26,417
Traders' licenses	200,000	200,000	218,017	18,017
Animal licenses	30,000	30,000	48,278	18,278
Marriage fees	14,000	14,000	14,255	255
Miscellaneous licenses and permits	-	9,000	14,468	5,468
Total licenses and permits	<u>448,300</u>	<u>457,300</u>	<u>525,735</u>	<u>68,435</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, 2008

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Grants from state government</b>				
Police protection	\$ 1,025,000	\$ 1,025,000	\$ 1,070,064	\$ 45,064
Aid for fire, rescue and ambulance services	360,000	360,000	363,340	3,340
County inmate housing	2,200,000	2,200,000	2,075,440	(124,560)
Highway user revenues	14,150,000	14,150,000	13,278,858	(871,142)
Parks	80,000	80,000	92,842	12,842
Total grants from state government	<u>17,815,000</u>	<u>17,815,000</u>	<u>16,880,544</u>	<u>(934,456)</u>
<b>Charges for services</b>				
Planning and zoning fees	97,500	97,500	51,049	(46,451)
Court costs, fees and charges	2,300	2,300	3,028	728
Scott Key Center	1,312,000	1,312,000	1,352,424	40,424
Other general government	158,400	158,400	105,384	(53,016)
Public safety	435,500	438,067	565,045	126,978
Public improvement inspections	182,500	182,500	95,226	(87,274)
Workforce services	80,000	62,903	52,649	(10,254)
Frederick County Developmental Center	73,000	73,000	48,697	(24,303)
Mental health	1,863,150	1,867,564	1,721,012	(146,552)
Recreation	691,000	691,000	727,658	36,658
Total charges for services	<u>4,895,350</u>	<u>4,885,234</u>	<u>4,722,172</u>	<u>(163,062)</u>
<b>Fines and forfeitures</b>				
Court	75,000	75,000	94,775	19,775
Alcoholic beverages	5,000	5,000	2,200	(2,800)
Other fines and forfeitures	102,500	102,500	95,141	(7,359)
Total fines and forfeitures	<u>182,500</u>	<u>182,500</u>	<u>192,116</u>	<u>9,616</u>
<b>Investment earnings</b>	<u>8,005,000</u>	<u>8,005,000</u>	<u>7,737,772</u>	<u>(267,228)</u>
<b>Miscellaneous revenues</b>				
Rents and concessions	1,275,800	1,275,800	1,393,028	117,228
Contributions and donations	-	273,414	274,306	892
Sale of property	10,000	10,000	9,070	(930)
Other miscellaneous revenues	757,500	763,730	558,844	(204,886)
Total miscellaneous revenues	<u>2,043,300</u>	<u>2,322,944</u>	<u>2,235,248</u>	<u>(87,696)</u>
<b>Total revenues</b>	<u>428,543,450</u>	<u>428,821,978</u>	<u>426,983,840</u>	<u>(1,838,138)</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, 2008

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>General government</b>				
<b>Legislative and executive</b>				
County commissioners	\$ 685,396	\$ 690,706	\$ 683,366	\$ 7,340
County manager	1,082,333	1,091,387	1,109,044	(17,657)
Boards and commissions	16,398	16,398	15,033	1,365
Total legislative and executive	1,784,127	1,798,491	1,807,443	(8,952)
<b>Judicial</b>				
Circuit court	924,314	965,775	876,168	89,607
Orphans court	33,884	33,884	31,663	2,221
States attorney	5,125,188	5,130,790	4,970,045	160,745
Grand jury	70,908	70,908	79,451	(8,543)
Other judicial	500	500	-	500
Total judicial	6,154,794	6,201,857	5,957,327	244,530
<b>Elections</b>				
Board of supervisors of elections	1,144,982	1,144,982	1,081,893	63,089
<b>Financial administration</b>				
Accounting	2,338,848	2,361,550	2,256,890	104,660
Independent auditing	52,900	52,900	45,632	7,268
Budgeting	475,417	479,423	467,763	11,660
Purchasing	836,768	863,385	921,629	(58,244)
Risk Management	319,172	323,373	319,020	4,353
Treasury	976,749	985,378	911,539	73,839
Total financial administration	4,999,854	5,066,009	4,922,473	143,536
<b>Legal</b>				
County attorney	875,352	882,371	843,104	39,267
<b>Personnel administration</b>				
Personnel	935,363	946,324	957,149	(10,825)
<b>Planning and zoning</b>				
Planning	2,272,683	2,246,659	2,087,979	158,680
Board of zoning appeals	11,626	11,626	7,646	3,980
Total planning and zoning	2,284,309	2,258,285	2,095,625	162,660

(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, 2008

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Management services</b>				
General services	\$ 191,448	\$ 193,898	\$ 179,970	\$ 13,928
Logistical services	297,391	299,175	276,126	23,049
Maintenance	7,825,777	7,481,959	6,771,830	710,129
Custodial services	2,199,729	2,239,791	2,121,546	118,245
Total management services	10,514,345	10,214,823	9,349,472	865,351
<b>Other general government</b>				
Internal audit	497,291	700,351	638,084	62,267
Interagency Information Technologies	6,829,954	6,862,584	6,675,886	186,698
Board of liquor license commissioners	234,842	248,131	209,399	38,732
Total other general government	7,562,087	7,811,066	7,523,369	287,697
Total general government	36,255,213	36,324,208	34,537,855	1,786,353
<b>Public safety</b>				
Sheriff	23,052,216	22,746,800	22,191,694	555,106
Fire protection	1,165,768	1,255,241	1,181,071	74,170
Fire/rescue state grant allocation	360,000	360,000	363,340	(3,340)
Fire inspection	627,612	585,167	526,311	58,856
Fire and rescue services	5,440,454	5,420,979	5,243,408	177,571
Advanced life support	458,745	484,960	463,639	21,321
Detention center	12,665,064	12,186,491	12,116,393	70,098
Work release center	2,413,855	2,427,453	2,140,316	287,137
Alternative sentencing	737,482	743,704	772,673	(28,969)
Emergency preparedness	498,067	553,992	515,544	38,448
Division of emergency planning & management	312,805	259,411	261,196	(1,785)
Animal control	1,505,564	1,544,706	1,519,093	25,613
Emergency communications	4,786,257	4,653,921	4,506,581	147,340
Public safety director	442,237	346,039	350,269	(4,230)
Total public safety	54,466,126	53,568,864	52,151,528	1,417,336
<b>Public works</b>				
Highways	12,811,464	12,791,889	12,967,996	(176,107)
Public works administration	307,891	311,531	309,653	1,878
Project management	476,814	482,355	433,426	48,929
Construction management	1,952,767	1,746,148	1,065,850	680,298
Watershed management section	568,323	541,781	541,944	(163)
Program development and management	471,729	474,631	472,425	2,206
Transportation engineering	1,288,316	1,295,760	1,225,933	69,827
Total public works	17,877,304	17,644,095	17,017,227	626,868

(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, 2008

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Health</b>				
County administrator	\$ 153,216	\$ 154,461	\$ 158,073	\$ (3,612)
Core Services	2,931,693	2,936,107	2,754,266	181,841
Detention center substance abuse	132,572	132,572	132,572	-
Mental health	1,314,213	1,314,213	1,223,808	90,405
Mosquito control	8,000	8,000	3,344	4,656
Frederick County Developmental Center	1,841,772	1,881,648	2,019,262	(137,614)
ARC of Frederick County	39,000	39,000	39,000	-
Counseling Services	24,000	24,000	24,000	-
Mental Health Association hotline	55,000	55,000	55,000	-
Child Abuse Prevention-Mental Health Association	6,500	6,500	6,500	-
Alzheimer's Association of Frederick County	13,000	13,000	13,000	-
Central Maryland Catholic Charities	23,400	23,400	23,400	-
Hepatitis Clinic	20,000	20,000	20,000	-
Total health	<u>6,562,366</u>	<u>6,607,901</u>	<u>6,472,225</u>	<u>135,676</u>
<b>Social services</b>				
Contribution to Department of Social Services	1,238,167	1,272,000	1,178,330	93,670
Department of Aging	420,104	418,658	374,600	44,058
Office of Children and Families	381,750	464,459	340,680	123,779
Medical transportation services	308,572	336,133	128,202	207,931
Family partnership	329,991	325,912	309,336	16,576
Deinstitutionalization day care	11,514	11,514	11,514	-
Community Agency School Services	48,000	48,000	48,000	-
Daybreak Adult Daycare Center	28,750	28,750	28,750	-
Advocates for the Homeless	25,000	25,000	25,000	-
The Volunteer Center - United Way	30,000	30,000	30,000	-
Community Action Agency	120,000	120,000	120,000	-
Up-County Family Center	28,500	28,500	28,500	-
Character counts	3,500	3,500	3,500	-
Emergency food/fuel/shelter	201,000	201,000	201,000	-
Big Brothers and Big Sisters	24,646	24,646	24,646	-
Healthy Family/Heartly House	35,000	35,000	35,000	-
CASA of Frederick County	6,000	6,000	6,000	-
Scott Key Center	2,833,922	2,839,768	2,669,957	169,811
Other social services	<u>138,000</u>	<u>138,000</u>	<u>134,230</u>	<u>3,770</u>
Total social services	<u>6,212,416</u>	<u>6,356,840</u>	<u>5,697,245</u>	<u>659,595</u>
<b>Education</b>				
Maryland School for the Blind	2,000	2,000	-	2,000
Frederick County Board of Education	222,197,297	228,147,802	227,577,222	570,580
Frederick Community College	<u>13,653,588</u>	<u>13,502,115</u>	<u>13,587,219</u>	<u>(85,104)</u>
Total education	<u>235,852,885</u>	<u>241,651,917</u>	<u>241,164,441</u>	<u>487,476</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, 2008

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Parks, recreation and culture</b>				
Frederick County Public Libraries	\$ 8,713,518	\$ 9,379,033	\$ 9,153,304	\$ 225,729
Parks and recreation	4,976,892	5,147,327	4,902,536	244,791
Recreation grants	40,000	40,000	40,000	-
Historical Society of Frederick County	12,530	12,530	12,530	-
American Legion Council	1,000	1,000	1,000	-
National Museum of Civil War Medicine	10,000	10,000	10,000	-
Delaplaine Visual Arts Center	30,000	30,000	30,000	-
Brunswick main street	5,000	5,000	5,000	-
Weinberg Center for the Arts	25,000	25,000	25,000	-
Community libraries	5,589	5,589	5,589	-
Total parks, recreation and culture	<u>13,819,529</u>	<u>14,655,479</u>	<u>14,184,959</u>	<u>470,520</u>
<b>Conservation of natural resources</b>				
Extension service	326,446	326,446	329,186	(2,740)
Soil conservation	212,137	212,317	213,734	(1,417)
Gypsy moth control	46,000	366,180	287,767	78,413
Forestry Board	2,000	2,000	2,000	-
Western Maryland Resources Conservation and Development Council	500	500	500	-
Total conservation of natural resources	<u>587,083</u>	<u>907,443</u>	<u>833,187</u>	<u>74,256</u>
<b>Community development and public housing</b>				
Housing administration	<u>389,689</u>	<u>374,580</u>	<u>340,753</u>	<u>33,827</u>
Total community development and public housing	<u>389,689</u>	<u>374,580</u>	<u>340,753</u>	<u>33,827</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, 2008

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Economic development and opportunity</b>				
Office of economic development	\$ 991,483	\$ 979,671	\$ 953,707	\$ 25,964
Frederick Municipal Airport	49,500	49,500	49,500	-
Citizens services administration	324,208	331,757	282,284	49,473
Workforce services	701,649	706,234	669,766	36,468
Hood College	150,000	150,000	150,000	-
Head Start	200,811	93,326	93,481	(155)
Human relations	130,840	131,924	114,935	16,989
Jeanne Bussard Center	40,000	40,000	40,000	-
Commission for Women	4,858	4,858	4,858	-
Goodwill Ambassador Fund	5,000	5,000	-	5,000
Commission for Disabilities	1,450	1,450	1,052	398
Seton Center	50,000	50,000	50,000	-
Emmitsburg Child Care Center	30,000	30,000	30,000	-
Child Care Consortium	30,000	30,000	30,000	-
FMH Prenatal Clinic	25,000	25,000	25,000	-
Total economic development and opportunity	<u>2,734,799</u>	<u>2,628,720</u>	<u>2,494,583</u>	<u>134,137</u>
<b>Non-departmental</b>				
Property and liability insurance	1,356,311	1,345,931	883,720	462,211
Other post employment benefits	19,854,754	11,157,988	11,240,900	(82,912)
Other employee benefits and taxes	4,572,403	3,583,387	2,749,043	834,344
Other various contingencies	3,614,127	3,290,410	-	3,290,410
Indirect cost recovery	(4,650,000)	(4,665,970)	(4,978,263)	312,293
Other miscellaneous	(320,000)	(320,000)	(301,492)	(18,508)
Total non-departmental	<u>24,427,595</u>	<u>14,391,746</u>	<u>9,593,908</u>	<u>4,797,838</u>
<b>Intergovernmental</b>				
Financial corporations grant to municipalities	50,000	50,000	49,273	727
Tax rebate to municipalities	<u>6,581,698</u>	<u>6,581,698</u>	<u>6,581,698</u>	-
Total intergovernmental	<u>6,631,698</u>	<u>6,631,698</u>	<u>6,630,971</u>	<u>727</u>
<b>Debt service</b>				
Principal - general obligation debt	16,694,169	16,694,169	16,694,169	-
Principal - state loans	661,727	661,727	661,727	-
Interest - general obligation debt	10,774,159	10,774,159	10,701,559	72,600
Interest - state loans	290,690	290,690	290,690	-
Total debt service	<u>28,420,745</u>	<u>28,420,745</u>	<u>28,348,145</u>	<u>72,600</u>
Total expenditures	<u>434,237,448</u>	<u>430,164,236</u>	<u>419,467,027</u>	<u>10,697,209</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, 2008

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Other financing sources (uses)</b>				
Transfers out to				
Grants special revenue fund	\$ (7,915,852)	\$ (7,797,433)	\$ (6,695,738)	\$ 1,101,695
Agriculture preservation special revenue fund	(1,009,380)	(1,011,385)	(1,011,385)	-
Housing initiatives special revenue fund	(1,225,000)	(1,225,000)	(1,225,000)	-
Capital projects fund	(24,022,740)	(24,449,856)	(24,449,856)	-
Enterprise fund - Solid Waste	-	(117,711)	(117,711)	-
Enterprise - Water/Sewer	-	(332,837)	(332,837)	-
Enterprise fund - Citizens Care & Rehabilitation Center	(972,356)	(3,249,091)	(3,249,091)	-
Enterprise fund - Montevue Home	(1,973,063)	(2,138,475)	(2,138,475)	-
Enterprise fund - Permitting and Development Review	(800,000)	(974,381)	(974,381)	-
Internal service fund - Fleet services	-	(911,366)	(873,017)	38,349
Internal service fund - Voice services	-	(62,596)	(62,596)	-
Premium - GO bonds	-	-	1,422,150	1,422,150
Total other financing sources (uses)	<u>(37,918,391)</u>	<u>(42,270,131)</u>	<u>(39,707,937)</u>	<u>2,562,194</u>
Budgeted use of fund balance	\$ <u>(43,612,389)</u>	\$ <u>(43,612,389)</u>	\$ <u>(32,191,124)</u>	\$ <u>11,421,265</u>
Change in fund balance			\$ (32,191,124)	
Net change in reserves and adjustments to GAAP basis			2,094,555	
Fund balance - beginning of year			100,964,235	
Fund balance - end of year			<u>\$ 70,867,666</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, 2008

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Solid Waste Management	Nonmajor Enterprise Funds	Total	
<b>Assets</b>					
Current assets:					
Cash	\$ 2,131,212	\$ 2,600	\$ 68,374	\$ 2,202,186	\$ -
Equity in pooled invested cash	807,926	3,098,412	7,173,511	11,079,849	7,128,808
Total cash and cash equivalents	2,939,138	3,101,012	7,241,885	13,282,035	7,128,808
Restricted cash and cash equivalents	4,543,009	475,581	350,837	5,369,427	-
Short-term investments	11,351,620	7,923,391	-	19,275,011	-
Receivables, net of allowance for uncollectibles accounts					
Accounts	8,786,546	1,836,923	2,154,726	12,778,195	180,008
Bonds receivable	18,078,505	1,205,485	-	19,283,990	-
Due from component units	-	-	-	-	164
Inventories	184,724	-	40,630	225,354	270,810
Prepaid items	-	-	540	540	31,350
Total current assets	45,883,542	14,542,392	9,788,618	70,214,552	7,611,140
Noncurrent assets:					
Long-term investments	83,429,168	19,602,175	-	103,031,343	-
Capital Assets:					
Land	3,469,873	2,837,164	646,142	6,953,179	-
Buildings and improvements	58,084,095	41,021,401	13,715,302	112,800,798	1,833,133
Equipment	26,895,390	5,875,235	2,393,875	35,164,500	26,265,176
Other improvements	253,012,133	-	-	253,012,133	-
Accumulated depreciation	(68,618,011)	(29,968,133)	(6,750,812)	(105,336,956)	(13,912,388)
Construction in progress	70,655,330	9,640,950	-	80,296,280	-
Deferred bond issue expense	629,044	165,623	30,303	824,970	-
Total noncurrent assets	427,537,022	49,174,415	10,034,810	486,746,247	14,185,921
Total assets	473,420,564	63,716,807	19,823,428	556,960,799	21,797,061
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	2,264,304	44,291	24,265	2,332,860	430,559
Payroll and benefit deductions	623,906	131,241	1,066,854	1,822,001	140,337
Accrued expenses	5,406,964	2,087,500	266,717	7,761,181	103,060
Due to other funds	-	-	1,365,523	1,365,523	-
Deferred revenues	893,842	13,602	2,938,608	3,846,052	-
Security deposits	-	-	9,016	9,016	-
Other liabilities	5,263,000	1,229,215	81,266	6,573,481	-
Current portion landfill closure and postclosure liability	-	294,252	-	294,252	-
Current portion general obligation bonds and notes	9,477,584	2,909,915	370,595	12,758,094	-
Current portion of compensated absences	17,593	10,063	54,734	82,390	1,057
Total current liabilities	23,947,193	6,720,079	6,177,578	36,844,850	675,013
Noncurrent liabilities:					
Long term portion landfill closure and postclosure liability	-	13,575,797	-	13,575,797	-
Long term portion general obligation bonds and notes	116,502,676	37,619,119	6,461,688	160,583,483	-
Liability for compensated absences	804,915	122,188	719,766	1,446,869	130,999
Total noncurrent liabilities	117,107,591	51,317,104	7,181,454	175,606,149	130,999
Total liabilities	141,054,784	58,037,183	13,359,032	212,450,999	806,012
<b>Net Assets</b>					
Invested in capital assets, net of related debt	231,018,698	(1,405,331)	3,172,224	232,785,591	14,185,921
Restricted for:					
Capital projects	13,520,148	1,290,581	-	14,810,729	-
Other purposes	562,846	26,198	350,837	939,881	-
Unrestricted	87,264,088	5,768,176	2,941,335	95,973,599	6,805,128
Total net assets	\$ 332,365,790	\$ 5,679,624	\$ 6,464,396	\$ 344,509,800	\$ 20,991,049

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

562,902

Net assets of business-type activities

\$ 345,072,702

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, 2008**

	<b>Water and Sewer</b>	<b>Solid Waste Management</b>	<b>Total Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Governmental Activities- Internal Service Funds</b>
<b>Operating revenues</b>					
Service charges	\$ 19,464,032	\$ 19,228,764	\$ -	\$ 38,692,796	\$ 13,429,177
Charges for health care services, net of contractual adjustments	-	-	12,197,357	12,197,357	-
License and permit revenue	-	-	3,358,343	3,358,343	-
Fee revenue	-	-	2,233,968	2,233,968	-
Rental charges	-	-	139,262	139,262	-
Total net charges for services	19,464,032	19,228,764	17,928,930	56,621,726	13,429,177
Delinquent fees collected	52,398	57,962	-	110,360	-
Other revenues	363,305	-	90,606	453,911	-
Total operating revenues	19,879,735	19,286,726	18,019,536	57,185,997	13,429,177
<b>Operating expenses</b>					
Personnel services	7,856,334	2,211,367	18,562,212	28,629,913	2,479,479
Operating expenses (including administrative overhead)	6,225,715	13,252,139	4,260,073	23,737,927	1,390,677
Supplies	691,942	55,932	1,223,761	1,971,635	4,916,893
Repairs and maintenance	1,844,752	157,131	35,937	2,037,820	613,396
Depreciation expense	5,941,067	1,563,947	620,768	8,125,782	2,880,487
Total operating expenses	22,559,810	17,240,516	24,702,751	64,503,077	12,280,932
Operating income (loss)	(2,680,075)	2,046,210	(6,683,215)	(7,317,080)	1,148,245
<b>Nonoperating revenues (expenses)</b>					
Donations	-	-	15,184	15,184	-
Investment earnings	4,918,199	1,582,816	218,204	6,719,219	233,192
Miscellaneous income (expense)	987,750	(2,484,382)	-	(1,496,632)	8,456
Interest expense	(3,323,929)	(1,329,636)	(272,841)	(4,926,406)	-
Gain (loss) on disposition of capital assets	(270,784)	1,820	(4,271)	(273,235)	81,809
Total nonoperating revenues (expenses)	2,311,236	(2,229,382)	(43,724)	38,130	323,457
Net income (loss) before contributions and transfers	(368,839)	(183,172)	(6,726,939)	(7,278,950)	1,471,702
Capital contributions	18,041,193	-	-	18,041,193	214,207
Transfers in	979,537	117,711	6,361,947	7,459,195	1,049,234
Transfers out	(65,000)	-	(7,255)	(72,255)	-
Total contributions and transfers	18,955,730	117,711	6,354,692	25,428,133	1,263,441
Change in net assets	18,586,891	(65,461)	(372,247)	18,149,183	2,735,143
Net assets - beginning of year	313,778,889	5,745,085	6,836,643		18,255,906
Net assets - end of year	\$ 332,365,780	\$ 5,679,624	\$ 6,464,396		\$ 20,991,049
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				185,297	
Change in net assets of business-type activities				\$ 18,334,480	

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, 2008

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	
<b>Cash flows from operating activities</b>					
Cash received from residents and customers	\$ 20,131,387	\$ 19,258,458	\$ 18,499,944	\$ 57,889,789	\$ 13,379,676
Cash received from (paid to) interfund services	-	-	112,689	112,689	-
Cash paid to suppliers	(8,071,170)	(15,622,756)	(5,186,789)	(28,880,715)	(6,689,171)
Cash paid to employees	(7,677,122)	(2,174,253)	(18,407,501)	(28,258,876)	(2,407,841)
Other	-	-	16,090	16,090	-
Net cash provided (used) by operating activities	<u>4,383,095</u>	<u>1,461,449</u>	<u>(4,965,567)</u>	<u>878,977</u>	<u>4,282,664</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers in	332,837	117,711	6,361,947	6,812,495	1,287,441
Cash received from donations	-	-	15,184	15,184	-
Cash received (paid to) from patient and resident funds	-	-	3,791	3,791	-
Cash paid to memorial and employee funds	-	-	(904)	(904)	-
Net cash provided (used) by noncapital financing activities	<u>332,837</u>	<u>117,711</u>	<u>6,380,018</u>	<u>6,830,566</u>	<u>1,287,441</u>
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(44,331,066)	(9,659,438)	(30,185)	(54,020,689)	(3,411,571)
Recoveries for damages	-	-	-	-	8,456
Payment of bond issue expense	(43,546)	-	(141)	(43,687)	301,078
Proceeds from debt issues	-	1,305,214	-	1,305,214	-
Payment of bond and note principal	(8,276,132)	(2,702,792)	(322,544)	(11,301,468)	-
Gain (loss) on disposal of capital assets	5,490	1,820	-	7,310	-
Interest paid on bonds	(3,441,514)	(1,387,509)	(304,128)	(5,133,151)	-
Contributed capital	18,622,893	-	(7,255)	18,615,638	(24,000)
Net cash provided (used) by capital & related financing activities	<u>(37,463,875)</u>	<u>(12,442,705)</u>	<u>(664,253)</u>	<u>(50,570,833)</u>	<u>(3,126,037)</u>
<b>Cash flows from investing activities</b>					
Purchase of investments	(338,591,645)	(72,800,323)	(47,326)	(411,439,294)	-
Proceeds from the sale of investments	366,365,931	84,813,078	58,057	451,237,066	-
Interest received on investments	4,320,004	1,503,335	219,606	6,042,945	233,191
Net cash provided (used) by investing activities	<u>32,094,290</u>	<u>13,516,090</u>	<u>230,337</u>	<u>45,840,717</u>	<u>233,191</u>
Net increase (decrease) in cash and cash equivalents	(653,653)	2,652,545	980,535	2,979,427	2,677,259
Cash and cash equivalents - beginning of year	<u>3,592,791</u>	<u>448,467</u>	<u>6,261,350</u>	<u>10,302,608</u>	<u>4,451,549</u>
Cash and cash equivalents - end of year	<u>\$ 2,939,138</u>	<u>\$ 3,101,012</u>	<u>\$ 7,241,885</u>	<u>\$ 13,282,035</u>	<u>\$ 7,128,808</u>

(continued)



FREDERICK COUNTY, MARYLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (2,680,075)	\$ 2,046,210	\$ (6,683,215)	\$ (7,317,080)	\$ 1,148,245
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	5,941,067	1,563,947	620,768	8,125,782	2,880,487
Landfill closing costs	-	(2,606,606)	-	(2,606,606)	-
Miscellaneous non operating income	987,750	-	-	987,750	-
Change in assets and liabilities:					
(Increase) decrease:					
Accounts receivable	(996,752)	(29,185)	(297,032)	(1,322,969)	(49,501)
Bad debt allowance	-	138	184,432	184,570	-
Inventory	9,265	-	(5,133)	4,132	(11,297)
Prepaid items	-	-	(165)	(165)	(30,532)
Increase (decrease):					
Accounts payable	(224,089)	30,993	(52,214)	(245,310)	340,887
Accrued expenses	320,940	689,857	214,480	1,225,277	(12,922)
Deferred revenues	260,654	917	944,586	1,206,157	-
Liability for compensated leave	74,224	18,477	39,668	132,369	17,297
Due to other funds	-	-	68,514	68,514	-
Closure liability	-	(253,299)	-	(253,299)	-
Other liabilities	690,111	-	(256)	689,855	-
Net cash provided (used) by operating activities	\$ <u>4,383,095</u>	\$ <u>1,461,449</u>	\$ <u>(4,965,567)</u>	\$ <u>878,977</u>	\$ <u>4,282,664</u>

Noncash investing, capital, and financing activities:

Included in interest income in the Water and Sewer Fund is an unrealized gain of \$156,950. Included in interest income in the Solid Waste Fund is an unrealized gain of \$15,295.

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

**FREDERICK COUNTY, MARYLAND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008**

	<u>Pension Trust</u>	<u>Other Post Employment Benefits Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 53,410	\$ -	\$ 147,890
Equity in pooled invested cash	291,366	965,742	4,383,299
Investments:			
Money markets	6,488,035	11,873,080	-
Fixed income securities	29,493,414	-	-
Equity securities	162,265,053	-	-
Accounts receivable	-	208,569	-
Interest receivable	282,567	-	-
Prepaid items	29,819	300,378	-
Total assets	<u>198,903,664</u>	<u>13,347,769</u>	<u>\$ 4,531,189</u>
<b>LIABILITIES</b>			
Accounts payable	181,893	19,877	-
Accrued payroll	2,087	-	-
Due to third parties	-	-	307,937
Performance deposits	-	-	4,223,252
Retirement benefit deductions	74,035	-	-
Total liabilities	<u>258,015</u>	<u>19,877</u>	<u>\$ 4,531,189</u>
<b>NET ASSETS</b>			
Assets held in trust for:			
Pension benefits	198,645,649	-	
Other post employment benefits	-	13,327,892	
Total net assets	<u>\$ 198,645,649</u>	<u>\$ 13,327,892</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, 2008**

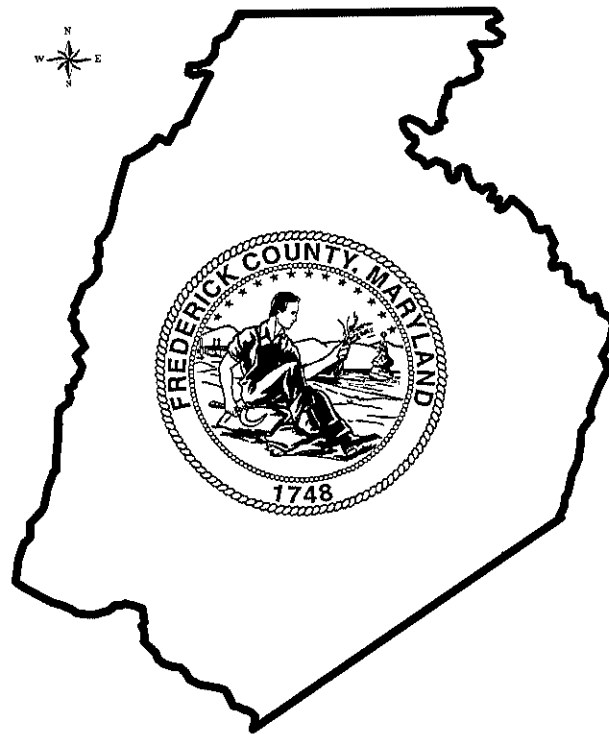
	<u>Pension Trust</u>	<u>Other Post Employment Benefits Trust</u>
<b>Additions</b>		
Contributions		
Employer contributions	\$ 18,588,620	\$ 16,499,487
Member contributions	5,355,283	-
Member contributions for current benefits	-	522,737
Other	-	209,337
Total contributions	<u>23,943,903</u>	<u>17,231,561</u>
Investment income		
Net appreciation (depreciation) in fair value of plan investments	(19,426,547)	-
Interest and dividends	4,508,545	492,902
Investment expense	(737,995)	-
Net investment income	<u>(15,655,997)</u>	<u>492,902</u>
Total additions	<u>8,287,906</u>	<u>17,724,463</u>
<b>Deductions</b>		
Benefits and refunds	6,722,995	4,312,426
Administrative expenses	570,732	84,145
Total deductions	<u>7,293,727</u>	<u>4,396,571</u>
Change in net assets	994,179	13,327,892
Net assets - beginning of year	<u>197,651,470</u>	<u>-</u>
Net assets - end of year	<u>\$ 198,645,649</u>	<u>\$ 13,327,892</u>

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



Governor Thomas Johnson was elected by Congress as Maryland's first Governor in 1777. The following year he purchased 225 acres in Frederick and changed the name of the land from Rose Garden to Rose Hill. In 1788 he gave Rose Hill to his daughter. He eventually moved in with his daughter and passed away at the mansion at the age of 87. Frederick County purchased the land in separate parcels in the 1960's and used the land for the first County park.

## NOTES TO FINANCIAL STATEMENTS



## Frederick County, Maryland

## Directory For

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

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**FREDERICK COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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  
7630 Hayward Road  
Frederick, Maryland 21702

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 (NEMWDA). 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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate *component units* for which the primary government is financially accountable or for which their relationship with the County is of such significance that exclusion would cause the County's financial statements to be misleading.

## 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 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 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 *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.
- *Agricultural Preservation Fund* – This 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.
- *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.
- *Development Road Improvement Fund* – This fund accounts for building excise tax collections that are dedicated to road development.
- *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.
- *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.
- *School Construction Fund* – This fund accounts for recordation taxes dedicated to pay a portion of the cost of school construction.

## NOTES TO FINANCIAL STATEMENTS

*(Continued)*

- *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, 2008, was \$22,563,010,867. 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 99.89 percent of taxes levied in the current year. The receivable portion of the current year property tax levy, including fire and lighting tax districts and public utility tax, is \$672,479 and is included in total property taxes receivable \$723,213 on the Statement of Net Assets. This compares to the current portion of the prior year levy of \$1,504,637 included in the total property taxes of \$1,531,071 as of June 30, 2007.

### 3. 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.

### 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, as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life in excess of one year. Infrastructure 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
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

Certain solid waste assets are depreciated using the activity method. Depreciation is based on capacity used of the new Site B landfill in order to match depreciation expense with the landfill usage and revenues. The basis for calculating landfill capacity used is 2,419,980 tons for Site B.

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

	In Years		
	BOE	FCC	FCPL
Buildings and Improvements	20 - 40	10 - 40	20 - 40
Site Improvements	n/a	15	15
Library Collection	n/a	10	5
Furniture and equipment	5 - 15	5 - 10	5 - 15

#### 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, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance are not legally required segregations, but rather represent the intent of the County's administration to use fund balances for specific purposes in the future.

### 8. Estimates

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



**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

**A. Budgetary Data**

The budget document is a comprehensive financial plan showing all revenues and expenditures for the operating budget, the capital budget and the Capital Improvements Program. The Capital Improvements Program sets forth clearly the plan for proposed capital projects to be undertaken in the ensuing fiscal year and the next five years. Budgets are adopted on an annual cycle for all governmental funds except the Sheriff's Drug Enforcement, the Sheriff's Office, the Narcotics Task Force and the Inmate Canteen Special Revenue funds.

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 and Pension 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.
- Participation in alternative contributory pension system (budgeted for in FY 2008, recognized for GAAP in FY07).
- Reclass of OPEB expenditures (originally budgeted for based on payroll expense; for GAAP purposes, allocation to departments was based on benefited employees).

**B. Reconciliation of Budgetary Basis to GAAP Basis**

The General Fund has a legally adopted annual budget. Exhibit II-A-7 the "Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual" is prepared on a basis consistent with this budget. The budget is 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.

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance
Budgetary Basis	\$ 426,983,840	\$ 419,467,027	\$ (39,707,937)	\$ (32,191,124)
Basis Adjustments:				
Encumbrance adjustment	-	428,811	-	(428,811)
Participation in alternative contributory pension system (budgeted for in FY 2008)	-	(2,360,843)	-	2,360,843
Inventory adjustment	-	(162,523)	-	162,523
OPEB adjustment	-	(2,816,026)	(2,816,026)	-
Net affect of basis adjustments	-	(4,910,581)	(2,816,026)	2,094,555
GAAP Basis	<u>\$ 426,983,840</u>	<u>\$ 414,556,446</u>	<u>\$ (42,523,963)</u>	<u>\$ (30,096,569)</u>

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The following departments over expended their FY2008 budgets:

	Amended Budget	Actual	Negative Variance
County Manager	\$ 1,091,387	\$ 1,109,044	\$ (17,657)
Purchasing	863,385	921,629	(58,244)
Alternative Sentencing	743,704	772,673	(28,969)
Highways	12,791,889	12,967,996	(176,107)
Frederick County Developmental Center	1,881,648	2,019,262	(137,614)
Frederick Community College	13,502,115	13,587,219	(85,104)
Other post employment benefits	11,157,988	11,240,900	(82,912)

Variances are due to higher than anticipated salary and fringe costs for the County Manager, Purchasing and Alternative Sentencing. The variance for the Developmental Center related to a lower than anticipated in-kind recovery from the BOE. Frederick Community College's variance was due to higher than anticipated in-kind charges for indirect costs. The Highway department negative variance was the result of weather related personnel and material costs, in addition to increased fuel costs. The OPEB variance was due to an incorrect assumption in budgeting the implicit subsidy and the accumulated contributions.

### 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 \$(1,590,599) and the bank balance was \$4,514,801. The negative carrying amount is due to outstanding checks in the amount of \$6.2 million. 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)	\$ 420,428
National Credit Union Administration (NCUA)	1,245
Held by the government's agent, in the government's name	3,960,859
Unspent lease proceeds held in escrow	132,269
Total Bank Balance	<u>\$ 4,514,801</u>

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

Certain lease proceeds of the County's fire/rescue tax district and general funds are classified as restricted cash and cash equivalents on the balance sheet because their use is limited and they are maintained in a separate bank account.

The County's cash and investments as of June 30, 2008, totaled \$373,588,694 as presented in the Statement of Net Assets. Restricted cash and cash equivalents represent unspent bond proceeds and lease proceeds held in escrow, as mentioned above. The following table reconciles the County's deposits and investments to the Statement of Net Assets:

Total Primary Government - Exhibit II-A-1	
Cash	\$ 2,490,417
Equity in Pooled Invested Cash	151,584,194
Investments	212,565,239
Restricted Cash and Cash Equivalents	6,948,844
Total	<u>\$ 373,588,694</u>
Deposit & Investment Summary:	
Investments	\$ 381,027,280
Cash on Hand	22,121
Deposits	(1,590,599)
Less: Component Units and Agency Fund Cash Equivalents	
OPEB Trust	(965,742)
Retirement Fund	(344,776)
Frederick County Public Libraries	(28,401)
Agency Funds	(4,531,189)
Total	<u>\$ 373,588,694</u>

## **Pension Trust Fund**

At the year-end, the carrying amount of the Pension Trust Fund's deposits was \$53,410 and the bank balance was \$528,161. The deposits of the Pension Trust Fund were not exposed to custodial risk at June 30, 2008.

## **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, 2008, BOE's cash on hand for petty cash was \$14,150. The carrying amount of the Board's deposits was \$24,197,940 and the bank balance was \$27,916,108. The deposits of the Board were not exposed to custodial risk at June 30, 2008.

At June 30, 2008, FCC's cash on hand for petty cash was \$4,350. The carrying amount of the College's deposits was \$2,406,331 and the bank balance was \$3,140,218. The deposits of the College were not exposed to custodial risk at June 30, 2008.

At June 30, 2008, the carrying amount and bank balance of FCPL's deposits was \$8,402.

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

2. *Investments*

**Primary Government**

As of June 30, 2008, Frederick County held the following investments and maturities. The government's investment balances were as follows:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>0 - 18 Month Maturities</u>	<u>18 - 24 Month Maturities</u>	<u>&gt; 24 Month Maturities</u>
U. S. Treasuries	\$ 23,171,960	\$ 831,064	\$ -	\$ 22,340,896
Repurchase Agreements	6,000,757	6,000,757	-	-
MD Local Government Investment Pool	130,760,123	130,760,123	-	-
Money Market Funds	11,633,295	11,633,295	-	-
Federal Agency Securities	209,461,145	113,722,724	38,736,393	57,002,028
Total Fair Value	<u>\$ 381,027,280</u>	<u>\$ 262,947,963</u>	<u>\$ 38,736,393</u>	<u>\$ 79,342,924</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
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)

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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; Poor's</u>	<u>Fitch Ratings</u>
MLGIP	\$ 130,760,123		AAAm	
Repurchase Agreement	6,000,757	Aa2	AA-	AA-
FHLB	65,179,850	Aaa	A+	
FNMA	45,778,601	Aaa	AAA	AAA
FHLMC	83,547,944	Aaa	AAA	AAA
Farm Credit	14,954,750	Aaa	AAA	AAA

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	\$ 23,171,960	6.081 %
Repurchase Agreements	6,000,757	1.575
MD Local Government Investment Pool (MLGIP)	130,760,123	34.318
Money Market Funds	11,633,295	3.053
Federal Home Loan Bank (FHLB)	65,179,850	17.106
Federal National Mortgage Assoc. (FNMA)	45,778,601	12.015
Federal Home Loan Mortgage Corp (FHLMC)	83,547,944	21.927
Federal Farm Credit Bank	14,954,750	3.925
Total Fair Value	<u>\$ 381,027,280</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 60 percent equities and 40 percent bonds. The minimum and maximum percentages for equities are 35 percent and 75 percent, respectively, and for bonds are 25 percent and 50 percent, respectively.

As of June 30, 2008, the Plan held the following investments and maturities:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>0 - 18 Month Maturities</u>	<u>18 - 24 Month Maturities</u>	<u>&gt; 24 Month Maturities</u>
Money Market Funds	\$ 6,488,035	\$ 6,488,035	\$ -	\$ -
Mutual Funds	80,059,652	80,059,652	-	-
U.S. Government Securities (Fixed Income)	11,914,853	-	455,188	11,459,665
Corporate Bonds and Notes (Fixed Income)	17,578,561	255,036	89,318	17,234,207
Common Stocks	82,205,401	82,205,401	-	-
Total Fair Value	<u>\$ 198,246,502</u>	<u>\$ 169,008,124</u>	<u>\$ 544,506</u>	<u>\$ 28,693,872</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. Commingled pooled funds; and
4. Other specialized asset classes, as authorized by the Retirement Plan Committee.
5. No-load mutual funds.

*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;



**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

11. Swap contracts; and

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

The money market funds are unrated, as are the mutual funds and common stocks used by the Plan. As of June 30, 2008, the Plan's fixed income investments had the following characteristics:

<u>Moody's Rating or Comparable</u>	<u>Fair Value</u>
AAA to A1	\$ 16,953,584
BAA3 to BA1	1,562,883
CAA2 to C	190,559
Not rated	10,786,388
Total Fair Value	<u>\$ 29,493,414</u>

**Foreign Currency Risk** – The Plan's exposure to foreign currency risk derives from its investment in foreign currency or instruments denominated in foreign currency. The Plan recognizes the value of global diversification and retains one investment manager for global and international equity investments. The Plan's investment policy does not establish any limitation related to foreign currency risk. The Plan's exposure to foreign currency risk is as follows:

<u>Currency</u>	<u>Fair Value</u>
Australian Dollar	\$ 343,432
British Pound Sterling	3,329,559
Canadian Dollar	242,592
Chinese Yuan	194,730
Danish Krone	921,363
Euro Currency	6,723,782
Hong Kong Dollar	272,166
Japanese Yen	3,590,497
Mexican Peso	96,151
Singapore Dollar	295,823
Swedish Krona	314,000
Swiss Franc	275,723
Total Fair Value	<u>\$ 16,599,818</u>

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**Component Units**

The Board of Education's investments at June 30, 2008 are categorized in the following table:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
State Investment Pool	\$ 17,925,638	\$ 17,925,638	\$ -	\$ -	2.38%
Certificates of Deposit	86,180	86,180	-	-	Various
Money Market Funds	6,353,753	6,353,753	-	-	1.84%
Totals	<u>\$ 24,365,571</u>	<u>\$ 24,365,571</u>	<u>\$ -</u>	<u>\$ -</u>	

Investment income includes the following for the year ended June 30, 2008:

Total net investment income per statement of activities - \$1,286,680

FCC's investments at June 30, 2008 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
State Investment Pool	<u>\$ 8,244,396</u>	<u>\$ 8,244,396</u>	<u>\$ -</u>	<u>\$ -</u>	2.38%

Investment income includes the following for the year ended June 30, 2008:

Total net investment income per statement of activities - \$515,382

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The Frederick Community College Foundation investments at June 30, 2008 are:

	June 30, 2008		June 30, 2007	
	Cost	Market	Cost	Market
U.S. Treasury Note & Bonds	\$ -	\$ -	\$ 444,500	\$ 438,161
U.S. Agencies	-	-	694,636	689,520
Corporate Bonds	-	-	869,470	867,315
Total Debt Securities	-	-	2,008,606	1,994,996
Equity Securities	-	-	3,618,236	3,720,739
USMF Pool Participation	6,251,438	6,103,038	-	-
Total Investments	<u>\$ 6,251,438</u>	<u>\$ 6,103,038</u>	<u>\$ 5,626,842</u>	<u>\$ 5,715,735</u>

During the fiscal year ending June 30, 2008, the Foundation restructured its investments and changed from investments in specific debt and equity securities to investment in an external investment pool maintained by the University System of Maryland Foundation, Inc. On June 30, 2008, the Foundation had 222,836.8961 units of the University System of Maryland Foundation, Inc. Unitized Investment Fund valued at \$27.3879 per unit.

All debt securities are considered held-to-maturity and equity securities are considered available for sale. Investments are carried at cost and marked for financial statement presentation.

FCPL's investments at June 30, 2008 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
State Investment Pool	\$ 239,750	\$ 239,750	\$ -	\$ -	2.36%
Certificates of Deposit	177,908	177,908	-	-	Various
Total Investments	<u>\$ 417,658</u>	<u>\$ 417,658</u>	<u>\$ -</u>	<u>\$ -</u>	

Investment income includes the following for the year ended June 30, 2008:

Total net investment income per statement of activities - \$16,400

*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.

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**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, 2008, 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	\$132,641
Water and Sewer	1,092
Solid Waste	63,055
Citizen's Nursing Home	226,148
Montevue Home	87,192

*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, 2008, are reconciled as follows:

	BOE	FCC	FCPL	TOTAL
Due from component units per Primary Government	\$ 121	\$ 13,122	\$ -	\$ 13,243
Less: Recorded as payable by component unit in FY08	\$ (121)	\$ (13,122)	-	\$ (13,243)
Due to primary government per Component Units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	BOE	FCC	FCPL	TOTAL
Due to component units per Primary Government	\$ 8,582,242	\$ -	\$ 2,486,964	\$ 11,069,206
Plus: Receivables recorded by component unit in FY08	32,694	-	-	32,694
Due from primary government per Component Units	<u>\$ 8,614,936</u>	<u>\$ -</u>	<u>\$ 2,486,964</u>	<u>11,101,900</u>

**C. Capital Assets**

With the implementation of GASB Statement No. 34 for the year ended June 30, 2002, infrastructure assets were valued for the first time. This valuation was performed by a third party.

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Capital Asset activity for the year ended June 30, 2008 is as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 52,505,676	\$ 8,946,136	\$ (5,719)	\$ 61,446,093
Construction in progress	26,956,492	31,098,648	(33,933,136)	24,122,004
Total capital assets at historical cost not being depreciated	79,462,168	40,044,784	(33,938,855)	85,568,097
Capital assets being depreciated:				
Buildings and improvements	138,425,837	14,950,321	-	153,376,158
Equipment	75,051,728	12,129,771	(2,957,691)	84,223,808
Infrastructure	292,238,402	16,166,512	(12,165)	308,392,749
Total capital assets at historical cost being depreciated	505,715,967	43,246,604	(2,969,856)	545,992,715
Less accumulated depreciation for:				
Buildings and improvements	41,525,449	3,990,465	-	45,515,914
Equipment	35,883,102	8,421,740	(2,515,413)	41,789,429
Infrastructure	145,839,625	8,455,043	-	154,294,668
Total accumulated depreciation	223,248,176	20,867,248	(2,515,413)	241,600,011
Total capital assets being depreciated, net of accumulated depreciation	282,467,791	22,379,356	(454,443)	304,392,704
Governmental activities capital assets, net	\$ 361,929,959	\$ 62,424,140	\$ (34,393,298)	\$ 389,960,801
Depreciation expense was charged to governmental functions as follows:				
General government				\$ 2,333,501
Public works				1,671,159
Social services				1,150,536
Health				255,381
Rec and culture				2,061,114
Public safety				4,940,515
Infrastructure				8,455,042
Total depreciation expense				\$ 20,867,248

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 6,953,179	\$ -	\$ -	\$ 6,953,179
Construction in progress	53,307,315	55,708,259	(28,719,294)	80,296,280
Total capital assets at historical cost not being depreciated	60,260,494	55,708,259	(28,719,294)	87,249,459
Capital assets being depreciated:				
Buildings and improvements	110,606,143	2,764,617	(569,962)	112,800,798
Equipment	33,373,396	2,232,374	(441,270)	35,164,500
Infrastructure	230,640,079	22,372,054	-	253,012,133
Total capital assets at historical cost being depreciated	374,619,618	27,369,045	(1,011,232)	400,977,431
Less accumulated depreciation for:				
Buildings and equipment	65,972,445	4,885,240	(713,962)	70,143,723
Infrastructure	31,952,691	3,240,542	-	35,193,233
Total accumulated depreciation	97,925,136	8,125,782	(713,962)	105,336,956
Total capital assets being depreciated, net of accumulated depreciation	276,694,482	19,243,263	(297,270)	295,640,475
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 336,954,976</u>	<u>\$ 74,951,522</u>	<u>\$ (29,016,564)</u>	<u>\$ 382,889,934</u>
Depreciation expense was charged to business-type functions as follows:				
Citizens Nursing Home				\$ 129,731
Montevue Home				42,898
Bell Court				62,596
Permitting & Development Review				385,543
Solid Waste				1,563,947
Water & Sewer				5,941,067
Total depreciation expense				<u>\$ 8,125,782</u>

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Component units' capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	\$ 36,034,551	\$	\$ -	\$ 36,034,551
Construction in progress	111,852,884	63,871,461	(50,787,083)	124,937,262
Total capital assets at historical cost not being depreciated	147,887,435	63,871,461	(50,787,083)	160,971,813
Capital assets being depreciated:				
Library collection	13,176,678	471,110	-	13,647,788
Building and improvements	555,393,608	44,977,303	(74,937)	600,295,974
Furniture and equipment	65,011,566	5,682,653	(2,752,274)	67,941,945
Total capital assets at historical cost being depreciated	633,581,852	51,131,066	(2,827,211)	681,885,707
Less accumulated depreciation for:				
Library collection	9,064,719	155,852	-	9,220,571
Building and improvements	179,755,577	15,591,199	(86,995)	195,259,781
Furniture and equipment	44,433,156	6,069,160	(2,831,840)	47,670,476
Total accumulated depreciation	233,253,452	21,816,211	(2,918,835)	252,150,828
Total capital assets being depreciated, net of accumulated depreciation	400,328,400	29,314,855	91,624	429,734,879
Component units' capital assets, net of accumulated depreciation	\$ 548,215,835	\$ 93,186,316	\$ (50,695,459)	\$ 590,706,692

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**D. Interfund Receivables, Payables and Transfers**

1. *Primary Government Interfund Receivables and Payable Balances*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Total</u>
	<u>Nonmajor Proprietary</u>	<u>Due from Other Funds</u>
General Fund	\$ 1,365,523	\$ 1,365,523
Total Due to Other Funds	<u>\$ 1,365,523</u>	<u>\$ 1,365,523</u>

Interfund balances due from the nonmajor proprietary funds include \$1,365,523 from Citizens Care and Rehabilitation Center. The amount due from Citizens Care and Rehabilitation Center is primarily the additional cash amounts needed during the year ended June 30, 2008, to fund the operations of the center. This amount due will be repaid to the General Fund through improved operating results of the center expected in subsequent years. The balance in the nonmajor governmental fund is the result from the timing of cash flows and will clear themselves through normal operations.

2. *Interfund Transfers – Primary Government*

Interfund transfers for the year ended June 30, 2008 consists of the following:

	<u>Transfers In</u>						<u>Total Transfers to Other Funds</u>
	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service Funds</u>	
<b><u>Transfers Out</u></b>							
General Fund	\$ 24,449,856	\$ 11,748,149	\$ 332,837	\$ 117,711	\$ 6,361,947	\$ 935,613	\$ 43,946,113
Capital projects	-	-	646,700	-	-	-	646,700
Nonmajor governmental	11,894,630	-	-	-	-	41,366	11,935,996
Water and Sewer	-	-	-	-	-	65,000	65,000
Nonmajor enterprise	-	-	-	-	-	7,255	7,255
Total Transfers in from Other Funds	<u>\$ 36,344,486</u>	<u>\$ 11,748,149</u>	<u>\$ 979,537</u>	<u>\$ 117,711</u>	<u>\$ 6,361,947</u>	<u>\$ 1,049,234</u>	<u>\$ 56,601,064</u>



**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Primary activities include:

- Transfers of pay-go funding from the General Fund and various non-major governmental funds to the Capital Projects Fund;
- Transfers of matching County grants funding from the General Fund to the Grants Fund and;
- Transfers to the enterprise funds of the Citizens Care and Rehabilitation Center and Montevue Home for operating purposes from the General Fund.

**E. Operating Leases**

Frederick County is committed under various leases for building and office space, the majority of which are cancelable. These leases are considered for accounting purposes to be operating leases. Operating lease expenditures for Fiscal Year 2008 were approximately \$1,269,000.

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

<u>Fiscal Year</u>	<u>Total Payment</u>
2009	\$ 803,134
2010	754,834
2011	720,218
2012	722,771
2013	704,141
2014-2018	1,751,761
2019-2023	1,779,002
2024-2028	534,238
2029-2033	239,838
2034-2038	151,897
<b>Total</b>	<u><u>\$ 8,161,834</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 2008 totaled \$130,828.

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

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

Years Ending June 30,	
2009	\$ 124,521
2010	19,267
2011	-
2012	-
2013	-
2014-thereafter	-
	<u>\$ 143,788</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 2008 totaled \$241,029.

Future minimum lease revenues for these rentals are as follows:

Years Ending June 30,	
2009	\$ 240,534
2010	229,319
2011	184,371
2012	135,409
2013	34,802
2014-thereafter	-
	<u>\$ 824,435</u>

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**F. Non-Current Liabilities**

*1. Changes in Non-Current Liabilities*

	Balance July 1, 2007	Additions	Principal Repayments & Reductions	Balance June 30, 2008	Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable	\$ 322,446,867	\$ 61,055,000	\$ (20,125,072)	\$ 363,376,795	\$ 22,973,190
Unamortized Premium on Bonds	12,108,352	2,385,238	(1,686,115)	12,807,475	1,970,803
Installment Purchase Agreements	31,659,979	7,948,699	-	39,608,678	-
Notes Payable	5,923,287	-	(1,494,029)	4,429,258	729,379
Capital Lease Obligations	7,628,193	2,394,000	(2,179,398)	7,842,795	1,995,300
Compensated Absences	7,822,953	8,678,595	(7,311,259)	9,190,289	351,666
Termination Benefits	199,633	54,948	(27,465)	227,116	-
Deferred Loss on Bond Refunding	(8,709,532)	-	778,885	(7,930,647)	(734,581)
Total Governmental Activity- Long Term Liabilities	<u>\$ 379,079,732</u>	<u>\$ 82,516,480</u>	<u>\$ (32,044,453)</u>	<u>\$ 429,551,759</u>	<u>\$ 27,285,757</u>

**Primary Government:**

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. In the past, approximately 82 percent has been paid by the General Fund and the remainder by various other governmental and internal service funds. 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, 2008, Internal Service Funds compensated absences totaling \$132,056 are included in the above amounts.

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	Balance July 1, 2007	Additions	Principal Repayments & Reductions	Balance June 30, 2008	Due Within One Year
<b>Business-type Activities:</b>					
Bonds Payable	\$ 133,058,132	\$ 18,325,000	\$ (8,599,927)	\$ 142,783,205	\$ 9,506,809
Unamortized Premium on Bonds	4,032,075	715,904	(579,038)	4,168,941	657,461
Notes Payable	29,688,011	1,307,506	(2,701,542)	28,293,975	2,784,311
Landfill Closure Costs	16,729,954	177,560	(3,037,465)	13,870,049	294,252
Compensated Absences	1,396,891	1,718,263	(1,585,894)	1,529,260	82,390
Deferred Loss on Bond Refundings	(2,158,448)	-	253,904	(1,904,545)	(190,487)
Total Business-type Activities - Long Term Liabilities	<u>\$ 182,746,615</u>	<u>\$ 22,244,233</u>	<u>\$ (16,249,962)</u>	<u>\$ 188,740,885</u>	<u>\$ 13,134,736</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, 2008 was \$1,373,425,595 and the legal debt margin was \$1,202,348,415.

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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**Component Units:**

	Balance July 1, 2007	Net Changes	Balance June 30, 2008	Due Within One Year
<b>Board of Education</b>				
Capital lease obligations	\$ 4,662,064	\$ 15,574,180	\$ 20,236,244	\$ 1,149,080
Compensated absences	6,167,197	1,070,632	7,237,829	4,783,895
Net OPEB liability	-	16,379,962	16,379,962	-
Termination benefits payable	18,431,989	974,413	19,406,402	1,309,872
Board of Education - Long-term Liabilities	<u>\$ 29,261,250</u>	<u>\$ 33,999,187</u>	<u>\$ 63,260,437</u>	<u>\$ 7,242,847</u>
<b>Frederick Community College</b>				
Compensated absences	\$ 1,266,367	\$ 96,838	\$ 1,363,205	-
Frederick Community College - Long-term Liabilities	<u>\$ 1,266,367</u>	<u>\$ 96,838</u>	<u>\$ 1,363,205</u>	<u>\$ -</u>
<b>Frederick County Public Libraries</b>				
Compensated absences	\$ 350,826	\$ 41,268	\$ 392,094	\$ 10,751
Frederick County Public Libraries - Long-term Liabilities	<u>\$ 350,826</u>	<u>\$ 41,268</u>	<u>\$ 392,094</u>	<u>\$ 10,751</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 \$165,637,085 which \$45,637,085 is the remaining authorization under Chapter 145 of the Laws of Maryland of 2005 and \$120,000,000 remaining authorization under Chapter 382 of the Laws of Maryland of 2007, as of June 30, 2008.

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)

	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/08
<b>Governmental Activities</b>						
Public Facilities Bonds						
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	\$ 15,424,846
Public Facilities Bonds of 1999 (3)	General	08/15/99	Due serially to 07/1/2009	5.22-5.31%	59,116,000	5,388,356
Public Facilities Bonds of 1999 (3)	Impact Fee	08/15/99	Due serially to 07/1/2009	5.22-5.31%	30,515,000	2,781,407
Public Facilities Bonds of 2000 (3)	General	11/15/00	Due serially to 12/1/2010	5.00%	36,161,520	4,819,025
Public Facilities Bonds of 2000 (3)	Impact Fee	11/15/00	Due serially to 12/1/2010	5.00%	16,653,480	2,219,307
Public Facilities Refunding Bonds of 2001 (5)	General	07/15/01	Due serially to 07/1/2008	3.448-4.00%	6,579,486	1,225,964
Public Facilities Refunding Bonds of 2002, Series A (6)	General	04/01/02	Due serially to 07/1/2016	5.0000%	13,999,267	6,243,586
Public Facilities Bonds of 2002	General	11/01/02	Due serially to 11/1/2022	2.00-4.68%	38,200,000	18,397,294
Public Facilities and Refunding Bonds of 2003	General	09/01/03	Due serially to 08/1/2018	2.00-4.25%	33,013,847	24,062,478
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	1,943,656
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	4,862,508
Public Facilities Refunding Bonds of 2005	General	05/19/05	Due serially to 08/1/2020	3.50-5.00%	62,517,782	61,972,782
Public Facilities Refunding Bonds of 2005	Impact Fee	05/19/05	Due serially to 08/1/2020	3.50-5.00%	29,264,191	29,264,191
Public Facilities Bonds of 2005	General	11/15/05	Due serially to 12/01/2020	3.50-5.00%	47,817,130	42,739,598
Public Facilities Bonds of 2005	CCRC	11/15/05	Due serially to 12/01/2020	3.50-5.00%	810,000	723,989
Public Facilities Bonds of 2005	Fire-Urban	11/15/05	Due serially to 12/01/2020	3.50-5.00%	270,000	241,329
Public Facilities Bonds of 2005	Impact Fee	11/15/05	Due serially to 12/01/2020	3.50-5.00%	21,452,870	19,174,866
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	36,648,973
Public Facilities Bonds of 2007	Fire-Urban	05/15/07	Due serially to 06/01/2027	4.00-5.00%	2,100,000	1,243,043
Public Facilities Bonds of 2007	Fire-Sub	05/15/07	Due serially to 06/01/2027	4.00-5.00%	413,000	7,905,174
Public Facilities Bonds of 2007	Impact Fee	05/15/07	Due serially to 06/01/2027	4.00-5.00%	8,172,000	2,031,432
Public Facilities Bonds of 2007	Hotel Rental	05/15/07	Due serially to 06/01/2027	4.00-5.00%	1,285,000	399,515
Public Facilities Bonds of 2008	General	06/15/08	Due serially to 06/01/2028	3.50-5.00%	36,402,805	36,402,805
Public Facilities Bonds of 2008	CCRC	06/15/08	Due serially to 06/01/2028	3.50-5.00%	6,700,000	6,700,000
Public Facilities Bonds of 2008	Impact Fee	06/15/08	Due serially to 06/01/2028	3.50-5.00%	11,094,300	11,094,300
Public Facilities Bonds of 2008	Fire-Urban	06/15/08	Due serially to 06/01/2028	3.50-5.00%	2,122,252	2,122,252
Public Facilities Bonds of 2008	School Const	06/15/08	Due serially to 06/01/2028	3.50-5.00%	3,094,748	3,094,748
Public Facilities Bonds of 2008	Fire-Sub	06/15/08	Due serially to 06/01/2028	3.50-5.00%	1,640,895	1,640,895
					<u>\$ 548,011,481</u>	<u>\$ 363,376,795</u>

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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The annual requirements to amortize governmental activities bond debt as of June 30, 2008 are as follows:

Fiscal Year Ending June 30,	Public Facilities Bonds	
	Principal	Interest
2009	\$ 22,973,190	\$ 16,104,968
2010	23,112,184	15,278,215
2011	22,867,119	14,309,033
2012	24,213,456	13,271,019
2013	23,749,491	12,208,300
2014-2018	124,938,181	43,906,714
2019-2023	88,293,330	16,078,108
2024-2028	33,229,844	4,297,727
	<u>\$ 363,376,795</u>	<u>\$ 135,454,084</u>

Business Type Activities	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/08
Public Facilities Bonds						
Public Facilities Refunding Bonds of 1998, Series A	W&S	10/15/98	07/01/15	3.30-5.00%	\$ 2,849,000	\$ 2,271,500
Public Facilities Refunding Bonds of 1998, Series A	SW	10/15/98	07/01/15	3.30-5.00%	6,294,581	5,018,651
Public Facilities Bonds of 1999	W&S	08/15/99	07/01/09	5.22-5.31%	5,159,000	470,236
Public Facilities Bonds of 2000	W&S	11/15/00	12/01/10	5.00%	14,185,000	1,890,349
Public Facilities Bonds of 2000	SW	11/15/00	12/01/10	5.00%	5,000,000	666,320
Public Facilities Refunding Bonds of 2001	W&S	07/15/01	07/01/08	3.448-4.00%	8,125,514	1,514,036
Public Facilities Refunding Bonds of 2002, Series A	W&S	04/01/02	07/01/16	5.00%	8,590,733	3,831,414
Public Facilities Bonds of 2002	W&S	11/01/02	11/01/17	2.00-4.68%	16,680,000	8,033,162
Public Facilities Bonds of 2002	SW	11/01/02	11/01/17	2.00-4.68%	6,820,000	3,284,543
Public Facilities and Refunding Bonds of 2003	W&S	09/01/03	08/01/18	2.00-4.25%	7,216,140	5,261,361
Public Facilities Refunding Bonds of 2005	W&S	05/19/05	08/01/20	3.50-5.00%	12,091,361	12,091,361
Public Facilities Refunding Bonds of 2005	SW	05/19/05	08/01/20	3.50-5.00%	3,141,667	3,141,667
Public Facilities Bonds of 2005	DPDR	11/15/05	12/01/20	3.50-5.00%	4,150,000	3,709,326
Public Facilities Bonds of 2005	W&S	11/15/05	12/01/20	3.50-5.00%	22,320,000	19,949,918
Public Facilities Bonds of 2005	SW	11/15/05	12/01/20	3.50-5.00%	5,500,000	4,915,974
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	2,934,936
Public Facilities Bonds of 2007	W&S	05/15/07	06/01/27	4.00-5.00%	31,790,000	30,752,016
Public Facilities Bonds of 2007	SW	05/15/07	06/01/27	4.00-5.00%	7,200,000	6,964,911
Public Facilities Bonds of 2008	SW	06/15/08	06/01/28	3.50-5.00%	815,000	815,000
Public Facilities Bonds of 2008	W&S	06/15/08	06/01/28	3.50-5.00%	17,510,000	17,510,000
					<u>\$ 196,228,520</u>	<u>\$ 142,783,205</u>

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

The annual requirements to amortize business-type bond debt as of June 30, 2008 are as follows:

Fiscal Year Ending June 30,	Public Facilities Bonds	
	Principal	Interest
2009	\$ 9,506,809	\$ 6,220,449
2010	9,187,818	5,887,977
2011	9,222,880	5,505,467
2012	9,296,548	5,099,813
2013	8,240,511	4,722,098
2014-2018	42,891,820	17,733,369
2019-2023	37,241,671	7,880,277
2024-2028	17,195,148	2,089,972
	<u>\$ 142,783,205</u>	<u>\$ 55,139,422</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 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 are the revenue source for the investment purchases.



**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Amount of Original Issue	Amount Outstanding 6/30/08
<b>Installment Purchase Agreements</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 #02-07 (a)	Ag Pres	05/15/03	05/15/15	4.16%	224,695	224,695
Installment Purchase Agreement #02-07 (b)	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	4.98%	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)

	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Amount of Original Issue	Amount Outstanding 6/30/08
<b>Installment Purchase Agreements</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	05/15/06	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)*

	<u>Paying Fund</u>	<u>Date of Debt Issue</u>	<u>Date of Debt Maturity</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding 6/30/08</u>
<b>Installment Purchase Agreements</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
Total Installment Purchase Agreements					<u><u>\$39,608,678</u></u>	<u><u>\$ 39,608,678</u></u>

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

The annual requirements to amortize installment purchase agreement debt as of June 30, 2008 are as follows:

Fiscal Year Ending June 30,	Installment Purchase Agreements	
	Principal	Interest
2009	\$ -	\$ 1,744,612
2010	-	1,908,359
2011	-	1,908,359
2012	-	1,908,359
2013	827,100	1,928,088
2014-2018	12,055,042	8,631,517
2019-2023	10,919,402	6,373,002
2024-2028	15,807,134	2,691,582
	<u>\$ 39,608,678</u>	<u>\$ 27,093,878</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	\$ 13,342,261
Less: Accumulated depreciation	(4,437,472)
Total:	<u>\$ 8,904,789</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, 2008, were as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Total Payment</b>
2009	\$ 2,269,079
2010	1,731,529
2011	1,513,146
2012	1,158,803
2013	666,757
2014-2017	1,407,042
	<u>8,746,356</u>
Less: amount representing interest	(903,561)
Present value-net minimum lease payments	<u>\$ 7,842,795</u>

**Component Unit**

The BOE has various capital lease agreements for the purchase of buses, a wide area network technology upgrade, a new administration building, and food service equipment. Payments, including interest, during Fiscal Year 2008 were \$112,169 for the food service equipment, \$27,384 for the buses, \$150,022 for an administration building, and \$1,182,000 for technology upgrades.

The BOE entered into a lease agreement, as lessee, to design and construct an administration 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.

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>
Asset:	
Construction in Progress	\$ 980,785
Machinery and equipment	10,229,404
Less: Accumulated depreciation	(7,179,916)
Total	<u>\$ 4,030,273</u>

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

As of June 30, 2008, the minimum obligation under capital leases were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>
2009	\$ 2,069,122
2010	2,040,733
2011	2,447,670
2012	1,178,482
2013	1,178,492
2014-2018	5,892,744
2019-2023	5,893,686
2024-2028	5,895,390
2029-2032	5,897,958
Total Obligations	32,494,277
Less: Portion representing interest	(12,258,033)
Present value of lease obligation	<u>\$ 20,236,244</u>

**5. 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, 2008 was \$419,687. 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 moneys 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, 2008 was \$125,675.

**Maryland Industrial and Commercial Redevelopment Fund Loans**

The County has received a State loan in the amount of \$1,436,502 from the Maryland Industrial and Commercial Redevelopment Fund (MICRF) pursuant to the provisions of Sections 5-501 through 5-507 of Article 83A of the Maryland Code, which loans have been approved by DBED. The proceeds of this loan have been reloaned to MedImmune, Inc. to assist in the financing of the acquisition of certain redevelopment projects in Frederick County. Although it is expected that this loan will be repaid by payments made by the private user, the loan is a full faith and credit obligation of the County. This loan was paid in full in August 2007.

**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, 2008, is \$266,482. 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, 2008 is \$3,617,414.

	Paying Fund	Amount of Original Issue	Date of Debt Issue	Date of Debt Maturity	Annual Rate/ Payment Frequency	Amount Outstanding 06/30/08
<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	\$ 419,687
MD Industrial Land Act Loan - State Farm	General	181,059	05/12/94	05/12/21	5.93%/Quarterly	125,675
MICRF - MedImmune	Econ Dev	1,436,502	12/31/97	01/01/17	3.00%/Quarterly	-
EPA Asbestos School Hazard Abatement	General	1,370,471	04/17/92	11/30/11	0.00%/Semi-annually	266,482
Maryland State Retirement System	General	7,388,271	06/30/93	12/31/12	7.5%/Annually	3,617,414
Total Notes Payable		<u>\$ 11,006,303</u>				<u>\$ 4,429,258</u>

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

	Principal	Interest
2009	\$ 729,379	\$ 268,348
2010	777,760	219,966
2011	829,738	167,989
2012	847,512	112,148
2013	869,432	52,157
2014-2018	222,042	74,183
2019-2021	153,395	13,012
	<u>\$ 4,429,258</u>	<u>\$ 907,803</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, 2008, the County has authorized and approved borrowings in an aggregate principal amount of \$24,083,096 for nine 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, 2008, \$24,083,096 of the water and sewer loan proceeds and \$22,719,508 of the solid waste loan proceeds have been drawn. The remaining funds are anticipated to be drawn by the end of fiscal year 2009. The outstanding principal balance on these loans as of June 30, 2008 is \$28,293,975. These loans have interest rates of 1.00 – 4.56 percent.

#### ***6. 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 2008, \$253,299 of operating activities such as leachate treatment and well testing related to Site A were incurred. The liability for Site A closure was decreased an additional \$1,698 to reflect the variance between estimated and actual costs. The total remaining estimated costs for closure and post closure care of Site A are \$4,073,252 as of June 30, 2008. This entire amount is reported as a liability for Site A.

As of June 30, 2008, the Site B landfill had capacity used of 1,756,384 tons, which is 72.58 percent of total original capacity of 2,419,980 tons. However, MDE approved our vertical expansion permit in May 2008 which increased our capacity by 1,173,181 tons for a total capacity of 3,593,161 tons. This decreased our capacity used percentage from 72.58 percent to 48.88 percent, which resulted in a \$2.7 million credit recognized for closure expense. The total estimated costs for closure and post closure care of Site B are \$20,042,013, revised to reflect the additional costs of the vertical expansion. The resulting liability is \$9,796,797, with \$10,245,216 remaining to be recognized. The current operating strategy includes the utilization of a temporary transfer station that became operational in December 2005.

The Solid Waste Enterprise Fund has a total liability for closure and post closure care of \$13,870,049 as of June 30, 2008. 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 with Reservation of Fund Balance*

Reservations of fund balance segregate a portion of the balance to indicate that these resources are for a specific purpose and are not available for appropriation for other purposes.

As of June 30, 2008, fund balances were reserved as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>
<b>Reserved</b>			
For encumbrances	\$ 1,626,573	\$ 22,487,030	\$ 335,158
For inventories	1,266,459	-	-
For long-term receivables	212,706	-	2,617,848
For drug investigations	-	-	295,612
For Agricultural Preservation Compliance monitoring	-	-	166,903
Total reserved fund balances	<u>\$ 3,105,738</u>	<u>\$ 22,487,030</u>	<u>\$ 3,415,521</u>

The MILA and MICRF loans receivable are not offset by a reservation of fund balance on the statement of net assets. These loans receivable are offset by deferred revenue. Deferred revenue represents amounts due from private users to repay the State. Therefore, the loans receivable do not represent fund balance to the County.

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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

*2. Governmental Activities with Unreserved Fund Balances Designated for Other Purposes*

As of June 30, 2008, Unreserved Fund Balance designations are as follows:

	General Fund	Nonmajor Governmental Funds
<b>Unreserved - Fund Balances</b>		
<b>Designated for:</b>		
Bond rating enhancement	\$ 4,978,637	\$ -
Capital Projects	-	23,720,914
Debt service	-	23,394,513
Equipment purchases under capital leases	-	132,268
Inmates purchases	-	175,638
Loans	-	4,856,905
Rural Legacy	-	3,777,223
Subsequent years' expenditures	41,809,940	3,715,944
<b>Total designated fund balances</b>	<b>\$ 46,788,577</b>	<b>\$ 59,773,405</b>

The General Fund fund balance - unreserved-designated for subsequent years' expenditures includes the following designations:

Designated for use in FY09 budget	\$ 29,541,453
Designated for use in FY10 budget	8,943,904
Designated for LOSAP (Length of Service Award Program)	862,261
Designated for snow removal	952,127
Designated for lobbying monitoring	11,130
Designated for debt service	1,499,065
<b>Total General Fund Fund Balance - Unreserved-designated for subsequent years' expenditures</b>	<b>\$ 41,809,940</b>

*3. Governmental Activities with Unreserved, Undesignated Fund Balances*

The General Fund has unreserved, undesignated fund balance at June 30, 2008 totaling \$20,973,351. 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 for the prior fiscal year. At June 30, 2008 the required balance is \$20,973,351.

**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.

**4. 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, 2008, the balance of these reserves is \$107,866,777 (detailed below). These reserves are a part of the \$332,365,780 Net Asset balance.

Reserved for:	
Operating Reserves	\$ 4,154,686
3 R Reserves	27,024,427
Tap Credits	2,721,696
Cash Funding of Capital Projects	9,813,383
System Development	64,152,585
Total Water and Sewer Reserves	<u>\$ 107,866,777</u>

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

As of June 30, 2008, Investment in capital assets, net of related debt in the government wide Statement of Net Assets were calculated as follows:

	Governmental Activities	Business-type Activities
Capital Assets (Exhibit II-A-1)	\$ 389,960,801	\$ 382,889,934
Debt related to Capital Assets	(185,418,708)	(164,915,072)
Unspent bond proceeds included in debt related to capital assets	<u>18,754,047</u>	<u>14,810,729</u>
Investment in Capital Assets net of related debt (Exhibit II-A-1)	<u>\$ 223,296,140</u>	<u>\$ 232,785,591</u>

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

6. *Net Assets Restricted by Enabling Legislation*

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

Governmental activities	\$ 128,083,350
Business-type activities	<u>-</u>
Total Net Assets Restricted by Enabling Legislation	<u><u>\$ 128,083,350</u></u>

**H. Restatement of Beginning Net Assets**

The adjustment of the beginning net assets is due to the implementation of Government Accounting Standards Board Statement No. 47, "Accounting for Termination Benefits". Statement No. 47 establishes accounting standards for termination benefits.

**Government-wide Financial Statements:**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net assets June 30, 2007 as previously stated	\$ 315,523,517	\$ 326,738,222	\$ 642,261,739
Adjustments:			
Termination benefits at June 30, 2007	(199,633)	-	(199,633)
Net assets June 30, 2007 as restated	<u><u>\$ 315,323,884</u></u>	<u><u>\$ 326,738,222</u></u>	<u><u>\$ 642,062,106</u></u>

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

**NOTE 4. OTHER INFORMATION**

**A. Commitments and Contingencies**

*1. Construction Commitments*

As of June 30, 2008, the County had the following commitments with respect to unfinished capital projects:

	Total Project Budget	Total Expenditures	Amount Funded	Required Future Funding
General government	\$ 115,527,419	\$ 19,749,387	\$ 50,611,997	\$ 64,915,422
Roads and Bridges	45,123,267	21,301,641	32,829,584	12,293,683
Board of Education	110,367,261	82,887,133	114,633,817	(4,266,556)
Frederick Community College	14,844,712	3,281,216	10,965,372	3,879,340
Parks and recreation	30,440,609	4,202,860	24,202,717	6,237,892
Watershed Restoration	1,380,650	850,165	1,380,650	-
Municipal	6,631,000	4,995,120	5,031,905	1,599,095
	<u>\$ 324,314,918</u>	<u>\$ 137,267,522</u>	<u>\$ 239,656,042</u>	<u>\$ 84,658,876</u>

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## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 2. Federal Financial Assistance

The County participates in a number of Federally assisted programs, principal of which are the Older American Programs, Child Support Enforcement, Mass Transit Programs, Section 8 Housing, Head Start, Workforce Investment Act Programs, Bridge Projects and Homeland Security Grant 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, 2008 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, 2008.

### 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 (62.32 percent), and Medicare (17.35 percent).

The Solid Waste Enterprise Fund has three customers which account for 36.12 percent of total operating revenues. Two commercial haulers accounted for \$5,397,117, or 27.98 percent, of the fiscal year 2008 operating revenues. A single municipality accounted for \$1,568,695 or 8.13 percent of the fiscal year 2008 operating revenues. Should the revenues from any of these customers decrease significantly, certain variable operating expenses, such as transfer expense and closure and post closure care costs, would decrease.

### 5. Risk Management

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

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

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

*6. Contingent Liability*

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

**B. Arbitrage Rebate Requirements**

Arbitrage rebate requirements under Internal Revenue Code Section 1.148-3 apply to the County's investment of the proceeds of certain bond issues.

The law requires the computation and payment of arbitrage profits on unspent proceeds of a bond issue if the current investment of these funds yields a higher rate of return than the original bond issue.

The filing of this computation and payment to the Internal Revenue Service is required at the end of the fifth year of the bond issuance date and every 5 years subsequently; however, computations and filings can be made for annual periods. There is no rebatable arbitrage to report at June 30, 2008.

**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 payments received on the underlying mortgage loans. 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, the bonds are not reported as liabilities in the accompanying financial statements.

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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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 issues:

<u>Payee</u>	<u>Amount of Original Issue</u>	<u>Date of Debt Issue</u>	<u>Date of Debt Maturity</u>	<u>Interest Rate</u>	<u>Payment Frequency</u>	<u>Amount Outstanding 6/30/2008</u>
Emergent Biologics	\$ 300,000	03/31/05	12/01/10	4.08%	Annually	\$ 126,526
Toys'R-Us	1,890,094	09/26/96	09/15/18	8.16%	Annually	1,320,866
	<u>\$ 2,190,094</u>					<u>\$ 1,447,392</u>

Frederick County has issued special obligation bonds on November 6, 1998 and April 1, 2004 for the Urbana Community Development Authority in the amount of \$30,000,000 and \$32,974,000, 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. Neither the full faith and credit nor the general taxing power of the County is pledged to the payment of these special obligation bonds. The bonds are secured by special taxes levied on the property within the respective Authority. On October 4, 2006, authorization was granted for an additional \$100,000,000 of bonds to refinance existing Urbana CDA issues and issue new debt. To date no bonds have been issued for this authorization.

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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**D. Retirement Plans**

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

*1. Single-Employer Pension Plan*

*Plan Description*

The Frederick County Employees Retirement Plan was established on July 1, 1993, under authority created by State Legislation and Section 2-2 of the County Code. Benefit provisions of the plan were adopted by resolution after a public hearing.

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

The type and number of employees covered as of June 30, 2008, 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	73	297	-	-
Terminated employees entitled to benefits	-	-	217	122
Active employees	602	1604	-	-

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.

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 policy for the plan provides for periodic contributions based upon actuarial valuations. 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 FY2008 was 18.5 percent.

### *Annual Pension Cost*

During the fiscal year ending June 30, 2008 contributions to the plan were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at July 1, 2007.

Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.75 percent per year compounded annually, gross of investment expenses, (b) projected salary increases from 5.00 percent to 8.75 percent per year compounded annually, including 3.00 percent per year attributable to inflation, and the remainder of merit/seniority, and (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. There was an actuarial loss during FY2007, caused primarily by pay increases that were higher than the assumption and turnover that was lower than expected.

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, 2007 there are two plan change bases which are currently outstanding – the COLA plan change (20 years remaining) and the July 1, 2000 plan improvements for all employees (22 years remaining). All amortization payments are calculated as a level percent of payroll, which is assumed to increase 4 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 Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2008	\$18,588,620	100%	\$ 0
2007	14,019,851	100	0
2006	11,736,171	100	0

At June 30, 2008, the plan's net assets are \$197,645,649.

*2. Cost-Sharing Multiple-Employer Pension Plan*

*Plan Description*

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

Under the terms of the Retirement System, a member may retire after 30 years of service regardless of age, or at age 60 or over, with at least 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

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

*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 3 percent of their gross employee compensation, respectively. The Pension System employee contribution rate is 5 percent beginning July 1, 2008.

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, 2008 was \$3,617,414. Interest and principal payments due to maturity as of June 30, 2008, are \$4,311,720. The County has chosen to make 5 remaining payments of \$862,344 to amortize and pay interest on the liability. The required contributions and the percentage of that amount contributed for the past three years is as follows:

<b>Fiscal Year</b>	<b>Required Contribution</b>	<b>Actual Contribution</b>	<b>Percentage Contribution</b>
2008	\$862,344	\$862,344	100.00%
2007	862,344	862,344	100.00
2006	862,344	862,344	100.00

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

*3. Component Units*

Substantially all employees of the FCPL are covered under the Maryland State Teacher's 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 4 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, 2008, the State paid \$461,378 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)

The employees of the BOE (other than part-time employees not eligible for participation in the plans) are covered under one of four defined benefit retirement plans that are administered by the Maryland State Retirement and Pension Systems. The BOE's share of contributions for teachers and administrative employees is primarily the responsibility of the State. Total contributions were \$23,938,377 in Fiscal Year 2008. This contribution was recognized as both revenue and expenditures for the BOE.

On April 2, 2004, the Board adopted 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 Employer contributions during their periods of active employment while this Plan remains in effect. The Plan has received a favorable determination letter from the Internal Revenue Service 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, 2008 total contributions of \$45,000 had been made to the plan by Frederick County Public Schools.

Substantially all permanent employees of the FCC are covered under one of three pension/retirement plans. Two of these plans are provided directly by the State, and the employer funding for eligible FCC employees is provided directly by the State. The FCC received State contributions toward retirement for the fiscal year of \$1,288,939. This amount has been recorded as a revenue and expenditure in the financial statements. The other retirement plan, provided through TIAA/CREF, is an option for permanent employees of the College who are not eligible for the state plans. The State does provide employer share funding for professional employees of the College who choose certain other retirement plans in lieu of participating in the State's retirement systems. These other plans include TIAA/CREF, AETNA, VALIC, Fidelity and American Century. The other plans are defined contribution plans requiring an employer contribution of 7.25 percent of employees base salary. Total employer contributions in FY2008 were \$731,814. Employee contributions to a selected plan are not mandatory.

### **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 2008, LOSAP provided 136 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 \$259,513 in fiscal year 2008 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 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 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)

Membership of the Plan consisted of the following at January 1, 2006, the date of the July 1, 2007 actuarial valuation:

Retirees and beneficiaries receiving benefits	397
Terminated plan members entitled to but not yet receiving benefits	N/A
Active plan members	<u>1,702</u>
Total	<u><u>2,099</u></u>

*Summary of Significant Accounting Policies*

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

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

*Funding Policy and Contributions*

Benefits are based on the employee's hire date. For employees hired on or before July 1, 1992, the County pays approximately 84 percent of the cost of premiums for medical and hospitalization costs. Employees hired after July 1, 1992, also must have worked for the County for a minimum of ten years; these employees pay 50 percent of the cost of premiums. 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 2008, the County contributed \$16,499,487 to the Plan, including \$3,790,428 for current premiums (approximately 88 percent of total premiums including the implicit subsidy) and an additional \$12,709,059 to prefund benefits. Plan members receiving benefits contributed \$522,737, approximately 12 percent of the total premium. Administrative costs are financed through investment earnings.

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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

*Annual OPEB Cost and Net OPEB Obligation*

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), 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	\$ 13,858,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>13,858,000</u>
Contribution made	<u>(16,499,487)</u>
Decrease in net OPEB obligation	(2,641,487)
Net OPEB obligation - beginning of year	-
Net OPEB (asset) - end of year	<u>\$ (2,641,487)</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Asset</u>
2008	\$ 13,858,000	119.06%	\$ (2,641,487)

## NOTES TO FINANCIAL STATEMENTS (Continued)

### *Funded Status and Funding Progress*

As of July 1, 2007, the most recent actuarial valuation date, the Plan was just beginning and therefore was not funded. The actuarial accrued liability was \$148,969,000, and the actuarial value of Plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$148,969,000. The covered payroll was \$95,573,594 and the ratio of UAAL to the covered payroll was 155.9 percent.

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

### *Actuarial Methods and Assumptions*

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

In the July 1, 2007, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 7.75 percent investment rate (net of administrative expense), and an annual healthcare cost trend rate of 10.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent in the year 2012. The actuarial value of assets was not determined as the County had not advanced funded its obligation at the time of the actuarial report (April 2006). The unfunded actuarial accrued liability is being amortized over a rolling 30 years as a level percentage of projected payroll.

### *3. Component Units*

Eligible retirees of FCPL are included in the County Retiree Health Benefit Plan as described in E.2 above.

The BOE Retiree Health Benefit Plan (the "Plan") is a single-employer defined benefit plan administered by the Board. 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 dependants). As of June 30, 2008 there were 1,144 retirees, 262 retiree dependents, and 4,852 active benefited employees in the Plan. The Board has the authority to establish and amend post-employment benefits.

The BOE negotiates the contribution percentage between the Board 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 2008, the Board contributed \$4,787,441 to the Plan. Plan members receiving benefits contributed \$4,272,577 or approximately 47.2 percent of the total premiums. The rates for fiscal year 2008 were based on the date of retirement (prior to July 1, 2005), the length of service of the retiree (three tiers), the age of the retiree, and the type of insurance.



## NOTES TO FINANCIAL STATEMENTS

(Continued)

The FCC does not sponsor or fund any postemployment benefits, however, they allow retirees to remain in the healthcare plan at COBRA rates. 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 2008, retirees paid \$41,000 in premiums. Coverage for retirees is governed by contracts in effect with the insurance carriers. The FCC has sixty-nine eligible retirees of which nine retirees participate in the healthcare plan.

### 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 full-time and permanent part-time employees of the County. 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 2008 approximately 26.3 percent of the County's eligible employees elected to participate in the plan.

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

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

### G. Joint Venture

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

#### *Northeast Maryland Waste Disposal Authority (NEMWDA)*

NEMWDA is a body politic and corporate and a public instrumentality of the State of Maryland. NEMWDA 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. NEMWDA 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 NEMWDA, the county paid Fiscal Year 2008 membership dues and fees for services amounting to \$30,000.

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

**H. Subsequent Events**

Like most local jurisdictions, Frederick County has been affected by the downturn in the financial markets in the September 2008 to November 2008 timeframe. The full and permanent impact of this downturn cannot yet be measured. This downturn has primarily affected the Pension Trust Fund and the OPEB Trust Fund. Any permanent adverse market reduction will be amortized over the life of the actuarial rate setting periods appropriate for each Trust Fund.

**I. New Governmental Accounting Standards Board (GASB) Standards**

The County adopted the provisions of three Governmental Accounting Standards Board Statements; Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension," Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," and Statement No. 47, "Accounting for Termination Benefits." Statement No. 43 establishes uniform reporting standards for Other Postemployment Benefit plans. Statement No. 45 establishes standards for the measurement, recognition, and display of Other Postemployment Benefit expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. Statement No. 47 establishes accounting standards for termination benefits.

## **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 Valuation Date</b>	<b>Actuarial Value of Plan Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Actuarial Value of Plan Assets as a Percentage of the Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Liability</b>	<b>Annual Covered Payroll</b>	<b>Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll</b>
07/01/02	96,842,861	115,866,706	83.6 %	19,023,845	58,253,351	32.7 %
07/01/03	106,019,071	134,659,038	78.7	28,639,967	63,581,281	45.0
07/01/04	118,979,144	151,610,060	78.5	32,630,916	67,993,467	48.0
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

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 AND OTHER CONTRIBUTING ENTITIES**  
**LAST SIX FISCAL YEARS**

<b>Fiscal Year</b>	<b>Annual Required Contribution (ARC)</b>	<b>ARC Recognized in Plan Financial Statements</b>	<b>Percentage Recognized</b>
2003	7,388,514	7,388,514	100 %
2004	8,459,701	10,209,701 *	121
2005	9,785,642	9,785,642	100
2006	11,736,171	11,736,171	100
2007	14,019,851	14,019,851	100
2008	18,588,620	18,588,620	100

\* Includes a one-time discretionary payment of \$1,750,000

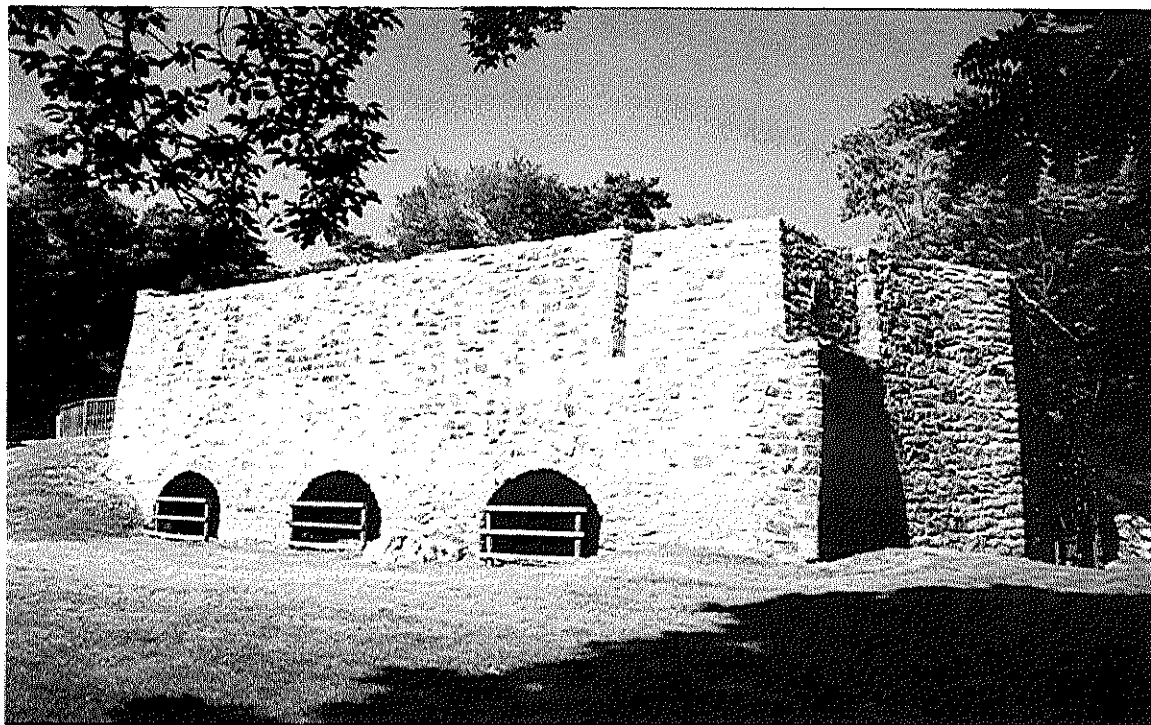
**FREDERICK COUNTY RETIREE HEALTH BENEFIT PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Plan Assets as a Percentage of the Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Liability</u>	<u>Annual Covered Payroll</u>	<u>Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll</u>
07/01/07	\$ -	\$ 148,969,000	0 %	\$ 148,969,000	\$ 95,573,594	155.9 %

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 RETIREE HEALTH BENEFIT PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Contribution Recognized in Plan Financial Statements</u>	<u>Percentage Contributed</u>
2008	\$ 13,858,000	\$ 16,499,487	119 %



The land at Fountain Rock Park was used extensively for limestone quarrying a hundred years ago. The powdered burnt lime produced at the kiln was used for field fertilizer and as crushed stone for road surfacing. Six of the original eight kilns may be seen at the park by taking a self-guided tour.



## **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, 2008

	Special Revenue Funds						
	Grants	Fire/Rescue Tax Districts	Agricultural Preservation	School Construction	Impact Fees	Development Road Improvement	Electric Lighting Tax Districts
<b>Assets</b>							
Cash	\$ 6,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled invested cash	580,924	12,577,838	20,482,686	5,471,754	8,984,372	2,181,598	22,581
Total cash and cash equivalents	587,421	12,577,838	20,482,686	5,471,754	8,984,372	2,181,598	22,581
Investments	-	-	22,340,896	-	2,036,065	-	-
Receivables, net of allowance for uncollectibles:							
Property taxes	-	52,489	-	-	-	-	10
Accounts	73,653	837,527	3,222	6,539	24,809	-	-
Intergovernmental	3,411,041	-	-	-	-	-	-
Bonds receivable	-	122,180	-	100,479	360,204	-	-
Prepays	839	-	-	-	-	-	-
Long term receivables, net of allowance for uncollectibles:							
MILA/MICRF loans	-	-	-	-	-	-	-
Fire/ Rescue loans	-	-	-	-	-	-	-
Non-Profit Organization loans	-	-	-	-	-	-	-
Small business loans	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-
Cash and cash equivalents - restricted	-	132,269	-	-	-	-	-
Total assets	\$ 4,072,954	\$ 13,722,303	\$ 42,826,804	\$ 5,578,772	\$ 11,405,450	\$ 2,181,598	\$ 22,591
<b>Liabilities and fund balance</b>							
<b>Liabilities</b>							
Accounts payable	\$ 133,401	\$ 110,352	\$ 4,223	\$ 49	\$ 175	\$ -	\$ -
Accrued liabilities	743,258	2,190,119	32,394	7,182	25,748	-	764
Payroll and benefit deductions	829,019	-	12,211	-	-	-	-
Due to third parties	-	82,250	-	-	137,033	-	-
Due to other governmental units	452,219	-	7,962	-	-	-	-
Other liabilities	656,058	-	-	-	-	-	-
Deferred revenue	111,632	557,507	1,802,253	-	81,206	87,513	-
Total liabilities	2,925,587	2,940,228	1,859,043	7,231	244,162	87,513	764
<b>Fund balances</b>							
Reserved for:							
Encumbrances	18,557	316,601	-	-	-	-	-
Long-term receivables	-	-	-	-	-	-	-
Drug investigations	-	-	-	-	-	-	-
Ag Pres Compliance Monitoring	-	-	166,903	-	-	-	-
Unreserved, designated for:							
Subsequent year's expenditures	1,128,810	-	360,000	-	1,349,243	398,500	5,608
Capital projects	-	-	-	5,472,063	9,455,427	1,695,585	-
Equipment purchases under capital leases	-	132,268	-	-	-	-	-
Inmates purchases	-	-	-	-	-	-	-
Rural legacy	-	-	3,777,223	-	-	-	-
Debt service	-	120,964	22,521,991	99,478	356,618	-	-
Loans	-	-	-	-	-	-	-
Unreserved, undesignated	-	10,212,242	14,141,644	-	-	-	16,219
Total fund balance	1,147,367	10,782,075	40,967,761	5,571,541	11,161,288	2,094,085	21,827
Total liabilities and fund balance	\$ 4,072,954	\$ 13,722,303	\$ 42,826,804	\$ 5,578,772	\$ 11,405,450	\$ 2,181,598	\$ 22,591

(continued)

FREDERICK COUNTY, MARYLAND  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	Special Revenue Funds					Total Non Major Governmental Funds (See Exhibit II-A-3)
	Parks Acquisition & Development	Hotel Rental Tax	Nursing Home Construction	Sheriff's Activities	Loan Activities	
<b>Assets</b>						
Cash	\$ -	\$ -	\$ -	\$ 217,787	\$ -	\$ 224,284
Equity in pooled invested cash	520,679	147,361	7,050,277	456,950	4,956,022	63,433,042
Total cash and cash equivalents	520,679	147,361	7,050,277	674,737	4,956,022	63,657,326
Investments	-	21,058	-	-	-	24,398,019
Receivables, net of allowance for uncollectibles:						
Property taxes	-	-	-	-	-	52,499
Accounts	-	128,012	14,156	21,998	9,578	1,119,494
Intergovernmental	-	-	-	-	-	3,411,041
Bonds receivable	-	-	217,532	-	-	800,395
Prepays	-	-	-	-	74,553	75,392
Long term receivables, net of allowance for uncollectibles:						
MILA/MICRF loans	-	-	-	-	118,677	118,677
Fire/ Rescue loans	-	-	-	-	255,416	255,416
Non-Profit Organization loans	-	1,823,635	-	-	80,000	1,903,635
Small business loans	-	-	-	-	442,303	442,303
Housing loans	-	-	-	-	2,013,755	2,013,755
Cash and cash equivalents - restricted	-	-	-	-	-	132,269
Total assets	\$ 520,679	\$ 2,120,066	\$ 7,281,965	\$ 696,735	\$ 7,950,304	\$ 98,380,221
<b>Liabilities and fund balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ 105	\$ 51,008	\$ -	\$ 299,313
Accrued liabilities	-	216,335	15,550	-	-	3,231,350
Payroll and benefit deductions	-	-	-	-	-	841,230
Due to third parties	-	-	-	174,477	-	393,760
Due to other governmental units	-	-	-	-	-	460,181
Other liabilities	-	-	-	-	19,550	675,608
Deferred revenue	-	1,823,636	-	-	456,001	4,919,748
Total liabilities	-	2,039,971	15,655	225,485	475,551	10,821,190
<b>Fund balances</b>						
Reserved for:						
Encumbrances	-	-	-	-	-	335,158
Long-term receivables	-	-	-	-	2,617,848	2,617,848
Drug investigations	-	-	-	295,612	-	295,612
Ag Pres Compliance Monitoring	-	-	-	-	-	166,903
Unreserved, designated for:						
Subsequent year's expenditures	-	-	473,783	-	-	3,715,944
Capital projects	520,679	-	6,577,160	-	-	23,720,914
Equipment purchases under capital leases	-	-	-	-	-	132,268
Inmates purchases	-	-	-	175,638	-	175,638
Rural legacy	-	-	-	-	-	3,777,223
Debt service	-	80,095	215,367	-	-	23,394,513
Loans	-	-	-	-	4,856,905	4,856,905
Unreserved, undesignated	-	-	-	-	-	24,370,105
Total fund balance	520,679	80,095	7,266,310	471,250	7,474,753	87,559,031
Total liabilities and fund balance	\$ 520,679	\$ 2,120,066	\$ 7,281,965	\$ 696,735	\$ 7,950,304	\$ 98,380,221

FREDERICK COUNTY, MARYLAND  
 COMBINING BALANCE SHEET  
 SHERIFF'S ACTIVITIES - SPECIAL REVENUE FUNDS  
 JUNE 30, 2008

	<u>Sheriff's Drug Enforcement</u>	<u>Sheriff's Office Fund</u>	<u>Narcotics Task Force</u>	<u>Inmates' Canteen</u>	<u>Total Sheriff's Activities (See Exhibit II-B-1)</u>
<b>Assets</b>					
Cash	\$ 43,310	\$ 11,621	\$ -	\$ 162,856	\$ 217,787
Equity in pooled invested cash	27,054	-	265,547	164,349	456,950
Total cash and cash equivalents	70,364	11,621	265,547	327,205	674,737
Receivables, net of allowance for uncollectibles:					
Accounts	-	-	-	21,998	21,998
Total assets	<u>\$ 70,364</u>	<u>\$ 11,621</u>	<u>\$ 265,547</u>	<u>\$ 349,203</u>	<u>\$ 696,735</u>
<b>Liabilities and fund balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 40,299	\$ 10,709	\$ 51,008
Due to third parties	-	11,621	-	162,856	174,477
Total liabilities	<u>-</u>	<u>11,621</u>	<u>40,299</u>	<u>173,565</u>	<u>225,485</u>
<b>Fund balances</b>					
Reserved for drug investigations					
Federal	27,054	-	171,973	-	199,027
Non-federal	43,310	-	53,275	-	96,585
Unreserved, designated for inmate purchases	-	-	-	175,638	175,638
Total fund balance	<u>70,364</u>	<u>-</u>	<u>225,248</u>	<u>175,638</u>	<u>471,250</u>
Total liabilities and fund balance	<u>\$ 70,364</u>	<u>\$ 11,621</u>	<u>\$ 265,547</u>	<u>\$ 349,203</u>	<u>\$ 696,735</u>

FREDERICK COUNTY, MARYLAND  
COMBINING BALANCE SHEET  
LOAN ACTIVITIES - SPECIAL REVENUE FUNDS  
JUNE 30, 2008

	<u>Housing Initiative</u>	<u>Non-Profit Organizations Loans</u>	<u>Fire/Rescue Loans</u>	<u>Economic Development Loans</u>	<u>Total Loan Activities (See Exhibit II-B-1)</u>
<b>Assets</b>					
Equity in pooled invested cash	\$ 3,618,565	\$ 230,000	\$ 532,398	\$ 575,059	\$ 4,956,022
Total cash and cash equivalents	3,618,565	230,000	532,398	575,059	4,956,022
Receivables, net of allowance for uncollectibles:					
Accounts	-	-	9,578	-	9,578
Prepays	74,553	-	-	-	74,553
Long term receivables, net of allowance for uncollectibles:					
MILA/MICRF loans	-	-	-	118,677	118,677
Fire/ Rescue loans	-	-	255,416	-	255,416
Non-Profit Organization loans	-	80,000	-	-	80,000
Small business loans	-	-	-	442,303	442,303
Housing loans	2,013,755	-	-	-	2,013,755
Total assets	<u>\$ 5,706,873</u>	<u>\$ 310,000</u>	<u>\$ 797,392</u>	<u>\$ 1,136,039</u>	<u>\$ 7,950,304</u>
<b>Liabilities and fund balance</b>					
Liabilities					
Other liabilities	\$ 19,550	\$ -	\$ -	\$ -	\$ 19,550
Deferred revenue	-	-	-	456,001	456,001
Total liabilities	<u>19,550</u>	<u>-</u>	<u>-</u>	<u>456,001</u>	<u>475,551</u>
Fund balances					
Reserved for: Long-term receivables	2,013,755	230,000	255,416	118,677	2,617,848
Unreserved, designated for:					
Loans	<u>3,673,568</u>	<u>80,000</u>	<u>541,976</u>	<u>561,361</u>	<u>4,856,905</u>
Total fund balance	<u>5,687,323</u>	<u>310,000</u>	<u>797,392</u>	<u>680,038</u>	<u>7,474,753</u>
Total liabilities and fund balance	<u>\$ 5,706,873</u>	<u>\$ 310,000</u>	<u>\$ 797,392</u>	<u>\$ 1,136,039</u>	<u>\$ 7,950,304</u>

FREDERICK COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Special Revenue Funds						
	Grants	Fire/Rescue Tax Districts	Agricultural Preservation	School Construction	Impact Fees	Development Road Improvement	Electric Lighting Tax Districts
<b>Revenues</b>							
Fire tax levy	\$ -	\$ 28,949,442	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	8,741
Other local taxes	-	-	5,320,503	4,385,920	-	1,308,920	-
Grants from federal government	13,158,307	-	-	-	-	-	-
Grants from state government	5,369,136	-	1,365,434	-	-	-	-
Charges for services	1,115,313	2,888,035	-	-	5,389,201	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-
Investment earnings	708	853,549	3,239,017	138,269	1,355,788	385,838	1,216
Miscellaneous revenue	184,112	13,717	5,719	-	-	-	-
Total revenues	<u>19,827,576</u>	<u>32,704,743</u>	<u>9,930,673</u>	<u>4,524,189</u>	<u>6,744,989</u>	<u>1,694,758</u>	<u>9,957</u>
<b>Expenditures</b>							
General government	2,339,317	-	-	-	-	-	-
Public safety	1,959,926	34,167,740	-	-	-	-	-
Public works	5,551,443	-	-	-	-	-	14,526
Health	853,266	-	-	-	-	-	-
Social services	2,003,720	-	-	-	-	-	-
Conservation of natural resources	485,299	-	12,770,568	-	-	-	-
Community development and public housing	5,148,310	-	-	-	-	-	-
Economic development and opportunity	10,003,768	-	-	-	-	-	-
Debt service	-	1,909,814	1,346,903	27,889	7,031,138	-	-
Total expenditures	<u>28,345,049</u>	<u>36,077,554</u>	<u>14,117,471</u>	<u>27,889</u>	<u>7,031,138</u>	<u>-</u>	<u>14,526</u>
Excess (deficiency) of revenues over expenditures	<u>(8,517,473)</u>	<u>(3,372,811)</u>	<u>(4,186,798)</u>	<u>4,496,300</u>	<u>(286,149)</u>	<u>1,694,758</u>	<u>(4,569)</u>
<b>Other financing sources (uses)</b>							
Transfers in from general fund	8,356,885	1,142,436	1,023,828	-	-	-	-
Transfers out to capital projects fund	-	-	-	-	(1,926,320)	(2,050,000)	-
Transfers out to internal service funds	-	(41,366)	-	-	-	-	-
Premium on public facilities bonds	-	147,015	-	120,903	433,421	-	-
Capital leases	-	2,394,000	-	-	-	-	-
Installment purchase agreement	-	-	7,948,699	-	-	-	-
Sale of capital assets	-	17,475	-	-	-	-	-
Total other financing sources (uses)	<u>8,356,885</u>	<u>3,659,560</u>	<u>8,972,527</u>	<u>120,903</u>	<u>(1,492,899)</u>	<u>(2,050,000)</u>	<u>-</u>
Net change in fund balances	(160,588)	286,749	4,785,729	4,617,203	(1,779,048)	(355,242)	(4,569)
Fund balance - beginning of year	<u>1,307,955</u>	<u>10,495,326</u>	<u>36,182,032</u>	<u>954,338</u>	<u>12,940,336</u>	<u>2,449,327</u>	<u>26,396</u>
Fund balance - end of year	<u>\$ 1,147,367</u>	<u>\$ 10,782,075</u>	<u>\$ 40,967,761</u>	<u>\$ 5,571,541</u>	<u>\$ 11,161,288</u>	<u>\$ 2,094,085</u>	<u>\$ 21,827</u>

(continued)

FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total Nonmajor Governmental Funds (See Exhibit II-A-5)
	Parks Acquisition & Development	Hotel Rental Tax	Nursing Home Construction	Sheriff's Activities	Loan Activities	
<b>Revenues</b>						
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,949,442
Lighting tax levy	-	-	-	-	-	8,741
Other local taxes	3,289,419	1,112,083	1,096,549	-	-	16,513,394
Grants from federal government	-	-	-	-	-	13,158,307
Grants from state government	-	-	-	-	908,637	7,643,207
Charges for services	-	-	-	358,024	500	9,751,073
Fines and forfeitures	-	-	-	236,357	-	236,357
Interest from loans	-	-	-	-	52,750	52,750
Investment earnings	983,824	62,639	307,733	14,025	170,995	7,513,601
Miscellaneous revenue	-	83,263	-	-	992	287,803
Total revenues	<u>4,273,243</u>	<u>1,257,985</u>	<u>1,404,282</u>	<u>608,406</u>	<u>1,133,874</u>	<u>84,114,675</u>
<b>Expenditures</b>						
General government	-	-	-	-	-	2,339,317
Public safety	-	-	-	431,672	-	36,559,338
Public works	-	-	-	-	-	5,565,969
Health	-	-	-	-	-	853,266
Social services	-	-	-	-	-	2,003,720
Conservation of natural resources	-	-	-	-	-	13,255,867
Community development and public housing	-	-	-	-	-	5,148,310
Economic development and opportunity	-	1,116,946	-	-	872,394	11,993,108
Debt service	-	97,361	138,028	-	-	10,551,133
Total expenditures	<u>-</u>	<u>1,214,307</u>	<u>138,028</u>	<u>431,672</u>	<u>872,394</u>	<u>88,270,028</u>
Excess (deficiency) of revenues over expenditures	<u>4,273,243</u>	<u>43,678</u>	<u>1,266,254</u>	<u>176,734</u>	<u>261,480</u>	<u>(4,155,353)</u>
<b>Other financing sources (uses)</b>						
Transfers in from general fund	-	-	-	-	1,225,000	11,748,149
Transfers out to capital projects fund	(7,918,310)	-	-	-	-	(11,894,630)
Transfers out to internal service funds	-	-	-	-	-	(41,366)
Premium on public facilities bonds	-	-	261,749	-	-	963,088
Capital leases	-	-	-	-	-	2,394,000
Installment purchase agreement	-	-	-	-	-	7,948,699
Sale of capital assets	-	-	-	-	-	17,475
Total other financing sources (uses)	<u>(7,918,310)</u>	<u>-</u>	<u>261,749</u>	<u>-</u>	<u>1,225,000</u>	<u>11,135,415</u>
Net change in fund balances	(3,645,067)	43,678	1,528,003	176,734	1,486,480	6,980,062
Fund balance - beginning of year	<u>4,165,746</u>	<u>36,417</u>	<u>5,738,307</u>	<u>294,516</u>	<u>5,988,273</u>	<u>80,578,969</u>
Fund balance - end of year	<u>\$ 520,679</u>	<u>\$ 80,095</u>	<u>\$ 7,266,310</u>	<u>\$ 471,250</u>	<u>\$ 7,474,753</u>	<u>\$ 87,559,031</u>

FREDERICK COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 SHERIFF'S ACTIVITIES - SPECIAL REVENUE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Sheriff's Drug Enforcement</u>	<u>Sheriff's Office Fund</u>	<u>Narcotics Task Force</u>	<u>Inmates' Canteen</u>	<u>Total Sheriff's Activities (See Exhibit II-B-4)</u>
<b>Revenues</b>					
Charges for services	\$ -	\$ -	\$ -	\$ 358,024	\$ 358,024
Fines and forfeitures	17,369	-	218,988	-	236,357
Investment earnings	1,166	-	6,640	6,219	14,025
Total revenues	<u>18,535</u>	<u>-</u>	<u>225,628</u>	<u>364,243</u>	<u>608,406</u>
<b>Expenditures</b>					
Public safety	15,819	-	108,259	307,594	431,672
Total expenditures	<u>15,819</u>	<u>-</u>	<u>108,259</u>	<u>307,594</u>	<u>431,672</u>
Excess (deficiency) of revenues over expenditures	<u>2,716</u>	<u>-</u>	<u>117,369</u>	<u>56,649</u>	<u>176,734</u>
Net change in fund balances	2,716	-	117,369	56,649	176,734
Fund balance - beginning of year	<u>67,648</u>	<u>-</u>	<u>107,879</u>	<u>118,989</u>	<u>294,516</u>
Fund balance - end of year	<u>\$ 70,364</u>	<u>\$ -</u>	<u>\$ 225,248</u>	<u>\$ 175,638</u>	<u>\$ 471,250</u>



FREDERICK COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 LOAN ACTIVITIES - SPECIAL REVENUE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Housing Initiative</u>	<u>Non-Profit Organizations Loans</u>	<u>Fire/Rescue Loans</u>	<u>Economic Development Loans</u>	<u>Total Loan Activities (See Exhibit II-B-4)</u>
<b>Revenues</b>					
Grants from state government	\$ -	\$ -	\$ -	\$ 908,637	\$ 908,637
Charges for services	-	-	-	500	500
Interest from loans	-	-	13,169	39,581	52,750
Investment earnings	125,437	-	22,145	23,413	170,995
Miscellaneous revenue	727	-	-	265	992
Total revenues	<u>126,164</u>	<u>-</u>	<u>35,314</u>	<u>972,396</u>	<u>1,133,874</u>
<b>Expenditures</b>					
Economic development and opportunity	-	-	-	872,394	872,394
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>872,394</u>	<u>872,394</u>
Excess (deficiency) of revenues over expenditures	<u>126,164</u>	<u>-</u>	<u>35,314</u>	<u>100,002</u>	<u>261,480</u>
<b>Other financing sources (uses)</b>					
Transfer in from general fund	1,225,000	-	-	-	1,225,000
Total other financing sources (uses)	<u>1,225,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,225,000</u>
Net change in fund balances	1,351,164	-	35,314	100,002	1,486,480
Fund balance - beginning of year	<u>4,336,159</u>	<u>310,000</u>	<u>762,078</u>	<u>580,036</u>	<u>5,988,273</u>
Fund balance - end of year	<u>\$ 5,687,323</u>	<u>\$ 310,000</u>	<u>\$ 797,392</u>	<u>\$ 680,038</u>	<u>\$ 7,474,753</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, 2008

	Grants			Fire/Rescue Tax Districts			Agricultural Preservation		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
<b>Revenues</b>									
Fire tax levy	\$ -	\$ -	\$ -	\$ 28,018,190	\$ 28,949,442	\$ 931,252	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	6,639,822	5,320,503	(1,319,319)
Grants from federal government	17,012,925	13,158,307	(3,854,618)	-	-	-	-	-	-
Grants from state government	7,782,123	5,369,136	(2,412,987)	-	-	-	3,562,573	1,365,434	(2,197,139)
Charges for services	1,161,106	1,115,313	(45,793)	2,407,000	2,888,035	481,035	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	(190)	708	898	500,000	853,549	353,549	-	3,239,017	3,239,017
Miscellaneous revenue	220,102	184,112	(35,990)	-	13,717	13,717	1,500,000	5,719	(1,494,281)
Total revenues	<u>26,176,066</u>	<u>19,827,576</u>	<u>(6,348,490)</u>	<u>30,925,190</u>	<u>32,704,743</u>	<u>1,779,553</u>	<u>11,702,395</u>	<u>9,930,673</u>	<u>(1,771,722)</u>
<b>Expenditures</b>									
General government	2,798,074	2,219,030	579,044	-	-	-	-	-	-
Public safety	4,641,713	1,949,498	2,692,215	34,784,098	33,075,706	1,708,392	-	-	-
Public works	7,823,181	5,076,400	2,746,781	-	-	-	-	-	-
Health	999,846	809,715	190,131	-	-	-	-	-	-
Social services	2,278,431	1,835,339	443,092	-	-	-	-	-	-
Conservation of natural resources	652,592	470,383	182,209	-	-	-	19,158,743	12,758,125	6,400,618
Community development and public housing	5,300,789	5,135,867	164,922	-	-	-	-	-	-
Economic development and opportunity	10,530,806	9,148,560	1,382,246	-	-	-	-	-	-
Debt service	-	-	-	1,857,320	1,909,814	(52,494)	2,000,000	1,346,903	653,097
Total expenditures	<u>35,025,432</u>	<u>26,644,792</u>	<u>8,380,640</u>	<u>36,641,418</u>	<u>34,985,520</u>	<u>1,655,898</u>	<u>21,158,743</u>	<u>14,105,028</u>	<u>7,053,715</u>
Excess (deficiency) of revenues over expenditures	<u>(8,849,366)</u>	<u>(6,817,216)</u>	<u>2,032,150</u>	<u>(5,716,228)</u>	<u>(2,280,777)</u>	<u>3,435,451</u>	<u>(9,456,348)</u>	<u>(4,174,355)</u>	<u>5,281,993</u>
<b>Other financing sources (uses)</b>									
Appropriated fund balance	1,217,197	838,200	(378,997)	3,322,228	151,188	(3,171,040)	8,444,963	-	(8,444,963)
Transfers in from general fund	7,632,169	6,695,738	(936,431)	-	-	-	1,011,385	1,011,385	-
Transfers out to capital projects fund	-	-	-	-	-	-	-	-	-
Transfers out to fleet services fund	-	-	-	-	(41,366)	41,366	-	-	-
Premium on public facilities bonds	-	-	-	-	147,015	147,015	-	-	-
Capital leases	-	-	-	2,394,000	2,394,000	-	-	-	-
Installment purchase agreement	-	-	-	-	-	-	-	7,948,699	7,948,699
Sale of capital assets	-	-	-	-	17,475	17,475	-	-	-
Total other financing sources (uses)	<u>8,849,366</u>	<u>7,533,938</u>	<u>(1,315,428)</u>	<u>5,716,228</u>	<u>2,668,312</u>	<u>(3,047,916)</u>	<u>9,456,348</u>	<u>8,960,084</u>	<u>(496,264)</u>
Net change in fund balances	<u>\$ -</u>	<u>716,722</u>	<u>\$ 716,722</u>	<u>\$ -</u>	<u>387,535</u>	<u>\$ 387,535</u>	<u>\$ -</u>	<u>4,785,729</u>	<u>\$ 4,785,729</u>
Fund balance - beginning of year		1,307,955			10,495,326			36,182,032	
Net change in reserves and adjustments to GAAP basis		(877,310)			(100,786)			-	
Fund balance - end of year		<u>\$ 1,147,367</u>			<u>\$ 10,782,075</u>			<u>\$ 40,967,761</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, 2008

	School Construction Fund			Impact Fees			Development Road Improvement		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
<b>Revenues</b>									
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	-	-	-
Other local taxes	6,154,000	4,385,920	(1,768,080)	12,666,914	5,389,201	(7,277,713)	1,339,500	1,308,920	(30,580)
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	-	138,269	138,269	469,818	1,355,788	885,970	-	385,838	385,838
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
Total revenues	<u>6,154,000</u>	<u>4,524,189</u>	<u>(1,629,811)</u>	<u>13,136,732</u>	<u>6,744,989</u>	<u>(6,391,743)</u>	<u>1,339,500</u>	<u>1,694,758</u>	<u>355,258</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	-	-	-	-	-	-	-	-	-
Debt service	-	27,889	(27,889)	7,261,048	7,031,138	229,910	-	-	-
Total expenditures	<u>-</u>	<u>27,889</u>	<u>(27,889)</u>	<u>7,261,048</u>	<u>7,031,138</u>	<u>229,910</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>6,154,000</u>	<u>4,496,300</u>	<u>(1,657,700)</u>	<u>5,875,684</u>	<u>(286,149)</u>	<u>(6,161,833)</u>	<u>1,339,500</u>	<u>1,694,758</u>	<u>355,258</u>
<b>Other financing sources (uses)</b>									
Appropriated fund balance	(6,154,000)	-	6,154,000	(3,949,364)	-	3,949,364	710,500	-	(710,500)
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	(1,926,320)	(1,926,320)	-	(2,050,000)	(2,050,000)	-
Transfers out to fleet services fund	-	-	-	-	-	-	-	-	-
Premium on public facilities bonds	-	120,903	120,903	-	433,421	433,421	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-
Installment purchase agreements	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(6,154,000)</u>	<u>120,903</u>	<u>6,274,903</u>	<u>(5,875,684)</u>	<u>(1,492,899)</u>	<u>4,382,785</u>	<u>(1,339,500)</u>	<u>(2,050,000)</u>	<u>(710,500)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 4,617,203</u>	<u>\$ 4,617,203</u>	<u>\$ -</u>	<u>\$ (1,779,048)</u>	<u>\$ (1,779,048)</u>	<u>\$ -</u>	<u>\$ (355,242)</u>	<u>\$ (355,242)</u>
Fund balance - beginning of year		954,338			12,940,336			2,449,327	
Net change in reserves and adjustments to GAAP basis		-			-			-	
Fund balance - end of year		<u>\$ 5,571,541</u>			<u>\$ 11,161,288</u>			<u>\$ 2,094,085</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, 2008

	Electric Lighting Tax Districts			Parks Acquisition & Development			Hotel Rental Tax Fund		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
<b>Revenues</b>									
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	8,732	8,741	9	-	-	-	-	-	-
Other local taxes	-	-	-	4,615,380	3,289,419	(1,325,961)	1,180,000	1,112,083	(67,917)
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	700	1,216	516	-	983,824	983,824	-	62,639	62,639
Miscellaneous revenue	-	-	-	-	-	-	-	83,263	83,263
Total revenues	9,432	9,957	525	4,615,380	4,273,243	(342,137)	1,180,000	1,257,985	77,985
<b>Expenditures</b>									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	15,040	14,526	514	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	-	-	-	1,180,000	1,116,946	63,054
Debt service	-	-	-	-	-	-	-	97,361	(97,361)
Total expenditures	15,040	14,526	514	-	-	-	1,180,000	1,214,307	(34,307)
Excess (deficiency) of revenues over expenditures	(5,608)	(4,569)	1,039	4,615,380	4,273,243	(342,137)	-	43,678	43,678
<b>Other financing sources (uses)</b>									
Appropriated fund balance	5,608	-	(5,608)	3,302,930	-	(3,302,930)	-	-	-
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	(7,918,310)	(7,918,310)	-	-	-	-
Transfers out to fleet services fund	-	-	-	-	-	-	-	-	-
Premium on public facilities bonds	-	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-
Installment purchase agreement	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	5,608	-	(5,608)	(4,615,380)	(7,918,310)	(3,302,930)	-	-	-
Net change in fund balances	\$ -	(4,569)	\$ (4,569)	\$ -	(3,645,067)	\$ (3,645,067)	\$ -	43,678	\$ 43,678
Fund balance - beginning of year		26,396			4,165,746			36,417	
Net change in reserves and adjustments to GAAP basis		-			-			-	
Fund balance - end of year	\$	21,827		\$	520,679		\$	80,095	

(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, 2008

	Nursing Home Construction Fund			Housing Initiative Fund			Economic Development Loan Fund		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
<b>Revenues</b>									
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	-	-	-
Other local taxes	1,538,000	1,096,549	(441,451)	-	-	-	-	-	-
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	855,920	908,637	52,717
Charges for services	-	-	-	-	-	-	1,000	500	(500)
Interest from loans	-	-	-	-	-	-	56,569	39,581	(16,988)
Investment earnings	-	307,733	307,733	-	125,437	125,437	17,500	23,413	5,913
Miscellaneous revenue	-	-	-	-	339,251	339,251	-	265	265
Total revenues	1,538,000	1,404,282	(133,718)	-	464,688	464,688	930,989	972,396	41,407
<b>Expenditures</b>									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	1,482,100	476,836	1,005,264	-	-	-
Economic development and opportunity	-	-	-	-	-	-	880,443	872,394	8,049
Debt service	77,646	138,028	(60,382)	-	-	-	-	-	-
Total expenditures	77,646	138,028	(60,382)	1,482,100	476,836	1,005,264	880,443	872,394	8,049
Excess (deficiency) of revenues over expenditures	1,460,354	1,266,254	(194,100)	(1,482,100)	(12,148)	1,469,952	50,546	100,002	49,456
<b>Other financing sources (uses)</b>									
Appropriated fund balance	(1,460,354)	-	1,460,354	257,100	-	(257,100)	(50,546)	-	50,546
Transfers in from general fund	-	-	-	1,225,000	1,225,000	-	-	-	-
Transfers out to capital projects fund	-	-	-	-	-	-	-	-	-
Transfers out to fleet services fund	-	-	-	-	-	-	-	-	-
Premium on public facilities bonds	-	261,749	261,749	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-
Installment purchase agreement	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,460,354)	261,749	1,722,103	1,482,100	1,225,000	(257,100)	(50,546)	-	50,546
Net change in fund balances	\$ -	1,528,003	\$ 1,528,003	\$ -	1,212,852	\$ 1,212,852	\$ -	100,002	\$ 100,002
Fund balance - beginning of year		5,738,307			4,336,159			580,036	
Net change in reserves and adjustments to GAAP basis		-			138,312			-	
Fund balance - end of year	\$	7,266,310		\$	5,687,323		\$	680,038	

**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, 2008

	Project Budget	Current Year Actual	Total To Date	Variance - Positive (Negative)
<b>Revenues</b>				
Grants from federal government				
Highways	\$ 3,033,552	\$ 1,814,613	\$ 160,335	\$ (2,873,217)
Miscellaneous grants	2,229,087	-	-	(2,229,087)
Grants from state government:				
Highways	594,000	712,193	-	(594,000)
Program open space	4,326,250	862,552	53,279	(4,272,971)
Detention center	500,057	437,150	-	(500,057)
Education	2,364,097	8,349	8,349	(2,355,748)
Miscellaneous grants	5,000	101,881	5,000	-
Miscellaneous	426,486	127,129	408,892	(17,594)
Total revenues	<u>13,478,529</u>	<u>4,063,867</u>	<u>635,855</u>	<u>(12,842,674)</u>
<b>Expenditures</b>				
General government	115,527,419	10,373,468	19,749,387	95,778,032
Roads and bridges	45,123,267	14,145,361	21,301,641	23,821,626
Board of Education	110,367,261	37,038,737	82,887,133	27,480,128
Frederick Community College	14,844,712	2,368,616	3,281,216	11,563,496
Parks and recreation	30,440,609	7,758,911	4,202,860	26,237,749
Watershed restoration	1,380,650	555,482	850,165	530,485
Municipal	6,631,000	(98,498)	4,995,120	1,635,880
Total expenditures	<u>324,314,918</u>	<u>72,142,077</u>	<u>137,267,522</u>	<u>187,047,396</u>
Excess (deficiency) of revenues over expenditures	<u>(310,836,389)</u>	<u>(68,078,210)</u>	<u>(136,631,667)</u>	<u>174,204,722</u>
<b>Other financing sources (uses)</b>				
Transfers in from general fund	62,856,535	24,449,856	62,856,532	(3)
Transfers in from impact fees fund	22,834,103	1,926,320	22,834,103	-
Transfers in from parks acquisition & development fund	22,945,798	7,918,310	22,945,798	-
Transfers in from special tax district	22,000	-	22,000	-
Transfers in from development road improvement fund	8,836,649	2,050,000	8,836,649	-
Transfers in from nursing home construction fund	569,600	-	569,600	-
Transfers in from hotel rental tax refund	44,103	-	-	(44,103)
Transfers in from DPDR	92,600	-	-	(92,600)
Transfers to enterprise fund	-	(646,700)	-	-
General obligation bonds issued	192,635,001	61,055,000	120,955,505	(71,679,496)
Total other financing sources (uses)	<u>310,836,389</u>	<u>96,752,786</u>	<u>239,020,187</u>	<u>(71,816,202)</u>
Net change in fund balances	<u>\$ -</u>	<u>28,674,576</u>	<u>\$ 102,388,520</u>	<u>\$ 102,388,520</u>
Net change in reserves and adjustment to GAAP basis		(9,881,300)		
Fund balance - beginning of year		101,686,808		
Fund balance - end of year		<u>\$ 120,480,084</u>		

**FREDERICK COUNTY, MARYLAND**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**June 30, 2008**

	<u>Business-type Activities-Enterprise Funds</u>				<b>Total Nonmajor Enterprise Funds (See Exhibit II-A-8)</b>
	<u>Citizens Care &amp; Rehabilitation Center</u>	<u>Montevue Home</u>	<u>Bell Court Apartments</u>	<u>Permitting &amp; Development Review</u>	
<b>Assets</b>					
Current assets:					
Cash	\$ 44,218	\$ 24,156	\$ -	\$ -	\$ 68,374
Equity in pooled invested cash	-	583,797	18,885	6,570,829	7,173,511
Total cash and cash equivalents	44,218	607,953	18,885	6,570,829	7,241,885
Restricted cash and cash equivalents	-	-	350,837	-	350,837
Receivables, net of allowance for uncollectible accounts	2,143,983	6,356	4,387	-	2,154,726
Inventories	40,630	-	-	-	40,630
Prepaid items	-	-	540	-	540
Total current assets	<u>2,228,831</u>	<u>614,309</u>	<u>374,649</u>	<u>6,570,829</u>	<u>9,788,618</u>
Noncurrent assets:					
Capital assets:					
Land	-	-	132,200	513,942	646,142
Buildings and improvements	3,319,323	2,254,017	1,877,880	6,264,082	13,715,302
Equipment	1,300,299	102,138	-	991,438	2,393,875
Accumulated depreciation	(3,644,951)	(1,576,286)	(657,259)	(872,316)	(6,750,812)
Deferred bond issue expense	-	-	-	30,303	30,303
Total noncurrent assets	<u>974,671</u>	<u>779,869</u>	<u>1,352,821</u>	<u>6,927,449</u>	<u>10,034,810</u>
Total assets	<u>3,203,502</u>	<u>1,394,178</u>	<u>1,727,470</u>	<u>13,498,278</u>	<u>19,823,428</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	8,322	6,436	746	8,761	24,265
Payroll and benefit deductions	661,907	121,458	1,526	281,963	1,066,854
Accrued expenses	227,195	8,071	3,614	27,837	266,717
Due to other funds	1,365,523	-	-	-	1,365,523
Deferred revenues	-	4,889	-	2,933,719	2,938,608
Security deposits	-	-	9,016	-	9,016
Other liabilities	62,737	18,529	-	-	81,266
Current portion general obligation bonds and notes	-	-	-	370,595	370,595
Current portion of compensated absences	35,810	2,700	-	16,224	54,734
Total current liabilities	<u>2,361,494</u>	<u>162,083</u>	<u>14,902</u>	<u>3,639,099</u>	<u>6,177,578</u>
Noncurrent liabilities:					
Long term portion general obligation bonds and notes	-	-	-	6,461,688	6,461,688
Liability for compensated absences	402,969	78,132	-	238,665	719,766
Total noncurrent liabilities	<u>402,969</u>	<u>78,132</u>	<u>-</u>	<u>6,700,353</u>	<u>7,181,454</u>
Total liabilities	<u>2,764,463</u>	<u>240,215</u>	<u>14,902</u>	<u>10,339,452</u>	<u>13,359,032</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	974,671	779,869	1,352,821	64,863	3,172,224
Restricted	-	-	350,837	-	350,837
Unrestricted	(535,632)	374,094	8,910	3,093,963	2,941,335
Total net assets	<u>\$ 439,039</u>	<u>\$ 1,153,963</u>	<u>\$ 1,712,568</u>	<u>\$ 3,158,826</u>	<u>\$ 6,464,396</u>

FREDERICK COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds				Total Nonmajor Enterprise Funds (See Exhibit II-A-9)
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review	
<b>Operating revenues</b>					
Charges for health care services, net of contractual adjustments	\$ 11,443,116	\$ 754,241	\$ -	\$ -	\$ 12,197,357
License and permit revenue	-	-	-	3,358,343	3,358,343
Fee revenue	-	-	-	2,233,968	2,233,968
Rental charges	-	-	95,087	44,175	139,262
Total net charges for services	11,443,116	754,241	95,087	5,636,486	17,928,930
Other revenues	78,532	890	34	11,150	90,606
Total operating revenues	11,521,648	755,131	95,121	5,647,636	18,019,536
<b>Operating expenses</b>					
Personnel services	11,509,002	1,992,993	13,138	5,047,079	18,562,212
Operating expenses (including administrative overhead)	2,276,947	826,128	33,683	1,123,315	4,260,073
Supplies	1,049,713	115,534	-	58,514	1,223,761
Repairs and maintenance	14,835	8,171	12,556	375	35,937
Depreciation expense	129,731	42,898	62,596	385,543	620,768
Total operating expenses	14,980,228	2,985,724	121,973	6,614,826	24,702,751
Operating income (loss)	(3,458,580)	(2,230,593)	(26,852)	(967,190)	(6,683,215)
<b>Nonoperating revenues (expenses)</b>					
Donations	11,254	3,930	-	-	15,184
Investment earnings	-	22,243	9,764	186,197	218,204
Gain (loss) on sale/disposal of capital assets	-	(4,271)	-	-	(4,271)
Interest expense	-	-	-	(272,841)	(272,841)
Total nonoperating revenues (expenses)	11,254	21,902	9,764	(86,644)	(43,724)
Net income (loss) before transfers	(3,447,326)	(2,208,691)	(17,088)	(1,053,834)	(6,726,939)
Transfers in	3,249,091	2,138,475	-	974,381	6,361,947
Transfers out	-	-	-	(7,255)	(7,255)
Total transfers	3,249,091	2,138,475	-	967,126	6,354,692
Change in net assets	(198,235)	(70,216)	(17,088)	(86,708)	(372,247)
Net assets - beginning of year	637,274	1,224,179	1,729,656	3,245,534	6,836,643
Net assets - end of year	\$ 439,039	\$ 1,153,963	\$ 1,712,568	\$ 3,158,826	\$ 6,464,396



FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review	Total Nonmajor Enterprise Funds (See Exhibit II-A-10)
<b>Cash flows from operating activities</b>					
Cash received from residents and customers	\$ 11,139,933	\$ 716,877	\$ 95,087	\$ 6,548,047	\$ 18,499,944
Cash received from (paid to) interfund services	68,514	-	-	44,175	112,689
Cash paid to suppliers	(3,045,113)	(900,379)	(46,252)	(1,195,045)	(5,186,789)
Cash paid to employees	(11,438,808)	(1,957,412)	(12,608)	(4,998,673)	(18,407,501)
Other	16,056	-	34	-	16,090
Net cash provided (used) by operating activities	(3,259,418)	(2,140,914)	36,261	398,504	(4,965,567)
<b>Cash flows from noncapital financing activities</b>					
Transfers in	3,249,091	2,138,475	-	974,381	6,361,947
Cash received from donations	11,254	3,930	-	-	15,184
Cash received from (paid to) patient and resident funds	1,749	2,042	-	-	3,791
Cash received from (paid to) memorial and employee funds	(1,050)	146	-	-	(904)
Net cash provided (used) by noncapital financing activities	3,261,044	2,144,593	-	974,381	6,380,018
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	-	(8,138)	-	(22,047)	(30,185)
Payment of bond issue expense	-	-	-	(141)	(141)
Payment of bond and note principal	-	-	-	(322,544)	(322,544)
Interest paid on bonds	-	-	-	(304,128)	(304,128)
Contributed capital	-	-	-	(7,255)	(7,255)
Net cash provided (used) by capital & related financing activities	-	(8,138)	-	(656,115)	(664,253)
<b>Cash flows from investing activities</b>					
Purchase of investments	-	-	(45,126)	(2,200)	(47,326)
Proceeds from sale of investments	-	-	2,243	55,814	58,057
Interest received on investments	-	22,243	10,784	186,579	219,606
Net cash provided (used) by investing activities	-	22,243	(32,099)	240,193	230,337
Net increase (decrease) in cash and cash equivalents	1,626	17,784	4,162	956,963	980,535
Cash and cash equivalents - beginning of year	42,592	590,169	14,723	5,613,866	6,261,350
Cash and cash equivalents - end of year	\$ 44,218	\$ 607,953	\$ 18,885	\$ 6,570,829	\$ 7,241,885

(continued)

FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review	Total Nonmajor Enterprise Funds (See Exhibit II-A-10)
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (3,458,580)	\$ (2,230,593)	\$ (26,852)	\$ (967,190)	\$ (6,683,215)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	129,731	42,898	62,596	385,543	620,768
Change in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(278,932)	(18,100)	-	-	(297,032)
Bad debt allowance	156,703	27,729	-	-	184,432
Inventory	(5,133)	-	-	-	(5,133)
Prepaid expenses	-	-	(540)	375	(165)
Increase (decrease) in:					
Accounts payable	(58,438)	4,297	586	1,341	(52,214)
Accrued expenses	181,606	21,811	471	10,592	214,480
Deferred revenues	-	-	-	944,586	944,586
Liability for compensated leave	4,367	12,044	-	23,257	39,668
Due to other funds	68,514	-	-	-	68,514
Other liabilities	744	(1,000)	-	-	(256)
Net cash provided (used) by operating activities	\$ <u>(3,259,418)</u>	\$ <u>(2,140,914)</u>	\$ <u>36,261</u>	\$ <u>398,504</u>	\$ <u>(4,965,567)</u>

**FREDERICK COUNTY, MARYLAND**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2008**

	<u>Voice Services</u>	<u>Fleet Services</u>	<u>Total Internal Service Funds (See Exhibit II-A-8)</u>
<b>Assets</b>			
Current assets:			
Equity in pooled invested cash	\$ 783,737	\$ 6,345,071	\$ 7,128,808
Total cash and cash equivalents	<u>783,737</u>	<u>6,345,071</u>	<u>7,128,808</u>
Receivables, net of allowance for uncollectible accounts	117,373	62,635	180,008
Due from component units	164	-	164
Inventories	-	270,810	270,810
Prepaid items	<u>31,350</u>	<u>-</u>	<u>31,350</u>
Total current assets	<u>932,624</u>	<u>6,678,516</u>	<u>7,611,140</u>
Noncurrent assets:			
Capital assets:			
Buildings and improvements	-	1,833,133	1,833,133
Equipment	2,610,062	23,655,114	26,265,176
Accumulated depreciation	<u>(2,119,845)</u>	<u>(11,792,543)</u>	<u>(13,912,388)</u>
Total noncurrent assets	<u>490,217</u>	<u>13,695,704</u>	<u>14,185,921</u>
Total assets	<u>1,422,841</u>	<u>20,374,220</u>	<u>21,797,061</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	6,021	424,538	430,559
Payroll and benefit deductions	28,144	112,193	140,337
Accrued expenses	17,401	85,659	103,060
Current portion of compensated absences	-	1,057	1,057
Total current liabilities	<u>51,566</u>	<u>623,447</u>	<u>675,013</u>
Noncurrent liabilities:			
Liability for compensated absences	<u>24,278</u>	<u>106,721</u>	<u>130,999</u>
Total noncurrent liabilities	<u>24,278</u>	<u>106,721</u>	<u>130,999</u>
Total liabilities	<u>75,844</u>	<u>730,168</u>	<u>806,012</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	490,217	13,695,704	14,185,921
Unrestricted	<u>856,780</u>	<u>5,948,348</u>	<u>6,805,128</u>
Total net assets	<u>\$ 1,346,997</u>	<u>\$ 19,644,052</u>	<u>\$ 20,991,049</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, 2008**

	<b>Voice Services</b>	<b>Fleet Services</b>	<b>Total Internal Service Funds (See Exhibit II-A-9)</b>
<b>Operating revenues</b>			
Service charges	\$ 1,474,112	\$ 11,955,065	\$ 13,429,177
Total operating revenues	<u>1,474,112</u>	<u>11,955,065</u>	<u>13,429,177</u>
<b>Operating expenses</b>			
Personnel services	447,701	2,031,778	2,479,479
Operating expenses (including administrative overhead)	599,908	790,769	1,390,677
Supplies	13,189	4,903,704	4,916,893
Repairs and maintenance	237,906	375,490	613,396
Depreciation expense	164,897	2,715,590	2,880,487
Total operating expenses	<u>1,463,601</u>	<u>10,817,331</u>	<u>12,280,932</u>
Operating income (loss)	<u>10,511</u>	<u>1,137,734</u>	<u>1,148,245</u>
<b>Nonoperating revenues (expenses)</b>			
Investment earnings	29,875	203,317	233,192
Miscellaneous income (expense)	-	8,456	8,456
Gain (loss) on disposition of capital assets	-	81,809	81,809
Total nonoperating revenues (expenses)	<u>29,875</u>	<u>293,582</u>	<u>323,457</u>
Net income (loss) before contributions and transfers	<u>40,386</u>	<u>1,431,316</u>	<u>1,471,702</u>
Capital contributions	-	214,207	214,207
Transfers out	(24,000)	-	(24,000)
Transfers in	62,596	1,010,638	1,073,234
Total contributions and transfers	<u>38,596</u>	<u>1,224,845</u>	<u>1,263,441</u>
Change in net assets	78,982	2,656,161	2,735,143
Net assets - beginning of year	<u>1,268,015</u>	<u>16,987,891</u>	<u>18,255,906</u>
Net assets - end of year	<u>\$ 1,346,997</u>	<u>\$ 19,644,052</u>	<u>\$ 20,991,049</u>

FREDERICK COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-10)
<b>Cash flows from operating activities</b>			
Cash received from residents and customers	\$ 1,443,205	\$ 11,936,471	\$ 13,379,676
Cash paid to suppliers	(950,810)	(5,738,361)	(6,689,171)
Cash paid to employees	(397,401)	(2,010,440)	(2,407,841)
Net cash provided (used) by operating activities	<u>94,994</u>	<u>4,187,670</u>	<u>4,282,664</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers in	<u>62,596</u>	<u>1,224,845</u>	<u>1,287,441</u>
Net cash provided (used) by noncapital financing activities	<u>62,596</u>	<u>1,224,845</u>	<u>1,287,441</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(8,860)	(3,402,711)	(3,411,571)
Recoveries for damages	-	8,456	8,456
Proceeds from sale of capital assets	-	301,078	301,078
Transfers out	<u>(24,000)</u>	<u>-</u>	<u>(24,000)</u>
Net cash provided (used) by capital & related financing activities	<u>(32,860)</u>	<u>(3,093,177)</u>	<u>(3,126,037)</u>
<b>Cash flows from investing activities</b>			
Interest received on investments	<u>29,875</u>	<u>203,316</u>	<u>233,191</u>
Net cash provided (used) by investing activities	<u>29,875</u>	<u>203,316</u>	<u>233,191</u>
Net increase in cash and cash equivalents	154,605	2,522,654	2,677,259
Cash and cash equivalents - beginning of year	<u>629,132</u>	<u>3,822,417</u>	<u>4,451,549</u>
Cash and cash equivalents - end of year	<u>\$ 783,737</u>	<u>\$ 6,345,071</u>	<u>\$ 7,128,808</u>

(continued)

FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-10)
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 10,511	\$ 1,137,734	\$ 1,148,245
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	164,897	2,715,590	2,880,487
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(30,907)	(18,594)	(49,501)
Inventory	-	(11,297)	(11,297)
Prepaid items	(31,350)	818	(30,532)
Increase (decrease) in:			
Accounts payable	(1,066)	341,953	340,887
Accrued expenses	(23,724)	10,802	(12,922)
Liability for compensated leave	6,633	10,664	17,297
Net cash provided (used) by operating activities	\$ <u>94,994</u>	\$ <u>4,187,670</u>	\$ <u>4,282,664</u>

FREDERICK COUNTY, MARYLAND  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>Tax Agency Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 217,505	\$ 50,713	\$ 136,287	\$ 131,931
Equity in pooled invested cash	103,798	2,822,352	2,775,816	150,334
Total Assets	<u>\$ 321,303</u>	<u>\$ 2,873,065</u>	<u>\$ 2,912,103</u>	<u>\$ 282,265</u>
<b>Liabilities</b>				
Due to third parties	<u>\$ 321,303</u>	<u>\$ 2,857,155</u>	<u>\$ 2,896,193</u>	<u>\$ 282,265</u>
 <b>Subdivision and Driveway Deposits Fund</b>				
<b>Assets</b>				
Equity in pooled invested cash	<u>\$ 3,759,208</u>	<u>\$ 1,637,124</u>	<u>\$ 1,163,367</u>	<u>\$ 4,232,965</u>
<b>Liabilities</b>				
Due to third parties	\$ 13,107	\$ 61,617	\$ 65,011	\$ 9,713
Performance deposits	3,746,101	1,575,507	1,098,356	4,223,252
Total Liabilities	<u>\$ 3,759,208</u>	<u>\$ 1,637,124</u>	<u>\$ 1,163,367</u>	<u>\$ 4,232,965</u>
 <b>Work Release Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 15,440</u>	<u>\$ 1,283,307</u>	<u>\$ 1,282,788</u>	<u>\$ 15,959</u>
<b>Liabilities</b>				
Due to third parties	<u>\$ 15,440</u>	<u>\$ 1,283,307</u>	<u>\$ 1,282,788</u>	<u>\$ 15,959</u>
 <b>Tax Incremental Financing Bond Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 752,761</u>	<u>\$ 752,761</u>	<u>\$ -</u>
<b>Liabilities</b>				
Due to bondholders	<u>\$ -</u>	<u>\$ 752,761</u>	<u>\$ 752,761</u>	<u>\$ -</u>
 <b>Totals - All Agency funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 232,945	\$ 2,086,781	\$ 2,171,836	\$ 147,890
Equity in pooled invested cash	3,863,006	4,459,476	3,939,183	4,383,299
Total assets	<u>\$ 4,095,951</u>	<u>\$ 6,546,257</u>	<u>\$ 6,111,019</u>	<u>\$ 4,531,189</u>
<b>Liabilities</b>				
Due to third parties	\$ 349,850	\$ 4,954,840	\$ 4,996,753	\$ 307,937
Performance deposits	3,746,101	1,575,507	1,098,356	4,223,252
Total liabilities	<u>\$ 4,095,951</u>	<u>\$ 6,530,347</u>	<u>\$ 6,095,109</u>	<u>\$ 4,531,189</u>

**FREDERICK COUNTY, MARYLAND**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE (1)**  
**JUNE 30, 2008**

	<u>2008</u>
<b>Governmental funds capital assets</b>	
Land and improvements	\$ 78,126,869
Buildings	134,862,249
Equipment	57,958,632
Infrastructure	308,392,749
Construction in progress	24,122,004
Total governmental funds capital assets	<u>\$ 603,462,503</u>
 <b>Investment in governmental funds capital assets by source</b>	
Capital projects fund (2)	\$ 513,913,146
General fund	6,132,590
Special revenue funds	68,873,471
Donations	14,543,296
Total governmental funds capital assets	<u>\$ 603,462,503</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$28,098,309 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, 2008**

<u>Function</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government	\$ 746,140	\$ 29,612,115	\$ 10,096,813	\$ -	\$ -	\$ 40,455,068
Public safety	5,408,096	49,323,921	35,683,384	-	-	90,415,401
Public works	1,766,085	4,825,828	434,852	-	-	7,026,765
Public health	348,996	7,990,977	13,252	-	-	8,353,225
Social services	182,747	13,120,549	8,965,132	-	-	22,268,428
Recreation and culture	23,090,675	29,988,859	2,765,199	-	-	55,844,733
Conservation of natural resources	46,584,130	-	-	-	-	46,584,130
Infrastructure	-	-	-	308,392,749	-	308,392,749
Construction in progress	-	-	-	-	24,122,004	24,122,004
Total governmental funds capital assets	<u>\$ 78,126,869</u>	<u>\$ 134,862,249</u>	<u>\$ 57,958,632</u>	<u>\$ 308,392,749</u>	<u>\$ 24,122,004</u>	<u>\$ 603,462,503</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$28,098,309 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, 2008**

<u>Function</u>	<u>Governmental Funds Capital Assets July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2008</u>
General government	\$ 35,145,207	\$ 5,566,878	\$ 257,017	\$ 40,455,068
Public safety	77,158,408	13,708,897	451,904	90,415,401
Public works	6,968,869	57,896	-	7,026,765
Public health	8,378,179	28,832	53,786	8,353,225
Social services	21,263,993	1,112,364	107,929	22,268,428
Recreation and culture	52,519,649	3,335,084	10,000	55,844,733
Conservation of natural resources	37,785,143	8,804,706	5,719	46,584,130
Infrastructure	292,238,402	16,166,512	12,165	308,392,749
Construction in progress	<u>26,956,492</u>	<u>31,098,648</u>	<u>33,933,136</u>	<u>24,122,004</u>
Total governmental funds capital assets	\$ <u>558,414,342</u>	\$ <u>79,879,817</u>	\$ <u>34,831,656</u>	\$ <u>603,462,503</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$28,098,309 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 These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	147
Revenue Capacity These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	153
Debt Capacity These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	157
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	161
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	163

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 SEVEN FISCAL YEARS (1)**  
(accrual basis of accounting)

	Fiscal Year						
	<u>2008</u>	<u>2007 (4)</u>	<u>2006 (4)</u>	<u>2005</u>	<u>2004 (4)</u>	<u>2003 (4)</u>	<u>2002 (4)</u>
Governmental activities							
Investment in capital assets, net of related debt	\$ 223,296,140	\$ 220,485,887	\$ 216,474,001	\$ 226,722,373	\$ 225,535,503	\$ 225,304,760	\$ 220,801,250
Restricted (2)	133,032,506	157,734,585	123,851,893	35,780,332	26,588,880	20,309,590	27,623,228
Unrestricted (Deficit) (3)	(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>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	232,785,591	214,474,800	193,225,382	175,358,149	147,999,499	142,219,673	136,917,343
Restricted	15,750,610	24,851,353	3,206,982	229,896	191,252	1,971,389	64,458,990
Unrestricted (Deficit)	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>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	456,081,731	434,960,687	409,699,383	402,080,522	373,535,002	367,524,433	357,718,593
Restricted (2)	148,783,116	182,585,938	127,058,875	36,010,228	26,780,132	22,280,979	92,082,218
Unrestricted (Deficit) (3)	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>\$ 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) Accrual-basis financial information for the county government as a whole is only available back to 2002, the year GASB Statement 34 was implemented.

(2) Due to the implementation of GASB Statement 46 in fiscal year 2006, higher restricted net assets are being reported than in previous years.

(3) 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.

(4) Restated

**FREDERICK COUNTY, MARYLAND**  
**CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS (1)**  
(accrual basis of accounting)

	Fiscal Year						
	2008	2007 (2)	2006 (2)	2005	2004 (2)	2003 (2)	2002 (2)
<b>Expenses</b>							
Governmental activities:							
General government	\$ 47,365,230	\$ 44,608,747	\$ 41,402,131	\$ 27,425,402	\$ 24,607,455	\$ 36,887,646	\$ 35,292,562
Public safety	92,368,561	82,346,886	68,737,205	58,696,992	48,301,860	48,823,335	42,848,265
Public works	36,272,941	33,363,952	30,839,056	29,789,265	31,779,170	5,651,044	13,759,447
Health	8,350,521	12,022,712	20,318,327	15,586,778	15,002,153	20,753,454	19,353,858
Social services	9,034,819	7,433,791	7,248,599	5,519,938	5,935,055	2,406,499	3,532,518
Education	280,571,794	234,952,181	236,655,998	215,923,669	214,618,912	192,710,690	200
Parks, recreation and culture	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	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	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	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	15,180,615	13,236,202	9,858,697	9,351,188	11,089,623	9,865,763	21,031,442
Total governmental activities expenses	<u>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	25,789,356	23,082,586	21,623,009	19,977,977	19,785,831	17,681,970	18,220,967
Solid waste management	20,989,211	20,649,798	17,615,883	12,366,757	11,613,296	9,618,690	9,265,701
Nursing homes	17,961,626	15,862,296	14,691,041	13,399,901	12,815,110	12,346,634	11,710,121
Public housing	121,973	127,423	106,859	107,323	111,334	(1,715,127)	1,918,836
Permitting and development review	6,866,402	6,244,552	4,761,715	4,134,794	3,334,752	108,101	-
Total business-type activities expenses	<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>\$ 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	\$ 6,123,458	\$ 10,002,667	\$ 13,070,811	\$ 1,086,267	\$ 1,026,083	\$ 6,789,686	\$ 7,083,797
Public safety	6,000,432	5,501,706	4,259,470	2,938,922	2,687,452	1,697,058	1,230,503
Public works	798,599	699,799	838,845	743,694	759,069	1,991,378	1,232,383
Health	1,955,859	2,571,249	3,575,509	3,348,561	3,461,277	6,806,508	6,763,320
Social services	1,359,191	1,199,006	1,143,596	1,632,919	1,737,198	383,575	279,257
Parks, recreation and culture	727,658	640,439	554,694	466,417	472,016	388,072	341,685
Conservation of natural resources	193,410	198,663	213,945	129,844	120,408	95,161	100,226
Community development and public housing	-	-	-	-	-	200	-
Economic development and opportunity	75,736	250,412	353,402	374,485	402,481	240,751	235,403
Operating grants and contributions:	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:	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>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 SEVEN FISCAL YEARS (1)  
(accrual basis of accounting)

	Fiscal Year						
	2008	2007 (2)	2006 (2)	2005	2004 (2)	2003 (2)	2002 (2)
Business-type activities:							
Charges for services:							
Water and sewer	\$ 19,879,735	\$ 19,651,077	\$ 20,315,028	\$ 19,177,820	\$ 18,880,725	\$ 16,363,465	\$ 16,733,299
Solid waste management	19,286,726	17,255,845	15,028,960	11,306,315	11,455,502	8,941,431	9,427,143
Nursing homes	12,276,779	12,277,443	11,101,735	10,226,199	9,674,807	9,080,715	9,605,018
Public housing	95,121	88,299	84,584	82,043	81,765	81,206	80,828
Permitting and development review	5,647,636	6,106,718	4,590,651	4,380,255	3,300,643	-	-
Operating grants and contributions:	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:	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	<u>75,227,190</u>	<u>79,667,527</u>	<u>85,497,432</u>	<u>68,217,556</u>	<u>58,132,661</u>	<u>44,082,641</u>	<u>53,786,132</u>
Total primary government program revenues	<u>\$ 134,035,356</u>	<u>\$ 140,968,337</u>	<u>\$ 152,953,681</u>	<u>\$ 120,241,934</u>	<u>\$ 109,226,805</u>	<u>\$ 104,032,380</u>	<u>\$ 120,805,475</u>
Net (Expense)/Revenue							
Governmental activities	\$ (471,280,035)	\$ (398,770,113)	\$ (377,675,477)	\$ (345,450,611)	\$ (338,780,352)	\$ (300,983,688)	\$ (95,239,858)
Business-type activities	3,498,622	13,700,872	26,698,925	18,228,804	10,472,338	6,042,373	12,670,507
Total primary government net expense	<u>\$ (467,781,413)</u>	<u>\$ (385,069,241)</u>	<u>\$ (350,976,552)</u>	<u>\$ (327,221,807)</u>	<u>\$ (328,308,014)</u>	<u>\$ (294,941,315)</u>	<u>\$ (82,569,351)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Local property taxes	\$ 244,968,090	\$ 220,103,311	\$ 202,355,103	\$ 182,302,769	\$ 167,913,097	\$ 139,943,351	\$ 145,435,575
Local income taxes	164,716,995	153,232,580	149,588,132	142,255,367	137,782,293	163,872,631	116,189,559
Other local taxes	31,601,856	41,284,492	49,031,997	57,772,607	49,074,166	36,781,991	34,312,865
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	60,000
Investment earnings	15,484,565	15,415,259	8,787,443	5,517,391	2,513,831	2,513,741	5,628,438
Miscellaneous	3,270,163	3,904,920	2,722,004	2,693,466	2,250,381	2,024,356	2,259,256
Transfers	(7,386,940)	(3,665,110)	(6,310,538)	(3,868,735)	(6,906,330)	(2,441,659)	(201,515,249)
Total governmental activities	<u>452,654,729</u>	<u>430,275,452</u>	<u>406,174,141</u>	<u>386,672,865</u>	<u>352,627,438</u>	<u>342,694,411</u>	<u>102,370,444</u>
Business-type activities:							
Investment earnings	6,719,219	7,525,143	4,226,175	2,848,200	654,240	4,155,084	4,833,207
Miscellaneous	729,699	635,984	240,664	465,661	694,704	659,649	497,603
Transfers	7,386,940	3,665,110	6,310,538	3,868,735	6,906,330	2,441,659	1,868,768
Total business-type activities	<u>14,835,858</u>	<u>11,826,237</u>	<u>10,777,377</u>	<u>7,182,596</u>	<u>8,255,274</u>	<u>7,256,392</u>	<u>7,199,578</u>
Total primary government	<u>\$ 467,490,587</u>	<u>\$ 442,101,689</u>	<u>\$ 416,951,518</u>	<u>\$ 393,855,461</u>	<u>\$ 360,882,712</u>	<u>\$ 349,950,803</u>	<u>\$ 109,570,022</u>
Change in Net Assets							
Governmental activities	\$ (18,625,306)	\$ 31,505,339	\$ 28,498,664	\$ 41,222,254	\$ 13,847,086	\$ 41,710,723	\$ 7,130,586
Business-type activities	18,334,480	25,527,109	37,476,302	25,411,400	18,727,612	13,298,765	19,870,085
Total primary government	<u>\$ (290,826)</u>	<u>\$ 57,032,448</u>	<u>\$ 65,974,966</u>	<u>\$ 66,633,654</u>	<u>\$ 32,574,698</u>	<u>\$ 55,009,488</u>	<u>\$ 27,000,671</u>

(1) Accrual-basis financial information for the county government as a whole is only available from FY 2002, the year GASB Statement No. 34 was implemented.

(2) Restated

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

	Fiscal Year									
	2008	2007	2006	2005	2004 (1)	2003	2002 (1)	2001	2000	1999
General Fund										
Reserved	\$ 3,105,738	\$ 3,394,405	\$ 3,825,762	\$ 3,567,549	\$ 3,390,883	\$ 3,755,322	\$ 4,214,879	\$ 4,347,602	\$ 2,583,454	\$ 2,396,484
Unreserved										
Designated	46,788,577	79,230,104	51,885,900	32,472,096	25,295,120	30,347,809	15,126,472	11,264,692	16,375,666	15,343,625
Undesignated	20,973,351	18,339,726	53,857,163	56,594,257	41,588,839	29,246,543	26,706,089	21,797,577	16,947,573	21,541,933
Total General Fund	<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>	<u>\$ 37,409,871</u>	<u>\$ 35,906,693</u>	<u>\$ 39,282,042</u>
All other Governmental Funds										
Reserved	\$ 25,902,551	\$ 34,693,529	\$ 26,349,699	\$ 25,967,238	\$ 14,993,032	\$ 14,563,201	\$ 10,399,734	\$ 23,624,205	\$ 27,431,903	\$ 7,881,811
Unreserved										
Designated										
Grant funds (2)	-	-	-	670,076	516,201	170,310	-	-	-	-
Special revenue funds	59,773,405	52,212,007	59,411,063	40,224,063	24,354,576	17,097,105	20,055,771	16,807,011	13,418,223	7,516,110
Undesignated										
Grant funds (2)	-	-	-	-	-	640,297	829,033	-	-	-
Capital project funds	97,993,054	70,046,722	12,503,245	(9,658,250)	25,306,231	20,349,294	(10,373,628)	9,880,908	7,514,093	344,797
Special revenue funds	24,370,105	25,313,519	25,958,899	20,424,923	20,753,183	10,506,062	8,866,420	4,819,818	842,097	729,391
Total all other governmental funds	<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>	<u>\$ 55,131,942</u>	<u>\$ 49,206,316</u>	<u>\$ 16,472,109</u>
Total Governmental Fund Balance	<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>	<u>\$ 92,541,813</u>	<u>\$ 85,113,009</u>	<u>\$ 55,754,151</u>

(1) Restated

(2) Effective Fiscal Year 2006 the Grant Fund is no longer a major fund. It was a major fund for fiscal years 2002-2005 only.

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

	Fiscal Year									
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
<b>Revenues</b>										
Local property taxes	\$ 245,072,399	\$ 220,049,674	\$ 202,393,241	\$ 183,381,053	\$ 166,807,853	\$ 154,346,972	\$ 145,823,757	\$ 135,546,040	\$ 116,496,176	\$ 110,618,541
Local income taxes	161,633,784	154,536,579	144,199,778	137,124,133	132,462,327	131,949,827	111,018,868	88,736,934	80,232,845	74,648,254
Other local taxes	38,844,848	43,622,707	50,893,829	57,562,364	48,977,481	36,707,193	33,894,663	29,255,116	18,559,854	18,036,546
Licenses and permits	525,736	555,708	831,982	979,054	847,080	2,294,473	2,202,833	2,211,075	1,986,857	2,113,732
Grants from federal government	14,972,920	14,435,041	12,950,308	12,336,937	10,945,899	9,987,246	9,706,831	6,771,184	3,737,137	3,128,153
Grants from state government	26,645,876	25,809,335	30,450,610	29,567,220	28,301,914	31,570,104	32,808,334	27,466,351	25,230,545	25,834,719
Charges for services	9,084,044	18,069,358	21,341,057	9,262,332	9,314,013	16,503,345	15,026,098	13,143,985	11,953,034	10,731,811
Fines and forfeitures	428,472	304,985	308,518	330,530	424,633	210,678	251,839	130,530	143,687	82,168
Interest from loans	59,566	89,802	19,512	11,078	8,440	11,197	-	-	-	-
Investment earnings	15,251,373	15,188,001	8,700,804	5,517,391	2,513,831	2,519,684	5,627,783	8,596,832	7,332,317	4,951,843
Miscellaneous	2,643,364	3,695,581	2,635,249	2,563,737	2,762,783	1,621,683	2,139,761	1,471,272	1,102,755	1,149,467
Total revenues	<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>	<u>313,329,319</u>	<u>266,775,207</u>	<u>251,295,234</u>
<b>Expenditures</b>										
Current										
General government	33,788,704	27,818,998	24,306,561	22,204,110	21,639,704	26,191,150	23,411,460	21,858,590	21,004,425	17,868,447
Public safety	91,745,100	74,193,200	64,500,424	56,524,525	48,492,872	46,004,951	42,033,139	36,689,466	32,325,009	27,488,581
Public works	23,592,543	19,905,496	18,984,178	20,812,477	18,008,073	17,635,413	13,957,272	12,574,656	12,573,219	11,502,799
Health	8,290,898	11,767,833	20,145,681	15,447,857	14,833,362	20,733,669	19,199,353	16,902,039	15,639,925	14,238,272
Social services	8,371,921	6,665,331	6,476,583	6,540,358	6,314,660	3,808,898	3,422,847	3,168,387	2,414,874	1,859,327
Education	241,164,441	213,329,178	196,563,412	185,300,073	179,415,425	166,000,881	200	200	200	400
Parks, recreation and culture	14,549,408	11,885,934	10,528,919	8,782,883	8,035,178	7,536,930	2,807,366	2,431,233	2,196,740	2,105,524
Conservation of natural resources	14,124,430	5,194,359	2,397,091	1,741,058	4,505,561	3,358,264	6,350,666	3,809,250	999,165	1,202,328
Community development and public housing	5,541,941	4,687,912	3,191,585	3,723,967	3,052,368	2,950,166	2,407,231	1,914,082	1,856,535	1,893,609
Economic development and opportunity	14,655,342	12,488,625	11,583,440	10,926,166	10,377,175	10,990,348	9,856,451	7,755,543	7,195,412	5,928,121
Miscellaneous	1,471,497	6,376,131	4,229,897	4,182,513	4,583,681	2,356,025	1,960,755	3,385,981	1,563,069	871,137
Intergovernmental	6,630,971	6,062,188	5,454,453	4,847,291	4,463,342	3,866,509	3,094,971	2,203,029	1,798,751	1,796,605
Debt service										
Principal	22,966,196	20,179,909	15,432,931	22,652,797	15,002,880	10,844,799	13,046,143	9,162,863	6,014,870	6,061,415
Interest	16,335,094	14,295,744	11,056,416	10,864,875	10,953,670	10,355,454	10,558,830	9,973,988	5,753,517	5,599,287
Capital projects	81,621,365	63,431,403	82,714,041	51,188,595	48,975,783	54,327,298	21,549,878	22,813,716	13,605,456	14,087,925
Total expenditures	<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>	<u>154,643,023</u>	<u>124,941,167</u>	<u>112,503,777</u>
Excess of revenues over expenditures	<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>	<u>158,686,296</u>	<u>141,834,040</u>	<u>138,791,457</u>

(continued)



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

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Other Financing Sources (Uses)</b>										
Transfer in from General Fund	\$ 36,198,005	\$ 46,308,521	\$ 31,721,340	\$ 23,656,581	\$ 25,587,376	\$ 29,266,440	\$ 22,966,955	\$ 21,820,792	\$ 22,742,154	\$ 16,386,607
Transfers in from Special Revenue Funds	11,894,630	30,331,520	10,556,300	12,954,780	6,418,131	16,210,471	7,793,112	8,090,086	614,857	1,700,616
Transfers in from Internal Service Funds	-	-	-	18,212	-	-	-	-	-	-
Transfer out to:										
General Fund	-	-	-	-	(184,481)	-	-	-	-	-
Special Revenue Funds	(11,748,149)	(8,009,101)	(8,429,500)	(7,230,957)	(5,862,101)	(8,674,575)	(6,377,395)	(5,893,460)	(5,003,204)	(3,486,987)
Capital Projects Fund	(36,344,486)	(68,630,940)	(33,848,140)	(29,380,404)	(25,958,925)	(36,802,336)	(24,382,672)	(24,017,418)	(18,353,807)	(14,600,236)
Enterprise Funds	(7,459,195)	(3,941,258)	(6,682,958)	(3,868,735)	(6,906,330)	(2,441,659)	(1,868,768)	(2,086,579)	(1,856,455)	(1,004,829)
Internal Service Funds	(976,979)	(796,768)	(1,690,917)	(14,804)	(220,000)	-	-	-	-	(20,000)
Transfer to component units	-	-	-	-	-	-	(199,646,481)	(200,972,550)	(166,613,626)	(141,333,632)
Proceeds from public facilities and refunding bonds	61,055,000	49,856,000	82,958,476	91,781,972	41,792,400	50,157,925	20,053,810	52,837,581	89,631,000	19,346,421
Payment to refunded bond escrow agent	-	-	(13,710,975)	(96,489,172)	(13,032,948)	(1,178,545)	(20,578,753)	-	-	(19,346,419)
Bond premium on public facilities and refunding bonds	2,385,238	919,527	4,751,327	8,870,030	654,580	588,545	524,943	-	-	-
Installment purchase agreement	7,948,699	-	-	-	-	-	-	-	-	-
Repayment of bond anticipation notes	-	-	-	-	-	-	-	(1,432,000)	(33,914,000)	(4,890,000)
Proceeds of capital lease	2,394,000	5,325,000	731,000	852,100	2,515,000	2,961,260	-	-	-	-
Sale of capital assets	17,475	1,250	14,550	18,000	6,900	2,000	-	-	-	-
Total other financing sources (uses)	<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>	<u>(151,653,548)</u>	<u>(112,753,081)</u>	<u>(147,248,459)</u>
Net change in fund balances	<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>	<u>\$ 7,032,748</u>	<u>\$ 29,080,959</u>	<u>\$ (8,457,002)</u>
Debt service as a percentage of noncapital expenditures (1)	7.10%	7.38%	5.92%	8.19%	6.68%	5.69%	14.33%	* (1)	* (1)	* (1)
Total Capital Expenditures	<u>2008</u> <u>\$ 31,098,648</u>	<u>2007</u> <u>\$ 30,837,441</u>	<u>2006</u> <u>\$ 30,108,166</u>	<u>2005</u> <u>\$ 16,390,964</u>	<u>2004</u> <u>\$ 10,159,969</u>	<u>2003</u> <u>\$ 14,557,931</u>	<u>2002</u> <u>\$ 8,929,516</u>	<u>2001</u> *	<u>2000</u> *	<u>1999</u> *

\* Information not available

(1) Capital expenditures are only available from FY 2002, the year GASB Statement 34 was implemented.

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

Fiscal Year	Real Property Taxable Assessed Value (1)					Public Utilities		Total		
	Residential Property	Commercial Property	Industrial Property	Total Real Property	Direct Tax Rate (2)	Taxable Assessed Value	Direct Tax Rate (2)(3)	Taxable Assessed Value	Actual Value of Taxable Property	Direct Tax Rate (2)(4)
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	\$ 28,894,182,749	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	24,526,485,212	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	21,144,798,715	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	17,083,656,722	1.032
2004	n/a	n/a	n/a	14,713,127,459	1.000	341,838,850	2.50	15,054,966,309	n/a	1.034
2003	n/a	n/a	n/a	13,852,072,854	1.000	365,088,270	2.50	14,217,161,124	n/a	1.039
2002	n/a	n/a	n/a	12,972,034,400	1.000	382,963,100	2.50	13,354,997,500	n/a	1.043
2001	n/a	n/a	n/a	4,889,192,115	2.500	374,937,880	2.50	5,264,129,995	n/a	2.500
2000	n/a	n/a	n/a	4,650,381,807	2.260	360,305,770	2.26	5,010,687,577	n/a	2.260
1999	n/a	n/a	n/a	4,442,620,985	2.260	318,801,320	2.26	4,761,422,305	n/a	2.260

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) Prior to FY 2002, all real property was assessed at 40% of estimated market value. After FY 2001, all real property has been assessed at 100% of estimated market value. Public Utility property is assessed at 100% of estimated value. The reduction in tax rates in FY 2002 reflect this change in value at which real property is assessed.
- (2) Per \$100 of assessed value
- (3) The direct rate for public utilities does not include the rate for railroads which are immaterial to the public utility revenues.
- (4) 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)

	Year Taxes Are Payable									
	2008	2007	2006	2005	2004	2003	2002	2001 (2)	2000 (2)	1999 (2)
Frederick County										
Real property	\$ 0.936	\$ 0.936	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 2.500	\$ 2.260	\$ 2.260
Public utilities	2.340	2.340	2.500	2.500	2.500	2.500	2.500	2.500	2.260	2.260
Braddock fire tax district	-	-	-	-	-	-	-	0.08	0.08	-
Brunswick fire tax district	-	-	-	-	-	-	-	0.10	0.10	-
Carroll Manor fire tax district	-	-	-	-	-	-	-	0.12	0.12	0.12
Frederick fire tax district	-	-	-	-	-	-	-	0.18	0.18	0.18
Lewistown fire tax district	-	-	-	-	-	-	-	0.09	0.09	0.09
Libertytown fire tax district	-	-	-	-	-	-	-	0.07	0.07	0.07
Middletown fire tax district	-	-	-	-	-	-	-	0.17	0.09	0.09
Myersville fire tax district	-	-	-	-	-	-	-	0.11	-	-
New Market fire tax district	-	-	-	-	-	-	-	0.16	0.07	0.07
Thurmont fire tax district	-	-	-	-	-	-	-	0.11	-	-
Walkersville fire tax district	-	-	-	-	-	-	-	0.05	0.05	-
Wolfsville fire tax district	-	-	-	-	-	-	-	0.15	-	-
Woodsboro fire tax district	-	-	-	-	-	-	-	0.12	-	-
Suburban Fire/Rescue (1)	0.080	0.080	0.080	0.065	0.065	0.045	0.045	-	-	-
Urban Fire/Rescue (1)	0.128	0.128	0.135	0.135	0.135	0.100	0.100	-	-	-
Braddock lighting tax district	0.006	0.012	0.016	0.020	0.024	0.024	0.024	0.06	0.06	0.06
Libertytown lighting tax district	0.013	0.018	0.021	0.022	0.020	0.020	0.020	0.05	0.05	0.05
New Addition lighting tax district	0.007	0.012	0.014	0.021	0.028	0.028	0.028	0.07	0.07	0.07
State	0.112	0.112	0.132	0.132	0.132	0.084	0.084	0.21	0.21	0.21
Brunswick	0.432	0.452	0.452	0.488	0.488	0.488	0.488	1.22	1.22	1.27
Burkittsville	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.35	0.35	0.35
Emmitsburg	0.360	0.360	0.360	0.360	0.360	0.360	0.360	0.75	0.70	0.61
Frederick	0.670	0.690	0.690	0.690	0.640	0.640	0.640	1.57	1.59	1.59
Middletown	0.232	0.232	0.232	0.232	0.232	0.232	0.232	0.58	0.58	0.58
Mt. Airy	0.174	0.183	0.188	0.193	0.202	0.206	0.206	0.56	0.56	0.56
Myersville	0.274	0.274	0.274	0.274	0.236	0.236	0.236	0.59	0.62	0.64
New Market	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.30	0.30	0.30
Rosemont	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.10	0.10	0.10
Thurmont	0.280	0.265	0.270	0.273	0.248	0.248	0.248	0.62	0.62	0.62
Walkersville	0.156	0.156	0.166	0.176	0.176	0.176	0.176	0.44	0.44	0.44
Woodsboro	0.120	0.129	0.138	0.152	0.152	0.152	0.152	0.38	0.38	0.38

Source: County Treasurer's Office

Note: (1) In 2002 fire tax districts combined from individual stations into urban and suburban tax districts.

(2) Prior to FY 2002, all county property was assessed at 40% estimated market value. After FY 2001, all property has been assessed at 100% of estimated market value. The reduction in tax rates in FY 2002 reflect this change in value at which property is taxed.

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

<u>Name of Taxpayer</u>	<u>Fiscal Year 2008</u>			<u>Fiscal Year 1999</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 Company	\$ 147,901,920	1	0.65 %	\$ 156,264,190	1	3.28 %
BBR Properties, LLC	126,100,870	2	0.55	-	-	-
Verizon Maryland/Bell Atlantic	96,034,720	3	0.42	99,934,570	2	2.10
PR Financing Limited Partnership	68,187,566	4	0.30	-	-	-
State Farm Mutual Auto Insurance	44,115,866	5	0.19	15,127,520	8	0.32
Washington Gas Light Company	38,660,340	6	0.17	29,428,650	3	0.62
River X, LLC	36,133,800	7	0.16	-	-	-
Aidi, Inc.	33,860,800	8	0.15	-	-	-
Writ Frederick Crossing Land, LLC	33,283,833	9	0.15	-	-	-
Fannie Mae	31,103,933	10	0.14	-	-	-
Crown American Financing Part.	-	-	-	27,584,620	4	0.58
American Telephone & Telegraph	-	-	-	21,998,140	5	0.46
Eastalco Aluminum Company	-	-	-	16,889,280	6	0.35
Manekin/Morecop	-	-	-	16,434,550	7	0.35
Frederick Towne Mall Associates	-	-	-	13,196,280	9	0.28
Baltimore Gas & Electric	-	-	-	11,192,630	10	0.24
Totals	<u>\$ 655,383,648</u>		<u>2.88 %</u>	<u>\$ 408,050,430</u>		<u>8.58 %</u>

Source: County Treasurer's Office

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments (1)	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2008	\$ 207,783,675	\$ (2,144,875)	\$ 205,638,800	\$ 205,408,797	99.89 %	\$ -	\$ 205,408,797	99.89 %
2007	184,842,012	(690,568)	184,151,444	183,777,116	99.80	314,652	183,777,116	99.80
2006	172,327,183	(847,529)	171,479,654	171,182,698	99.83	282,205	171,464,904	99.99
2005	160,956,202	5,996,797	166,952,999	166,492,845	99.72	444,592	166,937,437	99.99
2004	145,697,511	8,786,093	154,483,604	153,934,018	99.64	534,259	154,468,277	99.99
2003	136,136,573	10,179,461	146,316,034	145,762,664	99.62	549,445	146,312,109	100.00
2002	127,284,351	10,697,607	137,981,958	137,338,900	99.53	638,021	137,976,921	100.00
2001	120,100,222	10,370,387	130,470,609	130,193,033	99.79	276,260	130,469,293	100.00
2000	n/a	n/a	112,274,339	112,023,603	99.78	249,145	112,272,748	100.00
1999	n/a	n/a	106,915,915	106,650,728	99.75	263,597	106,914,325	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 2001 through 2005 "adjustments" included additions, abatements and new construction bills. For fiscal years 2006 through 2008, only additions and abatements 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>
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
2001	207,723,011	2,951,075	-	3,450,314	-	214,124,400
2000	162,745,189	5,156,075	-	4,723,211	-	172,624,475
1999	78,333,485	39,080,075	-	4,907,549	-	122,321,109

<b>Business-Type Activities</b>							
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Bond Anticipation Notes</b>	<b>Notes Payable</b>	<b>Total Business-Type Activities</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (1)</b>
2008	\$ 142,783,205	\$ -	\$ 28,293,975	\$ 171,077,180	\$ 586,334,706	6.4%	\$ 2,521
2007	133,058,132	-	29,688,011	162,746,143	530,404,469	5.9%	2,295
2006	98,068,957	-	29,602,176	127,671,133	449,848,809	5.0%	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	4.9%	1,708
2002	61,560,990	6,583,925	33,269,694	101,414,609	304,166,571	4.2%	1,448
2001	64,581,987	9,413,925	32,142,229	106,138,141	320,262,541	4.6%	1,565
2000	47,453,062	19,413,925	30,511,306	97,378,293	270,002,768	4.2%	1,383
1999	44,533,881	21,754,925	25,720,390	92,009,196	214,330,305	3.7%	1,096

**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.

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

<b>Fiscal Year</b>	<b>General Obligation Debt</b>	<b>Installment Purchase Agreements (1)</b>	<b>Less Amounts to be Paid with Other Resources</b>	<b>Total Net General Obligation Debt Outstanding</b>	<b>Percentage of Total Estimated Actual Value of Taxable Property (2)</b>	<b>Per Capita (3)</b>
2008	\$ 506,160,000	\$ 39,608,678	\$ (279,834,495)	\$ 265,934,183	1.16%	\$ 1,143
2007	455,504,999	31,659,979	(241,586,012)	245,578,966	1.20%	1,063
2006	388,620,003	20,751,405	(187,272,256)	222,099,152	1.20%	970
2005	305,845,001	15,767,333	(135,488,237)	186,124,097	1.15%	835
2004	320,385,001	8,774,670	(135,697,951)	193,461,720	1.29%	884
2003	307,270,000	1,147,228	(125,772,002)	182,645,226	1.28%	854
2002	259,609,999	-	(106,330,430)	153,279,569	1.15%	730
2001	274,793,273	-	(113,372,771)	161,420,502	1.23%	789
2000	213,879,147	-	(81,648,958)	132,230,189	1.06%	677
1999	122,867,366	-	(44,533,881)	78,333,485	0.66%	400

**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, 2008

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct:			
Frederick County	\$ 415,257,526	100 %	\$ 415,257,526
Overlapping Debt:			
Component Units:			
Frederick County Public Schools	20,236,244	100 %	20,236,244
Towns, Cities and Villages:			
Brunswick	253,981	100 %	253,981
Emmitsburg	546,699	100 %	546,699
Frederick City	39,157,242	100 %	39,157,242
Middletown	232,500	100 %	232,500
Mount Airy	4,221,446	43 %	1,815,222
Myersville	3,797,142	100 %	3,797,142
Thurmont	8,616,985	100 %	8,616,985
Subtotal Overlapping:	<u>77,062,239</u>		<u>74,656,015</u>
Totals	\$ <u>492,319,765</u>		\$ <u>489,913,541</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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Debt limitation - 6% of total assessed value (1)	\$ 1,231,244,335	\$ 1,113,792,014	\$ 974,034,339	\$ 903,297,979	\$ 853,029,667	\$ 801,299,850	\$ 789,619,499	\$ 751,603,137	\$ 714,213,346
Total debt applicable to limit (2)	<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>	<u>106,138,141</u>	<u>97,378,293</u>	<u>92,009,196</u>
Legal debt margin	<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>	<u>\$ 683,481,358</u>	<u>\$ 654,224,844</u>	<u>\$ 622,204,150</u>
Total net debt applicable to the limit as a percentage of debt limit	12.65%	11.09%	10.31%	11.92%	13.44%	11.83%	13.44%	12.96%	12.88%

**Legal debt margin calculation for fiscal year 2008**

Assessed valuations (3)	\$ 22,890,426,587
Debt limitation - 6% of total assessed value	1,373,425,595
Debt applicable to limitation	
Total bonds payable	142,783,205
Total notes payable	<u>28,293,975</u>
Total debt applicable to limit (2)	<u>171,077,180</u>
Legal debt margin	<u>\$ 1,202,348,415</u>
Total net debt applicable to the limit as a percentage of debt limit	12.46%

(1) Assessed values based on 100% of real estate assessment. Debt limitation based on 6% of assessed values. Fiscal years 2001 and prior based on 40% assessment and debt limitation based on 15% of assessed values.

(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.

(3) Source - Maryland State Department of Assessments and Taxation

**Sources:** (1) Frederick County, Maryland Code of Ordinances 2004 and 2005 S-2 Supplement  
(2) Maryland State Department of Assessments and Taxation  
(3) Division of Finance

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

Year	Population(1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (2)	Public School Enrollment (3)	Community College Academic State FTE (4)			Unemployment Rate (2)
					Credit	Non- Credit	Total	
2008	232,700	\$ 9,105,528 *	\$ 41,313 *	40,566	3,322	358	3,680	3.4 %
2007	231,100	9,042,233 *	41,025 *	40,315	3,197	382	3,579	3.3
2006	228,900	8,956,154 *	40,634 *	39,741	3,011	432	3,443	3.1
2005	223,000	8,725,305	39,587	39,564	2,826	363	3,189	3.0
2004	218,800	8,143,692	37,486	39,003	2,744	346	3,090	2.9
2003	213,900	7,526,137	35,265	38,621	2,651	289	2,940	2.9
2002	210,100	7,176,991	34,324	38,122	2,484	276	2,760	3.1
2001	204,700	6,930,141	34,252	36,961	2,396	268	2,664	2.3
2000	195,277	6,427,226	32,693	36,145	2,397	293	2,690	1.8
1999	195,600	5,748,060	29,999	35,462	2,314	274	2,588	2.3

Sources: (1) Fiscal year 2000 is U.S. Census figure; all others estimated by Frederick County Division of Planning  
 (2) Frederick County Office of Economic Development, US Bureau of Economic Analysis  
 (3) Frederick County Board of Education  
 (4) Frederick Community College

\* estimated using Frederick County Department of Planning population growth rates

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

<u>Employer</u>	<u>2008</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u> *	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Fort Detrick	7,900 *	1	8.42 %	6,100 *	1	9.12 %
Frederick County Board of Education	5,384	2	5.74	3,880	2	5.80
Frederick County Government	2,483	3	2.65	1,869	4	2.79
Frederick Memorial Healthcare System	2,350	4	2.51	2,000	3	2.99
Bechtel Corporation	2,203	5	2.35	-	-	-
SAIC	1,670	6	1.78	-	-	-
Wells Fargo Home Mortgage	1,500	7	1.60	-	-	-
Frederick Community College	1,320	8	1.41	-	-	-
United Health Care (formerly Mamsi)	1,073	9	1.14	1,200	6	1.79
CitiMortgage	900	10	0.96	-	-	-
Bechtel Power	-	-	-	1,700	5	2.54
First USA	-	-	-	945	8	1.41
First Nationwide Mortgage	-	-	-	1,135	7	1.70
Alcoa-Eastalco Works	-	-	-	840	10	1.26
State Farm Insurance	-	-	-	874	9	1.31
	<u>26,783</u>		<u>28.56 %</u>	<u>20,543</u>		<u>30.71 %</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>Function/Program</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><u>2001</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>
General government	384	350	335	335	326	305	312	272	280	280
Public safety	846	762	704	646	584	561	536	491	405	441
Public works	421	395	383	359	363	357	338	322	337	337
Health	337	316	313	292	299	300	326	311	351	351
Social services	141	136	126	125	128	127	122	109	118	121
Parks, recreation and culture	50	49	50	42	42	44	43	36	84	84
Library	121	116	108	91	89	88	86	67	95	95
Conservation of natural resources	7	7	7	7	7	6	6	6	9	9
Community dev. & public housing	11	8	7	6	6	6	5	6	6	6
Economic dev. & opportunity	<u>114</u>	<u>104</u>	<u>111</u>	<u>106</u>	<u>110</u>	<u>120</u>	<u>122</u>	<u>97</u>	<u>143</u>	<u>145</u>
Total	<u><u>2,432</u></u>	<u><u>2,243</u></u>	<u><u>2,144</u></u>	<u><u>2,009</u></u>	<u><u>1,954</u></u>	<u><u>1,914</u></u>	<u><u>1,896</u></u>	<u><u>1,717</u></u>	<u><u>1,828</u></u>	<u><u>1,869</u></u>

**Source:** Human Resources

Note: (1) Fiscal years 1999-2000 are a total employee count.  
 (2) Fiscal years 2001-2008 are full-time equivalents.

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

Function/Program	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>General Government</b>										
Human Resources										
Employment announcements issued	272	265	182	170	180	215	201	260	170	170
Employment applications received/reviewed	7,968	6,989	6,000	7,000	6,000	6,000	3,800	3,700	4,000	4,000
Finance/Accounting										
Accounts payable checks generated	29,216	23,557	28,000	31,000	31,000	29,840	29,600	30,000	30,800	29,300
Invoices prepared	2,291	2,235	1,920	1,800	1,700	1,550	1,850	1,700	1,550	1,500
Purchasing										
Formal bids, RFP's, sole source & emergencies	204	207	225	200	*	*	*	*	*	*
Treasurer										
Property tax bills/delinquent notices mailed	101,648	106,403	87,207	93,000	87,000	87,000	86,000	84,200	82,629	75,914
Building Maintenance										
Buildings	136	121	116	114	110	106	73	61	60	47
Work orders/service requests	4,040	3,767	4,486	4,272	3,758	3,654	3,232	*	4,200	4,000
Square feet of properties managed	1,232,121	1,212,276	1,183,434	1,142,634	1,058,350	1,016,495	970,455	818,103	892,032	860,050
Facility Services										
Square footage of properties cleaned	713,033	713,919	644,419	644,419	627,493	627,493	567,898	532,898	512,898	512,898
Number of leases managed	37	35	37	37	44	38	21	21	17	17
Square feet of leased property managed	169,258	166,769	155,303	155,303	172,519	172,931	151,349	148,403	118,643	118,643
Pieces of outgoing U.S. mail	415,488	425,899	400,560	485,000	465,458	455,136	454,942	*	400,000	400,000
Elections										
Registered voters	127,227	124,000	124,000	122,000	113,000	118,000	113,832	107,632	102,000	98,000
Liquor Board										
Regular liquor licenses	299	294	298	295	290	295	295	*	*	275
Liquor inspections	3,652	3,260	3,260	3,200	3,130	3,600	3,400	*	*	3,200
Internal Audit										
Internal Audits performed	16	19	16	21	20	21	20	21	20	21
Circuit Court										
Cases filed	11,168	10,053	9,303	7,939	6,106	10,071	6,806	7,392	7,400	7,050
<b>Public Safety</b>										
Housing units constructed	738	1,143	2,087	1,653	1,781	1,924	1,639	2,169	2,918	2,644
Sheriff's Office										
Administration Bureau										
Civil Process papers served	24,771	21,596	25,200	24,500	29,050	*	30,784	30,741	34,704	31,549
Courthouse Security										
Prisoners handled: adult/juvenile	4,844	5,336	5,200	5,250	4,050	3,730	4,297	4,285	4,595	4,461
Operations: Law Enforcement										
Arrests: adult/juvenile	4,197	4,376	4,961	4,386	4,700	5,119	4,541	4,383	4,205	3,436
Calls for service	88,434	68,159	58,687	68,340	65,000	*	48,354	41,232	40,632	40,000
Adult Detention Center										
Average daily population	484	498	464	466	452	429	449	418	405	383
Emergency Communications										
Fire/EMS dispatches	26,642	26,378	25,591	22,827	27,394	*	22,816	22,510	20,841	*
Police dispatches	131,355	109,285	102,598	79,297	83,946	*	76,998	72,232	60,778	*
911 calls	107,353	109,601	107,127	109,210	109,795	*	94,380	97,394	95,948	*
Animal Control										
Calls for service	8,110	7,771	7,061	6,960	6,838	6,469	6,148	4,943	5,204	*

(continued)

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

Function/Program	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Public Works</b>										
Water facilities										
Customers (FY 02-08), Equiv units (FY 99-01)	20,131	20,081	19,692	17,578	17,039	16,628	16,276	22,304	20,012	20,298
Annual production (1,000 gals.)	1,712,670	1,952,000	1,952,328	1,860,600	1,639,941	1,639,941	1,700,000	1,736,300	1,663,000	1,692,400
Sewer facilities										
Customers (FY 02-08), Equiv units (FY 99-01)	25,923	25,890	24,787	24,614	23,724	23,153	22,663	31,988	28,194	28,987
Fleet Services										
Work orders	5,507	5,372	4,277	7,695	6,300	5,557	5,850	5,700	5,400	5,100
Vehicles maintained	994	959	888	820	802	788	777	679	640	582
Highway Operations										
County roads - mileage maintained	1,258	1,257	1,256	1,245	1,237	1,235	1,221	1,213	1,207	1,199
Tar and chip maintenance (miles)	41	59	95	*	53	54	46	34	51	37
Usage of salt & cinders (tons)	22,911	24,144	25,000	18,900	27,118	*	*	*	*	*
Transportation Engineering										
Bridges inspected	170	170	170	172	265	*	*	*	*	*
Road overlay (miles)	32	25	26	26	22	49	*	*	*	*
Construction Management										
CIP and developer funded subdivision projects completed	106	77	193	163	80	170	118	171	75	66
TransIT										
Passenger trips	737,974	709,701	651,306	553,344	460,738	378,094	313,238	310,721	288,312	283,854
Revenue vehicle miles	1,110,748	1,096,130	1,053,170	994,505	867,664	749,759	725,841	677,047	665,001	653,832
Revenue vehicle hours	85,829	83,467	80,541	83,038	76,641	67,913	54,924	44,778	45,096	45,002
<b>Health</b>										
Health Department										
Public health nursing contacts	25,839	35,046	31,379	29,866	*	*	*	*	*	*
Mental health visits	10,691	10,803	5,958	7,053	*	*	*	*	*	*
Substance abuse visits	30,474	32,063	10,932	13,734	*	*	*	*	*	*
Dental visits for children	5,056	4,410	4,486	4,556	*	*	*	*	*	*
Environmental health reviews/inspections	14,664	15,132	14,041	13,588	*	*	*	*	*	*
School health program										
Children served	40,566	40,315	40,524	40,400	40,000	39,800	38,028	36,757	36,000	35,658
Health room visits	271,815	248,626	160,000	147,070	150,000	201,000	156,280	132,467	117,200	117,100
Developmental Center										
Infants & Toddlers Program children served	529	533	*	*	*	*	*	*	*	*
School-based services visits	11,512	10,551	*	*	*	*	*	*	*	*
Audiology services visits	877	860	969	861	921	1,049	969	982	953	*
<b>Social Services</b>										
Social Services										
Child & Adult Care Food Program										
Home visits	900	900	1,344	1,026	981	*	*	*	*	*
Department of Aging										
Home delivered meals served to elderly	50,042	52,141	20,000	21,000	27,000	25,000	24,000	10,000	12,000	11,256
Congregate meals served	16,638	16,656	19,000	21,500	23,000	30,000	31,000	40,000	41,500	42,528

(continued)

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

Function/Program	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Parks, recreation and culture</b>										
Parks & Recreation										
Parks acres maintained	1,572	1,534	1,534	1,511	1,511	1,511	1,526	1,394	1,394	1,394
Recreation center attendance	119,206	80,000	55,000	45,000	46,066	42,400	*	*	*	*
<b>Conservation of natural resources</b>										
Agriculture (2002)										
Farms	1,273	1,273	1,273	1,273	1,273	1,304	1,304	1,304	1,304	1,304
Acreage	195,827	195,827	195,827	195,827	195,827	215,927	215,927	215,927	215,927	215,927
Preserved land										
Farms	298	274	244	220	195	168	144	118	103	98
Acreage	40,163	37,807	33,836	30,782	27,396	23,147	20,398	16,911	14,776	13,889
<b>Community development and public housing</b>										
Bell Court housing project (28 units)										
Occupancy rate	100%	99%	99%	99%	99%	98%	*	*	*	*
<b>Economic development and opportunity</b>										
Workforce Services										
One - stop services - customers served	2,365	2,507	2,310	2,310	2,310	2,000	2,000	*	*	*
One - stop services - youth customers served	330	*	*	*	*	*	*	*	*	*
Job orders received	2,116	*	*	*	*	*	*	*	*	*
Customized training provided (trainees)	1,663	*	*	*	*	*	*	*	*	*
Maryland Business works projects (trainees)	310	*	*	*	*	*	*	*	*	*
Customized & onsite recruitment events	31	*	*	*	*	*	*	*	*	*
Website unique visitors	21,774	*	*	*	*	*	*	*	*	*
Office of Economic Development										
Average web hits per month	365,115	326,761	280,396	251,629	169,475	98,791	63,305	43,000	*	*
Inquiries	3,343	3,273	2,507	-	*	*	*	*	*	*
Prospects	440	405	482	*	*	*	*	*	*	*
Projects	422	396	137	184	187	125	*	*	*	*
Companies visited	424	455	486	321	349	356	342	186	*	*
Companies assisted	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.

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

<b>Function/Program</b>	<b>Fiscal Year</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><u>2001</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>
<b>General Government</b>										
Building maintenance										
Buildings managed	136	121	116	114	110	106	73	61	60	47
<b>Public Safety</b>										
Fire/rescue stations	30	30	30	30	30	30	30	30	28	28
Adult Detention Center average daily population	484	498	464	466	452	429	449	418	405	383
<b>Public Works</b>										
County roads - mileage	1,258	1,257	1,256	1,245	1,237	1,235	1,221	1,213	1,207	1,199
Water facilities										
Plants/Distribution Systems	14	14	14	14	14	15	15	15	15	15
Daily capacity (1,000 gals.)	12,432	10,193	10,193	9,485	9,485	9,645	9,645	9,645	9,645	9,645
Miles of water mains	284	271	253	243	231	228	211	204	185	174
Hydrants	2,357	2,259	2,085	1,924	1,778	1,778	1,583	1,506	1,320	1,178
Sewer facilities										
Plants/Collection Systems	16	16	17	17	17	16	16	16	16	16
Daily capacity (1,000 gals.)	7,677	7,677	7,707	7,707	7,701	7,701	7,766	7,766	7,566	7,506
Miles of sewer mains	344	339	327	313	303	293	283	277	256	238
Bridges										
Bridges (over 20' spans)	215	215	214	214	213	213	213	213	213	210
Fleet services										
Vehicles	994	959	888	820	802	788	777	679	640	582
<b>Parks, Recreation and Culture</b>										
County park acreage	1,572	1,534	1,534	1,511	1,511	1,511	1,526	1,394	1,394	1,394
County facilities	30	30	29	29	29	29	*	*	*	*

\* Information not available

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



