

# Frederick County

# Maryland



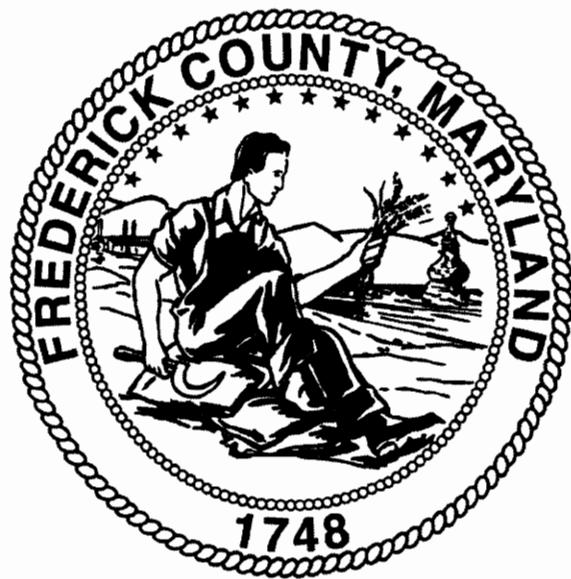
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2006

*Frederick County, Maryland*

*Comprehensive Annual Financial Report*

*Fiscal Year 2006*

*July 1, 2005 – June 30, 2006*



*Prepared by the Finance Division*

# OUR MISSION



*Front Cover: The cover picture of The Civil War Correspondents Memorial was donated by New Market, Maryland artist Marilu Tousignant. The Memorial was erected in 1896 by George Alfred Townsend "Gath", who was the youngest war correspondent of the Civil War. The Memorial features tables inscribed with the names of 157 fellow correspondents and war artists. The Memorial is located in Gathland State Park, near Burkittsville.*

*Frederick County photos were provided by Robin Santangelo, of the County Managers Office.*

**FREDERICK COUNTY, MARYLAND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

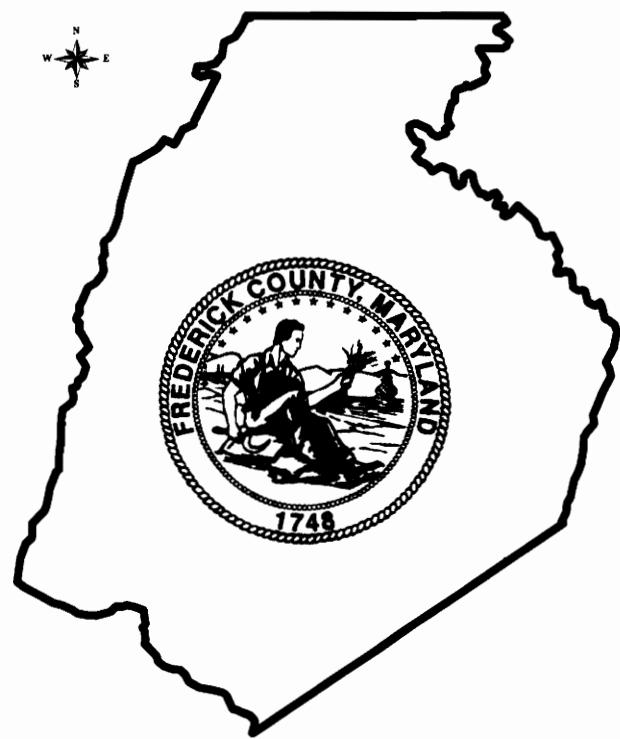
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## INTRODUCTORY SECTION





## FINANCE DIVISION FREDERICK COUNTY, MARYLAND

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

December 11, 2006

### COMMISSIONERS

David P. Gray  
*President*

Charles A. Jenkins  
*Vice President*

Jan H. Gardner

Kai J. Hagen

John L. Thompson, Jr.

### COUNTY MANAGER

Douglas D. Browning

### ACTING DIVISION DIRECTOR

Richard J. Duthoy, CPA

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

I am pleased to submit this Comprehensive Annual Financial Report (CAFR) of Frederick County, Maryland (the "County") for the fiscal year ended June 30, 2006. This report was prepared by the County's Finance Division. The CAFR is designed to meet the requirements of generally accepted accounting principles and comply with the statutes and regulations that pertain to the presentation of financial information. This report includes the independent auditors' opinion of the Board of County Commissioners' (the "Board") appointed certified public accounting firm as provided by Section 2-7-68 of the Frederick County Code. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with management. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

Management of the County is responsible for establishing and maintaining an internal control structure 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 Generally Accepted Accounting Principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that:

- the cost of a control should not exceed the benefits likely to be derived, and
- the valuation of costs and benefits requires estimates and judgments by management.

As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.



TRUSTWORTHINESS • RESPECT  
RESPONSIBILITY • FAIRNESS  
CARING • CITIZENSHIP

CHARACTER COUNTS! and the Six  
Pillars of Character are service  
marks of the CHARACTER  
COUNTS! Coalition, a project of the  
Josephson Institute of Ethics.  
[www.charactercounts.org](http://www.charactercounts.org)

The financial statements of Frederick County, Maryland have been audited by Linton Shafer Warfield & Garrett, P.A., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of Frederick County, Maryland for the fiscal year ended June 30, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements for Frederick County, Maryland for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

The County is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 (as amended in 1996) 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 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 228,800. Frederick County, Maryland is bordered on the north by the state 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 state of Virginia.

There are twelve incorporated towns within Frederick County. The County seat and largest city is the City of Frederick, which has an estimated population of 60,725. 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 serve 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 county commissioners. Section 1 of said 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 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 and the Water and Sewer Enterprise Funds are wholly supported through user fees. The Citizens Care and Rehabilitation Center, Montevue Home, and the Division of Permitting and Development Review are primarily supported through user fees with supplemental support from the General Fund. For FY2006, the Solid Waste Enterprise Fund received a one-time subsidy of \$1.6 million relative to the delayed implementation of the System Benefit Charge (see Subsequent Event Footnote, 4.G. in Exhibit II-A-13). 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. Additional information on the component units can be found in Note 1 in Exhibit II-A-13.

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, 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. As submitted to the Board, the General Fund Budget must contain: the current fiscal year's estimated fund balance in excess of 5 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 said 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 said 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 next five fiscal years and the proposed means of financing such 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 expense funds may be included in the General Fund Budget.

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 – 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 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 the 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 228,800 as of July 2006, a 52.3 percent increase from 1990. The growth rate for the State of Maryland for that same time period was 17 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 second highest number of new jobs created in the State of Maryland for calendar year 2001 to calendar year 2005, for a total of 19 percent of all new jobs created in the State. The civilian labor force in the County was estimated at 124,212 in June 2006. Of this number, 120,155 were employed, resulting in an unemployment rate for the County of 3.3 percent. This rate is substantially lower than the statewide unemployment rate of 4.0 percent and the national unemployment rate of 4.6 percent. (Source: Maryland Department of Labor, Licensing and Regulation)

The County's estimated taxable property value has increased \$5.1 billion since 2001 or 38.6 percent. As of June 30, 2006, taxable assessed value totaled \$18.2 billion. The growth in the taxable assessable base from FY2005 to FY2006 was 14.3 percent. The continuation of emphasis on economic development within the County should result in above average 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.

Fort Detrick, a military installation primarily dedicated to medical research, is a stabilizing and driving economic player in the County. Fort Detrick is planning \$373 million in expansion and capital improvements over the next three years and \$3.2 billion over the next decade.

**Long-term Financial Planning** - Major initiatives during FY2006 were predominately in the Capital Budget area. Major general governmental projects approved in the six year Capital Improvements Program (fiscal years 2006-2011) include:

- Public Safety Training Facility, Phase III
- Thurmont Regional Library
- Oakdale High School
- Middletown Primary School
- Earth Space Science Lab Renovation/Addition
- Urbana Area Middle School
- Classroom/Student Center Building – Frederick Community College

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 \$725 million for fiscal years 2006 to 2011.

Frederick County concluded the fiscal year ended June 30, 2006, with a General Fund unreserved and undesignated fund balance of \$53.9 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 \$332.3 million. The required balance of the reserve was \$16.6 million, an increase of \$1.0 million over FY2005. The actual unreserved, undesignated fund balance decreased \$2.7 million from the unreserved, undesignated fund balance at June 30, 2005. The June 30, 2006 unreserved, undesignated fund balance of \$53.8 million provides \$37.2 million of excess fund balance above the required 5 percent requirement. This amount is available for use in funding future budgets.

**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 FY2006 General Fund earnings from these programs totaled \$5.7 million.

**Risk Management** - The County continues to work to keep safety programs and loss control operations working effectively. The Department 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 5 percent drug free workplace credit, which equates to a premium savings of \$179,292. The County's modified duty policy, which returns injured workers back to the workplace during recuperation, saves in lost work time and increases productivity.

## 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, 2005. 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, and 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, Leslie Pellegrino, and the

Accounting Team Leaders, Susan Blum, Lori Decker, Regina Howell, and Erin White, along with their staffs. Administration of the budget process, without which the accounting and financial reporting could not exist, is in the capable hands of John Kroll, Assistant Director of Finance, and Michael Gastley, Budget Officer, and their staff. A special thanks goes to them as well. I express my appreciation to Douglas Browning, County Manager, and to 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.

Respectfully submitted,



Richard J. Duthoy, CPA  
Acting Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Frederick County,  
Maryland

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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.



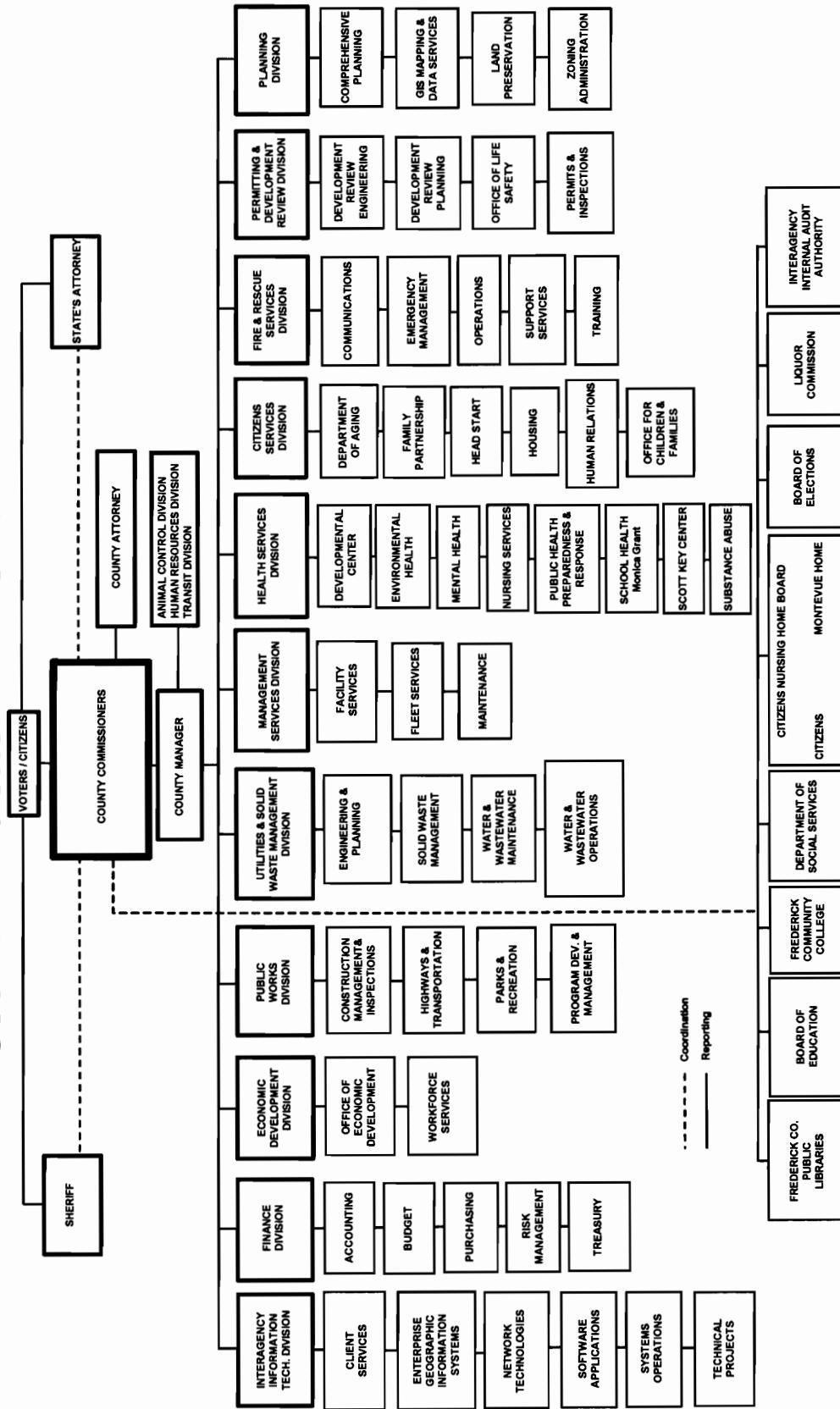
*Carla E. Pease*

President

*Jeffrey R. Ecker*

Executive Director

# FREDERICK COUNTY, MARYLAND GOVERNMENT ORGANIZATION CHART





**Board of County Commissioners of Frederick County, Maryland  
2002-2006 Term**

Seated from left

Commissioner Jan H. Gardner; Commissioner John L. Thompson, Jr., President;  
Commissioner Michael L. Cady, Vice President

Standing from left

Commissioner Bruce L. Reeder, and Commissioner John R. Lovell, Jr.



## Frederick County, Maryland

### Summary of Elected and Appointed Officials

#### Board of County Commissioners

John L. Thompson, Jr., *President*  
Michael L. Cady, *Vice President*  
John R. Lovell, Jr.  
Jan H. Gardner  
Bruce L. Reeder

County Manager	Douglas D. Browning
Sheriff	James W. Hagy
State's Attorney	Scott L. Rolle, Esquire
County Attorney	John S. Mathias, Esquire
Division of Animal Control	Harold L. Domer
Director of Citizens Services Division	Margaret Nusbaum
Acting Director of Finance Division	Richard J. Duthoy, CPA
Director of Fire and Rescue Services Division	Walter F. Murray
Director of Interagency Information Technologies Division	Dale R. Spangenberg
Director of Management Services Division	Austin S. Abraham
Director of Planning Division	J. Steven Kaii-Ziegler, AICP
Director of Permitting & Development Review	Gary W. Hessong
Director of Public Works Division	Alan J. Hudak, P.E.
Director of Transit Division	Sherry Burford
Director of Utilities and Solid Waste Management Division	Michael G. Marshner
Health Officer - Health Services Division	Barbara A. Brookmyer, MD
Director of Department of Human Resources	Mitchell L. Hose
Director of Office of Economic Development	Marie S. Keegin
Director of Frederick County Public Libraries	Darrell L. Batson
Director of Internal Audit	Martin T. Standel

## **Component Units**

### **Board of Education**

President	Michael E. Schaden
Vice-President	Kathryn B. Groth
Member	Daryl A. Boffman
Member	Bonnie M. Borsa
Member	Barbara L. Craig
Member	Donna J. Crook
Member	Jean A. Smith
Student Representative	Neera Nathan
Superintendent	Dr. Linda D. Burgee

### **Frederick Community College**

Chair	Deborah E. Voso
Vice Chair	Stephen S. Burgoon
Trustee	Nick Diaz
Trustee	Rev. Samie L. Conyers
Trustee	Timothy J. Wesolek
Trustee	Brad W. Young
Trustee	George H. Littrell III
President	Dr. Carol Eaton

### **Frederick County Public Library**

President	Eric Larson
Vice-President	Robert G. Marmet
Secretary/Treasurer	Tina B. Prensky
Member	Luis Lobo
Member	Fran Baker
Member	Sandra L. Doggett
Member	Thomas C. Kutz
Student Representative	Nick Merrill

## **FINANCIAL SECTION**





Linton Shafer Warfield & Garrett, P.A.  
Certified Public Accountants & Business Consultants

EDWARD T. GARRETT, CPA  
MEREDITH C. HARSHMAN, CPA  
PAUL D. HEMME, CPA  
KEVIN R. HESSLER, CPA  
DONALD C. LINTON, CPA, CFP, PFS  
JOSEPH M. McCATHRAN, CPA  
BARBARA CLINE-ROMAN, CPA  
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, 2006, 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 99%, 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of 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, and the aggregate remaining fund information of Frederick County, Maryland, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and grants fund 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 8, 2006 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 grants, 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 the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis information is not a required part of the basic financial statements but is 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 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 the basic financial statements of Frederick County, Maryland's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other schedules listed in the Table of Contents as supplementary information, and the 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 other schedules of supplementary information, listed in the Table of Contents as Exhibits II-B, II-A-14, and II-A-15, have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, 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 by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

December 8, 2006

Linton Shafer Warfield & Garrett, P.A.  
Certified Public Accountants & Business Consultants

## **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).

### **HIGHLIGHTS**

#### **Financial Highlights**

- The assets of Frederick County Government exceeded its liabilities at the close of this fiscal year by \$594.1 million (net assets). Approximately 50.7% of this amount is attributable to the County's business-type activities. Of total net assets, \$409.7 million is invested in capital assets, net of related debt, and \$127.1 million is restricted for specific purposes (restricted net assets). The County's total unrestricted net assets is \$57.3 million. This total unrestricted net asset amount includes a balance of \$104.8 million from business-type activities, offset by a deficit balance in unrestricted net assets from governmental activities of \$47.5 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 \$209.3 million of bonds payable, the proceeds of which have been used to fund school construction.
- The County's overall financial position has improved since the prior fiscal year. Total net assets increased by \$75.0 million or 14.5%. The governmental net assets increased by \$37.5 million, or 14.7%, primarily the result of revenues from Property Taxes, Income Taxes and Other Local Taxes. These three revenue sources increased \$27.7 million from fiscal year 2005 to fiscal year 2006. The business-type net assets increased by \$37.5 million or 14.2%, primarily the result of capital contributions in the Water and Sewer Fund.
- The governmental activities revenue totaled \$489.0 million or 84.5% of total revenue and the net results from governmental activities totaled \$37.5 million or 50.0% of the total change in net assets.

- The business-type activities revenue totaled \$90.0 million or 15.5% of total revenue and the net assets from business-type activities increased by \$37.5 million or 50.0% of the total change in net assets.
- The total cost of all County programs was \$504.0 million.
- The General Fund (the primary operating fund) reflected on a current financial resource basis, reports an increase in fund balance of \$16.9 million. At the close of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$53.9 million, or 16.2% of total General Fund expenditures. Of the total unreserved amount, \$16.6 million, is a required set-aside. Designated fund balance of the General Fund was \$51.9 million, or 49.1% of the total unreserved fund balance.
- As of June 30, 2006, the County's governmental funds reported combined fund balances of \$233.8 million, an increase of \$63.5 million. Of this increase, the General Fund increase of \$16.9 million is mainly attributable to property, income and other taxes in the general fund; \$23.5 million in the Capital Projects Fund is attributable to unspent debt proceeds; \$23.1 is attributed to associated revenue increases and expenditure savings in the non-major governmental revenue funds, primarily in the Fire/Rescue Tax Districts (property taxes), Agricultural Preservation (recordation taxes), Impact Fees (impact fees), and Parks Acquisition and Development (recordation taxes).
- Frederick County's total bonded debt increased by \$82.8 million during the current fiscal year.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Frederick County Government's basic financial statements. The 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 fund's current financial resources (short-term spendable resources) with capital assets and long term

obligations. 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.

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 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 Government 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 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.

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 governmental-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 nineteen individual governmental funds: the General Fund, the Capital Projects Fund, the Grants Fund, the Fire/Rescue Tax Districts Fund, the Agricultural Preservation 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 Citizens Care & Rehabilitation Center Building Fund, the Sheriff's Drug Enforcement Fund, the Sheriff's Office Fund, the Narcotics Task Force Fund, the Inmates Canteen Fund, 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 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 on pages 38 through 45 of this report. Budgetary schedules for the non-major special revenue funds can be found on pages 118 through 121 in the Supplementary Data section.

**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 Exhibit 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 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 Exhibit 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 column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is 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 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 Exhibits II-A-14 and II-A-15.

## **Infrastructure Assets**

This is the government's largest group of assets (infrastructure – 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 \$594.1 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, \$409.7 million or 69.0% reflects its investment in capital assets-net of depreciation (e.g. land, buildings, machinery, equipment, infrastructure 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 21.4% of total net assets (an increase from FY2005 of 6.9% as a result of implementing GASB Statements 46). 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 \$57.3 million, which represents 9.6% of total net assets. The unrestricted net assets for business-type activities have a balance of \$104.8 million.

The result of these basic calculations is that the County's overall financial position has improved from FY2005 to FY2006.

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.

### **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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 331,400	\$ 250,360	\$ 152,821	\$ 123,782	\$ 484,221	\$ 374,142
Capital assets	333,290	310,489	311,481	272,786	644,771	583,275
Total assets	664,690	560,849	464,302	396,568	1,128,992	957,417
Current and other liabilities	39,221	35,869	16,146	16,656	55,367	52,525
Long-term debt outstanding	332,614	269,660	146,945	116,177	479,559	385,837
Total Liabilities	371,835	305,529	163,091	132,833	534,926	438,362
<b>Net Assets:</b>						
Invested in capital assets, net of debt	216,474	226,722	193,225	175,358	409,699	402,080
Restricted	123,852 *	35,780	3,207	230	127,059	36,010
Unrestricted (deficit)	(47,472)	(7,182)	104,779	88,147	57,307	80,965
Total net assets	<b>\$ 292,854</b>	<b>\$ 255,320</b>	<b>\$ 301,211</b>	<b>\$ 263,735</b>	<b>\$ 594,065</b>	<b>\$ 519,055</b>

\* FY06 Restricted Net Assets are significantly higher than FY05 Restricted Net Assets due to the implementation of GASB Statement #46.

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 increased by \$75.0 million during the fiscal year. Net assets of governmental activities increased \$37.5 million in fiscal year 2006, compared to an increase of \$41.3 million for fiscal year 2005. The increase in net assets of business-type activities was \$37.5 million in fiscal year 2006, compared to an increase of \$25.4 million for fiscal year 2005.

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

## Statement of Activities

The following table presents the revenues and expenses for the current fiscal year, with comparative data for the prior year. This information reflects the increases in net assets for these two fiscal years.

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

	Governmental Activities		Business-type Activities		Primary Government		Total
	2006	2005	2006	2005	2006	2005	
<b>REVENUES</b>							
<b>Program revenues</b>							
Charges for services	\$ 24,010	\$ 23,140	\$ 51,121	\$ 45,173	\$ 75,131	\$ 68,313	
Operating grants and contributions	40,428	36,100	12,951	12,810	53,379	48,910	
Capital grants and contributions	3,018	5,203	21,425	10,235	24,443	15,438	
<b>General revenues</b>							
Local property taxes	202,355	182,303	-	-	202,355	182,303	
Local income taxes	158,624	142,255	-	-	158,624	142,255	
Other local taxes	49,032	45,354	-	-	49,032	45,354	
Investment earnings	8,787	5,517	4,226	2,848	13,013	8,365	
Miscellaneous	2,722	2,694	241	466	2,963	3,160	
<b>Total revenues</b>	<b>488,976</b>	<b>442,566</b>	<b>89,964</b>	<b>71,532</b>	<b>578,940</b>	<b>514,098</b>	
<b>EXPENSES</b>							
<b>Program Activities</b>							
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General government	41,402	37,235	-	-	41,402	37,235	
Public safety	68,737	58,697	-	-	68,737	58,697	
Public Works	30,839	29,789	-	-	30,839	29,789	
Health	20,318	15,587	-	-	20,318	15,587	
Social services	7,249	5,520	-	-	7,249	5,520	
Education	236,656	215,924	-	-	236,656	215,924	
Parks, recreation, and culture	11,619	9,451	-	-	11,619	9,451	
Conservation of natural resources	3,772	1,279	-	-	3,772	1,279	
Community development and public housing	3,195	3,713	-	-	3,195	3,713	
Economic development and opportunity	11,486	10,929	-	-	11,486	10,929	
Interest on long term debt	9,859	9,351	-	-	9,859	9,351	
<b>Business-type Activities:</b>							
Water and sewer	-	-	21,623	19,978	21,623	19,978	
Solid waste management	-	-	17,616	12,369	17,616	12,369	
Non-major proprietary funds	-	-	19,559	17,642	19,559	17,642	
<b>Total expenses</b>	<b>445,132</b>	<b>397,475</b>	<b>58,798</b>	<b>49,989</b>	<b>503,930</b>	<b>447,464</b>	
<b>Increase in net assets before transfers</b>	<b>43,844</b>	<b>45,091</b>	<b>31,166</b>	<b>21,543</b>	<b>75,010</b>	<b>66,634</b>	
<b>Transfers</b>	<b>(6,310)</b>	<b>(3,869)</b>	<b>6,310</b>	<b>3,869</b>	<b>-</b>	<b>-</b>	
<b>Increase (Decrease) in Net Assets</b>	<b>37,534</b>	<b>41,222</b>	<b>37,476</b>	<b>25,412</b>	<b>75,010</b>	<b>66,634</b>	
<b>Net Assets - Beginning</b>	<b>255,320</b>	<b>214,020</b>	<b>263,735</b>	<b>238,323</b>	<b>519,055</b>	<b>452,343</b>	
<b>Prior Period Adjustment</b>		<b>78</b>				<b>78</b>	
<b>Net Assets - Ending</b>	<b>\$ 292,854</b>	<b>\$ 255,320</b>	<b>\$ 301,211</b>	<b>\$ 263,735</b>	<b>\$ 594,065</b>	<b>\$ 519,055</b>	

\*reclassified

**Governmental Activities:** Governmental activities increased Frederick County's net assets by \$37.5 million, thereby accounting for 50.0% of the total growth in the net assets of Frederick County. A key element of this overall increase is due to total taxes collected from all governmental sources. Total tax revenue increased by \$27.7 million or 7.2%, during fiscal year 2006.

**Business-type Activities:** Business-type activities increased Frederick County's net assets by \$37.5 million, accounting for 50.0% of the total growth in the government's net assets. The key element of this increase relates to contributions from developers. Capital contributions continue to provide a major revenue source for the Water and Sewer Fund during the current fiscal year, producing \$34.4 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 \$233.8 million. Approximately 87.1% of this total amount (\$203.6 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 (\$28.7 million), (2) for inventories (\$.9 million), (3) for long-term receivables (\$.3 million) or (4) dedicated for a variety of restricted purposes (\$.3 million). The reserved fund balance, at 12.9% 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 \$53.9 million, while total fund balance reached \$109.6 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 31.8% of total General Fund expenditures, while total fund balance represents 33.0% of that same amount.

The fund balance of Frederick County's General Fund increased by \$16.9 million during the current fiscal year. This increase is due primarily to increases in property, income tax and recordation taxes totaling \$19.4 million greater than expected.

The Capital Projects Fund has a total fund balance of \$38.3 million. The total increase in fund balance was \$23.5 million. This increase is primarily due to the issuance of long-term debt prior to spending for Capital Projects. Government Obligation bonds were issued on November 15, 2005 to reimburse the fund.

**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 \$92.1 million and unrestricted net assets in the Solid Waste Management Fund totaled \$11.2 million.

## General Fund Budgetary Highlights

The final budget for the General Fund was increased \$.2 million over the original budget. During the year, revenues exceeded budgetary estimates by \$25.4 million and expenditures were less than budgetary estimates by \$14.0, eliminating the need to draw upon the appropriated fund balance of \$26.5 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 \$5.1 million due to overly conservative budget estimates for property tax credits.
- Local income tax distributions exceeded the budget by \$2.9 million. This represents 2.0% increase over the budget of \$141.3 million.
- Other local taxes, primarily recordation tax collections, exceeded the budget by \$11.6 million. These funds generated by recordation taxes charged on the recording of mortgage instruments are a result of the County's strong real estate market coupled with continued increased refinancing activity.
- Investment earnings were over budget by \$3.4 million due to improved yields on short-term investments.
- Various departmental under spending of appropriations resulted in total expenditures being under budget by \$14.0 million. The largest contribution to this savings was \$4.8 million in debt service due to delays in issuance of new bonds and the advance refunding of \$20.4 million of General Obligation Bonds.

## 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, 2006 and 2005, amount to \$644.8 million and \$583.3 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 10.5%.

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

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land	\$ 34,349	\$ 30,379	\$ 6,953	\$ 6,953	\$ 41,302	\$ 37,332
Construction in prog.	27,018	15,657	72,800	42,827	99,818	58,484
Buildings, impr. & equip.	124,527	118,813	56,241	58,815	180,768	177,628
Infrastructure	147,395	145,640	175,487	164,191	322,882	309,831
Total	<u>\$ 333,289</u>	<u>\$ 310,489</u>	<u>\$ 311,481</u>	<u>\$ 272,786</u>	<u>\$ 644,770</u>	<u>\$ 583,275</u>

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

**Table 4**  
**Change in Capital Assets**  
**For the Fiscal Year Ended June 30, 2006**  
**(In Thousands)**

	Governmental Activities	Business-type Activities	Total
Beginning Balance	\$ 310,489	\$ 272,786	\$ 583,275
Additions	62,865	62,544	125,409
Retirement	(24,740)	(16,950)	(41,690)
Depreciation	(18,190)	(7,428)	(25,618)
Retirement*	2,865	529	3,394
Ending Balance	<u>\$ 333,289</u>	<u>\$ 311,481</u>	<u>\$ 644,770</u>

\*Reduction in accumulated depreciation related to retirement.

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

**Governmental Activities:**

- Construction costs were incurred for the following projects:
  - Urbana Library \$6.1 million
  - Utica District Park 3.3 million
  - Quinn Road Bridge 3.0 million
  - Courthouse Phase II 2.5 million
  - Scholls Lane 1.9 million
  - Water Street Bridge 1.1 million

- Transferred to the Frederick County Board of Education for school construction:
 

○ Urbana Middle School	\$16.8 million
○ Middletown Primary	13.2 million
○ Brunswick Middle School	7.5 million
○ Centerville Elementary	2.0 million
○ Oakdale High	1.1 million

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

- New Design Water Transmission \$21.5 million
- Landfill Site B Cell III 4.7 million
- Water & Sewer Administration Building 2.8 million
- Rubblefill Capping 2.3 million

### **Debt Outstanding**

As of year-end, the County had \$388.6 million in bonded debt outstanding compared to a total of \$305.8 million last year, a 27.1% net increase. This increase results from issuing General Obligation debt of \$122,685,000 (\$102,320,000 of new debt and \$20,365,000 of refunding debt) while retiring \$39,909,998 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. This index is reviewed periodically by the County's financial advisor.

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

	<b>Balance</b> <b>June 30, 2006</b>	<b>Balance</b> <b>June 30, 2005</b>
<b>Governmental Activities:</b>		
Bonds and notes payable:		
General obligation bonds	\$ 290,551	\$ 234,328
Installment purchase agreements	20,751	15,767
Other notes payable	6,640	7,323
	<hr/> 317,942	<hr/> 257,418
Add remaining original issue premium	12,792	10,543
Less deferred amount on bond refundings	(9,488)	(9,401)
	<hr/> 321,246	<hr/> 258,560
Other liabilities:		
Capital lease obligations	4,235	4,980
Compensated absences	7,132	6,121
Total other liabilities	<hr/> 11,367	<hr/> 11,101
Governmental activities long-term liabilities	<hr/> \$ 332,613	<hr/> \$ 269,661
<b>Business-type Activities:</b>		
Bonds and notes payable:		
General obligation bonds	\$ 98,069	\$ 71,517
Other notes payable	29,602	28,918
	<hr/> 127,671	<hr/> 100,435
Add remaining original issue premium	3,753	2,181
Less deferred amount on bond refundings	(2,412)	(2,123)
	<hr/> 129,012	<hr/> 100,493
Other liabilities:		
Compensated absences	1,295	1,120
Landfill closure costs	16,638	14,564
Total other liabilities	<hr/> 17,933	<hr/> 15,684
Business-type activities long-term liabilities	<hr/> \$ 146,945	<hr/> \$ 116,177

On February 1, 2006 the County issued the General Obligation Public Facilities Refunding Bonds of 2006 in the amount of \$20,365,000. The gross proceeds of \$22.5 million were used to advance refund \$20.5 of 2002 Public Facilities Bonds. The rating agencies provided the following rating 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 \$36.5 million and \$23.4 million were made in the governmental and business-type activities, respectively, including the refunding issue.

Additional information on the County's long-term debt can be found in Note 3.F. on pages 82 - 93 of this report

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The following summarizes some economic factors and trends:

- As of June 2006 the average unemployment rate for the County is 3.3%, while the average unemployment rate for the State of Maryland is 4.0%.
- Median household effective buying income in Frederick County is estimated at \$54,903 while the estimate for the State of Maryland is \$48,803 for calendar year 2006.
- The average annual number of jobs in Frederick County increased from 2001 to 2005 by 3.5%.
- The FY2007 property tax was reduced to \$.936 per \$100 of assessed valuation. The tax rate is based on a full market value assessment of \$21,674,223,000.

## **FINANCIAL CONTACT**

The County's financial statements are designed to present users (citizens, taxpayer, 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 Acting 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.



Video Services Technician Scott Betts films the yearly Legislative Breakfast of the Frederick Board of County Commissioners. The production will be aired on FCG cable channel 19 so that viewers may hear the information exchange between Commissioners and those who serve on the Frederick County Delegation.

**FREDERICK COUNTY, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	<b>Primary Government</b>			<b>Component Units</b>		
	<b>Governmental Activities</b>		<b>Business-type Activities</b>	<b>Total</b>	<b>Board of Education</b>	<b>Community College</b>
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>	<b>Board of Education</b>	<b>Community College</b>	<b>Public Libraries</b>
<b>Assets</b>						
Cash	\$ 310,423	\$ 2,005,168	\$ 2,315,591	\$ 10,650,090	\$ 10,477,976	\$ 5,661
Equity in pooled invested cash	<u>154,583,319</u>	<u>9,441,223</u>	<u>164,024,542</u>	<u>-</u>	<u>44,041</u>	<u>-</u>
Total cash and cash equivalents	<u>154,893,742</u>	<u>11,446,391</u>	<u>166,340,133</u>	<u>10,650,090</u>	<u>10,522,017</u>	<u>5,661</u>
Investments	72,013,272	127,132,936	199,146,208	4,151,022	4,631,383	341,369
Receivables, net of allowance for uncollectibles:						
Property taxes	446,040	-	446,040	-	-	-
Accounts	5,249,688	9,739,940	14,989,628	2,217,964	819,615	697
Intergovernmental	74,754,483	87,229	74,841,712	2,421,828	354,103	-
Internal balances	1,045,676	(1,045,676)	-	-	-	-
Due from primary government	-	-	-	5,770,093	10,291	1,803,421
Due from component units	29,058	-	29,058	-	-	-
Inventories	1,178,638	268,870	1,447,508	903,215	365,717	-
Prepaid items	1,629,525	4,500	1,634,025	51,823	236,739	-
Deferred charges	1,568,082	589,316	2,157,398	-	-	-
Long-term receivables, net of allowance for uncollectibles	3,614,971	-	3,614,971	-	-	-
Cash and cash equivalents - restricted	14,976,488	4,597,977	19,574,465	-	-	-
Capital assets:						
Land	34,349,385	6,953,179	41,302,564	35,684,545	271,620	-
Buildings and improvements	123,729,654	88,498,599	212,228,253	465,954,485	48,970,340	-
Equipment	68,696,934	31,029,046	99,725,980	58,932,819	2,722,366	72,240
Library collection	-	-	-	-	1,733,586	10,606,213
Infrastructure	285,276,834	204,529,504	489,806,338	-	-	-
Construction in progress	27,018,283	72,799,779	99,818,062	99,274,014	115,106	-
Accumulated depreciation	<u>(205,781,235)</u>	<u>(92,329,145)</u>	<u>(298,110,380)</u>	<u>(186,836,095)</u>	<u>(20,942,766)</u>	<u>(7,024,854)</u>
Total assets	<u>664,689,518</u>	<u>464,302,445</u>	<u>1,128,991,963</u>	<u>499,175,803</u>	<u>49,810,117</u>	<u>5,804,747</u>

(continued)

FREDERICK COUNTY, MARYLAND  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
<b>Liabilities</b>						
Accounts payable	\$ 6,006,618	\$ 2,702,770	\$ 8,709,388	\$ 13,378,267	\$ 285,292	\$ 87,366
Accrued liabilities	12,860,174	4,387,602	17,247,776	22,704	222,296	-
Payroll and benefit deductions	2,358,073	1,381,794	3,739,867	10,235,096	160,002	308,844
Property taxes payable	677,837	-	677,837	-	-	-
Due to third parties	732,511	-	732,511	-	178,239	-
Due to other governmental units	530,147	-	530,147	-	-	-
Due to component units	7,583,805	-	7,583,805	-	-	-
Unearned revenues	4,120,847	2,090,400	6,211,247	74,186	1,051,309	172,580
Performance and security deposits	-	8,569	8,569	-	-	-
Other liabilities	4,351,499	5,575,401	9,926,900	-	-	-
Noncurrent liabilities:						
Due within one year	21,453,497	10,151,491	31,604,988	6,648,881	-	8,594
Due in more than one year	311,160,138	136,793,305	447,953,443	15,597,955	1,259,475	297,686
Total liabilities	<u>371,835,146</u>	<u>163,091,332</u>	<u>534,926,478</u>	<u>45,957,089</u>	<u>3,156,613</u>	<u>875,070</u>
<b>Net Assets</b>						
Investment in capital assets, net of related debt	216,474,001	193,225,382	409,699,383	472,383,425	32,866,728	3,653,599
Restricted for:						
School and library construction	26,693,964	-	26,693,964	-	-	-
Additional or expanded road facilities	7,745,043	-	7,745,043	-	-	-
Capital Projects	12,152,096	1,949,370	14,101,466	-	-	-
Parks acquisition	20,325,053	-	20,325,053	-	-	-
Agricultural preservation	25,296,878	-	25,296,878	-	-	-
County code required set-aside	16,624,972	-	16,624,972	-	-	-
Other purposes	15,013,887	1,257,612	16,271,499	-	5,051,193	481,633
Unrestricted (Deficit)	<u>(47,471,522)</u>	<u>104,778,749</u>	<u>57,307,227</u>	<u>(19,164,711)</u>	<u>8,735,583</u>	<u>794,445</u>
Total net assets	<u>\$ 292,854,372</u>	<u>\$ 301,211,113</u>	<u>\$ 594,065,485</u>	<u>\$ 453,218,714</u>	<u>\$ 46,653,504</u>	<u>\$ 4,929,677</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, 2006**

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total	Component Units		
					Governmental Activities	Business-type Activities	Board of Education		Community College	Public Libraries	
<b>Primary government:</b>											
Governmental activities:											
General government	\$ 41,402,131	\$ 13,070,811	\$ 947,145	\$ 39,324	\$ (27,344,851)	\$ -	\$ (27,344,851)	\$ -	\$ -	\$ -	\$ -
Public safety	68,737,205	4,259,470	4,571,311	598,682	(59,307,742)	-	(59,307,742)	-	-	-	-
Public works	30,839,056	838,845	15,676,360	2,378,921	(11,944,930)	-	(11,944,930)	-	-	-	-
Health	20,318,327	3,575,509	8,473,136	-	(8,269,682)	-	(8,269,682)	-	-	-	-
Social services	7,248,599	1,143,596	848,814	-	(5,256,189)	-	(5,256,189)	-	-	-	-
Education	236,655,998	-	-	-	(236,655,998)	-	(236,655,998)	-	-	-	-
Parks, recreation and culture	11,619,119	554,694	124,394	1,389	(10,938,642)	-	(10,938,642)	-	-	-	-
Conservation of natural resources	3,771,639	213,945	478,794	-	(3,078,900)	-	(3,078,900)	-	-	-	-
Community development and public housing	3,195,154	-	3,797,123	-	601,969	-	601,969	-	-	-	-
Economic development and opportunity	11,485,801	353,402	5,510,584	-	(5,621,815)	-	(5,621,815)	-	-	-	-
Interest on long term debt	9,858,697	-	-	-	(9,858,697)	-	(9,858,697)	-	-	-	-
Total governmental activities	445,131,726	24,010,272	40,427,661	3,018,316	(377,675,477)	-	(377,675,477)	-	-	-	-
Business-type activities:											
Water and Sewer	21,623,009	20,315,028	12,951,233	21,425,241	-	33,068,493	33,068,493	-	-	-	-
Solid Waste Management	17,615,883	15,028,960	-	-	-	(2,586,923)	(2,586,923)	-	-	-	-
Nursing Homes	14,691,041	11,101,735	-	-	-	(3,589,306)	(3,589,306)	-	-	-	-
Public Housing	106,859	84,584	-	-	-	(22,275)	(22,275)	-	-	-	-
Permitting & Development Review	4,761,715	4,590,651	-	-	-	(171,064)	(171,064)	-	-	-	-
Total business-type activities	58,798,507	51,120,958	12,951,233	21,425,241	-	26,698,925	26,698,925	-	-	-	-
Total primary government	\$ 503,930,233	\$ 75,131,230	\$ 53,378,894	\$ 24,443,557	(377,675,477)	\$ 26,698,925	(350,976,552)	-	-	-	-
<b>Component Units:</b>											
Board of Education	\$ 399,009,609	\$ 8,559,320	\$ 255,947,194	\$ 40,712,827	-	-	-	(93,790,268)	-	-	-
Community College	37,845,157	14,570,838	21,310,022	536,975	-	-	-	-	(1,427,322)	-	-
Public Libraries	7,824,659	364,231	8,446,671	-	-	-	-	-	-	986,243	-
Total Component Units	\$ 444,679,425	\$ 23,494,389	\$ 285,703,887	\$ 41,249,802	-	-	-	(93,790,268)	(1,427,322)	986,243	-
General Revenues:											
Local property taxes					202,355,103	-	202,355,103	-	-	-	-
Local income taxes					158,623,959	-	158,623,959	-	-	-	-
Recordation taxes					43,625,863	-	43,625,863	-	-	-	-
Excise taxes					2,964,550	-	2,964,550	-	-	-	-
Hotel Motel Tax					1,053,719	-	1,053,719	-	-	-	-
Admission and amusement tax					937,249	-	937,249	-	-	-	-
Agriculture transfer tax					450,616	-	450,616	-	-	-	-
Grants and contributions not restricted to specific programs					-	-	-	119,130,538	-	-	-
Investment earnings					8,787,443	4,226,175	13,013,618	622,669	663,809	11,774	-
Miscellaneous					2,722,004	240,664	2,962,668	1,177,033	833,700	-	-
Transfers					(6,310,538)	6,310,538	-	-	-	-	-
Total general revenues and transfers					415,209,968	10,777,377	425,987,345	120,930,240	1,497,509	11,774	-
Change in net assets					37,534,491	37,476,302	75,010,793	27,139,972	70,187	998,017	-
Net assets - beginning of year					255,319,881	263,734,811	519,054,692	426,078,742	46,583,317	3,931,660	-
Total net assets - end of year					\$ 292,854,372	\$ 301,211,113	\$ 594,065,485	\$ 453,218,714	\$ 46,653,504	\$ 4,929,677	-

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

**FREDERICK COUNTY, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	<b>General</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash	\$ 42,323	\$ -	\$ 268,100	\$ 310,423
Equity in pooled invested cash	<u>42,992,223</u>	<u>32,281,676</u>	<u>76,148,248</u>	<u>151,422,147</u>
Total cash and cash equivalents	<u>43,034,546</u>	<u>32,281,676</u>	<u>76,416,348</u>	<u>151,732,570</u>
Investments	62,082,570	-	9,930,702	72,013,272
Receivables, net of allowance for uncollectibles:				
Property taxes	396,684	-	49,356	446,040
Accounts	3,854,891	-	1,207,651	5,062,542
Intergovernmental	70,410,700	692,522	3,651,260	74,754,482
Prepays	1,548,876	-	39,579	1,588,455
Due from other funds	1,271,388	-	-	1,271,388
Due from component units	28,436	-	-	28,436
Inventories	915,780	-	-	915,780
Long-term receivables, net of allowance for uncollectibles:				
Loans to property owners	194	-	-	194
Employee salary advances	161,016	-	-	161,016
MILA/MICRF loans	-	-	1,425,124	1,425,124
Fire/Rescue loans	-	-	110,226	110,226
Non profit organization loans	75,150	-	235,635	310,785
Small business loans	-	-	112,937	112,937
Housing loans	-	-	1,494,689	1,494,689
Cash and cash equivalents - restricted	<u>1,400,076</u>	<u>12,152,096</u>	<u>1,424,316</u>	<u>14,976,488</u>
Total assets	<u><u>\$ 185,180,307</u></u>	<u><u>\$ 45,126,294</u></u>	<u><u>\$ 96,097,823</u></u>	<u><u>\$ 326,404,424</u></u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,017,130	\$ 4,296,334	\$ 253,775	\$ 5,567,239
Accrued liabilities	5,176,317	77,017	2,528,415	7,781,749
Payroll and benefit deductions	1,755,839	55,163	547,071	2,358,073
Property taxes payable	677,837	-	-	677,837
Due to third parties	576,083	-	156,428	732,511
Due to other governmental units	-	-	530,147	530,147
Due to other funds	-	-	1,273	1,273
Due to component units	7,566,276	10,291	-	7,576,567
Other liabilities	-	2,369,494	1,982,005	4,351,499
Deferred revenue	<u>58,842,000</u>	-	<u>4,193,798</u>	<u>63,035,798</u>
Total liabilities	<u><u>75,611,482</u></u>	<u><u>6,808,299</u></u>	<u><u>10,192,912</u></u>	<u><u>92,612,693</u></u>
<b>Fund balances:</b>				
Reserved	3,825,762	25,814,750	534,949	30,175,461
Unreserved:				
Designated for:				
Subsequent year's expenditures	48,180,855	-	15,056,258	63,237,113
Other purposes - General fund	3,705,045	-	-	3,705,045
Other purposes - Special revenue funds	-	-	44,354,805	44,354,805
Undesignated:				
General fund	53,857,163	-	-	53,857,163
Capital projects fund	-	12,503,245	-	12,503,245
Special revenue funds	-	-	25,958,899	25,958,899
Total fund balances	<u><u>109,568,825</u></u>	<u><u>38,317,995</u></u>	<u><u>85,904,911</u></u>	<u><u>233,791,731</u></u>
Total liabilities and fund balances	<u><u>\$ 185,180,307</u></u>	<u><u>\$ 45,126,294</u></u>	<u><u>\$ 96,097,823</u></u>	<u><u>\$ 326,404,424</u></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, 2006**

Total fund balance - governmental funds (See Exhibit II-A-3) \$ 233,791,731

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	\$ 34,349,385
Buildings and Improvements	123,729,655
Equipment	68,696,933
Infrastructure	285,276,834
Construction in Progress	27,018,283
Less Accumulated Depreciation	<u>(205,781,235)</u>
	333,289,855

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	(281,062,629)
Accrued Bond Interest	(4,909,773)
Installment Purchase Agreements	(20,751,405)
Notes Payable	(6,640,103)
Capital Lease Obligations	(4,235,122)
Unamortized Premium on Bonds Payable	(12,791,939)
Compensated Absences	(7,132,437)
Recognition of Deferred Revenue	<u>58,914,951</u>
	(278,608,457)

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	1,342,334
Deferred Issuance Costs - IPAs	181,733
Deferred Issuance Costs - Capital Leases	<u>44,015</u>
	1,568,082

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.

2,813,161

Net assets of governmental activities (See Exhibit II-A-1) \$ 292,854,372

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, 2006**

	<b>General</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Local property taxes	\$ 181,637,755	\$ -	\$ 20,755,486	\$ 202,393,241
Local income taxes	144,199,778	- -	- -	144,199,778
Other local taxes	31,155,892	- -	19,737,937	50,893,829
Licenses and permits	831,982	- -	- -	831,982
Grants from federal government	- -	2,191,615	10,758,693	12,950,308
Grants from state government	16,740,216	86,488	13,623,906	30,450,610
Charges for services	3,766,588	- -	17,574,469	21,341,057
Fines and forfeitures	203,011	- -	105,507	308,518
Interest from loans	8,837	- -	10,675	19,512
Investment earnings	5,777,700	- -	2,923,104	8,700,804
Miscellaneous	2,098,034	55,002	482,213	2,635,249
Total revenues	<u>386,419,793</u>	<u>2,333,105</u>	<u>85,971,990</u>	<u>474,724,888</u>
<b>Expenditures</b>				
Current:				
General government	22,682,754	- -	1,623,807	24,306,561
Public safety	41,949,299	- -	22,551,125	64,500,424
Public works	14,431,428	- -	4,552,750	18,984,178
Health	7,294,089	- -	12,851,592	20,145,681
Social services	5,018,633	- -	1,457,950	6,476,583
Education	196,563,412	- -	- -	196,563,412
Parks, recreation and culture	10,528,919	- -	- -	10,528,919
Conservation of natural resources	542,472	- -	1,854,619	2,397,091
Community development and public housing	900,028	- -	2,291,557	3,191,585
Economic development and opportunity	2,149,521	- -	9,433,919	11,583,440
Miscellaneous	4,229,897	- -	- -	4,229,897
Intergovernmental	5,454,453	- -	- -	5,454,453
Debt service	20,515,215	- -	5,974,132	26,489,347
Capital projects	- -	82,714,041	- -	82,714,041
Total expenditures	<u>332,260,120</u>	<u>82,714,041</u>	<u>62,591,451</u>	<u>477,565,612</u>
Excess (deficiency) of revenues over expenditures	<u>54,159,673</u>	<u>(80,380,936)</u>	<u>23,380,539</u>	<u>(2,840,724)</u>
<b>Other financing sources (uses)</b>				
Transfers in from general fund	- -	23,291,840	8,429,500	31,721,340
Transfers in from special revenue funds	- -	10,556,300	- -	10,556,300
Transfers out to:				
Capital projects fund	(23,291,840)	- -	(10,556,300)	(33,848,140)
Special revenue funds	(8,429,500)	- -	- -	(8,429,500)
Enterprise funds	(6,141,358)	(541,600)	- -	(6,682,958)
Internal service funds	(1,663,131)	- -	(27,786)	(1,690,917)
Refunding bonds issued	12,608,476	- -	- -	12,608,476
General obligation bonds issued	- -	70,350,000	- -	70,350,000
Premium on debt	3,403,578	226,800	1,120,949	4,751,327
Payment to refunded bond escrow agent	(13,710,975)	- -	- -	(13,710,975)
Capital leases	- -	- -	731,000	731,000
Sale of capital assets	- -	- -	14,550	14,550
Total other financing sources and (uses)	<u>(37,224,750)</u>	<u>103,883,340</u>	<u>(288,087)</u>	<u>66,370,503</u>
Net change in fund balances	<u>16,934,923</u>	<u>23,502,404</u>	<u>23,092,452</u>	<u>63,529,779</u>
Fund balances - July 1	<u>92,633,902</u>	<u>14,815,591</u>	<u>62,812,459</u>	<u>170,261,952</u>
Fund balances - June 30	<u>\$ 109,568,825</u>	<u>\$ 38,317,995</u>	<u>\$ 85,904,911</u>	<u>\$ 233,791,731</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, 2006**

Net change in fund balances - total governmental funds (See Exhibit II-A-5) \$ 63,529,779

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	\$ 5,398,071
Depreciation Expense	(18,189,852)
Adjusted for Internal Service Fund Depreciation	<u>2,486,407</u> (10,305,374)

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

36

Donation of Capital Assets	4,021,504
Additions to Construction in Progress	30,108,166
Asset Replacements, Retirements and Deletions	<u>(3,132,695)</u> 30,996,975

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	56,798,185
Income Taxes - Recognized as Income in the Prior Year	(42,374,004)
Other Revenues - Deferred in the Funds Statements	2,116,766
Other Revenues - Recognized as Income in the Prior Year	<u>(2,359,305)</u> 14,181,642

(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, 2006**

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	\$ (82,958,477)
Issuance of IPAs	(5,357,003)
Capital Lease Financing	(731,000)
Bond Premiums	(4,363,394)
Deferred Loss on Bond Refunding	723,349
Deferred Charge for Issuance Costs	461,304
Principal Payments on General Obligation Debt	26,735,403
Principal Payments on Installment Purchase Agreements	372,931
Principal Payments on Notes Payable	682,474
Principal Payments on Capital Leases	1,476,167
Amortization of Bond Premiums	2,114,144
Amortization of Deferred Loss on Refunding	(636,284)
Amortization of Issuance Costs	<u>(126,659)</u> (61,607,045)

37

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	3,582,650
Accrued Interest - Current Year	(4,909,773)
Compensated Absences Accrual	<u>(985,197)</u> (2,312,320)

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

3,050,834

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

\$ 37,534,491

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, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
<b>Local property taxes</b>				
Real property (inc. additions & abatements)	\$ 178,800,000	\$ 178,800,000	\$ 180,351,819	\$ 1,551,819
Public utilities	7,800,000	7,800,000	7,868,015	68,015
Payments in lieu of taxes	168,000	217,000	50,462	(166,538)
Total levy	<u>186,768,000</u>	<u>186,817,000</u>	<u>188,270,296</u>	<u>1,453,296</u>
Tax credit - state reimbursement	1,500,000	1,500,000	2,331,029	831,029
Tax credits and refunds	(12,272,750)	(12,272,750)	(9,629,917)	2,642,833
Interest - delinquent taxes	1,500,000	1,500,000	1,785,900	285,900
Discounts allowed on taxes	(1,050,000)	(1,050,000)	(1,119,553)	(69,553)
Total adjustments	<u>(10,322,750)</u>	<u>(10,322,750)</u>	<u>(6,632,541)</u>	<u>3,690,209</u>
Total property taxes	<u>176,445,250</u>	<u>176,494,250</u>	<u>181,637,755</u>	<u>5,143,505</u>
<b>Local income taxes</b>	<u>141,300,000</u>	<u>141,300,000</u>	<u>144,199,778</u>	<u>2,899,778</u>
<b>Other local taxes</b>				
Admission and amusement	600,000	600,000	937,249	337,249
Recordation	17,000,000	17,000,000	28,356,811	11,356,811
911 fees - local	1,850,000	1,850,000	1,778,175	(71,825)
Trailer parks	85,000	85,000	82,522	(2,478)
Security interest filing fees	700	700	1,135	435
Total other local taxes	<u>19,535,700</u>	<u>19,535,700</u>	<u>31,155,892</u>	<u>11,620,192</u>
<b>Licenses and permits</b>				
Alcoholic beverage licenses	205,000	205,000	127,282	(77,718)
Traders' licenses	180,000	180,000	201,635	21,635
Zoning permits	180,000	180,000	205,299	25,299
Driveway permits	30,000	30,000	33,857	3,857
Grading permits	175,000	175,000	201,786	26,786
Septic/well permits	11,000	11,000	150	(10,850)
Animal licenses	19,000	19,000	41,593	22,593
Marriage fees	14,000	14,000	15,050	1,050
Forest resource ordinance	5,000	5,000	4,530	(470)
Miscellaneous licenses and permits	-	-	800	800
Total licenses and permits	<u>819,000</u>	<u>819,000</u>	<u>831,982</u>	<u>12,982</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, 2006

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Grants from federal government</b>				
Federal payments in lieu of taxes:				
Parks	\$ 18,000	\$ -	\$ -	\$ -
Housing	31,000	-	-	-
Total grants from federal government	<u>49,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Grants from state government</b>				
Police protection	1,000,000	1,000,000	981,071	(18,929)
Aid for fire, rescue and ambulance services	357,000	357,000	360,108	3,108
County inmate housing	1,200,000	1,200,000	2,206,000	1,006,000
Highway user revenues	12,139,470	12,139,470	13,068,642	929,172
Parks	60,000	60,000	124,395	64,395
Total grants from state government	<u>14,756,470</u>	<u>14,756,470</u>	<u>16,740,216</u>	<u>1,983,746</u>
<b>Charges for services</b>				
Planning and zoning fees	76,200	76,200	152,772	76,572
Data processing services	200	200	-	(200)
Court costs, fees and charges	2,020	2,020	2,324	304
Scott Key Center	1,176,000	1,176,000	1,143,027	(32,973)
Other general government	203,200	203,200	153,433	(49,767)
Public safety	377,500	377,500	464,657	87,157
Transportation services	145,000	145,000	222,459	77,459
Job Training Agency	83,951	83,951	86,872	2,921
Frederick County Developmental Center	77,000	77,000	99,726	22,726
Mental health	940,000	940,000	886,624	(53,376)
Recreation	481,000	481,000	554,694	73,694
Total charges for services	<u>3,562,071</u>	<u>3,562,071</u>	<u>3,766,588</u>	<u>204,517</u>
<b>Fines and forfeitures</b>				
Court	150,000	150,000	92,531	(57,469)
Alcoholic beverages	10,000	10,000	13,350	3,350
Other fines and forfeitures	102,500	102,500	97,130	(5,370)
Total fines and forfeitures	<u>262,500</u>	<u>262,500</u>	<u>203,011</u>	<u>(59,489)</u>
<b>Investment earnings</b>	<u>2,400,000</u>	<u>2,400,000</u>	<u>5,786,537</u>	<u>3,386,537</u>
<b>Miscellaneous revenues</b>				
Rents and concessions	1,009,450	1,158,244	1,438,706	280,462
Contributions and donations	-	35,627	12,717	(22,910)
Sale of property	10,000	10,000	11,832	1,832
Other miscellaneous revenues	707,000	720,350	634,779	(85,571)
Total miscellaneous revenues	<u>1,726,450</u>	<u>1,924,221</u>	<u>2,098,034</u>	<u>173,813</u>
<b>Total revenues</b>	<u>360,856,441</u>	<u>361,054,212</u>	<u>386,419,793</u>	<u>25,365,581</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, 2006

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>General government</b>				
<b>Legislative and executive</b>				
County commissioners	\$ 638,116	\$ 647,277	\$ 633,353	\$ 13,924
County manager	693,812	706,539	667,546	38,993
Boards and commissions	13,230	13,230	12,865	365
Total legislative and executive	<u>1,345,158</u>	<u>1,367,046</u>	<u>1,313,764</u>	<u>53,282</u>
<b>Judicial</b>				
Circuit court	819,907	826,432	761,380	65,052
Orphans court	25,684	25,684	23,745	1,939
States attorney	4,177,857	4,197,640	4,187,412	10,228
Grand jury	68,860	68,860	62,638	6,222
Other judicial	500	500	-	500
Total judicial	<u>5,092,808</u>	<u>5,119,116</u>	<u>5,035,175</u>	<u>83,941</u>
<b>Elections</b>				
Board of supervisors of elections	<u>588,751</u>	<u>588,751</u>	<u>608,405</u>	<u>(19,654)</u>
<b>Financial administration</b>				
Accounting	2,577,120	2,598,212	2,529,078	69,134
Independent auditing	36,200	36,200	37,796	(1,596)
Budgeting	420,229	422,188	377,562	44,626
Purchasing	502,514	507,529	492,490	15,039
Treasury	674,315	700,879	630,542	70,337
Total financial administration	<u>4,210,378</u>	<u>4,265,008</u>	<u>4,067,468</u>	<u>197,540</u>
<b>Legal</b>				
County attorney	<u>776,269</u>	<u>775,673</u>	<u>727,435</u>	<u>48,238</u>
<b>Personnel administration</b>				
Personnel	<u>741,626</u>	<u>791,757</u>	<u>773,376</u>	<u>18,381</u>
<b>Planning and zoning</b>				
Planning	1,890,147	1,974,994	1,846,629	128,365
Board of zoning appeals	10,629	10,629	8,472	2,157
Total planning and zoning	<u>1,900,776</u>	<u>1,985,623</u>	<u>1,855,101</u>	<u>130,522</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, 2006

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Management services</b>				
Interagency Information Technologies	\$ 4,625,536	\$ 4,813,955	\$ 4,726,325	\$ 87,630
General services	199,131	201,146	147,175	53,971
Logistical services	194,225	195,900	193,095	2,805
Maintenance	6,671,976	6,464,353	5,927,159	537,194
Custodial services	2,000,356	1,805,505	1,712,673	92,832
Total management services	<u>13,691,224</u>	<u>13,480,859</u>	<u>12,706,427</u>	<u>774,432</u>
<b>Other general government</b>				
Internal audit	414,066	424,998	460,032	(35,034)
Board of liquor license commissioners	215,554	216,363	196,468	19,895
Total other general government	<u>629,620</u>	<u>641,361</u>	<u>656,500</u>	<u>(15,139)</u>
Total general government	<u>28,976,610</u>	<u>29,015,194</u>	<u>27,743,651</u>	<u>1,271,543</u>
<b>Public safety</b>				
Sheriff	18,161,892	18,019,824	17,212,548	807,276
Fire protection	585,135	536,887	469,387	67,500
Fire/rescue state grant allocation	357,000	357,000	360,108	(3,108)
Fire inspection	308,458	309,660	221,639	88,021
Fire and rescue services	5,304,791	5,303,141	4,997,975	305,166
Advanced life support	465,656	402,759	401,228	1,531
Detention center	10,788,089	10,865,187	10,546,453	318,734
Work release center	1,927,565	1,947,043	1,934,156	12,887
Alternative sentencing	675,815	686,157	660,185	25,972
Emergency management	269,332	272,190	227,640	44,550
Animal control	1,278,776	1,295,346	1,241,584	53,762
Emergency communications	3,393,554	3,417,620	3,259,756	157,864
Public safety director	494,556	498,307	441,104	57,203
Total public safety	<u>44,010,619</u>	<u>43,911,121</u>	<u>41,973,763</u>	<u>1,937,358</u>
<b>Public works</b>				
Highways	11,359,239	11,264,901	11,159,437	105,464
Public works administration	297,484	300,575	254,406	46,169
Project management	319,559	326,126	254,163	71,963
Construction management	1,370,050	1,368,485	885,008	483,477
Development review	955,493	912,369	873,357	39,012
Program development and management	392,670	395,041	390,464	4,577
Transportation engineering	1,209,802	1,255,075	1,104,933	150,142
Total public works	<u>15,904,297</u>	<u>15,822,572</u>	<u>14,921,768</u>	<u>900,804</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, 2006

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Health</b>				
County administrator	\$ 149,738	\$ 150,816	\$ 116,177	\$ 34,639
School health program	4,390,822	4,436,786	3,925,364	511,422
Detention center substance abuse	115,137	115,137	115,137	-
Mental health	1,409,869	1,405,352	1,148,019	257,333
Mosquito control	8,000	8,000	3,210	4,790
Frederick County Developmental Center	1,995,271	2,027,855	1,828,703	199,152
ARC of Frederick County	37,000	37,000	37,000	-
Counseling Services	24,000	24,000	24,000	-
Mental Health Association hotline	50,000	50,000	50,000	-
Child Abuse Prevention-Mental Health Association	6,500	6,500	6,500	-
Alzheimer's Association of Frederick County	10,000	10,000	10,000	-
Central Maryland Catholic Charities	18,000	18,000	18,000	-
Hepatitis Clinic	19,000	19,000	19,000	-
<b>Total health</b>	<b>8,233,337</b>	<b>8,308,446</b>	<b>7,301,110</b>	<b>1,007,336</b>
<b>Social services</b>				
Contribution to Department of Social Services	1,215,849	1,232,020	1,052,699	179,321
Department of Aging	580,414	517,109	400,435	116,674
Office of Children and Families	296,153	328,754	282,553	46,201
Transit	299,323	313,299	261,676	51,623
Family partnership	244,614	214,680	163,408	51,272
Deinstitutionalization day care	11,514	11,514	11,514	-
Community Agency School Services	48,000	48,000	48,000	-
Daybreak Adult Daycare Center	25,000	25,000	25,000	-
Advocates for the Homeless	25,000	25,000	25,000	-
The Volunteer Center - United Way	20,000	20,000	20,000	-
Community Foundation	-	40,000	40,000	-
Community Action Agency	60,000	60,000	60,000	-
Big Brother, Big Sister	10,000	10,000	10,000	-
Up-County Family Center	28,500	28,500	28,500	-
Character counts	3,500	3,500	3,500	-
American Red Cross	-	15,000	15,000	-
Emergency food/fuel/shelter	160,000	160,000	160,000	-
Healthy Family/Heartly House	22,500	22,500	22,500	-
CASA of Frederick County	5,000	5,000	5,000	-
Scott Key Center	2,216,368	2,243,705	2,271,487	(27,782)
Other social services	124,071	124,071	121,207	2,864
<b>Total social services</b>	<b>5,395,806</b>	<b>5,447,652</b>	<b>5,027,479</b>	<b>420,173</b>
<b>Education</b>				
Hood College	100,000	100,000	100,000	-
Maryland School for the Blind	2,000	2,000	-	2,000
Frederick County Board of Education	185,117,485	184,993,233	184,882,852	110,381
Frederick Community College	11,604,497	11,604,497	11,580,560	23,937
<b>Total education</b>	<b>196,823,982</b>	<b>196,699,730</b>	<b>196,563,412</b>	<b>136,318</b>

(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, 2006

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Parks, recreation and culture</b>				
Frederick County Public Libraries	\$ 6,584,049	\$ 6,641,209	\$ 6,613,979	\$ 27,230
Parks	3,275,469	3,171,798	2,982,974	188,824
Recreation programs	961,011	1,004,756	819,891	184,865
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	10,000	10,000	10,000	-
Weinbert Center for the Arts	10,000	10,000	10,000	-
115th Infantry Regiment	10,000	10,000	10,000	-
Community libraries	5,589	5,589	5,589	-
Total parks, recreation and culture	<u>10,919,648</u>	<u>10,916,882</u>	<u>10,515,963</u>	<u>400,919</u>
<b>Conservation of natural resources</b>				
Extension service	304,584	305,878	307,530	(1,652)
Soil conservation	212,137	212,137	206,975	5,162
Gypsy moth control	54,800	54,800	25,467	29,333
Forestry Board	2,000	2,000	2,000	-
Western Maryland Resources Conservation and Development Council	500	500	500	-
Total conservation of natural resources	<u>574,021</u>	<u>575,315</u>	<u>542,472</u>	<u>32,843</u>
<b>Community development and public housing</b>				
Housing administration	261,685	236,839	209,036	27,803
Affordable housing council	200,000	-	-	-
Total community development and public housing	<u>461,685</u>	<u>236,839</u>	<u>209,036</u>	<u>27,803</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, 2006

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Economic development and opportunity</b>				
Office of economic development	\$ 937,531	\$ 948,102	\$ 861,658	\$ 86,444
Frederick Municipal Airport	49,500	49,500	49,500	-
Citizens services administration	208,662	210,020	214,948	(4,928)
Job Training Agency	629,538	645,770	648,140	(2,370)
Head Start	45,360	85,295	85,214	81
Human relations	159,156	159,965	160,399	(434)
Jeanne Bussard Center	40,000	40,000	40,000	-
Commission for Women	4,858	4,858	4,858	-
Commission for Disabilities	1,450	1,450	1,363	87
Seton Center	24,000	24,000	24,000	-
Emmitsburg Child Care Center	23,625	23,625	23,625	-
Child Care Consortium	30,000	30,000	30,000	-
Total economic development and opportunity	<u>2,153,680</u>	<u>2,222,585</u>	<u>2,143,705</u>	<u>78,880</u>
<b>Non-departmental</b>				
Property and liability insurance	1,085,800	1,085,800	860,650	225,150
Health insurance - retirees	1,850,000	1,850,000	2,531,589	(681,589)
Other employee benefits and taxes	1,512,582	402,022	663,451	(261,429)
Other miscellaneous	158,238	(744,395)	(4,468,268)	3,723,873
Total miscellaneous	<u>4,606,620</u>	<u>2,593,427</u>	<u>(412,578)</u>	<u>3,006,005</u>
<b>Intergovernmental</b>				
Financial corporations grant to municipalities	50,000	50,000	49,273	727
Tax rebate to municipalities	<u>5,405,180</u>	<u>5,405,180</u>	<u>5,405,180</u>	<u>-</u>
Total intergovernmental	<u>5,455,180</u>	<u>5,455,180</u>	<u>5,454,453</u>	<u>727</u>
<b>Debt service</b>				
Principal - general obligation debt	12,479,934	12,479,934	12,481,309	(1,375)
Principal - state loans	89,192	89,192	89,180	12
Interest - general obligation debt	12,807,014	12,731,805	7,935,908	4,795,897
Interest - state loans	8,538	8,538	8,818	(280)
Total debt service	<u>25,384,678</u>	<u>25,309,469</u>	<u>20,515,215</u>	<u>4,794,254</u>
Total expenditures	<u>348,900,163</u>	<u>346,514,412</u>	<u>332,499,449</u>	<u>14,014,963</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, 2006

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Other financing sources (uses)</b>				
Refunding bonds issued	\$ -	\$ 12,608,476	\$ 12,608,476	\$ -
Premium on debt	-	1,062,199	3,403,578	2,341,379
Payment to refunded bond escrow agent	-	(13,710,975)	(13,710,975)	-
Transfers out to				
Grants revenue fund	(8,263,447)	(8,277,830)	(6,906,776)	1,371,054
Agriculture preservation fund	(1,062,129)	(1,063,784)	(1,063,784)	-
Housing initiatives appropriation	-	(458,940)	(458,940)	-
Capital projects fund	(22,642,560)	(23,291,840)	(23,291,840)	-
Enterprise fund - Solid Waste	(1,650,000)	(1,650,000)	(1,650,000)	-
Enterprise fund - Citizens Care & Rehabilitation Center	(1,907,223)	(1,933,970)	(1,933,970)	-
Enterprise fund - Montevue Home	(1,520,995)	(1,545,848)	(1,545,848)	-
Enterprise fund - Permitting and Development Review	(989,603)	(1,011,540)	(1,011,540)	-
Internal service fund - Fleet services	-	(1,345,427)	(1,260,819)	84,608
Internal service fund - Voice services	(402,312)	(402,312)	(402,312)	-
Total other financing sources (uses)	<u>(38,438,269)</u>	<u>(41,021,791)</u>	<u>(37,224,750)</u>	<u>3,797,041</u>
Budgeted usage of fund balance	<u>26,481,991</u>	<u>26,481,991</u>	<u>26,481,991</u>	<u>-</u>
Change in fund balance	\$ <u>_____ -</u>	\$ <u>_____ -</u>	\$ <u>43,177,585</u>	\$ <u>43,177,585</u>
Net change in reserves and adjustments to GAAP basis			(26,242,662)	
Fund balance - beginning			92,633,902	
Fund balance - ending			<u>\$ 109,568,825</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, 2006

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	
<b>Assets</b>					
Current assets:					
Cash	\$ 1,858,171	\$ 2,600	\$ 144,397	\$ 2,005,168	\$ 3,161,172
Equity in pooled invested cash	3,811,531	1,688,324	3,941,368	9,441,223	-
Total cash and cash equivalents	5,669,702	1,690,924	4,085,765	11,446,391	3,161,172
Restricted cash and cash equivalents	2,658,755	1,562,044	377,178	4,597,977	-
Short-term investments	41,831,716	15,235,222	12,345	57,079,283	-
Receivables, net of allowance for uncollectibles accounts	6,229,303	1,959,821	1,550,816	9,739,940	187,146
Intergovernmental receivables	-	87,229	-	87,229	-
Due from component units	-	-	-	-	622
Inventories	238,655	-	30,215	268,870	262,858
Prepaid items	-	-	4,500	4,500	41,070
Total current assets	<u>56,628,131</u>	<u>20,535,240</u>	<u>6,060,819</u>	<u>83,224,190</u>	<u>3,652,868</u>
Noncurrent assets:					
Long-term investments	51,239,867	18,813,786	-	70,053,653	-
Capital Assets:					
Land	3,469,873	2,837,164	646,142	6,953,179	-
Buildings and improvements	47,267,973	30,199,036	11,031,590	88,498,599	1,833,133
Equipment	24,446,279	4,484,328	2,098,439	31,029,046	22,353,751
Other improvements	204,529,504	-	-	204,529,504	-
Accumulated depreciation	(58,162,943)	(28,495,109)	(5,671,093)	(92,329,145)	(11,027,346)
Construction in progress	59,467,670	12,273,348	1,058,761	72,799,779	-
Deferred bond issue expense	414,497	156,259	18,560	589,316	-
Total noncurrent assets	<u>332,672,720</u>	<u>40,268,812</u>	<u>9,182,399</u>	<u>382,123,931</u>	<u>13,159,538</u>
Total assets	<u>389,300,851</u>	<u>60,804,052</u>	<u>15,243,218</u>	<u>465,348,121</u>	<u>16,812,406</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	2,314,145	275,728	112,897	2,702,770	439,379
Payroll and benefit deductions	437,324	100,366	844,104	1,381,794	112,742
Accrued expenses	2,127,360	2,089,609	170,633	4,387,602	55,910
Due to other funds	-	-	1,270,115	1,270,115	-
Deferred revenues	741,636	9,934	1,338,830	2,090,400	-
Security deposits	-	-	8,569	8,569	-
Other liabilities	4,727,255	786,364	61,782	5,575,401	-
Current portion landfill closure and postclosure liability	-	278,059	-	278,059	-
Current portion general obligation bonds and notes	7,191,122	2,366,990	217,194	9,775,306	-
Current portion of compensated absences	23,346	9,073	65,707	98,126	1,443
Total current liabilities	<u>17,562,188</u>	<u>5,916,123</u>	<u>4,089,831</u>	<u>27,568,142</u>	<u>609,474</u>
Noncurrent liabilities:					
Long term portion landfill closure and postclosure liability	-	16,360,230	-	16,360,230	-
Long term portion general obligation bonds and notes	83,909,406	31,201,995	4,124,647	119,236,048	-
Liability for compensated absences	471,674	96,071	629,282	1,197,027	123,214
Total noncurrent liabilities	<u>84,381,080</u>	<u>47,658,296</u>	<u>4,753,929</u>	<u>136,793,305</u>	<u>123,214</u>
Total liabilities	<u>101,943,268</u>	<u>53,574,419</u>	<u>8,843,760</u>	<u>164,361,447</u>	<u>732,688</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	192,576,582	(4,173,198)	4,821,998	193,225,382	13,159,538
Restricted for:					
Capital projects	1,949,370	-	-	1,949,370	-
Other purposes	709,385	171,049	377,178	1,257,612	-
Unrestricted	<u>92,122,246</u>	<u>11,231,782</u>	<u>1,200,282</u>	<u>104,554,310</u>	<u>2,920,180</u>
Total net assets	<u>\$ 287,357,583</u>	<u>\$ 7,229,633</u>	<u>\$ 6,399,458</u>	<u>\$ 300,986,674</u>	<u>\$ 16,079,718</u>

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds. 224,439

Net assets of business-type activities \$ 301,211,113

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, 2006**

	<b>Business-type Activities-Enterprise Funds</b>				<b>Governmental Activities-Internal Service Funds</b>
	<b>Water and Sewer</b>	<b>Solid Waste Management</b>	<b>Total Nonmajor Enterprise Funds</b>	<b>Total</b>	
	<b>Water and Sewer</b>	<b>Solid Waste Management</b>	<b>Total Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>Operating revenues</b>					
Service charges	\$ 19,859,068	\$ 14,992,001	\$ -	\$ 34,851,069	\$ 10,451,917
Charges for health care services, net of contractual adjustments	-	-	10,869,637	10,869,637	-
License and permit revenue	-	-	2,925,905	2,925,905	-
Fee revenue	-	-	1,662,246	1,662,246	-
Rental charges	-	-	84,336	84,336	-
Total net charges for services	<u>19,859,068</u>	<u>14,992,001</u>	<u>15,542,124</u>	<u>50,393,193</u>	<u>10,451,917</u>
Delinquent fees collected	44,165	36,959	3,733	84,857	-
Other revenues	411,795	-	231,113	642,908	-
Total operating revenues	<u>20,315,028</u>	<u>15,028,960</u>	<u>15,776,970</u>	<u>51,120,958</u>	<u>10,451,917</u>
<b>Operating expenses</b>					
Personal services	6,372,762	1,538,386	14,000,884	21,912,032	1,906,103
Operating expenses (including administrative overhead)	4,860,792	12,772,840	3,911,647	21,545,279	1,402,916
Supplies	1,141,299	52,055	1,262,132	2,455,486	3,721,058
Repairs and maintenance	1,592,781	193,105	42,434	1,828,320	547,315
Depreciation expense	5,018,547	2,053,365	356,287	7,428,199	2,486,407
Total operating expenses	<u>18,986,181</u>	<u>16,609,751</u>	<u>19,573,384</u>	<u>55,169,316</u>	<u>10,063,799</u>
Operating income (loss)	<u>1,328,847</u>	<u>(1,580,791)</u>	<u>(3,796,414)</u>	<u>(4,048,358)</u>	<u>388,118</u>
<b>Nonoperating revenues (expenses)</b>					
Donations	-	-	11,378	11,378	-
Investment earnings	2,770,005	1,338,113	118,057	4,226,175	96,604
Miscellaneous income (expense)	560,608	2,543	-	563,151	32,525
Interest expense	(2,680,994)	(1,046,353)	(88,203)	(3,815,550)	-
Gain (loss) on disposition of capital assets	(296,145)	53,201	(2,718)	(245,662)	(87,865)
Total nonoperating revenues (expenses)	<u>353,474</u>	<u>347,504</u>	<u>38,514</u>	<u>739,492</u>	<u>41,264</u>
Net income (loss) before contributions and transfers	<u>1,682,321</u>	<u>(1,233,287)</u>	<u>(3,757,900)</u>	<u>(3,308,866)</u>	<u>429,382</u>
Capital contributions	34,376,474	-	-	34,376,474	665,709
Transfers in	541,600	1,650,000	4,491,358	6,682,958	2,081,337
Transfers out	(343,323)	(29,097)	-	(372,420)	(18,000)
Total contributions and transfers	<u>34,574,751</u>	<u>1,620,903</u>	<u>4,491,358</u>	<u>40,687,012</u>	<u>2,729,046</u>
Change in net assets	36,257,072	387,616	733,458	37,378,146	3,158,428
Net assets - July 1	<u>251,100,511</u>	<u>6,842,017</u>	<u>5,666,000</u>		<u>12,921,290</u>
Net assets - June 30	<u>\$ 287,357,583</u>	<u>\$ 7,229,633</u>	<u>\$ 6,399,458</u>	<u>\$ 16,079,718</u>	
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				98,156	
Change in net assets of business-type activities				<u>\$ 37,476,302</u>	

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

FREDERICK COUNTY, MARYLAND  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	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	\$ 18,595,934	\$ 14,787,313	\$ 15,623,303	\$ 49,006,550	\$ 11,118,005
Cash paid for interfund services	-	-	(1,694,459)	(1,694,459)	-
Cash paid to suppliers	(5,281,219)	(9,930,779)	(5,142,763)	(20,354,761)	(5,360,600)
Cash paid to employees	(6,239,378)	(1,431,936)	(13,602,829)	(21,274,143)	(1,844,366)
Other	-	-	248	248	-
Net cash provided (used) by operating activities	7,075,337	3,424,598	(4,816,500)	5,683,435	3,913,039
<b>Cash flows from noncapital financing activities</b>					
Transfers in	-	1,620,903	1,940,761	3,561,664	2,081,337
Cash received from donations	-	-	11,378	11,378	-
Cash received (paid to) from patient and resident funds	-	-	(4,642)	(4,642)	-
Cash paid to memorial and employee funds	-	-	(1,052)	(1,052)	-
Net cash provided (used) by noncapital financing activities	-	1,620,903	1,946,445	3,567,348	2,081,337
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(40,497,342)	(7,462,979)	(33,395)	(47,993,716)	(4,262,393)
Recoveries for damages	-	27,596	-	27,596	27,046
Proceeds from sale of capital assets	-	38,960	2,718	41,678	182,102
Proceeds from debt issues	34,668,566	10,900,221	3,278,566	48,847,353	-
Payment of bond and note principal	(17,147,741)	(3,973,266)	-	(21,121,007)	-
Loss on disposal of capital assets	-	-	(2,718)	(2,718)	-
Interest paid on bonds	(3,051,903)	(1,037,401)	(102,814)	(4,192,118)	-
Contributed capital	34,574,751	-	-	34,574,751	32,579
Net cash provided (used) by capital & related financing activities	8,546,331	(1,506,869)	3,142,357	10,181,819	(4,020,666)
<b>Cash flows from investing activities</b>					
Purchase of investments	(177,329,063)	(35,797,266)	(187,854)	(213,314,183)	-
Proceeds from the sale of investments	158,864,853	-	-	158,864,853	-
Interest received on investments	3,534,376	1,142,682	118,057	4,795,115	96,604
Net cash provided (used) by investing activities	(14,929,834)	(34,654,584)	(69,797)	(49,654,215)	96,604
Net increase (decrease) in cash and cash equivalents	691,834	(31,115,952)	202,505	(30,221,613)	2,070,314
Cash and cash equivalents, July 1 (restated)	4,977,868	32,806,876	3,883,260	41,668,004	1,090,858
Cash and cash equivalents, June 30	\$ 5,669,702	\$ 1,690,924	\$ 4,085,765	\$ 11,446,391	\$ 3,161,172

(continued)

FREDERICK COUNTY, MARYLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	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)	\$ 1,328,847	\$ (1,580,791)	\$ (3,796,414)	\$ (4,048,358)	\$ 388,118
<b>Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:</b>					
Depreciation	5,018,547	2,053,365	356,288	7,428,200	2,485,679
Landfill closing costs	-	2,331,940	-	2,331,940	-
Miscellaneous non operating income	562,063	148	805	563,016	5,479
Change in assets and liabilities:					
(Increase) decrease:					
Accounts receivable	(515,666)	(241,647)	(114,636)	(871,949)	(150,716)
Bad debt allowance	-	20,888	(1,565)	19,323	-
Intergovernmental receivables	-	-	-	-	816,678
Inventory	(105,686)	-	21,613	(84,073)	20,151
Prepaid items	-	-	(4,500)	(4,500)	(41,070)
Increase (decrease):					
Accounts payable	1,698,832	200,471	99,772	1,999,075	271,073
Accrued expenses	(162,966)	887,712	(88,434)	636,312	55,910
Deferred revenues	(264,251)	4,106	115,304	(144,841)	-
Liability for compensated leave	87,254	6,084	289,909	383,247	61,737
Due to other funds	-	-	(1,694,459)	(1,694,459)	-
Closure liability	-	(257,678)	-	(257,678)	-
Other liabilities	(571,637)	-	(183)	(571,820)	-
Net cash provided (used) by operating activities	\$ 7,075,337	\$ 3,424,598	\$ (4,816,500)	\$ 5,683,435	\$ 3,913,039

Noncash investing, capital, and financing activities:

Included in interest income in the Water and Sewer Fund is an unrealized loss of \$1,075,272. Included in interest income in the Solid Waste Fund is an unrealized loss of \$169,871.

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

**FREDERICK COUNTY, MARYLAND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2006**

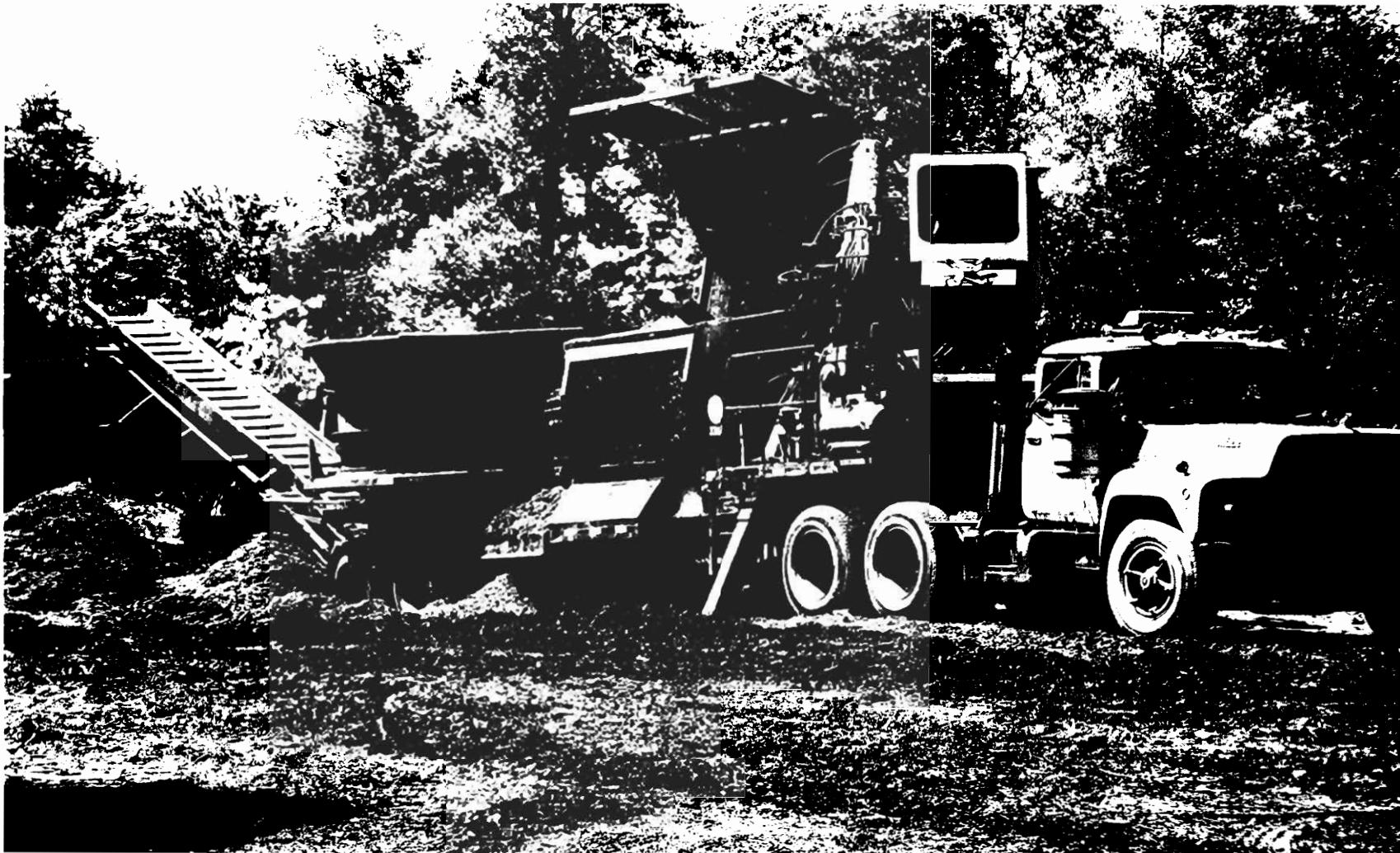
	<b>Pension Trust</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 40,660	\$ 151,265
Equity in pooled invested cash	15,177,506	3,317,453
Investments:		
Fixed income securities	40,051,017	-
Equity securities	102,494,266	-
Accounts receivable	2,420	-
Interest receivable	465,078	-
Prepaid items	138,946	-
Total assets	<u>158,369,893</u>	<u>\$ 3,468,718</u>
<b>LIABILITIES</b>		
Accounts payable	209,975	\$ -
Accrued payroll	229	-
Due to third parties	-	174,714
Performance deposits	-	3,294,004
Retirement benefit deductions	55,349	-
Total liabilities	<u>265,553</u>	<u>\$ 3,468,718</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	<u>\$ 158,104,340</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, 2006**

	<b>Pension Trust</b>
<b>Additions</b>	
Contributions	
Employer contributions	\$ 11,736,171
Member contributions	4,046,182
Total contributions	<u>15,782,353</u>
Investment income	
Net appreciation (depreciation) in fair value of plan investments	7,165,824
Interest and dividends	4,469,993
Investment expense	(666,898)
Net investment income	<u>10,968,919</u>
Total additions	<u>26,751,272</u>
<b>Deductions</b>	
Benefits and refunds paid to plan members and beneficiaries	5,056,769
Administrative expenses	348,031
Total deductions	<u>5,404,800</u>
Change in net assets	21,346,472
Net assets held in trust for pension benefits, July 1	<u>136,757,868</u>
Net assets held in trust for pension benefits, June 30	<u>\$ 158,104,340</u>

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



This "tubgrinder" is used for grinding yard waste into mulch at the Reichs Ford Road site near the County Landfill, operated by the Department of Solid Waste Management. There is no charge for citizens and businesses to take advantage of the free mulch available at the site.

## NOTES TO FINANCIAL STATEMENTS





Highway Operations staff take time to show a classroom of children the wide assortment of trucks and equipment used by the Division of Public Works. Community outreach is an important part of their public information program.

## Frederick County, Maryland

## Directory For

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JUNE 30, 2006

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

**FREDERICK COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**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.

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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).

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

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

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 FCPL Board of Trustees are appointed by the Board of County Commissioners of Frederick County. 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. 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

## 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.

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.

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

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.

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).

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

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 which 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.
- *Citizens Care and Rehabilitation Center Building 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.
- *Sheriff's Activities Fund* – These four funds account for activities such as the Sheriff's drug enforcement program, Sheriff's Department receipts, narcotics task force, and inmates' canteen.
- *Fire/Rescue Loans Fund* – This fund accounts for the receipt of loan proceeds and subsequent reloaning of these proceeds to volunteer fire and rescue companies for the purchase of vehicles, equipment, land, or buildings.
- *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.

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

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.

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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.

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.

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

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 Fund, 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.

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"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 Trust Fund 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 Trust Fund are recorded at fair value.

*2. Property Taxes Receivable*

The County's property taxes are levied each July 1 at rates enacted by the Board of County Commissioners on the total assessed value as determined by the Maryland State Department of Assessments and Taxation. Although the rates of levy are not legally limited, State law stipulates that the Constant Yield Tax Rate, which is furnished by the Maryland State Department of Assessments and Taxation, cannot be exceeded without public notice and public hearings regarding the intent to exceed. As a result of State legislation passed in 1979, the assessment of real property returned to a triennial system beginning in fiscal year 1981. Under the provisions of this legislation, the increase in established market value of the one-third of the properties reassessed each year is phased in over a three-year period.

Property taxes are levied as of July 1 and become delinquent on October 1. Interest accrues at 1 percent monthly for delinquent property taxes. Tax liens on real property are sold at public auction the second Monday in May on taxes delinquent since October 1 of the current fiscal year. Discounts of one percent and one-half percent are granted for the property taxes paid during July and August respectively.

The County bills and collects its own property taxes and those of the State and local municipalities. County property tax revenues are recognized when levied to the extent that they result in current receivables. State and municipal property taxes collected are accounted for as liabilities in the General Fund of the County.

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

Total assessed value on which levies were made for the year ended June 30, 2006, was \$18,097,131,800. The Countywide property tax rate was \$1.00 per \$100 of assessed value. In addition, taxes were levied in two fire tax districts and three lighting tax districts. The County collected 99.8% of taxes levied in the current year. The receivable portion of the current year property tax levy, including fire and lighting tax districts, is \$387,722 and is included in total property taxes receivable \$446,040 on the Statement of Net Assets. This compares to the current portion of the prior year levy of \$521,875 included in the total property taxes of \$790,478 as of June 30, 2005.

*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.

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.

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

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	3	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.

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*6. Long-Term Obligations*

In the government-wide financial statements and proprietary fund financial statements, non-current obligations are reported as liabilities in either governmental activities or business-type activities in the statement of net assets. Bond premiums, discounts, and deferred losses on refundings are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable unamortized bond premium or discount. All debt issue costs are deferred and amortized over the life of the debt issue using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

*7. Net Assets/Fund Balances*

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Invested in capital assets, net of related debt, represents all capital assets, including infrastructure, reduced by accumulated depreciation and the outstanding debt directly attributable to the acquisition, construction or improvements of these assets. Restricted net assets represent external restrictions by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. In the Water & Sewer Enterprise Fund, a portion of the unrestricted net assets are reserved to represent the intent of the County's administration to use the unrestricted net assets for specific purposes in the future. Data specific to these reserves is available in Note 3.G.4.

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

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

In the fund financial statements, 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.
- (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.
- The use of prior years' fund balance is reported as another financing source.

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

Of the Governmental Funds, 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.

	<b>General Fund</b>			
	Revenues	Expenditures	Other Financing Sources (Uses)	Net change in Fund Balance
<b>Budgetary Basis</b>	\$ 386,419,793	\$ 332,499,449	\$ (10,742,759) *	\$ 43,177,585
<b>Basis Adjustments:</b>				
Encumbrance adjustment	-	271,066	-	(271,066)
Use of prior year fund balance to balance	-	-	(26,481,991)	(26,481,991)
FY2006 budget	-	-	-	510,395
Inventory adjustment	-	(510,395)	(26,481,991)	(26,242,662)
<b>Net affect of basis adjustments</b>	<u><u>\$ 386,419,793</u></u>	<u><u>\$ 332,260,120</u></u>	<u><u>\$ (37,224,750)</u></u>	<u><u>\$ 16,934,923</u></u>
<b>GAAP Basis</b>				

\*includes budgeted usage of fund balance

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

The following departments over expended their FY2006 budgets:

	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
Board of Elections	\$ 588,751	\$ 608,405	\$ 19,654
Internal Audit	424,998	460,032	35,034
Extension Service	305,878	307,530	1,652
Employee Benefits	2,252,022	3,195,040	943,018

Variances are due to shortfalls in collections for the Board of Elections and Internal Audit, unanticipated telephone charges for Extension Service, higher than anticipated costs for retiree benefits and budgeted recoveries for salary savings in the Employee Benefits. Salary savings are budgeted in Employee Benefits (nondepartmental) and actual savings are reported in individual departments.

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

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

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

*1. Deposits*

**Primary Government**

At year-end, Frederick County's carrying amount of deposits was (\$697,145) and the bank balance was \$5,174,477. This negative carrying amount is due to out-standing checks in the amount of \$6.9 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)	\$ 1,460,278
National Credit Union Administration (NCUA)	2,778
Held by the government's agent, in the government's name	3,209,909
Unspent lease proceeds held in escrow	<u>501,512</u>
 Total Bank Balance	 <u>\$ 5,174,477</u>

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Certain lease proceeds of the County's fire/rescue tax district 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, 2006, totaled \$385,060,806 as presented in the Statement of Net Assets. The following table reconciles the County's deposits and investments to the Statement of Net Assets:

Total Primary Government - Exhibit II-A-1	
Cash	\$ 2,588,356
Equity in Pooled Invested Cash	164,024,542
Investments	199,146,208
Restricted Cash and Cash Equivalents	<u>19,301,700</u>
 Total	 <u>\$ 385,060,806</u>
 Deposit & Investment Summary:	
Investments	\$ 390,321,021
Cash on Hand	13,941
Deposits	(697,145)
Less: Component Units and Agency Fund Cash Equivalents	
Retirement Fund	(1,082,633)
Frederick County Public Libraries	(25,661)
Agency Funds	(3,468,717)
 Total	 <u>\$ 385,060,806</u>

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

**Pension Trust Fund**

At the year-end, the carrying amount of the Pension Trust Fund's deposits was \$40,660 and the bank balance was \$96,608. The deposits of the Pension Trust Fund were not exposed to custodial risk at June 30, 2006.

**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, 2006, BOE's cash on hand for petty cash was \$17,475. The carrying amount of the Board's deposits was \$12,721,814 and the bank balance was \$17,646,144. The deposits of the Board were not exposed to custodial risk at June 30, 2006.

At June 30, 2006, FCC's cash on hand for petty cash was \$4,350. The carrying amount of the College's deposits was \$81,943 and the bank balance was \$499,660. The deposits of the college were not exposed to custodial credit risk at June 30, 2006. The College has a contractual agreement with the bank for funds to be transferred daily from investment in an interest bearing account to cover checks as presented.

At June 30, 2006, the carrying amount and bank balance of FCPL's deposits was \$5,661.

**2. Investments**

**Primary Government**

As of June 30, 2006, Frederick County held the following investments and maturities. The government's investment balances were as follows:

<b>Investment Type (All funds)</b>	<b>Fair Value</b>	<b>0 - 18 Month Maturities</b>	<b>18 - 24 Month Maturities</b>	<b>&gt; 24 Month Maturities</b>
U. S. Treasuries	\$ 14,284,289	\$ 2,527,050	\$ 1,007,890	\$ 10,749,349
Repurchase Agreements	5,832,886	5,832,886	-	-
MD Local Government Investment Pool	92,194,413	92,194,413	-	-
Federal Agency Securities	278,009,433	217,792,580	56,374,041	3,842,812
<b>Total Fair Value</b>	<b>\$ 390,321,021</b>	<b>\$ 318,346,929</b>	<b>\$ 57,381,931</b>	<b>\$ 14,592,161</b>

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

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

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

1. U. S. Treasury securities
2. Obligations of U. S. government agencies
3. Repurchase agreement (collateralized in an amount not less than 102% of the principal amount by an obligation of the U.S., its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer)
4. Bankers' acceptances
5. Shares in an investment company or investment trust (limited to direct obligations of the U.S government and to repurchased agreements fully collateralized by U. S. government obligations and the investment company or trust takes delivery of that collateral, either directly or through an authorized custodian)
6. Money market mutual funds that contain only securities of the organizations listed in items (1), (2), and (3) above.
7. Certificates of deposit (collateralized within the guidelines of the Annotated Code of Maryland, State Finance and Procurement Article 6-202)
8. Maryland Local Government Investment Pool (MLGIP)

The County's investments have received the following ratings:

<u>Investment</u>	<u>Fair Value</u>	<u>Moody's</u>	<u>Standard &amp; Poor's</u>	<u>Fitch Ratings</u>
MLGIP	\$ 92,194,413		AAAm	
Repurchase Agreement	5,832,886	Aa2	AA-	
FHLB	123,059,687	Aaa	AAA	
FNMA	54,962,490		AAA	AAA
FHLMC	82,309,954	Aaa	AAA	AAA
FAMC	3,690,618			Not rated
Farm Credit	3,363,189			Not rated

The repurchase agreement is 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.

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

**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% of the County's portfolio is invested in the Maryland Local Government Investment Pool (MLGIP) and federal agency securities. The MLGIP may invest in instruments rated only Tier 1 by at least one Nationally Recognized Securities Rating Organization (NRSRO). They have maximum exposure limits per issuer to maintain a diversified portfolio.

<b>Investment Type</b>	<b>Fair Value</b>	<b>% of Portfolio</b>
U. S. Treasuries	\$ 14,284,289	3.660 %
Repurchase Agreements	5,832,886	1.494
MD Local Government Investment Pool	92,194,413	23.620
Money Market Funds	10,623,495	2.722
Federal Home Loan Bank (FHLB)	123,059,687	31.528
Federal National Mortgage Assoc. (FNMA)	54,962,490	14.081
Federal Home Loan Mortgage Corp (FHLMC)	82,309,954	21.088
Federal Agriculture Mortgage Corp. (FAMC)	3,690,618	0.946
Federal Farm Credit Bank	3,363,189	0.861
Total Fair Value	<u>\$ 390,321,021</u>	<u>100.000 %</u>

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**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% 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.

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

**Pension Trust Fund**

The Pension Trust Fund owns investments in corporate bonds and notes, common stocks, and equity mutual funds.

	<b>Category</b>			<b>Fair Value</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
U.S. Government Securities	\$ 19,467,260	\$ -	\$ -	\$ 19,467,260
Corporate Bonds and Notes	20,583,757	-	-	20,583,757
Common Stocks	69,704,933	-	-	69,704,933
	<u><u>\$ 109,755,950</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>109,755,950</u></u>
Investment in Money Market Mutual Funds				14,135,532
Investment in Equity Mutual Funds				32,789,333
				<u><u>\$ 156,680,815</u></u>

**Component Units**

The Board of Education's investments at June 30, 2006 are categorized in the following table:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>			<b>Interest Rate</b>
		<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	
State Investment Pool	\$ 4,149,022	\$ 4,149,022	\$ -	\$ -	4.93%
Certificates of Deposit	85,537	85,537	-	-	Various
	<u><u>\$ 4,234,559</u></u>	<u><u>\$ 4,234,559</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	

Investment income includes the following for the year ended June 30, 2006:

Total net investment income per statement of activities \$622,669

FCC's investments at June 30, 2006 were as follows:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>			<b>Interest Rate</b>
		<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	
State Investment Pool	\$ 9,854,308	\$ 9,854,308	\$ -	\$ -	4.93%
	<u><u>\$ 9,854,308</u></u>	<u><u>\$ 9,854,308</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	

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

Investment income includes the following for the year ended June 30, 2006:

Total net investment income per statement of activities: **\$663,809**

The Frederick Community College Foundation investments at June 30, 2006 are:

<b>Investment Type</b>	<b>Market Value at June 30, 2006</b>	<b>% of Total</b>	<b>Annualized * Income Projection</b>	<b>Projected Yield as a % of Market Value</b>
Cash Equivalents	\$ 420,007	8%	\$ 20,118	4.79 %
Bond Funds	1,659,340	33%	80,478	4.85 %
Equity funds	2,972,043	59%	31,504	1.06 %
<b>Total</b>	<b><u>\$ 5,051,390</u></b>	<b>100%</b>	<b>132,100</b>	<b>2.62 %</b>
Less: Estimated Annual Management Fee			(23,742)	(0.47) %
<b>Estimated Net Annual Yield</b>			<b><u>\$ 108,358</u></b>	<b><u>2.15 %</u></b>

*\*Annualized estimates based on amounts and rates as of June 30, 2006.*

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.

	<b>June 30, 2006</b>		<b>June 30, 2005</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
U.S. Treasury Note & Bonds	\$ 330,520	\$ 321,070	\$ 54,513	\$ 56,208
U.S. Agencies	478,316	470,091	385,511	397,938
Corporate Bonds	880,175	868,179	985,909	1,023,212
<b>Total Debt Securities</b>	<b>1,689,011</b>	<b>1,659,340</b>	<b>1,425,933</b>	<b>1,477,358</b>
Equity Securities	3,002,311	2,972,043	2,627,712	2,553,716
<b>Total Investments</b>	<b><u>\$ 4,691,322</u></b>	<b><u>\$ 4,631,383</u></b>	<b><u>\$ 4,053,645</u></b>	<b><u>\$ 4,031,074</u></b>

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

FCPL's investments at June 30, 2006 were as follows:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>			<b>Interest Rate At June 30</b>
		<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	
State Investment Pool	\$ 171,369	\$ 171,369	\$ -	\$ -	4.93%
Certificates of Deposit	170,000	160,000	10,000	-	Various
	<b>\$ 341,369</b>	<b>\$ 331,369</b>	<b>\$ 10,000</b>	<b>\$ -</b>	

Investment income includes the following for the year ended June 30, 2006:

Total net investment income per statement of activities: \$11,774

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

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the BOE, FCC and FCPL will not be able to recover all or portion of the value of its investments or collateral securities that are in possession of an outside party. At June 30, 2006, all of the component unit investments were insured or registered, or securities were held by the unit or its agent in the unit's name or were invested in the MLGIP.

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

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

**B. Receivables and Payables**

1. *Accounts and Other Receivables*

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

Fire/Rescue Tax Districts	\$232,284
Water and Sewer	1,092
Solid Waste	75,957
Citizen's Nursing Home	49,086
Montevue Home	56,704

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, 2006, are reconciled as follows:

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 Due from component units per Primary Government  
 Less: Payable recorded by component unit in FY07  
 Due to primary government per Component Units

	<b>BOE</b>	<b>FCC</b>	<b>FCPL</b>	<b>TOTAL</b>
\$ 448	\$ 28,610	\$ -	\$ 29,058	
(448)	(28,610)	-	-	(29,058)
<b>\$ -</b>				

Due to component units per Primary Government  
 Less: Receivables recorded by component unit in FY06  
 Due from primary government per Component Units

	<b>BOE</b>	<b>FCC</b>	<b>FCPL</b>	<b>TOTAL</b>
\$ 5,770,093	\$ 10,291	\$ 1,803,421	\$ 7,583,805	
-	-	-	-	-
<b>\$ 5,770,093</b>	<b>\$ 10,291</b>	<b>\$ 1,803,421</b>	<b>\$ 7,583,805</b>	<b>\$ 7,583,805</b>

**C. Capital Assets**

With the implementation of GASB 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, 2006 is as follows:

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 30,378,862	\$ 6,201,301	\$ (2,230,778)	\$ 34,349,385
Construction in progress	15,656,825	30,108,166	(18,746,708)	27,018,283
Total capital assets at historical cost not being depreciated	<u>46,035,687</u>	<u>36,309,467</u>	<u>(20,977,486)</u>	<u>61,367,668</u>
Capital assets being depreciated:				
Buildings and improvements	116,827,349	6,902,306	-	123,729,655
Equipment	62,724,040	9,382,422	(3,409,529)	68,696,933
Infrastructure	275,358,915	10,271,418	(353,499)	285,276,834
Total capital assets at historical cost being depreciated	<u>454,910,304</u>	<u>26,556,146</u>	<u>(3,763,028)</u>	<u>477,703,422</u>
Less accumulated depreciation for:				
Buildings and improvements	35,456,216	2,751,415	-	38,207,631
Equipment	25,282,497	7,252,225	(2,843,138)	29,691,584
Infrastructure	129,718,634	8,186,212	(22,826)	137,882,020
Total accumulated depreciation	<u>190,457,347</u>	<u>18,189,852</u>	<u>(2,865,964)</u>	<u>205,781,235</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>264,452,957</u>	<u>8,366,294</u>	<u>(897,064)</u>	<u>271,922,187</u>
Governmental activities capital assets, net	<u>\$ 310,488,644</u>	<u>\$ 44,675,761</u>	<u>\$ (21,874,550)</u>	<u>\$ 333,289,855</u>
Depreciation expense was charged to governmental functions as follows:				
General government				\$ 2,413,072
Public works				1,303,707
Social services				1,083,328
Health				248,928
Rec and culture				1,071,743
Public safety				3,882,863
Infrastructure				8,186,211
Total depreciation expense				<u>\$ 18,189,852</u>

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

<b>Primary Government</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 6,953,179	\$ -	\$ -	\$ 6,953,179
Construction in progress	42,827,168	45,866,465	(15,893,854)	72,799,779
<b>Totals capital assets at historical cost not being depreciated</b>	<b>49,780,347</b>	<b>45,866,465</b>	<b>(15,893,854)</b>	<b>79,752,958</b>
Capital assets being depreciated:				
Buildings and improvements	88,315,338	226,387	(43,126)	88,498,599
Equipment	29,443,657	2,248,874	(663,485)	31,029,046
Infrastructure	190,676,035	14,202,874	(349,405)	204,529,504
<b>Total capital assets at historical cost being depreciated</b>	<b>308,435,030</b>	<b>16,678,135</b>	<b>(1,056,016)</b>	<b>324,057,149</b>
Less accumulated depreciation for:				
Buildings and equipment	58,944,172	4,777,336	(435,116)	63,286,392
Infrastructure	26,485,269	2,650,864	(93,380)	29,042,753
<b>Total accumulated depreciation</b>	<b>85,429,441</b>	<b>7,428,200</b>	<b>(528,496)</b>	<b>92,329,145</b>
<b>Total capital assets being depreciated, net of accumulated depreciation</b>	<b>223,005,589</b>	<b>9,249,935</b>	<b>(527,520)</b>	<b>231,728,004</b>
Business-type activities capital assets, net of accumulated depreciation	<b>\$ 272,785,936</b>	<b>\$ 55,116,400</b>	<b>\$ (16,421,374)</b>	<b>\$ 311,480,962</b>
Depreciation expense was charged to business-type functions as follows:				
Citizens Nursing Home				\$ 138,624
Montevue Home				43,829
Bell Court				62,596
Permitting & Development Review				111,239
Solid Waste				2,053,364
Water & Sewer				5,018,547
<b>Total depreciation expense</b>				<b>\$ 7,428,199</b>

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

Component units' capital asset activity for the year ended June 30, 2006 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Ending Balance</b>
<b>Capital assets not being depreciated:</b>				
Land	\$ 35,006,527	\$ 949,638	\$ -	\$ 35,956,165
Construction in progress	<u>150,805,432</u>	<u>52,065,913</u>	<u>(103,482,225)</u>	<u>99,389,120</u>
<b>Totals capital assets at historical cost not being depreciated</b>	<b><u>185,811,959</u></b>	<b><u>53,015,551</u></b>	<b><u>(103,482,225)</u></b>	<b><u>135,345,285</u></b>
<b>Capital assets being depreciated:</b>				
Library collection	11,290,002	1,740,801	(691,004)	12,339,799
Building and improvements	428,508,633	86,507,330	(91,138)	514,924,825
Furniture and equipment	<u>62,910,223</u>	<u>5,542,828</u>	<u>(6,725,626)</u>	<u>61,727,425</u>
<b>Totals capital assets at historical cost being depreciated</b>	<b><u>502,708,858</u></b>	<b><u>93,790,959</u></b>	<b><u>(7,507,768)</u></b>	<b><u>588,992,049</u></b>
<b>Less accumulated depreciation for:</b>				
Library collection	7,986,865	1,261,889	(691,004)	8,557,750
Building and improvements	152,474,644	12,474,170	(89,973)	164,858,841
Furniture and equipment	<u>41,843,963</u>	<u>5,293,302</u>	<u>(5,750,141)</u>	<u>41,387,124</u>
<b>Total accumulated depreciation</b>	<b><u>202,305,472</u></b>	<b><u>19,029,361</u></b>	<b><u>(6,531,118)</u></b>	<b><u>214,803,715</u></b>
<b>Total capital assets being depreciated, net of accumulated depreciation</b>	<b><u>300,403,386</u></b>	<b><u>74,761,598</u></b>	<b><u>(976,650)</u></b>	<b><u>374,188,334</u></b>
<b>Component units' capital assets, net of accumulated depreciation</b>	<b><u>\$ 486,215,345</u></b>	<b><u>\$ 127,777,149</u></b>	<b><u>\$ (104,458,875)</u></b>	<b><u>\$ 509,533,619</u></b>

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

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

*1. Primary Government Interfund Receivables and Payable Balances*

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Total Due from Other Funds</u>
	<u>Nonmajor Proprietary</u>	<u>Nonmajor Governmental</u>	
General Fund	\$ 1,270,115	\$ 1,273	\$ 1,271,388
Total Due to Other Funds	<u>\$ 1,270,115</u>	<u>\$ 1,273</u>	<u>\$ 1,271,388</u>

Interfund balances due from the nonmajor proprietary funds include \$1,270,115 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, 2006, 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.

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*2. Interfund Transfers – Primary Government*

Interfund transfers for the year ended June 30, 2006, 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	\$ 23,291,840	\$ 8,429,500	\$ -	\$ 1,650,000	\$ 4,491,358	\$ 1,663,131	\$ 39,525,829
Capital Projects	-	-	541,600	-	-	-	541,600
Nonmajor governmental	10,556,300	-	-	-	-	27,786	10,584,086
Water and Sewer	-	-	-	-	-	343,323	343,323
Solid Waste	-	-	-	-	-	29,097	29,097
Total Transfers in from Other Funds	<u>\$ 33,848,140</u>	<u>\$ 8,429,500</u>	<u>\$ 541,600</u>	<u>\$ 1,650,000</u>	<u>\$ 4,491,358</u>	<u>\$ 2,063,337</u>	<u>\$ 51,023,935</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 2006 were approximately \$853,000.

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

<b>Fiscal Year</b>	<b>Total Payment</b>
2007	\$ 624,552
2008	287,792
2009	174,768
2010	170,148
2011	133,875
2012-2016	606,000
2017-2021	606,000
2022-2026	606,000
2027-2031	326,000
2032-2036	270,000
2037-2041	9,000
<b>Total</b>	<b><u>\$ 3,814,135</u></b>

The County subleases a portion of one of these buildings to other companies and government agencies, this does not, however, release the County from the lease obligation. Lease revenues for fiscal year 2006 totaled \$124,611.

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

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

Years Ending June 30,		
2007	\$	127,549
2008		36,842
2009		9,388
2010		-
2011		-
2012-thereafter		-
		<u><u>\$ 173,779</u></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 2006 totaled \$181,989.

Future minimum lease revenues for these rentals are as follows:

Years Ending June 30,		
2007	\$	233,223
2008		126,422
2009		630
2010		-
2011		-
2012-thereafter		-
		<u><u>\$ 360,275</u></u>

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

**F. Non-Current Liabilities**

*1. Changes in Non-Current Liabilities*

	Balance	Principal		Balance	Due Within
	July 1, 2005	Additions	& Reductions	June 30, 2006	One Year
<b>Governmental Activities:</b>					
Bonds Payable	\$ 234,327,973	\$ 82,958,476	\$ (26,735,403)	\$ 290,551,046	\$ 17,960,179
Unamortized Premium on Bonds	10,542,690	4,751,328	(2,502,079)	12,791,939	1,590,003
Installment Purchase Agreements	15,767,333	5,357,003	(372,931)	20,751,405	-
Notes Payable	7,322,577	-	(682,474)	6,640,103	716,954
Capital Lease Obligations	4,980,289	731,000	(1,476,167)	4,235,122	1,623,805
Compensated Absences	6,121,098	6,331,195	(5,319,856)	7,132,437	314,153
Deferred Loss on Bond Refunding	(9,401,353)	(723,349)	636,285	(9,488,417)	(778,885)
Total Governmental Activity- Long Term Liabilities	<u>\$ 269,660,607</u>	<u>\$ 99,405,653</u>	<u>\$ (36,452,625)</u>	<u>\$ 332,613,635</u>	<u>\$ 21,426,209</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, Fire/Rescue Tax Districts, Agricultural Preservation, and Impact Fee 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 83% 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 is recorded in the respective Fund's bond proceeds.

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, 2006, Internal Service Funds compensated absences totaling \$124,657 are included in the above amounts.

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

	<b>Balance</b> <b>July 1, 2005</b>	<b>Additions</b>	<b>Principal</b> <b>Repayments &amp; Reductions</b>	<b>Balance</b> <b>June 30, 2005</b>	<b>Due Within</b> <b>One Year</b>
<b>Business-type Activities:</b>					
Bonds Payable	\$ 71,517,028	\$ 39,726,524	\$ (13,174,595)	\$ 98,068,957	\$ 7,034,824
Unamortized Premium on Bonds	2,181,486	2,360,388	(789,302)	3,752,572	485,255
Notes Payable	28,917,294	8,730,622	(8,045,740)	29,602,176	2,621,512
Landfill Closure Costs	14,564,027	2,331,318	(257,056)	16,638,289	278,059
Compensated Absences	1,120,366	1,402,964	(1,228,176)	1,295,154	98,127
Deferred Loss on Bond Refundings	(2,123,236)	(429,690)	140,574	(2,412,352)	(253,904)
Total Business-type Activities - Long Term Liabilities	<u>\$ 116,176,965</u>	<u>\$ 54,122,126</u>	<u>\$ (23,354,295)</u>	<u>\$ 146,944,796</u>	<u>\$ 10,263,873</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.

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The debt limit for the primary government's water, sewer and solid waste activities at June 30, 2006 was \$1,113,792,014 and the legal debt margin was \$986,120,881.

**Component Units:**

	<b>Balance</b> <b>July 1, 2005</b>	<b>Net Changes</b>	<b>Balance</b> <b>June 30, 2006</b>	<b>Due Within</b> <b>One Year</b>
<b>Board of Education</b>				
Capital lease obligations	\$ 1,194,762	\$ (568,419)	\$ 626,343	\$ 550,287
Compensated absences	4,998,074	601,170	5,599,244	4,470,416
Termination benefits payable	<u>15,421,801</u>	<u>599,448</u>	<u>16,021,249</u>	<u>1,628,178</u>
Board of Education - Long-term Liabilities	<u>\$ 21,614,637</u>	<u>\$ 632,199</u>	<u>\$ 22,246,836</u>	<u>\$ 6,648,881</u>
<b>Frederick Community College</b>				
Compensated absences	\$ 1,236,906	\$ 22,569	\$ 1,259,475	\$ -
Frederick Community College - Long-term Liabilities	<u>\$ 1,236,906</u>	<u>\$ 22,569</u>	<u>\$ 1,259,475</u>	<u>\$ -</u>
<b>Frederick County Public Libraries</b>				
Compensated absences	\$ 275,418	\$ 30,862	\$ 306,280	\$ 8,594
Frederick County Public Libraries - Long -term Liabilities	<u>\$ 275,418</u>	<u>\$ 30,862</u>	<u>\$ 306,280</u>	<u>\$ 8,594</u>

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

**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% 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 \$98,428,674 which \$32,428,674 is the remaining authorization under Chapter 37 of the Laws of Maryland of 2003, and \$66,000,000 remaining authorization under Chapter 145 of the Laws of Maryland of 2005 as of June 30, 2006.

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.

Governmental Activities	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Range of Interest Rates	Amount of Original Issue	Amount Outstanding	
		6/30/06					
Public Facilities Bonds							
Public Facilities Refunding Bonds of 1998, Series A	General	10/15/98	Due serially to 07/1/2015	3.30-5.00%	\$ 19,346,419	\$ 18,521,361	
Public Facilities Bonds of 1999	General	08/15/99	Due serially to 07/1/2009	5.22-5.31%	59,116,000	10,305,854	
Public Facilities Bonds of 1999	Impact Fee	08/15/99	Due serially to 07/1/2009	5.22-5.31%	30,515,000	5,319,763	
Public Facilities Bonds of 2000	General	11/15/00	Due serially to 12/1/2010	5.00%	36,161,520	7,676,789	
Public Facilities Bonds of 2000	Impact Fee	11/15/00	Due serially to 12/1/2010	5.00%	16,653,480	3,535,395	
Public Facilities Refunding Bonds of 2001	General	07/15/01	Due serially to 07/1/2008	3.448-4.00%	6,579,486	3,557,084	
Public Facilities Refunding Bonds of 2002, Series A	General	04/01/02	Due serially to 07/1/2016	5.0000%	13,999,267	9,438,195	
Public Facilities Bonds of 2002	General	11/01/02	Due serially to 11/1/2022	2.00-4.68%	38,200,000	21,353,615	
Public Facilities and Refunding Bonds of 2003	General	09/01/03	Due serially to 08/1/2018	2.00-4.25%	33,013,847	28,502,866	
Public Facilities and Refunding Bonds of 2003	Fire Tax	09/01/03	Due serially to 08/1/2018	2.00-4.25%	2,505,905	2,227,376	
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	5,572,300	
Public Facilities Refunding Bonds of 2005	General	05/19/05	Due serially to 08/1/2020	3.50-5.00%	62,517,782	62,317,782	
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	47,817,130	
Public Facilities Bonds of 2005	CCRC	11/15/05	Due serially to 12/01/2020	3.50-5.00%	810,000	810,000	
Public Facilities Bonds of 2005	Fire Tax	11/15/05	Due serially to 12/01/2020	3.50-5.00%	270,000	270,000	
Public Facilities Bonds of 2005	Impact Fee	11/15/05	Due serially to 12/01/2020	3.50-5.00%	21,452,870	21,452,870	
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	
					\$ 437,100,481	\$ 290,551,047	

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

The annual requirements to amortize governmental activities bond debt as of June 30, 2006 are as follows:

Fiscal Year Ending June 30,	<b>Public Facilities Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2007	\$ 17,960,179	\$ 12,719,366
2008	18,497,209	11,995,883
2009	18,999,057	11,238,943
2010	19,030,630	10,458,282
2011	18,660,054	9,674,780
2012-2016	99,568,991	35,096,647
2017-2021	92,361,863	11,426,493
2022-2023	<u>5,473,064</u>	<u>238,116</u>
	<hr/> <u>\$ 290,551,047</u>	<hr/> <u>\$ 102,848,510</u>

<b>Business Type Activities</b>	<b>Paying Fund</b>	<b>Date of Debt Issue</b>	<b>Date of Debt Maturity</b>	<b>Range of Interest Rates</b>	<b>Amount of Original Issue</b>	<b>Amount Outstanding 6/30/06</b>
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	\$ 2,727,500
Public Facilities Refunding Bonds of 1998, Series A	SW	10/15/98	07/01/15	3.30-5.00%	6,294,581	6,026,139
Public Facilities Bonds of 1999	W&S	08/15/99	07/01/09	5.22-5.31%	5,159,000	899,383
Public Facilities Bonds of 2000	W&S	11/15/00	12/01/10	5.00%	14,185,000	3,011,358
Public Facilities Bonds of 2000	SW	11/15/00	12/01/10	5.00%	5,000,000	1,061,459
Public Facilities Refunding Bonds of 2001	W&S	07/15/01	07/01/08	3.448-4.00%	8,125,514	4,392,916
Water and Sewer Refunding Bonds of 2002, Series A	W&S	04/01/02	07/01/16	5.00%	8,590,733	5,791,805
Public Facilities Bonds of 2002	W&S	11/01/02	11/01/17	2.00-4.68%	16,680,000	9,324,039
Public Facilities Bonds of 2002	SW	11/01/02	11/01/17	2.00-4.68%	6,820,000	3,812,347
Public Facilities and Refunding Bonds of 2003	W&S	09/01/03	08/01/18	2.00-4.25%	7,216,140	6,062,459
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	4,150,000
Public Facilities Bonds of 2005	W&S	11/15/05	12/01/20	3.50-5.00%	22,320,000	22,320,000
Public Facilities Bonds of 2005	SW	11/15/05	12/01/20	3.50-5.00%	5,500,000	5,500,000
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%	<u>2,251,042</u>	<u>2,251,042</u>
					<hr/> <u>\$ 135,879,520</u>	<hr/> <u>\$ 98,068,957</u>

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

The annual requirements to amortize business-type bond debt as of June 30, 2006 are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Public Facilities Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2007	\$ 7,034,824	\$ 4,194,768
2008	7,227,790	3,919,126
2009	7,350,943	3,632,994
2010	6,964,370	3,352,876
2011	6,924,947	3,066,035
2012-2016	30,961,002	11,040,066
2017-2021	28,238,144	4,121,950
2022-2023	3,366,937	146,483
	<b><u>\$ 98,068,957</u></b>	<b><u>\$ 33,474,298</u></b>

*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)**

	<b>Paying Fund</b>	<b>Date of Debt Issue</b>	<b>Date of Debt Maturity</b>	<b>Interest Rate</b>	<b>Amount of Original Issue</b>	<b>Amount Outstanding 6/30/06</b>
<b>Installment Purchase Agreements</b>						
Installment Purchase Agreement #02-04	Ag Pres	05/15/03	05/15/23	4.95%	\$ 494,567	\$ 484,567
Installment Purchase Agreement #02-08	Ag Pres	05/15/03	05/15/13	3.82%	181,052	171,052
Installment Purchase Agreement #02-07 (a)	Ag Pres	05/15/03	05/15/15	4.16%	236,504	224,695
Installment Purchase Agreement #02-07 (b)	Ag Pres	05/15/03	05/15/15	4.16%	281,104	266,914
Installment Purchase Agreement #02-19	Ag Pres	07/14/03	05/15/13	3.84%	706,048	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%	793,565	753,565
Installment Purchase Agreement #02-28	Ag Pres	12/11/03	05/15/15	4.76%	405,748	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%	497,207	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%	299,769	261,769
Installment Purchase Agreement #02-15	Ag Pres	08/03/04	05/15/14	5.43%	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%	285,942	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	5.25%	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%	308,768	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%	684,624	670,000
Installment Purchase Agreement #05-30	Ag Pres	03/29/05	05/15/25	4.98%	488,538	388,538
Installment Purchase Agreement #05-31	Ag Pres	03/29/05	05/15/25	4.98%	432,746	389,471
Installment Purchase Agreement #05-32	Ag Pres	04/19/05	05/15/15	4.28%	416,975	366,975
Installment Purchase Agreement #05-33	Ag Pres	04/19/05	05/15/15	4.28%	243,940	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%	637,168	632,168
Installment Purchase Agreement #05-36	Ag Pres	05/19/05	05/15/20	4.44%	544,114	544,114
Installment Purchase Agreement #05-37	Ag Pres	05/19/05	05/15/20	4.44%	92,894	92,894
Installment Purchase Agreement #05-38	Ag Pres	05/19/05	05/15/15	4.12%	282,021	282,021
Installment Purchase Agreement #05-40	Ag Pres	05/19/05	05/15/15	4.12%	372,079	372,079

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

	<b>Paying Fund</b>	<b>Date of Debt Issue</b>	<b>Date of Debt Maturity</b>	<b>Interest Rate</b>	<b>Amount of Original Issue</b>	<b>Amount Outstanding 6/30/06</b>
<b>Installment Purchase Agreements</b>						
Installment Purchase Agreement #05-41	Ag Pres	07/20/05	05/15/25	4.52%	541,512	541,512
Installment Purchase Agreement #05-42	Ag Pres	07/20/05	05/15/15	4.20%	76,572	76,572
Installment Purchase Agreement #05-43	Ag Pres	07/20/05	05/15/25	4.52%	407,493	367,493
Installment Purchase Agreement #05-44	Ag Pres	07/20/05	05/15/25	4.52%	256,901	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%	385,833	221,872
Installment Purchase Agreement #06-55	Ag Pres	06/15/06	05/15/16	5.03%	690,505	628,359
Installment Purchase Agreement #06-56	Ag Pres	06/15/06	05/15/21	5.20%	286,027	236,027
Installment Purchase Agreement #06-57	Ag Pres	06/15/06	05/15/16	5.03%	541,971	500,000
Installment Purchase Agreement #06-58	Ag Pres	06/15/06	05/15/21	5.20%	82,952	75,000
					<b>\$ 21,736,185</b>	<b>\$ 20,751,405</b>

The annual requirements to amortize installment purchase agreement debt as of June 30, 2006 are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Installment Purchase Agreements</b>		
	<b>Principal</b>	<b>Interest</b>	
2007	\$ -	\$ 935,629	
2008	-	1,017,804	
2009	-	1,017,804	
2010	-	1,017,804	
2011	-	1,017,804	
2012-2016	6,082,618	4,933,823	
2017-2021	1,689,283	3,741,765	
2022-2026	12,979,504	2,420,324	
	<b>\$ 20,751,405</b>	<b>\$ 16,102,757</b>	

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

**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	\$ 8,686,872
Less: Accumulated depreciation	<u>(2,356,029)</u>
<b>Total:</b>	<b><u>\$ 6,330,843</u></b>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Ending</u> <u>June 30,</u>	<u>Total Payment</u>
2007	\$ 1,734,600
2008	1,360,681
2009	882,760
2010	344,734
2011	<u>126,066</u>
	<u>4,448,841</u>
Less: amount representing interest	<u>(213,719)</u>
Present value-net minimum lease payments	<b><u>\$ 4,235,122</u></b>

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

**Component Unit**

The BOE has various capital lease agreements for the purchase of buses and food service equipment. Payments, including interest, during fiscal year 2006 were \$50,676 for the food service equipment, and \$570,643 for the buses.

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Asset:		
Machinery and equipment	\$ 8,662,424	\$ 326,016
Less: Accumulated depreciation	<u>(4,589,861)</u>	<u>(317,108)</u>
Total	<u><u>\$ 4,072,563</u></u>	<u><u>\$ 8,908</u></u>

As of June 30, 2006, the minimum obligation under capital leases were as follows:

<b>Fiscal Year</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
2007	\$ 527,152	\$ 50,677
2008	27,151	24,976
2009	-	28,389
2010	-	-
2011	-	-
Total Obligations	554,303	104,042
Less: Portion representing interest	<u>(23,443)</u>	<u>(8,559)</u>
Present value of lease obligation	<u><u>\$ 530,860</u></u>	<u><u>\$ 95,483</u></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

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

June 30, 2006 was \$463,856. 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 \$181,058 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, 2006 was \$137,828.

**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 outstanding balance of this loan at June 30, 2006 was \$883,986. 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 said loan will be repaid by payments made by the private user, the loan is a full faith and credit obligation of the County.

The County had received a MICRF loan in the amount of \$113,637. This loan was paid in full in FY2006. The proceeds of this loan were reloaned by the County to the Frederick Sports Arena Limited Partnership (the "Partnership") in financing a commercial development project. The loan was a full faith and credit obligation of the County.

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**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, 2006, is \$418,756. 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 and the balance due at June 30, 2006 is \$4,735,677.

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

	<b>Paying Fund</b>	<b>Amount of Original Issue</b>	<b>Date of Debt Issue</b>	<b>Date of Debt Maturity</b>	<b>Annual Rate/ Payment Frequency</b>	<b>Amount Outstanding 06/30/06</b>
<b>Governmental Activity:</b>						
MD Industrial Land Act Loan - Dan Jay LLC	Econ Dev	\$ 630,000	02/11/94	02/11/21	5.23%/Quarterly	\$ 463,856
MD Industrial Land Act Loan - State Farm	General	181,058	06/23/95	06/23/22	5.93%/Quarterly	137,828
MICRF - MediImmune	Econ Dev	1,436,502	12/31/97	12/31/16	3.00%/Quarterly	883,986
EPA Asbestos School Hazard Abatement	General	1,370,471	8/5/1992	11/30/11	0.00%/Semi-annually	418,756
Maryland State Retirement System	General	7,036,995	06/30/93	12/31/13	7.5%/Annually	4,735,677
<b>Total Notes Payable</b>		<b>\$ 10,655,026</b>				<b>\$ 6,640,103</b>

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

	<b>Principal</b>	<b>Interest</b>
2007	\$ 716,954	\$ 380,988
2008	760,748	336,817
2009	808,101	289,464
2010	858,871	238,694
2011	913,309	184,256
2012-2016	2,300,445	257,735
2017-2021	281,675	35,847
	<b>\$ 6,640,103</b>	<b>\$ 1,723,801</b>

**Business Type Activities:**

**Maryland Department of the Environment Loans**

The Department of the Environment of the State of Maryland (MDE) through the Maryland Water Quality Financing Administration, makes funds available to local governments at below market interest rates for certain water quality and drinking water projects. Proceeds of the loans are dispersed to the County as draws according to construction payments.

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

The County has been a participant in the MDE's loan program since fiscal year 1992. As of June 30, 2006, the County has authorized and approved borrowings in an aggregate principal amount of \$28,469,543 for eight water and sewer loans. The County has also authorized and approved borrowings in an aggregate principal amount of \$23,267,891 for three solid waste loans. As of June 30, 2006, \$28,254,105 of the water and sewer loan proceeds and \$18,704,657 of the solid waste loan proceeds have been drawn. The remaining funds are anticipated to be drawn by the end of fiscal year 2007. The outstanding principal balance on these loans as of June 30, 2006 is \$29,602,176. These loans have interest rates of 2.00 – 4.56%.

*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% to capacity. Total capacity of Site A is 3,228,000 tons. In fiscal year 2006, \$257,056 of operating activities such as leachate treatment and well testing related to Site A were incurred. The liability for Site A closure was increased by \$20,407 to reflect the variance between estimated and actual costs. This increase is recognized in the \$2,331,318 of additions to landfill closure costs for fiscal year 2006 as previously noted in Note 3.F.1. The total remaining estimated costs for closure and post closure care of Site A is \$4,413,059 as of June 30, 2006. This entire amount is reported as a liability for Site A.

As of June 30, 2006, the Site B landfill had capacity used of 1,699,974 tons which is 70.25% of total capacity of 2,419,980 tons. The total estimated costs for closure and post closure care of Site B is \$17,403,097, and the resulting liability is \$12,225,230, with \$5,177,867 remaining to be recognized. The current operating strategy includes the utilization of a temporary transfer station which became operational in December 2005. Under this strategy, Site B has an estimated remaining life of 43 years.

The Solid Waste Enterprise Fund has a total liability for closure and post closure care of \$16,638,289 as of June 30, 2006. 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.

*7. Current Year Defeasance of Debt*

On February 1, 2006, the County issued the General Obligation Public Facilities Refunding Bonds of 2006 in the amount of \$20,365,000. These bonds carry an average interest rate of 4.888 percent. The gross proceeds of \$22.5 million (including premium and accrued interest) were used to advance refund certain maturities in the amount of \$20.5 million of the 2002 Public Facilities Bonds. As a result certain maturities of the 2002 Public Facilities Bonds have been removed from the government-wide statement of net assets.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1.2 million. This difference is reported in the accompanying financial statements as a deduction from bonds payable and is being charged to operations through fiscal year 2023. The County uses the straight line method to amortize this loss. The County completed the refunding to reduce its total debt service payments through fiscal year 2023 by \$823,069 and to obtain an economic gain of \$595,639. As of June 30, 2006, there remains \$103,035,000 of outstanding defeased debt.

**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, 2006, fund balances were reserved as follows:

<b>Reserved</b>	<b>General Fund</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>
For encumbrances	\$ 2,636,848	\$ 25,814,750	\$ 282,028
For inventories	915,780	-	-
For long-term receivables	273,134	-	-
For drug investigations	-	-	103,968
For Agricultural Preservation			
Compliance monitoring	-	-	148,953
Total reserved fund balances	<u><u>\$ 3,825,762</u></u>	<u><u>\$ 25,814,750</u></u>	<u><u>\$ 534,949</u></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.

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

As of June 30, 2006, Unreserved Fund Balance designations are as follows:

<b>Unreserved - Fund Balances</b>	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>
<b>Designated for:</b>		
Subsequent years' expenditures	\$ 46,780,779	\$ 15,056,258
Bond rating enhancement	2,978,637	-
Capital Projects	-	25,058,625
Loans	-	4,147,849
Snow Removal	726,408	-
Equipment purchases under capital leases	-	501,512
Inmates purchases	-	112,990
Rural Legacy	-	2,734,366
Debt service	1,400,076	11,799,463
Total designated fund balances	<u><u>\$ 51,885,900</u></u>	<u><u>\$ 59,411,063</u></u>

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

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

Designated for use in FY07 budget	\$ 43,095,887
Designated for retiree health plan benefits	3,133,261
Designated for LOSAP (Length of Service Award Program)	<u>551,631</u>
Total General Fund Fund Balance - Unreserved-designated for subsequent years' expenditures	<u>\$ 46,780,779</u>

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

The General Fund has unreserved, undesignated fund balance at June 30, 2006 totaling \$53,857,163. 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% 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, 2006 the required balance is \$16,624,972. The actual balance exceeds the required 5% set-aside, as described above, in the amount of \$37,232,191 and is available as a funding source in the County's FY08 budget.

The ordinance stipulates that the 5% 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% 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, 2006, the balance of these reserves are \$102,236,220 (detailed below). These reserves are a part of the \$287,357,583 Net Asset balance.

Reserved for:	
Operating Reserves	\$ 1,396,763
3 R Reserves	22,276,046
Tap Credits	2,890,342
Working Capital	12,172,639
Cash Funding of Capital Projects	9,209,160
System Development	54,291,270
Total Water and Sewer Reserves	<u>\$ 102,236,220</u>

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

**5. Net Assets Restricted by Enabling Legislation**

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

Governmental activities	\$ 109,011,007
Business-type activities	-
Total Net Assets Restricted by	
Enabling Legislation	<u>\$ 109,011,007</u>

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

**NOTE 4. OTHER INFORMATION**

**A. Commitments and Contingencies**

*1. Construction Commitments*

As of June 30, 2006, the County had the following commitments with respect to unfinished capital projects:

	Total Project Budget	Total Expenditures	Amount Funded	Required Future Funding
General government	\$ 71,584,647	\$ 32,398,423	\$ 31,479,181	\$ 40,105,466
Roads and Bridges	43,610,046	22,411,504	26,759,717	16,850,329
Board of Education	103,517,308	84,382,747	88,648,056	14,869,252
Frederick Community College	8,023,702	4,898,751	6,935,142	1,088,560
Parks and recreation	18,166,818	6,681,612	14,467,743	3,699,075
Watershed Restoration	825,100	158,461	825,100	-
Municipal	<u>6,635,000</u>	<u>6,305,281</u>	<u>3,725,500</u>	<u>2,909,500</u>
	<u>\$ 252,362,621</u>	<u>\$ 157,236,779</u>	<u>\$ 172,840,439</u>	<u>\$ 79,522,182</u>

*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, COPS, Workforce Investment Act Programs, Bridge Projects, Capitalization Grants for State Revolving Fund and State Domestic Preparedness 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, 2006 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 which 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, 2006.

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

**4. Economic Dependency**

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

Citizens Care and Rehabilitation Center, a non-major enterprise fund, has three payor types that individually exceed 10% of total operating revenues for this fund. They are Medicaid (58.48%), Private Pay Residents (10.72%) and Medicare (11.84%).

The Solid Waste Enterprise Fund has three customers which account for 41.52% of total operating revenues. Two commercial haulers accounted for \$4,776,291, or 31.78%, of the fiscal year 2006 operating revenues. A single municipality accounted for \$1,463,856 or 9.74% of the fiscal year 2006 operating revenues. Should the revenues from any of these customers decrease significantly, certain variable operating expenses, such as 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.

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

**6. Contingent Liability**

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

**B. Arbitrage Rebate Requirements**

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

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

The 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, 2006.

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

**C. Conduit Debt**

From time to time, the County has issued Maryland Industrial Development Revenue Bonds, Maryland Economic Development Revenue Bonds, and Maryland Mortgage Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities and provision of housing deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from 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.

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. This debt is a special obligation of the County. 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:

<b>Payee</b>	<b>Amount of Original Issue</b>	<b>Date of Debt Issue</b>	<b>Date of Debt Maturity</b>	<b>Interest Rate</b>	<b>Payment Frequency</b>	<b>Amount Outstanding 6/30/2006</b>
MedImmune	\$ 1,090,000	10/30/98	11/01/08	7.20%	Annually	\$ 501,140
Emergent Biologics	300,000	03/31/05	12/01/10	4.08%	Annually	244,046
Toys'R-Us	<u>1,890,094</u>	09/26/96	09/15/18	8.16%	Annually	<u>1,460,863</u>
						<u>\$ 2,206,049</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 for the Villages of Lake Linganore Community Development Authority in the amount of \$6,730,000. 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.

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

**D. Retirement Plans**

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

*1. Single-Employer Pension Plan*

*Plan Description*

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

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

The type and number of employees covered as of June 30, 2006, 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	70	258	-	-
Terminated employees entitled to benefits	-	-	151	111
Active employees	464	1,337	-	-

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% of average pay after 20 years or 66% 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 (4 years for elected officials and appointees). Retirement benefits are calculated by formula and provide approximately 50% of average pay after 25 years or 60% 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.

*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.

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

*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% of their base pay under the plan, and non-uniformed employees contribute 4%. The County's required payroll contribution in FY2006 was 15.2%. In addition, the County made a supplemental payment of \$1,750,000 on July 24, 2003 to pay off remaining balance of the original unfunded liability.

*Annual Pension Cost*

Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.75% per year compounded annually, gross of investment expenses, (b) projected salary increases from 4.00% to 10.00% per year compounded annually, including 3.00% per year attributable to inflation, and the remainder of merit/seniority, and (c) 1.00% 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 FY2005, caused primarily by investment performance, which was less than the assumption for three out of the last five fiscal years, and pay increases that were higher than the assumption. Note that the Actuarial Value of Assets is less than the Market Value of Assets for the first time in several years, indicating that that there are more asset gains than losses to recognize in the future.

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, 2006 there are two plan change bases which are currently outstanding – the COLA plan change (22 years remaining) and the July 1, 2000 plan improvements for all employees (24 years remaining). All amortization payments are calculated as a level percent of payroll, which is assumed to increase 3% each year.

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

<b>Fiscal Year</b>	<b>Annual Pension Cost</b>	<b>Percentage Contributed</b>	<b>Net Pension Obligation</b>
2006	\$ 11,736,171	100%	\$ 0
2005	9,785,642	100	0
2004	8,459,701	100	0

At June 30, 2006, the plan's reserve for employees' retirement system was \$158,104,340, which was fully funded.

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

**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, 1999, and by local resolution after a public hearing effective July 1, 2000.

Under the terms of the Retirement System, a member may retire after 30 years of service regardless of age, or at age 60 or over, with at least 5 years of service. A member is eligible for vesting after 5 years of service; however, the contribution must be left in the Retirement System in order to qualify for benefits at age 60. Under the terms of the Pension System, a member may retire after 30 years of service regardless of age, at age 65 with two years of service, at age 64 with three years of service, at age 63 with four years of service, or at age 62 with at least five years of service. An employee may also take early retirement with reduced benefits at age 55 with 15 years of service. A member is eligible for vesting after 5 years of service; however, the contribution must be left in the Pension System in order to qualify for benefits at age 62.

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

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

Maryland State Retirement and Pension Systems  
301 West Preston Street  
Baltimore, Maryland 21201

*Funding Policy*

Obligations to contribute to the plans were established under Titles 22 and 23 of the State Personnel and Pensions Article of the Maryland Code.

Members of the Retirement System and the Pension System contribute 7 percent and 2 percent of their gross employee compensation, respectively.

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

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, 2006 was \$4,735,677. Interest and principal payments due to maturity as of June 30, 2006, are \$6,036,048. The County has chosen to make 7 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>
2005	\$862,344	\$862,344	100.00%
2004	862,344	862,344	100.00
2003	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 2 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, 2006, the State paid \$288,685 in retirement costs on its behalf. This amount has been shown as grant revenue and current expenditures for the FCPL.

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 \$16,443,791 in fiscal year 2006. 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, 2006 total contributions of \$40,000 had been made to the plan by Frederick County Public Schools.

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

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 \$955,913. 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% of employees base salary. Total employer contributions in FY2006 were \$588,840. Employee contributions to a selected plan are not mandatory.

**E. Post-Employment Benefits Plans**

In 1985, the County created the Length of Service Awards Program (LOSAP). In fiscal year 2006, LOSAP provided 110 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 \$254,220 in fiscal year 2006 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.

In addition to the retirement benefits described in Note 4D, the County provides post-employment health care benefits, in accordance with County policy, to all employees (and their dependents) who are eligible to and retire from the County and who meet certain requirements. Benefits are based on when an employee was hired. For employees hired on or before July 1, 1992, the County pays 83% to 84% 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% 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. Currently, 408 retirees are receiving post-employment health care benefits. It is estimated that less than 12 retirees currently do not receive these benefits.

Upon the attainment of age 65, Medicare coverage becomes primary, although the County continues to pay its share of premium costs for the insurance coverage selected by its retirees. Expenses for post-employment health care benefits are recognized as incurred. During the year, expenses of \$2,531,589 were recognized for post-employment health care. As of June 30, 2006, \$3,133,281 is available for future post employment health care benefits as listed in Note 4.G.2.

**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 2006 approximately 26.07 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.

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

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. Subsequent Events**

The Board of County Commissioners of Frederick County approved and adopted an ordinance establishing a Solid Waste System Benefit Charge that shall apply to all taxable years beginning on or after June 30, 2006. This System Benefit Charge will pay a portion of the reasonably anticipated capital and operating costs for the Solid Waste Enterprise Fund.

**H. New Governmental Accounting Standards Board (GASB) Standard**

The County adopted the provisions of two Governmental Accounting Standards Board Statements; Statement No. 44, "Economic Condition Reporting; The Statistical Section – an amendment of NCGA Statement 1," and Statement No. 46, "Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34." Statement No. 44 establishes five categories of information to be covered in the Statistical Section; financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information. The Statistical Section, starting on page 137, has been modified to include the required information. Statement No. 46 clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government – such as public interest groups, citizens, or the judiciary – can compel a government to honor. Adoption of this standard has resulted in higher restricted net assets, and a disclosure of the portion of net assets restricted by enabling legislation was added (see note 3.G.5).



TransIT Driver Isaac Wilkes leads the way for new employees who participated in a tour of county facilities. The tour was sponsored by the Human Resources Division to inform employees about the operations of key aspects of County Government.

## **Required Supplementary Information**

The information provided in this section is required supplementary disclosures.

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

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Actuarial Value of Plan Assets as a Percentage of the Actuarial Accrued Liability	Unfunded Actuarial Liability	Annual Covered Payroll	Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll
07/01/00	\$ 72,204,187	\$ 83,609,579	86.4 %	\$ 11,405,392	\$ 45,981,373	24.8 %
07/01/01	85,259,793	98,341,644	86.7	13,081,851	51,966,538	25.2
07/01/02	96,842,861	112,665,292	86.0	15,822,431	58,253,351	27.2
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

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>
2001	\$ 5,640,938	\$ 5,640,938	100 %
2002	6,830,579	6,830,579	100
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

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

## **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.



Dale Spangenberg, Director of the Interagency Information Technologies Division, reviews electronic information during the Primary Election 2006. He and Board of Elections staff oversaw the equipment used by voters during the election.

**FREDERICK COUNTY, MARYLAND**  
**COMBINING BALANCE SHEET**  
**NON MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	<b>Special Revenue Funds</b>					
	<b>Grants</b>	<b>Fire/Rescue Tax Districts</b>	<b>Agricultural Preservation</b>	<b>Impact Fees</b>	<b>Development Road Improvement</b>	<b>Electric Lighting Tax Districts</b>
<b>Assets</b>						
Cash	\$ 12,762	\$ -	\$ 135,906	\$ -	\$ -	\$ -
Equity in pooled invested cash	\$ 314,750	\$ 9,237,571	\$ 24,670,988	\$ 21,082,429	\$ 2,652,082	\$ 26,570
Total cash and cash equivalents	327,512	9,237,571	24,806,894	21,082,429	2,652,082	26,570
Investments	-	-	9,930,702	-	-	-
Receivables, net of allowance for uncollectibles:						
Property taxes	-	49,349	-	-	-	7
Accounts	63,321	957,121	1,556	37,037	-	-
Intergovernmental	3,651,260	-	-	-	-	-
Prepays	9,219	-	-	-	-	-
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		508,306	-	884,843	-	-
Total assets	\$ 4,051,312	\$ 10,752,347	\$ 34,739,152	\$ 22,004,309	\$ 2,652,082	\$ 26,577
<b>Liabilities and fund balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ 200,017	\$ 41,043	\$ 3,411	\$ -	\$ -	\$ -
Accrued liabilities	659,598	1,610,905	35,489	-	-	712
Payroll and benefit deductions	547,071	-	-	-	-	-
Due to third parties	-	68,782	-	-	-	-
Due to other governmental units	510,361	-	19,786	-	-	-
Due to other funds	-	-	-	-	-	-
Other liabilities	584,304	-	-	-	-	-
Deferred revenue	500,220	804,532	2,639,046	-	-	-
Total liabilities	\$ 3,001,571	\$ 2,525,262	\$ 2,697,732	\$ -	\$ -	\$ 712
<b>Fund balances</b>						
Reserved for:						
Encumbrances	230,028	52,000	-	-	-	-
Drug investigations	-	-	-	-	-	-
Ag Pres Compliance Monitoring	-	-	148,953	-	-	-
Unreserved, designated for:						
Subsequent year's expenditures	819,713	-	-	4,548,338	1,329,400	2,687
Capital projects	-	12,500	-	16,571,128	1,322,682	-
Equipment purchases under capital leases	-	501,512	-	-	-	-
Inmates purchases	-	-	-	-	-	-
Rural legacy	-	-	2,734,366	-	-	-
Debt service	-	6,793	10,876,660	884,843	-	-
Loans	-	-	-	-	-	-
Unreserved, undesignated	-	7,654,280	18,281,441	-	-	23,178
Total fund balance	\$ 1,049,741	\$ 8,227,085	\$ 32,041,420	\$ 22,004,309	\$ 2,652,082	\$ 25,865
Total liabilities and fund balance	\$ 4,051,312	\$ 10,752,347	\$ 34,739,152	\$ 22,004,309	\$ 2,652,082	\$ 26,577

(continued)

FREDERICK COUNTY, MARYLAND  
COMBINING BALANCE SHEET  
NON MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006

	Special Revenue Funds					Total Non Major Governmental Funds (See Exhibit II-A-3)
	Parks Acquisition & Development	Hotel Rental Tax	Citizens Care & Rehabilitation Center Building	Sheriff's Activities	Loan Activities	
<b>Assets</b>						
Cash	\$ -	\$ -	\$ -	\$ 119,432	\$ -	\$ 268,100
Equity in pooled invested cash	\$ 11,759,055	\$ 104,080	\$ 3,749,380	\$ 168,886	\$ 2,382,457	\$ 76,148,248
Total cash and cash equivalents	\$ 11,759,055	\$ 104,080	\$ 3,749,380	\$ 288,318	\$ 2,382,457	\$ 76,416,348
Investments	-	-	-	-	-	9,930,702
Receivables, net of allowance for uncollectibles:						
Property taxes	-	-	-	-	-	49,356
Accounts	-	\$ 117,619	-	\$ 26,863	\$ 4,134	1,207,651
Intergovernmental	-	-	-	-	-	3,651,260
Prepays	-	-	-	-	\$ 30,360	39,579
Long term receivables, net of allowance for uncollectibles:						
MILA/MICRF loans	-	-	-	-	\$ 1,425,124	1,425,124
Fire/ Rescue loans	-	-	-	-	\$ 110,226	110,226
Non-Profit Organization loans	-	-	-	-	\$ 235,635	235,635
Small business loans	-	-	-	-	\$ 112,937	112,937
Housing loans	-	-	-	-	\$ 1,494,689	1,494,689
Cash and cash equivalents - restricted	-	-	\$ 31,167	-	-	1,424,316
Total assets	\$ 11,759,055	\$ 221,699	\$ 3,780,547	\$ 315,181	\$ 5,795,562	\$ 96,097,823
<b>Liabilities and fund balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 9,304	\$ -	\$ 253,775
Accrued liabilities	-	\$ 221,699	-	-	12	2,528,415
Payroll and benefit deductions	-	-	-	-	-	547,071
Due to third parties	-	-	-	\$ 87,646	-	156,428
Due to other governmental units	-	-	-	-	-	530,147
Due to other funds	-	-	-	\$ 1,273	-	1,273
Other liabilities	-	-	-	-	\$ 1,397,701	1,982,005
Deferred revenue	-	-	-	-	\$ 250,000	4,193,798
Total liabilities	-	\$ 221,699	-	\$ 98,223	\$ 1,647,713	\$ 10,192,912
<b>Fund balances</b>						
Reserved for:						
Encumbrances	-	-	-	-	-	282,028
Drug investigations	-	-	-	\$ 103,968	-	103,968
Ag Pres Compliance Monitoring	-	-	-	-	-	148,953
Unreserved, designated for:						
Subsequent year's expenditures	8,356,120	-	-	-	-	15,056,258
Capital projects	3,402,935	-	\$ 3,749,380	-	-	25,058,625
Equipment purchases under capital leases	-	-	-	-	-	501,512
Inmates purchases	-	-	-	\$ 112,990	-	112,990
Rural legacy	-	-	-	-	-	2,734,366
Debt service	-	-	\$ 31,167	-	-	11,799,463
Loans	-	-	-	-	\$ 4,147,849	4,147,849
Unreserved, undesignated	-	-	-	-	-	25,958,899
Total fund balance	\$ 11,759,055	-	\$ 3,780,547	\$ 216,958	\$ 4,147,849	\$ 85,904,911
Total liabilities and fund balance	\$ 11,759,055	\$ 221,699	\$ 3,780,547	\$ 315,181	\$ 5,795,562	\$ 96,097,823

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

**FREDERICK COUNTY, MARYLAND**  
**COMBINING BALANCE SHEET**  
**SHERIFF'S ACTIVITIES - SPECIAL REVENUE FUNDS**  
**JUNE 30, 2006**

	<b>Sheriff's Drug Enforcement</b>	<b>Sheriff's Office Fund</b>	<b>Narcotics Task Force</b>	<b>Inmates Canteen</b>	<b>Total Sheriff's Activities (See Exhibit II-B-1)</b>
<b>Assets</b>					
Cash	\$ 30,548	\$ 1,238	\$ -	\$ 87,646	\$ 119,432
Equity in pooled invested cash	24,618	-	50,946	93,322	168,886
Total cash and cash equivalents	55,166	1,238	50,946	180,968	288,318
Receivables, net of allowance for uncollectibles:					
Accounts	-	35		26,828	26,863
Total assets	\$ 55,166	\$ 1,273	\$ 50,946	\$ 207,796	\$ 315,181
<b>Liabilities and fund balance</b>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 2,144	\$ 7,160	\$ 9,304
Due to third parties	-	-	-	87,646	87,646
Due to other funds	-	1,273	-	-	1,273
Total liabilities	\$ -	\$ 1,273	\$ 2,144	\$ 94,806	\$ 98,223
Fund balances					
Reserved for drug investigations					
Federal	24,618	-	3,632	-	28,250
Non-federal	30,548	-	45,170	-	75,718
Unreserved, designated for inmate purchases	-	-	-	112,990	112,990
Total fund balance	\$ 55,166	\$ -	\$ 48,802	\$ 112,990	\$ 216,958
Total liabilities and fund balance	\$ 55,166	\$ 1,273	\$ 50,946	\$ 207,796	\$ 315,181

**FREDERICK COUNTY, MARYLAND**  
**COMBINING BALANCE SHEET**  
**LOAN ACTIVITIES - SPECIAL REVENUE FUNDS**  
**JUNE 30, 2006**

	<b>Housing Initiative</b>	<b>Non-Profit Organizations Loans</b>	<b>Fire/Rescue Loans</b>	<b>Economic Development Loans</b>	<b>Total Loan Activities (See Exhibit II-B-1)</b>
<b>Assets</b>					
Equity in pooled invested cash	\$ 1,254,133	\$ 74,365	\$ 609,693	\$ 444,266	\$ 2,382,457
Total cash and cash equivalents	1,254,133	74,365	609,693	444,266	2,382,457
Accounts	-	-	4,134	-	4,134
MILA/MICRF loans	-	-	-	1,425,124	1,425,124
Fire/ Rescue loans	-	-	110,226	-	110,226
Non-Profit Organization loans	-	235,635	-	-	235,635
Small business loans	-	-	-	112,937	112,937
Housing loans	1,494,689	-	-	-	1,494,689
Prepays	30,360	-	-	-	30,360
<b>Total assets</b>	<b>\$ 2,779,182</b>	<b>\$ 310,000</b>	<b>\$ 724,053</b>	<b>\$ 1,982,327</b>	<b>\$ 5,795,562</b>
<b>Liabilities and fund balance</b>					
<b>Liabilities</b>					
Accrued liabilities	\$ -	\$ -	\$ -	\$ 12	\$ 12
Other liabilities	-	-	-	1,397,701	1,397,701
Deferred revenue	-	-	-	250,000	250,000
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,647,713</b>	<b>\$ 1,647,713</b>
<b>Fund balances</b>					
Unreserved, designated for:					
Loans	2,779,182	310,000	724,053	334,614	4,147,849
<b>Total fund balance</b>	<b>2,779,182</b>	<b>310,000</b>	<b>724,053</b>	<b>334,614</b>	<b>4,147,849</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,779,182</b>	<b>\$ 310,000</b>	<b>\$ 724,053</b>	<b>\$ 1,982,327</b>	<b>\$ 5,795,562</b>

**FREDERICK COUNTY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds					
	Grants	Fire/Rescue Tax Districts	Agricultural Preservation	Impact Fees	Development Road Improvement	Electric Lighting Tax Districts
<b>Revenues</b>						
Fire tax levy	\$ -	\$ 20,742,327	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	13,159
Other local taxes	-	-	6,994,496	-	2,964,550	-
Grants from federal government	10,758,693	-	-	-	-	-
Grants from state government	12,928,760	-	459,961	-	-	-
Charges for services	3,448,596	1,659,441	-	12,099,528	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-
Investment earnings	7,738	479,438	48,595	1,144,188	257,785	1,290
Miscellaneous revenue	442,076	34,137	-	-	-	-
Total revenues	<u>27,585,863</u>	<u>22,915,343</u>	<u>7,503,052</u>	<u>13,243,716</u>	<u>3,222,335</u>	<u>14,449</u>
<b>Expenditures</b>						
General government	1,623,807	-	-	-	-	-
Public safety	1,710,558	20,261,678	-	-	-	-
Public works	4,539,787	-	-	-	-	12,963
Health	12,851,592	-	-	-	-	-
Social services	1,457,950	-	-	-	-	-
Conservation of natural resources	288,804	-	1,565,815	-	-	-
Community development and public housing	3,814,011	-	-	-	-	-
Economic development and opportunity	8,091,634	-	-	-	-	-
Debt service	-	876,105	675,383	4,401,838	-	-
Total expenditures	<u>34,378,143</u>	<u>21,137,783</u>	<u>2,241,198</u>	<u>4,401,838</u>	<u>-</u>	<u>12,963</u>
Excess (deficiency) of revenues over expenditures	<u>(6,792,280)</u>	<u>1,777,560</u>	<u>5,261,854</u>	<u>8,841,878</u>	<u>3,222,335</u>	<u>1,486</u>
<b>Other financing sources (uses)</b>						
Transfers in from general fund	6,906,776	-	1,063,784	-	-	-
Transfer in from grant fund	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	(5,727,000)	(1,866,370)	-
Transfers out to housing initiative fund	(791,788)	-	-	-	-	-
Transfers out to fleet services fund	(27,786)	-	-	-	-	-
Premium on debt	-	13,431	-	1,067,223	-	-
Proceeds of capital lease	-	731,000	-	-	-	-
Sale of capital assets	-	14,550	-	-	-	-
Total other financing sources (uses)	<u>6,087,202</u>	<u>758,981</u>	<u>1,063,784</u>	<u>(4,659,777)</u>	<u>(1,866,370)</u>	<u>-</u>
Net change in fund balances	<u>(705,078)</u>	<u>2,536,541</u>	<u>6,325,638</u>	<u>4,182,101</u>	<u>1,355,965</u>	<u>1,486</u>
Fund balance July 1	<u>1,754,819</u>	<u>5,690,544</u>	<u>25,715,782</u>	<u>17,822,208</u>	<u>1,296,117</u>	<u>24,379</u>
Fund balance June 30	<u>\$ 1,049,741</u>	<u>\$ 8,227,085</u>	<u>\$ 32,041,420</u>	<u>\$ 22,004,309</u>	<u>\$ 2,652,082</u>	<u>\$ 25,865</u>

FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Parks Acquisition & Development	Hotel Rental Tax	Special Revenue Funds Citizens Care & Rehabilitation Center Building	Sheriff's Activities	Loan Activities	Total Nonmajor Governmental Funds (See Exhibit II-A-5)
<b>Revenues</b>						
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,742,327
Lighting tax levy	-	-	-	-	-	13,159
Other local taxes	6,543,879	1,053,719	2,181,293	-	-	19,737,937
Grants from federal government	-	-	-	-	-	10,758,693
Grants from state government	-	-	-	-	235,185	13,623,906
Charges for services	-	-	-	364,704	2,200	17,574,469
Fines and forfeitures	-	-	-	105,507	-	105,507
Interest from loans	-	-	-	-	10,675	10,675
Investment earnings	781,028	3,426	146,561	7,857	45,198	2,923,104
Miscellaneous revenue	-	-	-	-	6,000	482,213
<b>Total revenues</b>	<b>7,324,907</b>	<b>1,057,145</b>	<b>2,327,854</b>	<b>478,068</b>	<b>299,258</b>	<b>85,971,990</b>
<b>Expenditures</b>						
General government	-	-	-	-	-	1,623,807
Public safety	-	-	-	578,889	-	22,551,125
Public works	-	-	-	-	-	4,552,750
Health	-	-	-	-	-	12,851,592
Social services	-	-	-	-	-	1,457,950
Conservation of natural resources	-	-	-	-	-	1,854,619
Community development and public housing	-	-	-	-	(1,522,454)	2,291,557
Economic development and opportunity	-	1,057,145	-	-	285,140	9,433,919
Debt service	-	-	20,806	-	-	5,974,132
<b>Total expenditures</b>	<b>-</b>	<b>1,057,145</b>	<b>20,806</b>	<b>578,889</b>	<b>(1,237,314)</b>	<b>62,591,451</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>7,324,907</b>	<b>-</b>	<b>2,307,048</b>	<b>(100,821)</b>	<b>1,536,572</b>	<b>23,380,539</b>
<b>Other financing sources (uses)</b>						
Transfers in from general fund	-	-	-	-	458,940	8,429,500
Transfer in from grant fund	-	-	-	-	791,788	791,788
Transfers out to capital projects fund	(2,962,930)	-	-	-	-	(10,556,300)
Transfers out to housing initiative fund	-	-	-	-	-	(791,788)
Transfers out to fleet services fund	-	-	-	-	-	(27,786)
Premium on debt	-	-	40,295	-	-	1,120,949
Proceeds of capital lease	-	-	-	-	-	731,000
Sale of capital assets	-	-	-	-	-	14,550
<b>Total other financing sources (uses)</b>	<b>(2,962,930)</b>	<b>-</b>	<b>40,295</b>	<b>-</b>	<b>1,250,728</b>	<b>(288,087)</b>
<b>Net change in fund balances</b>	<b>4,361,977</b>	<b>-</b>	<b>2,347,343</b>	<b>(100,821)</b>	<b>2,787,300</b>	<b>23,092,452</b>
<b>Fund balance July 1</b>	<b>7,397,078</b>	<b>-</b>	<b>1,433,204</b>	<b>317,779</b>	<b>1,360,549</b>	<b>62,812,459</b>
<b>Fund balance June 30</b>	<b>\$ 11,759,055</b>	<b>\$ -</b>	<b>\$ 3,780,547</b>	<b>\$ 216,958</b>	<b>\$ 4,147,849</b>	<b>\$ 85,904,911</b>

**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, 2006**

	<u>Sheriff's Drug Enforcement</u>	<u>Sheriff's Office Fund</u>	<u>Narcotics Task Force</u>	<u>Inmates Canteen</u>	<b>Total Sheriff's Activities (See Exhibit II-B-4)</b>
<b>Revenues</b>					
Charges for services	\$ -	\$ 18,610	\$ -	\$ 346,094	\$ 364,704
Fines and forfeitures	27,716	-	77,791	-	105,507
Investment earnings	1,222	-	2,436	4,199	7,857
Total revenues	<u>28,938</u>	<u>18,610</u>	<u>80,227</u>	<u>350,293</u>	<u>478,068</u>
<b>Expenditures</b>					
Public safety	52,253	18,610	108,213	399,813	578,889
Total expenditures	<u>52,253</u>	<u>18,610</u>	<u>108,213</u>	<u>399,813</u>	<u>578,889</u>
Excess (deficiency) of revenues over expenditures	<u>(23,315)</u>	<u>-</u>	<u>(27,986)</u>	<u>(49,520)</u>	<u>(100,821)</u>
Net change in fund balances	<u>(23,315)</u>	<u>-</u>	<u>(27,986)</u>	<u>(49,520)</u>	<u>(100,821)</u>
Fund balance July 1	<u>78,481</u>	<u>-</u>	<u>76,788</u>	<u>162,510</u>	<u>317,779</u>
Fund balance June 30	<u>\$ 55,166</u>	<u>\$ -</u>	<u>\$ 48,802</u>	<u>\$ 112,990</u>	<u>\$ 216,958</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, 2006**

	<b>Housing Initiative</b>	<b>Non-Profit Organizations Loans</b>	<b>Fire/Rescue Loans</b>	<b>Economic Development Loans</b>	<b>Total Loan Activities (See Exhibit II-B-4)</b>
<b>Revenues</b>					
Grants from state government	\$ -	\$ -	\$ -	\$ 235,185	\$ 235,185
Charges for services	-	-	-	2,200	2,200
Interest from loans	-	-	5,699	4,976	10,675
Investment earnings	-	-	24,624	20,574	45,198
Miscellaneous revenue	6,000	-	-	-	6,000
<b>Total revenues</b>	<b>6,000</b>	<b>-</b>	<b>30,323</b>	<b>262,935</b>	<b>299,258</b>
<b>Expenditures</b>					
Community development and public housing	(1,522,454)	-	-	-	(1,522,454)
Economic development and opportunity	-	-	-	285,140	285,140
<b>Total expenditures</b>	<b>(1,522,454)</b>	<b>-</b>	<b>-</b>	<b>285,140</b>	<b>(1,237,314)</b>
Excess (deficiency) of revenues over expenditures	1,528,454	-	30,323	(22,205)	1,536,572
<b>Other financing sources (uses)</b>					
Transfer in from general fund	458,940	-	-	-	458,940
Transfer in from grant fund	791,788	-	-	-	791,788
<b>Total other financing sources (uses)</b>	<b>1,250,728</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,250,728</b>
Net change in fund balances	2,779,182	-	30,323	(22,205)	2,787,300
Fund balance July 1	-	310,000	693,730	356,819	1,360,549
<b>Fund balance June 30</b>	<b>\$ 2,779,182</b>	<b>\$ 310,000</b>	<b>\$ 724,053</b>	<b>\$ 334,614</b>	<b>\$ 4,147,849</b>

**FREDERICK COUNTY, MARYLAND**  
**SPECIAL REVENUE FUNDS**  
**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	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	\$	\$	\$	\$	\$	\$	\$	\$	\$
Lighting tax levy	-	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	4,246,714	6,994,496	2,747,782
Grants from federal government	14,903,366	10,758,693	(4,144,673)	-	-	-	-	-	-
Grants from state government	14,960,073	12,928,760	(2,031,313)	-	-	-	992,938	459,961	(532,977)
Charges for services	3,268,811	3,448,596	179,785	1,672,200	1,659,441	(12,759)	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	50,036	7,738	(42,298)	140,000	479,438	339,438	-	48,595	48,595
Miscellaneous revenue	535,018	442,076	(92,942)	-	34,137	34,137	-	-	-
Total revenues	<u>33,717,304</u>	<u>27,585,863</u>	<u>(6,131,441)</u>	<u>22,099,731</u>	<u>22,915,343</u>	<u>815,612</u>	<u>5,239,652</u>	<u>7,503,052</u>	<u>2,263,400</u>
<b>Expenditures</b>									
General government	2,209,778	1,623,807	585,971	-	-	-	-	-	-
Public safety	2,650,821	1,745,558	905,263	20,969,803	20,214,821	754,982	-	-	-
Public works	7,947,840	4,554,991	3,392,849	-	-	-	-	-	-
Health	13,558,149	12,733,478	824,671	-	-	-	-	-	-
Social services	1,853,221	1,469,667	383,554	-	-	-	-	-	-
Conservation of natural resources	576,765	288,804	287,961	-	-	-	9,624,601	1,565,815	8,058,786
Community development and public housing	4,094,692	3,819,968	274,724	-	-	-	-	-	-
Economic development and opportunity	9,635,780	8,078,918	1,556,862	-	-	-	-	-	-
Debt service	-	-	-	1,120,695	876,105	244,590	904,104	675,383	228,721
Total expenditures	<u>42,527,046</u>	<u>34,315,191</u>	<u>8,211,855</u>	<u>22,090,498</u>	<u>21,090,926</u>	<u>999,572</u>	<u>10,528,705</u>	<u>2,241,198</u>	<u>8,287,507</u>
Excess (deficiency) of revenues over expenditures	<u>(8,809,742)</u>	<u>(6,729,328)</u>	<u>2,080,414</u>	<u>9,233</u>	<u>1,824,417</u>	<u>1,815,184</u>	<u>(5,289,053)</u>	<u>5,261,854</u>	<u>10,550,907</u>
<b>Other financing sources (uses)</b>									
Appropriated fund balance	1,401,649	334,697	(1,066,952)	(740,233)	917,733	1,657,966	4,225,269	2,522,784	(1,702,485)
Transfers in from general fund	8,227,830	6,906,776	(1,321,054)	-	-	-	1,063,784	1,063,784	-
Transfers in from grants fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	-	-	-	-	-	-
Transfers out to housing initiative fund	(791,788)	(791,788)	-	-	-	-	-	-	-
Transfers out to fleet services fund	(27,794)	(27,786)	163	-	-	-	-	-	-
Bond premium on public facilities and refunding bonds	-	-	-	-	13,431	13,431	-	-	-
Capital leases	-	-	-	731,000	731,000	-	-	-	-
Sale of capital assets	-	-	-	-	14,550	14,550	-	-	-
Total other financing sources (uses)	<u>8,809,742</u>	<u>6,421,899</u>	<u>(2,387,843)</u>	<u>(9,233)</u>	<u>1,676,714</u>	<u>1,685,947</u>	<u>5,289,053</u>	<u>3,586,568</u>	<u>(1,702,485)</u>
Net change in fund balances	<u>\$</u> <u>                  </u>	<u>(307,429)</u>	<u>\$</u> <u>(307,429)</u>	<u>\$</u> <u>                  </u>	<u>3,501,131</u>	<u>\$</u> <u>3,501,131</u>	<u>\$</u> <u>                  </u>	<u>8,848,422</u>	<u>\$</u> <u>8,848,422</u>
Fund balance July 1	1,754,819			5,690,544			25,715,782		
Net change in reserves and adjustments to GAAP basis	<u>(397,649)</u>			<u>(964,590)</u>			<u>(2,522,784)</u>		
Fund balance June 30	<u>\$</u> <u>1,049,741</u>			<u>\$</u> <u>8,227,085</u>			<u>\$</u> <u>32,041,420</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, 2006

	Impact Fees			Development Road Improvement			Electric Lighting Tax Districts		
	Final Amended Budget	Impact Fees Actual	Variance - Positive (Negative)	Final Amended Budget	Development Road Improvement Actual	Variance - Positive (Negative)	Final Amended Budget	Electric Lighting Tax Districts Actual	Variance - Positive (Negative)
	Revenues								
Fire tax levy	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Lighting tax levy	-	-	-	-	-	-	13,000	13,159	159
Other local taxes	-	-	-	1,100,000	2,964,550	1,864,550	-	-	-
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	13,921,743	12,099,528	(1,822,215)	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	364,040	1,144,188	780,148	-	257,785	257,785	-	1,290	1,290
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
Total revenues	14,285,783	13,243,716	(1,042,067)	1,100,000	3,222,335	2,122,335	13,000	14,449	1,449
Expenditures									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	15,300	12,963	2,337
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	-	-	-	-	-	-
Debt service	5,418,687	4,401,838	1,016,849	-	-	-	-	-	-
Total expenditures	5,418,687	4,401,838	1,016,849	-	-	-	15,300	12,963	2,337
Excess (deficiency) of revenues over expenditures	8,867,096	8,841,878	(25,218)	1,100,000	3,222,335	2,122,335	(2,300)	1,486	3,786
Other financing sources (uses)									
Appropriated fund balance	-	-	-	-	-	-	-	-	-
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers in from grants fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	(5,727,000)	(5,727,000)	-	(1,866,370)	(1,866,370)	-	-	-	-
Transfers out to housing initiative fund	-	-	-	-	-	-	-	-	-
Transfers out to fleet services fund	-	-	-	-	-	-	-	-	-
Bond premium on public facilities and refunding bonds	-	1,067,223	1,067,223	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(5,727,000)	(4,659,777)	1,067,223	(1,866,370)	(1,866,370)	-	-	-	-
Net change in fund balances	\$ 3,140,096	\$ 4,182,101	\$ 1,042,005	\$ (766,370)	\$ 1,355,965	\$ 2,122,335	\$ (2,300)	\$ 1,486	\$ 3,786
Fund balance July 1		17,822,208			1,296,117			24,379	
Net change in reserves and adjustments to GAAP basis		-			-			-	
Fund balance June 30	\$ 22,004,309				\$ 2,652,082			\$ 25,865	

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, 2006

	Parks Acquisition & Development			Hotel Rental Tax Fund			Citizens Care & Rehabilitation Center Building		
	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	3,923,080	6,543,879	2,620,799	850,000	1,053,719	203,719	1,307,690	2,181,293	873,603
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	-	781,028	781,028	-	3,426	3,426	-	146,561	146,561
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
Total revenues	3,923,080	7,324,907	3,401,827	850,000	1,057,145	207,145	1,307,690	2,327,854	1,020,164
<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	-	-	-	850,000	1,057,145	(207,145)	-	-	-
Debt service	-	-	-	-	-	-	-	20,806	(20,806)
Total expenditures	-	-	-	850,000	1,057,145	(207,145)	-	20,806	(20,806)
Excess (deficiency) of revenues over expenditures	3,923,080	7,324,907	3,401,827	-	-	-	1,307,690	2,307,048	999,358
<b>Other financing sources (uses)</b>									
Appropriated fund balance	-	-	-	-	-	-	-	-	-
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers in from grants fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	(2,962,930)	(2,962,930)	-	-	-	-	-	-	-
Transfers out to housing initiative fund	-	-	-	-	-	-	-	-	-
Transfers out to fleet services fund	-	-	-	-	-	-	-	-	-
Bond premium on public facilities and refunding bonds	-	-	-	-	-	-	-	40,295	40,295
Capital leases	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(2,962,930)	(2,962,930)	-	-	-	-	-	40,295	40,295
Net change in fund balances	\$ 960,150	\$ 4,361,977	\$ 3,401,827	\$ -	\$ -	\$ -	\$ 1,307,690	\$ 2,347,343	\$ 1,039,653
Fund balance July 1		7,397,078						1,433,204	
Net change in reserves and adjustments to GAAP basis		-						-	
Fund balance June 30		\$ 11,759,055			\$ -			\$ 3,780,547	

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, 2006

	Housing Initiative Fund			Economic Development Loan Fund		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
	\$	\$	\$	\$	\$	\$
<b>Revenues</b>						
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-
Grants from federal government	-	-	-	-	-	-
Grants from state government	-	-	-	234,056	235,185	1,129
Charges for services	-	-	-	-	2,200	2,200
Interest from loans	-	-	-	-	4,976	4,976
Investment earnings	-	-	-	64,593	20,574	(44,019)
Miscellaneous revenue	-	6,000	6,000	-	-	-
Total revenues	\$ -	\$ 6,000	\$ 6,000	\$ 298,649	\$ 262,935	\$ (35,714)
<b>Expenditures</b>						
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Economic development and opportunity	200,000	203,500	(3,500)	543,025	285,140	257,885
Debt service	-	-	-	-	-	-
Total expenditures	\$ 200,000	\$ 203,500	\$ (3,500)	\$ 543,025	\$ 285,140	\$ 257,885
Excess (deficiency) of revenues over expenditures	\$ (200,000)	\$ (197,500)	\$ 2,500	\$ (244,376)	\$ (22,205)	\$ 222,171
<b>Other financing sources (uses)</b>						
Appropriated fund balance	(1,050,728)	1,522,454	2,573,182	244,376	-	(244,376)
Transfers in from general fund	458,940	458,940	-	-	-	-
Transfers in from grants fund	791,788	791,788	-	-	-	-
Transfers out to capital projects fund	-	-	-	-	-	-
Transfers out to housing initiatives fund	-	-	-	-	-	-
Transfers out to fleet services fund	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-
General obligation bonds issued	-	-	-	-	-	-
Premium on debt	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Bond premium on public facilities and refunding bonds	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	\$ 200,000	\$ 2,773,182	\$ 2,573,182	\$ 244,376	\$ -	\$ (244,376)
Net change in fund balances	\$ -	\$ 2,575,682	\$ 2,575,682	\$ -	\$ (22,205)	\$ (22,205)
Fund balance July 1	-	-	-	-	356,819	-
Net change in reserves and adjustments to GAAP basis	\$ 203,500	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance June 30	\$ 2,779,182	\$ -	\$ -	\$ -	\$ 334,614	\$ -

**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.

**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, 2006**

	<u>Project Budget</u>	<u>Current Year Actual</u>	<u>Total To Date</u>	<u>Variance - Positive (Negative)</u>
<b>Revenues</b>				
Grants from federal government				
Highways	\$ 5,202,563	\$ 2,191,615	\$ 1,750,884	\$ (3,451,679)
Miscellaneous grants	341,000	-	-	(341,000)
Grants from state government:				
Highways	2,791,000	-	-	(2,791,000)
Program open space	2,258,785	1,389	-	(2,258,785)
Detention center	3,521,081	45,775	1,646,242	(1,874,839)
Education	999,589	-	-	(999,589)
Miscellaneous grants	486,132	39,324	68,381	(417,751)
Other	610,165	55,002	815,250	205,085
Total revenues	<u>16,210,315</u>	<u>2,333,105</u>	<u>4,280,757</u>	<u>(11,929,558)</u>
<b>Expenditures</b>				
General government	71,584,647	23,179,571	32,398,423	39,186,224
Roads and bridges	43,610,046	14,517,073	22,411,504	21,198,542
Board of Education	103,517,308	39,665,206	84,382,747	19,134,561
Frederick Community College	8,023,702	427,380	4,898,751	3,124,951
Parks and recreation	18,166,818	5,420,699	6,681,612	11,485,206
Watershed restoration	825,100	125,881	158,461	666,639
Municipal	6,635,000	1,056,948	6,305,281	329,719
Total expenditures	<u>252,362,621</u>	<u>84,392,758</u>	<u>157,236,779</u>	<u>95,125,842</u>
Excess (deficiency) of revenues over expenditures	<u>(236,152,306)</u>	<u>(82,059,653)</u>	<u>(152,956,022)</u>	<u>83,196,284</u>
<b>Other financing sources (uses)</b>				
Transfers in from general fund	46,560,845	23,291,840	46,560,845	-
Transfers in from impact fees fund	21,007,854	5,727,000	21,007,854	-
Transfers in from parks acquisition & development fund	11,095,659	2,962,930	11,095,659	-
Transfers in from special tax district	272,862	-	272,862	-
Transfers in from development road improvement fund	6,886,862	1,866,370	6,886,862	-
Transfers in from citizens care & rehabilitation center building	569,600	-	569,600	-
Transfers to enterprise fund	-	(541,600)	-	-
Proceeds from public facilities and refunding bonds	149,531,824	70,350,000	81,939,200	(67,592,624)
Bond premium	226,800	226,800	226,800	-
Total other financing sources (uses)	<u>236,152,306</u>	<u>103,883,340</u>	<u>168,559,682</u>	<u>(67,592,624)</u>
Net change in fund balances	<u>\$ -</u>	<u>21,823,687</u>	<u>\$ 15,603,660</u>	<u>\$ 15,603,660</u>
Net change in reserves and adjustment to GAAP basis		1,678,717		
Fund balance - beginning		14,815,591		
Fund balance - ending		<u>\$ 38,317,995</u>		

**FREDERICK COUNTY, MARYLAND**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2006**

	<b>Business-type Activities-Enterprise Funds</b>				<b>Total Nonmajor Enterprise Funds (See Exhibit II-A-8)</b>
	<b>Citizens Care &amp; Rehabilitation Center</b>	<b>Montevue Home</b>	<b>Bell Court Apartments</b>	<b>Permitting &amp; Development Review</b>	
<b>Assets</b>					
Current assets:					
Cash	\$ 46,596	\$ 22,086	\$ -	\$ 75,715	\$ 144,397
Equity in pooled invested cash	-	549,417	14,371	3,377,580	3,941,368
Total cash and cash equivalents	46,596	571,503	14,371	3,453,295	4,085,765
Restricted cash and cash equivalents	-	-	272,765	104,413	377,178
Short-term investments	-	-	-	12,345	12,345
Receivables, net of allowance for uncollectible accounts	1,541,248	5,308	-	4,260	1,550,816
Inventories	30,215	-	-	-	30,215
Prepaid items	-	-	-	4,500	4,500
Total current assets	<u>1,618,059</u>	<u>576,811</u>	<u>287,136</u>	<u>3,578,813</u>	<u>6,060,819</u>
Noncurrent assets:					
Capital assets:					
Land	-	-	132,200	513,942	646,142
Buildings and improvements	3,319,323	2,261,782	1,877,880	3,572,605	11,031,590
Equipment	1,260,053	94,000	-	744,386	2,098,439
Accumulated depreciation	(3,425,707)	(1,493,828)	(532,067)	(219,491)	(5,671,093)
Construction in progress	-	-	-	1,058,761	1,058,761
Deferred bond issue expense	-	-	-	18,560	18,560
Total noncurrent assets	<u>1,153,669</u>	<u>861,954</u>	<u>1,478,013</u>	<u>5,688,763</u>	<u>9,182,399</u>
Total assets	<u>2,771,728</u>	<u>1,438,765</u>	<u>1,765,149</u>	<u>9,267,576</u>	<u>15,243,218</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	6,060	3,317	2,113	101,407	112,897
Payroll and benefit deductions	549,209	86,435	-	208,460	844,104
Accrued expenses	55,150	14,698	-	100,785	170,633
Due to other funds	1,270,115	-	-	-	1,270,115
Deferred revenues	-	6,389	-	1,332,441	1,338,830
Security deposits	-	-	8,569	-	8,569
Other liabilities	44,841	16,941	-	-	61,782
Current portion general obligation bonds and notes	-	-	-	217,194	217,194
Current portion of compensated absences	38,444	11,620	-	15,643	65,707
Total current liabilities	<u>1,963,819</u>	<u>139,400</u>	<u>10,682</u>	<u>1,975,930</u>	<u>4,089,831</u>
Noncurrent liabilities:					
Long term portion general obligation bonds and notes	-	-	-	4,124,647	4,124,647
Liability for compensated absences	375,473	50,255	-	203,554	629,282
Total noncurrent liabilities	<u>375,473</u>	<u>50,255</u>	<u>-</u>	<u>4,328,201</u>	<u>4,753,929</u>
Total liabilities	<u>2,339,292</u>	<u>189,655</u>	<u>10,682</u>	<u>6,304,131</u>	<u>8,843,760</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	1,153,669	861,954	1,478,013	1,328,362	4,821,998
Restricted	-	-	272,765	104,413	377,178
Unrestricted	(721,233)	387,156	3,689	1,530,670	1,200,282
Total net assets	<u>\$ 432,436</u>	<u>\$ 1,249,110</u>	<u>\$ 1,754,467</u>	<u>\$ 2,963,445</u>	<u>\$ 6,399,458</u>

**FREDERICK COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Business-type Activities-Enterprise Funds</b>				<b>Total Nonmajor Enterprise Funds (See Exhibit II-A-9)</b>
	<b>Citizens Care &amp; Rehabilitation Center</b>	<b>Montevue Home</b>	<b>Bell Court Apartments</b>	<b>Permitting &amp; Development Review</b>	
<b>Operating revenues</b>					
Charges for health care services, net of contractual adjustments	\$ 10,175,855	\$ 693,782	\$ -	\$ -	\$ 10,869,637
License and permit revenue	-	-	-	2,925,905	2,925,905
Fee revenue	-	-	-	1,662,246	1,662,246
Rental charges	-	-	84,336	-	84,336
Total net charges for services	<u>10,175,855</u>	<u>693,782</u>	<u>84,336</u>	<u>4,588,151</u>	<u>15,542,124</u>
Delinquent fees collected	3,733	-	-	-	3,733
Other revenues	<u>228,023</u>	<u>342</u>	<u>248</u>	<u>2,500</u>	<u>231,113</u>
Total operating revenues	<u>10,407,611</u>	<u>694,124</u>	<u>84,584</u>	<u>4,590,651</u>	<u>15,776,970</u>
<b>Operating expenses</b>					
Personal services	9,174,748	1,378,130	8,211	3,439,795	14,000,884
Operating expenses (including administrative overhead)	<u>2,000,025</u>	<u>692,826</u>	<u>26,862</u>	<u>1,191,934</u>	<u>3,911,647</u>
Supplies	1,072,048	158,825	-	31,259	1,262,132
Repairs and maintenance	18,976	14,188	9,190	80	42,434
Depreciation expense	<u>138,624</u>	<u>43,829</u>	<u>62,596</u>	<u>111,238</u>	<u>356,287</u>
Total operating expenses	<u>12,404,421</u>	<u>2,287,798</u>	<u>106,859</u>	<u>4,774,306</u>	<u>19,573,384</u>
Operating income (loss)	<u>(1,996,810)</u>	<u>(1,593,674)</u>	<u>(22,275)</u>	<u>(183,655)</u>	<u>(3,796,414)</u>
<b>Nonoperating revenues (expenses)</b>					
Donations	10,278	1,100	-	-	11,378
Investment earnings	-	20,789	6,237	91,031	118,057
Gain/loss on sale/disposal of capital assets	-	(2,718)	-	-	(2,718)
Interest expense	-	-	-	(88,203)	(88,203)
Total nonoperating revenues (expenses)	<u>10,278</u>	<u>19,171</u>	<u>6,237</u>	<u>2,828</u>	<u>38,514</u>
Net income (loss) before transfers	<u>(1,986,532)</u>	<u>(1,574,503)</u>	<u>(16,038)</u>	<u>(180,827)</u>	<u>(3,757,900)</u>
Transfers in	<u>1,933,970</u>	<u>1,545,848</u>	<u>-</u>	<u>1,011,540</u>	<u>4,491,358</u>
Total transfers	<u>1,933,970</u>	<u>1,545,848</u>	<u>-</u>	<u>1,011,540</u>	<u>4,491,358</u>
Change in net assets	<u>(52,562)</u>	<u>(28,655)</u>	<u>(16,038)</u>	<u>830,713</u>	<u>733,458</u>
Net assets - July 1	<u>484,998</u>	<u>1,277,765</u>	<u>1,770,505</u>	<u>2,132,732</u>	<u>5,666,000</u>
Net assets - June 30	<u>\$ 432,436</u>	<u>\$ 1,249,110</u>	<u>\$ 1,754,467</u>	<u>\$ 2,963,445</u>	<u>\$ 6,399,458</u>



As a registered dietitian with the Frederick County Health Department, Marylou Stone loves to encourage children to get excited about fruits, vegetables and exercise with her "Food Groupie Program." Here she teaches children at a Frederick County Elementary School about the benefits of a healthy lifestyle.

**FREDERICK COUNTY, MARYLAND**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Citizens Care &amp; Rehabilitation Center</b>	<b>Montevue Home</b>	<b>Bell Court Apartments</b>	<b>Permitting &amp; Development Review</b>	<b>Total Nonmajor Enterprise Funds (See Exhibit II-A-10)</b>
<b>Cash flows from operating activities</b>					
Cash received from residents and customers	\$ 10,184,971	\$ 652,302	\$ 84,336	\$ 4,701,694	\$ 15,623,303
Cash paid to interfund services	(1,694,459)	-	-	-	(1,694,459)
Cash paid to suppliers	(3,080,500)	(803,559)	(46,997)	(1,211,707)	(5,142,763)
Cash paid to employees	(9,025,879)	(1,365,162)	-	(3,211,788)	(13,602,829)
Other	-	-	248	-	248
Net cash provided (used) by operating activities	(3,615,867)	(1,516,419)	37,587	278,199	(4,816,500)
<b>Cash flows from noncapital financing activities</b>					
Transfers in	1,933,970	1,545,848	-	(1,539,057)	1,940,761
Cash received from donations	10,278	1,100	-	-	11,378
Cash received from (paid to) patient and resident funds	(3,850)	(792)	-	-	(4,642)
Cash received from (paid to) memorial and employee funds	532	(1,584)	-	-	(1,052)
Net cash provided (used) by noncapital financing activities	1,940,930	1,544,572	-	(1,539,057)	1,946,445
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(33,395)	-	-	-	(33,395)
Proceeds from sale of capital assets	2,718	-	-	-	2,718
Proceeds from debt issues	-	-	-	3,278,566	3,278,566
Loss on disposal of capital assets	-	(2,718)	-	-	(2,718)
Interest paid on bonds	-	-	-	(102,814)	(102,814)
Net cash provided (used) by capital & related financing activities	(30,677)	(2,718)	-	3,175,752	3,142,357
<b>Cash flows from investing activities</b>					
Purchase of investments	-	-	(51,731)	(136,123)	(187,854)
Interest received on investments	-	20,789	6,237	91,031	118,057
Net cash provided (used) by investing activities	-	20,789	(45,494)	(45,092)	(69,797)
Net increase (decrease) in cash and cash equivalents	(1,705,614)	46,224	(7,907)	1,869,802	202,505
Cash and cash equivalents, July 1 (restated)	1,752,210	525,279	22,278	1,583,493	3,883,260
Cash and cash equivalents, June 30	\$ 46,596	\$ 571,503	\$ 14,371	\$ 3,453,295	\$ 4,085,765

(continued)

FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	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)	\$ (1,996,810)	\$ (1,593,674)	\$ (22,275)	\$ (183,655)	\$ (3,796,414)
<b>Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:</b>					
Depreciation	138,624	43,829	62,596	111,239	356,288
Miscellaneous non operating income	-	-	-	805	805
<b>Change in assets and liabilities:</b>					
(A) Increase (decrease) in:					
Accounts receivable	(126,380)	11,744	-	-	(114,636)
Bad debt allowance	(1,818)	4,513	-	(4,260)	(1,565)
Inventory	21,613	-	-	-	21,613
Prepaid expenses	-	-	-	(4,500)	(4,500)
Accounts payable	936	1,179	-	97,657	99,772
Accrued expenses	(26,198)	22,894	(2,734)	(82,396)	(88,434)
Deferred revenues	-	-	-	115,304	115,304
Liability for compensated leave	68,625	(6,721)	-	228,005	289,909
Due to other funds	(1,694,459)	-	-	-	(1,694,459)
Other liabilities	-	(183)	-	-	(183)
Net cash provided (used) by operating activities	\$ <u>(3,615,867)</u>	\$ <u>(1,516,419)</u>	\$ <u>37,587</u>	\$ <u>278,199</u>	\$ <u>(4,816,500)</u>

**FREDERICK COUNTY, MARYLAND**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2006**

	<u>Voice Services</u>	<u>Fleet Services</u>	<u>Total Internal Service Funds (See Exhibit II-A-8)</u>
<b>Assets</b>			
Current assets:			
Cash	\$ 459,583	\$ 2,701,589	\$ 3,161,172
Total cash and cash equivalents	<u>459,583</u>	<u>2,701,589</u>	<u>3,161,172</u>
Receivables, net of allowance for uncollectible accounts	111,035	76,111	187,146
Due from component units	622	-	622
Inventories	-	262,858	262,858
Prepaid items	41,070	-	41,070
Total current assets	<u>612,310</u>	<u>3,040,558</u>	<u>3,652,868</u>
Noncurrent assets:			
Capital assets:			
Buildings and improvements	-	1,833,133	1,833,133
Equipment	2,256,503	20,097,248	22,353,751
Accumulated depreciation	<u>(1,781,376)</u>	<u>(9,245,970)</u>	<u>(11,027,346)</u>
Total noncurrent assets	<u>475,127</u>	<u>12,684,411</u>	<u>13,159,538</u>
Total assets	<u>1,087,437</u>	<u>15,724,969</u>	<u>16,812,406</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	19,374	420,005	439,379
Payroll and benefit deductions	15,826	96,916	112,742
Accrued expenses	55,696	214	55,910
Current portion of compensated absences	-	1,443	1,443
Total current liabilities	<u>90,896</u>	<u>518,578</u>	<u>609,474</u>
Noncurrent liabilities:			
Liability for compensated absences	10,912	112,302	123,214
Total noncurrent liabilities	<u>10,912</u>	<u>112,302</u>	<u>123,214</u>
Total liabilities	<u>101,808</u>	<u>630,880</u>	<u>732,688</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	475,127	12,684,411	13,159,538
Unrestricted	510,502	2,409,678	2,920,180
Total net assets	<u>\$ 985,629</u>	<u>\$ 15,094,089</u>	<u>\$ 16,079,718</u>

**FREDERICK COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Voice Services</u>	<u>Fleet Services</u>	<b>Total Internal Service Funds (See Exhibit II-A-9)</b>
<b>Operating revenues</b>			
Service charges	\$ 1,285,336	\$ 9,166,581	\$ 10,451,917
Total net charges for services	<u>1,285,336</u>	<u>9,166,581</u>	<u>10,451,917</u>
<b>Operating expenses</b>			
Personal services	238,830	1,667,273	1,906,103
Operating expenses (including administrative overhead)	673,050	729,866	1,402,916
Supplies	7,097	3,713,961	3,721,058
Repairs and maintenance	211,927	335,388	547,315
Depreciation expense	196,210	2,290,197	2,486,407
Total operating expenses	<u>1,327,114</u>	<u>8,736,685</u>	<u>10,063,799</u>
Operating income (loss)	<u>(41,778)</u>	<u>429,896</u>	<u>388,118</u>
<b>Nonoperating revenues (expenses)</b>			
Investment earnings	9,965	86,639	96,604
Miscellaneous income (expense)	-	32,525	32,525
Gain (loss) on disposition of capital assets	-	(87,865)	(87,865)
Total nonoperating revenues (expenses)	<u>9,965</u>	<u>31,299</u>	<u>41,264</u>
Net income (loss) before contributions and transfers	(31,813)	461,195	429,382
Capital contributions	633,130	32,579	665,709
Transfers in	402,312	1,679,025	2,081,337
Transfers out	(18,000)	-	(18,000)
Total contributions and transfers	<u>1,017,442</u>	<u>1,711,604</u>	<u>2,729,046</u>
Change in net assets	985,629	2,172,799	3,158,428
Net assets - July 1	<u>-</u>	<u>12,921,290</u>	<u>12,921,290</u>
Net assets - June 30	<u>\$ 985,629</u>	<u>\$ 15,094,089</u>	<u>\$ 16,079,718</u>

**FREDERICK COUNTY, MARYLAND**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Voice Services</b>	<b>Fleet Services</b>	<b>Total Internal Service Funds (See Exhibit II-A-10)</b>
<b>Cash flows from operating activities</b>			
Cash received from residents and customers	\$ 1,173,805	\$ 9,944,200	\$ 11,118,005
Cash paid to suppliers	(858,200)	(4,502,400)	(5,360,600)
Cash paid to employees	<u>(212,092)</u>	<u>(1,632,274)</u>	<u>(1,844,366)</u>
Net cash provided (used) by operating activities	<u>103,513</u>	<u>3,809,526</u>	<u>3,913,039</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers in	<u>402,312</u>	<u>1,679,025</u>	<u>2,081,337</u>
Net cash provided (used) by noncapital financing activities	<u>402,312</u>	<u>1,679,025</u>	<u>2,081,337</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(56,207)	(4,206,186)	(4,262,393)
Recoveries for damages	-	27,046	27,046
Proceeds from sale of capital assets	-	182,102	182,102
Contributed capital	<u>-</u>	<u>32,579</u>	<u>32,579</u>
Net cash provided (used) by capital & related financing activities	<u>(56,207)</u>	<u>(3,964,459)</u>	<u>(4,020,666)</u>
<b>Cash flows from investing activities</b>			
Interest received on investments	<u>9,965</u>	<u>86,639</u>	<u>96,604</u>
Net cash provided (used) by investing activities	<u>9,965</u>	<u>86,639</u>	<u>96,604</u>
Net increase in cash and cash equivalents	459,583	1,610,731	2,070,314
Cash and cash equivalents, July 1	<u>-</u>	<u>1,090,858</u>	<u>1,090,858</u>
Cash and cash equivalents, June 30	<u>\$ 459,583</u>	<u>\$ 2,701,589</u>	<u>\$ 3,161,172</u>

(continued)

FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	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)	\$ (41,778)	\$ 429,896	\$ 388,118
<b>Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:</b>			
Depreciation	196,210	2,289,469	2,485,679
Miscellaneous non operating income	-	5,479	5,479
<b>Change in assets and liabilities:</b>			
(Increase) decrease in:			
Accounts receivable	(111,657)	(39,059)	(150,716)
Intergovernmental receivables	-	816,678	816,678
Inventory	-	20,151	20,151
Prepaid items	(41,070)	-	(41,070)
Increase (decrease) in:			
Accounts payable	19,374	251,699	271,073
Accrued expenses	55,696	214	55,910
Liability for compensated leave	<u>26,738</u>	<u>34,999</u>	<u>61,737</u>
Net cash provided (used) by operating activities	\$ <u>103,513</u>	\$ <u>3,809,526</u>	\$ <u>3,913,039</u>

**FREDERICK COUNTY, MARYLAND**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES**  
**IN ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Balance</u>	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
		<u>July 1, 2005</u>			<u>June 30, 2006</u>
<b>Tax Agency Fund</b>					
Assets					
Cash and cash equivalents	\$ 91,661	\$ 283,222	\$ 277,459	\$ 97,424	
Equity in pooled invested cash	6,829	348,831	353,660	2,000	
Accounts receivable	2,854	-	2,854	-	
Total Assets	<u>\$ 101,344</u>	<u>\$ 632,053</u>	<u>\$ 633,973</u>	<u>\$ 99,424</u>	
Liabilities					
Due to third parties	<u>\$ 101,344</u>	<u>\$ 503,181</u>	<u>\$ 505,101</u>	<u>\$ 99,424</u>	
<b>Subdivision and Driveway Deposits Fund</b>					
Assets					
Equity in pooled invested cash	<u>\$ 3,386,359</u>	<u>\$ 1,249,361</u>	<u>\$ 1,320,267</u>	<u>\$ 3,315,453</u>	
Liabilities					
Due to third parties	\$ -	\$ 21,449	\$ -	\$ 21,449	
Performance deposits	<u>3,386,359</u>	<u>1,227,912</u>	<u>1,320,267</u>	<u>3,294,004</u>	
Total Liabilities	<u>\$ 3,386,359</u>	<u>\$ 1,249,361</u>	<u>\$ 1,320,267</u>	<u>\$ 3,315,453</u>	
<b>Work Release Fund</b>					
Assets					
Cash and cash equivalents	<u>\$ 16,157</u>	<u>\$ 1,353,200</u>	<u>\$ 1,315,516</u>	<u>\$ 53,841</u>	
Liabilities					
Due to third parties	<u>\$ 16,157</u>	<u>\$ 1,353,200</u>	<u>\$ 1,315,516</u>	<u>\$ 53,841</u>	
<b>Tax Incremental Financing Bond Fund</b>					
Assets					
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 663,425</u>	<u>\$ 663,425</u>	<u>\$ -</u>	
Liabilities					
Due to bondholders	<u>\$ -</u>	<u>\$ 663,425</u>	<u>\$ 663,425</u>	<u>\$ -</u>	
<b>Totals - All Agency funds</b>					
Assets					
Cash and cash equivalents	\$ 107,818	\$ 2,299,847	\$ 2,256,400	\$ 151,265	
Equity in pooled invested cash	3,393,188	1,598,192	1,673,927	3,317,453	
Accounts receivable	2,854	-	2,854	-	
Total assets	<u>\$ 3,503,860</u>	<u>\$ 3,898,039</u>	<u>\$ 3,933,181</u>	<u>\$ 3,468,718</u>	
Liabilities					
Due to third parties	\$ 117,501	\$ 2,541,255	\$ 2,484,042	\$ 174,714	
Performance deposits	3,386,359	1,227,912	1,320,267	3,294,004	
Total liabilities	<u>\$ 3,503,860</u>	<u>\$ 3,769,167</u>	<u>\$ 3,804,309</u>	<u>\$ 3,468,718</u>	

**FREDERICK COUNTY, MARYLAND**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULES BY SOURCE (1)**  
**JUNE 30, 2006**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2005**

	<u>2006</u>	<u>2005</u>
<b>Governmental funds capital assets</b>		
Land and improvements	\$ 44,091,147	\$ 36,541,493
Buildings	112,154,760	108,843,852
Equipment	46,343,182	44,935,002
Infrastructure	285,276,834	275,358,915
Construction in progress	27,018,283	15,656,825
Total governmental funds capital assets	<u>\$ 514,884,206</u>	<u>\$ 481,336,087</u>
 <b>Investment in governmental funds capital assets by source</b>		
Capital projects fund	\$ 460,254,985	\$ 433,318,829
General fund	6,986,848	7,793,929
Special revenue funds	40,209,849	36,609,958
Donations	7,432,524	3,613,371
Total governmental funds capital assets	<u>\$ 514,884,206</u>	<u>\$ 481,336,087</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$24,186,884 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 BY FUNCTION (1)**  
**JUNE 30, 2006**

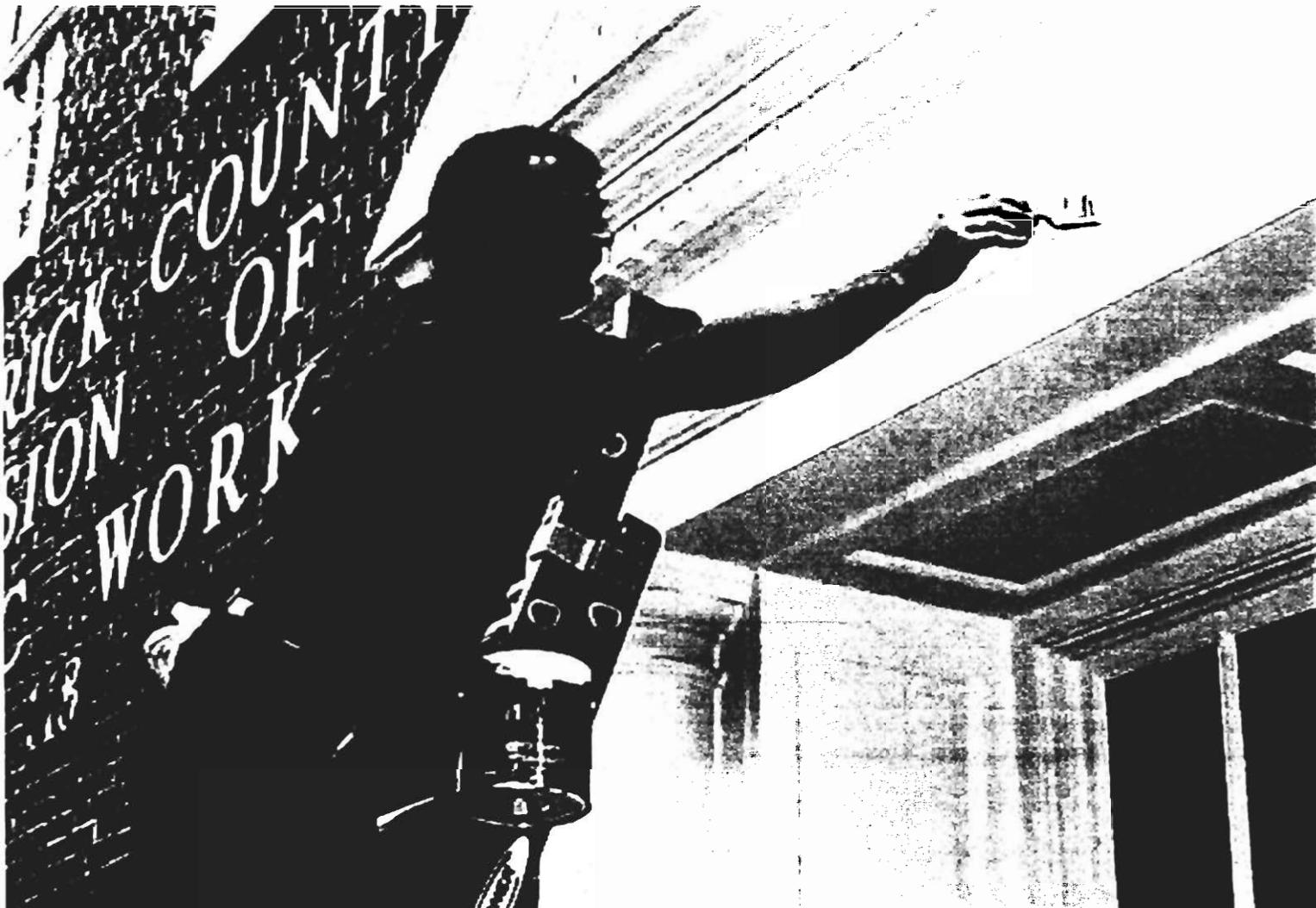
<u>Function</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government	\$ 746,139	\$ 23,449,746	\$ 9,862,301	\$ -	\$ -	\$ 34,058,186
Public safety	3,455,386	44,452,773	24,868,307	-	-	72,776,466
Public works	1,153,884	2,756,923	438,606	-	-	4,349,413
Public health	348,996	7,753,480	298,695	-	-	8,401,171
Social services	182,747	12,098,552	8,921,252	-	-	21,202,551
Recreation and culture	14,422,169	21,643,286	1,954,021	-	-	38,019,476
Conservation of natural resources	23,781,826	-	-	-	-	23,781,826
Infrastructure	-	-	-	285,276,834	-	285,276,834
Construction in progress	-	-	-	-	27,018,283	27,018,283
Total governmental funds capital assets	<u>\$ 44,091,147</u>	<u>\$ 112,154,760</u>	<u>\$ 46,343,182</u>	<u>\$ 285,276,834</u>	<u>\$ 27,018,283</u>	<u>\$ 514,884,206</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$24,186,884 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, 2006**

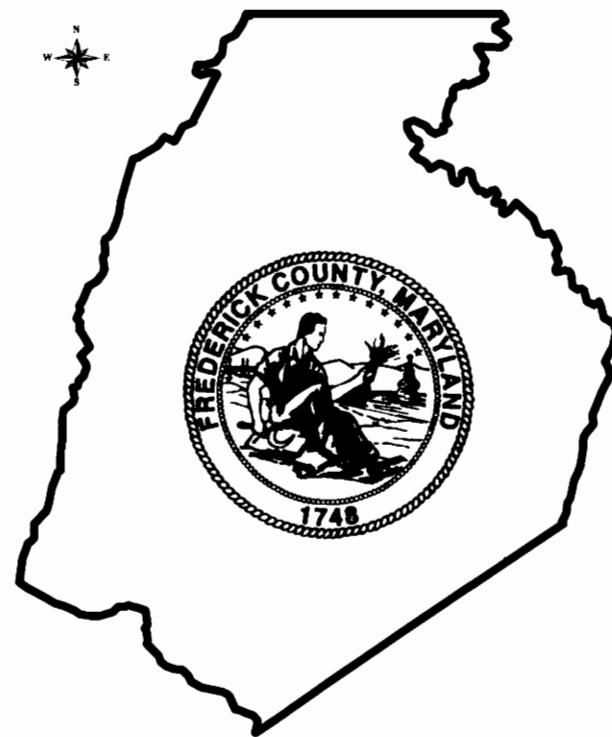
<u>Function</u>	<u>Governmental Funds Capital Assets July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2006</u>
General government	\$ 32,839,344	\$ 3,965,289	\$ 2,746,447	\$ 34,058,186
Public safety	70,530,995	2,552,224	306,753	72,776,466
Public works	4,046,225	303,188	-	4,349,413
Public health	8,380,212	53,787	32,828	8,401,171
Social services	20,429,154	1,051,017	277,620	21,202,551
Recreation and culture	33,870,988	4,167,917	19,429	38,019,476
Conservation of natural resources	20,223,429	5,789,176	2,230,779	23,781,826
Infrastructure	275,358,915	10,271,418	353,499	285,276,834
Construction in progress	<u>15,656,825</u>	<u>30,108,166</u>	<u>18,746,708</u>	<u>27,018,283</u>
 Total governmental funds capital assets	 \$ <u>481,336,087</u>	 \$ <u>58,262,182</u>	 \$ <u>24,714,063</u>	 \$ <u>514,884,206</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$24,186,884 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.



Technician Denny Warner spruces up the Department of Public Works building during one of the many projects undertaken by the Maintenance Department to make our facilities a pleasant place for employees to work and for citizens to visit for information or assistance.

## STATISTICAL SECTION



**FREDERICK COUNTY, MARYLAND**  
**NET ASSETS BY COMPONENT**  
**LAST FIVE FISCAL YEARS (1)**  
 (accrual basis of accounting)

	<b>Fiscal Year</b>				
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003 (4)</b>	<b>2002 (4)</b>
<b>Governmental activities</b>					
Investment in capital assts, net of related debt	\$ 216,474,001	\$ 226,722,373	\$ 225,535,503	\$ 225,304,760	\$ 220,801,250
Restricted (2)	123,851,893	35,780,332	26,588,880	20,309,590	27,623,228
Unrestricted (Deficit) (3)	<u>(47,471,522)</u>	<u>(7,182,824)</u>	<u>(38,026,756) (4)</u>	<u>(45,363,809)</u>	<u>(89,884,660)</u>
<b>Total governmental activities net assets</b>	<u>292,854,372</u>	<u>255,319,881</u>	<u>214,097,627</u>	<u>200,250,541</u>	<u>158,539,818</u>
<b>Business-type activities</b>					
Investment in capital assets, net of related debt	193,225,382	175,358,149	147,999,499	142,219,673	136,917,343
Restricted	3,206,982	229,896	191,252	1,971,389	64,458,990
Unrestricted (Deficit)	<u>104,778,749</u>	<u>88,146,766</u>	<u>90,132,660</u>	<u>75,404,737</u>	<u>4,920,701</u>
<b>Total business-type activities net assets</b>	<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>
<b>Primary government</b>					
Investment in capital assets, net of related debt	409,699,383	402,080,522	373,535,002	367,524,433	357,718,593
Restricted (2)	127,058,875	36,010,228	26,780,132	22,280,979	92,082,218
Unrestricted (Deficit) (3)	<u>57,307,227</u>	<u>80,963,942</u>	<u>52,105,904 (4)</u>	<u>30,040,928</u>	<u>(84,963,959)</u>
<b>Total primary government net assets</b>	<u>\$ 594,065,485</u>	<u>\$ 519,054,692</u>	<u>\$ 452,421,038</u>	<u>\$ 419,846,340</u>	<u>\$ 364,836,852</u>

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(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 were 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 own the capital assets. See the Management's Discussion and Analysis for further details.  
 (4) Restated

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

	<b>Fiscal Year</b>				
	<b>2006</b>	<b>2005</b>	<b>2004 (2)</b>	<b>2003 (2)</b>	<b>2002 (2)</b>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 41,402,131	\$ 27,425,402	\$ 24,607,455	\$ 36,887,646	\$ 35,292,562
Public safety	68,737,205	58,696,992	48,301,860	48,823,335	42,848,265
Public works	30,839,056	29,789,265	31,779,170	5,651,044	13,759,447
Health	20,318,327	15,586,778	15,002,153	20,753,454	19,353,858
Social services	7,248,599	5,519,938	5,935,055	2,406,499	3,532,518
Education	236,655,998	215,923,669	214,618,912	192,710,690	200
Parks, recreation and culture	11,619,119	9,450,582	10,937,095	8,162,835	2,980,654
Conservation of natural resources	3,771,639	1,278,781	4,981,389	2,999,473	6,350,141
Community development and public housing	3,195,154	3,713,439	3,058,614	2,950,729	2,664,445
Economic development and opportunity	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	9,858,697	9,351,188	11,089,623	9,865,763	21,031,442
Total governmental activities expenses	<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	21,623,009	19,977,977	19,785,831	17,681,970	18,220,967
Solid waste management	17,615,883	12,368,757	11,613,296	9,618,690	9,265,701
Nursing homes	14,691,041	13,399,901	12,815,110	12,346,634	11,710,121
Public housing	106,859	107,323	111,334	(1,715,127)	1,918,836
Permitting and development review	4,761,715	4,134,794	3,334,752	108,101	-
Total business-type activities expenses	<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>\$ 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	\$ 13,070,811	\$ 1,086,267	\$ 1,026,083	\$ 6,789,686	\$ 7,083,797
Public safety	4,259,470	2,938,922	2,687,452	1,697,058	1,230,503
Public works	838,845	743,694	759,069	1,991,378	1,232,383
Health	3,575,509	3,348,561	3,461,277	6,806,508	6,763,320
Social services	1,143,596	1,632,919	1,737,198	383,575	279,257
Parks, recreation and culture	554,694	466,417	472,016	388,072	341,685
Conservation of natural resources	213,945	129,844	120,408	95,161	100,226
Community development and public housing	-	-	-	200	-
Economic development and opportunity	353,402	374,485	402,481	240,751	235,403
Operating grants and contributions:	40,427,661	36,100,015	33,919,736	35,879,493	38,364,035
Capital grants and contributions:	3,018,316	5,203,254	6,508,424	5,677,857	11,388,734
Total governmental activities program revenues	<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 FIVE FISCAL YEARS (1)  
(accrual basis of accounting)

	Fiscal Year				
	<u>2006</u>	<u>2005</u>	<u>2004 (2)</u>	<u>2003 (2)</u>	<u>2002 (2)</u>
Business-type activities:					
Charges for services:					
Water and sewer	\$ 20,315,028	\$ 19,177,820	\$ 18,880,725	\$ 16,363,465	\$ 16,733,299
Solid waste management	15,028,960	11,306,315	11,455,502	8,941,431	9,427,143
Nursing homes	11,101,735	10,226,199	9,674,807	9,080,715	9,605,018
Permitting and development review	4,590,651	4,380,255	3,300,643	-	-
Bell Court	84,584	82,043	81,765	81,206	80,828
Operating grants and contributions:	12,951,233	12,810,064	8,810,279	6,303,545	12,572,345
Capital grants and contributions:	21,425,241	10,234,860	5,928,940	3,312,279	5,367,499
Total business-type activities program revenues	<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>\$ 152,953,681</u>	<u>\$ 120,241,934</u>	<u>\$ 109,226,805</u>	<u>\$ 104,032,380</u>	<u>\$ 120,805,475</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (377,675,477)	\$ (343,928,157)	\$ (338,780,352)	\$ (300,983,688)	\$ (95,239,858)
Business-type activities	26,698,925	18,228,804	10,472,338	6,042,373	12,670,507
Total primary government net expense	<u>\$ (350,976,552)</u>	<u>\$ (325,699,353)</u>	<u>\$ (328,308,014)</u>	<u>\$ (294,941,315)</u>	<u>\$ (82,569,351)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Local property taxes	\$ 202,355,103	\$ 182,302,769	\$ 167,913,097	\$ 139,943,351	\$ 145,435,575
Local income taxes	158,623,959	142,255,367	137,782,293	163,872,631	116,189,559
Other local taxes	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	8,787,443	5,517,391	2,513,831	2,513,741	5,628,438
Miscellaneous	2,722,004	2,693,466	2,250,381	2,024,356	2,259,256
Transfers	(6,310,538)	(3,868,735)	(6,906,330)	(2,441,659)	(201,515,249)
Total governmental activities	<u>415,209,968</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	4,226,175	2,848,200	654,240	4,155,084	4,833,207
Miscellaneous	240,664	465,661	694,704	659,649	497,603
Transfers	6,310,538	3,868,735	6,906,330	2,441,659	1,868,768
Total business-type activities	<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>\$ 425,987,345</u>	<u>\$ 393,855,461</u>	<u>\$ 360,882,712</u>	<u>\$ 349,950,803</u>	<u>\$ 109,570,022</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 37,534,491	\$ 41,222,254	\$ 13,847,086	\$ 41,710,723	\$ 7,130,586
Business-type activities	37,476,302	25,411,400	18,727,612	13,298,765	19,870,085
Total primary government	<u>\$ 75,010,793</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 34 was implemented.

(2) Restated

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

	<b>Fiscal Year</b>									
	<b>2006</b>	<b>2005</b>	<b>2004 (1)</b>	<b>2003</b>	<b>2002 (1)</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
General Fund										
Reserved	\$ 3,825,762	\$ 3,567,549	\$ 3,390,883	\$ 3,755,322	\$ 4,214,879	\$ 4,347,602	\$ 2,583,454	\$ 2,396,484	\$ 1,741,116	\$ 1,252,099
Unreserved										
Designated	51,885,900	32,472,096	25,295,120	30,347,809	15,126,472	11,264,692	16,375,666	15,343,625	8,577,957	1,624,558
Undesignated	53,857,163	56,594,257	41,588,839	29,246,543	26,706,089	21,797,577	16,947,573	21,541,933	18,485,884	12,658,038
Total General Fund	<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>	<u>\$ 28,804,957</u>	<u>\$ 15,534,695</u>
All other Governmental Funds										
Reserved	\$ 26,349,699	\$ 25,967,238	\$ 14,993,032	\$ 14,563,201	\$ 10,399,734	\$ 23,546,705	\$ 27,431,903	\$ 7,881,811	\$ 6,974,133	\$ 15,654,389
Unreserved										
Designated										
Grant fund (2)	-	670,076	516,201	170,310	-	-	-	-	-	-
Nonmajor governmental funds	59,411,063	40,224,063	24,354,576	17,097,105	20,055,771	16,884,511	13,418,223	7,516,110	2,160,936	1,209,891
Undesignated										
Grant fund	-	-	-	640,297	829,033	-	-	-	-	-
Capital projects	12,503,245	(9,658,250)	25,306,231	20,349,294	(10,373,628)	9,880,908	7,514,093	344,797	23,753,431	(17,332,644)
Nonmajor governmental funds	25,958,899	20,424,923	20,753,183	10,506,062	8,866,420	4,819,818	842,097	729,391	1,699,285	1,739,972
Total all other governmental funds	<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>	<u>\$ 34,587,785</u>	<u>\$ 1,271,608</u>
Total Governmental Fund Balance	<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>	<u>\$ 63,392,742</u>	<u>\$ 16,806,303</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.



Customer service is a priority for those who work at the C. Burr Artz Public Library circulation desk. Jan Granger is helping this patron check out books and audiovisual materials from the library, which was beautifully remodeled in 2003 and remains a destination point for many who live and work in Frederick County.

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

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Revenues</b>										
Local property taxes	\$ 202,393,241	\$ 183,381,053	\$ 166,807,853	\$ 154,346,972	\$ 145,823,757	\$ 135,546,040	\$ 116,496,176	\$ 110,618,541	\$ 106,106,598	\$ 102,014,177
Local income taxes	144,199,778	137,124,133	132,462,327	131,949,827	111,018,868	88,736,934	80,232,845	74,648,254	67,510,246	60,145,570
Other local taxes	50,893,829	57,562,364	48,977,481	36,707,193	33,894,663	29,255,116	18,559,854	18,036,546	12,910,069	10,985,820
Licenses and permits	831,982	979,054	847,080	2,294,473	2,202,833	2,211,075	1,986,857	2,113,732	1,808,956	1,662,476
Grants from federal government	12,950,308	12,336,937	10,945,899	9,987,246	9,706,831	6,771,184	3,737,137	3,128,153	4,035,438	2,094,215
Grants from state government	30,450,610	29,567,220	28,301,914	31,570,104	32,808,334	27,466,351	25,230,545	25,834,719	30,029,618	21,820,397
Charges for services	21,341,057	9,262,332	9,314,013	16,503,345	15,026,098	13,143,985	11,953,034	10,731,811	8,373,044	7,352,218
Fines and forfeitures	308,518	330,530	424,633	210,678	261,839	130,530	143,687	82,168	90,281	116,154
Interest from loans	19,512	11,078	8,440	11,197	-	-	-	-	-	-
Investment earnings	8,700,804	5,517,391	2,513,831	2,519,684	5,627,783	8,596,832	7,332,317	4,951,843	4,465,861	2,511,054
Miscellaneous	2,635,249	2,563,737	2,762,783	1,621,683	2,139,761	1,471,272	1,102,755	1,149,467	3,041,294	3,362,130
<b>Total revenues</b>	<b>474,724,888</b>	<b>438,635,829</b>	<b>403,366,254</b>	<b>387,722,402</b>	<b>358,510,767</b>	<b>313,329,319</b>	<b>266,775,207</b>	<b>251,295,234</b>	<b>238,371,405</b>	<b>212,064,211</b>
<b>Expenditures</b>										
<b>Current</b>										
General government	24,306,561	22,204,110	21,639,704	26,191,150	23,411,460	21,858,590	21,004,425	17,868,447	16,393,339	15,191,315
Public safety	64,500,424	56,524,525	48,492,872	46,004,951	42,033,139	36,689,466	32,325,009	27,488,581	23,857,732	22,130,981
Public works	18,984,178	20,812,477	18,008,073	17,635,413	13,957,272	12,574,656	12,573,219	11,502,799	9,136,129	9,340,201
Health	20,145,681	15,447,857	14,833,362	20,733,669	19,199,353	16,902,039	15,639,925	14,238,272	13,382,645	13,082,739
Social services	6,476,583	6,540,358	6,314,660	3,808,898	3,422,847	3,168,387	2,414,874	1,859,327	1,803,816	1,726,473
Education	196,563,412	185,300,073	179,415,425	166,000,881	200	200	200	400	300	200
Parks, recreation and culture	10,528,919	8,782,883	8,035,178	7,536,930	2,807,366	2,431,233	2,196,740	2,105,524	2,038,127	1,742,387
Library	-	-	-	-	-	-	-	-	-	140,407
Conservation of natural resources	2,397,091	1,741,058	4,505,561	3,358,264	6,350,666	3,809,250	999,165	1,202,328	942,183	784,409
Community development and public housing	3,191,585	3,723,967	3,052,368	2,950,166	2,407,231	1,914,082	1,856,535	1,893,609	1,928,760	1,740,844
Economic development and opportunity	11,583,440	10,926,166	10,377,175	10,990,348	9,856,451	7,755,543	7,195,412	5,928,121	8,504,258	6,620,086
Miscellaneous	4,229,897	4,182,513	4,583,681	2,356,025	1,960,755	3,385,981	1,563,069	871,137	596,765	1,296,501
Intergovernmental	5,454,453	4,847,291	4,463,342	3,866,509	3,094,971	2,203,029	1,798,751	1,796,605	1,795,997	1,621,724
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	15,432,931	22,652,797	15,002,880	10,844,799	13,046,143	9,162,863	6,014,870	6,061,415	5,478,716	5,584,839
Interest	11,056,416	10,864,875	10,953,670	10,355,454	10,558,830	9,973,988	5,753,517	5,599,287	5,707,269	4,991,988
Capital projects	82,714,041	51,188,595	48,975,783	54,327,298	21,549,878	22,813,716	13,605,456	14,087,925	15,820,511	8,754,019
<b>Total expenditures</b>	<b>477,565,612</b>	<b>425,739,545</b>	<b>398,653,734</b>	<b>386,960,755</b>	<b>173,656,562</b>	<b>154,643,023</b>	<b>124,941,167</b>	<b>112,503,777</b>	<b>107,386,547</b>	<b>94,749,113</b>
<b>Excess of revenues over expenditures</b>	<b>(2,840,724)</b>	<b>12,896,284</b>	<b>4,712,520</b>	<b>761,647</b>	<b>184,854,205</b>	<b>158,686,296</b>	<b>141,834,040</b>	<b>138,791,457</b>	<b>130,984,858</b>	<b>117,315,098</b>

(continued)

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

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Other Financing Sources (Uses)</b>										
Transfer in from General Fund	\$ 31,721,340	\$ 23,656,581	\$ 25,587,376	\$ 29,266,440	\$ 22,966,955	\$ 21,820,792	\$ 22,742,154	\$ 16,386,607	\$ 12,277,982	\$ 11,120,245
Transfers in from Special Revenue Funds	10,556,300	12,954,780	6,418,131	16,210,471	7,793,112	8,090,086	614,857	1,700,616	2,751,227	2,646,544
Transfers in from Internal Service Funds			18,212							
Transfer out to:										
General Fund	-	-	(184,481)	-	-	-	-	-	-	-
Special Revenue Funds	(8,429,500)	(7,230,957)	(5,862,101)	(8,674,575)	(6,377,395)	(5,893,460)	(5,003,204)	(3,486,987)	(3,022,686)	(3,051,482)
Capital Projects Fund	(33,848,140)	(29,380,404)	(25,958,925)	(36,802,336)	(24,382,672)	(24,017,418)	(18,353,807)	(14,600,236)	(12,006,523)	(10,715,307)
Enterprise funds	(6,682,958)	(3,868,735)	(6,906,330)	(2,441,659)	(1,868,768)	(2,086,579)	(1,856,455)	(1,004,829)	(590,019)	(560,424)
Group Health Insurance Fund	-	-	-	-	-	-	-	-	-	(53,810)
Internal Service Fund	(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)	(129,317,810)	(119,457,472)
Proceeds from public facilities and refunding bonds	82,958,476	91,781,972	41,792,400	50,157,925	20,053,810	52,837,581	89,631,000	19,346,421	45,193,803	1,411,376
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	4,751,327	8,870,030	654,580	588,545	524,943	-	-	-	-	-
Repayment of bond anticipation notes	-	-	-	-	-	(1,432,000)	(33,914,000)	(4,890,000)	-	-
Proceeds of capital lease	731,000	852,100	2,515,000	2,961,260	-	-	-	-	-	-
Sale of capital assets	14,550	18,000	6,900	2,000	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>66,370,503</b>	<b>1,167,603</b>	<b>24,809,602</b>	<b>50,089,526</b>	<b>(201,515,249)</b>	<b>(151,653,548)</b>	<b>(112,753,081)</b>	<b>(147,248,459)</b>	<b>(84,714,026)</b>	<b>(118,660,330)</b>
<b>Net change in fund balances</b>	<b>\$ 63,529,779</b>	<b>\$ 14,063,887</b>	<b>\$ 29,522,122</b>	<b>\$ 50,851,173</b>	<b>\$ (16,661,044)</b>	<b>\$ 7,032,748</b>	<b>\$ 29,080,959</b>	<b>\$ (8,457,002)</b>	<b>\$ 46,270,832</b>	<b>\$ (1,345,232)</b>
Debt service as a percentage of noncapital expenditures	6.71%	8.95%	7.42%	6.37%	15.52%	14.52%	10.57%	11.85%	12.22%	12.30%

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

Fiscal Year	Real Property (1)					Public Utilities		Total Assessed Value
	Residential Assessed Property	Commercial Assessed Property	Industrial Assessed Property	Assessed Value	Total Direct Tax Rate (2)	Public Utilities	Total Direct Tax Rate (2)(3)	
2006	\$14,300,692,783	\$3,093,387,029	\$851,597,799	\$18,245,677,611	\$1.00	\$317,522,620	\$2.50	\$18,563,200,231
2005	12,504,488,751	2,586,588,409	777,563,387	15,868,640,547	1.00	365,265,099	2.50	16,233,905,646
2004	n/a	n/a	n/a	14,713,127,459	1.00	341,838,850	2.50	15,054,966,309
2003	n/a	n/a	n/a	13,852,072,854	1.00	365,088,270	2.50	14,217,161,124
2002	n/a	n/a	n/a	12,972,034,400	1.00	382,963,100	2.50	13,354,997,500
2001	n/a	n/a	n/a	4,889,192,115	2.50	374,937,880	2.50	5,264,129,995
2000	n/a	n/a	n/a	4,650,381,807	2.26	360,305,770	2.26	5,010,687,577
1999	n/a	n/a	n/a	4,442,620,985	2.26	318,801,320	2.26	4,761,422,305
1998	n/a	n/a	n/a	4,268,168,010	2.26	307,657,490	2.26	4,575,825,500
1997	n/a	n/a	n/a	4,102,682,836	2.26	298,693,650	2.26	4,401,376,486

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**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.

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

	\$	Year Taxes Are Payable														
		2006	2005	2004	2003	2002	2001	(2)	2000	(2)	1999	(2)	1998	(2)	1997	(2)
Frederick County	\$	1.00	\$	1.00	\$	1.00	\$	1.00	\$	2.50	\$	2.26	\$	2.26	\$	2.26
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	0.12	0.12	0.12	0.12	0.12	
Frederick fire tax district	-	-	-	-	-	-	-	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	
Lewistown fire tax district	-	-	-	-	-	-	-	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	
Libertytown fire tax district	-	-	-	-	-	-	-	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	
Middletown fire tax district	-	-	-	-	-	-	-	0.17	0.09	0.09	0.09	0.09	0.09	0.09	0.09	
Myersville fire tax district	-	-	-	-	-	-	-	0.11	-	-	-	-	-	-	-	
New Market fire tax district	-	-	-	-	-	-	-	0.16	0.07	0.07	0.07	0.07	0.07	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	0.065	0.065	0.045	0.045	-	-	-	-	-	-	-	-	-	-	
Urban Fire/Rescue (1)	0.135	0.135	0.135	0.100	0.100	-	-	-	-	-	-	-	-	-	-	
Braddock lighting tax district	0.016	0.020	0.024	0.024	0.024	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	
Libertytown lighting tax district	0.021	0.022	0.020	0.020	0.020	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	
New Addition lighting tax district	0.014	0.021	0.028	0.028	0.028	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	
State	0.132	0.132	0.132	0.084	0.084	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	
Brunswick	0.452	0.488	0.488	0.488	0.488	1.22	1.22	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27	
Burkittsville	0.140	0.140	0.140	0.140	0.140	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	
Emmitsburg	0.360	0.360	0.360	0.360	0.360	0.75	0.70	0.61	0.61	0.61	0.61	0.53	0.53	0.53	0.53	
Frederick	0.690	0.690	0.640	0.640	0.640	1.57	1.59	1.59	1.59	1.59	1.59	1.59	1.61	1.61	1.61	
Middletown	0.232	0.232	0.232	0.232	0.232	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	
Mt. Airy	0.188	0.193	0.202	0.206	0.206	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.59	0.60	0.60	
Myersville	0.274	0.274	0.236	0.236	0.236	0.59	0.62	0.64	0.64	0.64	0.64	0.65	0.64	0.64	0.64	
New Market	0.120	0.120	0.120	0.120	0.120	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	
Rosemont	0.040	0.040	0.040	0.040	0.040	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
Thurmont	0.270	0.273	0.248	0.248	0.248	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	
Walkersville	0.166	0.176	0.176	0.176	0.176	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.40	
Woodsboro	0.138	0.152	0.152	0.152	0.152	0.38	0.38	0.38	0.38	0.38	0.38	0.38	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 2006</u>				<u>Fiscal Year 1997</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>	
			<u>Assessed</u>	<u>%</u>			<u>Assessed</u>	<u>%</u>
Potomac Edison Company	\$ 141,794,420	1	0.76	%	\$ 147,298,450	1	3.35	%
Verizon Maryland	106,296,530	2	0.57		107,970,100	2	2.45	
PR Financing Limited Partnership	63,902,032	3	0.34		-	-	-	
State Farm Mutual Auto Insurance	40,982,700	4	0.22		20,087,610	5	0.46	
Washington Gas Light Company	37,556,950	5	0.20		23,596,181	3	0.54	
Fannie Mae	34,830,676	6	0.19		-	-	-	
First Real Estate Inv. Trust	27,217,200	7	0.15		9,237,460	10	0.21	
Toys R Us, Inc.	26,848,666	8	0.14		-	-	-	
Writ Frederick Crossing Land, LLC	24,637,066	9	0.13		-	-	-	
ABP MD (Baltimore) LLC	24,376,132	10	0.13		-	-	-	
Crown American Financing Part.	-		-		22,279,260	4	0.51	
American Telephone & Telegraph	-		-		19,535,520	6	0.44	
Frederick Towne Mall Associates	-		-		17,209,400	7	0.39	
Eastalco Aluminum Company	-		-		16,054,840	8	0.36	
Manekin/Morecop	-		-		15,785,670	9	0.36	
<b>Totals</b>	<b>\$ 528,442,372</b>		<b>2.83</b>	<b>%</b>	<b>\$ 399,054,491</b>		<b>9.07</b>	<b>%</b>

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		
	Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy	
2006	\$ 179,407,088		\$ 1,564,230	\$ 180,971,318	\$ 180,630,510	99.81 %	\$ -	\$ 180,630,510	99.81 %
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
1998	n/a	n/a		102,451,665	102,427,492	99.98	22,584	102,450,076	100.00
1997	n/a	n/a		98,293,886	98,114,853	99.82	178,033	98,292,886	100.00

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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.

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>					<b>Total Governmental Activities</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>	
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
1998	81,575,742	44,745,075	-	5,087,686	-	131,408,503
1997	86,919,775	-	-	5,145,039	-	92,064,814

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

(continued)

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

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Bond Anticipation Notes	Notes Payable	Total Business-Type Activities			
2006	\$ 98,068,957	\$ -	\$ 29,602,176	\$ 127,671,133	\$ 449,848,809	N/A	1,966
2005	71,517,028	-	28,917,294	100,434,322	362,832,494	4.5%	1,627
2004	76,585,495	-	31,062,443	107,647,938	381,883,514	4.9%	1,745
2003	81,447,398	-	33,219,749	114,667,147	365,294,917	4.8%	1,708
2002	61,560,990	6,583,925	33,269,694	101,414,609	304,166,571	4.2%	1,491
2001	64,581,987	9,413,925	32,142,229	106,138,141	320,262,541	4.6%	1,606
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
1998	47,199,258	22,754,925	21,977,716	91,931,899	223,340,402	4.1%	1,190
1997	49,260,225	-	19,826,425	69,086,650	161,151,464	3.2%	880

**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 (1)**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Governmental General Obligation Debt (2)</b>	<b>Business-Type General Obligation Debt</b>	<b>Less Amounts to be Paid with Other Resources (3)</b>	<b>Total General Obligation Debt Outstanding</b>	<b>Percentage of Total Estimated Actual Value of Taxable Property (4)</b>	<b>Per Capita (5)</b>
2006	\$ 317,942,554	\$ 127,671,133	\$ (218,222,275)	\$ 227,391,412	1.22%	\$ 994
2005	257,417,883	100,434,322	(165,845,345)	192,006,860	1.07%	861
2004	268,697,241	107,647,938	(176,439,003)	199,906,176	1.18%	914
2003	246,686,000	114,667,147	(171,736,017)	189,617,130	1.20%	886
2002	201,323,688	101,414,609	(148,527,206)	154,211,091	1.03%	756
2001	214,124,400	106,138,141	(154,928,925)	165,333,616	1.31%	829
2000	172,624,475	97,378,293	(131,574,189)	138,428,579	1.15%	709
1999	122,321,109	92,009,196	(110,794,390)	103,535,915	0.91%	529
1998	131,408,503	91,931,899	(110,817,413)	112,522,989	1.02%	600
1997	92,064,814	69,086,650	(72,949,911)	88,201,553	0.84%	482

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

(1) Bonded debt is all debt backed by the full faith and credit and unlimited taxing authority of the County.

(2) Capital leases are not backed by the full faith and credit and unlimited taxing authority of the County and are not included in the Governmental Activities General Obligation debt.

(3) See footnote 3.F. Non-Current Liabilities for funds supporting debt payments.

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

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

**FREDERICK COUNTY, MARYLAND**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2006**

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Assessed Valuation (2)</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct:				
Frederick County	\$ 322,177,676	\$ 18,552,064,245	73.49 %	\$ 277,962,728
Overlapping:				
Brunswick	167,339	292,339,734	1.16 %	4,380,081
Burkittsville	-	10,141,820	0.04 %	151,953
Emmitsburg	338,135	134,402,340	0.53 %	2,013,730
Frederick City	50,901,471	4,529,589,716	17.94 %	67,866,147
Middletown	1,557,927	352,594,640	1.40 %	5,282,871
Mount Airy	-	316,524,530	1.25 %	4,742,438
Myersville	3,133,600	111,486,210	0.44 %	1,670,381
New Market	-	43,339,832	0.17 %	649,354
Rosemont	-	22,074,628	0.09 %	330,741
Thurmont	3,798	390,023,230	1.54 %	5,843,658
Walkersville	-	414,759,144	1.64 %	6,214,273
Woodsboro	-	78,195,514	0.31 %	1,171,591
Subtotal Overlapping:	<u>56,102,270</u>	<u>6,695,471,338</u>	<u>26.51 %</u>	<u>100,317,218</u>
Totals	\$ 378,279,946	\$ 25,247,535,583	100.00 %	\$ 378,279,946

Source: Division of Finance

(1) Debt repaid by general government activities

(2) Base Assessments provided by Maryland State Department of Assessments and Taxation

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

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Debt limitation - 6% of total assessed value (1)	\$ 974,034,339	\$ 903,297,979	\$ 853,029,667	\$ 801,299,850	\$ 789,619,499	\$ 751,603,137	\$ 714,213,346	\$ 686,373,825	\$ 660,206,473
Total debt applicable to limit (2)	<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>	<u>91,931,899</u>	<u>69,086,650</u>
Legal debt margin	<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>	<u>\$ 594,441,926</u>	<u>\$ 591,119,823</u>
Total net debt applicable to the limit as a percentage of debt limit	10.31%	11.92%	13.44%	11.83%	13.44%	12.96%	12.88%	13.39%	10.46%

**Legal debt margin calculation for fiscal year 2006**

Assessed valuations (3) \$ 18,563,200,231

Legal debt margin

Debt limitation - 6% of total assessed value 1,113,792,014

Debt applicable to limitation

Total bonds payable	98,068,957
Total notes payable	<u>29,602,176</u>
Total debt applicable to limit (2)	<u>127,671,133</u>

Legal debt margin \$ 986,120,881

Total net debt applicable to the limit as a percentage of debt limit 11.46%

(1) Fiscal years 2002-2005 assessed values based on 100% of real estate assessment. Debt limitation based on 6% of assessed values. Prior fiscal years 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**

<u>Year</u>	<u>Population(1)</u>	<u>Personal Income (thousands of dollars) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Public School Enrollment (3)</u>	<u>Unemployment Rate (2)</u>
2006	228,856	N/A	N/A	39,741	3.1%
2005	223,036	\$ 8,003,017	\$ 36,074	39,564	3.0
2004	218,830	7,832,078 *	34,765	39,003	2.9
2003	213,935	7,567,226	33,360	38,621	2.9
2002	210,156	7,214,897	33,150	38,122	3.1
2001	204,691	6,946,996	33,554	36,961	2.3
2000	197,465	6,427,226	32,696	36,145	1.8
1999	195,603	5,748,060	29,999	35,462	2.3
1998	187,615	5,411,750	28,800	34,742	2.9
1997	183,045	4,978,269	27,089	33,942	3.7

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Sources: (1) Frederick County Division of Planning  
 (2) Frederick County Office of Economic Development  
 (3) Frederick County Board of Education

N/A - Not Available

\* estimated using Maryland Department of Planning's growth rate of 3.5%

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

<b>Employer</b>	<b>2006</b>			<b>1997</b>			<b>Percentage of Total County Employment</b>
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	
Fort Detrick Campus	7,900 *	1	4.70 %	4,700 *	1		4.74 %
Frederick County Board of Education	5,046	2	3.00	3,391	2		3.42
Frederick County Government	2,526	3	1.50	1,902	3		1.92
Frederick Memorial Healthcare System	2,400	4	1.43	1,400	4		1.41
Bechtel Corporation	2,050	5	1.22	-	-		-
Wells Fargo Home Mortgage	1,700	6	1.01	-	-		-
United Health Care (formerly Mamsi)	1,565	7	0.93	-	-		-
CitiMortgage	1,300	8	0.77	-	-		-
Frederick Community College	1,159	9	0.69	-	-		-
State Farm Insurance	929	10	0.55	675	8		0.68
First Nationwide Mortgage	-	-	-	1,099	5		1.11
Prudential Home Mortgage	-	-	-	900	6		0.91
Eastalco Aluminum Co.	-	-	-	810	7		0.82
Chevy Chase/FSB	-	-	-	600	9		0.60
Norwest Mortgage	-	-	-	600	9		0.60
Rotorex	-	-	-	600	9		0.60
	<b><u>26,575</u></b>		<b><u>15.80 %</u></b>	<b><u>16,677</u></b>			<b><u>16.81 %</u></b>

\* Includes military personnel.

**Source:** Frederick County Office of Economic Development

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

<u>Function/Program</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
General government	335	335	326	305	312	272	280	280	280	289
Public safety	704	646	584	561	536	491	405	441	467	466
Public works	383	359	363	357	338	322	337	337	337	337
Health	313	292	299	300	326	311	351	351	351	352
Social services	126	125	128	127	122	109	118	121	118	118
Parks, recreation and culture	50	42	42	44	43	36	84	84	84	84
Library	108	91	89	88	86	67	95	95	95	96
Conservation of natural resources	7	7	7	6	6	6	9	9	9	9
Community dev. & public housing	7	6	6	6	5	6	6	6	6	6
Economic dev. & opportunity	<u>111</u>	<u>106</u>	<u>110</u>	<u>120</u>	<u>122</u>	<u>97</u>	<u>143</u>	<u>145</u>	<u>145</u>	<u>145</u>
Total	<u>2,144</u>	<u>2,009</u>	<u>1,954</u>	<u>1,914</u>	<u>1,896</u>	<u>1,717</u>	<u>1,828</u>	<u>1,869</u>	<u>1,892</u>	<u>1,902</u>

**Source:** Human Resources

**Note:** (1) Fiscal years 1997-2000 are a total employee count.  
 (2) Fiscal years 2001-2006 are full-time equivalents.

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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>1998</u>	<u>1997</u>
<b>General Government</b>										
Human Resources										
Employment announcements issued	182	170	180	215	201	260	170	170	*	*
Employment applications received/reviewed	6,000	7,000	6,000	6,000	3,800	3,700	4,000	4,000	*	*
Finance/Accounting										
Accounts payable checks generated	28,000	31,000	31,000	29,840	29,600	30,000	30,800	29,300	*	*
Invoices prepared	1,920	1,800	1,700	1,550	1,850	1,700	1,550	1,500	*	*
Purchasing										
Formal bids, RFP's, sole source & emergencies	225	200	*	*	*	*	*	*	*	*
Treasurer										
Property tax bills/delinquent notices mailed	87,207	93,000	87,000	87,000	86,000	84,200	82,629	75,914	*	*
Logistics										
Number of leases managed	37	37	44	38	21	21	17	17	*	*
Square feet of leased property managed	155,303	155,303	172,519	172,931	151,349	148,403	118,643	118,643	*	*
Pieces of outgoing U.S. mail	485,000	485,000	465,458	455,136	454,942	*	400,000	400,000	*	*
Building Maintenance										
Buildings	116	114	110	106	73	61	60	47	*	*
Work orders/service requests	4,486	4,272	3,758	3,654	3,232	*	4,200	4,000	*	*
Square feet of properties managed	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	366,339	366,339	336,339	322,300	302,300	78,800	78,000	78,763	*	*
Elections										
Registered voters	124,000	122,000	113,000	118,000	113,832	107,632	102,000	98,000	*	*
Liquor Board										
Regular liquor licenses	298	295	290	295	295	*	*	275	270	*
Liquor inspections	3,260	3,200	3,130	3,600	3,400	*	*	3,200	3,200	*
Internal Audit										
Internal Audits performed	27	23	26	28	27	30	26	30	*	*
Circuit Court										
Cases filed	6,318	6,258	6,106	10,071	6,806	7,392	7,400	7,050	*	*
<b>Public Safety</b>										
Housing units constructed										
Sheriff's Office										
Administration Bureau	2,087	1,653	1,781	1,924	1,639	2,169	2,918	2,644	1,990	1,748
Civil Process papers served	25,200	24,500	29,050	*	30,784	30,741	34,704	31,549	*	*
Courthouse Security										
Prisoners handled: adult/juvenile	5,200	5,250	4,050	3,730	4,297	4,285	4,595	4,461	*	*
Operations:Law Enforcement										
Arrests: adult/juvenile	4,961	4,386	4,700	5,119	4,541	4,383	4,205	3,436	*	*
Calls for service	58,687	68,340	65,000	*	48,354	41,232	40,632	40,000	*	*
Adult Detention Center										
Average daily population	464	466	452	429	449	418	405	383	349	350
Emergency Communications										
Fire/EMS dispatches	25,000	24,100	24,100	*	22,816	22,510	20,841	*	24,000	22,909
Police dispatches	94,000	88,000	88,000	*	76,998	72,232	60,778	*	46,000	42,273
911 calls	100,500	100,500	100,500	*	94,380	97,394	95,948	*	100,000	84,319
Animal Control										
Calls for service	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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>1998</u>	<u>1997</u>
<b>Public Works</b>										
Water facilities										
Customers (FY 02-06), Equiv units (FY 97-01)	19,692	17,578	17,039	16,628	16,276	22,304	20,012	20,298	19,380	17,558
Annual production (1,000 gals.)	1,952,328	1,860,600	1,639,941	1,639,941	1,700,000	1,736,300	1,663,000	1,692,400	1,581,000	1,521,000
Sewer facilities										
Customers (FY 02-06), Equiv units (FY 97-01)	24,787	24,614	23,724	23,153	22,663	31,988	28,194	28,987	26,246	25,344
Fleet Services										
Work orders	7,800	7,695	6,300	5,557	5,850	5,700	5,400	5,100	*	*
Vehicles maintained	900	830	774	479	500	450	400	396	*	*
Highway Operations										
County roads - mileage maintained	1,256	1,245	1,237	1,235	1,221	1,213	1,207	1,199	1,193	1,186
Tar and chip maintenance (miles)	100	55	55	60	46	65	56	65	36	*
Usage of salt & cinders (tons)	25,000	18,900	27,118	*	*	*	*	*	*	*
Transportation Engineering										
Bridges inspected	170	172	265	*	*	*	*	*	*	*
Road overlay (miles)	22	24	9	44	41	28	*	40	38	*
Construction Management										
CIP and developer funded subdivision projects completed	49	44	14	*	*	*	*	*	*	*
TransIT										
Revenue vehicle miles	1,046,327	1,037,850	931,405	791,521	760,599	752,747	665,001	672,291	*	*
	81,138	87,599	73,423	59,851	48,111	47,093	45,096	45,822	*	*
<b>Health</b>										
Health Department										
Public health nursing contacts	31,379	29,866	*	*	*	*	*	*	*	*
Mental health visits	5,958	7,053	*	*	*	*	*	*	*	*
Substance abuse visits	10,932	13,734	*	*	*	*	*	*	*	*
Dental visits for children	4,486	4,556	*	*	*	*	*	*	*	*
Environmental health reviews/inspections	14,041	13,588	*	*	*	*	*	*	*	*
School health program										
Children served	40,524	40,400	40,000	39,800	38,028	36,757	36,000	35,658	*	*
	160,000	147,070	150,000	201,000	156,280	132,467	117,200	117,100	*	*
<b>Social Services</b>										
Social Services										
Child & Adult Care Food Program										
Home visits	1,344	1,026	981	*	*	*	*	*	*	*
Number of items mailed	90,000	76,735	108,200	*	*	*	*	*	*	*
Department of Aging										
Home delivered meals served to elderly	20,000	21,000	27,000	25,000	24,000	10,000	12,000	11,256	*	*
Congregate meals served	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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>1998</u>	<u>1997</u>
<b>Parks, recreation and culture</b>										
Parks & Recreation										
Recreation center attendance	55,000	45,000	46,066	42,400	*	*	*	*	*	*
<b>Conservation of natural resources</b>										
Agriculture (2002,1997,1992)										
Farms	1,273	1,273	1,273	1,304	1,304	1,304	1,304	1,304	1,346	1,346
Acreage	195,827	195,827	195,827	215,927	215,927	215,927	215,927	215,927	222,768	222,768
<b>Community development and public housing</b>										
Bell Court housing project (28 units)										
Occupancy rate	99%	99%	99%	98%	*	*	*	*	*	*
<b>Economic development and opportunity</b>										
Job Training Agency										
One - stop services - customers served	2,310	2,310	2,310	2,000	2,000	*	*	*	*	*

\* = Information not available

Sources: Frederick County, Maryland Adopted Budgets Performance Indicators. Estimates generated by the agencies were used when actual figures were unavailable.

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

<u>Function/Program</u>	<b>Fiscal Year</b>									
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
<b>General Government</b>										
Building maintenance										
Buildings managed	116	114	110	106	73	61	60	47	*	*
<b>Public Safety</b>										
Fire/rescue stations	30	30	30	30	30	30	28	28	28	28
Adult Detention Center average daily population	464	466	452	429	449	418	405	383	349	350
<b>Public Works</b>										
County roads - mileage	1,256	1,245	1,237	1,235	1,221	1,213	1,207	1,199	1,193	1,183
Water facilities										
Plants/Distribution Systems	14	14	14	15	15	15	15	15	16	17
Daily capacity (1,000 gals.)	10,193	9,485	9,485	9,645	9,645	9,645	9,645	9,645	10,452	10,452
Miles of water mains	253	243	231	228	211	204	185	174	162	147
Hydrants	2,085	1,924	1,778	1,778	1,583	1,506	1,320	1,178	1,057	898
Sewer facilities										
Plants/Collection Systems	17	17	17	16	16	16	16	16	16	19
Daily capacity (1,000 gals.)	7,707	7,707	7,701	7,701	7,766	7,766	7,566	7,506	9,501	9,708
Miles of sewer mains	327	313	303	293	283	277	256	238	228	213
Bridges										
Bridges (over 20' spans)	214	214	213	213	213	213	213	210	209	209
Fleet services										
Vehicles	603	578	586	479	500	450	*	*	*	*
<b>Parks, Recreation and Culture</b>										
County park acreage	1,511	1,511	1,511	1,511	1,526	1,394	1,394	1,394	991	991
County facilities	29	29	29	29	*	*	*	*	*	*

\* Information not available

Sources: Department of Maintenance, Fire/Rescue, Sheriff's, Public Works, Parks and Recreation

# Frederick County Maryland

