

Frederick County Maryland

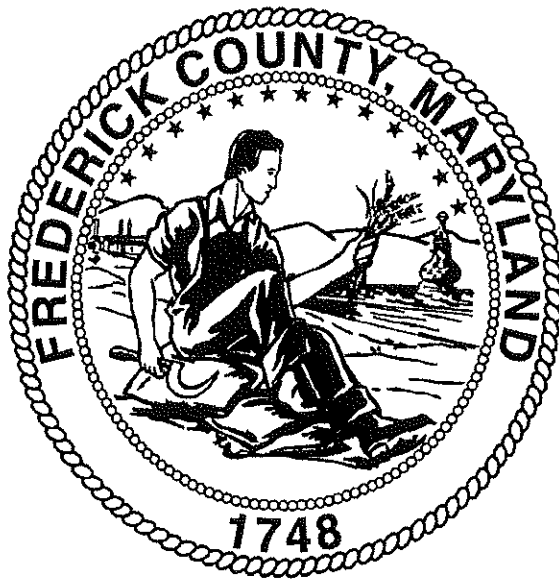


Boyer's Mill ©

Harry L. Richardson

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

Frederick County, Maryland
Comprehensive Annual Financial Report
Fiscal Year 2005
July 1, 2004– June 30, 2005



Prepared by the Finance Division

Front Cover: The cover picture of Boyer's Mill was donated by New Market, Maryland artist Harry L. Richardson

Frederick County photos were provided by Sherry Stull and Pam Cree of the Finance Department.

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

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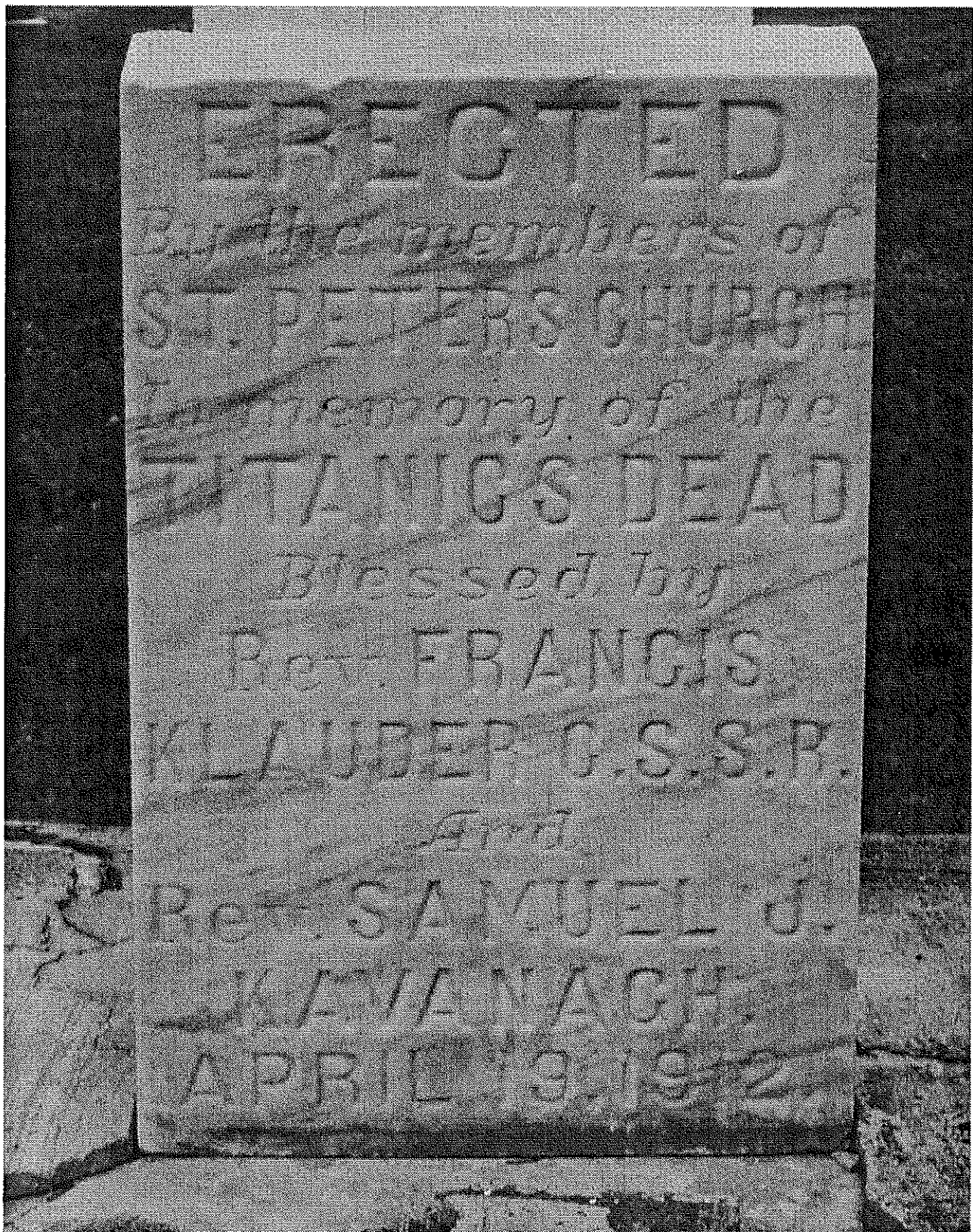
FREDERICK COUNTY, MARYLAND

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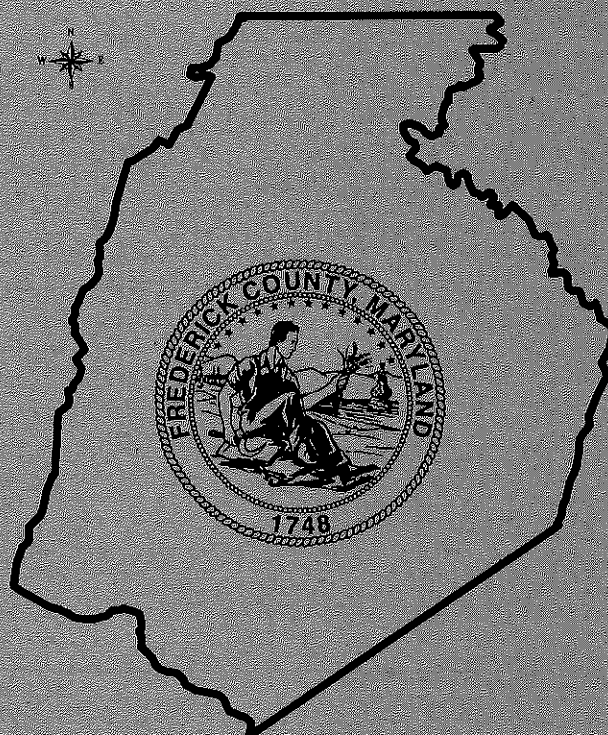
OUR MISSION





A monument dedicated to the approximately 1,500 people who perished in the sinking of the Titanic, was erected in St. Peter's cemetery in Libertytown by its members on April 19, 1912. The Titanic sank within a 2½ hour period after hitting an iceberg while on its first voyage from England to New York City. Lifeboats held less than half the people on board, mostly women and children. The liner Carpathia picked up 705 survivors.

INTRODUCTORY SECTION





FINANCE DIVISION FREDERICK COUNTY, MARYLAND

Winchester Hall • 12 East Church Street • Frederick, Maryland 21701
301-694-1117 • FAX: 301-631-2302 • TTY: Use Maryland Relay
www.co.frederick.md.us

November 30, 2005

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

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, 2005. 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' 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 are 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.

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



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

assurance that the financial statements of Frederick County, Maryland for the fiscal year ended June 30, 2005 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, 2005, 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 223,000. 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 59,000. 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 (the "Board") that serves for four years. Section 3 of Article 25 of the Annotated Code of Maryland of 1957, as amended (the "Maryland Code") sets out the enumerated powers of the county commissioners of each county in the State of Maryland (the "State") that is governed by 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.

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. The County's sanitation services, i.e., water, sewer, and solid waste management, are wholly supported through user fees; the remaining services are primarily tax-supported. 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-14.

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 Special Revenue (including the Grants Fund), 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.

Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual are presented for the two major governmental funds which adopt an annual budget, and are presented in Exhibits II-A-7 and II-A-8 as part of the basic financial statements. Budget-to-actual comparison schedules for other 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 223,000 as of July 2005, a 48 percent increase from 1990. The growth rate for the State of Maryland for that same time period was 17 percent. The Department of Planning and Zoning estimates the growth will be steady through the 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 from the second quarter 2001 to the second quarter 2004, for a total of 28% of all new jobs created in the State. The civilian labor force in the County was estimated at 119,317 in June 2005. Of this number, 115,367 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 4.3 percent and the national unemployment rate of 4.8%. (Source: Maryland Department of Labor, Licensing and Regulation)

The County's estimated taxable property value has increased \$3.1 billion since 2001 or 23.4 percent. As of June 30, 2005, taxable assessed value totaled \$16.2 billion. The growth in the taxable assessable base from FY2004 to FY2005 was 7.9 percent. The continuation of

emphasis on economic development within the County should result in above average assessable base growth in the foreseeable future.

Long-term Financial Planning - Major initiatives during FY2005 were predominately in the Capital Budget area. Major general governmental projects approved in the six year Capital Improvements Program (fiscal years 2005-2010) include:

- Thurmont Regional Library
- Scott Key Center Expansion
- Centerville Elementary School
- Middletown Primary School
- Brunswick Middle School Addition
- Urbana Area Middle School

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 \$648 million for fiscal years 2005 to 2010.

Frederick County concluded the fiscal year ended June 30, 2005, with a General Fund unreserved and undesignated fund balance of \$56.6 million. Section 2-7-1(a) of the Frederick County Code provides that "the County must maintain an unappropriated undesignated General Fund balance equal to 5% 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 \$310.9 million. The required balance of the reserve was \$15.6 million, an increase of \$1.0 million over fiscal year 2004. The actual undesignated fund balance increased \$15.6 million from the undesignated fund balance at June 30, 2004. The major contributing factor to this increase resulted from two primary revenue sources, local income taxes and recordation taxes. These two revenue sources were a combined \$24.6 million in excess of their budgets. The June 30, 2005 unreserved, undesignated fund balance of \$56.6 million provides \$41.0 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 FY2005 General Fund earnings from these programs totaled \$2.7 million.

Risk Management - The County continues to work to keep safety programs and loss control operations working effectively. The Office of Risk Management is tasked with protecting the assets of Frederick County from unnecessary and controllable losses. The primary goal is to reduce losses by providing a safe workplace for our employees, and eliminating hazards to the public on County property. Implementation of Safety and Loss Control programs combined with ongoing analysis of exposures has reduced our overall losses and the associated cost. As liaison to the appointed insurance committee, the County's Risk Manager is to act in an advisory capacity to aid in obtaining the best insurance coverage possible for the most

economical premiums available. The broad knowledge base of the Insurance Committee assists the County in negotiating premiums lower than that of the standard market. The County's workers' compensation policy carries a 5 percent drug free workplace credit, which equates to a premium savings of \$155,456. The County's modified duty policy, which returns injured workers back to the workplace during recuperation, saves in lost work time and increases productivity.

Pension and Other Post-employment Benefits - Frederick County employees participate in a single-employer pension plan (all employees hired after June 30, 1993 and existing employees as of that date who elected to transfer to the plan) which is administered by the County and in two cost-sharing multiple-employer pension plans administered by the State. Employer's contributions for the year were \$9.8 million. Employees' contributions were \$3.5 million.

The remaining eligible County employees are members of either the Employees' Retirement System of the State of Maryland or the Pension System for Employees of the State of Maryland. 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 at that date. Interest and principal payments due to maturity as of June 30, 2005 are \$6,898,752. The County has chosen to make 8 remaining payments of \$862,344 to amortize and pay interest on the liability.

The employees of the Board of Education are covered under one of four defined benefit retirement plans which are administered by the Maryland State Retirement and Pension Systems. The Board's share of contributions for teachers and administrative employees' is primarily the responsibility of the State. Total contributions were approximately \$15.5 million in FY2005. This contribution was recognized as both a revenue and expenditure for the Board of Education.

Substantially all permanent employees of Frederick Community College 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 College employees is provided by the State. The other retirement plan is an option for certain professional employees, and is also provided for those College employees for which the State does not provide employer share funding. For FY2005, State contributions toward retirement for College employees were approximately \$965,000.

In 1985, the County created the Length of Service Awards Program (LOSAP). In FY2005, LOSAP provided 96 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 \$217,808 in FY2005 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 4, Exhibit II-A-14, 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 85 percent of the cost of premiums for medical and hospitalization costs. Employees hired after July 1, 1992, also must have worked for the

County for a minimum of ten years; these employees pay 50 percent of the cost of premiums. Currently, 397 retirees are receiving post-employment health care 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 \$2,070,641 were recognized for post-employment health care.

Awards and Acknowledgements

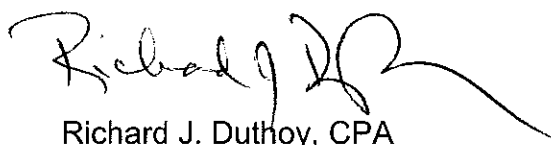
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to Frederick County, Maryland, for its comprehensive annual financial report for the fiscal year ended June 30, 2004. The Certificate of Achievement 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard J. Duthoy", with a long, sweeping horizontal line extending to the right.

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, 2004

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.



Nancy L. Ziehl

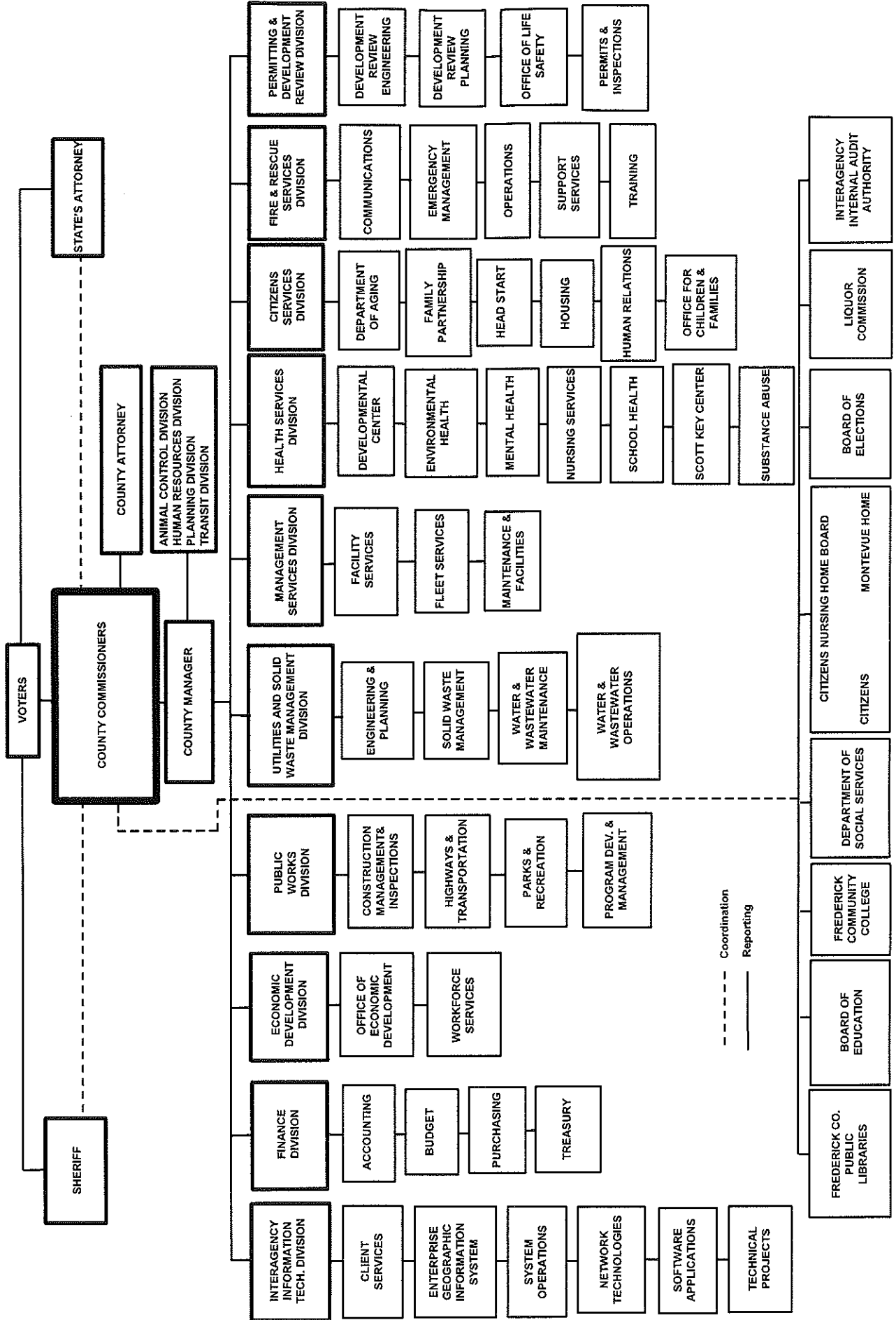
President

Jeffrey R. Enos

Executive Director

FREDERICK COUNTY, MARYLAND GOVERNMENT ORGANIZATION CHART

Revised: 2007
Planning and
GIS Mapping and Data Services





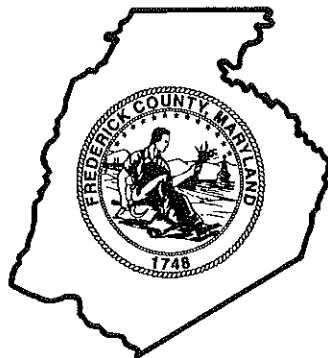
**Board of County Commissioners of Frederick County, Maryland
2002-2006 Term**

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

Sheriff

State's Attorney

County Attorney

Division of Animal Control

Director of Citizens Services Division

Acting Director of Finance Division

Director of Fire and Rescue Services Division

Director of Interagency Information Technologies Division

Director of Management Services Division

Director of Planning Division

Director of Permitting & Development Review

Director of Public Works Division

Director of Transit Division

Director of Utilities and Solid Waste Management Division

Health Officer - Health Services Division

Director of Department of Human Resources

Director of Office of Economic Development

Director of Frederick County Public Libraries

Director of Internal Audit

Douglas D. Browning

James W. Hagy

Scott L. Rolle, Esquire

John S. Mathias, Esquire

Harold L. Domer

Margaret Nusbaum

Richard J. Duthoy, CPA

Walter F. Murray

Dale R. Spangenberg

Austin S. Abraham

J. Steven Kaii-Ziegler, AICP

Gary W. Hessong

Alan J. Hudak, P.E.

Sherry Burford

Michael G. Marshner

Barbara A. Brookmyer, MD

Mitchell L. Hose

Marie S. Keegin

Darrell L. Batson

Martin T. Standel



Frederick County wineries welcome guests to visit their vineyards and sample their wines. Festivals are held throughout the year to promote the wine industry featuring guided tours, music, explanation of the process of crushing vine-ripened grapes, fermentation and bottling of the finished products.

FINANCIAL SECTION



**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, 2005, 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'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 opinions.

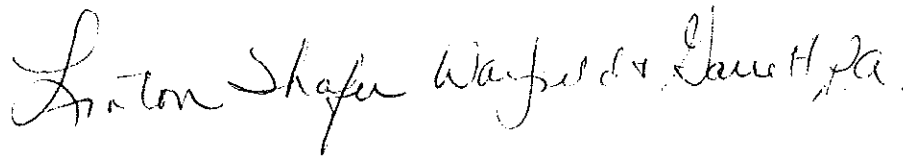
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Frederick County, Maryland, as of June 30, 2005, 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 November 30, 2005 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. 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. 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-15, and II-A-16, 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.

November 30, 2005



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 the most recent fiscal year by \$519.1 million (net assets). Approximately 50.8% of this amount is attributable to the County's business-type activities. Of total net assets, \$402.1 million is invested in capital assets, net of related debt, and \$36.0 million is restricted for specific purposes (restricted net assets). The County's total unrestricted net assets is \$81.0 million. This total unrestricted net asset amount includes a balance of \$88.2 million from business-type activities, offset by a deficit balance in unrestricted net assets from governmental activities of \$7.2 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 \$171.4 million of bonds payable, the proceeds of which were used to fund school construction.
- The County's overall financial position has improved since the prior fiscal year. Total net assets increased by \$66.6 million or 14.7%. The governmental net assets increased by \$41.2 million, or 19.3%, primarily the result of revenues from Property Taxes, Income Taxes and Other Local Taxes. These three revenue sources increased \$27.6 million from fiscal year 2004 to fiscal year 2005. The business-type net assets increased by \$25.4 million or 10.7%, primarily the result of capital contributions in the Water and Sewer Fund.
- The governmental activities revenue totaled \$442.6 million or 86.1% of total revenue and the net results from governmental activities totaled \$41.2 million or 61.9% of the total change in net assets.

- The business-type activities revenue totaled \$71.5 million (or 13.9% of total revenue) and the net assets from business-type activities increased by \$25.4 million (or 38.1% of the total change in net assets).
- The total cost of all County programs was \$447.5 million.
- The General Fund (the primary operating fund) reflected on a current financial resource basis, reports an increase in fund balance of \$22.4 million. At the close of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$56.6 million, or 18.2% of total General Fund expenditures. Of the total unreserved amount, \$15.6 million, is a required set-aside. Designated fund balance of the General Fund was \$32.5 million, or 36.5% of the total unreserved fund balance.
- As of June 30, 2005, the County's governmental funds reported combined fund balances of \$170.3 million, an increase of \$14.1 million in comparison with the prior year.
- Frederick County's total bonded debt decreased by \$22.7 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, intergovernmental 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 and health care facilities, 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 eighteen individual governmental funds: the General Fund, the Grants Fund, the Capital Projects 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, 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). Budgetary comparison schedules have been prepared for the General and Grants funds and can be found on pages 38 through 46 of this report. Budgetary schedules for the remaining non-major special revenue funds can be found on pages 116 through 118 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 an internal service fund to account for fleet services operations. Because the services of this fund benefit both the governmental and business-type functions, it has been 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-9, II-A-10, and II-A-11.

Fiduciary Funds: The Fund Financial Statements also allow the government to address its Fiduciary Funds, (See Exhibits II-A-12 and II-A-13). Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The County's Fiduciary Funds include the Pension Trust Fund 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-9 and II-A-10) may be the same as the Business-type column on the Government-Wide Financial Statements, the Governmental Major Funds 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-7 and II-A-8. 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-14.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Frederick County's progress in funding its obligation to provide retirement benefits to its employees. The required supplementary information is presented in Exhibits II-A-15 and II-A-16.

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 \$519.1 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 77.5% reflects its investment in capital assets-net of depreciation (e.g. land and easements, 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 6.9% of total net assets. Restricted net assets are resources that are subject to external restrictions on how they may be used. Unrestricted net assets of the government have a balance of \$81.0 million, which represents 15.6% of total net assets. The unrestricted net assets for business-type activities have a balance of \$88.2 million.

The County issues long-term debt to finance the construction of public schools. These public schools are considered capital assets of the Board of Education and 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	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 250,360	\$ 229,693	\$ 123,782	\$ 129,086	\$ 374,142	\$ 358,779
Capital assets	310,489	296,703	272,786	242,141	583,275	538,844
Total assets	560,849	526,396	396,568	371,227	957,417	897,623
Current and other liabilities	35,869	31,722	16,656	12,867	52,525	44,589
Long-term debt outstanding	269,660	280,654	116,177	120,037	385,837	400,691
Total Liabilities	305,529	312,376	132,833	132,904	438,362	445,280
Net Assets:						
Invested in capital assets, net of debt	226,722	225,535	175,358	147,999	402,080	373,534
Restricted	35,780	26,589	230	191	36,010	26,780
Unrestricted (deficit)	(7,182)	(38,104)	88,147	90,133	80,965	52,029
Total net assets	\$ 255,320	\$ 214,020	\$ 263,735	\$ 238,323	\$ 519,055	\$ 452,343

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 \$66.7 million during the fiscal year. Net assets of governmental activities increased \$41.3 million in fiscal year 2005, compared to an increase of \$13.8 million for fiscal year 2004. The increase in net assets of business-type activities was \$25.4 million in fiscal year 2005, compared to an increase of \$18.7 million for fiscal year 2004.

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		Total Primary Government	
	2005	2004	2005	2004	2005	2004
REVENUES						
Program revenues						
Charges for services	\$ 10,721	\$ 10,666	\$ 45,173	\$ 43,393	\$ 55,894	\$ 54,059
Operating grants and contributions	36,100	33,920	12,810	8,810	48,910	42,730
Capital grants and contributions	5,203	6,508	10,235	5,929	15,438	12,437
General revenues						
Local property taxes	182,303	167,913	-	-	182,303	167,913
Local income taxes	142,255	137,782	-	-	142,255	137,782
Other local taxes	57,773	49,074	-	-	57,773	49,074
Investment earnings	5,517	2,514	2,848	654	8,365	3,168
Miscellaneous	2,694	2,251	466	695	3,160	2,946
Total revenues	442,566	410,628	71,532	59,481	514,098	470,109
EXPENSES						
Program Activities						
Primary Government						
Governmental Activities:						
General government	27,425	24,302	-	-	27,425	24,302
Public safety	58,697	48,232	-	-	58,697	48,232
Public Works	29,789	31,657	-	-	29,789	31,657
Health	15,587	15,002	-	-	15,587	15,002
Social services	5,520	5,935	-	-	5,520	5,935
Education	215,924	214,619	-	-	215,924	214,619
Parks, recreation, and culture	9,451	10,937	-	-	9,451	10,937
Conservation of natural resources	1,279	4,981	-	-	1,279	4,981
Community development and public housing	3,713	3,634	-	-	3,713	3,634
Economic development and opportunity	10,929	10,369	-	-	10,929	10,369
Miscellaneous	3,803	4,397	-	-	3,803	4,397
Intergovernmental	6,007	4,797	-	-	6,007	4,797
Interest on long term debt	9,351	11,090	-	-	9,351	11,090
Business-type Activities:						
Water and sewer	-	-	19,978	19,786	19,978	19,786
Solid waste management	-	-	12,369	11,613	12,369	11,613
Non-major proprietary funds	-	-	17,642	16,261	17,642	16,261
Total expenses	397,475	389,952	49,989	47,660	447,464	437,612
Increase in net assets before transfers	45,091	20,676	21,543	11,821	66,634	32,497
Transfers	(3,869)	(6,906)	3,869	6,906	-	-
Increase (Decrease) in Net Assets	41,222	13,770	25,412	18,727	66,634	32,497
Net Assets - Beginning	214,020	200,250	238,323	219,596	452,343	419,846
Prior Period Adjustment	78	-	-	-	78	-
Net Assets - Ending	\$ 255,242	\$ 214,020	\$ 263,735	\$ 238,323	\$ 519,055	\$ 452,343

Governmental Activities: Governmental activities increased Frederick County's net assets by \$41.2 million, thereby accounting for 61.9% 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 7.8% or \$27.6 million during fiscal year 2005.

Business-type Activities: Business-type activities increased Frederick County's net assets by \$25.4 million, accounting for 38.1% 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 \$22.3 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 \$170.3 million. Approximately 82.7% of this total amount (\$140.7 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 (\$27.7 million), (2) for inventories (\$.4 million), (3) for long-term receivables (\$.8 million) or (4) dedicated for a variety of restricted purposes (\$.5 million). The reserved fund balance, at 17.3% 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 \$56.6 million, while total fund balance reached \$92.6 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 28.6% of total General Fund expenditures, while total fund balance represents 29.8% of that same amount.

The fund balance of Frederick County's General Fund increased by \$22.4 million during the current fiscal year. This increase is due primarily to increases in income tax and recordation taxes totaling \$24.6 million greater than expected.

The Capital Projects Fund has a total fund balance of \$14.8 million. The total decrease in fund balance was \$24.0 million. This decrease is primarily due to spending for capital projects prior to the issuance of long-term debt. Government Obligation bonds were sold on November 29, 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 \$76.1 million and unrestricted net assets in the Solid Waste Management Fund totaled \$10.2 million.

General Fund Budgetary Highlights

The final budget for the General Fund was increased \$5.2 million over the original budget. This increase was primarily the result of appropriating grant proceeds received during the fiscal year. During the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, eliminating the need to draw upon the appropriated fund balance of \$20.6 million. The major differences between the final budget and the actual amounts are summarized as follows:

- Local property tax revenue exceeded the budget amount by \$5.5 million due to overly conservative budget estimates.
- Local income tax distributions exceeded the budget by \$13.1 million primarily due to increases in the capital gains portion of local income taxes.
- Other local taxes, primarily recordation tax collections, exceeded the budget by \$11.4 million. These funds are generated by recordation taxes charged on the recording of mortgage instruments as a result of the County's strong real estate market coupled with continued increased refinancing activity.
- Investment earnings were over budget by \$1.6 million due to improved yields on short-term investments.
- Various departmental under spending of appropriations resulted in total expenditures being under budget by \$8.8 million. The largest contribution to this savings was \$2.7 million in debt service due to delays in issuance of new bonds and the advance refunding of \$106.6 million of General Obligation Bonds and Bond Anticipation Notes.

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, 2005 and 2004, amount to \$583.3 million and \$538.8 million, respectively. This investment in capital assets includes land, easements, buildings, improvements, machinery and equipment, vehicles, roads, water and sewer lines, highways and bridges and construction in progress. The total increase in Frederick County's investment in capital assets for the current fiscal year was 8.3%.

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

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	\$ 30,379	\$ 20,879	\$ 6,953	\$ 7,059	\$ 37,332	\$ 27,938
Construction in prog.	15,657	16,226	42,827	25,334	58,484	41,560
Buildings, impr. & equip.	118,813	109,157	58,815	56,218	177,628	165,375
Infrastructure	145,640	150,441	164,191	153,530	309,831	303,971
Total	<u>\$ 310,489</u>	<u>\$ 296,703</u>	<u>\$ 272,786</u>	<u>\$ 242,141</u>	<u>\$ 583,275</u>	<u>\$ 538,844</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, 2005
(In Thousands)

	Governmental Activities	Business-type Activities	Total
Beginning Balance	\$ 296,703	\$ 242,141	\$ 538,844
Additions	49,118	55,043	104,161
Retirement	(20,243)	(16,254)	(36,497)
Depreciation	(16,819)	(8,522)	(25,341)
Retirement*	1,730	378	2,108
Ending Balance	<u>\$ 310,489</u>	<u>\$ 272,786</u>	<u>\$ 583,275</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 the following projects:

Governmental Activities:

- Construction costs were incurred for the following projects:
 - Roads Satellite Facilities \$1.1 million
 - Detention Center, 2.7 million
 - Old National Pike District Park 3.1 million

- Transferred to the Frederick County Board of Education for school construction:
 - Tuscarora Elementary \$3.7 million
 - Crestwood Middle 1.3 million
 - Centerville Elementary 9.1 million
 - Urbana High School Addition 3.8 million
 - Brunswick Middle School 2.6 million
 - Urbana Middle School 2.6 million

Business-type Activities:

- Landfill Site B Cell III \$4.1 million
- Fountaindale Line Replacement 1.8 million
- Adamstown Sewer 2.4 million
- New Design Water Transmission 12.5 million

Debt Outstanding

As of year-end, the County had \$305.8 million in bonded debt outstanding compared to a total of \$320.4 million last year, a 5.0% net decrease.

Table 5
Outstanding Debt
(In Thousands)

	<u>Balance</u> <u>June 30, 2005</u>	<u>Balance</u> <u>June 30, 2004</u>
Governmental Activities:		
Bonds and notes payable:		
General obligation bonds	\$ 234,328	\$ 243,800
Bond anticipation notes	-	8,150
Installment purchase agreements	15,767	8,775
Other notes payable	7,323	7,973
	<u>257,418</u>	<u>268,698</u>
Add remaining original issue premium	10,543	1,851
Less deferred amount on bond refundings	(9,401)	(1,125)
Total bonds and notes payable	<u>258,560</u>	<u>269,424</u>
Other liabilities:		
Capital lease obligations	4,980	5,538
Compensated absences	6,121	5,692
Total other liabilities	<u>11,101</u>	<u>11,230</u>
Governmental activities long-term liabilities	<u>\$ 269,661</u>	<u>\$ 280,654</u>
Business-type Activities:		
Bonds and notes payable:		
General obligation bonds	\$ 71,517	\$ 76,586
Other notes payable	28,918	31,062
	<u>100,435</u>	<u>107,648</u>
Add remaining original issue premium	2,181	889
Less deferred amount on bond refundings	(2,123)	(871)
Total bonds and notes payable	<u>100,493</u>	<u>107,666</u>
Other liabilities:		
Compensated absences	1,120	1,067
Landfill closure costs	14,564	11,304
Total other liabilities	<u>15,684</u>	<u>12,371</u>
Business-type activities long-term liabilities	<u>\$ 116,177</u>	<u>\$ 120,037</u>

On May 1, 2005 the county issued the General Obligation Public Facilities Refunding Bonds of 2005 in the amount of \$107,015,000. The gross proceeds of \$117.6 million were used to advance refund \$106.6 of Public Facilities Bonds and Bond Anticipation Notes. 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

In June 2005, the County entered into a capital lease agreement. The \$852,100 in proceeds was used to acquire fire and rescue equipment.

Principal payments and reductions of long term debt in the amounts of \$111.8 million and \$22.4 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 3F on pages 81 - 93 of this report

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following summarizes some economic factors and trends:

- As of June 2005 the average unemployment rate for the County is 3.3%, while the average unemployment rate for the State of Maryland is 4.3%.
- Median household effective buying income in Frederick County is estimated at \$52,799, while the estimate for the State of Maryland is \$47,062 for calendar year 2005.
- The average annual number of jobs in Frederick County increased from 2001 to 2005 by 6.5%.
- The FY2006 property tax rate remains at \$1.00 per \$100 of assessed valuation. The tax rate is based on a full market value assessment of \$18,552,300,000.

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.



The Braddock Inn, established in 1903, was a popular site for Washington high society. The Inn is still in existence today offering casual and fine dining. In 1755 General Edward Braddock, who was accompanied by Lt. Colonel George Washington, stopped at a spring alongside the road on their way to Ft. Duquesne. This spring area was named Braddock Heights.

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.



Eyler's Valley Chapel, built in 1857, is a historic non-denominational house of worship that hosts visitors from all over the world. Nestled in a valley in the Catoctin Mountains, the chapel is known for having no electricity. Seventy-two candles provide lighting and a warm atmosphere. Eyler's Valley was named after a swiss immigrant, Frederick Eyler, who with his brother purchased land in the late 1700's in northern Frederick County. Frederick's son Charles, served as a County Commissioner from 1887-1889.

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Assets						
Cash	\$ 414,304	\$ 3,937,467	\$ 4,351,771	\$ 5,315,663	\$ 8,548,200	\$ 86,378
Equity in pooled invested cash	159,388,549	97,877,493	257,266,042	-	22,588	-
Total cash and cash equivalents	159,802,853	101,814,960	261,617,813	5,315,663	8,570,788	86,378
Investments	10,324,969	18,626,810	28,951,779	2,784,255	4,031,074	308,806
Receivables, net of allowance for uncollectibles:						
Property taxes	790,478	-	790,478	-	-	-
Accounts	4,623,473	8,010,344	12,633,817	2,413,665	1,281,022	714
Intergovernmental	62,548,431	87,229	62,635,660	1,260,704	660,546	-
Internal balances	5,388,888	(5,388,888)	-	-	-	-
Due from primary government	-	-	-	8,710,692	329,786	1,046,212
Due from component units	27,821	-	27,821	-	-	-
Inventories	688,394	184,797	873,191	828,686	324,269	-
Prepaid items	5,575	-	5,575	32,139	255,803	-
Deferred charges	1,233,437	446,957	1,680,394	-	-	-
Long-term receivables, net of allowance for uncollectibles	3,538,580	-	3,538,580	-	303	-
Cash and cash equivalents - restricted	1,386,998	-	1,386,998	-	-	-
Capital assets:						
Land	30,378,862	6,953,179	37,332,041	34,734,908	271,620	-
Buildings and improvements	116,827,349	88,315,338	205,142,687	380,600,869	47,907,764	-
Equipment	62,724,040	29,443,657	92,167,697	57,862,876	4,975,107	-
Library collection	-	-	-	-	1,678,453	9,683,789
Infrastructure	275,358,915	190,676,035	466,034,950	-	-	-
Construction in progress	15,656,825	42,827,168	58,483,993	149,912,569	892,863	-
Accumulated depreciation	(190,457,347)	(85,429,441)	(275,886,788)	(175,056,855)	(20,780,162)	(6,468,456)
Total assets	560,848,541	396,568,145	957,416,686	469,400,171	50,399,236	4,657,443

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government		Component Units		
	Governmental Activities	Business-type Activities	Board of Education	Community College	Public Libraries
Liabilities					
Accounts payable	\$ 4,622,677	\$ 701,582	\$ 11,980,061	\$ 762,857	\$ 72,084
Accrued liabilities	10,336,732	7,950,980	45,757	111,964	-
Payroll and benefit deductions	2,107,019	-	9,606,988	134,569	239,239
Property taxes payable	736,439	-	-	-	-
Due to third parties	693,707	-	-	159,597	-
Due to other governmental units	487,401	-	-	-	-
Due to component units	10,086,690	-	-	-	-
Unearned Revenues	3,888,621	2,235,242	73,986	1,410,026	139,042
Performance and security deposits	-	8,174	-	-	-
Other liabilities	2,908,767	5,760,391	-	-	-
Noncurrent liabilities:					
Due within one year	18,274,416	7,943,025	6,102,856	-	8,382
Due in more than one year	251,386,191	108,233,940	15,511,781	1,236,906	267,036
Total liabilities	305,528,660	132,833,334	43,321,429	3,815,919	725,783
Net Assets					
Investment in capital assets, net of related debt	226,722,373	175,358,149	446,859,605	34,635,612	3,215,333
Restricted for:					
School and library construction	24,384,011	-	-	-	-
Additional or expanded road facilities	5,387,998	-	-	-	-
Other purposes	6,008,323	229,896	-	4,134,381	504,105
Unrestricted (Deficit)	(7,182,824)	88,146,766	(20,780,863)	7,813,324	212,222
Total net assets	\$ 255,319,881	\$ 263,734,811	\$ 426,078,742	\$ 46,583,317	\$ 3,931,660

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, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Component Units
				Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government	\$ 27,425,402	\$ 1,086,267	\$ 1,032,072	\$ (25,307,063)	\$ (25,307,063)	\$ -
Public safety	58,696,992	2,938,922	3,628,893	(50,097,514)	(50,097,514)	-
Public works	29,789,265	743,694	12,928,214	(13,472,453)	(13,472,453)	-
Health	15,586,778	3,348,561	8,693,381	(3,399,326)	(3,399,326)	-
Social services	5,519,938	1,632,919	858,551	(3,028,468)	(3,028,468)	-
Education	215,923,669	-	-	(215,923,669)	(215,923,669)	-
Parks, recreation and culture	9,450,582	466,417	18,594	(8,957,786)	(8,957,786)	-
Conservation of natural resources	1,278,781	129,844	40,028	(773,574)	(773,574)	-
Community development and public housing	3,713,439	-	3,574,782	(138,657)	(138,657)	-
Economic development and opportunity	10,928,583	374,485	5,325,500	(5,219,598)	(5,219,598)	-
Miscellaneous	3,803,446	-	29,057	(3,774,389)	(3,774,389)	-
Intergovernmental	6,006,926	-	-	(6,006,926)	(6,006,926)	-
Interest on long term debt	9,351,188	-	-	(9,351,188)	(9,351,188)	-
Total governmental activities	<u>397,474,989</u>	<u>10,721,109</u>	<u>36,100,015</u>	<u>(345,450,611)</u>	<u>(345,450,611)</u>	<u>-</u>
Business-type activities:						
Water and Sewer	19,977,977	19,177,820	12,810,064	-	21,519,506	-
Solid Waste Management	12,368,757	11,306,315	-	-	(1,062,442)	-
Nursing Homes	13,399,901	10,226,199	-	-	(3,173,702)	-
Public Housing	107,323	82,043	-	-	(25,280)	-
Permitting & Development Review	4,134,794	4,380,255	-	-	970,722	-
Total business-type activities	<u>49,988,752</u>	<u>45,172,632</u>	<u>12,810,064</u>	<u>-</u>	<u>18,228,804</u>	<u>-</u>
Total primary government	<u>\$ 447,463,741</u>	<u>\$ 55,893,741</u>	<u>\$ 48,910,079</u>	<u>(345,450,611)</u>	<u>(327,221,807)</u>	<u>-</u>
Component Units:						
Board of Education	\$ 368,429,643	\$ 8,532,435	\$ 235,408,997	-	-	-
Community College	36,052,653	13,504,497	14,283,647	-	-	(6,712,201)
Public Libraries	7,176,068	345,174	7,282,379	-	-	-
Total Component Units	<u>\$ 411,658,364</u>	<u>\$ 22,382,106</u>	<u>\$ 256,976,023</u>	<u>-</u>	<u>(83,637,067)</u>	<u>(6,712,201)</u>
General Revenues:						
Local property taxes				182,302,769	-	-
Local income taxes				142,255,367	-	-
Other local taxes				57,772,607	-	-
Grants and contributions not restricted to specific programs				-	-	-
Investment earnings				5,517,391	2,848,200	5,146,359
Miscellaneous				2,693,466	485,661	235,650
Transfers				(3,868,735)	3,888,735	952,685
Total general revenues and transfers				386,672,865	7,182,596	106,891,392
Change in net assets				41,222,254	25,411,400	23,254,325
Net assets - beginning of year, as restated				214,097,627	238,323,411	402,824,417
Total net assets - end of year				<u>\$ 255,319,881</u>	<u>\$ 263,734,811</u>	<u>\$ 426,078,742</u>
						<u>\$ 451,485</u>
						<u>\$ 451,485</u>

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

FREDERICK COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Grants Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 49,493	\$ 20,718	\$ -	\$ 344,093	\$ 414,304
Equity in pooled invested cash	86,113,646	717,814	18,443,819	53,022,412	158,297,691
Total cash and cash equivalents	86,163,139	738,532	18,443,819	53,366,505	158,711,995
Investments	-	-	-	10,324,969	10,324,969
Receivables, net of allowance for uncollectibles:					
Property taxes	723,423	-	-	67,055	790,478
Accounts	2,409,275	27,568	-	397,868	2,834,711
Intergovernmental	57,690,749	3,435,362	1,418,000	-	62,544,111
Prepays	-	-	-	5,575	5,575
Due from other funds	7,334,709	-	-	-	7,334,709
Due from component units	27,821	-	-	-	27,821
Inventories	405,385	-	-	-	405,385
Long-term receivables, net of allowance for uncollectibles:					
Loans to property owners	946,811	-	-	-	946,811
Employee salary advances	181,354	-	-	-	181,354
MILAMICRF loans	-	-	-	1,488,108	1,488,108
Fire/Rescue loans	-	-	-	125,275	125,275
Non profit organization loans	72,450	-	-	103,635	176,085
Small business loans	-	-	-	90,346	90,346
Community development block grant loans	-	530,601	-	-	530,601
Cash and cash equivalents - restricted	520,972	-	-	866,026	1,386,998
Total assets	\$ 156,476,088	\$ 4,732,063	\$ 19,861,819	\$ 66,835,362	\$ 247,905,332
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 809,881	\$ 138,885	\$ 3,491,096	\$ 14,509	\$ 4,454,371
Accrued liabilities	4,450,879	719,752	111,468	1,387,550	6,669,649
Payroll and benefit deductions	1,552,470	501,182	53,367	-	2,107,019
Property taxes payable	736,439	-	-	-	736,439
Due to third parties	474,415	-	-	219,292	693,707
Due to other governmental units	-	391,477	-	95,924	487,401
Due to other funds	816,678	-	-	63,509	880,187
Due to component units	9,754,124	-	329,786	-	10,083,910
Other liabilities	-	408,090	1,060,511	1,440,166	2,908,767
Deferred revenue	45,247,300	817,858	-	2,556,772	48,621,930
Total liabilities	63,842,186	2,977,244	5,046,228	5,777,722	77,643,380
Fund balances:					
Reserved	3,567,549	1,084,743	24,473,841	408,654	29,534,787
Unreserved:					
Designated for:					
Subsequent year's expenditures	29,724,224	670,076	-	-	30,394,300
Other purposes - General fund	2,747,872	-	-	-	2,747,872
Other purposes - Special revenue funds	-	-	-	40,224,063	40,224,063
Undesignated:					
General fund	56,594,257	-	-	-	56,594,257
Special revenue funds	-	-	-	20,424,923	20,424,923
Capital projects fund	-	-	(9,658,250)	-	(9,658,250)
Total fund balances	92,633,902	1,754,819	14,815,591	61,057,640	170,261,952
Total liabilities and fund balances	\$ 156,476,088	\$ 4,732,063	\$ 19,861,819	\$ 66,835,362	\$ 247,905,332

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, 2005

Total fund balance - governmental funds (See Exhibit II-A-3)

\$ 170,261,952

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	\$ 30,378,862
Buildings and Improvements	116,827,349
Equipment	62,724,040
Infrastructure	275,358,915
Construction in Progress	15,656,825
Less Accumulated Depreciation	<u>(190,457,347)</u>
	310,488,644

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	(224,926,620)
Accrued Bond Interest	(3,582,650)
Installment Purchase Agreements	(15,767,333)
Notes Payable	(7,322,577)
Capital Lease Obligations	(4,980,289)
Unamortized Premium on Bonds Payable	(10,542,690)
Compensated Absences	(6,121,098)
Recognition of Deferred Revenue	<u>44,733,309</u>
	(228,509,948)

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	1,054,283
Deferred Issuance Costs - IPAs	140,961
Deferred Issuance Costs - Capital Leases	<u>38,193</u>
	1,233,437

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.

1,845,796

Net assets of governmental activities (See Exhibit II-A-1)

\$ 255,319,881

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, 2005

	General	Grants Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 167,674,701	-	\$ -	\$ 15,706,352	\$ 183,381,053
Local income taxes	137,124,133	-	-	-	137,124,133
Other local taxes	28,198,172	-	-	29,364,192	57,562,364
Licenses and permits	979,054	-	-	-	979,054
Grants from federal government	50,405	11,413,560	872,972	-	12,336,937
Grants from state government	13,763,781	14,123,197	1,279,907	400,335	29,567,220
Charges for services	4,224,515	2,935,804	-	2,102,013	9,262,332
Fines and forfeitures	170,158	-	-	160,372	330,530
Interest from loans	-	-	-	11,078	11,078
Investment earnings	2,699,479	2,947	-	2,814,965	5,517,391
Miscellaneous	1,761,021	406,668	396,048	-	2,563,737
Total revenues	<u>356,645,419</u>	<u>28,882,176</u>	<u>2,548,927</u>	<u>50,559,307</u>	<u>438,635,829</u>
Expenditures					
Current:					
General government	20,675,263	1,514,702	-	14,145	22,204,110
Public safety	37,251,432	2,341,223	-	16,931,870	56,524,525
Public works	15,185,725	5,614,754	-	11,998	20,812,477
Health	2,952,069	12,495,788	-	-	15,447,857
Social services	5,201,581	1,338,777	-	-	6,540,358
Education	185,300,073	-	-	-	185,300,073
Parks, recreation and culture	8,782,883	-	-	-	8,782,883
Conservation of natural resources	458,995	227,719	-	1,054,344	1,741,058
Community development and public housing	278,363	3,445,604	-	-	3,723,967
Economic development and opportunity	2,155,416	7,895,181	-	875,569	10,926,166
Miscellaneous	4,182,513	-	-	-	4,182,513
Intergovernmental	4,847,291	-	-	-	4,847,291
Debt service	23,654,306	-	4,542,987	5,320,379	33,517,672
Capital projects	-	-	51,188,595	-	51,188,595
Total expenditures	<u>310,925,910</u>	<u>34,873,748</u>	<u>55,731,582</u>	<u>24,208,305</u>	<u>425,739,545</u>
Excess (deficiency) of revenues over expenditures	45,719,509	(5,991,572)	(53,182,655)	26,351,002	12,896,284
Other financing sources (uses)					
Transfers in from General Fund	-	5,998,324	16,425,624	1,232,633	23,656,581
Transfers in from Special Revenue Funds	-	-	12,954,780	-	12,954,780
Transfers in from Internal Service Fund	18,212	-	-	-	18,212
Transfers out to:					
Special Revenue Funds	(7,230,957)	-	-	-	(7,230,957)
Capital Projects Fund	(16,425,624)	-	-	(12,954,780)	(29,380,404)
Enterprise Funds	(3,693,735)	-	(175,000)	-	(3,868,735)
Internal Service Fund	(14,804)	-	-	-	(14,804)
Proceeds from refunding bonds	62,517,782	-	-	29,264,190	91,781,972
Payment to refunded bond escrow agent	(64,545,625)	-	-	(31,943,547)	(96,489,172)
Bond premium on public facilities and refunding bonds	6,014,302	-	-	2,855,728	8,870,030
Proceeds of capital lease	-	-	-	852,100	852,100
Sale of capital assets	-	-	-	18,000	18,000
Total other financing sources and (uses)	<u>(23,360,449)</u>	<u>5,998,324</u>	<u>29,205,404</u>	<u>(10,675,676)</u>	<u>1,167,603</u>
Net change in fund balances	22,359,060	6,782	(23,977,251)	15,675,326	14,063,867
Fund balances - July 1, as restated	70,274,842	1,748,067	38,792,842	45,382,314	156,198,065
Fund balances - June 30	<u>\$ 92,633,902</u>	<u>\$ 1,754,819</u>	<u>\$ 14,815,591</u>	<u>\$ 61,057,640</u>	<u>\$ 170,261,952</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, 2005

Net change in fund balances - total governmental funds (See Exhibit II-A-5) \$ 14,063,887

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	\$ 11,759,104
Depreciation Expense	(16,818,960)
Adjusted for Internal Service Fund Depreciation	<u>2,014,210</u>
	(3,045,646)

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

Donation of Capital Assets	2,766,502
Additions to Construction in Progress	16,390,964
Asset Replacements, Retirements and Deletions	<u>(4,670,418)</u>
	14,487,048

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	42,374,004
Income Taxes - Recognized as Income in the Prior Year	(37,242,770)
State Funding Receivable - Prior Year	(3,787,711)
Other Revenues - Deferred in the Funds Statements	2,359,305
Other Revenues - Recognized as Income in the Prior Year	<u>(3,679,041)</u>
	23,787

(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, 2005

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 governmental 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	\$ (91,781,973)	
Issuance of IPAs	(7,360,513)	
Capital Lease Financing	(852,100)	
Bond Premiums	(8,870,030)	
Deferred Loss on Bond Refunding	8,503,728	
Deferred Charge for Issuance Costs	556,936	
Principal Payments on General Obligation Debt	109,399,966	
Principal Payments on Installment Purchase Agreements	367,850	
Principal Payments on Notes Payable	650,488	
Principal Payments on Capital Leases	1,410,145	
Amortization of Bond Premiums	178,829	
Amortization of Deferred Loss on Refunding	(227,464)	
Amortization of Issuance Costs	(128,367)	11,847,495
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	4,457,858	
Accrued Interest - Current Year	(3,582,650)	
Compensated Absences Accrual	(420,081)	
Other expenses	22,848	477,975
Internal service funds are used by management to charge the costs of motor pool services to individual funds.		3,367,708
Change in net assets of governmental activities (See Exhibit II-A-2)		<u>\$ 41,222,254</u>

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Local property taxes				
Real property (inc. additions & abatements)	\$ 155,900,000	\$ 155,900,000	\$ 161,145,239	\$ 5,245,239
Public utilities	8,500,000	8,500,000	8,262,044	(237,956)
Payments in lieu of taxes	165,000	165,000	1,697	(163,303)
Total levy	164,565,000	164,565,000	169,408,980	4,843,980
Tax credit - state reimbursement				
Tax credits and refunds	1,490,000	1,490,000	1,591,858	101,858
Interest - delinquent taxes	(3,972,000)	(3,972,000)	(3,769,107)	202,893
Discounts allowed on taxes	1,600,000	1,600,000	1,478,276	(121,724)
Total adjustments	(1,050,000)	(1,050,000)	(1,035,306)	14,694
	(1,932,000)	(1,932,000)	(1,734,279)	197,721
Total property taxes	162,633,000	162,633,000	167,674,701	5,041,701
Local income taxes	127,374,000	123,999,960	137,124,133	13,124,173
Other local taxes				
Admission and amusement	500,000	500,000	803,830	303,830
Recordation	14,392,860	14,392,860	25,892,014	11,499,154
911 fees - local	1,800,000	1,800,000	1,420,326	(379,674)
Trailer parks	85,000	85,000	81,522	(3,478)
Security interest filing fees	700	700	480	(220)
Total other local taxes	16,778,560	16,778,560	28,198,172	11,419,612
Licenses and permits				
Alcoholic beverage licenses	200,000	200,000	213,418	13,418
Traders' licenses	175,000	175,000	189,685	14,685
Zoning permits	160,000	160,000	256,308	96,308
Driveway permits	25,000	25,000	29,521	4,521
Grading permits	125,000	125,000	229,101	104,101
Septic/well permits	11,000	11,000	-	(11,000)
Animal licenses	18,000	18,000	26,958	8,958
Marriage fees	14,000	14,000	12,340	(1,660)
Forest resource ordinance	5,000	5,000	21,723	16,723
Total licenses and permits	733,000	733,000	979,054	246,054

(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, 2005

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Grants from federal government				
Federal payments in lieu of taxes:				
Parks	\$ 15,000	\$ 15,000	\$ 18,594	\$ 3,594
Housing	30,000	30,000	31,811	1,811
Total grants from federal government	45,000	45,000	50,405	5,405
Grants from state government				
Police protection	1,100,000	1,100,000	956,235	(143,765)
Aid for fire, rescue and ambulance services	352,000	352,000	360,354	8,354
County inmate housing	1,500,000	1,500,000	1,648,306	148,306
Highway user revenues	9,931,000	9,931,000	10,722,019	791,019
Parks	60,000	60,000	76,867	16,867
Total grants from state government	12,943,000	12,943,000	13,763,781	820,781
Charges for services				
Planning and zoning fees	71,000	71,000	130,321	59,321
Data processing services	200	200	-	(200)
Court costs, fees and charges	2,000	2,000	2,318	318
Scott Key Center	1,126,755	1,140,441	1,088,262	(52,179)
Other general government	114,000	114,000	122,104	8,104
Public safety	369,500	369,500	428,469	58,969
Transportation services	105,000	105,000	203,388	98,388
Social services	400,000	400,000	544,080	144,080
Job Training Agency	120,377	123,700	118,146	(5,554)
Frederick County Developmental Center	84,000	84,000	80,443	(3,557)
Mental health	1,105,000	1,105,000	1,000,042	(104,958)
Administration fees	-	-	40,525	40,525
Recreation	385,000	385,000	466,417	81,417
Total charges for services	3,882,832	3,899,841	4,224,515	324,674
Fines and forfeitures				
Court	120,000	120,000	70,999	(49,001)
Alcoholic beverages	10,000	10,000	5,050	(4,950)
Other fines and forfeitures	89,500	89,500	94,109	4,609
Total fines and forfeitures	219,500	219,500	170,158	(49,342)
Investment earnings				
	1,075,000	1,075,000	2,699,479	1,624,479
Miscellaneous revenues				
Rents and concessions	921,142	921,142	1,070,851	149,709
Contributions and donations	-	29,877	19,345	(10,532)
Sale of property	10,000	10,000	251	(9,749)
Special assessments	83,000	83,000	86,605	3,605
Other miscellaneous revenues	710,000	715,000	583,969	(131,031)
Total miscellaneous revenues	1,724,142	1,759,019	1,761,021	2,002
Total revenues	327,408,034	324,085,880	356,645,419	32,559,539

(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, 2005

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
General government				
Legislative and executive				
County commissioners	\$ 608,447	\$ 612,332	\$ 616,319	\$ (3,987)
County manager	613,281	613,114	588,256	24,858
Boards and commissions	13,980	12,824	12,322	502
Total legislative and executive	<u>1,235,708</u>	<u>1,238,270</u>	<u>1,216,897</u>	<u>21,373</u>
Judicial				
Circuit court	725,620	736,349	714,086	22,263
Orphans court	25,672	25,672	23,914	1,758
States attorney	3,834,849	3,867,003	3,932,377	(65,374)
Grand jury	69,310	68,860	69,265	(405)
Other judicial	500	500	-	500
Total judicial	<u>4,655,951</u>	<u>4,698,384</u>	<u>4,739,642</u>	<u>(41,258)</u>
Elections				
Board of supervisors of elections	1,059,189	1,057,379	670,904	386,475
Financial Administration				
Accounting	2,773,397	2,709,396	2,240,939	468,457
Independent auditing	34,500	34,500	47,678	(13,178)
Budgeting	392,091	394,296	393,360	936
Purchasing	467,328	465,439	427,364	38,075
Treasury	521,528	525,535	525,467	68
Total financial administration	<u>4,188,844</u>	<u>4,129,166</u>	<u>3,634,808</u>	<u>494,358</u>
Legal				
County attorney	672,112	675,158	680,311	(5,153)
Personnel administration				
Personnel	695,675	699,934	691,747	8,187
Planning and zoning				
Planning	1,755,137	1,756,265	1,522,190	234,075
Board of zoning appeals	10,126	10,126	8,621	1,505
Total planning and zoning	<u>1,765,263</u>	<u>1,766,391</u>	<u>1,530,811</u>	<u>235,580</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, 2005

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Management services				
Interagency Information Technologies	\$ 4,602,093	\$ 4,634,739	\$ 4,506,017	\$ 128,722
General services	19,243	158,893	123,602	35,291
Logistical services	454,345	456,474	331,156	125,318
Maintenance	5,350,090	5,368,526	4,970,005	398,521
Custodial services	1,529,898	1,533,507	1,459,720	73,787
Total management services	11,955,669	12,152,139	11,390,500	761,639
Other general government				
Internal Audit	333,626	621,571	624,281	(2,710)
Board of liquor license commissioners	223,616	222,336	202,844	19,492
	557,242	843,907	827,125	16,782
Total general government	26,785,653	27,260,728	25,382,745	1,877,983
Public safety				
Sheriff	15,054,507	15,129,482	15,111,314	18,168
Fire protection	401,910	345,185	354,534	(9,349)
Fire/rescue state grant allocation	352,000	352,000	360,354	(8,354)
Fire inspection	236,384	236,780	185,146	51,634
Fire and rescue services	4,730,612	4,791,412	4,519,833	271,579
Advanced life support	246,969	235,942	229,073	6,869
Detention center	9,528,114	9,810,505	9,857,513	(47,008)
Work release center	1,695,472	1,525,492	1,648,059	(122,567)
Alternative sentencing	599,698	607,724	571,478	36,246
Emergency management	236,884	238,109	237,159	950
Animal control	1,136,737	1,145,679	1,112,808	32,871
Emergency communications	2,988,855	3,005,000	2,934,305	70,695
Public safety director	317,761	395,497	391,661	3,836
Local emergency preparedness committee	-	-	(235)	235
Total public safety	37,525,903	37,818,807	37,513,002	305,805
Public works				
Highways	9,843,658	11,717,011	11,684,223	32,788
Public works administration	270,147	273,465	222,290	51,175
Project management	319,926	321,615	251,137	70,478
Construction management	1,208,775	1,217,673	1,047,751	169,922
Development review	836,165	837,906	851,851	(13,945)
Program development and management	346,596	350,380	345,979	4,401
Transportation engineering	1,142,357	1,125,951	1,003,715	122,236
Total public works	13,967,624	15,844,001	15,406,946	437,055

(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, 2005

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Health				
County administrator	\$ 117,322	\$ 119,428	\$ 109,044	\$ 10,384
School health program	(6,565)	49,482	(598)	50,080
Detention center substance abuse	115,137	115,137	115,137	-
Mental health	1,405,392	1,405,392	1,154,433	250,919
Mosquito control	8,000	8,000	2,793	5,207
Frederick County Developmental Center	1,549,430	1,573,388	1,422,117	151,271
ARC of Frederick County	36,000	36,000	36,000	-
Counseling Services	24,000	24,000	24,000	-
Mental Health Association hotline	45,000	45,000	45,000	-
Child Abuse Prevention-Mental Health Association	5,000	5,000	5,000	-
Alzheimer's Association of Frederick County	10,000	10,000	10,000	-
Central Maryland Catholic Charities	18,000	18,000	18,000	-
Hepatitis Clinic	15,000	15,000	15,000	-
Total health	3,341,716	3,423,787	2,955,926	467,861
Social services				
Contribution to Department of Social Services	1,683,644	1,711,845	1,571,228	140,617
Department of Aging	508,069	507,244	507,244	1
Office of Children and Families	159,864	191,591	169,022	22,569
Transit	225,411	230,914	244,088	(13,174)
Family partnership	245,856	251,124	196,106	55,018
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	-
Services for the hearing impaired	3,750	3,750	3,750	-
The Volunteer Center - United Way	16,000	16,000	16,000	-
Up-County Family Center	28,500	28,500	28,500	-
Character counts	3,500	3,500	3,500	-
Emergency food/fuel/shelter	151,000	151,000	151,000	-
Healthy Family/Hearthly House	17,500	17,500	17,500	-
Big Brother, Big Sister	10,000	10,000	10,000	-
CASA of Frederick County	5,000	5,000	5,000	-
Boys and Girls Club	10,000	10,000	10,000	-
Scott Key Center	2,089,502	2,128,942	2,086,672	42,270
Other social services	101,571	101,571	100,921	650
Total social services	5,368,681	5,477,996	5,230,045	247,951
Education				
Hood College	100,000	100,000	100,000	-
Maryland School for the Blind	2,000	2,000	-	2,000
Frederick County Board of Education	175,553,487	175,546,922	174,542,485	1,004,437
Frederick Community College	10,770,267	10,770,267	10,657,588	112,679
Total education	186,425,754	186,419,189	185,300,073	1,119,116

(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, 2005

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Parks, recreation and culture				
Frederick County Public Libraries	\$ 5,589,282	\$ 5,654,144	\$ 5,634,939	\$ 19,205
Parks	2,489,906	2,499,771	2,489,827	9,944
Recreation programs	763,082	796,480	666,925	129,555
Recreation grants	5,000	5,000	5,000	-
Historical Society of Frederick County	5,000	5,000	5,000	-
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	5,000	5,000	5,000	-
Community libraries	5,589	5,589	5,589	-
Total parks, recreation and culture	8,873,839	8,981,984	8,823,280	158,704
Conservation of natural resources				
Extension service	269,893	269,437	267,673	1,764
Soil conservation	179,838	179,838	183,735	(3,897)
Gypsy moth control	54,800	54,800	8,726	46,074
Forestry Board	2,000	2,000	2,000	-
Western Maryland Resources Conservation and Development Council	500	500	500	-
Total conservation of natural resources	507,031	506,575	462,634	43,941
Community development and public housing				
Housing administration	232,899	236,622	208,850	27,772
Affordable housing council	200,000	200,000	190,000	10,000
Total community development and public housing	432,899	436,622	398,850	37,772

(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, 2005

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Economic development and opportunity				
Office of economic development	\$ 906,547	\$ 906,022	\$ 871,152	\$ 34,870
Frederick Municipal Airport	49,500	49,500	49,500	-
Citizens services administration	187,861	188,593	187,902	691
Job Training Agency	611,010	632,078	621,969	10,109
Head Start	41,318	72,815	73,796	(981)
Human relations	148,448	148,549	152,285	(3,736)
Jeanne Bussard Center	40,000	40,000	40,000	-
Commission for Women	4,858	4,858	4,858	-
Commission for Disabilities	450	450	411	39
Seton Center	22,000	22,000	22,000	-
Ermitsburg Child Care Center	23,625	23,625	23,625	-
Child Care Consortium	30,000	30,000	30,000	-
Total economic development and opportunity	<u>2,065,617</u>	<u>2,118,490</u>	<u>2,077,498</u>	<u>40,992</u>
Non-departmental				
Property and liability insurance	1,208,700	1,208,700	811,025	397,675
Health insurance - retirees	1,600,000	1,600,000	2,070,641	(470,641)
Other employee benefits and taxes	364,242	(511,071)	516,281	(1,027,352)
Other miscellaneous	(1,074,029)	(1,553,385)	(4,094,978)	2,541,593
Total miscellaneous	<u>2,098,913</u>	<u>744,244</u>	<u>(697,031)</u>	<u>1,441,275</u>
Intergovernmental				
Financial corporations grant to municipalities	50,000	50,000	49,273	727
Tax rebate to municipalities	4,798,018	4,798,018	4,798,018	-
Total intergovernmental	<u>4,848,018</u>	<u>4,848,018</u>	<u>4,847,291</u>	<u>727</u>
Debt service				
Principal - general obligation debt	11,741,917	15,351,917	15,327,619	24,298
Principal - state loans	184,604	184,604	184,143	461
Interest - general obligation debt	10,714,867	10,714,867	8,089,727	2,625,140
Interest - state loans	65,473	65,473	52,817	12,656
Total debt service	<u>22,706,861</u>	<u>26,316,861</u>	<u>23,654,306</u>	<u>2,662,555</u>
Total expenditures	<u>314,948,509</u>	<u>320,197,302</u>	<u>311,355,565</u>	<u>8,841,737</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, 2005

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Other financing sources (uses)				
Proceeds from refunding bond	\$ -	\$ (62,520,698)	\$ (62,517,782)	\$ (2,916)
Payment to refunding agent	-	64,925,000	64,545,625	379,375
Bond premium on public facilities & refunding bonds	-	(6,014,302)	(6,014,302)	-
Transfers in from				
Fleet Services	-	-	(18,212)	18,212
Transfers out to				
Grants revenue fund	6,940,695	6,725,121	5,998,324	726,797
Agriculture preservation fund	1,061,737	1,062,359	1,062,359	-
Capital projects fund	16,180,624	16,425,624	16,425,624	-
Internal service fund - Fleet services	-	14,804	14,804	-
Fire and rescue fund	-	170,274	170,274	-
Enterprise fund - Permitting and Development Review	851,303	867,200	867,200	-
Enterprise fund - Citizens Care & Rehabilitation Center	1,821,253	1,818,643	1,818,643	-
Enterprise fund - Montevue Home	988,212	1,007,892	1,007,892	-
Total other financing sources (uses)	<u>27,843,824</u>	<u>24,481,917</u>	<u>23,380,449</u>	<u>1,121,468</u>
Budgeted usage of fund balance	15,384,299	20,593,339	20,593,339	-
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,522,744</u>	<u>\$ 42,522,744</u>
Net change in reserves and adjustments to GAAP basis			(20,163,684)	
Fund balance - beginning, as restated			<u>70,274,842</u>	
Fund balance - ending			<u>\$ 92,633,902</u>	

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GRANTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final	Budgetary Basis	Positive (Negative)
Revenues				
Grants from federal government	\$ 9,778,683	\$15,980,696	\$ 11,413,560	\$ (4,567,136)
Grants from state government	13,623,231	15,925,838	14,123,197	(1,802,641)
Charges for services	2,460,317	2,796,493	2,935,804	139,311
Investment earnings	-	3,608	2,947	(661)
Miscellaneous	149,057	631,766	406,668	(225,098)
Total revenues	26,011,288	35,338,401	28,882,176	(6,456,225)
Expenditures				
General government	1,573,471	1,755,570	1,514,702	240,868
Public safety	51,723	4,297,408	2,341,223	1,956,185
Public works	6,011,098	9,104,692	5,614,754	3,489,938
Health	12,779,234	13,316,309	12,429,245	887,064
Social services	1,265,339	1,561,031	1,339,227	221,804
Parks, recreation and culture	13,362	-	-	-
Conservation of natural resources	160,951	231,757	227,719	4,038
Comm development and public housing	3,262,882	3,539,995	3,401,059	138,936
Economic development and opportunity	7,849,008	8,726,835	7,858,697	868,138
Total expenditures	32,967,068	42,533,597	34,726,626	7,806,971
Excess (deficiency) of revenues over expenditures	(6,955,780)	(7,195,196)	(5,844,450)	1,350,746
Other financing sources (uses)				
Appropriated fund balance	-	468,352	297,491	(170,861)
Transfer from General Fund	6,955,780	6,726,844	5,998,324	(728,520)
Total other financing sources (uses)	6,955,780	7,195,196	6,295,815	(899,381)
Net change in fund balances	\$ -	\$ -	451,365	\$ 451,365
Net change in reserves and adjustment to GAAP basis			(444,613)	
Fund balance - beginning			1,748,067	
Fund balance - ending			<u>\$ 1,754,819</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, 2005

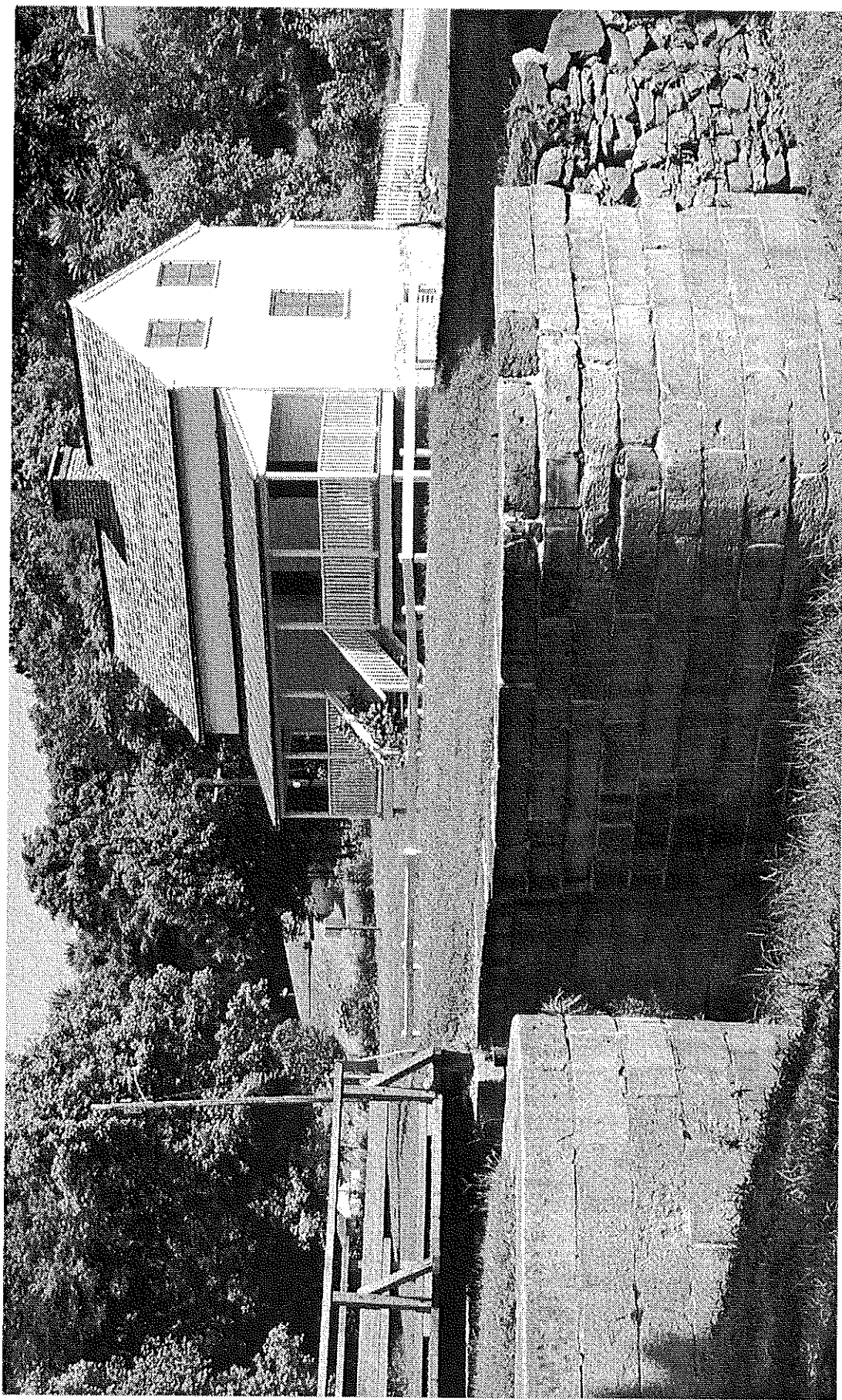
	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Fund
	Water and Sewer	Solid Waste Management	Total		
			Nonmajor Proprietary Funds	Total	
Assets					
Current assets:					
Cash	\$ 3,572,572	\$ 2,600	\$ 362,295	\$ 3,937,467	\$ -
Equity in pooled invested cash	61,331,613	32,804,276	3,741,604	97,877,493	1,090,858
Total cash and cash equivalents	64,904,185	32,806,876	4,103,899	101,814,960	1,090,858
Short-term investments	3,829,781	-	-	3,829,781	-
Receivables, net of allowance for uncollectibles accounts	5,191,009	1,384,719	1,434,616	8,010,344	32,732
Intergovernmental receivables	-	87,229	-	87,229	4,320
Due from other funds	-	-	-	-	816,678
Inventories	132,969	-	51,828	184,797	283,009
Total current assets	74,057,944	34,278,824	5,590,343	113,927,111	2,227,597
Noncurrent assets:					
Long-term investments	14,797,029	-	-	14,797,029	-
Capital Assets:					
Land	3,469,873	2,837,164	646,142	6,953,179	-
Buildings and improvements	47,084,712	30,199,036	11,031,590	88,315,338	1,820,867
Equipment	23,442,715	3,947,258	2,053,684	29,443,657	17,789,036
Other improvements	190,676,035	-	-	190,676,035	-
Accumulated depreciation	(53,556,844)	(26,552,745)	(5,319,852)	(85,429,441)	(8,572,242)
Construction in progress	37,761,254	5,065,914	-	42,827,168	-
Deferred bond issue expense	336,517	110,440	-	446,957	-
Total noncurrent assets	264,011,291	15,607,067	8,411,564	288,029,922	11,037,661
Total assets	338,069,235	49,885,891	14,001,907	401,957,033	13,265,258
Liabilities					
Current liabilities:					
Accounts payable	615,313	75,257	11,012	701,582	168,306
Accrued expenses	5,751,894	1,302,263	896,823	7,950,980	84,433
Due to other funds	-	-	5,515,171	5,515,171	-
Deferred revenues	1,005,887	5,828	1,223,527	2,235,242	-
Security deposits	-	-	8,174	8,174	-
Other liabilities	5,298,892	393,838	67,661	5,760,391	-
Current portion landfill closure and postclosure liability	-	289,708	-	289,708	-
Current portion general obligation bonds and notes	5,853,783	1,677,023	-	7,530,806	-
Current portion of compensated absences	21,736	5,010	95,765	122,511	2,144
Total current liabilities	18,547,505	3,748,927	7,818,133	30,114,565	254,883
Noncurrent liabilities:					
Long term portion landfill closure and postclosure liability	-	14,274,319	-	14,274,319	-
Long term portion general obligation bonds and notes	68,035,189	24,926,577	-	92,961,766	-
Liability for compensated absences	386,030	94,051	517,774	997,855	89,085
Total noncurrent liabilities	68,421,219	39,294,947	517,774	108,233,940	89,085
Total liabilities	86,968,724	43,043,874	8,335,907	138,348,505	343,968
Net Assets					
Invested in capital assets, net of related debt	174,988,772	(3,338,631)	3,708,008	175,358,149	11,037,661
Restricted	-	-	229,896	229,896	-
Unrestricted	76,111,739	10,180,648	1,728,096	88,020,483	1,883,629
Total net assets	\$ 251,100,511	\$ 6,842,017	\$ 5,666,000	\$ 263,608,528	\$ 12,921,290
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					
				126,283	
Net assets of business-type activities				\$ 263,734,811	

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, 2005

	Business-type Activities-Enterprise Funds				Governmental Activities- Fleet Services Fund
	Water and Sewer	Solid Waste Management	Nonmajor Proprietary Funds	Total	
Operating revenues					
Water and sewer charges	\$ 18,754,046	\$ -	\$ -	\$ 18,754,046	\$ -
Landfill charges	-	11,253,075	-	11,253,075	-
Charges for health care services, net of contractual adjustments	-	-	10,135,886	10,135,886	-
License and permit revenue	-	-	2,861,910	2,861,910	-
Fee revenue	-	-	1,517,945	1,517,945	-
Rental charges	-	-	82,008	82,008	-
Fleet services charges	-	-	-	-	7,747,247
Total net charges for services	18,754,046	11,253,075	14,597,749	44,604,870	7,747,247
Delinquent fees collected	36,916	53,240	-	90,156	-
Other revenues	386,858	-	90,748	477,606	-
Total operating revenues	19,177,820	11,306,315	14,688,497	45,172,632	7,747,247
Operating expenses					
Personal services	6,377,460	1,343,042	12,571,403	20,291,905	1,529,647
Operating expenses (including administrative overhead)	4,425,632	6,340,226	3,560,595	14,326,453	865,622
Supplies	430,894	58,736	1,129,728	1,619,358	2,963,405
Repairs and maintenance	1,237,206	244,555	48,066	1,529,827	410,300
Depreciation expense	4,769,263	3,407,975	345,421	8,522,659	1,946,714
Total operating expenses	17,240,455	11,394,534	17,655,213	46,290,202	7,715,688
Operating income (loss)	1,937,365	(88,219)	(2,966,716)	(1,117,570)	31,559
Nonoperating revenues (expenses)					
Donations	-	-	38,927	38,927	-
Interest income	2,120,888	696,820	30,492	2,848,200	-
Miscellaneous income (expense)	446,317	-	5,388	451,705	61,016
Interest expense	(2,774,828)	(1,003,595)	-	(3,778,423)	-
Transfers out	-	-	-	-	(18,212)
Gain (loss) on disposition of fixed assets	-	(24,971)	-	(24,971)	(121,376)
Total nonoperating revenues (expenses)	(207,623)	(331,746)	74,807	(464,562)	(78,572)
Net income (loss) before contributions and transfers	1,729,742	(419,965)	(2,891,909)	(1,582,132)	(47,013)
Capital contributions	22,319,663	-	725,261	23,044,924	3,500,781
Transfers in	-	-	3,868,735	3,868,735	14,804
Total contributions and transfers	22,319,663	-	4,593,996	26,913,659	3,515,585
Change in net assets	24,049,405	(419,965)	1,702,087	25,331,527	3,468,572
Net assets - July 1	227,051,106	7,261,982	3,963,913		9,452,718
Net assets - June 30	\$ 251,100,511	\$ 6,842,017	\$ 5,666,000		\$ 12,921,290
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				79,873	
Change in net assets of business-type activities				\$ 25,411,400	

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



The Lander lock house, located at lock 29 along the C & O Canal, was operated by the Lewis Cross family from 1917 until the canal closed in 1924. Mr. Cross lived here until his death in 1962. Companies preferred family men as lockkeepers, paying them approximately \$600 a year. Lockkeepers had to be available anytime of the day or night. Water from the flood of 1936 nearly reached the second floor of this lock house.

FREDERICK COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Business-type Activities-Enterprise Funds				Governmental Activities- Fleet Services Fund
	Water and Sewer	Solid Waste Management	Nonmajor Proprietary Funds	Total	
Cash flows from operating activities					
Cash received from patients, residents, and customers	\$ 19,239,645	\$ 11,378,891	\$ 14,764,996	\$ 45,383,532	\$ 7,853,014
Cash received from interfund services	-	56,404	4,308,322	4,364,726	-
Cash paid to suppliers	(6,340,172)	(3,308,875)	(4,745,160)	(14,394,207)	(4,400,983)
Cash paid to employees	(6,317,926)	(1,320,203)	(12,446,544)	(20,084,673)	(1,506,614)
Other	-	-	189,642	189,642	-
Net cash provided (used) by operating activities	6,581,547	6,806,217	2,071,256	15,459,020	1,945,417
Cash flows from noncapital financing activities					
Transfers in	-	-	3,868,735	3,868,735	-
Cash received from donations	-	-	38,927	38,927	-
Cash received from patient and resident funds	-	-	6,733	6,733	-
Cash paid to memorial and employee funds	-	-	(736)	(736)	-
Net cash provided (used) by noncapital financing activities	-	-	3,913,659	3,913,659	-
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(25,984,649)	(4,662,380)	(4,325,242)	(34,972,271)	(4,598,230)
Recoveries for damages	-	-	-	-	103,820
Proceeds from sale of assets	65,831	425	-	425	60,138
Proceeds from debt issues	(5,747,929)	(1,649,157)	-	(7,397,086)	-
Payment of bond and note principal	(2,692,467)	(979,244)	-	(3,671,711)	-
Interest paid on bonds	22,319,663	-	-	22,319,663	3,579,713
Contributed capital	-	-	-	-	-
Net cash provided (used) by capital & related financing activities	(12,039,551)	(7,273,226)	(4,325,242)	(23,638,019)	(854,559)
Cash flows from investing activities					
Purchase of investments	(426,453)	-	-	(426,453)	-
Proceeds from the sale of investments	3,672,834	-	-	3,672,834	-
Interest received on investments	2,549,734	645,744	30,492	3,225,970	-
Net cash provided (used) by investing activities	5,796,115	645,744	30,492	6,472,351	-
Net increase in cash and cash equivalents	338,111	178,735	1,690,165	2,207,011	1,090,858
Cash and cash equivalents, July 1	64,566,074	32,628,141	2,413,734	99,607,949	-
Cash and cash equivalents, June 30	\$ 64,904,185	\$ 32,806,876	\$ 4,103,899	\$ 101,814,960	\$ 1,090,858

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Business-type Activities-Enterprise Funds					Governmental Activities- Fleet Services Fund
	Water and Sewer	Solid Waste Management	Nonmajor Proprietary Funds	Total	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 1,937,365	\$ (88,219)	\$ (2,966,716)	\$ (1,117,570)	\$	31,559
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	4,769,263	3,407,975	345,422	8,522,660		1,946,714
Landfill closing costs	-	3,534,297	-	3,534,297		-
Miscellaneous non operating income	500,617	-	5,388	506,005		-
Change in assets and liabilities:						
(Increase) decrease:						
Accounts receivable	(258,015)	72,576	(203,439)	(388,878)		(13,239)
Bad debt allowance	-	1,202	21,106	22,308		-
Intergovernmental receivables	-	181,140	-	181,140		(2,620)
Due from other funds	-	-	-	-		121,899
Inventory	(11,153)	-	(18,671)	(29,824)		(49,767)
Increase (decrease):						
Accounts payable	(587,711)	(143,351)	(196,019)	(927,081)		(111,211)
Accrued expenses	708,551	221,542	205,052	1,135,145		13,869
Deferred revenues	(78,352)	3,025	550,027	474,700		-
Liability for compensated leave	9,962	15,341	28,075	53,378		9,163
Due to other funds	-	(124,736)	4,300,464	4,175,728		(950)
Security deposits	-	-	(20)	(20)		-
Closure liability	-	(274,575)	-	(274,575)		-
Other liabilities	(408,980)	-	587	(408,393)		-
Net cash provided (used) by operating activities	\$ 6,581,547	\$ 6,806,217	\$ 2,071,256	\$ 15,459,020	\$	1,945,417

Noncash investing, capital, and financing activities:
Included in interest income in the Water and Sewer Fund is an unrealized (loss) of \$(346,258).

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

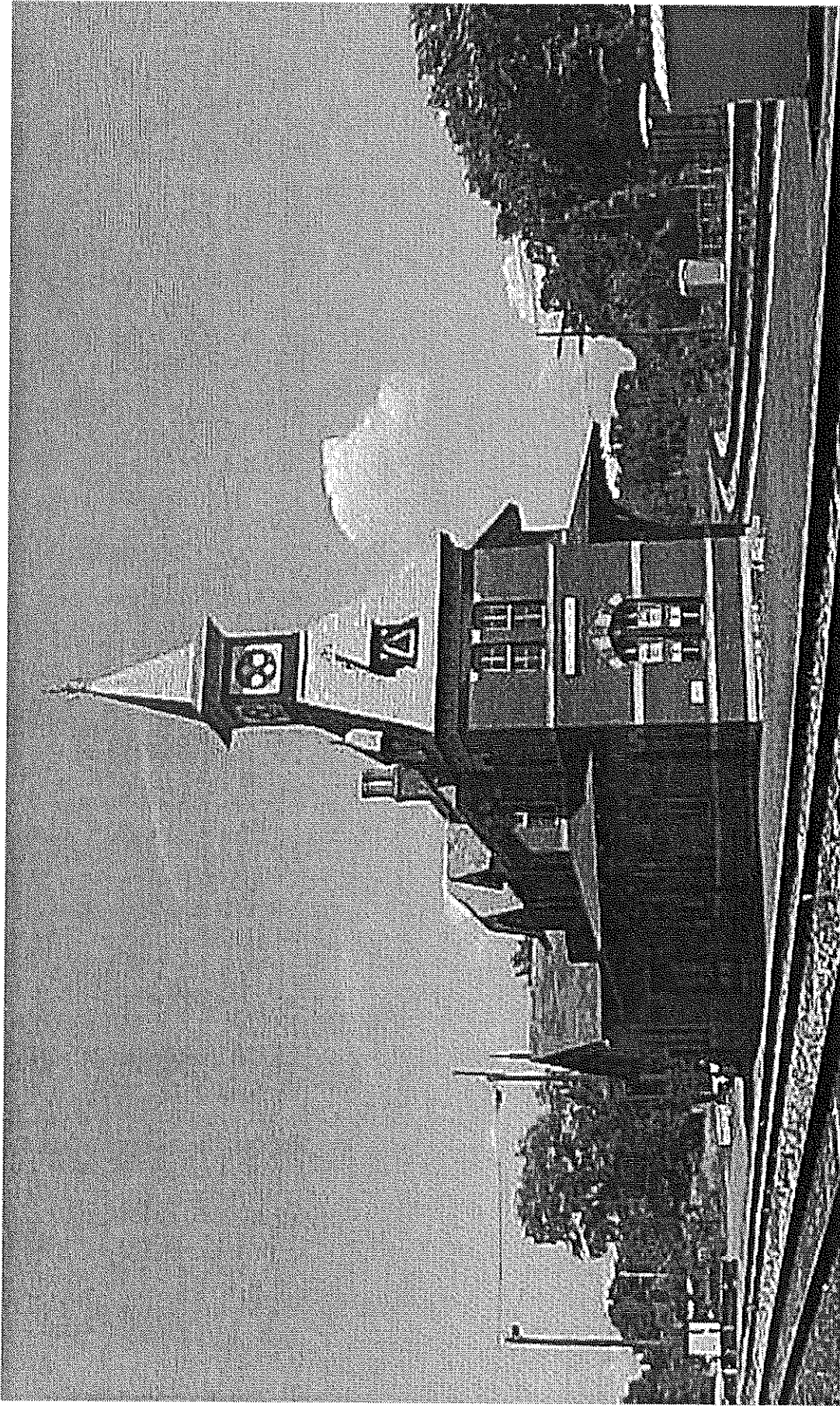
	<u>Pension Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 5,154,749	\$ 107,818
Equity in pooled invested cash	-	3,393,188
Investments:		
Fixed income securities	43,604,079	-
Equity securities	89,592,670	-
Accounts receivable	-	2,854
Interest receivable	364,663	-
Total assets	<u>138,716,161</u>	<u>\$ 3,503,860</u>
LIABILITIES		
Accounts payable	160,332	\$ -
Due to other funds	1,756,029	-
Deferred revenue	4,365	-
Due to third parties	-	117,501
Performance deposits	-	3,386,359
Retirement benefit deductions	37,567	-
Total liabilities	<u>1,958,293</u>	<u>\$ 3,503,860</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 136,757,868</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, 2005

	Pension Trust
Additions	
Contributions	
Employer contributions	\$ 9,785,642
Member contributions	3,507,556
Total contributions	<u>13,293,198</u>
Investment income	
Net appreciation (depreciation) in fair value of plan investments	9,452,069
Interest and dividends	3,311,998
Investment expense	(589,752)
Net investment income	<u>12,174,315</u>
Total additions	<u>25,467,513</u>
Deductions	
Benefits and refunds paid to plan members and beneficiaries	3,963,625
Administrative expenses	315,790
Total deductions	<u>4,279,415</u>
Change in net assets	21,188,098
Net assets held in trust for pension benefits, July 1	<u>115,569,770</u>
Net assets held in trust for pension benefits, June 30	<u>\$ 136,757,868</u>

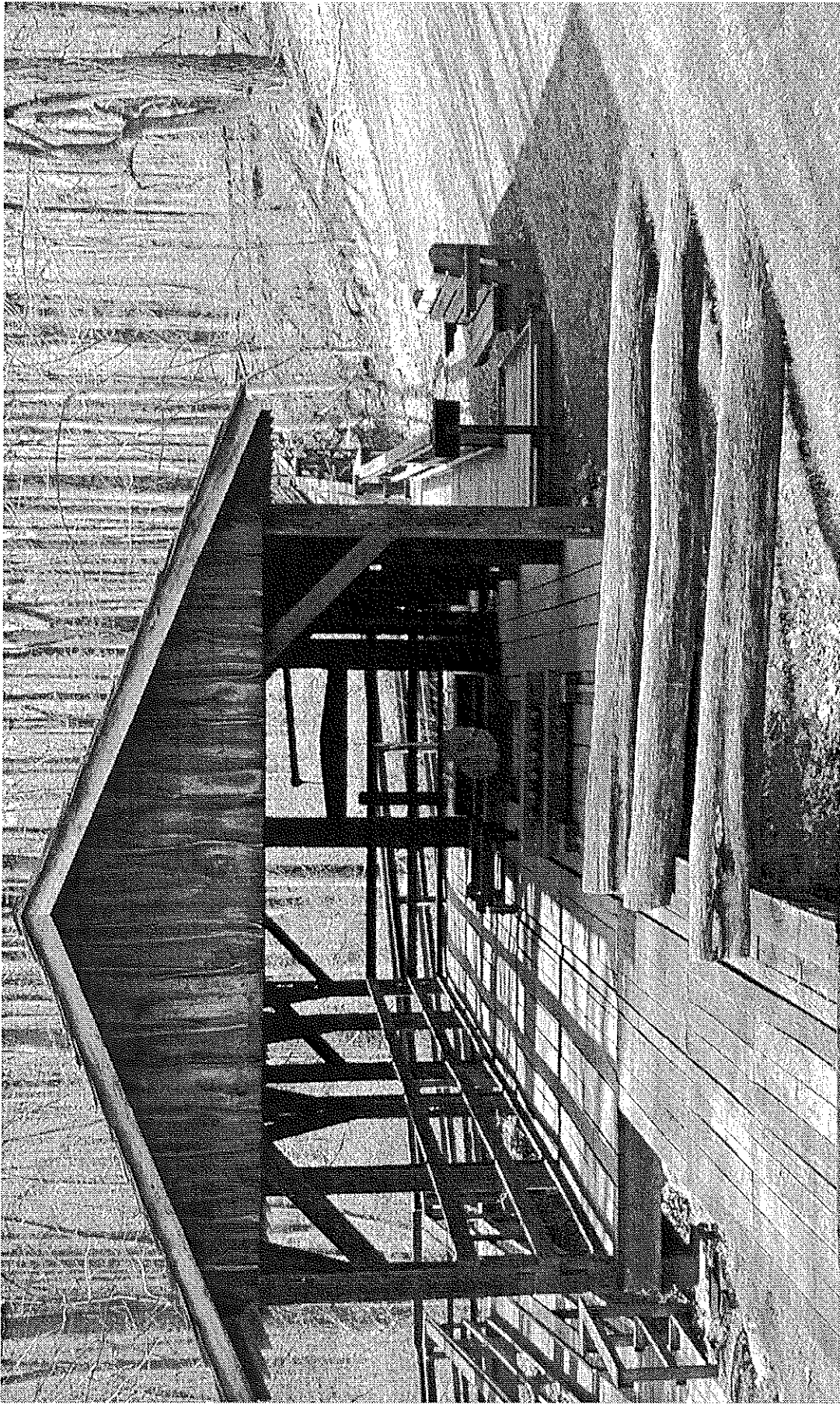
The notes to the financial statements are an integral part of this statement.



The Point of Rocks Railroad Station was built in the late 1800's and is located in Point of Rocks in southern Frederick County. During the Civil War, Rebel snipers fired from Virginia across the Potomac River toward Point of Rocks, making this area very dangerous. This Victorian style station is still in use today. Just beyond the railroad tracks is the historic C & O Canal Towpath.

NOTES TO FINANCIAL STATEMENTS





Nine sawmills existed along Owens and Hunting Creeks before the Civil War. The sawmill exhibit pictured here is on the actual site of a sawmill from the 1800's. The first pitsaws were hand powered. In later years water was diverted from the creek to power the waterwheel and the blade. Today sawmills are powered by electricity or diesel fuel.

Frederick County, Maryland

Directory For

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

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**FREDERICK COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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.

In addition, a primary government is also financially accountable for legally separate organizations if its officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific benefits to, or to impose specific financial burdens on, the primary government. The Board of Trustees of Frederick County Public Library meets the conditions for financial accountability with respect to the Board of County Commissioners of Frederick County, as discussed below, and is included in the reporting entity.

The Board of Trustees of Frederick County Public Library (FCPL) is a legally separate organization created by State law to operate the County's library system. The 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.

Finally, 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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).

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 and Grants Fund Budget-to-Actual Comparison Statements: Demonstrating compliance with the adopted budgets is an important component of a government's accountability to the public. For this reason, the County has chosen to make its General Fund and Grants Fund budget-to-actual comparison statements 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 these statements.

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 *Grants 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. For the Fiscal Year ended June 30, 2005, the Grants Fund did not meet the criteria for inclusion as a Major Fund. However, it has been presented as a Major Fund since the implementation of GASB Statement No. 34. Accordingly, in order to enhance consistency from year to year, the Grants Fund has been included as a Major Fund in this report.

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:

- *Fire/Rescue Tax Districts Fund* – This fund 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.
- *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 reloading of these proceeds to volunteer fire and rescue companies for the purchase of vehicles and/or equipment.
- *Loan Activities* – These funds accounts for the loan activities associated with three loan funds –, Non-Profit Organization Loans Fire/Rescue Loans and, Economic Development Loans.

The County reports the following major proprietary funds:

- *Water and Sewer Enterprise Fund* – This fund accounts for the acquisition and operation of utility systems providing water and sewer service to certain sections of the County.
- *Solid Waste Management Enterprise Fund* – This fund accounts for the capital outlay, operation and maintenance of the County's recycling program and the County's landfill, providing solid waste disposal service to County residents through commercial haulers.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.
- *Montevue Home Fund* accounts for operations of an assisted living facility.
- *Bell Court Apartments Fund* accounts for the operation of the Bell Court low income, elderly housing rental project.
- *Permitting and Development Review Fund* accounts for the operations related to the issuing and administration of building and other permits and for the approval process for contractor development plans.

Additionally, the County reports the following fund types:

- *Internal Service Fund* accounts for fleet 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.

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 Water and Sewer Enterprise Fund, the Solid Waste Management Enterprise Fund, and the government's Internal Service Fund are charges to customers for sales and services. Operating expenses for enterprise funds and the Internal Service Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

(Continued)

D. Assets, Liabilities and Net Assets or Equity

1. Pooled Cash and Investments

The County operates a centralized cash receipt and disbursement function for all funds except the Pension Trust 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.

"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.

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

Total assessed value on which levies were made for the year ended June 30, 2005, was \$16,233,905,646. 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 99.7% of taxes levied in the current year. Total property tax collections were 100.0% of current taxes levied. The receivable portion of the current year property tax levy, including fire and lighting tax districts, is \$521,875 and is included in total property taxes receivable \$790,478 on the Statement of Net Assets. This compares to the current portion of the prior year levy of \$588,295 included in the total property taxes of \$841,842 as of June 30, 2004.

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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

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.

The accounting policies for BOE, FCPL, and FCC 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	FCPL	FCC
Buildings and Improvements	20 - 40	20 - 40	10 - 40
Site Improvements	n/a	15	15
Library Collection	n/a	5	3
Furniture and equipment	5 - 15	5 - 15	5 or 10

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

and fiduciary 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 payable at year-end from resources of that year.

6. Long-Term Obligations

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

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

7. Net Assets/Fund Balances

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

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

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

8. Estimates

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The budget document is a comprehensive financial plan showing all revenues and expenditures for the operating budget, the capital budget and the Capital Improvements Program. The Capital Improvements Program sets forth clearly the plan for proposed capital projects to be undertaken in the ensuing fiscal year and the next five years. Budgets are adopted on an annual cycle for all governmental funds.

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 Fire/Rescue Loan and Non-Profit Organizations Loan), Capital Projects, Enterprise, Internal Service, and Pension Trust Funds. For budgetary purposes, total expenditures per department should not exceed the total budget for that department.
- (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 and the Grants Fund have legally adopted annual budgets. Exhibit II-A-7 and Exhibit II-A-8, the "Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual" are prepared on a basis consistent with these budgets. The budgets are prepared using encumbrance accounting where encumbrances are treated as expenditures of the current period. The reconciliation of Budget to GAAP, as presented on the "Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual" reflects adjustments as described below.

The "Statement of Revenues, Expenditures and Changes in Fund Balance" for all major governmental funds is prepared on a basis consistent with GAAP where encumbrances are treated as a reservation of fund balance.

	General Fund		Grants Fund		Net change in Fund Balance
	Expenditures	Other Financing Sources (Uses)	Expenditures	Other Financing Sources (Uses)	
Budgetary Basis	\$ 311,355,565	\$ (2,767,110)	\$ 34,726,626	\$ 6,295,815	\$ 451,365
Basis Adjustments:					
Encumbrance adjustment	305,789	-	147,122	-	(147,122)
Use of prior year fund balance to balance FY2005 budget	-	-	-	(297,491)	(297,491)
Inventory adjustment	72,935	(20,593,339)	-	-	-
Reversal of FY2004 payroll accrual	(808,379)	-	-	-	-
Net affect of basis adjustments	(429,655)	(20,593,339)	147,122	(297,491)	(444,613)
GAAP Basis	\$ 310,925,910	\$ (23,360,449)	\$ 34,873,748	\$ 5,998,324	\$ 6,752

NOTES TO FINANCIAL STATEMENTS
(Continued)

The following departments over expended their FY2005 budgets:

	Amended Budget	Actual	Variance
	\$	\$	\$
County Commissioners	612,332	616,319	3,987
States Attorney	3,867,003	3,932,377	65,374
Grand Jury	68,860	69,265	405
Independent Auditing	34,500	47,678	13,178
County Attorney	675,158	680,311	5,153
Internal Audit	621,571	624,281	2,710
Fire Protection	345,185	354,534	9,349
Fire/Rescue State Grant Allocation	352,000	360,354	8,354
Detention Center	9,810,505	9,857,513	47,008
Work Release	1,525,492	1,648,059	122,567
Development Review	837,906	851,851	13,945
Transit	230,914	244,088	13,174
Soil Conservation	179,838	183,735	3,897
Head Start	72,815	73,796	981
Human Relations	148,549	152,285	3,736

The majority of these expenditures is due to the accounting policy change to accrue year-end payroll on a budgetary basis whereas in prior fiscal years it was a reconciling item between the budgetary and GAAP Statements.

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 \$5,002,229 and the bank balance was \$8,550,593. 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)	\$ 2,445,970
National Credit Union Administration (NCUA)	1,707
Held by the government's agent, in the government's name	5,009,075
Funds held by a New Jersey bank and covered by the Governmental Unit Deposit Protection Act	179,942
Unspent lease proceeds held in escrow	913,899
Total Bank Balance	<u>\$ 8,550,593</u>

Certain lease proceeds of the County's general and 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, 2005, totaled \$291,956,590 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	4,351,771
Equity in Pooled Invested Cash	257,266,042
Investments	28,951,779
Restricted Cash and Cash Equivalents	1,386,998
Total	<u>\$ 291,956,590</u>
Deposit & Investment Summary:	
Investments	\$ 291,175,910
Cash on Hand	20,058
Deposits	5,002,229
Less: Component Units and Agency Fund Cash Equivalents	
Retirement Fund	(634,229)
Frederick County Public Libraries	(106,378)
Agency Funds	(3,501,000)
Total	<u>\$ 291,956,590</u>

NOTES TO FINANCIAL STATEMENTS

(Continued)

Pension Trust Fund

At the year-end, the carrying amount of the Pension Trust Fund's deposits was \$71,922 and the bank balance was \$349,870. The entire amount is considered a Category 1 deposit.

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, 2005, BOE's cash on hand for petty cash was \$25,525. The carrying amount of the Board's deposits was \$7,324,590 and the bank balance was \$11,910,924. The deposits of the Board were not exposed to custodial risk at June 30, 2005.

At June 30, 2005, FCC's cash on hand for petty cash was \$4,300. The carrying amount of the College's deposits was \$334,855 and the bank balance was \$291,467. The deposits of the college were not exposed to custodial credit risk at June 30, 2005. 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, 2005, FCPL's cash on hand for petty cash was \$100. The carrying amount and bank balance of the Library's deposits was \$657.

2. Investments

Primary Government

As of June 30, 2005, Frederick County held the following investments and maturities. The government's investment balances were as follows:

Investment Type (All funds)	Fair Value	0 - 18 Month Maturities	18 - 24 Month Maturities	> 24 Month Maturities
U. S. Treasuries	\$ 14,053,454	\$ -	\$ -	\$ 14,053,454
Repurchase Agreements	5,765,257	5,765,257	-	-
MD Local Government Investment Pool	248,422,104	248,422,104	-	-
Federal Agency Securities	22,935,095	10,206,470	-	12,728,625
Total Fair Value	\$ 291,175,910	\$ 264,393,831	\$ -	\$ 26,782,079

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 followings ratings:

<u>Investment</u>	<u>Fair Value</u>	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch Ratings</u>
MLGIP	\$ 248,422,104		AAAm	
Repurchase Agreement	5,765,257	Aa2	AA	AA-
FHLB	1,437,188	Aaa		
FNMA	4,711,56		AAA	AAA
FHLMC	5,536,750	Aaa	AAA	
FAMC	1,043,125	Aaa		

The repurchase agreement is collateralized with FNMA securities that are rated Aaa by Moody's Investors Service. 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). The MLGIP may invest in instruments rated only Tier 1 by at least one Nationally Recognized Securities Rating Organization (NRSRO). They have maximum exposure limits per issuer to maintain a diversified portfolio.

Investment Type	Fair Value	% of Portfolio
U. S. Treasuries	\$ 14,053,454	4.826%
Repurchase Agreements	5,765,257	1.980%
MD Local Government Investment Pool	248,422,104	85.317%
Money Market Funds	10,206,470	3.505%
Federal Home Loan Bank (FHLB)	1,437,188	0.494%
Federal National Mortgage Assoc. (FNMA)	4,711,562	1.618%
Federal Home Loan Mortgage Corp (FHLMC)	5,536,750	1.902%
Federal Agriculture Mortgage Corp. (FAMC)	1,043,125	0.358%
Total Fair Value	\$ 291,175,910	100.000%

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.

	Category			Fair Value
	1	2	3	
U.S. Government Securities	\$ 25,449,641	\$ -	\$ -	\$ 25,449,641
Corporate Bonds and Notes	18,154,438	-	-	18,154,438
Common Stocks	47,142,342	-	-	47,142,342
	<u>\$ 90,746,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>90,746,421</u>
Investment in Money Market Mutual Funds				4,520,520
Investment in Equity Mutual Funds				42,450,328
				<u>\$ 137,717,269</u>

Component Units

The Board of Education's investments at June 30, 2005 are categorized in the following table:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
State Investment Pool	\$ 2,782,256	\$ 2,782,256	\$ -	\$ -	2.98%
Certificates of Deposit	87,866	87,866	-	-	Various
	<u>\$ 2,870,122</u>	<u>\$ 2,870,122</u>	<u>\$ -</u>	<u>\$ -</u>	

Investment income includes the following for the year ended June 30, 2005:

Total net investment income per statement of activities \$235,650

The College's investments at June 30, 2005 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
State Investment Pool	\$ 7,959,455	\$ 7,959,455	\$ -	\$ -	2.98%
	<u>\$ 7,959,455</u>	<u>\$ 7,959,455</u>	<u>\$ -</u>	<u>\$ -</u>	

NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment income includes the following for the year ended June 30, 2005:

Total net investment income per statement of activities \$407,632

The Frederick Community College Foundation investments at June 30, 2005 are:

Investment Type	Market Value at June 30, 2005	% of Total	Annualized * Income Projection	Projected Yield as a % of Market Value
Cash Equivalents	\$ 243,492	6%	\$ 6,769	2.78%
Bond Funds	1,477,358	34%	72,538	4.91%
Equity funds	2,553,716	60%	22,473	0.88%
Total	\$ 4,274,566	100%	101,780	2.38%
Less: Estimated Annual Management Fee			(20,090)	-0.47%
Estimated Net Annual Yield			\$ 81,690	1.91%

*Annualized estimates based on amounts and rates as of June 30, 2005.

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.

	June 30, 2005		June 30, 2004	
	Cost	Market	Cost	Market
U.S. Treasury Note & Bonds	\$ 54,513	\$ 56,208	\$ 119,052	\$ 126,278
U.S. Agencies	385,511	397,938	245,720	251,267
Corporate Bonds	985,909	1,023,212	798,216	841,952
Total Debt Securities	1,425,933	1,477,358	1,162,988	1,219,497
Equity Securities	2,627,712	2,553,716	2,475,879	2,281,095
Total Investments	\$ 4,053,645	\$ 4,031,074	\$ 3,638,867	\$ 3,500,592

NOTES TO FINANCIAL STATEMENTS
(Continued)

The Library's investments at June 30, 2005 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
State Investment Pool	\$ 288,806	\$ 288,806	\$ -	\$ -	2.98%
Certificates of Deposit	20,000	20,000	-	-	Various
	<u>\$ 308,806</u>	<u>\$ 308,806</u>	<u>\$ -</u>	<u>\$ -</u>	

Investment income includes the following for the year ended June 30, 2005:

Total net investment income per statement of activities \$6,121

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 AA+ 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, 2005, 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	\$188,283
Water and Sewer	1,092
Solid Waste	184,515
Citizen's Nursing Home	50,904
Montevue Home	52,192

2. Due To/From Primary Government and Component Units

The receivable and payable balances between the primary government and its component units at June 30, 2005, are reconciled as follows:

	BOE	FCC	FCPL	TOTAL
Due from component units per Primary Government	\$ -	\$ 27,821	\$ -	\$ 27,821
Plus: Payable recorded by component unit in FY05	12,004	-	-	12,004
Due to primary government per Component Units	\$ 12,004	\$ 27,821	\$ -	\$ 39,825
	BOE	FCC	FCPL	TOTAL
Due to component units per Primary Government	\$ 8,710,692	\$ 329,786	\$ 1,046,212	\$ 10,086,690
Less: Receivables recorded by component unit in FY05	-	-	-	-
Due from primary government per Component Units	\$ 8,710,692	\$ 329,786	\$ 1,046,212	\$ 10,086,690

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, 2005 is as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,879,104	\$ 9,499,758	\$ -	\$ 30,378,862
Construction in progress	16,225,912	16,390,964	(16,960,051)	15,656,825
Total capital assets at historical cost not being depreciated	37,105,016	25,890,722	(16,960,051)	46,035,687
Capital assets being depreciated:				
Buildings and improvements	108,044,236	9,722,543	(939,430)	116,827,349
Equipment	54,849,327	10,218,728	(2,344,015)	62,724,040
Infrastructure	272,073,229	3,285,686	-	275,358,915
Total capital assets at historical cost being depreciated	434,966,792	23,226,957	(3,283,445)	454,910,304
Less accumulated depreciation for:				
Buildings and improvements	33,074,658	2,390,952	(9,394)	35,456,216
Equipment	20,661,803	6,341,461	(1,720,767)	25,282,497
Infrastructure	121,632,087	8,086,547	-	129,718,634
Total accumulated depreciation	175,368,548	16,818,960	(1,730,161)	190,457,347
Total capital assets being depreciated, net of accumulated depreciation	259,598,244	6,407,997	(1,553,284)	264,452,957
Governmental activities capital assets, net	\$ 296,703,260	\$ 32,298,719	\$ (18,513,335)	\$ 310,488,644
Depreciation expense was charged to governmental functions as follows:				
General government				\$ 2,118,524
Public works				1,024,376
Social services				1,001,696
Health				248,410
Rec and culture				829,301
Public safety				3,510,106
Infrastructure				8,086,547
Total depreciation expense				\$ 16,818,960

NOTES TO FINANCIAL STATEMENTS (Continued)

	Primary Government				
	Beginning Balance	Reclassifications	Additions	Retirements	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 7,059,358	\$ (620,121)	\$ 513,942	\$ -	\$ 6,953,179
Construction in progress	25,333,983	-	33,331,995	(15,838,810)	42,827,168
Totals capital assets at historical cost not being depreciated	32,393,341	(620,121)	33,845,937	(15,838,810)	49,780,347
Capital assets being depreciated:					
Buildings and improvements	81,363,156	620,121	6,332,061	-	88,315,338
Equipment	28,125,203	-	1,733,123	(414,669)	29,443,657
Infrastructure	177,544,393	-	13,131,642	-	190,676,035
Total capital assets at historical cost being depreciated	287,032,752	620,121	21,196,826	(414,669)	308,435,030
Less accumulated depreciation for:					
Buildings and equipment	53,270,878	-	6,051,606	(378,312)	58,944,172
Infrastructure	24,014,216	-	2,471,053	-	26,485,269
Total accumulated depreciation	77,285,094	-	8,522,659	(378,312)	85,429,441
Total capital assets being depreciated, net of accumulated depreciation	209,747,658	620,121	12,674,167	(36,357)	223,005,589
Business-type activities capital assets, net of accumulated depreciation	\$ 242,140,999	\$ -	\$ 46,520,104	\$ (15,875,167)	\$ 272,785,936
Depreciation expense was charged to business-type functions as follows:					
Citizens Nursing Home					\$ 130,744
Montevue Home					43,829
Bell Court					62,596
Permitting & Development Review					108,252
Solid Waste					3,407,975
Water & Sewer					4,769,263
Total depreciation expense					\$ 8,522,659

NOTES TO FINANCIAL STATEMENTS
(Continued)

Component units' capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	\$ 34,919,296	\$ 87,231	\$ -	\$ 35,006,527
Construction in progress	122,632,548	41,733,940	(13,561,056)	150,805,432
Totals capital assets at historical cost not being depreciated	157,551,844	41,821,171	(13,561,056)	185,811,959
Capital assets being depreciated:				
Library collection	10,436,376	1,551,894	(698,268)	11,290,002
Building and improvements	420,257,225	8,251,408	-	428,508,633
Furniture and equipment	60,540,577	5,173,599	(2,803,953)	62,910,223
Totals capital assets at historical cost being depreciated	491,234,178	14,976,901	(3,502,221)	502,708,858
Less accumulated depreciation for:				
Library collection	7,494,392	1,190,741	(698,268)	7,986,865
Building and improvements	140,296,280	12,178,364	-	152,474,644
Furniture and equipment	38,837,919	5,636,420	(2,630,376)	41,843,963
Total accumulated depreciation	186,628,591	19,005,525	(3,328,644)	202,305,472
Total capital assets being depreciated, net of accumulated depreciation	304,605,587	(4,028,624)	(173,577)	300,403,386
Component units' capital assets, net of accumulated depreciation	\$ 462,157,431	\$ 37,792,547	\$ (13,734,633)	\$ 486,215,345

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>General</u>	<u>Nonmajor Proprietary</u>	<u>Pension Trust</u>	<u>Nonmajor Governmental</u>	
General Fund	\$ -	\$ 5,515,171	\$ 1,756,029	\$ 63,509	\$ 7,334,709
Internal Service	816,678	-	-	-	816,678
Total Due to Other Funds	<u>\$ 816,678</u>	<u>\$ 5,515,171</u>	<u>\$ 1,756,029</u>	<u>\$ 63,509</u>	<u>\$ 8,151,387</u>

Interfund balances due from the nonmajor proprietary funds include \$2,964,574 from Citizens Care and Rehabilitation Center and \$2,550,597 from the Permitting and Development Review Fund. The amount due from Citizens Care and Rehabilitation Center is primarily the additional cash amounts needed during the year ended June 30, 2005, 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 amount due from the Permitting and Development Review Fund is the result of General Fund monies used to purchase and implement a new permitting software. All other balances result from the timing of cash flows and will clear themselves through normal operations.

2. Interfund Transfers – Primary Government

Interfund transfers for the year ended June 30, 2005, consists of the following:

	<u>Transfers In</u>					<u>Total Transfers to Other Funds</u>
	<u>General Fund</u>	<u>Grants</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Proprietary</u>	
<u>Transfers Out</u>						
General Fund	\$ -	\$ 5,998,324	\$ 16,425,624	\$ 1,232,633	\$ 3,693,735	\$ 27,365,120
Capital Projects	-	-	-	-	175,000	175,000
Nonmajor governmental	-	-	12,954,780	-	-	12,954,780
Internal Service Fund	18,212	-	-	-	-	18,212
Total transfers in	<u>\$ 18,212</u>	<u>\$ 5,998,324</u>	<u>\$ 29,380,404</u>	<u>\$ 1,232,633</u>	<u>\$ 3,868,735</u>	<u>\$ 40,513,112</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 2005 were approximately \$960,000.

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

	Fiscal Year	Total Payment
2006		\$ 594,484
2007		461,978
2008		165,188
2009		89,496
2010		84,876
2011-2027		1,143,875
Total		\$ 2,539,897

F. Non-Current Liabilities

1. Changes in Non-Current Liabilities

Governmental Activities:

	Balance July 1, 2004 *	Additions	Principal Repayments & Reductions	Balance June 30, 2005	Due Within One Year
Bonds Payable	\$ 243,795,966	\$ 91,781,973	\$ (101,249,966)	\$ 234,327,973	\$ 14,065,014
Unamortized Premium on Bonds	1,851,489	8,870,030	(178,829)	10,542,690	714,929
Installment Purchase Agreements	8,774,670	7,360,513	(367,850)	15,767,333	-
Bond Anticipation Notes Payable	8,150,000	-	(8,150,000)	-	-
Notes Payable	7,973,065	-	(650,488)	7,322,577	682,851
Capital Lease Obligations	5,538,335	852,100	(1,410,146)	4,980,289	3,576,501
Compensated Absences	5,691,853	5,069,392	(4,640,147)	6,121,098	262,164
Deferred Loss on Bond Refunding	(1,125,089)	(8,503,728)	227,464	(9,401,353)	(1,027,043)
Total Governmental Activity- Long Term Liabilities	\$ 280,650,289	\$ 105,430,280	\$ (116,419,962)	\$ 269,660,607	\$ 18,274,416

* There was a \$3,540 reclassification of bond payable beginning balances between the governmental activities and the business-type activities.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 66% 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 Fund predominantly serves the governmental funds. Accordingly, long-term liabilities related to the Internal Service Fund are included as part of the above totals for governmental activities. At June 30, 2005, Internal Service Fund compensated absences totaling \$91,229 are included in the above amounts.

	Balance July 1, 2004 *	Additions	Principal Repayments & Reductions	Balance June 30, 2005	Due Within One Year
Business-type Activities:					
Bonds Payable	\$ 76,589,035	\$ 15,233,028	\$ (20,305,035)	\$ 71,517,028	\$ 5,379,983
Unamortized Premium on Bonds	888,720	1,435,813	(143,047)	2,181,486	132,460
Notes Payable	31,062,443	-	(2,145,149)	28,917,294	2,216,748
Landfill Closure Costs	11,304,305	3,534,297	(274,575)	14,564,027	289,708
Compensated Absences	1,066,987	1,122,633	(1,069,254)	1,120,366	122,511
Deferred Loss on Bond Refundings	(871,320)	(1,484,857)	232,941	(2,123,236)	(198,385)
Total Business-type Activities - Long Term Liabilities	\$ 120,040,170	\$ 19,840,914	\$ (23,704,119)	\$ 116,176,965	\$ 7,943,025

* There was a \$3,540 reclassification of bond payable beginning balances between the governmental activities and the business-type activities.

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

The debt limit for the primary government's water, sewer and solid waste activities at June 30, 2005 was \$2,435,085,487 and the legal debt margin was \$2,334,651,526.

NOTES TO FINANCIAL STATEMENTS (Continued)

COMPONENT UNITS

	Balance July 1, 2004	Net Changes	Balance June 30, 2005	Due Within One Year
Board of Education				
Capital lease obligations	\$ 2,829,215	\$ (1,634,453)	\$ 1,194,762	\$ 568,418
Compensated absences	4,699,915	298,159	4,998,074	3,902,955
Termination benefits payable	14,845,906	575,895	15,421,801	1,631,483
Board of Education - Long-term Liabilities	\$ 22,375,036	\$ (760,399)	\$ 21,614,637	\$ 6,102,856
Frederick Community College				
Notes payable	\$ 95,966	\$ (95,966)	\$ -	\$ -
Compensated absences	1,147,377	89,529	1,236,906	-
Frederick Community College - Long-term Liabilities	\$ 1,243,343	\$ (6,437)	\$ 1,236,906	\$ -
Frederick County Public Libraries				
Compensated absences	\$ 259,427	\$ 15,991	\$ 275,418	\$ 8,382

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 \$128,286,176 which \$62,286,176 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, 2005.

Any indebtedness authorized by the General Assembly may not be issued until a resolution authorizing the same has been adopted by the Board of County Commissioners.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Governmental Activities Public Facilities Bonds	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/05
Public Facilities Bonds of 1995	General	03/15/95	Due serially to 07/1/2005	5.00-5.20%	\$ 27,162,400	\$ 1,266,447
Public Facilities Refunding Bonds of 1998, Series A (1)	General	10/15/98	Due serially to 07/1/2015	3.30-5.00%	19,346,419	18,694,521
Public Facilities Bonds of 1999 (3)	General	08/15/99	Due serially to 07/1/2009	5.22-5.31%	59,116,000	12,610,249
Public Facilities Bonds of 1999 (3)	Impact Fee	08/15/99	Due serially to 07/1/2009	5.22-5.31%	30,515,000	6,509,265
Public Facilities Bonds of 2000 (3)	General	11/15/00	Due serially to 12/1/2010	5.00%	36,161,520	9,012,756
Public Facilities Bonds of 2000 (3)	Impact Fee	11/15/00	Due serially to 12/1/2010	5.00%	16,653,480	4,150,648
Public Facilities Refunding Bonds of 2001 (5)	General	07/15/01	Due serially to 07/1/2008	3.448-4.00%	6,579,486	4,655,529
Public Facilities Refunding Bonds of 2002, Series A (6)	General	04/01/02	Due serially to 07/1/2016	5.0000%	13,999,267	11,037,049
Public Facilities Bonds of 2002	General	11/01/02	Due serially to 11/1/2022	2.00-4.68%	38,200,000	35,444,895
Public Facilities and Refunding Bonds of 2003	General	09/01/03	Due serially to 08/1/2018	2.00-4.25%	33,013,847	30,884,869
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	2,364,478
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	5,915,294
Public Facilities Refunding Bonds of 2005	General	05/19/05	Due serially to 08/1/2020	3.50-5.00%	62,517,782	62,517,782
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
					<u>\$ 381,304,405</u>	<u>\$ 234,327,973</u>

The annual requirements to amortize governmental activities bond debt as of June 30, 2005 are as follows:

Fiscal Year Ending June 30,	Public Facilities Bonds	
	Principal	Interest
2006	\$ 14,065,014	\$ 9,090,093
2007	14,278,355	9,637,023
2008	14,708,815	9,053,474
2009	15,093,779	8,431,173
2010	15,005,031	7,791,819
2011-2015	74,930,127	29,287,914
2016-2020	74,170,305	11,624,804
2021-2025	12,076,547	692,610
	<u>\$ 234,327,973</u>	<u>\$ 85,608,910</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Business Type Activities	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/05
Public Facilities Bonds						
Public Facilities Bonds of 1995	W&S	03/15/95	07/01/05	5.00-5.20%	\$ 4,000,000	\$ 186,500
Public Facilities Bonds of 1995	SW	03/15/95	07/01/05	5.00-5.20%	8,837,600	412,053
Public Facilities Refunding Bonds of 1998, Series A (1)	W&S	10/15/98	07/01/15	3.30-5.00%	2,849,000	2,753,000
Public Facilities Refunding Bonds of 1998, Series A (1)	SW	10/15/98	07/01/15	3.30-5.00%	6,294,581	6,082,479
Public Facilities Bonds of 1999	W&S	08/15/99	07/01/09	5.22-5.31%	5,159,000	1,100,485
Public Facilities Bonds of 2000	W&S	11/15/00	12/01/10	5.00%	14,185,000	3,535,415
Public Facilities Bonds of 2000	SW	11/15/00	12/01/10	5.00%	5,000,000	1,246,181
Public Facilities Refunding Bonds of 2001 (5)	W&S	07/15/01	07/01/08	3.448-4.00%	8,125,514	5,749,471
Water and Sewer Refunding Bonds of 2002, Series A (6)	W&S	04/01/02	07/01/16	5.00%	8,590,733	6,772,951
Public Facilities Bonds of 2002	W&S	11/01/02	11/01/16	2.00-4.68%	16,680,000	15,476,986
Public Facilities Bonds of 2002	SW	11/01/02	11/01/16	2.00-4.68%	6,820,000	6,328,120
Public Facilities and Refunding Bonds of 2003	W&S	09/01/03	08/01/18	2.00-4.25%	7,216,140	6,640,359
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
					\$ 108,990,596	\$ 71,517,028

NOTES TO FINANCIAL STATEMENTS (Continued)

The annual requirements to amortize business-type bond debt as of June 30, 2005 are as follows:

Fiscal Year Ending June 30,	Public Facilities Bonds	
	Principal	Interest
2006	\$ 5,379,983	\$ 2,817,983
2007	5,361,648	2,796,098
2008	5,506,184	2,584,047
2009	5,576,221	2,359,101
2010	5,134,969	2,143,198
2011-2015	21,419,872	7,774,236
2016-2020	16,744,693	3,485,365
2021-2025	6,393,459	405,362
	<u>\$71,517,029</u>	<u>\$ 24,365,390</u>

3. *Agricultural Preservation Installment Purchase Agreements*

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Amount of Original Issue	Amount Outstanding 6/30/05
Installment Purchase Agreements						
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	05/25/25	4.98%	684,624	670,000
Installment Purchase Agreement #05-30	Ag Pres	03/29/05	05/25/25	4.98%	488,538	388,538
Installment Purchase Agreement #05-31	Ag Pres	03/29/05	05/25/25	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
					\$ 16,379,182	\$ 15,767,333

NOTES TO FINANCIAL STATEMENTS (Continued)

The annual requirements to amortize installment purchase agreement debt as of June 30, 2005 are as follows:

Fiscal Year Ending June 30,	Installment Purchase Agreements	
	Principal	Interest
2006	\$ -	\$ 664,561
2007	-	779,682
2008	-	779,682
2009	-	779,682
2010	-	779,682
2011-2015	4,877,687	3,920,318
2016-2020	637,008	2,860,044
2021-2025	10,252,638	2,342,598
	<u>\$ 15,767,333</u>	<u>\$ 12,906,249</u>

4. Capital Lease Obligations

Primary Government

The County has entered into various lease agreements as lessee for financing the acquisition of numerous pieces of telecommunications, highway, and fire and rescue equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments as of their inception dates.

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 7,435,254
Less: Accumulated depreciation	(1,504,352)
Total:	<u>\$ 5,930,902</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

<u>Ending June 30,</u>	<u>Total Payment</u>
2006	\$ 1,531,781
2007	1,578,080
2008	1,201,146
2009	723,224
2010	185,198
2011	46,300
	<u>5,265,729</u>
Less: amount representing interest	<u>(285,440)</u>
Present value-net minimum lease payments	<u>\$ 4,980,289</u>

Component Unit

The BOE has various capital lease agreements for the purchase of telecommunications equipment, buses and food service equipment. Payments, including interest, during fiscal year 2005 were \$1,187,446 for the telecommunications equipment and \$50,677 for the food service equipment, and \$527,152 for the buses.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Asset:		
Machinery and equipment	\$ 8,662,424	\$ 326,016
Less: Accumulated depreciation	<u>(3,676,109)</u>	<u>(309,983)</u>
Total	<u>\$ 4,986,315</u>	<u>\$ 16,033</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

As of June 30, 2005, the minimum obligation under capital leases were as follows:

	Fiscal Year	Governmental Activities	Business-Type Activities
	2006	\$ 570,574	\$ 50,677
	2007	527,152	50,677
	2008	27,152	24,976
	2009	-	28,389
	2010	-	-
Total Obligations		1,124,878	154,719
Less: Portion representing interest		(69,132)	(15,703)
Present value of lease obligation		\$ 1,055,746	\$ 139,016

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 amounts of \$630,000 under the Maryland Industrial Land Act, Article 83A, Section 5-401 et. seq. of the Maryland Code. The outstanding balance of this loan at June 30, 2005 was \$484,237. 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, 2005 was \$143,389.

Maryland Industrial and Commercial Redevelopment Fund Loans

The County has received a State loan in the amounts 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, 2005 was \$955,577. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

The County has also received a MICRF loan in the amount of \$113,637. The outstanding balance of this loan at June 30, 2005 was \$7,482. The proceeds of this loan were loaned by the County to the Frederick Sports Arena Limited Partnership (the "Partnership") in financing a commercial development project. The loan is a full faith and credit obligation of the County.

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, 2005, is \$494,893. This is a non-interest bearing note. Semi-annual principal payments of \$38,084 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, 2005 is \$5,236,999.

Governmental Activity:

	Amount of Original Issue	Date of Debt Issue	Date of Debt Maturity	Annual Rate/ Payment Frequency	Amount Outstanding 06/30/05
MD Industrial Land Act Loan - Dan Jay LLC	\$ 630,000	02/11/94	02/11/21	5.23%/Quarterly	\$ 484,237
MD Industrial Land Act Loan - State Farm	181,058	06/23/95	06/23/22	5.93%/Quarterly	143,389
MICRF - MedImmune	1,436,502	12/31/97	12/31/16	3.00%/Quarterly	955,577
MICRF - Sport and Ice Arena	113,637	04/01/96	01/01/06	5.50%/Quarterly	7,482
EPA Asbestos School Hazard Abatement	1,370,471	8/5/1992	11/30/11	0.00%/Semi-annually	494,893
Maryland State Retirement System	7,036,995	06/30/93	12/31/13	7.5%/Annually	5,236,999
Total Notes Payable	<u>\$10,768,663</u>				<u>\$ 7,322,577</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

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

	Principal	Interest
2006	\$ 682,851	\$ 422,352
2007	716,577	380,988
2008	760,748	336,817
2009	808,101	289,464
2010	858,871	238,694
2011-2015	3,072,432	424,229
2016-2020	376,245	52,227
2021	46,752	1,382
	<u>\$ 7,322,577</u>	<u>\$ 2,146,153</u>

Business Type Activities:

Maryland Department of the Environment Loans

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

The County has been a participant in the MDE's loan program since fiscal year 1992. As of June 30, 2005, 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 \$15,987,386 for two solid waste loans. As of June 30, 2005, \$28,254,104 of the water and sewer loan proceeds and \$15,803,027 of the solid waste loan proceeds have been drawn. The remaining funds are anticipated to be drawn by the end of fiscal year 2006. The outstanding principal balance on these loans as of June 30, 2005 is \$28,917,293. 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 2005, \$274,575 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 \$49,281 to reflect the variance between estimated and actual costs. This increase is recognized in the \$3,534,297 of additions to landfill closure costs for fiscal year 2005 as previously noted in Note 3.F.1. The total remaining estimated costs for closure and post closure care of Site A is \$4,649,708 as of June 30, 2005. This entire amount is reported as a liability for Site A.

NOTES TO FINANCIAL STATEMENTS

(Continued)

As of June 30, 2005, the Site B landfill had capacity used of 1,560,258 tons which is 64.5% of total capacity of 2,419,980 tons. The total estimated costs for closure and post closure care of Site B is \$15,377,235, and the resulting liability is \$9,914,319, with \$5,462,916 remaining to be recognized. The current operating strategy includes the utilization of a transfer station scheduled to become operational January 2006. 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 \$14,564,027 as of June 30, 2005. 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 May 1, 2005, the County issued the General Obligation Public Facilities Refunding Bonds of 2005 in the amount of \$107,015,000. These bonds carry an average interest rate of 4.885 percent. The gross proceeds of \$117.6 million (including premium and accrued interest were used to advance refund certain maturities in the amount of \$58.5 million of the 1999 Public Facilities Bonds and \$44.5 million of the 2000 Public Facilities Bonds. This issue was also used to currently refund \$3.6 million of the Bond Anticipation Notes (1997 Series, Second Issue). As a result the Bond Anticipation Notes and certain maturities of the 1999 and 2000 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 \$5.4 million (1999 bonds) and \$4.5 million (2000 bonds). These differences are reported in the accompanying financial statements, as a deduction from bonds payable and are being charged to operations through the years 2020 (1999 bonds), and 2021 (2000 bonds). The County uses the effective interest method to amortize this loss. The County completed the refunding to reduce its total debt service payments, through fiscal year 2021, by \$5.4 million and to obtain an economic gain of \$4.3 million.

8. *Prior-Year Defeasance of Debt*

In fiscal year 1999, the County defeased the Public Facilities bonds of 1995 by placing the proceeds of the new bonds, Public Facilities Refunding Bonds of 1998, Series A, in an irrevocable trust to provide for debt service payments on the old bonds, due in the year 2006 and later subject to a call provision and call premium of 1%. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements. As of June 30, 2005, there remains \$25,745,000 of outstanding defeased debt.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

As of June 30, 2005, fund balances were reserved as follows:

	General Fund	Grants Funds	Capital Projects	Other Governmental Funds
Reserved				
For encumbrances	\$ 2,907,914	\$ 292,980	\$ 24,473,841	\$ 98,857
For inventories	405,385	-	-	-
For long-term receivables	254,250	530,601	-	-
For future loans	-	261,162	-	-
For drug investigations	-	-	-	155,269
For Agricultural Preservation	-	-	-	-
Compliance monitoring	-	-	-	148,953
For prepaids	-	-	-	5,575
Total reserved fund balances	<u>\$ 3,567,549</u>	<u>\$ 1,084,743</u>	<u>\$ 24,473,841</u>	<u>\$ 408,654</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.

4

The housing loans receivable shown on the balance sheet are offset by deferred revenue. The deferred revenue represents a combination of Federal, State, and County contributions to the loan program which must be used for specified purposes or returned to the source. Therefore, housing 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, 2005, Unreserved Fund Balance designations are as follows:

	General Fund	Grants Fund	Nonmajor Governmental Funds
Unreserved - Fund Balances Designated for:			
Subsequent years' expenditures	\$ 29,724,224	\$ 670,076	\$ -
Bond rating enhancement	2,150,000	-	-
Capital Projects	-	-	27,961,107
Loans	-	-	1,360,549
Snow Removal	550,000	-	-
Equipment purchases under capital leases	47,872	-	852,100
Inmates purchases	-	-	162,510
Rural Legacy	-	-	2,145,597
IPA debt service	-	-	1,701,079
Total designated fund balances	<u>\$ 32,472,096</u>	<u>\$ 670,076</u>	<u>\$ 34,182,942</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 FY06 budget	\$ 26,481,991
Designated for retiree health plan benefits	2,688,771
Designated for LOSAP (Length of Service Award Program)	553,462
Total General Fund Balance - Unreserved-designated for subsequent years' expenditures	\$ 29,724,224

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

The General Fund has unreserved, undesignated fund balance at June 30, 2005 totaling \$56,594,257. 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, 2005 the required balance is \$15,567,778. The actual balance exceeds the required 5% set-aside, as described above, in the amount of \$41,026,479 and is available as funding source in the County's FY07 budget.

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, 2005, the balance of these reserves are \$90,096,065 (detailed below). These reserves are a part of the \$251,100,511 Net Asset balance.

Reserved for:	\$
Operating Reserves	1,247,119
3 R Reserves	21,573,500
Tap Credits	3,171,077
Working Capital	11,686,481
Cash Funding of Capital Projects	9,903,164
System Development	42,514,724
Total Water and Sewer Reserves	\$ 90,096,065

NOTES TO FINANCIAL STATEMENTS (Continued)

H. Prior Period Adjustments – Restatement of Beginning Fund Balances and Net Assets

The adjustments of the beginning net assets and governmental fund balance amounts were due to the correction of the following items relating to prior years:

Governmental Fund Statements:

	General Fund	Grants Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund balance June 30, 2004 as previously reported	\$ 69,699,377	\$ 1,748,067	\$ 39,290,946	\$ 45,382,314	\$ 156,120,704
Adjustments:					
Understatement of accounts receivable	980,610	-	-	-	980,610
Understatement of accounts payable	-	-	(498,104)	-	(498,104)
Overstatement of due to third parties	575,465	-	-	-	575,465
Understatement of deferred revenues	(980,610)	-	-	-	(980,610)
Fund Balance June 30, 2004 as restated	<u>\$ 70,274,842</u>	<u>\$ 1,748,067</u>	<u>\$ 38,792,842</u>	<u>\$ 45,382,314</u>	<u>\$ 156,198,065</u>

Government-wide Financial Statements:

Net assets June 30, 2004 as previously stated

Adjustments:

Understatement of accounts payable

Overstatement of due to third parties

Net assets June 30, 2004 as restated

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ 214,020,266	\$ 238,323,411	\$ 452,343,677
(498,104)	-	(498,104)
575,465	-	575,465
<u>\$ 214,097,627</u>	<u>\$ 238,323,411</u>	<u>\$ 452,421,038</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4. OTHER INFORMATION

A. Commitments and Contingencies

1. Construction Commitments

As of June 30, 2005, the County had the following commitments with respect to unfinished capital projects:

	Total Project Budget	Total Expenditures	Amount Funded	Required Future Funding
General government	\$ 46,032,245	\$ 16,856,344	\$ 17,090,795	\$ 28,941,450
Roads and bridges	35,685,152	18,364,849	22,186,941	13,498,211
Water and sewer	541,600	-	541,600	-
Parks and recreation	19,175,347	5,713,950	14,579,112	4,596,235
Municipal	5,425,500	5,248,333	1,125,500	4,300,000
Board of Education	163,388,086	108,155,321	92,871,501	70,516,585
Frederick Community College	7,758,120	6,474,169	6,197,490	1,560,630
	<u>\$ 278,006,050</u>	<u>\$ 160,812,966</u>	<u>\$ 154,592,939</u>	<u>\$ 123,413,111</u>

2. Federal Financial Assistance

The County participates in a number of federally assisted programs, principal of which are the Aging, Child Support Enforcement, Transportation, Section 8 Housing, Head start, COPS, and Workforce Investment Act programs. Audits of these programs are conducted pursuant to the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996, and the Federal Office of Management and Budget Circular A-133 (Revised) and OMB Circular A-133 Compliance supplement (2005 revision). The Single Audit Report for the year ended June 30, 2005 is issued under separate cover.

The County also participates in a number of state assisted grant programs. The audits of these programs are in process for the year ended June 30, 2005. The amount, if any, of expenditures that may be disallowed by the federal and state granting agencies, subsequent to the audits, cannot be determined at this time, although it is believed by management that such disallowances, if any, will not be material.

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, 2005.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. *Economic Dependency*

There are several major and non-major enterprise funds that 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 (54.42%), Private Pay Residents (12.66%) and Medicare (15.95%).

The Solid Waste Enterprise Fund has three customers which account for 42.11% of total operating revenues. Two commercial haulers accounted for \$3,726,172, or 32.96%, of the fiscal year 2005 operating revenues. A single municipality accounted for \$1,034,514, or 9.15%, of the fiscal year 2005 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.

The Water and Sewer Enterprise Fund has one commercial customer that accounted for \$1,989,806 or 10.38% of the fiscal year 2005 operating revenues. This customer notified their workforce in October 2005 that the facility may be shutting down and laying off its employees.

5. *Risk Management*

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

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

6. *Contingent Liability*

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

B. Arbitrage Rebate Requirements

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2005.

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:

Payee	Amount of Original Issue	Date of Debt		Interest Rate	Payment Frequency	Amount Outstanding 6/30/2005	
		Issue	Maturity				
MedImmune	\$ 1,090,000	10/30/98	11/01/08	7.20%	Annually	\$	603,778
Emergent Biologics	300,000	03/31/05	12/01/10	4.08%	Annually		300,000
Toys'R-Us	1,890,094	09/26/96	09/15/18	8.16%	Annually		1,523,043
	<u>\$ 3,280,094</u>					\$	<u>2,426,821</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, 2005, 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	51	209	-	-
Terminated employees entitled to benefits	-	-	21	97
Active employees	431	1,321	-	-

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 FY2005 was 14.6%. 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, (b) projected salary increases from 4.00% to 10.00% per year compounded annually, including a 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 FY2004, caused primarily by investment performance, which was less than the assumption for four out of the last five fiscal years.

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, 2005 there are two plan change bases which are currently outstanding – the COLA plan change (23 years remaining) and the July 1, 2000 plan improvements for all employees (25 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:

Fiscal Year	Annual Pension Cost	Percentage Contributed	Net	
			Pension Obligation	
2005	\$ 9,785,642	100%	\$	0
2004	8,459,701	100		0
2003	7,388,514	100		0

At June 30, 2005, the plan's reserve for employees' retirement system was \$136,757,868, 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, 2005 was \$5,236,999. Interest and principal payments due to maturity as of June 30, 2005, are \$6,898,752. The County has chosen to make 8 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:

Fiscal Year	Required Contribution	Actual Contribution	Percentage Contribution
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, 2005, the State paid \$276,671 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 \$15,511,293 in fiscal year 2005. 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. As of June 30, 2005 no contributions had been made to the plan.

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 \$965,270. 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 FY2005 were \$555,473. 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 2005, LOSAP provided 96 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 \$217,808 in fiscal year 2005 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, 397 retirees are receiving post-employment health care benefits. It is estimated that less than 10 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 \$2,070,641 were recognized for post-employment health care.

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 2005 approximately 28.38 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 457 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. Component Unit Self-Insurance Fund Deficit

At June 30, 2005, the Self-Insurance Fund of the Board of Education has a deficit in total net assets of \$566,081. This deficit is expected to be eliminated during fiscal year 2006 since approved premiums were established to exceed anticipated expenses by \$850,000. These increased premiums will be shared by FCPS employees, retirees and the Board of Education.

H. Subsequent Events

The County sold General Obligation Public Facilities Bonds of 2005 on November 29, 2005 totaling \$102,320,000. The Bonds are being used to finance Board of Education, Community College, General Government, Roads & Bridges, Parks & Recreation, Parking Deck, Solid Waste Facilities and Water & Sewer Facilities.

I. New Governmental Accounting Standards Board (GASB) Standard

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, is effective for the County for the fiscal year ending June 30, 2005. Statement No. 40 amends GASB Statement No. 3 which modifies and expands existing disclosure requirements for deposits and investments. In accordance with the implementation of GASB Statement No. 40, Note 3.A.2 Cash, Investments and Equity in Pooled Cash, Investments has been modified.



In the mid 1700's, the Jefferson area made it's beginning as a farming village. Picturesque mountain ranges make for a magnificent backdrop behind this local farm. The view of the mountain is visible from most locations in this area. Frederick County is the largest geographic county in Maryland and ranks high in dairy production.

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 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
		Actuarial Accrued Liability	Percentage of the Actuarial Accrued Liability			
07/01/99	\$ 60,012,213	\$ 61,819,803	97.1 %	\$ 1,807,590	\$ 39,418,141	4.6 %
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

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.

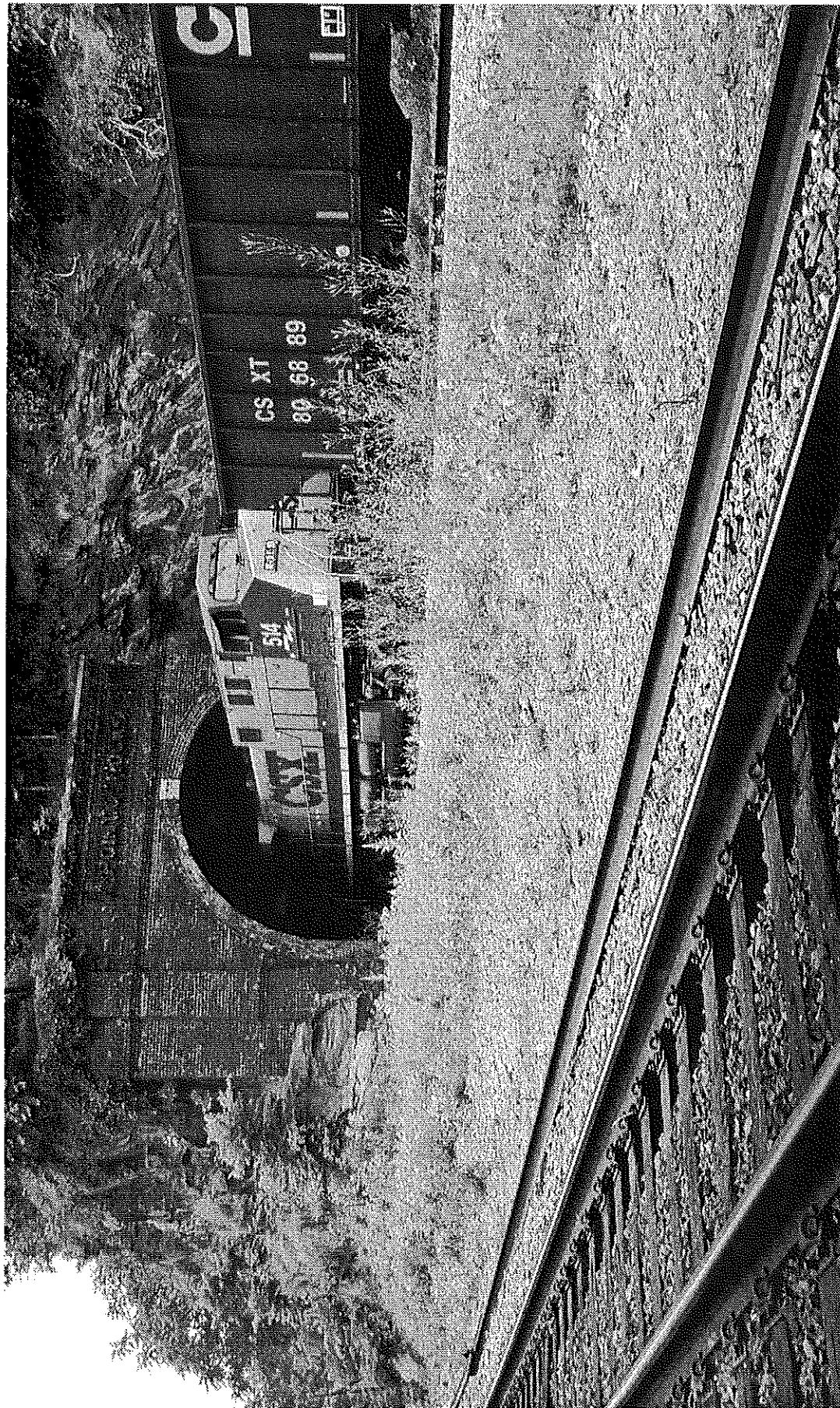
FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES
LAST SIX FISCAL YEARS

Fiscal Year	Annual Required Contribution (ARC)	ARC Recognized in Plan Financial Statements	Percentage Recognized
2000	\$ 4,106,355	\$ 4,106,355	100 %
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

*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 fund, as well as information on capital assets used in the operation of governmental funds.



The Baltimore and Ohio Railroad and the Chesapeake and Ohio Canal Company fought in a legal battle for four years over the right-of-way of a narrow strip of land between the Potomac River and the Catoctin Mountain chain. In 1832 the canal company won the court battle but needed financial help from the railroad to continue with construction. A compromise was reached allowing the B&O to build beside the canal between Harper's Ferry and Point of Rocks. A tunnel dated 1902 is still in use by the railroad today.

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue Funds							Citizens Care & Rehabilitation Center Building	Sheriff's Activities	Loan Activities	Total Nonmajor Governmental Funds (See Exhibit II-A-3)
	Fire/Rescue Tax Districts	Agricultural Preservation	Impact Fees	Development Road Improvement	Electric Lighting Tax Districts	Parks Acquisition & Development	Hotel Rental Tax				
Assets											
Cash	\$ -	\$ 98,676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 245,417	\$ -	\$ 344,093
Equity in pooled invested cash	5,730,932	19,507,386	16,090,995	1,296,117	24,683	7,397,078	80,974	1,433,204	222,090	1,238,953	53,022,412
Total cash and cash equivalents	5,730,932	19,606,062	16,090,995	1,296,117	24,683	7,397,078	80,974	1,433,204	467,507	1,238,953	53,366,505
Investments	-	8,469,049	1,855,920	-	-	-	-	-	-	-	10,324,969
Receivables, net of allowance for uncollectibles:											
Property taxes	66,969	-	-	-	86	-	-	-	-	-	67,055
Accounts	236,371	-	-	-	-	-	91,755	-	65,044	4,698	397,868
Prepays	-	5,575	-	-	-	-	-	-	-	-	5,575
Long term receivables, net of allowance for uncollectibles:											
MILAMICRF loans	-	-	-	-	-	-	-	-	-	1,488,108	1,488,108
Fire/ Rescue loans	-	-	-	-	-	-	-	-	-	125,275	125,275
Non-Profit Organization loans	-	-	-	-	-	-	-	-	-	103,635	103,635
Small business loans	-	-	-	-	-	-	-	-	-	90,346	90,346
Cash and cash equivalents - restricted	866,026	-	-	-	-	-	-	-	-	-	866,026
Total assets	\$ 6,900,298	\$ 28,080,686	\$ 17,946,915	\$ 1,296,117	\$ 24,769	\$ 7,397,078	\$ 172,729	\$ 1,433,204	\$ 532,551	\$ 3,051,015	\$ 66,835,362
Liabilities and fund balance											
Liabilities											
Accounts payable	\$ 693	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,816	\$ -	\$ 14,509
Accrued liabilities	1,069,903	19,168	124,707	-	390	-	172,729	-	-	653	1,387,550
Due to third parties	81,845	-	-	-	-	-	-	-	137,447	-	219,292
Due to other governmental units	-	95,924	-	-	-	-	-	-	-	-	95,924
Due to other funds	-	-	-	-	-	-	-	-	63,509	-	63,509
Other liabilities	353	-	-	-	-	-	-	-	-	1,439,813	1,440,166
Deferred revenue	56,960	2,249,812	-	-	-	-	-	-	-	250,000	2,556,772
Total liabilities	1,208,754	2,364,904	124,707	-	390	-	172,729	-	214,772	1,690,466	5,777,722
Fund balances											
Reserved for:											
Encumbrances	98,857	-	-	-	-	-	-	-	-	-	98,857
Drug investigations	-	-	-	-	-	-	-	-	155,269	-	155,269
Ag Pres Compliance Monitoring	-	148,953	-	-	-	-	-	-	-	-	148,953
Prepays	-	5,575	-	-	-	-	-	-	-	-	5,575
Unreserved, designated for:											
Capital projects	12,500	-	17,822,208	1,296,117	-	7,397,078	-	1,433,204	-	-	27,961,107
Equipment purchases under capital leases	852,100	-	-	-	-	-	-	-	-	-	852,100
Inmates purchases	-	-	-	-	-	-	-	-	162,510	-	162,510
Rural legacy	-	2,145,597	-	-	-	-	-	-	-	-	2,145,597
IPA Debt Service	-	7,742,200	-	-	-	-	-	-	-	-	7,742,200
Loans	-	-	-	-	-	-	-	-	-	1,360,549	1,360,549
Unreserved, undesignated	4,727,087	15,673,457	-	-	24,379	-	-	-	-	-	20,424,923
Total fund balance	5,690,544	25,715,782	17,822,208	1,296,117	24,379	7,397,078	-	1,433,204	317,779	1,360,549	61,057,640
Total liabilities and fund balance	\$ 6,900,298	\$ 28,080,686	\$ 17,946,915	\$ 1,296,117	\$ 24,769	\$ 7,397,078	\$ 172,729	\$ 1,433,204	\$ 532,551	\$ 3,051,015	\$ 66,835,362

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
SHERIFF'S ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2005

	Sheriff's Drug Enforcement	Sheriff's Office Fund	Narcotics Task Force	Inmates Canteen	Total Sheriff's Activities
Assets					
Cash	\$ 44,461	\$ 63,509	\$ -	\$ 137,447	\$ 245,417
Equity in pooled invested cash	34,020	-	59,230	128,840	222,090
Total cash and cash equivalents	78,481	63,509	59,230	266,287	467,507
Receivables, net of allowance for uncollectibles:					
Accounts	-	-	17,558	47,486	65,044
Total assets	\$ 78,481	\$ 63,509	\$ 76,788	\$ 313,773	\$ 532,551
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 13,816	\$ 13,816
Due to third parties	-	-	-	137,447	137,447
Due to other funds	-	63,509	-	-	63,509
Total liabilities	-	63,509	-	151,263	214,772
Fund balances					
Reserved for drug investigations					
Federal	34,020	-	41,047	-	75,067
Non-federal	44,461	-	35,741	-	80,202
Unreserved, designated for inmate purchases	-	-	-	162,510	162,510
Total fund balance	78,481	-	76,788	162,510	317,779
Total liabilities and fund balance	\$ 78,481	\$ 63,509	\$ 76,788	\$ 313,773	\$ 532,551

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
LOAN ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2005

	Non-Profit Organizations Loans	Fire/Rescue Loans	Economic Development Loans	Total Loan Activities
Assets				
Equity in pooled invested cash	\$ 206,365	\$ 563,757	\$ 468,831	\$ 1,238,953
Total cash and cash equivalents	206,365	563,757	468,831	1,238,953
Accounts	-	4,698	-	4,698
MILAMICRF loans	-	-	1,488,108	1,488,108
Fire/ Rescue loans	-	125,275	-	125,275
Non-Profit Organization loans	103,635	-	-	103,635
Small business loans	-	-	90,346	90,346
Total assets	\$ 310,000	\$ 693,730	\$ 2,047,285	\$ 3,051,015
Liabilities and fund balance				
Liabilities				
Accrued liabilities	\$ -	\$ -	\$ 653	\$ 653
Other liabilities	-	-	1,439,813	1,439,813
Deferred revenue	-	-	250,000	250,000
Total liabilities	-	-	1,690,466	1,690,466
Fund balances				
Unreserved, designated for:				
Loans	310,000	693,730	356,819	1,360,549
Total fund balance	310,000	693,730	356,819	1,360,549
Total liabilities and fund balance	\$ 310,000	\$ 693,730	\$ 2,047,285	\$ 3,051,015

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Special Revenue Funds										Total Nonmajor Governmental Funds (See Exhibit II-A-5)
	Fire/Rescue Tax Districts	Agricultural Preservation	Impact Fees	Development Road Improvement	Electric Lighting Tax Districts	Parks Acquisition & Development	Hotel Rental Tax	Citizens Care & Rehabilitation Center Building	Sheriff's Activities	Loan Activities	
Revenues											
Fire tax levy	\$ 15,691,837	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,691,837
Lighting tax levy	-	-	-	-	14,515	-	-	-	-	-	14,515
Other local taxes	-	6,008,788	12,418,948	2,181,761	-	5,966,330	808,334	1,980,031	-	-	29,364,192
Grants from state government	-	335,335	-	-	-	-	-	-	-	65,000	400,335
Charges for services	1,670,875	-	-	-	-	-	-	-	429,738	1,400	2,102,013
Fines and forfeitures	-	-	-	-	-	-	-	-	160,372	-	160,372
Interest from loans	-	-	-	-	-	-	-	-	-	11,078	11,078
Investment earnings	174,260	1,608,449	563,356	102,726	566	316,153	-	22,773	5,119	21,563	2,814,965
Total revenues	<u>17,536,972</u>	<u>7,952,572</u>	<u>12,982,304</u>	<u>2,284,487</u>	<u>15,081</u>	<u>6,282,483</u>	<u>808,334</u>	<u>2,002,804</u>	<u>595,229</u>	<u>99,041</u>	<u>50,559,307</u>
Expenditures											
General government	-	-	-	-	-	-	-	-	14,145	-	14,145
Public safety	16,419,924	-	-	-	-	-	-	-	511,946	-	16,931,870
Public works	-	-	-	-	11,998	-	-	-	-	-	11,998
Conservation of natural resources	-	1,054,344	-	-	-	-	-	-	-	-	1,054,344
Economic development and opportunity	-	-	-	-	-	-	808,334	-	-	67,235	875,569
Debt service	665,881	356,298	4,298,200	-	-	-	-	-	-	-	5,320,379
Total expenditures	<u>17,085,805</u>	<u>1,410,642</u>	<u>4,298,200</u>	-	<u>11,998</u>	-	<u>808,334</u>	-	<u>526,091</u>	<u>67,235</u>	<u>24,208,305</u>
Excess (deficiency) of revenues over expenditures	451,167	6,541,930	8,684,104	2,284,487	3,083	6,282,483	-	2,002,804	69,138	31,806	26,351,002
Other financing sources (uses)											
Transfers in from general fund	-	1,062,359	-	-	-	-	-	-	-	-	1,062,359
Transfers out to capital projects fund	170,274	-	(5,058,130)	(2,524,810)	-	(4,802,240)	-	(569,600)	-	-	(12,954,780)
Proceeds from refunding bonds	-	-	29,264,190	-	-	-	-	-	-	-	29,264,190
Payment to refunded bond escrow agent	-	-	(31,943,547)	-	-	-	-	-	-	-	(31,943,547)
Bond premium on public facilities and refunding bonds	-	-	2,855,728	-	-	-	-	-	-	-	2,855,728
Proceeds of capital lease	852,100	-	-	-	-	-	-	-	-	-	852,100
Sale of capital assets	18,000	-	-	-	-	-	-	-	-	-	18,000
Total other financing sources (uses)	<u>1,040,374</u>	<u>1,062,359</u>	<u>(4,881,759)</u>	<u>(2,524,810)</u>	-	<u>(4,802,240)</u>	-	<u>(569,600)</u>	-	-	<u>(10,675,676)</u>
Net change in fund balances	1,491,541	7,604,289	3,802,345	(240,323)	3,083	1,480,243	-	1,433,204	69,138	31,806	15,675,326
Fund balance July 1	4,199,003	18,111,493	14,019,863	1,536,440	21,296	5,916,835	-	-	248,641	1,328,743	45,382,314
Fund balance June 30	<u>\$ 5,690,544</u>	<u>\$ 25,715,782</u>	<u>\$ 17,822,208</u>	<u>\$ 1,296,117</u>	<u>\$ 24,379</u>	<u>\$ 7,397,078</u>	<u>\$ -</u>	<u>\$ 1,433,204</u>	<u>\$ 317,779</u>	<u>\$ 1,360,549</u>	<u>\$ 61,057,640</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SHERIFF'S ACTIVITIES - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Sheriff's Drug Enforcement	Sheriff's Office Fund	Narcotics Task Force	Inmates Canteen	Total Sheriff's Activities
Revenues					
Charges for services	\$ -	\$ 14,145	\$ -	\$ 415,593	\$ 429,738
Fines and forfeitures	75,219	-	85,153	-	160,372
Investment earnings	364		1,096	3,659	5,119
Total revenues	<u>75,583</u>	<u>14,145</u>	<u>86,249</u>	<u>419,252</u>	<u>595,229</u>
Expenditures					
General government	-	14,145	-	-	14,145
Public safety	38,179	-	41,911	431,856	511,946
Total expenditures	<u>38,179</u>	<u>14,145</u>	<u>41,911</u>	<u>431,856</u>	<u>526,091</u>
Excess (deficiency) of revenues over expenditures	<u>37,404</u>	<u>-</u>	<u>44,338</u>	<u>(12,604)</u>	<u>69,138</u>
Net change in fund balances	37,404	-	44,338	(12,604)	69,138
Fund balance July 1	<u>41,077</u>	<u>-</u>	<u>32,450</u>	<u>175,114</u>	<u>248,641</u>
Fund balance June 30	<u>\$ 78,481</u>	<u>\$ -</u>	<u>\$ 76,788</u>	<u>\$ 162,510</u>	<u>\$ 317,779</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, 2005

	Non-Profit Organizations Loans	Fire/Rescue Loans	Economic Development Loans	Total Loan Activities
Revenues				
Grants from state government	\$ -	\$ -	\$ 65,000	\$ 65,000
Charges for services	-	-	1,400	1,400
Interest from loans	-	6,642	4,436	11,078
Investment earnings	-	11,718	9,845	21,563
Total revenues	-	18,360	80,681	99,041
Expenditures				
Economic development and public housing	-	-	67,235	67,235
Total expenditures	-	-	67,235	67,235
Excess (deficiency) of revenues over expenditures	-	18,360	13,446	31,806
Net change in fund balances	-	18,360	13,446	31,806
Fund balance July 1	310,000	675,370	343,373	1,328,743
Fund balance June 30	\$ 310,000	\$ 693,730	\$ 356,819	\$ 1,360,549

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, 2005

	Fire/Rescue Tax Districts			Agricultural Preservation			Impact Fees	
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual
Revenues								
Fire tax levy	\$ 15,179,309	\$ 15,691,837	\$ 512,528	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	3,646,430	6,008,788	2,362,358	12,082,208	12,418,948
Grants from state government	-	-	-	833,722	335,335	(498,387)	-	-
Charges for services	1,439,754	1,670,875	231,121	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-
Investment earnings	56,750	174,260	117,510	116,294	1,608,449	1,492,155	387,509	563,356
Total revenues	16,675,813	17,536,972	861,159	4,586,446	7,952,572	3,356,126	12,469,717	12,982,304
Expenditures								
Public safety	17,647,321	16,634,005	1,013,316	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	6,742,191	1,054,344	5,687,847	-	-
Economic development and opportunity	-	-	-	-	-	-	-	-
Debt service	932,504	665,881	266,623	500,000	356,298	143,702	5,565,073	4,298,200
Total expenditures	18,579,825	17,299,886	1,279,939	7,242,191	1,410,642	5,831,549	5,565,073	4,298,200
Excess (deficiency) of revenues over expenditures	(1,904,012)	237,086	2,141,098	(2,645,745)	6,541,930	9,187,675	6,904,644	8,684,104
Other financing sources (uses)								
Appropriated fund balance	881,638	680,000	(201,638)	1,583,386	3,597,846	2,014,460	-	-
Transfers in from general fund	170,274	170,274	-	1,062,359	1,062,359	-	-	-
Transfers out to capital projects fund	-	-	-	-	-	-	(5,058,130)	(5,058,130)
Proceeds from refunding bonds	-	-	-	-	-	-	29,264,272	29,264,190
Payment to refunded bond escrow agent	-	-	-	-	-	-	(31,967,230)	(31,943,547)
Bond premium on public facilities and refunding bonds	-	-	-	-	-	-	2,855,728	2,855,728
Proceeds of capital leases	852,100	852,100	-	-	-	-	-	-
Sale of capital assets	-	18,000	18,000	-	-	-	-	-
Total other financing sources (uses)	1,904,012	1,720,374	(183,638)	2,645,745	4,660,205	2,014,460	(4,905,360)	(4,881,759)
Net change in fund balances	\$ -	\$ 1,957,460	\$ 1,957,460	\$ -	\$ 11,202,135	\$ 11,202,135	\$ 1,999,284	\$ 3,802,345
Fund balance July 1		4,199,003			18,111,493			14,019,863
Net change in reserves and adjustments to GAAP basis		(465,919)			(3,597,846)			-
Fund balance June 30		\$ 5,690,544			\$ 25,715,782			\$ 17,822,208

(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, 2005

	Hotel Rental Tax Fund			Citizens Care & Rehabilitation Center Building			Economic Development Loan Fund		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
Revenues									
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	-	-	-
Other local taxes	687,500	808,334	120,834	1,107,140	1,980,031	872,891	-	-	-
Grants from state government	-	-	-	-	-	-	208,650	65,000	(143,650)
Charges for services	-	-	-	-	-	-	-	1,400	1,400
Interest from loans	-	-	-	-	-	-	-	4,436	4,436
Investment earnings	-	-	-	-	22,773	22,773	-	9,845	9,845
Total revenues	687,500	808,334	120,834	1,107,140	2,002,804	895,664	208,650	80,681	(127,969)
Expenditures									
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Economic development and opportunity	687,500	808,334	(120,834)	-	-	-	453,861	67,235	386,626
Debt service	-	-	-	-	-	-	-	-	-
Total expenditures	687,500	808,334	(120,834)	-	-	-	453,861	67,235	386,626
Excess (deficiency) of revenues over expenditures	-	-	-	1,107,140	2,002,804	895,664	(245,211)	13,446	258,657
Other financing sources (uses)									
Appropriated fund balance	-	-	-	-	-	-	245,211	-	(245,211)
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	(569,600)	(569,600)	-	-	-	-
Proceeds from refunding bonds	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-
Bond premium on public facilities and refunding bonds	-	-	-	-	-	-	-	-	-
Proceeds of capital leases	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(569,600)	(569,600)	-	245,211	-	(245,211)
Net change in fund balances	\$ -	\$ -	\$ -	\$ 537,540	1,433,204	895,664	-	13,446	13,446
Fund balance July 1	-	-	-	-	-	-	-	343,373	-
Net change in reserves and adjustments to GAAP basis	-	-	-	-	-	-	-	-	-
Fund balance June 30	\$ -	\$ -	\$ -	\$ 537,540	1,433,204	895,664	\$ -	\$ 356,819	\$ -

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
SPECIAL REVENUE FUNDS
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Development Road Improvement			Electric Lighting Tax Districts			Parks Acquisition & Development		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
Revenues									
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	-	-	-
Other local taxes	1,300,000	2,181,761	881,761	13,500	14,515	1,015	3,321,430	5,966,330	2,644,900
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	-	102,726	102,726	-	566	566	-	316,153	316,153
Total revenues	1,300,000	2,284,487	984,487	13,500	15,081	1,581	3,321,430	6,282,483	2,961,053
Expenditures									
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	13,600	11,998	1,602	-	-	-
Economic development and opportunity	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	13,600	11,998	1,602	-	-	-
Excess (deficiency) of revenues over expenditures	1,300,000	2,284,487	984,487	(100)	3,083	3,183	3,321,430	6,282,483	2,961,053
Other financing sources (uses)									
Appropriated fund balance	-	-	-	-	-	-	-	-	-
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	(2,524,810)	(2,524,810)	-	-	-	-	(4,802,240)	(4,802,240)	-
Proceeds from refunding bonds	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-
Bond premium on public facilities and refunding bonds	-	-	-	-	-	-	-	-	-
Proceeds of capital leases	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(2,524,810)	(2,524,810)	-	-	-	-	(4,802,240)	(4,802,240)	-
Net change in fund balances	\$ (1,224,810)	\$ (240,323)	\$ 984,487	\$ (100)	\$ 3,083	\$ 3,183	\$ (1,480,810)	\$ 1,480,243	\$ 2,961,053
Fund balance July 1		1,536,440			21,296			5,916,835	
Net change in reserves and adjustments to GAAP basis		-			-			-	
Fund balance June 30	\$ 1,296,117			\$ 1,296,117	\$ 24,379			\$ 7,397,078	

(continued)

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2005

	Business-type Activities-Enterprise Funds				Total Nonmajor Proprietary Funds (See Exhibit II-A-9)
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review	
Assets					
Current assets:					
Cash	\$ 49,918	\$ 24,462	\$ 212,465	\$ 75,450	\$ 362,295
Equity in pooled invested cash	1,702,292	500,817	30,452	1,508,043	3,741,604
Total cash and cash equivalents	<u>1,752,210</u>	<u>525,279</u>	<u>242,917</u>	<u>1,583,493</u>	<u>4,103,899</u>
Receivables, net of allowance for uncollectible accounts	1,413,051	21,565	-	-	1,434,616
Inventories	51,828	-	-	-	51,828
Total current assets	<u>3,217,089</u>	<u>546,844</u>	<u>242,917</u>	<u>1,583,493</u>	<u>5,590,343</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	1,234,423	94,000	-	725,261	2,053,684
Accumulated depreciation	(3,292,130)	(1,449,999)	(469,471)	(108,252)	(5,319,852)
Total noncurrent assets	<u>1,261,616</u>	<u>905,783</u>	<u>1,540,609</u>	<u>4,703,556</u>	<u>8,411,564</u>
Total assets	<u>4,478,705</u>	<u>1,452,627</u>	<u>1,783,526</u>	<u>6,287,049</u>	<u>14,001,907</u>
Liabilities					
Current liabilities:					
Accounts payable	5,124	2,138	-	3,750	11,012
Accrued expenses	630,557	78,238	4,847	183,181	896,823
Due to other funds	2,964,574	-	-	2,550,597	5,515,171
Deferred revenues	-	6,389	-	1,217,138	1,223,527
Security deposits	-	-	8,174	-	8,174
Other liabilities	48,160	19,501	-	-	67,661
Current portion of compensated absences	69,972	15,033	-	10,760	95,765
Total current liabilities	<u>3,718,387</u>	<u>121,299</u>	<u>13,021</u>	<u>3,965,426</u>	<u>7,818,133</u>
Noncurrent liabilities:					
Liability for compensated absences	275,320	53,563	-	188,891	517,774
Total noncurrent liabilities	<u>275,320</u>	<u>53,563</u>	<u>-</u>	<u>188,891</u>	<u>517,774</u>
Total liabilities	<u>3,993,707</u>	<u>174,862</u>	<u>13,021</u>	<u>4,154,317</u>	<u>8,335,907</u>
Net Assets					
Invested in capital assets	1,261,616	905,783	1,540,609	-	3,708,008
Restricted	-	-	229,896	-	229,896
Unrestricted	(776,618)	371,982	-	2,132,732	1,728,096
Total net assets	<u>\$ 484,998</u>	<u>\$ 1,277,765</u>	<u>\$ 1,770,505</u>	<u>\$ 2,132,732</u>	<u>\$ 5,666,000</u>



The Tea Room, located in Gambrill State Park, is a popular location for receptions and reunions. Built in the 1930's by the Civilian Conservation Corps, the building features native stone and a spectacular view overlooking Braddock Heights. The stone exterior, fireplace, two decks and a walkway along with a wooden roof and timber frame contribute to a delightful atmosphere for special occasions.

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Business-type Activities-Enterprise Funds				Total Nonmajor Proprietary Funds (See Exhibit II-A-10)
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review	
Operating revenues					
Charges for health care services, net of contractual adjustments	\$ 9,471,455	\$ 664,431	\$ -	\$ -	\$ 10,135,886
License and permit revenue	-	-	-	2,861,910	2,861,910
Fee revenue	-	-	-	1,517,945	1,517,945
Rental charges	-	-	82,008	-	82,008
Total net charges for services	9,471,455	664,431	82,008	4,379,855	14,597,749
Other revenues	90,113	200	35	400	90,748
Total operating revenues	9,561,568	664,631	82,043	4,380,255	14,688,497
Operating expenses					
Personal services	8,093,431	1,220,706	1,685	3,255,581	12,571,403
Operating expenses (including administrative overhead)	2,125,475	649,244	29,740	756,136	3,560,595
Supplies	993,243	109,658	-	26,827	1,129,728
Repairs and maintenance	24,686	10,078	13,302	-	48,066
Depreciation expense	130,744	43,829	62,596	108,252	345,421
Total operating expenses	11,367,579	2,033,515	107,323	4,146,796	17,655,213
Operating income (loss)	(1,806,011)	(1,368,884)	(25,280)	233,459	(2,966,716)
Nonoperating revenues (expenses)					
Donations	37,867	1,060	-	-	38,927
Interest income	-	12,342	1,328	16,822	30,492
Miscellaneous income (expense)	-	-	-	5,388	5,388
Total nonoperating revenues (expenses)	37,867	13,402	1,328	22,210	74,807
Net income (loss) before transfers	(1,768,144)	(1,355,482)	(23,952)	255,669	(2,891,909)
Capital contributions	-	-	-	725,261	725,261
Transfers in	1,993,643	1,007,892	-	867,200	3,868,735
Total contributions and transfers	1,993,643	1,007,892	-	1,592,461	4,593,996
Change in net assets	225,499	(347,590)	(23,952)	1,848,130	1,702,087
Restated net assets - July 1	259,499	1,625,355	1,794,457	284,602	3,963,913
Net assets - June 30	484,998	1,277,765	1,770,505	2,132,732	5,666,000

**FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review	Total Nonmajor Proprietary Funds (See Exhibit II-A-11)
Cash flows from operating activities					
Cash received from patients, residents, and customers	\$ 9,117,647	\$ 628,143	\$ 82,008	\$ 4,937,198	\$ 14,764,996
Cash received from interfund services	1,749,867	7,858	-	2,550,597	4,308,322
Cash paid to suppliers	(3,147,934)	(764,063)	(42,159)	(791,004)	(4,745,160)
Cash paid to employees	(7,999,422)	(1,214,730)	-	(3,232,392)	(12,446,544)
Other	189,607	-	35	-	189,642
Net cash provided (used) by operating activities	(90,235)	(1,342,792)	39,884	3,464,399	2,071,256
Cash flows from noncapital financing activities					
Transfers in	1,993,643	1,007,892	-	867,200	3,868,735
Cash received from donations	37,867	1,060	-	-	38,927
Cash received from (paid to) patient and resident funds	4,592	2,141	-	-	6,733
Cash received from (paid to) memorial and employee funds	(488)	(248)	-	-	(736)
Net cash provided (used) by noncapital financing activities	2,035,614	1,010,845	-	867,200	3,913,659
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(238,695)	-	-	(4,086,547)	(4,325,242)
Net cash provided (used) by capital & related financing activities	(238,695)	-	-	(4,086,547)	(4,325,242)
Cash flows from investing activities					
Interest received on investments	-	12,342	1,328	16,822	30,492
Net cash provided (used) by investing activities	-	12,342	1,328	16,822	30,492
Net increase in cash and cash equivalents	1,706,684	(319,605)	41,212	261,874	1,690,165
Cash and cash equivalents, July 1	45,526	844,884	201,705	1,321,619	2,413,734
Cash and cash equivalents, June 30	\$ 1,752,210	\$ 525,279	\$ 242,917	\$ 1,583,493	\$ 4,103,899

(continued)

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review	Total Nonmajor Proprietary Funds (See Exhibit II-A-11)
Operating income (loss)	\$ (1,806,011)	\$ (1,368,884)	\$ (25,280)	\$ 233,459	\$ (2,966,716)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	130,744	43,830	62,596	108,252	345,422
Miscellaneous non operating loss	-	-	-	5,388	5,388
Change in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(190,326)	(14,641)	-	1,528	(203,439)
Bad debt allowance	12,963	8,143	-	-	21,106
Inventory	(18,671)	-	-	-	(18,671)
Increase (decrease) in:					
Accounts payable	(172,938)	(20,680)	-	(2,401)	(196,019)
Accrued expenses	188,395	6,645	2,588	7,424	205,052
Deferred revenues	-	-	-	550,027	550,027
Liability for compensated leave	15,630	2,320	-	10,125	28,075
Due to other funds	1,749,867	-	-	2,550,597	4,300,464
Other liabilities	112	475	-	-	587
Security deposits	-	-	(20)	-	(20)
Net cash provided (used) by operating activities	\$ (90,235)	\$ (1,342,792)	\$ 39,884	\$ 3,464,399	\$ 2,071,256

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, 2005

	Project Budget	Prior Years	Current Year Actual	Total To Date	Variance - Positive (Negative)
Revenues					
Grants from federal government					
Grants from state government:	\$ 4,981,534	\$ (145,510)	\$ 872,972	\$ 727,462	\$ (4,254,072)
Highways	2,302,000	(85,521)	85,521	-	(2,302,000)
Program open space	1,660,945	(7,785)	7,785	-	(1,660,945)
Detention center	3,200,570	442,923	1,157,544	1,600,467	(1,600,103)
Miscellaneous grants	486,132	-	29,057	29,057	(457,075)
Other	894,025	696,263	396,428	1,092,691	198,666
Total revenues	<u>13,525,206</u>	<u>900,370</u>	<u>2,549,307</u>	<u>3,449,677</u>	<u>(10,075,529)</u>
Expenditures					
Board of Education	163,388,086	81,649,222	26,506,099	108,155,321	55,232,765
General government	46,032,245	6,592,251	10,264,093	16,856,344	29,175,901
Roads and bridges	35,685,152	4,680,135	13,684,714	18,364,849	17,320,303
Water and sewer	541,600	-	-	-	541,600
Parks and recreation	19,175,347	992,131	4,721,819	5,713,950	13,461,397
Municipal	5,425,500	755,506	4,492,827	5,248,333	177,167
Frederick Community College	7,758,120	6,144,383	329,786	6,474,169	1,283,951
Repayment of bond anticipation notes	-	-	4,542,987	4,542,987	(4,542,987)
Total expenditures	<u>278,006,050</u>	<u>100,813,628</u>	<u>64,542,325</u>	<u>165,355,953</u>	<u>112,650,097</u>
Excess (deficiency) of revenues over expenditures	<u>(264,480,844)</u>	<u>(99,913,258)</u>	<u>(61,993,018)</u>	<u>(161,906,276)</u>	<u>102,574,568</u>
Other financing sources (uses)					
Transfers in from general fund	38,442,247	22,016,623	16,425,624	38,442,247	-
Transfers in from impact fees fund	22,561,060	17,502,930	5,058,130	22,561,060	-
Transfers in from parks acquisition & development fund	10,863,908	6,061,669	4,802,240	10,863,909	1
Transfers in from special tax district	272,862	272,862	-	272,862	-
Transfers in from development road improvement fund	5,361,810	2,837,000	2,524,810	5,361,810	-
Transfers in from citizens care & rehabilitation center building	569,600	-	569,600	569,600	-
Transfers out to citizens care & rehabilitation center building	(175,000)	-	(175,000)	(175,000)	-
Proceeds from public facilities and refunding bonds	186,584,357	77,789,761	-	77,789,761	(108,794,596)
Total other financing sources (uses)	<u>264,480,844</u>	<u>126,480,845</u>	<u>29,205,404</u>	<u>155,686,249</u>	<u>(108,794,595)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 26,567,587</u>	<u>(32,787,614)</u>	<u>\$ (6,220,027)</u>	<u>\$ (6,220,027)</u>
Net change in reserves and adjustment to GAAP basis			8,810,363		
Fund balance - beginning, as restated			38,792,842		
Fund balance - ending			<u>\$ 14,815,591</u>		

FREDERICK COUNTY, MARYLAND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Tax Agency Fund				
Assets				
Cash and cash equivalents	\$ 565,950	\$ 1,500,595	\$ 1,974,884	\$ 91,661
Equity in pooled invested cash	-	6,829	-	6,829
Accounts receivable	-	2,854	-	2,854
Total Assets	<u>\$ 565,950</u>	<u>\$ 1,510,278</u>	<u>\$ 1,974,884</u>	<u>\$ 101,344</u>
Liabilities				
Due to other funds	\$ 431,805	\$ 442,140	\$ 873,945	\$ -
Due to third parties	134,145	1,068,138	1,100,939	101,344
Total Liabilities	<u>\$ 565,950</u>	<u>\$ 1,510,278</u>	<u>\$ 1,974,884</u>	<u>\$ 101,344</u>
Subdivision and Driveway Deposits Fund				
Assets				
Equity in pooled invested cash	\$ 3,111,615	\$ 1,986,085	\$ 1,711,341	\$ 3,386,359
Liabilities				
Due to third parties	\$ 4,174	-	\$ 4,174	\$ -
Performance deposits	3,107,441	2,589,370	2,310,452	3,386,359
Total Liabilities	<u>\$ 3,111,615</u>	<u>\$ 2,589,370</u>	<u>\$ 2,314,626</u>	<u>\$ 3,386,359</u>
Work Release Fund				
Assets				
Cash and cash equivalents	\$ 14,496	\$ 1,227,092	\$ 1,225,431	\$ 16,157
Liabilities				
Due to inmates	\$ 14,496	\$ 1,227,092	\$ 1,225,431	\$ 16,157
Tax Incremental Financing Bond Fund				
Assets				
Cash and cash equivalents	\$ -	\$ 585,237	\$ 585,237	\$ -
Liabilities				
Due to other funds	\$ -	\$ 150,000	\$ 150,000	\$ -
Due to bondholders	-	435,237	435,237	-
Total liabilities	<u>\$ -</u>	<u>\$ 585,237</u>	<u>\$ 585,237</u>	<u>\$ -</u>
Totals - All Agency funds				
Assets				
Cash and cash equivalents	\$ 580,446	\$ 3,312,924	\$ 3,785,552	\$ 107,818
Equity in pooled invested cash	3,111,615	1,992,914	1,711,341	3,393,188
Accounts receivable	-	2,854	-	2,854
Total assets	<u>\$ 3,692,061</u>	<u>\$ 5,308,692</u>	<u>\$ 5,496,893</u>	<u>\$ 3,503,860</u>
Liabilities				
Due to other funds	\$ 431,805	\$ 592,140	\$ 1,023,945	\$ -
Due to third parties	152,815	2,730,467	2,765,781	117,501
Performance deposits	3,107,441	2,589,370	2,310,452	3,386,359
Total liabilities	<u>\$ 3,692,061</u>	<u>\$ 5,911,977</u>	<u>\$ 6,100,178</u>	<u>\$ 3,503,860</u>

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE (1)
JUNE 30, 2005
WITH COMPARATIVE TOTALS FOR JUNE 30, 2004

	<u>2005</u>	<u>2004</u>
Governmental funds capital assets		
Land and improvements	\$ 36,541,493	\$ 25,819,914
Buildings	108,843,852	102,689,378
Equipment	44,935,002	39,116,533
Infrastructure	275,358,915	272,073,229
Construction in progress	15,656,825	16,225,912
Total governmental funds capital assets	<u>\$ 481,336,087</u>	<u>\$ 455,924,966</u>
Investment in governmental funds capital assets by source		
Capital projects fund	\$ 433,318,829	\$ 421,244,623
General fund	7,793,929	7,558,320
Special revenue funds	36,609,958	26,275,154
Donations	3,613,371	846,869
Total governmental funds capital assets	<u>\$ 481,336,087</u>	<u>\$ 455,924,966</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$19,609,903 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, 2005

<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	\$ 334,014	\$ 21,966,645	\$ 10,538,685	\$ -	\$ -	\$ 32,839,344
Public safety	3,455,386	43,872,125	23,203,484	-	-	70,530,995
Public works	1,153,884	2,616,825	275,516	-	-	4,046,225
Public health	348,996	7,753,480	277,736	-	-	8,380,212
Social services	116,247	11,291,716	9,021,191	-	-	20,429,154
Recreation and culture	10,909,537	21,343,061	1,618,390	-	-	33,870,988
Conservation of natural resources	20,223,429	-	-	-	-	20,223,429
Infrastructure	-	-	-	275,358,915	-	275,358,915
Construction in progress	-	-	-	-	15,656,825	15,656,825
Total governmental funds capital assets	\$ 36,541,493	\$ 108,843,852	\$ 44,935,002	\$ 275,358,915	\$ 15,656,825	\$ 481,336,087

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$19,609,903 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, 2005

<u>Function</u>	Governmental Funds Capital Assets July 1, 2004	Additions	Deductions	Governmental Funds Capital Assets June 30, 2005
General government	\$ 30,914,975	\$ 2,246,712	\$ 322,343	\$ 32,839,344
Public safety	63,300,343	7,637,187	406,535	70,530,995
Public works	2,925,181	2,274,555	1,153,511	4,046,225
Public health	8,171,616	221,703	13,107	8,380,212
Social services	18,515,847	2,151,142	237,835	20,429,154
Recreation and culture	30,971,665	2,929,112	29,789	33,870,988
Conservation of Natural Resources	12,826,198	7,397,231	-	20,223,429
Infrastructure	272,073,229	3,285,686	-	275,358,915
Construction in progress	16,225,912	16,390,964	16,960,051	15,656,825
Total governmental funds capital assets	\$ 455,924,966	\$ 44,534,292	\$ 19,123,171	\$ 481,336,087

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$19,609,903 are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Assets.

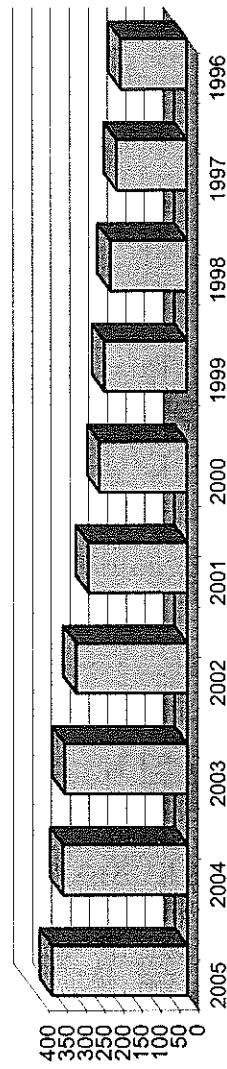
STATISTICAL SECTION



Frederick County, Maryland
General Fund Revenues By Source - Budgetary Basis
Last Ten Fiscal Years

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
				Restated						
Local Property Taxes	\$ 167,674,701	\$ 152,677,680	\$ 144,707,212	\$ 136,783,793	\$ 129,149,170	\$ 111,643,136	\$ 106,312,882	\$ 101,976,320	\$ 98,058,846	\$ 94,235,878
Local Income Taxes	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	55,115,274
Other Local Taxes	28,198,172	25,292,875	18,624,672	16,413,224	12,276,566	11,302,626	11,630,546	9,262,904	7,924,198	6,980,095
Licenses and Permits	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	1,684,517
Federal Grants	50,405	17,986	47,909	60,200	40,590	36,734	37,926	37,460	34,938	33,169
State Grants	13,763,781	10,531,860	13,506,458	14,209,962	13,045,873	12,095,547	11,906,516	10,843,035	9,188,686	9,064,668
Charges for Services	4,224,515	4,441,562	12,171,162	11,374,472	10,031,575	8,917,426	8,129,149	6,056,711	5,283,658	5,320,405
Fines and Forfeitures	170,158	330,147	109,664	173,627	130,530	143,687	82,168	90,281	116,154	80,607
Investment Earnings	2,699,479	1,711,865	1,931,265	3,379,001	7,316,350	6,519,189	4,491,490	4,205,384	2,304,295	2,906,179
Miscellaneous	5,765,692	3,848,459	1,073,243	1,357,489	1,333,176	900,650	805,820	2,668,736	3,139,081	884,200
Total Revenues	\$ 360,650,090	\$ 332,161,841	\$ 326,415,885	\$ 296,973,469	\$ 264,271,839	\$ 233,778,697	\$ 220,158,483	\$ 204,460,033	\$ 187,857,902	\$ 176,304,992

Total Revenues



Government-Wide Revenue - Governmental Activities

Program Revenues				General Revenues			
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous	Total
2005	\$ 10,721,109	\$ 36,100,015	\$ 5,203,254	\$ -	\$ 5,517,391	\$ 2,693,466	\$ 442,565,978
2004	10,655,984	33,919,736	6,508,424	-	2,513,831	2,250,381	410,627,912
2003	18,392,389	35,879,493	5,677,857	(2)	2,513,741	2,024,356	405,085,809 (2)
2002 (1)	17,331,790	38,129,771	4,388,734	60,000	3,984,097	2,243,047	362,640,772

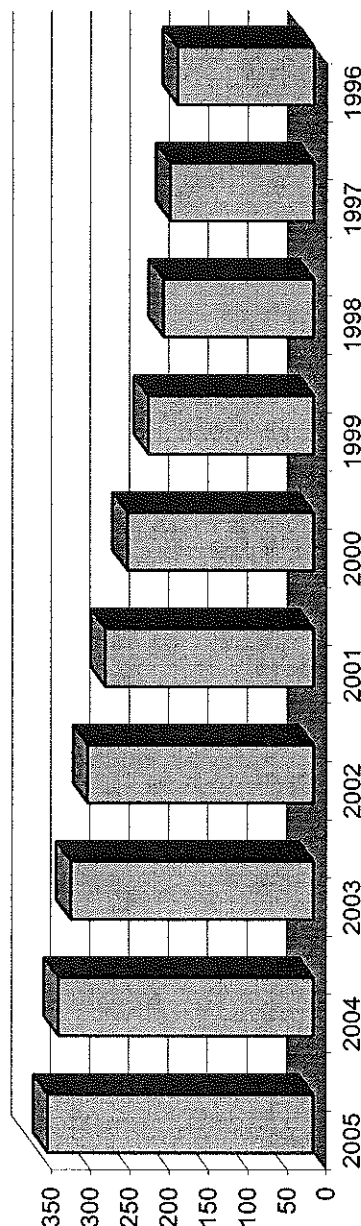
(1) Fiscal year 2002 was the first year of Government-wide reporting.

(2) Restated

Frederick County, Maryland
General Fund Expenditures By Function- Budgetary Basis
Last Ten Fiscal Years

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
General Government	\$ 25,382,745	\$ 23,374,028	\$ 24,748,896	\$ 23,390,829	\$ 22,052,027	\$ 20,551,398	\$ 17,506,089	\$ 15,765,220	\$ 14,793,857	\$ 14,229,443
Public Safety	37,513,002	33,519,617	32,206,829	30,711,310	27,844,406	25,378,958	22,760,344	19,621,474	18,091,186	17,348,539
Public Works	15,406,946	12,644,580	12,460,331	11,810,948	11,155,183	10,475,455	9,910,600	8,083,018	7,891,047	7,695,587
Public Health	2,955,926	2,942,168	5,659,254	5,328,892	4,696,301	4,025,271	3,392,696	3,116,425	2,821,885	2,464,031
Education	185,300,073	179,415,425	166,000,881	157,322,936	142,324,728	128,563,730	118,167,892	111,766,870	107,711,291	104,784,750
Recreation and Culture	8,823,280	7,987,993	7,510,918	6,849,734	6,014,136	5,192,030	4,736,059	4,453,307	3,759,320	4,317,253
Other Functions	39,684,407	46,718,972	43,703,851	35,454,166	34,770,820	32,354,557	23,094,575	18,185,238	17,473,633	13,657,421
Debt Service	23,654,306	18,142,586	17,162,019	17,367,942	16,236,501	11,013,411	11,153,010	10,695,139	10,576,827	10,034,976
Total Expenditures	\$ 338,720,685	\$ 324,745,369	\$ 309,452,979	\$ 288,236,557	\$ 265,094,102	\$ 237,554,810	\$ 210,721,265	\$ 191,686,691	\$ 183,119,046	\$ 174,532,000

Total Expenditures

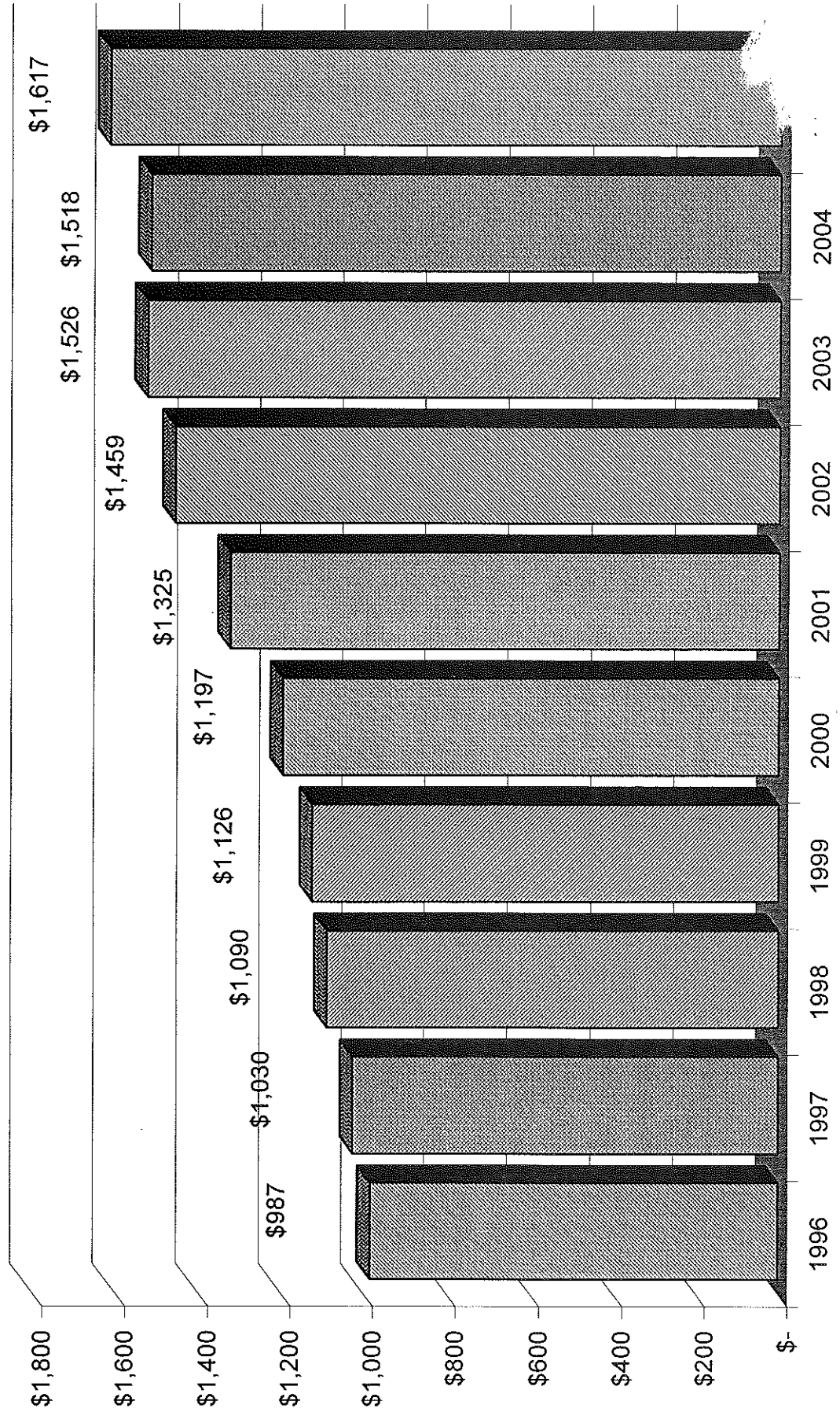


Source: Division of Finance

Frederick County, Maryland
Government-Wide Expenses by Function
Governmental Activities by Fiscal Year
Last Four Fiscal Years

Function	2005	2004	2003	2002
				Restated
General Government	\$ 27,425,402	\$ 24,301,666	\$ 37,042,722	\$ 34,400,748
Public Safety	58,696,992	48,231,735	45,682,065	42,964,438
Public Works	29,789,265	31,656,980	12,562,805	11,556,274
Health	15,586,778	15,002,153	20,753,454	19,353,858
Social Services	5,519,938	5,935,055	4,018,581	3,532,518
Education	215,923,669	214,618,912	192,710,690	188,511,622
Parks, Recreation and Culture	9,450,582	10,937,095	8,162,835	7,577,099
Conservation of Natural Resources	1,278,781	4,981,389	2,999,473	6,350,141
Community Development & Public Housing	3,713,439	3,634,079	2,950,729	2,664,445
Economic Development and Opportunity	10,928,583	10,369,467	11,047,285	9,884,959
Miscellaneous	3,803,446	4,397,069	2,291,509	1,366,858
Intergovernmental	6,006,926	4,796,634	4,455,037	3,094,971
Interest on Long Term Debt	9,351,188	11,089,623	9,865,763	20,763,773
Total Governmental Activities	\$ 397,474,989	\$ 389,951,857	\$ 354,542,948	\$ 352,021,704

Frederick County, Maryland
General Fund Revenues Per Capita - Budgetary Basis
Last Ten Fiscal Years



Source: Division of Finance

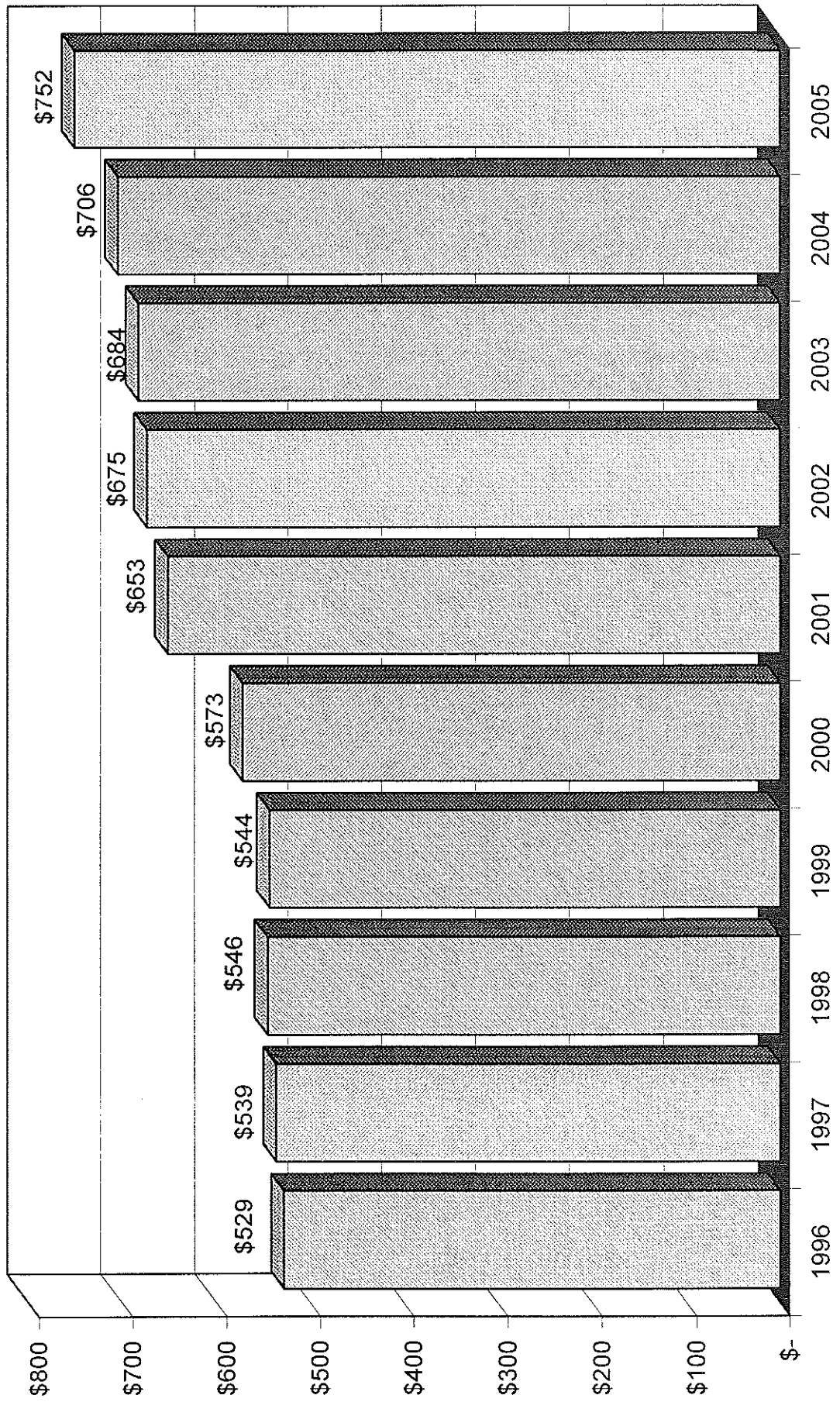
FREDERICK COUNTY, MARYLAND
COUNTY-WIDE PROPERTY TAX ASSESSMENTS, TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Tax Rate Per \$100 Assessed Valuation	Assessable Base	Tax Levy	Taxes Collected In Year of Levy		Total Taxes Collected	
				Amount	Percent	Amount	Percent
2005	\$1.00	\$ 16,233,905,646	\$ 166,952,999	\$ 166,492,845	99.7 %	\$ 167,050,094	100.0 %
2004	1.00	15,054,966,309	154,483,604	153,934,018	99.6	154,482,618	99.9
2003	1.00	14,217,161,124	146,316,034	145,762,664	99.6	146,335,512	99.5
2002	1.00	13,354,997,500	137,981,958	137,338,900	99.5	137,599,443	99.7
2001	2.50	5,264,129,995	130,470,609	130,193,033	99.8	130,292,417	99.9
2000	2.26	5,010,687,577	112,274,339	112,023,603	99.8	112,268,901	99.9
1999	2.26	4,761,422,305	106,915,915	106,650,728	99.8	106,811,598	99.9
1998	2.26	4,575,825,500	102,451,665	102,427,492	99.9	102,395,216	99.9
1997	2.26	4,401,376,486	98,293,886	98,114,853	99.8	98,240,613	99.9
1996	2.26	4,203,222,992	94,436,879	94,266,905	99.8	94,392,095	99.9

Source: County Treasurer's Office

Note: Assessable base in 2002 through 2005 was 100% of real estate assessment. Prior years were based on 40% of assessed value.

Frederick County, Maryland
Property Tax Revenues Per Capita
Last Ten Fiscal Years



Source: Division of Finance

FREDERICK COUNTY, MARYLAND
SCHEDULE OF ASSESSED COUNTY VALUES AND TAX LEVIES BY DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<u>District</u>	<u>Net County Assessment</u>	<u>Total Net County Tax Levied</u>	<u>Net Collections 7/1/04 - 6/30/05</u>
Buckeystown	\$ 868,871,542	\$ 8,688,715	\$ 8,667,433
Frederick	3,796,383,026	37,963,830	37,866,225
Middletown	781,950,328	7,819,503	7,804,888
Creagerstown	74,982,940	749,829	748,411
Emmitsburg	276,986,732	2,769,867	2,761,069
Catoctin	146,707,818	1,467,078	1,465,429
Urbana	1,085,435,845	10,854,358	10,672,909
Liberty	148,391,260	1,483,913	1,483,913
New Market	1,818,324,517	18,183,245	18,156,453
Hauvers	141,060,993	1,410,610	1,406,515
Woodsboro	211,845,202	2,118,452	2,112,649
Petersville	144,775,666	1,447,757	1,446,045
Mt. Pleasant	163,387,790	1,633,878	1,633,878
Jefferson	363,065,513	3,630,655	3,627,482
Thurmont	531,741,431	5,317,414	5,306,953
Jackson	316,329,826	3,163,298	3,160,161
Johnsville	131,645,533	1,316,455	1,313,576
Woodville	667,233,768	6,672,338	6,664,856
Linganore	112,448,863	1,124,489	1,123,754
Lewistown	221,538,350	2,215,384	2,214,249
Tuscarora	533,293,705	5,332,937	5,328,537
Burkittsville	115,483,565	1,154,836	1,152,431
Ballenger	327,478,663	3,274,787	3,274,787
Braddock	335,894,436	3,358,944	3,352,451
Brunswick	250,895,802	2,508,959	2,481,434
Walkersville	516,272,822	5,162,728	5,161,924
Eaglehead	440,584,723	4,405,847	4,387,958
Frederick (Outside)	1,345,629,888	13,456,299	13,452,226
Total Real Property	15,868,640,547	158,686,405	158,228,596
Corporations:			
Public Utilities	365,265,099	8,266,594	8,264,249
Subtotals-countywide	16,233,905,646	166,952,999	166,492,845
Suburban Fire/Rescue	-	5,129,219	5,108,729
Urban Fire/Rescue	-	10,317,185	10,301,258
Braddock lighting tax district	-	8,479	8,468
Libertytown lighting tax district	-	3,824	3,824
New Addition lighting tax district	-	2,139	2,129
Totals	\$ 16,233,905,646	\$ 182,413,845	\$ 181,917,253

Source: County Treasurer's Office

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

Fiscal Year	Real Property		Public Utility		Total		Ratio of Total Assessed To Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Operating Property		Assessed Value	Estimated Actual Value	
			Assessed Value	Estimated Actual Value			
2005	\$15,868,640,547	\$17,604,949,797	\$365,265,099	\$365,265,099	\$16,233,905,646	\$17,970,214,896	90.34 %
2004	14,713,127,459	16,550,199,616	341,838,850	341,838,850	15,054,966,309	16,892,038,466	89.12
2003	13,852,072,854	15,403,078,250	365,088,270	365,088,270	14,217,161,124	15,768,166,520	90.16
2002	12,972,034,400	14,563,919,981	382,963,100	382,963,100	13,354,997,500	14,946,883,081	89.35
2001	4,889,192,115	12,222,980,288	374,937,880	374,937,880	5,264,129,995	12,597,918,168	41.79
2000	4,650,381,807	11,558,908,848	360,305,770	360,305,770	5,010,687,577	11,919,214,618	42.04
1999	4,442,620,985	11,106,552,463	318,801,320	318,801,320	4,761,422,305	11,425,353,783	41.67
1998	4,268,168,010	10,670,420,025	307,657,490	307,657,490	4,575,825,500	10,978,077,515	41.68
1997	4,102,682,836	10,256,707,090	298,693,650	298,693,650	4,401,376,486	10,555,400,740	41.70
1996	3,937,878,672	9,844,696,680	265,344,320	265,344,320	4,203,222,992	10,110,041,000	41.57

Source: County Treasurer's Office and Maryland Dept. of Assessments

Note: Beginning in 2002, the difference between assessed value and estimated actual value is the value of tax exempt real properties.

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u> (2)	<u>2000</u> (2)	<u>1999</u> (2)	<u>1998</u> (2)	<u>1997</u> (2)	<u>1996</u> (2)
Frederick County	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 2.50	\$ 2.26	\$ 2.26	\$ 2.26	\$ 2.26	\$ 2.26
Braddock fire tax district (1)	-	-	-	-	0.08	0.08	-	-	-	-
Brunswick fire tax district (1)	-	-	-	-	0.10	0.10	-	-	-	-
Carroll Manor fire tax district (1)	-	-	-	-	0.12	0.12	0.12	0.12	0.12	-
Frederick fire tax district (1)	-	-	-	-	0.18	0.18	0.18	0.18	0.18	0.18
Lewistown fire tax district (1)	-	-	-	-	0.09	0.09	0.09	0.09	0.09	0.09
Libertytown fire tax district (1)	-	-	-	-	0.07	0.07	0.07	0.07	0.07	0.10
Middletown fire tax district (1)	-	-	-	-	0.17	0.09	0.09	0.09	0.09	0.09
Myersville fire tax district (1)	-	-	-	-	0.11	-	-	-	-	-
New Market fire tax district (1)	-	-	-	-	0.16	0.07	0.07	0.07	0.07	0.07
Thurmont fire tax district (1)	-	-	-	-	0.11	-	-	-	-	-
Walkersville fire tax district (1)	-	-	-	-	0.05	0.05	-	-	-	-
Wolfsville fire tax district (1)	-	-	-	-	0.15	-	-	-	-	-
Woodsboro fire tax district (1)	-	-	-	-	0.12	-	-	-	-	-
Suburban Fire/Rescue	0.065	0.065	0.045	0.045	-	-	-	-	-	-
Urban Fire/Rescue	0.135	0.135	0.100	0.100	-	-	-	-	-	-
Braddock lighting tax district	0.085	0.089	0.024	0.024	0.06	0.06	0.06	0.06	0.06	-
Libertytown lighting tax district	0.087	0.085	0.020	0.020	0.05	0.05	0.05	0.05	0.05	-
New Addition lighting tax district	0.086	0.093	0.028	0.028	0.07	0.07	0.07	0.07	0.07	-
State	0.132	0.132	0.084	0.084	0.21	0.21	0.21	0.21	0.21	0.21
Brunswick	0.488	0.488	0.488	0.488	1.22	1.22	1.27	1.27	1.27	1.27
Burkittsville	0.140	0.140	0.140	0.140	0.35	0.35	0.35	0.40	0.40	0.40
Emmitsburg	0.360	0.360	0.360	0.360	0.75	0.70	0.61	0.61	0.53	0.53
Frederick	0.690	0.640	0.640	0.640	1.57	1.59	1.59	1.59	1.61	1.56
Middletown	0.232	0.232	0.232	0.232	0.58	0.58	0.58	0.58	0.58	0.58
Mt. Airy	0.193	0.202	0.206	0.206	0.56	0.56	0.56	0.59	0.60	0.60
Myersville	0.274	0.236	0.236	0.236	0.59	0.62	0.64	0.65	0.64	0.64
New Market	0.120	0.120	0.120	0.120	0.30	0.30	0.30	0.30	0.30	0.30
Rosemont	0.040	0.040	0.040	0.040	0.10	0.10	0.10	0.10	0.10	0.10
Thurmont	0.273	0.248	0.248	0.248	0.62	0.62	0.62	0.62	0.62	0.62
Walkersville	0.176	0.176	0.176	0.176	0.44	0.44	0.44	0.44	0.40	0.40
Woodsboro	0.152	0.152	0.152	0.152	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.

Note: (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
SCHEDULE OF PROPERTY TAX LEVIES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

	<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>	<u>1996</u>
Frederick County	\$ 166,952,999	\$ 154,483,604	\$ 146,316,034	\$ 137,981,958	\$ 130,470,609	\$ 112,274,339	\$ 106,915,915	\$ 102,631,595	\$ 98,293,886	\$ 94,436,879
Braddock fire tax district	-	-	-	-	114,253	112,623	-	-	-	-
Brunswick fire tax district	-	-	-	-	119,920	117,509	-	-	-	-
Carroll Manor fire tax district	-	-	-	-	171,859	162,513	152,613	145,879	142,191	-
Frederick fire tax district	-	-	-	-	3,738,934	3,559,167	3,420,349	3,291,648	3,139,103	3,001,373
Lewistown fire tax district	-	-	-	-	26,368	24,176	23,658	23,030	22,645	22,383
Libertytown fire tax district	-	-	-	-	109,214	106,627	103,698	101,200	98,913	137,765
Middletown fire tax district	-	-	-	-	293,979	149,669	144,603	139,600	134,284	128,931
Myersville fire tax district	-	-	-	-	167,551	-	-	-	-	-
Myers/Wolfsville fire tax district	-	-	-	-	37,283	-	-	-	-	-
New Market fire tax district	-	-	-	-	1,128,392	473,921	448,372	431,139	405,829	389,299
Thurmont fire tax district	-	-	-	-	210,718	-	-	-	-	-
Walkersville fire tax district	-	-	-	-	137,355	134,149	-	-	-	-
Woodsboro fire tax district	-	-	-	-	140,565	-	-	-	-	-
Suburban Fire/Rescue	5,129,219	4,521,806	2,879,732	2,689,609	-	-	-	-	-	-
Urban Fire/Rescue	10,317,185	9,587,159	6,775,850	6,337,373	-	-	-	-	-	-
Braddock lighting tax district	8,479	9,417	8,772	8,658	8,547	8,540	8,362	8,250	8,282	-
Libertytown lighting tax district	3,824	3,313	3,230	3,122	3,134	3,060	2,938	2,858	2,807	-
New Addition lighting tax district	2,139	2,569	2,459	2,257	2,112	2,052	2,024	2,053	1,992	-
State (Frederick County only)	21,294,296	19,387,676	11,689,043	10,963,085	10,329,250	9,988,524	9,580,523	9,318,716	8,946,977	8,455,350
Brunswick	1,256,257	1,008,156	924,174	886,439	868,034	856,788	878,056	886,357	879,500	873,981
Burkittsville	13,414	13,003	12,092	11,724	11,304	10,770	10,795	12,216	12,384	17,834
Emmitsburg	445,866	370,125	311,556	238,298	223,455	203,722	173,937	169,033	143,675	142,930
Frederick	26,397,353	22,743,514	21,595,273	19,413,001	18,520,858	17,599,196	17,033,277	16,437,061	16,005,458	15,144,510
Middletown	784,375	631,604	485,636	406,683	372,022	350,537	332,318	319,800	300,126	271,800
Mt. Airy	531,093	437,151	431,120	429,373	443,383	426,314	403,670	405,418	388,039	384,853
Myersville	286,506	233,414	217,548	212,798	199,282	185,363	173,786	163,421	156,842	147,825
New Market	44,483	38,973	38,341	37,599	37,581	36,576	36,002	36,464	36,008	35,427
Rosemont	7,900	6,977	6,834	6,692	6,479	6,361	6,253	6,194	6,155	6,013
Thurmont	1,008,325	837,752	771,406	728,682	696,305	660,009	634,868	600,127	583,250	572,620
Walkersville	596,057	560,947	528,345	497,695	490,852	474,191	448,332	429,252	373,861	370,227
Woodsboro	100,595	96,384	90,591	86,679	85,288	81,191	76,208	69,452	65,917	60,208

Source: County Treasurer's Office

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

**FREDERICK COUNTY, MARYLAND
TWENTY LARGEST PROPERTY TAXPAYERS
AND THE ASSESSED VALUE OF THEIR PROPERTY FOR FISCAL YEAR 2005**

<u>Name of Taxpayer</u>	<u>Assessment</u>	<u>Percentage of Total County Assessments</u>
Potomac Edison Company	\$ 135,232,730	0.83 %
Verizon - Maryland	99,510,980	0.61
PR Financing Limited Partnership	61,825,966	0.38
State Farm Mutual Auto Insurance	39,914,266	0.25
Washington Gas Light Company	35,774,500	0.22
Fannie Mae	33,861,353	0.21
AT&T Communications	28,658,249	0.18
First Real Estate Investment Trust	27,217,200	0.17
Eastalco Aluminum Company ETAL	27,161,300	0.17
Toys R Us, Inc.	26,200,433	0.16
ABP MD (Baltimore) LLC	23,819,866	0.15
Fredericktowne Mall Associates	23,252,200	0.14
Feeley Family F.P.	22,280,133	0.14
Frederick Westview Properties LLC	21,321,066	0.13
First Nationwide Mortgage Corporation	21,073,566	0.13
Buckingham's Choice	21,058,233	0.13
Frederick Partners LLP	20,671,432	0.13
Brightseat, LLC ETAL	20,239,500	0.12
BGE	10,975,140	0.07
Dominion Transmission Corp.	8,433,970	0.05
Totals	<u>\$ 708,482,083</u>	<u>4.36 %</u>

Source: County Treasurer's Office

FREDERICK COUNTY, MARYLAND
COMPUTATION OF LEGAL DEBT MARGIN (1)
LAST TEN FISCAL YEARS

	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u> Restated	<u>FY 2002</u> Restated	<u>FY 2001</u> Restated	<u>FY 2000</u> Restated	<u>FY 1999</u> Restated	<u>FY 1998</u> Restated	<u>FY 1997</u> Restated	<u>FY 1996</u> Restated
Debt limitation - 15 percent of total assessed value	\$ 2,435,085,847	\$ 2,258,244,946	\$ 2,132,574,169	\$ 2,003,249,625	\$ 789,619,499	\$ 751,603,137	\$ 714,213,346	\$ 686,373,825	\$ 660,206,473	\$ 630,483,449
Total debt applicable to limitation (3)	100,434,321	107,647,938	114,667,147	94,830,685	106,138,141	97,378,293	92,009,196	91,931,899	69,086,650	71,018,894
Legal debt margin	2,334,651,526	2,150,597,008	2,017,907,022	1,908,418,940	683,481,358	654,224,844	622,204,150	594,441,926	591,119,823	559,464,555
Total net debt applicable to the limit as a percentage of debt limit	4.12%	4.77%	5.38%	4.73%	13.44%	12.96%	12.88%	13.39%	10.46%	11.26%

Legal Debt Margin Calculation for Fiscal Year 2005

Assessed valuations	
Total assessed value (2)	\$ 17,970,214,896
Less: exempt real property	(1,736,309,250)
Taxable assessed value	<u>\$ 16,233,905,646</u>

Legal debt margin	
Debt limitation - 15% of total assessed value subject to unlimited County taxation	\$ 2,435,085,847
Debt applicable to limitation:	
Total bonded debt	\$ (71,517,028)
Total notes payable	(28,917,293)
Total debt applicable to limitation (3)	<u>(100,434,321)</u>
Legal debt margin	<u>\$ 2,334,651,526</u>

Note: The debt limit is applicable only to bonds and notes issued pursuant to Chapter 2-13-13: Water, Sewers, Drains, and Solid Waste of Part II, Code of Public Local Laws of Frederick County, 1979.

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

FREDERICK COUNTY, MARYLAND
RATIO OF BONDED DEBT
TO ASSESSED VALUES AND BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Bonded Debt</u>	<u>Assessed Value</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Estimated Population</u>	<u>Debt Per Capita</u>
2005	\$ 234,327,973	\$16,233,905,646	1.44 %	223,036 (3)	\$ 1,051
2004	251,949,506	15,054,966,309	1.67	218,830 (3)	1,151
2003	236,952,602	14,217,161,124	1.67	213,935 (3)	1,108
2002	158,190,592	13,354,997,500	1.18	203,966 (1)	776
2001	167,821,891	5,264,129,995	3.19	199,436 (1)	841
2000	142,109,475	5,010,687,577	2.84	195,277 (2)	728
1999	107,321,109	4,761,422,305	2.25	195,603 (3)	549
1998	116,408,503	4,575,825,500	2.54	187,615 (3)	620
1997	92,064,814	4,401,376,486	2.09	183,045 (3)	503
1996	96,249,654	4,203,222,992	2.29	178,639 (3)	539

Sources: (1) Maryland Department of Planning
(2) U.S. Census Bureau
(3) Frederick County Department of Planning

Note: 2002-2005 Assessed value based on 100% of real estate assessment. Prior years based on 40% of assessment.

FREDERICK COUNTY, MARYLAND
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO
TOTAL GENERAL FUND EXPENDITURES - BUDGETARY BASIS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures *</u>	<u>Ratio of Debt Service to General Fund Expenditures</u>
2005	\$15,582,179	\$ 8,008,308	\$ 23,590,487	\$ 338,720,685	6.96 %
2004	12,610,166	8,503,346	21,113,512	324,745,369	6.50
2003	9,088,934	8,073,085	17,162,019	309,452,979	5.55
2002	9,186,074	8,181,868	17,367,942	263,400,834	6.59
2001	8,296,892	7,939,609	16,236,501	241,186,731	6.73
2000	5,413,634	5,599,777	11,013,411	212,956,201	5.17
1999	6,061,415	5,091,595	11,153,010	193,309,829	5.77
1998	5,478,716	5,216,423	10,695,139	178,818,690	5.98
1997	5,584,839	4,991,988	10,576,827	171,384,567	6.17
1996	5,047,253	4,987,723	10,034,976	167,573,000	6.00

Source: Division of Finance

* Amount includes transfers to component units.

FREDERICK COUNTY, MARYLAND
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AT THE CLOSE OF THE FISCAL YEAR ENDED JUNE 30, 2005

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to Frederick County</u>	<u>Amount Applicable to Frederick County</u>
Direct:			
Frederick County	\$ 362,832,494	100.0 %	\$ 362,832,494
Subtotal Direct:	<u>362,832,494</u>		<u>362,832,494</u>
Overlapping:			
Brunswick	3,788,912	100.0	3,788,912
Emmitsburg	1,978,153	100.0	1,978,153
Frederick City	77,552,308	100.0	77,552,308
Middletown	6,056,717	100.0	6,056,717
Mount Airy	5,134,859	44.0	2,259,338
Myersville	4,551,909	100.0	4,551,909
Thurmont	7,660,058	100.0	7,660,058
Woodsboro	1,616,242	100.0	1,616,242
Subtotal Overlapping:	<u>108,339,158</u>		<u>105,463,637</u>
Totals	\$ <u>471,171,652</u>		\$ <u>468,296,131</u>

Source: Division of Finance

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

Fiscal Year	Estimated Population	Per Capita Effective Buying Income (2)	School Enrollment (3)	Unemployment Rate (4)
2005	223,036 (6)	N/A	39,564	3.0%
2004	218,830 (6)	\$21,630	39,003	2.9
2003	213,935 (6)	20,954	37,966	2.9
2002	203,966 (1)	21,297	36,594	3.1
2001	199,436 (1)	19,827	35,774	2.3
2000	195,277 (5)	19,064	35,462	1.8
1999	195,603 (6)	18,045	34,471	2.3
1998	187,615 (6)	17,244	33,389	2.9
1997	183,045 (6)	16,582	32,342	3.7
1996	178,639 (6)	16,332	31,287	2.8

Sources:

- (1) Maryland Department of Planning
- (2) Maryland Department of Business and Economic Development
- (3) Frederick County Board of Education
- (4) Frederick County Office of Economic Development
- (5) U.S. Census Bureau
- (6) Frederick County Department of Planning

N/A - Not Available

FREDERICK COUNTY, MARYLAND
NEW CONSTRUCTION BY TYPE, COMMERCIAL BANK DEPOSITS, VALUE OF REAL PROPERTY
LAST TEN FISCAL YEARS

New Construction by Type (Dollars in Thousands) (1)									
Fiscal Year	Commercial			Single Family			Multi Family Dwelling		
	Number of Units	Value	Number of Units	Value	Number of Buildings	Value	Number of Units	Value	Commercial Bank Deposits (Dollars in Thousands) (2)
2005	507	\$ 146,148	978	\$ 180,847	7	\$ 6,891	76	\$ 6,891	\$ 2,833,593
2004	401	136,697	1,206	313,372	1	400	10	400	2,713,066
2003	419	42,572	1,381	155,481	11	2,225	35	2,225	2,520,272
2002	353	53,273	1,331	171,854	19	15,907	442	15,907	2,281,779
2001	318	50,101	1,720	212,378	15	3,561	70	3,561	2,107,781
2000	309	44,314	1,479	178,328	8	1,867	41	1,867	2,019,298
1999	354	88,156	1,729	169,208	14	1,772	29	1,772	1,936,867
1998	337	66,793	1,136	124,113	60	19,738	263	19,738	1,820,555
1997	317	46,251	1,150	112,082	30	8,598	159	8,598	1,742,334
1996	276	238,735	1,114	114,186	33	7,836	186	7,836	1,619,983

Estimated Market Value Of Real Property (Dollars In Thousands) (3)

Fiscal Year	Commercial And Industrial		Residential		Apartments And Condominium		Agriculture		Total
	Value	Value	Value	Value	Value	Value	Value	Value	
2005	\$ 2,855,165	\$ 12,089,740	\$ 632,189	\$ 821,487	\$ 16,398,581				
2004	2,685,016	10,778,202	595,204	755,559	14,813,981				
2003	2,600,616	9,982,729	571,759	712,284	13,867,388				
2002	2,435,106	9,345,708	544,356	678,065	13,003,235				
2001	2,296,311	8,767,837	512,637	658,121	12,234,906				
2000	2,209,329	8,329,291	492,286	637,589	11,668,495				
1999	2,032,403	7,836,812	473,858	618,708	10,961,781				
1998	1,981,635	7,647,661	472,397	606,154	10,707,847				
1997	1,896,214	7,345,110	451,048	602,581	10,294,953				
1996	1,737,967	7,130,744	435,315	586,349	9,890,375				

Sources: (1) County Department of Permits and Inspections
(2) Federal Deposit Insurance Corporation
(3) State of Maryland Office of Assessment and Taxation
(Reflects market value of Assessments made thru 1-1-05)

**FREDERICK COUNTY, MARYLAND
WATER AND SEWER ENTERPRISE FUND
SUMMARY OF REVENUES AND EXPENSES
LAST TEN FISCAL YEARS**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u> Restated	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Revenues										
Service charges	\$ 18,754,046	\$ 18,454,801	\$ 15,890,183	\$ 16,442,207	\$ 9,950,556	\$ 8,885,517	\$ 9,453,822	\$ 8,809,854	\$ 7,641,907	\$ 7,277,636
Delinquent fees collected	36,916	66,273	48,907	9,416	63,452	72,742	61,847	41,360	50,828	37,023
Other revenues	386,858	359,651	424,375	544,198	1,600,363	325,441	239,890	179,184	151,965	132,488
Total operating revenues	<u>19,177,820</u>	<u>18,880,725</u>	<u>16,363,465</u>	<u>16,995,821</u>	<u>11,614,371</u>	<u>9,283,700</u>	<u>9,755,559</u>	<u>9,030,398</u>	<u>7,844,700</u>	<u>7,447,147</u>
Operating expenses										
Personal services	6,377,460	3,821,608	3,290,505	3,325,434	3,881,011	2,489,696	2,364,649	2,351,475	2,338,976	2,206,405
Operating expenses (including administrative overhead)	4,425,632	6,338,648	5,794,200	7,291,231	5,664,784	5,347,916	5,325,030	4,002,139	3,771,646	3,774,268
Supplies	430,894	392,022	342,650	72,628	77,698	70,971	62,272	58,278	56,736	63,518
Repairs and maintenance	1,237,206	880,558	697,286	411,767	480,277	461,479	361,682	403,510	335,372	287,935
Depreciation	4,769,263	4,621,339	4,444,809	4,301,110	4,117,017	3,880,814	3,777,232	3,623,729	3,420,466	2,807,498
Total operating expenses	<u>17,240,455</u>	<u>16,054,175</u>	<u>14,569,450</u>	<u>15,402,170</u>	<u>14,220,787</u>	<u>12,250,876</u>	<u>11,890,865</u>	<u>10,439,131</u>	<u>9,923,196</u>	<u>9,139,624</u>
Operating income (loss)	<u>1,937,365</u>	<u>2,826,550</u>	<u>1,794,015</u>	<u>1,593,651</u>	<u>(2,606,416)</u>	<u>(2,967,176)</u>	<u>(2,135,306)</u>	<u>(1,408,733)</u>	<u>(2,078,496)</u>	<u>(1,692,477)</u>
Nonoperating revenues (expenses)										
Interest earned on investments	2,120,888	363,962	3,731,186	3,822,444	3,843,858	1,913,563	1,716,832	2,280,627	1,591,202	1,586,848
Miscellaneous revenue (expense)	446,317	660,657	397,642	507,163	(123,056)	94,244	2,101	(277,957)	(1,358,209)	330,824
Interest expense	(2,774,828)	(3,044,018)	(3,117,176)	(2,818,797)	(3,059,937)	(2,628,790)	(2,625,197)	(2,830,111)	(2,690,300)	(2,307,256)
Gain (loss) on disposition of fixed asset		(701,411)	(6,424)	-	-	-	-	-	14,413	-
Total nonoperating revenues (expenses)	<u>(207,623)</u>	<u>(2,720,810)</u>	<u>1,005,228</u>	<u>1,510,810</u>	<u>660,865</u>	<u>(620,983)</u>	<u>(906,264)</u>	<u>(827,441)</u>	<u>(2,442,894)</u>	<u>(389,584)</u>
Net income (loss) before transfers	1,729,742	105,740	2,799,243	3,104,461	(1,945,551)	(3,588,159)	(3,041,570)	(2,236,174)	(4,521,390)	(2,082,061)
Transfer out to grants fund	-	-	-	-	-	-	-	-	-	(2,121)
Net income (loss) before capital contributions	<u>\$ 1,729,742</u>	<u>\$ 105,740</u>	<u>\$ 2,799,243</u>	<u>\$ 3,104,461</u>	<u>\$ (1,945,551)</u>	<u>\$ (3,588,159)</u>	<u>\$ (3,041,570)</u>	<u>\$ (2,236,174)</u>	<u>\$ (4,521,390)</u>	<u>\$ (2,084,182)</u>

Source: Division of Finance

FREDERICK COUNTY, MARYLAND
SOLID WASTE MANAGEMENT ENTERPRISE FUND
SUMMARY OF REVENUES AND EXPENSES
LAST TEN FISCAL YEARS

	2005	2004	2003	2002 Restated	2001	2000	1999	1998	1997	1996
Revenues										
Tipping fee charges	\$ 11,253,075	\$ 11,404,532	\$ 8,898,575	\$ 5,819,243	\$ 5,686,260	\$ 6,291,489	\$ 5,419,859	\$ 4,595,286	\$ 4,535,965	\$ 4,353,374
Annual charges	-	-	449	2,181	33,351	22,313	27,440	32,237	45,900	74,130
Rubblefill fees	-	-	-	3,643,649	2,361,431	1,357,966	1,065,528	1,202,916	1,179,951	1,189,809
Delinquent fees	53,240	50,970	42,407	35,166	24,165	31,674	19,462	18,565	22,555	12,669
Miscellaneous charges	-	-	-	-	-	-	20	-	-	1,000
Total operating revenues	<u>11,306,315</u>	<u>11,455,502</u>	<u>8,941,431</u>	<u>9,500,239</u>	<u>8,105,207</u>	<u>7,703,442</u>	<u>6,532,309</u>	<u>5,839,004</u>	<u>5,784,371</u>	<u>5,630,982</u>
Operating expenses										
Salaries and fringes	1,343,042	1,235,282	1,166,564	1,081,321	1,140,432	1,032,151	1,082,561	999,779	938,320	967,674
Operating expenses (including administrative overhead)	6,340,226	4,914,517	4,016,764	3,583,735	6,710,459	3,903,016	2,952,378	3,812,995	1,433,824	1,528,158
Operating supplies	58,736	68,527	37,735	26,927	24,446	30,021	29,865	26,981	25,180	20,043
Repairs and maintenance	244,555	93,754	95,173	72,343	53,011	80,113	104,548	72,271	97,155	91,029
Depreciation	3,407,975	4,164,064	3,228,861	3,616,185	1,934,854	4,931,947	2,972,907	2,334,179	578,553	535,869
Total operating expenses	<u>11,394,534</u>	<u>10,476,144</u>	<u>8,545,097</u>	<u>8,380,511</u>	<u>9,863,202</u>	<u>9,977,248</u>	<u>7,142,259</u>	<u>7,246,205</u>	<u>3,073,032</u>	<u>3,142,773</u>
Operating income (loss)	<u>(88,219)</u>	<u>979,358</u>	<u>396,334</u>	<u>1,119,728</u>	<u>(1,757,995)</u>	<u>(2,273,806)</u>	<u>(609,950)</u>	<u>(1,407,201)</u>	<u>2,711,339</u>	<u>2,488,209</u>
Nonoperating revenues (expenses)										
Interest income	696,820	265,080	422,419	674,805	1,209,470	855,946	720,536	910,915	917,501	755,797
Miscellaneous revenues (expenses)	-	-	-	(9,560)	712	-	(5,227)	-	(692,589)	-
Interest expense	(1,003,595)	(1,146,318)	(1,081,199)	(885,190)	(932,130)	(957,132)	(769,492)	(769,664)	(299,112)	(104,190)
Gain (loss) on disposition of fixed asset	(24,971)	14,460	248,221	-	-	42,550	53,250	-	-	(48,374)
Total nonoperating revenues (expenses)	<u>(331,746)</u>	<u>(866,778)</u>	<u>(410,559)</u>	<u>(219,945)</u>	<u>278,052</u>	<u>(58,636)</u>	<u>(933)</u>	<u>141,251</u>	<u>(74,200)</u>	<u>603,233</u>
Net income (loss) before transfers	(419,965)	112,580	(14,225)	899,783	(1,479,943)	(2,332,442)	(610,883)	(1,265,950)	2,637,139	3,091,442
Transfer in from General Fund	-	3,442,732	-	-	-	-	-	-	-	-
Transfer of depreciation applicable to assets acquired by grants	-	-	-	-	-	3,897	4,694	13,661	13,661	13,661
Change in net assets	<u>\$ (419,965)</u>	<u>\$ 3,555,312</u>	<u>\$ (14,225)</u>	<u>\$ 899,783</u>	<u>\$ (1,479,943)</u>	<u>\$ (2,328,545)</u>	<u>\$ (606,189)</u>	<u>\$ (1,252,289)</u>	<u>\$ 2,650,800</u>	<u>\$ 3,105,103</u>

* Due to the closing of the rubblefill, rubble is included in tipping fee charges effective fiscal year 2003 as it is disposed of in the lined landfill cells.

Source: Division of Finance

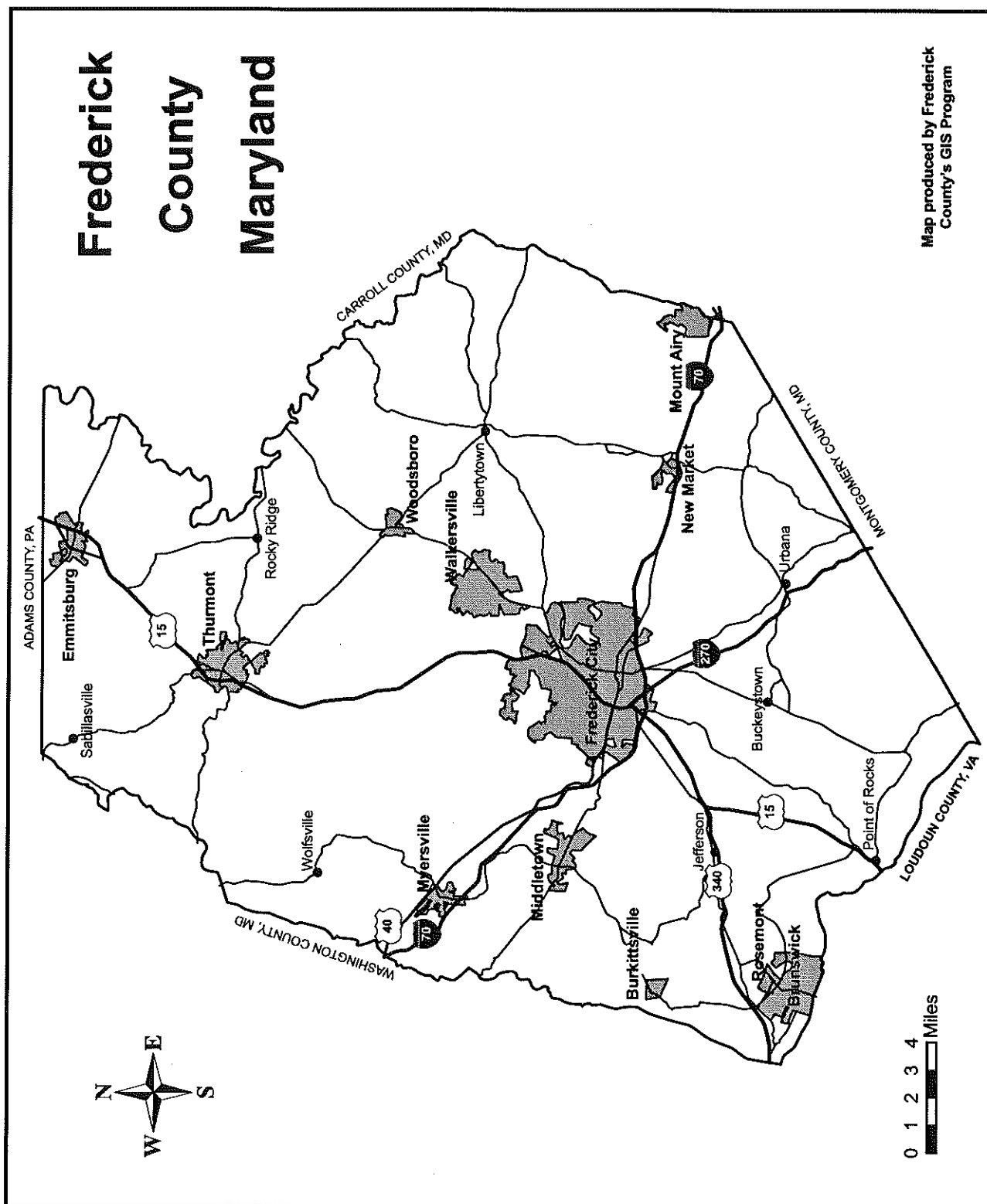
**FREDERICK COUNTY, MARYLAND
MISCELLANEOUS STATISTICAL DATA**

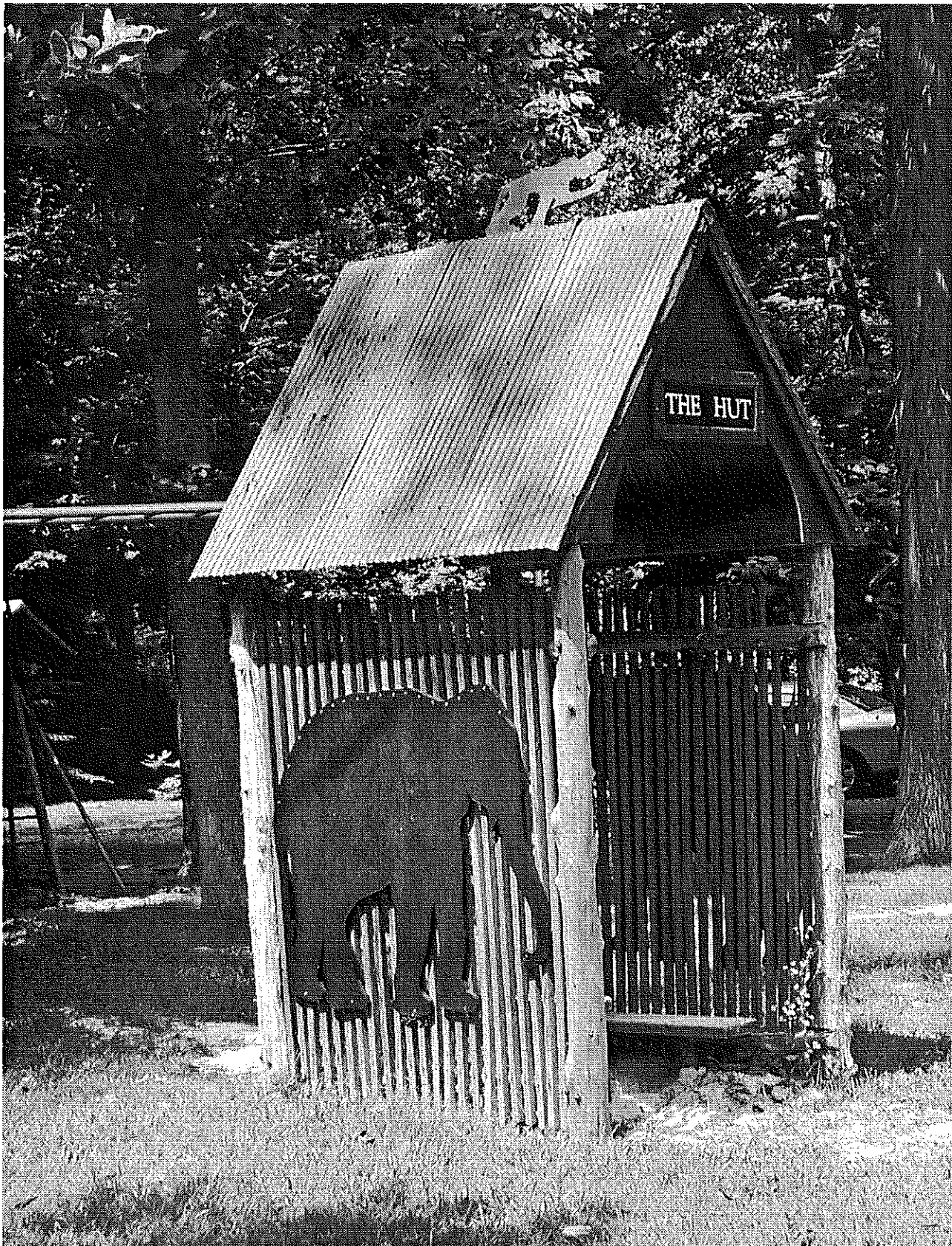
Form of government	County Commissioner/Board President	Water supply and sewerage (County operated)	
Area - square miles	664	Water facilities:	
County roads - mileage	1,265	Number of plants operational	14
Population (estimated July 1, 2005)	223,036	Number of accounts	17,578
Number of employees	2,050	Daily systems capacity (gals.)	9,485,000
		Annual production (gals.)	1,860,600,000
		Miles of water mains	231
		Number of hydrants	1,924
Public services		Sewer facilities:	
Police protection	1	Number of plants operational	17
Sheriff	164	Number of accounts	24,614
Deputy sheriffs	7	Daily plant capacity (without expansion) (gals.)	7,707,000
Community Deputies	41	Miles of mains	313
State troopers	3		
Resident state troopers			
Fire and rescue protection			
Number of fire stations	10	Elections	
Number of fire/rescue stations	15	Number of registered voters (06/30/05)	122,981
Number of rescue stations	4	Percentage of votes cast in last general election (11/2/04)	83%
Number of medic stations	1		
Number of full time paid firemen	192	Effective buying income (December 2003)	
Approximate number of volunteer firemen	1,500	Median household	\$51,279
Number of on call firefighters	45	Average household	\$59,944
Number of on call paramedics	25	Per capita	\$21,630
Education			
Number of schools		Housing units constructed (2005)	
High	9	2005	1,653
Middle	12	2004	1,781
Elementary	34	2003	1,924
Charter School	1	2002	1,639
Special education and career-technology	3	2001	2,169
Evening high school - Adult Ed.	1	2000	2,918
Community college	1	1999	2,644
Enrollment (September 2004)		1998	1,990
Elementary	17,833	1997	1,748
Middle	9,257	1996	1,698
High	12,120		
Special	354		
Total schools	39,564		
Community college	3,189		
		Agriculture (2002)	
Total school capacity (state rated)	39,389	Number of farms	1,273
Professional employees schools	3,056	Acreage	195,827
Professional employees community college	496	Avg. size of farm (acres)	154
Percentage of school operating budget funded by County			
Schools	51.1%	Land use (2000)	
Community College	36.3%	Agricultural/undeveloped	63.3%
		Parks, open space	5.6%
Recreation		Residential	11.0%
Parks - acreage		Commercial	0.9%
County/BOE properties		Industrial	1.4%
State	2,073	Woodlands & forests	15.2%
Federal	11,267	Government & utilities	2.6%
Municipal	8,681		
Number of park facilities	10,318		
County/BOE properties			
State	96		
Federal	14		
Municipal	3		
Other	132		
Quasi-public	3		
	5		

Sources: Data compiled primarily from: Dept. Planning and Zoning, Office of Economic Development, Parks and Recreation, Water and Sewer Department, Frederick County Public Schools, Sheriff's Dept., Div. of Public Works, Fire and Rescue, Board of Elections, MD Dept. of Planning, and MD Agricultural Extension Service

Frederick County Maryland

Map produced by Frederick
County's GIS Program





Service organizations play a major role in the lives of Frederick County families. They sponsor athletic teams and activities, award scholarships, donate time and collect donations to feed and clothe the needy, and support our troops. Pictured above is a community park near Wolfsville provided by a service organization.