

# Frederick County Maryland



*Meeting at Loys Station*

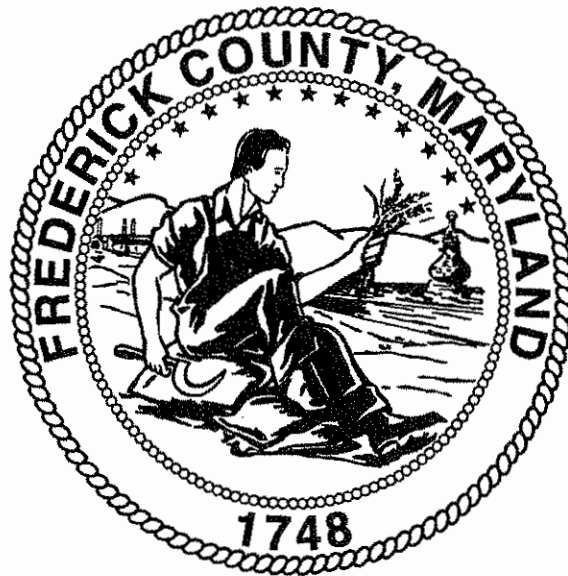
*From a watercolor by Rebecca Pearl©*

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2007**

*Frederick County, Maryland*  
*Comprehensive Annual Financial Report*

*Fiscal Year 2007*

*July 1, 2006 – June 30, 2007*



*Prepared by the Finance Division*

*Front Cover: "Meeting at Loys Station." Loys Station Bridge is one of three remaining covered bridges in Frederick County. The painting combines Rocky Ridge, Maryland artist Rebecca Pearl's love of historic structures and personal interest in animal portraits.*

*Frederick County photos were provided by Pam Cree and Sherry Stull of the Finance Division*

# OUR MISSION



**FREDERICK COUNTY, MARYLAND  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

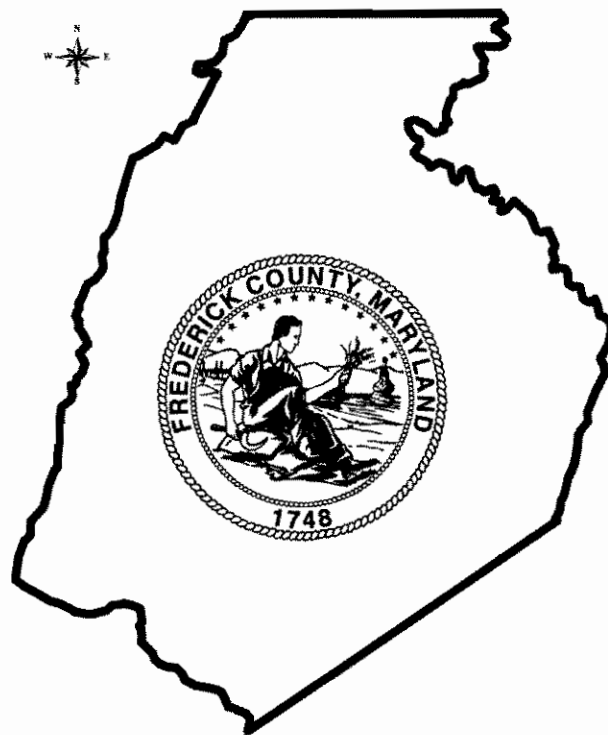
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**FREDERICK COUNTY, MARYLAND  
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## INTRODUCTORY SECTION





## FINANCE DIVISION FREDERICK COUNTY, MARYLAND

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301-600-1117 • FAX 301-600-2302 • TTY Use Maryland Relay  
[www.co.frederick.md.us](http://www.co.frederick.md.us)

December 10, 2007

### COMMISSIONERS

Jan H. Gardner  
*President*

David P. Gray  
*Vice President*

Kai J. Hagen

Charles A. Jenkins

John L. Thompson, Jr.

### COUNTY MANAGER

Ronald A. Hart

### DIVISION DIRECTOR

John R. Kroll

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

I am pleased to present this Comprehensive Annual Financial Report (CAFR) of Frederick County, Maryland (the "County") for the fiscal year ended June 30, 2007.

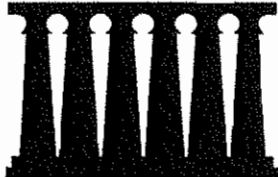
### **Formal Transmittal of the CAFR**

This report was prepared by the County's Finance Division in cooperation with the finance departments of the County's component unit organizations in conformity with accounting principles generally accepted in the United States (GAAP). This report includes the independent auditor's opinion of the Board of County Commissioners' (the "Board") appointed certified public accounting firm pursuant to Section 2-7-68 of the Frederick County Code.

Management is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, in this report. We believe the information presented is complete and accurate in all material respects, and it fairly presents the county's financial position and results of operation. To provide a reasonable basis for making these representations, management has established and maintained a comprehensive system of internal control. This internal control structure is designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements of Frederick County, Maryland have been audited by Linton Shafer Warfield & Garrett, P.A. (LSWG), a firm of licensed certified public accountants. LSWG has issued an unqualified opinion on the County's financial statements as of and for the fiscal year ended June 30, 2007. The independent audit involved examining, on a test basis, evidence supporting

### **CHARACTER COUNTS!**



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the amounts and disclosures in the financial statements, assessing the accounting principles used and estimates made by management, and evaluating the overall financial statement presentation. The auditor's report is located at the beginning of the financial section of this report.

The County is also required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 (as amended in 1996) and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be included in a separately issued single audit report.

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

**Overview of the Report** – The accompanying report consists of three sections: introductory, financial and statistical.

The introductory section includes this Letter of Transmittal, a copy of our latest Certificate of Achievement for Excellence in Financial Reporting (awarded for the FY2006 report), the County's organizational chart and a summary of elected and appointed officials of the County government and its component units.

The financial section includes the report of the independent auditors, management's discussion and analysis (MD&A), the basic financial statements, the combining and individual financial statements and supplementary schedules.

The statistical section includes selected information on financial trends, revenue capacity, debt capacity, demographic and economic data, generally presented on a multiyear basis in compliance with Governmental Accounting Standards Board (GASB) *Statement 44, Economic Condition Reporting: The Statistical Section*.

## **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 231,000. 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 municipalities within Frederick County. The County seat and largest city is the City of Frederick, which has an estimated population of 61,500. The City

of Frederick is located approximately 45 miles northwest of Washington, D.C. and 45 miles west of Baltimore, Maryland.

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

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

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

The County provides a full range of services, including fire and rescue; law enforcement; sanitation services; construction and maintenance of highways, streets, and infrastructure; recreational activities; and general government activities. Bell Court Apartments, the Solid Waste Management, and Water and Sewer Enterprise Funds are wholly supported through user fees. The Citizens Care and Rehabilitation Center, Montevue Home, and the Division of Permitting and Development Review are primarily supported through user fees with supplemental support from the General Fund. Incorporated municipalities within Frederick County provide some or all of the following services within their boundaries which relieves the County from providing these services in those areas: highway and street maintenance, parks and recreation, planning services, and police protection. The County is also financially accountable for legally separate entities, which are reported separately within the County's financial statements. The entities, known as component units, that meet these criteria are the Frederick County Board of Education, the Frederick Community College, and the Frederick County Public Libraries. Additional information on the component units can be found in Note 1 in Exhibit II-A-13.

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

The General Fund Budget is prepared and submitted to the Board by the Budget Officer based on estimated revenues and expenditures of operations submitted by the County departments and agencies for the ensuing fiscal year. When submitted to the Board, the General Fund Budget must contain: the prior fiscal year's fund balance in excess of 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 the budget; recommended appropriations for current expenditures for each department or agency, and for other purposes; and amounts sufficient to meet all general obligation debt service requirements for the next fiscal year, including portions of the Capital Program to be financed out of current revenues during the fiscal year.

The Capital Budget is the County's plan to receive and expend funds for capital projects during the ensuing fiscal year. The Capital Program sets forth the County's plan of proposed capital projects to be undertaken in the ensuing fiscal year and the following five fiscal years and the proposed means of financing all projects. The Capital Budget and Capital Program are prepared by the Finance Division from submissions by the County departments and agencies and must be approved by the Board. The portion of the cost of the Capital Budget that is to be paid from current funds may be included in the General Fund Budget or certain special revenue funds.

No department or agency of County government may, during any fiscal year, expend or contract to expend any money or incur any liability or enter into any contract which by its terms involves the expenditure of money in excess of the amounts appropriated or allocated for the same general classification of expenditure in the budget for such fiscal year, or in any line item transfer approved by the Board; and no payment may be made nor any obligation or liability incurred which has not been provided for in the Capital Budget. Transfer of appropriations among the items set forth therein may be authorized with the approval of the Board.

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis - Budget and Actual is presented for the General Fund which adopts an annual budget, and is presented in Exhibit II-A-7 as part of the basic financial statements. Budget-to-actual comparison schedules for special revenue funds with legally adopted budgets are presented in the Supplementary Data 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 231,100 as of July 2007, a 53.8 percent increase from 1990. The growth rate for the State of Maryland for that same time period was 17 percent. The Division of Planning and Zoning

estimates the growth will be steady through calendar year 2020, when the population will reach an estimated 287,900.

Frederick County had the fifth highest number of new jobs created in the State of Maryland for calendar year 2002 to calendar year 2006, for a total of 9,764 new jobs created. The civilian labor force in the County was estimated at 125,270 in June 2007. Of this number, 121,075 were employed, resulting in an unemployment rate for the County of 3.3 percent. This rate is substantially lower than the statewide unemployment rate of 4.0 percent and the national unemployment rate of 4.6 percent. (Source: Maryland Department of Labor, Licensing and Regulation)

The County's estimated taxable real property value has increased \$7.2 billion since 2002 or 55.6 percent. As of June 30, 2007, taxable assessed value totaled \$20.2 billion. The growth in the taxable assessable base from FY2006 to FY2007 was 10.6 percent. The continuation of emphasis on economic development within the County should result in above average assessable base growth in the foreseeable future although residential housing construction and resale of existing homes is slowing as evidenced by the decrease in recordation taxes.

Fort Detrick, a military installation primarily dedicated to medical research, is an economic engine for the County as well as the State of Maryland. Fort Detrick is planning \$373 million in expansion and capital improvements over the next three years and \$3.2 billion over the next decade. In addition to biodefense expansion, there are also Base Realignment and Closure (BRAC) 2005 related changes taking place at Fort Detrick that are valued at approximately \$100 million, including the construction of the National Interagency Biodefense Campus. These improvements are projected to add 225 new jobs. The BRAC/expansion environment at Fort Detrick is expected to add a total of 1,425 new jobs to the County through 2010.

**Long-term Financial Planning** - Major initiatives during FY2007 were predominately in the Capital Budget area. Major general governmental projects approved in the six year Capital Improvements Program (fiscal years 2007-2012) include:

- Public Safety Training Facility, Phase 3
- New Design Water Treatment Plant Expansion, Phase 2
- Addition to Thurmont Primary School
- Addition to New Market Elementary School
- Oakdale High School
- Urbana Area District Park
- Reich's Ford Road, Phase 1

Additional projects to expand and improve park facilities and construct water and wastewater infrastructure to serve the growing population are included in the plan. The entire Capital Improvements Plan totals \$725 million for fiscal years 2007 to 2012.

Frederick County concluded the fiscal year ended June 30, 2007 with a General Fund unreserved fund balance of \$97.5 million. Section 2-7-1(a) of the Frederick County Code provides that "the County must maintain an unappropriated undesignated General Fund balance equal to 5 percent of General Fund expenditures and transfers to the Board of

Education and the Frederick Community College." Expenditures and transfers to component units measured on a budgetary basis totaled \$366.8 million. The required balance of the reserve was \$18.3 million, an increase of \$1.7 million over FY2006. The actual unreserved fund balance decreased \$8.2 million from the unreserved fund balance at June 30, 2006. Therefore, the June 30, 2007 unreserved fund balance of \$97.5 million provides \$79.2 million of excess fund balance above the required 5 percent requirement. Accordingly, this amount is available for use in funding future budgets. Of this amount, \$37.2 million and \$29.5 million have been designated for the FY2008 and FY2009 budgets, respectively.

**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 FY2007 General Fund earnings from these programs totaled \$9.3 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 .86 experience modification factor that equates to a premium savings of \$635,091 on a base policy price of \$4,536,363. The County's modified duty policy, which returns injured workers back to the workplace during recuperation, saves in lost work time and increases productivity. The Office of Risk Management is instrumental in the review of contracts and leases to ensure that adequate levels of insurance are obtained from third party providers to protect the County from unreasonable liability.

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to Frederick County, Maryland, for its comprehensive annual financial report for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

accounting principles and applicable legal requirements.

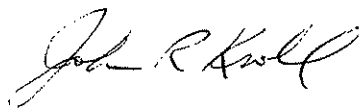
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements. Accordingly, we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the dedicated team effort of the staff of the County's Finance Division. Each member of the Division has my sincere appreciation for the contributions made in preparation of this report. Special recognition is given to the Director of Accounting, Erin White, and the Accounting Team Leaders, Carol Abramson, Susan Blum, Regina Howell, and Rob Reilly, along with their staffs; and the Director of Treasury, Lori Decker, and her staff who administer the County's property tax and revenue collection systems. Administration of the budget process, without which the accounting and financial reporting could not exist, is in the capable hands of Michael Gastley, Budget Officer, and his staff. A special thanks goes to them as well. I express my appreciation to Richard Duthoy, Deputy Director of Finance, for his oversight of the Division, Ronald Hart, County Manager, and to the Board of County Commissioners and their staffs for their continuing interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

#### **Use of this Report**

This report, and the financial information prepared by the Frederick County Division of Finance, can be assessed on the county's website at <http://www.co.frederick.md.us> (See Departments; Finance; then Accounting [for this report and other information], Budget [for other information] and Treasury [for other information]). In addition, copies of this report are placed in the County Library System for use by the general public.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John R. Kroll". The signature is fluid and cursive, with the first name "John" being the most prominent.

John R. Kroll  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Frederick County  
Maryland

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

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

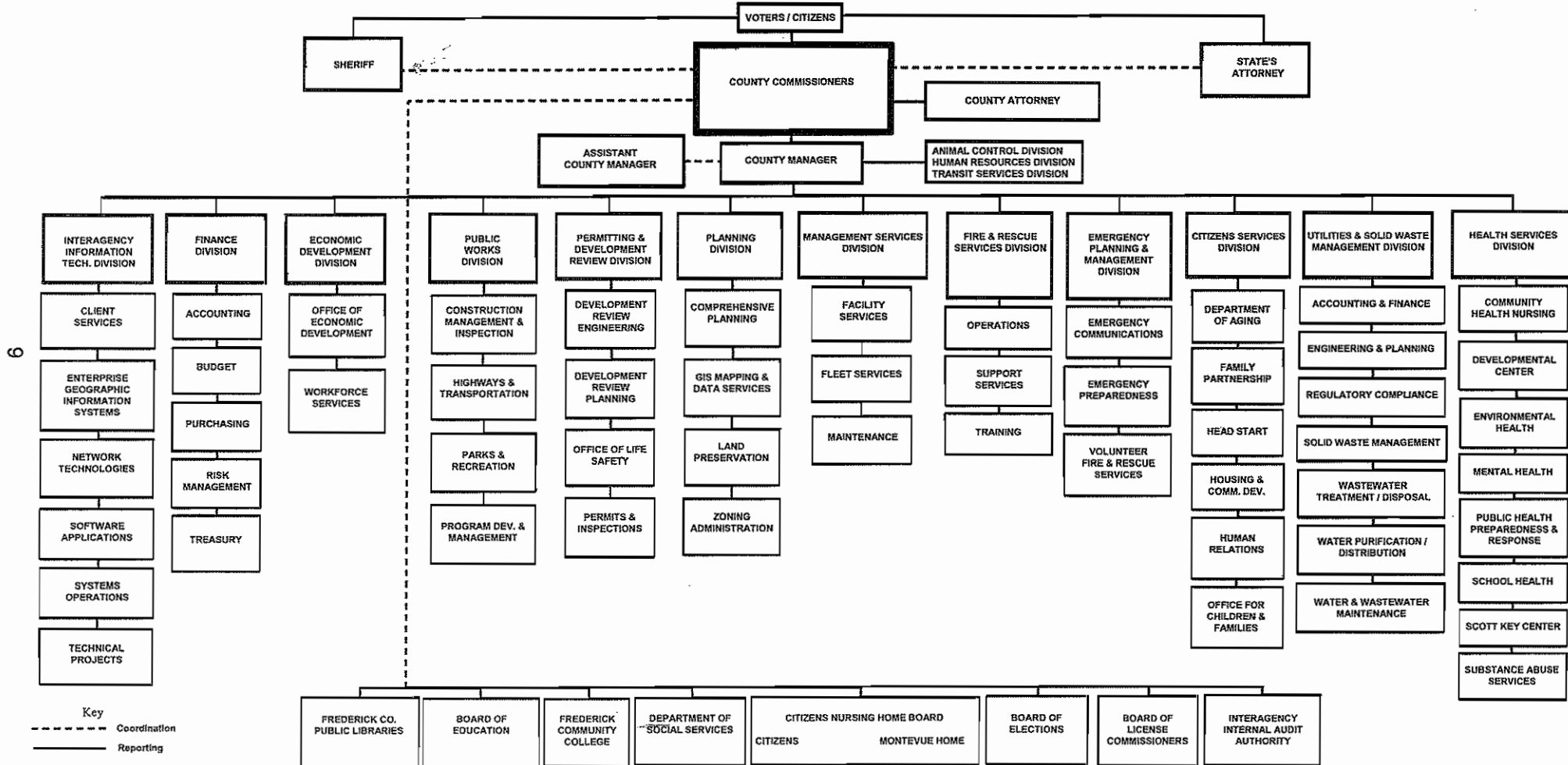


President

Executive Director

# FREDERICK COUNTY, MARYLAND GOVERNMENT ORGANIZATION CHART

Revised: 05/2007  
Planning and Zoning Division  
GIS Mapping and Data Services







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

**Seated from left**

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

**Standing from left**

**Commissioner Charles A. Jenkins and Commissioner John L. Thompson, Jr.**

## **Frederick County, Maryland**

### **Summary of Elected and Appointed Officials**

#### **Board of County Commissioners**

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

#### **Sheriff**

Charles A. "Chuck" Jenkins

#### **State's Attorney**

J. Charles Smith III, Esquire

#### **Appointed Officials**

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

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

## **Component Units**

### **Board of Education**

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

### **Frederick Community College**

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

### **Frederick County Public Library**

President	Eric S. Larson
Vice-President	Robert G. Marmet
Member	Frances G. Baker
Member	Thomas C. Kutz
Member	Tina B. Prensky
Member	Shirley M. Sandage
Member	Perlyn S. Staggers, Ph.D.
Student Representative	Nick Merrill

# FINANCIAL SECTION





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

EDWARD T. GARRETT, CPA  
MEREDITH C. HARSHMAN, CPA  
PAUL D. HEMME, CPA  
KEVIN R. HESSLER, CPA  
DONALD C. LINTON, CPA, CFP, PFS  
JOSEPH M. MCCATHRAN, CPA  
BRIAN E. RIPPEON, CPA  
BARBARA CLINE-ROMAN, CPA  
RONALD W. SHAFER, CPA  
DOUGLAS C. WARFIELD, CPA, CVA

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

Board of County Commissioners of  
Frederick County, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Frederick County, Maryland as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Frederick County, Maryland's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Frederick County Board of Education and the Frederick Community College, which represents 99% and 98%, respectively, of total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Frederick County Board of Education and the Frederick Community College, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of Frederick County, Maryland, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2007 on our consideration of Frederick County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

December 10, 2007

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Frederick County Government's (the "County") discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the County's financial activity, (c) identify changes in the County's financial position (it's ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page 1) and the County's financial statements (beginning on page 30).

### **FINANCIAL HIGHLIGHTS**

- The assets of Frederick County Government exceeded its liabilities at the close of this fiscal year by \$642.3 million (net assets), approximately 50.9% of which is attributable to the County's business-type activities. Of total net assets, \$435.0 million is invested in capital assets, net of related debt, and \$182.6 million is restricted for specific purposes (restricted net assets). The County's unrestricted net assets total \$24.7 million. This total unrestricted net asset amount includes a balance of \$87.4 million from business-type activities, offset by a deficit balance in unrestricted net assets from governmental activities of \$62.7 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 \$220.0 million of bonds payable, the proceeds of which have been used to fund school construction.
- The County's overall financial position has improved since the prior fiscal year. Total net assets increased by \$57.2 million or 9.8%. The governmental net assets increased by \$31.7 million, or 11.2%, primarily the result of revenues from Property Taxes and Investment Income. These two revenue sources increased \$24.4 million from FY2006 to FY2007. The business-type net assets increased by \$25.5 million or 8.5%, primarily the result of operating and capital contributions in the Water and Sewer Fund.
- The governmental activities revenue totaled \$495.2 million or 84.9% of total revenue and the net results from governmental activities totaled \$31.7 million or 55.4% of the total change in net assets.
- The business-type activities revenue totaled \$87.8 million or 15.1% of total revenue and the net assets from business-type activities increased by \$25.5 million or 44.6% of the total change in net assets.
- The total cost of all County programs was \$525.8 million.

- The General Fund (the primary operating fund) reflected on a current financial resource basis, reports a decrease in fund balance of \$8.6 million. This decrease in fund balance is due to a \$15.0 million increase in the current revenue transfer in support of the capital projects program. At the close of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$18.3 million, or 5.0% of total General Fund expenditures. This total unreserved amount is a required set-aside. Designated fund balance of the General Fund was \$79.2 million, or 81.2% of the total unreserved fund balance.
- As of June 30, 2007, the County's governmental funds reported a combined fund balance of \$283.2 million, an increase of \$49.4 million. Included in this increased fund balance is a decrease in the General Fund of \$8.6 million, an increase in the Capital Projects Fund of \$63.4 million and a decrease in the Nonmajor Governmental Funds of \$5.3 million. The relatively minor decrease in the General Fund actually strengthened the financial condition of the government as the BOCC budgeted a \$43.1 million use of fund balance for the year. As noted elsewhere in this report, other revenue and expenditure favorable variances reduced the actual use of fund balance to \$8.6 million. A major contributor to this total increase in governmental funds net assets is the \$49.9 million in bond proceeds received in May 2007 to fund general government capital projects, of which a majority was unspent at year-end. In addition, a major portion of the transfers from the operating funds to the Capital Projects Fund in support of the capital program also were not spent at year-end. The reduction in the fund balance of the nonmajor governmental funds is a result of decreases in revenue from impact fees and recordation taxes.
- Frederick County's total bonded debt increased by \$66.9 million during the current fiscal year.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The County's financial statements focus on the County as a whole (the Government-wide statements) and on major individual funds. "Funds" are self-balancing sets of accounts that account for specific financial activities that may be regulated, restricted or limited in various ways. This discussion and analysis is intended to serve as an introduction to Frederick County Government's basic financial statements. The basic financial statements are comprised of three components:

Government Wide Financial Statements  
Fund Financial Statements  
Notes to the Financial Statements

This report also contains other required and non-required supplementary information in addition to the basic financial statements.



## **Government-Wide Financial Statements**

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns, which present a total for the Primary Government. The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to bottom line results for the County and its governmental and business-type activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term obligations. "Net Assets" is the difference between the County's assets and its liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Additionally, other factors, such as changes in the County's property tax base, the condition of its schools, and the quality of its facilities and infrastructure, should also be a consideration of the County's condition and health.

The government-wide financial statements include, not only Frederick County itself (known as the primary government), but also a legally separate board of education, a legally separate community college, and a legally separate library board for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Component Units, which are other governmental units over which the County can exercise influence and/or may be obligated to provide financial subsidies, are presented as separate columns in the government-wide statements. The focus of the statements is clearly on the Primary Government and the presentation allows the user to address the relative relationship with the Component Units.

The Statement of Activities (Exhibit II-A-2) is focused on both the gross and net cost of various functions (including governmental, business-type and component units), which are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-type activities and/or component units. This statement presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will affect cash flows in future fiscal years and to a limited effect, has affected cash flows in a prior reporting period.

The Governmental Activities reflects the County's basic services, including general government, public safety, public works, health, social services, education, parks/recreation/culture, conservation of natural resources, community development/public housing, economic development and interest on long term debt. Local property, income, and other local taxes, along with charges for services, and grants finance the majority of these services. The Business-type Activities reflect private sector type operation including water and sewer services, solid waste management, nursing homes, public housing and permitting & development review, where the fee for service typically covers all or most of the cost of operation, including depreciation.

The government-wide financial statements can be found on Exhibits II-A-1 and II-A-2 of this report.

## **Fund Financial Statements**

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

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

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

Frederick County maintains twenty individual governmental funds: the General Fund, the Capital Projects Fund, the Grants Fund, the Fire/Rescue Tax Districts Fund, the Agricultural Preservation Fund, the School Construction Fund, the Impact Fees Fund, the Development Road Improvement Fund, the Electric Lighting Tax Districts Fund, the Parks Acquisition & Development Fund, the Hotel Rental Tax Fund, the Citizens Care & Rehabilitation Center Building Fund, the Sheriff's Drug Enforcement Fund, the Sheriff's Office Fund, the Narcotics Task Force Fund, the Inmates Canteen Fund, Housing Initiative Fund, the Non-Profit Organizations Loans Fund, the Fire/Rescue Loans Fund, and the Economic Development Loans Fund.

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

**Proprietary Funds:** Frederick County maintains two different types of proprietary funds, Enterprise funds and Internal Service funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. Frederick County has six individual enterprise funds: the Water & Sewer Fund, the Solid Waste Management Fund, the Citizens Care & Rehabilitation Center Fund, the Montevue Home Fund, the Bell Court Apartments Fund, and the Permitting and Development Review Fund. Internal Service funds are an accounting device used to accumulate and allocate costs internally among Frederick County's various functions and activities. Frederick County uses internal service funds to account for fleet services and voice services operations. Because the services of these funds benefit both the governmental and business-type functions, the change in net assets is included in both the governmental activities and business-type activities in the government-wide financial statements. The basic proprietary fund financial statements are presented in Exhibit II-A-8, II-A-9, and II-A-10.

**Fiduciary Funds:** The Fund Financial Statements also allow the government to address its Fiduciary Funds, (See Exhibits II-A-11 and II-A-12). Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The County's Fiduciary Funds include the Pension Trust Fund and various Agency Funds. While the Fiduciary Funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements. The basis of accounting used for the Fiduciary Funds is much like that used for Proprietary Funds.

While the total column on the Business-type Fund Financial Statements (see Exhibit II-A-8 and II-A-9) may be the same as the Business-type column on the Government-Wide Financial Statements (after consideration of the "Internal Balances" account), the Governmental Activities total columns require reconciliations because of the different measurement focus (current financial resources versus total economic resources) which are reflected on Exhibits II-A-4 and II-A-6. The flow of current financial resources will reflect bond proceeds and interfund transfers as other financing sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the Governmental Activities column in the Government-wide statements.

## **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are part of the basic financial statements and are presented in Exhibit II-A-13.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Frederick County's progress in funding its obligation to provide retirement benefits to its employees. The required supplementary information is presented in Exhibits II-A-14 and II-A-15.

## **Infrastructure Assets**

Infrastructure Assets is the government's largest group of assets (roads, bridges, traffic signals, underground pipes [unless associated with a utility], etc.) in the governmental financial statements. These assets have been valued and reported within the Governmental activities column of the Government-wide Statements. Additionally, the County had the option to elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. The County has elected to depreciate the assets over their estimated useful life.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This section presents the County's financial information in the government-wide financial statement format.

As noted earlier, changes in net assets may serve over time as a useful indicator of a government's overall financial condition and position. In the case of Frederick County, assets exceeded liabilities by \$642.3 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, \$435.0 million or 67.7% reflects its investment in capital assets-net of depreciation (e.g. land, buildings, equipment, infrastructure, construction in progress, and improvements), less any unmatured debt used to acquire those assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net assets represent 28.4% 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 \$24.7 million, which represents 3.8% of total net assets. The unrestricted net assets for business-type activities have a balance of \$87.4 million.

The result of these basic calculations is that the County's overall financial position has improved from FY2006 to FY2007.

The County issues long-term debt to finance the construction of public schools. These public schools are considered capital assets of the Board of Education and are not included as assets of the County. The fact that the County must report the long-term debt for the schools as a liability, but cannot report the schools being financed by the County as assets, has an adverse impact on the County's unrestricted net assets. This is the situation generally in all counties in Maryland and is not unique to Frederick County.

## Statement of Net Assets

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006 *	2007	2006	2007	2006 *
Current and other assets	\$ 376,017	\$ 322,364	\$ 188,785	\$ 152,821	\$ 564,802	\$ 475,185
Capital assets	361,930	333,290	336,955	311,481	698,885	644,771
Total assets	<u>737,947</u>	<u>655,654</u>	<u>525,740</u>	<u>464,302</u>	<u>1,263,687</u>	<u>1,119,956</u>
Current and other liabilities	43,543	39,221	16,255	16,146	59,798	55,367
Long-term debt outstanding	378,880	332,614	182,747	146,945	561,627	479,559
Total Liabilities	<u>422,423</u>	<u>371,835</u>	<u>199,002</u>	<u>163,091</u>	<u>621,425</u>	<u>534,926</u>
Net Assets:						
Invested in capital assets, net of debt	220,486	216,474	214,475	193,225	434,961	409,699
Restricted	157,735	123,852	24,851	3,207	182,586	127,059
Unrestricted (deficit)	(62,697)	(56,507)	87,412	104,779	24,715	48,272
Total net assets	<u>\$ 315,524</u>	<u>\$ 283,819</u>	<u>\$ 326,738</u>	<u>\$ 301,211</u>	<u>\$ 642,262</u>	<u>\$ 585,030</u>

\* Restated: See Note 3.H.

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 \$57.2 million during the fiscal year. Net assets of governmental activities increased \$31.7 million in FY2007, compared to a restated increase of \$28.5 million for FY2006. The increase in net assets of business-type activities was \$25.5 million in FY2007, compared to an increase of \$37.5 million for FY2006.

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

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## Statement of Activities

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006 *	2007	2006	2007	2006 *
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 21,064	\$ 24,010	\$ 55,379	\$ 51,121	\$ 76,443	\$ 75,131
Operating grants and contributions	35,353	40,428	10,419	12,951	45,772	53,379
Capital grants and contributions	4,884	3,018	13,870	21,425	18,754	24,443
<b>General revenues</b>						
Local property taxes	220,103	202,355	-	-	220,103	202,355
Local income taxes	153,232	149,589	-	-	153,232	149,589
Other local taxes	41,285	49,032	-	-	41,285	49,032
Investment earnings	15,415	8,787	7,525	4,226	22,940	13,013
Miscellaneous	3,905	2,722	636	241	4,541	2,963
<b>Total revenues</b>	<b>495,241</b>	<b>479,941</b>	<b>87,829</b>	<b>89,964</b>	<b>583,070</b>	<b>569,905</b>
<b>EXPENSES</b>						
<b>Program Activities</b>						
<b>Primary Government</b>						
<b>Governmental Activities:</b>						
General government	44,409	41,402	-	-	44,409	41,402
Public safety	82,347	68,737	-	-	82,347	68,737
Public works	33,364	30,839	-	-	33,364	30,839
Health	12,023	20,318	-	-	12,023	20,318
Social services	7,434	7,249	-	-	7,434	7,249
Education	234,952	236,656	-	-	234,952	236,656
Parks, recreation, and culture	13,028	11,619	-	-	13,028	11,619
Conservation of natural resources	2,018	3,772	-	-	2,018	3,772
Community development and public housing	4,692	3,195	-	-	4,692	3,195
Economic development and opportunity	12,368	11,486	-	-	12,368	11,486
Interest on long term debt	13,236	9,859	-	-	13,236	9,859
<b>Business-type Activities:</b>						
Water and sewer	-	-	23,083	21,623	23,083	21,623
Solid waste management	-	-	20,650	17,616	20,650	17,616
Non-major proprietary funds	-	-	22,234	19,559	22,234	19,559
<b>Total expenses</b>	<b>459,871</b>	<b>445,132</b>	<b>65,967</b>	<b>58,798</b>	<b>525,838</b>	<b>503,930</b>
<b>Increase in net assets before transfers</b>	<b>35,370</b>	<b>34,809</b>	<b>21,862</b>	<b>31,166</b>	<b>57,232</b>	<b>65,975</b>
<b>Transfers</b>	<b>(3,665)</b>	<b>(6,310)</b>	<b>3,665</b>	<b>6,310</b>	<b>-</b>	<b>-</b>
<b>Increase in Net Assets</b>	<b>31,705</b>	<b>28,499</b>	<b>25,527</b>	<b>37,476</b>	<b>57,232</b>	<b>65,975</b>
<b>Net Assets - Beginning *</b>	<b>283,819</b>	<b>255,320</b>	<b>301,211</b>	<b>263,735</b>	<b>585,030</b>	<b>519,055</b>
<b>Net Assets - Ending</b>	<b>\$ 315,524</b>	<b>\$ 283,819</b>	<b>\$ 326,738</b>	<b>\$ 301,211</b>	<b>\$ 642,262</b>	<b>\$ 585,030</b>

\* Restated: See Note 3.H.

**Governmental Activities:** Governmental activities increased Frederick County's net assets by \$31.7 million, thereby accounting for 55.4% 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 \$13.6 million or 3.4%, during FY2007. Property tax increases of \$17.7 million and income tax increases of \$3.6 million were offset by reductions in other local taxes, primarily recordation taxes.

**Business-type Activities:** Business-type activities increased Frederick County's net assets by \$25.5 million, accounting for 44.6% of the total growth in the government's net assets. The key element of this increase relates to contributions from developers. Operating and capital contributions continue to provide a major revenue source for the Water and Sewer Fund during the current fiscal year, producing \$24.3 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 \$283.2 million. Approximately 87.4% of this total amount (\$245.1 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 (\$34.0 million), (2) for inventories (\$1.1 million), (3) for long-term receivables (\$2.6 million) or (4) dedicated for other restricted purposes (\$.4 million). The reserved fund balance, at 13.5% 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 \$18.3 million, while total fund balance reached \$101.0 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 26.4% of total General Fund expenditures, while total fund balance represents 27.3% of that same amount.

The fund balance of Frederick County's General Fund decreased by \$8.6 million during the current fiscal year. This decrease is due primarily to increases in transfers to the Capital Projects Fund totaling \$38.2 million, primarily in support of school construction. This is \$15.0 million greater than in the prior fiscal year. In addition, the Board of County Commissioners lowered the real property tax rate from \$1.00 per \$100 of assessed valuation to \$.936 as a planned use of fund balance.



The Capital Projects Fund has a total fund balance of \$101.7 million. The total increase in fund balance was \$63.4 million. This increase is primarily due to the issuance of long-term debt in May 2007 in anticipation of spending for capital projects.

**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 \$83.6 million and unrestricted net assets in the Solid Waste Management Fund totaled \$.4 million. The Permitting and Development Review Fund had unrestricted net assets totaling \$3.1 million.

## **General Fund Budgetary Highlights**

The final expenditure and transfers budgets for the General Fund was decreased \$.3 million over the original budget. During the year, revenues exceeded budgetary estimates by \$18.0 million and expenditures were less than budgetary estimates by \$17.1 million, partially eliminating the need to draw upon the appropriated fund balance of \$43.1 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 \$7.5 million due to overly conservative budget estimates for property tax credits.
- Local income tax distributions exceeded the budget by \$5.1 million. This represents 3.4% increase over the budget of \$149.5 million.
- Other local taxes, primarily recordation tax collections, exceeded the budget by \$1.5 million. These funds were generated by recordation taxes charged on the recording of mortgage instruments (\$.9 million) and Local 911 fees (\$.4 million).
- Investment earnings were over budget by \$4.8 million due to improved yields on short-term investments.
- Various departmental under spending of appropriations resulted in total expenditures being under budget by \$17.1 million. The largest contribution to this savings was \$9.4 million in miscellaneous non-departmental expenditures, primarily contingencies and fringe benefits.

## **Capital Asset and Debt Administration**

**Capital Assets:** Frederick County Government's investments in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2007 and 2006, amount to \$698.9 million and \$644.8 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 8.4%.



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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Land	\$ 52,506	\$ 34,349	\$ 6,953	\$ 6,953	\$ 59,459	\$ 41,302
Construction in prog.	26,956	27,018	53,307	72,800	80,263	99,818
Buildings, impr. & equip.	136,069	124,527	78,007	56,241	214,076	180,768
Infrastructure	146,399	147,395	198,688	175,487	345,087	322,882
<b>Total</b>	<b>\$ 361,930</b>	<b>\$ 333,289</b>	<b>\$ 336,955</b>	<b>\$ 311,481</b>	<b>\$ 698,885</b>	<b>\$ 644,770</b>

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

**Table 4**  
**Change in Capital Assets**  
**For the Fiscal Year Ended June 30, 2007**  
**(In Thousands)**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Beginning Balance	\$ 333,289	\$ 311,481	\$ 644,770
Additions	79,989	82,364	162,353
Retirement	(33,881)	(51,294)	(85,175)
Depreciation	(19,508)	(6,312)	(25,820)
Retirement*	2,041	716	2,757
<b>Ending Balance</b>	<b>\$ 361,930</b>	<b>\$ 336,955</b>	<b>\$ 698,885</b>

\*Reduction in accumulated depreciation related to retirement.

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

**Governmental Activities:**

- Construction costs were incurred for the following major projects:
  - Courthouse Phase 2 \$1.9 million
  - Spring Ridge Fire Station 1.9 million
  - Public Safety Training Facility Land 1.9 million
  - Urbana Library 1.9 million
  - English Muffin Way 1.9 million
  - Utica District Park 1.7 million
  - Detention Center Phase 3A 1.5 million

- The following transfers were made to the Frederick County Board of Education for school construction:
- |                         |                |
|-------------------------|----------------|
| ○ Oakdale High          | \$12.0 million |
| ○ New Market Elementary | 4.3 million    |
| ○ Urbana Middle         | 3.8 million    |
| ○ Thurmont Primary      | 2.3 million    |
| ○ Computer Upgrades     | 1.3 million    |

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

- |   |               |
|---|---------------|
| • New Design Water Transmission             | \$5.6 million |
| • Lake Linganore Water & Sewer Improvements | 3.8 million   |
| • Libertytown Wastewater Treatment Plant    | 1.6 million   |
| • Landfill Site B Cell 3                    | 1.0 million   |

#### **Debt Outstanding**

As of year-end, the County had \$455.5 million in bonded debt outstanding compared to a total of \$388.6 million last year, a 17.2% net increase. This increase results from issuing General Obligation debt of \$91,880,000 of new debt while retiring \$24,995,004 of General Obligation Debt.

The County maintains a debt affordability index to determine its self-imposed limits for issuing long-term debt. This debt affordability index is a blend of ratios to determine the maximum debt each year and in total for its 6-year capital program. The County's financial advisor reviews this index periodically.

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

	<u>Balance</u> <u>June 30, 2007</u>	<u>Balance</u> <u>June 30, 2006</u>
<b>Governmental Activities:</b>		
Bonds and notes payable:		
General obligation bonds	\$ 322,447	\$ 290,551
Installment purchase agreements	31,660	20,751
Other notes payable	5,923	6,640
	<u>360,030</u>	<u>317,942</u>
Add remaining original issue premium	12,108	12,792
Less deferred amount on bond refundings	(8,710)	(9,488)
Total bonds and notes payable	<u>363,428</u>	<u>321,246</u>
Other liabilities:		
Capital lease obligations	7,629	4,235
Compensated absences	7,823	7,132
Total other liabilities	<u>15,452</u>	<u>11,367</u>
Governmental activities long-term liabilities	<u>\$ 378,880</u>	<u>\$ 332,613</u>
<b>Business-type Activities:</b>		
Bonds and notes payable:		
General obligation bonds	\$ 133,058	\$ 98,069
Other notes payable	29,688	29,602
	<u>162,746</u>	<u>127,671</u>
Add remaining original issue premium	4,032	3,753
Less deferred amount on bond refundings	(2,158)	(2,412)
Total bonds and notes payable	<u>164,620</u>	<u>129,012</u>
Other liabilities:		
Compensated absences	1,397	1,295
Landfill closure costs	16,730	16,638
Total other liabilities	<u>18,127</u>	<u>17,933</u>
Business-type activities long-term liabilities	<u>\$ 182,747</u>	<u>\$ 146,945</u>

On May 15, 2007 the County issued the General Obligation Public Facilities Bonds of 2007 in the amount of \$91,880,000. The gross proceeds of \$93.7 million were used to fund capital projects. The rating agencies provided the following ratings to this debt issue:

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

Principal payments and reductions of long-term debt in the amounts of \$29.5 million and \$11.5 million were made in the governmental and business-type activities, respectively.

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

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

The following summarizes some economic factors and trends:

- As of June 2007 the average unemployment rate for the County is 3.3%, while the average unemployment rate for the State of Maryland is 4.0%.
- Median household effective buying income in Frederick County is estimated at \$57,477 while the estimate for the State of Maryland is \$50,597 for calendar year 2006.
- The total percentage of increase in the number of new jobs from 2002 through 2006 was 11.87% (9,764 jobs). This is more than double the State of Maryland percentage of increase (4.23%) for the same period. The County's five-year average employment growth rate is 3%.
- The FY2008 property tax is \$.936 per \$100 of assessed valuation. The tax rate is based on a full market value assessment of \$25,833,800,000.

## **FINANCIAL CONTACT**

The County's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions about the report or need additional financial information, contact the Director of Finance, Frederick County Government, 12 East Church Street, Frederick, Maryland 21701.

## **BASIC FINANCIAL STATEMENTS**

8

This section provides a combined overview of the County's net assets and operating activities. The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns which present a total for the Primary Government, using the accrual basis of accounting.

The fund financial statements presented in this section focus on major funds, and present a combined total for nonmajor funds.

**FREDERICK COUNTY, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
<b>Assets</b>						
Cash	\$ 259,399	\$ 1,508,248	\$ 1,767,647	\$ 8,719,463	\$ 11,019,952	\$ 7,093
Equity in pooled invested cash	177,585,283	8,794,360	186,379,643	-	49,205	-
Total cash and cash equivalents	177,844,682	10,302,608	188,147,290	8,719,463	11,069,157	7,093
Investments	80,519,332	141,980,948	222,500,280	8,926,166	5,715,735	379,726
Receivables, net of allowance for uncollectibles:						
Property taxes	1,531,071	-	1,531,071	-	-	-
Accounts	6,003,316	11,604,474	17,607,790	3,836,967	685,465	859
Grants	-	-	-	-	-	4,060
Intergovernmental	66,047,674	-	66,047,674	3,651,483	715,667	-
Internal balances	919,404	(919,404)	-	-	-	-
Due from primary government	-	-	-	5,672,832	-	2,218,101
Due from component units	28,363	-	28,363	-	-	-
Inventories	1,363,449	229,486	1,592,935	997,620	437,594	-
Prepaid items	101,787	375	102,162	129,511	85,838	-
Deferred charges	1,765,051	735,207	2,500,258	-	-	-
Long-term receivables, net of allowance for uncollectibles	5,815,662	-	5,815,662	-	-	-
Cash and cash equivalents - restricted	34,076,950	24,851,354	58,928,304	2,095,126	-	-
Beneficial interest in charitable remainder trust	-	-	-	-	479,043	-
Capital assets:						
Land	52,505,676	6,953,179	59,458,855	35,762,931	271,620	-
Buildings and improvements	138,425,837	110,606,143	249,031,980	505,836,855	49,556,753	-
Equipment	75,051,728	33,373,396	108,425,124	61,752,772	3,186,554	72,240
Library collection	-	-	-	-	1,793,608	11,383,070
Infrastructure	292,238,402	230,640,079	522,878,481	-	-	-
Construction in progress	26,956,492	53,307,315	80,263,807	109,548,822	2,304,062	-
Accumulated depreciation	(223,248,176)	(97,925,136)	(321,173,312)	(203,068,943)	(22,670,067)	(7,514,442)
Total assets	737,946,700	525,740,024	1,263,686,724	543,861,605	53,631,029	6,550,707

(continued)

FREDERICK COUNTY, MARYLAND  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
<b>Liabilities</b>						
Accounts payable	\$ 3,147,680	\$ 2,578,171	\$ 5,725,851	\$ 17,808,159	\$ 941,545	\$ 72,747
Accrued liabilities	13,241,347	5,497,327	18,738,674	165,789	85,131	-
Payroll and benefit deductions	7,950,546	1,583,333	9,533,879	11,536,684	186,376	360,459
Property taxes payable	280,787	-	280,787	-	-	-
Due to third parties	1,112,781	-	1,112,781	-	181,238	-
Due to other governmental units	562,949	-	562,949	-	-	-
Due to primary government	-	-	-	-	28,363	-
Due to component units	7,890,933	-	7,890,933	-	-	-
Unearned revenues	7,317,174	2,641,395	9,958,569	-	1,127,213	177,787
Performance and security deposits	-	8,717	8,717	-	-	-
Other liabilities	2,038,887	3,946,244	5,985,131	-	-	-
Noncurrent liabilities:						
Due within one year	24,893,243	11,943,627	36,836,870	7,222,816	19,217	9,478
Due in more than one year	353,986,856	170,802,988	524,789,844	22,038,434	1,247,150	341,348
Total liabilities	422,423,183	199,001,802	621,424,985	58,771,882	3,816,233	961,819
<b>Net Assets</b>						
Investment in capital assets, net of related debt	220,485,887	214,474,800	434,960,687	505,170,373	36,723,218	3,940,868
Restricted for:						
School and library construction	27,416,714	-	27,416,714	-	-	-
Additional or expanded road facilities	9,035,250	-	9,035,250	-	-	-
Capital Projects	61,017,546	23,837,940	84,855,486	-	-	-
Agricultural preservation	29,577,726	-	29,577,726	-	-	-
Fire and rescue services	10,232,600	-	10,232,600	-	-	-
County code required set-aside	18,339,726	-	18,339,726	-	-	-
Other purposes	2,115,023	1,013,413	3,128,436	-	6,125,960	564,060
Unrestricted (Deficit)	(62,696,955)	87,412,069	24,715,114	(20,080,650)	6,965,618	1,083,960
Total net assets	\$ 315,523,517	\$ 326,738,222	\$ 642,261,739	\$ 485,089,723	\$ 49,814,796	\$ 5,588,888

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, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
<b>Primary government:</b>										
Governmental activities:										
General government	\$ 44,409,114	\$ 10,002,667	\$ 1,270,264	\$ 370,620	\$ (32,765,563)	\$ -	\$ (32,765,563)	\$ -	\$ -	\$ -
Public safety	82,346,886	5,501,706	5,066,791	1,268,345	(70,510,044)	-	(70,510,044)	-	-	-
Public works	33,363,952	699,799	16,582,128	2,891,091	(13,190,934)	-	(13,190,934)	-	-	-
Health	12,022,712	2,571,249	556,261	-	(8,895,202)	-	(8,895,202)	-	-	-
Social services	7,433,791	1,199,006	938,174	-	(5,296,611)	-	(5,296,611)	-	-	-
Education	234,952,181	-	-	-	(234,952,181)	-	(234,952,181)	-	-	-
Parks, recreation and culture	13,027,882	640,439	100,191	353,975	(11,933,277)	-	(11,933,277)	-	-	-
Conservation of natural resources	2,018,025	198,663	353,813	-	(1,465,549)	-	(1,465,549)	-	-	-
Community development and public housing	4,692,471	-	4,399,274	-	(293,197)	-	(293,197)	-	-	-
Economic development and opportunity	12,368,074	250,412	6,085,942	-	(6,031,720)	-	(6,031,720)	-	-	-
Interest on long term debt	13,236,202	-	-	-	(13,236,202)	-	(13,236,202)	-	-	-
Total governmental activities	459,871,290	21,063,941	35,352,838	4,884,031	(398,570,480)	-	(398,570,480)	-	-	-
Business-type activities:										
Water and Sewer	23,082,586	19,651,077	10,418,677	13,869,468	-	20,856,636	20,856,636	-	-	-
Solid Waste Management	20,649,798	17,255,845	-	-	-	(3,393,953)	(3,393,953)	-	-	-
Nursing Homes	15,862,296	12,277,443	-	-	-	(3,584,853)	(3,584,853)	-	-	-
Public Housing	127,423	88,299	-	-	-	(39,124)	(39,124)	-	-	-
Permitting & Development Review	6,244,552	6,106,718	-	-	-	(137,834)	(137,834)	-	-	-
Total business-type activities	65,966,656	55,379,382	10,418,677	13,869,468	-	13,700,872	13,700,872	-	-	-
Total primary government	\$ 525,837,945	\$ 76,443,323	\$ 45,771,515	\$ 18,753,499	(398,570,480)	13,700,872	(384,869,608)	-	-	-
<b>Component Units:</b>										
Board of Education	\$ 441,644,985	\$ 9,272,713	\$ 280,760,307	\$ 52,212,966	-	-	-	(99,398,999)	-	-
Community College	39,590,109	15,122,947	22,661,049	1,667,907	-	-	-	-	(138,206)	-
Public Libraries	8,996,118	448,033	9,189,702	-	-	-	-	-	-	641,617
Total Component Units	\$ 490,231,212	\$ 24,843,693	\$ 312,611,058	\$ 53,880,873	\$ -	\$ -	\$ -	(99,398,999)	(138,206)	641,617
General Revenues:										
Local property taxes					220,103,311	-	220,103,311	-	-	-
Local income taxes					153,232,580	-	153,232,580	-	-	-
Recordation taxes					36,399,767	-	36,399,767	-	-	-
Excise taxes					2,272,533	-	2,272,533	-	-	-
Hotel rental tax					1,122,002	-	1,122,002	-	-	-
Admission and amusement tax					954,532	-	954,532	-	-	-
Agriculture transfer tax					535,658	-	535,658	-	-	-
Grants and contributions not restricted to specific programs					-	-	-	129,452,671	-	-
Investment earnings					15,415,259	7,525,143	22,940,402	984,594	1,392,697	17,594
Miscellaneous					3,904,920	635,984	4,540,904	832,743	1,906,801	-
Transfers					(3,665,110)	3,665,110	-	-	-	-
Total general revenues and transfers					430,275,452	11,826,237	442,101,689	131,270,008	3,299,498	17,594
Change in net assets					31,704,972	25,527,109	57,232,081	31,871,009	3,161,292	659,211
Net assets - beginning of year, as restated					283,818,545	301,211,113	585,029,658	453,218,714	46,653,504	4,929,677
Total net assets - end of year					\$ 315,523,517	\$ 326,738,222	\$ 642,261,739	\$ 485,089,723	\$ 49,814,796	\$ 5,588,888

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



FREDERICK COUNTY, MARYLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 79,133	\$ -	\$ 180,266	\$ 259,399
Equity in pooled invested cash	35,186,282	74,466,762	63,480,690	173,133,734
Total cash and cash equivalents	35,265,415	74,466,762	63,660,956	173,393,133
Investments	62,423,959	-	18,095,373	80,519,332
Receivables, net of allowance for uncollectibles:				
Property taxes	1,469,968	-	61,103	1,531,071
Accounts	4,525,649	240,000	1,107,251	5,872,900
Intergovernmental	61,494,943	770,210	3,782,521	66,047,674
Prepays	60,422	-	40,547	100,969
Due from other funds	1,297,009	-	-	1,297,009
Due from component units	28,109	-	-	28,109
Inventories	1,103,936	-	-	1,103,936
Long-term receivables, net of allowance for uncollectibles:				
Employee salary advances	125,906	-	-	125,906
MILA/MICRF loans	-	-	1,303,324	1,303,324
Fire/Rescue loans	-	-	287,346	287,346
Non profit organization loans	77,850	-	2,046,899	2,124,749
Small business loans	-	-	118,444	118,444
Housing loans	-	-	1,855,893	1,855,893
Cash and cash equivalents - restricted	732,628	32,297,968	1,046,354	34,076,950
Total assets	<u>\$ 168,605,794</u>	<u>\$ 107,774,940</u>	<u>\$ 93,406,011</u>	<u>\$ 369,786,745</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 924,445	\$ 1,906,962	\$ 226,601	\$ 3,058,008
Accrued liabilities	2,683,275	2,796,089	2,384,912	7,864,276
Payroll and benefit deductions	7,153,054	55,045	742,447	7,950,546
Property taxes payable	280,787	-	-	280,787
Due to third parties	614,566	-	498,215	1,112,781
Due to other governmental units	-	-	562,949	562,949
Due to component units	7,872,949	-	-	7,872,949
Other liabilities	-	1,330,036	708,851	2,038,887
Deferred revenue	48,112,483	-	7,703,067	55,815,550
Total liabilities	<u>67,641,559</u>	<u>6,088,132</u>	<u>12,827,042</u>	<u>86,556,733</u>
<b>Fund balances:</b>				
Reserved	3,394,405	31,640,086	3,053,443	38,087,934
Unreserved:				
Designated for:				
Subsequent year's expenditures	74,799,341	-	6,729,681	81,529,022
Other purposes - General fund	4,430,763	-	-	4,430,763
Other purposes - Special revenue funds	-	-	45,482,326	45,482,326
Undesignated:				
General fund	18,339,726	-	-	18,339,726
Capital projects fund	-	70,046,722	-	70,046,722
Special revenue funds	-	-	25,313,519	25,313,519
Total fund balances	<u>100,964,235</u>	<u>101,686,808</u>	<u>80,578,969</u>	<u>283,230,012</u>
Total liabilities and fund balances	<u>\$ 168,605,794</u>	<u>\$ 107,774,940</u>	<u>\$ 93,406,011</u>	<u>\$ 369,786,745</u>

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

FREDERICK COUNTY, MARYLAND  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2007

Total fund balance - governmental funds (See Exhibit II-A-3) \$ 283,230,012

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	\$	52,505,676	
Buildings and Improvements		138,425,837	
Equipment		75,051,728	
Infrastructure		292,238,402	
Construction in Progress		26,956,492	
Less Accumulated Depreciation		<u>(223,248,176)</u>	361,929,959

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		(313,737,335)	
Accrued Bond Interest		(5,120,752)	
Installment Purchase Agreements		(31,659,979)	
Notes Payable		(5,923,287)	
Capital Lease Obligations		(7,628,193)	
Unamortized Premium on Bonds Payable		(12,108,352)	
Compensated Absences		(7,822,953)	
Recognition of Deferred Revenue		<u>48,498,376</u>	(335,502,475)

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		1,472,392	
Deferred Issuance Costs - IPAs		247,447	
Deferred Issuance Costs - Capital Leases		<u>45,212</u>	1,765,051

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.

4,100,970

Net assets of governmental activities (See Exhibit II-A-1) \$ 315,523,517

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, 2007**

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local property taxes	\$ 195,693,110	\$ -	\$ 24,356,564	\$ 220,049,674
Local income taxes	154,536,579	-	-	154,536,579
Other local taxes	26,333,961	-	17,288,746	43,622,707
Licenses and permits	555,708	-	-	555,708
Grants from federal government	-	1,645,512	12,789,529	14,435,041
Grants from state government	17,414,693	3,017,918	5,376,724	25,809,335
Charges for services	5,286,041	-	12,783,317	18,069,358
Fines and forfeitures	177,255	-	127,730	304,985
Interest from loans	4,816	-	84,986	89,802
Investment earnings	9,274,082	-	5,913,919	15,188,001
Miscellaneous	2,015,631	373,846	1,306,104	3,695,581
Total revenues	<u>411,291,876</u>	<u>5,037,276</u>	<u>80,027,619</u>	<u>496,356,771</u>
<b>Expenditures</b>				
Current:				
General government	25,977,350	-	1,841,648	27,818,998
Public safety	46,016,125	-	28,177,075	74,193,200
Public works	15,061,211	-	4,844,285	19,905,496
Health	10,931,411	-	836,422	11,767,833
Social services	4,947,299	-	1,718,032	6,665,331
Education	213,329,178	-	-	213,329,178
Parks, recreation and culture	11,885,934	-	-	11,885,934
Conservation of natural resources	622,058	-	4,572,301	5,194,359
Community development and public housing	265,138	-	4,422,774	4,687,912
Economic development and opportunity	2,339,832	-	10,148,793	12,488,625
Miscellaneous	6,376,131	-	-	6,376,131
Intergovernmental	6,062,188	-	-	6,062,188
Debt service	25,734,820	-	8,740,833	34,475,653
Capital projects	-	63,431,403	-	63,431,403
Total expenditures	<u>369,548,675</u>	<u>63,431,403</u>	<u>65,302,163</u>	<u>498,282,241</u>
Excess (deficiency) of revenues over expenditures	<u>41,743,201</u>	<u>(58,394,127)</u>	<u>14,725,456</u>	<u>(1,925,470)</u>
<b>Other financing sources (uses)</b>				
Transfers in from general fund	-	38,299,420	8,009,101	46,308,521
Transfers in from special revenue funds	-	30,331,520	-	30,331,520
Transfers out to:				
Capital projects fund	(38,299,420)	-	(30,331,520)	(68,630,940)
Special revenue funds	(8,009,101)	-	-	(8,009,101)
Enterprise funds	(3,941,258)	-	-	(3,941,258)
Internal service funds	(796,768)	-	-	(796,768)
General obligation bonds issued	-	49,856,000	-	49,856,000
Premium on debt	698,756	-	220,771	919,527
Capital leases	-	3,276,000	2,049,000	5,325,000
Sale of capital assets	-	-	1,250	1,250
Total other financing sources and (uses)	<u>(50,347,791)</u>	<u>121,762,940</u>	<u>(20,051,398)</u>	<u>51,363,751</u>
Net change in fund balances	<u>(8,604,590)</u>	<u>63,368,813</u>	<u>(5,325,942)</u>	<u>49,438,281</u>
Fund balances - July 1	109,568,825	38,317,995	85,904,911	233,791,731
Fund balances - June 30	<u>\$ 100,964,235</u>	<u>\$ 101,686,808</u>	<u>\$ 80,578,969</u>	<u>\$ 283,230,012</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, 2007**

Net change in fund balances - total governmental funds (See Exhibit II-A-5) \$ 49,438,281

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	\$ 12,420,057	
Depreciation Expense	(19,507,770)	
Adjusted for Internal Service Fund Depreciation	<u>2,796,423</u>	(4,291,290)

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

Donation of Capital Assets	2,047,091	
Additions to Construction in Progress	30,837,441	
Asset Replacements, Retirements and Deletions	<u>(667,706)</u>	32,216,826

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	46,458,359	
Income Taxes - Recognized as Income in the Prior Year	(47,762,358)	
Other Revenues - Deferred in the Fund Statements	2,040,017	
Other Revenues - Recognized as Income in the Prior Year	<u>(2,116,766)</u>	(1,380,748)

(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, 2007

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

Issuance of General Obligation Bonds	\$ (49,856,000)	
Issuance of IPAs	(12,187,194)	
Capital Lease Financing	(5,325,000)	
Bond Premiums	(919,527)	
Deferred Charge for Issuance Costs	351,518	
Principal Payments on General Obligation Debt	17,960,179	
Principal Payments on Installment Purchase Agreements	1,278,620	
Principal Payments on Notes Payable	716,816	
Principal Payments on Capital Leases	1,931,929	
Amortization of Bond Premiums	1,603,114	
Amortization of Issuance Costs	<u>(933,434)</u>	(45,378,979)

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	4,909,773	
Accrued Interest - Current Year	(5,120,752)	
Compensated Absences Accrual	<u>(700,416)</u>	(911,395)

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

2,012,277

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

\$ 31,704,972

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, 2007

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Local property taxes</b>				
Real property (inc. additions & abatements)	\$ 202,871,000	\$ 202,871,000	\$ 204,885,292	\$ 2,014,292
Public utilities	7,464,000	7,464,000	8,513,498	1,049,498
Payments in lieu of taxes	50,000	50,000	45,947	(4,053)
Total levy	<u>210,385,000</u>	<u>210,385,000</u>	<u>213,444,737</u>	<u>3,059,737</u>
Tax credit - state reimbursement	2,300,000	2,300,000	3,039,257	739,257
Homestead credit	(19,870,000)	(19,870,000)	(17,988,974)	1,881,026
Other tax credits and refunds	(4,118,000)	(4,118,000)	(3,579,101)	538,899
Interest - delinquent taxes	1,515,000	1,515,000	1,958,044	443,044
Discounts allowed on taxes	(2,000,000)	(2,000,000)	(1,180,853)	819,147
Total adjustments	<u>(22,173,000)</u>	<u>(22,173,000)</u>	<u>(17,751,627)</u>	<u>4,421,373</u>
Total property taxes	<u>188,212,000</u>	<u>188,212,000</u>	<u>195,693,110</u>	<u>7,481,110</u>
<b>Local income taxes</b>	<u>149,460,000</u>	<u>149,460,000</u>	<u>154,536,579</u>	<u>5,076,579</u>
<b>Other local taxes</b>				
Admission and amusement	800,000	800,000	954,532	154,532
Recordation	22,100,000	22,100,000	23,041,214	941,214
911 fees - local	1,850,000	1,850,000	2,256,769	406,769
Trailer parks	85,000	85,000	81,446	(3,554)
Security interest filing fees	700	700	-	(700)
Total other local taxes	<u>24,835,700</u>	<u>24,835,700</u>	<u>26,333,961</u>	<u>1,498,261</u>
<b>Licenses and permits</b>				
Alcoholic beverage licenses	204,355	204,355	218,673	14,318
Traders' licenses	185,000	185,000	191,421	6,421
Zoning permits	200,000	60,000	58,573	(1,427)
Driveway permits	30,000	-	64	64
Grading permits	-	-	(534)	(534)
Animal licenses	28,000	28,000	49,412	21,412
Marriage fees	14,000	14,000	11,795	(2,205)
Miscellaneous licenses and permits	-	-	26,304	26,304
Total licenses and permits	<u>661,355</u>	<u>491,355</u>	<u>555,708</u>	<u>64,353</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, 2007

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Grants from state government</b>				
Police protection	1,025,000	1,025,000	1,033,843	8,843
Aid for fire, rescue and ambulance services	360,000	360,000	359,228	(772)
County inmate housing	2,200,000	2,200,000	2,094,695	(105,305)
Highway user revenues	14,000,000	14,000,000	13,826,736	(173,264)
Parks	60,000	60,000	100,191	40,191
Total grants from state government	<u>17,645,000</u>	<u>17,645,000</u>	<u>17,414,693</u>	<u>(230,307)</u>
<b>Charges for services</b>				
Planning and zoning fees	102,000	96,500	104,270	7,770
Court costs, fees and charges	2,300	2,300	2,690	390
Scott Key Center	1,210,000	1,216,951	1,199,006	(17,945)
Other general government	190,400	190,400	125,902	(64,498)
Public safety	425,000	448,413	494,905	46,492
Transportation services	157,500	157,500	150,420	(7,080)
Job Training Agency	82,000	82,000	63,790	(18,210)
Frederick County Developmental Center	77,000	77,000	59,006	(17,994)
Mental health	2,720,204	2,478,804	2,445,613	(33,191)
Recreation	<u>704,000</u>	<u>704,000</u>	<u>640,439</u>	<u>(63,561)</u>
Total charges for services	<u>5,670,404</u>	<u>5,453,868</u>	<u>5,286,041</u>	<u>(167,827)</u>
<b>Fines and forfeitures</b>				
Court	75,000	75,000	66,292	(8,708)
Alcoholic beverages	5,000	5,000	6,050	1,050
Other fines and forfeitures	<u>102,500</u>	<u>102,500</u>	<u>104,913</u>	<u>2,413</u>
Total fines and forfeitures	<u>182,500</u>	<u>182,500</u>	<u>177,255</u>	<u>(5,245)</u>
<b>Investment earnings</b>	<u>4,505,000</u>	<u>4,505,000</u>	<u>9,278,898</u>	<u>4,773,898</u>
<b>Miscellaneous revenues</b>				
Rents and concessions	1,332,370	1,332,370	1,430,453	98,083
Contributions and donations	-	34,773	34,748	(25)
Sale of property	10,000	10,000	28,250	18,250
Other miscellaneous revenues	<u>1,102,500</u>	<u>1,156,437</u>	<u>522,180</u>	<u>(634,257)</u>
Total miscellaneous revenues	<u>2,444,870</u>	<u>2,533,580</u>	<u>2,015,631</u>	<u>(517,949)</u>
<b>Total revenues</b>	<u>393,616,829</u>	<u>393,319,003</u>	<u>411,291,876</u>	<u>17,972,873</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, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
<b>General government</b>				
<b>Legislative and executive</b>				
County commissioners	\$ 701,826	\$ 716,307	\$ 693,785	\$ 22,522
County manager	877,453	884,223	773,661	110,562
Boards and commissions	13,230	13,230	11,660	1,570
Total legislative and executive	<u>1,592,509</u>	<u>1,613,760</u>	<u>1,479,106</u>	<u>134,654</u>
<b>Judicial</b>				
Circuit court	852,167	866,520	796,704	69,816
Orphans court	27,246	27,246	24,378	2,868
States attorney	4,553,819	4,604,398	4,445,361	159,037
Grand jury	69,338	69,338	80,108	(10,770)
Other judicial	500	500	-	500
Total judicial	<u>5,503,070</u>	<u>5,568,002</u>	<u>5,346,551</u>	<u>221,451</u>
<b>Elections</b>				
Board of supervisors of elections	<u>1,245,912</u>	<u>1,245,912</u>	<u>1,041,252</u>	<u>204,660</u>
<b>Financial administration</b>				
Accounting	2,452,486	2,213,526	2,087,871	125,655
Independent auditing	36,200	36,200	38,780	(2,580)
Budgeting	448,718	452,491	392,887	59,604
Purchasing	630,609	636,645	647,476	(10,831)
Risk Management	304,429	309,494	296,730	12,764
Treasury	891,107	904,416	838,971	65,445
Total financial administration	<u>4,763,549</u>	<u>4,552,772</u>	<u>4,302,715</u>	<u>250,057</u>
<b>Legal</b>				
County attorney	<u>822,976</u>	<u>829,319</u>	<u>782,439</u>	<u>46,880</u>
<b>Personnel administration</b>				
Personnel	<u>814,847</u>	<u>825,357</u>	<u>840,253</u>	<u>(14,896)</u>
<b>Planning and zoning</b>				
Planning	2,134,683	2,165,141	2,095,087	70,054
Board of zoning appeals	11,629	11,629	8,170	3,459
Total planning and zoning	<u>2,146,312</u>	<u>2,176,770</u>	<u>2,103,257</u>	<u>73,513</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, 2007

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Management services</b>				
Interagency Information Technologies	\$ 5,396,534	\$ 5,695,854	\$ 5,545,951	\$ 149,903
General services	184,668	186,432	151,811	34,621
Logistical services	209,994	211,665	208,358	3,307
Maintenance	7,315,113	6,878,585	6,143,693	734,892
Custodial services	2,173,334	2,122,695	2,011,894	110,801
Total management services	15,279,643	15,095,231	14,061,707	1,033,524
<b>Other general government</b>				
Internal audit	385,724	391,006	621,341	(230,335)
Board of liquor license commissioners	223,709	226,470	207,856	18,614
Total other general government	609,433	617,476	829,197	(211,721)
Total general government	32,778,251	32,524,599	30,786,477	1,738,122
<b>Public safety</b>				
Sheriff	20,389,250	20,063,746	19,250,275	813,471
Fire protection	648,091	651,564	599,252	52,312
Fire/rescue state grant allocation	360,000	360,000	359,228	772
Fire inspection	256,927	258,030	264,595	(6,565)
Fire and rescue services	5,392,460	5,268,003	4,994,058	273,945
Advanced life support	485,413	465,635	424,308	41,327
Detention center	11,491,967	11,461,913	11,392,407	69,506
Work release center	2,109,251	2,105,007	2,095,287	9,720
Alternative sentencing	705,780	702,555	654,241	48,314
Emergency management	331,808	238,056	260,243	(22,187)
Animal control	1,330,728	1,398,087	1,378,728	19,359
Emergency communications	3,988,401	4,011,360	3,872,880	138,480
Public safety director	605,849	690,727	714,484	(23,757)
Total public safety	48,095,925	47,674,683	46,259,986	1,414,697
<b>Public works</b>				
Highways	11,679,244	11,998,023	11,684,638	313,385
Public works administration	305,390	308,750	260,909	47,841
Project management	340,891	351,571	251,854	99,717
Construction management	1,674,198	1,619,750	598,542	1,021,208
Development review	592,297	526,369	524,417	1,952
Program development and management	475,469	473,024	421,036	51,988
Transportation engineering	1,239,466	1,245,682	1,109,701	135,981
Total public works	16,306,955	16,523,169	14,851,097	1,672,072

(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, 2007**

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Health</b>				
County administrator	\$ 137,152	\$ 138,392	\$ 124,462	\$ 13,930
Core Services	3,710,325	3,472,925	3,456,507	16,418
School health program	4,613,224	4,655,885	4,149,465	506,420
Detention center substance abuse	115,137	115,137	115,137	-
Mental health	1,392,307	1,392,307	1,224,435	167,872
Mosquito control	8,000	8,000	4,731	3,269
Frederick County Developmental Center	1,848,483	1,883,593	1,673,290	210,303
ARC of Frederick County	37,000	37,000	37,000	-
Counseling Services	24,000	24,000	24,000	-
Mental Health Association hotline	50,000	50,000	50,000	-
Child Abuse Prevention-Mental Health Association	5,000	5,000	5,000	-
Alzheimer's Association of Frederick County	11,500	11,500	11,500	-
Central Maryland Catholic Charities	18,000	18,000	18,000	-
Hepatitis Clinic	15,000	15,000	15,000	-
Total health	<u>11,985,128</u>	<u>11,826,739</u>	<u>10,908,527</u>	<u>918,212</u>
<b>Social services</b>				
Contribution to Department of Social Services	1,207,388	1,237,958	1,052,029	185,929
Department of Aging	551,434	386,228	381,645	4,583
Office of Children and Families	293,364	361,396	251,479	109,917
Transit	310,853	330,576	116,154	214,422
Family partnership	241,979	256,700	236,415	20,285
Deinstitutionalization day care	11,514	11,514	11,514	-
Community Agency School Services	48,000	48,000	48,000	-
Daybreak Adult Daycare Center	25,000	25,000	25,000	-
Advocates for the Homeless	25,000	25,000	25,000	-
The Volunteer Center - United Way	20,000	20,000	20,000	-
Community Action Agency	60,000	60,000	60,000	-
Up-County Family Center	28,500	28,500	28,500	-
Character counts	3,500	3,500	3,500	-
Emergency food/fuel/shelter	176,000	176,000	176,000	-
Healthy Family/Heartly House	27,500	27,500	27,500	-
CASA of Frederick County	5,000	5,000	5,000	-
Scott Key Center	2,459,507	2,479,537	2,365,752	113,785
Other social services	124,096	124,096	124,096	-
Total social services	<u>5,618,635</u>	<u>5,606,505</u>	<u>4,957,584</u>	<u>648,921</u>
<b>Education</b>				
Hood College	100,000	100,000	100,000	-
Maryland School for the Blind	2,000	2,000	-	2,000
Frederick County Board of Education	200,802,990	200,791,890	200,803,851	(11,961)
Frederick Community College	<u>12,527,068</u>	<u>12,527,068</u>	<u>12,425,327</u>	<u>101,741</u>
Total education	<u>213,432,058</u>	<u>213,420,958</u>	<u>213,329,178</u>	<u>91,780</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, 2007

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Parks, recreation and culture</b>				
Frederick County Public Libraries	\$ 7,503,953	\$ 7,585,844	\$ 7,508,026	\$ 77,818
Parks	3,450,366	3,412,414	3,377,533	34,881
Recreation programs	1,369,323	1,369,323	1,033,715	335,608
Recreation grants	40,000	40,000	40,000	-
Historical Society of Frederick County	12,530	12,530	12,530	-
American Legion Council	1,000	1,000	1,000	-
National Museum of Civil War Medicine	10,000	10,000	10,000	-
Delaplaine Visual Arts Center	10,000	10,000	10,000	-
Weinberg Center for the Arts	10,000	10,000	10,000	-
Community libraries	5,589	5,589	5,589	-
Total parks, recreation and culture	<u>12,412,761</u>	<u>12,456,700</u>	<u>12,008,393</u>	<u>448,307</u>
<b>Conservation of natural resources</b>				
Extension service	320,563	321,856	306,604	15,252
Soil conservation	212,137	212,137	228,447	(16,310)
Gypsy moth control	53,000	84,631	84,631	-
Forestry Board	2,000	2,000	2,000	-
Western Maryland Resources Conservation and Development Council	500	500	500	-
Total conservation of natural resources	<u>588,200</u>	<u>621,124</u>	<u>622,182</u>	<u>(1,058)</u>
<b>Community development and public housing</b>				
Housing administration	<u>334,128</u>	<u>324,760</u>	<u>265,138</u>	<u>59,622</u>
Total community development and public housing	<u>334,128</u>	<u>324,760</u>	<u>265,138</u>	<u>59,622</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, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
<b>Economic development and opportunity</b>				
Office of economic development	\$ 996,725	\$ 993,377	\$ 1,026,891	\$ (33,514)
Frederick Municipal Airport	49,500	49,500	49,500	-
Citizens services administration	234,167	236,161	230,965	5,196
Job Training Agency	649,645	669,486	649,669	19,817
Head Start	47,430	95,487	94,892	595
Human relations	157,869	158,839	153,348	5,491
Jeanne Bussard Center	36,000	36,000	36,000	-
Commission for Women	4,858	4,858	4,858	-
Goodwill Ambassador Fund	5,000	5,000	1,250	3,750
Commission for Disabilities	1,450	1,450	1,847	(397)
Seton Center	24,000	24,000	24,000	-
Emmitsburg Child Care Center	18,000	18,000	18,000	-
Child Care Consortium	30,000	30,000	30,000	-
FMH Prenatal Clinic	17,000	17,000	17,000	-
Total economic development and opportunity	<u>2,271,644</u>	<u>2,339,158</u>	<u>2,338,220</u>	<u>938</u>
<b>Non-departmental</b>				
Property and liability insurance	1,288,150	1,288,150	876,684	411,466
Health insurance - retirees	3,326,686	3,326,686	2,624,502	702,184
Other employee benefits and taxes	2,936,984	1,995,728	290,739	1,704,989
Montessori communities	-	5,044	5,044	-
Other miscellaneous	1,864,784	1,467,862	(5,126,236)	6,594,098
Total non-departmental	<u>9,416,604</u>	<u>8,083,470</u>	<u>(1,329,267)</u>	<u>9,412,737</u>
<b>Intergovernmental</b>				
Financial corporations grant to municipalities	50,000	50,000	49,273	727
Tax rebate to municipalities	6,012,917	6,012,917	6,012,915	2
Total intergovernmental	<u>6,062,917</u>	<u>6,062,917</u>	<u>6,062,188</u>	<u>729</u>
<b>Debt service</b>				
Principal - general obligation debt	15,167,041	15,167,041	15,123,275	43,766
Principal - state loans	620,951	620,951	620,962	(11)
Interest - general obligation debt	10,343,396	10,343,396	9,659,127	684,269
Interest - state loans	331,466	331,466	331,456	10
Total debt service	<u>26,462,854</u>	<u>26,462,854</u>	<u>25,734,820</u>	<u>728,034</u>
Total expenditures	<u>385,766,060</u>	<u>383,927,636</u>	<u>366,794,523</u>	<u>17,133,113</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, 2007

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Other financing sources (uses)</b>				
Transfers out to				
Grants special revenue fund	\$ (6,873,806)	\$ (7,153,230)	\$ (5,712,523)	\$ 1,440,707
Agriculture preservation special revenue fund	(1,070,089)	(1,071,578)	(1,071,578)	-
Housing initiatives special revenue fund	(1,225,000)	(1,225,000)	(1,225,000)	-
Capital projects fund	(37,720,580)	(38,299,420)	(38,299,420)	-
Enterprise fund - Citizens Care & Rehabilitation Center	(1,902,283)	(1,960,016)	(1,960,016)	-
Enterprise fund - Montevue Home	(1,758,874)	(1,767,962)	(1,767,962)	-
Enterprise fund - Permitting and Development Review	(254,611)	(213,280)	(213,280)	-
Internal service fund - Fleet services	-	(655,355)	(655,355)	-
Internal service fund - Voice services	(141,413)	(141,413)	(141,413)	-
Premium - GO bonds	-	-	698,756	698,756
Total other financing sources (uses)	<u>(50,946,656)</u>	<u>(52,487,254)</u>	<u>(50,347,791)</u>	<u>2,139,463</u>
Budgeted use of fund balance	\$ <u>(43,095,887)</u>	\$ <u>(43,095,887)</u>	\$ <u>(5,850,438)</u>	\$ <u>37,245,449</u>
Change in fund balance			\$ (5,850,438)	
Net change in reserves and adjustments to GAAP basis			(2,754,152)	
Fund balance - beginning			109,568,825	
Fund balance - ending			<u>\$ 100,964,235</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, 2007

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	
<b>Assets</b>					
Current assets:					
Cash	\$ 1,441,088	\$ 2,600	\$ 64,560	\$ 1,508,248	\$ -
Equity in pooled invested cash	2,151,703	445,867	6,196,790	8,794,360	4,451,549
Total cash and cash equivalents	3,592,791	448,467	6,261,350	10,302,608	4,451,549
Restricted cash and cash equivalents	16,042,678	8,451,191	357,485	24,851,354	-
Short-term investments	59,310,182	12,460,536	3,783	71,774,501	-
Receivables, net of allowance for uncollectibles accounts	7,697,430	1,863,515	2,043,529	11,604,474	130,416
Due from component units	-	-	-	-	254
Inventories	193,989	-	35,497	229,486	259,513
Prepaid items	-	-	375	375	818
Total current assets	86,837,070	23,223,709	8,702,019	118,762,798	4,842,550
Noncurrent assets:					
Long-term investments	51,239,392	18,967,055	-	70,206,447	-
Capital Assets:					
Land	3,469,873	2,837,164	646,142	6,953,179	-
Buildings and improvements	57,900,838	38,993,785	13,711,520	110,606,143	1,833,133
Equipment	26,226,588	4,728,076	2,418,732	33,373,396	24,930,660
Other improvements	230,640,079	-	-	230,640,079	-
Accumulated depreciation	(63,314,882)	(28,433,221)	(6,177,033)	(97,925,136)	(12,889,687)
Construction in progress	48,176,240	5,131,075	-	53,307,315	-
Deferred bond issue expense	526,703	176,298	32,206	735,207	-
Total noncurrent assets	354,864,831	42,400,232	10,631,567	407,896,630	13,874,106
Total assets	441,701,901	65,623,941	19,333,586	526,659,428	18,716,656
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	2,488,393	13,299	76,479	2,578,171	89,672
Payroll and benefit deductions	518,918	112,604	951,811	1,583,333	117,349
Accrued expenses	3,567,224	1,742,842	187,261	5,497,327	138,970
Due to other funds	-	-	1,297,009	1,297,009	-
Deferred revenues	633,188	12,685	1,995,522	2,641,395	-
Security deposits	-	-	8,717	8,717	-
Other liabilities	3,889,090	-	57,154	3,946,244	-
Current portion landfill closure and postclosure liability	-	217,249	-	217,249	-
Current portion general obligation bonds and notes	8,507,505	2,780,684	356,266	11,644,455	-
Current portion of compensated absences	22,519	8,191	51,213	81,923	2,137
Total current liabilities	19,626,837	4,887,554	4,981,432	29,495,823	348,128
Noncurrent liabilities:					
Long term portion landfill closure and postclosure liability	-	16,512,705	-	16,512,705	-
Long term portion general obligation bonds and notes	107,770,410	38,373,013	6,831,892	152,975,315	-
Liability for compensated absences	525,765	105,584	683,619	1,314,968	112,622
Total noncurrent liabilities	108,296,175	54,991,302	7,515,511	170,802,988	112,622
Total liabilities	127,923,012	59,878,856	12,496,943	200,298,811	460,750
<b>Net Assets</b>					
Invested in capital assets, net of related debt	214,154,929	(3,091,332)	3,411,203	214,474,800	13,874,106
Restricted for:					
Capital projects	15,518,491	8,319,449	-	23,837,940	-
Other purposes	524,186	131,742	357,485	1,013,413	-
Unrestricted	83,581,283	385,226	3,067,955	87,034,464	4,381,800
Total net assets	\$ 313,778,889	\$ 5,745,085	\$ 6,836,643	326,360,617	\$ 18,255,906
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				377,605	
Net assets of business-type activities				\$ 326,738,222	

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, 2007**

	<b>Business-type Activities-Enterprise Funds</b>				<b>Governmental Activities-Internal Service Funds</b>
	<b>Water and Sewer</b>	<b>Solid Waste Management</b>	<b>Total Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>Operating revenues</b>					
Service charges	\$ 19,237,028	\$ 17,203,132	\$ -	\$ 36,440,160	\$ 11,700,885
Charges for health care services, net of contractual adjustments	-	-	12,134,534	12,134,534	-
License and permit revenue	-	-	3,846,340	3,846,340	-
Fee revenue	-	-	2,239,678	2,239,678	-
Rental charges	-	-	102,926	102,926	-
Total net charges for services	19,237,028	17,203,132	18,323,478	54,763,638	11,700,885
Delinquent fees collected	46,523	52,713	5,099	104,335	-
Other revenues	367,526	-	143,883	511,409	-
Total operating revenues	19,651,077	17,255,845	18,472,460	55,379,382	11,700,885
<b>Operating expenses</b>					
Personnel services	6,580,328	1,681,958	15,467,153	23,729,439	1,962,802
Operating expenses (including administrative overhead)	5,761,763	17,508,938	4,469,010	27,739,711	1,289,690
Supplies	1,002,178	33,297	1,594,542	2,630,017	4,106,094
Repairs and maintenance	1,643,501	207,091	58,701	1,909,293	608,342
Depreciation expense	5,465,600	340,184	505,941	6,311,725	2,796,423
Total operating expenses	20,453,370	19,771,468	22,095,347	62,320,185	10,763,351
Operating income (loss)	(802,293)	(2,515,623)	(3,622,887)	(6,940,803)	937,534
<b>Nonoperating revenues (expenses)</b>					
Donations	-	-	18,041	18,041	-
Investment earnings	5,320,135	1,920,413	284,595	7,525,143	227,258
Miscellaneous income (expense)	593,451	902	3,100	597,453	(53,246)
Interest expense	(2,706,660)	(925,240)	(167,736)	(3,799,636)	-
Gain (loss) on disposition of capital assets	(14,510)	35,000	-	20,490	(54,579)
Total nonoperating revenues (expenses)	3,192,416	1,031,075	138,000	4,361,491	119,433
Net income (loss) before contributions and transfers	2,390,123	(1,484,548)	(3,484,887)	(2,579,312)	1,056,967
Capital contributions	24,288,145	-	-	24,288,145	46,305
Transfers in	-	-	3,941,258	3,941,258	1,072,916
Transfers out	(256,962)	-	(19,186)	(276,148)	-
Total contributions and transfers	24,031,183	-	3,922,072	27,953,255	1,119,221
Change in net assets	26,421,306	(1,484,548)	437,185	25,373,943	2,176,188
Net assets - July 1	287,357,583	7,229,633	6,399,458		16,079,718
Net assets - June 30	\$ 313,778,889	\$ 5,745,085	\$ 6,836,643		\$ 18,255,906
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				153,166	
Change in net assets of business-type activities				\$ 25,527,109	

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

**FREDERICK COUNTY, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b>Business-type Activities-Enterprise Funds</b>				<b>Governmental Activities-Internal Service Funds</b>
	<b>Water and Sewer</b>	<b>Solid Waste Management</b>	<b>Total Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>					
Cash received from residents and customers	\$ 18,674,463	\$ 17,280,886	\$ 18,360,832	\$ 54,316,181	\$ 11,757,983
Cash paid for interfund services	-	87,229	41,594	128,823	-
Cash paid to suppliers	(7,397,309)	(18,558,155)	(5,816,161)	(31,771,625)	(6,225,544)
Cash paid to employees	(6,445,470)	(1,685,567)	(15,320,454)	(23,451,491)	(1,968,093)
Other	-	-	(60,983)	(60,983)	-
Net cash provided (used) by operating activities	4,831,684	(2,875,607)	(2,795,172)	(839,095)	3,564,346
<b>Cash flows from noncapital financing activities</b>					
Transfers in	-	-	3,941,258	3,941,258	1,102,640
Cash received from donations	-	-	18,041	18,041	-
Cash received (paid to) from patient and resident funds	-	-	(2,043)	(2,043)	-
Cash paid to memorial and employee funds	-	-	(1,603)	(1,603)	-
Net cash provided (used) by noncapital financing activities	-	-	3,955,653	3,955,653	1,102,640
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(27,985,459)	(2,758,097)	(1,938,363)	(32,681,919)	(3,784,057)
Recoveries for damages	-	-	-	-	3,198
Proceeds from sale of capital assets	14,000	35,000	-	49,000	176,992
Proceeds from debt issues	32,218,530	10,004,402	3,074,899	45,297,831	-
Payment of bond and note principal	(7,044,518)	(2,394,622)	(217,195)	(9,656,335)	-
Interest paid on bonds	(2,594,042)	(986,002)	(192,769)	(3,772,813)	-
Contributed capital	24,031,183	-	(19,186)	24,011,997	-
Net cash provided (used) by capital & related financing activities	18,639,694	3,900,681	707,386	23,247,761	(3,603,867)
<b>Cash flows from investing activities</b>					
Purchase of investments	(154,007,490)	(47,732,821)	(113,229)	(201,853,540)	-
Proceeds from the sale of investments	123,447,731	43,618,359	141,771	167,207,861	-
Interest received on investments	5,011,470	1,846,931	279,176	7,137,577	227,258
Net cash provided (used) by investing activities	(25,548,289)	(2,267,531)	307,718	(27,508,102)	227,258
Net increase (decrease) in cash and cash equivalents	(2,076,911)	(1,242,457)	2,175,585	(1,143,783)	1,290,377
Cash and cash equivalents, July 1	5,669,702	1,690,924	4,085,765	11,446,391	3,161,172
Cash and cash equivalents, June 30	\$ 3,592,791	\$ 448,467	\$ 6,261,350	\$ 10,302,608	\$ 4,451,549

(continued)



**FREDERICK COUNTY, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b>Business-type Activities-Enterprise Funds</b>				<b>Governmental Activities-Internal Service Funds</b>
	<b>Water and Sewer</b>	<b>Solid Waste Management</b>	<b>Total Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>					
Cash received from residents and customers	\$ 18,674,463	\$ 17,280,886	\$ 18,360,832	\$ 54,316,181	\$ 11,757,983
Cash paid for interfund services	-	87,229	41,594	128,823	-
Cash paid to suppliers	(7,397,309)	(18,558,155)	(5,816,161)	(31,771,625)	(6,225,544)
Cash paid to employees	(6,445,470)	(1,685,567)	(15,320,454)	(23,451,491)	(1,968,093)
Other	-	-	(60,983)	(60,983)	-
Net cash provided (used) by operating activities	4,831,684	(2,875,607)	(2,795,172)	(839,095)	3,564,346
<b>Cash flows from noncapital financing activities</b>					
Transfers in	-	-	3,941,258	3,941,258	1,102,640
Cash received from donations	-	-	18,041	18,041	-
Cash received (paid to) from patient and resident funds	-	-	(2,043)	(2,043)	-
Cash paid to memorial and employee funds	-	-	(1,603)	(1,603)	-
Net cash provided (used) by noncapital financing activities	-	-	3,955,653	3,955,653	1,102,640
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(27,985,459)	(2,758,097)	(1,938,363)	(32,681,919)	(3,784,057)
Recoveries for damages	-	-	-	-	3,198
Proceeds from sale of capital assets	14,000	35,000	-	49,000	176,992
Proceeds from debt issues	32,218,530	10,004,402	3,074,899	45,297,831	-
Payment of bond and note principal	(7,044,518)	(2,394,622)	(217,195)	(9,656,335)	-
Interest paid on bonds	(2,594,042)	(986,002)	(192,769)	(3,772,813)	-
Contributed capital	24,031,183	-	(19,186)	24,011,997	-
Net cash provided (used) by capital & related financing activities	18,639,694	3,900,681	707,386	23,247,761	(3,603,867)
<b>Cash flows from investing activities</b>					
Purchase of investments	(154,007,490)	(47,732,821)	(113,229)	(201,853,540)	-
Proceeds from the sale of investments	123,447,731	43,618,359	141,771	167,207,861	-
Interest received on investments	5,011,470	1,846,931	279,176	7,137,577	227,258
Net cash provided (used) by investing activities	(25,548,289)	(2,267,531)	307,718	(27,508,102)	227,258
Net increase (decrease) in cash and cash equivalents	(2,076,911)	(1,242,457)	2,175,585	(1,143,783)	1,290,377
Cash and cash equivalents, July 1	5,669,702	1,690,924	4,085,765	11,446,391	3,161,172
Cash and cash equivalents, June 30	\$ 3,592,791	\$ 448,467	\$ 6,261,350	\$ 10,302,608	\$ 4,451,549

(continued)

FREDERICK COUNTY, MARYLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (802,293)	\$ (2,515,623)	\$ (3,622,887)	\$ (6,940,803)	\$ 937,534
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	5,465,600	340,184	505,941	6,311,725	2,796,423
Landfill closing costs	-	369,218	-	369,218	-
Miscellaneous non operating income	593,451	902	-	594,353	1,632
Change in assets and liabilities:					
(Increase) decrease:					
Accounts receivable	(1,461,617)	24,139	(510,550)	(1,948,028)	36,441
Bad debt allowance	-	8,038	23,117	31,155	-
Intergovernmental receivables	-	87,229	-	87,229	20,657
Inventory	44,666	-	(5,282)	39,384	3,345
Prepaid items	-	-	4,125	4,125	40,252
Increase (decrease):					
Accounts payable	174,248	(262,430)	(34,465)	(122,647)	(349,707)
Accrued expenses	1,340,408	(658,340)	122,382	804,450	87,668
Deferred revenues	(108,448)	-	656,692	548,244	-
Liability for compensated leave	53,264	8,629	39,843	101,736	(9,899)
Due to other funds	-	-	26,894	26,894	-
Closure liability	-	(277,553)	-	(277,553)	-
Other liabilities	(467,595)	-	(982)	(468,577)	-
Net cash provided (used) by operating activities	\$ <u>4,831,684</u>	\$ <u>(2,875,607)</u>	\$ <u>(2,795,172)</u>	\$ <u>(839,095)</u>	\$ <u>3,564,346</u>

Noncash investing, capital, and financing activities:

Included in interest income in the Water and Sewer Fund is an unrealized loss of \$1,075,272. Included in interest income in the Solid Waste Fund is an unrealized loss of \$137,611.

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

**FREDERICK COUNTY, MARYLAND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2007**

	<u>Pension Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 38,587	\$ 232,945
Equity in pooled invested cash	147,491	3,863,006
Investments:		
Money markets	10,256,703	-
Fixed income securities	23,859,033	-
Equity securities	163,421,523	-
Interest receivable	322,715	-
Total assets	<u>198,046,052</u>	<u>\$ 4,095,951</u>
<b>LIABILITIES</b>		
Accounts payable	177,592	\$ -
Accrued payroll	1,748	-
Due to third parties	-	349,850
Performance deposits	-	3,746,101
Retirement benefit deductions	215,242	-
Total liabilities	<u>394,582</u>	<u>\$ 4,095,951</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	<u>\$ 197,651,470</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, 2007**

	<b>Pension Trust</b>
<b>Additions</b>	
Contributions	
Employer contributions	\$ 14,019,851
Member contributions	4,728,099
Total contributions	<u>18,747,950</u>
Investment income	
Net appreciation (depreciation) in fair value of plan investments	22,712,931
Interest and dividends	5,083,440
Investment expense	(820,914)
Net investment income	<u>26,975,457</u>
Total additions	<u>45,723,407</u>
<b>Deductions</b>	
Benefits and refunds paid to plan members and beneficiaries	5,786,570
Administrative expenses	389,707
Total deductions	<u>6,176,277</u>
Change in net assets	39,547,130
Net assets held in trust for pension benefits, beginning of year	<u>158,104,340</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 197,651,470</u>

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



A freestall barn is seen reflecting in the late summer sun on a dairy farm that is still operational in Frederick County.

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**FREDERICK COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Frederick County (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies consistent with these principles are described below.

**A. Financial Reporting Entity**

For financial reporting purposes, in conformance with GAAP, the reporting entity includes the Board of County Commissioners of Frederick County (the primary government) and its component units. The concept of "financial accountability" determines which organizations are included in the reporting entity and how they are reported. The primary government, or the separately elected governing body, is the nucleus of the financial reporting entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the primary government.

**Component Units**

A primary government may be financially accountable for governmental organizations that are fiscally dependent on it, regardless of the method of election or appointment of the governing board of the fiscally dependent government. Fiscal dependence occurs if the government may not (1) determine its budget without another government's having the authority to approve and modify that budget, (2) levy taxes or set rates or charges without approval by another government, or (3) issue bonded debt without approval by another government. The Board of Education of Frederick County and the Board of Trustees of Frederick Community College meet the conditions for fiscal dependency with respect to the Board of County Commissioners of Frederick County, as discussed below, and are included in the reporting entity.

The Board of Education of Frederick County (BOE) is a legally separate organization created by State Law to operate the County's school system. Day-to-day management of the schools is under the control of the BOE, with final decision-making authority held by the State Board of Education. The BOE's budget is subject to approval by the Board of County Commissioners of Frederick County. The BOE submits a funding request by major categories of expenditure; the Board of County Commissioners can reduce the BOE request and appropriate a lesser amount in total and/or redistribute funds between major categories. The Board of County Commissioners also must approve budget amendments between major categories. The State Board of Education, through the State Department of Education, reviews the BOE's budget to ensure that the Board of County Commissioners funds a minimum budget as a condition for State funding. However, this review is considered ministerial, and not substantive in nature.

The Board of Trustees of Frederick Community College oversees the day-to-day management of Frederick Community College (FCC). FCC is also legally separate under State Law. The Governor appoints FCC board members. FCC's budget is subject to approval by the Board of County Commissioners of Frederick County. FCC requests a single amount to fund its operations; the Board of Commissioners can reject FCC's request and appropriate a lesser amount, but it does not have the ability to modify the individual line item amounts in FCC's requested budget. Financial data related to FCC also includes its component unit, Frederick Community College Foundation, Inc. (the Foundation).

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

The Board of Trustees of Frederick County Public Library (FCPL) is a legally separate organization created by State law to operate the County's library system. The Board of County Commissioners of Frederick County appoints the FCPL Board of Trustees. The FCPL's budget is submitted to and approved by the Board of Commissioners in accordance with the budgetary procedures described in Note 2, except that any unspent appropriations are retained by the FCPL as a component of fund balance.

The above component units have been included with the financial reporting entity using a discrete presentation. The component units do not provide services entirely, or almost entirely, to the County nor are any of the governing boards substantially the same. Discrete presentations in the combined financial statements are created with separate columns for the individual component units in the government-wide financial statements to emphasize that they are legally separate from the primary government.

The FCPL does not issue separate financial statements. The FCPL statements are provided solely on the government-wide financial statements, as described above, since the FCPL is made up of one operating fund. Complete financial statements of the BOE and FCC can be obtained from their respective administrative offices.

Board of Education of Frederick County  
7630 Hayward Road  
Frederick, Maryland 21702

Frederick Community College  
7932 Opossumtown Pike  
Frederick, Maryland 21702

### **Joint Venture**

The following organization is considered a joint venture of the County: Northeast Maryland Waste Disposal Authority (NEMWDA). Disclosure of the County's participation in this joint venture is presented in Note 4G. Complete financial statements can be obtained at the joint venture's office listed below:

Northeast Maryland Waste Disposal Authority  
100 South Charles St., Tower II-Suite 402  
Baltimore, MD 21201-3330

### **B. Government-wide and Fund Financial Statements**

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



## NOTES TO FINANCIAL STATEMENTS (Continued)

The Statement of Net Assets displays the financial position of the County as of year-end. Governmental activities are reported on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets, including infrastructure, as well as long-term debt and obligations. The County's net assets are reported in three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

**Fund Financial Statements:** Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds and enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

**General Fund Budget-to-Actual Comparison Statement:** Demonstrating compliance with the adopted budgets is an important component of a government's accountability to the public. For this reason, the County has chosen to make its General Fund budget-to-actual comparison statement part of the basic financial statements. The County revises its original budgets over the course of the year for a variety of reasons; such revisions are reflected in a separate column in this statement.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds also use the accrual basis of accounting to recognize assets and liabilities.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except (1) employees' annual leave is recognized in the year it is accrued and expected to be liquidated with expendable available financial resources; and (2) principle and interest on general long-term debt are recognized when due.

Property taxes, income taxes, other local taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:



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

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the purchase, construction or renovation of major capital assets. It is composed of the General Government Capital Projects Fund and accounts for additions of education facilities, roads and similar general government capital assets (other than those financed by the proprietary funds).

Nonmajor governmental funds include the following special revenue funds:

- The *Grants Fund* – This fund accounts for Federal and State grant revenues and expenditures. This fund is a special revenue fund and receives revenues from Federal and State grants and expends these funds in accordance with the terms of the grants
- *Fire/Rescue Tax Districts Fund* – This fund primarily accounts for property taxes that are legally restricted to providing fire and rescue services within designated areas of the County. Expenditures accounted for are limited to salaries and fringes, training, lease payments on capital equipment and other capital costs. All other expenditures are recorded in the General Fund.
- *Agricultural Preservation Fund* – This fund accounts for taxes on the transfer of agricultural properties that are legally restricted to providing funding for state or approved local agricultural land preservation programs. It also accounts for other revenue sources designated for agricultural land preservation.
- *Impact Fees Fund* – This fund accounts for impact fees collected from developers to pay a portion of the cost of schools necessitated by the development.
- *Development Road Improvement Fund* – This fund accounts for building excise tax collections that are dedicated to road development.
- *Electric Lighting Tax Districts Fund* – This fund accounts for property taxes that are legally restricted to paying for street lighting.
- *Parks Acquisition and Development Fund* – This fund accounts for recordation taxes dedicated for parkland acquisition and development.
- *Hotel Rental Tax Fund* – This fund accounts for the hotel tax received from the local hotels as defined by the Hotel Tax Ordinance.
- *Citizens Care and Rehabilitation Center Building Fund* – This fund accounts for recordation taxes dedicated to pay for the cost of building a new Citizens Care and Rehabilitation Center, a nursing home facility.
- *School Construction Fund* – This fund accounts for recordation taxes dedicated to pay a portion of the cost of school construction.
- *Sheriff's Activities Fund* – These four funds account for activities such as the Sheriff's Drug Enforcement, Sheriff's Office, Narcotics Task Force, and Inmates' Canteen.
- *Loan Activities* – These funds accounts for the loan activities associated with four loan funds – Housing Initiative Loans, Non-Profit Organization Loans, Fire/Rescue Loans and Economic Development Loans.

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

The County reports the following major proprietary funds:

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

Nonmajor proprietary funds include the following enterprise funds:

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

Additionally, the County reports the following fund types:

- *Internal Service Funds* account for fleet and voice related services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.
- *Agency Funds* are used to account for monies received and held by the County as an agent for such activities as sales of property for delinquent tax bills, deposits for subdivisions, work release, and servicing tax increment financing bonds.
- *Pension Trust Fund* accounts for the activities of the Frederick County Employee Retirement Plan, which accumulates resources for pension benefit payments to qualified employees.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges from the Statement of Activities would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **D. Assets, Liabilities and Net Assets or Equity**

##### *1. Pooled Cash and Investments*

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

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

**2. Property Taxes Receivable**

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

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

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

Total assessed value on which levies were made for the year ended June 30, 2007, was \$20,178,548,271. The Countywide property tax rate was \$.936 per \$100 of assessed value. In addition, taxes were levied in two fire tax districts and three lighting tax districts. The County collected 99.8% of taxes levied in the current year. The receivable portion of the current year property tax levy, including fire and lighting tax districts and public utility tax, is \$1,504,637 and is included in total property taxes receivable \$1,531,071 on the Statement of Net Assets. This compares to the current portion of the prior year levy of \$403,283 included in the total property taxes of \$446,040 as of June 30, 2006.

**3. Inventories**

Inventory is valued at cost (first-in, first-out), which approximates market except for the Water and Sewer Enterprise Fund, which uses specific identification to value its inventory of supplies, which also approximates market. Inventory consists of expendable supplies held for consumption. The cost, other than in the proprietary funds, is recorded as an expenditure when items are purchased. The fund balance of the General Fund is restored for the value of the inventory on hand at year-end and fund balance is reserved by an equal amount to indicate it is unavailable for appropriation.

**4. Capital Assets**

Capital assets, including property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items) are recorded at historical costs or at estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their fair market value at the date of donation.

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Most capital assets used in operations are depreciated using the straight-line method over their estimated useful lives. The County defines capital assets, other than infrastructure, as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life in excess of one year. Infrastructure is defined as capital assets with an initial cost of \$100,000 or more, and an estimated useful life in excess of one year. The County has included infrastructure acquired prior to fiscal years ended after June 30, 1980 in capital assets. The estimated useful lives for assets depreciated using the straight-line method are as follows:

Bridges	50	years
Buildings	30 - 50	years
Improvements	10 - 30	years
Machinery and Equipment	5 - 30	years
Vehicles	5 - 15	years
Water and Sewer Lines	25 - 75	years
Roads	30	years
Misc. Infrastructure	10 - 20	years

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

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

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

#### 5. *Compensated Absences*

Frederick County personnel policies allow employees to accumulate a limited amount of earned but unused annual leave, which can be used in a subsequent period or will be paid to employees upon separation from County service. In the government-wide financial statements and proprietary fund financial statements, all annual, holiday, and compensatory leave are accrued when earned. A liability for these amounts is only reported in governmental funds for the portion estimated to be due and payable at year-end from resources of that year.

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

**6. Long-Term Obligations**

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

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

**7. Net Assets/Fund Balances**

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

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

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

**8. Estimates**

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

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

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

**A. Budgetary Data**

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

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to January 15, the Budget Officer requests all departments to submit their proposed operating budgets for the fiscal year commencing the following July 1.
2. All budget requests are compiled by the Budget Office and, after making departmental reviews of the request, a recommended budget is presented to the Board of County Commissioners for review and appeal.
3. Public hearings are required by law to be scheduled by the Budget Officer with approval of the Board of County Commissioners.
4. Prior to the commencement of the fiscal year, the property tax rate is set and the budget is legally enacted through the passage of an ordinance.
5. The Board of County Commissioners adopts the budget for all funds, except the General Fund, at the fund level of budgetary control. The General Fund budget is adopted at the department level. Budgetary schedules in this document may display greater detail than the legal level of budget adoption.
6. Supplemental appropriations are allowed only to provide for the award of federal and state grants and other restricted revenues during the year. Supplemental appropriations were not material in relation to the budget originally appropriated.
7. Appropriations lapse at the end of the fiscal year for all funds, except the Capital Projects Fund and certain federal and state grants that do not have a year-end date of June 30.
8. Formal budgetary integration is employed as a management control device for all funds for which a budget is legally adopted, namely, the General, Special Revenue (except the Sheriff's Drug Enforcement, Sheriff's Office Fund, Narcotics Task Force, Inmates' Canteen, Fire/Rescue Loan and Non-Profit Organizations Loan), Capital Projects, Enterprise Funds, Internal Service Funds and Pension Trust Fund. No budgets are in place for the Special Revenue Funds individually noted.
9. During the operating year, inter-departmental budget transfers must be approved by the Board of County Commissioners.

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The policy established by the County with respect to the Budget is at variance with GAAP. The County's budgetary basis of accounting differs from GAAP as follows:

- Encumbrances are treated as expenditures for budgetary accounting purposes. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.
- Inventories are recorded as expenditures at the time of purchase.
- Participation in alternative contributory pension system (budgeted for in FY 2008)

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

Of the Governmental Funds, the General Fund has a legally adopted annual budget. Exhibit II-A-7 the "Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual" is prepared on a basis consistent with this budget. The budget is prepared using encumbrance accounting where encumbrances are treated as expenditures of the current period. The reconciliation of Budget to GAAP, as presented on the "Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual" reflects adjustments as described below.

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

	<b>General Fund</b>			
	Revenues	Expenditures	Other Financing Sources (Uses)	Net change in Fund Balance
Budgetary Basis	\$ 411,291,876	\$ 366,794,523	\$ (50,347,791)	\$ (5,850,438)
Basis Adjustments:				
Encumbrance adjustment	-	581,465	-	(581,465)
Participation in alternative contributory pension system (budgeted for in FY 2008)	-	2,360,843	-	(2,360,843)
Inventory adjustment	-	(188,156)	-	188,156
Net affect of basis adjustments	-	2,754,152	-	(2,754,152)
GAAP Basis	<u>\$ 411,291,876</u>	<u>\$ 369,548,675</u>	<u>\$ (50,347,791)</u>	<u>\$ (8,604,590)</u>



**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The following departments over expended their FY2007 budgets:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
Office of Economic Development	\$ 993,377	\$ 1,026,891	\$ 33,514
Internal Audit	391,006	621,341	230,335
Soil Conservation	212,137	228,447	16,310
Emergency Management	238,056	260,243	22,187

Variances are due to higher than anticipated salary and fringe costs for the Office of Economic Development, Emergency Management and Public Safety Director. The Office of Economic Development had the retirement of key personnel and the Emergency Management and Public Safety Director departments had changes in the division structure late in the year. The variances for Internal Audit and Soil Conservation related to lower than anticipated recoveries. In the case of Internal Audit, it was a significant decrease in Component Unit In-Kind charges and for Soil Conservation it was a decrease in salary recovery.

### 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 \$703,411 and the bank balance was \$4,128,510. 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)	\$ 450,049
National Credit Union Administration (NCUA)	2,164
Held by the government's agent, in the government's name	3,347,119
Unspent lease proceeds held in escrow	<u>329,178</u>
Total Bank Balance	<u>\$ 4,128,510</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The County's cash and investments as of June 30, 2007, totaled \$469,575,874 as presented in the Statement of Net Assets. Restricted cash and cash equivalents represent unspent bond proceeds and lease proceeds held in escrow, as mentioned above. The following table reconciles the County's deposits and investments to the Statement of Net Assets:

Total Primary Government - Exhibit II-A-1	
Cash	\$ 1,767,647
Equity in Pooled Invested Cash	186,379,643
Investments	222,500,280
Restricted Cash and Cash Equivalents	58,928,304
Total	<u>\$ 469,575,874</u>
Deposit & Investment Summary:	
Investments	\$ 473,162,206
Cash on Hand	19,379
Deposits	703,411
Less: Component Units and Agency Fund Cash Equivalents	
Retirement Fund	(186,078)
Frederick County Public Libraries	(27,093)
Agency Funds	(4,095,951)
Total	<u>\$ 469,575,874</u>

### Pension Trust Fund

At the year-end, the carrying amount of the Pension Trust Fund's deposits was \$38,587 and the bank balance was \$93,765. The deposits of the Pension Trust Fund were not exposed to custodial risk at June 30, 2007.

### 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, 2007, BOE's cash on hand for petty cash was \$14,175. The carrying amount of the Board's deposits was \$13,094,831 and the bank balance was \$6,984,293. The deposits of the Board were not exposed to custodial risk at June 30, 2007.

At June 30, 2007, FCC's cash on hand for petty cash was \$19,350. The carrying amount of the College's deposits was \$1,456,556 and the bank balance was \$2,227,905. Deposits of the College in the amount of \$788,567 were uncollateralized and exposed to custodial credit risk at June 30, 2007.

At June 30, 2007, the carrying amount and bank balance of FCPL's deposits was \$7,093.

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

2. *Investments*

**Primary Government**

As of June 30, 2007, Frederick County held the following investments and maturities. The government's investment balances were as follows:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>0 - 18 Month Maturities</u>	<u>18 - 24 Month Maturities</u>	<u>&gt; 24 Month Maturities</u>
U. S. Treasuries	\$ 18,014,771	\$ -	\$ -	\$ 18,014,771
Repurchase Agreements	5,911,507	5,911,507	-	-
MD Local Government Investment Pool	215,660,284	215,660,284	-	-
Money Market Funds	11,178,606	11,178,606	-	-
Federal Agency Securities	222,397,038	101,633,405	74,916,200	45,847,433
Total Fair Value	<u>\$ 473,162,206</u>	<u>\$ 334,383,802</u>	<u>\$ 74,916,200</u>	<u>\$ 63,862,204</u>

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

**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

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

7. Certificates of deposit (collateralized within the guidelines of the Annotated Code of Maryland, State Finance and Procurement Article 6-202)

8. Maryland Local Government Investment Pool (MLGIP)

The County's investments have received the followings ratings:

<u>Investment</u>	<u>Fair Value</u>	<u>Moody's</u>	<u>Standard &amp; Poor's</u>	<u>Fitch Ratings</u>
MLGIP	\$ 215,660,284		AAAm	
Repurchase Agreement	5,911,507	Aa1	AA	
FHLB	121,675,604	Aaa	AAA	
FNMA	58,147,447	Aaa	AAA	AAA
FHLMC	37,578,687	Aaa	AAA	AAA
Farm Credit	4,995,300	Aaa	AAA	AAA

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

**Concentration of Credit Risk** – To reduce this risk, the County seeks to maintain a balanced portfolio by issuer or financial institution and class of security or money market instrument. A portion of the portfolio shall be invested in marketable U. S. Treasury bills at all times. More than 5% of the County's portfolio is invested in the Maryland Local Government Investment Pool (MLGIP) and federal agency securities. The MLGIP may invest in instruments rated only Tier 1 by at least one Nationally Recognized Securities Rating Organization (NRSRO). They have maximum exposure limits per issuer to maintain a diversified portfolio.

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U. S. Treasuries	\$ 18,014,771	3.807 %
Repurchase Agreements	5,911,507	1.249
MD Local Government Investment Pool (MLGIP)	215,660,284	45.579
Money Market Funds	11,178,606	2.363
Federal Home Loan Bank (FHLB)	121,675,604	25.715
Federal National Mortgage Assoc. (FNMA)	58,147,447	12.289
Federal Home Loan Mortgage Corp (FHLMC)	37,578,687	7.942
Federal Farm Credit Bank	4,995,300	1.056
Total Fair Value	<u>\$ 473,162,206</u>	<u>100.000 %</u>

**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

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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.

**Pension Trust Fund**

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

Investments – The Plans investment policy includes an asset allocation plan for investments. The target allocation is 60% equities and 40% bonds. The minimum and maximum percentages for equities are 35% and 75%, respectively, and for bonds are 25% and 50%, respectively.

As of June 30, 2007, the Plan held the following investments and maturities:

<b><u>Investment Type (All funds)</u></b>	<b><u>Fair Value</u></b>	<b><u>0 - 18 Month Maturities</u></b>	<b><u>18 - 24 Month Maturities</u></b>	<b><u>&gt; 24 Month Maturities</u></b>
Money Market Funds	\$ 10,256,703	\$ 10,256,703	\$ -	\$ -
Mutual Funds	79,492,576	79,492,576	-	-
U.S. Government Securities (Fixed Income)	10,106,015	-	-	10,106,015
Corporate Bonds and Notes (Fixed Income)	13,753,018	172,123	293,157	13,287,738
Common Stocks	83,928,947	83,928,947	-	-
Total Fair Value	<u>\$ 197,537,259</u>	<u>\$ 173,850,349</u>	<u>\$ 293,157</u>	<u>\$ 23,393,753</u>

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

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

**Credit Risk** – The money market funds are unrated, as are the mutual funds and common stocks used by the Plan. As of June 30, 2007, the Plan's fixed income investments had the following characteristics:

<u>Moody's Rating or Comparable</u>	<u>Fair Value</u>
AAA to A1	\$ 13,760,647
BAA3 to BA1	1,499,202
Not rated	8,599,184
Total Fair Value	<u>\$ 23,859,033</u>

**Foreign Currency Risk** – The Plan's exposure to foreign currency risk derives from its investment in foreign currency or instruments denominated in foreign currency. The Plan recognizes the value of global diversification and retains one investment manager for global and international equity investments. The Plan's exposure to foreign currency risk is as follows:

<u>Currency</u>	<u>Fair Value</u>
Australian Dollar	\$ 539,667
British Pound Sterling	4,283,626
Canadian Dollar	211,083
Danish Krone	819,567
Euro Currency	8,331,208
Hong Kong Dollar	334,275
Japanese Yen	3,208,907
Singapore Dollar	249,312
South Korean Won	151,655
Swedish Krona	767,191
Swiss Franc	278,496
Total Fair Value	<u>\$ 19,174,987</u>

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**Component Units**

The Board of Education's investments at June 30, 2007 are categorized in the following table:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			<u>Interest Rate At June 30</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	
State Investment Pool	\$ 8,924,166	\$ 8,924,166	\$ -	\$ -	5.08%
Certificates of Deposit	84,382	84,382	-	-	Various
	<u>\$ 9,008,548</u>	<u>\$ 9,008,548</u>	<u>\$ -</u>	<u>\$ -</u>	

Investment income includes the following for the year ended June 30, 2007:

Total net investment income per statement of activities - \$984,594

FCC's investments at June 30, 2007 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			<u>Interest Rate At June 30</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	
State Investment Pool	\$ 9,288,522	\$ 9,288,522	\$ -	\$ -	5.08%
	<u>\$ 9,288,522</u>	<u>\$ 9,288,522</u>	<u>\$ -</u>	<u>\$ -</u>	

Investment income includes the following for the year ended June 30, 2007:

Total net investment income per statement of activities - \$1,392,697

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The Frederick Community College Foundation investments at June 30, 2007 are:

	June 30, 2007		June 30, 2006	
	Cost	Market	Cost	Market
U.S. Treasury Note & Bonds	\$ 444,500	\$ 438,161	\$ 330,520	\$ 321,070
U.S. Agencies	694,636	689,520	478,316	470,091
Corporate Bonds	869,470	867,315	880,175	868,179
Total Debt Securities	2,008,606	1,994,996	1,689,011	1,659,340
Equity Securities	3,618,236	3,720,739	3,002,311	2,972,043
<b>Total Investments</b>	<b>\$ 5,626,842</b>	<b>\$ 5,715,735</b>	<b>\$ 4,691,322</b>	<b>\$ 4,631,383</b>

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

FCPL's investments at June 30, 2007 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	\$ 209,726	\$ 209,726	\$ -	\$ -	5.08%
Certificates of Deposit	170,000	170,000	-	-	Various
	<u>\$ 379,726</u>	<u>\$ 379,726</u>	<u>\$ -</u>	<u>\$ -</u>	

Investment income includes the following for the year ended June 30, 2007:

Total net investment income per statement of activities - \$17,594

*Investment Rate Risk:* Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost.

*Credit Risk.* The BOE, FCC and FCPL invest in the Maryland Local Government Investment Pool (MLGIP), which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAAM by Standard and Poor's, their highest rating for money market funds. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.



**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the BOE, FCC and FCPL will not be able to recover all or portion of the value of its investments or collateral securities that are in possession of an outside party. At June 30, 2007, all of the component unit investments were insured or registered, or securities were held by the unit or its agent in the unit's name or were invested in the MLGIP.

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

**B. Receivables and Payables**

*1. Accounts and Other Receivables*

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

Fire/Rescue Tax Districts	\$136,027
Water and Sewer	1,092
Solid Waste	72,353
Citizen's Nursing Home	69,444
Montevue Home	59,463

*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, 2007, are reconciled as follows:

	<b>BOE</b>	<b>FCC</b>	<b>FCPL</b>	<b>TOTAL</b>
Due from component units per Primary Government	\$ -	\$ 28,363	\$ -	\$ 28,363
Due to primary government per Component Units	\$ -	\$ 28,363	\$ -	\$ 28,363
	<b>BOE</b>	<b>FCC</b>	<b>FCPL</b>	<b>TOTAL</b>
Due to component units per Primary Government	\$ 5,672,832	\$ -	\$ 2,218,101	\$ 7,890,933
Due from primary government per Component Units	\$ 5,672,832	\$ -	\$ 2,218,101	\$ 7,890,933

**C. Capital Assets**

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

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Capital Asset activity for the year ended June 30, 2007 is as follows:

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 34,349,385	\$ 18,597,955	\$ (441,664)	\$ 52,505,676
Construction in progress	27,018,283	30,837,441	(30,899,232)	26,956,492
Total capital assets at historical cost not being depreciated	61,367,668	49,435,396	(31,340,896)	79,462,168
Capital assets being depreciated:				
Buildings and improvements	123,729,655	14,696,182	-	138,425,837
Equipment	68,696,933	8,592,584	(2,237,789)	75,051,728
Infrastructure	285,276,834	7,263,716	(302,148)	292,238,402
Total capital assets at historical cost being depreciated	477,703,422	30,552,482	(2,539,937)	505,715,967
Less accumulated depreciation for:				
Buildings and improvements	38,207,631	3,317,818	-	41,525,449
Equipment	29,691,584	7,940,271	(1,748,753)	35,883,102
Infrastructure	137,882,020	8,249,681	(292,076)	145,839,625
Total accumulated depreciation	205,781,235	19,507,770	(2,040,829)	223,248,176
Total capital assets being depreciated, net of accumulated depreciation	271,922,187	11,044,712	(499,108)	282,467,791
Governmental activities capital assets, net	\$ 333,289,855	\$ 60,480,108	\$ (31,840,004)	\$ 361,929,959
Depreciation expense was charged to governmental functions as follows:				
General government				\$ 2,609,607
Public works				1,493,018
Social services				1,100,496
Health				256,872
Rec and culture				1,599,509
Public safety				4,198,587
Infrastructure				8,249,681
Total depreciation expense				\$ 19,507,770

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 6,953,179	\$ -	\$ -	\$ 6,953,179
Construction in progress	72,799,779	31,082,441	(50,574,905)	53,307,315
Total capital assets at historical cost not being depreciated	79,752,958	31,082,441	(50,574,905)	60,260,494
Capital assets being depreciated:				
Buildings and improvements	88,498,599	22,218,420	(110,876)	110,606,143
Equipment	31,029,046	2,940,717	(596,367)	33,373,396
Infrastructure	204,529,504	26,122,575	(12,000)	230,640,079
Total capital assets at historical cost being depreciated	324,057,149	51,281,712	(719,243)	374,619,618
Less accumulated depreciation for:				
Buildings and equipment	63,286,392	3,394,534	(708,481)	65,972,445
Infrastructure	29,042,753	2,917,190	(7,252)	31,952,691
Total accumulated depreciation	92,329,145	6,311,724	(715,733)	97,925,136
Total capital assets being depreciated, net of accumulated depreciation	231,728,004	44,969,988	(3,510)	276,694,482
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 311,480,962</u>	<u>\$ 76,052,429</u>	<u>\$ (50,578,415)</u>	<u>\$ 336,954,976</u>
Depreciation expense was charged to business-type functions as follows:				
Citizens Nursing Home				\$ 133,008
Montevue Home				43,054
Bell Court				62,596
Permitting & Development Review				267,282
Solid Waste				340,184
Water & Sewer				5,465,600
Total depreciation expense				<u>\$ 6,311,724</u>

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Component units' capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	\$ 35,956,165	\$ 78,386	\$ -	\$ 36,034,551
Construction in progress	99,389,120	49,643,214	(37,179,450)	111,852,884
Total capital assets at historical cost not being depreciated	135,345,285	49,721,600	(37,179,450)	147,887,435
Capital assets being depreciated:				
Library collection	12,339,799	836,879	-	13,176,678
Building and improvements	514,924,825	40,468,783	-	555,393,608
Furniture and equipment	61,727,425	5,803,149	(2,519,008)	65,011,566
Total capital assets at historical cost being depreciated	588,992,049	47,108,811	(2,519,008)	633,581,852
Less accumulated depreciation for:				
Library collection	8,557,750	506,969	-	9,064,719
Building and improvements	164,858,841	14,896,736	-	179,755,577
Furniture and equipment	41,387,124	5,495,965	(2,449,933)	44,433,156
Total accumulated depreciation	214,803,715	20,899,670	(2,449,933)	233,253,452
Total capital assets being depreciated, net of accumulated depreciation	374,188,334	26,209,141	(69,075)	400,328,400
Component units' capital assets, net of accumulated depreciation	\$ 509,533,619	\$ 75,930,741	\$ (37,248,525)	\$ 548,215,835

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

1. *Primary Government Interfund Receivables and Payable Balances*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Total</u>
	<u>Nonmajor Proprietary</u>	<u>Due from Other Funds</u>
General Fund	\$ 1,297,009	\$ 1,297,009
Total Due to Other Funds	<u>\$ 1,297,009</u>	<u>\$ 1,297,009</u>

Interfund balances due from the nonmajor proprietary funds include \$1,297,009 from Citizens Care and Rehabilitation Center. The amount due from Citizens Care and Rehabilitation Center is primarily the additional cash amounts needed during the year ended June 30, 2007, to fund the operations of the center. This amount due will be repaid to the General Fund through improved operating results of the center expected in subsequent years. The balance in the nonmajor governmental fund is the result from the timing of cash flows and will clear themselves through normal operations.

2. *Interfund Transfers – Primary Government*

Interfund transfers for the year ended June 30, 2007 consists of the following:

	<u>Transfers In</u>				<u>Total Transfers to Other Funds</u>
	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service Funds</u>	
<b><u>Transfers Out</u></b>					
General Fund	\$ 38,299,420	\$ 8,009,101	\$ 3,941,258	\$ 796,768	\$ 51,046,547
Nonmajor governmental	30,331,520	-	-	-	30,331,520
Water and Sewer	-	-	-	256,962	256,962
Nonmajor enterprise	-	-	-	19,186	19,186
Total Transfers in from Other Funds	<u>\$ 68,630,940</u>	<u>\$ 8,009,101</u>	<u>\$ 3,941,258</u>	<u>\$ 1,072,916</u>	<u>\$ 81,654,215</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 2007 were approximately \$1,021,000.

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

<u>Fiscal Year</u>	<u>Total Payment</u>
2008	\$ 618,664
2009	256,248
2010	187,146
2011	139,875
2012	127,200
2013-2017	606,000
2018-2022	606,000
2023-2027	594,800
2028-2032	270,000
2033-2037	225,000
<b>Total</b>	<u><u>\$ 3,630,933</u></u>

The County subleases a portion of one of these buildings to other companies and government agencies; this does not, however, release the County from the lease obligation. Lease revenues from subleases for Fiscal Year 2007 totaled \$125,841.

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

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

Years Ending June 30,	
2008	\$ 127,340
2009	120,946
2010	18,669
2011	-
2012	-
2013-thereafter	-
	<u>\$ 266,955</u>

The County is committed under various rental lease agreements as lessor. All leases are considered for accounting purposes to be collectable leases. Lease revenues for Fiscal Year 2007 totaled \$237,650.

Future minimum lease revenues for these rentals are as follows:

Years Ending June 30,	
2008	\$ 241,190
2009	213,652
2010	217,672
2011	173,804
2012	126,342
2013-thereafter	31,779
	<u>\$ 1,004,439</u>

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**F. Non-Current Liabilities***1. Changes in Non-Current Liabilities*

	Balance July 1, 2006	Additions	Principal Repayments & Reductions	Balance June 30, 2007	Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable	\$ 290,551,046	\$ 49,856,000	\$ (17,960,179)	\$ 322,446,867	\$ 20,125,072
Unamortized Premium on Bonds	12,791,939	919,527	(1,603,114)	12,108,352	1,717,726
Installment Purchase Agreements	20,751,405	12,187,194	(1,278,620)	31,659,979	-
Notes Payable	6,640,103	-	(716,816)	5,923,287	1,494,028
Capital Lease Obligations	4,235,122	5,325,000	(1,931,929)	7,628,193	1,963,895
Compensated Absences	7,132,437	7,529,727	(6,839,211)	7,822,953	371,407
Deferred Loss on Bond Refunding	(9,488,417)	-	778,885	(8,709,532)	(778,885)
Total Governmental Activity- Long Term Liabilities	<u>\$ 332,613,635</u>	<u>\$ 75,817,448</u>	<u>\$ (29,550,984)</u>	<u>\$ 378,880,099</u>	<u>\$ 24,893,243</u>

**Primary Government:**

Payments on the non-current liabilities above (excluding compensated absences), that pertain to the County's governmental activities are made by the General, Capital Projects, Citizens Care and Rehabilitation Center Building Fund, Fire/Rescue Tax Districts, Agricultural Preservation, Impact Fee, Economic Development Loan and Hotel Rental Tax Funds. A portion of the notes payable are repaid to the County by private users, as discussed in this section under Note 3.F.5 (Notes Payable). The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund. In the past, approximately 88% has been paid by the General Fund and the remainder by various other governmental and internal service funds. The additions to the unamortized premium on bonds payable for governmental activities are recorded as an Other Financing Source in the respective fund.

The Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities related to the Internal Service Funds are included as part of the above totals for governmental activities. At June 30, 2007, Internal Service Funds compensated absences totaling \$114,759 are included in the above amounts.



**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	Balance July 1, 2006	Additions	Principal Repayments & Reductions	Balance June 30, 2007	Due Within One Year
<b>Business-type Activities:</b>					
Bonds Payable	\$ 98,068,957	\$ 42,024,000	\$ (7,034,825)	\$ 133,058,132	\$ 8,599,927
Unamortized Premium on Bonds	3,752,572	775,076	(495,573)	4,032,075	596,890
Notes Payable	29,602,176	2,707,345	(2,621,510)	29,688,011	2,701,542
Landfill Closure Costs	16,638,289	369,218	(277,553)	16,729,954	217,249
Compensated Absences	1,295,154	1,454,189	(1,352,452)	1,396,891	81,923
Deferred Loss on Bond Refundings	(2,412,352)	-	253,904	(2,158,448)	(253,904)
Total Business-type Activities - Long Term Liabilities	<u>\$ 146,944,796</u>	<u>\$ 47,329,828</u>	<u>\$ (11,528,009)</u>	<u>\$ 182,746,615</u>	<u>\$ 11,943,627</u>

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

The debt limit for the primary government's water, sewer and solid waste activities at June 30, 2007 was \$1,231,244,335 and the legal debt margin was \$1,075,464,998.

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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**Component Units:**

	Balance July 1, 2006	Net Changes	Balance June 30, 2007	Due Within One Year
<b>Board of Education</b>				
Capital lease obligations	\$ 626,343	\$ 4,035,721	\$ 4,662,064	\$ 1,125,819
Compensated absences	5,599,244	567,953	6,167,197	4,903,226
Termination benefits payable	16,021,249	2,410,740	18,431,989	1,193,771
Board of Education - Long-term Liabilities	<u>\$ 22,246,836</u>	<u>\$ 7,014,414</u>	<u>\$ 29,261,250</u>	<u>\$ 7,222,816</u>
<b>Frederick Community College</b>				
Compensated absences	\$ 1,259,475	\$ 6,892	\$ 1,266,367	\$ 19,217
Frederick Community College - Long-term Liabilities	<u>\$ 1,259,475</u>	<u>\$ 6,892</u>	<u>\$ 1,266,367</u>	<u>\$ 19,217</u>
<b>Frederick County Public Libraries</b>				
Compensated absences	\$ 306,280	\$ 44,546	\$ 350,826	\$ 9,478
Frederick County Public Libraries - Long-term Liabilities	<u>\$ 306,280</u>	<u>\$ 44,546</u>	<u>\$ 350,826</u>	<u>\$ 9,478</u>

**2. General Obligation Bonds****Primary Government**

The County may not issue general obligation bonds and installment purchase agreements unless specific enabling legislation is passed by the Maryland General Assembly. In addition to the Bonds, the County has been authorized by the General Assembly to, among other things, (i) issue temporary notes during any single year in an amount up to \$100,000 to pay debt service on bonded indebtedness and \$5,000,000 to pay any expenses or obligations of the County, (ii) incur debt for the purpose of providing funds for the construction of water, sewerage, drainage systems and solid waste systems, as long as the amount issued, less any sinking funds or reserves to pay such bonds, does not exceed 15% 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 \$178,586,900 which \$58,586,900 is the remaining authorization under Chapter 145 of the Laws of Maryland of 2005 and \$120,000,000 remaining authorization under Chapter 382 of the Laws of Maryland of 2007, as of June 30, 2007.

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

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Governmental Activities	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/07
Public Facilities Bonds						
Public Facilities Refunding Bonds of 1998, Series A	General	10/15/98	Due serially to 07/1/2015	3.30-5.00%	\$ 19,346,419	\$ 17,003,661
Public Facilities Bonds of 1999	General	08/15/99	Due serially to 07/1/2009	5.22-5.31%	59,116,000	7,901,674
Public Facilities Bonds of 1999	Impact Fee	08/15/99	Due serially to 07/1/2009	5.22-5.31%	30,515,000	4,078,753
Public Facilities Bonds of 2000	General	11/15/00	Due serially to 12/1/2010	5.00%	36,161,520	6,280,553
Public Facilities Bonds of 2000	Impact Fee	11/15/00	Due serially to 12/1/2010	5.00%	16,653,480	2,892,385
Public Facilities Refunding Bonds of 2001	General	07/15/01	Due serially to 07/1/2008	3.448-4.00%	6,579,486	2,411,658
Public Facilities Refunding Bonds of 2002, Series A	General	04/01/02	Due serially to 07/1/2016	5.0000%	13,999,267	7,842,440
Public Facilities Bonds of 2002	General	11/01/02	Due serially to 11/1/2022	2.00-4.68%	38,200,000	19,895,576
Public Facilities and Refunding Bonds of 2003	General	09/01/03	Due serially to 08/1/2018	2.00-4.25%	33,013,847	26,286,564
Public Facilities and Refunding Bonds of 2003	Fire-Urban	09/01/03	Due serially to 08/1/2018	2.00-4.25%	2,505,905	2,087,246
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	5,221,732
Public Facilities Refunding Bonds of 2005	General	05/19/05	Due serially to 08/1/2020	3.50-5.00%	62,517,782	62,147,782
Public Facilities Refunding Bonds of 2005	Impact Fee	05/19/05	Due serially to 08/1/2020	3.50-5.00%	29,264,191	29,264,191
Public Facilities Bonds of 2005	General	11/15/05	Due serially to 12/01/2020	3.50-5.00%	47,817,130	45,314,582
Public Facilities Bonds of 2005	CCRC	11/15/05	Due serially to 12/01/2020	3.50-5.00%	810,000	767,608
Public Facilities Bonds of 2005	Fire-Urban	11/15/05	Due serially to 12/01/2020	3.50-5.00%	270,000	255,869
Public Facilities Bonds of 2005	Impact Fee	11/15/05	Due serially to 12/01/2020	3.50-5.00%	21,452,870	20,330,117
Public Facilities Refunding Bonds of 2006	General	02/01/06	Due serially to 11/01/2022	4.00-5.25%	12,608,476	12,608,476
Public Facilities Bonds of 2007	General	05/15/07	Due serially to 06/01/2027	4.00-5.00%	37,886,000	37,886,000
Public Facilities Bonds of 2007	Fire-Urban	05/15/07	Due serially to 06/01/2027	4.00-5.00%	2,100,000	2,100,000
Public Facilities Bonds of 2007	Fire-Sub	05/15/07	Due serially to 06/01/2027	4.00-5.00%	413,000	413,000
Public Facilities Bonds of 2007	Impact Fee	05/15/07	Due serially to 06/01/2027	4.00-5.00%	8,172,000	8,172,000
Public Facilities Bonds of 2007	Hotel Rental	05/15/07	Due serially to 06/01/2027	4.00-5.00%	1,285,000	1,285,000
					<u>\$ 486,956,481</u>	<u>\$ 322,446,867</u>

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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The annual requirements to amortize governmental activities bond debt as of June 30, 2007 are as follows:

Fiscal Year Ending June 30,	Public Facilities Bonds	
	Principal	Interest
2008	\$ 20,125,072	\$ 14,241,011
2009	20,773,427	13,315,279
2010	20,870,114	12,463,643
2011	20,567,367	11,606,563
2012	21,852,167	10,683,534
2013-2017	110,381,293	38,345,487
2018-2022	88,767,803	12,647,883
2023-2027	19,109,624	2,238,741
	<u>\$ 322,446,867</u>	<u>\$ 115,542,141</u>

Business Type Activities	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/07
Public Facilities Bonds						
Public Facilities Refunding Bonds of 1998, Series A	W&S	10/15/98	07/01/15	3.30-5.00%	\$ 2,849,000	\$ 2,504,000
Public Facilities Refunding Bonds of 1998, Series A	SW	10/15/98	07/01/15	3.30-5.00%	6,294,581	5,532,337
Public Facilities Bonds of 1999	W&S	08/15/99	07/01/09	5.22-5.31%	5,159,000	689,571
Public Facilities Bonds of 2000	W&S	11/15/00	12/01/10	5.00%	14,185,000	2,463,659
Public Facilities Bonds of 2000	SW	11/15/00	12/01/10	5.00%	5,000,000	868,403
Public Facilities Refunding Bonds of 2001	W&S	07/15/01	07/01/08	3.448-4.00%	8,125,514	2,978,342
Water and Sewer Refunding Bonds of 2002, Series A	W&S	04/01/02	07/01/16	5.00%	8,590,733	4,812,560
Public Facilities Bonds of 2002	W&S	11/01/02	11/01/17	2.00-4.68%	16,680,000	8,687,386
Public Facilities Bonds of 2002	SW	11/01/02	11/01/17	2.00-4.68%	6,820,000	3,552,037
Public Facilities and Refunding Bonds of 2003	W&S	09/01/03	08/01/18	2.00-4.25%	7,216,140	5,659,461
Public Facilities Refunding Bonds of 2005	W&S	05/19/05	08/01/20	3.50-5.00%	12,091,361	12,091,361
Public Facilities Refunding Bonds of 2005	SW	05/19/05	08/01/20	3.50-5.00%	3,141,667	3,141,667
Public Facilities Bonds of 2005	DPDR	11/15/05	12/01/20	3.50-5.00%	4,150,000	3,932,806
Public Facilities Bonds of 2005	W&S	11/15/05	12/01/20	3.50-5.00%	22,320,000	21,151,865
Public Facilities Bonds of 2005	SW	11/15/05	12/01/20	3.50-5.00%	5,500,000	5,212,153
Public Facilities Refunding Bonds of 2006	W&S	02/01/06	11/01/22	4.00-5.25%	5,505,482	5,505,482
Public Facilities Refunding Bonds of 2006	SW	02/01/06	11/01/22	4.00-5.25%	2,251,042	2,251,042
Public Facilities Bonds of 2007	DPDR	05/15/07	06/01/27	4.00-5.00%	3,034,000	3,034,000
Public Facilities Bonds of 2007	W&S	05/15/07	06/01/27	4.00-5.00%	31,790,000	31,790,000
Public Facilities Bonds of 2007	SW	05/15/07	06/01/27	4.00-5.00%	7,200,000	7,200,000
					<u>\$ 177,903,520</u>	<u>\$ 133,058,132</u>

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

The annual requirements to amortize business-type bond debt as of June 30, 2007 are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Public Facilities Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2008	\$ 8,599,927	\$ 5,811,561
2009	8,846,573	5,383,154
2010	8,514,886	5,043,211
2011	8,532,634	4,694,349
2012	8,587,832	4,323,209
2013-2017	38,868,704	16,302,474
2018-2022	35,637,200	7,268,076
2023-2027	15,470,376	1,874,305
	<u>\$ 133,058,132</u>	<u>\$ 50,700,339</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)

	<b>Paying Fund</b>	<b>Date of Debt Issue</b>	<b>Date of Debt Maturity</b>	<b>Interest Rate</b>	<b>Amount of Original Issue</b>	<b>Amount Outstanding 6/30/07</b>
<b>Installment Purchase Agreements</b>						
Installment Purchase Agreement #02-04	Ag Pres	05/15/03	05/15/23	4.95%	\$ 494,567	\$ 484,567
Installment Purchase Agreement #02-08	Ag Pres	05/15/03	05/15/13	3.82%	181,052	171,052
Installment Purchase Agreement #02-07 (a)	Ag Pres	05/15/03	05/15/15	4.16%	236,504	224,695
Installment Purchase Agreement #02-07 (b)	Ag Pres	05/15/03	05/15/15	4.16%	281,104	266,914
Installment Purchase Agreement #02-19	Ag Pres	07/14/03	05/15/13	3.84%	706,048	656,048
Installment Purchase Agreement #02-03	Ag Pres	07/14/03	05/15/23	5.03%	1,273,527	1,273,527
Installment Purchase Agreement #02-10	Ag Pres	10/08/03	05/15/23	5.52%	696,992	696,992
Installment Purchase Agreement #02-24	Ag Pres	12/11/03	05/15/23	5.46%	793,565	753,565
Installment Purchase Agreement #02-28	Ag Pres	12/11/03	05/15/15	4.76%	405,748	385,748
Installment Purchase Agreement #02-22	Ag Pres	12/11/03	05/15/23	5.46%	1,320,273	1,320,273
Installment Purchase Agreement #02-01	Ag Pres	02/25/04	05/15/24	5.20%	174,701	174,701
Installment Purchase Agreement #02-11	Ag Pres	02/25/04	05/15/24	5.20%	695,412	695,412
Installment Purchase Agreement #02-21	Ag Pres	05/04/04	05/15/14	4.76%	221,896	221,896
Installment Purchase Agreement #02-18	Ag Pres	06/15/04	05/15/24	5.73%	99,717	99,717
Installment Purchase Agreement #04-10	Ag Pres	06/15/04	05/15/24	5.73%	388,192	388,192
Installment Purchase Agreement #04-15	Ag Pres	06/18/04	05/15/14	4.87%	497,207	447,207
Installment Purchase Agreement #04-06	Ag Pres	06/29/04	05/15/24	5.61%	252,395	252,395
Installment Purchase Agreement #02-13	Ag Pres	06/29/04	05/15/24	5.61%	299,769	261,769
Installment Purchase Agreement #02-15	Ag Pres	08/03/04	05/15/14	4.53%	303,656	303,656
Installment Purchase Agreement #04-16	Ag Pres	08/03/04	05/15/24	5.43%	592,631	592,631
Installment Purchase Agreement #04-11	Ag Pres	08/03/04	05/15/24	5.43%	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	5.43%	262,012	262,012
Installment Purchase Agreement #04-08	Ag Pres	08/31/04	05/15/24	5.25%	234,717	234,717
Installment Purchase Agreement #04-05	Ag Pres	08/31/04	05/15/24	5.25%	308,768	300,000
Installment Purchase Agreement #04-09	Ag Pres	08/31/04	05/15/24	5.25%	87,850	87,850
Installment Purchase Agreement #05-29	Ag Pres	03/29/05	05/15/25	4.98%	684,624	670,000
Installment Purchase Agreement #05-30	Ag Pres	03/29/05	05/15/25	4.98%	488,538	388,538
Installment Purchase Agreement #05-31	Ag Pres	03/29/05	05/15/25	4.98%	432,746	389,471
Installment Purchase Agreement #05-32	Ag Pres	04/19/05	05/15/15	4.28%	416,975	366,975
Installment Purchase Agreement #05-33	Ag Pres	04/19/05	05/15/15	4.28%	243,940	157,757
Installment Purchase Agreement #05-34	Ag Pres	04/19/05	05/15/25	4.74%	686,271	686,271
Installment Purchase Agreement #05-35	Ag Pres	04/19/05	05/15/15	4.28%	637,168	632,168
Installment Purchase Agreement #05-36	Ag Pres	05/19/05	05/15/20	4.44%	544,114	544,114
Installment Purchase Agreement #05-37	Ag Pres	05/19/05	05/15/20	4.44%	92,894	92,894
Installment Purchase Agreement #05-38	Ag Pres	05/19/05	05/15/15	4.12%	282,021	282,021
Installment Purchase Agreement #05-40	Ag Pres	05/19/05	05/15/15	4.12%	372,079	372,079
Installment Purchase Agreement #05-41	Ag Pres	07/20/05	05/15/25	4.52%	541,512	541,512

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Amount of Original Issue	Amount Outstanding 6/30/07
<b>Installment Purchase Agreements</b>						
Installment Purchase Agreement #05-42	Ag Pres	07/20/05	05/15/15	4.20%	76,572	76,572
Installment Purchase Agreement #05-43	Ag Pres	07/20/05	05/15/25	4.52%	407,493	367,493
Installment Purchase Agreement #05-44	Ag Pres	07/20/05	05/15/25	4.52%	256,901	250,000
Installment Purchase Agreement #05-45	Ag Pres	10/11/05	05/15/20	4.58%	281,600	281,600
Installment Purchase Agreement #05-46	Ag Pres	10/11/05	05/15/25	4.63%	229,033	229,033
Installment Purchase Agreement #05-47	Ag Pres	10/11/05	05/15/25	4.63%	363,222	363,222
Installment Purchase Agreement #05-49	Ag Pres	12/13/05	05/15/25	4.78%	316,811	316,811
Installment Purchase Agreement #06-50	Ag Pres	02/28/06	05/15/21	4.66%	315,016	315,016
Installment Purchase Agreement #06-51	Ag Pres	02/28/06	05/15/26	4.61%	436,923	436,923
Installment Purchase Agreement #06-52	Ag Pres	05/18/06	05/15/21	5.28%	144,632	144,632
Installment Purchase Agreement #06-53	Ag Pres	08/24/06	05/15/06	4.72%	416,603	188,835
Installment Purchase Agreement #06-54	Ag Pres	05/18/06	05/15/26	5.27%	385,833	221,872
Installment Purchase Agreement #06-55	Ag Pres	06/15/06	05/15/16	5.03%	690,505	628,359
Installment Purchase Agreement #06-56	Ag Pres	06/15/06	05/15/21	5.20%	286,027	236,027
Installment Purchase Agreement #06-57	Ag Pres	06/15/06	05/15/16	5.03%	541,971	500,000
Installment Purchase Agreement #06-58	Ag Pres	06/15/06	05/15/21	5.20%	82,952	75,000
Installment Purchase Agreement #06-59	Ag Pres	07/13/06	05/15/16	5.03%	540,871	465,871
Installment Purchase Agreement #06-60	Ag Pres	07/13/06	05/15/16	5.03%	206,217	181,217
Installment Purchase Agreement #06-61	Ag Pres	08/24/06	05/15/26	4.93%	605,646	605,646
Installment Purchase Agreement #06-62	Ag Pres	08/24/06	05/15/16	4.72%	696,067	666,067
Installment Purchase Agreement #06-63	Ag Pres	10/26/06	05/15/26	4.87%	246,181	246,181
Installment Purchase Agreement #07-64	Ag Pres	01/25/07	05/15/17	4.77%	658,701	658,701
Installment Purchase Agreement #07-65	Ag Pres	02/01/07	05/15/17	4.75%	673,951	643,951
Installment Purchase Agreement #07-69	Ag Pres	03/15/07	05/15/17	4.51%	517,520	500,000
Installment Purchase Agreement #07-67	Ag Pres	03/15/07	05/15/17	4.51%	466,120	400,000
Installment Purchase Agreement #07-66	Ag Pres	03/15/07	05/15/27	4.71%	827,028	744,325
Installment Purchase Agreement #07-70	Ag Pres	04/12/07	05/15/17	4.69%	841,876	841,876
Installment Purchase Agreement #07-71	Ag Pres	04/12/07	05/15/22	4.93%	1,089,204	1,039,204
Installment Purchase Agreement #07-68	Ag Pres	05/10/07	05/15/22	4.86%	347,534	322,000
Installment Purchase Agreement #07-72	Ag Pres	05/10/07	05/15/17	4.62%	109,486	109,486
Installment Purchase Agreement #07-73	Ag Pres	05/10/07	05/15/17	4.62%	325,434	200,000
Installment Purchase Agreement #07-77	Ag Pres	06/07/07	05/15/17	4.98%	57,452	42,452
Installment Purchase Agreement #07-74	Ag Pres	06/07/07	05/15/19	5.08%	700,310	625,310
Installment Purchase Agreement #07-75	Ag Pres	06/07/07	05/15/27	5.14%	430,542	430,542
Installment Purchase Agreement #07-78	Ag Pres	06/21/07	05/15/17	5.10%	1,063,541	750,000
Installment Purchase Agreement #07-79	Ag Pres	06/21/07	05/15/27	5.25%	955,458	855,458
Installment Purchase Agreement #07-76	Ag Pres	06/21/07	05/15/27	5.25%	411,452	391,452
<b>Total Installment Purchase Agreements</b>					<b>\$ 33,923,379</b>	<b>\$ 31,659,979</b>

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The annual requirements to amortize installment purchase agreement debt as of June 30, 2007 are as follows:

Fiscal Year Ending June 30,	Installment Purchase Agreements	
	Principal	Interest
2008	\$ -	\$ 1,314,881
2009	-	1,550,642
2010	-	1,550,642
2011	-	1,550,642
2012	-	1,550,642
2013-2017	11,731,074	7,421,806
2018-2022	3,675,797	4,944,030
2023-2027	16,253,108	2,636,279
	<u>\$ 31,659,979</u>	<u>\$ 22,519,564</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	\$ 10,965,094
Less: Accumulated depreciation	(3,327,387)
Total:	<u>\$ 7,637,707</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, 2007, were as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Total Payment</b>
2008	\$ 2,218,207
2009	1,740,287
2010	1,202,260
2011	983,596
2012	629,770
2013-2017	1,809,056
	8,583,176
Less: amount representing interest	(954,983)
Present value-net minimum lease payments	<u>\$ 7,628,193</u>

**Component Unit**

The BOE has various capital lease agreements for the purchase of buses, a wide area network technology upgrade, and food service equipment. Payments, including interest, during Fiscal Year 2007 were \$137,721 for the food service equipment, and \$527,152 for the buses, and \$1,182,000 for technology upgrades.

The assets acquired through capital leases are as follows:

<b>Asset:</b>	<b>Governmental Activities</b>
Machinery and equipment	\$ 9,746,649
Less: Accumulated depreciation	(5,924,068)
Total	<u>\$ 3,822,581</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, 2007, were as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Total Payment</b>
2008	\$ 2,218,207
2009	1,740,287
2010	1,202,260
2011	983,596
2012	629,770
2013-2017	1,809,056
	8,583,176
Less: amount representing interest	(954,983)
Present value-net minimum lease payments	<u>\$ 7,628,193</u>

**Component Unit**

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The assets acquired through capital leases are as follows:

<b>Asset:</b>	<b>Governmental Activities</b>
Machinery and equipment	\$ 9,746,649
Less: Accumulated depreciation	(5,924,068)
Total	<u>\$ 3,822,581</u>

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

As of June 30, 2007, the minimum obligation under capital leases were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>
2008	\$ 1,321,321
2009	1,297,582
2010	1,269,193
2011	1,269,193
2012	-
	<hr/>
Total Obligations	5,157,289
Less: Portion representing interest	(495,225)
Present value of lease obligation	<u>\$ 4,662,064</u>

**5. Notes Payable**

**Primary Government**

**Governmental Activity:**

**Maryland Industrial Land Act Loans**

The County has an outstanding loan from the Department of Business and Economic Development of the State (DBED) in the original amount of \$630,000 under the Maryland Industrial Land Act, Article 83A, Section 5-401 et. seq. of the Maryland Code. The outstanding balance of this loan at June 30, 2007 was \$442,303. 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, 2007 was \$131,925.

**Maryland Industrial and Commercial Redevelopment Fund Loans**

The County has received a State loan in the amount of \$1,436,502 from the Maryland Industrial and Commercial Redevelopment Fund (MICRF) pursuant to the provisions of Sections 5-501 through 5-507 of Article 83A of the Maryland Code, which loans have been approved by DBED. The outstanding balance of this loan at June 30, 2007 was \$809,685. The proceeds of this loan have been reloaned to MedImmune, Inc. to assist in the financing of the acquisition of certain redevelopment projects in Frederick County. Although it is expected that this loan will be repaid by payments made by the private user, the loan is a full faith and credit obligation of the County. This loan was paid in full in August 2007.

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

United States Environmental Protection Agency

On April 17, 1992, the County entered into a loan agreement with the United States Environmental Protection Agency. These funds were provided in accordance with the provisions of the Asbestos School Hazard Abatement Reauthorization Act of 1990, 20 U.S.C. 4011 et. seq, for the purpose of removing asbestos from Frederick County Public Schools. The original amount of this loan was \$1,370,471, and the balance due as of June 30, 2007, is \$342,619. This is a non-interest bearing note. Semi-annual principal payments of \$38,069 are required, with a final payment due on November 30, 2011.

Maryland State Retirement System

Effective June 30, 1993, the County withdrew from the Maryland State Retirement System for all hires after June 30, 1993. The State calculated a net unfunded amount due from the County, which is further explained in Note 4.D. The original amount of this liability was \$7,036,995 and the balance due at June 30, 2007 is \$4,196,755.

	Paying Fund	Amount of Original Issue	Date of Debt Issue	Date of Debt Maturity	Annual Rate/ Payment Frequency	Amount Outstanding 06/30/07
<b>Governmental Activity:</b>						
MD Industrial Land Act Loan - Dan Jay LLC	Econ Dev	\$ 630,000	02/11/94	02/11/21	5.23%/Quarterly	\$ 442,303
MD Industrial Land Act Loan - State Farm	General	181,058	06/23/95	06/23/22	5.93%/Quarterly	131,925
MICRF - MedImmune	Econ Dev	1,436,502	12/31/97	01/01/17	3.00%/Quarterly	809,685
EPA Asbestos School Hazard Abatement	General	1,370,471	04/17/92	11/30/11	0.00%/Semi-annually	342,619
Maryland State Retirement System	General	7,036,995	06/30/93	12/31/13	7.5%/Annually	4,196,755
Total Notes Payable		<u>\$ 10,655,026</u>				<u>\$ 5,923,287</u>

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

	Principal	Interest
2008	\$ 1,494,028	\$ 322,322
2009	729,379	268,347
2010	777,760	219,966
2011	829,738	167,988
2012	847,512	112,148
2013-2017	1,042,188	116,381
2018-2021	202,682	22,971
	<u>\$ 5,923,287</u>	<u>\$ 1,230,123</u>

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

***Business Type Activities:***

**Maryland Department of the Environment Loans**

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

The County has been a participant in the MDE's loan program since Fiscal Year 1992. As of June 30, 2007, the County has authorized and approved borrowings in an aggregate principal amount of \$24,083,096 for nine water and sewer loans. The County has also authorized and approved borrowings in an aggregate principal amount of \$23,083,532 for three solid waste loans. As of June 30, 2007, \$22,411,566 of the water and sewer loan proceeds and \$21,596,361 of the solid waste loan proceeds have been drawn. The remaining funds are anticipated to be drawn by the end of Fiscal Year 2008. The outstanding principal balance on these loans as of June 30, 2007 is \$29,688,011. These loans have interest rates of 1.00 – 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 2007, \$277,553 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 \$192,743 to reflect the variance between estimated and actual costs. This increase is recognized in the \$369,218 of additions to landfill closure costs for Fiscal Year 2007 as previously noted in Note 3.F.1. The total remaining estimated costs for closure and post closure care of Site A is \$4,328,249 as of June 30, 2007. This entire amount is reported as a liability for Site A.

As of June 30, 2007, the Site B landfill had capacity used of 1,688,699 tons, which is 69.78% of total capacity of 2,419,980 tons. The total estimated costs for closure and post closure care of Site B is \$17,772,190, and the resulting liability is \$12,401,705, with \$5,370,485 remaining to be recognized. The current operating strategy includes the utilization of a temporary transfer station that became operational in December 2005. Under this strategy, Site B has an estimated remaining life of 42 years.

The Solid Waste Enterprise Fund has a total liability for closure and post closure care of \$16,729,954 as of June 30, 2007. No assets are restricted for payment of the closure and post closure care costs. The costs are based on estimates and actual costs may differ due to inflation, changes in technology, or changes in regulations.

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**G. Fund Balances/Net Assets**

*1. Governmental Activities with Reservation of Fund Balance*

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

As of June 30, 2007, fund balances were reserved as follows:

	General Fund	Capital Projects	Nonmajor Governmental Funds
<b>Reserved</b>			
For encumbrances	\$ 2,055,384	\$ 31,640,086	\$ 323,865
For inventories	1,103,936	-	-
For long-term receivables	235,085	-	2,401,683
For drug investigations	-		175,527
For Agricultural Preservation			
Compliance monitoring	-		152,368
Total reserved fund balances	<u>\$ 3,394,405</u>	<u>\$ 31,640,086</u>	<u>\$ 3,053,443</u>

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

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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

As of June 30, 2007, Unreserved Fund Balance designations are as follows:

	General Fund	Nonmajor Governmental Funds
<b>Unreserved - Fund Balances</b>		
<b>Designated for:</b>		
Subsequent years' expenditures	\$ 74,174,525	\$ 6,729,681
Bond rating enhancement	3,978,636	-
Capital Projects	-	20,011,930
Loans	-	3,586,590
Snow Removal	452,127	-
Equipment purchases under capital leases	-	221,366
Inmates purchases	-	118,989
Rural Legacy	-	3,253,400
Debt service	624,816	18,290,051
<b>Total designated fund balances</b>	<b>\$ 79,230,104</b>	<b>\$ 52,212,007</b>

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

Designated for use in FY08 budget	\$ 37,232,192
Designated for use in FY09 budget	29,541,453
Designated for retiree health plan benefits	6,530,983
Designated for LOSAP (Length of Service Award Program)	869,897
<b>Total General Fund Fund Balance - Unreserved-designated for subsequent years' expenditures</b>	<b>\$ 74,174,525</b>

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

The General Fund has unreserved, undesignated fund balance at June 30, 2007 totaling \$18,339,726. 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, 2007 the required balance is \$18,339,726.

The ordinance stipulates that the 5% set-aside, noted above, be included in the unreserved, undesignated General Fund balance in the governmental fund statements. Also due to the restricting nature of the set-aside, the 5% is reported as restricted net assets in the governmental activities column of the government-wide Statement of Net Assets.

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

**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, 2007, the balance of these reserves is \$111,475,748 (detailed below). These reserves are a part of the \$313,778,889 Net Asset balance.

Reserved for:	
Operating Reserves	\$ 1,498,777
3 R Reserves	25,307,033
Tap Credits	2,629,532
Working Capital	12,799,530
Cash Funding of Capital Projects	6,903,312
System Development	62,337,564
Total Water and Sewer Reserves	<u>\$ 111,475,748</u>

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

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

Governmental activities	\$ 123,195,622
Business-type activities	<u>-</u>
Total Net Assets Restricted by Enabling Legislation	<u>\$ 123,195,622</u>

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

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

**Government-wide Financial Statements:**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Net assets June 30, 2006 as previously stated	\$ 292,854,372	\$ 301,211,113	\$ 594,065,485
Adjustments:			
Overstatement of income tax revenue	(9,035,827)	-	(9,035,827)
Net assets June 30, 2006 as restated	<u>\$ 283,818,545</u>	<u>\$ 301,211,113</u>	<u>\$ 585,029,658</u>



**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**Governmental Fund Statements:**

	<b>General Fund</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Fund balance June 30, 2006 as previously reported	\$ 109,568,825	\$ 38,317,995	\$ 85,904,911	\$ 233,791,731
Adjustments:				
Overstatement of intergovernmental receivable	(9,035,827)	-	-	(9,035,827)
Overstatement of deferred revenues	9,035,827	-	-	9,035,827
Fund Balance June 30, 2006 as restated	<u>\$ 109,568,825</u>	<u>\$ 38,317,995</u>	<u>\$ 85,904,911</u>	<u>\$ 233,791,731</u>

**NOTE 4. OTHER INFORMATION****A. Commitments and Contingencies***1. Construction Commitments*

As of June 30, 2007, the County had the following commitments with respect to unfinished capital projects:

	<b>Total Project Budget</b>	<b>Total Expenditures</b>	<b>Amount Funded</b>	<b>Required Future Funding</b>
General government	\$ 70,424,713	\$ 33,384,896	\$ 42,235,738	\$ 28,188,975
Roads and Bridges	62,980,556	35,960,655	40,628,114	22,352,442
Board of Education	149,453,482	80,923,756	121,263,475	28,190,007
Frederick Community College	3,538,544	1,781,432	2,649,984	888,560
Parks and recreation	23,554,023	2,107,686	20,235,593	3,318,430
Watershed Restoration	1,066,130	294,683	1,066,130	-
Municipal	6,712,745	5,632,464	5,720,482	992,263
	<u>\$ 317,730,193</u>	<u>\$ 160,085,572</u>	<u>\$ 233,799,516</u>	<u>\$ 83,930,677</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 2. Federal Financial Assistance

The County participates in a number of Federally assisted programs, principal of which are the Older American Programs, Child Support Enforcement, Mass Transit Programs, Section 8 Housing, Head Start, Workforce Investment Act Programs, Bridge Projects, Capitalization Grants for State Revolving Fund and Homeland Security Grant Programs. Audits of these programs are conducted according to the Federal Office of Management and Budget Circular A-133. The Single Audit Report for the year ended June 30, 2007 is issued under separate cover.

The grant programs are subject to audit by the grantor, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement that may arise as a result of these audits, in the opinion of management, is believed to be immaterial.

### 3. Pending Litigation

There are several pending lawsuits in which the County is involved. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County at June 30, 2007.

### 4. Economic Dependency

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

Citizens Care and Rehabilitation Center, a non-major enterprise fund, has two payor types that individually exceed 10% of total operating revenues for this fund. They are Medicaid (64.63%), and Medicare (11.70%).

The Solid Waste Enterprise Fund has three customers which account for 37.12% of total operating revenues. Two commercial haulers accounted for \$5,003,804, or 29.00%, of the Fiscal Year 2007 operating revenues. A single municipality accounted for \$1,401,818 or 8.12% of the Fiscal Year 2007 operating revenues. Should the revenues from any of these customers decrease significantly, certain variable operating expenses, such as transfer expense and closure and post closure care costs, would decrease.

### 5. Risk Management

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

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

### 6. Contingent Liability

The County is using the Bell Court Apartment project as residential rental units for lower income households. The deed of trust deferred all principal and interest payments to the Department of Housing and Community Development of the State of Maryland (DHCD), which loaned funds for the construction project, in perpetuity, provided contractual responsibilities were followed. Should the County cease to use the project for this purpose or refinance, sell, transfer or convey the project, the County would be obligated to DHCD for the principal and interest amount of the loan and other

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

specified costs. The principal, interest and associated costs would also become immediately due if any encumbrance is placed upon the project without the prior written consent of DHCD or in the event of default as defined in the deed of trust. The principal amount of the loan is \$1,813,056.

**B. Arbitrage Rebate Requirements**

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

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

The filing of this computation and payment to the Internal Revenue Service is required at the end of the fifth year of the bond issuance date and every 5 years subsequently; however, computations and filings can be made for annual periods. There is no rebatable arbitrage to report at June 30, 2007.

**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. 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 Issue	Date of Debt Maturity	Interest Rate	Payment Frequency	Amount Outstanding 6/30/2007
MedImmune	\$ 1,090,000	10/30/98	11/01/07	7.20%	Annually	\$ 136,415
Emergent Biologics	300,000	03/31/05	12/01/10	4.08%	Annually	186,564
Toys'R-Us	1,890,094	09/26/96	09/15/18	8.16%	Annually	1,393,608
	<u>\$ 3,280,094</u>					<u>\$ 1,716,587</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

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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.

**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, 2007, was as follows:

	<u>Uniformed</u>	<u>Non-Uniformed</u>	<u>Non-Vested Terminations</u>	<u>Vested Terminations</u>
Retirees and beneficiaries currently receiving benefits	73	289	-	-
Terminated employees entitled to benefits	-	-	176	120
Active employees	565	1,520	-	-

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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### *Summary of Significant Accounting Policies*

The plan follows the accrual basis of accounting. Contributions are recognized in amounts determined by actuarial valuations. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The fair value of investments is determined by market price.

### *Funding Policy*

Obligations to contribute to the plan were established by local resolution after a public hearing.

Funding policy for the plan provides for periodic contributions based upon actuarial valuations. Required contributions under the plan that are not funded by employee contributions are funded entirely by the County. Costs of administering the plan are financed on a current funding basis.

As of July 1, 2000, uniformed employees contribute 8% of their base pay under the plan, and non-uniformed employees contribute 4%. The County's required payroll contribution in FY2007 was 15.9%.

### *Annual Pension Cost*

During the fiscal year ending June 30, 2007 contributions to the plan were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at July 1, 2006.

Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.75% per year compounded annually, gross of investment expenses, (b) projected salary increases from 4.00% to 10.00% per year compounded annually, including 3.00% per year attributable to inflation, and the remainder of merit/seniority, and (c) 1.00% cost of living benefit increase.

The projected unit credit cost method is the actuarial cost method used to determine the plan's normal cost and the actuarial accrued liability. The actuarial value of assets is determined by adjusting the market value of assets as of the actuarial valuation date for any actuarial gains and losses. There was an actuarial loss during FY2006, caused primarily by pay increases that were higher than the assumption.

The Plan's unfunded liability is attributable to two sources; plan changes and cumulative gains/losses and assumption changes. Plan changes are amortized over a closed 30-year period and the cumulative gains/losses and assumption changes are amortized over an open 15-year period. As of July 1, 2006 there are two plan change bases which are currently outstanding – the COLA plan change (21 years remaining) and the July 1, 2000 plan improvements for all employees (23 years remaining). All amortization payments are calculated as a level percent of payroll, which is assumed to increase 4% each year.

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2007	\$ 14,019,851	100%	\$ 0
2006	11,736,171	100	0
2005	9,785,642	100	0

At June 30, 2007, the plan's net assets are \$197,651,470.

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

*Plan Description*

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

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

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

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

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

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

*Funding Policy*

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

Members of the Retirement System and the Pension System contribute 7 percent and 3 percent of their gross employee compensation, respectively. The Pension System employee contribution rate increases to 4 percent for the period July 1, 2007 - June 30, 2008 and 5 percent beginning July 1, 2008.

Required contributions under the plans, which are not funded by employee contributions, are funded entirely by the County. Due to the withdrawal of the County from the State Systems for all hires after June 30, 1993, the State calculated a net unfunded amount due from the County. The principal balance outstanding as of June 30, 2007 was \$4,196,755. Interest and principal payments due to maturity as of June 30, 2007, are \$5,174,704. The County has chosen to make 6 remaining payments of \$862,344 to amortize and pay interest on the liability. The required contributions and the percentage of that amount contributed for the past three years is as follows:

<b><u>Fiscal</u></b> <b><u>Year</u></b>	<b><u>Required</u></b> <b><u>Contribution</u></b>	<b><u>Actual</u></b> <b><u>Contribution</u></b>	<b><u>Percentage</u></b> <b><u>Contribution</u></b>
2007	\$862,344	\$862,344	100.00%
2006	862,344	862,344	100.00
2005	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, 2007, the State paid \$314,827 in retirement costs on its behalf. This amount has been shown as grant revenue and current expenditures for the FCPL.

## NOTES TO FINANCIAL STATEMENTS (Continued)

The employees of the BOE (other than part-time employees not eligible for participation in the plans) are covered under one of four defined benefit retirement plans that are administered by the Maryland State Retirement and Pension Systems. The BOE's share of contributions for teachers and administrative employees is primarily the responsibility of the State. Total contributions were \$18,473,398 in Fiscal Year 2007. This contribution was recognized as both revenue and expenditures for the BOE.

On April 2, 2004, the Board adopted the Frederick County Public Schools Defined Contribution Plan (the "Plan"). The Plan is designed to afford eligible employees an opportunity to increase their security at retirement through Employer contributions during their periods of active employment while this Plan remains in effect. The Plan has received a favorable determination letter from the Internal Revenue Service that it qualifies as a tax-qualified "profit-sharing" plan. It is intended to be a "governmental plan" within the meaning of Internal Revenue code Section 414. During the year ended June 30, 2007 total contributions of \$44,000 had been made to the plan by Frederick County Public Schools.

Substantially all permanent employees of the FCC are covered under one of three pension/retirement plans. Two of these plans are provided directly by the State, and the employer funding for eligible FCC employees is provided directly by the State. The FCC received State contributions toward retirement for the fiscal year of \$1,097,868. 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 FY2007 were \$676,548. 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 2007, LOSAP provided 124 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 \$241,545 in fiscal year 2007 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, 425 retirees are receiving post-employment health care benefits. It is estimated that less than 9 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 \$2,624,502 were recognized for post-employment health care.

The County must implement the Government Accounting Standards Board Statement 45, Accounting for Financial Reporting of Post-Employment Benefits Other Than Pensions for the fiscal year beginning July 1, 2007. The County has designated \$6,530,983 as of June 30, 2007 for this liability, as listed in Note 3.G.2.



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

**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 2007 approximately 26.7 percent of the County's eligible employees elected to participate in the plan.

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

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

**G. Joint Venture**

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

*Northeast Maryland Waste Disposal Authority (NEMWDA)*

NEMWDA is a body politic and corporate and a public instrumentality of the State of Maryland. NEMWDA was established to assist the political subdivisions in the Northeast Maryland Region and the private sector in waste management and the development of waste disposal facilities adequate to accommodate the region's requirements for disposal of solid waste. NEMWDA has the following eight member jurisdictions from the State of Maryland: Montgomery County, Baltimore County, Anne Arundel County, Frederick County, Harford County, Howard County, Carroll County, and City of Baltimore. The Maryland Environmental Service is an ex-officio member. As a participating government in NEMWDA, the county paid Fiscal Year 2007 membership dues and fees for services amounting to \$25,000.

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

**H. Subsequent Events**

On September 20, 2007 the County issued its Frederick County, Maryland Special Obligations Refunding Bond (Villages of Lake Linganore Community Development Authority) Series 2007A (Taxable) in the amount of \$3,114,000 and its Frederick County, Maryland Subordinate Special Obligations Bond (Villages of Lake Linganore Community Development Authority) Series 2007B (Taxable) in the amount of \$3,232,142. Both issues are special tax assessment debt and therefore are not reported on these financial statements. The proceeds of the debt will be used to finance or refinance certain water, sewer and roadway improvements within the geographical boundaries of the Villages of Lake Linganore Community Development Authority (CDA). These bonds will be repaid in their entirety by special taxes levied on properties within the CDA.



This crop farm is nestled near the foot of the picturesque Catoclin Mountains in northern Frederick County.

## **Required Supplementary Information**

The information provided in this is section is required supplementary disclosures.

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Actuarial Value of Plan Assets as a Percentage of the Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Liability</b>	<b>Annual Covered Payroll</b>	<b>Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll</b>
07/01/01	\$ 85,259,793	\$ 98,341,644	86.7 %	\$ 13,081,851	\$ 51,966,538	25.2 %
07/01/02	96,842,861	115,866,706	83.6	19,023,845	58,253,351	32.7
07/01/03	106,019,071	134,659,038	78.7	28,639,967	63,581,281	45.0
07/01/04	118,979,144	151,610,060	78.5	32,630,916	67,993,467	48.0
07/01/05	134,532,516	173,960,143	77.3	39,427,627	75,072,119	52.5
07/01/06	154,083,195	208,734,631	73.8	54,657,437	85,367,369	64.0

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

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

<b>Fiscal Year</b>	<b>Annual Required Contribution (ARC)</b>	<b>ARC Recognized in Plan Financial Statements</b>	<b>Percentage Recognized</b>
2002	\$ 6,830,579	\$ 6,830,579	100 %
2003	7,388,514	7,388,514	100
2004	8,459,701	10,209,701 *	121
2005	9,785,642	9,785,642	100
2006	11,736,171	11,736,171	100
2007	14,019,851	14,019,851	100

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





Holstein calves are enjoying their feed and plush open fields on this local calf-raising farm. Silos in the background store corn silage for winter feed for cattle.

## **FUND STATEMENTS AND SCHEDULES**

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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 general, capital projects, and internal service funds, as well as information on capital assets used in the operation of governmental funds.



FREDERICK COUNTY, MARYLAND  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

	Special Revenue Funds						
	Grants	Fire/Rescue Tax Districts	Agricultural Preservation	School Construction	Impact Fees	Development Road Improvement	Electric Lighting Tax Districts
<b>Assets</b>							
Cash	\$ 24,369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled invested cash	529,142	11,783,720	23,629,902	954,338	10,224,353	2,449,327	27,162
Total cash and cash equivalents	553,511	11,783,720	23,629,902	954,338	10,224,353	2,449,327	27,162
Investments	-	-	16,192,459	-	1,902,914	-	-
Receivables, net of allowance for uncollectibles:							
Property taxes	-	61,097	-	-	-	-	6
Accounts	58,305	789,229	1,107	-	116,602	-	-
Intergovernmental	3,782,521	-	-	-	-	-	-
Prepays	696	-	-	-	-	-	-
Long term receivables, net of allowance for uncollectibles:							
MILA/MICRF loans	-	-	-	-	-	-	-
Fire/ Rescue loans	-	-	-	-	-	-	-
Non-Profit Organization loans	-	-	-	-	-	-	-
Small business loans	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-
Cash and cash equivalents - restricted	-	262,726	-	-	754,181	-	-
Total assets	\$ 4,395,033	\$ 12,896,772	\$ 39,823,468	954,338	\$ 12,998,050	\$ 2,449,327	\$ 27,168
<b>Liabilities and fund balance</b>							
<b>Liabilities</b>							
Accounts payable	\$ 109,375	\$ 49,814	\$ 311	-	\$ -	\$ -	\$ -
Accrued liabilities	731,190	1,347,081	35,171	-	57,714	-	772
Payroll and benefit deductions	732,066	-	10,381	-	-	-	-
Due to third parties	-	437,554	-	-	-	-	-
Due to other governmental units	481,811	-	81,138	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Other liabilities	659,922	-	-	-	-	-	-
Deferred revenue	372,714	566,997	3,514,435	-	-	-	-
Total liabilities	3,087,078	2,401,446	3,641,436	-	57,714	-	772
<b>Fund balances</b>							
Reserved for:							
Encumbrances	57,666	266,199	-	-	-	-	-
Long-term receivables	-	-	-	-	-	-	-
Drug investigations	-	-	-	-	-	-	-
Ag Pres Compliance Monitoring	-	-	152,368	-	-	-	-
Unreserved, designated for:							
Subsequent year's expenditures	1,250,289	-	-	-	-	710,500	5,608
Capital projects	-	-	-	954,338	12,186,155	1,738,827	-
Equipment purchases under capital leases	-	221,366	-	-	-	-	-
Inmates purchases	-	-	-	-	-	-	-
Rural legacy	-	-	3,253,400	-	-	-	-
Debt service	-	41,360	17,449,934	-	754,181	-	-
Loans	-	-	-	-	-	-	-
Unreserved, undesignated	-	9,966,401	15,326,330	-	-	-	20,788
Total fund balance	1,307,955	10,495,326	36,182,032	954,338	12,940,336	2,449,327	26,396
Total liabilities and fund balance	\$ 4,395,033	\$ 12,896,772	\$ 39,823,468	954,338	\$ 12,998,050	\$ 2,449,327	\$ 27,168

(continued)

FREDERICK COUNTY, MARYLAND  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

	Special Revenue Funds					Total Non Major Governmental Funds (See Exhibit II-A-3)
	Parks Acquisition & Development	Hotel Rental Tax	Citizens Care & Rehabilitation Center Building	Sheriff's Activities	Loan Activities	
<b>Assets</b>						
Cash	\$ -	\$ -	\$ -	\$ 155,897	\$ -	\$ 180,266
Equity in pooled invested cash	4,165,746	116,565	5,730,148	246,696	3,623,591	63,480,690
Total cash and cash equivalents	4,165,746	116,565	5,730,148	402,593	3,623,591	63,660,956
Investments	-	-	-	-	-	18,095,373
Receivables, net of allowance for uncollectibles:						
Property taxes	-	-	-	-	-	61,103
Accounts	-	111,548	-	19,685	10,775	1,107,251
Intergovernmental	-	-	-	-	-	3,782,521
Prepays	-	-	-	-	39,851	40,547
Long term receivables, net of allowance for uncollectibles:						
MILA/MICRF loans	-	-	-	-	1,303,324	1,303,324
Fire/ Rescue loans	-	-	-	-	287,346	287,346
Non-Profit Organization loans	-	1,906,899	-	-	140,000	2,046,899
Small business loans	-	-	-	-	118,444	118,444
Housing loans	-	-	-	-	1,855,893	1,855,893
Cash and cash equivalents - restricted	-	21,288	8,159	-	-	1,046,354
Total assets	\$ 4,165,746	\$ 2,156,300	\$ 5,738,307	422,278	\$ 7,379,224	\$ 93,406,011
<b>Liabilities and fund balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	67,101	\$ -	\$ 226,601
Accrued liabilities	-	212,984	-	-	-	2,384,912
Payroll and benefit deductions	-	-	-	-	-	742,447
Due to third parties	-	-	-	60,661	-	498,215
Due to other governmental units	-	-	-	-	-	562,949
Due to other funds	-	-	-	-	-	-
Other liabilities	-	-	-	-	48,929	708,851
Deferred revenue	-	1,906,899	-	-	1,342,022	7,703,067
Total liabilities	-	2,119,883	-	127,762	1,390,951	12,827,042
<b>Fund balances</b>						
Reserved for:						
Encumbrances	-	-	-	-	-	323,865
Long-term receivables	-	-	-	-	2,401,683	2,401,683
Drug investigations	-	-	-	175,527	-	175,527
Ag Pres Compliance Monitoring	-	-	-	-	-	152,368
Unreserved, designated for:						
Subsequent year's expenditures	3,302,930	-	1,460,354	-	-	6,729,681
Capital projects	862,816	-	4,269,794	-	-	20,011,930
Equipment purchases under capital leases	-	-	-	-	-	221,366
Inmates purchases	-	-	-	118,989	-	118,989
Rural legacy	-	-	-	-	-	3,253,400
Debt service	-	36,417	8,159	-	-	18,290,051
Loans	-	-	-	-	3,586,590	3,586,590
Unreserved, undesignated	-	-	-	-	-	25,313,519
Total fund balance	4,165,746	36,417	5,738,307	294,516	5,988,273	80,578,969
Total liabilities and fund balance	\$ 4,165,746	\$ 2,156,300	\$ 5,738,307	422,278	\$ 7,379,224	\$ 93,406,011

FREDERICK COUNTY, MARYLAND  
COMBINING BALANCE SHEET  
SHERIFF'S ACTIVITIES - SPECIAL REVENUE FUNDS  
JUNE 30, 2007

	<u>Sheriff's Drug Enforcement</u>	<u>Sheriff's Office Fund</u>	<u>Narcotics Task Force</u>	<u>Inmates' Canteen</u>	<u>Total Sheriff's Activities (See Exhibit II-B-1)</u>
<b>Assets</b>					
Cash	\$ 41,730	\$ 17,519	\$ -	\$ 96,648	\$ 155,897
Equity in pooled invested cash	25,918	-	109,774	111,004	246,696
Total cash and cash equivalents	67,648	17,519	109,774	207,652	402,593
Receivables, net of allowance for uncollectibles:					
Accounts	-	-	-	19,685	19,685
Total assets	<u>\$ 67,648</u>	<u>\$ 17,519</u>	<u>\$ 109,774</u>	<u>\$ 227,337</u>	<u>\$ 422,278</u>
<b>Liabilities and fund balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 17,519	\$ 1,895	\$ 47,687	\$ 67,101
Due to third parties	-	-	-	60,661	60,661
Total liabilities	<u>-</u>	<u>17,519</u>	<u>1,895</u>	<u>108,348</u>	<u>127,762</u>
<b>Fund balances</b>					
Reserved for drug investigations					
Federal	25,918	-	71,178	-	97,096
Non-federal	41,730	-	36,701	-	78,431
Unreserved, designated for inmate purchases	-	-	-	118,989	118,989
Total fund balance	<u>67,648</u>	<u>-</u>	<u>107,879</u>	<u>118,989</u>	<u>294,516</u>
Total liabilities and fund balance	<u>\$ 67,648</u>	<u>\$ 17,519</u>	<u>\$ 109,774</u>	<u>\$ 227,337</u>	<u>\$ 422,278</u>

FREDERICK COUNTY, MARYLAND  
COMBINING BALANCE SHEET  
LOAN ACTIVITIES - SPECIAL REVENUE FUNDS  
JUNE 30, 2007

	<u>Housing Initiative</u>	<u>Non-Profit Organizations Loans</u>	<u>Fire/Rescue Loans</u>	<u>Economic Development Loans</u>	<u>Total Loan Activities (See Exhibit II-B-1)</u>
<b>Assets</b>					
Equity in pooled invested cash	\$ 2,489,344	\$ 170,000	\$ 463,957	\$ 500,290	\$ 3,623,591
Total cash and cash equivalents	2,489,344	170,000	463,957	500,290	3,623,591
Receivables, net of allowance for uncollectibles:					
Accounts	-	-	10,775	-	10,775
Long term receivables, net of allowance					-
for uncollectibles:					-
MILA/MICRF loans	-	-	-	1,303,324	1,303,324
Fire/ Rescue loans	-	-	287,346	-	287,346
Non-Profit Organization loans	-	140,000	-	-	140,000
Small business loans	-	-	-	118,444	118,444
Housing loans	1,855,893	-	-	-	1,855,893
Prepays	39,851	-	-	-	39,851
Total assets	<u>\$ 4,385,088</u>	<u>\$ 310,000</u>	<u>\$ 762,078</u>	<u>\$ 1,922,058</u>	<u>\$ 7,379,224</u>
<b>Liabilities and fund balance</b>					
<b>Liabilities</b>					
Accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Other liabilities	48,929	-	-	-	48,929
Deferred revenue	-	-	-	1,342,022	1,342,022
Total liabilities	<u>48,929</u>	<u>-</u>	<u>-</u>	<u>1,342,022</u>	<u>1,390,951</u>
<b>Fund balances</b>					
Reserved for: Long-term receivables	1,855,893	140,000	287,346	118,444	2,401,683
Unreserved, designated for:					
Loans	<u>2,480,266</u>	<u>170,000</u>	<u>474,732</u>	<u>461,592</u>	<u>3,586,590</u>
Total fund balance	<u>4,336,159</u>	<u>310,000</u>	<u>762,078</u>	<u>580,036</u>	<u>5,988,273</u>
Total liabilities and fund balance	<u>\$ 4,385,088</u>	<u>\$ 310,000</u>	<u>\$ 762,078</u>	<u>\$ 1,922,058</u>	<u>\$ 7,379,224</u>

FREDERICK COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Special Revenue Funds						
	Grants	Fire/Rescue Tax Districts	Agricultural Preservation	School Construction	Impact Fees	Development Road Improvement	Electric Lighting Tax Districts
Revenues							
Fire tax levy	\$ -	\$ 24,343,960	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	12,604
Other local taxes	-	-	5,852,870	951,709	-	2,272,533	-
Grants from federal government	12,789,529	-	-	-	-	-	-
Grants from state government	5,012,561	-	245,019	-	-	-	-
Charges for services	1,004,162	2,262,696	-	-	9,151,768	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-
Investment earnings	4,173	777,253	1,775,095	2,629	1,412,368	421,112	1,583
Miscellaneous revenue	383,663	38,380	442,340	-	-	-	-
Total revenues	19,194,088	27,422,289	8,315,324	954,338	10,564,136	2,693,645	14,187
Expenditures							
General government	1,841,648	-	-	-	-	-	-
Public safety	1,780,545	25,971,402	-	-	-	-	-
Public works	4,830,629	-	-	-	-	-	13,656
Health	836,422	-	-	-	-	-	-
Social services	1,718,032	-	-	-	-	-	-
Conservation of natural resources	359,738	-	4,212,563	-	-	-	-
Community development and public housing	4,422,774	-	-	-	-	-	-
Economic development and opportunity	8,858,609	-	-	-	-	-	-
Debt service	-	1,257,245	1,033,727	-	6,371,831	-	-
Total expenditures	24,648,397	27,228,647	5,246,290	-	6,371,831	-	13,656
Excess (deficiency) of revenues over expenditures	(5,454,309)	193,642	3,069,034	954,338	4,192,305	2,693,645	531
Other financing sources (uses)							
Transfers in from general fund	5,712,523	-	1,071,578	-	-	-	-
Transfers out to capital projects fund	-	(22,000)	-	-	(13,407,000)	(2,896,400)	-
Premium on debt	-	46,349	-	-	150,722	-	-
Proceeds of capital lease	-	2,049,000	-	-	-	-	-
Sale of capital assets	-	1,250	-	-	-	-	-
Total other financing sources (uses)	5,712,523	2,074,599	1,071,578	-	(13,256,278)	(2,896,400)	-
Net change in fund balances	258,214	2,268,241	4,140,612	954,338	(9,063,973)	(202,755)	531
Fund balance July 1	1,049,741	8,227,085	32,041,420	-	22,004,309	2,652,082	25,865
Fund balance June 30	\$ 1,307,955	\$ 10,495,326	\$ 36,182,032	\$ 954,338	\$ 12,940,336	\$ 2,449,327	\$ 26,396

(continued)

FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					Total Nonmajor Governmental Funds (See Exhibit II-A-5)
	Parks Acquisition & Development	Hotel Rental Tax	Citizens Care & Rehabilitation Center Building	Sheriff's Activities	Loan Activities	
<b>Revenues</b>						
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,343,960
Lighting tax levy	-	-	-	-	-	12,604
Other local taxes	5,317,211	1,122,002	1,772,421	-	-	17,288,746
Grants from federal government	-	-	-	-	-	12,789,529
Grants from state government	-	-	-	-	119,144	5,376,724
Charges for services	-	-	-	364,091	600	12,783,317
Fines and forfeitures	-	-	-	127,730	-	127,730
Interest from loans	-	-	-	-	84,986	84,986
Investment earnings	1,095,600	10,667	263,369	10,865	139,205	5,913,919
Miscellaneous revenue	-	13,344	-	-	428,377	1,306,104
Total revenues	<u>6,412,811</u>	<u>1,146,013</u>	<u>2,035,790</u>	<u>502,686</u>	<u>772,312</u>	<u>80,027,619</u>
<b>Expenditures</b>						
General government	-	-	-	-	-	1,841,648
Public safety	-	-	-	425,128	-	28,177,075
Public works	-	-	-	-	-	4,844,285
Health	-	-	-	-	-	836,422
Social services	-	-	-	-	-	1,718,032
Conservation of natural resources	-	-	-	-	-	4,572,301
Community development and public housing	-	-	-	-	-	4,422,774
Economic development and opportunity	-	1,133,296	-	-	156,888	10,148,793
Debt service	-	-	78,030	-	-	8,740,833
Total expenditures	<u>-</u>	<u>1,133,296</u>	<u>78,030</u>	<u>425,128</u>	<u>156,888</u>	<u>65,302,163</u>
Excess (deficiency) of revenues over expenditures	<u>6,412,811</u>	<u>12,717</u>	<u>1,957,760</u>	<u>77,558</u>	<u>615,424</u>	<u>14,725,456</u>
<b>Other financing sources (uses)</b>						
Transfers in from general fund	-	-	-	-	1,225,000	8,009,101
Transfers out to capital projects fund	(14,006,120)	-	-	-	-	(30,331,520)
Premium on debt	-	23,700	-	-	-	220,771
Proceeds of capital lease	-	-	-	-	-	2,049,000
Sale of capital assets	-	-	-	-	-	1,250
Total other financing sources (uses)	<u>(14,006,120)</u>	<u>23,700</u>	<u>-</u>	<u>-</u>	<u>1,225,000</u>	<u>(20,051,398)</u>
Net change in fund balances	(7,593,309)	36,417	1,957,760	77,558	1,840,424	(5,325,942)
Fund balance July 1	<u>11,759,055</u>	<u>-</u>	<u>3,780,547</u>	<u>216,958</u>	<u>4,147,849</u>	<u>85,904,911</u>
Fund balance June 30	<u>\$ 4,165,746</u>	<u>\$ 36,417</u>	<u>\$ 5,738,307</u>	<u>294,516</u>	<u>\$ 5,988,273</u>	<u>\$ 80,578,969</u>

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, 2007

	<u>Sheriff's Drug Enforcement</u>	<u>Sheriff's Office Fund</u>	<u>Narcotics Task Force</u>	<u>Inmates' Canteen</u>	<u>Total Sheriff's Activities (See Exhibit II-B-4)</u>
<b>Revenues</b>					
Charges for services	\$ -	\$ -	\$ -	\$ 364,091	\$ 364,091
Fines and forfeitures	18,240	-	109,490	-	127,730
Investment earnings	1,351	-	3,472	6,042	10,865
Total revenues	<u>19,591</u>	<u>-</u>	<u>112,962</u>	<u>370,133</u>	<u>502,686</u>
<b>Expenditures</b>					
Public safety	<u>7,109</u>	<u>-</u>	<u>53,885</u>	<u>364,134</u>	<u>425,128</u>
Total expenditures	<u>7,109</u>	<u>-</u>	<u>53,885</u>	<u>364,134</u>	<u>425,128</u>
Excess (deficiency) of revenues over expenditures	<u>12,482</u>	<u>-</u>	<u>59,077</u>	<u>5,999</u>	<u>77,558</u>
Net change in fund balances	12,482	-	59,077	5,999	77,558
Fund balance July 1	<u>55,166</u>	<u>-</u>	<u>48,802</u>	<u>112,990</u>	<u>216,958</u>
Fund balance June 30	<u>\$ 67,648</u>	<u>\$ -</u>	<u>\$ 107,879</u>	<u>\$ 118,989</u>	<u>\$ 294,516</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, 2007

	<u>Housing Initiative</u>	<u>Non-Profit Organizations Loans</u>	<u>Fire/Rescue Loans</u>	<u>Economic Development Loans</u>	<u>Total Loan Activities (See Exhibit II-B-4)</u>
<b>Revenues</b>					
Grants from state government	\$ -	\$ -	\$ -	\$ 119,144	\$ 119,144
Charges for services	-	-	-	600	600
Interest from loans	-	-	12,153	72,833	84,986
Investment earnings	90,179	-	25,872	23,154	139,205
Miscellaneous revenue	241,798	-	-	186,579	428,377
Total revenues	<u>331,977</u>	<u>-</u>	<u>38,025</u>	<u>402,310</u>	<u>772,312</u>
<b>Expenditures</b>					
Economic development and opportunity	-	-	-	156,888	156,888
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,888</u>	<u>156,888</u>
Excess (deficiency) of revenues over expenditures	<u>331,977</u>	<u>-</u>	<u>38,025</u>	<u>245,422</u>	<u>615,424</u>
<b>Other financing sources (uses)</b>					
Transfer in from general fund	1,225,000	-	-	-	1,225,000
Total other financing sources (uses)	<u>1,225,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,225,000</u>
Net change in fund balances	1,556,977	-	38,025	245,422	1,840,424
Fund balance July 1	<u>2,779,182</u>	<u>310,000</u>	<u>724,053</u>	<u>334,614</u>	<u>4,147,849</u>
Fund balance June 30	<u>\$ 4,336,159</u>	<u>\$ 310,000</u>	<u>\$ 762,078</u>	<u>\$ 580,036</u>	<u>\$ 5,988,273</u>



FREDERICK COUNTY, MARYLAND  
SPECIAL REVENUE FUNDS  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Grants			Fire/Rescue Tax Districts			Agricultural Preservation		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
<b>Revenues</b>									
Fire tax levy	\$ -	\$ -	\$ -	\$ 23,998,846	\$ 24,343,960	\$ 345,114	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	5,612,913	5,852,870	239,957
Grants from federal government	17,311,149	12,789,529	(4,521,620)	-	-	-	-	-	-
Grants from state government	5,956,756	5,012,561	(944,195)	-	-	-	2,850,000	245,019	(2,604,981)
Charges for services	1,091,834	1,004,162	(87,672)	2,239,017	2,262,696	23,679	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	52,686	4,173	(48,513)	336,000	777,253	441,253	-	1,775,095	1,775,095
Miscellaneous revenue	420,268	383,663	(36,605)	38,380	38,380	-	742,748	442,340	(300,408)
Total revenues	24,832,693	19,194,088	(5,638,605)	26,612,243	27,422,289	810,046	9,205,661	8,315,324	(890,337)
<b>Expenditures</b>									
General government	2,537,102	1,843,726	693,376	-	-	-	-	-	-
Public safety	3,317,913	1,745,545	1,572,368	27,071,747	26,185,601	886,146	-	-	-
Public works	8,136,037	4,854,962	3,281,075	-	-	-	-	-	-
Health	879,605	682,331	197,274	-	-	-	-	-	-
Social services	2,231,396	1,706,265	525,131	-	-	-	-	-	-
Conservation of natural resources	599,583	362,211	237,372	-	-	-	10,857,490	4,212,563	6,644,927
Community development and public housing	4,695,328	4,416,817	278,511	-	-	-	-	-	-
Economic development and opportunity	10,355,359	8,864,179	1,491,180	-	-	-	-	-	-
Debt service	-	-	-	1,472,862	1,257,245	215,617	2,200,295	1,033,727	1,166,568
Total expenditures	32,752,323	24,476,036	8,276,287	28,544,609	27,442,846	1,101,763	13,057,785	5,246,290	7,811,495
Excess (deficiency) of revenues over expenditures	(7,919,630)	(5,281,948)	2,637,682	(1,932,366)	(20,557)	1,911,809	(3,852,124)	3,069,034	6,921,158
<b>Other financing sources (uses)</b>									
Appropriated fund balance	816,400	415,258	(401,142)	(94,634)	491,983	586,617	2,780,546	-	(2,780,546)
Transfers in from general fund	7,103,230	5,712,523	(1,390,707)	-	-	-	1,071,578	1,071,578	-
Transfers in from grants fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	(22,000)	(22,000)	-	-	-	-
Transfers out to housing initiative fund	-	-	-	-	-	-	-	-	-
Transfers out to fleet services fund	-	-	-	-	-	-	-	-	-
Bond premium on public facilities and refunding bonds	-	-	-	-	46,349	46,349	-	-	-
Capital leases	-	-	-	2,049,000	2,049,000	-	-	-	-
Sale of capital assets	-	-	-	-	1,250	1,250	-	-	-
Total other financing sources (uses)	7,919,630	6,127,781	(1,791,849)	1,932,366	2,568,582	634,216	3,852,124	1,071,578	(2,780,546)
Net change in fund balances	\$ -	\$ 845,833	\$ 845,833	\$ -	\$ 2,546,025	\$ 2,546,025	\$ -	\$ 4,140,612	\$ 4,140,612
 Fund balance July 1		1,049,741			8,227,085			32,041,420	
Net change in reserves and adjustments to GAAP basis		(587,619)			(277,784)				
Fund balance June 30		\$ 1,307,955			\$ 10,495,326			\$ 36,182,032	

(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, 2007

	Impact Fees			Development Road Improvement			Electric Lighting Tax Districts		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
<b>Revenues</b>									
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	12,613	12,604	(9)
Other local taxes	-	-	-	1,567,000	2,272,533	705,533	-	-	-
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	14,746,735	9,151,768	(5,594,967)	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	634,007	1,412,368	778,361	-	421,112	421,112	-	1,583	1,583
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
Total revenues	<u>15,380,742</u>	<u>10,564,136</u>	<u>(4,816,606)</u>	<u>1,567,000</u>	<u>2,693,645</u>	<u>1,126,645</u>	<u>12,613</u>	<u>14,187</u>	<u>1,574</u>
<b>Expenditures</b>									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	15,300	13,656	1,644
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	-	-	-	-	-	-
Debt service	6,522,080	6,371,831	150,249	-	-	-	-	-	-
Total expenditures	<u>6,522,080</u>	<u>6,371,831</u>	<u>150,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,300</u>	<u>13,656</u>	<u>1,644</u>
Excess (deficiency) of revenues over expenditures	<u>8,858,662</u>	<u>4,192,305</u>	<u>(4,666,357)</u>	<u>1,567,000</u>	<u>2,693,645</u>	<u>1,126,645</u>	<u>(2,687)</u>	<u>531</u>	<u>3,218</u>
<b>Other financing sources (uses)</b>									
Appropriated fund balance	4,548,338	-	(4,548,338)	1,329,400	-	(1,329,400)	2,687	-	(2,687)
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers in from grants fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	(13,407,000)	(13,407,000)	-	(2,896,400)	(2,896,400)	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	-	-	-
General obligation bonds issued	-	-	-	-	-	-	-	-	-
Premium on debt	-	150,722	150,722	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(8,858,662)</u>	<u>(13,256,278)</u>	<u>(4,397,616)</u>	<u>(1,567,000)</u>	<u>(2,896,400)</u>	<u>(1,329,400)</u>	<u>2,687</u>	<u>-</u>	<u>(2,687)</u>
Net change in fund balances	<u>\$ -</u>	<u>(9,063,973)</u>	<u>\$ (9,063,973)</u>	<u>\$ -</u>	<u>(202,755)</u>	<u>\$ (202,755)</u>	<u>\$ -</u>	<u>531</u>	<u>\$ 531</u>
Fund balance July 1		22,004,309			2,652,082			25,865	
Net change in reserves and adjustments to GAAP basis		-			-			-	
Fund balance June 30		<u>\$ 12,940,336</u>			<u>\$ 2,449,327</u>			<u>\$ 26,396</u>	

(continued)

FREDERICK COUNTY, MARYLAND  
SPECIAL REVENUE FUNDS  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Parks Acquisition & Development			Hotel Rental Tax Fund			Citizens Care & Rehabilitation Center Building		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
<b>Revenues</b>									
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	-	-	-
Other local taxes	5,100,000	5,317,211	217,211	1,122,002	1,122,002	-	1,700,000	1,772,421	72,421
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	-	1,095,600	1,095,600	4,906	10,667	5,761	-	263,369	263,369
Miscellaneous revenue	-	-	-	-	13,344	13,344	-	-	-
Total revenues	5,100,000	6,412,811	1,312,811	1,126,908	1,146,013	19,105	1,700,000	2,035,790	335,790
<b>Expenditures</b>									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	1,126,908	1,133,296	(6,388)	-	-	-
Debt service	-	-	-	-	-	-	78,030	78,030	-
Total expenditures	-	-	-	1,126,908	1,133,296	(6,388)	78,030	78,030	-
Excess (deficiency) of revenues over expenditures	5,100,000	6,412,811	1,312,811	-	12,717	12,717	1,621,970	1,957,760	335,790
<b>Other financing sources (uses)</b>									
Appropriated fund balance	8,906,120	-	(8,906,120)	-	-	-	(1,621,970)	-	1,621,970
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers in from grants fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	(14,006,120)	(14,006,120)	-	-	-	-	-	-	-
Transfers out to housing initiative fund	-	-	-	-	-	-	-	-	-
Transfers out to fleet services fund	-	-	-	-	-	-	-	-	-
Premium on debt	-	-	-	-	23,700	23,700	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(5,100,000)	(14,006,120)	(8,906,120)	-	23,700	23,700	(1,621,970)	-	1,621,970
Net change in fund balances	\$ -	\$ (7,593,309)	\$ (7,593,309)	\$ -	\$ 36,417	\$ 36,417	\$ -	\$ 1,957,760	\$ 1,957,760
Fund balance July 1		11,759,055			-			3,780,547	
Net change in reserves and adjustments to GAAP basis		-			-			-	
Fund balance June 30		\$ 4,165,746			\$ 36,417			\$ 5,738,307	

(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, 2007

	Housing Initiative Fund			Economic Development Loan Fund		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
<b>Revenues</b>						
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-
Grants from federal government	-	-	-	-	-	-
Grants from state government	-	-	-	218,462	119,144	(99,318)
Charges for services	-	-	-	-	600	600
Interest from loans	-	-	-	-	72,833	72,833
Investment earnings	-	90,179	90,179	17,500	23,154	5,654
Miscellaneous revenue	-	378,170	378,170	44	186,579	186,535
Total revenues	-	468,349	468,349	236,006	402,310	166,304
<b>Expenditures</b>						
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Community development and public housing	1,270,000	207,314	1,062,686	-	-	-
Economic development and opportunity	-	-	-	455,132	156,888	298,244
Debt service	-	-	-	-	-	-
Total expenditures	1,270,000	207,314	1,062,686	455,132	156,888	298,244
Excess (deficiency) of revenues over expenditures	(1,270,000)	261,035	1,531,035	(219,126)	245,422	464,548
<b>Other financing sources (uses)</b>						
Appropriated fund balance	45,000	-	(45,000)	219,126	-	(219,126)
Transfers in from general fund	1,225,000	1,225,000	-	-	-	-
Transfers in from grants fund	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	-	-	-
Transfers out to housing initiatives fund	-	-	-	-	-	-
Transfers out to fleet services fund	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-
General obligation bonds issued	-	-	-	-	-	-
Premium on debt	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Bond premium on public facilities and refunding bonds	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	1,270,000	1,225,000	(45,000)	219,126	-	(219,126)
Net change in fund balances	\$ -	1,486,035	\$ 1,486,035	\$ -	245,422	\$ 245,422
 Fund balance July 1		2,779,182			334,614	
Net change in reserves and adjustments to GAAP basis		70,942			-	
Fund balance June 30		\$ 4,336,159			\$ 580,036	

**Explanation of Budget to GAAP Differences:**

Encumbrances for equipment, services and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment, services and supplies are received for GAAP purposes. Loan funds report loan repayments as revenue and new loans as expenditures. Loan transactions are eliminated for GAAP purposes.

FREDERICK COUNTY, MARYLAND  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Project Budget	Current Year Actual	Total To Date	Variance - Positive (Negative)
<b>Revenues</b>				
Grants from federal government				
Highways	\$ 7,657,810	\$ 1,645,512	\$ 1,608,473	\$ (6,049,337)
Miscellaneous grants	341,000	-	-	(341,000)
Grants from state government:				
Highways	2,401,000	1,089,807	1,089,807	(1,311,193)
Program open space	2,977,430	353,975	-	(2,977,430)
Detention center	1,978,039	1,215,132	1,040,832	(937,207)
Education	1,132,960	-	-	(1,132,960)
Miscellaneous grants	486,132	359,004	384,251	(101,881)
Other	1,013,555	373,846	1,189,122	175,567
Total revenues	<u>17,987,926</u>	<u>5,037,276</u>	<u>5,312,485</u>	<u>(12,675,441)</u>
<b>Expenditures</b>				
General government	70,424,713	24,606,580	33,384,896	37,039,817
Roads and bridges	62,980,556	20,547,081	35,960,655	27,019,901
Board of Education	149,453,482	19,955,167	80,923,756	68,529,726
Frederick Community College	3,538,544	1,667,837	1,781,432	1,757,112
Parks and recreation	23,554,023	1,237,608	2,107,686	21,446,337
Watershed restoration	1,066,130	136,222	294,683	771,447
Municipal	6,712,745	539,438	5,632,464	1,080,281
Total expenditures	<u>317,730,193</u>	<u>68,689,933</u>	<u>160,085,572</u>	<u>157,644,621</u>
Excess (deficiency) of revenues over expenditures	<u>(299,742,267)</u>	<u>(63,652,657)</u>	<u>(154,773,087)</u>	<u>144,969,180</u>
<b>Other financing sources (uses)</b>				
Transfers in from general fund	72,705,737	38,299,421	72,705,737	-
Transfers in from impact fees fund	25,837,874	13,407,000	25,837,874	-
Transfers in from parks acquisition & development fund	19,704,044	14,006,120	19,704,044	-
Transfers in from special tax district	294,000	22,000	294,000	-
Transfers in from development road improvement fund	8,437,010	2,896,400	8,437,010	-
Transfers in from citizens care & rehabilitation center building	569,600	-	569,600	-
Transfers in from hotel rental tax refund	44,103	-	-	(44,103)
Proceeds from public facilities and refunding bonds	168,647,099	49,856,000	97,435,966	(71,211,133)
Bond premium	226,800	-	226,800	-
Capital leases	3,276,000	3,276,000	3,276,000	-
Total other financing sources (uses)	<u>299,742,267</u>	<u>121,762,941</u>	<u>228,487,031</u>	<u>(71,255,236)</u>
Net change in fund balances	<u>\$ -</u>	<u>58,110,284</u>	<u>\$ 73,713,944</u>	<u>\$ 73,713,944</u>
Net change in reserves and adjustment to GAAP basis		5,258,529		
Fund balance - beginning		38,317,995		
Fund balance - ending		<u>\$ 101,686,808</u>		

FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
JUNE 30, 2007

	Business-type Activities-Enterprise Funds				Total Nonmajor Enterprise Funds (See Exhibit II-A-8)
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review	
<b>Assets</b>					
Current assets:					
Cash	\$ 42,592	\$ 21,968	\$ -	\$ -	\$ 64,560
Equity in pooled invested cash	-	568,201	14,723	5,613,866	6,196,790
Total cash and cash equivalents	42,592	590,169	14,723	5,613,866	6,261,350
Restricted cash and cash equivalents	-	-	307,655	49,830	357,485
Short-term investments	-	-	-	3,783	3,783
Receivables, net of allowance for uncollectible accounts	2,021,754	15,985	5,407	383	2,043,529
Inventories	35,497	-	-	-	35,497
Prepaid items	-	-	-	375	375
Total current assets	2,099,843	606,154	327,785	5,668,237	8,702,019
Noncurrent assets:					
Capital assets:					
Land	-	-	132,200	513,942	646,142
Buildings and improvements	3,319,323	2,261,782	1,877,880	6,252,535	13,711,520
Equipment	1,343,794	94,000	-	980,938	2,418,732
Accumulated depreciation	(3,558,715)	(1,536,882)	(594,663)	(486,773)	(6,177,033)
Construction in progress	-	-	-	-	-
Deferred bond issue expense	-	-	-	32,206	32,206
Total noncurrent assets	1,104,402	818,900	1,415,417	7,292,848	10,631,567
Total assets	3,204,245	1,425,054	1,743,202	12,961,085	19,333,586
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	66,760	2,139	160	7,420	76,479
Payroll and benefit deductions	596,080	97,921	996	256,814	951,811
Accrued expenses	131,397	9,797	3,673	42,394	187,261
Due to other funds	1,297,009	-	-	-	1,297,009
Deferred revenues	-	6,389	-	1,989,133	1,995,522
Security deposits	-	-	8,717	-	8,717
Other liabilities	41,313	15,841	-	-	57,154
Current portion general obligation bonds and notes	-	-	-	356,266	356,266
Current portion of compensated absences	32,826	3,413	-	14,974	51,213
Total current liabilities	2,165,385	135,500	13,546	2,667,001	4,981,432
Noncurrent liabilities:					
Long term portion general obligation bonds and notes	-	-	-	6,831,892	6,831,892
Liability for compensated absences	401,586	65,375	-	216,658	683,619
Total noncurrent liabilities	401,586	65,375	-	7,048,550	7,515,511
Total liabilities	2,566,971	200,875	13,546	9,715,551	12,496,943
<b>Net Assets</b>					
Invested in capital assets, net of related debt	1,104,402	818,900	1,415,417	72,484	3,411,203
Restricted	-	-	307,655	49,830	357,485
Unrestricted	(467,128)	405,279	6,584	3,123,220	3,067,955
Total net assets	\$ 637,274	\$ 1,224,179	\$ 1,729,656	\$ 3,245,534	\$ 6,836,643

FREDERICK COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities-Enterprise Funds				Total Nonmajor Enterprise Funds (See Exhibit II-A-9)
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review	
<b>Operating revenues</b>					
Charges for health care services, net of contractual adjustments	\$ 11,386,067	\$ 748,467	\$ -	\$ -	\$ 12,134,534
License and permit revenue	-	-	-	3,846,340	3,846,340
Fee revenue	-	-	-	2,239,678	2,239,678
Rental charges	-	-	88,226	14,700	102,926
Total net charges for services	11,386,067	748,467	88,226	6,100,718	18,323,478
Delinquent fees collected	5,099	-	-	-	5,099
Other revenues	136,436	1,374	73	6,000	143,883
Total operating revenues	11,527,602	749,841	88,299	6,106,718	18,472,460
<b>Operating expenses</b>					
Personnel services	9,739,246	1,591,851	14,131	4,121,925	15,467,153
Operating expenses (including administrative overhead)	2,339,928	779,936	34,694	1,314,452	4,469,010
Supplies	1,061,636	143,062	-	389,844	1,594,542
Repairs and maintenance	25,488	13,086	16,002	4,125	58,701
Depreciation expense	133,008	43,054	62,596	267,283	505,941
Total operating expenses	13,299,306	2,570,989	127,423	6,097,629	22,095,347
Operating income (loss)	(1,771,704)	(1,821,148)	(39,124)	9,089	(3,622,887)
<b>Nonoperating revenues (expenses)</b>					
Donations	16,526	1,515	-	-	18,041
Investment earnings	-	26,740	14,313	243,542	284,595
Miscellaneous expense	-	-	-	3,100	3,100
Interest expense	-	-	-	(167,736)	(167,736)
Total nonoperating revenues (expenses)	16,526	28,255	14,313	78,906	138,000
Net income (loss) before transfers	(1,755,178)	(1,792,893)	(24,811)	87,995	(3,484,887)
Transfers in	1,960,016	1,767,962	-	213,280	3,941,258
Transfers out	-	-	-	(19,186)	(19,186)
Total transfers	1,960,016	1,767,962	-	194,094	3,922,072
Change in net assets	204,838	(24,931)	(24,811)	282,089	437,185
Net assets - July 1	432,436	1,249,110	1,754,467	2,963,445	6,399,458
Net assets - June 30	\$ 637,274	\$ 1,224,179	\$ 1,729,656	\$ 3,245,534	\$ 6,836,643

**FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b>Citizens Care &amp; Rehabilitation Center</b>	<b>Montevue Home</b>	<b>Bell Court Apartments</b>	<b>Permitting &amp; Development Review</b>	<b>Total Nonmajor Enterprise Funds (See Exhibit II-A-10)</b>
<b>Cash flows from operating activities</b>					
Cash received from residents and customers	\$ 10,826,082	\$ 694,064	\$ 88,226	\$ 6,752,460	\$ 18,360,832
Cash paid to interfund services	26,894	-	-	14,700	41,594
Cash paid to suppliers	(3,013,317)	(898,045)	(48,125)	(1,856,674)	(5,816,161)
Cash paid to employees	(9,671,880)	(1,573,452)	(13,986)	(4,061,136)	(15,320,454)
Other	(61,056)	-	73	-	(60,983)
Net cash provided (used) by operating activities	<u>(1,893,277)</u>	<u>(1,777,433)</u>	<u>26,188</u>	<u>849,350</u>	<u>(2,795,172)</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers in	1,960,016	1,767,962	-	213,280	3,941,258
Cash received from donations	16,526	1,515	-	-	18,041
Cash received from (paid to) patient and resident funds	(2,945)	902	-	-	(2,043)
Cash received from (paid to) memorial and employee funds	(583)	(1,020)	-	-	(1,603)
Net cash provided (used) by noncapital financing activities	<u>1,973,014</u>	<u>1,769,359</u>	<u>-</u>	<u>213,280</u>	<u>3,955,653</u>
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(83,741)	-	-	(1,854,622)	(1,938,363)
Proceeds from debt issues	-	-	-	3,074,899	3,074,899
Payment of bond and note principal	-	-	-	(217,195)	(217,195)
Interest paid on bonds	-	-	-	(192,769)	(192,769)
Contributed capital	-	-	-	(19,186)	(19,186)
Net cash provided (used) by capital & related financing activities	<u>(83,741)</u>	<u>-</u>	<u>-</u>	<u>791,127</u>	<u>707,386</u>
<b>Cash flows from investing activities</b>					
Purchase of investments	-	-	(34,741)	(78,488)	(113,229)
Proceeds from sale of investments	-	-	-	141,771	141,771
Interest received on investments	-	26,740	8,905	243,531	279,176
Net cash provided (used) by investing activities	<u>-</u>	<u>26,740</u>	<u>(25,836)</u>	<u>306,814</u>	<u>307,718</u>
Net increase (decrease) in cash and cash equivalents	(4,004)	18,666	352	2,160,571	2,175,585
Cash and cash equivalents, July 1	<u>46,596</u>	<u>571,503</u>	<u>14,371</u>	<u>3,453,295</u>	<u>4,085,765</u>
Cash and cash equivalents, June 30	<u>\$ 42,592</u>	<u>\$ 590,169</u>	<u>\$ 14,723</u>	<u>\$ 5,613,866</u>	<u>\$ 6,261,350</u>

(continued)



FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review	Total Nonmajor Enterprise Funds (See Exhibit II-A-10)
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (1,771,704)	\$ (1,821,148)	\$ (39,124)	\$ 9,089	\$ (3,622,887)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	133,008	43,054	62,596	267,283	505,941
Change in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(500,864)	(13,436)	-	3,750	(510,550)
Bad debt allowance	20,358	2,759	-	-	23,117
Inventory	(5,282)	-	-	-	(5,282)
Prepaid expenses	-	-	-	4,125	4,125
Increase (decrease) in:					
Accounts payable	60,700	(1,178)	-	(93,987)	(34,465)
Accrued expenses	123,118	6,585	2,716	(10,037)	122,382
Deferred revenues	-	-	-	656,692	656,692
Liability for compensated leave	20,495	6,913	-	12,435	39,843
Due to other funds	26,894	-	-	-	26,894
Other liabilities	-	(982)	-	-	(982)
Net cash provided (used) by operating activities	\$ <u>(1,893,277)</u>	\$ <u>(1,777,433)</u>	\$ <u>26,188</u>	\$ <u>849,350</u>	\$ <u>(2,795,172)</u>

FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2007

	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-8)
<b>Assets</b>			
Current assets:			
Equity in pooled invested cash	\$ 629,132	\$ 3,822,417	\$ 4,451,549
Total cash and cash equivalents	629,132	3,822,417	4,451,549
Receivables, net of allowance for uncollectible accounts	86,375	44,041	130,416
Due from component units	254	-	254
Inventories	-	259,513	259,513
Prepaid items	-	818	818
Total current assets	<u>715,761</u>	<u>4,126,789</u>	<u>4,842,550</u>
Noncurrent assets:			
Capital assets:			
Buildings and improvements	-	1,833,133	1,833,133
Equipment	2,601,202	22,329,458	24,930,660
Accumulated depreciation	(1,954,947)	(10,934,740)	(12,889,687)
Total noncurrent assets	<u>646,255</u>	<u>13,227,851</u>	<u>13,874,106</u>
Total assets	<u>1,362,016</u>	<u>17,354,640</u>	<u>18,716,656</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	7,087	82,585	89,672
Payroll and benefit deductions	15,830	101,519	117,349
Accrued expenses	53,439	85,531	138,970
Current portion of compensated absences	-	2,137	2,137
Total current liabilities	<u>76,356</u>	<u>271,772</u>	<u>348,128</u>
Noncurrent liabilities:			
Liability for compensated absences	17,645	94,977	112,622
Total noncurrent liabilities	<u>17,645</u>	<u>94,977</u>	<u>112,622</u>
Total liabilities	<u>94,001</u>	<u>366,749</u>	<u>460,750</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	646,255	13,227,851	13,874,106
Unrestricted	621,760	3,760,040	4,381,800
Total net assets	<u>\$ 1,268,015</u>	<u>\$ 16,987,891</u>	<u>\$ 18,255,906</u>

FREDERICK COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-9)
<b>Operating revenues</b>			
Service charges	\$ 1,355,359	\$ 10,345,526	\$ 11,700,885
Total operating revenues	<u>1,355,359</u>	<u>10,345,526</u>	<u>11,700,885</u>
<b>Operating expenses</b>			
Personnel services	271,894	1,690,908	1,962,802
Operating expenses (including administrative overhead)	585,134	704,556	1,289,690
Supplies	-	4,106,094	4,106,094
Repairs and maintenance	215,579	392,763	608,342
Depreciation expense	115,495	2,680,928	2,796,423
Total operating expenses	<u>1,188,102</u>	<u>9,575,249</u>	<u>10,763,351</u>
Operating income (loss)	<u>167,257</u>	<u>770,277</u>	<u>937,534</u>
<b>Nonoperating revenues (expenses)</b>			
Investment earnings	31,792	195,466	227,258
Miscellaneous income (expense)	(58,076)	4,830	(53,246)
Gain (loss) on disposition of capital assets	-	(54,579)	(54,579)
Total nonoperating revenues (expenses)	<u>(26,284)</u>	<u>145,717</u>	<u>119,433</u>
Net income (loss) before contributions and transfers	<u>140,973</u>	<u>915,994</u>	<u>1,056,967</u>
Capital contributions	-	46,305	46,305
Transfers in	141,413	931,503	1,072,916
Total contributions and transfers	<u>141,413</u>	<u>977,808</u>	<u>1,119,221</u>
Change in net assets	282,386	1,893,802	2,176,188
Net assets - July 1	<u>985,629</u>	<u>15,094,089</u>	<u>16,079,718</u>
Net assets - June 30	<u>\$ 1,268,015</u>	<u>\$ 16,987,891</u>	<u>\$ 18,255,906</u>

FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-10)
<b>Cash flows from operating activities</b>			
Cash received from residents and customers	\$ 1,380,387	\$ 10,377,596	\$ 11,757,983
Cash paid to suppliers	(774,187)	(5,451,357)	(6,225,544)
Cash paid to employees	(265,157)	(1,702,936)	(1,968,093)
Net cash provided (used) by operating activities	<u>341,043</u>	<u>3,223,303</u>	<u>3,564,346</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers in	<u>141,413</u>	<u>961,227</u>	<u>1,102,640</u>
Net cash provided (used) by noncapital financing activities	<u>141,413</u>	<u>961,227</u>	<u>1,102,640</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(344,699)	(3,439,358)	(3,784,057)
Recoveries for damages	-	3,198	3,198
Proceeds from sale of capital assets	-	176,992	176,992
Net cash provided (used) by capital & related financing activities	<u>(344,699)</u>	<u>(3,259,168)</u>	<u>(3,603,867)</u>
<b>Cash flows from investing activities</b>			
Interest received on investments	<u>31,792</u>	<u>195,466</u>	<u>227,258</u>
Net cash provided (used) by investing activities	<u>31,792</u>	<u>195,466</u>	<u>227,258</u>
Net increase in cash and cash equivalents	169,549	1,120,828	1,290,377
Cash and cash equivalents, July 1	<u>459,583</u>	<u>2,701,589</u>	<u>3,161,172</u>
Cash and cash equivalents, June 30	<u>\$ 629,132</u>	<u>\$ 3,822,417</u>	<u>\$ 4,451,549</u>

(continued)

FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-10)
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss):	\$ 167,257	\$ 770,277	\$ 937,534
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	115,495	2,680,928	2,796,423
Miscellaneous non operating income	-	1,632	1,632
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	25,028	11,413	36,441
Intergovernmental receivables	-	20,657	20,657
Inventory	-	3,345	3,345
Prepaid items	41,070	(818)	40,252
Increase (decrease) in:			
Accounts payable	(12,287)	(337,420)	(349,707)
Accrued expenses	(2,253)	89,921	87,668
Liability for compensated leave	6,733	(16,632)	(9,899)
Net cash provided (used) by operating activities	\$ <u>341,043</u>	\$ <u>3,223,303</u>	\$ <u>3,564,346</u>

FREDERICK COUNTY, MARYLAND  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b>Tax Agency Fund</b>				
Assets				
Cash and cash equivalents	\$ 97,424	\$ 128,661	\$ 8,580	\$ 217,505
Equity in pooled invested cash	2,000	1,533,292	1,431,494	103,798
Total Assets	<u>\$ 99,424</u>	<u>\$ 1,661,953</u>	<u>\$ 1,440,074</u>	<u>\$ 321,303</u>
Liabilities				
Due to third parties	<u>\$ 99,424</u>	<u>\$ 1,617,441</u>	<u>\$ 1,395,562</u>	<u>\$ 321,303</u>
<b>Subdivision and Driveway Deposits Fund</b>				
Assets				
Equity in pooled invested cash	<u>\$ 3,315,453</u>	<u>\$ 1,822,667</u>	<u>\$ 1,378,912</u>	<u>\$ 3,759,208</u>
Liabilities				
Due to third parties	\$ 21,449	\$ -	\$ 8,342	\$ 13,107
Performance deposits	3,294,004	1,822,667	1,370,570	3,746,101
Total Liabilities	<u>\$ 3,315,453</u>	<u>\$ 1,822,667</u>	<u>\$ 1,378,912</u>	<u>\$ 3,759,208</u>
<b>Work Release Fund</b>				
Assets				
Cash and cash equivalents	<u>\$ 53,841</u>	<u>\$ 1,356,994</u>	<u>\$ 1,395,395</u>	<u>\$ 15,440</u>
Liabilities				
Due to third parties	<u>\$ 53,841</u>	<u>\$ 1,356,994</u>	<u>\$ 1,395,395</u>	<u>\$ 15,440</u>
<b>Tax Incremental Financing Bond Fund</b>				
Assets				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 683,290</u>	<u>\$ 683,290</u>	<u>\$ -</u>
Liabilities				
Due to bondholders	<u>\$ -</u>	<u>\$ 683,264</u>	<u>\$ 683,264</u>	<u>\$ -</u>
<b>Totals - All Agency funds</b>				
Assets				
Cash and cash equivalents	\$ 151,265	\$ 2,168,945	\$ 2,087,265	\$ 232,945
Equity in pooled invested cash	3,317,453	3,355,959	2,810,406	3,863,006
Accounts receivable	-	-	-	-
Total assets	<u>\$ 3,468,718</u>	<u>\$ 5,524,904</u>	<u>\$ 4,897,671</u>	<u>\$ 4,095,951</u>
Liabilities				
Due to third parties	\$ 174,714	\$ 3,657,699	\$ 3,482,563	\$ 349,850
Performance deposits	3,294,004	1,822,667	1,370,570	3,746,101
Total liabilities	<u>\$ 3,468,718</u>	<u>\$ 5,480,366</u>	<u>\$ 4,853,133</u>	<u>\$ 4,095,951</u>

**FREDERICK COUNTY, MARYLAND**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE (1)**  
**JUNE 30, 2007**

	<u>2007</u>
<b>Governmental funds capital assets</b>	
Land and improvements	\$ 66,605,207
Buildings	122,493,173
Equipment	50,121,068
Infrastructure	292,238,402
Construction in progress	26,956,492
Total governmental funds capital assets	<u>\$ 558,414,342</u>
 <b>Investment in governmental funds capital assets by source</b>	
Capital projects fund (2)	\$ 485,297,370
General fund	6,077,527
Special revenue funds	57,559,831
Donations	9,479,614
Total governmental funds capital assets	<u>\$ 558,414,342</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$26,763,793 are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Asset

(2) Capital projects are principally funded by general obligation bonds.

**FREDERICK COUNTY, MARYLAND**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION (1)**  
**JUNE 30, 2007**

<u>Function</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government	\$ 746,139	\$ 23,455,551	\$ 10,943,517	\$ -	\$ -	\$ 35,145,207
Public safety	5,337,773	44,485,370	27,335,265	-	-	77,158,408
Public works	1,766,085	4,776,612	426,172	-	-	6,968,869
Public health	348,996	7,962,145	67,038	-	-	8,378,179
Social services	182,747	12,098,552	8,982,694	-	-	21,263,993
Recreation and culture	20,438,324	29,714,943	2,366,382	-	-	52,519,649
Conservation of natural resources	37,785,143	-	-	-	-	37,785,143
Infrastructure	-	-	-	292,238,402	-	292,238,402
Construction in progress	-	-	-	-	26,956,492	26,956,492
Total governmental funds capital assets	<u>\$ 66,605,207</u>	<u>\$ 122,493,173</u>	<u>\$ 50,121,068</u>	<u>\$ 292,238,402</u>	<u>\$ 26,956,492</u>	<u>\$ 558,414,342</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$26,763,793 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.

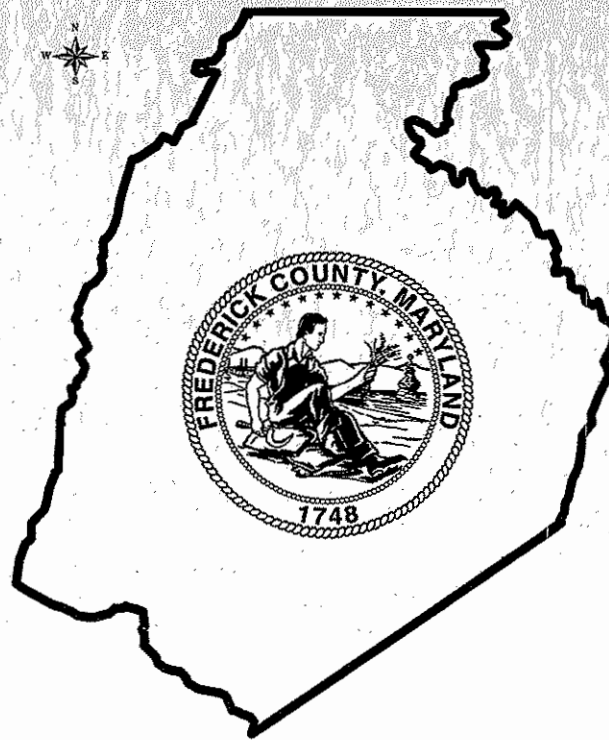


**FREDERICK COUNTY, MARYLAND**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION (1)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>Function</u>	<u>Governmental Funds Capital Assets July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2007</u>
General government	\$ 34,058,186	\$ 1,294,142	\$ 207,121	\$ 35,145,207
Public safety	72,776,466	4,804,351	422,409	77,158,408
Public works	4,349,413	2,645,052	25,596	6,968,869
Public health	8,401,171	208,665	231,657	8,378,179
Social services	21,202,551	162,286	100,844	21,263,993
Recreation and culture	38,019,476	14,543,187	43,014	52,519,649
Conservation of natural resources	23,781,826	14,444,981	441,664	37,785,143
Infrastructure	285,276,834	7,263,716	302,148	292,238,402
Construction in progress	27,018,283	30,837,441	30,899,232	26,956,492
Total governmental funds capital assets	\$ <u>514,884,206</u>	\$ <u>76,203,821</u>	\$ <u>32,673,685</u>	\$ <u>558,414,342</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$26,763,793 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**  
**NET ASSETS BY COMPONENT**  
**LAST SIX FISCAL YEARS (1)**  
(accrual basis of accounting)

	Fiscal Year					
	<u>2007</u>	<u>2006 (4)</u>	<u>2005</u>	<u>2004 (4)</u>	<u>2003 (4)</u>	<u>2002 (4)</u>
Governmental activities						
Investment in capital assts, net of related debt	\$ 220,485,887	\$ 216,474,001	\$ 226,722,373	\$ 225,535,503	\$ 225,304,760	\$ 220,801,250
Restricted (2)	157,734,585	123,851,893	35,780,332	26,588,880	20,309,590	27,623,228
Unrestricted (Deficit) (3)	(62,696,955)	(56,507,349)	(7,182,824)	(38,026,756)	(45,363,809)	(89,884,660)
Total governmental activities net assets	<u>315,523,517</u>	<u>283,818,545</u>	<u>255,319,881</u>	<u>214,097,627</u>	<u>200,250,541</u>	<u>158,539,818</u>
Business-type activities						
Investment in capital assets, net of related debt	214,474,800	193,225,382	175,358,149	147,999,499	142,219,673	136,917,343
Restricted	24,851,353	3,206,982	229,896	191,252	1,971,389	64,458,990
Unrestricted (Deficit)	87,412,069	104,778,749	88,146,766	90,132,660	75,404,737	4,920,701
Total business-type activities net assets	<u>326,738,222</u>	<u>301,211,113</u>	<u>263,734,811</u>	<u>238,323,411</u>	<u>219,595,799</u>	<u>206,297,034</u>
Primary government						
Investment in capital assets, net of related debt	434,960,687	409,699,383	402,080,522	373,535,002	367,524,433	357,718,593
Restricted (2)	182,585,938	127,058,875	36,010,228	26,780,132	22,280,979	92,082,218
Unrestricted (Deficit) (3)	24,715,114	48,271,400	80,963,942	52,105,904	30,040,928	(84,963,959)
Total primary government net assets	<u>\$ 642,261,739</u>	<u>\$ 585,029,658</u>	<u>\$ 519,054,692</u>	<u>\$ 452,421,038</u>	<u>\$ 419,846,340</u>	<u>\$ 364,836,852</u>

(1) Accrual-basis financial information for the county government as a whole is only available back to 2002, the year GASB Statement 34 was implemented.

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

(3) Deficits occur in unrestricted net assets for governmental activities because the County issues debt to fund construction costs for the Board of Education yet the Board of Education owns the capital assets. See the Management's Discussion and Analysis for further details.

(4) Restated

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

	Fiscal Year					
	<u>2007</u>	<u>2006 (2)</u>	<u>2005</u>	<u>2004 (2)</u>	<u>2003 (2)</u>	<u>2002 (2)</u>
<b>Expenses</b>						
Governmental activities:						
General government	\$ 44,409,114	\$ 41,402,131	\$ 27,425,402	\$ 24,607,455	\$ 36,887,646	\$ 35,292,562
Public safety	82,346,886	68,737,205	58,696,992	48,301,860	48,823,335	42,848,265
Public works	33,363,952	30,839,056	29,789,265	31,779,170	5,651,044	13,759,447
Health	12,022,712	20,318,327	15,586,778	15,002,153	20,753,454	19,353,858
Social services	7,433,791	7,248,599	5,519,938	5,935,055	2,406,499	3,532,518
Education	234,952,181	236,655,998	215,923,669	214,618,912	192,710,690	200
Parks, recreation and culture	13,027,882	11,619,119	9,450,582	10,937,095	8,162,835	2,980,654
Conservation of natural resources	2,018,025	3,771,639	1,278,781	4,981,389	2,999,473	6,350,141
Community development and public housing	4,692,471	3,195,154	3,713,439	3,058,614	2,950,729	2,664,445
Economic development and opportunity	12,368,074	11,485,801	10,928,583	10,369,467	11,047,285	9,884,959
Miscellaneous	-	-	3,803,446	4,397,069	2,291,509	1,465,739
Intergovernmental	-	-	6,006,926	4,796,634	16,383,165	3,094,971
Interest on long term debt	13,236,202	9,858,697	9,351,188	11,089,623	9,865,763	21,031,442
Total governmental activities expenses	<u>459,871,290</u>	<u>445,131,726</u>	<u>397,474,989</u>	<u>389,874,496</u>	<u>360,933,427</u>	<u>162,259,201</u>
Business-type activities:						
Water and sewer	23,082,586	21,623,009	19,977,977	19,785,831	17,681,970	18,220,967
Solid waste management	20,649,798	17,615,883	12,368,757	11,613,296	9,618,690	9,265,701
Nursing homes	15,862,296	14,691,041	13,399,901	12,815,110	12,346,634	11,710,121
Public housing	127,423	106,859	107,323	111,334	(1,715,127)	1,918,836
Permitting and development review	6,244,552	4,761,715	4,134,794	3,334,752	108,101	-
Total business-type activities expenses	<u>65,966,655</u>	<u>58,798,507</u>	<u>49,988,752</u>	<u>47,660,323</u>	<u>38,040,268</u>	<u>41,115,625</u>
Total primary government expenses	<u>\$ 525,837,945</u>	<u>\$ 503,930,233</u>	<u>\$ 447,463,741</u>	<u>\$ 437,534,819</u>	<u>\$ 398,973,695</u>	<u>\$ 203,374,826</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 10,002,667	\$ 13,070,811	\$ 1,086,267	\$ 1,026,083	\$ 6,789,686	\$ 7,083,797
Public safety	5,501,706	4,259,470	2,938,922	2,687,452	1,697,058	1,230,503
Public works	699,799	838,845	743,694	759,069	1,991,378	1,232,383
Health	2,571,249	3,575,509	3,348,561	3,461,277	6,806,508	6,763,320
Social services	1,199,006	1,143,596	1,632,919	1,737,198	383,575	279,257
Parks, recreation and culture	640,439	554,694	466,417	472,016	388,072	341,685
Conservation of natural resources	198,663	213,945	129,844	120,408	95,161	100,226
Community development and public housing	-	-	-	-	200	-
Economic development and opportunity	250,412	353,402	374,485	402,481	240,751	235,403
Operating grants and contributions:	35,352,838	40,427,661	36,100,015	33,919,736	35,879,493	38,364,035
Capital grants and contributions:	4,884,031	3,018,316	5,203,254	6,508,424	5,677,857	11,388,734
Total governmental activities program revenues	<u>61,300,810</u>	<u>67,456,249</u>	<u>52,024,378</u>	<u>51,094,144</u>	<u>59,949,739</u>	<u>67,019,343</u>

(continued)

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

	Fiscal Year					
	2007	2006 (2)	2005	2004 (2)	2003 (2)	2002 (2)
Business-type activities:						
Charges for services:						
Water and sewer	\$ 19,651,077	\$ 20,315,028	\$ 19,177,820	\$ 18,880,725	\$ 16,363,465	\$ 16,733,299
Solid waste management	17,255,845	15,028,960	11,306,315	11,455,502	8,941,431	9,427,143
Nursing homes	12,277,443	11,101,735	10,226,199	9,674,807	9,080,715	9,605,018
Permitting and development review	6,106,718	4,590,651	4,380,255	3,300,643	-	-
Public housing	88,299	84,584	82,043	81,765	81,206	80,828
Operating grants and contributions:	10,418,677	12,951,233	12,810,064	8,810,279	6,303,545	12,572,345
Capital grants and contributions:	13,869,468	21,425,241	10,234,860	5,928,940	3,312,279	5,367,499
Total business-type activities program revenues	<u>79,667,527</u>	<u>85,497,432</u>	<u>68,217,556</u>	<u>58,132,661</u>	<u>44,082,641</u>	<u>53,786,132</u>
Total primary government program revenues	<u>\$ 140,968,337</u>	<u>\$ 152,953,681</u>	<u>\$ 120,241,934</u>	<u>\$ 109,226,805</u>	<u>\$ 104,032,380</u>	<u>\$ 120,805,475</u>
<b>Net (Expense)/Revenue</b>						
Governmental activities	\$ (398,570,480)	\$ (377,675,477)	\$ (345,450,611)	\$ (338,780,352)	\$ (300,983,688)	\$ (95,239,858)
Business-type activities	13,700,872	26,698,925	18,228,804	10,472,338	6,042,373	12,670,507
Total primary government net expense	<u>\$ (384,869,608)</u>	<u>\$ (350,976,552)</u>	<u>\$ (327,221,807)</u>	<u>\$ (328,308,014)</u>	<u>\$ (294,941,315)</u>	<u>\$ (82,569,351)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Local property taxes	\$ 220,103,311	\$ 202,355,103	\$ 182,302,769	\$ 167,913,097	\$ 139,943,351	\$ 145,435,575
Local income taxes	153,232,580	149,588,132	142,255,367	137,782,293	163,872,631	116,189,559
Other local taxes	41,284,492	49,031,997	57,772,607	49,074,166	36,781,991	34,312,865
Grants and contributions not restricted to specific programs	-	-	-	-	-	60,000
Investment earnings	15,415,259	8,787,443	5,517,391	2,513,831	2,513,741	5,628,438
Miscellaneous	3,904,920	2,722,004	2,693,466	2,250,381	2,024,356	2,259,256
Transfers	(3,665,110)	(6,310,538)	(3,868,735)	(6,906,330)	(2,441,659)	(201,515,249)
Total governmental activities	<u>430,275,452</u>	<u>406,174,141</u>	<u>386,672,865</u>	<u>352,627,438</u>	<u>342,694,411</u>	<u>102,370,444</u>
Business-type activities:						
Investment earnings	7,525,143	4,226,175	2,848,200	654,240	4,155,084	4,833,207
Miscellaneous	635,984	240,664	465,661	694,704	659,649	497,603
Transfers	3,665,110	6,310,538	3,868,735	6,906,330	2,441,659	1,868,768
Total business-type activities	<u>11,826,237</u>	<u>10,777,377</u>	<u>7,182,596</u>	<u>8,255,274</u>	<u>7,256,392</u>	<u>7,199,578</u>
Total primary government	<u>\$ 442,101,689</u>	<u>\$ 416,951,518</u>	<u>\$ 393,855,461</u>	<u>\$ 360,882,712</u>	<u>\$ 349,950,803</u>	<u>\$ 109,570,022</u>
<b>Change in Net Assets</b>						
Governmental activities	\$ 31,704,972	\$ 28,498,664	\$ 41,222,254	\$ 13,847,086	\$ 41,710,723	\$ 7,130,586
Business-type activities	25,527,109	37,476,302	25,411,400	18,727,612	13,298,765	19,870,085
Total primary government	<u>\$ 57,232,081</u>	<u>\$ 65,974,966</u>	<u>\$ 66,633,654</u>	<u>\$ 32,574,698</u>	<u>\$ 55,009,488</u>	<u>\$ 27,000,671</u>

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

(2) Restated

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

	Fiscal Year									
	2007	2006	2005	2004 (1)	2003	2002 (1)	2001	2000	1999	1998
General Fund										
Reserved	\$ 3,394,405	\$ 3,825,762	\$ 3,567,549	\$ 3,390,883	\$ 3,755,322	\$ 4,214,879	\$ 4,347,602	\$ 2,583,454	\$ 2,396,484	\$ 1,741,116
Unreserved										
Designated	79,230,104	51,865,900	32,472,096	25,295,120	30,347,809	15,126,472	11,264,692	16,375,666	15,343,625	8,577,957
Undesignated	18,339,726	53,857,163	56,594,257	41,588,839	29,246,543	26,706,089	21,797,577	16,947,573	21,541,933	18,485,884
Total General Fund	<u>\$ 100,964,235</u>	<u>\$ 109,568,825</u>	<u>\$ 92,633,902</u>	<u>\$ 70,274,842</u>	<u>\$ 63,349,674</u>	<u>\$ 46,047,440</u>	<u>\$ 37,409,871</u>	<u>\$ 35,906,693</u>	<u>\$ 39,282,042</u>	<u>\$ 28,804,957</u>
All other Governmental Funds										
Reserved	\$ 32,291,846	\$ 26,349,699	\$ 25,967,238	\$ 14,993,032	\$ 14,563,201	\$ 10,399,734	\$ 23,546,705	\$ 27,431,903	\$ 7,881,811	\$ 6,974,133
Unreserved										
Designated										
Grant fund (2)	-	-	670,076	516,201	170,310	-	-	-	-	-
Nonmajor governmental funds	69,940,020	59,411,063	40,224,063	24,354,576	17,097,105	20,055,771	16,884,511	13,418,223	7,516,110	2,160,936
Undesignated										
Grant fund	-	-	-	-	640,297	829,033	-	-	-	-
Capital projects	70,046,722	12,503,245	(9,658,250)	25,306,231	20,349,294	(10,373,628)	9,880,908	7,514,093	344,797	23,753,431
Nonmajor governmental funds	9,987,189	25,958,899	20,424,923	20,753,183	10,506,062	8,866,420	4,819,818	842,097	729,391	1,699,285
Total all other governmental funds	<u>\$ 182,265,777</u>	<u>\$ 124,222,906</u>	<u>\$ 77,628,050</u>	<u>\$ 85,923,223</u>	<u>\$ 63,326,269</u>	<u>\$ 29,777,330</u>	<u>\$ 55,131,942</u>	<u>\$ 49,206,316</u>	<u>\$ 16,472,109</u>	<u>\$ 34,587,785</u>
Total Governmental Fund Balance	<u>\$ 283,230,012</u>	<u>\$ 233,791,731</u>	<u>\$ 170,261,952</u>	<u>\$ 156,198,065</u>	<u>\$ 126,675,943</u>	<u>\$ 75,824,770</u>	<u>\$ 92,541,813</u>	<u>\$ 85,113,009</u>	<u>\$ 55,754,151</u>	<u>\$ 63,392,742</u>

(1) Restated

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

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Revenues</b>										
Local property taxes	\$ 220,049,674	\$ 202,393,241	\$ 183,381,053	\$ 166,807,853	\$ 154,346,972	\$ 145,823,757	\$ 135,546,040	\$ 116,496,176	\$ 110,618,541	\$ 106,106,598
Local income taxes	154,536,579	144,199,778	137,124,133	132,462,327	131,949,827	111,018,868	88,736,934	80,232,845	74,648,254	67,510,246
Other local taxes	43,622,707	50,893,829	57,562,364	48,977,481	36,707,193	33,894,663	29,255,116	18,559,854	18,036,546	12,910,069
Licenses and permits	555,708	831,982	979,054	847,080	2,294,473	2,202,833	2,211,075	1,986,857	2,113,732	1,808,956
Grants from federal government	14,435,041	12,950,308	12,336,937	10,945,899	9,987,246	9,706,831	6,771,184	3,737,137	3,128,153	4,035,438
Grants from state government	25,809,335	30,450,610	29,567,220	28,301,914	31,570,104	32,808,334	27,466,351	25,230,545	25,834,719	30,029,618
Charges for services	18,069,358	21,341,057	9,262,332	9,314,013	16,503,345	15,026,098	13,143,985	11,953,034	10,731,811	8,373,044
Fines and forfeitures	304,985	308,518	330,530	424,633	210,678	261,839	130,530	143,687	82,168	90,281
Interest from loans	89,802	19,512	11,078	8,440	11,197	-	-	-	-	-
Investment earnings	15,188,001	8,700,804	5,517,391	2,513,831	2,519,684	5,627,783	8,596,832	7,332,317	4,951,843	4,465,861
Miscellaneous	3,695,581	2,635,249	2,563,737	2,762,783	1,621,683	2,139,761	1,471,272	1,102,755	1,149,467	3,041,294
Total revenues	496,356,771	474,724,888	438,635,829	403,366,254	387,722,402	358,510,767	313,329,319	266,775,207	251,295,234	238,371,405
<b>Expenditures</b>										
<b>Current</b>										
General government	27,818,998	24,306,561	22,204,110	21,639,704	26,191,150	23,411,460	21,858,590	21,004,425	17,868,447	16,393,339
Public safety	74,193,200	64,500,424	56,524,525	48,492,872	46,004,951	42,033,139	36,689,466	32,325,009	27,488,581	23,857,732
Public works	19,905,496	18,984,178	20,812,477	18,008,073	17,635,413	13,957,272	12,574,656	12,573,219	11,502,799	9,136,129
Health	11,767,833	20,145,681	15,447,857	14,833,362	20,733,669	19,199,353	16,902,039	15,639,925	14,238,272	13,382,645
Social services	6,665,331	6,476,583	6,540,358	6,314,660	3,808,898	3,422,847	3,168,387	2,414,874	1,859,327	1,803,816
Education	213,329,178	196,563,412	185,300,073	179,415,425	166,000,881	200	200	200	400	300
Parks, recreation and culture	11,885,934	10,528,919	8,782,883	8,035,178	7,536,930	2,807,366	2,431,233	2,196,740	2,105,524	2,038,127
Conservation of natural resources	5,194,359	2,397,091	1,741,058	4,505,561	3,358,264	6,350,666	3,809,250	999,165	1,202,328	942,183
Community development and public housing	4,687,912	3,191,585	3,723,967	3,052,368	2,950,166	2,407,231	1,914,082	1,856,535	1,893,609	1,928,760
Economic development and opportunity	12,488,625	11,583,440	10,926,166	10,377,175	10,990,348	9,856,451	7,755,543	7,195,412	5,928,121	8,504,258
Miscellaneous	6,376,131	4,229,897	4,182,513	4,583,681	2,356,025	1,960,755	3,385,981	1,563,069	871,137	596,765
Intergovernmental	6,062,188	5,454,453	4,847,291	4,463,342	3,866,509	3,094,971	2,203,029	1,798,751	1,796,605	1,795,997
<b>Debt service</b>										
Principal	20,179,909	15,432,931	22,652,797	15,002,880	10,844,799	13,046,143	9,162,863	6,014,870	6,061,415	5,478,716
Interest	14,295,744	11,056,416	10,864,875	10,953,670	10,355,454	10,558,830	9,973,988	5,753,517	5,599,287	5,707,269
Capital projects	63,431,403	82,714,041	51,188,595	48,975,783	54,327,298	21,549,878	22,813,716	13,605,456	14,087,925	15,820,511
Total expenditures	498,282,241	477,565,612	425,739,545	398,653,734	386,960,755	173,656,562	154,643,023	124,941,167	112,503,777	107,386,547
Excess of revenues over expenditures	(1,925,470)	(2,840,724)	12,896,284	4,712,520	761,647	184,854,205	158,686,296	141,834,040	138,791,457	130,984,858

(continued)

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Other Financing Sources (Uses)</b>										
Transfer in from General Fund	\$ 46,308,521	\$ 31,721,340	\$ 23,656,581	\$ 25,587,376	\$ 29,266,440	\$ 22,966,955	\$ 21,820,792	\$ 22,742,154	\$ 16,386,607	\$ 12,277,982
Transfers in from Special Revenue Funds	30,331,520	10,556,300	12,954,780	6,418,131	16,210,471	7,793,112	8,090,086	614,857	1,700,616	2,751,227
Transfers in from Internal Service Funds	-	-	18,212	-	-	-	-	-	-	-
Transfer out to:										
General Fund	-	-	-	(184,481)	-	-	-	-	-	-
Special Revenue Funds	(8,009,101)	(8,429,500)	(7,230,957)	(5,862,101)	(8,674,575)	(6,377,395)	(5,893,460)	(5,003,204)	(3,486,987)	(3,022,686)
Capital Projects Fund	(68,630,940)	(33,848,140)	(29,380,404)	(25,958,925)	(36,802,336)	(24,382,672)	(24,017,418)	(18,353,807)	(14,600,236)	(12,006,523)
Enterprise Funds	(3,941,258)	(6,682,958)	(3,868,735)	(6,906,330)	(2,441,659)	(1,868,768)	(2,086,579)	(1,856,455)	(1,004,829)	(590,019)
Internal Service Funds	(796,768)	(1,690,917)	(14,804)	(220,000)	-	-	-	-	(20,000)	-
Transfer to component units	-	-	-	-	-	(199,646,481)	(200,972,550)	(166,613,626)	(141,333,632)	(129,317,810)
Proceeds from public facilities and refunding bonds	49,856,000	82,958,476	91,781,972	41,792,400	50,157,925	20,053,810	52,837,581	89,631,000	19,346,421	45,193,803
Payment to refunded bond escrow agent	-	(13,710,975)	(96,489,172)	(13,032,948)	(1,178,545)	(20,578,753)	-	-	(19,346,419)	-
Bond premium on public facilities and refunding bonds	919,527	4,751,327	8,870,030	654,580	588,545	524,943	-	-	-	-
Repayment of bond anticipation notes	-	-	-	-	-	-	(1,432,000)	(33,914,000)	(4,890,000)	-
Proceeds of capital lease	5,325,000	731,000	852,100	2,515,000	2,961,260	-	-	-	-	-
Sale of capital assets	1,250	14,550	18,000	6,900	2,000	-	-	-	-	-
Total other financing sources (uses)	<u>\$ 51,363,751</u>	<u>\$ 66,370,503</u>	<u>\$ 1,167,603</u>	<u>\$ 24,809,602</u>	<u>\$ 50,089,526</u>	<u>\$ (201,515,249)</u>	<u>\$ (151,653,548)</u>	<u>\$ (112,753,081)</u>	<u>\$ (147,248,459)</u>	<u>\$ (84,714,026)</u>
Net change in fund balances	<u>\$ 49,438,281</u>	<u>\$ 63,529,779</u>	<u>\$ 14,063,887</u>	<u>\$ 29,522,122</u>	<u>\$ 50,851,173</u>	<u>\$ (16,661,044)</u>	<u>\$ 7,032,748</u>	<u>\$ 29,080,959</u>	<u>\$ (8,457,002)</u>	<u>\$ 46,270,832</u>
Debt service as a percentage of noncapital expenditures (1)	7.38%	5.92%	8.19%	6.68%	5.69%	14.33%	• (1)	• (1)	• (1)	• (1)
<b>Total Capital Expenditures</b>	<u><b>\$ 30,837,441</b></u>	<u><b>\$ 30,108,166</b></u>	<u><b>\$ 16,390,964</b></u>	<u><b>\$ 10,159,969</b></u>	<u><b>\$ 14,557,931</b></u>	<u><b>\$ 8,929,516</b></u>	<u><b>• (1)</b></u>	<u><b>• (1)</b></u>	<u><b>• (1)</b></u>	<u><b>• (1)</b></u>

\* Information not available

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



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

Fiscal Year	Real Property (1)			Assessed Value	Total Direct Tax Rate (2)	Public Utilities		Total
	Residential Assessed Property	Commercial Assessed Property	Industrial Assessed Property			Public Utilities	Total Direct Tax Rate (2)(3)	Assessed Value
2007	\$15,874,666,066	\$3,366,315,419	\$ 937,566,786	\$ 20,178,548,271	\$ 0.936	\$342,190,640	\$2.34	\$20,520,738,911
2006	14,300,692,783	3,093,387,029	851,597,799	18,245,677,611	1.000	317,522,620	2.50	18,563,200,231
2005	12,504,488,751	2,586,588,409	777,563,387	15,868,640,547	1.000	365,265,099	2.50	16,233,905,646
2004	n/a	n/a	n/a	14,713,127,459	1.000	341,838,850	2.50	15,054,966,309
2003	n/a	n/a	n/a	13,852,072,854	1.000	365,088,270	2.50	14,217,161,124
2002	n/a	n/a	n/a	12,972,034,400	1.000	382,963,100	2.50	13,354,997,500
2001	n/a	n/a	n/a	4,889,192,115	2.500	374,937,880	2.50	5,264,129,995
2000	n/a	n/a	n/a	4,650,381,807	2.260	360,305,770	2.26	5,010,687,577
1999	n/a	n/a	n/a	4,442,620,985	2.260	318,801,320	2.26	4,761,422,305
1998	n/a	n/a	n/a	4,268,168,010	2.260	307,657,490	2.26	4,575,825,500

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

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

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

(2) Per \$100 of assessed value

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

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

	Year Taxes Are Payable									
	<u>2007</u>	<u>2006</u>	<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)
Frederick County	\$ 0.936	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 2.50	\$ 2.26	\$ 2.26	\$ 2.26
Braddock fire tax district	-	-	-	-	-	-	0.08	0.08	-	-
Brunswick fire tax district	-	-	-	-	-	-	0.10	0.10	-	-
Carroll Manor fire tax district	-	-	-	-	-	-	0.12	0.12	0.12	0.12
Frederick fire tax district	-	-	-	-	-	-	0.18	0.18	0.18	0.18
Lewistown fire tax district	-	-	-	-	-	-	0.09	0.09	0.09	0.09
Libertytown fire tax district	-	-	-	-	-	-	0.07	0.07	0.07	0.07
Middletown fire tax district	-	-	-	-	-	-	0.17	0.09	0.09	0.09
Myersville fire tax district	-	-	-	-	-	-	0.11	-	-	-
New Market fire tax district	-	-	-	-	-	-	0.16	0.07	0.07	0.07
Thurmont fire tax district	-	-	-	-	-	-	0.11	-	-	-
Walkersville fire tax district	-	-	-	-	-	-	0.05	0.05	-	-
Wolfsville fire tax district	-	-	-	-	-	-	0.15	-	-	-
Woodsboro fire tax district	-	-	-	-	-	-	0.12	-	-	-
Suburban Fire/Rescue (1)	0.080	0.080	0.065	0.065	0.045	0.045	-	-	-	-
Urban Fire/Rescue (1)	0.128	0.135	0.135	0.135	0.100	0.100	-	-	-	-
Braddock lighting tax district	0.012	0.016	0.020	0.024	0.024	0.024	0.06	0.06	0.06	0.06
Libertytown lighting tax district	0.018	0.021	0.022	0.020	0.020	0.020	0.05	0.05	0.05	0.05
New Addition lighting tax district	0.012	0.014	0.021	0.028	0.028	0.028	0.07	0.07	0.07	0.07
State	0.112	0.132	0.132	0.132	0.084	0.084	0.21	0.21	0.21	0.21
Brunswick	0.452	0.452	0.488	0.488	0.488	0.488	1.22	1.22	1.27	1.27
Burkittsville	0.140	0.140	0.140	0.140	0.140	0.140	0.35	0.35	0.35	0.40
Emmitsburg	0.360	0.360	0.360	0.360	0.360	0.360	0.75	0.70	0.61	0.61
Frederick	0.690	0.690	0.690	0.640	0.640	0.640	1.57	1.59	1.59	1.59
Middletown	0.232	0.232	0.232	0.232	0.232	0.232	0.58	0.58	0.58	0.58
Mt. Airy	0.183	0.188	0.193	0.202	0.206	0.206	0.56	0.56	0.56	0.59
Myersville	0.274	0.274	0.274	0.236	0.236	0.236	0.59	0.62	0.64	0.65
New Market	0.120	0.120	0.120	0.120	0.120	0.120	0.30	0.30	0.30	0.30
Rosemont	0.040	0.040	0.040	0.040	0.040	0.040	0.10	0.10	0.10	0.10
Thurmont	0.265	0.270	0.273	0.248	0.248	0.248	0.62	0.62	0.62	0.62
Walkersville	0.156	0.166	0.176	0.176	0.176	0.176	0.44	0.44	0.44	0.44
Woodsboro	0.129	0.138	0.152	0.152	0.152	0.152	0.38	0.38	0.38	0.38

Source: County Treasurer's Office

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

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

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

Name of Taxpayer	Fiscal Year 2007			Fiscal Year 1998		
	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Potomac Edison Company	\$ 148,818,230	1	0.73 %	\$ 152,809,170	1	3.34 %
Verizon Maryland	102,469,110	2	0.50	108,163,460	2	2.36
PR Financing Limited Partnership	65,978,100	3	0.32	-	-	-
State Farm Mutual Auto Insurance	42,484,933	4	0.21	18,856,860	6	0.41
Washington Gas Light Company	39,591,170	5	0.19	25,656,468	3	0.56
Fannie Mae	28,481,900	6	0.14	-	-	-
Toys R Us, Inc.	27,496,900	7	0.13	-	-	-
Writ Frederick Crossing Land, LLC	26,994,000	8	0.13	-	-	-
First Real Estate Inv. Trust	25,666,200	9	0.13	-	-	-
ABP MD (Baltimore) LLC	24,932,400	10	0.12	-	-	-
Crown American Financing Part.	-	-	-	22,018,470	4	0.48
American Telephone & Telegraph	-	-	-	20,405,560	5	0.45
Frederick Towne Mall Associates	-	-	-	17,902,340	7	0.39
Eastalco Aluminum Company	-	-	-	16,297,080	8	0.36
Manekin/Morecop	-	-	-	16,098,410	9	0.35
CNG Transmission Corp	-	-	-	9,648,860	10	0.21
Totals	<u>\$ 532,912,943</u>		<u>2.60 %</u>	<u>\$ 407,856,678</u>		<u>8.91 %</u>

Source: County Treasurer's Office

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

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year (Original Levy)</u>	<u>Adjustments (1)</u>	<u>Total Adjusted Levy</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
				<u>Amount</u>	<u>Percentage of Original Levy</u>		<u>Amount</u>	<u>Percentage of Adjusted Levy</u>
2007	\$ 184,842,012	\$ (690,568)	\$ 184,151,444	\$ 183,777,116	99.80 %	\$ -	\$ 183,777,116	99.80 %
2006	172,327,183	(847,529)	171,479,654	171,182,698	99.83	282,205	171,464,904	99.99
2005	160,956,202	5,996,797	166,952,999	166,492,845	99.72	444,592	166,937,437	99.99
2004	145,697,511	8,786,093	154,483,604	153,934,018	99.64	534,259	154,468,277	99.99
2003	136,136,573	10,179,461	146,316,034	145,762,664	99.62	549,445	146,312,109	100.00
2002	127,284,351	10,697,607	137,981,958	137,338,900	99.53	638,021	137,976,921	100.00
2001	120,100,222	10,370,387	130,470,609	130,193,033	99.79	276,260	130,469,293	100.00
2000	n/a	n/a	112,274,339	112,023,603	99.78	249,145	112,272,748	100.00
1999	n/a	n/a	106,915,915	106,650,728	99.75	263,597	106,914,325	100.00
1998	n/a	n/a	102,451,665	102,427,492	99.98	22,584	102,450,076	100.00

Source: County Treasurer's Office

Note: The information in this schedule relates to the County's own property tax levies, and does not include those it collects on behalf of other governments.

(1) For fiscal years 2001 through 2005 "adjustments" included additions, abatements and new construction bills. In FY06 and FY07, only additions and abatements are included in this column.

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

<b>Governmental Activities</b>						
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Bond Anticipation Notes</b>	<b>Capital Leases</b>	<b>Notes Payable</b>	<b>Agricultural Preservation Installment Purchase Agreements</b>	<b>Total Governmental Activities</b>
2007	\$ 322,446,867	\$ -	\$ 7,628,193	\$ 5,923,287	\$ 31,659,979	\$ 367,658,326
2006	290,551,046	-	4,235,122	6,640,103	20,751,405	322,177,676
2005	234,327,973	-	4,980,289	7,322,577	15,767,333	262,398,172
2004	243,799,506	8,150,000	5,538,335	7,973,065	8,774,670	274,235,576
2003	225,822,602	11,130,000	3,941,770	8,586,170	1,147,228	250,627,770
2002	198,049,009	621,075	1,428,274	2,653,604	-	202,751,962
2001	207,723,011	2,951,075	-	3,450,314	-	214,124,400
2000	162,745,189	5,156,075	-	4,723,211	-	172,624,475
1999	78,333,485	39,080,075	-	4,907,549	-	122,321,109
1998	81,575,742	44,745,075	-	5,087,686	-	131,408,503

<b>Business-Type Activities</b>							
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Bond Anticipation Notes</b>	<b>Notes Payable</b>	<b>Total Business-Type Activities</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (1)</b>
2007	\$ 133,058,132	\$ -	\$ 29,688,011	\$ 162,746,143	\$ 530,404,469	5.9%	\$ 2,295
2006	98,068,957	-	29,602,176	127,671,133	449,848,809	5.0%	1,965
2005	71,517,028	-	28,917,294	100,434,322	362,832,494	4.2%	1,627
2004	76,585,495	-	31,062,443	107,647,938	381,883,514	4.7%	1,745
2003	81,447,398	-	33,219,749	114,667,147	365,294,917	4.9%	1,708
2002	61,560,990	6,583,925	33,269,694	101,414,609	304,166,571	4.2%	1,448
2001	64,581,987	9,413,925	32,142,229	106,138,141	320,262,541	4.6%	1,565
2000	47,453,062	19,413,925	30,511,306	97,378,293	270,002,768	4.2%	1,383
1999	44,533,881	21,754,925	25,720,390	92,009,196	214,330,305	3.7%	1,096
1998	47,199,258	22,754,925	21,977,716	91,931,899	223,340,402	4.1%	1,191

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

(1) See Exhibit III-A-13 for personal income and population data.

**FREDERICK COUNTY, MARYLAND**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING (1)**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Governmental General Obligation Debt (2)</b>	<b>Business-Type General Obligation Debt</b>	<b>Less Amounts to be Paid with Other Resources (3)</b>	<b>Total General Obligation Debt Outstanding</b>	<b>Percentage of Total Estimated Actual Value of Taxable Property (4)</b>	<b>Per Capita (5)</b>
2007	\$ 360,030,133	\$ 162,746,143	\$ (273,197,764)	\$ 249,578,512	1.22%	\$ 1,080
2006	317,942,554	127,671,133	(218,222,275)	227,391,412	1.22%	993
2005	257,417,883	100,434,322	(165,845,345)	192,006,860	1.18%	861
2004	268,697,241	107,647,938	(176,439,003)	199,906,176	1.33%	914
2003	246,686,000	114,667,147	(171,736,017)	189,617,130	1.33%	886
2002	201,323,688	101,414,609	(148,527,206)	154,211,091	1.15%	734
2001	214,124,400	106,138,141	(154,928,925)	165,333,616	1.31%	808
2000	172,624,475	97,378,293	(131,574,189)	138,428,579	1.15%	709
1999	122,321,109	92,009,196	(110,794,390)	103,535,915	0.91%	529
1998	131,408,503	91,931,899	(110,817,413)	112,522,989	1.02%	600

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

- (1) Bonded debt is all debt backed by the full faith and credit and unlimited taxing authority of the County.
- (2) Capital leases are not backed by the full faith and credit and unlimited taxing authority of the County and are not included in the Governmental Activities General Obligation debt.
- (3) See footnote 3.F. Non-Current Liabilities for funds supporting debt payments.
- (4) See Exhibit III-A-5 for real property tax values.
- (5) See Exhibit III-A-13 for population data.

**FREDERICK COUNTY, MARYLAND**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2007**

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct:			
Frederick County	\$ <u>367,658,326</u>	<u>100 %</u>	\$ <u>367,658,326</u>
Overlapping Debt:			
Component Units:			
Frederick County Public Schools	4,662,064	100 %	4,662,064
Towns, Cities and Villages:			
Brunswick	220,608	100 %	220,608
Emmitsburg	581,810	100 %	581,810
Frederick City	44,872,863	100 %	44,872,863
Middletown	1,480,402	100 %	1,480,402
Mount Airy	4,523,213	43 %	1,944,982
Myersville	3,063,700	100 %	3,063,700
Thurmont	7,170,299	100 %	7,170,299
Subtotal Overlapping:	<u>66,574,959</u>		<u>63,996,728</u>
Totals	\$ <u><u>434,233,285</u></u>		\$ <u><u>431,655,054</u></u>

Source: Division of Finance

(1) Debt repaid by general government activities

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Debt limitation - 6% of total assessed value (1)	\$ 1,113,792,014	\$ 974,034,339	\$ 903,297,979	\$ 853,029,667	\$ 801,299,850	\$ 789,619,499	\$ 751,603,137	\$ 714,213,346	\$ 686,373,825
Total debt applicable to limit (2)	<u>123,521,133</u>	<u>100,434,321</u>	<u>107,647,938</u>	<u>114,667,147</u>	<u>94,830,685</u>	<u>106,138,141</u>	<u>97,378,293</u>	<u>92,009,196</u>	<u>91,931,899</u>
Legal debt margin	<u>\$ 990,270,881</u>	<u>\$ 873,600,018</u>	<u>\$ 795,650,041</u>	<u>\$ 738,362,520</u>	<u>\$ 706,469,165</u>	<u>\$ 683,481,358</u>	<u>\$ 654,224,844</u>	<u>\$ 622,204,150</u>	<u>\$ 594,441,926</u>
Total net debt applicable to the limit as a percentage of debt limit	11.09%	10.31%	11.92%	13.44%	11.83%	13.44%	12.96%	12.88%	13.39%

**Legal debt margin calculation for fiscal year 2007**

Assessed valuations (3)	\$ 20,520,738,911
Debt limitation - 6% of total assessed value	1,231,244,335
Debt applicable to limitation	
Total bonds payable	126,091,326
Total notes payable	<u>29,688,011</u>
Total debt applicable to limit (2)	<u>155,779,337</u>
Legal debt margin	<u>\$ 1,075,464,998</u>
Total net debt applicable to the limit as a percentage of debt limit	12.65%

- (1) Assessed values based on 100% of real estate assessment. Debt limitation based on 6% of assessed values. Fiscal years 2001 and prior based on 40% assessment and debt limitation based on 15% of assessed values.
- (2) The total debt applicable to the limit is for bonds and notes issued pursuant to Chapter 2-13-13. Water, sewers, drains and solid waste of Part II, Code of Public Laws of Frederick County, 1979. FY 2003 and prior have been restated to only include bonds and notes.
- (3) Source - Maryland State Department of Assessments and Taxation

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



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

<u>Year</u>	<u>Population(1)</u>	<u>Personal Income (thousands of dollars) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Public School Enrollment (3)</u>	<u>Unemployment Rate (2)</u>
2007	231,100	\$ 9,042,233 *	\$ 41,025 *	40,315	3.3 %
2006	228,900	8,956,154 *	40,634 *	39,741	3.1
2005	223,000	8,725,305	39,587	39,564	3.0
2004	218,800	8,143,692	37,486	39,003	2.9
2003	213,900	7,526,137	35,265	38,621	2.9
2002	210,100	7,176,991	34,324	38,122	3.1
2001	204,700	6,930,141	34,252	36,961	2.3
2000	195,277	6,427,226	32,693	36,145	1.8
1999	195,600	5,748,060	29,999	35,462	2.3
1998	187,600	5,389,773	28,800	34,742	2.9

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

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

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

<u>Employer</u>	<u>2007</u>			<u>1998</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u> *	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Fort Detrick	7,900 *	1	6.52 %	4,717 *	1	5.00 %
Frederick County Board of Education	5,384	2	4.45	3,880	2	4.11
Frederick County Government	2,526	3	2.09	1,892	4	2.00
Frederick Memorial Healthcare System	2,350	4	1.94	2,000	3	2.12
Bechtel Corporation	2,203	5	1.82	-	-	-
SAIC	1,670	6	1.38	-	-	-
Wells Fargo Home Mortgage	1,650	7	1.36	-	-	-
Frederick Community College	1,320	8	1.09	-	-	-
CitiMortgage	1,300	9	1.07	-	-	-
United Health Care (formerly Mamsi)	1,073	10	0.89	820	9	0.87
Bechtel Power	-	-	-	1,700	5	1.80
First USA	-	-	-	1,216	6	1.29
First Nationwide Mortgage	-	-	-	1,012	7	1.07
Alcoa-Eastalco Works	-	-	-	840	8	0.89
State Farm Insurance	-	-	-	741	10	0.78
	<u>27,376</u>		<u>22.61 %</u>	<u>18,818</u>		<u>19.93 %</u>

\* Includes military personnel.

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

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

<u>Function/Program</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
General government	350	335	335	326	305	312	272	280	280	280
Public safety	762	704	646	584	561	536	491	405	441	467
Public works	395	383	359	363	357	338	322	337	337	337
Health	316	313	292	299	300	326	311	351	351	351
Social services	136	126	125	128	127	122	109	118	121	118
Parks, recreation and culture	49	50	42	42	44	43	36	84	84	84
Library	116	108	91	89	88	86	67	95	95	95
Conservation of natural resources	7	7	7	7	6	6	6	9	9	9
Community dev. & public housing	8	7	6	6	6	5	6	6	6	6
Economic dev. & opportunity	104	111	106	110	120	122	97	143	145	145
Total	<u>2,243</u>	<u>2,144</u>	<u>2,009</u>	<u>1,954</u>	<u>1,914</u>	<u>1,896</u>	<u>1,717</u>	<u>1,828</u>	<u>1,869</u>	<u>1,892</u>

**Source:** Human Resources

Note: (1) Fiscal years 1998-2000 are a total employee count.  
 (2) Fiscal years 2001-2007 are full-time equivalents.

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

Function/Program	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>General Government</b>										
Human Resources										
Employment announcements issued	265	182	170	180	215	201	260	170	170	*
Employment applications received/reviewed	6,989	6,000	7,000	6,000	6,000	3,800	3,700	4,000	4,000	*
Finance/Accounting										
Accounts payable checks generated	23,557	28,000	31,000	31,000	29,840	29,600	30,000	30,800	29,300	*
Invoices prepared	2,235	1,920	1,800	1,700	1,550	1,850	1,700	1,550	1,500	*
Purchasing										
Formal bids, RFP's, sole source & emergencies	207	225	200	*	*	*	*	*	*	*
Treasurer										
Property tax bills/delinquent notices mailed	106,403	87,207	93,000	87,000	87,000	86,000	84,200	82,629	75,914	*
Building Maintenance										
Buildings	121	116	114	110	106	73	61	60	47	*
Work orders/service requests	3,767	4,486	4,272	3,758	3,654	3,232	*	4,200	4,000	*
Square feet of properties managed	1,212,276	1,183,434	1,142,634	1,058,350	1,016,495	970,455	818,103	892,032	860,050	*
Facility Services										
Square footage of properties cleaned	713,919	644,419	644,419	627,493	627,493	567,898	532,898	512,898	512,898	512,898
Number of leases managed	35	37	37	44	38	21	21	17	17	*
Square feet of leased property managed	166,769	155,303	155,303	172,519	172,931	151,349	148,403	118,643	118,643	*
Pieces of outgoing U.S. mail	425,899	400,560	485,000	465,458	455,136	454,942	*	400,000	400,000	*
Elections										
Registered voters	124,000	124,000	122,000	113,000	118,000	113,832	107,632	102,000	98,000	97,000
Liquor Board										
Regular liquor licenses	294	298	295	290	295	295	*	*	275	270
Liquor inspections	3,260	3,260	3,200	3,130	3,600	3,400	*	*	3,200	3,200
Internal Audit										
Internal Audits performed	19	16	21	20	21	20	21	20	21	*
Circuit Court										
Cases filed	10,053	9,303	7,939	6,106	10,071	6,806	7,392	7,400	7,050	*
<b>Public Safety</b>										
Housing units constructed	1,143	2,087	1,653	1,781	1,924	1,639	2,169	2,918	2,644	1,990
Sheriff's Office										
Administration Bureau										
Civil Process papers served	21,596	25,200	24,500	29,050	*	30,784	30,741	34,704	31,549	*
Courthouse Security										
Prisoners handled: adult/juvenile	5,336	5,200	5,250	4,050	3,730	4,297	4,285	4,595	4,461	*
Operations: Law Enforcement										
Arrests: adult/juvenile	4,376	4,961	4,386	4,700	5,119	4,541	4,383	4,205	3,436	*
Calls for service	68,159	58,687	68,340	65,000	*	48,354	41,232	40,632	40,000	*
Adult Detention Center										
Average daily population	498	464	466	452	429	449	418	405	383	349
Emergency Communications										
Fire/EMS dispatches	26,378	25,591	22,827	27,394	*	22,816	22,510	20,841	*	24,000
Police dispatches	109,285	102,598	79,297	83,946	*	76,998	72,232	60,778	*	46,000
911 calls	109,601	107,127	109,210	109,795	*	94,380	97,394	95,948	*	100,000
Animal Control										
Calls for service	7,771	7,061	6,960	6,838	6,469	6,148	4,943	5,204	*	*

(continued)

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

Function/Program	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Public Works</b>										
Water facilities										
Customers (FY 02-07), Equiv units (FY 98-01)	20,081	19,692	17,578	17,039	16,628	16,276	22,304	20,012	20,298	19,380
Annual production (1,000 gals.)	1,952,000	1,952,328	1,860,600	1,639,941	1,639,941	1,700,000	1,736,300	1,663,000	1,692,400	1,581,000
Sewer facilities										
Customers (FY 02-07), Equiv units (FY 98-01)	25,890	24,787	24,614	23,724	23,153	22,663	31,988	28,194	28,987	26,246
Fleet Services										
Work orders	5,372	4,277	7,695	6,300	5,557	5,850	5,700	5,400	5,100	*
Vehicles maintained	959	888	820	802	788	777	679	640	582	*
Highway Operations										
County roads - mileage maintained	1,257	1,256	1,245	1,237	1,235	1,221	1,213	1,207	1,199	1,193
Tar and chip maintenance (miles)	59	95	*	53	54	46	34	51	37	16
Usage of salt & cinders (tons)	24,144	25,000	18,900	27,118	*	*	*	*	*	*
Transportation Engineering										
Bridges inspected	170	170	172	265	*	*	*	*	*	*
Road overlay (miles)	25	26	26	22	49	*	*	*	*	*
Construction Management										
CIP and developer funded subdivision projects completed	77	193	163	80	170	118	171	75	66	99
TransIT										
Revenue vehicle miles	1,096,069	1,053,170	994,505	867,664	749,759	725,841	677,047	665,001	653,832	*
Revenue vehicle hours	83,506	80,541	83,038	76,641	67,913	54,924	44,778	45,096	45,002	*
<b>Health</b>										
Health Department										
Public health nursing contacts	35,046	31,379	29,866	*	*	*	*	*	*	*
Mental health visits	10,803	5,958	7,053	*	*	*	*	*	*	*
Substance abuse visits	32,063	10,932	13,734	*	*	*	*	*	*	*
Dental visits for children	4,410	4,486	4,556	*	*	*	*	*	*	*
Environmental health reviews/inspections	15,132	14,041	13,588	*	*	*	*	*	*	*
School health program										
Children served	40,315	40,524	40,400	40,000	39,800	38,028	36,757	36,000	35,658	*
Health room visits	248,626	160,000	147,070	150,000	201,000	156,280	132,467	117,200	117,100	*
Developmental Center										
Infants & Toddlers Program children served	533	*	*	*	*	*	*	*	*	*
School-based services visits	10,551	*	*	*	*	*	*	*	*	*
Vision and auditory services visits	874	*	*	*	*	*	*	*	*	*
<b>Social Services</b>										
Social Services										
Child & Adult Care Food Program										
Home visits	900	1,344	1,026	981	*	*	*	*	*	*
Department of Aging										
Home delivered meals served to elderly	52,141	20,000	21,000	27,000	25,000	24,000	10,000	12,000	11,256	*
Congregate meals served	16,656	19,000	21,500	23,000	30,000	31,000	40,000	41,500	42,528	*

(continued)

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

Function/Program	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Parks, recreation and culture</b>										
Parks & Recreation										
Recreation center attendance	80,000	55,000	45,000	46,066	42,400	*	*	*	*	*
<b>Conservation of natural resources</b>										
Agriculture (2002)										
Farms	1,273	1,273	1,273	1,273	1,304	1,304	1,304	1,304	1,304	1,346
Acreage	195,827	195,827	195,827	195,827	215,927	215,927	215,927	215,927	215,927	222,768
<b>Community development and public housing</b>										
Bell Court housing project (28 units)										
Occupancy rate	99%	99%	99%	99%	98%	*	*	*	*	*
<b>Economic development and opportunity</b>										
Workforce Services										
One - stop services - customers served	2,507	2,310	2,310	2,310	2,000	2,000	*	*	*	*
Office of Economic Development										
Average web hits per month	326,761	280,396	251,629	169,475	98,791	63,305	43,000	*	*	*
Inquiries	3,100	2,507	-	*	*	*	*	*	*	*
Prospects	367	482	*	*	*	*	*	*	*	*
Projects	396	137	184	187	125	*	*	*	*	*
Companies visited	459	486	321	349	356	342	186	*	*	*
Companies assisted	820	244	544	593	650	*	*	*	*	*

\* = Information not available

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

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

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>	<b><u>1998</u></b>
<b>General Government</b>										
Building maintenance										
Buildings managed	121	116	114	110	106	73	61	60	47	*
<b>Public Safety</b>										
Fire/rescue stations	30	30	30	30	30	30	30	28	28	28
Adult Detention Center average daily population	498	464	466	452	429	449	418	405	383	349
<b>Public Works</b>										
County roads - mileage	1,257	1,256	1,245	1,237	1,235	1,221	1,213	1,207	1,199	1,193
Water facilities										
Plants/Distribution Systems	14	14	14	14	15	15	15	15	15	16
Daily capacity (1,000 gals.)	10,193	10,193	9,485	9,485	9,645	9,645	9,645	9,645	9,645	10,452
Miles of water mains	271	253	243	231	228	211	204	185	174	162
Hydrants	2,259	2,085	1,924	1,778	1,778	1,583	1,506	1,320	1,178	1,057
Sewer facilities										
Plants/Collection Systems	16	17	17	17	16	16	16	16	16	16
Daily capacity (1,000 gals.)	7,677	7,707	7,707	7,701	7,701	7,766	7,766	7,566	7,506	9,501
Miles of sewer mains	339	327	313	303	293	283	277	256	238	228
Bridges										
Bridges (over 20' spans)	215	214	214	213	213	213	213	213	210	209
Fleet services										
Vehicles	959	888	820	802	788	777	679	640	582	*
<b>Parks, Recreation and Culture</b>										
County park acreage	1,534	1,511	1,511	1,511	1,511	1,526	1,394	1,394	1,394	991
County facilities	30	29	29	29	29	*	*	*	*	*

\* Information not available

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

