Frederick County Maryland

Carroll Creek Rhonda Hinton

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

Front Cover: Photo was taken by Rhonda Hinton, Administrative Support Supervisor for Frederick County Department of Public Works. Rhonda photographed Carroll Creek to decorate the newly remodeled Bourne Building.

The suspension bridge over Carroll Creek in downtown Frederick joins the C. Burr Artz Library with the Maxwell Place Condos. Carroll Creek Linear Park opened in 2006 and is a critical component in preventing down town Frederick from flooding.

Permission was granted by the photographer to use this photo.

Frederick County, Maryland

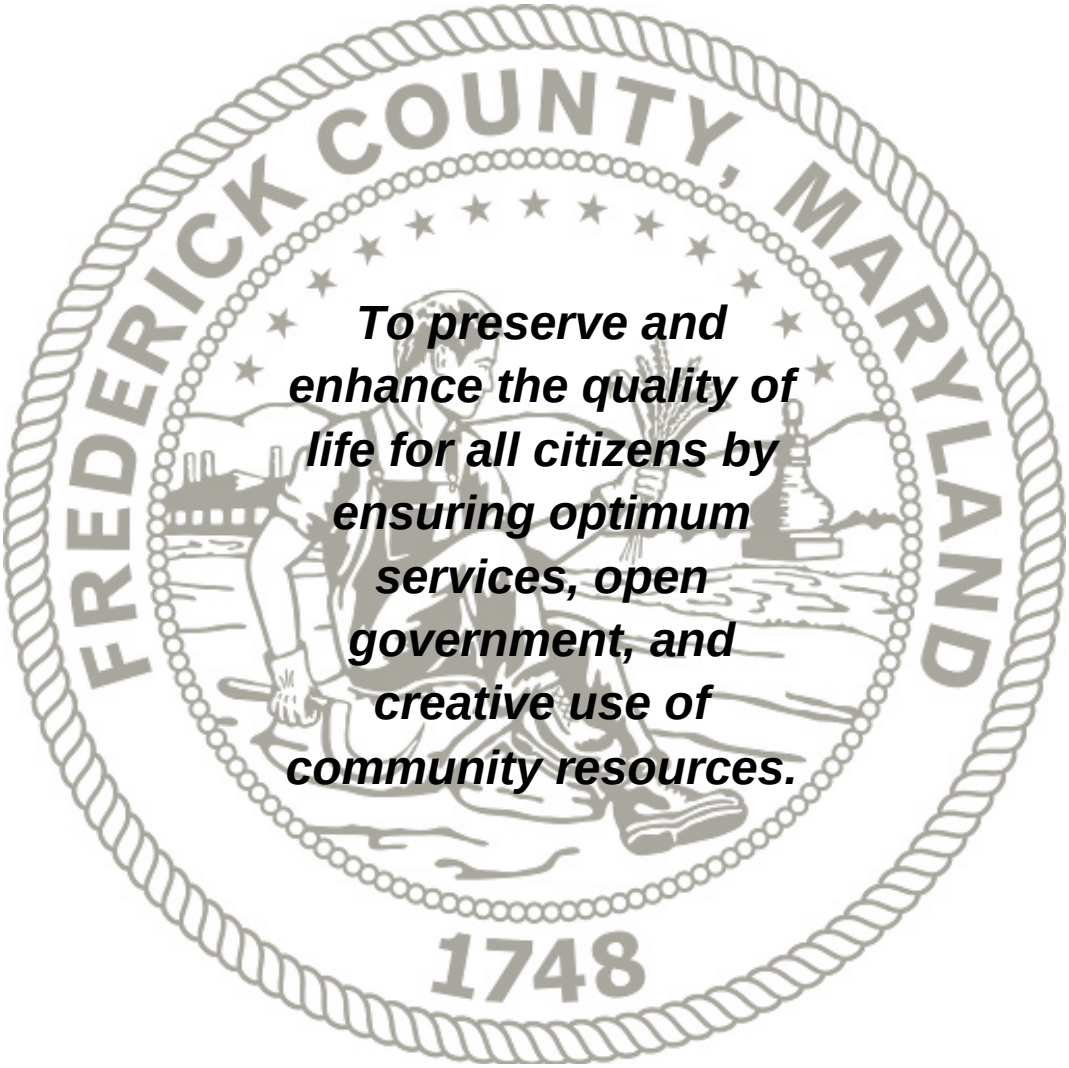
Comprehensive Annual Financial Report

Fiscal Year 2014

July 1, 2013 – June 30, 2014

Prepared by the Finance Division

Our Mission



To preserve and enhance the quality of life for all citizens by ensuring optimum services, open government, and creative use of community resources.

FREDERICK COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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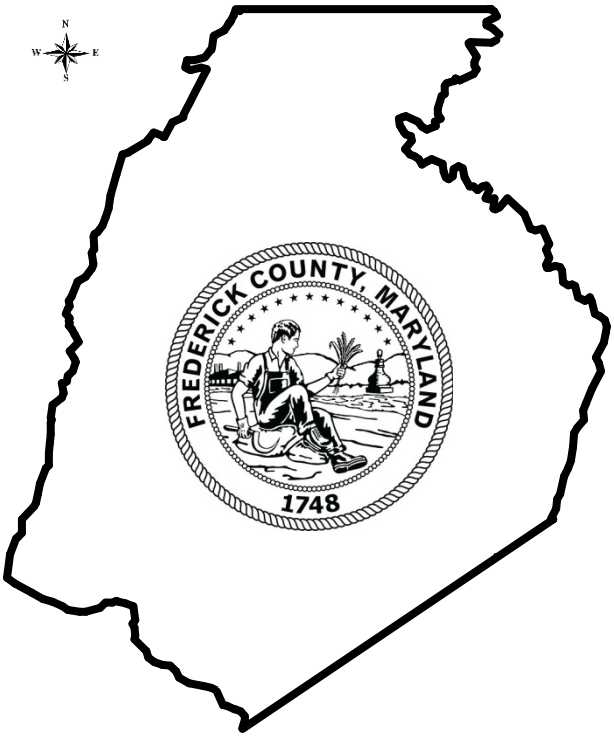
INTRODUCTORY SECTION



Jan H. Gardner
County Executive

FREDERICK COUNTY GOVERNMENT

DIVISION OF FINANCE
Accounting Department

Lori L. Depies, CPA, Division Director
Erin White, CPA, Director

December 18, 2014

County Executive, Jan H. Gardner
Members of the County Council
Citizens of Frederick County, Maryland

We are pleased to present this Comprehensive Annual Financial Report (CAFR) of Frederick County, Maryland (the "County") for the fiscal year ended June 30, 2014.

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 includes the report of independent public accountants pursuant to Section 2-7-68 of the Frederick County Code.

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

The financial statements of Frederick County, Maryland have been audited by SB & Company, LLC, a firm of licensed certified public accountants. SB & Company, LLC, has issued an unmodified opinion on the County's financial statements as of and for the fiscal year ended June 30, 2014. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and estimates made by management, and evaluating the overall financial statement presentation. The report of independent public accountants is located at the beginning of the financial section.

The County is also required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 (as amended in 1996 and 2003) and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non

Profit Organizations. Information related to this Single Audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be included in a separately issued single audit report.

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

Profile of Frederick County

Frederick County, founded in 1748, originally included the present Maryland counties of Garrett, Allegany, Washington, Carroll and Montgomery. It is located in the north central part of Maryland, is 664 square miles in area, and serves an estimated population of 240,911. Frederick County, Maryland, is bordered on the north by the Commonwealth of Pennsylvania, on the west by Washington County, Maryland, on the east by Howard and Carroll Counties, both in Maryland, and on the south by Montgomery County, Maryland and the Commonwealth of Virginia.

There are twelve incorporated municipalities within Frederick County. The County seat and largest city is the City of Frederick, which has an estimated population of 67,435. The City of Frederick is located approximately 45 miles northwest of Washington, D.C. and 45 miles west of Baltimore, Maryland.

During FY14, Frederick County was governed by an elected five-member Board of County Commissioners (the "Board") that served for four years. Section 3 of Article 25 of the Annotated Code of Maryland of 1957, as amended (the "Maryland Code") sets out the enumerated powers of the county commissioners of each county in the State of Maryland (the "State") that is governed by the county commissioner form of government. Section 1 of Article 25 declares the county commissioners of a county to be a corporation. Under Maryland law, the county commissioners combine executive and legislative functions. The executive offices of the County are located at Winchester Hall, 12 East Church Street, Frederick, Maryland 21701. The County's internet address is www.frederickcountymd.gov.

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 empowered 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 empowered 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 elections in November of 2014 officially started the County's change in government from Commissioner form to Charter form with the election of our first County Executive and County Council. Beginning December 1, 2014, Frederick County, Maryland is governed by a County Executive and County Council pursuant to the Charter of Frederick County, Maryland. The Charter provides, among other things, for the election of the County Executive and the organization, powers and duties of the executive and administrative branch; the election of seven member Council and the organization, powers, and duties of the legislative branch.

- The Reporting Entity

The County provides a full range of services, including fire and rescue; law enforcement; sanitation services (including water, sewer, solid waste management and residential recycling); construction and maintenance of highways, streets, and infrastructure; recreational activities; and general government activities. Bell Court Apartments, the Solid Waste Management, and Water and Sewer Enterprise Funds are supported through user fees. The Citizens Care and Rehabilitation Center Fund is primarily supported through user fees with supplemental support from the General Fund. Montevue Assisted Living, while supported by user fees, is more heavily subsidized by General Fund contributions. On May 1, 2014, the Board entered into an asset purchase agreement with Aurora Holdings VII, LLC ("Aurora") whereby the operations and the employees of both Citizens Care and Rehabilitation Center and Montevue Assisted Living were transferred to Aurora.

Incorporated municipalities within Frederick County provide some or all of the following services within their boundaries which relieves the County from providing these services in those areas: highway and street maintenance, parks and recreation, planning services, and police protection. The County is also financially accountable for legally separate entities, which are reported separately within the County's financial statements. The entities, known as component units, that meet these criteria are the Frederick County Board of Education, the Frederick Community College, and the Frederick County Public Libraries. The County has no blended component units. Additional information on the component units can be found in Note 1 in Exhibit II-A-14.

- Budgetary Overview

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

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

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

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

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis - Budget and Actual are presented for the General Fund and the Agricultural Preservation Fund, a special revenue fund, which adopt annual budgets, and are presented in Exhibit II-A-7 and Exhibit II-A-8, respectively, as part of the basic financial statements. Budget-to-actual comparison schedules for other special revenue funds with legally adopted budgets are presented in the Supplementary Data portion of the Financial Section. These budget-to-actual comparison schedules include funds which do not exist in a GAAP basis as a result of implementing GASB No. 54. The reconciliation of budgetary basis to the GAAP presentation is presented in Footnote 2.B.

There will be several changes to the budget process under Charter form of government that will predominately effect the preparation of the FY16 budget.

Factors Affecting Financial 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 – Frederick County has a diverse economy and is well positioned for business growth and development. Location, upscale business and employment parks, available infrastructure, business friendly programs, highly skilled and educated workforce and room to grow are all key factors for businesses looking to locate or expand in Frederick.

The federal government has been a positive influence on Maryland and Frederick during the most recent recession. Frederick County is the home of the U.S. Army's Fort Detrick, a dynamic hub of military, government, private science and systems development dedicated to medical research. Federal biodefense expansion and Base Realignment and Closure (BRAC) have resulted in $2 billion in total projects including the National Institute of Allergies & Infectious Diseases, US Army Research Institute of Infectious Diseases, Biodefense Analysis & Countermeasures Center, and the expansion of the National Cancer Institute.

Because of its location in a region with a diverse business community, the local unemployment rate has dropped from a high in FY09 of 6.8% to 5.4% in FY14. The weekly wage in Frederick County increased from $870 in 2010 to $964 in March of 2014.

The County's largest revenue source remains real property taxes even though there have been recent declines in the real estate market. The FY14 taxable assessable base resulted in modest decrease over the FY13 assessable base of 0.03%. General Fund property taxes are projected to increase in FY15 by $4 million over FY14, representing a 1.5% increase. The real estate market appears to have bottomed out, but it is too early to predict if the market will continue to rebound in the coming years.

Income tax revenue, the second largest revenue source in the County, is directly affected by population growth, employment levels and personal income. Income tax revenue had shown

increases beginning in 2011 through 2013. The County experienced a slight year over year decrease for 2013 to 2014 of 1.1%. Income tax is budgeted to increase 3.5% to $182.5 million for FY15.

On December 1, 2014, the new County Executive will have authority over the day-to-day operations of the County while the County Council will have legislative authority. This change will allow the County to create laws and ordinances that affect Frederick County without the need for approval of the General Assembly of the State of Maryland.

Long-term Financial Planning - The major rating agencies have recognized Frederick County is positioned well to handle current and future fiscal challenges because of years of conservative and sound financial management. During the latest general obligation bond issuance process (July 2014) Standard & Poor's Market Services upgraded the County's rating from AA+ to AAA. The County's fiscal strength has also been attested to by Fitch Ratings and Moody's Investors Service, Inc. Services that affirmed their ratings of AAA and Aa1, respectively. The ratings reflect ongoing and consistent growth, primarily in the commercial sector; increased employment; tax base growth; strong, well-embedded and likely sustainable management practices coupled with established fiscal policies; and a moderate/modest debt burden.

The FY15 budget once again faces fiscal challenges requiring the balancing of financial resources. The State mandated contribution to teacher pensions will be phased in over a four year period, with the County being responsible for 100 percent of the cost in FY16. Management is committed to addressing structural imbalances through expenditure cuts and without material reliance on one-time resources. Hiring freezes (with the exception of critical positions) were initiated in October 2008 and have continued to the date of this letter.

Frederick County concluded the fiscal year ended June 30, 2014 with a General Fund fund balance of $77.5 million. Of this amount, $875 thousand is nonspendable.

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, 2013. 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 Financial Services Manager, Susan Keller, and the Accounting Team Leaders, Ronni Putman, Melanie Thom, Kathi Tritsch, along with their staff; the Director of Treasury, Diane Fox, and her

staff who administer the County's property taxes and revenue collection system; the Director of Procurement and Contracting, Diane George, and her staff who work to maximize the value the County receives in all expenditures of tax dollars. Administration of the budget process, without which the accounting and financial reporting could not exist, is in the capable hands of the Budget Officer, Regina Howell and her staff. A special thanks goes to them as well. A sincere note of appreciation goes to Lori Rhodes who assumed the production process of this document. Lastly, I express my appreciation to the Board of County Commissioners and their staff for their continued interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Use of this Report

This report and the financial information prepared by the Frederick County Division of Finance can be accessed on the County's website at www.FrederickCountyMD.gov/reports. In addition, copies of this report are placed in the Frederick County Public Library system for use by the general public.

Respectfully submitted,

Lori L. Depies, CPA
Director of Finance

Erin White, CPA
Accounting Director

WINCHESTER HALL

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Frederick County

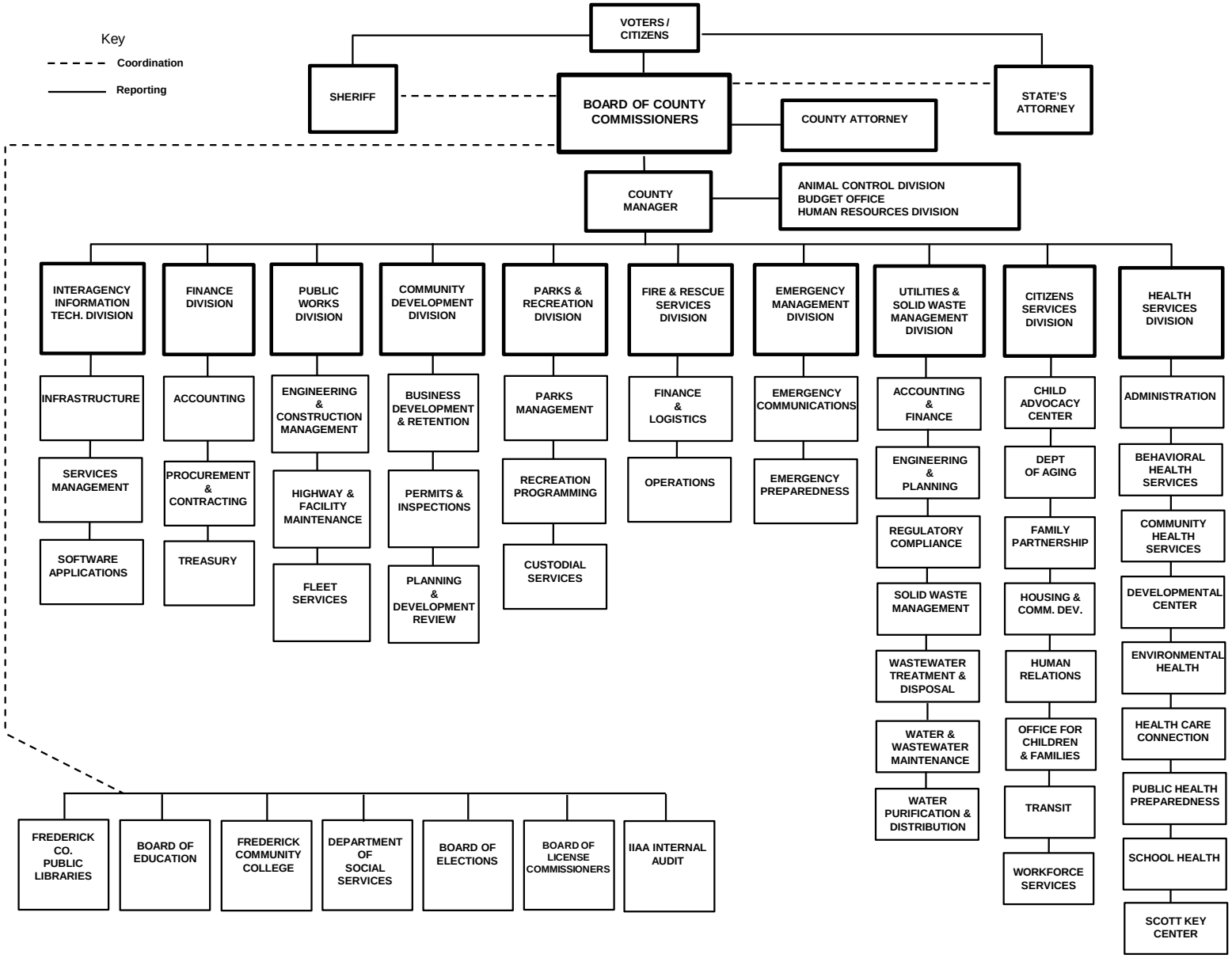
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

FREDERICK COUNTY GOVERNMENT ORGANIZATION CHART



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

Seated from left
Commissioner C. Paul Smith, Vice President; Commissioner Blaine R. Young, President; and Commissioner Billy Shreve

Standing from left
Commissioner Kirby Delauter and Commissioner David P. Gray
(Photo by Tim Wesolek)

Frederick County, Maryland

Summary of Elected and Appointed Officials

Board of County Commissioners

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

Sheriff

Charles A. "Chuck" Jenkins

State's Attorney

J. Charles Smith III, Esquire

Administrative Judge of the Circuit Court

Honorable G. Edward Dwyer, Jr.

Clerk of the Circuit Court

Sandra K. Dalton, Clerk

Appointed Officials

County Attorney	John S. Mathias, Esquire
County Manager	Lori L. Depies, CPA
Animal Control Division Director	Harold L. Domer, Jr.
Citizens Services Division Director	Patricia B. Rosensteel
Community Development Division	Gary W. Hessong (Acting)
Emergency Management Division Director	John E. "Jack" Markey
Finance Division Director	Erin M. White, CPA (Acting)
Fire and Rescue Services Division Director	Denise S. Pouget
Health Services Division Health Officer	Barbara A. Brookmyer, MD, MPH
Human Resources Division Director	Mitchell L. Hose
Interagency Information Technologies Division Director	Sherry A. Weakley
Interagency Internal Audit Director	Tricia A. Griffis
Parks and Recreation Division Director	W. Paul Dial
Public Works Division Director	Charles F. Nipe
Utilities and Solid Waste Management Division Director	Kevin L. Demosky

Component Units

Board of Education

President	Joy Schaefer
Vice-President	Kathryn B. Groth
Member	Zakir Bengali, Ph.D.
Member	Colleen E. Cusimano
Member	April F. Miller, O.D
Member	Jean A. Smith
Member	Brad W. Young
Student Member	Lillian G. Wherry
Superintendent	Theresa R. Alban, Ph.D.

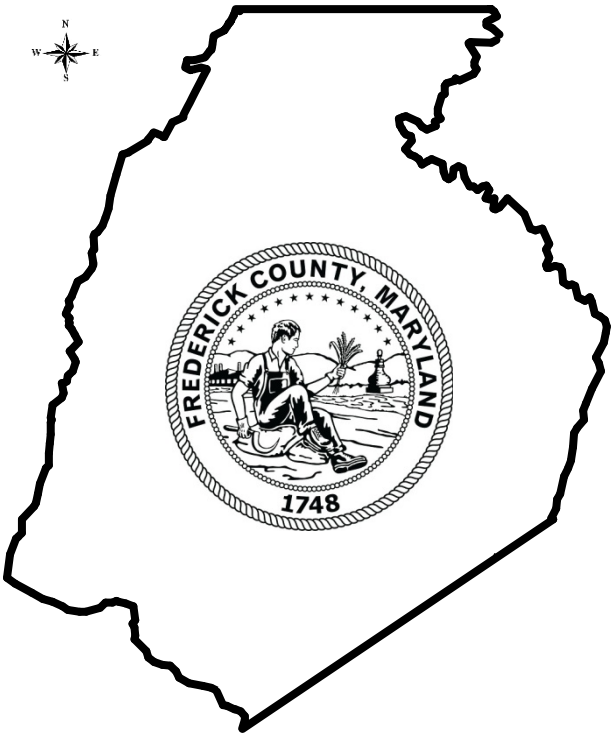
Frederick Community College Board of Trustees

Chairperson	Debra S. Borden
Vice Chairperson	David F. Bufter
Trustee	Nick Diaz
Trustee	Gary V. Fearnow
Trustee	Doris J. White
Trustee	Myrna R. Whitworth
Trustee	Roger A. Wilson
President	Douglas D. Browning

Frederick County Public Library Board

President	Blanca Poteat
Vice-President	Cheryl G. Smith
Secretary/Treasurer	Candy Greenway
Member	Deborah Kiser
Member	Thomas C. Kutz
Member	George J. Laugelli
Member	Susan L. Manny
Public Libraries Director	Darrell L. Batson

FINANCIAL SECTION



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

County Executive, Jan H. Gardner
Members of the County Council
Citizens of Frederick County, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Frederick County, Maryland (the County) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Frederick County, Maryland, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general and agricultural preservation funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

SB & COMPANY, LLC
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in pension fund net pension liability and related ratios and schedule of employer contributions for the Frederick County Employees Retirement Plan, the schedules of funding progress and schedules of contributions from the employer for the Frederick County Retiree Health Benefit Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying introductory, combining and individual fund statements, budgetary comparison schedules, capital assets used in the operation of governmental funds and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual fund statements, budgetary comparison schedules and capital assets used in the operation of governmental funds are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund statements, budgetary comparison schedules and capital assets used in the operation of governmental funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Hunt Valley, Maryland
December 10, 2014

SB & Company, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page 1) and the County's financial statements (beginning on page 29). All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Frederick County Government exceeded its liabilities at the close of this fiscal year by $723.7 million (net position), approximately 70.4% of which is attributable to the County's business-type activities. Of total net position, $665.2 million is the net investment in capital assets, and $139.5 million is restricted for specific purposes (restricted net position). The County's unrestricted net position is a negative $71.1 million. This total unrestricted net position amount includes a balance of $107.3 million from business-type activities, offset by a deficit balance in unrestricted net position from governmental activities of $178.4 million. This deficit balance in unrestricted net position results primarily from the County issuing debt to fund construction for the Frederick County Board of Education and Frederick Community College, both component units. The school buildings that are constructed through the County's financial support are assets of the Frederick County Board of Education and Frederick Community College, and therefore are not shown as assets of Frederick County Primary Government. A more detailed discussion is presented later in this document. Included in the County's liabilities at year-end is approximately $242.0 million of bonds payable, the proceeds of which have been used to fund school and college construction.

- With the implementation of Governmental Accounting Standards Board Statements; Statement No. 65, *Items Previously Reported as Assets and Liabilities (*GASB No. 65), the County could no longer capitalize debt issuance costs and amortize over the life of the debt issued. This required the County to record a "Change in Accounting Principle" to restate beginning net position at the government-wide and proprietary fund statement levels. Any references to beginning net position or related analysis will assume the beginning net position is restated.

- Total government-wide net position increased by $17.3 million or 2.4%. The governmental net position decreased by $2.9 million versus a decrease of $0.5 million in FY13. This difference is attributed to $4.2 million increase in Other Post Employment expense in FY14. Other larger variances include a $20.0 million increase in education expenses related to capital projects offset by increases in property tax ($8.2 million) and income tax revenues ($13.6 million).

- The business-type net position increased by $20.1 million or 4.1% versus an increase of $33.5 million in FY13. This variance is largely a result of non-operating income from developer contributions in the Water and Sewer Fund, which decreased by $10.5 million in FY14, as well as increased operating expenses of $3.4 million.

- The governmental activities revenue totaled $531.2 million or 85.1% of total revenue and the net results from governmental activities was a decrease in net position of $2.8 million.

- The business-type activities revenue totaled $93.0 million or 14.9% of total revenue and the net position from business-type activities increased by $20.1 million.

- The total cost of all County programs was $606.9 million, an increase of $29.6 million or 5.1% from FY13.

- As of June 30, 2014, the County's governmental funds have a combined fund balance of $217.2 million, a decrease of $29.2 million from the previous fiscal year. The greatest net change in fund balance, $16.9 million decrease from the prior year, occurred in the General Fund. While revenues essentially equal expenditures, the difference is in the $16.7 million in transfers to other funds. The Capital Projects Fund also experienced a $13.0 million decrease in fund balance in FY14, which is the result of an increase in capital project expenditures of the same amount.

- At the close of each fiscal year, there is a legislated mandate for a set-aside described in the County Code as an amount equal to five percent of total General Fund expenditures and transfers to the Board of Education and Community College. This amounts to $24.0 million for this fiscal year. This amount is included in "Committed" fund balance of the General Fund in accordance with the promulgations of Governmental Accounting Standards Board Statements; Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (*GASB No. 54).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements are comprised of three components:

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

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

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns, which present a total for the Primary Government. The focus of the *Statement of Net Position* (Exhibit II-A-1) is designed to be similar to bottom line results for the County and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets, deferred inflows and outflows of

resources, and long term obligations. "Net Position" is the difference between the County's assets, deferred inflows and outflows of resources, and its liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Additionally, other factors, such as the diversification of the County's property tax base, the condition of its schools, and the condition of its facilities and infrastructure should also be a consideration of the County's condition and health.

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

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

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

Component Units, which are other governmental units over which the County can exercise influence and/or may be obligated to provide financial subsidies, are presented as separate columns in the Government-Wide Financial Statements. The focus of the statements is clearly on the Primary Government and the presentation allows the user to address the relative relationship with the Component Units. Additional detailed financial information for the Board of Education and Frederick Community College can be obtained from their respective separately issued financial statements. The Library Board does not issue separate Financial Statements. Consolidated financial information is available in the Government-Wide Financial Statements. The Government-Wide Financial Statements can be found on pages 29-31 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been separated for specific activities or objectives. The County, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements.

However, unlike the Government-Wide Financial Statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The focus is on Major Funds. The Governmental Major Fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the fund financial statement allows the demonstration of sources and uses and/or budgeting compliance. These begin with Exhibit II-A-3.

Frederick County maintains twenty individual governmental funds: the General Fund, the Capital Projects Fund, the Agricultural Preservation Fund, the Grants Fund, the Housing Initiative Fund, the School Construction Fund, the Impact Fees Fund, the Development Road Improvement Fund, the Electric Lighting Tax Districts Fund, the Parks Acquisition & Development Fund, the Hotel Rental Tax Fund, the Nursing Home Construction Fund, the Watershed Protection and Restoration Fund, the Sheriff's Drug Enforcement Fund, the Narcotics Task Force Fund, the State Attorney Law Enforcement Aid Fund, the Inmates' Canteen Fund, the Non-Profit Organizations Loans Fund, the Fire/Rescue Loans Fund, and the Economic Development Loans Fund. For GAAP reporting, the School Construction Fund, the Impact Fees Fund, the Development Road Improvement Fund, the Parks Acquisition & Development Fund, and the Nursing Home Construction Fund are eliminated and merged with the Capital Projects Fund.

Frederick County adopts an annual appropriated budget for its General Fund and each of the Special Revenue Funds (except for the Watershed Protection and Restoration Fund, the Sheriff's Drug Enforcement Fund, the Narcotics Task Force Fund, the State Attorney Law Enforcement Aid Fund, the Inmates' Canteen Fund, the Non-Profit Organizations Loans Fund, and the Fire/Rescue Loans Fund). Budgetary comparison statements are prepared for the General Fund and the Agricultural Preservation Fund. These can be found on Exhibit II-A-7 and Exhibit II-A-8, respectively, of this report. Budgetary schedules for the non-major special revenue funds can be found in Exhibit II-B-7 in the Supplementary Data section. The Capital Projects Fund has a budget from inception until completion of the project. The budgetary display of this activity can be found in Exhibit II-B-8.

Proprietary Funds: Frederick County maintains two different types of proprietary funds, Enterprise funds and Internal Service funds. Enterprise funds are used to report the same functions as business-type activities in the Government-Wide Financial Statements. Frederick County has five individual enterprise funds: the Water & Sewer Fund, the Solid Waste Management Fund, the Citizens Care & Rehabilitation Center Fund, the Montevue Home Fund, and the Bell Court Apartments Fund.

During FY14 the Board of County Commissioners approved the sale of operations for the Citizens Care & Rehabilitation Center and Montevue Assisted Living Facility. The final year's activities for those funds can be found in Exhibits II-B-10 and II-B-11. The related funds were closed at the end of FY14 and the balances transferred to the General 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 worker's compensation, fleet services and voice services operations. Because the services of these funds benefit both the governmental and business-type functions, the change in net position is included in both the governmental activities and business-type activities in the Government-Wide Financial Statements. The basic proprietary fund financial statements are presented in Exhibits II-A-9, II-A-10, and II-A-11. Detailed

statements for each of the funds can be found in the Exhibits II-B12, II-B-13, and II-B-14, in the Supplementary Data section.

While the total column on the Business-type Fund Financial Statements (see Exhibits II-A-9 and II-A-10) may be the same as the Business-type column on the Government-Wide Financial Statements (after consideration of the "Internal Balances" account), the Governmental Activities total columns require reconciliations because of the different measurement focus (current financial resources versus total economic resources) which are reflected on Exhibits II-A-4 and II-A-6. The flow of current financial resources will reflect bond proceeds and interfund transfers as other financing sources as well as capital expenditures and debt principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets, deferred inflows and outflows of resources, and long-term obligations into the Governmental Activities column in the Government-Wide Financial Statements.

Fiduciary Funds: The Fund Financial Statements also allow the County to address its Fiduciary Funds, (see Exhibits II-A-12 and II-A-13). Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The County's Fiduciary Funds include the Pension Trust Fund, the Other Post Employment Benefits Trust Fund, and various Agency Funds. While the Fiduciary Funds represent trust responsibilities of the County, these assets are restricted in purpose and do not represent discretionary assets of the County. Therefore, these assets are not presented as part of the Government-Wide Financial Statements. The basis of accounting used for the Fiduciary Funds is much like that used for Proprietary Funds.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements are part of the basic financial statements and are presented in Exhibit II-A-14.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Frederick County's progress in funding its obligation to provide retirement benefits to its employees. The required supplementary information is presented in Exhibit II-A-15 through Exhibit II-A-18.

Infrastructure Assets

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

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 position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of Frederick County, assets and deferred outflows of resources exceeded liabilities by $723.7 million at the close of the fiscal year. Frederick County's net position is divided into three categories, net investment in capital assets, restricted net position and unrestricted net position. The largest portion of the County's net position, $655.2 million or 90.5%, reflects its investment in capital assets net of depreciation (e.g., land, buildings, equipment, infrastructure, construction in progress, and improvements), less any outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net assets represent 19.3% of total net assets. Restricted net position is resources that are subject to external restrictions on how they may be used. Unrestricted net position of the government has a negative balance of $71.1 million. The unrestricted net position for business-type activities has a balance of $107.3 million.

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

The result of these basic current year calculations is that the County's overall financial position has improved slightly from FY13 to FY14. The deficit decreased in the Unrestricted Net Position of the Governmental Activities by $57.3 million while the already positive Business Activities Unrestricted Net Position increased $4.6 million. The main reason for the continued deficit in Net Position in the governmental activities is the fact that the County continues to issue debt related to the Board of Education and Community College capital programs. No debt was issued in FY14, but as of June 30, 2014 there remains outstanding General Obligation Bonds issued for the Board of Education and Community College projects, in the amount of $222.6 million and $19.4 million, respectively. Overall, total net position increased by $17.3 million. Reasons for the increase in net position include, but are not limited to, the following: continued salary reductions due to attrition and delays in filling permanent full-time positions or eliminating those positions. This expense savings was complimented by continued positive changes in proprietary fund balances and property tax revenues materializing in amounts that exceeded the estimates.

Statement of Net Position

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

Statement of Net Position
as of June 30
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 288,634	$ 314,837	$ 136,838	$ 145,492	$ 425,472	$ 460,329
Capital assets	468,341	478,237	587,341	570,464	1,055,682	1,048,701
Total assets	756,975	793,074	724,179	715,956	1,481,154	1,509,030
Deferred outflows of resources	18,014	-	6,453		24,467	-
Current and other liabilities	44,821	40,936	10,195	18,370	55,016	59,306
Long-term debt outstanding	516,164	532,445	210,754	207,259	726,918	739,704
Total Liabilities	560,985	573,381	220,949	225,629	781,934	799,010
Net Position:						
Net investment in capital assets	254,192	275,015	401,050	385,175	655,242	660,190
Restricted	138,180	180,302	1,327	2,402	139,507	182,704
Unrestricted (deficit)	(178,368)	(235,625)	107,306	102,749	(71,062)	(132,876)
Total net position	$ 214,004	$ 219,693	$ 509,683	$ 490,326	$ 723,687	$ 710,019

As noted earlier, the government's net position increased by $17.3 million during the fiscal year. Net position of governmental activities decreased $2.8 million. The increase in net position of business-type activities was $20.1 million in FY14.

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

Statement of Activities

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program revenues						
Charges for services	$ 26,417	$ 26,019	$ 66,735	$ 68,229	$ 93,152	$ 94,248
Operating grants and contributions	20,862	20,369	-	-	20,862	20,369
Capital grants and contributions	3,674	8,846	25,481	36,011	29,155	44,857
General revenues						
Local property taxes	267,892	259,687	-	-	267,892	259,687
Local income taxes	177,326	163,762	-	-	177,326	163,762
Other local taxes	25,884	26,243	-	-	25,884	26,243
Build America Bond subsidy	1,274	1,325	337	342	1,611	1,667
Investment earnings	1,911	(946)	382	469	2,293	(477)
Miscellaneous	6,009	3,526	17	20	6,026	3,546
Total revenues	531,249	508,831	92,952	105,071	624,201	613,902
EXPENSES						
Program Activities						
Governmental Activities:						
General government	52,314	51,176	-	-	52,314	51,176
Public safety	102,480	97,785	-	-	102,480	97,785
Public works	36,262	35,874	-	-	36,262	35,874
Health	6,619	5,723	-	-	6,619	5,723
Social services	8,619	8,505	-	-	8,619	8,505
Education	269,816	249,689	-	-	269,816	249,689
Parks, recreation, and culture	19,424	18,637	-	-	19,424	18,637
Conservation of natural resources	2,452	2,655	-	-	2,452	2,655
Community development and public housing	7,065	6,979	-	-	7,065	6,979
Economic development and opportunity	7,129	7,440	-	-	7,129	7,440
Interest on long term debt	18,608	19,465	-	-	18,608	19,465
Business-type Activities:						
Water and sewer	-	-	34,529	32,465	34,529	32,465
Solid waste management	-	-	19,475	18,366	19,475	18,366
Non-major Business-type Activities	-	-	22,123	22,576	22,123	22,576
Total expenses	530,788	503,928	76,127	73,407	606,915	577,335
Change in net position before transfers	461	4,903	16,825	31,664	17,286	36,567
Transfers	(3,284)	(2,782)	3,284	2,782	-	-
Gain(loss) on transfer of operations	-	230	-	(216)	-	14
Change in net position	(2,823)	2,351	20,109	34,230	17,286	36,581
Net position - beginning of year	219,693	217,342	490,327	456,096	710,020	673,438
Change in accounting principle	(2,866)		(753)		(3,619)	
Net position - beginning of year (restated)	216,827	217,342	489,574	456,096	706,401	673,438
Net position - ending of year	$ 214,004	$ 219,693	$ 509,683	$ 490,326	$ 723,687	$ 710,019

Governmental Activities: Governmental Activities decreased Frederick County's net position by $2.8 million. A key element of the overall decrease is a reflection of the negative change in fund balance in The Governmental Funds (accounted for on both the modified accrual basis and budgetary basis) in the amount of $1.6 million.

Business-type Activities: Business-type activities increased Frederick County's net position by $20.1 million. The key element of this increase relates to contributions from developers. Capital grants and contributions continue to provide a major revenue source for the Water and Sewer Fund during the current fiscal year, producing $25.5 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.

As of the end of the current fiscal year, Frederick County's governmental funds reported combined ending fund balances of $217.2 million. Approximately 96.5% of this total amount ($209.6 million) constitutes restricted, committed, assigned and/or unassigned fund balance, which is generally available for spending. The remainder of fund balance ($7.6 million) is classified as nonspendable to indicate that it is not available for spending because it is in the form of inventories, prepaids, long-term receivables or other like condition. Included in the committed fund balance of $131.8 million is $24.0 million that enabling legislation (Section 2-7-1(a)(2) of the Frederick County Code of Ordinances) requires being set-aside in an amount equal to five percent of the General Fund expenditures and transfers to the Board of Education and Frederick Community College. In accordance with the promulgations of GASB No. 54, this set-aside is classified as committed fund balance.

The General Fund is the chief operating fund of Frederick County. At the end of the current fiscal year, restricted, committed, assigned and unassigned fund balance of the General Fund was $76.6 million. Reducing the committed fund balance for the legislative mandate noted earlier still provides a fund balance of $52.6 million spendable for current operations. Total fund balance for the General Fund is $77.5 million. As a measure of the General Fund's liquidity, it may be useful to compare restricted, committed, assigned, and unassigned fund balance and total fund balance to total expenditures. Restricted, committed, assigned and unassigned fund balance represents 16.0% of total General Fund expenditures, while total fund balance represents 16.2% of that same amount.

Frederick County's General Fund fund balance decreased by $16.9 million during the current fiscal year. This decrease is due primarily to a budgeted use of fund balance totaling $36.6 of which $17.3 was used.

The Agricultural Preservation Fund has a total fund balance of $51.0 million. $45.6 million is committed for debt service related to the Installment Purchase Agreements. The total fund balance decreased by $0.4 million during FY14, as was anticipated with a budgeted $1.1 million budgeted use of fund balance.

The Capital Projects Fund has a total fund balance of $79.5 million. The decrease in fund balance was $13.0 million. This decrease is primarily due to a delay in $34.8 million in general obligation bonds issued after the fiscal year end and the timing of related construction spending.

Proprietary Funds: Frederick County's proprietary fund statements provide the same type of information found in the Government-Wide Financial Statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to $80.9 million and unrestricted net position in the Solid Waste Management Fund totaled $25.3 million. The Nonmajor Enterprise Funds had unrestricted net position totaling $1.0 thousand.

General Fund Budgetary Highlights

The final expenditure and transfer budgets for the General Fund were decreased $849 thousand over the original budget. During the year, revenues were greater than budgetary estimates by $2.1 million and expenditures were less than budgetary estimates by $16.3 million. Other financing sources and uses had a favorable variance of $802 thousand. The favorable variances totaled $19.3 million, thereby reducing the need to draw upon all of the appropriated fund balance of $36.6 million.

The major variances between the final budget and the actual amounts are summarized as follows:

- Local property tax revenue was greater than the budgeted amount by $4.0 million. This is primarily due to $3.7 million in real property tax levy more than originally estimated.

- Local income tax distributions were less than the budgeted amount by $2.2 million. This is the result of economic influences and the difficulty in estimating this revenue stream.

- Charges for services, primarily planning and zoning fees and public improvement inspections, were greater than the budgeted amount by $1.1 million. The planning and zoning fees are primarily due to better than expected activity in rezoning and plat fees, whereas the public improvement inspection fees were a result of increases in developer activities.

- Various departmental under spending of appropriations resulted in total expenditures being under budget by $16.3 million generally throughout all functions of government. The largest contributors to this savings were $3.0 million in general government, $2.5 million in public safety, $1.7 million in public works, $1.8 million in social services, $3.1 in Education and $3.6 million as accumulated in the non-departmental expenditures (primarily as a result of non-spending of contingencies). All of these savings were directed as part of the Board of County Commissioners' efforts to systematically reduce the size of government. Details of the variances can be found on Exhibit II-A-7.

Capital Asset and Debt Administration

Capital Assets: Frederick County Government's investments in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2013 and 2014, amount to $1,049 million and $1,056 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 0.7%.

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	$ 89,741	$ 88,772	$ 8,528	$ 8,528	$ 98,269	$ 97,300
Construction in prog.	17,146	14,500	145,885	125,813	163,031	140,313
Buildings, impr. & equip.	373,480	367,114	246,973	246,696	620,453	613,810
Infrastructure	355,942	352,752	342,538	335,711	698,480	688,463
Depreciation	(367,968)	(344,901)	(156,583)	(146,284)	(524,551)	(491,185)
Total	$ 468,341	$ 478,237	$ 587,341	$ 570,464	$ 1,055,682	$ 1,048,701

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

Change in Capital Assets
as of June 30,
(In Thousands)

	Governmental Activities	Business-type Activities	Total
Beginning Balance - July 1, 2013	$ 478,237	$ 570,464	$ 1,048,701
Additions	26,897	35,430	62,327
Adjustments/Transfers	161	-	161
Depreciation	(23,067)	(10,299)	(33,366)
Retirement*	(13,887)	(8,254)	(22,141)
Ending Balance - June 30, 2014	$ 468,341	$ 587,341	$ 1,055,682

*Net of accumulated depreciation related to asset retirement.

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

Governmental Activities:

- Construction costs were incurred for the following major projects:
  - Montevue Adaptive Reuse Renovation $3.4 million
  - Emergency Communication/ 911 Relocation 2.2 million
  - Boyer's Mill Road Bridge 1.5 million
  - MD 180/MD 351 Road Improvements 1.3 million
  - Pavement Management 1.1 million
  - Enterprise Software 1.0 million
- The following transfers were made to the Frederick County Board of Education for school construction:
  - North Frederick Elementary Replacement $15.6 million
  - Technology Improvements 2.6 million
- The following transfers were made to Frederick Community College for school construction.

- o Science/Tech Hall renovation $2.1 million

Business-type Activities:

- Construction costs were incurred for the following major projects:

  - o McKinney Wastewater Treatment Plant $21.0 million
  - o Rosemont Water Line Replacement 1.9 million

Debt Outstanding

As of year-end, the County had $533.8 million in general obligation bonds outstanding compared to a total of $574.5 million last year, a 7.1% net decrease. This decrease is attributed to no new bonds being issued during FY14 and principal payments of $40.7 million of General Obligation Bonds.

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

The legal debt margin for Water / Sewer and Solid Waste Fund general obligation debt issuance is calculated as a percentage of total assessed real estate values. This calculation is displayed in Exhibit III-A-12 of the Statistical Section on page 157.

The following reconciliation summarizes the outstanding debt balances, which is presented in detail in Note 3.F.

Principal payments and reductions of long-term liabilities in the amounts of $48.0 million and $18.3 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. of this report.

Debt Outstanding
as of June 30
(In Thousands)

	June 30, 2014	June 30, 2013
Governmental Activities:		
Bonds and notes payable:		
General obligation bonds	$ 416,155	$ 447,690
Installment purchase agreements	53,505	53,784
Other notes payable	336	375
	469,996	501,849
Add remaining original issue premium	17,034	21,380
Total bonds and notes payable	487,030	523,229
Other liabilities:		
Capital lease obligations	1,474	2,261
Compensated absences	9,491	9,378
Net OPEB obligation	17,998	17,998
Termination benefits	171	185
Total other liabilities	29,134	29,822
Governmental activities long-term liabilities	$ 516,164	$ 553,051
Business-type Activities:		
Bonds and notes payable:		
General obligation bonds	$ 117,655	$ 126,835
Other notes payable	71,834	65,379
	189,489	192,214
Add remaining original issue premium	5,839	7,214
Total bonds and notes payable	195,328	199,428
Other liabilities:		
Landfill closure costs	14,619	13,842
Compensated absences	791	1,279
Termination benefits	16	11
Total other liabilities	15,426	15,132
Business-type activites long-term liablilites	$ 210,754	$ 214,560

Principal payments and reductions of long-term liabilities in the amounts of $48.0 million and $18.3 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. of this report.

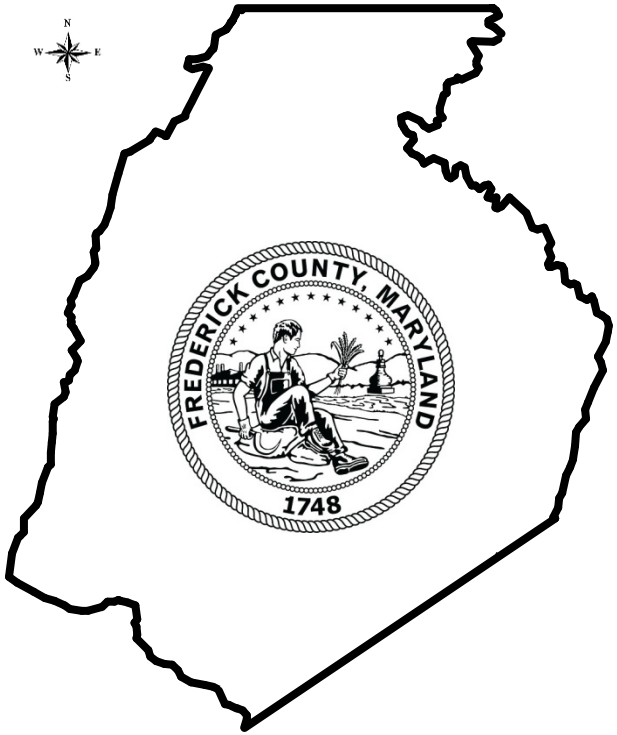
ECONOMIC FACTORS AND NEXT YEAR'S PROPERTY TAX RATES

As of June 2014, the average unemployment rate for the County was 5.4 percent, while the average unemployment rate for the State of Maryland was 6.2 percent.

FINANCIAL CONTACT

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

BASIC FINANCIAL STATEMENTS



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

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Assets						
Cash	$ 9,997,542	$ 3,000	$ 10,000,542	$ 13,593,403	$ 16,151,325	$ 5,201
Equity in pooled invested cash	86,872,417	109,954,637	196,827,054	-	-	-
Total cash and cash equivalents	96,869,959	109,957,637	206,827,596	13,593,403	16,151,325	5,201
Investments	127,644,051	8,000,200	135,644,251	21,086,436	11,753,671	410,763
Receivables, net of allowance for uncollectibles:						
Property taxes	1,298,921	-	1,298,921	-	-	-
Accounts	3,512,948	11,088,065	14,601,013	3,654,571	1,117,849	3,403
Intergovernmental	36,325,455	-	36,325,455	3,589,593	2,322,071	-
Internal balances	(1,142,275)	1,142,275	-	-	-	-
Due from primary government	-	-	-	4,516,101	-	2,775,387
Due from component units	2,189	-	2,189	-	-	-
Due from fiduciary funds	464,135	-	464,135	-	-	-
Inventories	1,223,240	131,757	1,354,997	980,715	839,125	-
Prepaid items	1,829,950	4,123	1,834,073	25,591	54,106	40,157
Long-term receivables, net of allowance for uncollectibles	9,459,566	4,970,493	14,430,059	-	-	-
Cash and cash equivalents - restricted	11,145,842	1,543,072	12,688,914	370,277	-	20,000
Beneficial interest in charitable remainder trust	-	-	-	-	427,872	-
Capital assets:						
Land	89,741,361	8,527,737	98,269,098	47,997,254	271,620	-
Buildings and improvements	255,396,605	198,361,118	453,757,723	830,120,126	97,861,595	-
Equipment	118,082,615	48,612,306	166,694,921	57,470,463	4,698,594	295,792
Library collection	-	-	-	-	2,013,203	8,453,363
Infrastructure	355,942,448	342,538,120	698,480,568	-	-	-
Construction in progress	17,145,491	145,884,914	163,030,405	32,250,121	3,509,017	-
Accumulated depreciation	(367,967,865)	(156,583,034)	(524,550,899)	(317,894,564)	(38,340,831)	(6,715,591)
Total assets	756,974,636	724,178,783	1,481,153,419	697,760,087	102,679,217	5,288,475
Deferred Outflows of Resources						
Deferred charge on refunding	18,014,099	6,453,188	24,467,287	-	-	-
Total deferred outflows of resources	18,014,099	6,453,188	24,467,287	-	-	-

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Liabilities						
Accounts payable	$ 3,357,661	$ 207,063	$ 3,564,724	$ 15,715,103	$ 1,919,031	$ 37,872
Accrued liabilities	11,127,928	5,901,459	17,029,387	141,799	539,957	-
Payroll and benefit deductions	9,212,768	536,013	9,748,781	8,661,506	373,810	306,873
Property taxes payable	267,758	-	267,758	-	-	-
Due to third parties	5,321,811	-	5,321,811	-	238,788	-
Due to other governmental units	601,111	187,616	788,727	-	-	-
Due to component units	7,234,400	-	7,234,400	-	-	-
Due to fiduciary funds	-	-	-	259	-	-
Unearned revenues	6,679,762	139,336	6,819,098	30,594	1,795,034	123,500
Performance and security deposits	-	12,064	12,064	-	-	-
Other liabilities	1,017,695	3,212,053	4,229,748	-	-	-
Noncurrent liabilities:						
Due within one year	42,228,887	16,335,690	58,564,577	7,719,593	313,103	29,949
Due in more than one year	473,934,992	194,417,870	668,352,862	213,778,972	8,348,895	1,889,367
Total liabilities	560,984,773	220,949,164	781,933,937	246,047,826	13,528,618	2,387,561
Net Position						
Net investment in capital assets	254,191,895	401,049,591	655,241,486	636,220,966	62,999,729	2,033,564
Restricted for:						
School and library construction	24,100,444	-	24,100,444	-	-	-
Additional or expanded road facilities	15,165,732	-	15,165,732	-	-	-
Capital Projects	25,124,416	1,326,742	26,451,158	-	-	-
Agricultural preservation	47,459,810	-	47,459,810	-	-	-
County code required set-aside	24,012,867	-	24,012,867	-	-	-
Other purposes	2,316,304	-	2,316,304	370,277	12,145,083	608,471
Unrestricted (Deficit)	(178,367,506)	107,306,474	(71,061,032)	(184,879,032)	14,005,787	258,879
Total net position	$ 214,003,962	$ 509,682,807	$ 723,686,769	$ 451,712,211	$ 89,150,599	$ 2,900,914

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

Exhibit II-A-2

FREDERICK COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
					Primary Government			Component Units		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Board of Education**	**Community College**	**Public Libraries**
Primary government:										
Governmental activities:										
General government	$ 52,314,050	$ 16,430,929	$ 1,376,133	$ 169,263	$ (34,337,725)	$ -	$ (34,337,725)	$ -	$ -	$ -
Public safety	102,479,766	5,543,192	2,375,322	205,633	(94,355,619)	-	(94,355,619)	-	-	-
Public works	36,262,384	1,048,985	5,023,926	1,222,623	(28,966,850)	-	(28,966,850)	-	-	-
Health	6,618,902	293,068	744,315	-	(5,581,519)	-	(5,581,519)	-	-	-
Social services	8,618,986	1,334,066	1,311,353	-	(5,973,567)	-	(5,973,567)	-	-	-
Education	269,815,733	-	-	1,600,000	(268,215,733)	-	(268,215,733)	-	-	-
Parks, recreation and culture	19,424,328	1,249,899	-	472,154	(17,702,275)	-	(17,702,275)	-	-	-
Conservation of natural resources	2,451,626	229,566	489,542	4,294	(1,728,224)	-	(1,728,224)	-	-	-
Community development and public housing	7,065,314	-	7,184,106	-	118,792	-	118,792	-	-	-
Economic development and opportunity	7,128,852	287,303	2,356,913	-	(4,484,636)	-	(4,484,636)	-	-	-
Interest on long term debt	18,608,011	-	-	-	(18,608,011)	-	(18,608,011)	-	-	-
Total governmental activities	530,787,952	26,417,008	20,861,610	3,673,967	(479,835,367)	-	(479,835,367)	-	-	-
Business-type activities:										
Water and sewer	34,528,670	26,515,370	-	25,481,073	-	17,467,773	17,467,773	-	-	-
Solid waste management	19,474,982	23,837,722	-	-	-	4,362,740	4,362,740	-	-	-
Nursing homes	21,928,222	16,261,305	-	-	-	(5,666,917)	(5,666,917)	-	-	-
Public housing	194,866	120,875	-	-	-	(73,991)	(73,991)	-	-	-
Total business-type activities	76,126,740	66,735,272	-	25,481,073	-	16,089,605	16,089,605	-	-	-
Total primary government	$ 606,914,692	$ 93,152,280	$ 20,861,610	$ 29,155,040	(479,835,367)	16,089,605	(463,745,762)	-	-	-
Component Units:										
Board of Education	$ 601,688,296	$ 6,732,746	$ 147,916,388	$ 47,563,863	-	-	-	(399,475,299)	-	-
Community College	58,513,833	20,657,290	36,433,316	3,640,140	-	-	-	-	3,401,129	-
Public Libraries	13,702,385	383,070	12,068,527	-	-	-	-	-	-	(1,250,788)
Total Component Units	$ 673,904,514	$ 27,773,106	$ 196,418,231	$ 51,204,003	-	-	-	(399,475,299)	3,401,129	(1,250,788)
General Revenues:										
Local property taxes					267,892,085	-	267,892,085	-	-	-
Local income taxes					177,325,988	-	177,325,988	-	-	-
Recordation taxes					24,174,915	-	24,174,915	-	-	-
Hotel rental tax					1,213,263	-	1,213,263	-	-	-
Agriculture transfer tax					495,678	-	495,678	-	-	-
Build America Bond Subsidy					1,274,184	337,121	1,611,305	-	-	-
Grants and contributions not restricted to specific programs					-	-	-	378,674,409	-	-
Investment earnings					1,911,117	382,050	2,293,167	20,248	-	1,728
Miscellaneous					6,008,732	16,926	6,025,658	669,928	-	-
Transfers					(3,283,705)	3,283,705	-	-	-	-
Total general revenues and transfers					477,012,257	4,019,802	481,032,059	379,364,585	-	1,728
Change in net position					(2,823,110)	20,109,407	17,286,297	(20,110,714)	3,401,129	(1,249,060)
Net position - beginning of year					219,692,833	490,326,529	710,019,362	471,822,925	86,469,865	4,149,974
Change in accounting principle					(2,865,761)	(753,129)	(3,618,890)	-	(720,395)	-
Net position - beginning of year (restated)					216,827,072	489,573,400	706,400,472	471,822,925	85,749,470	4,149,974
Total net position - end of year					$ 214,003,962	$ 509,682,807	$ 723,686,769	$ 451,712,211	$ 89,150,599	$ 2,900,914

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

FREDERICK COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	$ 9,859,576	$ -	$ -	$ 137,966	$ 9,997,542
Equity in pooled invested cash	16,001,700	8,447,029	44,500,751	1,943,696	70,893,176
Total cash and cash equivalents	25,861,276	8,447,029	44,500,751	2,081,662	80,890,718
Investments	84,977,100	42,666,951	-	-	127,644,051
Receivables, net of allowance for uncollectibles:					
Property taxes	876,803	-	-	422,118	1,298,921
Accounts	3,162,140	12,290	-	187,803	3,362,233
Intergovernmental	32,199,267	-	740,872	2,833,619	35,773,758
Prepaids	1,507,349	218,515	2,360	30,374	1,758,598
Due from other funds	-	-	28,500,000	-	28,500,000
Due from component units	-	-	-	2,169	2,169
Due from fiduciary funds	464,135	-	-	-	464,135
Inventories	751,052	-	-	-	751,052
Long-term receivables, net of allowance for uncollectibles:					
Employee salary advances	44,156	-	-	-	44,156
Non-profit organization loans	78,381	-	-	2,781,581	2,859,962
System benefit charge - residential	2,034	-	-	-	2,034
Small business loans	-	-	-	44,883	44,883
Housing loans	-	-	-	6,508,531	6,508,531
Cash and cash equivalents - restricted	1,789,157	-	9,356,685	-	11,145,842
Total assets	$ 151,712,850	$ 51,344,785	$ 83,100,668	$ 14,892,740	$ 301,051,043
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 1,348,752	$ 233	$ 1,365,525	$ 343,222	$ 3,057,732
Accrued liabilities	1,699,952	-	1,451,413	362,823	3,514,188
Payroll and benefit deductions	8,708,037	4,324	49,179	451,228	9,212,768
Property taxes payable	267,758	-	-	-	267,758
Due to other funds	28,500,000	-	-	-	28,500,000
Due to third parties	5,243,027	-	-	78,784	5,321,811
Due to other governmental units	239,432	55,777	-	305,902	601,111
Due to component units	7,173,837	-	-	-	7,173,837
Other liabilities	-	-	483,865	533,830	1,017,695
Unearned revenues	2,564,482	303,214	247,753	3,564,313	6,679,762
Total liabilities	55,745,277	363,548	3,597,735	5,640,102	65,346,662
Deferred Inflows of Resources					
Unavailable revenue	18,466,378	-	-	-	18,466,378
Total deferred outflows of resources	18,466,378	-	-	-	18,466,378
Fund balances:					
Nonspendable	875,623	199,067	-	6,553,414	7,628,104
Restricted	1,789,157	1,681,585	22,756,077	47,664	26,274,483
Committed	28,937,617	45,579,158	56,746,856	527,147	131,790,778
Assigned	45,598,798	3,521,427	-	2,124,413	51,244,638
Unassigned	300,000	-	-	-	300,000
Total fund balances	77,501,195	50,981,237	79,502,933	9,252,638	217,238,003
Total liabilities and fund balance	$ 151,712,850	$ 51,344,785	$ 83,100,668	$ 14,892,740	$ 301,051,043

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

Exhibit II-A-4

FREDERICK COUNTY, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balance - governmental funds (See Exhibit II-A-3)		$ 217,238,003
Amounts reported for governmental activities in the statement of net position 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	$ 89,741,361	
Buildings and Improvements	255,396,605	
Equipment	118,082,615	
Infrastructure	355,942,448	
Construction in Progress	17,145,491	
Less Accumulated Depreciation	(367,967,865)	468,340,655
Deferred outflows of resources are recognized as expenditures in the fund statements, but are deferred in the government-wide statements.		
Deferred Charge on Refundings	18,014,099	18,014,099
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	(416,154,820)	
Unamortized Premium on Bonds Payable	(17,034,224)	
Installment Purchase Agreements	(53,505,061)	
Notes Payable	(335,652)	
Capital Lease Obligations	(1,474,560)	
Compensated Absences	(9,490,713)	
Net Other Post Employment Benefit Obligation	(17,997,545)	
Termination Benefits	(171,304)	
Accrued Bond Interest	(7,379,257)	
Recognition of Deferred Inflows	18,466,378	(505,076,758)
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 position. This balance is net of capital assets and long-term liabilities included above.		15,487,963
Net position of governmental activities (See Exhibit II-A-1)		$ 214,003,962

Exhibit II-A-5

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 267,846,124	$ -	$ -	$ 16,045	$ 267,862,169
Local income taxes	174,145,880	-	-	-	174,145,880
Other local taxes	17,087,235	2,913,170	6,188,325	1,213,263	27,401,993
Licenses and permits	3,360,551	-	-	-	3,360,551
Grants from federal government	281,779	-	784,381	13,318,469	14,384,629
Grants from state government	2,895,806	4,294	468,657	4,635,462	8,004,219
Charges for services	9,403,534	-	11,588,514	1,758,072	22,750,120
Fines and forfeitures	52,760	-	-	213,958	266,718
Interest from loans	-	-	-	23,312	23,312
Investment income	247,956	1,458,823	153,014	2,478	1,862,271
Build America bond subsidy	715,695	-	549,896	-	1,265,591
Miscellaneous	3,373,108	2,058,698	2,146,247	683,192	8,261,245
Total revenues	479,410,428	6,434,985	21,879,034	21,864,251	529,588,698
Expenditures					
Current:					
General government	36,396,505	-	-	2,240,960	38,637,465
Public safety	95,236,456	-	-	1,616,102	96,852,558
Public works	18,745,760	-	-	5,844,404	24,590,164
Health	5,369,537	-	-	1,077,365	6,446,902
Social services	5,318,062	-	-	2,102,699	7,420,761
Education	255,444,856	-	-	-	255,444,856
Parks, recreation and culture	15,791,538	-	-	-	15,791,538
Conservation of natural resources	628,285	4,178,964	-	504,146	5,311,395
Community development and public housing	312,509	-	-	6,750,734	7,063,243
Economic development and opportunity	1,774,674	-	-	5,362,787	7,137,461
Miscellaneous	2,967,580	-	-	-	2,967,580
Intergovernmental	4,812,532	-	-	-	4,812,532
Debt service	37,036,354	3,520,897	13,079,965	488,339	54,125,555
Capital projects	-	-	30,550,542	-	30,550,542
Total expenditures	479,834,648	7,699,861	43,630,507	25,987,536	557,152,552
Excess (deficiency) of revenues over expenditures	(424,220)	(1,264,876)	(21,751,473)	(4,123,285)	(27,563,854)
Other financing sources (uses)					
Transfers in from:					
General fund	-	189,156	8,744,407	5,212,859	14,146,422
Internal service funds	300,000	-	-	-	300,000
Transfers out to:					
Capital projects fund	(8,744,407)	-	-	-	(8,744,407)
Special revenue funds	(5,402,015)	-	-	-	(5,402,015)
Enterprise funds	(2,583,705)	-	-	-	(2,583,705)
Installment purchase agreement	-	693,837	-	-	693,837
Total other financing sources and (uses)	(16,430,127)	882,993	8,744,407	5,212,859	(1,589,868)
Net change in fund balances	(16,854,347)	(381,883)	(13,007,066)	1,089,574	(29,153,722)
Fund balances - beginning of year	94,355,542	51,363,120	92,509,999	8,163,064	246,391,725
Fund balances - end of year	$ 77,501,195	$ 50,981,237	$ 79,502,933	$ 9,252,638	$ 217,238,003

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

Exhibit II-A-6

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, 2014

Net change in fund balances - total governmental funds (See Exhibit II-A-5)		$ (29,153,722)
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	$ 4,692,445	
Depreciation Expense	(24,858,224)	
Adjusted for Internal Service Fund Depreciation	1,601,729	(18,564,050)
The net effect of various miscellaneous transactions involving capital assets is to increase net assets.		
Additions to Construction in Progress	12,273,284	
Asset Replacements, Retirements and Deletions	(2,321,227)	9,952,057
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	16,575,487	
Income Taxes - Recognized as Income in the Prior Year	(13,395,379)	
Other Revenues - Deferred in the Fund Statements	1,890,891	
Other Revenues - Recognized as Income in the Prior Year	(3,335,282)	1,735,717

(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, 2014

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 position. 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 Installment Purchase Agreements	$ (693,837)	
Principal Payments on General Obligation Debt	31,535,639	
Principal Payments on Notes Payable	39,786	
Principal Payments on Capital Leases	786,059	
Principal Payments on IPA's	972,759	
Transfer of debt related to Citizens Care Enterprise Fund (fund closed during fiscal year)	16,501	
Amortization of Bond Premiums	4,345,732	
Amortization of Deferred Loss on Bonds	(2,591,997)	
Build America Bond Subsidy	8,593	$ 34,419,235
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.		
Net Other Post Employment Benefit Obligation	250	
Accrued Interest - Prior Year	7,839,712	
Accrued Interest - Current Year	(7,379,257)	
Compensated Absences Accrual	(125,507)	
Termination Benefits Accrual	13,260	348,458
Internal service funds are used by management to charge the costs of fleet and voice services to individual funds.		(1,560,805)
Change in net position of governmental activities (See Exhibit II-A-2)		$ (2,823,110)

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

Exhibit II-A-7

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, 2014

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Local property taxes				
Real property (inc. additions & abatements)	$ 258,668,903	$ 258,668,903	$ 261,686,717	$ 3,017,814
Public utilities	6,513,900	6,513,900	7,108,028	594,128
Payments in lieu of taxes	66,300	66,300	139,422	73,122
Total levy	265,249,103	265,249,103	268,934,167	3,685,064
Tax credit - state reimbursement	3,335,100	3,335,100	3,272,688	(62,412)
Homestead credit	(4,786,900)	(4,786,900)	(4,515,974)	270,926
Other tax credits and refunds	(855,000)	(855,000)	(865,131)	(10,131)
Interest - delinquent taxes	2,583,100	2,583,100	2,694,341	111,241
Discounts allowed on taxes	(1,686,600)	(1,686,600)	(1,673,967)	12,633
Total adjustments	(1,410,300)	(1,410,300)	(1,088,043)	322,257
Total local property taxes	263,838,803	263,838,803	267,846,124	4,007,321
Local income taxes	176,363,100	176,363,100	174,145,880	(2,217,220)
Other local taxes				
Recordation	14,067,359	14,067,359	15,569,098	1,501,739
911 fees - local	1,494,300	1,494,300	1,518,137	23,837
Security interest filing fees	500	500	-	(500)
Total other local taxes	15,562,159	15,562,159	17,087,235	1,525,076
Licenses and permits				
Alcoholic beverage licenses	247,400	247,400	356,119	108,719
Traders' licenses	201,600	201,600	190,579	(11,021)
Animal licenses	46,400	46,400	49,667	3,267
Marriage licenses	12,100	12,100	15,750	3,650
Miscellaneous licenses and permits	2,183,200	2,183,200	2,748,436	565,236
Total licenses and permits	2,690,700	2,690,700	3,360,551	669,851
Grants from federal government	293,000	303,020	281,779	(21,241)

(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, 2014

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance-Positive (Negative)
Grants from state government				
Police protection	$ 1,019,994	$ 1,019,994	$ 1,041,048	$ 21,054
Aid for fire, rescue and ambulance services	360,000	360,000	364,652	4,652
Highway user revenues	1,300,500	1,854,774	1,301,241	(553,533)
County inmate housing	200,000	200,000	188,865	(11,135)
Total grants from state government	2,880,494	3,434,768	2,895,806	(538,962)
Charges for services				
Planning and zoning fees	430,380	542,391	1,033,547	491,156
Court costs, fees and charges	2,600	2,600	2,173	(427)
Scott Key Center	1,425,000	1,425,000	1,314,031	(110,969)
Other general government	215,100	215,100	289,619	74,519
Public safety	4,615,100	4,615,100	4,775,126	160,026
Public improvement inspections	10,000	10,000	343,823	333,823
Workforce services	5,000	5,000	-	(5,000)
Frederick County Developmental Center	10,000	10,000	8,068	(1,932)
Weed control	188,807	188,807	229,566	40,759
Municipal recoveries	250,000	250,000	137,647	(112,353)
Citizens services	-	19,000	20,035	1,035
Recreation	1,053,100	1,053,100	1,249,899	196,799
Total charges for services	8,205,087	8,336,098	9,403,534	1,067,436
Fines and forfeitures				
Court	58,200	58,200	38,560	(19,640)
Alcoholic beverages	15,900	15,900	10,450	(5,450)
Other fines and forfeitures	1,000	1,000	3,750	2,750
Total fines and forfeitures	75,100	75,100	52,760	(22,340)
Investment income	395,000	395,030	247,956	(147,074)
Build America Bond Subsidy	709,861	709,861	715,695	5,834
Miscellaneous revenues				
Rents and concessions	2,300,400	2,540,400	2,467,491	(72,909)
Contributions and donations	39,000	76,701	75,504	(1,197)
Sale of property	4,000,000	4,000,000	1,808,153	(2,191,847)
Other miscellaneous revenues	780,800	(1,040,947)	(978,040)	62,907
Total miscellaneous revenues	7,120,200	5,576,154	3,373,108	(2,203,046)
Total revenues	478,133,504	477,284,793	479,410,428	2,125,635

(continued)

Exhibit II-A-7
(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, 2014

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance-Positive (Negative)
General government				
Legislative and executive				
County commissioners	$ 504,012	$ 534,351	$ 533,823	$ 528
County manager	1,006,688	1,130,475	1,097,507	32,968
Boards and commissions	6,189	6,189	4,692	1,497
Total legislative and executive	1,516,889	1,671,015	1,636,022	34,993
Judicial				
Circuit court	1,376,530	1,301,153	1,244,663	56,490
Orphans court	26,240	26,240	22,939	3,301
States attorney	5,827,953	5,817,028	5,762,743	54,285
Grand jury	129,246	119,246	86,094	33,152
Total judicial	7,359,969	7,263,667	7,116,439	147,228
Elections				
Board of supervisors of elections	1,332,479	1,332,479	1,029,780	302,699
Financial administration				
Accounting	2,208,699	2,208,699	2,031,481	177,218
Independent auditing	56,000	56,000	51,642	4,358
Budgeting	514,541	514,541	511,686	2,855
Procurement & contracting	1,115,711	1,115,711	1,034,127	81,584
Risk management	334,086	334,086	284,998	49,088
Treasury	1,164,518	1,164,518	1,111,657	52,861
Total financial administration	5,393,555	5,393,555	5,025,591	367,964
Legal				
County attorney	1,178,868	1,178,868	1,046,416	132,452
Personnel administration				
Personnel	1,013,291	1,013,291	988,009	25,282
Planning				
Permits & inspection	3,057,075	3,157,075	2,605,521	551,554
Planning & development review	2,534,285	2,546,296	2,577,047	(30,751)
Environmental sustainability	154,141	154,141	152,633	1,508
Total planning and zoning	5,745,501	5,857,512	5,335,201	522,311

(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, 2014

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance-Positive (Negative)
Management services				
General services	$ 2,035,214	$ 2,035,214	$ 1,681,819	$ 353,395
Maintenance	8,386,232	8,342,544	7,522,614	819,930
Total management services	10,421,446	10,377,758	9,204,433	1,173,325
Other general government				
Interagency information technologies	7,747,870	7,747,870	7,362,638	385,232
Internal audit	370,095	244,045	306,274	(62,229)
Board of liquor license commissioners	337,772	337,772	341,161	(3,389)
Total other general government	8,455,737	8,329,687	8,010,073	319,614
Total general government	42,417,735	42,417,832	39,391,964	3,025,868
Public safety				
Sheriff	25,147,739	25,141,451	24,307,444	834,007
Detention center	13,301,474	13,301,474	12,569,055	732,419
Work release center	3,712,176	3,712,176	3,684,528	27,648
Ambulance billing	798,262	798,262	650,231	148,031
Fire and EMS services	38,080,638	37,801,844	37,512,553	289,291
Emergency communications	5,196,510	5,196,510	5,188,316	8,194
Fire and rescue companies	5,882,296	5,867,866	5,769,598	98,268
Fire protection	940,287	1,097,222	1,011,947	85,275
Fire and rescue services	792,268	816,268	740,653	75,615
Emergency management	366,626	366,626	361,349	5,277
Fire inspection	456,615	609,749	565,662	44,087
Fire/rescue state grant allocation	360,000	360,000	322,109	37,891
Public safety director	468,825	633,484	610,088	23,396
Division of emergency planning & management	278,297	278,297	209,886	68,411
Animal control	1,818,248	1,843,075	1,817,769	25,306
Total public safety	97,600,261	97,824,304	95,321,188	2,503,116
Public works				
Highways	13,220,278	15,240,141	14,501,254	738,887
Public works administration	257,968	257,968	276,244	(18,276)
Project management	1,740,369	1,770,905	1,271,056	499,849
Watershed management section	980,427	896,936	751,419	145,517
Transportation engineering	1,758,427	2,456,552	2,139,667	316,885
Total public works	17,957,469	20,622,502	18,939,640	1,682,862

(continued)

Exhibit II-A-7
(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, 2014

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Health				
County administrator	$ 138,969	$ 138,969	$ 129,790	$ 9,179
Core services	1,769,497	1,769,497	1,691,153	78,344
Detention center substance abuse	132,572	132,572	132,572	-
Mental health	421,533	421,533	419,909	1,624
Frederick County Developmental Center	2,989,276	2,989,276	2,968,247	21,029
Counseling services	37,827	37,827	37,827	-
Mental health association hotline	38,330	38,330	38,330	-
Central Maryland Catholic Charities	7,704	7,704	7,704	-
Total health	5,535,708	5,535,708	5,425,532	110,176
Social services				
Continuing care for assisted living	-	2,131,824	610,538	1,521,286
Contribution to department of social services	513,425	513,425	577,411	(63,986)
Scott Key Center	3,253,744	3,253,744	2,948,704	305,040
Department of aging	399,344	399,844	391,948	7,896
Office of children and families	97,180	97,180	88,517	8,663
Medical transportation services	121,113	121,113	91,019	30,094
Family partnership	285,777	285,777	283,135	2,642
Child advocacy center	282,117	290,491	272,190	18,301
Deinstitutionalization day care	11,514	11,514	-	11,514
Daybreak Adult Daycare Center	13,870	13,870	13,870	-
Other social services	40,980	40,980	40,980	-
Total social services	5,019,064	7,159,762	5,318,312	1,841,450
Education				
Maryland School for the Blind	2,000	2,000	-	2,000
Frederick County Board of Education	244,235,731	244,235,731	241,239,173	2,996,558
Frederick Community College	14,279,055	14,279,055	14,205,683	73,372
Total education	258,516,786	258,516,786	255,444,856	3,071,930

(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, 2014

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance-Positive (Negative)
Parks, recreation and culture				
Frederick County Public Libraries	$ 10,010,398	$ 10,010,398	$ 9,856,368	$ 154,030
Parks	6,045,167	6,140,167	5,935,170	204,997
Total parks, recreation and culture	16,055,565	16,150,565	15,791,538	359,027
Conservation of natural resources				
Extension service	321,151	321,151	313,296	7,855
Weed control	188,807	188,807	226,005	(37,198)
Soil conservation	79,335	79,335	80,884	(1,549)
Gypsy moth control	40,000	40,000	8,100	31,900
Total conservation of natural resources	629,293	629,293	628,285	1,008
Community development and public housing				
Housing administration	348,490	348,490	312,509	35,981
Total community development and public housing	348,490	348,490	312,509	35,981

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FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Economic development and opportunity				
Business retention & development	$ 846,946	$ 846,946	$ 816,479	$ 30,467
Citizens services administration	311,381	313,875	273,579	40,296
Workforce services	556,670	556,670	535,831	20,839
Human relations	174,613	140,574	127,774	12,800
Commission for women	-	23,030	21,011	2,019
Total economic development and opportunity	1,889,610	1,881,095	1,774,674	106,421
Non-departmental				
Property and liability insurance	1,168,000	1,168,000	867,211	300,789
Employee benefits	4,449,374	-	-	-
Other employee benefits and taxes	-	3,836,161	2,488,293	1,347,868
Other various contingencies	3,949,420	1,620,576	-	1,620,576
Indirect cost recovery	(2,762,798)	(2,676,727)	(2,907,615)	230,888
Other miscellaneous	(423,735)	(331,058)	(387,922)	56,864
Total non-departmental	6,380,261	3,616,952	59,967	3,556,985
Intergovernmental				
Financial corporations grant to municipalities	50,000	50,000	49,273	727
SDAT	794,121	794,121	752,086	42,035
Tax rebate to municipalities	4,011,172	4,011,172	4,011,173	(1)
Total intergovernmental	4,855,293	4,855,293	4,812,532	42,761
Debt service				
Principal - general obligation debt	23,374,786	23,374,786	23,374,784	2
Principal - state loans	8,897	8,897	8,897	-
Principal - leases	849,817	849,817	786,059	63,758
Interest - general obligation debt	12,778,168	12,778,168	12,830,639	(52,471)
Interest - state loans	5,039	5,039	5,038	1
Interest - leases	30,936	30,936	30,937	(1)
Total debt service	37,047,643	37,047,643	37,036,354	11,289
Total expenditures	494,253,178	496,606,225	480,257,351	16,348,874

(continued)

Exhibit II-A-7
(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, 2014

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Other financing sources (uses)				
Transfers in from:				
CCRC construction fund	$ -	$ 2,724,743	$ 2,724,743	$ -
Worker's compensation fund	-	300,000	300,000	-
Impact fee fund	1,610,081	1,610,081	1,610,081	-
Enterprise fund - Citizens Care & Rehabilitation Center	-	1,943,210	1,943,209	(1)
Transfers out to:				
Grants special revenue fund	(5,858,129)	(5,889,785)	(5,212,859)	676,926
Agriculture preservation special revenue fund	(189,156)	(189,156)	(189,156)	-
Capital projects fund	(13,124,075)	(13,204,232)	(13,079,231)	125,001
Enterprise fund - Citizens Care & Rehabilitation Center	(691,423)	(2,345,805)	(2,345,805)	-
Enterprise fund - Montevue Home	(2,181,109)	(2,181,109)	(2,181,109)	-
Total other financing sources (uses)	(20,433,811)	(17,232,053)	(16,430,127)	801,926
Budgeted use of fund balance	$ (36,553,485)	$ (36,553,485)	$ (17,277,051)	$ 19,276,434
Change in fund balance			$ (17,277,051)	
Net change in reserves and adjustments to GAAP basis			422,703	
Fund balance - beginning of year			94,355,542	
Fund balance - end of year			$ 77,501,195	

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

Exhibit II-A-8

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
AGRICULTURAL PRESERVATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Amended Budget	Actuals	Variance - Positive (Negative)
Revenues				
Other local taxes	$ 2,720,533	$ 2,910,543	$ 2,913,170	$ 2,627
Grants from state government	-	4,026,000	4,294	(4,021,706)
Investment income	1,270,927	1,270,927	1,458,823	187,896
Miscellaneous	916,192	2,001,192	2,058,698	57,506
Total revenues	4,907,652	10,208,662	6,434,985	(3,773,677)
Expenditures				
Conservation of natural resources	3,022,567	9,801,599	4,178,964	5,622,635
Debt Service	3,649,686	3,649,686	3,520,897	128,789
Total expenditures	6,672,253	13,451,285	7,699,861	5,751,424
Excess (deficiency) of revenues over expenditures	(1,764,601)	(3,242,623)	(1,264,876)	1,977,747
Other financing sources (uses)				
Appropriated fund balance	(397,314)	1,080,708	-	(1,080,708)
Transfer from General Fund	189,156	189,156	189,156	-
Installment purchase agreement	1,972,759	1,972,759	693,837	(1,278,922)
Total other financing sources (uses)	1,764,601	3,242,623	882,993	(2,359,630)
Net change in fund balances	$ -	$ -	(381,883)	$ (381,883)
Net change in reserves and adjustment to GAAP basis			-	
Fund balance - beginning			51,363,120	
Fund balance - ending			$ 50,981,237	

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-type Activities-Enterprise Funds				
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Assets					
Current assets:					
Cash	$ 400	$ 2,600	$ -	$ 3,000	$ -
Equity in pooled invested cash	71,901,419	38,030,073	23,145	109,954,637	15,979,241
Restricted cash and cash equivalents	1,065,005	-	478,067	1,543,072	-
Total cash and cash equivalents	72,966,824	38,032,673	501,212	111,500,709	15,979,241
Short-term investments	2,999,700	3,000,500	-	6,000,200	-
Receivables, net of allowance for uncollectibles accounts	9,307,948	1,779,215	902	11,088,065	150,715
Due from component units	-	-	-	-	20
Inventories	131,757	-	-	131,757	472,188
Prepaid items	4,123	-	-	4,123	71,352
Total current assets	85,410,352	42,812,388	502,114	128,724,854	16,673,516
Noncurrent assets:					
Notes receivable	4,970,493	-	-	4,970,493	-
Long-term investments	-	2,000,000	-	2,000,000	-
Capital assets:					
Land	5,558,373	2,837,164	132,200	8,527,737	-
Buildings and improvements	143,846,959	52,636,279	1,877,880	198,361,118	1,833,133
Equipment	42,313,025	6,124,281	175,000	48,612,306	26,562,681
Other improvements	339,402,760	3,135,360	-	342,538,120	-
Accumulated depreciation	(118,559,642)	(36,951,182)	(1,072,210)	(156,583,034)	(23,394,388)
Construction in progress	145,745,615	139,299	-	145,884,914	-
Total noncurrent assets	563,277,583	29,921,201	1,112,870	594,311,654	5,001,426
Total assets	648,687,935	72,733,589	1,614,984	723,036,508	21,674,942
Deferred Outflows of Resources					
Deferred charge on refunding	5,350,864	1,102,324	-	6,453,188	-
Total deferred outflows of resources	5,350,864	1,102,324	-	6,453,188	-
Liabilities					
Current liabilities:					
Accounts payable	178,843	28,063	157	207,063	299,929
Payroll and benefit deductions	427,965	106,570	1,478	536,013	96,147
Accrued expenses	4,752,460	1,139,681	9,318	5,901,459	138,336
Due to other government units	187,616	-	-	187,616	-
Unearned revenues	112,897	26,439	-	139,336	-
Security deposits	-	-	12,064	12,064	-
Other liabilities	3,212,043	10	-	3,212,053	-
Current portion landfill closure and postclosure liability	-	206,480	-	206,480	-
Current portion general obligation bonds and notes	13,182,822	2,914,510	-	16,097,332	-
Current portion of compensated absences	48,233	13,122	-	61,355	12,583
Total current liabilities	22,102,879	4,434,875	23,017	26,560,771	546,995
Noncurrent liabilities:					
Long term portion landfill closure and postclosure liability	-	14,411,982	-	14,411,982	-
Long term portion general obligation bonds and notes	158,302,961	20,928,527	-	179,231,488	-
Liability for compensated absences	589,919	139,405	-	729,324	125,213
Accrued termination benefits	14,039	1,560	-	15,599	-
Total noncurrent liabilities	158,906,919	35,481,474	-	194,388,393	125,213
Total liabilities	181,009,798	39,916,349	23,017	220,949,164	672,208
Net Position					
Net investment in capital assets	391,303,498	8,633,223	1,112,870	401,049,591	5,001,426
Restricted for:					
Capital projects	848,675	-	478,067	1,326,742	-
Unrestricted	80,876,828	25,286,341	1,030	106,164,199	16,001,308
Total net position	$ 473,029,001	$ 33,919,564	$ 1,591,967	508,540,532	$ 21,002,734
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				1,142,275	
Net position of business-type activities				$ 509,682,807	

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

Exhibit II-A-10

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Operating revenues					
Service charges	$ 25,682,075	$ 23,781,664	$ -	$ 49,463,739	$ 16,037,964
Charges for health care services, net of contractual adjustments	-	-	15,670,879	15,670,879	-
Rental charges	-	-	120,860	120,860	-
Total net charges for services	25,682,075	23,781,664	15,791,739	65,255,478	16,037,964
Delinquent fees collected	70,753	56,058	-	126,811	-
Other revenues	762,542	-	590,441	1,352,983	-
Total operating revenues	26,515,370	23,837,722	16,382,180	66,735,272	16,037,964
Operating expenses					
Personnel services	8,777,096	2,013,278	11,742,825	22,533,199	2,599,715
Operating expenses (including administrative overhead)	8,075,453	15,435,305	8,442,126	31,952,884	1,241,406
Prefunded loss & estimated claims	-	-	-	-	3,108,110
Insurance	369,449	54,190	132,479	556,118	1,131,511
Supplies	1,426,704	27,806	1,141,945	2,596,455	5,866,146
Repairs and maintenance	2,344,176	209,881	588,142	3,142,199	1,189,207
Depreciation expense	9,774,024	915,260	74,931	10,764,215	1,601,729
Total operating expenses	30,766,902	18,655,720	22,122,448	71,545,070	16,737,824
Operating income (loss)	(4,251,532)	5,182,002	(5,740,268)	(4,809,798)	(699,860)
Nonoperating revenues (expenses)					
Donations	-	-	6,776	6,776	-
Investment earnings	330,281	49,813	1,956	382,050	25,534
Miscellaneous income	3	1,925	-	1,928	5,922
Build America Bonds Subsidy	328,517	8,604	-	337,121	-
Insurance recovery	-	-	-	-	31,653
Interest expense	(3,742,746)	(810,146)	-	(4,552,892)	-
Gain (loss) on disposition of capital assets	7,291	17,434	(16,503)	8,222	45,662
Total nonoperating revenues (expenses)	(3,076,654)	(732,370)	(7,771)	(3,816,795)	108,771
Net income (loss) before contributions and transfers	(7,328,186)	4,449,632	(5,748,039)	(8,626,593)	(591,089)
Capital contributions	25,481,073	-	-	25,481,073	-
Transfers in	-	-	3,283,705	3,283,705	-
Transfers (out)	-	-	-	-	(1,000,000)
Total contributions and transfers	25,481,073	-	3,283,705	28,764,778	(1,000,000)
Change in net position	18,152,887	4,449,632	(2,464,334)	20,138,185	(1,591,089)
Net position - beginning of year	455,530,855	29,568,320	4,056,301		22,593,823
Change in accounting principle	(654,741)	(98,388)	-		-
Net position - end of year	$ 473,029,001	$ 33,919,564	$ 1,591,967		$ 21,002,734

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.	(28,778)
Change in net position of business-type activities (Exhibit II-A-2)	$ 20,109,407

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

Exhibit II-A-11

FREDERICK COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Funds				
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Cash flows from operating activities					
Cash received from residents and customers	$ 30,149,460	$ 23,805,259	$ 16,656,485	$ 70,611,204	$ 16,023,683
Cash paid to suppliers	(16,058,069)	(14,970,416)	(8,757,742)	(39,786,227)	(12,487,813)
Cash paid to employees	(8,771,635)	(1,995,980)	(12,824,804)	(23,592,419)	(2,604,300)
Net cash provided (used) by operating activities	5,319,756	6,838,863	(4,926,061)	7,232,558	931,570
Cash flows from noncapital financing activities					
Transfers in	369,917	-	3,282,907	3,652,824	-
Cash received from donations	-	-	6,776	6,776	-
Transfers out	-	(369,917)	-	(369,917)	(1,000,000)
Cash received from patient and resident funds	-	-	(137,266)	(137,266)	-
Cash paid to memorial and employee funds	-	-	(7,929)	(7,929)	-
Net cash provided (used) by noncapital financing activities	369,917	(369,917)	3,144,488	3,144,488	(1,000,000)
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(25,165,566)	(319,602)	-	(25,485,168)	(318,575)
Recoveries for damages	-	-	-	-	31,653
Proceeds from sale of capital assets	-	20,103	-	20,103	63,021
Proceeds from debt issues	12,918,041	-	-	12,918,041	-
Payment of bond and note principal	(12,298,841)	(3,342,824)	-	(15,641,665)	-
Interest paid on bonds	(5,879,843)	(869,215)	-	(6,749,058)	-
Contributed capital	25,481,073	-	-	25,481,073	-
Net cash used by capital & related financing activities	(4,945,136)	(4,511,538)	-	(9,456,674)	(223,901)
Cash flows from investing activities					
Purchase of investments	(5,418,609)	(7,000,000)	-	(12,418,609)	-
Proceeds from the sale of investments	6,773,959	6,000,000	-	12,773,959	-
Interest received on investments	336,819	43,803	2,190	382,812	25,534
Net cash provided by investing activities	1,692,169	(956,197)	2,190	738,162	25,534
Net increase in cash and cash equivalents	2,436,706	1,001,211	(1,779,383)	1,658,534	(266,797)
Cash and cash equivalents - beginning of year	70,530,118	37,031,462	2,280,595	109,842,175	16,246,038
Cash and cash equivalents - end of year	$ 72,966,824	$ 38,032,673	$ 501,212	$ 111,500,709	$ 15,979,241

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Funds				
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ (4,251,532)	$ 5,182,002	$ (5,740,268)	$ (4,809,798)	$ (699,860)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	9,774,024	915,260	74,931	10,764,215	1,601,729
Landfill closing costs	-	(202,225)	-	(202,225)	-
Accrued termination benefits	3,994	444	-	4,438	-
Miscellaneous non operating income	7,291	-	-	7,291	5,922
Change in assets and liabilities:					
(Increase) decrease:					
Accounts receivable	5,117,800	(37,711)	2,176,408	7,256,497	(20,205)
Inventory	(25,808)	-	-	(25,808)	(57,704)
Prepaid items	(4,122)	-	34,239	30,117	-
Increase (decrease):					
Accounts payable	99,402	3,783	74,097	177,282	6,977
Accrued expenses	(3,444,190)	(8,934)	(845,017)	(4,298,141)	107,419
Deferred revenues	(1,530,266)	323	-	(1,529,943)	-
Liability for compensated leave	(10,696)	7,667	(485,586)	(488,615)	(12,708)
Due to other funds	-	-	(222,386)	(222,386)	-
Closure liability	-	978,244	-	978,244	-
Other liabilities	(416,141)	10	7,521	(408,610)	-
Net cash provided (used) by operating activities	$ 5,319,756	$ 6,838,863	$ (4,926,061)	$ 7,232,558	$ 931,570

Noncash investing, capital, and financing activities:
Included in interest income in the Water and Sewer Fund is an unrealized loss of $3,645. Included in interest income in the Solid Waste Fund is an unrealized loss of $5,400. Included in interest expense in the Water and Sewer fund is amortization of premium of $1,164,752. Included in the Solid Waste Fund is amortization of premium of $210,193.

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

Exhibit II-A-12

FREDERICK COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	Pension Trust	Other Post Employment Benefits Trust	Agency Funds
ASSETS			
Cash and cash equivalents	$ 553,199	$ -	$ 310,073
Equity in pooled invested cash	-	1,869,454	7,452,045
Investments:			
Money markets	5,800,687	694,382	-
Fixed income securities	49,102,420	-	-
Equity securities	400,152,782	96,470,550	-
Accounts receivable	48	-	38,923
Interest receivable	537,681	-	-
Prepaid items	-	71,190	-
Total assets	456,146,817	99,105,576	$ 7,801,041
LIABILITIES			
Accounts payable	363,792	9,403	$ -
Accrued payroll	4,466	-	-
Due to primary government	464,135	-	-
Due to third parties	-	-	1,853,133
Performance deposits	-	-	5,947,908
Retirement benefit deductions	240,453	2,432	-
Total liabilities	1,072,846	11,835	$ 7,801,041
NET POSITION			
Net position held in trust for pension benefits and other purposes	$ 455,073,971	$ 99,093,741	

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

Exhibit II-A-13

FREDERICK COUNTY , MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Pension Trust	Other Post Employment Benefits Trust
Additions		
Contributions		
Employer contributions	$ 21,260,450	$ 14,655,250
Member contributions	6,880,097	-
Member contributions for current benefits	-	1,384,717
Other	-	359,380
Total contributions	28,140,547	16,399,347
Investment income		
Net appreciation in fair value of plan investments	60,333,570	11,842,625
Interest and dividends	7,664,510	1,234,631
Investment expense	(976,317)	-
Net investment income	67,021,763	13,077,256
Total additions	95,162,310	29,476,603
Deductions		
Benefits and refunds	15,670,655	7,095,705
Administrative expenses	930,470	98,545
Total deductions	16,601,125	7,194,250
Change in net position	78,561,185	22,282,353
Net position - beginning of year	376,512,786	76,811,388
Net position - end of year	$ 455,073,971	$ 99,093,741

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

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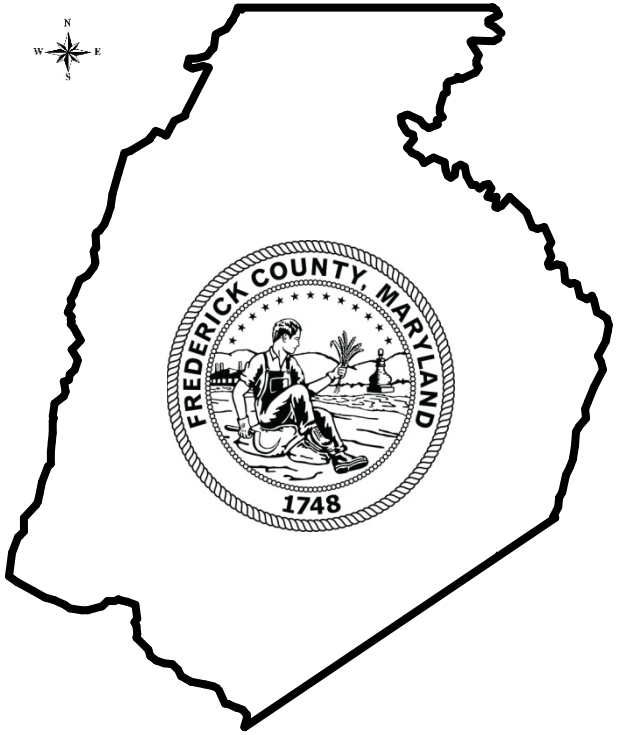
NOTES TO FINANCIAL SECTION



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JUNE 30, 2014
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FREDERICK COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 and websites.

Board of Education of Frederick County	Frederick Community College
191 South East Street	7932 Opossumtown Pike
Frederick, Maryland 21701	Frederick, Maryland 21702
www.fcps.org	www.frederick.edu

Joint Venture

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

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

B. Government-wide and Fund Financial Statements

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

The Statement of Net Position 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 position is reported in three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available

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

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

The County reports the following major governmental funds:

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

- The Agricultural Preservation Fund accounts for taxes on the transfer of agricultural properties that are legally restricted to providing funding for state or approved local agricultural land preservation programs. It also accounts for other revenue sources designated for agricultural land preservation.

- The Capital Projects Fund accounts for the purchase, construction or renovation of major capital assets. It is composed of the General Government Capital Projects Fund and accounts for additions of education facilities, roads and similar general government capital assets (other than those financed by the proprietary funds). With the implementation of Governmental Accounting Standards Board (GASB) Statement Number 54, the activities of the former special revenue funds listed below are combined with the Capital Projects Funds in the fund statements. These revenues are dedicated for the purpose of funding capital projects. They are also presented individually as supplementary data in the Budget to Actual statements. See Note 2B.

- Development Road Improvement Fund – This fund accounts for building excise tax collections that are dedicated to road development.

- Impact Fees Fund – This fund accounts for impact fees collected from developers to pay a portion of the cost of schools and libraries necessitated by the development.

- Nursing Home Construction Fund – This fund accounts for recordation taxes dedicated to pay for the cost of building a new Citizens Care and Rehabilitation Center, a nursing home facility and Montevue Assisted Living Facility, as well as the related debt service.

- Parks Acquisition and Development Fund – This fund accounts for recordation taxes dedicated for parkland acquisition and development.

- School Construction Fund – This fund accounts for recordation taxes dedicated to pay a portion of the cost of school construction.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Nonmajor governmental funds include the following special revenue funds:

- Electric Lighting Tax Districts Fund – This fund accounts for property taxes that are legally restricted to paying for street lighting.
- 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
- Hotel Rental Tax Fund – This fund accounts for the hotel tax received from the local hotels as defined by the Hotel Tax Ordinance.
- Loan Activities Funds – 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.
- Sheriff's/Judicial Activities Funds – These four funds account for activities such as the Sheriff's Drug Enforcement, Narcotics Task Force, Inmates' Canteen and the State Attorney Law Enforcement Aid.
- Watershed Protection and Restoration Fund – This fund was established to account for stormwater remediation fees assessed against each property in the County. All funds collected will be dedicated to pay for stormwater remediation projects and related expenses.

The County reports the following major proprietary funds:

- 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.
- 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.

Nonmajor proprietary funds include the following enterprise funds:

- Bell Court Apartments Fund – This fund accounts for the operation of the Bell Court low income, elderly housing rental project.
- Citizens Care and Rehabilitation Center Fund – This fund accounts for operations of Citizens Care and Rehabilitation Center of Frederick County, a nursing home facility.
- Montevue Home Fund – This fund accounts for operations of Montevue Assisted Living Facility.

Additionally, the County reports the following fund types:

- 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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

- Internal Service Funds account for worker's compensation, fleet and voice related services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

- Other Post Employment Benefits Trust Fund accounts for the activities of the Frederick County Retiree Health Benefit Plan, which accumulates resources for healthcare benefits to eligible retirees and, in certain instances, their eligible survivors and dependents.

- Pension Trust Fund accounts for the activities of the Frederick County Employee Retirement Plan, which accumulates resources for pension benefit payments to qualified employees.

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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

1. Pooled Cash and Investments

The County operates a centralized cash receipt and disbursement function for all funds except the Pension Trust Funds, Tax Agency Fund, Work Release Fund and the Tax Incremental Financing Bond Fund; which maintain their own cash accounts. Individual fund equity in pooled invested cash is reported as an asset on the balance sheets of those funds participating in the centralized cash receipt and disbursement function. Investment earnings accrue to those funds reporting equity in pooled invested cash. “Cash and Cash Equivalents” includes currency on hand, demand deposits, and investments with original maturities of three months or less at the time of purchase.

Investments other than those of the County’s Pension and Other Post Employment Benefits Trust Funds with original maturities of one year or less are stated at cost or amortized cost, which approximates fair value. Remaining investments are recorded at fair value. The investments in the County’s Pension and Other Post Employment Benefits Trust Funds are recorded at fair value.

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, 2014, was $25,765,265,841. The Countywide property tax rate was $1.064 per $100 of assessed value on real property taxes. In addition, taxes were levied in three lighting tax districts. The County collected 99.91 percent of taxes levied in the current year. The receivable portion of the current year property tax levy, including the lighting tax districts and public utility tax, is $524,087 and is included in total property taxes receivable of $1,298,921 on the Statement of Net Position. This compares to the current portion of the prior year levy of $418,583 included in the total property taxes of $829,896 as of June 30, 2013.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Inventories and Prepaids

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.

Prepaids- Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaids.

4. Capital Assets

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

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

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

Certain solid waste assets are depreciated using the activity method. Depreciation is based on capacity used of the Site B landfill in order to match depreciation expense with the landfill usage and revenues. The basis for calculating landfill capacity used is 4,121,115 tons for Site B.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

	In Years		
	BOE	**FCC**	**FCPL**
Buildings and Improvements	7 - 40	10 - 40	n/a
Library Collection	n/a	10	5
Furniture and equipment	4 - 15	5 - 10	5 - 20

5. Deferred Outflows/Inflows

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. Frederick County only has one item that qualifies for reporting in this category. It is the deferred charge on refundings resulting from the difference in the net carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. 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.

7. 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 position. Bond premiums, discounts, debt issue costs 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.

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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

8. Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets, 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 position represents 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 position is reserved to represent the intent of the County's administration to use the unrestricted net position for specific purposes in the future. Data specific to these reserves is available in Note 3.G.6.

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

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned.

- *Nonspendable* – This component includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

- *Restricted* – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the County to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

- *Committed* – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision making authority. The highest level of decision making action is legislation which is enacted by the Board of County Commissioners (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of County Commissioners removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.

- *Assigned* – This component consists of amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the County Manager or their designee(s). This authority is pursuant to Sections 1-1-2(C) of the Frederick County, Maryland Code of Ordinances.

- *Unassigned* – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the County's policy to use committed resources first, then assigned, and the unassigned as they are needed.

9. 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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

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

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

1. Prior to January 15, the Budget Officer requests all departments to submit their proposed operating budgets for the fiscal year commencing the following July 1.

2. All budget requests are compiled by the Budget Office and, after making departmental reviews of the request, a recommended budget is presented to the Board of County Commissioners for review and appeal.

3. Public hearings are required by law to be scheduled by the Budget Officer with approval of the Board of County Commissioners.

4. Prior to the commencement of the fiscal year, the property tax rate is set and the budget is legally enacted through the passage of an ordinance.

5. The Board of County Commissioners adopts the budget for all funds, except the General Fund, at the fund level of budgetary control. The General Fund budget is adopted at the department level. Budgetary schedules in this document may display greater detail then 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.

7. Appropriations lapse at the end of the fiscal year for all funds, except the Capital Projects Fund and certain federal and state grants that do not have a year-end date of June 30.

8. Formal budgetary integration is employed as a management control device for all funds for which a budget is legally adopted, namely, the General, Special Revenue (except the Sheriff's Drug Enforcement, Sheriff's Office Fund, Narcotics Task Force, Inmates' Canteen, Fire/Rescue Loan and Non-Profit Organizations Loan), Capital Projects, Enterprise Funds, Internal Service Funds, Pension Trust Fund, and Other Post Employment Benefits Trust Fund. No budgets are in place for the Special Revenue Funds individually noted.

9. During the operating year, inter-departmental budget transfers must be approved by the Board of County Commissioners.

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

- Encumbrances are treated as expenditures for budgetary accounting purposes. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

- Inventories are recorded as expenditures at the time of purchase.

- The use of prior years' fund balance is reported as another financing source (appropriated fund balance).

B. Reconciliation of Budgetary Basis to GAAP Basis

The General Fund and the Agricultural Preservation fund have legally adopted annual budgets. Exhibit II-A-7 and Exhibit II-A-8, the "Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual" are prepared on a basis consistent with these budgets. The budgets are prepared using encumbrance accounting where encumbrances are treated as expenditures of the current period. The reconciliation of Budget to GAAP, as presented on the "Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual" reflects adjustments as described below.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

	General Fund			
	Revenues	Expenditures	Other Financing Sources (Uses)	Net change in Fund Balance
Budgetary Basis	$ 479,410,426	$ 480,257,348	$ (16,430,128)	$ (17,277,049)
Basis Adjustments:				
Encumbrance adjustment	-	(927,370)	-	927,370
Inventory adjustment	-	558,207	-	(558,207)
GAAP Adjustment	-	(53,540)	-	53,540
Net affect of basis adjustments	-	(422,703)	-	422,703
GAAP Basis	$ 479,410,426	$ 479,834,645	$ (16,430,128)	$ (16,854,346)

The following departments over expended their FY2014 budget:

	Amended Budget	Actual	Variance
Development Review	$ 2,546,296	$ 2,577,048	$ (30,752)
Public Works Administration	257,968	276,244	(18,276)
Internal Audit	244,045	306,274	(62,229)
Contribution to Department of Social Services	513,425	577,411	(63,986)

The negative variance for Planning & Development Review and Public Works Administration were primarily due to the internal promotions of acting directors. Those positions were budgeted at the base level. Internal Audit's negative variance was due to the component unit in-kind recovery not materializing. Contributions to Department of Social Services' negative variance were a result of staff changes and reimbursements not meeting adopted budget.

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 $24,082,977 and the bank balance was $28,634,406. 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:

NOTES TO FINANCIAL STATEMENTS
(Continued)

Federal Deposit Insurance Corporation (FDIC)	$ 590,843
National Credit Union Administration (NCUA)	798
Held by the government's agent, in the government's name	28,042,765
Total Bank Balance	$ 28,634,406

The County's cash and investments as of June 30, 2014, totaled $352,974,737 as presented in the Statement of Net Position. Restricted cash and cash equivalents represent unspent bond proceeds and Bell Court Apartments required reserves for Maryland Department of Housing and Community Development (DHCD). The following table reconciles the County's deposits and investments to the Statement of Net Position:

Total Primary Government - Exhibit II-A-1	
Cash	$ 10,000,542
Equity in Pooled Invested Cash	196,827,054
Investments	135,644,251
Restricted Cash and Cash Equivalents	12,688,915
Total	$ 355,160,762
Deposit & Investment Summary:	
Investments	$ 341,262,574
Cash on Hand	25,183
Deposits	24,082,977
Less: Component Units and Agency Fund Cash Equivalents	
Pension Trust	(553,199)
OPEB Trust	(1,869,454)
Frederick County Public Libraries	(25,201)
Agency Funds	(7,762,118)
Total	$ 355,160,762

Pension Trust Fund

As of June 30, 2014, the carrying amount of the Pension Trust Fund's deposits was $553,199 and the bank balance was $1,889,852. The deposits of the Pension Trust Fund were not exposed to custodial risk as of June 30, 2014.

Component Units

Deposits and investments of the BOE, FCC and FCPL are governed by the same law governing the County's investments. As of June 30, 2014, BOE's cash on hand for petty cash was $7,575. The carrying amount of the Board's deposits was $17,085,541 and investments, including $75,216,348 of fiduciary funds, were $93,173,348. $370,277 of cash and cash equivalents is restricted for debt service. The bank balance was $18,742,448. The deposits of the Board were not exposed to custodial risk as of June 30, 2014.

NOTES TO FINANCIAL STATEMENTS
(Continued)

As of June 30, 2014, FCC's cash on hand for petty cash was $7,500. The carrying amount of the college's deposits was $7,081,385 and investments were $8,431,864. Cash and cash equivalents, as shown on the Statement of Net Position, include Frederick Community College Foundation, Inc. in the amount of $630,576. The bank balance was $7,077,674. The deposits of the college were not exposed to custodial risk as of June 30, 2014.

As of June 30, 2014, the carrying amount of FCPL's deposits was $4,524 and the bank balance was $3,291.

2. Investments

Primary Government

As of June 30, 2014, Frederick County held the following investments and maturities. The government's investment balances were as follows:

Investment Type (All funds)	Fair Value	0-18 Month Maturities	18-24 Month Maturities	> 24 Month Maturities
U. S. Treasuries	$ 42,666,951	$ 3,495,686	$ 2,615,719	$ 36,555,546
MD Local Government Investment Pool	178,918,138	178,918,138	-	-
Money Market Funds	26,700,185	26,700,185	-	-
Federal Agency Securities	92,977,300	92,977,300	-	-
Total Fair Value	$ 341,262,574	$ 302,091,309	$ 2,615,719	$ 36,555,546

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

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

1. U. S. Treasury securities

2. Obligations of U. S. government agencies

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Repurchase agreement (collateralized in an amount not less than 102 percent of the principal amount by an obligation of the U.S., its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer)

4. Bankers' acceptances

5. Shares in an investment company or investment trust (limited to direct obligations of the U.S government and to repurchased agreements fully collateralized by U. S. government obligations and the investment company or trust takes delivery of that collateral, either directly or through an authorized custodian)
6. Money market mutual funds that contain only securities of the organizations listed in items 1), 2), and 3) above

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

8. Maryland Local Government Investment Pool (MLGIP)

The County's investments have received the followings ratings:

Investment	Fair Value	Moody's	Standard & Poors	Fitch Ratings
MD Local Government Investment Pool	$ 178,918,138	not rated	AAAm	not rated
Federal Home Loan Bank	31,974,600	AAA	AA+	not rated
Federal Home Loan Mortgage Corporation	17,010,300	AAA	AA+	not rated
Federal Agriculture Mortgage Corporation	26,996,300	not rated	not rated	not rated
Federal Farm Credit Bank	16,996,100	AAA	AA+	not rated

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Type	Fair Value	% of Portfolio
U. S. Treasuries	$ 42,666,951	12.503 %
MD Local Government Investment Pool (MLGIP)	178,918,138	52.428
Money Market Funds	26,700,185	7.824
Federal Home Loan Bank (FHLB)	31,974,600	9.370
Federal Agricultural Mortgage Corp.	26,996,300	7.911
Federal Farm Credit Bank	16,996,100	4.980
Federal Home Loan Mortgage Corp (FHLMC)	17,010,300	4.984
Total Fair Value	$ 341,262,574	100.000 %

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investment policy requires that all securities purchased by the County and securities taken as collateral, shall be held in third-party safekeeping by an institution designated as primary agent. All securities shall be purchased, sold, titled or released using the delivery vs. payment procedure. Collateral shall be:

1. In an amount not less than 102 percent of the principal amount of the repurchase agreement,

2. Include debt securities of the issuing agency or mortgage-backed securities guaranteed by the issuing agency, but no derivatives thereof,

3. Direct obligations of the U. S. Treasury, and derivatives thereof insofar as they represent principal portions of the debt stripped of their interest coupons (Treasury strips),

4. Held to a minimum number of pieces at all times and

5. Marked to market daily and reported monthly by the investment custodian.

Pension Trust Fund

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

Investments – The Plans investment policy includes an asset allocation plan for investments. The target allocation is 65 percent equities and 35 percent bonds. The minimum and maximum percentages for equities are 45 percent and 75 percent, respectively and for bonds are 25 percent and 55 percent, respectively.

NOTES TO FINANCIAL STATEMENTS
(Continued)

As of June 30, 2014, the Plan held the following investments and maturities:

Investment Type (All funds)	Fair Value	0 - 18 Month Maturities	18 - 24 Month Maturities	> 24 Month Maturities
Money Market Funds	$ 5,800,687	$ 5,800,687	$ -	$ -
Mutual Funds	210,351,558	210,351,558	-	-
U.S. Government Securities (Fixed Income)	25,327,934	1,902,076	-	23,425,858
Corporate Bonds and Notes (Fixed Income)	21,943,743	1,904,169	510,970	19,528,604
Other Government Agencies (Fixed Income)	1,830,743	299,652	-	1,531,091
Common Stocks	189,801,224	189,801,224	-	-
Total Fair Value	$ 455,055,889	$ 410,059,366	$ 510,970	$ 44,485,553

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

Credit Risk – The Plan's investment policy lists the following investments as permissible for purchase:

Equities

1. Common and preferred stocks listed on a major U.S. exchange or traded regularly on another established U.S. market or exchanges such as NASDAQ;

2. Securities convertible into common stocks;

3. Equity securities of non-U.S. incorporated entities; and

4. Other specialized asset classes, as authorized by the Retirement Plan Committee.

Fixed Income

All debt instruments except:

1. Tax-exempt municipal bonds;

2. Securities of the asset manager, their parent or subsidiaries (excluding money market funds and publicly available market funds);

3. Common stock;

4. Inverse floaters;

NOTES TO FINANCIAL STATEMENTS
(Continued)

5. CLOs (Collateralized Loan Obligations);
6. CBOs (Collateralized Bond Obligations);
7. Capped floaters;
8. Interest-only MBS (Mortgage Backed Securities) securities;
9. Principal-only MBS (Mortgage Backed Securities) securities;
10. Support CMO (Collateralized Mortgage Obligation) or Support MBS (Mortgage Backed Securities) tranches;
11. Swap contracts; and
12. Derivative securities including, futures, options, swaps, and high risk mortgage derivatives (not permitted for active investment managers; permitted for index fund managers).

The money market funds are unrated, as are the mutual funds and common stocks used by the Plan. As of June 30, 2014, the Plan's fixed income investments had the following characteristics:

Moody's Rating or Comparable	Fair Value
AAA to A1	$ 22,194,986
BAA3 to BA1	8,970,887
CAA2 to C	-
Not rated	17,936,547
Total Fair Value	$ 49,102,420

The Plan's investment policy limits its Fixed Income portfolio to the average credit quality of at least AA. The Plan also limits Equities securities to those that are broadly classified as institutional quality issues and those that are publicly traded have sufficient marketability to permit prompt, orderly liquidation under normal circumstances.

Foreign Currency Risk – The Plan's exposure to foreign currency risk derives from its investment in foreign currency or instruments denominated in foreign currency. The Plan recognizes the value of global diversification and retains one investment manager for global and international equity investments. The Plan's investment policy does not establish any limitation related to foreign currency risk. The Plan did not have foreign currency risk as of June 30, 2014.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Other Post Employment Benefit (OPEB) Trust Fund

The County's OPEB Trust is one of two OPEB's that participate in the Frederick County Master Retiree Benefit Trust Agreement ("OPEB Master Trust"). The other OPEB, which participates in the OPEB Master Trust, is the Retiree Benefit Trust of Frederick County Public Schools ("Public Schools OPEB Trust"). The OPEB Master Trust exists for the purpose of receiving, holding and managing the investment of funds contributed on behalf of both the Frederick County, Maryland Retiree Health Benefit Plan and the Frederick County Public Schools Retiree Health Benefit Plan, in connection with the funding of their OPEB obligations. Both of the OPEB's in the OPEB Master Trust have the same sole trustee and the same Investment Committee Members.

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

Investments – The Plans investment policy includes an asset allocation plan for investments. The target allocation is 65 percent equities and 35 percent bonds. The minimum and maximum percentages for equities are 45 percent and 75 percent, respectively and for bonds are 25 percent and 55 percent, respectively.

As of June 30, 2014, the Plan held the following investments and maturities:

Investment Type (All funds)	Fair Value	0 - 18 Month Maturities	18 - 24 Month Maturities	> 24 Month Maturities
Money Market Funds	$ 694,382	$ 694,382	$ -	$ -
Mutual Funds	96,470,550	96,470,550	-	-
Total Fair Value	$ 97,164,932	$ 97,164,932	$ -	$ -

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

Credit Risk – The Plan's investment policy states that the assets of the County's OPEB Trust will be invested in accordance with Article 95, Section 22 of the Annotated Code of Maryland. The Investment Committee may consider both actively and passively managed investment strategies and may allocate funds across managers to develop the most efficient and feasible investment structure for each asset class. Initially the assets have been invested in passively managed investment strategies. As the County OPEB Trust assets grow in size, actively managed investment strategies may be considered.

Foreign Currency Risk – The Plan's exposure to foreign currency risk derives from its investment in foreign currency or instruments denominated in foreign currency. The Plan recognizes the value of global diversification and retains one investment manager for global and international equity investments. The Plan's investment policy does not establish any limitation related to foreign currency risk. The Plan did not have foreign currency risk as of June 30, 2014.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Component Units

The Board of Education's investments as of June 30, 2014 are categorized in the following table:

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1	1-5	6-10	Interest Rate as of June 30
MLGIP	$ 6,531,177	$ 6,531,177	$ -	$ -	0.06%
Money Market	14,548,622	14,548,622	-	-	0.05%
Certificates of Deposit	6,637	6,637	-	-	Various
Fixed Income Securities	25,011,637	25,011,637	-	-	0.00%
Equity Securities	47,075,275	47,075,275	-	-	1.31%
Totals	$ 93,173,348	$ 93,173,348	$ -	$ -	

The above investment balances include fiduciary funds in the amount of $75,216,348. Total net investment income per statement of activities as of June 30, 2014 was $20,248.

FCC's investments as of June 30, 2014 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1	1-5	6-10	Interest Rate At June 30
MLGIP	$ 8,431,864	$ 8,431,864	$ -	$ -	0.06%

Total net investment income for FCC (excluding the FCC Foundation) as of June 30, 2014 was $14,141. The Frederick Community College Foundation investments as of June 30, 2014 were:

	June 30, 2014			June 30, 2013		
Investment Type	Cost	Market	Unrealized Gains (Losses)	Cost	Market	Unrealized Gains (Losses)
USMF Fund	$ 12,068,135	$ 11,753,671	$ (314,464)	$ 11,221,284	$ 10,644,141	$ (577,143)
Charitable Remainder Trust	479,043	427,872	(51,171)	479,043	365,730	(113,313)
Total Investments	$ 12,547,178	$ 12,181,543	$ (365,635)	$ 11,700,327	$ 11,009,871	$ (690,456)

As of June 30, 2014, the Foundation had 368,875.28 units of the University System of Maryland Foundation, Inc. Unitized Investment Fund valued at $31.86353 per unit with a value of $11,753,671.

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCPL's investments as of June 30, 2014 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1	1-5	6-10	Interest Rate At June 30
MLGIP	$ 230,968	$ 230,968	$ -	$ -	0.06%
Certificates of Deposit	199,795	199,795	-	-	Various
Total Investments	$ 430,763	$ 430,763	$ -	$ -	

Investment income includes the following for the year ended June 30, 2014:

Total net investment income per statement of activities - $1,728.

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

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

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the BOE, FCC and FCPL will not be able to recover all or portion of the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2014, 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:

General Fund	$539,858
Water and Sewer	1,002
Solid Waste	15,788

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Due To/From Primary Government and Component Units

The receivable and payable balances between the primary government and its component units as of June 30, 2014, are reconciled as follows:

	BOE	FCC	FCPL	TOTAL
Due from component units per Primary Government	$ 2,189	$ -	$ -	$ 2,189
Less: Not recorded as payable by component unit in FY14	(2,189)	-	-	(2,189)
Due to primary government per Component Units	$ -	$ -	$ -	$ -
Due to component units per Primary Government	$ 4,454,281	$ -	$ 2,780,119	$ 7,234,400
Plus: Receivables recorded by component unit in FY14	61,820	-	-	61,820
Less: Receivable recorded by component unit in FY 15		-	(4,732)	(4,732)
Due from primary government per Component Units	$ 4,516,101	$ -	$ 2,775,387	$ 7,291,488

NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Capital Assets

Capital Asset activity for the year ended June 30, 2014 is as follows:

	Primary Government				
	Beginning Balance	Increases	Adjustments/ Transfers*	Decreases	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	$ 88,771,606	$ 3,027,172	$ -	$ (2,057,417)	$ 89,741,361
Construction in progress	14,499,579	12,258,379	-	(9,612,467)	17,145,491
Total capital assets at historical cost not being depreciated	103,271,185	15,285,551	-	(11,669,884)	106,886,852
Capital assets being depreciated:					
Buildings and improvements	249,402,172	6,080,454	-	(86,021)	255,396,605
Equipment	117,712,408	2,339,429	161,177	(2,130,399)	118,082,615
Infrastructure	352,751,784	3,191,337	-	(673)	355,942,448
Total capital assets at historical cost being depreciated	719,866,364	11,611,220	161,177	(2,217,093)	729,421,668
Less accumulated depreciation for:					
Buildings and improvements	74,969,188	7,488,186	-	(14,344)	82,443,030
Equipment	72,018,890	8,401,564	144,676	(1,920,905)	78,644,225
Infrastructure	197,912,809	8,968,474	-	(673)	206,880,610
Total accumulated depreciation	344,900,887	24,858,224	144,676	(1,935,922)	367,967,865
Total capital assets being depreciated, net of accumulated depreciation	374,965,477	(13,247,004)	16,501	(281,171)	361,453,803
Governmental activities capital assets, net	$ 478,236,662	$ 2,038,547	$ 16,501	$ (11,951,055)	$ 468,340,655

Depreciation expense was charged to governmental functions as follows:

General government	$ 2,610,104
Public safety	6,392,193
Public works	2,139,837
Health	192,442
Social services	1,243,803
Rec and culture	3,278,835
Economic Development and Opportunity	32,536
Infrastructure	8,968,474
Total depreciation expense	$ 24,858,224

* Asset additions due to the consolidation of the Citizens Care and Rehabilitation Enterprise Fund into the General Fund.

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 8,527,737	$ -	$ -	$ 8,527,737
Construction in progress	125,812,853	27,843,947	(7,771,886)	145,884,914
Total capital assets at historical cost not being depreciated	134,340,590	27,843,947	(7,771,886)	154,412,651
Capital assets being depreciated:				
Buildings and improvements	198,039,429	338,202	(16,514)	198,361,117
Equipment	48,656,789	420,763	(465,246)	48,612,306
Infrastructure	335,711,390	6,826,729	-	342,538,119
Total capital assets at historical cost being depreciated	582,407,608	7,585,694	(481,760)	589,511,542
Less accumulated depreciation for:				
Buildings and improvements	60,523,253	4,225,415	(16,514)	64,732,154
Equipment	30,812,177	1,933,871	(448,745)	32,297,303
Infrastructure	54,948,648	4,604,929	-	59,553,577
Total accumulated depreciation	146,284,078	10,764,215	(465,259)	156,583,034
Total capital assets being depreciated, net of accumulated depreciation	436,123,530	(3,178,521)	(16,501)	432,928,508
Business-type activities capital assets, net of accumulated depreciation	$ 570,464,120	$ 24,665,426	$ (7,788,387)	$ 587,341,159

Depreciation expense was charged to business-type functions as follows:

Citizens Care & Rehabilitation Center	$ 3,585
Bell Court	71,346
Solid Waste	915,260
Water & Sewer	9,774,024
Total depreciation expense	$ 10,764,215

NOTES TO FINANCIAL STATEMENTS
(Continued)

Component units' capital asset activity for the year ended June 30, 2014 was as follows:

BOE	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	$ 47,684,254	$ 313,000	$ -	$ 47,997,254
Construction in progress	5,817,124	31,186,420	(4,753,423)	32,250,121
Total capital assets at historical cost not being depreciated	53,501,378	31,499,420	(4,753,423)	80,247,375
Capital assets being depreciated:				
Building and improvements	827,850,258	2,838,811	(568,943)	830,120,126
Furniture and equipment	59,974,237	1,428,760	(3,932,534)	57,470,463
Total capital assets at historical cost being depreciated	887,824,495	4,267,571	(4,501,477)	887,590,589
Less accumulated depreciation for:				
Building and improvements	258,925,719	22,942,842	(568,943)	281,299,618
Furniture and equipment	37,061,903	3,264,122	(3,731,079)	36,594,946
Total accumulated depreciation	295,987,622	26,206,964	(4,300,022)	317,894,564
Total capital assets being depreciated, net of accumulated depreciation	591,836,873	(21,939,393)	(201,455)	569,696,025
BOE's capital assets, net of accumulated depreciation	$ 645,338,251	$ 9,560,027	$ (4,954,878)	$ 649,943,400

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCC	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	$ 271,620	$ -	$ -	$ 271,620
Construction in progress	3,760,735	3,101,925	(3,353,643)	3,509,017
Total capital assets at historical cost not being depreciated	4,032,355	3,101,925	(3,353,643)	3,780,637
Capital assets being depreciated:				
Library collection	1,975,831	37,372	-	2,013,203
Building and improvements	88,575,273	3,697,599	(483,020)	91,789,852
Furniture and equipment	4,301,095	460,108	(62,609)	4,698,594
Site improvement	6,031,146	40,597	-	6,071,743
Total capital assets at historical cost being depreciated	100,883,345	4,235,676	(545,629)	104,573,392
Less accumulated depreciation for:				
Library collection	1,820,550	40,053	-	1,860,603
Building and improvements	26,008,210	2,346,898	(369,043)	27,986,065
Furniture and equipment	2,948,467	345,877	(62,609)	3,231,735
Site improvement	4,948,483	313,945	-	5,262,428
Total accumulated depreciation	35,725,710	3,046,773	(431,652)	38,340,831
Total capital assets being depreciated, net of accumulated depreciation	65,157,635	1,188,903	(113,977)	66,232,561
FCC's capital assets, net of accumulated depreciation	$ 69,189,990	$ 4,290,828	$ (3,467,620)	$ 70,013,198

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCPL	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets being depreciated:				
Library collection	$ 10,222,697	$ 1,284,995	$ (3,054,329)	$ 8,453,363
Furniture and equipment	256,908	53,029	(14,145)	295,792
Total capital assets at historical cost being depreciated	10,479,605	1,338,024	(3,068,474)	8,749,155
Less accumulated depreciation for:				
Library collection	6,776,402	1,251,529	(1,447,924)	6,580,007
Furniture and equipment	130,135	19,593	(14,144)	135,584
Total accumulated depreciation	6,906,537	1,271,122	(1,462,068)	6,715,591
FCPL's capital assets, net of accumulated depreciation	$ 3,573,068	$ 66,902	$ (1,606,406)	$ 2,033,564

NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Interfund Receivables, Payables and Transfers

1. Primary Government Interfund Receivables and Payable Balances

	Payable Fund	
Receivable Fund	**General Fund**	**Total Due from Other Funds**
Capital Projects	$ 28,500,000	$ 28,500,000
Total Due to Other Funds	$ 28,500,000	$ 28,500,000

Interfund balances due from the general fund include $28,500,000 to the Capital Projects Fund. The amount due from the general fund was paid in July 2014.

2. Interfund Transfers – Primary Government

Interfund transfers for the year ended June 30, 2014 consists of the following:

	Transfers In					
	General Fund	Agricultural Preservation	Capital Projects	Nonmajor Governmental	Nonmajor Enterprise	Total Transfers to Other Funds
Transfers Out						
General Fund	$ -	$ 189,156	$ 8,744,407	$ 5,212,859	$ 2,583,705	$ 16,730,127
Internal Service	300,000	-	-	-	700,000	-
Total Transfers in from Other Funds	$ 300,000	$ 189,156	$ 8,744,407	$ 5,212,859	$ 3,283,705	$ 16,730,127

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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 2014 were $1,220,611.

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

Years Ending June 30,	Total Payment
2015	$ 685,039
2016	430,260
2017	363,933
2018	370,133
2019	376,519
2020-2024	1,647,224
2025-2029	584,515
2030-2034	320,675
2035-2039	138,958
Total	$ 4,917,256

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 2014 totaled $129,372.

The future minimum lease revenues for the subleases are $51,829 for fiscal year 2015.

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 2014 totaled $1,482,676.

Future minimum lease revenues for these rentals are as follows:

Years Ending June 30,	Total Payment
2015	$ 1,113,513
2016	1,116,914
2017	1,119,601
2018	1,009,455
2019	965,717
2020-thereafter	4,942,828
	$ 10,268,028

NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Non-Current Liabilities

1. Changes in Non-Current Liabilities

Primary Government:

	Balance July 1, 2013	Additions	Principal Repayments & Reductions	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
Bonds Payable	$ 447,690,458	$ -	$ (31,535,638)	$ 416,154,820	$ 33,935,397
Unamortized Premium on Bonds	21,379,956	-	(4,345,732)	17,034,224	3,928,679
Installment Purchase Agreements	53,783,983	693,837	(972,759)	53,505,061	3,154,400
Notes Payable	375,438	-	(39,786)	335,652	41,973
Capital Lease Obligations	2,260,619	-	(786,059)	1,474,560	565,046
Compensated Absences	9,377,913	10,463,361	(10,350,561)	9,490,713	603,392
Net OPEB Obligation	17,997,795	-	(250)	17,997,545	-
Termination Benefits	184,564	-	(13,260)	171,304	-
Total Governmental Activity- Long Term Liabilities	$ 553,050,726	$ 11,157,198	$ (48,044,045)	$ 516,163,879	$ 42,228,887

Payments on the non-current liabilities above (excluding compensated absences), that pertain to the County's governmental activities are made by the General, Citizens Care and Rehabilitation Center Building, Parks Acquisition and Development, Agricultural Preservation, Impact Fee, Economic Development Loan, School Construction and Hotel Rental Tax Funds. A portion of the notes payable are repaid to the County by private users, as discussed in this section under Note 3.F.5 (Notes Payable). The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund. The additions to the unamortized premium on bonds payable for governmental activities are recorded as an Other Financing Source in the respective funds.

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. As of June 30, 2014, Internal Service Funds compensated absences totaling $137,796 are included in the above amounts.

Governmental activities beginning balance for long-term liabilities has been increased by $20,606,096 due to implementing GASB 65 which defines deferred loss on bond refunding as deferred outflow of resources instead of an offset to long-term liabilities. As such, deferred loss on bond refunding has been removed from this schedule.

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Balance July 1, 2013	Additions	Principal Repayments & Reductions	Balance June 30, 2014	Due Within One Year
Business-type Activities:					
Bonds Payable	$ 126,834,543	$ -	$ (9,179,361)	$ 117,655,182	$ 9,979,603
Unamortized Premium on Bonds	7,214,200	-	(1,374,945)	5,839,255	1,248,618
Notes Payable	65,378,647	12,918,041	(6,462,304)	71,834,384	4,869,111
Landfill Closure Costs	13,842,443	978,244	(202,225)	14,618,462	206,480
Compensated Absences	1,279,293	575,545	(1,064,160)	790,678	61,355
Termination Benefits	11,161	-	4,438	15,599	-
Total Business-type Activities - Long Term Liablilities	$ 214,560,287	$ 14,471,830	$ (18,278,557)	$ 210,753,560	$ 16,365,167

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 as of June 30, 2014 was $1,545,915,950 and the legal debt margin was $1,350,587,129.

Business-type activities beginning balance for long-term liabilities has been increased by $7,300,992 due to implementing GASB 65 which defines deferred loss on bond refunding as deferred outflow of resources instead of an offset to long-term liabilities. As such, deferred loss on bond refunding has been removed from this schedule.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Component Units:

	Balance July 1, 2013	Net Changes	Balance June 30, 2014	Due Within One Year
Board of Education				
Capital lease obligations	$ 16,059,000	$ (2,336,566)	$ 13,722,434	$ 538,588
Compensated absences	6,975,328	272,735	7,248,063	4,732,059
Net OPEB liability	148,454,322	30,368,835	178,823,157	-
Termination benefits payable	20,886,719	818,192	21,704,911	2,448,946
Board of Education - Long-term Liabilities	$ 192,375,369	$ 29,123,196	$ 221,498,565	$ 7,719,593
Frederick Community College				
Certificates of Participation	$ 7,267,805	$ (254,336)	$ 7,013,469	$ 265,000
Compensated absences	1,505,474	(16,440)	1,489,034	48,103
Net OPEB liability	145,677	13,818	159,495	-
Frederick Community College - Long-term Liabilities	$ 8,918,956	$ (256,958)	$ 8,661,998	$ 313,103
Frederick County Public Libraries				
Compensated absences	$ 446,376	$ 30,586	$ 476,962	$ 29,949
Net OPEB liability	1,442,354	-	1,442,354	-
Frederick County Public Libraries - Long-term Liabilities	$ 1,888,730	$ 30,586	$ 1,919,316	$ 29,949

2. General Obligation Bonds

Primary Government

The County may not issue general obligation bonds and installment purchase agreements unless specific enabling legislation is passed by the Maryland General Assembly. In addition to the Bonds, the County has been authorized by the General Assembly to, among other things, (i) issue temporary notes during any single year in an amount up to $100,000 to pay debt service on bonded indebtedness and $5,000,000 to pay any expenses or obligations of the County, (ii) incur debt for the purpose of providing funds for the construction of water, sewerage, drainage systems and solid waste systems, as long as the amount issued, less any sinking funds or reserves to pay such bonds, does not exceed 15 percent of the valuation of all legally assessable property within Frederick County subject to unlimited County taxation, and (iii) issue bonds in an amount up to $110,746,651. This represents the remaining authorization under Chapter 382 of the Laws of Maryland of 2007 ($10,746,651) and the authority granted under Chapter 54 of the Laws of Maryland of 2012 ($100,000,000), as of June 30, 2014.

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)

Government Activities	Date of Debt Issue	Date of Debt Maturity Due Serially to	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/14
Pub Facilities Refunding Bonds of 1998A	10/15/1998	7/1/2015	3.30%-5.00%	$ 19,346,419	$ 4,396,914
Public Facilities Refunding Bonds of 2002, Series A	4/1/2002	7/1/2016	5.00%-5.25%	13,999,267	1,533,784
Pub Facility Refunding Bonds of 2005	5/1/2005	8/1/2015	3.00%-5.00%	91,781,972	17,836,392
Pub Facility Refunding Bonds of 2006	2/1/2006	11/1/2022	4.00%-5.25%	12,608,476	12,608,476
Public Facilities Bonds of 2007	5/15/2007	6/1/2027	4.00%-5.00%	49,238,675	14,632,823
Public Facilities Bonds of 2008	6/15/2008	6/1/2028	3.50%-5.00%	58,887,801	23,385,957
Public Facilities Bonds of 2010A	1/26/2010	2/1/2020	2.00%-5.00%	46,804,871	31,006,442
Pub Fac Bonds of 2010B (BAB)	1/26/2010	2/1/2030	4.90%-5.90%	71,261,044	71,261,044
Pub Fac Bonds of 2010C Refunding	4/27/2010	12/1/2020	2.00%-5.00%	57,287,230	39,831,143
Pub Fac Bonds of 2011B Refunding	8/4/2011	8/1/2017	2.00%-4.00%	9,909,092	8,296,272
Public Facilities Bonds of 2011	8/4/2011	8/1/2031	2.50%-5.00%	55,810,000	53,765,000
Pub Fac Bonds of 2012 Refunding	2/9/2012	8/1/2024	2.00%-4.00%	59,842,669	59,842,669
Pub Fac Bonds of 2012B - Refunding - Taxable	8/23/2012	8/1/2020	1.00%-1.66%	51,946,393	51,946,393
Public Facilities Bonds of 2013	5/2/2013	5/1/2033	2.00%-5.00%	26,800,000	25,811,511
Total Bonds Outstanding				$ 625,523,909	$ 416,154,820

The annual requirements to amortize governmental activities bond debt outstanding as of June 30, 2014 are as follows:

Years Ending June 30,	Principal	Interest	Total Requirement
2015	$ 33,935,397	$ 16,589,704	$ 50,525,101
2016	36,078,191	15,154,946	51,233,137
2017	34,816,004	13,820,921	48,636,925
2018	34,757,373	12,609,778	47,367,151
2019	36,528,030	11,320,773	47,848,803
2020-2024	123,304,824	39,493,245	162,798,069
2025-2029	88,983,170	17,825,728	106,808,898
2030-2034	27,751,831	1,808,077	29,559,908
	$ 416,154,820	$ 128,623,172	$ 544,777,992

For the year ended June 30, 2014, total principal and interest incurred related to general obligation bonds was $31,535,638 and $17,930,978.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Business Type Activities	Date of Debt Issue	Date of Debt Maturity Due Serially to	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/14
Pub Facilities Refunding Bonds of 1998A	10/15/1998	7/1/2015	3.30%-5.00%	$ 9,143,581	$ 2,078,087
Public Facilities Refunding Bonds of 2002, Series A	4/1/2002	7/1/2016	5.00%-5.25%	8,590,733	941,216
Pub Facility Refunding Bonds of 2005	5/1/2005	8/1/2015	3.00%-5.00%	15,233,028	2,903,608
Pub Facility Refunding Bonds of 2006	2/1/2006	11/1/2022	4.00%-5.25%	7,756,524	7,756,524
Public Facilities Bonds of 2007	5/15/2007	6/1/2027	4.00%-5.00%	38,990,000	10,787,177
Public Facilities Bonds of 2008	6/15/2008	6/1/2028	3.50%-5.00%	18,325,000	7,019,043
Public Facilities Bonds of 2010A	1/26/2010	2/1/2020	2.00%-5.00%	12,491,544	8,203,558
Pub Fac Bonds of 2010B (BAB)	1/26/2010	2/1/2030	4.90%-5.90%	18,853,956	18,853,956
Pub Fac Bonds of 2010C Refunding	4/27/2010	12/1/2020	2.00%-5.00%	21,578,717	14,873,857
Pub Fac Bonds of 2011B Refunding	8/4/2011	8/1/2017	2.00%-4.00%	6,095,907	5,103,728
Pub Fac Bonds of 2012 Refunding	2/9/2012	8/1/2024	4.00%	25,232,331	25,232,331
Pub Fac Bonds of 2012B - Refunding - Taxable	8/23/2012	8/1/2020	1.00%-1.66%	9,423,607	9,423,607
Public Facilities Bonds of 2013	5/2/2013	5/1/2033	2.00%-5.00%	4,650,000	4,478,490
Total Bonds Outstanding				$ 196,364,928	$ 117,655,182

The annual requirements to amortize business-type activities bonded debt outstanding as of June 30, 2014 are as follows:

Years Ended June 30,	Principal	Interest	Total Requirement
2015	$ 9,979,603	$ 4,912,570	$ 14,892,173
2016	10,411,809	4,476,718	14,888,527
2017	9,833,996	4,059,743	13,893,739
2018	9,407,627	3,664,827	13,072,454
2019	10,196,970	3,274,947	13,471,917
2020-2024	40,295,176	10,740,258	51,035,434
2025-2029	24,096,830	3,912,220	28,009,050
2030-2034	3,433,171	227,226	3,660,397
	$ 117,655,182	$ 35,268,509	$ 152,923,691

For the year ended June 30, 2014, total principal and interest incurred related to business-type activities was $9,179,361 and $5,316,378.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Agricultural Preservation Installment Purchase Agreements

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

The annual requirements to amortize agricultural land preservation installments outstanding are as follows:

Year Ending June 30,	Principal	Interest	Total Requirement
2015	$ 3,154,400	$ 2,556,309	$ 5,710,709
2016	2,630,349	2,416,743	5,047,092
2017	5,297,534	2,359,164	7,656,698
2018	870,918	1,984,417	2,855,335
2019	1,491,857	1,962,350	3,454,207
2020-2024	15,722,292	8,674,743	24,397,035
2025-2029	17,588,699	4,415,834	22,004,533
2030-2033	6,749,012	669,559	7,418,571
	$ 53,505,061	$ 25,039,119	$ 78,544,180

For the year ended June 30, 2014, total principal and interest incurred related to agricultural land preservation installment was $972,759 and $2,524,577, respectively. These agreements have interest rates that vary from 3.08 percent to 5.73 percent.

4. Capital Lease Obligations

Primary Government

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

Asset:	
Equipment	$ 15,522,055
Less: Accumulated depreciation	(11,042,212)
Total:	$ 4,479,843

NOTES TO FINANCIAL STATEMENTS
(Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

Years Ending June 30,	Total Payment
2015	$ 584,375
2016	584,375
2017	337,961
	1,506,711
Less: amount representing interest	(32,151)
Present value-net minimum lease payments	$ 1,474,560

Component Unit

The BOE has various capital lease agreements for the purchase of a wide area network technology upgrade, a new central office building, and food service equipment. Payments, including interest, during FY2014 were $2,825,281. The BOE entered into a lease agreement, as lessee, for a new central office building in the amount of $16,700,000. Financing was completed in December 2007. The BOE refinanced the central office lease agreement. The terms of the refinanced lease agreement lowered the interest rate from 4.62% to 3.1%. Principal and interest payments were adjusted under the refinanced lease agreement but the agreement still terminates on September 1, 2032.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Building	$ 16,361,159
Machinery and equipment	15,023,064
Less: Accumulated depreciation	(13,128,617)
Total	$ 18,255,606

NOTES TO FINANCIAL STATEMENTS
(Continued)

As of June 30, 2014, the minimum obligation under capital leases was as follows:

	Years Ending June 30,	Governmental Activities
	2015	$ 955,635
	2016	955,635
	2017	955,635
	2018	955,635
	2019	955,635
	2020-2024	4,778,175
	2025-2029	4,778,175
	2030-2033	3,822,540
Total Obligations		18,157,065
Less: Portion representing interest at 3.1%		(4,434,631)
Present value of lease obligation		$ 13,722,434

5. Certificates of Participation

Component Unit

FCC issued Certificates of Participation in December 2010 to finance a new parking garage and a portion of the enrollment services building. Manufactures and Traders Trust Company serves as trustee for the transaction and there is a term of twenty-five years. Principal payments began in FY2013.

The annual requirements to amortize the certificates of participation as of June 30, 2014 are as follows:

Years	Certificates of Participation			
June 30,	Principal	Less Discount	Net	Interest
2015	$ 265,000	$ 5,664	$ 259,336	$ 455,358
2016	270,000	5,664	264,336	446,612
2017	275,000	5,664	269,336	436,353
2018	285,000	5,664	279,336	424,528
2019	295,000	5,664	289,336	410,278
2020-2024	1,465,000	26,003	1,438,997	1,818,463
2025-2029	1,720,000	26,003	1,693,997	1,326,270
2030-2034	2,080,000	26,003	2,053,997	655,288
2035	470,000	5,202	464,798	35,247
	$ 7,125,000	$ 111,531	$ 7,013,469	$ 6,008,397

NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Notes Payable

Primary Government

Governmental Activity:

Maryland Industrial Land Act Loans

The County has an outstanding loan from the Department of Business and Economic Development of the State (DBED) in the original amount of $630,000 under the Maryland Industrial Land Act, Article 83A, Section 5-401 et. seq. of the Maryland Code. The outstanding balance of this loan as of June 30, 2014 was $256,289. 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. Dan Jan LLC has paid back the loan in full as of June 30, 2014. Conversely, the outstanding loan from DBED was paid off on July 10, 2014.

In addition, a loan in the amount of $181,059 has also been received under the program and granted to State Farm Insurance to assist in the financing of certain street and site improvements in the County. The loan is a full faith and credit obligation of the County. The outstanding balance of this loan as of June 30, 2014 was $79,363.

	Paying Fund	Amount of Original Issue	Date of Debt Issue	Date of Debt Maturity	Annual Rate/ Payment Frequency	Amount Outstanding 06/30/14
Governmental Activity:						
MD Industrial Land Act Loan - Dan Jay LLC	Econ Dev	$ 630,000	02/11/94	02/11/21	5.23%/Quarterly	$ 256,289
MD Industrial Land Act Loan - State Farm	General	181,059	05/12/94	05/12/21	5.93%/Quarterly	79,363
Total Notes Payable		$ 811,059				$ 335,652

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

Years Ending June 30,	Principal	Interest
2015	$ 41,973	$ 17,272
2016	44,281	14,964
2017	46,716	12,529
2018	49,285	9,960
2019	51,995	7,250
2020-2022	101,402	5,760
	$ 335,652	$ 67,735

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, 2014, the County has authorized and approved borrowings in an aggregate principal amount of $95,528,818 for ten water and sewer loans. The County has also authorized and approved borrowings in an aggregate principal amount of $23,083,532 for three solid waste loans. As of June 30, 2014, $92,700,413 of the water and sewer loan proceeds and $23,083,532 of the solid waste loan proceeds have been drawn. The outstanding principal balance on these loans as of June 30, 2014 is $71,834,383. These loans have interest rates of 0.08 – 4.56 percent.

7. Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs

The Solid Waste Enterprise Fund recorded a liability for the costs of closing and post closure monitoring and care for thirty years of both sanitary landfills (Site A and B) as mandated by state and federal regulations. The liability recognized to date is based on the percentage to total landfill capacity multiplied by the total estimated current costs of closure and post closure care. The liability is reduced as the estimated costs are incurred.

As of June 30, 2005, the Site A landfill was 100 percent to capacity. Total capacity of Site A is 3,228,000 tons. In fiscal year 2014, $202,225 of operating activities such as leachate treatment and well testing related to Site A were incurred. The liability for Site A closure was decreased $36,945 to reflect the variance between estimated and actual costs. The total remaining estimated costs for closure and post closure care of Site A are $2,946,480 as of June 30, 2014. This entire amount is reported as a liability for Site A.

As of June 30, 2014, the Site B landfill had capacity used of 2,229,750 tons, which is 54.11 percent of the revised capacity of 4,121,115 tons which includes the vertical expansion and an aerial adjustment. The total estimated costs for closure and post closure care of Site B are $21,523,138. The resulting liability is $11,671,982 with $9,851,156 remaining to be recognized. The current operating strategy includes the utilization of a transfer station that became operational in January 2009.

The Solid Waste Enterprise Fund has a total liability for closure and post closure care of $14,618,462 as of June 30, 2014. 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 Position

1. Governmental Funds - Nonspendable

	General Fund	Agricultural Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Inventory	$ 751,052	$ -	$ -	$ 751,052
Prepaid	44,156	-	-	44,156
Long-term receivables	80,415	-	6,553,414	6,633,829
Agricultural compliance monitoring	-	199,067	-	199,067
Total nonspendable fund balances	$ 875,623	$ 199,067	$ 6,553,414	$ 7,628,104

2. Governmental Funds – Restricted

	General Fund	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Debt service	$ 1,789,157	$ -	$ -	$ -	$ 1,789,157
School and library construction	-	-	11,165,028	-	11,165,028
Parks construction	-	-	125,000	-	125,000
Roads and bridges construction	-	-	9,140,285	-	9,140,285
General government/other construction	-	-	2,151,465	-	2,151,465
Municipal construction	-	-	174,299	-	174,299
Sheriff's/Judicial activities	-	-	-	47,664	47,664
Rural Legacy	-	1,681,585	-	-	1,681,585
Total restricted fund balances	$ 1,789,157	$ 1,681,585	$ 22,756,077	$ 47,664	$ 26,274,483

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Governmental Funds – Committed

	General Fund	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Bond rating enhancement	$ 2,700,000	$ -	$ -	$ -	$ 2,700,000
Enabling legislation	24,012,867	-	-	-	24,012,867
Length of Service Award Program	232,940	-	-	-	232,940
Encumbrances	1,991,810	-	-	-	1,991,810
School and library construction	-	-	13,007,350	-	13,007,350
Parks construction	-	-	12,757,642	-	12,757,642
Roads and bridges construction	-	-	6,025,447	-	6,025,447
General government/other construction	-	-	23,580,167	-	23,580,167
Watershed restoration	-	-	1,276,250	-	1,276,250
Municipal construction	-	-	100,000	-	100,000
Electric lighting	-	-	-	2,963	2,963
Sheriff's/Judicial activities	-	-	-	524,184	524,184
Installment purchase agreements	-	45,579,158	-	-	45,579,158
Total committed fund balances	$ 28,937,617	$ 45,579,158	$ 56,746,856	$ 527,147	$ 131,790,778

* Section 2-7-1(a) (2) of the Frederick County, Maryland Code of Ordinances provides for the County to maintain a committed General Fund balance equal to 5 percent of General Fund expenditures and transfers to the Board of Education and Frederick Community College on a budgetary basis. As of June 30, 2014 the required balance is $24,012,867. This is classified as “committed” fund balance in accordance with the promulgations of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Due to the restricting nature of the set-aside, the 5 percent is reported as restricted net position in the governmental activities column of the government-wide Statement of Net Position.

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Governmental Funds – Assigned

	General Fund	Agricultural Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Snow removal	$ -	$ -	$ -	$ -
Fuel reserve	200,726	-	-	200,726
FY 15 budget	23,551,966	-	-	23,551,966
FY 15 budget - Contingency	500,000	-	-	500,000
FY 16 budget	16,062,061	-	-	16,062,061
Encumbrances	879,132	-	-	879,132
Income taxes	2,883,629	-	-	2,883,629
Continued care- assisted living	1,521,286	-	-	1,521,286
Grant Activities	-	-	1,183,968	1,183,968
Electric lighting	-	-	253	253
Loan activities	-	-	940,192	940,192
Agricultural Preservation	-	3,521,427	-	3,521,427
Total assigned fund balances	$ 45,598,800	$ 3,521,427	$ 2,124,413	$ 51,244,640

5. Governmental Funds - Unassigned

Sections 2-7-1(b) and (4) of the Frederick County, Maryland Code of Ordinances stipulates that the County may not levy more than $500,000 as use in a contingency fund and must be maintained as part of unassigned fund balance. It shall be dedicated and appropriated to meet any unexpected demand which arises after the tax levy has been made, the occurrence of which could not reasonably have been foreseen. As of June 30, 2014 Frederick County, Maryland has appropriated $300,000 for use in a contingency fund which is maintained as part of unassigned fund balance.

6. Net Position Restricted by Enabling Legislation

Net position restricted by enabling legislation represent accumulated net position 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 position in the government-wide Statement of Net Position, are as follows at year end:

	Governmental Activities	Business-type Activities
Restricted by Enabling Legislation	$ 124,628,895	$ -
Other Amounts Restricted by 3rd Parties	13,550,678	1,326,742
Total Restricted Net Position	$ 138,179,573	$ 1,326,742

NOTES TO FINANCIAL STATEMENTS
(Continued)

7. Business-Type Activities with Unrestricted Net Position

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, 2014, the calculation of these reserves is $83,505,955 (detailed below). These reserves are a part of the $473,029,001 net position balance.

Reserved for:	
Operating Reserves	$ 5,248,219
3 R Reserves	2,646,848
Tap Credits	2,810,510
Cash Funding of Capital Projects	5,026,093
System Development	67,774,285
Total Water and Sewer Reserves	83,505,955
Excess reserves	(2,629,127)
Unrestricted net position	$ 80,876,828

8. Net Investment in Capital Assets

As of June 30, 2014, net investment in capital assets in the Government-Wide Statement of Net Position was calculated as follows:

	Governmental Activities	Business-type Activities
Capital Assets (Exhibit II-A-1)	$ 468,340,655	$ 587,341,160
Debt related to Capital Assets	(225,294,602)	(187,356,574)
Unspent bond proceeds included in debt related to capital assets	11,145,842	1,065,005
Net Investment in Capital Assets (Exhibit II-A-1)	$ 254,191,895	$ 401,049,591

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4. OTHER INFORMATION

A. Commitments and Contingencies

1. Construction Commitments

As of June 30, 2014, the County had the following commitments with respect to unfinished capital projects:

	Total Project Budget	Total Expenditures	Amount Funded	Required Future Funding
General government	$ 49,156,487	$ 7,089,531	$ 27,908,858	$ 21,247,629
Roads and Bridges	56,078,317	35,643,098	28,074,926	28,003,391
Board of Education	61,414,297	35,964,206	32,456,252	28,958,045
Frederick Community College	29,092,871	24,207,807	24,279,741	4,813,130
Parks and Recreation	18,718,892	5,172,934	14,240,127	4,478,765
Watershed Restoration	1,675,293	632,643	1,675,293	-
Municipal	1,103,964	927,580	1,021,879	82,085
	$ 217,240,121	$ 109,637,799	$ 129,657,076	$ 87,583,045

2. Federal Financial Assistance

The County participates in a number of federally assisted programs, principal of which are the Child Support Enforcement, Mass Transit Programs, Section 8 Housing, Capital Projects, and State Homeland Security Programs. Audits of these programs are conducted according to the Federal Office of Management and Budget Circular A-133. The Single Audit Report for the year ended June 30, 2014 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 as of June 30, 2014.

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Economic Dependency

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

Citizens Care and Rehabilitation Center, a non-major enterprise fund, has three payor types that individually exceed ten percent of total operating revenues for this fund. They are Medicaid (33.12 percent), Medicare (27.37 percent), and Private Pay (16.02 percent).

The Solid Waste Enterprise Fund has three customers which account for 21.12 percent of total operating revenues. Two commercial haulers accounted for $3,555,771 or 14.92 percent of the fiscal year 2014 operating revenues. A single municipality accounted for $1,379,469 or 5.79 percent of the fiscal year 2014 operating revenues. Should the revenues from any of these customers decrease significantly, certain variable operating expenses, such as transfer expense and closure and post closure care costs would decrease.

5. Risk Management

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

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

6. Contingent Liability

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

On June 20, 2013 the County entered into two loan agreements with the Maryland Department of the Environment (MDE) for the purpose of replacing the aging water distribution system located in the Village of Rosemont. The principal amount approved for the first loan to be repaid to MDE is $274,714, maturing on February 1, 2043. The second loan was approved in the amount of $1,500,000. At any time prior to June 20, 2023, the principal advanced under the second loan agreement shall be payable in full, on demand. MDE has agreed to forgive the repayment of the principal amount of the loan and interest payable, so long as the County performs all of its other obligations under the loan agreement. As of June 30, 2014, $220,888 of the first loan and $1,251,696 of the second loan have been drawn.

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 as of June 30, 2014.

C. Conduit Debt

1. Community Development Authority (Special Tax) Financing

Frederick County has issued special obligation bonds for the Urbana Community Development Authority and for the Villages of Lake Linganore Community Development Authority. These bonds were for infrastructure costs within the boundaries of the respective Authorities. The Bonds are secured by special taxes levied on the properties within the respective Authorities. These are limited obligation bonds and as such do not pledge the full faith and credit of the County.

The County authorized a Community Development Authority district for the Aspen North area of the County. Taxes have been levied on the Aspen North properties, but the debt has not been issued.

2. Tax Increment Financing

Frederick County has issued Tax Increment Financing Bonds to finance a portion of the infrastructure needed in the Dudrow Industrial Park, Center Park and Jefferson Technology 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. These are limited obligation bonds and as such, do not pledge the full faith and credit of the County. More recent series of these bonds are supported by additional special tax assessments within the CDA, if needed.

On March 6, 2014, the Board of County Commissioners enacted ordinances and adopted resolutions creating the Oakdale-Lake Linganore Development District, authorizing the issuance of up to $75 million aggregate principal amount of special obligation bonds to finance infrastructure costs within the District, pledging certain incremental tax revenues to the payment of debt service on such bonds, and authorizing the levy of special taxes within the District to pay debt service on such bonds. As of June 30, 2014, no debt had been issued.

Below is information on the current outstanding Tax Increment Financing and Community Development Authority bond issues. All debt related to the Center Park Development District has been paid in full.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Payee	Type of Bond Issue	Amount of Original Issue	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Amount Outstanding 6/30/2014
Toys'R-Us	TIF	$ 1,890,094	09/26/96	09/15/18	8.16%	$ 741,355
Lake Linganore - Series 2001A	CDA	1,957,000	02/05/01	07/01/20	5.60%	1,957,000
Lake Linganore - Series 2001A	CDA	4,285,000	02/05/01	07/01/29	5.70%	4,285,000
Lake Linganore - Series 2007A	CDA	3,114,000	09/20/07	07/01/29	0.00%	2,394,431
Lake Linganore - Series 2007B	CDA	3,232,142	09/20/07	03/01/28	0.00%	2,420,142
Urbana CDA - Series 2010A	CDA	30,440,000	09/23/10	07/01/25	2.00-5.00%	26,235,000
Urbana CDA - Series 2010A	CDA	20,455,000	09/23/10	07/01/30	4.40%	20,455,000
Urbana CDA - Series 2010A	CDA	26,780,000	09/23/10	07/01/40	4.70%	26,780,000
Urbana CDA - Series 2010B	CDA	20,020,000	09/23/10	07/01/40	5.50%	20,020,000
Jefferson Technology Park - Series 2013A	CDA	6,640,000	08/06/13	07/01/43	7.25%	6,640,000
Jefferson Technology Park - Series 2013B	TIF/CDA	33,360,000	08/06/13	07/01/43	7.13%	33,360,000
						$ 145,287,928

3. Other Conduit Financings

From time to time, the County has issued Maryland Industrial Development Revenue Bonds, Maryland Economic Development Revenue Bonds, and Maryland Mortgage Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities and provision of housing deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from the underlying revenues and resources of the private-sector entities served by the bond issuance. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, or any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, neither the bonds nor the assets are reported in the accompanying financial statements.

D. Retirement and Pension Programs

Frederick County employees either participate in the Frederick County Employees Retirement Plan (employer sponsored defined benefit plan), the Frederick County Defined Contribution Plan (employer sponsored defined contribution plan) or the Maryland State Retirement and Pension systems which are cost sharing multiple-employer pension plans administered by the State of Maryland.

1. Single-Employer Pension Plan

Plan Description

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 ordinance after a public hearing.

County employees hired prior to July 1, 1993, participation in the Plan was optional and employees had the right to elect to transfer to the County Plan from the Maryland State Retirement or Pension System.

County employees hired on or after July 1, 1993, participation in the County Plan is a condition of employment with the County. Participation classification is based on the employee's status as either "uniformed" or "non-uniformed." County employees who meet these requirements are referred to as "qualified" or "covered" employees. An employee must work 700 hours per year to be eligible for benefits. Members of the Board of County Commissioners are not eligible to participate in this Plan. In addition, grant funded employees hired or rehired after June 30, 2012, and employees of Citizens Care and Rehabilitation Center and Montevue Assisted Living hired or rehired after June 30, 2012 are not eligible to participate in this Plan.

The type and number of employees covered as of June 30, 2014, was as follows:

	Uniformed	Non-Uniformed	Non-Vested Terminations	Vested Terminations
Retirees and beneficiaries currently receiving benefits	152	603	-	-
Terminated employees entitled to benefits	-	-	196	253
Active employees	587	1,085	-	-

Uniformed Employees hired on or before June 30, 2011 may retire at the earlier of age 50 or 20 years of eligible service; Uniformed Employees hired on or after July 1, 2011 may retire at age 55 or 25 years of eligible service. Vesting begins after five years of service. Retirement benefits are calculated by formula which provides a retirement income of approximately 50 percent to 66 percent of average pay depending on length of service. Early retirement benefit option is not provided.

Non-Uniformed Employees hired on or before June 30, 2011 may retire at the earlier of age 60 or 25 years of service and are 100 percent vested after five years of service. Non-Uniformed Employees hired on or after July 1, 2011 through June 30, 2012 may retire at age 65 or 30 years of service and are 100 percent vested after five years of service. Non-Uniformed Employees hired on or after July 1, 2012 may retire at age 65 or 30 years of service and are 100 percent vested after ten years of service. Retirement benefits are calculated by formula which provides a retirement income of approximately 50 percent to 60 percent of average pay depending on length of service. An early retirement benefit option is available with reduced benefits at age 55 with 15 years of service.

The benefits payable under the County's Plan not funded by employee contributions are funded entirely by the County. The plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or another entity.

Summary of Significant Accounting Policies

The plan follows the accrual basis of accounting. Contributions are recognized in amounts determined by actuarial valuations. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due

and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The fair value of investments is determined by market price.

Funding Policy

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

Funding for the plan provides for periodic contributions based upon actuarial valuations. The recommended contribution is based on a policy of maintaining the County's minimum contribution rate at 18.6 percent of pay as long as that amortizes cumulative gains/losses and assumption changes over a period that satisfies Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans. 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 eight percent of their base pay under the plan and non-uniformed employees contribute four percent. As of July 1, 2012, uniformed employees contribute nine percent of their base pay under the plan and non-uniformed employees contribute six percent. The County's required payroll contribution in FY2014 was 19.0 percent.

Net Pension Liability

The components of the net pension liability of the County at June 30, 2014, were as follows:

Total pension liability	$ 474,629,811
Plan fiduciary net position	(455,073,971)
County's net pension liability	$ 19,555,840
Plan fiduciary net position as a percentage of the total pension liability	95.88%

Annual Pension Cost

During the fiscal year ending June 30, 2014 contributions to the plan were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed as of July 1, 2013.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2013 rolled forward to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	Rates vary by participant service
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

NOTES TO FINANCIAL STATEMENTS
(Continued)

Mortality rates for healthy participants and beneficiaries were based on the RP-2000 Combined Healthy tables with generational projection by Scall AA. While uniformed participants are actively employed, the RP-2000 Combined Healthy table is used with a Blue Collar adjustment and generational projection by Scale AA. For members who suffered a catastrophic disability, the Retirement Protection Act Post-1994 disabled mortality table was used. The PBGC Disabled Life Mortality Tables (III & IV) were used for all other disabled members.

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3%). The best estimates of arithmetic real rates of return for each major asset class are summarized below:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	6.35%
International Equity	7.55%
Fixed Income	2.15%
Cash	0.00%
Inflation	3.00%

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of expense, was 17.8%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County, calculated using the discount rate of 7.0%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease 6%	Current Discount Rate	1% Increase 8%
County's net pension liability	$ 85,319,429	$ 19,555,840	$ (34,960,620)

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Cost-Sharing Multiple-Employer Pension Plan

Plan Description

The Employees' Retirement System of the State of Maryland (Retirement System) covers most employees hired prior to January 1, 1980, who did not elect to transfer into the County Plan. The Pension System for Employees of the State of Maryland (Pension System) covers employees hired between December 31, 1979, and June 30, 1993, plus Retirement System participants who have voluntarily joined the Pension System, less employees who elected to transfer into the County Plan. New provisions of the Pension System were adopted by State legislation effective July 1, 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 five years of service. A member is eligible for vesting after five 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 five 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
120 East Baltimore Street, 14th Floor
Baltimore, Maryland 21201

Funding Policy

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

Members of the Retirement System and the Pension System contribute seven percent of their gross employee compensation.

Required contributions under the plans, which are not funded by employee contributions, are funded entirely by the County. Due to the withdrawal of the County from the State Systems for all hires after June 30, 1993, the State calculated a net unfunded amount due from the County. The final payment of the net unfunded amount was made in December of 2012.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Employer Sponsored Defined Contribution Retirement Plan

Plan Description

The Frederick County Maryland Defined Contribution Plan was established on July 1, 2012 under authority created by State legislation and Section 2-2-2 of the County Code. Benefit provisions of the plan were adopted by ordinance after a public hearing. The defined contribution retirement plan (the "Plan") was established for employees of Frederick County Government classified as "grant funded" and employees of Citizens Care and Rehabilitation Center and Montevue Assisted Living hired, or rehired, by the County on and after July 1, 2012. Employees contribute four percent of base pay and the County contributes four percent of base pay. Vesting begins after two years of service; employees are 100 percent vested at six years of service. Normal Retirement Age is age 65.

Funding Policy

The County funding of this plan is solely based on a 4% employer contribution determined by the payroll associated with employees classified as "grant funded" and employees of Citizens Care and Rehabilitation Center and Montevue Assisted Living hired on or after July 1, 2012.

4. Component Units

The employees of FCPS are covered under one of three defined benefit retirement plans that are administered by the Maryland State Retirement and Pension Systems. Total contributions were $31,980,586 in fiscal year 2014. This contribution was recognized as both revenue and expenditures for FCPS.

FCPS administers the Frederick County Public Schools Defined Contribution Plan (the "Plan"). The Plan is designed to afford eligible employees an opportunity to increase their security at retirement through employee and employer contributions during participants' periods of active employment while this Plan remains in effect. The Board of Education has the right to amend the Plan at any time. In fiscal year 2014, the Superintendent of Schools was the only participant in the Defined Contribution Plan. There are no contribution requirements of the employee or the Board of Education. The Plan has received a favorable determination letter from the Internal Revenue Service indicating that it qualifies as a tax-qualified "profit-sharing" plan. It is intended to be a "governmental plan" within the meaning of Internal Revenue Code Section 414. During the year ended June 30, 2014 a $20,000 contribution was made to the Plan by FCPS. The Plan is similar to other deferred compensation plans such as 401(k), 403(b), and 457 plans, and therefore is not reported in these financial statements.

Substantially all permanent employees of FCC are covered by four plans, two of which are cost-sharing multiple-employer pension/retirement plans provided directly by the State and two are non-State plans as options for employees who either do not qualify for the State plans or opt not to participate in the State plans. The employer funding for eligible FCC employees is provided directly by the State for the two State plans. State contributions for the fiscal year totaled $1,308,108 for these plans. This amount has been recorded as a revenue and expenditure in the financial statements. The other retirement plans are provided through TIAA/CREF and Fidelity. The TIAA/CREF plan is an option for permanent employees of the College who are not eligible for the State plans. The Fidelity plan is an option for professional employees of the College as a choice in lieu of participating in the State's retirement plans. The State provided employer contributions totaling $700,195 to

these plans while FCC provided $181,377. These non-State plans are defined contribution plans requiring an employer contribution of 7.25 percent of employees' base salary. Employee contributions to the non-State plans are not mandatory.

Substantially all employees of the FCPL are covered under the Maryland State Teachers' Retirement System or the Maryland State Teachers' Pension System. Plan members on December 31, 1979, are members of the Teachers' Retirement System unless they elected to join the Pension System. No new Retirement System members were accepted after December 31, 1979. A member of the Teachers' Retirement System may retire with full benefits at age 60 or with 30 years of service. A member of the Teachers' Pension System may retire with full benefits with 30 years of service or at age 62 or older with specified years of service. For both systems, vesting starts after five 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 seven percent and five 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, 2014, the State paid $722,414 in retirement costs on its behalf. This amount has been shown as grant revenue and current expenditures for the FCPL.

E. Post-Employment Benefits Plans

1. Length of Service Awards Program

In 1985, the County created the Length of Service Awards Program (LOSAP). In fiscal year 2014, LOSAP provided 218 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 $694,917 in fiscal year 2014 also include survivor annuities and lump-sum death benefits and are reported in the Primary Government's General Fund on a "pay-as-you-go" basis.

2. Retiree Health Benefit Plan

Plan Description

The Frederick County Retiree Health Benefit Plan is a single-employer defined benefit healthcare plan administered by the County in a separate trust fund. The Plan provides healthcare benefits to eligible retirees of both Frederick County and Frederick County Public Library and, in certain instances, their eligible survivors and dependents. The Board of County Commissioners at their discretion can establish, alter, amend, modify or terminate its practice of providing healthcare benefits to retirees and their dependents, as well as the right to require retirees to make greater contributions to the funding of their benefits. The County may amend or terminate the Plan at any time by a duly adopted resolution of the Board of County Commissioners. The Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system of another entity.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Membership of the Plan consisted of the following at April 1, 2012 the date of the May 16, 2012 actuarial valuation report:

Retirees and beneficiaries receiving benefits	554
Terminated plan members entitled to but not yet receiving benefits	N/A
Active plan members	1,746
Total	2,300

Summary of Significant Accounting Policies

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

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

Funding Policy and Contributions

Benefits are based on the employee's hire date. For employees hired on or before July 1, 1992, the County pays approximately 84 percent of the cost of premiums for medical and hospitalization costs. Employees hired after July 1, 1992 and before August 1, 2008, also must have worked for the County for a minimum of ten years; these employees pay 50 percent of the cost of premiums. Employees hired after August 1, 2008, also must have worked for the County for a minimum of ten consecutive years; these employees will pay 75 percent of the cost of the premium with 10 to 14.9 years of service, 65 percent with 15 to 19.9 years, 55 percent with 20 to 24.9 years, and 45 percent with over 25 years of service. If a retiree elects to discontinue coverage at the time of retirement or later, they have the option of re-enrolling in the County plan. Therefore, the number of retirees participating in the plan varies throughout the year. For fiscal year 2014, the County contributed $14,655,250 to the Plan, including $5,710,988 for current premiums (approximately 81 percent of total premiums including the implicit subsidy) and an additional $8,944,262 to prefund benefits. Plan members receiving benefits contributed $1,384,717 approximately 20 percent of the total premium. Administrative costs are financed through investment earnings.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year. the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan:

NOTES TO FINANCIAL STATEMENTS
(Continued)

Annual required contribution	$ 14,423,000
Interest on net OPEB obligation	1,795,000
Amortization of net OPEB obligation	(1,563,000)
Annual OPEB cost	14,655,000
Contribution made	(14,655,250)
Decrease in net OPEB obligation	(250)
Net OPEB obligation - beginning of year	19,440,149
Net OPEB obligation - end of year	$ 19,439,899
Recorded in the Primary Government	$ 17,997,545
Recorded in the FCPL Component Unit	1,442,354
Total Net OPEB obligation - end of year	$ 19,439,899

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2014, 2013, and 2012 were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation (Asset)
2014	$ 14,655,000	100.00%	$ 19,439,899
2013	14,192,000	129.57%	19,440,149
2012	19,252,000	100.00%	23,637,335

Status and Funding Progress

The funded status of the plan for the past three years is as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Actuarial Value of Plan Assets as a Percentage of the Actuarial Accrued Liability (a/b)	Unfunded Actuarial Liability (b-a)	Annual Covered Payroll (c)	Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll ((b-a)/c)
07/01/13	$ 76,811,388	$ 188,928,000	40.6%	$ 112,116,612	$ 100,298,314	111.8%
07/01/12	55,592,953	175,466,000	31.6%	119,873,047	101,379,283	118.2%
07/01/11	37,696,695	195,525,000	19.3%	157,828,305	100,902,862	156.4%

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Actuarial Methods and Assumptions

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

In the July 1, 2012, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included: a) 7.5 percent investment rate (net of administrative expense), b) an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.2 percent by the year 2099, c) an inflation rate of 2.9 percent, and d) a level percentage of payroll amortization factor. The actuarial valuation method to determine the actuarial value of assets was fair market value. The unfunded actuarial accrued liability is being amortized over a closed 30-year period.

3. Component Units

The FCPS Retiree Health Benefit Plan (the “Plan”) is a single-employer defined benefit plan administered by the Board of Education. The Plan provides medical, dental, vision, and life insurance benefits to eligible participants (covered retirees, covered survivors, and with respect to certain benefits, their eligible dependents). As of June 30, 2014 there were 1,651 retirees (of which 388 had dependent coverage) and 5,061 active benefited employees in the Plan. The Board of Education has the authority to establish and amend post-employment benefits.

The Board of Education negotiates the contribution percentage between the FCPS and the employees through union contracts and personnel policy. The required contribution is based on projected “pay-as-you-go” financing requirements. For fiscal year 2014, the Board contributed $11,076,165 to the plan. Of this amount $8,034,352 was for FCPS’ share of retiree premiums and $3,041,813 was placed into a 115 Trust account (the Trust), which was established on May 29, 2008 for the purpose of pre-funding a portion of retiree health benefits in the future. Plan members receiving benefits contributed $7,468,157 or approximately 48 percent of the total premiums. The rates for fiscal year 2014 were based on the length of service of the retiree (two tiers), the age of the retiree (non-Medicare eligible or Medicare eligible), and the type of insurance (medical Choice Plus, medical PPO, and/or Dental).

The FCC Healthcare Plan is approved by the Board of Trustees. This policy provides for those retirees who are collecting benefits through either the Maryland State System or one of the state-approved Optional Retirement Plans to continue their healthcare coverage at their expense indefinitely. The healthcare premiums charged have not been age adjusted and, as a result, the plan is deemed to provide an implied

subsidy to retirees. The required contribution is based on projected "pay-as-you-go" financing requirements. For fiscal year 2014, retirees paid $27,000 in premiums. Coverage for retirees will be governed by contracts in effect with the insurance carriers.

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

F. Deferred Compensation

Employees of Frederick County may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all regular employee or temporary employee, to whom compensation is paid. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. During the fiscal year 2014 approximately 25 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 (NMWDA)

NMWDA is a body politic and corporate and a public instrumentality of the State of Maryland. NMWDA was established to assist the political subdivisions in the Northeast Maryland Region and the private sector in waste management and the development of waste disposal facilities adequate to accommodate the region's requirements for disposal of solid waste. NMWDA has the following eight member jurisdictions from the State of Maryland: Anne Arundel County, Baltimore City, Baltimore County, Carroll County, Frederick County, Harford County, Howard County and Montgomery County. The Maryland Environmental Service is an ex-officio member. As a participating government in NMWDA, the County paid fiscal year 2014 membership dues and fees for services amounting to $175,694.

NOTES TO FINANCIAL STATEMENTS
(Continued)

H. Change in Accounting Principle

Net positions of governmental activities and business-type activities have been restated by negative $2,865,761 and negative $753,129 respectively, due to the write off of previous bond issuance costs which were being amortized over the life of the bonds. With the implementation of GASB Statement No. 65, the County is required to expense these amounts as the bonds are issued and to apply this charge retroactively.

I. Subsequent Events

On July 8, 2014, the County issued its Taxable General Obligation Public Facilities Refunding Bond, Series 2014B in the amount of $34,495,000. The Series 2014B Bond bears interest at a rate per annum equal to one (1)-month LIBOR plus an applicable spread of 90 basis points and will mature on July 7, 2017 with an option for prepayment beginning on July 8, 2015. The Series 2014B Bond was issued to advance refund certain maturities of the outstanding bonds listed below:

Bond Issue	Par Amount	Maturity Dates	Call Date
2008 Tax-Exempt GO Bonds	$ 3,015,000	6/1/2015 - 6/1/2028	6/1/2018
2010A Tax-Exempt GO Bonds	3,490,000	2/1/2015 - 2/1/2020	N/A
2010B Taxable BAB's	8,020,000	2/1/2021 - 2/1/2030	2/1/2020
2010C Tax-Exempt Refunding Bonds	435,000	12/1/2014 - 12/1/2020	N/A
2011A Tax-Exempt GO Bonds	11,210,000	8/1/2014 - 8/1/2031	8/1/2021
2012 Tax-Exempt Refunding Bonds	3,200,000	8/1/2018 - 8/1/2024	8/1/2022
Total Refunded Bonds	$ 29,370,000		

On July 24, 2014, Frederick County issued its Tax-Exempt General Obligation Public Facility Bonds, Series 2014A, in the amount of $34,795,000. The series 2014A Bonds mature August 1, 2015 through 2034.

On November 14, 2014, Frederick County issued Taxable Special Tax A Limited Obligation Bonds, Series 2014A, in the amount of $14,889,000, and Taxable Tax Increment and Special Tax B Limited Obligation Bonds, Series 2014B, in the amount of $6,774,000. The bonds financed infrastructure costs within the Oakdale-Lake Linganore Development District. These are limited obligation bonds and as such, do not pledge the full faith and credit of the County. The Series A bonds will be funded with proceeds of special tax assessments within the established Oakdale-Lake Linganore Community Development Authority (CDA). The Series B bonds will be primarily funded with proceeds from incremental real property tax revenues on parcels within the Oakdale-Lake Linganore Development District and supported by additional special tax assessments within the CDA, if needed. These bonds were sold as a private placement with the developer. These bonds were issued as a portion of the $75,000,000 authorized by Ordinance 14-01-656, dated March 6, 2014. The remaining $53,337,000 of authorized bonds will expire on June 30, 2020.

NOTES TO FINANCIAL STATEMENTS
(Continued)

On November 25, 2014, Frederick County issued its Tax-Exempt General Obligation Public Facilities Refunding Bond, Series 2014C, in the amount of $16,715,000 to advance refund certain maturities of the 2008 Tax Exempt General Obligation bonds. The Series 2014C Bond bears interest at a rate of 2.49% per annum. The principal amount of the Series 2014C Bond is payable June 1, 2019 through 2028.

Since June 30, 2014, Frederick County has entered into four Installment Purchase Agreements to purchase easements of the development rights of agricultural land in Frederick County. These borrowings are authorized by Chapter 54 of the Laws of Maryland of 2012. All were issued as 20-year obligations with interest paid annually and final maturities on May 15, 2034. Funds are invested in U.S. Treasury strips to finance the final maturity payments.

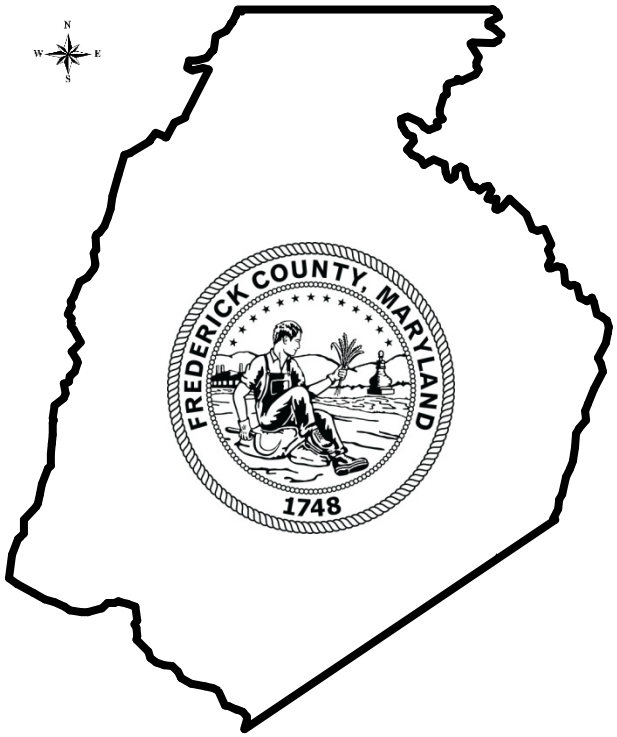
IPA #	Closing Date	Amount of Easement	Cash Paid at Closing	Liability Amount	Interest Rate
14-110	9/4/2014	$ 352,008	$ 35,201	$ 316,807	3.119%
14-111	11/6/2014	365,330	36,533	328,797	2.961%
14-112	11/6/2014	283,898	28,390	255,508	2.961%
14-113	11/6/2014	308,990	30,899	278,091	2.961%
Totals		$ 1,310,226	$ 131,023	$ 1,179,203	

J. New Governmental Accounting Standards Board (GASB) Standard

The County has adopted the provision of Governmental Accounting Standard Board (GASB) issued Statement No. 65, entitled Items Previously Reported as Assets and Liabilities*; Statement No. 66,* entitled *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*: Statement No. 67, entitled *Financial Reporting for Pension Plans*; and Statement No. 70, entitled *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The adoption of these standards did not have a material effect on these statements.

The *GASB issued Statement No. 68,* entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27,* effective for periods beginning after June 30, 2014. As part of GASB Statement No. 68 the County will be required to record the net pension liability which was $19,555,840, as of June 30, 2014. GASB also issued Statement No. 69, entitled *Government Combinations and Disposals of Government Operations* effective for periods beginning after December 15, 2013. This Statement is anticipated to not have a material effect on the County's financial statements upon implementation.

REQUIRED SUPPLEMENTARY INFORMATION



The information provided in this section is required supplementary disclosures.

Exhibit II-A-15

FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total pension liability										
Service cost	$ 21,309									
Interest	30,170									
Changes of benefit terms	-									
Differences between expected and actual experience	-			Information for FY2013 and earlier is not available						
Changes of assumptions	-									
Benefit payments, including refunds of member contributions	(15,671)									
Net change in total pension liability	35,808									
Total pension liability - beginning	438,822									
Total pension liability - ending	$ 474,630									
Plan fiduciary net position										
Contributions - employer	21,260									
Contributions - member	6,880									
Net investment income	67,022									
Benefit payments, including refunds of member contributions	(15,671)									
Administrative expense	(930)									
Other	-									
Net change in plan fiduciary net position	78,561									
Plan fiduciary net position - beginning	376,513									
Plan fiduciary net position - ending	$ 455,074									
Net position liability - ending	$ 19,556									
Plan fiduciary net position as a percentage of the total pension liability	95.88%									
Covered-employee payroll	$ 106,397									
Net pension liability as a percentage of covered-employee payroll	18.38%									
Expected average remaining service years of all participants	6									
Average money-weighted rate of return, net of investment expense	17.80%									

FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	$ 18,687	Information for FY2013 and earlier is not available								
Contributions in relation to the actuarially determined contribution	21,260									
Contribution deficiency (excess)	$ (2,573)									
Covered-employee payroll	$ 106,397									
Contributions as a percentage of covered employee payroll	19.98%									

Notes to Schedule

Valuation date:
Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Level percentage of payroll
Remaining amortization period	15 years for cumulative gains, losses and assumption changes (open), 30 years for prior plan changes
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	Rates vary by participant age and service
Investment rate of return	7.5% gross of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	For healthy participants and beneficiaries, the RP-2000 Combined Healthy tables with generational projection by Scale AA. While uniformed participants are actively employed, the RP-2000 Combined Healthy table is used with a Blue Collar adjustment and generational projection by Scale AA. For members who suffered a catastrophic disability, the Retirement Protection Act Post-1994 disable mortality table was used. The PBGC Disabled Life Mortality Tables (III & IV) were used for all other disabled members.

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

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Actuarial Value of Plan Assets as a Percentage of the Actuarial Accrued Liability	Unfunded Actuarial Liability	Annual Covered Payroll	Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll
07/01/09	$ 15,499,400	$ 189,613,000	8.2 %	$ 174,113,600	$ 111,777,209	155.8 %
07/01/10	25,171,478	211,958,000	11.9	186,786,522	108,101,751	172.8
07/01/11	37,696,695	195,525,000	19.3	157,828,305	100,902,862	156.4
07/01/12	55,592,953	175,466,000	31.6	119,873,047	101,379,283	118.2
07/01/13	76,811,388	188,928,000	40.6	112,116,612	100,298,314	111.8

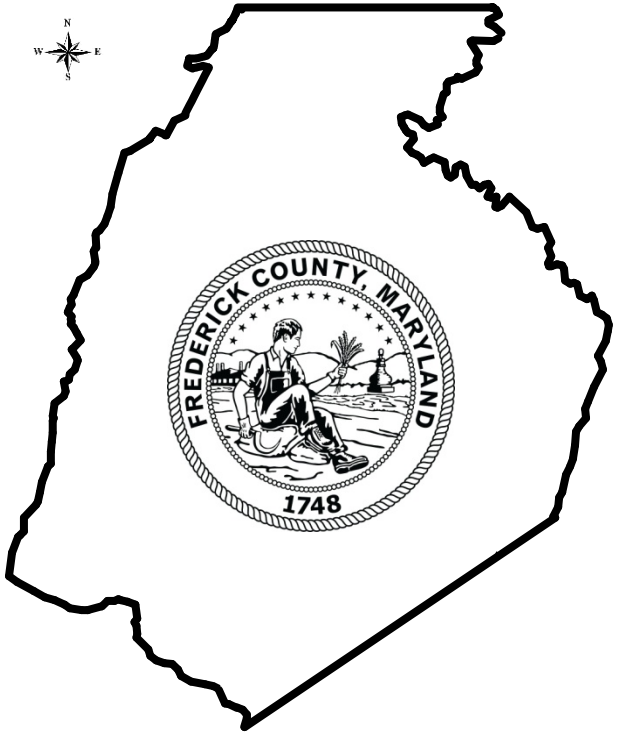
Analysis of the dollar amounts of the actuarial value of plan assets, actuarial accrued liability, and unfunded actuarial liability in isolation can be misleading. Expressing the actuarial value of plan assets as a percentage of the actuarial accrued liability provides one indication of funding status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

Exhibit II-A-18

FREDERICK COUNTY RETIREE HEALTH BENEFIT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Years	Annual Required Contribution (ARC)	Contribution Recognized in Plan Financial Statements	Percentage Contributed
2010	$ 18,552,000	$ 11,351,017	61 %
2011	20,626,000	11,729,902	57
2012	19,252,000	19,252,000	100
2013	13,924,000	18,389,186	132
2014	14,423,000	14,655,250	102

FUND STATEMENTS AND SCHEDULES



The combining statements provide detailed information concerning the financial position and results of operations for nonmajor governmental and proprietary funds. The schedules provide selected detailed information concerning the capital project fund, agency funds and the internal service funds, as well as information on capital assets used in the operation of governmental funds.

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds						Total Non Major Governmental Funds (See Exhibit II-A-3)
	Grants	Watershed Protection & Restoration	Electric Lighting Tax Districts	Hotel Rental Tax	Sheriff's/ Judicial Activities	Loan Activities	
Assets							
Cash	$ 3,008	$ -	$ -	$ -	$ 134,958	$ -	$ 137,966
Equity in pooled invested cash	146,991	490	2,561	88,780	500,427	1,204,447	1,943,696
Total cash and cash equivalents	149,999	490	2,561	88,780	635,385	1,204,447	2,081,662
Receivables, net of allowance for uncollectibles:							
Property taxes	422,079	-	39	-	-	-	422,118
Accounts	-	1	1,241	137,501	48,970	90	187,803
Intergovernmental	2,833,619	-	-	-	-	-	2,833,619
Prepaids	362	-	-	-	-	30,012	30,374
Due from component units	2,169	-	-	-	-	-	2,169
Long term receivables, net of allowance for uncollectibles:							
Non-profit organization loans	-	-	-	2,781,581	-	-	2,781,581
Small business loans	-	-	-	-	-	44,883	44,883
Housing loans	2,677,936	-	-	-	-	3,830,595	6,508,531
Total assets	$ 6,086,164	$ 491	$ 3,841	$ 3,007,862	$ 684,355	$ 5,110,027	$ 14,892,740
Liabilities and fund balance							
Liabilities							
Accounts payable	$ 200,070	$ -	$ -	$ 106,980	$ 36,172	$ -	$ 343,222
Accrued liabilities	242,897	-	625	119,301	-	-	362,823
Payroll and benefit deductions	451,228	-	-	-	-	-	451,228
Due to third parties	-	-	-	-	76,826	1,958	78,784
Due to other governmental units	47,253	-	-	-	-	258,649	305,902
Other liabilities	500,080	-	-	-	-	33,750	533,830
Unearned revenues	782,732	-	-	2,781,581	-	-	3,564,313
Total liabilities	2,224,260	-	625	3,007,862	112,998	294,357	5,640,102
Fund balances							
Nonspendable	2,677,936	-	-	-	-	3,875,478	6,553,414
Restricted	-	491	-	-	47,173	-	47,664
Committed	-	-	2,963	-	524,184	-	527,147
Assigned	1,183,968	-	253	-	-	940,192	2,124,413
Total fund balance	3,861,904	491	3,216	-	571,357	4,815,670	9,252,638
Total liabilities and fund balance	$ 6,086,164	$ 491	$ 3,841	$ 3,007,862	$ 684,355	$ 5,110,027	$ 14,892,740

Exhibit II-B-2

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
SHERIFF'S/ JUDICIAL ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2014

	Sheriff's Drug Enforcement	Narcotics Task Force	State Attorney Law Enforcement Aid	Inmates' Canteen	Total Sheriff's/Judicial Activities (See Exhibit II-B-1)
Assets					
Cash	$ 23,576	$ 10,000	$ 34,665	$ 66,717	$ 134,958
Equity in pooled invested cash	47,294	84,147	-	368,986	500,427
Total cash and cash equivalents	70,870	94,147	34,665	435,703	635,385
Receivables, net of allowance for uncollectibles:					
Accounts	-	-	-	48,970	48,970
Total assets	$ 70,870	$ 94,147	$ 34,665	$ 484,673	$ 684,355
Liabilities and fund balance					
Liabilities					
Accounts payable	$ -	$ 9,227	$ -	$ 26,945	$ 36,172
Due to third parties	-	-	248	76,578	76,826
Total liabilities	-	9,227	248	103,523	112,998
Fund balances					
Restricted	47,126	47	-	-	47,173
Committed	23,744	84,873	34,417	381,150	524,184
Total fund balance	70,870	84,920	34,417	381,150	571,357
Total liabilities and fund balance	$ 70,870	$ 94,147	$ 34,665	$ 484,673	$ 684,355

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
LOAN ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2014

	Housing Initiative	Non-Profit Organizations Loans	Fire/Rescue Loans	Economic Development Loans	Total Loan Activities (See Exhibit II-B-1)
Assets					
Equity in pooled invested cash	$ 702,641	$ 20,000	$ 192,863	$ 288,943	$ 1,204,447
Total cash and cash equivalents	702,641	20,000	192,863	288,943	1,204,447
Receivables, net of allowance for uncollectibles:					
Accounts	90	-	-	-	90
Prepaids	30,012	-	-	-	30,012
Long term receivables, net of allowance for uncollectibles:					
Small business loans	-	-	-	44,883	44,883
Housing loans	3,830,595	-	-	-	3,830,595
Total assets	$ 4,563,338	$ 20,000	$ 192,863	$ 333,826	$ 5,110,027
Liabilities and fund balance					
Liabilities					
Due to third parties	$ -	$ -	$ -	$ 1,958	$ 1,958
Due to other governmental units	-	-	-	258,649	258,649
Other liabilities	33,750	-	-	-	33,750
Total liabilities	33,750	-	-	260,607	294,357
Fund balances					
Nonspendable	3,830,595	-	-	44,883	3,875,478
Assigned	698,993	20,000	192,863	28,336	940,192
Total fund balance	4,529,588	20,000	192,863	73,219	4,815,670
Total liabilities and fund balance	$ 4,563,338	$ 20,000	$ 192,863	$ 333,826	$ 5,110,027

Exhibit II-B-4

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Special Revenue Funds						Total Nonmajor Governmental Funds (See Exhibit II-A-5)
	Grants	Watershed Protection & Restoration	Electric Lighting Tax Districts	Hotel Rental Tax	Sheriff's/ Judicial Activities	Loan Activities	
Revenues							
Storm Water Mediation Fee	$ -	$ 491	$ -	$ -	$ -	$ -	$ 491
Lighting tax levy	-	-	15,554	-	-	-	15,554
Other local taxes	-	-	-	1,213,263	-	-	1,213,263
Grants from federal government	13,318,469	-	-	-	-	-	13,318,469
Grants from state government	4,635,462	-	-	-	-	-	4,635,462
Charges for services	1,005,947	-	-	-	464,822	287,303	1,758,072
Fines and forfeitures	-	-	-	-	213,958	-	213,958
Interest from loans	-	-	-	-	-	23,312	23,312
Investment earnings	42	-	11	65	937	1,423	2,478
Miscellaneous revenue	233,745	-	-	184,321	600	264,526	683,192
Total revenues	19,193,665	491	15,565	1,397,649	680,317	576,564	21,864,251
Expenditures							
General government	2,209,228	-	-	31,668	64	-	2,240,960
Public safety	962,726	-	-	-	653,376	-	1,616,102
Public works	5,829,936	-	14,468	-	-	-	5,844,404
Health	1,077,365	-	-	-	-	-	1,077,365
Social services	2,102,699	-	-	-	-	-	2,102,699
Conservation of natural resources	504,146	-	-	-	-	-	504,146
Community development and public housing	6,445,734	-	-	-	-	305,000	6,750,734
Economic development and opportunity	4,181,187	-	-	1,181,600	-	-	5,362,787
Debt service	-	-	-	184,381	-	303,958	488,339
Total expenditures	23,313,021	-	14,468	1,397,649	653,440	608,958	25,987,536
Excess (deficiency) of revenues over expenditures	(4,119,356)	491	1,097	-	26,877	(32,394)	(4,123,285)
Other financing sources (uses)							
Transfers in from General Fund	5,212,859	-	-	-	-	-	5,212,859
Transfers in from Housing Initiative Fund	420,000	-	-	-	-	-	420,000
Transfers out to Grants Fund	-	-	-	-	-	(420,000)	(420,000)
Total other financing sources (uses)	5,632,859	-	-	-	-	(420,000)	5,212,859
Net change in fund balances	1,513,503	491	1,097	-	26,877	(452,394)	1,089,574
Fund balance - beginning of year	2,348,401	-	2,119	-	544,480	5,268,064	8,163,064
Fund balance - end of year	$ 3,861,904	$ 491	$ 3,216	$ -	$ 571,357	$ 4,815,670	$ 9,252,638

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SHERIFF'S/JUDICIAL ACTIVITIES - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Sheriff's Drug Enforcement	Narcotics Task Force	State Attorney Law Enforcement Aid	Inmates' Canteen	Total Sheriff's/Judicial Activities (See Exhibit II-B-4)
Revenues					
Charges for services	$ -	$ -	$ -	$ 464,822	$ 464,822
Fines and forfeitures	63,524	150,434	-	-	213,958
Investment earnings	54	223	-	660	937
Miscellaneous revenue	-	600	-	-	600
Total revenues	63,578	151,257	-	465,482	680,317
Expenditures					
General government	-	-	64	-	64
Public safety	53,252	164,391	-	435,733	653,376
Total expenditures	53,252	164,391	64	435,733	653,440
Excess (deficiency) of revenues over expenditures	10,326	(13,134)	(64)	29,749	26,877
Other financing sources (uses)					
Transfers in from Narcotics Task Force	-	-	34,481	-	34,481
Transfers out to SAO LEA Fund	-	(34,481)	-	-	(34,481)
Total other financing sources (uses)	-	(34,481)	34,481	-	-
Net change in fund balances	10,326	(47,615)	34,417	29,749	26,877
Fund balance - beginning of year	60,544	132,535	-	351,401	544,480
Fund balance - end of year	$ 70,870	$ 84,920	$ 34,417	$ 381,150	$ 571,357

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
LOAN ACTIVITIES - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Housing Initiative	Non-Profit Organizations Loans	Fire/Rescue Loans	Economic Development Loans	Total Loan Activities (See Exhibit II-B-4)
Revenues					
Grants from state government	$ -	$ -	$ -	$ -	$ -
Charges for services	-	-	-	287,303	287,303
Interest from loans	2,776	-	1,107	19,429	23,312
Investment earnings	1,085	-	185	153	1,423
Miscellaneous revenue	264,201	-	-	325	264,526
Total revenues	268,062	-	1,292	307,210	576,564
Expenditures					
Community development and public housing	305,000	-	-	-	305,000
Economic development and opportunity	-	-	-	-	-
Debt service	-	-	-	303,958	303,958
Total expenditures	305,000	-	-	303,958	608,958
Excess (deficiency) of revenues over expenditures	(36,938)	-	1,292	3,252	(32,394)
Other financing sources (uses)					
Transfer out to grants fund	(420,000)	-	-	-	(420,000)
Total other financing sources (uses)	(420,000)	-	-	-	(420,000)
Net change in fund balances	(456,938)	-	1,292	3,252	(452,394)
Fund balance - beginning of year	4,986,526	20,000	191,571	69,967	5,268,064
Fund balance - end of year	$ 4,529,588	$ 20,000	$ 192,863	$ 73,219	$ 4,815,670

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, 2014

	Grants			Housing Initiative			School Construction		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
Revenues									
Lighting tax levy	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other local taxes	-	-	-	-	-	-	3,655,000	4,029,229	374,229
Grants from federal government	16,862,625	13,318,469	(3,544,156)	-	-	-	-	-	-
Grants from state government	8,368,133	4,635,462	(3,732,671)	-	-	-	-	-	-
Charges for services	1,036,862	1,005,947	(30,915)	-	-	-	-	-	-
Interest from loans	-	-	-	-	2,776	2,776	-	-	-
Investment earnings	43	42	(1)	1,800	1,085	(715)	35,000	19,873	(15,127)
Build America Bonds Subsidy	-	-	-	-	-	-	473,659	477,550	3,891
Miscellaneous revenue	333,664	233,745	(99,919)	313,182	391,288	78,106	-	-	-
Total revenues	26,601,327	19,193,665	(7,407,662)	314,982	395,149	80,167	4,163,659	4,526,652	362,993
Expenditures									
General government	2,743,117	2,209,228	533,889	-	-	-	-	-	-
Public safety	4,172,156	962,726	3,209,430	-	-	-	-	-	-
Public works	6,941,560	5,822,236	1,119,324	-	-	-	-	-	-
Health	1,309,735	1,077,365	232,370	-	-	-	-	-	-
Social services	2,830,029	2,102,699	727,330	-	-	-	-	-	-
Conservation of natural resources	1,949,139	504,146	1,444,993	-	-	-	-	-	-
Community development and public housing	8,670,777	7,688,170	982,607	818,414	440,465	377,949	-	-	-
Economic development and opportunity	5,153,375	4,181,187	972,188	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	3,964,283	3,964,911	(628)
Total expenditures	33,769,888	24,547,757	9,222,131	818,414	440,465	377,949	3,964,283	3,964,911	(628)
Excess (deficiency) of revenues over expenditures	(7,168,561)	(5,354,092)	1,814,469	(503,432)	(45,316)	458,116	199,376	561,741	362,365
Other financing sources (uses)									
Appropriated fund balance	929,286	800,613	(128,673)	923,432	706,921	(216,511)	1,313,476	-	(1,313,476)
Transfers in from general fund	5,819,275	5,212,859	(606,416)	-	-	-	-	-	-
Transfers in from housing initiative fund	420,000	420,000	-	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	-	-	-	(1,512,852)	(1,512,852)	-
Transfers out to general fund	-	-	-	-	-	-	-	-	-
Transfers out to grants fund	-	-	-	(420,000)	(420,000)	-	-	-	-
Total other financing sources (uses)	7,168,561	6,433,472	(735,089)	503,432	286,921	(216,511)	(199,376)	(1,512,852)	(1,313,476)
Net change in fund balances	$ -	1,079,380	$ 1,079,380	$ -	241,605	$ 241,605	$ -	(951,111)	$ (951,111)
Fund balance - beginning of year		2,348,401			4,986,526			-	
Net change in reserves and adjustments to GAAP basis		434,123			(698,543)			951,111	
Fund balance - end of year		$ 3,861,904			$ 4,529,588			$ -	

(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, 2014

	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)
Revenues									
Lighting tax levy	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,423	$ 15,554	$ 131
Other local taxes	-	-	-	-	-	-	-	-	-
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	8,153,760	11,588,514	3,434,754	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	157,860	92,429	(65,431)	-	12,520	12,520	-	11	11
Build America Bonds Subsidy	3,946	3,979	33	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
Total revenues	8,315,566	11,684,922	3,369,356	-	12,520	12,520	15,423	15,565	142
Expenditures									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	15,967	14,468	1,499
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	-	-	-	-	-	-
Debt service	7,245,510	7,242,553	2,957	-	-	-	-	-	-
Total expenditures	7,245,510	7,242,553	2,957	-	-	-	15,967	14,468	1,499
Excess (deficiency) of revenues over expenditures	1,070,056	4,442,369	3,372,313	-	12,520	12,520	(544)	1,097	1,641
Other financing sources (uses)									
Appropriated fund balance	540,025	-	(540,025)	-	-	-	544	-	(544)
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	-	-	-	-	-	-
Transfers out to general fund	(1,610,081)	(1,610,081)	-	-	-	-	-	-	-
Transfers out to grants fund	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,070,056)	(1,610,081)	(540,025)	-	-	-	544	-	(544)
Net change in fund balances	$ -	2,832,288	$ 2,832,288	$ -	12,520	$ 12,520	$ -	1,097	$ 1,097
Fund balance - beginning of year		-			-			2,119	
Net change in reserves and adjustments to GAAP basis		(2,832,288)			(12,520)			-	
Fund balance - end of year		$ -			$ -			$ 3,216	

(continued)

Exhibit II-B-7
(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, 2014

	Parks Acquisition & Development			Hotel Rental Tax			Nursing Home Construction		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
Revenues									
Lighting tax levy	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other local taxes	1,096,170	1,208,746	112,576	1,204,000	1,213,263	9,263	914,000	950,350	36,350
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	25,000	20,847	(4,153)	500	65	(435)	25,000	7,345	(17,655)
Build America Bonds Subsidy	-	-	-	-	-	-	67,810	68,367	557
Miscellaneous revenue	-	-	-	184,322	184,321	(1)	-	-	-
Total revenues	1,121,170	1,229,593	108,423	1,388,822	1,397,649	8,827	1,006,810	1,026,062	19,252
Expenditures									
General government	-	-	-	31,000	31,668	(668)	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	1,173,500	1,181,600	(8,100)	-	-	-
Debt service	81,215	81,246	(31)	184,322	184,381	(59)	1,790,761	1,791,255	(494)
Total expenditures	81,215	81,246	(31)	1,388,822	1,397,649	(8,827)	1,790,761	1,791,255	(494)
Excess (deficiency) of revenues over expenditures	1,039,955	1,148,347	108,392	-	-	-	(783,951)	(765,193)	18,758
Other financing sources (uses)									
Appropriated fund balance	(809,955)	-	809,955	-	-	-	3,508,465	-	(3,508,465)
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	(230,000)	(230,000)	-	-	-	-	-	-	-
Transfers out to general fund	-	-	-	-	-	-	(2,724,514)	(2,724,743)	(229)
Transfers out to grants fund	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,039,955)	(230,000)	809,955	-	-	-	783,951	(2,724,743)	(3,508,694)
Net change in fund balances	$ -	918,347	$ 918,347	$ -	-	$ -	$ -	(3,489,936)	$ (3,489,936)
Fund balance - beginning of year (restated)		-			-			-	
Net change in reserves and adjustments to GAAP basis		(918,347)			-			3,489,936	
Fund balance - end of year		$ -			$ -			$ -	

(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, 2014

Exhibit II-B-7
(continued)

	Economic Development Loans		
	Final Amended Budget	**Actual**	**Variance - Positive (Negative)**
Revenues			
Lighting tax levy	$ -	$ -	$ -
Other local taxes	-	-	-
Grants from federal government	-	-	-
Grants from state government	-	-	-
Charges for services	30,890	287,303	256,413
Interest from loans	14,420	19,429	5,009
Investment earnings	-	153	153
Miscellaneous revenue	-	325	325
Total revenues	45,310	307,210	261,900
Expenditures			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health	-	-	-
Social services	-	-	-
Conservation of natural resources	-	-	-
Community development and public housing	-	-	-
Economic development and opportunity	250	-	250
Debt service	45,310	303,958	(258,648)
Total expenditures	45,560	303,958	(258,398)
Excess (deficiency) of revenues over expenditures	(250)	3,252	3,502
Other financing sources (uses)			
Appropriated fund balance	250	-	250
Transfers in from general fund	-	-	-
Transfers in from capital projects fund	-	-	-
Transfers in from fire/rescue tax district fund	-	-	-
Transfers out to capital projects fund	-	-	-
Transfers out to general fund	-	-	-
Transfers out to grants fund	-	-	-
Total other financing sources (uses)	250	-	250
Net change in fund balances	$ -	3,252	3,252
Fund balance - beginning of year		69,967	
Net change in reserves and adjustments to GAAP basis			
Fund balance - end of year		$ 73,219	

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.

Exhibit II-B-8

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, 2014

	Project Budget	Current Year Actual	Total To Date	Variance - Positive (Negative)
Revenues				
Grants from federal government				
ARRA	$ -	$ 100,779	$ -	$ -
Highways	12,779,531	680,105	680,341	(12,099,190)
Miscellaneous grants	496,810	3,497	-	(496,810)
Grants from state government:				
Highways	2,414,119	-	1,824,000	(590,119)
Program open space	330,285	468,657	27,740	(302,545)
Education	3,642,408	-	40,633	(3,601,775)
Other	3,028,675	2,146,247	2,427,857	(600,818)
Total revenues	22,691,828	3,399,285	5,000,571	(17,691,257)
Expenditures				
General government	49,156,487	11,001,620	7,089,531	42,066,956
Roads and bridges	56,078,317	25,569,055	35,643,098	20,435,219
Board of Education	61,414,297	11,981,418	35,964,206	25,450,091
Frederick Community College	29,092,871	2,997,445	24,207,807	4,885,064
Parks and recreation	18,718,892	2,623,966	5,172,934	13,545,958
Watershed restoration	1,675,293	282,905	632,643	1,042,650
Municipal	1,103,964	1,087	927,580	176,384
Total expenditures	217,240,121	54,457,496	109,637,799	107,602,322
Excess (deficiency) of revenues over expenditures	(194,548,293)	(51,058,211)	(104,637,228)	89,911,065
Other financing sources (uses)				
Transfers in from general fund	41,570,833	13,079,231	41,570,833	-
Transfers in from impact fees fund	3,787,946	-	3,787,946	-
Transfers in from parks acquisition & development fund	14,530,443	230,000	14,530,443	-
Transfers in from development road improvement fund	10,131,916	-	10,131,916	-
Transfers in from school construction fund	3,312,852	1,512,852	3,312,852	-
Transfers in from economic development loan fund	300,000	-	300,000	-
Transfers in from water and sewer fund	25,401	-	901	(24,500)
General obligation bonds issued	120,888,902	-	51,021,613	(69,867,289)
Total other financing sources (uses)	194,548,293	14,822,083	124,656,504	(69,891,789)
Net change in fund balances	$ -	(36,236,128)	$ 20,019,276	$ 20,019,276
Net change in reserves and adjustment to GAAP basis		23,229,062		
Fund balance - beginning of year		92,509,999		
Fund balance - end of year		$ 79,502,933		

Exhibit II-B-9

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2014

	Business-type Activities-Enterprise Funds			
	Nursing Homes		Public Housing	Total Nonmajor Enterprise Funds (See Exhibit II-A-9)
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	
Assets				
Current assets:				
Equity in pooled invested cash	$ -	$ -	$ 23,145	$ 23,145
Restricted cash and cash equivalents	-	-	478,067	478,067
Total cash and cash equivalents	-	-	501,212	501,212
Receivables, net of allowance for uncollectible accounts	-	-	902	902
Total current assets	-	-	502,114	502,114
Noncurrent assets:				
Capital assets:				
Land	-	-	132,200	132,200
Buildings and improvements	-	-	1,877,880	1,877,880
Equipment	-	-	175,000	175,000
Accumulated depreciation	-	-	(1,072,210)	(1,072,210)
Total noncurrent assets	-	-	1,112,870	1,112,870
Total assets	-	-	1,614,984	1,614,984
Liabilities				
Current liabilities:				
Accounts payable	-	-	157	157
Payroll and benefit deductions	-	-	1,478	1,478
Accrued expenses	-	-	9,318	9,318
Security deposits	-	-	12,064	12,064
Total current liabilities	-	-	23,017	23,017
Total liabilities	-	-	23,017	23,017
Net Position				
Net investment in capital assets	-	-	1,112,870	1,112,870
Restricted	-	-	478,067	478,067
Unrestricted	-	-	1,030	1,030
Total net position	$ -	$ -	$ 1,591,967	$ 1,591,967

Exhibit II-B-10

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Funds			
	Nursing Homes		Public Housing	Total Nonmajor Enterprise Funds (See Exhibit II-A-10)
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	
Operating revenues				
Charges for health care services, net of contractual adjustments	$ 14,512,001	$ 1,158,878	$ -	$ 15,670,879
Rental charges	-	-	120,860	120,860
Total net charges for services	14,512,001	1,158,878	120,860	15,791,739
Other revenues	589,460	966	15	590,441
Total operating revenues	15,101,461	1,159,844	120,875	16,382,180
Operating expenses				
Personnel services	9,788,166	1,924,203	30,456	11,742,825
Other operating expense (including administrative overhead)	7,544,451	897,675	-	8,442,126
Insurance	96,671	33,222	2,586	132,479
Supplies	926,025	126,001	89,919	1,141,945
Repairs and maintenance	567,500	20,083	559	588,142
Depreciation	3,585	-	71,346	74,931
Total operating expenses	18,926,398	3,001,184	194,866	22,122,448
Operating income (loss)	(3,824,937)	(1,841,340)	(73,991)	(5,740,268)
Nonoperating revenues (expenses)				
Donations	1,060	5,716	-	6,776
Investment earnings	-	16	1,940	1,956
Gain (loss) on sale/disposal of capital assets	(16,503)	-	-	(16,503)
Total nonoperating revenues (expenses)	(15,443)	5,732	1,940	(7,771)
Net income (loss) before transfers	(3,840,380)	(1,835,608)	(72,051)	(5,748,039)
Transfers in (out)	3,045,805	237,900	-	3,283,705
Total transfers/loss	3,045,805	237,900	-	3,283,705
Change in net position	(794,575)	(1,597,708)	(72,051)	(2,464,334)
Net position - beginning of year	794,575	1,597,708	1,664,018	4,056,301
Net position - end of year	$ -	$ -	$ 1,591,967	$ 1,591,967

Exhibit II-B-11

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Funds			
	Nursing Homes		Public Housing	Total
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Nonmajor Enterprise Funds (See Exhibit II-A-11)
Cash flows from operating activities				
Cash received from residents and customers	$ 15,205,633	$ 1,329,132	$ 121,720	$ 16,656,485
Cash paid to suppliers	(7,564,223)	(1,102,530)	(90,989)	(8,757,742)
Cash paid to employees	(10,689,908)	(2,104,256)	(30,640)	(12,824,804)
Net cash provided (used) by operating activities	(3,048,498)	(1,877,654)	91	(4,926,061)
Cash flows from noncapital financing activities				
Transfers in (out)	3,045,007	237,900	-	3,282,907
Cash received from donations	1,060	5,716	-	6,776
Cash received from (paid to) patient and resident funds	(92,924)	(44,342)	-	(137,266)
Cash received from (paid to) memorial and employee funds	-	(7,929)	-	(7,929)
Net cash provided by noncapital financing activities	2,953,143	191,345	-	3,144,488
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	-	-	-
Net cash provided (used) by capital & related financing activities	-	-	-	-
Cash flows from investing activities				
Interest received on investments	-	16	2,174	2,190
Net cash provided by investing activities	-	16	2,174	2,190
Net increase (decrease) in cash and cash equivalents	(95,355)	(1,686,293)	2,265	(1,779,383)
Cash and cash equivalents - beginning of year (restated)	95,355	1,686,293	498,947	2,280,595
Cash and cash equivalents - end of year	$ -	$ -	$ 501,212	$ 501,212

(continued)

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Funds			
	Nursing Homes		Public Housing	Total Nonmajor Enterprise Funds (See Exhibit II-A-11)
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (3,824,937)	$ (1,841,340)	$ (73,991)	$ (5,740,268)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	3,585	-	71,346	74,931
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	2,012,484	163,924	-	2,176,408
Prepaid items	32,211	2,028	-	34,239
Increase (decrease) in:				
Accounts payable	81,680	(7,506)	(77)	74,097
Accrued expenses	(734,661)	(113,169)	2,813	(845,017)
Liability for compensated leave	(408,236)	(77,350)	-	(485,586)
Due to other funds	(222,386)	-	-	(222,386)
Other liabilities	11,762	(4,241)	-	7,521
Net cash provided (used) by operating activities	$ (3,048,498)	$ (1,877,654)	$ 91	$ (4,926,061)

Noncash investing, capital, and financing activities:
None

Exhibit II-B-12

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Worker's Compensation	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-9)
Assets				
Current assets:				
Equity in pooled invested cash	$ 925,147	$ 1,075,364	$ 13,978,730	$ 15,979,241
Total cash and cash equivalents	925,147	1,075,364	13,978,730	15,979,241
Receivables, net of allowance for uncollectible accounts	18,370	85,666	46,679	150,715
Due from component units	-	20	-	20
Inventories	-	-	472,188	472,188
Prepaid items	-	71,352	-	71,352
Total current assets	943,517	1,232,402	14,497,597	16,673,516
Noncurrent assets:				
Capital assets:				
Buildings and improvements	-	-	1,833,133	1,833,133
Equipment	-	1,753,448	24,809,233	26,562,681
Accumulated depreciation	-	(1,571,980)	(21,822,408)	(23,394,388)
Total noncurrent assets	-	181,468	4,819,958	5,001,426
Total assets	943,517	1,413,870	19,317,555	21,674,942
Liabilities				
Current liabilities:				
Accounts payable	-	37,764	262,165	299,929
Payroll and benefit deductions	-	22,377	73,770	96,147
Accrued expenses	-	-	138,336	138,336
Current portion of compensated absences	-	2,912	9,671	12,583
Total current liabilities	-	63,053	483,942	546,995
Noncurrent liabilities:				
Liability for compensated absences	-	23,857	101,356	125,213
Total noncurrent liabilities	-	23,857	101,356	125,213
Total liabilities	-	86,910	585,298	672,208
Net position				
Net investment in capital assets	-	181,468	4,819,958	5,001,426
Unrestricted	943,517	1,145,492	13,912,299	16,001,308
Total net position	$ 943,517	$ 1,326,960	$ 18,732,257	$ 21,002,734

Exhibit II-B-13

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Worker's Compensation	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-10)
Operating revenues				
Service charges	$ 4,375,439	$ 1,230,412	$ 10,432,113	$ 16,037,964
Total operating revenues	4,375,439	1,230,412	10,432,113	16,037,964
Operating expenses				
Personnel services	-	557,431	2,042,284	2,599,715
Other operating expenses (including administrative overhead)	151,298	419,302	670,806	1,241,406
Prefunded loss & estimated claims	3,108,110	-	-	3,108,110
Insurance	1,131,511	-	-	1,131,511
Supplies	-	4,278	5,861,868	5,866,146
Repairs and maintenance	-	207,150	982,057	1,189,207
Depreciation	-	82,677	1,519,052	1,601,729
Total operating expenses	4,390,919	1,270,838	11,076,067	16,737,824
Operating income (loss)	(15,480)	(40,426)	(643,954)	(699,860)
Nonoperating revenues (expenses)				
Investment earnings	3,157	1,551	20,826	25,534
Miscellaneous income	-	-	5,922	5,922
Insurance recovery	-	-	31,653	31,653
Gain (loss) on dispositon of capital assets	-	-	45,662	45,662
Total nonoperating revenues (expenses)	3,157	1,551	104,063	108,771
Net income (loss) before contributions and transfers	(12,323)	(38,875)	(539,891)	(591,089)
Transfers out	(1,000,000)	-	-	(1,000,000)
Total contributions and transfers	(1,000,000)	-	-	(1,000,000)
Change in net position	(1,012,323)	(38,875)	(539,891)	(1,591,089)
Net position - beginning of year	1,955,840	1,365,835	19,272,148	22,593,823
Net position - end of year	$ 943,517	$ 1,326,960	$ 18,732,257	$ 21,002,734

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Worker's Compensation	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-11)
Cash flows from operating activities				
Cash received from residents and customers	$ 4,357,069	$ 1,227,794	$ 10,438,820	$ 16,023,683
Cash paid to suppliers	(4,390,919)	(597,833)	(7,499,061)	(12,487,813)
Cash paid to employees	-	(557,743)	(2,046,557)	(2,604,300)
Net cash provided by operating activities	(33,850)	72,218	893,202	931,570
Cash flows from noncapital financing activities				
Transfers in (out)	(1,000,000)	-	-	(1,000,000)
Net cash provided (used) by noncapital financing activities	(1,000,000)	-	-	(1,000,000)
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	-	(318,575)	(318,575)
Recoveries for damages	-	-	31,653	31,653
Proceeds from sale of capital assets	-	-	63,021	63,021
Net cash provided (used) by capital & related financing activities	-	-	(223,901)	(223,901)
Cash flows from investing activities				
Interest received on investments	3,157	1,551	20,826	25,534
Net cash provided by investing activities	3,157	1,551	20,826	25,534
Net increase (decrease) in cash and cash equivalents	(1,030,693)	73,769	690,127	(266,797)
Cash and cash equivalents - beginning of year	1,955,840	1,001,595	13,288,603	16,246,038
Cash and cash equivalents - end of year	$ 925,147	$ 1,075,364	$ 13,978,730	$ 15,979,241

(continued)

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Worker's Compensation	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-11)
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ (15,480)	$ (40,426)	$ (643,954)	$ (699,860)
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation	-	82,677	1,519,052	1,601,729
Miscellaneous non operating income	-	-	5,922	5,922
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(18,370)	(2,619)	784	(20,205)
Inventory	-	-	(57,704)	(57,704)
Increase (decrease) in:				
Accounts payable	-	32,898	(25,921)	6,977
Accrued expenses	-	3,123	104,296	107,419
Liability for compensated leave	-	(3,435)	(9,273)	(12,708)
Net cash provided by operating activities	$ (33,850)	$ 72,218	$ 893,202	$ 931,570

Noncash investing, capital, and financing activities:
None

FREDERICK COUNTY, MARYLAND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Tax Agency Fund				
Assets				
Cash and cash equivalents	$ 82,653	$ 2,941,136	$ 2,731,375	$ 292,414
Equity in pooled invested cash	2,224,083	1,720,823	2,472,572	1,472,334
Total Assets	$ 2,306,736	$ 4,661,959	$ 5,203,947	$ 1,764,748
Liabilities				
Due to third parties	$ 2,306,736	$ 5,624,286	$ 6,166,274	$ 1,764,748
Subdivision and Driveway Deposits Fund				
Assets				
Equity in pooled invested cash	$ 5,560,128	$ 2,698,658	$ 2,279,075	$ 5,979,711
Liabilities				
Due to third parties	$ -	$ 31,803	$ -	$ 31,803
Performance deposits	5,560,128	2,698,658	2,310,878	5,947,908
Total Liabilities	$ 5,560,128	$ 2,730,461	$ 2,310,878	$ 5,979,711
Work Release Fund				
Assets				
Cash and cash equivalents	$ 16,616	$ 452,801	$ 452,277	$ 17,140
Liabilities				
Due to third parties	$ 16,616	$ 452,801	$ 452,277	$ 17,140
Tax Incremental Financing Bond Fund				
Assets				
Cash and cash equivalents	$ 5,290	$ 519	$ 5,290	$ 519
Accounts receivable	-	38,923	-	38,923
	$ 5,290	$ 39,442	$ 5,290	$ 39,442
Liabilities				
Due to third parties	$ 5,290	$ 88,558	$ 54,406	$ 39,442
Totals - All Agency funds				
Assets				
Cash and cash equivalents	$ 104,559	$ 3,394,456	$ 3,188,942	$ 310,073
Accounts receivable	-	38,923	-	$ 38,923
Equity in pooled invested cash	7,784,211	4,419,481	4,751,647	7,452,045
Total assets	$ 7,888,770	$ 7,852,860	$ 7,940,589	$ 7,801,041
Liabilities				
Due to third parties	$ 2,328,642	$ 6,197,448	$ 6,672,957	$ 1,853,133
Performance deposits	5,560,128	2,698,658	2,310,878	5,947,908
Total liabilities	$ 7,888,770	$ 8,896,106	$ 8,983,835	$ 7,801,041

Exhibit II-B-16

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE (1)
JUNE 30, 2014

		2014
Governmental funds capital assets		
Land and improvements	$	125,091,739
Buildings		218,213,093
Equipment		91,519,936
Infrastructure		355,942,448
Construction in progress		17,145,491
Total governmental funds capital assets	$	807,912,707
Investment in governmental funds capital assets by source		
Capital projects fund (2)	$	663,524,544
General fund		23,388,371
Special revenue funds		83,175,351
Donations		37,824,441
Total governmental funds capital assets	$	807,912,707

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling $28,395,813 are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Position.

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

Exhibit II-B-17

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION (1)
JUNE 30, 2014

Function	Land and Improvements	Buildings	Equipment	Infrastructure	Construction in Progress	Total
General government	$ 6,133,211	$ 48,390,041	$ 16,362,763	$ -	$ -	$ 70,886,015
Public safety	7,109,578	62,089,648	58,136,939	-	-	127,336,165
Public works	4,587,774	10,299,131	10,277,279	-	-	25,164,184
Public health	-	7,584,601	52,772	-	-	7,637,373
Social services	531,518	40,579,721	2,421,372	-	-	43,532,611
Recreation and culture	38,238,560	48,211,951	4,145,842	-	-	90,596,353
Conservation of natural resources	68,273,129	-	100,288	-	-	68,373,417
Economic Development and Opportunity	217,969	1,058,000	22,681	-	-	1,298,650
Infrastructure	-	-	-	355,942,448	-	355,942,448
Construction in progress	-	-	-	-	17,145,491	17,145,491
Total governmental funds capital assets	$ 125,091,739	$ 218,213,093	$ 91,519,936	$ 355,942,448	$ 17,145,491	$ 807,912,707

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling $28,395,813 are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Position.

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, 2014

Function	Governmental Funds Capital Assets July 1, 2013	Additions	Deductions	Governmental Funds Capital Assets June 30, 2014
General government	$ 66,737,022	$ 4,955,124	$ 806,131	$ 70,886,015
Public safety	125,944,106	2,031,831	639,772	127,336,165
Public works	24,951,544	509,013	296,373	25,164,184
Public health	7,637,373	-	-	7,637,373
Social services	42,973,489	559,122	-	43,532,611
Recreation and culture	90,430,804	182,499	16,950	90,596,353
Conservation of natural resources	67,412,655	3,018,179	2,057,417	68,373,417
Economic Development and Opportunity	1,298,650	-	-	1,298,650
Infrastructure	352,751,784	3,191,337	673	355,942,448
Construction in progress	14,499,579	12,258,379	9,612,467	17,145,491
Total governmental funds capital assets	$ 794,637,006	$ 26,705,484	$ 13,429,783	$ 807,912,707

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling $28,395,813 are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Position.

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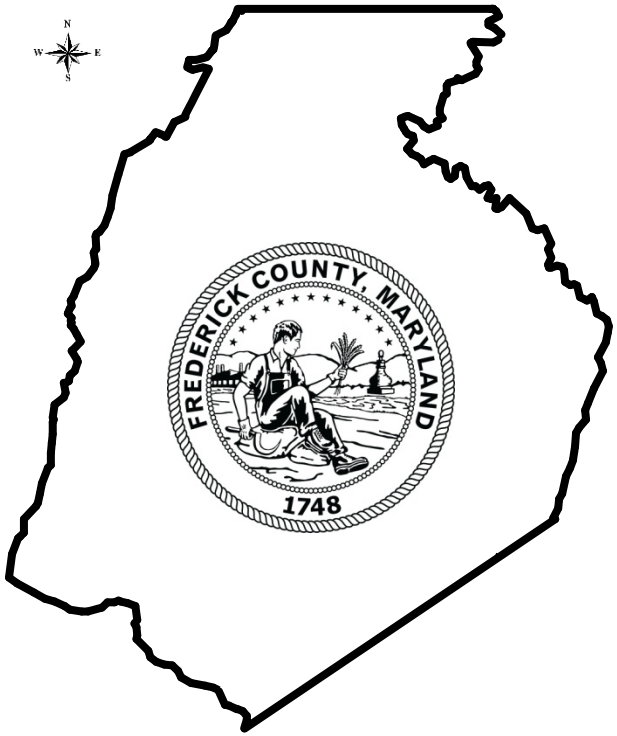
STATISTICAL SECTION



STATISTICAL TABLE OF CONTENTS

This part of the Frederick County, Maryland comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents	**Page**
Financial Trends These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	144 - 149
Revenue Capacity These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	150 - 153
Debt Capacity These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	154 - 157
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	158 - 159
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	160 - 164

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

FREDERICK COUNTY, MARYLAND
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2014	2013 (4)	2012	2011	2010	2009	2008	2007 (3)	2006 (3)	2005
Governmental activities										
Net Investment in capital assets	$ 254,191,895	$ 275,015,641	$ 261,682,219	$ 282,853,416	$ 273,493,228	$ 242,888,896	$ 223,296,140	$ 220,485,887	$ 216,474,001	$ 226,722,373
Restricted (1)	138,179,573	180,302,326	146,940,466	143,503,406	184,828,765	147,016,541	133,032,506	157,734,585	123,851,893	35,780,332
Unrestricted (Deficit) (2)	(178,367,506)	(238,490,895)	(191,281,325)	(228,733,110)	(288,083,336)	(167,092,969)	(59,630,068)	(62,896,588)	(56,507,349)	(7,182,824)
Total governmental activities net position	214,003,962	216,827,072	217,341,360	197,623,712	170,238,657	222,812,468	296,698,578	315,323,884	283,818,545	255,319,881
Business-type activities										
Net Investment in capital assets	401,049,591	385,175,447	354,046,472	338,311,974	312,459,077	291,788,577	232,785,591	214,474,800	193,225,382	175,358,149
Restricted	1,326,742	2,401,597	456,221	4,371,265	9,714,241	679,335	15,750,610	24,851,353	3,206,982	229,896
Unrestricted (Deficit)	107,306,474	101,996,356	101,593,763	98,317,538	77,554,957	80,856,215	96,536,501	87,412,069	104,778,749	88,146,766
Total business-type activities net position	509,682,807	489,573,400	456,096,456	441,000,777	399,728,275	373,324,127	345,072,702	326,738,222	301,211,113	263,734,811
Primary government										
Net Investment in capital assets	655,241,486	660,191,088	615,728,691	621,165,390	585,952,305	534,677,473	456,081,731	434,960,687	409,699,383	402,080,522
Restricted (1)	139,506,315	182,703,923	147,396,687	147,874,671	194,543,006	147,695,876	148,783,116	182,585,938	127,058,875	36,010,228
Unrestricted (Deficit) (2)	(71,061,032)	(136,494,539)	(89,687,562)	(130,415,572)	(210,528,379)	(86,236,754)	36,906,433	24,515,481	48,271,400	80,963,942
Total primary government net position	$ 723,686,769	$ 706,400,472	$ 673,437,816	$ 638,624,489	$ 569,966,932	$ 596,136,595	$ 641,771,280	$ 642,062,106	$ 585,029,658	$ 519,054,692

(1) Due to the implementation of GASB Statement No. 46 in fiscal year 2006, higher restricted net position is being reported than in previous years.
(2) Deficits occur in unrestricted net position for governmental activities because the County issues debt to fund construction costs for the Board of Education yet the Board of Education owns the capital assets. See the Management's Discussion and Analysis for further details.
(3) Restated
(4) Restated due to the implementation of GASB Statement No. 65 in fiscal year 2014 required a Restatement of unrestricted net position

FREDERICK COUNTY, MARYLAND
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007 (1)	2006 (1)	2005
Expenses										
Governmental activities:										
General government	$ 52,314,050	$ 51,175,746	$ 46,806,905	$ 47,444,418	$ 47,426,759	$ 48,336,652	$ 47,365,230	$ 44,608,747	$ 41,402,131	$ 27,425,402
Public safety	102,479,766	97,785,269	94,646,502	94,014,597	96,002,101	98,638,171	92,368,561	82,346,886	68,737,205	58,696,992
Public works	36,262,384	35,874,382	38,137,648	38,082,578	42,608,184	45,639,681	36,272,941	33,363,952	30,839,056	29,789,265
Health	6,618,902	5,722,861	6,165,458	7,389,079	8,666,393	8,430,003	8,350,521	12,022,712	20,318,327	15,586,778
Social services	8,618,986	8,505,272	7,570,218	8,607,518	8,699,974	9,079,466	9,034,819	7,433,791	7,248,599	5,519,938
Education	269,815,733	249,689,186	253,445,819	255,092,160	296,413,864	317,246,467	280,571,794	234,952,181	236,655,998	215,923,669
Parks, recreation and culture	19,424,328	18,636,699	18,460,120	18,294,771	17,106,503	17,984,081	16,540,827	13,027,882	11,619,119	9,450,582
Conservation of natural resources	2,451,626	2,654,878	4,007,350	2,514,717	3,203,584	5,920,062	5,284,255	2,018,025	3,771,639	1,278,781
Community development and public housing	7,065,314	6,979,175	6,632,923	7,068,638	6,124,692	5,313,485	5,532,210	4,692,471	3,195,154	3,713,439
Economic development and opportunity	7,128,852	7,440,036	7,558,114	12,777,129	14,318,099	14,367,112	13,586,428	12,368,074	11,485,801	10,928,583
Miscellaneous	-	-	-	-	-	-	-	-	-	3,803,446
Intergovernmental	-	-	-	-	-	-	-	-	-	6,006,926
Interest on long term debt	18,608,011	19,465,343	19,546,097	15,104,694	17,983,300	17,384,242	15,180,615	13,236,202	9,858,697	9,351,188
Total governmental activities expenses	530,787,952	503,928,847	502,977,154	506,390,299	558,553,453	588,339,422	530,088,201	460,070,923	445,131,726	397,474,989
Business-type activities:										
Water and sewer	34,528,670	32,464,763	31,926,579	29,622,835	28,894,767	27,858,760	25,789,356	23,082,586	21,623,009	19,977,977
Solid waste management	19,474,982	18,365,946	17,878,124	19,949,545	20,467,049	22,543,435	20,989,211	20,649,798	17,615,883	12,368,757
Nursing homes	21,928,222	22,407,711	20,203,892	19,217,797	19,389,965	18,720,204	17,961,626	15,862,296	14,691,041	13,399,901
Public housing	194,866	168,096	149,510	143,837	174,279	138,883	121,973	127,423	106,859	107,323
Permitting and development review	-	-	4,287,265	5,080,138	5,840,521	6,586,058	6,866,402	6,244,552	4,761,715	4,134,794
Total business-type activities expenses	76,126,740	73,406,516	74,445,370	74,014,152	74,766,581	75,847,340	71,728,568	65,966,655	58,798,507	49,988,752
Total primary government expenses	$ 606,914,692	$ 577,335,363	$ 577,422,524	$ 580,404,451	$ 633,320,034	$ 664,186,762	$ 601,816,769	$ 526,037,578	$ 503,930,233	$ 447,463,741
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 16,430,929	$ 15,442,981	$ 8,208,837	$ 7,755,507	$ 9,934,491	$ 7,107,680	$ 6,123,458	$ 10,002,667	$ 13,070,811	$ 1,086,267
Public safety	5,543,192	6,143,618	7,356,176	6,456,180	6,808,959	6,332,060	6,000,432	5,501,706	4,259,470	2,938,922
Public works	1,048,985	758,458	747,519	785,085	657,612	681,480	798,599	699,799	838,845	743,694
Health	293,068	253,721	271,307	43,167	1,895,940	1,770,050	1,955,859	2,571,249	3,575,509	3,348,561
Social services	1,334,066	1,870,902	1,532,062	1,388,107	1,309,912	1,427,143	1,359,191	1,199,006	1,143,596	1,632,919
Parks, recreation and culture	1,249,899	1,235,612	1,161,925	1,045,575	859,500	796,378	727,658	640,439	554,694	466,417
Conservation of natural resources	229,566	190,724	181,256	183,549	-	183,704	193,410	198,663	213,945	129,844
Community development and public housing	-	104,050	174,436	-	-	-	-	-	-	-
Economic development and opportunity	287,303	18,644	30,247	65,258	94,066	131,241	75,736	250,412	353,402	374,485
Operating grants and contributions:	20,861,610	20,368,814	18,668,608	22,050,865	23,530,387	35,124,152	37,093,647	35,352,838	40,427,661	36,100,015
Capital grants and contributions:	3,673,967	8,845,948	10,060,341	8,006,580	7,425,608	18,624,294	4,480,176	4,884,031	3,018,316	5,203,254
Total governmental activities program revenues	$ 50,952,585	$ 55,233,472	$ 48,392,714	$ 47,779,873	$ 52,516,475	$ 72,178,182	$ 58,808,166	$ 61,300,810	$ 67,456,249	$ 52,024,378

FREDERICK COUNTY, MARYLAND
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007 (1)	2006 (1)	2005
Business-type activities:										
Charges for services:										
Water and sewer	$ 26,515,370	$ 24,453,219	$ 24,539,136	$ 24,274,317	$ 20,874,838	$ 20,716,900	$ 19,879,735	$ 19,651,077	$ 20,315,028	$ 19,177,820
Solid waste management	23,837,722	25,066,503	24,502,144	24,584,906	23,313,156	23,140,754	19,286,726	17,255,845	15,028,960	11,306,315
Nursing homes	16,261,305	18,594,578	14,241,647	14,185,948	13,869,981	13,016,338	12,276,779	12,277,443	11,101,735	10,226,199
Public housing	120,875	114,488	108,478	94,815	94,164	94,347	95,121	88,299	84,584	82,043
Permitting and development review	-	-	3,838,228	4,350,081	5,216,087	5,184,792	5,647,636	6,106,718	4,590,651	4,380,255
Operating grants and contributions:	-	-	-	-	25,000	-	5,159,639	10,418,677	12,951,233	12,810,064
Capital grants and contributions:	25,481,073	36,011,030	15,481,330	40,907,293	27,684,963	32,266,084	12,881,554	13,869,468	21,425,241	10,234,860
Total business-type activities program revenues	92,216,345	104,239,818	82,710,963	108,397,360	91,078,189	94,419,215	75,227,190	79,667,527	85,497,432	68,217,556
Total primary government program revenues	$ 143,168,930	$ 159,473,290	$ 131,103,677	$ 156,177,233	$ 143,594,664	$ 166,597,397	$ 134,035,356	$ 140,968,337	$ 152,953,681	$ 120,241,934
Net (Expense)/Revenue										
Governmental activities	$ (479,835,367)	$ (448,695,375)	$ (454,584,440)	$ (458,610,426)	$ (506,036,978)	$ (516,161,240)	$ (471,280,035)	$ (398,770,113)	$ (377,675,477)	$ (345,450,611)
Business-type activities	16,089,605	30,833,302	8,265,593	34,383,208	16,311,608	18,571,875	3,498,622	13,700,872	26,698,925	18,228,804
Total primary government net expense	$ (463,745,762)	$ (417,862,073)	$ (446,318,847)	$ (424,227,218)	$ (489,725,370)	$ (497,589,365)	$ (467,781,413)	$ (385,069,241)	$ (350,976,552)	$ (327,221,807)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Local property taxes	$ 267,892,085	$ 259,687,605	$ 280,654,804	$ 289,330,130	$ 289,144,746	$ 271,247,190	$ 244,968,090	$ 220,103,311	$ 202,355,103	$ 182,302,769
Local income taxes	177,325,988	163,761,716	161,879,620	165,839,265	143,208,402	137,509,451	164,716,995	153,232,580	149,588,132	142,255,367
Other local taxes	25,883,856	26,244,396	19,886,169	21,938,991	23,080,409	23,393,903	31,601,856	41,284,492	49,031,997	57,772,607
Intergovernmental	-	-	3,200,000	3,676,983	-	-	-	-	-	-
Build America Bonds Subsidy	1,274,184	1,325,054	1,374,895	1,374,892	591,969	-	-	-	-	-
Grants & contributions not restricted to specific program	-	-	-	-	-	-	-	-	-	-
Investment earnings	1,911,117	(945,754)	8,637,707	1,758,640	4,904,974	7,900,842	15,484,565	15,415,259	8,787,443	5,517,391
Miscellaneous	6,008,732	3,525,720	4,681,823	7,903,103	914,146	7,630,745	3,270,163	3,904,920	2,722,004	2,693,466
Gain / (Loss) on disposal of operations	-	230,352								
Transfers	(3,283,705)	(2,782,241)	(6,012,930)	(5,826,523)	(8,381,479)	(5,407,001)	(7,386,940)	(3,665,110)	(6,310,538)	(3,868,735)
Total governmental activities	477,012,257	451,046,848	474,302,088	485,995,481	453,463,167	442,275,130	452,654,729	430,275,452	406,174,141	386,672,865
Business-type activities:										
Build America Bonds Subsidy	337,121	341,630	363,764	363,764	156,620	-	-	-	-	-
Investment earnings	382,050	469,201	447,281	642,203	892,586	4,244,887	6,719,219	7,525,143	4,226,175	2,848,200
Miscellaneous	16,926	19,585	6,111	56,804	661,855	27,662	729,699	635,984	240,664	465,661
Gain / (Loss) on disposal of operations	-	(215,886)	-	-	-	-	-	-	-	-
Transfers	3,283,705	2,782,241	6,012,930	5,826,523	8,381,479	5,407,001	7,386,940	3,665,110	6,310,538	3,868,735
Total business-type activities	4,019,802	3,396,771	6,830,086	6,889,294	10,092,540	9,679,550	14,835,858	11,826,237	10,777,377	7,182,596
Total primary government	$ 481,032,059	$ 454,443,619	$ 481,132,174	$ 492,884,775	$ 463,555,707	$ 451,954,680	$ 467,490,587	$ 442,101,689	$ 416,951,518	$ 393,855,461
Change in Net Position										
Governmental activities	$ (2,823,110)	$ 2,351,473	$ 19,717,648	$ 27,385,055	$ (52,573,811)	$ (73,886,110)	$ (18,625,306)	$ 31,505,339	$ 28,498,664	$ 41,222,254
Business-type activities	20,109,407	34,230,073	15,095,679	41,272,502	26,404,148	28,251,425	18,334,480	25,527,109	37,476,302	25,411,400
Total primary government	$ 17,286,297	$ 36,581,546	$ 34,813,327	$ 68,657,557	$ (26,169,663)	$ (45,634,685)	$ (290,826)	$ 57,032,448	$ 65,974,966	$ 66,633,654

(1) Restated

Exhibit III-A-3

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

	2014	2013	2012	2011	2010(1)	2009(1)	2008(1)	2007(1)	2006(1)	2005(1)
General Fund										
Nonspendable	$ 875,623	$ 1,448,707	$ 1,245,845	$ 1,648,689	$ -	$ -	$ -	$ -	$ -	$ -
Restricted	1,789,157	3,075,002	1,481,720	1,748,141	-	-	-	-	-	-
Committed	28,937,617	25,194,232	22,808,337	21,460,449	-	-	-	-	-	-
Assigned	45,598,798	64,137,601	74,564,269	59,868,123	-	-	-	-	-	-
Unassigned	300,000	500,000	500,000	500,000	-	-	-	-	-	-
Total General Fund	77,501,195	94,355,542	100,600,171	85,225,402	-	-	-	-	-	-
All other Governmental Funds										
Nonspendable										
Special revenue funds	6,752,481	5,721,414	5,890,746	5,527,435	-	-	-	-	-	-
Restricted										
Capital project funds	22,756,077	40,695,165	26,378,793	15,301,345	-	-	-	-	-	-
Special revenue funds	1,729,249	1,730,552	2,216,834	1,885,830	-	-	-	-	-	-
Committed										
Capital project funds	56,746,856	51,814,834	39,012,874	28,461,553	-	-	-	-	-	-
Special revenue funds	46,106,305	45,795,195	49,323,414	49,659,195	-	-	-	-	-	-
Assigned										
Special revenue funds	5,645,840	6,279,023	11,286,926	5,915,306	-	-	-	-	-	-
Total all other governmental funds	139,736,808	152,036,183	134,109,587	106,750,664	-	-	-	-	-	-
General Fund										
Reserved	-	-	-	-	2,712,109	2,808,056	3,105,738	3,394,405	3,825,762	3,567,549
Unreserved	-	-	-	-						
Designated	-	-	-	-	34,083,914	28,147,175	46,788,577	79,230,104	51,885,900	32,472,096
Undesignated	-	-	-	-	20,360,666	21,364,533	20,973,351	18,339,726	53,857,163	56,594,257
Total General Fund	-	-	-	-	57,156,689	52,319,764	70,867,666	100,964,235	109,568,825	92,633,902
All other Governmental Funds										
Reserved	-	-	-	-	60,726,010	30,439,539	25,902,551	34,693,529	26,349,699	25,967,238
Unreserved										
Designated										
Special revenue funds	-	-	-	-	77,153,427	64,476,579	59,773,405	52,212,007	59,411,063	40,894,139
Undesignated										
Capital project funds	-	-	-	-	11,442,860	17,869,398	97,993,054	70,046,722	12,503,245	(9,658,250)
Special revenue funds	-	-	-	-	23,122,490	27,235,110	24,370,105	25,313,519	25,958,899	20,424,923
Total all other governmental funds	-	-	-	-	172,444,787	140,020,626	208,039,115	182,265,777	124,222,906	77,628,050
Total Governmental Fund Balance	$ 217,238,003	$ 246,391,725	$ 234,709,758	$ 191,976,066	$ 229,601,476	$ 192,340,390	$ 278,906,781	$ 283,230,012	$ 233,791,731	$ 170,261,952

(1) Prior year restatement of fund balances for GASB #54 is not possible due to lack of available records for the earlier years. Effort required outweighs the benefit of any resulting comparisons.
(2) Restated

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Local property taxes	$ 267,862,169	$ 259,514,346	$ 280,559,892	$ 289,635,356	$ 288,983,632	$ 271,101,871	$ 245,072,399	$ 220,049,674	$ 202,393,241	$ 183,381,053
Local income taxes	174,145,880	176,068,392	169,760,329	157,826,635	146,332,338	158,356,951	161,633,784	154,536,579	144,199,778	137,124,133
Other local taxes	27,401,993	27,730,818	21,465,211	23,529,980	25,219,644	24,774,769	38,844,848	43,622,707	50,893,829	57,562,364
Licenses and permits	3,360,551	2,974,589	532,074	517,020	508,039	529,307	525,736	555,708	831,982	979,054
Grants from federal government	14,384,629	15,412,690	16,645,496	20,508,653	20,900,126	16,018,557	14,972,920	14,435,041	12,950,308	12,336,937
Grants from state government	8,004,219	11,107,191	9,017,538	9,542,786	9,684,799	23,509,031	26,645,876	25,809,335	30,450,610	29,567,220
Intergovernmental	-	-	3,200,000	3,676,983	-	-	-	-	-	-
Charges for services	22,750,120	21,688,995	15,866,215	15,401,850	18,437,255	15,897,927	9,084,044	18,069,358	21,341,057	9,262,332
Fines and forfeitures	266,718	502,583	212,745	272,540	225,230	399,997	428,472	304,985	308,518	330,530
Interest from loans	23,312	23,219	25,632	26,130	36,243	39,347	59,566	89,802	19,512	11,078
Investment income	1,862,271	(996,954)	8,575,492	1,696,828	4,829,617	7,647,654	15,251,373	15,188,001	8,700,804	5,517,391
Build America bond subsidy	1,265,591	1,374,894	1,374,895	1,393,990	-	-	-	-	-	-
Miscellaneous	8,261,245	3,851,416	4,402,651	3,700,464	2,621,349	7,373,952	2,643,364	3,695,581	2,635,249	2,563,737
Total revenues	529,588,698	519,252,179	531,638,170	527,729,215	517,778,272	525,649,363	515,162,382	496,356,771	474,724,888	438,635,829
Expenditures										
Current										
General government	38,637,465	37,810,525	32,732,501	31,033,301	31,630,270	33,547,085	33,788,704	27,818,998	24,306,561	22,204,110
Public safety	96,852,558	96,758,110	91,044,159	86,282,410	91,382,456	91,228,627	91,745,100	74,193,200	64,500,424	56,524,525
Public works	24,590,164	22,335,990	23,097,616	22,071,591	26,459,278	26,114,555	23,592,543	19,905,496	18,984,178	20,812,477
Health	6,446,902	5,936,409	5,999,958	6,553,649	7,959,216	7,581,629	8,290,898	11,767,833	20,145,681	15,447,857
Social services	7,420,761	6,861,672	6,836,930	7,339,050	7,862,659	8,120,521	8,371,921	6,665,331	6,476,583	6,540,358
Education	255,444,856	251,123,285	243,014,146	241,906,846	243,159,708	252,074,877	241,164,441	213,329,178	196,563,412	185,300,073
Parks, recreaton and culture	15,791,538	15,142,891	14,645,090	13,977,415	14,161,782	14,143,791	14,549,408	11,885,934	10,528,919	8,782,883
Conservation of natural resources	5,311,395	4,249,374	5,617,846	9,155,146	11,438,864	7,976,051	14,124,430	5,194,359	2,397,091	1,741,058
Community development and public housing	7,063,243	6,997,550	6,648,743	7,033,746	6,078,956	5,273,431	5,541,941	4,687,912	3,191,585	3,723,967
Economic development and opportunity	7,137,461	7,524,458	7,589,188	11,815,100	13,469,494	13,755,107	14,655,342	12,488,625	11,583,440	10,926,166
Miscellaneous	2,967,580	5,824,185	1,104,915	1,322,468	1,451,118	1,349,087	1,471,497	6,376,131	4,229,897	4,182,513
Intergovernmental	4,812,532	5,077,122	8,768,154	7,451,352	6,651,041	7,442,704	6,630,971	6,062,188	5,454,453	4,847,291
Debt service	-									
Principal	33,334,242	33,334,244	30,689,502	27,242,262	25,866,128	25,866,128	22,966,196	20,179,909	15,432,931	22,652,797
Interest	20,791,313	19,402,391	21,317,629	23,543,184	18,123,755	18,464,996	16,335,094	14,295,744	11,056,416	10,864,875
Capital projects	30,550,542	16,655,781	45,867,283	68,903,882	97,440,556	99,230,793	81,621,365	63,431,403	82,714,041	51,188,595
Total expenditures	557,152,552	535,033,987	544,973,660	565,631,402	603,135,281	612,169,382	584,849,851	498,282,241	477,565,612	425,739,545
Excess of revenues over expenditures	(27,563,854)	(15,781,808)	(13,335,490)	(37,902,187)	(85,357,009)	(86,520,019)	(69,687,469)	(1,925,470)	(2,840,724)	12,896,284

(continued)

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Other Financing Sources (Uses)										
Transfers in from:										
General Fund	$ 14,146,422	$ 23,076,713	$ 16,548,559	$ 9,055,525	$ 7,373,865	$ 22,704,374	$ 36,198,005	$ 46,308,521	$ 31,721,340	$ 23,656,581
Special Revenue Funds	-	7,222,796	400,000	696,364	3,025,753	3,486,070	11,894,630	30,331,520	10,556,300	12,954,780
Capital Projects Fund	-	-	-	4,500,000	2,691,419	-	-	-	-	-
Enterprise Funds	-	1,410,316	-	-	38,360	-	-	-	-	-
Internal Service Funds	300,000	51,300	-	1,674,000	1,000,000	997,039	-	-	-	18,212
Transfer out to:										
General Fund	-	(6,987,796)	-	(5,047,695)	(2,487,108)	-	-	-	-	-
Special Revenue Funds	(5,402,015)	(14,240,588)	(7,044,110)	(5,972,843)	(8,862,176)	(8,247,105)	(11,748,149)	(8,009,101)	(8,429,500)	(7,230,957)
Capital Projects Fund	(8,744,407)	(9,071,125)	(9,904,449)	(3,231,351)	(1,741,753)	(17,943,339)	(36,344,486)	(68,630,940)	(33,848,140)	(29,380,404)
Enterprise Funds	(2,583,705)	(4,192,557)	(6,012,930)	(5,735,201)	(8,481,582)	(5,592,335)	(7,459,195)	(3,941,258)	(6,682,958)	(3,868,735)
Internal Service Funds	-	-	-	(129,592)	(250,648)	(15,527)	(976,979)	(796,768)	(1,690,917)	(14,804)
Proceeds from public facilities and refunding bonds	-	78,746,393	120,557,832	-	173,041,815	-	61,055,000	49,856,000	82,958,476	91,781,972
Payment to refunded bond escrow agent	-	(51,773,701)	(81,114,121)	-	(59,789,074)	-	-	-	(13,710,975)	(96,489,172)
Bond premium on public facilities and refunding bonds	-	3,222,024	18,317,929	-	10,503,504	-	2,385,238	919,527	4,751,327	8,870,030
Installment purchase agreement	693,837	-	1,587,605	4,467,570	6,509,802	2,437,428	7,948,699	-	-	-
Proceeds of capital lease	-	-	2,679,047	-	-	2,120,000	2,394,000	5,325,000	731,000	852,100
Sale of capital assets	-	-	53,820	-	45,918	7,023	17,475	1,250	14,550	18,000
Total other financing sources (uses)	(1,589,868)	27,463,775	56,069,182	276,777	122,618,095	(46,372)	65,364,238	51,363,751	66,370,503	1,167,603
Net change in fund balances	$ (29,153,722)	$ 11,681,967	$ 42,733,692	$ (37,625,410)	$ 37,261,086	$ (86,566,391)	$ (4,323,231)	$ 49,438,281	$ 63,529,779	$ 14,063,887
Total expenditures	$ 557,152,552	$ 535,033,987	$ 544,973,660	$ 565,631,402	$ 603,135,281	$ 612,169,382	$ 584,849,851	$ 498,282,241	$ 477,565,612	$ 425,739,545
Less: Capital outlay	(4,692,445)	(167,076)	(4,331,574)	(6,402,058)	(16,999,763)	(3,395,622)	(9,772,187)	(12,420,057)	(5,398,071)	(11,759,104)
Noncapital expenditures	$ 552,460,107	$ 534,866,911	$ 540,642,086	$ 559,229,344	$ 586,135,518	$ 608,773,760	$ 575,077,664	$ 485,862,184	$ 472,167,541	$ 413,980,441
Debt service	$ 54,125,555	$ 52,736,635	$ 52,007,131	$ 50,785,446	$ 43,989,883	$ 44,331,124	$ 39,301,290	$ 34,475,653	$ 26,489,347	$ 33,517,672
Debt service as a percentage of noncapital expenditures	9.80%	9.86%	9.62%	9.08%	7.51%	7.28%	6.83%	7.10%	5.61%	8.10%

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

	Real Property Taxable Assessed Value					Limited Business Personal Property (4) Public Utilities		Total	
Fiscal Year	Residential Property	Commercial Property	Industrial Property	Total Real Property	Direct Tax Rate (1)	Taxable Assessed Value	Direct Tax Rate (1)(2)	Taxable Assessed Value	Direct Tax Rate (1)(3)
2014	$ 19,696,121,250	$ 4,509,960,797	$ 1,259,675,094	$ 25,465,757,141	1.064	$ 299,508,700	2.34	$ 25,765,265,841	1.079
2013	19,711,683,572	4,482,673,576	1,279,054,781	25,473,411,929	0.936	298,056,050	2.34	25,771,467,979	0.952
2012	20,114,709,447	4,638,038,491	1,259,251,162	26,011,999,100	0.936	294,258,800	2.34	26,306,257,900	0.952
2011	20,722,341,796	4,626,661,711	1,260,344,245	26,609,347,752	0.936	295,566,800	2.34	26,904,914,552	0.951
2010	20,475,208,672	4,559,184,750	1,278,493,699	26,312,887,121	0.936	298,307,100	2.34	26,611,194,221	0.952
2009	19,217,525,707	4,241,998,936	1,189,531,827	24,649,056,470	0.936	297,661,810	2.34	24,946,718,280	0.953
2008	17,735,691,123	3,760,048,362	1,067,271,382	22,563,010,867	0.936	327,415,720	2.34	22,890,426,587	0.956
2007	15,874,860,776	3,366,315,419	937,566,786	20,178,742,981	0.936	342,190,640	2.34	20,520,933,621	0.959
2006	14,300,899,383	3,093,387,029	851,597,799	18,245,884,211	1.000	340,388,820	2.50	18,586,273,031	1.027
2005	12,785,252,464	2,976,052,758	791,720,234	16,553,025,456	1.000	365,265,099	2.50	16,918,290,555	1.032

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

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

(1) Per $100 of assessed value
(2) The direct rate for public utilities does not include the rate for railroads which are immaterial to the public utility revenues.
(3) The Total Direct Tax Rate is the weighted average of the real property and public utilities limited personal property direct rates.
(4) Percent of assessment for this subclass of personal property is 55% and applies only to machinery and equipment, other than operating personal property of a public utility, that is used to generate electricity or steam for sale, or hot or chilled water for sale that is used to heat or cool a building.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Direct Real Property Tax Rates										
Frederick County (1)	$ 1.064	$ 0.936	$ 0.936	$ 0.936	$ 0.936	$ 0.936	$ 0.936	$ 0.936	$ 1.000	$ 1.000
Total Direct Real Property Tax Rates	$ 1.064	$ 0.936	$ 0.936	$ 0.936	$ 0.936	$ 0.936	$ 0.936	$ 0.936	$ 1.000	$ 1.000
Overlapping real property tax rates										
Fire and lighting tax districts										
Suburban Fire/Rescue	$ -	$ 0.080	$ 0.080	$ 0.080	$ 0.080	$ 0.080	$ 0.080	$ 0.080	$ 0.080	$ 0.065
Urban Fire/Rescue	-	0.128	0.128	0.128	0.128	0.128	0.128	0.128	0.135	0.135
Braddock lighting tax district	0.018	0.010	0.010	0.006	0.006	0.006	0.006	0.012	0.016	0.020
Libertytown lighting tax district	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.018	0.021	0.022
New Addition lighting tax district	0.013	0.090	0.010	0.007	0.007	0.007	0.007	0.012	0.014	0.021
State	0.112	0.112	0.112	0.112	0.112	0.112	0.112	0.112	0.132	0.132
Municipalities										
Brunswick	0.462	0.462	0.462	0.462	0.422	0.422	0.432	0.452	0.452	0.488
Burkittsville	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140
Emmitsburg	0.360	0.360	0.360	0.360	0.360	0.360	0.360	0.360	0.360	0.360
Frederick (2)	0.731	0.732	0.650	0.650	0.650	0.650	0.670	0.690	0.690	0.690
Middletown	0.232	0.232	0.232	0.232	0.232	0.232	0.232	0.232	0.232	0.232
Mt. Airy	0.170	0.170	0.170	0.170	0.165	0.165	0.174	0.183	0.188	0.193
Myersville (3)	0.391	0.391	0.274	0.274	0.274	0.274	0.274	0.274	0.274	0.274
New Market	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120
Rosemont	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040
Thurmont	0.309	0.308	0.260	0.260	0.260	0.270	0.280	0.265	0.270	0.273
Walkersville	0.150	0.170	0.170	0.156	0.156	0.156	0.156	0.156	0.166	0.176
Woodsboro	0.128	0.128	0.130	0.120	0.120	0.120	0.120	0.129	0.138	0.152

(1) In FY2014, the county offered a tax differential to any municipality that wanted to substitute the tax rate with the current tax equity program.
County's Frederick City tax differential rate: 0.9357
County's Myersville tax differential rate: 0.9405
(2) Frederick City increased its tax rate because of lowered county tax differential rate charged to customers.
(3) Town of Myersville increased its tax rate because of lowered county tax differential rate charged to customers.

Source: County Treasurer's Office

Exhibit III-A-7

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

	Fiscal Year 2014			Fiscal Year 2005		
Name of Taxpayer	**Assessed Value**	**Rank**	**Percentage of Total County Taxable Assessed Value**	**Assessed Value**	**Rank**	**Percentage of Total County Taxable Assessed Value**
Potomac Edison Company	$ 146,236,300	1	0.57 %	$ 135,232,730	1	0.80 %
RIV 402, LLC	95,725,000	2	0.37	-		-
PR Financing Limited Partnership	72,497,700	3	0.28	61,825,966	3	0.37
Verizon	59,862,380	4	0.23	99,510,980	2	0.59
Medimmune, Inc.	51,825,900	5	0.20	-		-
River X, LLC	47,105,200	6	0.18	-		-
Costco Wholesale Corporation	45,803,400	7	0.18	-		-
Washington Gas Light Company	42,309,880	8	0.16	35,774,500	5	0.21
WRIT Frederick Crossing Land, LLC	40,412,367	9	0.16	-		-
LSREF2 Tractor REO (Frederick), LLC	38,407,100	10	0.15	-		-
State Farm Mutual Auto Insurance	-		-	39,914,266	4	0.24
Fannie Mae	-		-	33,861,353	6	0.20
AT&T Communications	-		-	28,658,249	7	0.17
First Real Estate Investment Trust	-		-	27,217,200	8	0.16
Eastalco Aluminum Company Etal	-		-	27,161,300	9	0.16
Toyrs R Us, Inc.	-		-	26,200,433	10	0.15
Totals	$ 640,185,227		2.48 %	$ 515,356,977		3.05 %

Source: County Treasurer's Office

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments (1)	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2014	$ 258,299,607	$ (1,435,910)	$ 256,863,697	$ 256,652,511	99.92 %	$ -	$ 256,652,511	99.92 %
2013	226,706,549	(1,468,868)	225,237,681	224,912,437	99.86	230,600	225,143,037	99.96
2012	240,261,872	(1,868,202)	238,393,670	238,135,801	99.89	126,484	238,262,285	99.94
2011	245,857,629	(2,208,994)	243,648,635	243,347,532	99.88	186,492	243,534,024	99.95
2010	243,164,858	(1,913,319)	241,251,539	240,846,665	99.83	339,732	241,186,397	99.97
2009	227,624,313	(1,559,310)	226,065,003	225,751,007	99.86	289,422	226,040,429	99.99
2008	207,783,675	(2,264,381)	205,519,294	205,408,797	99.95	105,274	205,514,071	100.00
2007	184,843,834	(718,504)	184,125,330	183,777,116	99.81	343,309	184,120,425	100.00
2006	172,329,130	(847,822)	171,481,308	171,131,906	99.80	322,739	171,454,645	99.98
2005	160,956,202	5,986,647	166,942,849	166,492,845	99.73	450,058	166,942,903	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 2004 through 2005 "adjustments" included additions, abatements and new construction bills. For fiscal years 2006 through 2014, only additions and abatements are included in this column.

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

	Governmental Activities				
Fiscal Year	General Obligation Bonds (1)	Capital Leases	Notes Payable	Agricultural Preservation Installment Purchase Agreements	Total Governmental Activities
2014	(3) $ 433,189,044	$ 1,474,560	$ 335,652	$ 53,505,061	488,504,317
2013	448,464,372	2,260,619	375,438	53,783,983	504,884,412
2012	443,447,989	3,516,894	1,244,870	54,611,083	502,820,836
2011	415,119,045	4,071,505	2,092,380	53,023,478	474,306,408
2010	442,861,027	5,850,235	2,922,118	48,555,908	500,189,288
2009	344,027,778	7,775,416	3,699,879	42,046,106	397,549,179
2008	368,253,623	7,842,795	4,429,258	39,608,678	420,134,354
2007	325,845,687	7,628,193	5,923,287	31,659,979	371,057,146
2006	293,854,568	4,235,122	6,640,103	20,751,405	325,481,198
2005	235,469,310	4,980,289	7,322,577	15,767,333	263,539,509

	Business-Type Activities					
Fiscal Year	General Obligation Bonds (1)	Notes Payable	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
2014	(3) $ 123,494,437	$ 71,834,384	$ 195,328,821	$ 683,833,138	N/A	$ 2,839
2013	126,747,752	65,748,564	192,496,316	697,380,728	N/A	2,926
2012	136,436,986	51,144,933	187,581,919	690,402,755	5.8%	2,919
2011	147,577,338	44,100,674	191,678,012	655,984,420	6.0%	2,829
2010	158,045,900	31,250,960	189,296,860	679,224,221	6.4%	2,910
2009	135,081,028	29,576,033	164,657,061	556,777,435	5.5%	2,375
2008	145,047,601	28,293,975	173,341,576	593,475,930	5.8%	2,550
2007	134,931,759	29,688,011	164,619,770	535,676,916	5.4%	2,318
2006	99,409,177	29,602,176	129,011,353	454,492,551	4.8%	1,986
2005	71,575,278	28,917,294	100,492,572	364,032,081	4.2%	1,632

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

(1) Presented net of unamortized premium/discount and deferred loss on bond refundings through Fiscal Year 2013
(2) See Exhibit III-A-13 for personal income and population data. (All information updated as of June 30, 2014)
(3) With the implementation of GASB 65 in Fiscal Year 2014, the general obligation bonds are presented net of unamortized premium / discount. Deferred Loss on bond refundings is no longer considered part of outstanding debt.

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

Fiscal Year		General Obligation Debt (1)	Installment Purchase Agreements (2)	Less Amounts to be Paid with Other Resources	Total Net General Obligation Debt Outstanding	Percentage of Total Estimated Actual Value of Taxable Property (3)	Per Capita (4)
2014	(5)	$ 556,683,481	$ 53,505,061	$ (285,111,328)	$ 300,609,925	1.17%	$ 1,248
2013		575,212,124	53,783,983	(304,324,274)	323,984,710	1.26%	1,359
2012		579,884,975	54,611,083	(332,208,152)	302,287,906	1.15%	1,278
2011		562,696,383	53,023,478	(334,248,799)	281,471,062	1.05%*	1,196
2010		600,906,927	48,555,908	(346,222,700)	303,240,135	1.14%	1,299
2009		479,108,806	42,046,106	(267,621,157)	253,533,755	1.02%	1,082
2008		513,301,224	39,608,678	(279,834,495)	273,075,407	1.19%	1,174
2007		460,777,446	31,659,979	(241,586,012)	250,851,413	1.22%	1,085
2006		393,263,745	20,751,405	(187,272,256)	226,742,894	1.22%*	991
2005		307,044,588	15,767,333	(135,488,237)	187,323,684	1.11%*	840

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

(1) Presented net of unamortized premium/discount and deferred loss on bond refundings through Fiscal Year 2013
(2) Installment Purchase Agreements are included because they require the County's bond authority to be issued.
(3) See Exhibit III-A-5 for real property tax values.
(4) See Exhibit III-A-13 for population data.
(5) With the implementation of GASB 65 in Fiscal Year 2014, the general obligation bonds are presented net of unamortized premium / discount. Deferred Loss on bond refundings is no longer considered part of outstanding debt.

*Percentages have been restated.

FREDERICK COUNTY, MARYLAND
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2014

Governmental Unit	Debt Outstanding (1)	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Direct:			
Frederick County	$ 488,504,317	100%	$ 488,504,317
Overlapping Debt:			
Component Units:			
Frederick County Public Schools	13,722,434	100%	13,722,434
Frederick Community College	7,013,469	100%	7,013,469
Towns, Cities and Villages:			
Brunswick	576,815	100%	576,815
Frederick City	64,573,807	100%	64,573,807
Middletown	858,684	100%	858,684
Myersville	4,432,500	100%	4,432,500
Subtotal Overlapping:	91,177,709		91,177,709
Totals	$ 579,682,026		$ 579,682,026

Source: Division of Finance

(1) Debt repaid by general government activities

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the county. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Frederick County. This process recognizes that, when considering the county's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt limitation - 6% of total assessed value	$ 1,546,288,079	$ 1,578,375,474	$ 1,614,294,873	$ 1,596,671,653	$ 1,496,803,097	$ 1,373,425,595	$ 1,231,256,017	$ 1,115,175,382	$ 1,015,097,433
Total debt applicable to limit (2)	192,126,399	185,262,503	184,227,695	183,492,836	159,150,084	171,077,180	155,779,337	123,521,133	100,434,321
Legal debt margin	$ 1,354,161,680	$ 1,393,112,971	$ 1,430,067,178	$ 1,413,178,817	$ 1,337,653,013	$ 1,202,348,415	$ 1,075,476,680	$ 991,654,249	$ 914,663,112
Total net debt applicable to the limit as a percentage of debt limit	12.43%	11.74%	11.41%	11.49%	10.63%	12.46%	12.65%	11.08%	9.89%

Legal debt margin calculation for fiscal year 2014

Assessed valuations (1)	$ 25,765,265,841
Debt limitation - 6% of total assessed value	1,545,915,950
Debt applicable to limitation	
Total bonds payable (3)	123,494,437
Total notes payable	71,834,384
Total debt applicable to limit (2)	195,328,821
Legal debt margin	$ 1,350,587,129
Total net debt applicable to the limit as a percentage of debt limit	12.22%

(1) Source - Maryland State Department of Assessments and Taxation; all other data - Division of Finance
(2) The total debt applicable to the limit is for bonds and notes issued pursuant to Chapter 2-13-13. Water, sewers, drains and solid waste of Part II, Code of Public Laws of Frederick County,1979.
Fiscal Year 2013 and prior are shown net of unamortized premium/discount an deferred loss on bond refunding.
(3) With the implementation of GASB 65 in Fiscal Year 2014, the general obligation bonds are presented net of unamortized premium / discount.
Deferred Loss on bond refundings is no longer considered part of outstanding debt.

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

Year	Population(1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (2)	Public School Enrollment (3)	Community College Academic State FTE (4)			Unemployment Rate (5)
					Credit	Non-Credit	Total	
2014	240,911	N/A	N/A	40,715	3,672	529	4,201	5.4%
2013	238,345	N/A	N/A	40,527	3,798	534	4,332	6.6
2012	236,551	$ 11,869,821	$ 49,544	40,487	3,842	571	4,413	5.9
2011	235,400	11,034,674	45,107	40,484	4,055	553	4,608	6.5
2010	233,385	10,582,394	46,610	40,210	4,068	319	4,387	6.6
2009	234,400	10,200,248	44,742	40,155	3,723	318	4,041	6.8
2008	232,700	10,182,523	44,951	40,566	3,322	358	3,680	3.8
2007	231,100	9,875,134	43,894	40,315	3,197	382	3,579	3.2
2006	228,900	9,278,747	41,792	39,741	3,011	432	3,443	3.4
2005	223,000	8,659,325	39,465	39,564	2,826	363	3,189	3.0

Sources: (1) Estimated by Frederick County Business Development & Retention Division
(2) US Bureau of Economic Analysis (All data updated as of June 30, 2013)
(3) Frederick County Board of Education
(4) Frederick Community College
(5) Maryland Department of Labor, Licensing & Regulation
N/A - Not available

Exhibit III-A-14

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

	2014			2005		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment** *	**Employees**	**Rank**	**Percentage of Total County Employment** *
Fort Detrick	11,000 *	1	11.53 %	7,800 *	1	8.56 %
Frederick County Board of Education	5,700	2	5.97	4,847	2	5.32
Frederick Memorial Healthcare System	2,696	3	2.83	2,400	3	2.64
Wells Fargo Home Mortgage	1,881	4	1.97	1,700	6	1.87
Frederick County Government	1,877	5	1.97	2,054	4	2.26
Leiods Biomedical (formerly SAIC-Frederick)	1,872	6	1.96	2,000	5	2.20
Bechtel Corporation (formerly Bechtel Power)	1,578	7	1.65	1,500	8	1.65
Frederick Community College	939	8	0.98	1,159	9	1.27
State Farm Insurance	900	9	0.94	929	10	1.02
Frederick City Government	831	10	0.87	694	11	0.76
United Health Care (formerly MAMSI)	700	11	0.73	1,600	7	1.76
	29,974		31.40 %	26,683		29.31 %

***** Includes military personnel

Source: Frederick County Business Development & Retention Division, Frederick County Board of Education, Frederick County Division of Finance, and City of Frede

Exhibit III-A-15

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

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government	287	294	303	332	356	378	384	350	335	335
Public safety	808	810	820	801	831	864	846	762	704	646
Public works	343	359	376	407	422	443	421	395	383	359
Health	157	316	298	318	326	333	337	316	313	292
Social services	97	101	105	109	138	149	141	136	126	125
Parks, recreation and culture	48	46	45	46	46	48	50	49	50	42
Library	111	111	114	119	117	123	121	116	108	91
Conservation of natural resources	8	7	7	5	7	7	7	7	7	7
Community dev. & public housing	9	9	9	9	11	11	11	8	7	6
Economic dev. & opportunity	28	31	31	33	114	119	114	104	111	106
Total	1,896	2,084	2,108	2,179	2,368	2,475	2,432	2,243	2,144	2,009

Source: Division of Finance

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

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
Human Resources										
Employment announcements issued	220	219	256	180	110	133	272	265	182	170
Employment applications received/reviewed	12,500	9,392	8,993	7,515	4,698	5,127	7,968	6,989	6,000	7,000
Finance/Accounting										
Accounts payable checks generated	20,163	20,766	21,056	22,310	21,580	22,719	29,216	23,557	28,000	31,000
Procurement & Contracting										
Formal bids, RFP's, sole source & emergencies	223	185	211	204	203	210	204	207	225	200
Treasurer										
Invoices prepared	2,183	2,063	2,148	2,573	2,413	2,318	2,291	2,235	1,920	1,800
Property tax bills/delinquent notices mailed	104,890	102,348	107,045	106,612	101,345	103,892	101,648	106,403	87,207	93,000
Building Maintenance										
Buildings	155	149	147	142	145	145	136	121	116	114
Work orders/service requests	4,064	4,331	5,888	5,815	4,231	5,043	4,040	3,767	4,486	4,272
Square feet of properties managed	1,462,965	1,316,994	1,313,488	1,300,120	1,250,119	1,250,119	1,232,121	1,212,276	1,183,434	1,142,634
Facility Services										
Number of leases managed	30	35	39	33	41	39	37	35	37	37
Square feet of leased property managed	110,238	136,860	148,257	141,742	161,996	159,227	169,258	166,769	155,303	155,303
Pieces of outgoing U.S. mail	406,924	291,304	298,733	326,858	334,375	400,976	415,488	425,899	400,560	485,000
Elections										
Registered voters	149,393	149,312	141,136	136,014	135,264	132,866	127,227	124,000	124,000	122,000
Liquor Board										
Regular liquor licenses	306	307	304	304	284	300	299	294	298	295
Liquor inspections	7,323	7,216	5,399	5,864	4,449	3,463	3,652	3,260	3,260	3,200
Internal Audit										
Internal Audits performed (1)	7	2	4	4	6	5	9	8	16	21
Circuit Court										
New cases filed	9,704	10,333	10,710	10,431	12,499	12,429	11,168	10,053	9,303	7,939
Public Safety										
Housing units permitted (2)	1,296	1,006	845	581	788	665	738	1,143	2,087	1,653
Sheriff's Office										
Administration Bureau										
Civil Process papers served	23,181	22,972	19,440	20,648	28,286	30,993	24,771	21,596	25,200	24,500
Courthouse Security										
Prisoners handled: adult/juvenile	4,149	3,846	4,332	4,241	4,535	4,684	4,844	5,336	5,200	5,250
Operations: Law Enforcement										
Arrests: adult/juvenile	3,372	3,189	3,520	3,826	3,892	4,226	4,197	4,376	4,961	4,386
Calls for service	95,223	89,428	98,876	99,047	101,728	96,469	88,434	68,159	58,687	68,340
Adult Detention Center										
Average daily populaton	360	382	395	442	416	425	484	498	464	466
Emergency Communications (3)										
Fire/EMS dispatches	32,114	32,614	32,199	32,453	30,457	27,674	26,642	26,378	25,591	22,827
Police dispatches	208,541	134,084	145,206	144,489	150,634	144,158	131,355	109,285	102,598	79,297
911 calls	107,321	126,042	140,973	132,231	117,346	109,111	107,353	109,601	107,127	109,210
Animal Control (3)										
Calls for service	11,154	10,858	11,322	10,657	9,373	9,022	8,110	7,771	7,061	6,960

(1) The drop in the number of audits from FY08 to FY09 was due to a change in the type of audits conducted. The Internal Audit Division increased its performance audits, which require more time to complete. The decrease after FY10 is due to the majority of the Internal Audit function being outsourced and a resulting decrease in staff. Two in-house FTEs remain, and in-house audits are still performed. Two contractors begain performing audit work in FY13.

(2) For FY04-FY12, the data represents housing units constructed. For FY13 - FY14 the data represents housing units permitted.

(3) FY11 and FY12 data has been adjusted to reflect fiscal year data not calendar year.

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

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public Works										
Water facilities										
Customers	21,213	21,113	20,763	20,549	20,263	20,062	20,131	20,081	19,692	17,578
Annual production (1,000 gals.)	2,395,882	2,032,866	2,036,251	1,846,545	1,612,900	1,733,200	1,712,670	1,952,000	1,952,328	1,860,600
Sewer facilities										
Customers	29,454	29,398	28,550	28,221	27,874	27,559	25,923	25,890	24,787	24,614
Fleet Services										
Work orders	5,516	5,160	5,429	5,716	5,613	6,066	5,507	5,372	4,277	7,695
Vehicles maintained	874	926	961	967	1,045	1,016	994	959	888	820
Highway Operations										
County roads - mileage maintained	1,272	1,270	1,271	1,264	1,264	1,264	1,258	1,257	1,256	1,245
Tar and chip maintenance (miles)	8	12	11	21	12	32	41	59	95	*
Usage of salt & cinders (tons)	37,222	17,911	7,268	15,263	16,998	14,793	22,911	24,144	25,000	18,900
Transportation Engineering										
Bridges inspected	145	103	138	116	136	114	170	170	170	172
Road overlay (miles)	49	17	26	3	37	48	32	25	26	26
Construction Management										
CIP and developer funded subdivision projects completed	40	23	23	41	74	69	106	77	193	163
TransIT										
Passenger trips	839,297	864,013	909,804	835,880	786,711	791,961	737,974	709,701	651,306	553,344
Revenue vehicle miles	1,059,840	1,129,546	1,147,211	1,173,086	1,196,533	1,218,305	1,112,748	1,096,130	1,053,170	994,505
Revenue vehicle hours	77,365	79,904	81,995	83,154	86,305	85,770	85,829	83,467	80,541	83,038
Health										
Health Department										
Public health nursing contacts	20,535	22,068	21,130	21,499	22,632	25,575	25,839	35,046	31,379	29,866
Mental health visits	13,498	12,220	12,165	10,724	10,133	10,182	10,691	10,803	5,958	7,053
Substance abuse visits	39,755	35,827	25,764	26,464	28,860	29,630	30,474	32,063	10,932	13,734
Dental visits for children	3,897	3,983	3,899	4,242	4,384	4,851	5,056	4,410	4,486	4,556
Environmental health reviews/inspections	12,437	13,458	14,304	14,799	14,668	16,684	14,664	15,132	14,041	13,588
School health program										
Children served	40,715	40,527	39,293	40,484	40,210	40,155	40,566	40,315	39,741	39,564
Health room visits	317,079	320,884	289,766	304,730	307,925	270,234	271,815	248,626	160,000	147,070
Developmental Center										
Infants & Toddlers Program children served	555	528	697	638	583	548	529	533	*	*
School-based services visits	14,810	14,113	13,959	14,378	14,734	12,442	11,512	10,551	*	*
Audiology services visits	778	793	767	809	835	801	877	860	969	861
Social Services										
Social Services										
Child & Adult Care Food Program										
Home visits	850	800	855	843	825	900	900	900	1,344	1,026
Department of Aging										
Home delivered meals served to elderly	41,003	51,282	50,305	50,220	45,490	44,624	50,042	52,141	20,000	21,000
Congregate meals served	9,485	11,795	13,474	15,522	15,338	16,936	16,638	16,656	19,000	21,500

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

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Parks, recreation and culture										
Parks & Recreation										
Parks acres maintained	2,074	2,066	2,066	2,066	2,066	1,792	1,572	1,534	1,534	1,511
Recreation center attendance	107,052	101,069	99,106	95,135	99,247	90,645	77,138	76,844	54,718	45,000
Conservation of natural resources										
Agriculture										
Farms	1,308	1,442	1,442	1,442	1,442	1,442	1,273	1,273	1,273	1,273
Acreage	181,512	202,087	202,087	202,087	202,087	202,087	195,827	195,827	195,827	195,827
Preserved land										
Farms	413	405	397	390	376	355	298	274	244	220
Acreage	55,542	54,365	53,572	52,802	50,946	47,538	40,163	37,807	33,836	30,782
Community development and public housing										
Bell Court housing project (28 units)										
Occupancy rate	99%	99%	100%	100%	100%	100%	100%	99%	99%	99%
Economic development and opportunity										
Workforce Services										
One - stop services - customers served	5,511	5,009	4,538	6,547	5,122	2,744	2,365	2,507	2,310	2,310
One - stop services - youth customers served	237	220	212	242	214	200	330	*	*	*
Job orders received	3,073	3,178	3,743	4,446	2,761	1,765	2,116	*	*	*
Customized training provided (trainees)	n/a	Program Ended	1,044	1,413	998	2,319	1,663	*	*	*
Maryland Business works projects (trainees)	n/a	n/a	Grant Ended	351	187	190	310	*	*	*
Recruitment for business	91	44	60	32	90	81	*	*	*	*
Customized & onsite recruitment events	454	359	454	364	18	28	31	*	*	*
Website unique visitors	68,344	82,257	93,875	82,422	79,697	55,605	21,774	*	*	*
Business Development and Retention Division										
Average web hits per month	396,800	421,502	420,018	422,119	390,112	370,934	365,115	326,761	280,396	251,629
Inquiries	2,100	2,100	2,001	2,590	3,847	3,943	3,343	3,273	2,507	*
Prospects	185	140	128	150	164	311	440	405	482	*
Projects	410	503	499	513	541	513	422	396	137	184
Companies visited	348	325	308	311	348	429	424	455	486	321
Companies assisted	275	313	290	270	272	335	418	360	244	544

*Information not available

Sources: Frederick County, Maryland Adopted Budgets Performance Indicators and individual county departments. Estimates generated by the agencies were used when actual figures were unavailable.
U. S. Department of Agriculture Census (2007)

Exhibit III-A-17

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

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
Building maintenance										
Buildings managed	155	149	147	142	145	145	136	121	116	114
Public Safety										
Fire/rescue stations	30	30	30	30	30	30	30	30	30	30
Adult Detention Center average daily population	360	382	395	442	416	425	484	498	464	466
Public Works										
County roads - mileage	1,272	1,270	1,271	1,264	1,264	1,264	1,258	1,257	1,256	1,245
Water facilities										
Plants/Distribution Systems	13	12	12	12	12	12	14	14	14	14
Daily capacity (1,000 gals.)	18,124	18,124	18,124	18,124	12,432	12,432	12,432	10,193	10,193	9,485
Miles of water mains	308	306	302	293	290	289	284	271	253	243
Hydrants	2,689	2,665	2,602	2,482	2,453	2,428	2,357	2,259	2,085	1,924
Sewer facilities										
Plants/Collection Systems	13	14	14	15	15	16	16	16	17	17
Daily capacity (1,000 gals.)	8,533	8,677	8,677	8,677	8,677	7,727	7,677	7,677	7,707	7,707
Miles of sewer mains	371	367	363	357	353	352	344	339	327	313
Bridges										
Bridges (over 20' spans)	219	219	219	219	219	219	215	215	214	214
Fleet services										
Vehicles	940	926	961	967	1,045	1,016	994	959	888	820
Parks, Recreation and Culture										
County park acreage	2,074	2,066	2,066	2,066	2,066	1,792	1,572	1,534	1,534	1,511
County facilities	37	36	36	36	36	31	30	30	29	29

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