

Frederick County Maryland



**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

Front Cover: Photos were taken by members of the Frederick Camera Clique. This club of photography enthusiasts meets on the second Wednesday of each month at 7:00 pm at the Delaplaine Visual Arts Center in downtown Frederick. For more information about the club, visit www.frederickcameraclique.org.

The Great Frederick Fair, "Night on the Midway" and "Pumpkin Field" in Buckeystown were photographed by Cam Miller of New Market, Maryland. More of Cam's work can be seen at www.camscamerashots.com

"American Primitive" taken at Thomas Farm in the Monocacy Battlefield, "Early Morning at the Fountain" taken along Carroll Creek, and "Point of Rocks Train Station" were photographed by Bruce Saunders of Adamstown, Maryland. Bruce describes his style as painterly photography and his work can be seen at www.brucesaundersphotography.com

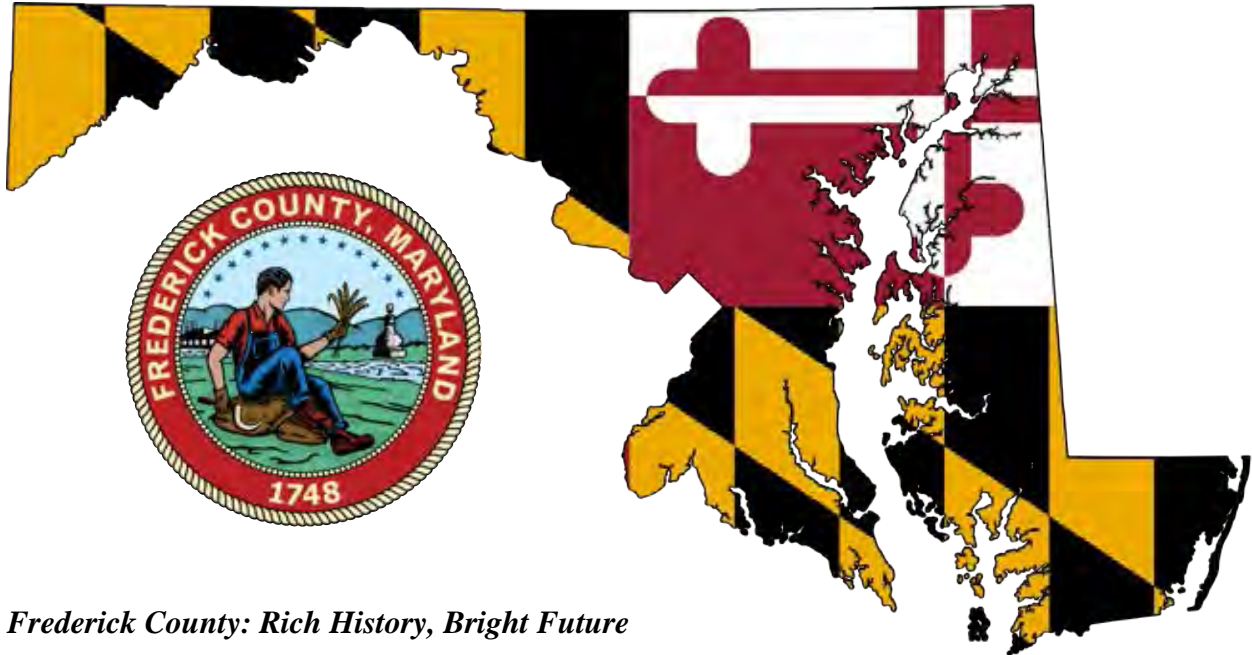
Permission was granted by the photographers to use these photos.

Frederick County, Maryland
Comprehensive Annual Financial Report
Fiscal Year 2017
July 1, 2016 – June 30, 2017



Prepared by the Finance Division

Frederick County, Maryland



Frederick County: Rich History, Bright Future

**Our mission is 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, 2017
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WINCHESTER HALL



INTRODUCTORY SECTION





FREDERICK COUNTY GOVERNMENT

DIVISION OF FINANCE

Accounting Department

Jan H. Gardner
County Executive

Lori L. Depies, CPA, Division Director
Melanie Thom, CPA, Director

November 30, 2017

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, 2017.

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 the independent public accountants pursuant to Section 704 of the Charter of Frederick County, Maryland.

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, 2017. 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 the independent public accountants is located at the beginning of the financial section of this report.

The County is also required to undergo an annual Single Audit in conformity with the provisions of the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the Government

Frederick County, founded in 1748, originally included the present Maryland counties of Garrett, Allegany, Washington, Carroll and Montgomery. It is located in the north central part of Maryland, is 664 square miles in area, and serves an estimated population of 249,277. 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 71,867. The City of Frederick is located approximately 45 miles northwest of Washington, D.C. and 45 miles west of Baltimore, Maryland.

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 elections in November of 2014 officially initiated the County's change in government from Commissioner to Charter form. The Charter provides, among other things, for the election of the County Executive and the organization, powers, and duties of the executive and administrative branches; as well as the election, organization, powers and duties of the legislative branch, and fiscal and budgetary matters. Other elected officials include the Sheriff, the State's Attorney, Circuit Court judges, Orphans Court judges and a Register of Wills.

Under charter government, the County Executive has authority over the day-to-day operations of the County while the County Council has legislative authority. This change allows 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.

Both the executive and legislative 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 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 Comprehensive Care Facility, the Solid Waste Management, and Water and Sewer Enterprise Funds are supported through user fees.

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 under the Charter form of government is the responsibility of the County Executive. Not later than April 15 of each year, the Executive prepares and submits a proposed Budget to the County Council for the ensuing fiscal year. The County Council may decrease or delete any items in the Budget, except those required by State law, by provisions for debt service on obligations or for estimated cash deficits. The adoption of the budget requires passage by a majority vote of the County Council not later than May 31, which is known as the "Annual Budget and Appropriations Ordinance of Frederick County."

The General Fund budget is based on estimated revenues and expenditures of operations submitted by the County departments and agencies for the ensuing fiscal year. When submitted to the County Council, 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 County Executive from submissions by the County departments and agencies and must be approved by the County Council. 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.

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis - Budget and Actual are presented for the General Fund and the Debt Service Fund, both 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 Governmental Accounting Standards Board (GASB) Statement No. 54. Those funds are included in the Capital Projects Fund for GAAP reporting. The reconciliation of budgetary basis presentation to the GAAP presentation is presented in Footnote 2.B.

Factors Affecting Financial Condition

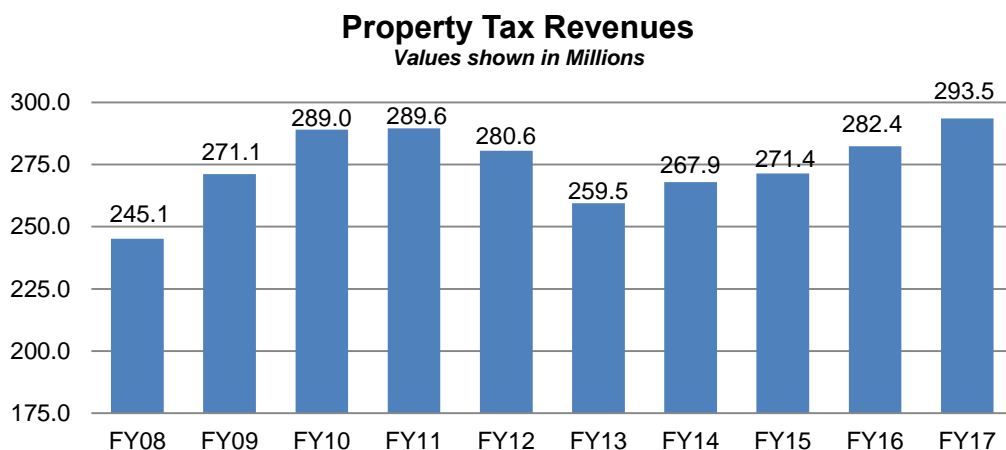
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

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, a highly skilled and educated workforce and room to grow are all key factors for businesses looking to locate or expand in Frederick County.

The federal government has been a positive influence on Maryland and Frederick County 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.

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 3.7% in FY17. Average employment in Frederick County increased from 90,781 in 2011 to an estimated 100,000 in June of 2017.

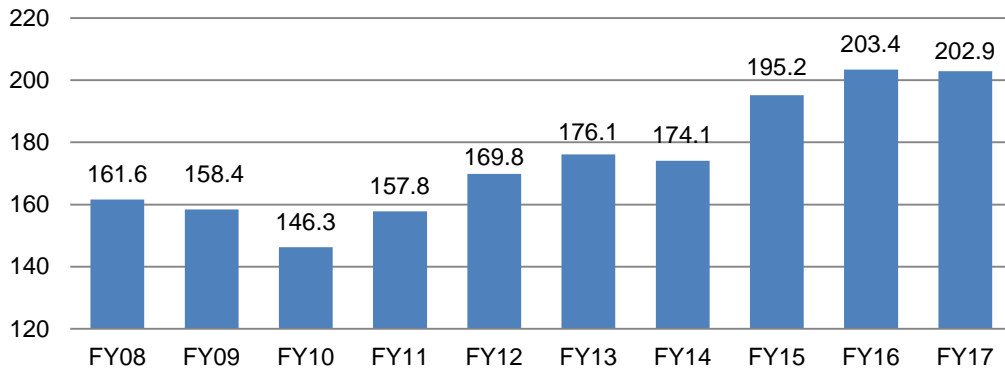
The County's largest revenue source remains real property taxes. Real property assessed values increased by 4.0% in FY17 and this trend continues into FY18 as values grew to from \$28.0 billion and \$28.2 billion. General Fund property taxes are projected to increase in FY18 by \$8.2 million over FY17, representing a 2.8% increase. The real estate market has experienced a modest recovery in property assessments, which have increased over the past four years after declining in previous 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 has a volatile history. Revenues were at their lowest during the past 10 years in fiscal year 2010 at \$146.3 million. In the current fiscal year we received \$202.9 million. This is slightly less than our peak in FY17, when we received \$203.4 million. Income tax is budgeted at \$206.9 million for FY18.

Income Tax Revenues

Values shown in Millions



Long-term Financial Planning - The major credit rating agencies have recognized that Frederick County is positioned well to manage current and future fiscal challenges because of years of conservative and sound financial management. During the latest general obligation bond issuance process (June 2016) Moody's Investors Services, Inc. upgraded the County's rating from Aa1 to AAA. The County's fiscal strength has also been attested to by Fitch Ratings and Moody's Investors Service, Inc. that reaffirmed their ratings of AAA. 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 FY18 budget reflects a strong economy with a modest growth in revenues. The budget is fiscally responsible with no increase in property tax or income tax rates and adheres to long standing conservative policies. Total Operating Revenue is budgeted at \$550.5 million for FY18, representing a 2.8% increase over FY17.

The FY18 budget reflects the County Executive's goals by providing increased funding for education as well as an investment in public safety (police, fire, corrections and 911 communications).

Below are some highlights from Executive Gardner's FY2018 budget:

- Continued increase in funding for Frederick County Public Schools at \$10 million over the mandated maintenance of effort for enrollment growth.
- Public Safety is provided with additional staffing including correctional officers (8), firefighters (12) and 911 operators (8).
- Commitment to staff including a 2% cost of living adjustment and position reclassifications.
- Increased services for our senior citizens through increased funding of the Meals on Wheels Program, as well as the retention of ownership of Citizens Care and Rehabilitation Center (CCRC) and Montevue Assisted Living. The County utilizes the excess revenues from CCRC to help serve our indigent population by subsidizing the cost of assisted living services that do not qualify for Medicare or Medicaid funding.

- Frederick County Transit will be seeing additions to its fleet that include three all-electric buses purchased through a Smart Energy Grant.

Financial Policies and Practices

Debt Policy:

The debt policy sets forth comprehensive guidelines for the financing of capital expenditures. The policy provides parameters for issuing debt and managing outstanding debt. The policy provides guidance to decision makers regarding the timing and purpose for which debt may be issued, what types and amounts of debt are permissible, the method of sale that may be used and the debt structuring practices that may be used. The County recognizes that adherence to a debt policy helps ensure that it maintains a sound debt position and that credit quality is protected.

Investment Policy:

The County has a written investment policy that ensures that the investment program is strictly adhered to and the security of County investments is maximized. Cash held temporarily idle during the year by Frederick County's primary government, was invested in certificates of deposits, obligations of federal government agencies, the State of Maryland Local Government Investment Pool and a bank money rate savings account all of which are fully collateralized by United States Government obligations for periods ranging from one day to three years. The County also has a delivered collateral policy.

All financial policies are reviewed periodically.

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, 2017. 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 Deputy Director of Finance, Erin White, Director of Accounting, Melanie Thom and her Team Leaders, Ronni Putman and Kathi Tritsch, along with their staff; Financial Services Manager, Susan Keller, Director of Treasury, Diane Fox, and her staff who administer the County's property taxes and revenue collection system; Director of Procurement and Contracting, Diane Fouche, and her staff who work to maximize the value the County receives in all expenditures of tax dollars. A special thank you is given to our Budget Office staff who administers the budget process without which accounting and financial reporting could not exist. A sincere note of appreciation goes to

Lori Rhodes who assumed the production process of this document. Lastly, I express my appreciation to our County Executive, Jan Gardner, as well as the County Council members and their staffs 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,

A handwritten signature in cursive script that reads "Lori L. Depies".

Lori L. Depies, CPA
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Frederick County
Maryland**

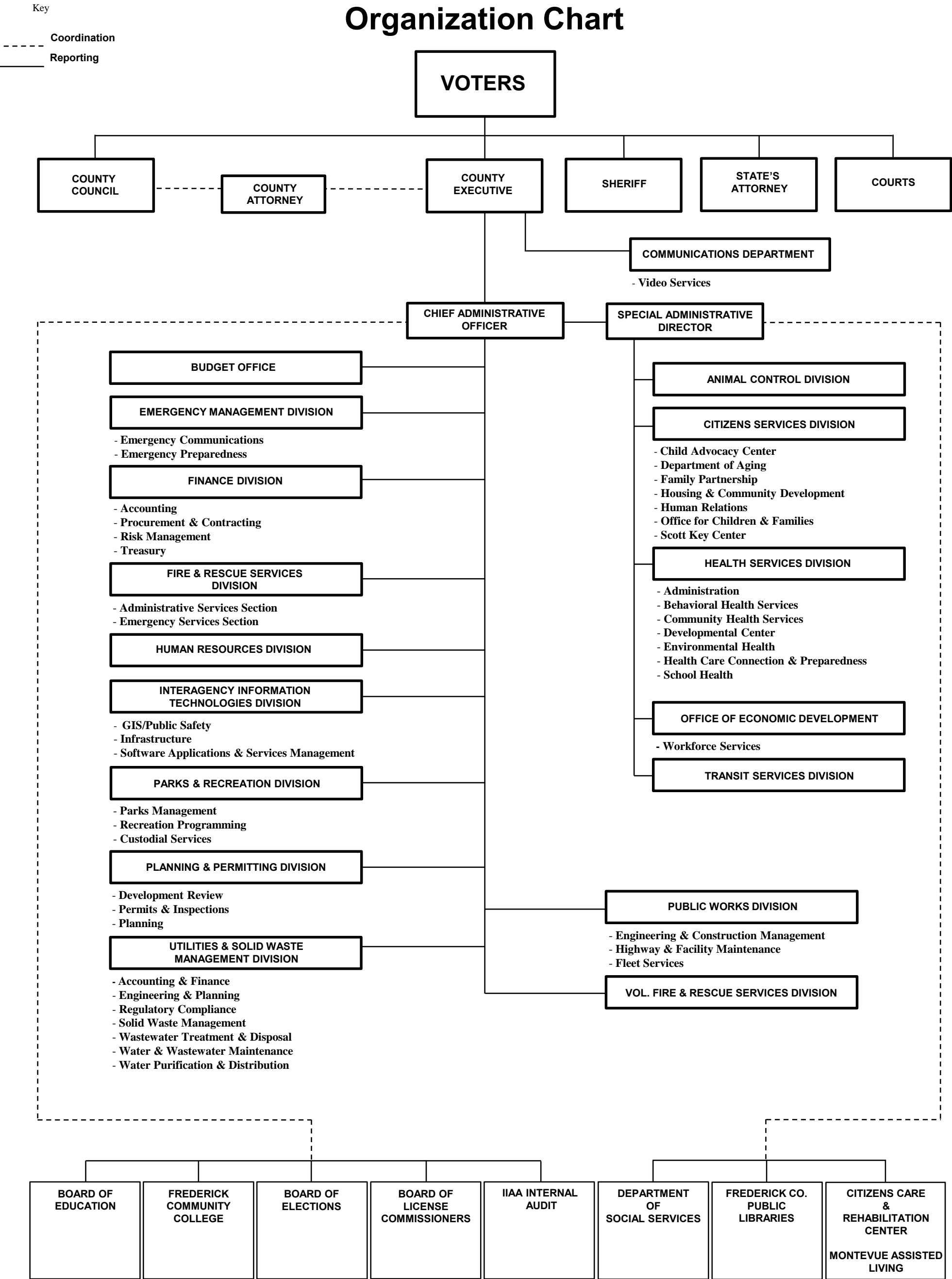
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

FREDERICK COUNTY GOVERNMENT

Organization Chart





Frederick County Elected Officials



Jan H. Gardner
County Executive

Frederick County Council



From left to right – Billy Shreve (At Large), Jessica Fitzwater (District 4), M.C. Keegan-Ayer, Vice President (District 3), Bud Otis, President (At Large), Tony Chmelik, Treasurer (District 2), Jerry Donald (District 1), Kirby Delauter (District 5)

Frederick County, Maryland

Summary of Elected and Appointed Officials

County Executive

Jan H. Gardner

County Council

Bud Otis, President, At Large
M.C. Keegan-Ayer, Vice President, District 3
Jerry Donald, District 1
Tony Chmelik, District 2
Jessica Fitzwater, District 4
Kirby Delauter, District 5
Billy Shreve, At Large

Sheriff

Charles A. "Chuck" Jenkins

State's Attorney

J. Charles Smith III, Esquire

Administrative Judge of the Circuit Court

Honorable Julie R. Stevenson Solt

Clerk of the Circuit Court

Sandra K. Dalton, Clerk

Appointed Officials

County Executive's Cabinet

Communications Director
Education Liaison
Government Affairs and Policy Director
Special Administrative Directors

Vivian D. Laxton
Janice P. Spiegel
Roger A. Wilson
Michael G. Marschner
Margaret L. Nusbaum

Chief Administrative Officer
County Attorney

W. Paul Dial
John S. Mathias, Esquire

Animal Control Division Director
Budget Office Director
Citizens Services Division Director
Economic Development Director
Emergency Management Division Director
Finance Division Director
Fire and Rescue Services Division Director
Health Services Division Health Officer
Human Resources Division Director
Interagency Information Technologies Division Director
Internal Audit Division Director
Parks and Recreation Division Director
Planning and Permitting Division Director
Public Works Division Director
Transit Services Division Director
Utilities and Solid Waste Management Division Director
Volunteer Fire and Rescue Services Division Director

Linda A. Shea
Richard P. Harcum
Monica L. Grant
Helen L. Prophetter
John E. "Jack" Markey
Lori L. Depies, CPA
Thomas W. Owens
Barbara A. Brookmyer, MD, MPH
Mitchell L. Hose
Thomas A. Dixon
Tricia A. Griffis
Jeremy T. Kortright
Steven C. Horn
Charles F. Nipe
Nancy J. Norris
Kevin L. Demosky
Clarence "Chip" Jewell, III

Component Units

Board of Education

President	Brad W. Young
Vice President	Elizabeth A. Barrett
Member	Michael G. Bunitsky
Member	Colleen E. Cusimano
Member	Kenneth P. Kerr, Ed.D.
Member	April F. Miller, O.D.
Member	M. Joy Schaefer
Student Member	Carter Gipson
Superintendent	Theresa R. Alban, Ph.D.

Frederick Community College Board of Trustees

Chairperson	Myrna R. Whitworth
Vice Chairperson	David F. Bufter
Trustee	Debra S. Borden, Esquire
Trustee	Nick Diaz
Trustee	Gary V. Fearnow
Trustee	Thomas E. Lynch, III, Esquire
Trustee	Roger A. Wilson
President	Elizabeth Burmaster

Frederick County Public Library Board

Chairperson	George J. Laugelli
Vice Chairperson	Candy Greenway
Secretary/Treasurer	Deborah Kiser
Member	Kyle R. Kane, Esquire
Member	Susan L. Manny
Member	Blanca Poteat
Member	Cheryl G. Smith
Public Libraries Director	Darrell L. Batson

FINANCIAL SECTION





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, 2017, 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, based on our audit 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general and debt service funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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 net pension liability and related ratios and schedule of employer contributions for the Frederick County Employees Retirement Plan, the schedule of changes in net pension liability and related ratios and schedule of employer contributions for the Frederick County Length of Service Awards Program, the schedules of funding progress, schedules of contributions from the employer, schedule of changes in net OPEB liability and related ratios, and schedule of employer contributions 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 were derived from and relate 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
November 17, 2017

SB & Company, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report of Frederick County, Maryland (the "County") presents a narrative overview and analysis of the financial activities of the County, for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements and the accompanying notes to those financial statements.

The objective of this overview is 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, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

Government-Wide:

- The assets and deferred outflows of resources of Frederick County Government exceeded its liabilities and deferred inflows of resources at the close of this fiscal year by \$826.8 million (net position), approximately 71.2% of which is attributable to the County's business-type activities. Of total net position, \$749.8 million is the net investment in capital assets, and \$191.3 million is restricted for specific purposes. The County's unrestricted net position is a negative \$114.3 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 educational facilities 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 \$277.5 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 Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB 67 and 68*, the County is required to record a liability for the Length of Service Award Program (LOSAP). In FY17 the County Executive elected to create trust for this program and is funded entirely from the general fund. The liability of \$11.9 million is recorded as a change in accounting principle. Any references to beginning net position or related analysis will assume the beginning net position is restated.
- The total government-wide net position increased by \$33.7 million or 4.3% in FY17. The governmental activities net position decreased by \$5.7 million, compared to an increase of \$34.2 million in FY16. The business-type activities net position increase by \$39.5 million, reflecting an even larger increase than the \$15.6 million increase in FY16.

Fund Level:

- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$313.8 million, an increase of \$8.9 million from the prior year. The County's proprietary funds reported a combined net position of \$588.7 million, representing a \$39.5 million increase over the prior year.

- At the end of FY17, the total committed, assigned and unassigned fund balances for the County's General Fund was \$91.8 million, or approximately 19.0% of total general fund expenditures.

Long Term Debt:

- The County's total general obligation bond indebtedness increased \$26.1 million during the current fiscal year. This was a result of the issuance of \$73.9 million in new crossover refunding bonds and \$49.8 million in payments on current obligations. Debt service on the new bonds will be paid from escrowed funds until the crossover date in 2020. The refunded bonds will continue to be an obligation of the County until 2020.

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 the 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/opportunity 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, skilled nursing and assisted living facilities, and public housing, where the fee for service is intended to cover all or most of the cost of operations, including depreciation.

The Government-Wide Financial Statements include not only Frederick County (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 Frederick County Board of Education and Frederick Community College may 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 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 presentations begin with Exhibit II-A-3.

Frederick County maintains nineteen individual governmental funds: the General Fund, the Debt Service 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 Electric Lighting Tax Districts Fund, the Parks Acquisition & Development Fund, the Hotel Rental Tax Fund, the Watershed Protection and Restoration Fund, the Sheriff's Drug Enforcement Fund, the Narcotics

Investigative Section 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 and the Parks Acquisition & Development 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 Investigative Section 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 Debt Service 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 four individual enterprise funds: the Water & Sewer Fund, the Solid Waste Management Fund, the Comprehensive Care Facility Fund and the Bell Court Apartments 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 distributed between 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 internal service funds can be found in the Exhibits II-B-9, II-B-10, and II-B-11, in the Supplementary Data section of this report.

While the total column on the Business-type Activities Fund Financial Statements (see Exhibits II-A-9 and II-A-10) may be the same as the Business-type Activities 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, the Length of Service Award Program Trust, 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 fiduciary trust liabilities and schedule of employer contributions. These exhibits also present the County's progress in funding its obligation to provide health benefits to its retirees. The required supplementary information is presented in Exhibit II-A-15 through Exhibit II-A-20.

Infrastructure Assets

Infrastructure assets is the County's largest group of assets (roads, bridges, and underground pipes [unless associated with a utility], etc.) in the governmental activities 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 OVERALL FINANCIAL ANALYSIS

This section presents the County's financial information in the Government-Wide Financial statement format.

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 and deferred inflows of resources by \$826.8 million at the close of the fiscal year.

Statement of Net Position

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

Statement of Net Position as of June 30 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 410,814	\$ 400,379	\$ 184,438	\$ 145,646	\$ 595,252	\$ 546,025
Capital assets	466,543	489,021	645,409	598,819	1,111,952	1,087,840
Total assets	877,357	889,400	829,847	744,465	1,707,204	1,633,865
Deferred outflows of resources	11,843	45,224	4,810	5,713	16,653	50,937
Current and other liabilities	107,355	108,629	32,249	25,304	139,604	133,933
Long-term debt outstanding	535,350	560,048	213,674	175,617	749,024	735,665
Total Liabilities	642,705	668,677	245,923	200,921	888,628	869,598
Deferred inflows of resources	8,443	10,215	-	-	8,443	10,215
Net Position:						
Net investment in capital assets	307,568	297,438	442,195	438,579	749,763	736,017
Restricted	163,711	182,284	27,602	8,855	191,313	191,139
Unrestricted (deficit)	(233,227)	(223,990)	118,937	101,823	(114,290)	(122,167)
Total net position	\$ 238,052	\$ 255,732	\$ 588,734	\$ 549,257	\$ 826,786	\$ 804,989

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, \$749.8 million or 90.7%, 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 position represents 23.1% of total net position. Restricted net position includes resources that are subject to external restrictions on how they may be used. Unrestricted net position of the government has a negative balance of \$114.3 million. The reason for this negative balance is related to the County issuing debt for public school construction as discussed below. The unrestricted net position for business-type activities has a positive balance of \$118.9 million.

The result of these basic current year calculations is that the County's overall financial position has increased from FY16 to FY17. The decline in the Unrestricted Net Position of the Governmental Activities by \$9.2 million while the already positive Business Activities Unrestricted Net Position increased \$17.1 million. The main reason for the growing deficit in the Unrestricted Net Position in the governmental activities is the fact that counties in the State of Maryland issue debt for public school construction. These public schools are considered capital assets of the Frederick County 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.

On June 29, 2016, the County issued bonds that included \$48.0 million in funding of Frederick County Board of Education capital projects and \$4.0 million in funding for Frederick Community College capital projects. Currently the County is carrying outstanding general obligation bonds issued for the Frederick County Board of Education and Frederick Community College projects in the amounts of \$248.9 million and \$28.6 million, respectively.

Overall, total net position increased by \$33.7 million. Reasons for the increase in net position include, but are not limited to, increases in property taxes due to rebounding assessments and higher than anticipated recordation tax revenues and impact fees. This was complimented by continued positive changes in proprietary fund balances.

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.

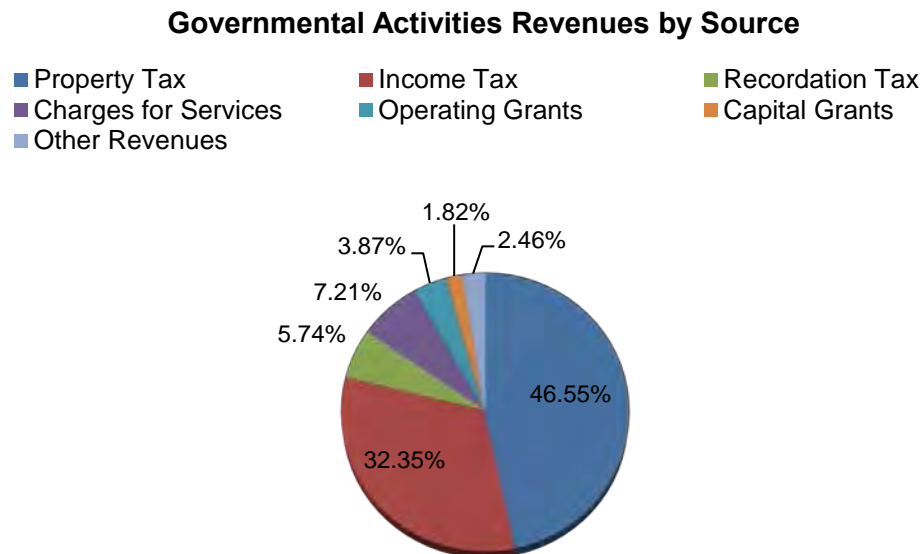
Statement of Activities For the Fiscal Year Ended June 30, (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues						
Charges for services	\$ 45,498	\$ 35,593	\$ 80,157	\$ 56,479	\$ 125,655	\$ 92,072
Operating grants and contributions	24,429	21,322	-	-	24,429	21,322
Capital grants and contributions	11,454	14,834	39,754	21,740	51,208	36,574
General revenues						
Local property taxes	293,612	282,362	-	-	293,612	282,362
Local income taxes	203,994	201,920	-	-	203,994	201,920
Other local taxes	38,329	32,937	-	-	38,329	32,937
Build America Bond subsidy	1,248	1,278	388	337	1,636	1,615
Investment earnings	339	4,855	1,034	532	1,373	5,387
Miscellaneous	11,600	12,132	1	-	11,601	12,132
Gain/Loss on Disposal of Assets	284	-	(27)	-	257	-
Total revenues	630,787	607,233	121,307	79,088	752,094	686,321
EXPENSES						
Program Activities						
Governmental Activities:						
General government	68,014	57,212	-	-	68,014	57,212
Public safety	113,040	109,987	-	-	113,040	109,987
Public works	44,509	46,776	-	-	44,509	46,776
Health	7,312	7,155	-	-	7,312	7,155
Social services	6,990	8,193	-	-	6,990	8,193
Education	331,172	286,994	-	-	331,172	286,994
Parks, recreation, and culture	20,007	19,899	-	-	20,007	19,899
Conservation of natural resources	10,625	5,462	-	-	10,625	5,462
Community development and public housing	8,256	7,857	-	-	8,256	7,857
Economic development and opportunity	9,104	8,131	-	-	9,104	8,131
Interest on long term debt	17,918	19,414	-	-	17,918	19,414
Business-type Activities:						
Water and sewer	-	-	40,910	39,275	40,910	39,275
Solid waste management	-	-	19,648	20,022	19,648	20,022
Nursing Homes	-	-	20,679	-	20,679	-
Public Housing	-	-	166	165	166	165
Total expenses	636,947	577,080	81,403	59,462	718,350	636,542
Change in net position before transfers	(6,160)	30,153	39,904	19,626	33,744	49,779
Transfers	427	4,000	(427)	(4,000)	-	-
Change in net position	(5,733)	34,153	39,477	15,626	33,744	49,779
Net position - beginning of year	255,732	221,579	549,257	533,631	804,989	755,210
Change in accounting principle	(11,947)	-	-	-	(11,947)	-
Net position - beginning of year (restated)	243,785	221,579	549,257	533,631	793,042	755,210
Net position - ending of year	\$ 238,052	\$ 255,732	\$ 588,734	\$ 549,257	\$ 826,786	\$ 804,989

Governmental Activities: As noted earlier, the government's net position increased by \$33.7 million during the fiscal year. The net position of governmental activities decreased \$5.7 million. Governmental activity revenues increased by \$23.6 million during FY17 with offsetting expense increase of \$59.9 million. The increases in expenditures represent the County Executive's initiatives to invest more in the areas of education, public safety and agricultural preservation.

Key elements impacting the governmental activities revenues include:

- The County recorded \$293.6 million in local property tax revenues in FY17, compared to \$282.4 million in the prior year, representing a 4.0% increase.
- Capital Grants and Contributions decreased from \$14.8 million in FY16 to \$11.5 million in FY17. Of this amount, \$4.8 million is in the public works area related to federal highway grants for capital projects and \$1.2 million is from the public safety area. These were offset by a \$2.5 million increase in revenues from the Maryland Department of Natural Resources for preservation of agricultural farmlands.
- Charges for services also increased \$9.9 million in FY17 from \$35.6 million in FY16 to \$45.5 million in FY17. Impact fees for general government capital projects accounted for \$7.8 million of this increase in FY17.

The following chart illustrates the governmental activities revenues received by source for fiscal year 2017:



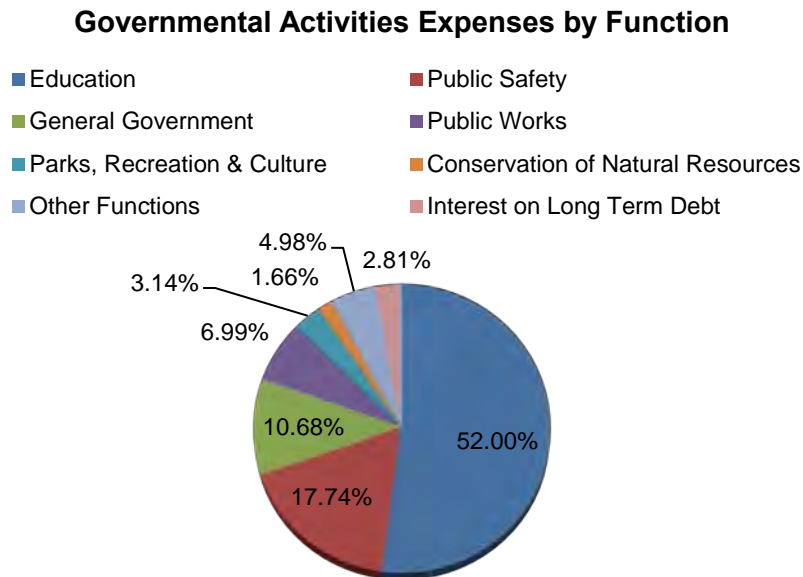
Governmental activities expenses increased by \$59.9 million in FY17. The largest contributors to this increase were in the areas:

- Education expenses increased by \$44.2 million in FY17, compared to FY16. This is a result of the County Executive's focus on our education system. Increases include \$35.4 million in capital project expenditures related to education and an \$8.8 million increase in operating funds.
- General Government expenses increased by \$10.8 million in FY17. The major areas of increase include \$6.7 million increase in expenditures related to intergovernmental (municipal

/state highway) capital projects. These are also projects that the County contributes funding while not recording the related.

- Public Safety increases in spending of \$3.1 million are representative of increases in capital expenditures (equipment) and related depreciation expense.
- Conservation of Natural Resources noticed an increase of \$5.1 million in expenses in FY17. This is the result of additional agricultural easements purchased through the Conservation Reserve Enhancement Program (CREP), of which grant funding is received.

The following chart illustrates the governmental activities expenses by function for fiscal year 2017:



Business-type Activities: Business-type activities increased Frederick County's net position by \$39.9 million in FY17, compared to an increase of \$15.6 million in FY16. Capital grants and contributions continue to provide a major revenue source for the Water and Sewer Fund during the current fiscal year, producing \$38.8 million in revenue, representing an increase of \$17.1 million from FY16.

Other key factors include:

- Water and sewer service charges increased by \$3.2 million in FY17.
- In FY 2017 the County Executive decided to retain ownership of the skilled nursing and assisted living facilities accounted for in the new Comprehensive Care Facility Fund. During FY17, this fund recorded charges for services in the amount of \$20.2 million, capital grants and contributions of \$1.0 million and expenses of \$20.7, increasing net position by less than \$0.1 million.
- The transition of assets, liabilities and contributed capital for the Comprehensive Care Facility Fund is represented as transfers netting a negative \$0.4.

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 \$313.8 million. Approximately 99.3% of this total amount (\$311.6 million) constitutes restricted, committed, assigned and/or unassigned fund balance, which is generally available for spending. The remainder of fund balance (\$2.3 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 \$194.9 million is \$29.1 million that enabling legislation (Section 2-7-1(a)(2) of the Frederick County, Maryland Code of Ordinances) requires being set-aside in an amount equal to five percent of the General Fund expenditures and transfers to the Frederick County 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 \$93.0 million. Reducing the committed fund balance for the legislative mandate noted earlier still provides a fund balance of \$63.9 million spendable for current operations. The remainder of the fund balance (\$2.3 million) is non spendable and is not available for spending because it is in the form of inventory, prepaids, and long term receivables. Total fund balance for the General Fund is \$95.3 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 19.2% of total general fund expenditures, while total fund balance represents 19.7% of that same amount.

The Capital Projects Fund has a total fund balance of \$88.0 million. The decrease in fund balance was \$59.3 million. This represents a \$115.5 million decrease over the increase in fund balance in FY16 of \$56.2 million. This decrease is primarily due to the timing of bond issuance. The County issued \$87.4 million in bonds in June of FY16 and are not scheduled to issue bonds again until February of 2018. Other variances include an increase in capital project spending of \$40.1 million offset by increased revenues of \$8.2 million.

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. At the end of FY17, the enterprise funds reported a combined total net position in the amount of \$587.2 million. Of that total, unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$82.7 million and unrestricted net position in the Solid Waste Management Fund totaled \$31.3 million. The Comprehensive Care Facility Fund (new for FY17) ended the year with an unrestricted net position of \$3.4 million. The Bell Court Apartment Fund had unrestricted net position totaling \$8.3 thousand.

The County's internal service funds ended FY17 with a total net position of \$26.9 million, and an increase in net position of \$5.8 million from the prior year.

General Fund Budgetary Highlights

The final expenditure and transfer budgets for the General Fund increased \$1.3 million over the original budget. This variance was largely due to the introduction of the Debt Service Fund after the budget was adopted increasing transfers out by \$41.2 million and decreasing debt service expenditure budgets by \$42.0 million. During the year, revenues were greater than budgetary estimates by \$13.1 million and expenditures were less than budgetary estimates by \$11.3 million. Other financing sources and uses had a favorable variance of \$0.7 million. The favorable variances totaled \$25.1 million, thereby reducing the need to draw upon all of the appropriated fund balance of \$26.8 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 \$2.9 million. This is primarily due to taxes levied in excess of original estimates for public utilities.
- Local income tax distributions were less than the budgeted amount by \$2.3 million. This is the result of distributions being volatile by nature and dependent in part on tax filing patterns.
- Recordation taxes exceeded budgeted amounts by \$5.2 million. These taxes are based on property transfers and are challenging to estimate.
- Permits in the construction area have also reported better than budget performance for FY17 by \$1.5 million. This is a result of an increase in permitting activity and increases in fees tied to inflation.
- Charges for services, primarily public safety, recreation and Scott Key Center were greater than the budgeted amount by \$1.9 million. The public safety revenues included \$740 thousand of substantial donations to Animal Control and better than anticipated ambulance billings revenues. Recreation is experiencing increases in services and record attendance at special events, whereas the Scott Key Center is attributable to revenues continuing to outpace static budgets for client services.
- During FY17 the County sold property for \$1.6 million that was not anticipated in the budget.
- Various departmental under spending of appropriations resulted in total expenditures being under budget by \$11.3 million generally throughout all functions of government. The largest contributors to this savings were \$2.4 million in general government, with the largest savings in management services in the areas of salaries and utility costs. Public safety had a total savings of \$1.3 million with salary savings from the sheriff's office offset by overages in emergency services related to overtime. Public works had a favorable budget variance of \$1.5 million related to a mild winter, while salary recoveries related to time spent on capital projects exceeded expectations. Various contingencies were also not required in FY17, leaving \$2.2 million of unspent budgeted dollars, predominantly in the areas of revenue stabilization (\$1.1 million) and snow removal (\$1.2 million)

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, 2016 and 2017, amount to \$1,087.1 million and \$1,112.0 million, respectively. This investment in capital assets includes

land, easements, buildings, improvements, equipment, vehicles, roads, water and sewer lines, highways, bridges and construction in progress.

The decrease in capital assets for governmental activities includes a transfer of \$32.5 million in assets related to the County's skilled nursing and assisted living facilities to the Comprehensive Care Facility Fund, along with a \$13.1 million decrease in construction in progress. The total increase in Frederick County's investment in capital assets for the current fiscal year was 2.2%.

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

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 103,615	\$ 101,079	\$ 9,328	\$ 8,528	\$ 112,943	\$ 109,607
Buildings & improv.	231,478	257,245	342,466	304,403	573,944	561,648
Equipment	138,226	132,542	58,190	54,889	196,416	187,431
Infrastructure	385,843	364,516	404,769	380,413	790,612	744,929
Construction in progress	29,138	42,264	26,661	28,478	55,799	70,742
Accum. depreciation	(421,757)	(408,625)	(196,005)	(177,892)	(617,762)	(586,517)
Total	<u>\$ 466,543</u>	<u>\$ 489,021</u>	<u>\$ 645,409</u>	<u>\$ 598,819</u>	<u>\$ 1,111,952</u>	<u>\$ 1,087,840</u>

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

	Governmental Activities	Business-type Activities	Total
Beginning Balance - July 1, 2016	\$ 489,021	\$ 598,819	\$ 1,087,840
Additions	83,918	94,394	178,312
Depreciation	(23,792)	(15,312)	(39,104)
Retirement*	(82,604)	(32,492)	(115,096)
Ending Balance - June 30, 2017	<u>\$ 466,543</u>	<u>\$ 645,409</u>	<u>\$ 1,111,952</u>

*Net of accumulated depreciation related to asset retirement.

Major capital asset events during the fiscal year included, but are not limited to the following projects:

Governmental Activities:

- Costs were incurred for the following major projects and capital purchases:
 - Pavement Management \$13.5 million
 - Agricultural Preservation Easements 4.0 million
 - Boyer's Mill Road Bridge 2.8 million
 - Enterprise Resource Planning System - Software 2.4 million
 - Ijamsville Road Corridor Improvements – Phase II 1.9 million
- The following transfers were made to the Frederick County Board of Education for school construction:
 - Frederick High School Replacement \$30.5 million
 - Systemic Projects 2.6 million
 - Butterfly Ridge Elementary School 1.4 million
 - Sugarloaf Elementary School 0.9 million

- The following transfers were made to Frederick Community College for school construction:
 - Monroe Reconfiguration \$2.2 million
 - Central Plant Renovation / Expansion 0.9 million

Business-type Activities:

- Construction costs were incurred for the following major projects:
 - Monocacy WWPS 1B – Force Main \$0.9 million
 - Lake Linganore Dredging 0.4 million
 - Pinehurst Esplanade Replacement 0.2 million

Additional information on capital assets is presented in detail in Note 3.C of this report.

Long-Term Debt

Bonds, Notes Payable and Capital Leases as of June 30, (In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 452,464	\$ 464,894	\$ 150,956	\$ 109,146	\$ 603,420	\$ 574,040
Ag Easement Notes (IPA)	49,113	52,440	-	-	49,113	52,440
Other Notes	49	60	57,354	62,247	57,403	62,307
Capital Leases	3,704	107	232	288	3,936	395
Total	<u>\$ 505,330</u>	<u>\$ 517,501</u>	<u>\$ 208,542</u>	<u>\$ 171,681</u>	<u>\$ 713,872</u>	<u>\$ 689,182</u>

As of year-end, the County had \$603.4 million in general obligation bonds outstanding compared to a total of \$574.0 million last year, a 5.0% net increase. This increase (\$29.4 million) is attributed to new bonds of \$73.9 million being issued during FY17 combined with principal payments of \$44.5 million.

The County issued refunding general obligation bonds in FY17, the detail of this transaction is located in Note 3.F.8 of this report.

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.

Pursuant to the Charter of Frederick County Maryland, future authorizations for general obligation borrowings will be granted by the County Council. Section 508 of the Charter sets limitations for general obligation borrowings. This debt limit is calculated at an amount not to exceed a total of five percent of the assessable basis of real property of the County and fifteen percent of the County's assessable basis of personal property and operating real property described in Section 8-109(c) of the Tax-Property Article of the Annotated Code of Maryland. Exhibit III-A-12 presents the calculation of legal debt margin at \$924.6 million. In FY17 the County Council granted an additional \$100 million for long-term borrowings.

Principal payments and reductions of all the County's long-term liabilities in the amounts of \$38.1 million and \$16.1 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 BUDGETS AND RATES

- The General Fund budget for FY18 is based on existing tax rates for both County property taxes (\$1.06) and income taxes (2.96%) and reflects a 2.9% increase in revenues compared to FY17. Property tax and income tax revenues increased by 3.9% and 0.8% respectively, reflecting a moderately recovering economy. The City of Frederick and the Town of Myersville use County property tax differential rates of which both were increased slightly. The City of Frederick rate for FY18 will be 0.9399, which is an increase from the FY17 rate of 0.9374. The Town of Myersville increased their rate for FY18 to 0.9391 from the FY17 rate of 0.9351.
- Funding for Frederick County Public Schools exceeds the Maintenance of Effort (MOE) level, the minimum level required by state law. The FY18 budget provides for \$10.0 million over MOE, with an overall increase in funding of \$14.0 million. The total appropriation for FY18 is \$272.3 million.
- Funding for Frederick Community College will also experience an increase of \$710 thousand in FY18. The total appropriation for FY18 is \$16.6 million. The capital budget includes funding for improvements to the Jefferson Hall and various systemic projects.
- The appropriation for Frederick County Libraries increased slightly at \$11.4 million in FY18.
- As a result of operations in FY17, there remains \$22.7 million of fund balance in the General Fund that is committed for use in the FY19 budget. This represents a decrease from the \$31.5 million programmed as a budgeted use of fund balance in the FY18 budget.
- Interest rates are expected to remain at low levels through FY18, but Finance staff continues to monitor the Federal Reserve statements for rate hike indicators. There has been a trend of increasing investment rates in our pension and general investment funds that are encouraging.
- As of June 2017, the average unemployment rate for the County was 3.7 percent, while the average unemployment rate for the State of Maryland was 4.1 percent.

Below are the property tax rates for Frederick County and the State of Maryland. Only the City of Frederick and Town of Myersville differential tax rates have increased in FY18.

<u>Jurisdiction</u>	<u>FY 2018</u>	<u>FY 2017</u>
State of Maryland	0.1120	0.1120
Frederick County	1.0600	1.0600
City of Frederick Differential	0.9399	0.9374
Town of Myersville Differential	1.9391	0.9351
Total Real Property Assessed Values	28.2B	\$27.7B

REQUESTS FOR INFORMATION

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 position 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, 2017

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Assets						
Cash	\$ 654,393	\$ 3,000	\$ 657,393	\$ 8,620,296	\$ 14,442,976	\$ 4,518
Equity in pooled invested cash	138,277,339	102,595,676	240,873,015	-	-	-
Total cash and cash equivalents	138,931,732	102,598,676	241,530,408	8,620,296	14,442,976	4,518
Investments	119,268,304	34,957,800	154,226,104	36,140,346	13,787,423	493,589
Receivables, net of allowance for uncollectibles:						
Property taxes	455,740	-	455,740	-	-	-
Accounts	6,513,979	14,052,967	20,566,946	6,492,919	979,090	19,124
Intergovernmental	47,346,250	-	47,346,250	3,346,570	3,787,878	-
Internal balances	(1,586,644)	1,586,644	-	-	-	-
Due from primary government	4,911,763	-	4,911,763	9,893,181	-	2,916,705
Due from component units	277	9,344	9,621	-	-	-
Inventories	2,472,415	132,809	2,605,224	968,617	484,408	-
Prepaid items	366,610	57,095	423,705	161,133	609,365	88,045
Long-term receivables, net of allowance for uncollectibles	10,147,337	2,818,924	12,966,261	-	-	-
Cash and cash equivalents - restricted	81,985,671	28,223,540	110,209,211	9,297	-	20,000
Beneficial interest in charitable remainder trust	-	-	-	-	-	-
Capital assets:						
Land	103,615,049	9,327,737	112,942,786	50,692,385	271,620	-
Buildings and improvements	231,477,812	342,466,426	573,944,238	880,373,297	123,623,909	-
Equipment	138,225,805	58,190,472	196,416,277	52,928,189	6,085,077	258,842
Library collection	-	-	-	-	2,063,278	7,544,973
Infrastructure	385,843,692	404,769,087	790,612,779	-	-	-
Construction in progress	29,138,008	26,661,039	55,799,047	107,205,096	5,465	-
Accumulated depreciation	(421,757,012)	(196,005,351)	(617,762,363)	(382,037,652)	(48,350,482)	(6,194,076)
Total assets	877,356,788	829,847,209	1,707,203,997	774,793,674	117,790,007	5,151,720
Deferred Outflows of Resources						
Deferred outflow related to pensions	-	-	-	10,399,092	-	-
Deferred charge on refunding	11,842,637	4,810,285	16,652,922	-	-	-
Total deferred outflows of resources	11,842,637	4,810,285	16,652,922	10,399,092	-	-

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Liabilities						
Accounts payable	\$ 1,764,208	\$ 102,047	\$ 1,866,255	\$ 21,392,260	\$ 3,044,848	\$ 58,579
Accrued liabilities	16,881,333	6,417,680	23,299,013	158,610	313,585	-
Payroll and benefit deductions	13,326,842	795,495	14,122,337	8,766,012	178,792	449,960
Property taxes payable	173,441	-	173,441	-	-	-
Due to third parties	7,383,861	-	7,383,861	-	163,716	-
Due to primary government	-	-	-	-	-	-
Due to other governmental units	233,338	-	233,338	-	-	-
Due to component units	13,001,594	-	13,001,594	-	-	-
Unearned revenues	7,389,170	294,865	7,684,035	65,579	1,705,907	215,083
Performance and security deposits	-	16,892	16,892	-	-	-
Other liabilities	3,368,821	6,473,462	9,842,283	-	-	-
Noncurrent liabilities:						
Due within one year	43,832,111	18,148,634	61,980,745	8,226,065	299,946	43,141
Due in more than one year	535,350,148	213,674,025	749,024,173	381,778,172	7,467,922	1,902,560
Total liabilities	642,704,867	245,923,100	888,627,967	420,386,698	13,174,716	2,669,323
Deferred Inflows of Resources						
Deferred inflow related to pensions	8,442,554	-	8,442,554	1,107,088	-	-
Total deferred inflows of resources	8,442,554	-	8,442,554	1,107,088	-	-
Net Position						
Net investment in capital assets	307,568,324	442,194,425	749,762,749	698,147,490	77,478,405	1,609,739
Restricted for:						
School and library construction	41,030,829	-	41,030,829	-	-	-
Additional or expanded road facilities	12,987,113	-	12,987,113	-	-	-
Parks acquisition	10,076,549	-	10,076,549	-	-	-
Capital Projects	-	6,616,057	6,616,057	-	-	-
Agricultural preservation	2,012,755	-	2,012,755	-	-	-
County code required set-aside	29,127,236	-	29,127,236	-	-	-
Debt Service	68,405,176	20,986,341	89,391,517	-	-	-
Other purposes	71,517	-	71,517	9,297	14,084,717	784,977
Unrestricted (Deficit)	(233,227,495)	118,937,571	(114,289,924)	(334,457,807)	13,052,169	87,681
Total net position	\$ 238,052,004	\$ 588,734,394	\$ 826,786,398	\$ 363,698,980	\$ 104,615,291	\$ 2,482,397

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

**FREDERICK COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Primary government:										
Governmental activities:										
General government	\$ 68,013,736	\$ 31,796,658	\$ 1,507,586	\$ 27,361	\$ (34,682,131)	\$ -	\$ (34,682,131)	\$ -	\$ -	\$ -
Public safety	113,039,674	8,555,612	4,390,211	1,145,465	(98,948,386)	-	(98,948,386)	-	-	-
Public works	44,509,357	1,014,323	5,637,700	3,589,934	(34,267,400)	-	(34,267,400)	-	-	-
Health	7,312,583	345,202	749,740	-	(6,217,641)	-	(6,217,641)	-	-	-
Social services	6,990,145	1,812,220	1,113,104	-	(4,064,821)	-	(4,064,821)	-	-	-
Education	331,171,787	-	-	274,265	(330,897,522)	-	(330,897,522)	-	-	-
Parks, recreation and culture	20,007,099	1,654,271	-	227,044	(18,125,784)	-	(18,125,784)	-	-	-
Conservation of natural resources	10,624,901	320,147	1,219,185	6,190,216	(2,895,353)	-	(2,895,353)	-	-	-
Community development and public housing	8,256,051	-	7,110,910	-	(1,145,141)	-	(1,145,141)	-	-	-
Economic development and opportunity	9,103,679	-	2,700,627	-	(6,403,052)	-	(6,403,052)	-	-	-
Interest on long term debt	17,918,468	-	-	-	(17,918,468)	-	(17,918,468)	-	-	-
Total governmental activities	636,947,480	45,498,433	24,429,063	11,454,285	(555,565,699)	-	(555,565,699)	-	-	-
Business-type activities:										
Water and sewer	40,909,521	34,597,137	-	38,754,531	-	32,442,147	32,442,147	-	-	-
Solid waste management	19,648,104	25,238,901	-	-	-	5,590,797	5,590,797	-	-	-
Nursing homes	20,679,299	20,193,147	-	1,000,000	-	513,848	513,848	-	-	-
Public housing	166,198	127,729	-	-	-	(38,469)	(38,469)	-	-	-
Total business-type activities	81,403,122	80,156,914	-	39,754,531	-	38,508,323	38,508,323	-	-	-
Total primary government	\$ 718,350,602	\$ 125,655,347	\$ 24,429,063	\$ 51,208,816	(555,565,699)	38,508,323	(517,057,376)	-	-	-
Component Units:										
Board of Education	\$ 635,346,091	\$ 6,617,977	\$ 144,891,134	\$ 88,265,911	-	-	-	(395,571,069)	-	-
Community College	61,917,886	20,456,044	39,658,610	7,623,872	-	-	-	-	5,820,640	-
Public Libraries	13,404,651	439,312	12,868,707	-	-	-	-	-	-	(96,632)
Total Component Units	\$ 710,668,628	\$ 27,513,333	\$ 197,418,451	\$ 95,889,783	-	-	-	(395,571,069)	5,820,640	(96,632)
General Revenues:										
Local property taxes					293,611,922	-	293,611,922	-	-	-
Local income taxes					203,994,345	-	203,994,345	-	-	-
Recordation taxes					36,210,495	-	36,210,495	-	-	-
Hotel rental tax					2,088,629	-	2,088,629	-	-	-
Agriculture transfer tax					30,000	-	30,000	-	-	-
Build America Bond Subsidy					1,247,613	388,152	1,635,765	-	-	-
Grants and contributions not restricted to specific programs					-	-	-	403,712,951	-	-
Investment earnings					338,486	1,033,861	1,372,347	237,626	1,632,108	3,930
Miscellaneous					11,600,117	934	11,601,051	587,301	30,775	-
Gain/(Loss) on disposal of assets					284,109	(26,784)	257,325	-	-	236
Equity transfer					3,368,817	(3,368,817)	-	-	-	-
Transfers					(2,941,990)	2,941,990	-	-	-	-
Total general revenues and transfers					549,832,543	969,336	550,801,879	404,537,878	1,662,883	4,166
Change in net position					(5,733,156)	39,477,659	33,744,503	8,966,809	7,483,523	(92,466)
Net position - beginning of year					255,731,835	549,256,735	804,988,570	-	-	-
Change in accounting principle					(11,946,675)	-	(11,946,675)	-	-	-
Net position - beginning of year (restated)					243,785,160	-	793,041,895	354,732,171	97,131,768	2,574,863
Total net position - end of year					\$ 238,052,004	\$ 588,734,394	\$ 826,786,398	\$ 363,698,980	\$ 104,615,291	\$ 2,482,397

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

FREDERICK COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 491,432	\$ -	\$ -	\$ 162,961	\$ 654,393
Equity in pooled invested cash	24,488,664	82,577,907	4,030,909	11,462,748	122,560,228
Total cash and cash equivalents	24,980,096	82,577,907	4,030,909	11,625,709	123,214,621
Investments	79,901,035	-	-	39,367,269	119,268,304
Receivables, net of allowance for uncollectibles:					
Property taxes	455,740	-	-	-	455,740
Accounts	4,896,313	160,960	364,334	858,289	6,279,896
Intergovernmental	42,188,573	1,416,741	-	3,188,021	46,793,335
Prepaid items	172,517	-	-	72,850	245,367
Due from other funds	4,911,763	-	-	-	4,911,763
Due from component units	257	-	-	-	257
Inventories	2,006,513	-	-	-	2,006,513
Long-term receivables, net of allowance for uncollectibles:					
Employee salary advances	32,204	-	-	-	32,204
Non-profit organization loans	78,381	-	-	2,256,885	2,335,266
Small business loans	-	-	-	18,886	18,886
Housing loans	-	-	-	7,460,981	7,460,981
Other long term receivables	-	-	-	300,000	300,000
Cash and cash equivalents - restricted	32,287	13,548,208	68,405,176	-	81,985,671
Total assets	<u>\$ 159,655,679</u>	<u>\$ 97,703,816</u>	<u>\$ 72,800,419</u>	<u>\$ 65,148,890</u>	<u>\$ 395,308,804</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,242,439	\$ 130,542	\$ -	\$ 159,436	\$ 1,532,417
Accrued liabilities	1,574,554	6,198,453	20,507	789,047	8,582,561
Payroll and benefit deductions	12,376,383	91,295	-	859,164	13,326,842
Property taxes payable	173,441	-	-	-	173,441
Due to other funds	-	-	-	-	-
Due to third parties	7,280,229	-	-	103,633	7,383,862
Due to other governmental units	189,246	-	-	44,092	233,338
Due to component units	12,775,904	-	-	-	12,775,904
Other liabilities	791,692	1,862,694	-	714,435	3,368,821
Unearned revenues	1,273,023	1,392,522	-	4,723,625	7,389,170
Total liabilities	<u>37,676,911</u>	<u>9,675,506</u>	<u>20,507</u>	<u>7,393,432</u>	<u>54,766,356</u>
Deferred Inflows of Resources					
Unavailable revenue	26,695,774	-	-	-	26,695,774
Total deferred inflows of resources	<u>26,695,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,695,774</u>
Fund balances:					
Nonspendable	2,289,616	-	-	-	2,289,616
Restricted	1,144,725	31,645,560	68,405,176	4,672,649	105,868,110
Committed	85,447,354	56,382,750	-	53,082,809	194,912,913
Assigned	6,101,299	-	4,374,736	-	10,476,035
Unassigned	300,000	-	-	-	300,000
Total fund balances	<u>95,282,994</u>	<u>88,028,310</u>	<u>72,779,912</u>	<u>57,755,458</u>	<u>313,846,674</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 159,655,679</u>	<u>\$ 97,703,816</u>	<u>\$ 72,800,419</u>	<u>\$ 65,148,890</u>	<u>\$ 395,308,804</u>

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

FREDERICK COUNTY, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balance - governmental funds (See Exhibit II-A-3) \$ 313,846,674

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	\$ 103,615,049	
Buildings and Improvements	231,477,812	
Equipment	138,225,805	
Infrastructure	385,843,692	
Construction in Progress	29,138,008	
Less Accumulated Depreciation	<u>(421,757,012)</u>	466,543,354

Deferred outflows of resources are recognized as expenditures in the fund statements, but are deferred in the government-wide statements.

Deferred Charge on Refundings		11,842,637
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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	(452,463,746)	
Unamortized Premium on Bonds Payable	(29,120,562)	
Installment Purchase Agreements	(49,113,314)	
Notes Payable	(49,302)	
Capital Lease Obligations	(3,704,232)	
Compensated Absences	(11,570,685)	
Net Other Post Employment Benefit Obligations	(16,745,922)	
Net LOSAP Pension Liability	(11,918,338)	
Net Pension Liability	(4,231,491)	
Termination Benefits	(264,667)	
Accrued Bond Interest	(7,976,221)	
Build America Bond Subsidy Receivable	531,053	
Recognition of Deferred Inflows	26,695,774	(559,931,653)

Deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds.

Deferred Inflows Related to Pensions	<u>(8,442,554)</u>	(8,442,554)
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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.

14,193,546

Net position of governmental activities (See Exhibit II-A-1)		<u><u>\$ 238,052,004</u></u>
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FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 293,513,482	\$ -	\$ -	\$ 15,496	\$ 293,528,978
Local income taxes	202,906,047	-	-	-	202,906,047
Other local taxes	24,572,732	9,180,586	-	6,184,632	39,937,950
Licenses and permits	5,531,434	-	-	-	5,531,434
Grants from federal government	461,269	2,622,809	-	16,478,671	19,562,749
Grants from state government	3,377,864	1,090,309	-	12,030,944	16,499,117
Charges for services	11,206,423	24,964,120	-	1,680,873	37,851,416
Fines and forfeitures	59,936	-	-	228,935	288,871
Interest from loans	-	-	-	298	298
Investment income	1,048,731	404,241	290,547	(1,495,104)	248,415
Build America bond subsidy	-	-	1,247,613	-	1,247,613
Miscellaneous	5,223,382	141,500	-	2,952,292	8,317,174
Total revenues	<u>547,901,300</u>	<u>38,403,565</u>	<u>1,538,160</u>	<u>38,077,037</u>	<u>625,920,062</u>
Expenditures					
Current:					
General government	42,666,211	-	-	2,234,951	44,901,162
Public safety	107,833,588	-	-	4,579,752	112,413,340
Public works	17,846,696	-	-	6,914,200	24,760,896
Health	6,109,473	-	-	1,293,832	7,403,305
Social services	5,050,933	-	-	2,112,641	7,163,574
Education	273,253,016	-	-	-	273,253,016
Parks, recreation and culture	17,153,413	-	-	-	17,153,413
Conservation of natural resources	1,726,509	-	-	10,545,967	12,272,476
Community development and public housing	562,375	-	-	7,713,593	8,275,968
Economic development and opportunity	2,724,028	-	-	6,427,529	9,151,557
Miscellaneous	4,639,786	2,071	-	-	4,641,857
Intergovernmental	5,102,156	-	-	-	5,102,156
Debt service	-	-	58,261,362	-	58,261,362
Capital projects	-	103,057,067	-	-	103,057,067
Total expenditures	<u>484,668,184</u>	<u>103,059,138</u>	<u>58,261,362</u>	<u>41,822,465</u>	<u>687,811,149</u>
Excess (deficiency) of revenues over expenditures	<u>63,233,116</u>	<u>(64,655,573)</u>	<u>(56,723,202)</u>	<u>(3,745,428)</u>	<u>(61,891,087)</u>
Other financing sources (uses)					
Transfers in from:					
General fund	-	13,055,192	41,215,501	6,139,510	60,410,203
Capital projects fund	-	-	11,340,453	-	11,340,453
Special revenue funds	-	-	7,956,116	-	7,956,116
Transfers out to:					
Capital projects fund	(13,055,192)	-	-	-	(13,055,192)
Special revenue funds	(6,139,510)	-	-	-	(6,139,510)
Enterprise funds	(2,999,332)	-	-	-	(2,999,332)
Internal service funds	(742,131)	-	-	(53,145)	(795,276)
Debt service fund	(41,215,501)	(11,340,453)	-	(7,956,116)	(60,512,070)
Refunding bonds issued	-	-	56,901,147	-	56,901,147
Premium on debt	-	-	12,039,897	-	12,039,897
Installment purchase agreement	-	-	-	1,970,599	1,970,599
Capital leases	-	3,654,232	50,000	-	3,704,232
Total other financing sources and (uses)	<u>(64,151,666)</u>	<u>5,368,971</u>	<u>129,503,114</u>	<u>100,848</u>	<u>70,821,267</u>
Net change in fund balances	<u>(918,550)</u>	<u>(59,286,602)</u>	<u>72,779,912</u>	<u>(3,644,580)</u>	<u>8,930,180</u>
Fund balances - beginning of year	<u>96,201,544</u>	<u>147,314,912</u>	<u>-</u>	<u>61,400,038</u>	<u>304,916,494</u>
Fund balances - end of year	<u>\$ 95,282,994</u>	<u>\$ 88,028,310</u>	<u>\$ 72,779,912</u>	<u>\$ 57,755,458</u>	<u>\$ 313,846,674</u>

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

FREDERICK COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds (See Exhibit II-A-5) \$ 8,930,180

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	(6,765,350)	
Depreciation Expense	(23,791,373)	
Adjusted for Internal Service Fund Depreciation	<u>1,728,063</u>	(28,828,660)

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

Transfer of Assets to Comprehensive Care Facility Enterprise Fund (fund reacquired during fiscal year)	(32,513,409)	
Additions to Construction in Progress	36,076,715	
Asset Replacements, Retirements and Deletions	<u>(830,378)</u>	2,732,928

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	25,444,144	
Income Taxes - Recognized as Income in the Prior Year	(24,355,846)	
Other Revenues - Deferred in the Fund Statements	1,251,630	
Other Revenues - Recognized as Income in the Prior Year	<u>(978,768)</u>	1,361,160

(continued)

FREDERICK COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

The issuance of long-term debt proceeds (i.e. bonds, leases, installment purchase agreements) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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	\$	(1,970,599)	
Issuance of General Obligation Bonds		(56,901,147)	
Issuance of Capital Lease		(3,704,232)	
Transfer of General Obligation Bonds to Comprehensive Care Facility Enterprise Fund (fund required during fiscal year)		34,820,000	
Transfer of Unamortized Premium to Comprehensive Care Facility Enterprise Fund (fund required during fiscal year)		876,169	
Bond Premium		(12,039,897)	
Principal Payments on General Obligation Debt		34,511,793	
Principal Payments on Notes Payable		10,616	
Principal Payments on Capital Leases		106,708	
Principal Payments on IPA's		5,297,534	
Amortization of Bond Premiums		4,682,745	
Amortization of Deferred Loss on Bonds		<u>(2,670,918)</u>	\$ 3,018,772

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 Pension	3,896,055	
Net Other Post Employment Benefit Obligations	138,400	
Net LOSAP	28,337	
Accrued Interest - Prior Year	6,380,637	
Accrued Interest - Current Year	(7,976,221)	
Compensated Absences Accrual	(821,846)	
Termination Benefits Accrual	<u>(50,514)</u>	1,594,848

Internal service funds are used by management to charge the costs of fleet, voice services and workers compensation to individual funds.

5,457,616

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

\$ (5,733,156)

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	<u>Variance- Positive (Negative)</u>
Local property taxes				
Real property (inc. additions & abatements)	\$ 285,004,014	\$ 285,004,014	\$ 284,930,518	\$ (73,496)
Public utilities	7,115,200	7,115,200	10,051,891	2,936,691
Payments in lieu of taxes	100,300	100,300	388,129	287,829
Total levy	<u>292,219,514</u>	<u>292,219,514</u>	<u>295,370,538</u>	<u>3,151,024</u>
Tax credit - state reimbursement	3,538,300	3,538,300	3,240,032	(298,268)
Homestead credit	(663,000)	(663,000)	(629,940)	33,060
Other tax credits and refunds	(5,482,500)	(5,482,500)	(5,309,406)	173,094
Interest - delinquent taxes	2,713,800	2,713,800	2,694,261	(19,539)
Discounts allowed on taxes	(1,757,600)	(1,757,600)	(1,852,003)	(94,403)
Total adjustments	<u>(1,651,000)</u>	<u>(1,651,000)</u>	<u>(1,857,056)</u>	<u>(206,056)</u>
Total local property taxes	<u>290,568,514</u>	<u>290,568,514</u>	<u>293,513,482</u>	<u>2,944,968</u>
Local income taxes	<u>205,212,335</u>	<u>205,212,335</u>	<u>202,906,047</u>	<u>(2,306,288)</u>
Other local taxes				
Recordation	17,769,052	17,769,052	22,963,906	5,194,854
911 fees - local	1,494,300	1,494,300	1,608,276	113,976
Security interest filing fees	200	200	550	350
Total other local taxes	<u>19,263,552</u>	<u>19,263,552</u>	<u>24,572,732</u>	<u>5,309,180</u>
Licenses and permits				
Alcoholic beverage licenses	300,100	311,349	400,139	88,790
Traders' licenses	195,600	195,600	206,148	10,548
Animal licenses	52,100	52,100	53,849	1,749
Marriage fees	13,200	13,200	19,415	6,215
Building permits	975,000	975,000	1,615,629	640,629
Electrical permits	700,000	700,000	949,936	249,936
Plumbing permits	450,000	450,000	694,707	244,707
Grading permits	600,000	600,000	786,967	186,967
Miscellaneous licenses and permits	601,800	601,800	804,644	202,844
Total licenses and permits	<u>3,887,800</u>	<u>3,899,049</u>	<u>5,531,434</u>	<u>1,632,385</u>
Grants from federal government	<u>349,913</u>	<u>349,913</u>	<u>461,269</u>	<u>111,356</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	<u>Variance- Positive (Negative)</u>
Grants from state government				
Police protection	\$ 1,048,600	\$ 1,048,600	\$ 1,068,403	\$ 19,803
Aid for fire, rescue and ambulance services	360,000	559,252	559,252	-
Highway user revenues	1,479,769	1,479,769	1,554,639	74,870
County inmate housing	190,000	190,000	195,570	5,570
Total grants from state government	<u>3,078,369</u>	<u>3,277,621</u>	<u>3,377,864</u>	<u>100,243</u>
Charges for services				
Planning and zoning fees	797,260	797,260	709,079	(88,181)
Court costs, fees and charges	2,700	2,700	1,972	(728)
Scott Key Center	1,459,425	1,459,425	1,805,645	346,220
Other general government	254,650	254,650	406,175	151,525
Public safety	4,747,047	4,747,047	5,805,702	1,058,655
Public improvement inspections	200,000	200,000	369,580	169,580
Frederick County Developmental Center	10,000	10,000	15,202	5,202
Weed control	243,686	243,686	319,643	75,957
Municipal recoveries	87,000	87,000	113,779	26,779
Citizens services	6,106	6,106	5,375	(731)
Recreation	1,180,700	1,180,700	1,654,271	473,571
Total charges for services	<u>8,988,574</u>	<u>8,988,574</u>	<u>11,206,423</u>	<u>2,217,849</u>
Fines and forfeitures				
Court	36,400	36,400	34,086	(2,314)
Alcoholic beverages	15,000	15,000	13,100	(1,900)
Other fines and forfeitures	1,000	1,000	12,750	11,750
Total fines and forfeitures	<u>52,400</u>	<u>52,400</u>	<u>59,936</u>	<u>7,536</u>
Investment income	<u>300,022</u>	<u>300,022</u>	<u>1,048,731</u>	<u>748,709</u>
Build America Bond Subsidy	<u>789,599</u>	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous revenues				
Rents and concessions	1,444,447	1,444,447	1,704,130	259,683
Contributions and donations	139,500	200,267	769,710	569,443
Sale of property	-	-	1,624,436	1,624,436
Other miscellaneous revenues	1,183,600	1,205,412	1,125,106	(80,306)
Total miscellaneous revenues	<u>2,767,547</u>	<u>2,850,126</u>	<u>5,223,382</u>	<u>2,373,256</u>
Total revenues	<u>535,258,625</u>	<u>534,762,106</u>	<u>547,901,300</u>	<u>13,139,194</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	<u>Variance- Positive (Negative)</u>
General government				
Legislative and executive				
County Executive	\$ 1,317,757	\$ 1,317,757	\$ 1,309,487	\$ 8,270
County Council	815,143	815,143	664,855	150,288
Boards and commissions	15,189	15,189	3,978	11,211
Total legislative and executive	<u>2,148,089</u>	<u>2,148,089</u>	<u>1,978,320</u>	<u>169,769</u>
Judicial				
Circuit court	1,433,672	1,529,400	1,430,437	98,963
Orphans court	39,714	48,812	41,461	7,351
State's attorney	6,158,845	6,156,383	6,081,010	75,373
Grand jury	97,395	97,395	52,587	44,808
Total judicial	<u>7,729,626</u>	<u>7,831,990</u>	<u>7,605,495</u>	<u>226,495</u>
Elections				
Board of supervisors of elections	<u>1,758,025</u>	<u>1,758,025</u>	<u>1,535,718</u>	<u>222,307</u>
Financial administration				
Accounting	2,506,937	2,506,937	2,378,803	128,134
Independent auditing	47,380	47,380	52,028	(4,648)
Budgeting	542,336	542,336	539,583	2,753
Procurement & contracting	1,240,662	1,240,662	1,152,244	88,418
Risk management	378,413	378,413	365,622	12,791
Treasury	1,202,297	1,202,297	1,177,202	25,095
Total financial administration	<u>5,918,025</u>	<u>5,918,025</u>	<u>5,665,482</u>	<u>252,543</u>
Legal				
County attorney	<u>1,430,091</u>	<u>1,430,091</u>	<u>1,400,005</u>	<u>30,086</u>
Personnel administration				
Personnel	<u>1,236,987</u>	<u>1,236,987</u>	<u>1,188,903</u>	<u>48,084</u>
Planning & Zoning				
Permits & inspection	3,461,328	3,461,328	3,264,812	196,516
Planning & development review	2,433,916	2,433,916	2,323,022	110,894
Environmental sustainability	163,751	163,751	161,201	2,550
Total planning and zoning	<u>6,058,995</u>	<u>6,058,995</u>	<u>5,749,035</u>	<u>309,960</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	<u>Variance- Positive (Negative)</u>
Management services				
General services	\$ 2,216,626	\$ 2,216,626	\$ 1,912,168	\$ 304,458
Maintenance	8,676,812	8,666,301	8,150,300	516,001
Total management services	<u>10,893,438</u>	<u>10,882,927</u>	<u>10,062,468</u>	<u>820,459</u>
Other general government				
Interagency information technologies	8,579,776	8,579,776	8,208,661	371,115
Communications	767,112	767,112	740,724	26,388
Internal audit	310,117	310,117	472,978	(162,861)
Board of liquor license commissioners	479,845	491,094	453,297	37,797
Total other general government	<u>10,136,850</u>	<u>10,148,099</u>	<u>9,875,660</u>	<u>272,439</u>
Total general government	<u>47,310,126</u>	<u>47,413,228</u>	<u>45,061,086</u>	<u>2,352,142</u>
Public safety				
Sheriff	27,607,153	27,495,753	26,343,959	1,151,794
Detention center	14,317,886	14,317,886	14,285,716	32,170
Work release center	4,042,633	4,042,633	3,957,491	85,142
Ambulance billing	706,189	706,189	733,536	(27,347)
Emergency services sections	41,779,189	41,761,269	42,599,445	(838,176)
Emergency communications	6,968,475	6,968,475	7,125,490	(157,015)
Fire and rescue companies	6,893,048	6,888,571	6,498,909	389,662
Administrative services section	1,319,602	1,327,602	1,051,443	276,159
Fire and rescue services	1,728,037	1,732,514	1,566,861	165,653
Emergency preparedness	508,044	508,044	374,863	133,181
Fire inspection	556,482	556,482	559,767	(3,285)
Fire/rescue state grant allocation	360,000	559,252	559,252	-
Director of Division of Fire Rescue Services	690,409	690,409	677,680	12,729
Emergency management	316,320	316,320	272,542	43,778
Animal control	1,993,365	2,037,882	1,979,662	58,220
Total public safety	<u>109,786,832</u>	<u>109,909,281</u>	<u>108,586,616</u>	<u>1,322,665</u>
Public works				
Highways	15,521,599	15,521,599	14,900,713	620,886
Public works administration	231,470	231,470	230,089	1,381
Construction management	1,753,732	1,764,243	1,386,291	377,952
Transportation engineering	2,134,162	2,134,162	1,671,505	462,657
Total public works	<u>19,640,963</u>	<u>19,651,474</u>	<u>18,188,598</u>	<u>1,462,876</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	<u>Variance- Positive (Negative)</u>
Health				
County administrator	\$ 136,658	\$ 136,658	\$ 137,242	\$ (584)
Core services	2,173,797	2,195,609	2,184,705	10,904
Detention center substance abuse	132,572	132,572	132,572	-
Mental health	421,533	421,533	421,225	308
Frederick County Developmental Center	3,452,065	3,452,065	3,291,657	160,408
Total health	<u>6,316,625</u>	<u>6,338,437</u>	<u>6,167,401</u>	<u>171,036</u>
Social services				
Contribution to department of social services	509,665	509,665	304,632	205,033
Scott Key Center	3,164,641	3,164,641	3,078,907	85,734
Department of aging	865,521	868,121	826,310	41,811
Office of children and families	97,180	97,180	97,180	-
Medical transportation services	104,865	104,865	43,336	61,529
Family partnership	296,368	296,368	297,139	(771)
Child advocacy center	325,639	331,289	328,890	2,399
Deinstitutionalization day care	11,514	11,514	11,514	-
Total social services	<u>5,375,393</u>	<u>5,383,643</u>	<u>4,987,908</u>	<u>395,735</u>
Education				
Maryland School for the Blind	2,000	2,000	-	2,000
Frederick County Board of Education	258,292,797	258,292,797	257,446,123	846,674
Frederick Community College	15,851,025	15,851,025	15,806,893	44,132
Total education	<u>274,145,822</u>	<u>274,145,822</u>	<u>273,253,016</u>	<u>892,806</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	<u>Variance- Positive (Negative)</u>
Parks, recreation and culture				
Frederick County Public Libraries	\$ 10,541,428	\$ 10,541,428	\$ 10,494,879	\$ 46,549
Parks	6,780,328	6,780,328	6,613,534	166,794
Frederick Arts Council	40,000	40,000	40,000	-
Maryland Ensemble Theater	5,000	5,000	5,000	-
Total parks, recreation and culture	<u>17,366,756</u>	<u>17,366,756</u>	<u>17,153,413</u>	<u>213,343</u>
Conservation of natural resources				
Extension service	368,850	368,850	360,262	8,588
Weed control	243,686	243,686	273,247	(29,561)
Watershed management section	1,377,386	1,377,386	969,158	408,228
Soil conservation	109,335	109,335	114,782	(5,447)
Gypsy moth control	40,000	40,000	9,060	30,940
Total conservation of natural resources	<u>2,139,257</u>	<u>2,139,257</u>	<u>1,726,509</u>	<u>412,748</u>
Community development and public housing				
Housing administration	522,609	522,609	562,375	(39,766)
Total community development and public housing	<u>522,609</u>	<u>522,609</u>	<u>562,375</u>	<u>(39,766)</u>

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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, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	<u>Variance- Positive (Negative)</u>
Economic development and opportunity				
Office of economic development	\$ 1,218,999	\$ 1,218,999	\$ 1,166,190	\$ 52,809
Citizens services administration	401,602	401,602	379,059	22,543
Workforce services	587,841	587,841	546,610	41,231
Center for Ed & Res in Science and Tech	40,000	40,000	40,000	-
Human relations	142,574	142,574	142,133	441
Commission for women	6,128	6,128	5,435	693
Commission for Disabilities	1,000	1,000	1,000	-
Community partnership grants	500,000	500,000	483,125	16,875
Total economic development and opportunity	<u>2,898,144</u>	<u>2,898,144</u>	<u>2,763,552</u>	<u>134,592</u>
Non-departmental				
Property and liability insurance	1,569,289	1,569,289	1,261,433	307,856
Employee benefits	996,500	996,500	303,499	693,001
Other various contingencies	3,044,108	4,741,920	2,512,406	2,229,514
Indirect cost recovery	(2,512,884)	(2,512,938)	(2,642,807)	129,869
Dues & subscriptions	156,511	156,511	164,842	(8,331)
Other miscellaneous	311,570	311,570	301,935	9,635
Total non-departmental	<u>3,565,094</u>	<u>5,262,852</u>	<u>1,901,308</u>	<u>3,361,544</u>
Intergovernmental				
Financial corporations grant to municipalities	50,000	50,000	49,273	727
State Department of Assessments and Taxation	876,118	876,118	809,966	66,152
Town of Thurmont	10,000	10,000	10,000	-
Tax rebate to municipalities	4,232,919	4,232,919	4,232,919	-
Total intergovernmental	<u>5,169,037</u>	<u>5,169,037</u>	<u>5,102,158</u>	<u>66,879</u>
Debt service				
Principal - general obligation debt	32,144,633	1,093,019	-	1,093,019
Principal - state loans	10,616	-	-	-
Principal - leases	106,708	-	-	-
Interest - general obligation debt	10,307,151	(524,995)	-	(524,995)
Interest - state loans	3,320	-	-	-
Interest - leases	696	-	-	-
Total debt service	<u>42,573,124</u>	<u>568,024</u>	<u>-</u>	<u>568,024</u>
Total expenditures	<u>536,809,782</u>	<u>496,768,564</u>	<u>485,453,940</u>	<u>11,314,624</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	<u>Variance- Positive (Negative)</u>
Other financing sources (uses)				
Transfers out to:				
Grants special revenue fund	\$ (6,202,481)	\$ (6,308,505)	\$ (5,656,261)	\$ 652,244
Agriculture preservation special revenue fund	(254,312)	(254,312)	(254,312)	-
Capital projects fund	(13,055,192)	(13,055,192)	(13,055,192)	-
Fleet services	(646,131)	(742,131)	(742,131)	-
Economic loan	(228,937)	(228,937)	(228,937)	-
Debt service fund	-	(41,215,501)	(41,215,501)	-
Enterprise fund - Comprehensive Care Facility	(3,069,520)	(1,000,000)	(1,000,000)	-
Other fund appropriation	-	(1,999,332)	(1,999,332)	-
Total other financing sources (uses)	<u>(23,456,573)</u>	<u>(64,803,910)</u>	<u>(64,151,666)</u>	<u>652,244</u>
Budgeted use of fund balance	<u>\$ (25,007,730)</u>	<u>\$ (26,810,368)</u>	<u>\$ (1,704,306)</u>	<u>\$ 25,106,062</u>
Net change in reserves and adjustments to GAAP basis			785,756	
Fund balance - beginning of year			<u>96,201,544</u>	
Fund balance - end of year			<u>\$ 95,282,994</u>	

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Investment earnings	\$ -	\$ 290,547	\$ 290,547
Build America bond subsidy	1,274,573	1,247,613	(26,960)
Total revenues	<u>1,274,573</u>	<u>1,538,160</u>	<u>263,587</u>
Expenditures			
Debt Service:			
Principal and interest for general obligation bonds:			
General government	12,707,430	12,051,120	656,310
Parks and recreation	730,803	661,469	69,334
Watershed restoration	68,361	19,414	48,947
Transportation	5,259,618	4,496,071	763,547
Frederick Community College	3,036,446	2,806,104	230,342
Frederick County Public Schools	31,806,291	28,907,318	2,898,973
Municipalities	699,926	665,375	34,551
Tourism	178,425	179,425	(1,000)
Principal and interest for:			
Installment purchase agreements	7,966,461	7,758,909	207,552
Long term leases	107,404	107,395	9
Notes payable	13,936	13,936	-
Debt issuance costs	8,000	594,826	(586,826)
Total expenditures	<u>62,583,101</u>	<u>58,261,362</u>	<u>4,321,739</u>
Excess (deficiency) of revenues over expenditures	<u>(61,308,528)</u>	<u>(56,723,202)</u>	<u>4,585,326</u>
Other financing sources (uses)			
Transfers in from general fund	41,215,501	41,215,501	-
Transfers in from special revenue funds:			
Agricultural preservation fund	7,974,461	7,776,691	(197,770)
Hotel rental tax fund	178,425	179,425	1,000
Impact fee fund	7,694,022	7,563,150	(130,872)
Parks acquisition & development fund	123,525	80,104	(43,421)
School construction fund	4,122,594	3,697,199	(425,395)
Refunding bonds issued	-	56,901,147	56,901,147
Premium on refunding bonds issued	-	12,039,897	12,039,897
Capital leases	-	50,000	50,000
Total other financing sources (uses)	<u>61,308,528</u>	<u>129,503,114</u>	<u>68,194,586</u>
Net change in fund balances	<u>\$ -</u>	<u>72,779,912</u>	<u>\$ 72,779,912</u>
Net change in reserves and adjustment to GAAP basis		-	
Fund balance - beginning of year		-	
Fund balance - end of year		<u>\$ 72,779,912</u>	

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-type Activities-Enterprise Funds					
	Enterprise Funds			Nonmajor Enterprise Funds		Governmental Activities- Internal Service Funds
	Water and Sewer	Solid Waste Management	Comprehensive Care Facility	Bell Court Apartments	Total Enterprise Funds	
Assets						
Current assets:						
Cash	\$ 400	\$ 2,600	\$ -	\$ -	\$ 3,000	\$ -
Equity in pooled invested cash	65,863,248	29,813,288	6,890,931	28,209	102,595,676	15,717,111
Restricted cash and cash equivalents	26,540,879	520,300	588,012	574,349	28,223,540	-
Total cash and cash equivalents	92,404,527	30,336,188	7,478,943	602,558	130,822,216	15,717,111
Short-term investments	14,978,900	14,978,900	-	-	29,957,800	-
Receivables, net of allowance for uncollectibles accounts	7,386,834	2,343,195	4,320,938	2,000	14,052,967	234,083
Due from component units	9,344	-	-	-	9,344	20
Inventories	132,809	-	-	-	132,809	465,902
Prepaid items	-	-	57,095	-	57,095	121,243
Total current assets	114,912,414	47,658,283	11,856,976	604,558	175,032,231	16,538,359
Noncurrent assets:						
Notes receivable	2,818,924	-	-	-	2,818,924	-
Long-term investments	2,500,000	2,500,000	-	-	5,000,000	-
Capital assets:						
Land	5,558,373	2,837,164	800,000	132,200	9,327,737	-
Buildings and improvements	255,312,409	50,983,880	34,292,257	1,877,880	342,466,426	1,833,133
Equipment	47,766,501	9,373,387	875,584	175,000	58,190,472	32,065,177
Other improvements	401,633,727	3,135,360	-	-	404,769,087	-
Accumulated depreciation	(151,198,842)	(39,317,217)	(4,203,044)	(1,286,248)	(196,005,351)	(22,750,371)
Construction in progress	26,515,601	145,438	-	-	26,661,039	-
Total noncurrent assets	590,906,693	29,658,012	31,764,797	898,832	653,228,334	11,147,939
Total assets	705,819,107	77,316,295	43,621,773	1,503,390	828,260,565	27,686,298
Deferred Outflows of Resources						
Deferred charge on refunding	4,066,279	744,006	-	-	4,810,285	-
Total deferred outflows of resources	4,066,279	744,006	-	-	4,810,285	-
Liabilities						
Current liabilities:						
Accounts payable	88,507	12,296	-	1,244	102,047	231,791
Payroll and benefit deductions	632,693	162,171	-	631	795,495	171,454
Accrued expenses	2,319,132	1,403,864	2,687,373	7,311	6,417,680	151,097
Unearned revenues	183,866	110,999	-	-	294,865	-
Security deposits	-	4,153	-	12,739	16,892	-
Other liabilities	1,561,699	-	4,911,763	-	6,473,462	-
Current portion landfill closure and postclosure liability	-	339,536	-	-	339,536	-
Current portion general obligation bonds, notes and leases	13,785,784	2,323,199	1,595,285	-	17,704,268	-
Current portion of compensated absences	31,769	9,528	63,533	-	104,830	1,419
Total current liabilities	18,603,450	4,365,746	9,257,954	21,925	32,249,075	555,761
Noncurrent liabilities:						
Long term portion landfill closure and postclosure liability	-	13,690,389	-	-	13,690,389	-
Long term portion general obligation bonds, notes and leases	150,954,393	13,901,085	33,954,931	-	198,810,409	-
Liability for compensated absences	723,566	169,921	254,133	-	1,147,620	191,076
Accrued termination benefits	20,044	5,563	-	-	25,607	-
Total noncurrent liabilities	151,698,003	27,766,958	34,209,064	-	213,674,025	191,076
Total liabilities	170,301,453	32,132,704	43,467,018	21,925	245,923,100	746,837
Net Position						
Net investment in capital assets	430,983,533	14,097,478	(3,785,418)	898,832	442,194,425	11,147,939
Restricted for:						
Capital projects	6,041,708	-	-	574,349	6,616,057	-
Debt Service	19,878,029	520,300	588,012	-	20,986,341	-
Unrestricted	82,680,663	31,309,819	3,352,161	8,284	117,350,927	15,791,522
Total net position	\$ 539,583,933	\$ 45,927,597	\$ 154,755	\$ 1,481,465	587,147,750	\$ 26,939,461
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					1,586,644	
Net position of business-type activities					\$ 588,734,394	

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Business-type Activities Enterprise Funds						
	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
	Water and Sewer	Solid Waste Management	Comprehensive Care Facility	Bell Court Apartments		
Operating revenues						
Service charges	\$ 32,849,301	\$ 25,080,218	\$ 20,181,364	\$ -	\$ 78,110,883	\$ 18,005,828
Rental charges	-	-	-	127,560	127,560	-
Total net charges for services	32,849,301	25,080,218	20,181,364	127,560	78,238,443	18,005,828
Delinquent fees collected	78,371	67,176	-	169	145,716	-
Other revenues	1,669,465	91,507	11,783	-	1,772,755	-
Total operating revenues	34,597,137	25,238,901	20,193,147	127,729	80,156,914	18,005,828
Operating expenses						
Personnel services	9,625,764	2,306,096	-	35,894	11,967,754	3,147,927
Operating expenses (including administrative overhead)	7,507,318	15,383,291	19,265,224	55,639	42,211,472	1,408,595
Prefunded loss & estimated claims	-	-	-	-	-	1,800,000
Insurance	391,692	47,256	36,625	2,972	478,545	1,101,802
Supplies	2,215,201	32,089	-	196	2,247,486	4,430,721
Repairs and maintenance	3,598,384	259,884	-	151	3,858,419	904,215
Depreciation expense	13,377,824	1,114,622	748,612	71,346	15,312,404	1,728,063
Total operating expenses	36,716,183	19,143,238	20,050,461	166,198	76,076,080	14,521,323
Operating income (loss)	(2,119,046)	6,095,663	142,686	(38,469)	4,080,834	3,484,505
Nonoperating revenues (expenses)						
Investment earnings	730,726	290,941	9,458	2,736	1,033,861	89,773
Miscellaneous income (expense)	(9,303)	-	934	-	(8,369)	4,360
Build America Bonds Subsidy	378,250	9,902	-	-	388,152	-
Insurance recovery	-	-	-	-	-	1,067,280
Interest expense	(4,360,429)	(573,242)	(628,838)	-	(5,562,509)	-
Contributions and donations	-	-	-	-	-	23,713
Gain (loss) on disposition of capital assets	2,361	(29,145)	-	-	(26,784)	284,109
Total nonoperating revenues (expenses)	(3,258,395)	(301,544)	(618,446)	2,736	(4,175,649)	1,469,235
Net income (loss) before contributions and transfers	(5,377,441)	5,794,119	(475,760)	(35,733)	(94,815)	4,953,740
Capital contributions	38,754,531	-	(2,368,817)	-	36,385,714	-
Transfers (out)	(57,342)	-	2,999,332	-	2,941,990	852,618
Total contributions and transfers	38,697,189	-	630,515	-	39,327,704	852,618
Change in net position	33,319,748	5,794,119	154,755	(35,733)	39,232,889	5,806,358
Net position - beginning of year	506,264,185	40,133,478	-	1,517,198	-	21,133,103
Net position - end of year	\$ 539,583,933	\$ 45,927,597	\$ 154,755	\$ 1,481,465	-	\$ 26,939,461
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					244,770	
Change in net position of business-type activities (Exhibit II-A-2)					\$ 39,477,659	

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Business-type Activities - Enterprise Funds

	Major Enterprise Funds			Nonmajor Enterprise Funds		Governmental Activities- Internal Service Funds
	Water and Sewer	Solid Waste Management	Comprehensive Care Facility	Bell Court Apartments	Total Enterprise Funds	
Cash flows from operating activities						
Cash received from residents and customers	\$ 35,412,589	\$ 24,744,263	\$ 15,872,643	\$ 127,729	\$ 76,157,224	\$ 17,991,026
Cash paid to suppliers	(14,588,885)	(20,571,843)	(16,755,808)	(61,056)	(51,977,592)	(10,067,136)
Cash paid to employees	(9,505,231)	2,305,817	-	(35,759)	(7,235,173)	(3,105,092)
Net cash provided (used) by operating activities	11,318,473	6,478,237	(883,165)	30,914	16,944,459	4,818,798
Cash flows from noncapital financing activities						
Cash received from donations	-	-	934	-	934	23,713
Cash received from insurance recovery	-	-	-	-	-	1,054,320
Transfers in (out)	(57,342)	-	7,911,095	-	7,853,753	852,618
Net cash provided (used) by noncapital financing activities	(57,342)	-	7,912,029	-	7,854,687	1,930,651
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(29,977,238)	(629,304)	-	-	(30,606,542)	(5,404,078)
Recoveries for damages	-	-	-	-	-	12,960
Proceeds from sale of capital assets	-	-	-	-	-	342,104
Proceeds from debt issues	20,028,729	524,561	-	-	20,553,290	-
Payment of bond and note principal	(12,702,712)	(2,219,996)	-	-	(14,922,708)	-
Interest paid on bonds	(3,927,827)	(541,083)	(568,023)	-	(5,036,933)	-
Contributed capital	38,754,531	-	1,000,000	-	39,754,531	-
Net cash provided (used) by capital & related financing activities	12,175,483	(2,865,822)	431,977	-	9,741,638	(5,049,014)
Cash flows from investing activities						
Purchase of investments	(17,500,000)	(17,500,000)	-	-	(35,000,000)	-
Proceeds from the sale of investments	14,000,000	9,000,000	-	-	23,000,000	-
Interest received on investments	573,338	247,344	18,102	1,459	840,243	89,773
Net cash provided (used) by investing activities	(2,926,662)	(8,252,656)	18,102	1,459	(11,159,757)	89,773
Net increase (decrease) in cash and cash equivalents	20,509,952	(4,640,241)	7,478,943	32,373	23,381,027	1,790,208
Cash and cash equivalents - beginning of year	71,894,575	34,976,429	-	570,185	107,441,189	13,926,903
Cash and cash equivalents - end of year	\$ 92,404,527	\$ 30,336,188	\$ 7,478,943	\$ 602,558	\$ 130,822,216	\$ 15,717,111

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds						
	Major Enterprise Funds			Nonmajor Enterprise Funds			
	Water and Sewer	Solid Waste Management	Comprehensive Care Facility	Bell Court Apartments	Total Enterprise Funds		Governmental Activities- Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (2,119,046)	\$ 6,095,663	\$ 142,686	\$ (38,469)	\$ 4,080,834	\$	3,484,505
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	13,377,824	1,114,622	748,612	71,346	15,312,404		1,728,063
Landfill closing costs	-	(202,824)	-	-	(202,824)		-
Accrued termination benefits	528	352	-	-	880		-
Miscellaneous non-operating income (expense)	-	-	-	-	-		4,360
Change in assets and liabilities:							
(Increase) decrease:							
Accounts receivable	813,420	(426,151)	(4,320,504)	-	(3,933,235)		(19,163)
Inventory	52,369	-	-	-	52,369		(66,961)
Prepaid items	-	-	(57,095)	-	(57,095)		58,199
Increase (decrease):							
Accounts payable	(49,582)	(6,589)	-	(2,183)	(58,354)		(98,146)
Accrued expenses	(1,385,320)	206,373	7,197,235	220	6,018,508		(292,342)
Deferred revenues	-	(67,481)	-	-	(67,481)		-
Liability for compensated leave	53,675	(4,838)	317,666	-	366,503		20,283
Closure liability	-	(231,637)	-	-	(231,637)		-
Other liabilities	574,605	747	(4,911,765)	-	(4,336,413)		-
Net cash provided (used) by operating activities	\$ 11,318,473	\$ 6,478,237	\$ (883,165)	\$ 30,914	\$ 16,944,459	\$	4,818,798

Non-cash investing, capital, and financing activities:

Included in interest income in the Water and Sewer Fund is an unrealized loss of \$12,345. Included in interest income in the Solid Waste Fund is an unrealized loss of \$22,085.

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	<u>Pension Trust</u>	<u>Other Post Employment Benefits Trust</u>	<u>Length of Service Award Program Trust</u>	<u>Agency Funds</u>
ASSETS				
Cash and cash equivalents	\$ 814,325	\$ -	\$ -	\$ 1,071,363
Equity in pooled invested cash	362,266	5,660,195	261,608	7,560,239
Investments:				
Money markets	6,404,313	17	-	-
Fixed income securities	56,316,486	-	-	-
Equity securities	507,446,680	130,071,430	-	-
Accounts receivable	316,657	485	-	-
Interest receivable	705,283	4	-	-
Prepaid items	-	-	-	-
Total assets	<u>572,366,010</u>	<u>135,732,131</u>	<u>261,608</u>	<u>8,631,602</u>
LIABILITIES				
Accounts payable	477,952	6,308	-	-
Accrued payroll	8,628	-	-	-
Due to third parties	-	-	-	4,340,235
Bond forfeitures	-	-	-	192,678
Performance deposits	-	-	-	4,098,689
Retirement benefit deductions	251,252	-	-	-
Total liabilities	<u>737,832</u>	<u>6,308</u>	<u>-</u>	<u>8,631,602</u>
NET POSITION				
Net position held in trust for pension benefits and other purposes	<u>\$ 571,628,178</u>	<u>\$ 135,725,823</u>	<u>\$ 261,608</u>	<u>\$ -</u>

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

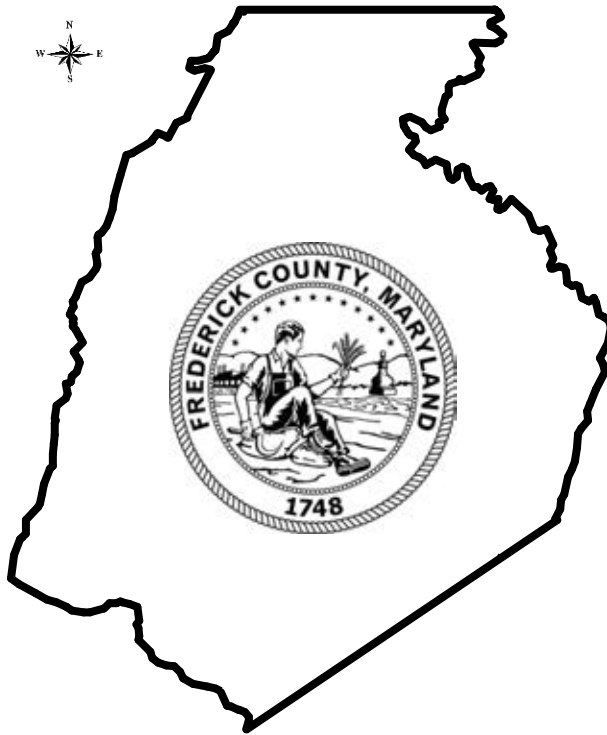
FREDERICK COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Pension Trust</u>	<u>Other Post Employment Benefits Trust</u>	<u>Length of Service Award Program Trust</u>
Additions			
Contributions			
Employer contributions	\$ 20,418,612	\$ 10,001,400	\$ -
Member contributions	7,681,252	1,631,229	-
County contributions	-	-	1,005,468
Other	-	341,221	-
Total contributions	<u>28,099,864</u>	<u>11,973,850</u>	<u>1,005,468</u>
Investment income			
Net (depreciation) appreciation in fair value of plan investments	55,894,201	12,123,744	-
Interest and dividends	11,920,087	1,683,180	-
Investment expense	(1,471,918)	-	-
Net investment income	<u>66,342,370</u>	<u>13,806,924</u>	<u>-</u>
Total additions	<u>94,442,234</u>	<u>25,780,774</u>	<u>1,005,468</u>
Deductions			
Benefits and refunds	19,696,007	7,629,440	743,860
Administrative expenses	1,038,155	51,851	-
Total deductions	<u>20,734,162</u>	<u>7,681,291</u>	<u>743,860</u>
Change in net position	73,708,072	18,099,483	261,608
Net position - beginning of year	<u>497,920,106</u>	<u>117,626,340</u>	<u>-</u>
Net position - end of year	<u>\$ 571,628,178</u>	<u>\$ 135,725,823</u>	<u>\$ 261,608</u>

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

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NOTES TO FINANCIAL SECTION



**FREDERICK COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Frederick County, Maryland (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

Frederick County, Maryland is governed by an elected County Executive and an elected County Council pursuant to the Charter of Frederick County, Maryland that became effective in December 2014. The Charter provides, among other things, for the election of the County Executive and the organization, powers, and duties of the executive and administrative branches; the election of a seven member County Council and the organization, powers and duties of the legislative branch; and fiscal and budgetary matters. The Charter supersedes a Commissioner form of government where the five Commissioners (combined executive/legislative) exercised powers granted by the General Assembly of Maryland. For financial reporting purposes, in conformance with GAAP, the reporting entity includes Frederick County, Maryland (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 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 County Executive and County Council. The BOE submits a funding request by major categories of expenditure. The County Executive and County Council 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 County funds a minimum budget as a condition for State funding.

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 County. FCC

NOTES TO FINANCIAL STATEMENTS (Continued)

requests a single amount to fund its operations. The County can reject FCC's request and appropriate a lesser amount, but it does not have the ability to modify the individual line item amounts in FCC's requested budget. Financial data related to FCC also includes its component unit, Frederick Community College Foundation, Inc. (the Foundation).

Finally, a primary government is also financially accountable for legally separate organizations if its officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific benefits to, or to impose specific financial burdens on, the primary government. The Board of Trustees of Frederick County Public Library meets the conditions for financial accountability with respect to the 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 County appoints the FCPL Board of Trustees. The FCPL's budget is submitted to and approved by the County 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
191 South East Street
Frederick, Maryland 21701
www.fcps.org

Frederick Community College
7932 Opossumtown Pike
Frederick, Maryland 21702
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

NOTES TO FINANCIAL STATEMENTS (Continued)

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 fiscal 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 fiduciary funds 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

NOTES TO FINANCIAL STATEMENTS (Continued)

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.
- Debt Service Fund – This fund is used for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term obligations of governmental funds. Transfers from the General, Agricultural Preservation, Hotel Tax, Impact Fee, Parks Acquisition and School Construction funds contribute resources, as well as proceeds from debt issuances.
- 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.
- 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.
- 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.

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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

- 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.
- The Agricultural Preservation Fund – This fund accounts for taxes on the transfer of agricultural properties that are legally restricted to providing funding for state or approved local agricultural land preservation programs. It also accounts for other revenue sources designated for agricultural land preservation.
- 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 account 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 Investigative Section, Inmates' Canteen and the State's 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.
- Comprehensive Care Facility Fund – This fund accounts for the operations of both Citizens Care and Rehabilitation Center, a skilled nursing facility, and Montevue Assisted Living facility.

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.

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, servicing tax increment financing bonds, law library, juror's fund and revenue sharing.

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.
- Length of Service Award Program (LOSAP) Trust Fund: This fund was established to account for the LOSAP for the volunteer fire and rescue personnel serving the various independent volunteer fire companies in the County.

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

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

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

D. Assets, Liabilities, 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, Length of Service Award Trust Fund, Other Post-Employment Benefits 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, Other Post-Employment Benefits Trust Funds and Length of Service Award Trust Fund with original maturities of one year or less are stated at cost or amortized cost, which approximates fair value. Remaining investments are

NOTES TO FINANCIAL STATEMENTS (Continued)

recorded at fair value. The investments in the County's Pension, Other Post-Employment Benefits Trust Funds, Length of Service Award Trust Fund are recorded at fair value.

Frederick County categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; Level 2 inputs are valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and Level 3 inputs are valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

2. Property Taxes Receivable

The County's property taxes are levied each July 1 at rates enacted by the County 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, 2017, was \$28,348,184,452. The Countywide property tax rate was \$1.060 per \$100 of assessed value on real property taxes, except in the municipalities of the City of Frederick and the Town of Myersville. The County's property tax differential rates within the City of Frederick and the Town of Myersville are \$0.9374 and \$0.9351, respectively. In addition, taxes were levied in three lighting tax districts. The County collected 99.84 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 \$268,867 and is included in total property taxes receivable of \$455,740 on the Statement of Net Position. This compares to the current portion of the prior year levy of \$376,282 included in the total property taxes of \$538,923 as of June 30, 2017.

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

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.

Prepays - Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaids in both the government-wide and fund financial statements. The cost of the prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

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 \$10,000 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	5 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 policy for BOE includes capital assets with an initial, individual cost of more than \$5,000. FCC's policy is to include those capital assets with a purchase price or fair value at donation of at least \$2,500. The following useful lives are used for depreciation purposes for the assets of these component units:

	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

NOTES TO FINANCIAL STATEMENTS (Continued)

5. *Deferred Outflows/Inflows*

In addition to assets, the statement of net position includes two separate sections for deferred outflows/inflows 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 has two items that qualify for reporting in this category: 1) the deferred charge on refunding 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; and 2) changes in total pension liability arising from the differences between projected and actual earnings on pension plan investments, changes of assumptions, and differences between expected and actual experience are recognized as deferred outflows or inflows of resources. The differences between projected and actual earnings on pension plan investments are amortized over a closed five year period. The effects of changes of assumptions and the differences between projected and actual experience are amortized over a closed period equal to the average of the remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees), determined as of the beginning of the measurement period.

In addition to liabilities, the balance sheet of the general fund 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, 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.

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 County Council legislative action. Those committed amounts cannot be used for any other purpose unless the County Council 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 constraints imposed by the County Executive or their designee(s), but are neither restricted nor committed. The assigned amounts that are allocated for future use by the County Executive or their designee(s) but are not spendable until a budget ordinance is passed by the County Council.
- *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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 anticipated revenues, expenditures for the operating budget, the capital budget and the Capital Improvement Program, and any surplus or deficit in the general or special funds of the government. 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 majority of these procedures are set forth in the Charter for preparing the County Budget.

1. The County Executive must hold at least two public hearings to receive public comment. One hearing must occur in December to receive proposals for inclusion in the budget. The other hearing shall be held in March to receive comments on budget requests.
2. All departments submit their proposed operating budgets for the upcoming fiscal year (commencing the following July 1) to the Budget Director.
3. All budget requests are compiled and reviewed by the Budget Office and, with direction from the County Executive, a draft budget is prepared, along with a Budget Message.
4. The County Executive submits a proposed Budget to the County Council no later than April 15 of each year.
5. At least one public hearing on the proposed Budget must be held by the County Council.
6. After the public hearing the County Council may decrease or delete any items in the Budget, except those required by State law, by provisions for debt service on obligations then outstanding or for estimated cash deficits.
7. If the County Council's decrease or deletion from the proposed budget equals or exceeds a one percent change in the total Budget or equals or exceeds a fifty percent decrease in any one line item, the County Council must proceed with a public hearing, notice and publication as required for a newly enacted Bill.
8. Adoption of the Budget Ordinance will (by the affirmative vote of not less than four members of the Council) occur no later than May 31. If the Council fails to adopt the Budget by May 31, then the proposed Budget submitted by the County Executive will become law.

NOTES TO FINANCIAL STATEMENTS
(Continued)

9. The County Council then levies the amount of taxes required by the Budget to ensure that the Budget is balanced so that proposed revenues equal proposed expenditures.
10. The County Council adopts the budget for funds at various levels of budgetary control as defined in the annual Budget Adoption Ordinance. Budgetary schedules in this document may display greater detail than the legal level of budget adoption.
11. Unless otherwise provided by law and except for grant appropriations or grant funds deposited in special accounts dedicated to specific functions, activities or purposes, all unexpended and unencumbered appropriations in the Operating Budget at the end of the fiscal year shall revert into the treasury. No appropriation for a Capital Project in the Capital Budget may revert until the purpose for which the appropriation was made is accomplished or abandoned; but any Capital Project shall be considered abandoned if three fiscal years elapse without any expenditure from or encumbrance of the appropriation.
12. 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 Investigative Section, Inmates' Canteen, Fire/Rescue Loan, and Non-Profit Organizations Loan) Capital Projects, Enterprise, and Internal Service Funds. No budgets are in place for the Special Revenue Funds individually noted. Other Post Employment Benefit Trust, Pension Trust Fund, and Length of Service Award Program Trust Fund budgets are for management control only and are not adopted by the County Council.
13. During the operating year, the Executive may transfer unencumbered appropriations in the Operating Budget within the same department, agency, or office and within the same fund. On the recommendation of the Executive, the Council may transfer unencumbered appropriations in the Operating Budget between departments, agencies and offices within the same fund. A transfer may not be made between the Operating Budget and Capital Budget appropriations. On the recommendation of the Executive, the Council may transfer appropriations between Capital Projects within the same fund provided the Council neither creates nor abandons any Capital Projects except in accordance with Section 512 of the County Charter.
14. On the recommendation of the Executive, the Council may make supplemental appropriations from any contingency appropriations in the Budget; from revenues received from anticipated sources but in excess of budget estimates; or from revenues received from sources not anticipated in the Budget.

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).

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	General Fund			
	Revenues	Expenditures	Other Financing Sources (Uses)	Net change in Fund Balance
Budgetary Basis	\$ 547,901,300	\$ 485,453,940	\$ (64,151,666)	\$ (1,704,306)
Basis Adjustments:				
Encumbrance adjustment	-	(738,074)	-	738,074
Inventory adjustment	-	(47,682)	-	47,682
Net affect of basis adjustments	-	(785,756)	-	785,756
GAAP Basis	<u>\$ 547,901,300</u>	<u>\$ 484,668,184</u>	<u>\$ (64,151,666)</u>	<u>\$ (918,550)</u>

The following departments over expended their FY2017 budget:

	Amended Budget	Actual	Variance
Internal Audit	\$ 310,117	\$ 472,978	\$ (162,861)
Medical Transportation Services	706,189	733,536	(27,347)
Emergency Services	41,761,269	42,599,445	(838,176)
Emergency Communications	6,968,475	7,125,490	(157,015)
Weed Control	243,686	273,247	(29,561)
Soil Conservation	109,335	114,782	(5,447)
Housing Administration	522,609	562,375	(39,766)

Internal Audit's negative variance was due to the component unit in-kind recovery not materializing in FY2017. The negative budget variance for Medical Transportation Service was due to additional costs incurred in the transition to a new ambulance billing vendor. Both Emergency Service's and Emergency Management's negative budget variance in FY2017 was attributed to personnel costs due to ensuring 24/7 staffing during scheduled leave and sick leave, some of which was for extended periods of time. Weed Control's negative variance is attributed to an increase in demand for services during FY2017 above budget. These costs were offset by an increase in fees collected for services. Soil Conservation's negative variance was a result of the department not being fully staffed and therefore recoveries did not fully materialize. Housing Administration's negative variance was a result of hiring a new Housing Director during FY2017 at a higher grade than was budgeted. In addition, the former Housing Director was rehired as part-time temporary for a portion of the fiscal year to ensure transition of duties.

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Cash, Investments and Equity in Pooled Invested Cash

1. Deposits

Primary Government

At year-end, Frederick County's carrying amount of deposits was \$15,406,640 and the bank balance was \$15,422,651. The County's deposits are categorized below to give an indication of the level of custodial credit risk assumed by the County at year-end. The bank's balances were collateralized as follows:

Federal Deposit Insurance Corporation (FDIC)	\$ 341,423
Held by the government's agent, in the government's name	<u>15,081,228</u>
Total Bank Balance	<u><u>\$ 15,422,651</u></u>

The County's cash and investments as of June 30, 2017, totaled \$505,965,723 as presented in the Statement of Net Position. Restricted cash and cash equivalents represent unspent bond proceeds and various funds restricted by law or third party agreements. The following table reconciles the County's deposits and investments to the Statement of Net Position:

NOTES TO FINANCIAL STATEMENTS
(Continued)

Total Primary Government - Exhibit II-A-1	
Cash	\$ 657,393
Equity in Pooled Invested Cash	240,873,015
Investments	154,226,104
Restricted Cash and Cash Equivalents	110,209,211
Total	<u>\$ 505,965,723</u>
Deposit & Investment Summary:	
Investments	\$ 506,286,073
Cash on Hand	27,524
Deposits	15,406,640
Less: Component Units and Agency Fund Cash Equivalents	
Pension Trust	(1,176,591)
OPEB Trust	(5,660,195)
LOSAP Trust	(261,608)
Frederick County Public Libraries	(24,518)
Agency Funds	(8,631,602)
Total	<u>\$ 505,965,723</u>

Pension Trust Fund

As of June 30, 2017, the carrying amount of the Pension Trust Fund's deposits was \$814,325 and the bank balance was \$932,039. The deposits of the Pension Trust Fund were not exposed to custodial risk as of June 30, 2017.

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, 2017, BOE's cash on hand for petty cash was \$1,575. The carrying amount of the Board's deposits was \$11,697,129 and investments, including \$95,872,416 of fiduciary funds, were \$128,943,651. Cash and cash equivalents restricted for debt service was \$9,297. The bank balance was \$13,692,767. The deposits of the Board were not exposed to custodial risk as of June 30, 2017.

As of June 30, 2017, FCC's cash on hand for petty cash was \$8,800. The carrying amount of the college's deposits was \$4,491,411 and cash equivalents were \$8,496,251. Cash and cash equivalents, as shown on the Statement of Net Position, include Frederick Community College Foundation, Inc. in the amount of \$1,446,514. The bank balance was \$4,731,981. The deposits of the college were not exposed to custodial risk as of June 30, 2017.

As of June 30, 2017, FCPL's cash on hand for petty cash was \$2,670. The carrying amount of FCPL's deposits was \$21,848, including \$20,000 of restricted cash. The bank balance was \$23,396. The deposits of the library were not exposed to custodial risk as of June 30, 2017.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

Primary Government

As of June 30, 2017, 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	\$ 128,062,626	\$ 4,030,958	\$ 2,765,393	\$ 121,266,275
MD Local Government Investment Pool	259,674,222	259,674,222	-	-
Money Market Funds	3,700,525	3,700,525	-	-
Federal Agency Securities	114,848,700	114,848,700	-	-
Total Fair Value	<u>\$ 506,286,073</u>	<u>\$ 382,254,405</u>	<u>\$ 2,765,393</u>	<u>\$ 121,266,275</u>

Frederick County has the following recurring fair value measurements as of June 30, 2017:

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)
Investments by fair value level	June 30, 2017			
U. S. Treasuries	\$ 128,062,626	\$ -	\$ 128,062,626	\$ -
Federal Agency Securities	114,848,700	-	114,848,700	-
Total investments by fair value levels	<u>242,911,326</u>	<u>\$ -</u>	<u>\$ 242,911,326</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
MD Local Government Investment Pool	259,674,222			
Money Market Funds	<u>3,700,525</u>			
Total investments measured at the NAV	<u>263,374,747</u>			
Total investments at fair value	<u>\$ 506,286,073</u>			

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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. There are no significant redemption notices, maximum transaction amounts or other limitations or restrictions on the County's withdrawals from the Maryland Local Government Investment Pool.

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 and State Finance and Procurement Article 6-222(a) of the Annotated Code of Maryland. The State's restrictions are included in parentheses below. In addition to the State's provisions, the County investment policy lists the following investments as legal for purchase:

1. U. S. Treasury securities
2. Obligations of U. S. government agencies
3. Repurchase agreements (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 and 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 repurchase agreements fully collateralized by U. S. government obligations and the investment company or trust takes delivery of that collateral, either directly or through an authorized custodian)
6. Money market mutual funds that contain only securities of the organizations listed in items 1), 2), and 3) above
7. Certificates of deposit (collateralized within the guidelines of the Annotated Code of Maryland, State Finance and Procurement Article 6-202)
8. Maryland Local Government Investment Pool (MLGIP)

The County's investments have received the followings ratings:

<u>Investment</u>	<u>Fair Value</u>	<u>Moody's</u>	<u>Standard & Poors</u>	<u>Fitch Ratings</u>
MD Local Government Investment Pool	\$ 259,674,222	not rated	AAAm	not rated
Federal Agriculture Mortgage Corporation	14,961,150	not rated	not rated	not rated
Federal Farm Credit Bank	99,887,550	AAA	AA+	not rated

All other investments are debt securities of the U.S. government or obligations of the U.S. government that are explicitly guaranteed by the U.S. government.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Concentration of Credit Risk – To reduce this risk, the County seeks to maintain a balanced portfolio by issuer or financial institution and class of security or money market instrument. 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.

Investment Type	Fair Value	% of Portfolio
U. S. Treasuries	\$ 128,062,626	25.295 %
MD Local Government Investment Pool (MLGIP)	259,674,222	51.290
Money Market Funds	3,700,525	0.731
Federal Agricultural Mortgage Corp.	14,961,150	2.955
Federal Farm Credit Bank	99,887,550	19.729
Total Fair Value	<u>\$ 506,286,073</u>	<u>100.000 %</u>

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investment policy requires that 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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

As of June 30, 2017, the Plan held the following investments and maturities:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>0 - 18 Month Maturities</u>	<u>18 - 24 Month Maturities</u>	<u>> 24 Month Maturities</u>
Money Market Funds	\$ 6,404,313	\$ 6,404,313	\$ -	\$ -
Mutual Funds	301,929,264	301,929,264	-	-
U.S. Government Securities (Fixed Income)	28,173,125	399,200	572,116	27,201,809
Corporate Bonds and Notes (Fixed Income)	27,066,658	273,559	520,395	26,272,704
Other Government Agencies (Fixed Income)	1,076,703	-	255,685	821,018
Common Stocks	205,517,416	205,517,416	-	-
Total Fair Value	<u>\$ 570,167,479</u>	<u>\$ 514,523,752</u>	<u>\$ 1,348,196</u>	<u>\$ 54,295,531</u>

Frederick County has the following recurring fair value measurements as of June 30, 2017:

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)
Investments by fair value level	June 30, 2017			
Mutual Funds	\$ 301,929,264	\$ 301,929,264	\$ -	\$ -
U.S. Government Securites	28,173,125	-	28,173,125	-
Corporate Bonds and Notes	27,066,658	-	27,066,658	-
Other Government Agencies	1,076,703	-	1,076,703	-
Common Stock	205,517,416	205,517,416	-	-
Total investments by fair value levels	<u>563,763,166</u>	<u>\$ 507,446,680</u>	<u>\$ 56,316,486</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Money Market Funds	6,404,313			
Total investments measured at the NAV	<u>6,404,313</u>			
Total investments at fair value	<u>\$ 570,167,479</u>			

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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 - not on established exchange as listed above;
4. Inverse floaters;
5. CLOs (Collateralized Loan Obligations);
6. CBOs (Collateralized Bond Obligations);
7. Capped floaters;
8. Interest-only MBS (Mortgage Backed Securities) securities;
9. Principal-only MBS (Mortgage Backed Securities) securities;
10. Support CMO (Collateralized Mortgage Obligation) or Support MBS (Mortgage Backed Securities) tranches;
11. Swap contracts; and

NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2017, the Plan's fixed income investments had the following characteristics:

<u>Moody's Rating or Comparable</u>	<u>Fair Value</u>
AAA to A1	\$ 29,109,364
BAA3 to BA1	8,366,147
CAA2 to C	-
Not rated	18,840,975
Total Fair Value	<u>\$ 56,316,486</u>

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 publicly traded and 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 two investment managers for global and international equity investments. The Plan's investment policy does not establish any limitation related to foreign currency risk. The country of origin for the two investments is the United States; therefore, the Plan did not have foreign currency risk as of June 30, 2017.

Other Post Employment Benefit (OPEB) Trust Fund

The County's OPEB Trust is one of two OPEB trusts that participate in the Frederick County Master Retiree Benefit Trust Agreement ("OPEB Master Trust"). The other OPEB Trust, 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 trusts 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 Plan's assets.

Investments – The Plan's 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, 2017, the Plan held the following investments and maturities:

Investment Type (All funds)	<u>Fair Value</u>	<u>0 - 18 Month Maturities</u>	<u>18 - 24 Month Maturities</u>	<u>> 24 Month Maturities</u>
Money Market Funds	\$ 17	\$ 17	\$ -	\$ -
Mutual Funds	87,729,998	87,729,998	-	-
Collective Investment Trust (Fixed Income)	42,341,432	42,341,432	-	-
Total Fair Value	<u>\$ 130,071,447</u>	<u>\$ 130,071,447</u>	<u>\$ -</u>	<u>\$ -</u>

Frederick County has the following recurring fair value measurements as of June 30, 2017:

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)
Investments by fair value level	June 30, 2017			
Mutual Funds	\$ 87,729,998	\$ 87,729,998	\$ -	\$ -
Collective Investment Trust (Fixed Income)	42,341,432	-	-	42,341,432
Total investments by fair value levels	<u>130,071,430</u>	<u>\$ 87,729,998</u>	<u>\$ -</u>	<u>\$ 42,341,432</u>
Investments measured at the net asset value (NAV)				
Money Market Funds	17			
Total investments measured at the NAV	<u>17</u>			
Total investments at fair value	<u>\$ 130,071,447</u>			

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

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 two investment managers for global and international equity investments. The Plan’s investment policy does not establish any limitation related to foreign currency risk. The country of origin for the two investments is the United States; therefore, the Plan did not have foreign currency risk as of June 30, 2017.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Component Units

The Board of Education's investments as of June 30, 2017 are categorized in the following table:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate as of June 30
		Less than 1	1-5	6-10	
MLGIP	\$ 25,925,178	\$ 25,925,178	\$ -	\$ -	0.95%
Money Market	10,215,242	10,215,242	-	-	0.20%
Certificates of Deposit	4,544	4,544	-	-	Various
Fixed Income Securities	29,162,382	29,162,382	-	-	0.00%
Equity Securities	63,636,305	63,636,305	-	-	1.65%
Totals	<u>\$ 128,943,651</u>	<u>\$ 128,943,651</u>	<u>\$ -</u>	<u>\$ -</u>	

The above investment balances include fiduciary funds in the amount of \$92,803,605. Total net investment income per statement of activities as of June 30, 2017 was \$237,626.

FCC's investments as of June 30, 2017 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
MLGIP	<u>\$ 8,496,251</u>	<u>\$ 8,496,251</u>	<u>\$ -</u>	<u>\$ -</u>	0.95%

Total net investment income for FCC (excluding the FCC Foundation) as of June 30, 2017 was \$51,464. The Frederick Community College Foundation investments as of June 30, 2017 were:

Investment Type	June 30, 2017		
	Cost	Market	Unrealized Gains (Losses)
USMF Fund	\$ 14,094,316	\$ 13,787,423	\$ (306,893)
Charitable Remainder Trust	-	-	\$ -
Total Investments	<u>\$ 14,094,316</u>	<u>\$ 13,787,423</u>	<u>\$ (306,893)</u>

As of June 30, 2017, the Foundation had 381,884.1727 units of the University System of Maryland Foundation, Inc. Unitized Investment Fund valued at \$36.10367 per unit with a value of \$13,787,423.

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCPL's investments as of June 30, 2017 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
MLGIP	\$ 309,716	\$ 309,716	\$ -	\$ -	0.06%
Certificates of Deposit	203,873	203,873	-	-	Various
Total Investments	<u>\$ 513,589</u>	<u>\$ 513,589</u>	<u>\$ -</u>	<u>\$ -</u>	

Total net investment income per statement of activities for the year ended June 30, 2017 was \$3,930.

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, 2017, 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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Foreign Currency Risk – There are no investments in foreign currency by FCC or FCPL. The BOE's OPEB Plan has exposure to foreign currency risk from its investment in foreign currency or instruments denominated in foreign currency. The Plan recognizes the value of global diversification and retains one investment manager for global and international equity investments. The Plan's investment policy does not establish any limitation related to foreign currency risk. The Plan's exposure to foreign currency risk is as follows:

Currency	Fair Value
European Monetary Unit (Euro)	\$ 2,954,286
Japanese Yen	2,170,153
UK Pound	1,635,559
Swiss Franc	798,153
Australian Dollar	651,420
Hong Kong Dollar	297,204
Swedish Krone	270,101
US Dollar	188,791
Danish Krone	165,425
Singapore Krone	119,629
Norwegian Krone	56,076
Israeli Shekel	23,365
New Zealand Dollar	15,888
	\$ 9,346,050

NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Receivables and Payables

1. Accounts and Other Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The associated allowance for doubtful accounts has been established in the following governmental and business-type funds: General Fund, \$111,702; Comprehensive Care Facility; \$84,398 and Solid Waste, \$20,747.

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, 2017, are reconciled as follows:

	BOE	FCC	FCPL	TOTAL
Due from component units per Primary Government	\$ 9,344	\$ 277	\$ -	\$ 9,621
Less: Not recorded as payable by component unit in FY17	(9,344)	(277)	-	(9,621)
Add: Payable recorded by component unit in FY17	-	-	-	-
Due to primary government per Component Units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Due to component units per Primary Government	\$ 10,151,673	\$ 238	\$ 2,849,683	\$ 13,001,594
Less: Receivable recorded by component unit in FY 17	(258,492)	(238)	67,022	(191,708)
Due from primary government per Component Units	<u>\$ 9,893,181</u>	<u>\$ -</u>	<u>\$ 2,916,705</u>	<u>\$ 12,809,886</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Capital Assets

Capital Asset activity for the year ended June 30, 2017 is as follows:

	Primary Government				
	Beginning Balance	Increases	Adjustments/ Transfers *	Decreases	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 101,079,086	\$ 3,992,968	\$ (800,000)	\$ (657,005)	\$ 103,615,049
Construction in progress	42,264,370	36,076,715	-	(49,203,077)	29,138,008
Total capital assets at historical cost not being depreciated	143,343,456	40,069,683	(800,000)	(49,860,082)	132,753,057
Capital assets being depreciated:					
Buildings and improvements	257,244,605	8,560,785	(34,292,258)	(35,320)	231,477,812
Equipment	132,542,196	13,960,088	(761,039)	(7,515,440)	138,225,805
Infrastructure	364,515,731	21,327,961	-	-	385,843,692
Total capital assets at historical cost being depreciated	754,302,532	43,848,834	(35,053,297)	(7,550,760)	755,547,309
Less accumulated depreciation for:					
Buildings and improvements	97,160,454	6,563,248	(2,897,251)	(35,320)	100,791,131
Equipment	86,818,778	8,309,883	(442,636)	(7,284,073)	87,401,952
Infrastructure	224,645,687	8,918,242	-	-	233,563,929
Total accumulated depreciation	408,624,919	23,791,373	(3,339,887)	(7,319,393)	421,757,012
Total capital assets being depreciated, net of accumulated depreciation	345,677,613	20,057,461	(31,713,410)	(231,367)	333,790,297
Governmental activities capital assets, net	<u>\$ 489,021,069</u>	<u>\$ 60,127,144</u>	<u>\$ (32,513,410)</u>	<u>\$ (50,091,449)</u>	<u>\$ 466,543,354</u>
Depreciation expense was charged to governmental functions as follows:					
General government					\$ 2,528,992
Public safety					7,098,044
Public works					1,753,672
Health					179,596
Social services					630,076
Recreation and culture					2,870,413
Economic development and opportunity					21,160
Infrastructure					8,709,420
Total depreciation expense					<u>\$ 23,791,373</u>

* Assets transferred from General Fund to Comprehensive Care Facility Fund.

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Primary Government				
	Beginning Balance	Increases	Adjustments/ Transfers	Decreases	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 8,527,737	\$ 800,000	\$ -	\$ -	\$ 9,327,737
Construction in progress	28,478,198	27,184,328	-	(29,001,487)	26,661,039
Total capital assets at historical cost not being depreciated	37,005,935	27,984,328	-	(29,001,487)	35,988,776
Capital assets being depreciated:					
Buildings and improvements	304,403,728	38,074,948	-	(12,250)	342,466,426
Equipment	54,889,216	3,978,823	-	(677,567)	58,190,472
Infrastructure	380,412,838	24,356,249	-	-	404,769,087
Total capital assets at historical cost being depreciated	739,705,782	66,410,020	-	(689,817)	805,425,985
Less accumulated depreciation for:					
Buildings and improvements	72,654,947	7,241,389	2,897,251	(5,446)	82,788,141
Equipment	35,847,810	2,586,780	557,181	(648,422)	38,343,349
Infrastructure	69,389,626	5,484,235	-	-	74,873,861
Total accumulated depreciation	177,892,383	15,312,404	3,454,432	(653,868)	196,005,351
Total capital assets being depreciated, net of accumulated depreciation	561,813,399	51,097,616	(3,454,432)	(35,949)	609,420,634
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 598,819,334</u>	<u>\$ 79,081,944</u>	<u>\$ (3,454,432)</u>	<u>\$ (29,037,436)</u>	<u>\$ 645,409,410</u>
Depreciation expense was charged to business-type functions as follows:					
Bell Court					\$ 71,346
Comprehensive Care Facility					748,612
Solid Waste					1,114,622
Water & Sewer					13,377,824
Total depreciation expense					<u>\$ 15,312,404</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Component units' capital asset activity for the year ended June 30, 2017 was as follows:

BOE	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	\$ 48,794,385	\$ 1,898,000	\$ -	\$ 50,692,385
Construction in progress	42,248,750	70,645,051	(5,688,705)	107,205,096
Total capital assets at historical cost not being depreciated	91,043,135	72,543,051	(5,688,705)	157,897,481
Capital assets being depreciated:				
Building and improvements	876,290,926	4,082,371	-	880,373,297
Furniture and equipment	52,237,579	3,541,556	(2,850,946)	52,928,189
Total capital assets at historical cost being depreciated	928,528,505	7,623,927	(2,850,946)	933,301,486
Less accumulated depreciation for:				
Building and improvements	324,809,715	24,138,622	-	348,948,337
Furniture and equipment	32,537,957	3,318,942	(2,767,584)	33,089,315
Total accumulated depreciation	357,347,672	27,457,564	(2,767,584)	382,037,652
Total capital assets being depreciated, net of accumulated depreciation	571,180,833	(19,833,637)	(83,362)	551,263,834
BOE's capital assets, net of accumulated depreciation	<u>\$ 662,223,968</u>	<u>\$ 52,709,414</u>	<u>\$ (5,772,067)</u>	<u>\$ 709,161,315</u>

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	119,400	5,465	(119,400)	5,465
Total capital assets at historical cost not being depreciated	391,020	5,465	(119,400)	277,085
Capital assets being depreciated:				
Library collection	2,051,358	11,920	-	2,063,278
Building and improvements	107,481,753	8,698,744	(20,448)	116,160,049
Furniture and equipment	5,834,212	425,814	(174,949)	6,085,077
Site improvement	7,248,260	215,600	-	7,463,860
Total capital assets at historical cost being depreciated	122,615,583	9,352,078	(195,397)	131,772,264
Less accumulated depreciation for:				
Library collection	1,927,689	26,967	-	1,954,656
Building and improvements	33,290,492	2,945,087	-	36,235,579
Furniture and equipment	3,928,249	540,470	(162,516)	4,306,203
Site improvement	5,719,423	134,621	-	5,854,044
Total accumulated depreciation	44,865,853	3,647,145	(162,516)	48,350,482
Total capital assets being depreciated, net of accumulated depreciation	77,749,730	5,704,933	(32,881)	83,421,782
FCC's capital assets, net of accumulated depreciation	\$ 78,140,750	\$ 5,710,398	\$ (152,281)	\$ 83,698,867

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCPL	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets being depreciated:				
Library collection	\$ 7,763,037	\$ 1,080,015	\$ (1,298,079)	\$ 7,544,973
Furniture and equipment	258,843	-	(1)	258,842
Total capital assets at historical cost being depreciated	8,021,880	1,080,015	(1,298,080)	7,803,815
Less accumulated depreciation for:				
Library collection	6,441,530	1,167,211	(1,575,283)	6,033,458
Furniture and equipment	144,573	16,045	-	160,618
Total accumulated depreciation	6,586,103	1,183,256	(1,575,283)	6,194,076
FCPL's capital assets, net of accumulated depreciation	<u>\$ 1,435,777</u>	<u>\$ (103,241)</u>	<u>\$ 277,203</u>	<u>\$ 1,609,739</u>

D. Interfund Receivables, Payables and Transfers

1. Primary Government Interfund Receivables and Payable Balances

	Payable Fund	
	Comprehensive Care Facility	Total Due from Other Funds
Receivable Fund		
General Fund	\$ 4,911,763	\$ 4,911,763
Total Due to Other Funds	<u>\$ 4,911,763</u>	<u>\$ 4,911,763</u>

The \$4,911,763 due from the Comprehensive Care Facility is working capital that was provided by the General Fund after reacquiring the facilities on September 1, 2016. This amount was necessary to reestablish County ownership of the operations.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. *Interfund Transfers – Primary Government*

Interfund transfers for the year ended June 30, 2017 consists of the following:

	Transfers In					Total Transfers To Other Funds
	Debt Service	Capital Projects	Nonmajor Governmental	Comprehensive Care Facility	Internal Service	
Transfers Out						
General Fund	\$ 41,215,501	\$ 13,055,192	\$ 6,139,510	\$ 2,999,332	\$ 742,131	\$ 64,151,666
Nonmajor Governmental	7,956,116	-	-	-	53,145	8,009,261
Capital Projects	11,340,453	-	-	-	-	11,340,453
Water and Sewer	-	-	-	-	57,342	57,342
Total Transfers in from Other Funds	<u>\$ 60,512,070</u>	<u>\$ 13,055,192</u>	<u>\$ 6,139,510</u>	<u>\$ 2,999,332</u>	<u>\$ 852,618</u>	<u>\$ 83,558,722</u>

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.
- Transfer from the General Fund to Comprehensive Care Facility Fund was necessary to reestablish County ownership of the operations.
- Transfers from various funds to the Debt Service Fund for the payment of interest and principal on long term obligations of governmental funds.

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 2017 were \$1,525,767.

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

Years Ending June 30,	Total Payment
2018	\$ 434,067
2019	334,123
2020	313,888
2021	313,888
2022	313,888
2023-2027	1,553,921
2028-2032	1,103,840
2033-2037	706,518
Total	\$ 5,074,133

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 2017 totaled \$135,123.

The future minimum lease revenues for the subleases are \$22,064 for fiscal year 2017.

The County is committed under various rental lease agreements as lessor. All leases are considered for accounting purposes to be non-cancelable leases. Lease revenues for fiscal year 2017 totaled \$1,413,491.

Future minimum lease revenues for these rentals are as follows:

Years Ending June 30,	Total Payment
2018	\$ 1,040,747
2019	805,419
2020	805,272
2021	805,272
2022	805,272
2023 - thereafter	3,858,937
	\$ 8,120,919

NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Non-Current Liabilities

1. Changes in Non-Current Liabilities

Primary Government:

	Balance July 1, 2016	Additions	Principal Repayments & Reductions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 464,894,392	\$ 56,901,147	\$ (69,331,793)	\$ 452,463,746	\$ 36,864,777
Unamortized Premium on Bonds	22,639,578	12,039,897	(5,558,913)	29,120,562	5,239,143
Installment Purchase Agreements	52,440,249	1,970,599	(5,297,534)	49,113,314	870,918
Notes Payable	59,918	-	(10,616)	49,302	11,260
Capital Lease Obligations	106,708	3,704,232	(106,708)	3,704,232	345,223
Compensated Absences	10,728,557	15,316,853	(14,474,725)	11,570,685	500,790
Net OPEB Obligation	16,884,322	-	(138,400)	16,745,922	-
Net LOSAP Pension Liability	11,946,675	977,131	(1,005,468)	11,918,338	-
Net Pension Liability	37,064,886	59,108,199	(91,941,594)	4,231,491	-
Termination Benefits	214,153	50,514	-	264,667	-
Total Governmental Activity- Long Term Liabilities	<u>\$ 616,979,438</u>	<u>\$ 150,068,572</u>	<u>\$ (187,865,751)</u>	<u>\$ 579,182,259</u>	<u>\$ 43,832,111</u>

Payments on the non-current liabilities above (excluding personnel related liabilities), that pertain to the County's governmental activities are recorded in the Debt Service Fund and supported by revenue transfers from the General, Parks Acquisition and Development, Agricultural Preservation, Impact Fee, 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.6 (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, 2017, Internal Service Funds compensated absences totaling \$192,495 are included in the above amounts.

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Balance July 1, 2016	Additions	Repayments & Reductions	Balance June 30, 2017	Due Within One Year
Business-type Activities:					
Bonds Payable	\$ 109,145,608	\$ 51,783,854	\$ (9,973,207)	\$ 150,956,255	\$ 11,225,223
Unamortized Premium on Bonds	4,867,695	4,500,547	(1,395,562)	7,972,680	1,573,466
Notes Payable	62,247,445	-	(4,893,533)	57,353,912	4,849,102
Capital Lease Obligations	287,798	-	(55,968)	231,830	56,477
Landfill Closure Costs	14,464,386	84,474	(518,935)	14,029,925	339,536
Compensated Absences	885,946	1,822,868	(1,456,364)	1,252,450	104,830
Termination Benefits	24,727	-	880	25,607	-
Total Business-type Activities - Long Term Liabilities	<u>\$ 191,923,605</u>	<u>\$ 58,191,743</u>	<u>\$ (18,292,689)</u>	<u>\$ 231,822,659</u>	<u>\$ 18,148,634</u>

Component Units:

	Balance July 1, 2016	Net Changes	Balance June 30, 2017	Due Within One Year
Board of Education				
Capital lease obligations	\$ 11,537,634	\$ (523,809)	\$ 11,013,825	\$ 539,677
Compensated absences	7,073,446	604,949	7,678,395	4,972,552
Net OPEB liability	257,373,322	49,815,499	307,188,821	-
Termination benefits payable	21,491,830	296,438	21,788,268	2,713,836
Net pension liability	39,262,057	3,072,871	42,334,928	-
Board of Education - Long-term Liabilities	<u>\$ 336,738,289</u>	<u>\$ 53,265,948</u>	<u>\$ 390,004,237</u>	<u>\$ 8,226,065</u>
Frederick Community College				
Certificates of Participation	\$ 6,489,798	\$ (269,336)	\$ 6,220,462	\$ 285,000
Compensated absences	1,443,693	(122,725)	1,320,968	14,946
Net OPEB liability	199,814	26,624	226,438	-
Frederick Community College - Long-term Liabilities	<u>\$ 8,133,305</u>	<u>\$ (365,437)</u>	<u>\$ 7,767,868</u>	<u>\$ 299,946</u>
Frederick County Public Libraries				
Compensated absences	\$ 471,295	\$ 32,052	\$ 503,347	\$ 43,141
Net OPEB liability	1,442,354	-	1,442,354	-
Frederick County Public Libraries - Long-term Liabilities	<u>\$ 1,913,649</u>	<u>\$ 32,052</u>	<u>\$ 1,945,701</u>	<u>\$ 43,141</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. General Obligation Bonds

Primary Government

Under the Commissioner form of government the County could not issue general obligation bonds and installment purchase agreements unless specific enabling legislation was passed by the Maryland General Assembly. As of June 30, 2017, there remains \$53,354,823 of authorization under the authority granted under Chapter 54 of the Laws of Maryland of 2012. Any indebtedness authorized by the General Assembly may not be issued until a resolution authorizing the same has been adopted by the County Council.

Pursuant to the Charter of Frederick County Maryland, future authorizations for general obligation borrowings will be granted by the County Council. Section 508 of the Charter sets limitations for general obligation borrowings. This debt limit is calculated at an amount not to exceed a total of five percent of the assessable base of real property of the County and fifteen percent of the County's assessable base of personal property and operating real property described in Section 8-109(c) of the Tax-Property Article of the Annotated Code of Maryland. As of June 30, 2017, Council bill 17-03 granted an additional \$100,000,000 for long-term borrowings.

The debt limit for the primary government's general obligation borrowings as of June 30, 2017 was \$1,613,639,986 and the legal debt margin was \$961,106,672.

The County's most recent credit ratings as of March, 2017 are Moody's – Aaa, S&P – AAA, Fitch – AAA. These bonds are a general obligation of the County and as such, are supported by the full faith and credit of the County.

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 6/30/17
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 2008	6/15/2008	6/1/2018	3.50%-5.00%	61,055,000	2,506,615
Public Facilities Bonds of 2010A	1/26/2010	2/1/2020	2.00%-5.00%	47,213,456	14,759,035
Pub Fac Bonds of 2010B (BAB)	1/26/2010	2/1/2030	4.90%-5.90%	71,261,044	63,241,044
Pub Fac Bonds of 2010C Refunding	4/27/2010	12/1/2020	2.00%-5.00%	57,786,283	23,697,031
Pub Fac Bonds of 2011B Refunding	8/4/2011	8/1/2017	2.00%-4.00%	9,909,091	2,197,893
Public Facilities Bonds of 2011	8/4/2011	8/1/2031	2.50%-5.00%	55,810,000	37,520,000
Pub Fac Bonds of 2012 Refunding	2/9/2012	8/1/2024	2.00%-4.00%	59,842,669	50,547,669
Pub Fac Bonds of 2012B - Refunding - Taxable	8/23/2012	8/1/2020	1.00%-1.66%	51,946,393	38,166,251
Public Facilities Bonds of 2013	5/2/2013	5/1/2033	2.00%-5.00%	26,800,000	22,731,002
Public Facilities Bonds of 2014, Series A	7/24/2014	8/1/2034	2.00%-5.00%	32,117,727	29,976,238
Pub Fac Bonds of 2014C Refunding	11/25/2014	6/1/2028	2.49%	12,429,335	12,429,335
Pub Fac Bonds of 2015A Refunding	3/19/2015	6/1/2027	2.25%	8,061,868	7,995,669
Pub Fac Bonds of 2016, Series A	6/29/2016	8/1/2036	2.00%-5.00%	77,186,341	77,186,341
Pub Fac Bonds of 2017A - Refunding (2020 Crossover)	4/11/2017	2/11/2030	5.00%	56,901,147	56,901,147
Total Bonds Outstanding				<u>\$ 640,928,830</u>	<u>\$ 452,463,746</u>

The annual requirements to amortize governmental activities bond debt outstanding as of June 30, 2017 are as follows:

Years Ending June 30,	Principal	Interest	Total Requirement
2018	\$ 36,864,777	\$ 17,586,660	\$ 54,451,437
2019	38,736,350	16,794,201	55,530,551
2020	37,870,246	15,423,118	53,293,364
2021	37,148,443	14,067,284	51,215,727
2022	27,168,340	12,620,277	39,788,617
2023-2027	140,962,954	44,510,754	185,473,708
2028-2032	100,227,107	14,957,023	115,184,130
2033-2037	33,485,529	2,411,378	35,896,907
	<u>\$ 452,463,746</u>	<u>\$ 138,370,695</u>	<u>\$ 590,834,441</u>

For the year ended June 30, 2017, total principal and interest incurred related to general obligation bonds was \$34,511,793 and \$15,274,495.

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 6/30/17
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 2008	6/15/2008	6/1/2018	3.50%-5.00%	18,325,000	863,386
Public Facilities Bonds of 2010A	1/26/2010	2/1/2020	2.00%-5.00%	12,491,544	4,400,965
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	8,947,969
Pub Fac Bonds of 2011B Refunding	8/4/2011	8/1/2017	2.00%-4.00%	6,095,909	1,352,107
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	6,923,749
Public Facilities Bonds of 2013	5/2/2013	5/1/2033	2.00%-5.00%	4,650,000	3,943,998
Public Facilities Bonds of 2014, Series A	7/14/2014	8/1/2034	2.00%-5.00%	2,677,273	2,498,762
Pub Fac Bonds of 2014C Refunding	11/25/2014	6/1/2028	2.49%	4,285,665	4,285,665
Pub Fac Bonds of 2015A Refunding	3/19/2015	6/1/2027	2.25%	5,943,132	5,894,331
Pub Fac Bonds of 2016, Series A	6/29/2016	8/1/2036	2.00%-5.00%	8,218,659	8,218,659
Pub Fac Bonds of 2016B - Refunding	6/29/2016	8/1/2036	2.00%-3.00%	34,820,000	34,820,000
Pub Fac Bonds of 2017A - Refunding (2020 Crossover)	4/11/2017	2/1/2030	5.00%	16,963,853	16,963,853
Total Bonds Outstanding				<u>\$ 197,316,170</u>	<u>\$ 150,956,255</u>

The annual requirements to amortize business-type activities bonded debt outstanding as of June 30, 2017 are as follows:

Years Ending June 30,	Principal	Interest	Total Requirement
2018	\$ 11,225,224	\$ 5,543,575	\$ 16,768,799
2019	12,053,650	5,261,693	17,315,343
2020	12,629,754	4,801,485	17,431,239
2021	13,231,557	4,326,083	17,557,640
2022	10,376,661	3,819,031	14,195,692
2023-2027	50,092,045	12,907,259	62,999,304
2028-2032	27,262,893	4,497,487	31,760,380
2033-2037	14,084,471	1,047,581	15,132,052
	<u>\$ 150,956,255</u>	<u>\$ 42,204,194</u>	<u>\$ 193,160,449</u>

For the year ended June 30, 2017, total principal and interest incurred related to business-type activities was \$9,973,207 and \$4,755,785.

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 sources 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
2018	\$ 870,918	\$ 2,148,018	\$ 3,018,936
2019	1,491,857	2,146,128	3,637,985
2020	3,194,665	2,126,944	5,321,609
2021	770,675	1,938,719	2,709,394
2022	1,818,558	1,930,306	3,748,864
2023-2027	18,367,466	7,225,410	25,592,876
2028-2032	15,214,802	2,886,742	18,101,544
2033-2037	7,384,373	855,700	8,240,073
	<u>\$ 49,113,314</u>	<u>\$ 21,257,967</u>	<u>\$ 70,371,281</u>

For the year ended June 30, 2017, total principal and interest incurred related to agricultural land preservation installment agreements was \$5,297,534 and \$2,461,375, respectively. These agreements have interest rates that vary from 2.37 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 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 value of the assets acquired through capital leases are as follows:

NOTES TO FINANCIAL STATEMENTS
(Continued)

Asset:	
Equipment	\$ 13,207,099
Less: Accumulated depreciation	(10,388,079)
Total:	<u>\$ 2,819,020</u>

On May 19, 2017, the County entered into a capital lease purchase agreement for equipment that was not received as of June 30, 2017. The debt related to that asset is reflected below under Governmental Type Activities.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Years Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Primary Government</u>
2018	\$ 422,790	\$ 60,223	\$ 483,013
2019	529,835	60,223	590,058
2020	541,300	60,223	601,523
2021	541,287	60,223	601,510
2022	541,278	-	541,278
2023 - 2028	1,429,530	-	1,429,530
	<u>4,006,020</u>	<u>240,892</u>	<u>4,246,912</u>
Less: amount representing interest	(301,788)	(9,062)	(310,850)
Present value-net minimum lease payments	<u>\$ 3,704,232</u>	<u>\$ 231,830</u>	<u>\$ 3,936,062</u>

Component Unit

In 2007, 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 in fiscal year 2013. 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. Payments including interest during fiscal year 2017 were \$873,357.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Building	\$ 16,361,159
Machinery and equipment	7,154,822
Less: Accumulated depreciation	(8,022,561)
Total	<u>\$ 15,493,420</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

As of June 30, 2017, the minimum obligation under capital leases was as follows:

Years Ending June 30	Governmental Activities
2018	\$ 872,741
2019	873,286
2020	872,715
2021	872,773
2022	873,435
2023-2027	4,365,483
2028-2032	4,365,990
2033	873,039
Total obligations	13,969,462
Less: Portion representing interest at 3.1%	(2,955,637)
Present value of lease obligation	<u>\$ 11,013,825</u>

5. Certificates of Participation

Component Unit

Frederick Community College issued Certificates of Participation in December 2010 to finance a new parking garage and a portion of the enrollment services building. Manufacturers and Traders Trust Company serves as trustee for the transaction and there is a term of twenty-five years. Principal payments began in fiscal year 2013.

The annual requirements to amortize the certificates of participation as of June 30, 2017 are as follows:

Years Ending June 30,	Certificates of Participation			
	Principal	Less Discount	Net	Interest
2018	\$ 285,000	\$ 5,664	\$ 279,336	\$ 424,528
2019	295,000	5,664	289,336	410,278
2020	275,000	5,201	269,799	395,528
2021	285,000	5,201	279,799	380,403
2022	295,000	5,201	289,799	364,728
2023-2027	1,605,000	26,003	1,578,997	1,544,113
2028-2032	1,925,000	26,003	1,898,997	945,000
2033-2038	1,350,000	15,601	1,334,399	205,500
	<u>\$ 6,315,000</u>	<u>\$ 94,538</u>	<u>\$ 6,220,462</u>	<u>\$ 4,670,078</u>

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 Maryland Department of Commerce in the original amount of \$181,059 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, 2017 was \$49,302. The proceeds of this loan have been reloaned by the County to State Farm Insurance to assist in the financing of certain street and site improvements within the County. The loan is a full faith and credit obligation of the County.

	<u>Paying Fund</u>	<u>Amount of Original Issue</u>	<u>Date of Debt Issue</u>	<u>Date of Debt Maturity</u>	<u>Annual Rate/ Payment Frequency</u>	<u>Amount Outstanding 06/30/17</u>
Governmental Activity:						
MD Industrial Land Act Loan - State Farm	General	\$ 181,059	05/12/94	05/12/21	5.93%/Quarterly	\$ 49,302
Total Notes Payable		<u>\$ 181,059</u>				<u>\$ 49,302</u>

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 11,260	\$ 2,676
2019	11,942	1,994
2020	12,666	1,270
2021	13,434	502
	<u>\$ 49,302</u>	<u>\$ 6,442</u>

Business Type Activities:

Maryland Department of the Environment Loans

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

NOTES TO FINANCIAL STATEMENTS (Continued)

The County has been a participant in the MDE's loan program since fiscal year 1992. As of June 30, 2017, the County has authorized and approved borrowings in an aggregate principal amount of \$95,456,559 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, 2017, \$92,922,684 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, 2017 is \$57,353,912. These loans have interest rates of 0.80 – 3.48 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 at 100 percent of capacity. Total capacity of Site A is 3,228,000 tons. In fiscal year 2017, \$202,824 of operating activities such as leachate treatment and well testing related to Site A were incurred. The liability for Site A closure was increased \$84,474 to reflect the variance between estimated and actual costs. The total remaining estimated costs for closure and post closure care of Site A are \$2,234,536 as of June 30, 2017. This entire amount is reported as a liability for Site A.

As of June 30, 2017, the Site B landfill had capacity used of 2,161,048 tons, which is 52.44 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 \$22,493,783. The resulting liability is \$11,795,389 with \$10,698,394 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 \$14,029,925 as of June 30, 2017. 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.

8. Current Year Defeasance of Debt

General Obligation Public Facilities Refunding Bonds, Series 2017A (2020 Crossover)

On April 11, 2017, the County issued its Frederick County, Maryland General Obligation Public Facilities Refunding Bonds, Series 2017A (2020 Crossover) in the amount of \$89,494,333 (including premium). The proceeds of the 2017A Bonds were escrowed and will be used to redeem \$82,095,000 in aggregate principal amount of the Consolidated Public Improvement Taxable Build America Bonds-Direct Pay to Issuer, Series 2010B, and to pay costs of issuing the 2017A Bonds. The County completed the refunding to reduce its total debt service payments for fiscal years 2021 through 2030 by \$4.65 million, and to obtain an economic gain of \$3.84 million.

The refunding method being used is frequently termed a "crossover refunding" in that provision is made to set aside immediately, from the proceeds of a refunding bond issue and other funds then available, monies for investment which, together with the interest received, shall be

NOTES TO FINANCIAL STATEMENTS
(Continued)

sufficient to pay interest due on the 2017A Bonds from August 1, 2017, through and including the crossover date of February 1, 2020, and the redemption price of the refunded Series 2010B Bonds on the Crossover Date. This transaction is deemed an in-substance defeasance, since the 2010B Bonds will remain a liability of the County, as well as the related escrow recorded as an asset of the County until the crossover date.

As of June 30, 2017, there remains \$79,535,000 of outstanding defeased bonds, excluding the advance refunding of the Series 2010B bonds mentioned above.

G. Fund Balances/Net Position

1. Governmental Funds - Nonspendable

	General Fund
Inventory	\$ 2,006,514
Prepaid	172,517
Long-term receivables	78,381
Salary advances	32,204
Total nonspendable fund balances	<u>\$ 2,289,616</u>

2. Governmental Funds – Restricted

	General Fund	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Debt service	\$ -	\$ -	\$ 68,405,176	\$ -	\$ 68,405,176
Animal control	1,030,543	-	-	-	1,030,543
Forfeitures - Circuit Court	32,287	-	-	-	32,287
School and library construction	-	26,938,624	-	-	26,938,624
Parks subgrant	35,500	-	-	-	35,500
Weed control	46,395	-	-	-	46,395
Parks construction	-	131	-	-	131
Roads and bridges construction	-	1,663,401	-	-	1,663,401
General government/other construction	-	3,043,404	-	-	3,043,404
Grants	-	-	-	2,595,721	2,595,721
Sheriff's/judicial activities	-	-	-	64,172	64,172
Agricultural Preservation	-	-	-	151,608	151,608
Rural Legacy	-	-	-	1,861,148	1,861,148
Total restricted fund balances	<u>\$ 1,144,725</u>	<u>\$ 31,645,560</u>	<u>\$ 68,405,176</u>	<u>\$ 4,672,649</u>	<u>\$ 105,868,110</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. *Governmental Funds – Committed*

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Bond rating enhancement	\$ 500,000	\$ -	\$ -	\$ 500,000
Enabling legislation	29,127,236	-	-	29,127,236
Length of Service Award Program	484,818	-	-	484,818
Snow Removal	1,200,000	-	-	1,200,000
FY18 budget	31,257,192	-	-	31,257,192
Permanent public improvement	180,000	-	-	180,000
FY19 budget	22,698,108	-	-	22,698,108
Fuel reserve	-	-	-	-
School and library construction	-	13,304,138	-	13,304,138
Parks construction	-	10,076,418	-	10,076,418
Roads and bridges construction	-	11,323,712	-	11,323,712
General government/other construction	-	15,356,053	-	15,356,053
Watershed restoration	-	6,322,429	1,995	6,324,424
Grant activities	-	-	1,338,146	1,338,146
Electric lighting	-	-	5,350	5,350
Sheriffs/judicial activities	-	-	796,145	796,145
Loan activities	-	-	8,661,436	8,661,436
Agricultural Preservation	-	-	1,756,316	1,756,316
Installment purchase agreements	-	-	40,523,421	40,523,421
Total committed fund balances	<u>\$ 85,447,354</u>	<u>\$ 56,382,750</u>	<u>\$ 53,082,809</u>	<u>\$ 194,912,913</u>

* 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 6 percent of General Fund expenditures and transfers to the Board of Education and Frederick Community College on a budgetary basis. As of June 30, 2017 the required balance is \$29,127,236. 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 6 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	Debt Service Fund
Encumbrances	\$ 3,606,677	-
Income Taxes	580,989	-
Road/Street Inspection	705,197	-
Automation Enhancement Fee	208,436	-
Revenue Stabilization	1,000,000	-
Debt Service	-	4,374,736
Total assigned fund balances	<u>\$ 6,101,299</u>	<u>\$ 4,374,736</u>

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, 2017, 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	\$ 93,229,072	\$ -
Other Amounts Restricted by Third Parties	70,482,103	27,602,398
Total Restricted Net Position	<u>\$ 163,711,175</u>	<u>\$ 27,602,398</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

7. Business-Type Activities with Unrestricted Net Position

On February 19, 2002, the former 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, 2017, the calculation of these reserves is \$82,680,663 (detailed below). These reserves are a part of the \$539,583,933 net position balance.

Reserved for:	
Operating Reserves	\$ 5,834,590
3 R Reserves	1,805,169
Tap Credits	1,057,554
Cash Funding of Capital Projects	9,374,703
Rosemont MDE	176,482
System Development	69,284,475
Total Water and Sewer Reserves	87,532,973
Unfunded reserves	(4,852,310)
Unrestricted net position	<u>\$ 82,680,663</u>

8. Net Investment in Capital Assets

As of June 30, 2017, 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)	\$ 466,543,354	\$ 645,409,411
Debt related to Capital Assets	(227,712,262)	(209,804,946)
Unspent bond proceeds included in debt related to capital assets	<u>68,737,232</u>	<u>6,589,960</u>
Net Investment in Capital Assets (Exhibit II-A-1)	<u>\$ 307,568,324</u>	<u>\$ 442,194,425</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4. OTHER INFORMATION

A. Commitments and Contingencies

1. Construction Commitments

As of June 30, 2017, the County had the following commitments with respect to unfinished capital projects:

	Total Project Budget	Total Expenditures	Amount Funded	Required Future Funding
General Government	\$ 47,571,583	\$ 16,562,042	\$ 26,375,723	\$ 21,195,860
Roads and Bridges	63,110,744	40,957,483	36,756,359	26,354,385
Board of Education	105,818,851	74,288,552	57,163,786	48,655,065
Frederick Community College	48,950,254	35,629,946	34,576,780	14,373,474
Parks and Recreation	18,941,065	2,798,818	9,289,921	9,651,144
Watershed Restoration	10,373,522	2,940,757	8,611,717	1,761,805
Municipal	6,179,021	2,460,286	2,231,936	3,947,085
	<u>\$ 300,945,040</u>	<u>\$ 175,637,884</u>	<u>\$ 175,006,222</u>	<u>\$ 125,938,818</u>

2. Federal Financial Assistance

The County participates in a number of federally assisted programs, principal of which are the Child Support Enforcement, Mass Transit, Workforce Innovation and Opportunity Act, Section 8 Housing, Capital Projects, and State Homeland Security Programs. Audits of these programs are conducted according to requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Single Audit report for the year ended June 30, 2017 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, 2017.

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. Economic Dependency

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

The Solid Waste Enterprise Fund has four customers which account for 21.92 percent of total operating revenues. Three commercial haulers accounted for \$4,095,164 or 16.18 percent of fiscal year 2017 operating revenues. A single municipality accounted for \$1,454,095 or 5.74 percent of fiscal year 2017 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.

The Comprehensive Care fund, a non-major enterprise fund, has three payer types that individually exceed ten percent of total operating revenues for this fund. They are Medicaid (41.66 percent), Medicare (26.85 percent), and Private Pay (21.42 percent).

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 \$202,455, maturing on February 1, 2036. 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, 2017, \$202,455 of the first loan and \$1,417,182 of the second loan have been drawn.

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2017.

C. Tax Abatements

Facts and Assumptions

Frederick County provides tax abatements to encourage economic development: the Golden Mile Tax Credit, the Rehabilitated Vacant Commercial Structures Tax Credit, and the New Jobs Tax Credit.

- The Golden Mile Tax Credit provided property tax abatements to encourage improvements to non-residential properties located within the Golden Mile Tax Credit District. The program is established under the auspices of a state statute (Md. Code Ann., Tax Property Articles, §9-236) empowering counties to establish such programs. The program was enacted locally under Frederick County Code §1-8-302. The program has a sunset provision and new projects no longer qualify. There is currently one project still under the program and FY2018 is the last year a tax credit will be issued for this program. The abatements equal a percentage of the additional property tax resulting from the lesser of the increase in assessed value as a result of the improvement to the property or the cost expended for the rehabilitation of the property. The percentage of tax credit is 100% in years one through four, 75% in year five, 50% in year six, and 25% in the final year seven. The credit is administered as a reduction in the tax bill. Abatements are obtained through application by the property owner and require subsequent annual applications. All rehabilitation projects must have or provide pedestrian and vehicular connections to adjacent commercial properties. Because taxes are not abated until after the improvements have been made, there are no provisions for recapturing abated taxes. No other commitments were made by the County as part of those agreements.
- The Rehabilitated Vacant Commercial Structures Tax Credit provides property tax abatements to encourage improvements in vacant commercial structures. The program is established under the auspices of a state statute (Md. Code Ann., Tax Property Article, §9-236) empowering counties to establish such programs. The program was enacted locally under Frederick County Code §1-8-303. The program requires that the property be vacant for not less than 18 of the previous 24 months prior to the commencement of the rehabilitation or application for the credit. All rehabilitation projects must have or provide pedestrian and vehicular connections to adjacent commercial properties. A qualifying structure must have been constructed no fewer than five years prior to the submission of an application. The abatement only applies to rehabilitation of existing structures, and is only granted on the non-residential portion if the structure is multi-use. The abatement equals a percentage of the additional property tax resulting from the lesser of the increase in assessed value as a result of the improvements or the cost expended for the project. Abatements are obtained through application by the property owner and require subsequent annual applications. Because taxes are not abated until after the improvements have been made, there are no provisions for recapturing abated taxes. No other commitments were made by the County as part of those agreements. The credits are administered as a reduction in the tax bill and last for seven years as shown in the scheduled below:

NOTES TO FINANCIAL STATEMENTS
(Continued)

Rehabilitated Vacant Commercial Structures
Tax Credit Schedule

Based on Cost of Rehabilitation Project/Change in Assessed Value

Years	<\$1.0 Million	\$1.0 to \$4.0 Million	>\$4.0 Million
1	100%	100%	100%
2	100%	100%	100%
3	100%	100%	100%
4	80%	100%	100%
5	60%	75%	100%
6	40%	50%	66%
7	20%	25%	33%
8	0%	0%	0%

- The New Jobs Tax Credit provides property tax abatements to encourage growth in the local business community. The program is established under the auspices of a state statute (Md. Code Ann., Tax Property Article, §9-230) empowering counties to establish such programs. The program was enacted locally under Frederick County Code §1-8-431. The program provides a six-year tax credit for businesses that either construct or expand premises in the County by buying, building or leasing new premises. The program requires the employment of 25 persons in new permanent full-time positions located in the new or expanded premises within the first 24 month period after it occupies the new or expanded premises. The business entity must thereafter maintain at least 25 persons in permanent full-time positions in the new or expanded premises for a period of three years after each year that a tax credit is allowed. The property must also be located in a priority funding area and the business entity must notify the County of the intent to apply for the credit. An application is filed with the County when the business entity believes it has met all of the requirements, and an annual submission of supporting information is necessary for the credit to continue. The abatements equal a percentage of the property tax imposed on the assessment of the new or expanded premises. The percentage is 52% in years one and two, 39% in years three and four, and 26% in years five and six. The credits are administered as a reduction in the tax bill. The program has a recapture provision that allows the County to recapture tax credits if the business entity does not continue to satisfy all applicable requirements to qualify for the credit. Interest will accrue on any repayable tax credit, and unrepaid tax credits are a lien against the property in the same manner as unpaid property taxes and may be collected through the tax sale process. No other commitments were made by the County as part of those agreements.
- The Commercial and Industrial Tax Credit provides tax abatements to encourage growth in the local business community. The program is established under the auspices of a state statute (Md. Code Ann., Tax Property Article, §9-205) empowering counties to establish such programs. The program was enacted locally under Frederick County Code §1-8-441. The program provides a ten-year tax credit for businesses that make a substantial investment of at least \$5,000,000 in developing and operating a facility within Frederick County. The program requires the creation of at least 25 new permanent full time positions at the facility paying at least 150% of the federal minimum wage and which positions may not have been transferred to the facility from another location in Frederick County. The business must acquire or expand a building, land or equipment, and the facility must be used for manufacturing, fabricating or assembling

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purposes. The County Executive shall establish the term and amount of each tax credit. The amount would be a percentage of the additional County tax due as a result of an increase in assessment due to the new construction or expansion of a qualifying facility. If the credit would exceed 60% to total incremental tax, it must be reviewed and approved by the County Council. The credits are administered as a reduction in the tax bill. The program has a recapture provision that allows the County to recapture tax credits if the business entity does not continue to satisfy all applicable requirements to qualify for the credit. Interest will accrue on any repayable tax credit, and unrepaid tax credits are a lien against the property in the same manner as unpaid property taxes and may be collected through the tax sale process. No credits have been issued under this program, but the County has been notified that one business entity is interested and may qualify in the future.

Information relevant to the disclosure of those programs for the fiscal year ended June 30, 2017 is:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Economic Development:	
Golden Mile Tax Credit	\$ 12,889
Rehabilitated Vacant Commercial Structures Tax Credit	87,782
New Jobs Tax Credit	18,975
Commercial and Industrial Tax Credit	-
Total	<u>\$ 119,646</u>

D. Conduit Debt

1. Community Development Authority (Special Tax) Financing

Frederick County has issued special obligation bonds for Urbana, Villages of Lake Linganore, Jefferson Technology Park, and Oakdale-Lake Linganore Community Development Authorities. 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 was not issued. The Aspen North Community Development Authority was terminated on November 20, 2014.

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, Jefferson Technology Park, and Oakdale-Lake Linganore Development Districts. The County surrenders its tax revenues on the

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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, 2015, the former 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. These bonds were issued on November 14, 2014, as draw down bonds. As of June 30, 2017, the developer has drawn \$159,921 of the Series A bonds and \$319,868 of the Series B bonds.

Below is information on the current outstanding Tax Increment Financing and Community Development Authority bond issues.

Conduit Borrower	TIF/CDA	Amount of Original Issue	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Amount Outstanding 6/30/2017
Toys'R-Us	TIF-Serial	\$ 1,890,094	09/26/96	09/15/18	8.160%	\$ 331,781
Lake Linganore - Series 2001A	CDA-Term	1,957,000	02/05/01	07/01/20	5.600%	1,957,000
Lake Linganore - Series 2001A	CDA-Term	4,285,000	02/05/01	07/01/29	5.700%	4,285,000
Lake Linganore - Series 2007A	CDA-Loan	3,114,000	09/20/07	07/01/29	0.000%	2,001,287
Lake Linganore - Series 2007B	CDA-Loan	3,232,142	09/20/07	03/01/28	0.000%	1,955,142
Urbana CDA - Series 2010A	CDA-Serial	30,440,000	09/23/10	07/01/25	2.00-5.00%	21,865,000
Urbana CDA - Series 2010A	CDA-Term	20,455,000	09/23/10	07/01/30	4.400%	20,455,000
Urbana CDA - Series 2010A	CDA-Term	26,780,000	09/23/10	07/01/40	4.700%	26,780,000
Urbana CDA - Series 2010B	CDA-Term	20,020,000	09/23/10	07/01/40	5.500%	20,020,000
Jefferson Technology Park - Series 2013A	CDA-Serial	6,640,000	08/06/13	07/01/43	7.250%	6,640,000
Jefferson Technology Park - Series 2013B	TIF/CDA-Serial	33,360,000	08/06/13	07/01/43	7.125%	33,360,000
Oakdale-Lake Linganore - Series 2014A	CDA-Serial	15,750,000	11/14/14	07/01/44	2.000%	159,921
Oakdale-Lake Linganore - Series 2014B	TIF/CDA-Serial	7,750,000	11/14/14	07/01/44	2.000%	319,868
						<u>\$ 140,129,999</u>

3. Other Conduit Financing

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, nor

NOTES TO FINANCIAL STATEMENTS
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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.

E. 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

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 County Council are not eligible to participate in this Plan. In addition, grant funded employees 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, 2017, was as follows:

	<u>Uniformed</u>	<u>Non-Uniformed</u>	<u>Non-Vested Terminations</u>	<u>Vested Terminations</u>
Retirees and beneficiaries currently receiving benefits	197	744	-	-
Terminated employees entitled to benefits	-	-	242	233
Active employees	617	1,158	-	-

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 FY2017 was 18.6 percent.

Net Pension Liability

The components of the net pension liability of the County at June 30, 2017, were as follows:

Total pension liability	\$ 575,859,669
Plan fiduciary net position	(571,628,178)
County's net pension liability	<u>\$ 4,231,491</u>
Plan fiduciary net position as a percentage of the total pension liability	99.27%

NOTES TO FINANCIAL STATEMENTS

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Annual Pension Cost

During the fiscal year ending June 30, 2017 contributions to the plan were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed as of July 1, 2016.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Rates vary by participant service
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

Mortality rates for healthy participants and beneficiaries were based on the RP-2000 Combined Healthy tables set back one year with generational projection by Scale AA. For disabled participants, the RP-2000 Combined Healthy tables set forward 10 years with generational projection by Scale AA.

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2016 actuarial valuation report.

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 (2.5%). The target allocation and best estimates of arithmetic real rates for each major asset class are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	5.80%
International Equity	6.70%
Fixed Income	1.20%
Cash	0.00%
Inflation	2.50%

NOTES TO FINANCIAL STATEMENTS
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Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of expense, was 13.46%. 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 - 7%	1% Increase - 8%
County's net pension liability (asset)	\$ 82,497,655	\$ 4,231,491	\$ (60,622,621)

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of June 30, 2016	\$ 534,984,992	\$ 497,920,106	\$ 37,064,886
Changes for the year:			
Service cost	21,310,455	-	21,310,455
Interest	36,759,589	-	36,759,589
Differences between expected and actual experience	2,500,640	-	2,500,640
Contributions - employer	-	20,418,612	(20,418,612)
Contributions - member	-	7,681,252	(7,681,252)
Net investment income	-	66,342,370	(66,342,370)
Benefit payments, including refunds of member contributions	(19,696,007)	(19,696,007)	-
Administrative expense	-	(1,038,155)	1,038,155
Net Changes	40,874,677	73,708,072	(32,833,395)
Balances as of June 30, 2017	\$ 575,859,669	\$ 571,628,178	\$ 4,231,491

NOTES TO FINANCIAL STATEMENTS
(Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the County recognized pension expense of \$16,522,557. At June 30, 2017, the County reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,835,594
Changes of assumptions	-	1,170,603
Net difference between projected and actual earnings on pension plan investments	-	2,436,357
Total	<u>\$ -</u>	<u>\$ 8,442,554</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	<u>Total</u>
2018	\$ 207,817
2019	207,818
2020	(1,731,209)
2021	(7,543,755)
2022	416,775
Thereafter	-

2. 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" 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.

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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 hired on or after July 1, 2012. In fiscal year 2017 there were 147 total participants in the Defined Contribution Plan. This total includes 69 active participants and 78 terminated participants with a balance.

3. Length of Service Awards Program

Plan Description

In 1985, the County created the Length of Service Awards Program (LOSAP), a defined benefit plan for eligible volunteers of Frederick County fire, rescue and emergency medical services. In fiscal year 2017, the County Executive elected to create a Length of Service Award Program Trust which is funded entirely by the general fund. This trust provides benefits to volunteers who have completed certain eligibility and years of service requirements.

An active member, upon reaching 65 years of age, who has completed 25 years of creditable service and otherwise meets the requirements of the program will be entitled to receive an award of \$200 per month, distributed quarterly, until death. An additional award of \$20 per month will be made to the member for each additional 5 years of completed creditable service up to a maximum total award of \$300 per month.

The LOSAP program also provides a death benefit to eligible volunteers. In the event a member who is receiving LOSAP benefits dies before receiving at least \$15,000 in total payments, their designated beneficiary will receive a partial benefit equal to the difference between payments received and \$15,000. A maximum benefit of \$15,000 will be paid to the designated beneficiaries of a member, age 65 or older, who has died after completing 5 years of active service but less than 25 years. The benefit will be pro-rated based on years served after 5 years. A member who has served a minimum of 5 years and is under 65 years of age will be covered under a \$15,000 LOSAP life insurance policy.

The type and number of participants consisted of the following at July 1, 2016, the date of the Actuarial Valuation.

Active volunteers	922
Terminated vested	42
Service retirements continuing employment	110
Service retirements and beneficiaries	138
Total	<u><u>1,212</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Net LOSAP Liability of the County

The components of the net LOSAP liability of the County at June 30, 2017, were as follows:

Total LOSAP liability	\$ 12,179,946
Plan fiduciary net position	(261,608)
County's net LOSAP liability	<u>\$ 11,918,338</u>
Plan fiduciary net position as a percentage of the total LOSAP liability	2.15%

Actuarial assumptions

The total LOSAP liability was determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	None
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

Mortality rates were based on RP-2014 Blue Collar tables set forward one year, with fully generational projection using scale MP-2015. The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2016 actuarial valuation report.

Sensitivity of the net LOSAP liability

	1% Decrease - 6%	Current Discount Rate - 7%	1% Increase - 8%
County's net LOSAP liability	\$ 13,245,451	\$ 11,918,338	\$ 10,796,895

NOTES TO FINANCIAL STATEMENTS
(Continued)

Changes in the Net LOSAP Liability

	Increase (Decrease)		
	Total LOSAP Liability (a)	Plan Fiduciary Net Position (b)	Net LOSAP Liability (a) - (b)
Balances as of June 30, 2016	\$ 11,946,675	\$ -	\$ 11,946,675
Changes for the year:			
Service cost	166,899	-	166,899
Interest	810,232	-	810,232
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	1,005,468	(1,005,468)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(743,860)	(743,860)	-
Administrative expense	-	-	-
Net Changes	233,271	261,608	(28,337)
Balances as of June 30, 2017	\$ 12,179,946	\$ 261,608	\$ 11,918,338

For the year ended June 30, 2017, the County recognized LOSAP expense of \$977,131.

4. Component Units

The employees at the BOE are covered under one of four defined benefit retirement plans. These plans are part of the Maryland State Retirement and Pension Systems and are cost sharing multiple-employer public employee retirement plans. Total contributions were \$33,138,541 in 2017. This contribution was recognized as both revenue and expenditures for BOE.

As of June 30, 2017, the BOE reported a liability of approximately \$42.3 million for its proportionate share of the Employees Retirement System of the State of Maryland (ERS) net pension liability. The ERS net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The BOE's proportion of the ERS net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2017, the Board's proportion for ERS was 0.18%, which was substantially the same from its proportion measured as of June 30, 2016. For the year ended June 30, 2017, the Public Schools recognized pension expense for ERS of approximately \$4.9 million. Detailed retirement plan information for the BOE is available in their current year audited financial statements.

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(Continued)

The BOE 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 BOE has the right to amend the Plan at any time. In fiscal year 2017, the Superintendent of Schools was the only participant in the Defined Contribution Plan. There are no contribution requirements of the employee or the BOE. 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, 2017 a \$30,000 contribution was made to the Plan by the BOE. 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 \$1,733,480 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 employer contributions toward these plans totaled \$962,112. 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, 2017, the State paid \$807,456 in retirement costs on its behalf. This amount has been shown as grant revenue and current expenditures for the FCPL.

F. Post-Employment Benefits Plans

1. 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 County at its discretion can establish, alter, amend, modify or terminate its practice

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 County Council. 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.

Membership of the Plan consisted of the following at July 1, 2015 the date of the December 16, 2015 actuarial valuation report:

Retirees and beneficiaries receiving benefits	694
Terminated plan members entitled to but not yet receiving benefits	N/A
Active plan members	<u>1,560</u>
Total	<u><u>2,254</u></u>

Summary of Significant Accounting Policies

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

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

Funding Policy and Contributions

Benefits are based on the employee's hire date. For employees hired on or before July 1, 1992, the County pays approximately 84 percent of the cost of premiums for medical and hospitalization costs. Employees hired after July 1, 1992 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 2017, the County contributed \$10,001,400 to the Plan, including \$5,998,211 for current premiums (approximately 79 percent of total premiums) and an additional \$4,003,189 to prefund benefits. Plan members receiving benefits contributed \$1,631,229 approximately 21 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

NOTES TO FINANCIAL STATEMENTS
(Continued)

excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year. The amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan:

Annual required contribution	\$ 9,783,000
Interest on net OPEB obligation	1,383,000
Amortization of net OPEB obligation	<u>(1,303,000)</u>
Annual OPEB cost	9,863,000
Contribution made	<u>(10,001,400)</u>
Decrease in net OPEB obligation	(138,400)
Net OPEB obligation - beginning of year	<u>18,326,676</u>
Net OPEB obligation - end of year	<u><u>\$ 18,188,276</u></u>
Recorded in the Primary Government	\$ 16,745,922
Recorded in the FCPL Component Unit	<u>1,442,354</u>
Total Net OPEB obligation - end of year	<u><u>\$ 18,188,276</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation (asset) for 2017, 2016, and 2015 were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2017	\$ 9,863,000	101.40%	\$ 18,188,276
2016	10,845,000	101.00%	18,326,676
2015	14,655,000	100.00%	19,439,899

NOTES TO FINANCIAL STATEMENTS
(Continued)

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)
07/01/16	\$ 121,115,000	\$ 186,972,000	62.9%	\$ 65,857,000	\$ 108,689,005	60.5%
07/01/15	109,771,823	176,930,000	62.0%	67,158,177	100,998,017	66.5%
07/01/14	99,093,741	165,940,000	59.0%	65,846,259	99,555,466	66.1%

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.

Net OPEB Liability of the County

The components of the net OPEB liability of the County at June 30, 2017, were as follows:

Total OPEB liability	\$ 221,015,282
Plan fiduciary net position	135,725,823
County's net OPEB liability	<u>\$ 85,289,459</u>
Plan fiduciary net position as a percentage of the total OPEB liability	61.41%

Actuarial Assumptions

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of July 1, 2015 and rolled forward to June 30, 2017, using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.2%
Salary Increases	3.5% Annually

NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Rate of Return	7.0%
Discount Rate	7.0%
Healthcare Cost Trend Rate	5.3% in 2017 to 3.9 Pre-Medicare and 3.8 Post-Medicare in 2082 based on the Society of Actuaries Long Term Medical Trend Model
Actuarial Cost Method	Projected Unit Credit

Mortality rates for healthy pre-retirement participants were based on 70% of Generational RP-200 Active Blue Collar Mortality Table set back one year for uniformed employees and 70% of Generational RP-200 Combined No Collar Mortality Table set back one year for non-uniformed employees. Rates for healthy post-retirement participants were based on the Generational RP-200 Combined No Collar Mortality Table set back one year for all employees. For disabled participants, the Generational RP-200 Active Blue Collar Mortality Table set forward 10 years for all employees.

Long-term expected rate of return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of OPEB 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. The target allocation and best estimates of arithmetic real rates for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equities	35%	5.60%
U.S. Small/Mid Cap Equities	20%	6.70%
International equity	10%	6.80%
Fixed income	35%	1.20%
Cash	0%	0.00%
Inflation		2.20%
Total	100%	

Rate of Return

For the year ended June 30, 2017, the total rate of return, net of investment expense, was 11.6%. The total rate of return represents a hypothetical return in the capital balance invested in the Trust during the entire year. Actual returns may vary due to timing of capital contributions and redemptions.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

The following table presents Frederick County Government's net OPEB liability.

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
County's net OPEB liability	\$ 120,350,032	\$ 85,289,459	\$ 57,024,661

The following table presents Frederick County Government's net OPEB liability if calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher.

	1% Decrease	Trend Rate	1% Increase
County's net OPEB liability	\$ 50,793,232	\$ 85,289,459	\$ 129,221,874

2. 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, 2017 there were 1,994 retirees (of which 459 had dependent coverage) and 4,998 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 2017, the Board contributed \$10,729,501 to the plan. Of this amount \$9,665,471 was for FCPS' share of retiree premiums, \$22,217 was contributed towards trust investment fees and \$1,041,813 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 \$5,761,148 or approximately 35 percent of the total premiums. The rates for fiscal year 2017 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 2017, retirees paid approximately \$35,000 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

G. 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 employees or temporary employees, 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 2017 approximately 30.0 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.

H. 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)

The NMWDA is a body politic and corporate and a public instrumentality of the State of Maryland. The 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. The MWDA 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 2017 membership dues and fees for services amounting to \$177,126.

I. Change in Accounting Principle

Net position of governmental activities has been restated by negative \$11,946,675, due to the implementation of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. With the implementation of GASB Statement No. 73, the County is required to reflect a liability for the value of future benefit payments for the Length of Service Award Program in its financial statements and to apply this liability retroactively.

NOTES TO FINANCIAL STATEMENTS (Continued)

J. Subsequent Events

The County has been involved in several lawsuits concerning the operation and sale of the Citizens Care & Rehabilitation Center and Montevue Assisted Living facilities. The County had entered into an Asset Purchase Agreement and other contracts with Aurora Holdings, VII, LLC (Aurora) effective May 1, 2014 to sell the facilities to Aurora. Since that time, the County had been involved in extensive negotiations with all parties in an effort to resolve all litigation. The parties reached a tentative settlement of all matters on October 9, 2015.

The final settlement agreements were signed by the County and Aurora on May 12, 2016, and the asset purchase closed on September 1, 2016. This settlement ended all of the outstanding lawsuits and other pending legal issues between Aurora, citizen plaintiffs and the County. It included three agreements, one concerning the management of the facilities, one concerning the sale of Aurora's business interests and the settlement itself. Included in the management agreement, Aurora has committed to annual profits of at least \$2.5 million to the County while it continues to manage the facilities for 18 months. If this commitment is not met, the County has the right to terminate the management agreement. The County will also pay Aurora a management fee of 4.5 percent of gross revenues under this agreement. As part of the purchase and sale agreement, the County agreed to pay \$7.85 million to Aurora for their rights and property interests, with \$5.5 million of this paid at the September 1, 2016 closing. The remaining \$2.35 million was placed in escrow. On November 1, 2016, \$1.85 million was paid to Aurora after certain conditions were satisfied. The remaining \$500,000 will be paid to Aurora either at termination of the Management Agreement or no later than January 1, 2018. The entire \$7.85 million has been recorded and accrued in the General Fund financial statements as of June 30, 2017.

K. New Governmental Accounting Standards Board (GASB) Standard

The County has adopted the provision of Governmental Accounting Standard Board (GASB) issued Statement No. Statement No. 73, entitled *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*; Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 77; entitled, *Tax Abatement Disclosures*, GASB Statement No. 78, entitled *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; Statement No. 79 entitled *Certain External Investment Pools and Pool Participants*; Statement No. 80, entitled *Blending Requirements for Certain Component Units*; and Statement No. 82, entitled *Pension Issues*.

GASB has also issued Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 81, entitled, *Irrevocable Split-Interest Agreements*; Statement No. 83, entitled, *Certain Asset Retirement Obligations*; and Statement No. 84 entitled, *Fiduciary Activities*. The County will be evaluating the effects of these pronouncements on its financial statements and plans to adopt them as applicable by their effective date.

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REQUIRED SUPPLEMENTARY INFORMATION



The information provided in this section is required supplementary disclosures.

FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(Dollar Amounts in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total pension liability										
Service cost	\$ 21,310	20,272	\$ 20,127	\$ 21,309						
Interest	36,760	34,936	32,636	30,170						
Differences between expected and actual experience	2,501	(10,287)	(124)	-						
Changes of assumptions	-	-	(2,341)	-						
Benefit payments, including refunds of member contributions	(19,696)	(18,052)	(16,812)	(15,671)						
Net change in total pension liability	40,875	26,869	33,486	35,808						
Total pension liability - beginning	534,985	508,116	474,630	438,822						
Total pension liability - ending	<u>\$ 575,860</u>	<u>534,985</u>	<u>\$ 508,116</u>	<u>\$ 474,630</u>						
Plan fiduciary net position										
Contributions - employer	20,419	18,910	20,323	21,260						
Contributions - member	7,681	7,199	7,022	6,880						
Net investment income	66,342	3,253	22,501	67,022						
Benefit payments, including refunds of member contributions	(19,696)	(18,052)	(16,812)	(15,671)						
Administrative expense	(1,038)	(705)	(793)	(930)						
Net change in plan fiduciary net position	73,708	10,605	32,241	78,561						
Plan fiduciary net position - beginning	497,920	487,315	455,074	376,513						
Plan fiduciary net position - ending	<u>\$ 571,628</u>	<u>497,920</u>	<u>\$ 487,315</u>	<u>\$ 455,074</u>						
Net position liability - ending	<u>\$ 4,232</u>	<u>37,065</u>	<u>\$ 20,801</u>	<u>\$ 19,556</u>						
Plan fiduciary net position as a percentage of the total pension liability	99.27%	93.07%	95.91%	95.88%						
Covered payroll	\$ 108,689	100,998	\$ 99,555	\$ 106,397						
Net pension liability as a percentage of covered payroll	3.89%	36.70%	20.89%	18.38%						
Expected average remaining service years of all participants	6	6	6	6						
Annual money weighted rate of return, net of investment expenses	13.46%	1.07%	5.18%	18.04%						

Information for FY2013 and earlier is not available

Notes to Schedule:
Changes of assumptions: None
Benefit changes: None

**FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar Amounts in Thousands)**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 17,455	\$ 18,808	\$ 18,721	\$ 18,687	Information for FY2013 and earlier is not available					
Contributions in relation to the actuarially determined contribution	20,419	18,910	20,323	21,260						
Contribution deficiency (excess)	\$ (2,964)	\$ (102)	\$ (1,602)	\$ (2,573)						
Covered payroll	\$ 108,689	\$ 100,998	\$ 99,555	\$ 100,298						
Contributions as a percentage of covered payroll	18.79%	18.72%	20.41%	21.20%						

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 gains, losses and assumption changes (closed), 30 years for prior plan changes
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	Rates vary by participant service
Investment rate of return	7.0% net 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 set back one year with generational projection by Scale AA. For disabled participants, the RP-2000 Combined Healthy tables set forward 10 years with generational projection by Scale AA.

FREDERICK COUNTY LENGTH OF SERVICE AWARDS PROGRAM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(Dollar Amounts in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total LOSAP liability										
Service cost	\$ 167									
Interest	810									
Differences between expected and actual experience	-									
Changes of assumptions	-									
Benefit payments, including refunds of member contributions	(744)									
Net change in total LOSAP liability	<u>233</u>									
Total LOSAP liability - beginning	11,947									
Total LOSAP liability - ending	<u>\$ 12,180</u>									
Plan fiduciary net position										
Contributions - employer	1,006									
Contributions - member	-									
Net investment income	-									
Benefit payments, including refunds of member contributions	(744)									
Administrative expense	-									
Net change in plan fiduciary net position	<u>262</u>									
Plan fiduciary net position - beginning	-									
Plan fiduciary net position - ending	<u>\$ 262</u>									
Net position liability - ending	<u>\$ 11,918</u>									
Plan fiduciary net position as a percentage of the total LOSAP liability	2.15%									
Covered payroll	n/a									
Net LOSAP liability as a percentage of covered payroll	n/a									
Expected average remaining service years of all participants	9									
Annual money weighted rate of return, net of investment expenses	0.00%									
Notes to Schedule:										
Changes of assumptions: None										
Benefit changes: None										

Information for FY2016 and earlier is not available

**FREDERICK COUNTY LENGTH OF SERVICE AWARDS PROGRAM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar Amounts in Thousands)**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 1,430									Information for FY2016 and earlier is not available
Contributions in relation to the actuarially determined contribution		1,005								
Contribution deficiency (excess)	\$ 425									
Covered payroll	n/a									

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 payments over a closed period of 20 years
Remaining amortization period	20 years
Asset valuation method	Market value
Inflation	2.5%
Salary increases	None
Investment rate of return	7.0% net of LOSAP investment expense, including inflation
Retirement age	The latter of 25 years of service and age 65
Mortality	RP-2014 Blue Collar tables set forward one year, with fully generational projection using scale MP-2015

**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
07/01/11	\$ 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
07/01/14	99,093,741	165,940,000	59.0	65,846,259	99,555,466	66.1
07/01/15	109,771,823	176,930,000	62.0	67,158,177	100,998,017	66.5
07/01/16	121,115,000	186,972,000	62.9	65,857,000	108,689,005	60.5

Analysis of the dollar amounts of the actuarial value of plan assets, actuarial accrued liability, and unfunded actuarial liability in isolation can be misleading. Expressing the actuarial value of plan assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage 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.

**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
2013	\$ 13,924,000	\$ 18,389,186	132%
2014	14,423,000	14,655,250	102%
2015	10,309,000	11,468,959	111%
2016	10,723,000	10,955,264	102%
2017	9,783,000	10,001,400	102%

FREDERICK COUNTY RETIREE HEALTH BENEFIT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
(Dollar Amounts in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total pension liability										
Service cost	\$ 5,257									
Interest	14,311									
Differences between expected and actual experience	-									
Changes of assumptions	-									
Benefit payments, including refunds of member contributions	(5,998)									
Net change in total pension liability	13,570									
Total OPEB liability - beginning	207,445									
Total OPEB - ending	<u>\$ 221,015</u>									
Plan fiduciary net position										
Contributions - employer	10,343									
Contributions - member	-									
Net investment income	13,807									
Benefit payments, including refunds of member contributions	(5,998)									
Administrative expense	(52)									
Net change in plan fiduciary net position	18,100									
Plan fiduciary net position - beginning	117,626									
Plan fiduciary net position - ending	<u>\$ 135,726</u>									
Net position liability - ending	<u>\$ 85,289</u>									
Plan fiduciary net position as a percentage of the total pension liability	61.41%									
Covered payroll	\$ 108,689									
Expected average remaining service years of all participants	8									
Annual money weighted rate of return, net of investment expenses	11.60%									

Information for FY2016 and earlier is not available

Notes to Schedule:
Changes of assumptions: None
Benefit changes: None

**FREDERICK COUNTY RETIREE HEALTH BENEFIT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar Amounts in Thousands)**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 9,783	Information for FY2016 and earlier is not available								
Contributions in relation to the actuarially determined contribution	10,343									
Contribution deficiency (excess)	<u>\$ (560)</u>									
Covered payroll	\$ 108,689									
Contributions as a percentage of covered payroll	n/a									

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 two years.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level payments over a closed period of 22 years as a percentage of payroll
Remaining amortization period	22 years
Asset valuation method	Market value
Inflation	2.2%
Salary increases	3.5% Annually
Investment rate of return	7.0% net of OPEB investment expense, including inflation
Retirement age	The latter of 25 years of service and age 65

Mortality rates for healthy pre-retirement participants were based on 70% of Generational RP-2000 Active Blue Collar Mortality Table set back one year for uniformed employees and 70% of Generational RP-2000 Combined No Collar Mortality Table set back one year for non-uniformed employees. Rates for healthy post-retirement participants were based on the Generational RP-2000 Combined No Collar Mortality Table set back one year for all employees. For disabled participants, the Generational RP-2000 Active Blue Collar Mortality Table set forward 10 years for all employees.

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, 2017

	Special Revenue Funds							Total Non Major Governmental Funds (See Exhibit II-A-3)
	Grants	Agricultural Preservation	Watershed Protection & Restoration	Electric Lighting Tax Districts	Hotel Rental Tax	Sheriff's/ Judicial Activities	Loan Activities	
Assets								
Cash	\$ 3,748	\$ -	\$ -	\$ -	\$ -	\$ 159,213	\$ -	\$ 162,961
Equity in pooled invested cash	613,717	6,372,414	1,994	6,671	212,978	777,184	3,477,790	11,462,748
Total cash and cash equivalents	617,465	6,372,414	1,994	6,671	212,978	936,397	3,477,790	11,625,709
Investments	-	39,367,269	-	-	-	-	-	39,367,269
Receivables, net of allowance for uncollectibles:								
Accounts	495,073	12,391	1	45	291,544	59,235	-	858,289
Intergovernmental	3,188,021	-	-	-	-	-	-	3,188,021
Prepaid items	60,850	-	-	-	-	-	12,000	72,850
Long term receivables, net of allowance for uncollectibles:								
Non-profit organization loans	-	-	-	-	2,256,885	-	-	2,256,885
Small business loans	-	-	-	-	-	-	18,886	18,886
Housing loans	2,295,721	-	-	-	-	-	5,165,260	7,460,981
Other long term receivables	300,000	-	-	-	-	-	-	300,000
Cash and cash equivalents - restricted	-	-	-	-	-	-	-	-
Total assets	<u>\$ 6,957,130</u>	<u>\$ 45,752,074</u>	<u>\$ 1,995</u>	<u>\$ 6,716</u>	<u>\$ 2,761,407</u>	<u>\$ 995,632</u>	<u>\$ 8,673,936</u>	<u>\$ 65,148,890</u>
Liabilities and fund balance								
Liabilities								
Accounts payable	\$ 127,754	\$ -	\$ -	\$ -	\$ -	\$ 31,682	\$ -	\$ 159,436
Accrued liabilities	283,159	-	-	1,366	504,522	-	-	789,047
Payroll and benefit deductions	848,227	10,937	-	-	-	-	-	859,164
Due to third parties	-	-	-	-	-	103,633	-	103,633
Due to other governmental units	29,153	14,939	-	-	-	-	-	44,092
Other liabilities	701,935	-	-	-	-	-	12,500	714,435
Unearned revenues	1,033,035	1,433,705	-	-	2,256,885	-	-	4,723,625
Total liabilities	<u>3,023,263</u>	<u>1,459,581</u>	<u>-</u>	<u>1,366</u>	<u>2,761,407</u>	<u>135,315</u>	<u>12,500</u>	<u>7,393,432</u>
Fund balances								
Restricted	2,595,721	2,012,756	-	-	-	64,172	-	4,672,649
Committed	1,338,146	42,279,737	1,995	5,350	-	796,145	8,661,436	53,082,809
Total fund balance	<u>3,933,867</u>	<u>44,292,493</u>	<u>1,995</u>	<u>5,350</u>	<u>-</u>	<u>860,317</u>	<u>8,661,436</u>	<u>57,755,458</u>
Total liabilities and fund balance	<u>\$ 6,957,130</u>	<u>\$ 45,752,074</u>	<u>\$ 1,995</u>	<u>\$ 6,716</u>	<u>\$ 2,761,407</u>	<u>\$ 995,632</u>	<u>\$ 8,673,936</u>	<u>\$ 65,148,890</u>

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
SHERIFF'S/ JUDICIAL ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Sheriff's Drug Enforcement	Narcotics Investigative Section	State Attorney Law Enforcement Aid	Inmates' Canteen	Total Sheriff's/Judicial Activities (See Exhibit II-B-1)
Assets					
Cash	\$ 28,568	\$ 9,658	\$ 16,482	\$ 104,505	\$ 159,213
Equity in pooled invested cash	65,545	160,422	-	551,217	777,184
Total cash and cash equivalents	94,113	170,080	16,482	655,722	936,397
Receivables, net of allowance for uncollectibles:					
Accounts	-	-	-	59,235	59,235
Total assets	<u>\$ 94,113</u>	<u>\$ 170,080</u>	<u>\$ 16,482</u>	<u>\$ 714,957</u>	<u>\$ 995,632</u>
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ -	\$ 92	\$ -	\$ 31,590	\$ 31,682
Due to third parties	-	-	-	103,633	103,633
Total liabilities	<u>-</u>	<u>92</u>	<u>-</u>	<u>135,223</u>	<u>135,315</u>
Fund balances					
Restricted	64,172	-	-	-	64,172
Committed	29,941	169,988	16,482	579,734	796,145
Total fund balance	<u>94,113</u>	<u>169,988</u>	<u>16,482</u>	<u>579,734</u>	<u>860,317</u>
Total liabilities and fund balance	<u>\$ 94,113</u>	<u>\$ 170,080</u>	<u>\$ 16,482</u>	<u>\$ 714,957</u>	<u>\$ 995,632</u>

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
LOAN ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2017

	<u>Housing Initiative</u>	<u>Non-Profit Organizations Loans</u>	<u>Fire/Rescue Loans</u>	<u>Economic Development Loans</u>	<u>Total Loan Activities (See Exhibit II-B-1)</u>
Assets					
Equity in pooled invested cash	\$ 2,749,608	\$ 20,000	\$ 194,862	\$ 513,320	\$ 3,477,790
Total cash and cash equivalents	2,749,608	20,000	194,862	513,320	3,477,790
Prepaid items	12,000	-	-	-	12,000
Long term receivables, net of allowance for uncollectibles:					
Small business loans	-	-	-	18,886	18,886
Housing loans	5,165,260	-	-	-	5,165,260
Total assets	<u>\$ 7,926,868</u>	<u>\$ 20,000</u>	<u>\$ 194,862</u>	<u>\$ 532,206</u>	<u>\$ 8,673,936</u>
Liabilities and fund balance					
Liabilities					
Other liabilities	\$ 12,500	\$ -	\$ -	\$ -	\$ 12,500
Total liabilities	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,500</u>
Fund balances					
Committed	7,914,368	20,000	194,862	532,206	8,661,436
Total fund balance	<u>7,914,368</u>	<u>20,000</u>	<u>194,862</u>	<u>532,206</u>	<u>8,661,436</u>
Total liabilities and fund balance	<u>\$ 7,926,868</u>	<u>\$ 20,000</u>	<u>\$ 194,862</u>	<u>\$ 532,206</u>	<u>\$ 8,673,936</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Special Revenue Funds							Total Nonmajor Governmental Funds (See Exhibit II-A-5)
	Grants	Agricultural Preservation	Watershed Protection & Restoration	Electric Lighting Tax Districts	Hotel Rental Tax	Sheriff's/ Judicial Activities	Loan Activities	
Revenues								
Storm Water Remediation Fee	\$ -	\$ -	\$ 504	\$ -	\$ -	\$ -	\$ -	\$ 504
Lighting tax levy	-	-	-	15,496	-	-	-	15,496
Other local taxes	-	4,096,003	-	-	2,088,629	-	-	6,184,632
Grants from federal government	16,478,671	-	-	-	-	-	-	16,478,671
Grants from state government	5,840,728	6,190,216	-	-	-	-	-	12,030,944
Charges for services	986,106	-	-	-	-	694,263	-	1,680,369
Fines and forfeitures	-	-	-	-	-	228,935	-	228,935
Interest from loans	-	-	-	-	-	-	298	298
Investment earnings	-	(1,518,094)	12	60	898	4,640	17,380	(1,495,104)
Miscellaneous revenue	317,076	654,752	-	-	179,425	23,594	1,777,445	2,952,292
Total revenues	<u>23,622,581</u>	<u>9,422,877</u>	<u>516</u>	<u>15,556</u>	<u>2,268,952</u>	<u>951,432</u>	<u>1,795,123</u>	<u>38,077,037</u>
Expenditures								
General government	2,196,547	-	-	-	38,404	-	-	2,234,951
Public safety	3,707,056	-	-	-	-	872,696	-	4,579,752
Public works	6,899,655	-	-	14,545	-	-	-	6,914,200
Health	1,293,832	-	-	-	-	-	-	1,293,832
Social services	2,112,641	-	-	-	-	-	-	2,112,641
Conservation of natural resources	1,251,632	9,294,335	-	-	-	-	-	10,545,967
Community development and public housing	7,225,686	-	-	-	-	-	487,907	7,713,593
Economic development and opportunity	4,376,406	-	-	-	2,051,123	-	-	6,427,529
Total expenditures	<u>29,063,455</u>	<u>9,294,335</u>	<u>-</u>	<u>14,545</u>	<u>2,089,527</u>	<u>872,696</u>	<u>487,907</u>	<u>41,822,465</u>
Excess (deficiency) of revenues over expenditures	<u>(5,440,874)</u>	<u>128,542</u>	<u>516</u>	<u>1,011</u>	<u>179,425</u>	<u>78,736</u>	<u>1,307,216</u>	<u>(3,745,428)</u>
Other financing sources (uses)								
Transfers in from General Fund	5,656,261	254,312	-	-	-	-	228,937	6,139,510
Transfers out to Fleet Services	(53,145)	-	-	-	-	-	-	(53,145)
Transfers out to Debt Service Fund	-	(7,776,691)	-	-	(179,425)	-	-	(7,956,116)
Installment purchase agreement	-	1,970,599	-	-	-	-	-	1,970,599
Total other financing sources (uses)	<u>5,603,116</u>	<u>(5,551,780)</u>	<u>-</u>	<u>-</u>	<u>(179,425)</u>	<u>-</u>	<u>228,937</u>	<u>100,848</u>
Net change in fund balances	162,242	(5,423,238)	516	1,011	-	78,736	1,536,153	(3,644,580)
Fund balance - beginning of year	<u>3,771,625</u>	<u>49,715,731</u>	<u>1,479</u>	<u>4,339</u>	<u>-</u>	<u>781,581</u>	<u>7,125,283</u>	<u>61,400,038</u>
Fund balance - end of year	<u>\$ 3,933,867</u>	<u>\$ 44,292,493</u>	<u>\$ 1,995</u>	<u>\$ 5,350</u>	<u>\$ -</u>	<u>\$ 860,317</u>	<u>\$ 8,661,436</u>	<u>\$ 57,755,458</u>

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, 2017

	<u>Sheriff's Drug Enforcement</u>	<u>Narcotics Investigative Section</u>	<u>State's Attorney Law Enforcement Aid</u>	<u>Inmates' Canteen</u>	<u>Total Sheriff's/Judicial Activities (See Exhibit II-B-4)</u>
Revenues					
Charges for services	\$ -	\$ -	\$ -	\$ 694,263	\$ 694,263
Fines and forfeitures	60,546	157,665	10,724	-	228,935
Investment earnings	340	1,194	-	3,106	4,640
Miscellaneous revenue	1,200	22,394	-	-	23,594
Total revenues	<u>62,086</u>	<u>181,253</u>	<u>10,724</u>	<u>697,369</u>	<u>951,432</u>
Expenditures					
Public safety	39,120	189,705	9,291	634,580	872,696
Total expenditures	<u>39,120</u>	<u>189,705</u>	<u>9,291</u>	<u>634,580</u>	<u>872,696</u>
Net change in fund balances	<u>22,966</u>	<u>(8,452)</u>	<u>1,433</u>	<u>62,789</u>	<u>78,736</u>
Fund balance - beginning of year	<u>71,147</u>	<u>178,440</u>	<u>15,049</u>	<u>516,945</u>	<u>781,581</u>
Fund balance - end of year	<u>\$ 94,113</u>	<u>\$ 169,988</u>	<u>\$ 16,482</u>	<u>\$ 579,734</u>	<u>\$ 860,317</u>

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, 2017

	Housing Initiative	Non-Profit Organizations Loans	Fire/Rescue Loans	Economic Development Loans	Total Loan Activities (See Exhibit II-B-4)
Revenues					
Interest from loans	\$ -	\$ -	\$ -	\$ 298	\$ 298
Investment earnings	13,923	-	1,165	2,292	17,380
Miscellaneous revenue	1,777,278	-	-	167	1,777,445
Total revenues	<u>1,791,201</u>	<u>-</u>	<u>1,165</u>	<u>2,757</u>	<u>1,795,123</u>
Expenditures					
Community development and public housing	487,907	-	-	-	487,907
Total expenditures	<u>487,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>487,907</u>
Excess (deficiency) of revenues over expenditures	<u>1,303,294</u>	<u>-</u>	<u>1,165</u>	<u>2,757</u>	<u>1,307,216</u>
Other financing sources (uses)					
Transfer in from general fund	-	-	-	228,937	228,937
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,937</u>	<u>228,937</u>
Net change in fund balances	1,303,294	-	1,165	231,694	1,536,153
Fund balance - beginning of year	<u>6,611,074</u>	<u>20,000</u>	<u>193,697</u>	<u>300,512</u>	<u>7,125,283</u>
Fund balance - end of year	<u>\$ 7,914,368</u>	<u>\$ 20,000</u>	<u>\$ 194,862</u>	<u>\$ 532,206</u>	<u>\$ 8,661,436</u>

FREDERICK COUNTY, MARYLAND
SPECIAL REVENUE FUNDS
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	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	-	-	-	-	-	-	4,676,184	6,035,200	1,359,016
Grants from federal government	25,427,853	16,478,671	(8,949,182)	-	-	-	-	-	-
Grants from state government	8,063,310	5,840,728	(2,222,582)	-	-	-	-	-	-
Charges for services	1,097,377	986,106	(111,271)	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	1,260	13,923	12,663	12,000	98,111	86,111
Build America Bonds Subsidy	-	-	-	-	-	-	-	-	-
Miscellaneous revenue	525,356	317,076	(208,280)	574,000	1,977,738	1,403,738	-	-	-
Total revenues	35,113,896	23,622,581	(11,491,315)	575,260	1,991,661	1,416,401	4,688,184	6,133,311	1,445,127
Expenditures									
General government	2,932,924	2,196,547	736,377	-	-	-	-	-	-
Public safety	9,519,554	3,707,056	5,812,498	-	-	-	-	-	-
Public works	9,205,036	6,899,655	2,305,381	-	-	-	-	-	-
Health	1,445,107	1,293,832	151,275	-	-	-	-	-	-
Social services	2,769,143	2,112,641	656,502	-	-	-	-	-	-
Conservation of natural resources	2,509,915	1,251,632	1,258,283	-	-	-	-	-	-
Community development and public housing	7,972,103	7,225,886	746,217	1,963,455	1,680,397	283,058	-	-	-
Economic development and opportunity	5,983,905	4,376,406	1,607,499	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	4,122,594	3,698,067	424,527
Total expenditures	42,337,687	29,063,655	13,274,032	1,963,455	1,680,397	283,058	4,122,594	3,698,067	424,527
Excess (deficiency) of revenues over expenditures	(7,223,791)	(5,441,074)	1,782,717	(1,388,195)	311,264	1,699,459	565,590	2,435,244	1,869,654
Other financing sources (uses)									
Appropriated fund balance	968,431	850,451	(117,980)	1,388,195	1,383,194	(5,001)	2,434,410	-	(2,434,410)
Transfers in from general fund	6,308,505	5,656,261	(652,244)	-	-	-	-	-	-
Transfers in from housing initiative fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	-	-	-	(3,000,000)	(3,000,000)	-
Transfers out to general fund	-	-	-	-	-	-	-	-	-
Transfers out to fleet services	(53,145)	(53,145)	-	-	-	-	-	-	-
Transfers out to grants fund	-	-	-	-	-	-	-	-	-
Proceeds from refunding bonds	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-
Premium on public facilities bonds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	7,223,791	6,453,567	(770,224)	1,388,195	1,383,194	(5,001)	(565,590)	(3,000,000)	(2,434,410)
Net change in fund balances	\$ -	1,012,493	\$ 1,012,493	\$ -	1,694,458	\$ 1,694,458	\$ -	(564,756)	\$ (564,756)
Fund balance - beginning of year		3,771,625			6,611,074			-	
Net change in reserves and adjustments to GAAP basis		(850,251)			(391,164)			-	
Fund balance - end of year		\$ 3,933,867			\$ 7,914,368			\$ (564,756)	

(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, 2017

	Impact Fees			Economic Development Loans			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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,498	\$ 15,496	\$ (2)
Other local taxes	-	-	-	-	-	-	-	-	-
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	14,895,086	24,964,120	10,069,034	-	-	-	-	-	-
Interest from loans	-	-	-	-	298	298	-	-	-
Investment earnings	21,074	236,382	215,308	-	2,292	2,292	-	60	60
Build America Bonds Subsidy	-	-	-	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	167	167	-	-	-
Total revenues	<u>14,916,160</u>	<u>25,200,502</u>	<u>10,284,342</u>	<u>-</u>	<u>2,757</u>	<u>2,757</u>	<u>15,498</u>	<u>15,556</u>	<u>58</u>
Expenditures									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	15,200	14,545	655
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	229,137	-	229,137	-	-	-
Debt service	7,694,022	7,564,337	129,685	-	-	-	-	-	-
Total expenditures	<u>7,694,022</u>	<u>7,564,337</u>	<u>129,685</u>	<u>229,137</u>	<u>-</u>	<u>229,137</u>	<u>15,200</u>	<u>14,545</u>	<u>655</u>
Excess (deficiency) of revenues over expenditures	<u>7,222,138</u>	<u>17,636,165</u>	<u>10,414,027</u>	<u>(229,137)</u>	<u>2,757</u>	<u>231,894</u>	<u>298</u>	<u>1,011</u>	<u>713</u>
Other financing sources (uses)									
Appropriated fund balance	(1,893,138)	-	1,893,138	200	-	(200)	(298)	-	298
Transfers in from general fund	-	-	-	228,937	228,937	-	-	-	-
Transfers out to capital projects fund	(5,329,000)	(5,329,000)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(7,222,138)</u>	<u>(5,329,000)</u>	<u>1,893,138</u>	<u>229,137</u>	<u>228,937</u>	<u>(200)</u>	<u>(298)</u>	<u>-</u>	<u>298</u>
Net change in fund balances	<u>\$ -</u>	<u>12,307,165</u>	<u>\$ 12,307,165</u>	<u>\$ -</u>	<u>231,694</u>	<u>\$ 231,694</u>	<u>\$ -</u>	<u>1,011</u>	<u>\$ 1,011</u>
Fund balance - beginning of year		-			300,512			4,339	
Net change in reserves and adjustments to GAAP basis		-			-			-	
Fund balance - end of year		<u>\$ 12,307,165</u>			<u>\$ 532,206</u>			<u>\$ 5,350</u>	

(continued)

FREDERICK COUNTY, MARYLAND
SPECIAL REVENUE FUNDS
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Parks Acquisition & Development			Hotel Rental Tax		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
Revenues						
Lighting tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes	2,454,948	3,145,386	690,438	1,331,506	2,088,629	757,123
Grants from federal government	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-
Investment earnings	15,000	69,748	54,748	200	898	698
Build America Bonds Subsidy	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	182,263	179,425	(2,838)
Total revenues	<u>2,469,948</u>	<u>3,215,134</u>	<u>745,186</u>	<u>1,513,969</u>	<u>2,268,952</u>	<u>754,983</u>
Expenditures						
General government	-	-	-	34,753	38,404	(3,651)
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health	-	-	-	-	-	-
Social services	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Community development and public housing	-	-	-	1,300,791	2,051,123	(750,332)
Economic development and opportunity	-	-	-	-	-	-
Debt service	123,525	80,122	43,403	178,425	179,425	(1,000)
Total expenditures	<u>123,525</u>	<u>80,122</u>	<u>43,403</u>	<u>1,513,969</u>	<u>2,268,952</u>	<u>(754,983)</u>
Excess (deficiency) of revenues over expenditures	<u>2,346,423</u>	<u>3,135,012</u>	<u>788,589</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)						
Appropriated fund balance	245,137	-	(245,137)	-	-	-
Transfers in from general fund	-	-	-	-	-	-
Transfers out to capital projects fund	(2,591,560)	(2,591,560)	-	-	-	-
Total other financing sources (uses)	<u>(2,346,423)</u>	<u>(2,591,560)</u>	<u>(245,137)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>543,452</u>	<u>\$ 543,452</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - beginning of year		-			-	
Net change in reserves and adjustments to GAAP basis		-			-	
Fund balance - end of year		<u>\$ 543,452</u>			<u>-</u>	

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, 2017

	<u>Project Budget</u>	<u>Current Year Actual</u>	<u>Total To Date</u>	<u>Variance - Positive (Negative)</u>
Revenues				
Grants from federal government				
Highways	\$ 7,640,672	\$ 2,472,809	\$ 2,559,263	\$ (5,081,409)
Miscellaneous grants	1,208,810	150,000	150,000	(1,058,810)
Grants from state government:				
Highways	2,453,119	589,000	2,413,000	(40,119)
Program open space	471,894	227,044	-	(471,894)
Education	24,058,603	274,265	314,898	(23,743,705)
Other	671,897	141,500	521,559	(150,338)
Total revenues	<u>36,504,995</u>	<u>3,854,618</u>	<u>5,958,720</u>	<u>(30,546,275)</u>
Expenditures				
General government	47,571,583	15,964,595	16,562,042	31,009,541
Roads and bridges	63,110,744	24,742,546	40,957,483	22,153,261
Board of Education	105,818,851	54,054,776	74,288,552	31,530,299
Frederick Community College	48,950,254	4,129,097	35,629,946	13,320,308
Parks and recreation	18,941,065	2,936,460	2,798,818	16,142,247
Watershed restoration	10,373,522	1,420,608	2,940,757	7,432,765
Municipal	6,179,021	1,577,254	2,460,286	3,718,735
Total expenditures	<u>300,945,040</u>	<u>104,825,336</u>	<u>175,637,884</u>	<u>125,307,156</u>
Excess (deficiency) of revenues over expenditures	<u>(264,440,045)</u>	<u>(100,970,718)</u>	<u>(169,679,164)</u>	<u>94,760,881</u>
Other financing sources (uses)				
Transfers in from general fund	49,901,667	13,055,194	49,901,667	-
Transfers in from impact fees fund	6,013,992	5,329,000	6,013,992	-
Transfers in from parks acquisition & development fund	10,978,970	2,591,560	10,978,970	-
Transfers in from development road improvement fund	5,111,785	-	5,111,785	-
Transfers in from school construction fund	5,512,852	3,000,000	5,512,852	-
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	172,921,448	-	85,551,405	(87,370,043)
Premium on debt	2,021,698	-	2,021,698	-
Capital leases	11,652,232	3,654,232	3,654,232	(7,998,000)
Total other financing sources (uses)	<u>264,440,045</u>	<u>27,629,986</u>	<u>169,047,502</u>	<u>(95,392,543)</u>
Net change in fund balances	<u>\$ -</u>	<u>(73,340,732)</u>	<u>\$ (631,662)</u>	<u>\$ (631,662)</u>
Net change in reserves and adjustment to GAAP basis		14,054,130		
Fund balance - beginning of year		<u>147,314,912</u>		
Fund balance - end of year		<u>\$ 88,028,310</u>		

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017

	<u>Worker's Compensation</u>	<u>Voice Services</u>	<u>Fleet Services</u>	<u>Total Internal Service Funds (See Exhibit II-A-9)</u>
Assets				
Current assets:				
Equity in pooled invested cash	\$ 6,420,978	\$ 1,042,687	\$ 8,253,446	\$ 15,717,111
Total cash and cash equivalents	6,420,978	1,042,687	8,253,446	15,717,111
Receivables, net of allowance for uncollectible accounts	75,830	45,509	112,744	234,083
Due from component units	-	20	-	20
Inventories	-	-	465,902	465,902
Prepaid items	-	71,595	49,648	121,243
Total current assets	<u>6,496,808</u>	<u>1,159,811</u>	<u>8,881,740</u>	<u>16,538,359</u>
Noncurrent assets:				
Capital assets:				
Buildings and improvements	-	-	1,833,133	1,833,133
Equipment	-	1,753,448	30,311,729	32,065,177
Accumulated depreciation	-	(1,736,464)	(21,013,907)	(22,750,371)
Total noncurrent assets	<u>-</u>	<u>16,984</u>	<u>11,130,955</u>	<u>11,147,939</u>
Total assets	<u>6,496,808</u>	<u>1,176,795</u>	<u>20,012,695</u>	<u>27,686,298</u>
Liabilities				
Current liabilities:				
Accounts payable	-	44,521	187,270	231,791
Payroll and benefit deductions	-	28,904	142,550	171,454
Accrued expenses	-	-	151,097	151,097
Current portion of compensated absences	-	1,146	273	1,419
Total current liabilities	<u>-</u>	<u>74,571</u>	<u>481,190</u>	<u>555,761</u>
Noncurrent liabilities:				
Liability for compensated absences	-	34,104	156,972	191,076
Total noncurrent liabilities	<u>-</u>	<u>34,104</u>	<u>156,972</u>	<u>191,076</u>
Total liabilities	<u>-</u>	<u>108,675</u>	<u>638,162</u>	<u>746,837</u>
Net position				
Net investment in capital assets	-	16,984	11,130,955	11,147,939
Unrestricted	6,496,808	1,051,136	8,243,578	15,791,522
Total net position	<u>\$ 6,496,808</u>	<u>\$ 1,068,120</u>	<u>\$ 19,374,533</u>	<u>\$ 26,939,461</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Worker's Compensation	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-10)
Operating revenues				
Service charges	\$ 4,928,808	\$ 1,101,191	\$ 11,975,829	\$ 18,005,828
Total operating revenues	<u>4,928,808</u>	<u>1,101,191</u>	<u>11,975,829</u>	<u>18,005,828</u>
Operating expenses				
Personnel services	-	544,859	2,603,068	3,147,927
Other operating expenses (including administrative overhead)	177,889	381,217	849,489	1,408,595
Prefunded loss & estimated claims	1,800,000	-	-	1,800,000
Insurance	1,101,802	-	-	1,101,802
Supplies	-	1,596	4,429,125	4,430,721
Repairs and maintenance	-	206,696	697,519	904,215
Depreciation	-	42,519	1,685,544	1,728,063
Total operating expenses	<u>3,079,691</u>	<u>1,176,887</u>	<u>10,264,745</u>	<u>14,521,323</u>
Operating income (loss)	<u>1,849,117</u>	<u>(75,696)</u>	<u>1,711,084</u>	<u>3,484,505</u>
Nonoperating revenues (expenses)				
Investment earnings	30,185	5,749	53,839	89,773
Miscellaneous income	-	-	4,360	4,360
Insurance recovery	1,054,320	-	12,960	1,067,280
Contributions and donations	-	-	23,713	23,713
Gain (loss) on disposition of capital assets	-	-	284,109	284,109
Total nonoperating revenues (expenses)	<u>1,084,505</u>	<u>5,749</u>	<u>378,981</u>	<u>1,469,235</u>
Net income (loss) before contributions and transfers	<u>2,933,622</u>	<u>(69,947)</u>	<u>2,090,065</u>	<u>4,953,740</u>
Transfers in (out)	-	-	852,618	852,618
Total contributions and transfers	-	-	<u>852,618</u>	<u>852,618</u>
Change in net position	2,933,622	(69,947)	2,942,683	5,806,358
Net position - beginning of year	<u>3,563,186</u>	<u>1,138,067</u>	<u>16,431,850</u>	<u>21,133,103</u>
Net position - end of year	<u>\$ 6,496,808</u>	<u>\$ 1,068,120</u>	<u>\$ 19,374,533</u>	<u>\$ 26,939,461</u>

**FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	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	\$ 4,932,158	\$ 1,114,717	\$ 11,944,151	\$ 17,991,026
Cash paid to suppliers	(3,090,426)	(588,000)	(6,388,710)	(10,067,136)
Cash paid to employees	-	(545,270)	(2,559,822)	(3,105,092)
Net cash provided by operating activities	<u>1,841,732</u>	<u>(18,553)</u>	<u>2,995,619</u>	<u>4,818,798</u>
Cash flows from noncapital financing activities				
Transfers in (out)	-	-	852,618	852,618
Cash received from donations	-	-	23,713	23,713
Cash received from insurance recovery	1,054,320	-	-	1,054,320
Net cash provided (used) by noncapital financing activities	<u>1,054,320</u>	<u>-</u>	<u>876,331</u>	<u>1,930,651</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	-	(5,404,078)	(5,404,078)
Recoveries for damages	-	-	12,960	12,960
Proceeds from sale of capital assets	-	-	342,104	342,104
Net cash provided (used) by capital & related financing activities	<u>-</u>	<u>-</u>	<u>(5,049,014)</u>	<u>(5,049,014)</u>
Cash flows from investing activities				
Interest received on investments	30,185	5,749	53,839	89,773
Net cash provided by investing activities	<u>30,185</u>	<u>5,749</u>	<u>53,839</u>	<u>89,773</u>
Net increase (decrease) in cash and cash equivalents	2,926,237	(12,804)	(1,123,225)	1,790,208
Cash and cash equivalents - beginning of year	<u>3,494,741</u>	<u>1,055,491</u>	<u>9,376,671</u>	<u>13,926,903</u>
Cash and cash equivalents - end of year	<u>\$ 6,420,978</u>	<u>\$ 1,042,687</u>	<u>\$ 8,253,446</u>	<u>\$ 15,717,111</u>

(continued)

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Worker's Compensation</u>	<u>Voice Services</u>	<u>Fleet Services</u>	<u>Total Internal Service Funds (See Exhibit II-A-11)</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,849,117	\$ (75,696)	\$ 1,711,084	\$ 3,484,505
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation	-	42,519	1,685,544	1,728,063
Miscellaneous non-operating income	-	-	4,360	4,360
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	3,350	13,526	(36,039)	(19,163)
Inventory	-	-	(66,961)	(66,961)
Prepaid items	-	(1,378)	59,577	58,199
Increase (decrease) in:				
Accounts payable	-	2,887	(101,033)	(98,146)
Accrued expenses	(10,735)	(942)	(280,665)	(292,342)
Liability for compensated leave	-	531	19,752	20,283
Net cash provided by operating activities	<u>\$ 1,841,732</u>	<u>\$ (18,553)</u>	<u>\$ 2,995,619</u>	<u>\$ 4,818,798</u>
Non-cash 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, 2017**

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
Tax Agency Fund				
Assets				
Cash and cash equivalents	\$ 400,823	\$ 6,602,929	\$ 6,430,756	\$ 572,996
Equity in pooled invested cash	1,666,809	13,190,983	11,396,243	3,461,549
Total Assets	<u>\$ 2,067,632</u>	<u>\$ 19,793,912</u>	<u>\$ 17,826,999</u>	<u>\$ 4,034,545</u>
Liabilities				
Due to third parties	<u>\$ 2,067,632</u>	<u>\$ 11,289,270</u>	<u>\$ 9,322,356</u>	<u>\$ 4,034,546</u>
 Subdivision and Driveway Deposits Fund				
Assets				
Equity in pooled invested cash	<u>\$ 4,606,681</u>	<u>\$ 1,183,244</u>	<u>\$ 1,691,235</u>	<u>\$ 4,098,690</u>
Liabilities				
Due to third parties	\$ 70,818	\$ -	\$ 70,818	\$ -
Performance deposits	4,535,863	1,210,321	1,647,494	4,098,690
Total Liabilities	<u>\$ 4,606,681</u>	<u>\$ 1,210,321</u>	<u>\$ 1,718,312</u>	<u>\$ 4,098,690</u>
 Work Release Fund				
Assets				
Cash and cash equivalents	<u>\$ 21,116</u>	<u>\$ 766,490</u>	<u>\$ 764,779</u>	<u>\$ 22,827</u>
Liabilities				
Due to third parties	<u>\$ 21,116</u>	<u>\$ 785,341</u>	<u>\$ 783,630</u>	<u>\$ 22,827</u>
 Tax Incremental Financing Bond Fund				
Assets				
Cash and cash equivalents	<u>\$ 96,130</u>	<u>\$ 269,868</u>	<u>\$ 365,998</u>	<u>\$ -</u>
Liabilities				
Due to third parties	<u>\$ 96,130</u>	<u>\$ 539,736</u>	<u>\$ 635,866</u>	<u>\$ -</u>

**FREDERICK COUNTY, MARYLAND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Law Library Fund				
Assets				
Cash and cash equivalents	\$ 484,053	\$ 107,797	\$ 164,161	\$ 427,689
Liabilities				
Due to third parties	\$ 270,625	\$ 131,788	\$ 167,402	\$ 235,011
Bond forfeitures	213,428	-	20,750	192,678
Total Liabilities	\$ 484,053	\$ 131,788	\$ 188,152	\$ 427,689
Juror's Fund				
Assets				
Cash and cash equivalents	\$ 23,590	\$ 2,610	\$ 6,415	\$ 19,785
Liabilities				
Due to third parties	\$ 23,590	\$ -	\$ 3,805	\$ 19,785
Total Liabilities	\$ 23,590	\$ -	\$ 3,805	\$ 19,785
Revenue Sharing-457(b)/401(a) Fund				
Assets				
Cash and cash equivalents	\$ 16,299	\$ 133,997	\$ 122,230	\$ 28,066
Liabilities				
Due to third parties	\$ 16,299	\$ 133,997	\$ 122,230	\$ 28,066
Total Liabilities	\$ 16,299	\$ 133,997	\$ 122,230	\$ 28,066
Totals - All Agency funds				
Assets				
Cash and cash equivalents	\$ 1,042,011	\$ 7,883,691	\$ 7,854,339	\$ 1,071,363
Equity in pooled invested cash	6,273,490	14,374,227	13,087,478	7,560,239
Total assets	\$ 7,315,501	\$ 22,257,918	\$ 20,941,817	\$ 8,631,602
Liabilities				
Due to third parties	\$ 2,566,210	\$ 12,880,132	\$ 11,106,107	\$ 4,340,235
Bond forfeitures	213,428	-	20,750	192,678
Performance deposits	4,535,863	1,210,321	1,647,495	4,098,689
Total liabilities	\$ 7,315,501	\$ 14,090,453	\$ 12,774,352	\$ 8,631,602

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE (1)
JUNE 30, 2017

	<u>2017</u>
Governmental funds capital assets	
Land and improvements	\$ 139,188,295
Buildings	194,071,434
Equipment	106,160,627
Infrastructure	385,843,692
Construction in progress	29,138,008
Total governmental funds capital assets	<u>\$ 854,402,056</u>
 Investment in governmental funds capital assets by source	
Capital projects fund (2)	\$ 685,091,107
General fund	20,629,424
Special revenue funds	103,590,140
Donations	45,091,385
Total governmental funds capital assets	<u>\$ 854,402,056</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$33,898,310 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.

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION (1)
JUNE 30, 2017

<u>Function</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government	\$ 3,159,743	\$ 49,905,559	\$ 22,512,488	\$ -	\$ -	\$ 75,577,790
Public safety	7,665,605	66,595,091	65,401,460	-	-	139,662,156
Public works	4,781,648	10,322,182	11,546,501	-	-	26,650,331
Public health	111,605	7,584,601	74,584	-	-	7,770,790
Social services	531,519	9,774,017	1,875,534	-	-	12,181,070
Recreation and culture	40,703,526	48,831,984	4,627,091	-	-	94,162,601
Conservation of natural resources	82,016,680	-	100,288	-	-	82,116,968
Economic Development and Opportunity	217,969	1,058,000	22,681	-	-	1,298,650
Infrastructure	-	-	-	385,843,692	-	385,843,692
Construction in progress	-	-	-	-	29,138,008	29,138,008
Total governmental funds capital assets	<u>\$ 139,188,295</u>	<u>\$ 194,071,434</u>	<u>\$ 106,160,627</u>	<u>\$ 385,843,692</u>	<u>\$ 29,138,008</u>	<u>\$ 854,402,056</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$33,898,310 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, 2017

<u>Function</u>	Governmental Funds Capital Assets July 1, 2016	Additions	Deductions	Governmental Funds Capital Assets June 30, 2017
General government	\$ 72,972,278	\$ 6,136,186	\$ 3,530,674	\$ 75,577,790
Public safety	135,250,450	7,391,021	2,979,315	139,662,156
Public works	27,893,176	572,236	1,815,081	26,650,331
Public health	7,637,373	133,417	-	7,770,790
Social services	44,476,868	141,162	32,436,960	12,181,070
Recreation and culture	91,585,419	2,742,774	165,592	94,162,601
Conservation of natural resources	78,781,005	3,992,968	657,005	82,116,968
Economic Development and Opportunity	1,298,650	-	-	1,298,650
Infrastructure	364,515,731	21,327,961	-	385,843,692
Construction in progress	42,264,370	36,076,715	49,203,077	29,138,008
Total governmental funds capital assets	<u>\$ 866,675,320</u>	<u>\$ 78,514,440</u>	<u>\$ 90,787,704</u>	<u>\$ 854,402,056</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$33,898,310 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



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

	<u>2017</u>	<u>2016 (3)</u>	<u>2015</u>	<u>2014</u>	<u>2013 (2)</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities										
Net Investment in capital assets	\$ 307,568,324	\$ 297,438,174	\$ 259,453,783	\$ 254,191,895	\$ 275,015,641	\$ 261,682,219	\$ 282,853,416	\$ 273,493,228	\$ 242,888,896	\$ 223,296,140
Restricted	163,711,175	182,283,535	145,342,639	138,179,573	180,302,326	146,940,466	143,503,406	184,828,765	147,016,541	133,032,506
Unrestricted (Deficit) (1)	<u>(233,227,495)</u>	<u>(235,936,549)</u>	<u>(183,217,496)</u>	<u>(178,367,506)</u>	<u>(238,490,895)</u>	<u>(191,281,325)</u>	<u>(228,733,110)</u>	<u>(288,083,336)</u>	<u>(167,092,969)</u>	<u>(59,630,068)</u>
Total governmental activities net position	<u>238,052,004</u>	<u>243,785,160</u>	<u>221,578,926</u>	<u>214,003,962</u>	<u>216,827,072</u>	<u>217,341,360</u>	<u>197,623,712</u>	<u>170,238,657</u>	<u>222,812,468</u>	<u>296,698,578</u>
Business-type activities										
Net Investment in capital assets	442,194,425	438,579,430	425,865,230	401,049,591	385,175,447	354,046,472	338,311,974	312,459,077	291,788,577	232,785,591
Restricted	27,602,398	8,854,679	2,036,901	1,326,742	2,401,597	456,221	4,371,265	9,714,241	679,335	15,750,610
Unrestricted (Deficit)	<u>119,016,756</u>	<u>101,822,626</u>	<u>105,728,749</u>	<u>107,306,474</u>	<u>101,996,356</u>	<u>101,593,763</u>	<u>98,317,538</u>	<u>77,554,957</u>	<u>80,856,215</u>	<u>96,536,501</u>
Total business-type activities net position	<u>588,813,579</u>	<u>549,256,735</u>	<u>533,630,880</u>	<u>509,682,807</u>	<u>489,573,400</u>	<u>456,096,456</u>	<u>441,000,777</u>	<u>399,728,275</u>	<u>373,324,127</u>	<u>345,072,702</u>
Primary government										
Net Investment in capital assets	749,762,749	736,017,604	685,319,013	655,241,486	660,191,088	615,728,691	621,165,390	585,952,305	534,677,473	456,081,731
Restricted	191,313,573	191,138,214	147,379,540	139,506,315	182,703,923	147,396,687	147,874,671	194,543,006	147,695,876	148,783,116
Unrestricted (Deficit) (1)	<u>(114,210,739)</u>	<u>(134,113,923)</u>	<u>(77,488,747)</u>	<u>(71,061,032)</u>	<u>(136,494,539)</u>	<u>(89,687,562)</u>	<u>(130,415,572)</u>	<u>(210,528,379)</u>	<u>(86,236,754)</u>	<u>36,906,433</u>
Total primary government net position	<u>\$ 826,865,583</u>	<u>\$ 793,041,895</u>	<u>\$ 755,209,806</u>	<u>\$ 723,686,769</u>	<u>\$ 706,400,472</u>	<u>\$ 673,437,816</u>	<u>\$ 638,624,489</u>	<u>\$ 569,966,932</u>	<u>\$ 596,136,595</u>	<u>\$ 641,771,280</u>

(1) 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.

(2) Restated due to the implementation of GASB Statement No. 65 in fiscal year 2014 required a restatement of unrestricted net position

(3) Restated due to the implementation of GASB Statement No. 73 in fiscal year 2017 required a restatement of unrestricted net position

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities:										
General government	\$ 68,013,736	\$ 57,212,165	\$ 60,751,789	\$ 52,314,050	\$ 51,175,746	\$ 46,806,905	\$ 47,444,418	\$ 47,426,759	\$ 48,336,652	\$ 47,365,230
Public safety	113,039,674	109,986,688	102,524,827	102,479,766	97,785,269	94,646,502	94,014,597	96,002,101	98,638,171	92,368,561
Public works	44,509,357	46,776,331	37,487,379	36,262,384	35,874,382	38,137,648	38,082,578	42,608,184	45,639,681	36,272,941
Health	7,312,583	7,155,032	6,087,893	6,618,902	5,722,861	6,165,458	7,389,079	8,666,393	8,430,003	8,350,521
Social services	6,990,145	8,193,173	13,667,150	8,618,986	8,505,272	7,570,218	8,607,518	8,699,974	9,079,466	9,034,819
Education	331,171,787	286,993,704	271,936,166	269,815,733	249,689,186	253,445,819	255,092,160	296,413,864	317,246,467	280,571,794
Parks, recreation and culture	20,007,099	19,898,672	19,604,270	19,424,328	18,636,699	18,460,120	18,294,771	17,106,503	17,984,081	16,540,827
Conservation of natural resources	10,624,901	5,461,861	3,782,468	2,451,626	2,654,878	4,007,350	2,514,717	3,203,584	5,920,062	5,284,255
Community development and public housing	8,256,051	7,857,125	6,906,365	7,065,314	6,979,175	6,632,923	7,068,638	6,124,692	5,313,485	5,532,210
Economic development and opportunity	9,103,679	8,130,895	7,782,637	7,128,852	7,440,036	7,558,114	12,777,129	14,318,099	14,367,112	13,586,428
Interest on long term debt	17,918,468	19,414,360	17,826,278	18,608,011	19,465,343	19,546,097	15,104,694	17,983,300	17,384,242	15,180,615
Total governmental activities expenses	636,947,480	577,080,006	548,357,222	530,787,952	503,928,847	502,977,154	506,390,299	558,553,453	588,339,422	530,088,201
Business-type activities:										
Water and sewer	40,909,521	39,275,344	34,933,323	34,528,670	32,464,763	31,926,579	29,622,835	28,894,767	27,858,760	25,789,356
Solid waste management	19,648,104	20,021,489	19,829,130	19,474,982	18,365,946	17,878,124	19,949,545	20,467,049	22,543,435	20,989,211
Comprehensive care facility	20,679,299	-	-	21,928,222	22,407,711	20,203,892	19,217,797	19,389,965	18,720,204	17,961,626
Public housing	166,198	165,457	163,740	194,866	168,096	149,510	143,837	174,279	138,883	121,973
Permitting and development review	-	-	-	-	-	4,287,265	5,080,138	5,840,521	6,586,058	6,866,402
Total business-type activities expenses	81,403,122	59,462,290	54,926,193	76,126,740	73,406,516	74,445,370	74,014,152	74,766,581	75,847,340	71,728,568
Total primary government expenses	<u>\$ 718,350,602</u>	<u>\$ 636,542,296</u>	<u>\$ 603,283,415</u>	<u>\$ 606,914,692</u>	<u>\$ 577,335,363</u>	<u>\$ 577,422,524</u>	<u>\$ 580,404,451</u>	<u>\$ 633,320,034</u>	<u>\$ 664,186,762</u>	<u>\$ 601,816,769</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 31,796,658	\$ 23,323,815	\$ 19,555,583	\$ 16,430,929	\$ 15,442,981	\$ 8,208,837	\$ 7,755,507	\$ 9,934,491	\$ 7,107,680	\$ 6,123,458
Public safety	8,555,612	7,483,879	6,895,014	5,543,192	6,143,618	7,356,176	6,456,180	6,808,959	6,332,060	6,000,432
Public works	1,014,323	1,014,588	937,256	1,048,985	758,458	747,519	785,085	657,612	681,480	798,599
Health	345,202	257,160	239,230	293,068	253,721	271,307	43,167	1,895,940	1,770,050	1,955,859
Social services	1,812,220	1,840,224	1,514,741	1,334,066	1,870,902	1,532,062	1,388,107	1,309,912	1,427,143	1,359,191
Parks, recreation and culture	1,654,271	1,401,608	1,222,224	1,249,899	1,235,612	1,161,925	1,045,575	859,500	796,378	727,658
Conservation of natural resources	320,147	271,956	237,143	229,566	190,724	181,256	183,549	-	183,704	193,410
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
Operating grants and contributions:	24,429,063	21,321,993	23,553,216	20,861,610	20,368,814	18,668,608	22,050,865	23,530,387	35,124,152	37,093,647
Capital grants and contributions:	11,454,285	14,833,955	8,130,387	3,673,967	8,845,948	10,060,341	8,006,580	7,425,608	18,624,294	4,480,176
Total governmental activities program revenues	<u>\$ 81,381,781</u>	<u>\$ 71,749,178</u>	<u>\$ 62,284,794</u>	<u>\$ 50,952,585</u>	<u>\$ 55,233,472</u>	<u>\$ 48,392,714</u>	<u>\$ 47,779,873</u>	<u>\$ 52,516,475</u>	<u>\$ 72,178,182</u>	<u>\$ 58,808,166</u>

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Business-type activities:										
Charges for services:										
Water and sewer	\$ 34,597,137	\$ 31,400,630	\$ 28,935,733	\$ 26,515,370	\$ 24,453,219	\$ 24,539,136	\$ 24,274,317	\$ 20,874,838	\$ 20,716,900	\$ 19,879,735
Solid waste management	25,238,901	24,952,098	24,951,765	23,837,722	25,066,503	24,502,144	24,584,906	23,313,156	23,140,754	19,286,726
Comprehensive care facility	20,193,147	-	-	16,261,305	18,594,578	14,241,647	14,185,948	13,869,981	13,016,338	12,276,779
Public housing	127,729	126,095	125,304	120,875	114,488	108,478	94,815	94,164	94,347	95,121
Permitting and development review	-	-	-	-	-	3,838,228	4,350,081	5,216,087	5,184,792	5,647,636
Operating grants and contributions:	-	-	-	-	-	-	-	25,000	-	5,159,639
Capital grants and contributions:	39,754,531	21,740,182	24,576,946	25,481,073	36,011,030	15,481,330	40,907,293	27,684,963	32,266,084	12,881,554
Total business-type activities program revenues	119,911,445	78,219,005	78,589,748	92,216,345	104,239,818	82,710,963	108,397,360	91,078,189	94,419,215	75,227,190
Total primary government program revenues	\$ 201,293,226	\$ 149,968,183	\$ 140,874,542	\$ 143,168,930	\$ 159,473,290	\$ 131,103,677	\$ 156,177,233	\$ 143,594,664	\$ 166,597,397	\$ 134,035,356
Net (Expense)/Revenue										
Governmental activities	\$ (555,565,699)	\$ (505,330,828)	\$ (486,072,428)	\$ (479,835,367)	\$ (448,695,375)	\$ (454,584,440)	\$ (458,610,426)	\$ (506,036,978)	\$ (516,161,240)	\$ (471,280,035)
Business-type activities	38,508,323	18,756,715	23,663,555	16,089,605	30,833,302	8,265,593	34,383,208	16,311,608	18,571,875	3,498,622
Total primary government net expense	\$ (517,057,376)	\$ (486,574,113)	\$ (462,408,873)	\$ (463,745,762)	\$ (417,862,073)	\$ (446,318,847)	\$ (424,227,218)	\$ (489,725,370)	\$ (497,589,365)	\$ (467,781,413)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Local property taxes	\$ 293,611,922	\$ 282,362,326	\$ 271,031,681	\$ 267,892,085	\$ 259,687,605	\$ 280,654,804	\$ 289,330,130	\$ 289,144,746	\$ 271,247,190	\$ 244,968,090
Local income taxes	203,994,345	201,920,167	204,424,356	177,325,988	163,761,716	161,879,620	165,839,265	143,208,402	137,509,451	164,716,995
Other local taxes	38,329,124	32,936,414	27,257,030	25,883,856	26,244,396	19,886,169	21,938,991	23,080,409	23,393,903	31,601,856
Intergovernmental	-	-	-	-	-	3,200,000	3,676,983	-	-	-
Build America Bonds Subsidy	1,247,613	1,277,965	1,274,642	1,274,184	1,325,054	1,374,895	1,374,892	591,969	-	-
Grants & contributions not restricted to specific programs	-	-	-	-	-	-	-	-	-	-
Investment earnings	338,486	4,855,222	2,213,961	1,911,117	(945,754)	8,637,707	1,758,640	4,904,974	7,900,842	15,484,565
Miscellaneous	11,600,117	12,131,643	7,006,950	6,008,732	3,525,720	4,681,823	7,903,103	914,146	7,630,745	3,270,163
Gain / (Loss) on disposal of assets	284,109	-	(5,388)	-	230,352	-	-	-	-	-
Transfers	426,827	4,000,000	-	(3,283,705)	(2,782,241)	(6,012,930)	(5,826,523)	(8,381,479)	(5,407,001)	(7,386,940)
Total governmental activities	549,832,543	539,483,737	513,203,232	477,012,257	451,046,848	474,302,088	485,995,481	453,463,167	442,275,130	452,654,729
Business-type activities:										
Build America Bonds Subsidy	388,152	336,301	337,240	337,121	341,630	363,764	363,764	156,620	-	-
Investment earnings	1,033,861	-	366,410	382,050	469,201	447,281	642,203	892,586	4,244,887	6,719,219
Miscellaneous	934	532,839	-	16,926	19,585	6,111	56,804	661,855	27,662	729,699
Gain / (Loss) on disposal of assets	(26,784)	-	(419,132)	-	(215,886)	-	-	-	-	-
Transfers	(426,827)	(4,000,000)	-	3,283,705	2,782,241	6,012,930	5,826,523	8,381,479	5,407,001	7,386,940
Total business-type activities	969,336	(3,130,860)	284,518	4,019,802	3,396,771	6,830,086	6,889,294	10,092,540	9,679,550	14,835,858
Total primary government	\$ 550,801,879	\$ 536,352,877	\$ 513,487,750	\$ 481,032,059	\$ 454,443,619	\$ 481,132,174	\$ 492,884,775	\$ 463,555,707	\$ 451,954,680	\$ 467,490,587
Change in Net Position										
Governmental activities	\$ (5,733,156)	\$ 34,152,909	\$ 27,130,804	\$ (2,823,110)	\$ 2,351,473	\$ 19,717,648	\$ 27,385,055	\$ (52,573,811)	\$ (73,886,110)	\$ (18,625,306)
Business-type activities	39,477,659	15,625,855	23,948,073	20,109,407	34,230,073	15,095,679	41,272,502	26,404,148	28,251,425	18,334,480
Total primary government	\$ 33,744,503	\$ 49,778,764	\$ 51,078,877	\$ 17,286,297	\$ 36,581,546	\$ 34,813,327	\$ 68,657,557	\$ (26,169,663)	\$ (45,634,685)	\$ (290,826)

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

	2017	2016	2015	2014	2013	2012	2011	2010(1)	2009(1)	2008(1)
General Fund										
Nonspendable	\$ 2,289,616	\$ 2,460,677	\$ 2,106,066	\$ 875,623	\$ 1,448,707	\$ 1,245,845	\$ 1,648,689	\$ -	\$ -	\$ -
Restricted	1,144,725	1,811,085	2,284,366	1,789,157	3,075,002	1,481,720	1,748,141	-	-	-
Committed	85,447,354	85,472,727	70,701,317	28,937,617	25,194,232	22,808,337	21,460,449	-	-	-
Assigned	6,101,299	6,157,055	5,105,750	45,598,798	64,137,601	74,564,269	59,868,123	-	-	-
Unassigned	300,000	300,000	300,000	300,000	500,000	500,000	500,000	-	-	-
Total General Fund	95,282,994	96,201,544	80,497,499	77,501,195	94,355,542	100,600,171	85,225,402	-	-	-
All other Governmental Funds										
Nonspendable										
Special revenue funds	-	6,994,203	7,444,229	6,752,481	5,721,414	5,890,746	5,527,435	-	-	-
Restricted										
Capital project funds	31,645,560	83,037,492	29,625,910	22,756,077	40,695,165	26,378,793	15,301,345	-	-	-
Debt Service fund	68,405,176	-	-	-	-	-	-	-	-	-
Special revenue funds	4,672,649	1,872,261	1,986,081	1,729,249	1,730,552	2,216,834	1,885,830	-	-	-
Committed										
Capital project funds	56,382,750	64,277,420	61,532,982	56,746,856	51,814,834	39,012,874	28,461,553	-	-	-
Special revenue funds	53,082,809	52,533,574	50,610,317	46,106,305	45,795,195	49,323,414	49,659,195	-	-	-
Assigned										
Debt Service fund	4,374,736	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	5,645,840	6,279,023	11,286,926	5,915,306	-	-	-
Total all other governmental funds	218,563,680	208,714,950	151,199,519	139,736,808	152,036,183	134,109,587	106,750,664	-	-	-
General Fund										
Reserved	-	-	-	-	-	-	-	2,712,109	2,808,056	3,105,738
Unreserved										
Designated	-	-	-	-	-	-	-	34,083,914	28,147,175	46,788,577
Undesignated	-	-	-	-	-	-	-	20,360,666	21,364,533	20,973,351
Total General Fund	-	-	-	-	-	-	-	57,156,689	52,319,764	70,867,666
All other Governmental Funds										
Reserved	-	-	-	-	-	-	-	60,726,010	30,439,539	25,902,551
Unreserved										
Designated										
Special revenue funds	-	-	-	-	-	-	-	77,153,427	64,476,579	59,773,405
Undesignated										
Capital project funds	-	-	-	-	-	-	-	11,442,860	17,869,398	97,993,054
Special revenue funds	-	-	-	-	-	-	-	23,122,490	27,235,110	24,370,105
Total all other governmental funds	-	-	-	-	-	-	-	172,444,787	140,020,626	208,039,115
Total Governmental Fund Balance	\$ 313,846,674	\$ 304,916,494	\$ 231,697,018	\$ 217,238,003	\$ 246,391,725	\$ 234,709,758	\$ 191,976,066	\$ 229,601,476	\$ 192,340,390	\$ 278,906,781

(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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Local property taxes	\$ 293,528,978	\$ 282,362,800	\$ 271,415,720	\$ 267,862,169	\$ 259,514,346	\$ 280,559,892	\$ 289,635,356	\$ 288,983,632	\$ 271,101,871	\$ 245,072,399
Local income taxes	202,906,047	203,361,507	195,202,656	174,145,880	176,068,392	169,760,329	157,826,635	146,332,338	158,356,951	161,633,784
Other local taxes	39,937,950	34,539,017	28,836,221	27,401,993	27,730,818	21,465,211	23,529,980	25,219,644	24,774,769	38,844,848
Licenses and permits	5,531,434	4,781,330	4,094,070	3,360,551	2,974,589	532,074	517,020	508,039	529,307	525,736
Grants from federal government	19,562,749	23,577,357	17,301,232	14,384,629	15,412,690	16,645,496	20,508,653	20,900,126	16,018,557	14,972,920
Grants from state government	16,499,117	12,685,953	14,067,186	8,004,219	11,107,191	9,017,538	9,542,786	9,684,799	23,509,031	26,645,876
Intergovernmental	-	-	-	-	-	3,200,000	3,676,983	-	-	-
Charges for services	37,851,416	29,101,150	25,074,489	22,750,120	21,688,995	15,866,215	15,401,850	18,437,255	15,897,927	9,084,044
Fines and forfeitures	288,871	295,013	402,343	266,718	502,583	212,745	272,540	225,230	399,997	428,472
Interest from loans	298	4,721	2,201	23,312	23,219	25,632	26,130	36,243	39,347	59,566
Investment income	248,415	4,820,107	2,193,040	1,862,271	(996,954)	8,575,492	1,696,828	4,829,617	7,647,654	15,251,373
Build America bond subsidy	1,247,613	1,277,965	1,275,215	1,265,591	1,374,894	1,374,895	1,393,990	-	-	-
Miscellaneous	8,317,174	8,028,474	6,920,048	8,261,245	3,851,416	4,402,651	3,700,464	2,621,349	7,373,952	2,643,364
Total revenues	625,920,062	604,835,394	566,784,421	529,588,698	519,252,179	531,638,170	527,729,215	517,778,272	525,649,363	515,162,382
Expenditures										
Current										
General government	44,901,162	42,600,221	41,515,466	38,637,465	37,810,525	32,732,501	31,033,301	31,630,270	33,547,085	33,788,704
Public safety	112,413,340	105,100,235	102,933,508	96,852,558	96,758,110	91,044,159	86,282,410	91,382,456	91,228,627	91,745,100
Public works	24,760,896	27,662,046	25,594,930	24,590,164	22,335,990	23,097,616	22,071,591	26,459,278	26,114,555	23,592,543
Health	7,403,305	6,864,090	6,407,492	6,446,902	5,936,409	5,999,958	6,553,649	7,959,216	7,581,629	8,290,898
Social services	7,163,574	7,101,453	12,959,464	7,420,761	6,861,672	6,836,930	7,339,050	7,862,659	8,120,521	8,371,921
Education	273,253,016	264,499,491	256,036,118	255,444,856	251,123,285	243,014,146	241,906,846	243,159,708	252,074,877	241,164,441
Parks, recreation and culture	17,153,413	16,418,611	16,039,160	15,791,538	15,142,891	14,645,090	13,977,415	14,161,782	14,143,791	14,549,408
Conservation of natural resources	12,272,476	10,967,872	7,135,337	5,311,395	4,249,374	5,617,846	9,155,146	11,438,864	7,976,051	14,124,430
Community development and public housing	8,275,968	7,858,215	6,925,622	7,063,243	6,997,550	6,648,743	7,033,746	6,078,956	5,273,431	5,541,941
Economic development and opportunity	9,151,557	8,089,745	7,808,805	7,137,461	7,524,458	7,589,188	11,815,100	13,469,494	13,755,107	14,655,342
Miscellaneous	4,641,857	6,393,719	3,665,209	2,967,580	5,824,185	1,104,915	1,322,468	1,451,118	1,349,087	1,471,497
Intergovernmental	5,102,156	5,057,136	4,876,200	4,812,532	5,077,122	8,768,154	7,451,352	6,651,041	7,442,704	6,630,971
Debt service										
Principal	40,521,476	38,547,782	36,280,911	33,334,242	33,334,244	30,689,502	27,242,262	25,866,128	25,866,128	22,966,196
Interest	17,739,886	17,791,749	18,215,612	20,791,313	19,402,391	21,317,629	23,543,184	18,123,755	18,464,996	16,335,094
Capital projects	103,057,067	62,117,010	45,349,937	30,550,542	16,655,781	45,867,283	68,903,882	97,440,556	99,230,793	81,621,365
Total expenditures	687,811,149	627,069,375	591,743,771	557,152,552	535,033,987	544,973,660	565,631,402	603,135,281	612,169,382	584,849,851
Excess of revenues over expenditures	(61,891,087)	(22,233,981)	(24,959,350)	(27,563,854)	(15,781,808)	(13,335,490)	(37,902,187)	(85,357,009)	(86,520,019)	(69,687,469)

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Other Financing Sources (Uses)										
Transfers in from:										
General Fund	\$ 60,410,203	\$ 17,980,116	\$ 15,748,182	\$ 14,146,422	\$ 23,076,713	\$ 16,548,559	\$ 9,055,525	\$ 7,373,865	\$ 22,704,374	\$ 36,198,005
Special Revenue Funds	7,956,116	-	-	-	7,222,796	400,000	696,364	3,025,753	3,486,070	11,894,630
Capital Projects Fund	11,340,453	-	-	-	-	-	4,500,000	2,691,419	-	-
Enterprise Funds	-	4,000,000	-	-	1,410,316	-	-	38,360	-	-
Internal Service Funds	-	-	3,235,721	300,000	51,300	-	1,674,000	1,000,000	997,039	-
Transfer out to:										
General Fund	-	-	-	-	(6,987,796)	-	(5,047,695)	(2,487,108)	-	-
Special Revenue Funds	(6,139,510)	(5,440,407)	(5,715,547)	(5,402,015)	(14,240,588)	(7,044,110)	(5,972,843)	(8,862,176)	(8,247,105)	(11,748,149)
Capital Projects Fund	(13,055,192)	(12,539,709)	(10,032,635)	(8,744,407)	(9,071,125)	(9,904,449)	(3,231,351)	(1,741,753)	(17,943,339)	(36,344,486)
Enterprise Funds	(2,999,332)	-	-	(2,583,705)	(4,192,557)	(6,012,930)	(5,735,201)	(8,481,582)	(5,592,335)	(7,459,195)
Internal Service Funds	(795,276)	(276,478)	(171,288)	-	-	-	(129,592)	(250,648)	(15,527)	(976,979)
Debt Service Fund	(60,512,070)	-	-	-	-	-	-	-	-	-
Gain on sale of property	-	-	350,000	-	-	-	-	-	-	-
Proceeds from public facilities and refunding bonds	56,901,147	112,006,339	87,103,930	-	78,746,393	120,557,832	-	173,041,815	-	61,055,000
Payment to refunded bond escrow agent	-	(34,523,171)	(54,546,633)	-	(51,773,701)	(81,114,121)	-	(59,789,074)	-	-
Payment to refunded lease escrow agent	-	-	(910,517)	-	-	-	-	-	-	-
Bond premium on public facilities and refunding bonds	12,039,897	11,508,322	2,375,660	-	3,222,024	18,317,929	-	10,503,504	-	2,385,238
Installment purchase agreement	1,970,599	2,738,445	1,981,492	693,837	-	1,587,605	4,467,570	6,509,802	2,437,428	7,948,699
Proceeds of capital lease	3,704,232	-	-	-	-	2,679,047	-	-	2,120,000	2,394,000
Sale of capital assets	-	-	-	-	-	53,820	-	45,918	7,023	17,475
Total other financing sources (uses)	<u>70,821,267</u>	<u>95,453,457</u>	<u>39,418,365</u>	<u>(1,589,868)</u>	<u>27,463,775</u>	<u>56,069,182</u>	<u>276,777</u>	<u>122,618,095</u>	<u>(46,372)</u>	<u>65,364,238</u>
Net change in fund balances	<u>\$ 8,930,180</u>	<u>\$ 73,219,476</u>	<u>\$ 14,459,015</u>	<u>\$ (29,153,722)</u>	<u>\$ 11,681,967</u>	<u>\$ 42,733,692</u>	<u>\$ (37,625,410)</u>	<u>\$ 37,261,086</u>	<u>\$ (86,566,391)</u>	<u>\$ (4,323,231)</u>
Total expenditures	\$ 687,811,149	\$ 627,069,375	\$ 591,743,771	\$ 557,152,552	\$ 535,033,987	\$ 544,973,660	\$ 565,631,402	\$ 603,135,281	\$ 612,169,382	\$ 584,849,851
Less: Capital outlay	-	(885,721)	(3,307,691)	(4,692,445)	(167,076)	(4,331,574)	(6,402,058)	(16,999,763)	(3,395,622)	(9,772,187)
Noncapital expenditures	<u>\$ 687,811,149</u>	<u>\$ 626,183,654</u>	<u>\$ 588,436,080</u>	<u>\$ 552,460,107</u>	<u>\$ 534,866,911</u>	<u>\$ 540,642,086</u>	<u>\$ 559,229,344</u>	<u>\$ 586,135,518</u>	<u>\$ 608,773,760</u>	<u>\$ 575,077,664</u>
Debt service	<u>\$ 58,261,362</u>	<u>\$ 56,339,531</u>	<u>\$ 54,496,523</u>	<u>\$ 54,125,555</u>	<u>\$ 52,736,635</u>	<u>\$ 52,007,131</u>	<u>\$ 50,785,446</u>	<u>\$ 43,989,883</u>	<u>\$ 44,331,124</u>	<u>\$ 39,301,290</u>
Debt service as a percentage of noncapital expenditures	8.47%	9.00%	9.26%	9.80%	9.86%	9.62%	9.08%	7.51%	7.28%	6.83%

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

Fiscal Year	Real Property Taxable Assessed Value					Limited Business Personal Property (4)		Total	
	Residential Property	Commercial Property	Industrial Property	Total Real Property	Direct Tax Rate (1)	Public Utilities		Taxable Assessed Value	Direct Tax Rate (1)(3)
						Taxable Assessed Value	Direct Tax Rate (1)(2)		
2017	21,635,023,165	5,027,530,566	1,310,743,601	27,973,297,332	1.060	374,887,120	2.65	28,348,184,452	1.081
2016	20,809,732,203	4,793,034,691	1,282,299,164	26,885,066,058	1.060	342,546,890	2.65	27,227,612,948	1.080
2015	20,062,491,947	4,672,981,701	1,279,373,375	26,014,847,023	1.060	302,584,420	2.65	26,317,431,443	1.078
2014	19,696,121,250	4,509,960,797	1,259,675,094	25,465,757,141	1.064	299,508,700	2.66	25,765,265,841	1.083
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

Source: County Treasury 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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Direct Real Property Tax Rates										
Frederick County (1)	\$ 1.060	\$ 1.060	\$ 1.060	\$ 1.064	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936
Total Direct Real Property Tax Rates	\$ 1.060	\$ 1.060	\$ 1.060	\$ 1.064	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936
Overlapping real property tax rates										
<u>Fire and lighting tax districts</u>										
Suburban Fire/Rescue	\$ -	\$ -	\$ -	\$ -	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080
Urban Fire/Rescue	-	-	-	-	0.128	0.128	0.128	0.128	0.128	0.128
Braddock lighting tax district	0.015	0.015	0.018	0.018	0.010	0.010	0.006	0.006	0.006	0.006
Libertytown lighting tax district	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.013
New Addition lighting tax district	0.017	0.017	0.013	0.013	0.090	0.010	0.007	0.007	0.007	0.007
State	0.112	0.112	0.112	0.112	0.112	0.112	0.112	0.112	0.112	0.112
<u>Municipalities</u>										
Brunswick	0.440	0.462	0.462	0.462	0.462	0.462	0.462	0.422	0.422	0.432
Burkittsville	0.190	0.190	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	0.731	0.731	0.731	0.732	0.650	0.650	0.650	0.650	0.670
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	0.170	0.170	0.170	0.165	0.165	0.174
Myersville (3)	0.391	0.391	0.391	0.391	0.391	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	0.293	0.302	0.310	0.309	0.308	0.260	0.260	0.260	0.270	0.280
Walkersville	0.160	0.150	0.150	0.150	0.170	0.170	0.156	0.156	0.156	0.156
Woodsboro	0.125	0.126	0.127	0.128	0.128	0.130	0.120	0.120	0.120	0.120

(1) In FY2017, 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: 0.9374

County's Myersville tax differential rate: 0.9351

(2) Frederick City's tax rate remained the same from FY2016 to FY2017 due to a higher county tax differential rate charged to customers.

(3) Town of Myersville's tax rate remained the same from FY2016 to FY2017 due to a higher county tax differential rate charged to customers.

Source: County Treasury Office

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

<u>Name of Taxpayer</u>	<u>Fiscal Year 2017</u>			<u>Fiscal Year 2008</u>		
	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>
Potomac Edison Company	\$ 177,319,830	1	0.63 %	\$ 147,901,920	1	0.65 %
RIV 402, LLC	98,394,900	2	0.35	-		-
PR Financing Limited Partnership	81,609,700	3	0.29	68,187,566	4	0.30
Costco Wholesale Corporation	66,395,351	4	0.23	-		-
Medimmune, Inc.	53,078,100	5	0.19	-		-
River X, LLC	51,500,000	6	0.18	36,133,800	7	0.16
Verizon	48,895,900	7	0.17	96,034,720	3	0.42
Washington Gas Light Company	45,891,130	8	0.16	38,660,340	6	0.17
Dominion Transmission Corporation	42,395,770	9	0.15	-		-
WIG07 Prospect Hall LLC	42,330,933	10	0.15	-		-
State Farm Mutual Auto Insurance	-		-	44,115,866	5	0.19
Fannie Mae	-		-	31,103,933	10	0.14
BBR Properties LLC	-		-	126,100,870	2	0.55
WRIT Frederick Crossing Land, LLC	-		-	33,283,833	9	0.15
ALDI Inc	-		-	33,860,800	8	0.15
Totals	<u>\$ 707,811,614</u>		<u>2.50 %</u>	<u>\$ 655,383,648</u>		<u>2.88 %</u>

Source: County Treasury Office

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

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year (Original Levy)</u>	<u>Adjustments (1)</u>	<u>Total Adjusted Levy</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
				<u>Amount</u>	<u>Percentage of Original Levy</u>		<u>Amount</u>	<u>Percentage of Adjusted Levy</u>
2017	\$ 282,599,043	\$ (2,049,697)	\$ 280,549,346	\$ 280,316,897	99.92 %	\$ -	\$ 280,316,897	99.92 %
2016	271,195,289	(1,674,469)	269,520,820	269,144,537	99.86	(148,611)	268,995,926	99.81
2015	261,968,145	(1,625,791)	260,342,354	260,153,968	99.93	66,778	260,220,746	99.95
2014	258,299,607	(1,435,910)	256,863,697	256,652,511	99.92	101,544	256,754,055	99.96
2013	226,706,549	(1,468,868)	225,237,681	224,912,437	99.86	235,051	225,147,488	99.96
2012	240,261,872	(1,868,202)	238,393,670	238,135,801	99.89	139,523	238,275,324	99.95
2011	245,857,629	(2,208,994)	243,648,635	243,347,532	99.88	211,981	243,559,513	99.96
2010	243,164,858	(1,913,319)	241,251,539	240,846,665	99.83	350,408	241,197,073	99.98
2009	227,624,313	(1,559,310)	226,065,003	225,751,007	99.86	294,042	226,045,049	99.99
2008	207,783,675	(2,264,381)	205,519,294	205,408,797	99.95	108,111	205,516,908	100.00

Source: County Treasury 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 2008 through 2017, 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
2017	\$ 481,584,308	\$ 3,704,232	\$ 49,302	\$ 49,113,314	\$ 534,451,156
2016	487,533,970	106,708	59,918	52,440,249	540,140,845
2015	437,668,588	289,042	69,927	52,332,153	490,359,710
2014	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

Business-Type Activities							
Fiscal Year	General Obligation Bonds (1)	Capital Leases	Notes Payable	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
2017	\$ 158,928,935	\$ 231,830	\$ 57,353,912	\$ 216,514,677	\$ 750,965,833	N/A	\$ 3,013
2016	114,013,303	287,798	62,247,445	176,548,546	716,689,390	N/A	2,902
2015	116,277,314	-	67,187,542	183,464,856	673,824,566	5.2%	2,765
2014	123,494,437	-	71,834,384	195,328,821	683,833,138	5.3%	2,839
2013	126,747,752	-	65,748,564	192,496,316	697,380,728	5.9%	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

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.

(2) See Exhibit III-A-13 for personal income and population data. (All information updated as of June 30, 2015)

**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 (3)	Total Net General Obligation Debt Outstanding	Percentage of Total Estimated Actual Value of Taxable Property (4)	Per Capita (4)
2017	\$ 640,513,242	\$ 49,113,314	\$ (83,420,000)	\$ 606,206,556	2.14%	\$ 2,432
2016	601,547,272	52,440,249	-	653,987,521	2.40%	2,648
2015	553,945,902	52,332,153	-	606,278,055	2.30%	2,488
2014	556,683,481	53,505,061	-	610,188,542	2.37%	2,533
2013	575,212,124	53,783,983	-	628,996,107	2.44%	2,639
2012	579,884,975	54,611,083	-	634,496,058	2.41%	2,682
2011	562,696,383	53,023,478	-	615,719,861	2.29%	2,616
2010	600,906,927	48,555,908	-	649,462,835	2.44%	2,783
2009	479,108,806	42,046,106	-	521,154,912	2.09%	2,223
2008	513,301,224	39,608,678	-	552,909,902	2.42%	2,376

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. With the implementation of GASB 65 in fiscal year 2014, the general obligation bonds are now presented net of unamortized premium/discount. Deferred loss on bond refundings is no longer considered part of outstanding debt.
- (2) Installment Purchase Agreements are included because they require the County's bond authority to be issued.
- (3) Externally restricted funds for payment of principal on general bonded debt. Prior years adjusted in fiscal year 2017 presentation.
- (4) See Exhibit III-A-5 for real property tax values and Exhibit III-A-13 for population values.

**FREDERICK COUNTY, MARYLAND
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017**

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct:			
Frederick County	\$ <u>534,451,156</u>	100%	\$ <u>534,451,156</u>
Overlapping Debt:			
Component Units:			
Frederick County Public Schools	11,013,825	100%	11,013,825
Frederick Community College	6,220,462	100%	6,220,462
Towns, Cities and Villages:			
Brunswick	335,680	100%	335,680
Emmitsburg	265,686	100%	265,686
Frederick City	58,720,834	100%	58,720,834
Middletown	2,819,173	100%	2,819,173
Myersville	<u>3,519,740</u>	100%	<u>3,519,740</u>
Subtotal Overlapping:	<u>82,895,400</u>		<u>82,895,400</u>
Totals	\$ <u><u>617,346,556</u></u>		\$ <u><u>617,346,556</u></u>

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**

	<u>2016</u>	<u>2015</u>	<u>2014 (3)</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt limitation	\$ 1,551,079,602	\$ 1,495,999,620	\$ 1,545,915,950	\$ 1,546,288,079	\$ 1,578,375,474	\$ 1,614,294,873	\$ 1,596,671,653	\$ 1,496,803,097	\$ 1,373,425,595
Total debt applicable to limit (2)	<u>626,480,249</u>	<u>586,867,153</u>	<u>195,328,821</u>	<u>192,126,399</u>	<u>185,262,503</u>	<u>184,227,695</u>	<u>183,492,836</u>	<u>159,150,084</u>	<u>171,077,180</u>
Legal debt margin	<u>\$ 924,599,353</u>	<u>\$ 909,132,467</u>	<u>\$ 1,350,587,129</u>	<u>\$ 1,354,161,680</u>	<u>\$ 1,393,112,971</u>	<u>\$ 1,430,067,178</u>	<u>\$ 1,413,178,817</u>	<u>\$ 1,337,653,013</u>	<u>\$ 1,202,348,415</u>
Total net debt applicable to the limit as a percentage of debt limit	40.39%	39.23%	12.64%	12.43%	11.74%	11.41%	11.49%	10.63%	12.46%

Legal debt margin calculation for Fiscal Year 2017 (4)

Assessable Basis - Real Property (1)	\$ 31,148,138,360	
Debt limitation - 5% of assessable basis in real property (1)	\$ 1,557,406,918	
Assesable Basis - Personal Property (public utilities)	374,887,120	
Debt limitation - 15% of assessable basis in personal property	<u>56,233,068</u>	
Total Debt Limit	1,613,639,986	
Amount of Debt Applicable to Debt Limit:		
Total Bonds Payable	603,420,000	
Total Installment Purchase Agreements	<u>49,113,314</u>	
Total debt applicable to limit	<u>652,533,314</u>	
Legal debt margin	<u>\$ 961,106,672</u>	
Total net debt applicable to the limit as a percentage of debt limit	40.44%	

(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 and 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.

(4) Pursuant to Section 508 of the Charter of Frederick County, Maryland, effective 12/1/2014, the debt limit calculation was changed to include all general obligation debt of the County based on the combined percentages of real and personal property assessable basis. Debt amounts reflect the liability owed to bond holders, exclusive of unamortized premium or deferred losses.

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

<u>Year</u>	<u>Population(1)</u>	<u>Personal Income (thousands of dollars) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Public School Enrollment (3)</u>	<u>Community College Academic State FTE (4)</u>			<u>Unemployment Rate (5)</u>
					<u>Credit</u>	<u>Non- Credit</u>	<u>Total</u>	
2017	249,277	N/A	N/A	41,378	3,424	647	4,071	3.7%
2016	246,972	N/A	N/A	40,720	3,594	613	4,207	4.0
2015	243,692	\$ 13,011,582	\$ 54,893	40,757	3,582	560	4,142	5.0
2014	240,911	12,805,996	52,554	40,715	3,672	529	4,201	5.4
2013	238,345	11,736,462	48,617	40,527	3,798	534	4,332	6.6
2012	236,551	11,869,821	48,774	40,487	3,842	571	4,413	5.9
2011	235,400	11,034,674	47,645	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

Sources: (1) Frederick County Planning and Permitting Division Population Estimates
(2) US Bureau of Economic Analysis (All data updated as of June 30, 2015)
(3) Frederick County Board of Education
(4) Frederick Community College
(5) Maryland Department of Labor, Licensing & Regulation
N/A - Not available

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

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u> *	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u> *
Fort Detrick	9,100 *	1	9.17 %	7,900 *	1	8.42 %
Frederick County Board of Education	5,664	2	5.71	5,384	2	5.74
Frederick Memorial Healthcare System	2,379	3	2.40	2,350	4	2.51
Frederick County Government	2,034	4	2.05	2,483	3	2.65
Leidos Biomedical (formerly SAIC-Frederick)	1,836	5	1.85	1,670	6	1.78
Wells Fargo Home Mortgage	1,708	6	1.72	1,500	7	1.60
Frederick Community College	1,086	7	1.09	1,320	8	1.41
Frederick City Government	842	8	0.85	-	-	-
United Health Care (formerly MAMSI)	709	9	0.71	1,073	9	1.14
AstraZeneca	650	10	0.66	-	-	-
Bechtel Corporation (formerly Bechtel Power)	-	-	-	2,203	5	2.35
CitiMortgage	-	-	-	900	10	0.96
	<u>26,008</u>		<u>26.21 %</u>	<u>26,783</u>		<u>28.56 %</u>

* Includes military personnel

Source: Frederick County Office of Economic Development, Frederick County Board of Education, Frederick County Division of Finance, and City of Frederick

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

<u>Function/Program</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General government	338	318	291	287	294	303	332	356	378	384
Public safety	898	837	819	808	810	820	801	831	864	846
Public works	385	374	370	343	359	376	407	422	443	421
Health	154	157	158	157	316	298	318	326	333	337
Social services	104	98	97	97	101	105	109	138	149	141
Parks, recreation and culture	46	46	45	48	46	45	46	46	48	50
Library	115	115	107	111	111	114	119	117	123	121
Conservation of natural resources	8	7	7	8	7	7	5	7	7	7
Community dev. & public housing	11	10	9	9	9	9	9	11	11	11
Economic dev. & opportunity	34	30	33	28	31	31	33	114	119	114
Total	<u>2,093</u>	<u>1,992</u>	<u>1,936</u>	<u>1,896</u>	<u>2,084</u>	<u>2,108</u>	<u>2,179</u>	<u>2,368</u>	<u>2,475</u>	<u>2,432</u>

Source: Division of Finance

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

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
Human Resources										
Employment announcements issued	323	297	228	220	219	256	180	110	133	272
Employment applications received/reviewed	14,976	13,947	12,219	12,500	9,392	8,993	7,515	4,698	5,127	7,968
Finance/Accounting										
Accounts payable checks/ACH's generated	19,315	19,223	19,160	20,163	20,766	21,056	22,310	21,580	22,719	29,216
Procurement & Contracting										
Formal bids, RFP's, sole source & emergencies	287	286	265	223	185	211	204	203	210	204
Treasurer										
Invoices prepared	1,874	1,791	1,953	2,183	2,063	2,148	2,573	2,413	2,318	2,291
Property tax bills/delinquent notices mailed	108,101	107,557	106,460	104,890	102,348	107,045	106,612	101,345	103,892	101,648
Building Maintenance										
Buildings	164	162	162	155	149	147	142	145	145	136
Work orders/service requests	3,800	4,004	3,700	4,064	4,331	5,888	5,815	4,231	5,043	4,040
Square feet of properties managed	1,526,544	1,527,176	1,527,176	1,462,965	1,316,994	1,313,488	1,300,120	1,250,119	1,250,119	1,232,121
Facility Services										
Number of leases managed	28	28	28	30	35	39	33	41	39	37
Square feet of leased property managed	100,238	100,238	100,238	110,238	136,860	148,257	141,742	161,996	159,227	169,258
Pieces of outgoing U.S. mail	243,253	234,145	231,078	406,924	291,304	298,733	326,858	334,375	400,976	415,488
Elections										
Registered voters	167,809	163,131	152,913	149,393	149,312	141,136	136,014	135,264	132,866	127,227
Liquor Board										
Regular liquor licenses	331	322	310	306	307	304	304	284	300	299
Liquor inspections	8,825	10,084	9,747	7,323	7,216	5,399	5,864	4,449	3,463	3,652
Internal Audit										
Internal Audits performed (1)	10	12	10	7	2	4	4	6	5	9
Circuit Court										
New cases filed	8,181	8,734	9,756	9,704	10,333	10,710	10,431	12,499	12,429	11,168
Public Safety										
Housing units permitted (2)	1,263	1,302	721	1,296	1,006	845	581	788	665	738
Sheriff's Office										
Administration Bureau										
Civil Process papers served	22,701	23,416	23,970	23,181	22,972	19,440	20,648	28,286	30,993	24,771
Courthouse Security										
Prisoners handled: adult/juvenile	4,750	5,129	4,608	4,149	3,846	4,332	4,241	4,535	4,684	4,844
Operations: Law Enforcement										
Arrests: adult/juvenile	3,924	4,162	3,770	3,372	3,189	3,520	3,826	3,892	4,226	4,197
Calls for service	93,621	121,158	90,251	95,223	89,428	98,876	99,047	101,728	96,469	88,434
Adult Detention Center										
Average daily populaton	398	374	407	360	382	395	442	416	425	484
Emergency Communications										
Fire/EMS dispatches	35,222	33,646	33,324	32,114	32,614	32,199	32,453	30,457	27,674	26,642
Police dispatches	277,546	262,803	240,922	208,541	134,084	145,206	144,489	150,634	144,158	131,355
Administrative phone calls	383,672	298,311	264,044	274,703	186,643	161,568	167,106	155,373	158,258	165,155
Animal Control/ECC/Park Dispatches	28,228	28,375	28,001	19,735	19,067	18,980	18,526	18,752	18,465	18,251
911 calls	93,249	136,708	100,162	107,321	126,042	140,973	132,231	117,346	109,111	107,353
Text to 911 (3)	178	272	-	-	-	-	-	-	-	-

(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 began performing audit work in FY13. FY14 - FY17 include special projects, agreed upon procedure reports, reviews and audits.

(2) For FY08 - FY12, the data represents housing units constructed. For FY13 - FY16 the data represents housing units permitted. FY15 - FY17 numbers include the County and all municipalities, but excludes the City of Frederick.

(3) FY16 was the first year that this was implemented.

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

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety, Cont'd										
Animal Control (1)										
Calls for service	10,446	11,834	11,700	11,154	10,858	11,322	10,657	9,373	9,022	8,110
Public Works										
Water facilities										
Customers	23,636	22,666	21,926	21,213	21,113	20,763	20,549	20,263	20,062	20,131
Annual production (1,000 gals.)	2,215,190	2,441,675	2,414,284	2,395,882	2,032,866	2,036,251	1,846,545	1,612,900	1,733,200	1,712,670
Sewer facilities										
Customers	32,178	30,978	30,201	29,454	29,398	28,550	28,221	27,874	27,559	25,923
Fleet Services										
Work orders	5,510	5,646	5,700	5,516	5,160	5,429	5,716	5,613	6,066	5,507
Vehicles maintained	966	962	981	874	926	961	967	1,045	1,016	994
Highway Operations										
County roads - mileage maintained	1,273	1,273	1,273	1,272	1,270	1,271	1,264	1,264	1,264	1,258
Tar and chip maintenance (miles)	87	64	44	8	12	11	21	12	32	41
Usage of salt & anti-skid (tons)	12,426	12,995	30,307	37,222	17,911	7,268	15,263	16,998	14,793	22,911
Transportation Engineering										
Bridges inspected	103	145	103	145	103	138	116	136	114	170
Road overlay (miles)	33	25	13	49	17	26	3	37	48	32
Construction Management										
CIP and developer funded subdivision projects completed	32	38	26	40	23	23	41	74	69	106
TransIT										
Passenger trips	636,862	677,808	761,088	839,297	864,013	909,804	835,880	786,711	791,961	737,974
Revenue vehicle miles	1,126,156	1,130,887	1,108,172	1,059,840	1,129,546	1,147,211	1,173,086	1,196,533	1,218,305	1,112,748
Revenue vehicle hours	81,855	81,037	78,603	77,365	79,904	81,995	83,154	86,305	85,770	85,829
Health										
Health Department										
Public health nursing/non-nursing contacts (2)	40,533	24,775	19,641	20,535	22,068	21,130	21,499	22,632	25,575	25,839
Mental health visits	12,781	16,514	11,902	13,498	12,220	12,165	10,724	10,133	10,182	10,691
Substance abuse visits	39,620	35,401	21,581	39,755	35,827	25,764	26,464	28,860	29,630	30,474
Dental visits for children	4,065	4,109	3,970	3,897	3,983	3,899	4,242	4,384	4,851	5,056
Environmental health reviews/inspections	16,610	16,150	12,478	12,437	13,458	14,304	14,799	14,668	16,684	14,664
School health program										
Children served	41,984	40,819	40,757	40,715	40,527	39,293	40,484	40,210	40,155	40,566
Health room visits	345,604	338,167	331,992	317,079	320,884	289,766	304,730	307,925	270,234	271,815
Developmental Center										
Infants & Toddlers Program children served	682	636	607	555	528	697	638	583	548	529
School-based services visits	20,327	19,133	14,000	14,810	14,113	13,959	14,378	14,734	12,442	11,512
School-based assessments	414	325	220	*	*	*	*	*	*	*
Audiology services visits	810	798	786	778	793	767	809	835	801	877
Social Services										
Social Services										
Child & Adult Care Food Program										
Home visits	900	850	850	850	800	855	843	825	900	900
Department of Aging										
Home delivered meals served to elderly	58,000	57,635	51,951	41,003	51,282	50,305	50,220	45,490	44,624	50,042
Congregate meals served	10,000	10,751	10,366	9,485	11,795	13,474	15,522	15,338	16,936	16,638

*Information not available

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

(2) During FY17, a more precise tracing system was implemented to better capture all client interactions and more fully illustrate the workload.

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

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Parks, recreation and culture										
Parks & Recreation										
Parks acres maintained	2,099	2,099	2,096	2,074	2,066	2,066	2,066	2,066	1,792	1,572
Recreation center registrations (1)	6,918	6,676	7,287	6,292	55,997	49,994	62,183	51,873	48,106	48,463
Conservation of natural resources										
Agriculture										
Farms	1,308	1,308	1,308	1,308	1,442	1,442	1,442	1,442	1,442	1,273
Acreage	181,512	181,512	181,512	181,512	202,087	202,087	202,087	202,087	202,087	195,827
Preserved land										
Farms	455	439	426	413	405	397	390	376	355	298
Acreage	61,667	59,220	57,198	55,542	54,365	53,572	52,802	50,946	47,538	40,163
Community development and public housing										
Bell Court housing project (28 units)										
Occupancy rate	100%	100%	100%	99%	99%	100%	100%	100%	100%	100%
Economic development and opportunity										
Workforce Services										
One - stop services - customers served	6,132	5,911	5,324	5,511	5,009	4,538	6,547	5,122	2,744	2,365
One - stop services - youth customers served	377	335	255	237	220	212	242	214	200	330
Job openings received	4,755	3,708	3,968	3,073	3,178	3,743	4,446	2,761	1,765	2,116
Customized training provided (trainees)	n/a	n/a	n/a	n/a	Program Ended	1,044	1,413	998	2,319	1,663
Frederick Business works projects (trainees)	45	1	91	n/a	n/a	Grant Ended	351	187	190	310
Recruitment for business (2)	5	58	80	91	44	60	32	90	81	*
Customized & onsite recruitment events	439	318	415	454	359	454	364	18	28	31
Website unique visitors	35,313	41,054	50,380	68,344	82,257	93,875	82,422	79,697	55,605	21,774
Office of Economic Development										
Average page views per month (3)	1,243	513,951	413,000	396,800	421,502	420,018	422,119	390,112	370,934	365,115
Inquiries	2,100	2,100	2,100	2,100	2,100	2,001	2,590	3,847	3,943	3,343
Prospects	195	120	150	185	140	128	150	164	311	440
Projects	500	400	500	410	503	499	513	541	513	422
Companies visited	400	350	350	348	325	308	311	348	429	424
Companies assisted	500	400	300	275	313	290	270	272	335	418

*Information not available

(1) Formerly recreation center attendance - numbers updated accordingly

(2) Job fair employers; Frederick New Post job fair now leads recruiting businesses for event

(3) Formerly average web hits per month for FY08 - FY16

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

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

<u>Function/Program</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Government										
Building maintenance										
Buildings managed	164	162	162	155	149	147	142	145	145	136
Public Safety										
Fire/rescue stations	30	30	30	30	30	30	30	30	30	30
Adult Detention Center average daily population	398	374	407	360	382	395	442	416	425	484
Public Works										
County roads - mileage	1,273	1,273	1,273	1,272	1,270	1,271	1,264	1,264	1,264	1,258
Water facilities										
Plants/Distribution Systems	13	13	13	13	12	12	12	12	12	14
Daily capacity (1,000 gals.)	17,198	17,198	17,282	18,124	18,124	18,124	18,124	12,432	12,432	12,432
Miles of water mains	336	321	314	308	306	302	293	290	289	284
Hydrants	3,026	2,843	2,783	2,689	2,665	2,602	2,482	2,453	2,428	2,357
Sewer facilities										
Plants/Collection Systems	12	12	12	13	14	14	15	15	16	16
Daily capacity (1,000 gals.)	16,143	16,143	16,043	8,533	8,677	8,677	8,677	8,677	7,727	7,677
Miles of sewer mains	396	377	373	371	367	363	357	353	352	344
Bridges										
Bridges (over 20' spans)	219	218	218	219	219	219	219	219	219	215
Fleet services										
Vehicles	1,001	996	987	940	926	961	967	1,045	1,016	994
Parks, Recreation and Culture										
County park acreage	2,099	2,099	2,096	2,074	2,066	2,066	2,066	2,066	1,792	1,572
County facilities	39	39	37	37	36	36	36	36	31	30

Sources: Fire/Rescue, Sheriff, Public Works, Fleet Services, Parks and Recreation, Division of Utilities and Solid Waste Management

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