

OFFICIAL STATEMENT DATED JULY 10, 2014



NEW ISSUE-DTC BOOK-ENTRY ONLY

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants in the Tax Certificate and Compliance Agreement to be executed and delivered by the County on the date of delivery of the Bonds, and subject to the conditions stated herein under "Tax Matters," under existing law, (a) the interest on the Bonds is excludable from gross income for Federal income tax purposes, and (b) the interest on the Bonds is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; provided, however, that such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations. As described herein under "Tax Matters," other Federal income tax consequences may arise from ownership of the Bonds. It is also the opinion of Bond Counsel that, under existing law of the State of Maryland, the interest on the Bonds and profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds or the interest thereon. See "Tax Matters" herein."



\$34,795,000

FREDERICK COUNTY, MARYLAND

General Obligation Public Facilities Bonds, Series 2014A

Dated: Date of Delivery

Due: as shown on inside cover

County Commissioners of Frederick County (the "County") is issuing its Frederick County, Maryland General Obligation Public Facilities Bonds, Series 2014A in the aggregate principal amount of \$34,795,000 (the "Bonds") to provide funds for the purpose of funding various projects identified in the County's Capital Improvement Plan, refinance certain capital lease financing and to pay related costs of issuance.

The Bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof. All of the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository. Purchases of the Bonds will be in book-entry form only. Manufacturers and Traders Trust Company, Baltimore, MD, will act as Registrar and Paying Agent for the Bonds.

The Bonds will accrue interest from the date of delivery. Interest on the Bonds will be payable on each February 1 and August 1, beginning on February 1, 2015. The Bonds are subject to optional redemption, as more fully described herein.

FOR MATURITY SCHEDULE SEE INSIDE FRONT COVER

The Bonds are general obligations of the County for the payment of which the County's full faith and credit and unlimited taxing power are irrevocably pledged.

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered for delivery when, as and if issued by the County and accepted by the Underwriter, of the approving opinion of Venable LLP, Baltimore, Maryland, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. Certain legal matters will be passed upon for the Underwriter by McGuireWoods LLP, Baltimore, Maryland. It is expected that the Bonds will be available for delivery on or about July 24, 2014.

J.P. Morgan

\$34,795,000 General Obligation Public Facilities Bonds, Series 2014A
MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS

Maturing August 1	Principal Amount	Interest Rate	Price or Yield	CUSIP+
2015.....	\$1,145,000	2.00%	0.11%	3556947D6
2016.....	1,175,000	3.00	0.31	3556947E4
2017.....	1,215,000	4.00	0.64	3556947F1
2018.....	1,265,000	4.00	0.98	3556947G9
2019.....	1,325,000	5.00	1.37	3556947H7
2020.....	1,395,000	5.00	1.68	3556947J3
2021.....	1,465,000	5.00	1.95	3556947K0
2022.....	1,540,000	5.00	2.17	3556947L8
2023.....	1,620,000	5.00	2.35	3556947M6
2024.....	1,700,000	5.00	2.46	3556947N4
2025.....	1,780,000	4.00	2.65†	3556947P9
2026.....	1,855,000	4.00	2.79†	3556947Q7
2027.....	1,920,000	3.00	3.13	3556947R5
2028.....	1,975,000	3.00	3.21	3556947S3
2029.....	2,040,000	3.50	3.32†	3556947T1
2030.....	2,110,000	3.25	3.38	3556947U8
2031.....	2,190,000	3.75	3.46†	3556947V6
2032.....	2,270,000	3.75	3.52†	3556947W4
2033.....	2,360,000	3.75	3.58†	3556947X2
2034.....	2,450,000	3.75	3.63†	3556947Y0

† Price calculated to first optional call date of August 1, 2022.

+ CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw Hill Companies Inc. The CUSIP number listed above is being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and neither the County nor the Underwriter make any representation with respect to such CUSIP number nor undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds.

COUNTY COMMISSIONERS OF FREDERICK COUNTY

CERTAIN ELECTED OFFICIALS

Blaine R. Young
President, Board of County Commissioners

C. Paul Smith
Vice President, Board of County Commissioners

Billy Shreve
Commissioner

David P. Gray
Commissioner

Kirby Delauter
Commissioner

CERTAIN APPOINTED AND MANAGERIAL OFFICIALS

Lori L. Depies, CPA
County Manager

John S. Mathias
County Attorney

Erin M. White, CPA
Acting Director, Finance Division

Charles F. Nipe
Director, Public Works Division

Gary Hessong
Acting Director, Community Development Division

Kevin L. Demosky
Director, Utilities and Solid Waste Management Division

Helen Propheter
Business Retention Manager, Business Development and Retention Department

BOND COUNSEL
Venable LLP
Baltimore, Maryland

FINANCIAL ADVISOR
Davenport & Company LLC
Towson, Maryland

COUNTY AUDITOR
SB & Company
Hunt Valley, Maryland

PAYING AGENT AND BOND REGISTRAR
Manufacturers and Traders Trust Company
Baltimore, Maryland

No dealer, broker, sales representative or other person has been authorized by the County or the Underwriter for the Bonds to give any information or to make any representations with respect to the County or its general obligation bonds or notes other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds.

All quotations from the summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of facts. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the County since the respective dates as of which information is given herein.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of important factors, including factors affecting the County's financial condition, could cause actual results to differ materially from those stated in the forward-looking statements.

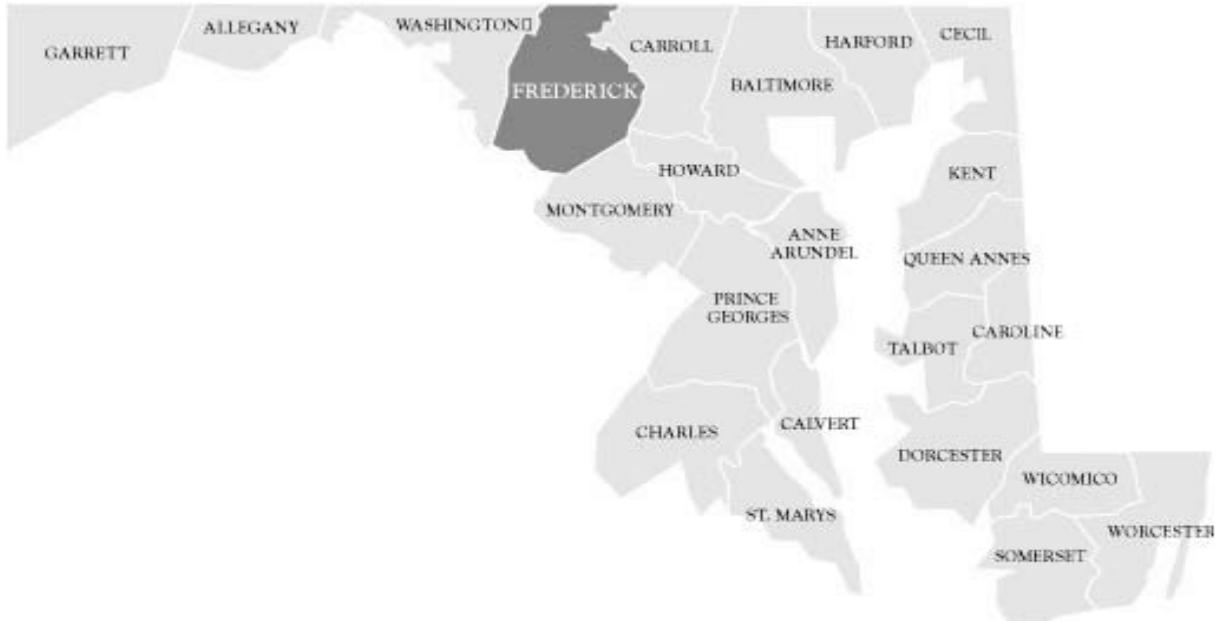
The information set forth herein has been obtained from the County and other sources that are deemed to be reliable. The information from sources other than the County is not guaranteed as to accuracy or completeness nor should it be construed as representations of the County or the Underwriter.

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LOCATION

Frederick County is located in the north central part of the State of Maryland, 245 miles from New York City, 150 miles from Philadelphia, 45 miles from Baltimore, and 45 miles from Washington, D.C.



OFFICIAL STATEMENT

\$34,795,000

FREDERICK COUNTY, MARYLAND

General Obligation Public Facilities Bonds, Series 2014A

INTRODUCTION

The purpose of this Official Statement, including the cover page, inside cover page and Appendices hereto, is to set forth certain information in connection with the issuance and sale by the County Commissioners of Frederick County (the "County") of \$34,795,000 aggregate principal amount of its Frederick County, Maryland General Obligation Public Facilities Bonds, Series 2014A (the "Bonds"). However, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts. Figures herein relating to tax collections, assessed value of property, and the financial position of the County have been taken from official records of the County.

The material and information contained in this Official Statement have been provided by the County and the execution and distribution of this Official Statement have been authorized and approved by the County.

Frederick County, founded in 1748, originally included the present Maryland counties of Garrett, Allegany, Washington, Carroll and Montgomery. It is located in the north central part of Maryland and is 664 square miles in area. Frederick County is bordered on the north by Pennsylvania, on the west by Washington County, on the east by Howard and Carroll Counties, and on the south by Montgomery County and Virginia. The estimated population of Frederick County as of July 1, 2013 is 238,345.

There are 12 incorporated towns within Frederick County. The County seat and largest city is the City of Frederick, which has an estimated population of 66,127 as of July 1, 2013. The City of Frederick is located approximately 45 miles northwest of Washington, D.C. and 45 miles west of Baltimore, Maryland.

Frederick County is currently governed by an elected five-member Board of County Commissioners (the "Board") which serves for four years. The Board may exercise only such powers as are conferred on it by the General Assembly of Maryland, including the power to issue debt to finance its capital projects. See "COUNTY GOVERNMENT AND ADMINISTRATION – Change in Form of County Government" and "CERTAIN DEBT INFORMATION".

The executive offices of the County are located at Winchester Hall, 12 East Church Street, Frederick, Maryland. The County's central telephone number is (301) 600-1100.

Any questions regarding this Official Statement or the Bonds should be directed to the Acting Director of Finance, Frederick County, Maryland, Winchester Hall, 12 East Church Street, Frederick, Maryland 21701, telephone number (301) 600-1193.

THE BONDS

General

The Bonds will be dated the date of their delivery and will bear interest at the rates and mature in the amounts and at the times set forth on the inside front cover page hereof.

Interest on the Bonds, calculated on the basis of a 30-day month/360-day year factor, will be payable semiannually on February 1 and August 1, commencing February 1, 2015, until the principal amount is paid.

Interest on the Bonds shall be payable to the person in whose name such Bond is registered on the registration books for the Bonds as of the 30th calendar day of the month immediately preceding each interest payment date.

The Bonds will be issued in fully-registered form without coupons and will be issued in denominations of \$5,000 and integral multiples thereof. The Bonds initially will be issued in book-entry form without any physical distribution of certificates made to the public. The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds and the Bonds will be registered in the name of DTC’s partnership nominee, Cede & Co. (See “DTC and Book-Entry Only System”).

So long as the Bonds are maintained in book-entry form, payments of principal, premium and interest on the Bonds will be made as described below under “DTC and Book-Entry Only System.” At any other time, the principal amount of and premium, if any, on the Bonds will be payable at the principal corporate trust office of Manufacturers and Traders Trust Company, Baltimore, Maryland (the “Paying Agent” and “Bond Registrar”). Interest on the Bonds will be payable by check of the Paying Agent mailed to the registered owners thereof. The principal of, premium, if any, and interest on the Bonds will be paid in lawful money of the United States of America in the manner and at the places hereinabove described.

The Bonds will be valid and legally binding general obligations of the County, to which the full faith and credit and unlimited taxing power of the County will be pledged. They are not guaranteed by the State of Maryland or any other entity. Security for the Bonds is more fully described herein under “THE BONDS - Security for the Bonds”.

Authorization

The Bonds are issued pursuant to the authority of Chapter 382 of the Laws of Maryland of 2007, as amended (the “2007 Act”), Chapter 54 of the Laws of Maryland of 2012, as amended (the “2012 Act”), Chapter 2-13 of the Code of Public Local Laws of Frederick County (1979), as amended (the “Water and Sewer Act”), Sections 5-601 through 5-604 of the Education Volume of the Annotated Code of Maryland, as amended (the “Education Act” and, together with the 2007 Act, the 2012 Act and the Water and Sewer Act, the “Acts”) and in accordance with Resolution No. 14-13 adopted by the Board on June 5, 2014 (the “Resolution”).

Security for the Bonds

The Acts provide that the Bonds constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the County to the payment of the maturing principal of and interest on the Bonds as and when they become payable. The maturing principal of and interest on a portion of the Bonds equal to the amount of Bonds issued pursuant to the Water and Sewer Act will be payable in the first instance from connection charges, special assessments and other charges permitted to be levied by the County pursuant to the Water and Sewer Act in connection with specific solid waste, water and sewer projects. The Acts further provide, and the County has covenanted in the Resolution, that in each and every fiscal year that any of the Bonds are outstanding the County shall levy or cause to be levied ad valorem taxes upon all assessable property within the corporate limits of Frederick County in rate and amount sufficient to provide for or assure the payment, when due, of the principal of and interest on all such Bonds maturing in each such fiscal year and, if the proceeds from the taxes so levied in such fiscal year prove inadequate for such payment, additional taxes shall be levied in the succeeding fiscal year to make up any deficiency.

The Acts further provide that the County may apply to the payment of the principal of and interest on any Bonds any funds received by it from the State of Maryland (the “State”), the United States of America, or any agency or instrumentality of either, or from any other source. If such funds are available for the purpose of assisting the County in financing the construction of the public facilities as defined in the Acts, and, to the extent of any such funds received or receivable in any fiscal year, taxes that might otherwise be required to be levied under the Acts may be reduced or need not be levied.

Indebtedness of the County presently outstanding and the County’s authority to issue future debt are described herein under “CERTAIN DEBT INFORMATION”.

DTC and Book-Entry Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Bond Registrar and Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar and Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County or the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, definitive Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The current "Rules" applicable to DTC and its Participants are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC. The information under this heading concerning DTC and DTC's book-entry only system has been obtained from sources that the County believes to be reliable. No representation is made by the Bond Registrar and Paying Agent or the County as to, and the Bond Registrar and Paying Agent and the County take no responsibility for, the completeness or the accuracy of such information or the absence of material adverse changes in such information subsequent to the date of this Official Statement.

So long as Cede & Co., or any successor thereto, is the registered owner of the Bonds, as DTC's partnership nominee, references herein to the Bond holders or registered owners of the Bonds shall mean DTC and shall not mean the Beneficial Owners of the Bonds. During such period, the Bond Registrar and Paying Agent and the County will recognize DTC or its partnership nominee as the owner of all of the Bonds for all purposes, including the payment of the principal of, redemption premium, if any, and interest on the Bonds, as well as the giving of notices and voting.

NEITHER THE COUNTY NOR THE BOND REGISTRAR AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OF THE BONDS WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT OF ANY AMOUNT DUE TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BONDS TO BE GIVEN TO BOND OWNERS; (5) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

DTC may charge the Participants a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Bonds, and the Participants may seek reimbursement therefor from the Beneficial Owners.

Application of Proceeds of the Bonds

The Bonds are being issued to pay a portion of the costs of financing indebtedness, reimbursing expenditures incurred for certain authorized capital projects of the County, refinancing a portion of the 2012 capital lease and to pay related costs of issuance.

The breakdown of amounts to be financed with the proceeds of the Bonds generally include:

General Government.....	\$ 9,387,500
Board of Education	8,914,500
Roads and Bridges	8,828,000
Community College	3,870,000
Water / Sewer	2,660,000
Total Capital Project Funding.....	<u>\$33,660,000</u>
Refinancing of 2012 Capital Lease ⁽¹⁾	910,517
Cost of Issuance ⁽²⁾	<u>224,483</u>
 TOTAL BOND PROCEEDS.....	<u> \$34,795,000</u>

⁽¹⁾ Estimate.

⁽²⁾ Estimate, does not include underwriter's discount.

Redemption

Optional Redemption of Bonds. The Bonds maturing on or after August 1, 2025 shall be subject to redemption prior to their respective maturities, at the option of the County, at any time on or after August 1, 2022, either as a whole or in part, but only upon payment of a redemption price equal to 100% of the principal amount thereof, together with accrued interest thereon to the date fixed for redemption.

If less than all of the outstanding Bonds are called for redemption, the County shall choose the maturities of the Bonds to be redeemed and the principal amount of each maturity to be redeemed, in its sole discretion; and if less than all of the Bonds of any one maturity are called for redemption, the particular Bonds to be redeemed from such maturity shall be selected by lot by the Registrar, except that so long as The Depository Trust Company ("DTC") or its nominee is the sole registered owner of the Bonds, the particular Bonds or portion to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine. Each \$5,000 portion of a Bond shall be treated as a separate Bond in the selection by lot of Bonds to be redeemed.

In case part but not all of a Bond shall be selected for redemption, then, upon the surrender thereof, there shall be issued without charge to the registered owner thereof a Bond or Bonds in any authorized denomination as specified by the registered owner. The aggregate principal amount of the Bond or Bonds so issued shall be equal to the unredeemed balance of the principal amount of the Bond surrendered.

If the County elects to redeem all or a portion of the Bonds outstanding, a redemption notice as prescribed in the Resolution shall be mailed by the Bond Registrar (hereinafter defined), on behalf of the County, not less than 30 days prior to the date fixed for redemption, postage prepaid, to the registered owners of the Bonds to be redeemed by first-class mail at their last addresses appearing on the registration books maintained by the Bond Registrar (the "Bond Register"); provided, however, that the failure to mail such notice with respect to a particular Bond to be redeemed or any defect in such notice, or in the mailing thereof, shall not affect the sufficiency of the redemption of any other Bond. So long as DTC or its nominee is the sole registered owner of the Bonds, any redemption notice shall be given to DTC by a secure means (e.g., legible facsimile transmission, registered or certified mail or overnight express delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on such 30th day. From and after the date fixed for redemption, if notice has been duly and properly given and if funds sufficient for the payment of the redemption price of the Bonds called for redemption are held by the Bond Registrar on such date, the Bonds so called for redemption shall become due and payable at the redemption price provided for the redemption of such Bonds on such date, interest on Bonds shall cease to accrue and the registered owners of such Bonds so called for redemption shall have no rights in respect thereof except to receive payment of the redemption price thereof from such monies held by the Bond Registrar. Upon presentation and surrender of a Bond called for redemption in compliance with the redemption notice, the Bond Registrar shall pay the appropriate redemption price of such Bond. If Bonds so called for redemption are not paid upon presentation and surrender as described above, such Bonds shall continue to bear interest at the rates stated therein until paid.

Registration and Transfer

So long as the Bonds are maintained in book-entry form, transfers of ownership interests will be made as described above under “DTC and Book-Entry Only System.” At any other time, the Bonds will be transferable only upon the registration books kept at the principal corporate trust office of Manufacturers and Traders Trust Company in Baltimore, Maryland (the “Bond Registrar”), by the registered owner thereof upon surrender thereof together with a written instrument of transfer in form attached thereto and satisfactory to the Bond Registrar and duly executed by the registered owner or his duly authorized attorney. The County may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes. Upon any such transfer or exchange, the County shall execute and the Bond Registrar shall authenticate and deliver a new registered Bond or Bonds of any authorized denomination in an aggregate principal amount equal to the principal amount of the Bond exchanged or transferred and maturing on the same date and bearing interest at the same rate. In each case, the County and the Bond Registrar may require payment by any holder of Bonds requesting exchange or transfer of Bonds of any tax, fee or other governmental charge, shipping charges and insurance that may be required to be paid with respect to such exchange or transfer, and the County and the Bond Registrar may charge a sum sufficient to reimburse them for expenses incurred in connection with such exchange or transfer. The Bond Registrar shall not be required to transfer or exchange any Bond within fifteen (15) days preceding any interest payment date or after the mailing of notice calling such Bond or portion thereof for redemption as hereinafter described; provided, however, that the foregoing limitation shall not apply to that portion of a Bond in excess of \$5,000 which is not being called for redemption.

Bondholders’ Remedies

It is the opinion of Bond Counsel that the County may be sued in the event that it fails to perform its obligations under the Bonds to the registered owners thereof and that any judgments resulting from such suits would be enforceable against the County. Nevertheless, a holder of a Bond who has obtained any such judgment may be required to seek additional relief to compel the County to assess, levy and collect such taxes as may be necessary to provide the funds from which such judgment may be paid. Although there is no Maryland law with respect to this issue, it is the opinion of Bond Counsel that the appropriate courts of Maryland have jurisdiction to entertain proceedings and power to grant additional relief, such as a mandatory injunction, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the holders of general obligation bonds, pari passu, subject to the inherent constitutional limitations referred to below.

It is also the opinion of Bond Counsel that, while remedies would be available to bondholders and while the Bonds are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute.

Enforcement of a claim for payment of the principal of or interest on the Bonds could be made subject to the provisions of Federal bankruptcy laws or of any statutes that may hereafter be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time of payment or imposing other constraints upon enforcement.

RATINGS

Fitch Ratings, Moody’s Investors Service, Inc., and Standard & Poor’s Credit Market Services have given the Bonds the ratings indicated on the cover page of this Official Statement. An explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. The County furnished to such rating agencies the information contained in a preliminary form of this Official Statement and other information. Generally, rating agencies base their ratings on such materials and information, as well as their own investigations, studies and assumptions. Such ratings may be changed at any time and no assurance can be given that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

Approval of Legal Proceedings

The validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes will be passed upon by Venable LLP, Baltimore, Maryland, Bond Counsel. The proposed form of Bond Counsel’s opinion is set forth in Appendix B to this Official Statement.

TAX MATTERS

Federal Income Taxation

In the opinion of Bond Counsel, under existing law, the interest on the Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain requirements that must be met subsequent to the issuance of the Bonds in order for the interest on the Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the Bonds. Such restrictions include, among other things, limitations on the yield of investments acquired with gross proceeds of the Bonds and the periodic payment to the United States of specified portions of arbitrage profit derived from such investments.

In order to comply with the requirements of the Code, the County has made covenants and agreements that are designed to satisfy the requirements of Section 103 and Sections 141 through 150, inclusive, of the Code, and the income tax regulations issued thereunder. In the opinion of Bond Counsel, these covenants and agreements are sufficient to meet the requirements (to the extent applicable to the Bonds) of Section 103 and Sections 141 through 150 of the Code. However, Bond Counsel assumes no responsibility for, and will not monitor, compliance with these covenants and agreements. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes retroactively to the date of issue.

Under the Code, in calculating corporate alternative minimum tax, a corporation is required to increase its alternative minimum taxable income by 75 percent of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For this purpose, "adjusted current earnings" would include, among other items, interest on the Bonds. In addition, the Code imposes a branch-level tax on certain earnings and profits of foreign corporations operating branches in the United States, and such earnings and profits would include interest on the Bonds.

Other federal income tax consequences may arise from ownership of the Bonds, and in connection therewith, attention is directed to the following provisions of the Code: (a) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, (b) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (c) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on Bonds such as the Bonds, and (d) for S corporations having subchapter C earnings and profits, the receipt of certain amounts of passive investment income, which includes interest on the Bonds, may result in the imposition of income tax on such passive investment income and, in some cases, loss of S corporation status.

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in the Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). The holder will be required to reduce his tax basis in the Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during the period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Bonds.

The initial public offering price of some of the Bonds may be less than the amount payable on those Bonds at maturity. The excess, if any, of the amount payable at maturity of a Bond over the initial public offering price (plus accrued interest from the dated date of the Bond to the date of initial delivery of the Bond) at which a substantial amount of the same maturity of the Bonds was sold constitutes original issue discount ("OID") for Federal income tax purposes. The full amount of OID will accrue over the term of a Bond in accordance with a constant yield method (using semiannual compounding) which allocates smaller portions of OID to earlier semiannual compounding periods and larger portions of OID to later semiannual compounding periods. In the case of an original or a subsequent holder of a Bond, the amount of OID which is treated as having accrued with respect to such Bond during the period that the holder has held it (a) is not included in the gross income of the holder for Federal

income tax purposes, and (b) is included in the cost basis of the holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). Holders of Bonds should consult their tax advisors with respect to the determination, for Federal income tax purposes, of OID accrued upon the sale, redemption or payment at maturity of the Bonds.

Prospective purchasers of the Bonds should consider possible state and local, excise, or franchise tax consequences arising from original issue discount on the Bonds. In addition, prospective corporate purchasers of the Bonds should consider possible federal income tax consequences arising from original issue discount on the Bonds under the alternative minimum tax and the branch profits tax described above.

Legislative proposals presently before Congress or that are introduced after issuance and delivery of the Bonds, if enacted, could alter or amend one or more of the federal tax matters referred to above and/or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted, and there can be no assurance that any such proposal would not apply to Bonds issued prior to the enactment of such proposal. Accordingly, prospective purchasers of the Bonds should consult with their tax advisors as to the status and potential effect of such proposals.

The Internal Revenue Service (the “Service”) has a program to audit state and local government Bonds to determine whether the interest thereon is includable in gross income for Federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the County as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate in the audit process. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such an audit, or an audit of Bonds presenting similar issues, may affect the market value and marketability of the Bonds. Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the County or owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt Bonds, including the Bonds, are in certain cases subject to information reporting for federal income tax purposes in a manner similar to that applicable to taxable Bonds. Additionally, backup withholding may apply to any such payments to any Bond holder who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. These reporting and backup withholding requirements do not in and of themselves affect or alter the excludability of such interest from gross income for federal tax purposes or any other federal tax consequences of purchasing, holding or selling tax-exempt Bonds.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete. Prospective purchasers and holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

Maryland State and Local Income Tax

In the opinion of Bond Counsel, under existing law of the State of Maryland, the interest on the Bonds and the profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; but no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the income therefrom.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Prospective purchasers of the Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Bonds and regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of Maryland.

COUNTY GOVERNMENT AND ADMINISTRATION

General

County Commissioners of Frederick County (the “County”) is a body corporate and politic, which performs local governmental functions within Frederick County except for those performed by its 12 incorporated municipalities. Certain independent agencies, which provide services to Frederick County residents, are funded by the County. See “Independent Agencies” under this heading.

The County provides a full range of services, including fire and rescue; law enforcement; sanitation services; construction and maintenance of highways, streets, and infrastructure; recreational activities; permitting and zoning activities; and general government activities. The County's sanitation services, i.e., water, sewer, and solid waste management (including residential recycling), are wholly supported through user fees; the remaining services are primarily tax-supported. Incorporated municipalities within Frederick County provide some or all of the following services within their boundaries which relieves the County from providing these services in those areas: water, sewer, solid waste management, highway and street maintenance, parks and recreation, and police protection. There have been no recent significant changes or interruptions in the provision of these services.

Division III of the Local Government Article of the Annotated Code of Maryland of 1957, as amended (the "Maryland Code") sets out the enumerated powers of the county commissioners of each county in the State of Maryland (the "State") that is governed by county commissioners. Section 9-403 of said Local Government Article declares the county commissioners of a county to be a corporation. Under Maryland law, the county commissioners combine executive and legislative functions.

The Board consists of five commissioners, all of whom are elected by the voters of Frederick County on a county-wide basis every four years. The Board may exercise only such powers as are expressly conferred on it: (1) by the Maryland General Assembly as codified in the Maryland Code, and (2) by public local laws enacted by the General Assembly of Maryland, which apply only to Frederick County and are codified in Part II (Code of Public Local Laws of Frederick County, 1979) of the Frederick County Code, 2004, as amended (the "County Code").

Section 9-104 of the Local Government Article of the Maryland Code empowers the Board to appoint a clerk to the Board, and all other officers, agents and employees required for County purposes not otherwise provided by law. The County Code empowers the Board to appoint an attorney to provide it with legal services and a county manager to administer and supervise the daily operations of County staff.

The financial affairs of the County are administered by the Director of Finance. The Director of Finance's duties include the disbursement of County funds, the keeping and supervision of all accounts, the control of all expenditures on the basis of budgetary appropriations and allotments, the preparation of bond sales, advising on debt management and the preparation of the County's annual financial report. In addition, the Director of Finance is responsible for the procurement operation, the treasurer's office and the risk management office.

The Frederick County, Maryland Government Organization Chart is found on the next page

Change in Form of County Government

On November 6, 2012, the voters of Frederick County adopted a new charter, thereby approving a change in the form of government for the County. On December 1, 2014, the County will become a "charter county" under Article XI-A of the Maryland Constitution. Other Maryland charter counties include Anne Arundel, Baltimore, Cecil, Harford, Howard, Montgomery, Prince George's, Talbot and Wicomico Counties.

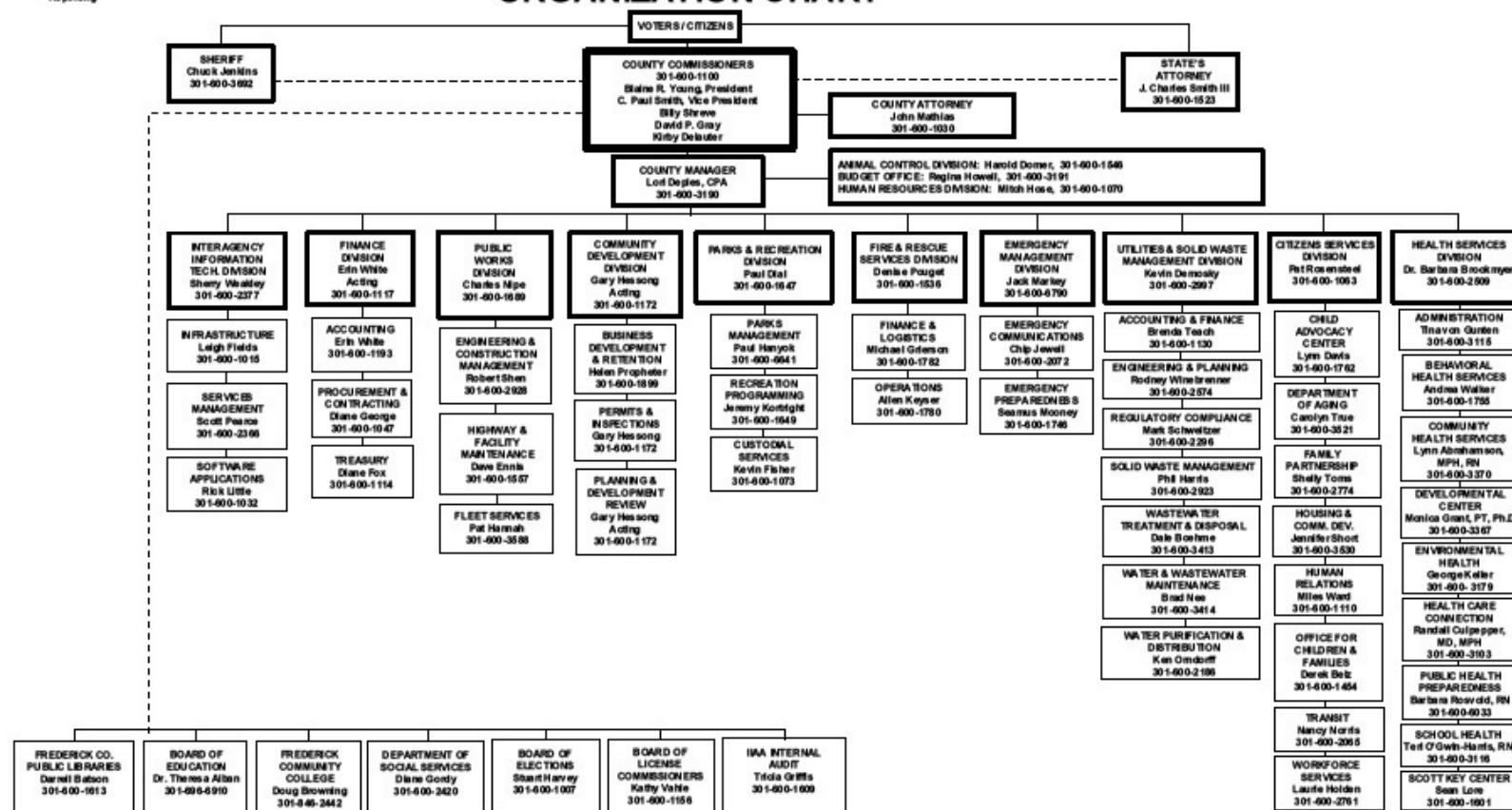
Charter counties operate under separate legislative and executive branches of government, with the legislative power vested in an elected County Council and executive power in an elected County Executive. Charter counties have significant home rule powers, including the powers to enact local laws, to levy and collect taxes and assessments, and to incur debt.

The Frederick County Council will be composed of seven members, consisting of five members elected from council districts and two at-large members. Council members will serve four-year terms, and may not serve more than three consecutive terms.

The County Executive will be the chief executive officer of the County, and will serve a four year term. No County Executive may serve more than two consecutive terms. The County Executive will appoint other County executive officers, including a Chief Administrative Officer, a County Attorney, a Director of Finance, and other department heads. The change in government to a charter county form of government will not nullify the approvals referred to under "BONDS-Authorization" or re validity of the Bonds.

FREDERICK COUNTY GOVERNMENT ORGANIZATION CHART

Key
— Coordination
— Recording



Certain Elected and Appointed Officials

Blaine R. Young, President, has served on the Board of County Commissioners since March 2010. A life-long resident of Frederick County, he graduated from Frederick Community College and Frostburg University. He currently attends Mount Saint Mary's University, having been selected as one of nine individuals for the University's first ever one-year accelerated Masters program. At the age of 26, Mr. Young was elected to the City of Frederick's Board of Aldermen. Currently, he is a columnist for various local publications and is the owner and co-owner of several Frederick County businesses including Yellow Cab and Classic Limo and Sedan. Very active in the community, Mr. Young is a member of numerous clubs and civic associations.

C. Paul Smith, Vice President, is serving his first term as county commissioner. In 1978 Mr. Smith received his juris doctor degree from the J. Reuben Clark Law School at Brigham Young University. He is admitted to practice law in all federal and state courts in Maryland and before the U.S. Court of Appeals for the Fourth Circuit and the U.S. Supreme Court. Mr. Smith's practice consists primarily of family law matters, estate and probate matters, and general civil litigation. He is a member of the state and county bar associations. Mr. Smith is a student of the Constitution, an author, a former alderman of The City of Frederick, a leader in the Boy Scouts of America (BSA), and an Elder in The Church of Jesus Christ of Latter-day Saints. He wrote and published *The State of the Constitution* (2002) and the newsletter that regularly supplements the book, *Constitutional Law Updates* (2001 – present). Mr. Smith has served as scoutmaster five different times and is the immediate past chair of the Catoctin Mountain District of the BSA. He served as a missionary to France (1970-72). In 1988 Mr. Smith published the book, *I Will Send My Messenger*.

Billy Shreve, Commissioner, is serving his first term as county commissioner. He is a commercial realtor and consultant with Real Estate Teams in Frederick, Maryland, licensed in Maryland and Pennsylvania. Mr. Shreve attended Frederick County Public Schools, Frederick Community College receiving an associate in arts degree, and Hood College. He has served as chair of the Frederick County Board of Zoning Appeals and is a past member of the Frederick City Planning Commission. Mr. Shreve is a past president of the local chapter of Habitat for Humanity.

David P. Gray, Commissioner, is serving his fifth term as county commissioner. He served as president of the Board of County Commissioners in his third term from 1998-2002. Mr. Gray also served as a member of the Frederick County Planning Commission from 1979 to 1990. In his first of three consecutive terms, from 1990 to 2002, Mr. Gray successfully advocated for a Frederick County Ethics Ordinance and the county's first Adequate Public Facilities Ordinance. He received his bachelor's degree in electrical engineering from the University of Delaware in 1963, and pursued his career in engineering until 1989 when he and his wife partnered in business as tax consultants. Mr. Gray continued his studies in business law, accounting, and computer networking, as well as in corporate and individual tax analysis. He is a licensed NASD investment representative and has achieved IRS status as an enrolled agent.

Kirby Delauter, Commissioner, is serving his first term as county commissioner. Mr. Delauter was raised in Frederick County and graduated from Catoctin High School. He is a veteran of the U.S. Army. Mr. Delauter worked within the construction industry and in 1993 purchased the family business W.F. Delauter and Son, Inc. with current business partner, Mr. Carl Athey. The business was started in 1955 by his grandfather, Mr. Willie F. Delauter, and his father, Mr. Russell Delauter. The business continues to operate today doing projects in Maryland, Pennsylvania, and Virginia. Mr. Delauter also has served on the Thurmont Police Commission and as chair of the Thurmont Board of Appeals.

Lori L Depies, CPA, County Manager, was appointed to her position in October 2012. Before becoming County Manager, she served as director of the Finance Division. Ms. Depies previously served as the director of the Department of Treasury and as an accounting team leader for the general fund, various enterprise funds, the pension fund, and component units. Prior to her employment with Frederick County, Ms. Depies was the controller for Washington Aluminum Company, Baltimore, Maryland, as well as the subsidiary operation in Pennsylvania. Her career in this manufacturing operation totaled 10 years. In addition, she served as a staff accountant for five years at Home Federal Savings Bank, Hagerstown, Maryland. Ms. Depies received her bachelor's degree in accounting from Frostburg State University. She is a certified public accountant and a member of the American Institute of Certified Public Accountants and the Government Finance Officers Association. She is a member of the Maryland Government Finance Officers Association and also serves as the trustee for both the Employees' Retirement System and the Other Post Employee Benefits (OPEB) Trust Fund for Frederick County.

John S. Mathias, County Attorney, was appointed to his position in September 1988. Mr. Mathias received his bachelor of arts degree in economics from St. John's University, Collegeville, Minnesota, in 1976; his law degree from the University of Maryland School of Law, Baltimore, Maryland, in 1979; and his master's degree in business administration from the University of Minnesota Graduate School of Management, Minneapolis, Minnesota, in 1985. Mr. Mathias was an attorney

with the law firm of Murnane, Conlin, White, Brandt & Hoffman in St. Paul, Minnesota, from January 1980 through April 1983. From May 1983 until February 1987, Mr. Mathias was an attorney with Tenneco Oil Company in Houston, Texas. From February 1987 until September 1988, Mr. Mathias was an assistant attorney general in the Antitrust Division of the Office of the Attorney General of Maryland in Baltimore, Maryland.

Erin M. White, CPA, Acting Director, Finance Division, was appointed to her position in October 2012. Before becoming director of the Finance Division, Ms. White served as the director of the Accounting Department for six years and for five years as an accounting team leader for the capital projects fund, various special revenue funds, the pension fund, and payroll department. Prior to her employment with Frederick County, Ms. White was a supervisor with the public accounting firm of Linton, Shafer and Company, P.A. Frederick, Maryland. Her career in public accounting totaled six years. In addition, she served as the bookstore manager for 10 years of Mount Saint Mary College, Newburgh, New York. Ms. White received a bachelor of science degree in accounting from Mount Saint Mary College, Newburgh, New York. She is a certified public accountant and a member of the American Institute of Certified Public Accountants, the Maryland Association of Certified Public Accountants, the Government Finance Officers Association, and the Maryland Government Finance Officers Association.

Charles F. Nipe, Director, Public Works Division, was appointed to his position in October 2013, after serving as the acting director since May 2013. Prior to that, Mr. Nipe was the department head for the Department of Construction Management and Inspection from 2000 until 2012 and served as the department head for the newly created Department of Facilities and Project Services (combining design and construction responsibilities) beginning in February 2012. In 1998 Mr. Nipe began his career with the Frederick County Division of Public Works as a contracts administrator. Prior to that, Mr. Nipe was employed in several positions at Earth Data Inc., a hydrogeological consulting firm, from 1986 until 1998. In 1989 he earned an associate in arts degree from Chesapeake College, Wye Mills, Maryland, a bachelor of science degree from Southern Illinois University at Carbondale (a satellite program at Dover Air Force Base, Dover, Delaware) in 1995, and a masters in business administration from Wilmington College (now Wilmington University) in Wilmington, Delaware, in 1999.

Kevin L. Demosky, Director, Utilities and Solid Waste Management Division, was named director in May 2011 after having been acting director since December 2010. Prior to that Mr. Demosky had been deputy director since August 2005. He was the department head for the Department of Engineering and Planning between April 2000 and August 2005. Mr. Demosky began his career with Frederick County in 1988 as a design engineer. Prior to his employment with Frederick County, Mr. Demosky was a staff engineer for William H. Gordon and Associates in Reston, Virginia. In 1987 he earned a bachelor of science degree in civil engineering from the West Virginia Institute of Technology (now WVU Tech) in Montgomery, West Virginia, and an associate in arts degree from Hagerstown Junior College, Hagerstown, Maryland.

Gary W. Hessong, Acting Director, Community Development Division, was appointed to his position in December 2013. Prior to that Mr. Hessong had been the director of the Department of Permits and Inspections for approximately three years and also served as the division director of the Permitting and Development Review Division when he began his career in 2003 with Frederick County. Before coming to Frederick County, Mr. Hessong worked for more than 13 years for The City of Frederick, Fredrick, Maryland, where he served both as the assistant city engineer as well as the director of the Department of Permits and Code Management. He has also worked in the private sector as a project manager for a land development company in Hyattsville, Maryland, and as a project engineer for The Whiting Turner Contracting Company in Baltimore, Maryland. In 1988 Mr. Hessong earned a bachelor of science degree in civil engineering from the University of Maryland, College Park, Maryland.

Helen Propheter, Manager, Business Development and Retention Department, was appointed to her position in February 2012, following the reorganization of the Office of Economic Development to Business Development and Retention. Ms. Propheter began her career with Frederick County in May 1992 with Frederick County Workforce Services. In October 2007 she was hired by the Office of Economic Development and has served as the deputy director and senior business development specialist where her focus has been the biotechnology industry, fast track permitting in Frederick County, marketing, and working with the Frederick County municipalities. She has 20 years of experience managing programs and staff and coordinating projects. Ms. Propheter serves on the following Boards: Frederick Innovative Technology Council, the Downtown Frederick Partnership, the Fort Detrick Alliance and the Frederick County Workforce Development Board, and is a member of Maryland Economic Development Association (MEDA) and the International Economic Development Council (IEDC). Ms. Propheter was a Frederick Community College contract instructor for 10 years. She graduated from Mount Saint Mary's University with a bachelor of science degree in psychology.

Remuneration of Certain County Officials

The following table presents the annual remuneration for certain County officials as of December 31, 2013:

<u>Official Title</u>	
County Attorney	\$173,773
County Manager	167,646
Director of Community Development	150,560
Director of Utilities and Solid Waste Management	144,845
Director of Public Works	127,433
Director of Finance	124,352
Business Retention Manager	96,725

Source: Frederick County Finance Division.

Investment of County Funds

County funds are invested by the Director of Finance in accordance with the County's investment policy which conforms to State of Maryland law on the investment of public funds. The County does not leverage its investment portfolio, buy reverse repurchase agreements or enter into interest rate swaps or other derivatives. It does no borrowing or lending of securities. The County invests primarily in obligations of the United States government, its agencies or instrumentalities, repurchase agreements, and bankers' acceptances.

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.

Plan Descriptions

Single-Employer Pension Plan

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

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

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

Non-Uniformed Employees are required to contribute 6% of their base pay to the Plan. Uniformed Employees are required to contribute 9% of their base pay to the Plan. The benefits payable under the County's Plan are funded by employee and employer contributions

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% to 66% 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% vested after five years of service. Non-Uniformed Employees hired on or after July 1, 2011 through June 30, 2012 may retire at age 65 or 30 years of service and are 100% 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% vested after ten years of service. Retirement benefits are calculated by formula which provides a retirement income of approximately 50% to 60% 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.

Cost-Sharing Multiple-Employer Pension Plans

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

Under the terms of the Retirement System, a member may retire after 30 years of service regardless of age, or at age 60 or over, with at least five years of service. A member is eligible for vesting after five years of service; however, the contribution must be left in the Retirement System in order to qualify for benefits at age 60.

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

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

Under Titles 22 and 23 of the Maryland Code, both the Retirement System and the Pension System are jointly contributory. Members of the Retirement System contribute 7% of their gross employee compensation. Members of the Pension System currently contribute 5% of their gross employee compensation. New provisions of the Pension System were adopted by the State legislation effective, July 1, 2011 which require members to contribute 7% of their gross employee compensation. The benefits payable under the State Systems not funded by employee contributions are funded entirely by the County.

Employer Sponsored Defined Contribution Retirement Plan

The Frederick County Maryland Defined Contribution Plan was established on July 1, 2012 under authority created by State legislation and Section 2-2-2 of the County Code. Benefit provisions of the plan were adopted by ordinance after a public hearing. The defined contribution retirement plan (the "Plan") was established for employees of Frederick County Government classified as "grant funded" and employees of Citizens Care and Rehabilitation Center and Montevue Assisted Living hired, or rehired, by the County on and after July 1, 2012. Employees contribute 4% of base pay and the County contributes 4% of base pay. Vesting begins after two years of service; employees are 100% vested at six years of service. Normal Retirement Age is age 65.

Voluntary Retirement Incentive Plan

On March 21, 2013, the Board of County Commissioners approved a Voluntary Retirement Incentive Plan. This plan is designed to provide an incentive to eligible employees while also providing budgetary savings to the County over an extended period of time. The amount of the benefit is \$25,000. Eligibility is based on years of service. Qualified applicants must satisfy the full service eligibility requirement for their normal retirement date, as defined under the covering retirement plan. Any employee who accepts and receives the voluntary retirement plan incentive benefit are not permitted to return to county employment in any capacity for a two year period.

A July 1, 2013 Retirement Incentive Benefit offer was made to 154 eligible employees, but no more than 75 applications would be accepted. A total of thirty-three (33) retirements were effective July 1, 2013 and staggered through October 1, 2013. Any employee who received the voluntary retirement plan incentive benefit is not permitted to return to county employment in any capacity before July 1, 2015.

A May 1, 2014 Retirement Incentive Benefit offer was made to 144 eligible employees, but no more than 40 applications would be accepted. A total of eighteen (18) retirements were effective May 1, 2014. Any employee who received the voluntary retirement plan incentive benefit is not permitted to return to county employment in any capacity before May 1, 2016.

Funding Status and Progress

Single-Employer Pension Plan

The actuarial accrued liability was determined as part of an actuarial valuation at July 1, 2013 for the County Plan. At July 1, 2013, the unfunded actuarial liability (i.e., actuarial accrued liability less actuarial value of plan assets for the plan) was as follows:

Actuarial accrued liability:

Active participants	\$237,628,070
Vested terminated participants.....	19,355,093
Retired participants, beneficiaries and disabled participants.....	<u>153,880,300</u>
Total actuarial accrued liability.....	410,863,463
Actuarial value of plan assets.....	<u>351,176,012</u>
Unfunded actuarial liability.....	<u><u>\$ 59,687,451</u></u>

Contributions Required and Made

Single-Employer Pension Plan

Funding policy for the County Plan provides for periodic contributions based upon actuarial valuations. The projected unit credit method is the actuarial cost method used to determine the County's normal cost and the unfunded actuarial accrued liability. The County Plan's unfunded actuarial accrued liability of \$59,687,451 is attributable to plan changes, cumulative gains/losses and assumption changes. Plan changes are amortized over a closed 30-year period and the cumulative gains/losses and assumption changes are amortized over an open 15-year period. As of July 1, 2013 there are three plan change bases which are currently outstanding – the July 1, 1998 COLA plan change (14 years remaining), the July 1, 2000 plan improvements for all employees (16 years remaining), and the July 1, 2009 disability plan change (25 years remaining). All amortization payments are calculated as a level percent of payroll which is assumed to increase an average of 3.5% each year.

The County's actual contributions to the plan for fiscal year 2013 of \$19,971,589 were made in accordance with an actuarial valuation made at July 1, 2011 and an estimated \$21,884,132 for fiscal year 2014 will be made.

Cost-Sharing Multiple-Employer Pension Plans

Due to the withdrawal of the County from the State Systems for all hires after June 30, 1993, the State calculated a net unfunded amount due from the County. The final payment was made on this liability on December 30, 2012.

Employer Sponsored Defined Contribution Retirement Plan

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

Other Post-Employment Benefits

Plan Description

The Frederick County Retiree Health Benefit Plan was established on July 1, 2008 and 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.

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.

Funding Status and Progress

The actuarial accrued liability was determined as part of an actuarial valuation at July 1, 2014 for the County plan. At July 1, 2014 the unfunded actuarial liability will be as follows:

Actuarial accrued liability:

Active participants	\$ 77,772,000
Retirees in pay status	<u>88,168,000</u>
Total actuarial accrued liability	165,940,000
Actuarial value of plan assets	<u>90,146,000</u>
Unfunded actuarial liability	<u><u>\$ 75,794,000</u></u>

The County's actuary updated the report as of July 1, 2014, in May of 2014, to reflect the reduction in staff related to the transfer of operations from Citizens Care and Rehabilitation Center and Montevue Assisted Living Facility. The updated amounts are reflected in the above schedule.

Contributions Required and Made

For fiscal year 2013, the County contributed \$18,389,186 to the plan, which exceeded the other post employment benefits cost ("AOC) of \$14,192,000 by \$4,197,186. In the July 1, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included: a) 7.5 percent investment rate (net of administrative expense), b) an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.4 percent by the year 2048, c) an inflation rate for Cadillac Excise Tax Impact of 2.5 percent, and d) a level percentage of payroll amortization factor. The actuarial valuation method to determine the actuarial value of assets was fair market value. The unfunded actuarial accrued liability is being amortized over a closed 30-year period beginning as of July 1, 2008.

Labor Relations

As of December 31, 2013, the County employed approximately 2,050 regular employees, which includes regular part-time employees. The County has a merit system including a formal appeal and grievance process. Some County employees are members of the Maryland Classified Employees Association or the American Federation of State, County and Municipal Employees, but do not have the right to collective bargaining. The County has not experienced a work stoppage due to labor disputes and considers its relationships with employees to be satisfactory.

Effective July 1, 2005, State law allowed the County to enact an ordinance allowing voluntary collective bargaining concerning wages and benefits between the County and a duly certified organization representing employees of the County's Division of Fire & Rescue Services ("DFRS"). While the County did enact an ordinance in March 2006, no bargaining took place for fiscal year 2008 because the organization representing DFRS employees failed to obtain certification within the

allotted time. The County also decided not to participate in bargaining for fiscal year 2009 and 2010. Collective bargaining was conducted with the certified representative specified DFRS employees for fiscal years 2011, 2012, 2013-14, and 2015.

The State law also authorized the certified representatives of certain full time deputy sheriffs and corrections officers in the Frederick County Sheriff's Office to collectively bargain with the Sheriff concerning wages and benefits. The Sheriff has engaged in collective bargaining with the certified representatives for both of these groups for fiscal years 2009, 2010, 2011-2012, and 2013-2015. Any additional funding that is required as a result of collective bargaining by the Sheriff is subject to the approval of the Board of County Commissioners.

Strikes on the part of the employees of the DFRS and deputy sheriffs and corrections officers in the Frederick County Sheriff's Office are not permitted.

The Frederick County Teachers Association represents the certificated employees (teachers) employed by the Board of Education. The Frederick County Teachers Association negotiates employment agreements that include rates of compensation with the Board of Education. Such negotiated agreements are not binding on the County. The County approves funding for the Board of Education.

Insurance

The County maintains commercial insurance for general liability, automobile, workers' compensation, law enforcement, public officials' liability, and catastrophic coverage. The County is required to provide unemployment insurance coverage for County employees.

Leases and Other Contracts

The County is financing the purchase of numerous pieces of fire and rescue apparatus through various lease arrangements to be paid off over the next eight years.

The following is a schedule, by fiscal year, of the projected future minimum lease payments as of June 30, 2013, for all lease-purchase agreements:

Fiscal Year

2014	\$816,995
2015	584,375
2016	584,375
2017	<u>337,961</u>
Subtotal	2,323,706
Less amount representing interest	<u>(63,087)</u>
Present value-net minimum lease payments	<u>\$2,260,619</u>

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 2013 were \$1,090,587.

In addition to contracts for goods and services incurred in the ordinary course of business of the County, the County is party to numerous other contracts, primarily with engineers, architects and contractors relating to capital projects. Funds necessary to meet the County's obligations in respect to such contracts have been appropriated.

Independent Agencies

Seven independent agencies submit yearly requests for funding to the County. These requests are subject to the County's budgetary process and must be approved by the Board. These agencies are the Board of Education; Frederick Community College; the Department of Social Services; the Interagency Internal Audit Division; the Board of License Commissioners; the Board of Elections; and Frederick County Public Libraries. Except for the Board of Education and Frederick Community College, whose board members are elected or appointed by the Governor of Maryland, members of the boards of the remaining agencies are either appointed by the Board or are designated members of other County agencies. The Board of Education, Frederick Community College and Frederick County Public Libraries are accounted for as component units. All other agencies are funded for in whole or in part by the County's General Fund.

CERTAIN SERVICES AND RESPONSIBILITIES

Through its various departments, offices and related independent agencies (see "COUNTY GOVERNMENT AND ADMINISTRATION"), the County is responsible for supplying the following services:

Education

The Board of Education is responsible for the overall operation and policy decisions of the County's 66 schools. The Board of Education is comprised of seven members who are elected to serve four-year terms. For the 2013-2014 school year, the Board of Education exercises control over 36 elementary schools, 13 middle schools, 10 high schools, 3 charter schools and 4 vocational and special education facilities accommodating 40,715 students, an increase of 188 from the previous year.

During the 2013-2014 school year, the teacher/student ratio is approximately 1 to 15. In June 2013, 3,031 students received high school diplomas.

The County's largest General Fund appropriation in its adopted fiscal year 2014 budget is \$244,225,731 for operating expenditures for public education. County appropriations for operating expenditures constituted a 2.68% increase over approved operating expenditures by the County for public education in fiscal year 2014. County funds for educational purposes are requested and appropriated in accordance with categorical classifications delineated by the Education Article of the Maryland Code. County appropriations for capital expenditures for public education are \$35,543,074 in fiscal year 2014. The County expects to receive State and Federal aid of \$281,132,758 and \$18,592,273 for operating and capital expenditures, respectively, for public education during fiscal year 2014.

Frederick Community College is a two-year community college offering three separate curricula: a transfer curriculum for those who wish to obtain a bachelor's degree; an occupational curriculum for those who seek entry-level employment; and a continuing education program for those who wish to upgrade basic skills or occupational skills. For fiscal year 2013, which includes Summer II 2012, Fall 2012, January 2013, Spring 2013, and Summer I 2013 terms, 18,091 students enrolled in the academic programs of the College. Credit enrollment included 7,584 total headcount for Fall; 587 for January term; 7,007 for Spring; and 2,913 for Summer I & II. Additionally, there were 14,700 students enrolled for the non-credit continuing education programs during the 2012-2013 academic year.

The fiscal year 2014 operating budget for Frederick Community College is \$48,449,011. Of this amount, 29% was appropriated from the County's General Fund. The balance of the College's funding is derived from a combination of State aid, student tuition and other miscellaneous sources. Additionally, the County funds certain capital improvements and renovations annually. New construction funding is usually shared by the County and State. The County's funding of the College's fiscal 2014 capital budget is \$511,100.

Police and Fire

The Frederick County Sheriff's Office is a full-service law enforcement agency, providing law enforcement services, correctional services and judicial support services to the citizens of Frederick County. The Sheriff's Office serves the community by protecting life and property, preventing crime, and preserving peace, order and safety.

The Sheriff's Office is comprised of two bureaus, the Law Enforcement Bureau and the Corrections Bureau. The Law Enforcement Bureau consists of the Administrative Services Division and the Operations Division and is staffed with 175 sworn and 90 civilian personnel. The Corrections Bureau consists of Administrative Services, Community Services, Inmate Services and Security Operations and is staffed with 125 uniformed and 33 non-uniformed personnel. The Sheriff's Office is an accredited agency through the Commission on Accreditation for Law Enforcement Agencies, the National Commission on Correctional Health Care, and Maryland Commission on Correctional Standards.

In addition to traditional law enforcement services, the Law Enforcement Bureau offers a wide variety of support services to the citizens of Frederick County, including: victim services, domestic violence follow-up, school resource officer program, school crossing guard program, crime prevention programs, youth services programs, child safety programs, senior safety programs and child support enforcement.

The Corrections Bureau operates the Frederick County Adult Detention Center which is a full service correctional facility offering not only traditional incarceration, but all available alternatives to incarceration including: pretrial release (supervised release), home detention (electronic monitoring), alternative sentencing (community service hours) and work release. The Corrections Bureau also staffs a full service central booking facility, which processes all offenders arrested within Frederick County so that police officers can return to their patrol duties faster. At any given time, the Corrections Bureau supervises over 1,000 offenders a day.

Since April, 2008, the Frederick County Sheriff's Office has partnered with the Department of Homeland Security Immigration and Customs Enforcement to participate in the 287(g) Immigration Enforcement Program. This program, written into federal law, allows for deputies and correctional officers trained under the program to perform specific functions to enforce the federal immigration laws of the United States. The Corrections Bureau also participates in a Federal Inter-Governmental Services Agreement with DHS/ICE to provide temporary housing for criminal illegal aliens being detained for deportation when bed space is available at the Frederick County Adult Detention Center. The contract provides for Frederick County to receive reimbursement for the costs associated with the housing of those detainees.

The Frederick County Fire & Rescue Services Division ("DFRS") provides fire, rescue and emergency medical services in conjunction with 26 volunteer fire/rescue companies operating from 30 stations. DFRS is comprised of 323 uniformed personnel responding with approximately 750 volunteers. Emergency response vehicles include 64 pumper, 8 aerials, 12 tankers, 10 squads, 27 brush trucks, 43 ambulances, and 11 medic units.

All volunteer companies receive funding for operating expenses and equipment through the County budget process. Private donations and fundraising remain significant sources of funding for volunteer company vehicles and buildings.

Prior to July 1, 2013, fire tax districts provided tax revenues for DFRS firefighters and paramedics and for capital expenditures such as vehicles and stations. Beginning in fiscal year 2014, fire and rescue services were consolidated into the General Fund with a recalibrated property tax rate and the fire tax was reduced to zero. The County also bills for ambulance services.

Emergency Management

The Division of Emergency Management is comprised of an Administrative Office and two operational departments that include Emergency Communications and Emergency Preparedness. The Administrative Office provides supervision for Departmental activities as well as leadership and coordination for strategic projects. The Division Director serves as the County Director of Emergency Management for the responsibilities identified in Title 14, Section 109 of the Annotated Code of Maryland and is supported by an Administrative Assistant.

The Department of Emergency Preparedness coordinates the emergency mitigation, preparedness, response, and recovery efforts of Frederick County Government with appropriate public and private partners, including the management of Federal, State, or private grants to support program activities. The Department coordinates activities across different functional areas of the County government, and vertically between different levels of government. The Department of Emergency Preparedness is comprised of four personnel.

The Department of Emergency Communications operates the public safety answering point for Frederick County which answers all 9-1-1 calls in Frederick County and operates the County's public safety radio system. The Department is responsible for the dispatch of County fire, rescue and ambulance services; the Frederick County Sheriff's Office; the Brunswick and Thurmont Police Departments; Frederick County Animal Control, and various other County agencies. In 2013, 139,432 9-1-1 calls were received, resulting in 188,383 fire/rescue, emergency medical and law enforcement dispatches. The Department of Emergency Communications is comprised of 47 personnel.

Community Development

The Community Development Division, which was recently reorganized in February 2011 includes the following functions:

- Department of Planning and Development Review
- Department of Permits and Inspections
- Department of Business Development and Retention
- Office of Sustainability and Environmental Resources
- Zoning Administration

This organization provides a unified vision of the Planning, Development Review, Permitting, and Inspections functions to insure that efforts undertaken to attract, retain, and expand employment opportunities are grounded in a shared vision developed through community based planning. In addition, this also provides a central location for the general public and applicants involved in land development and processes from the time of land use planning and rezoning, to permitting and building occupancy. The County's Community Development Division is currently administered by a staff of 65.

Community Development Division staff are responsible for administering various boards and commissions including the Planning Commission, Board of Appeals, Agricultural Preservation Advisory Board, the Agricultural Reconciliation Committee, the Historic Preservation Commission, Agricultural Business Council, Business Development Advisory Council, Sustainability Commission and the Monocacy Scenic River Advisory Board.

Planning and Development Review

The Department of Planning and Development Review consolidated the Comprehensive Planning, Development Review, Agricultural Land Preservation Program and Sustainability & Environmental Resources functions within the County and is administered by a staff of 28.

The mission of Planning is to provide for the safe, orderly, and coordinated growth and development of Frederick County. This is accomplished through a comprehensive program of short and long range planning and zoning activities to ensure that all facets of the County's growth, as well as valued resources, are properly planned with regard to their future utilization and/or protection. This mission is accomplished through implementation of the comprehensive plans and various ordinances.

The County has maintained a comprehensive planning program since 1956. This program has included long and short-range planning, zoning and land use management and preservation functions. The planning functions are carried out through a number of citizen boards and commissions.

The Frederick County Planning Commission was created in 1955 with the responsibility of preparing and administering plans and development regulations for the County. The Board of Commissioners appoints seven members of the Planning Commission to five year terms and one member is a County Commissioner serving in an ex-officio capacity. The Commission holds regular public meetings to review development and planning items. The members represent a diversity of viewpoints including agriculture, business, professional services, civic groups and environmental perspectives. The Planning Commission has final authority over site plans, subdivision plats, planned development approvals, modifications to the subdivision regulations and determination of adequate public facilities for new developments. On items such as zoning map amendments, zoning or subdivision text amendments and adoption of comprehensive plans, the Planning Commission has a recommending role to the Board of County Commissioners, who has the authority to adopt, change or amend plans and regulations.

The Zoning Administration function is further carried out by the Frederick County Board of Appeals, which was established in conjunction with the original Zoning Ordinance in 1959. The Board of County Commissioners appoints 5 members and 1 alternate member to the Board of Appeals to staggered 3-year terms. The Board of Appeals adopts its own administrative procedures and has the powers to: hear and decide appeals where it is alleged there is an error in any order, requirement, decision or determination made by an administrative official in the enforcement of the Zoning Ordinance; hear and decide special exceptions authorized in the Zoning Ordinance; and authorize, upon appeal in specific cases, a variance from the terms of the Zoning Ordinance.

The County's Comprehensive Plan was first adopted in 1959 and has been updated periodically, with the latest comprehensive revision adopted in April 2010 with amendments adopted in September 2012. The 2010 Comprehensive Plan established a new planning process that will focus subsequent plan updates on individual community growth areas or corridors. The Countywide Plan would be updated on a 10-year cycle. The County has an active program for the review and update of its planning program and development regulations in order to assure their adequacy and timeliness for future growth.

The Comprehensive Plan provides goals and policies to assist in guiding the County's projected land use and development as well as identifying the necessary, public services and facilities including highways, schools, parks, libraries, and water and sewer. The Plan is implemented through the County's zoning ordinance, which was last comprehensively updated in 2010. The County prepares maintains and annually updates a six-year Capital Improvements Program (CIP) of public improvements related to development and service needs. The Division is also responsible for various functional plans including the Water and Sewer Plan, Land Preservation, Parks and Recreation Plan, Historic Preservation Plan, and the Bikeways and Trails Plan. In 1991, the County adopted an Adequate Public Facilities Ordinance (APFO) to coordinate the timing of development with the adequacy of public facilities such as schools, roads, and water and sewer. The APFO was recently updated in 2011 with comprehensive amendments to the roads section and revisions to the schools section, which provided a school construction fee option. In 1993, an impact fee was adopted to partially offset the capital costs of new school construction. The impact fee was expanded in January 2001 to include capital costs of library facilities and to provide for an annual adjustment to reflect the construction cost index. An update to the impact fee study was last performed by an outside consultant in May of 2014.

The mission of Development Review is to provide the highest possible level of customer service in a predictable and efficient manner while assuring compliance with zoning and development guidelines. Development review is responsible for the review of land development plans in the County, and is comprised of several sections. The core services include:

- Development Review Planning – responsible for review of site development plans and subdivision plans, administering subdivision regulations and related planning/land development ordinances
- Development Review Engineering – responsible for approving plans and permits associated with stormwater management, roads, storm drains and grading
- Environmental Compliance – responsible for enforcing sediment control, stormwater management and forest resources ordinance code requirements

The County has maintained an Agricultural Land Preservation Program since the 1970's and currently administers five state and county preservation programs. These programs assist in preserving agricultural land and also facilitating the ability for new farmers to purchase land. The County has a goal to preserve 100,000 acres of land and currently has preserved 49,902 acres (June 2014) under permanent preservation easements.

Sustainability and Environmental Resources functions were formally established in 2008 with the intent to integrate sustainable practices into County operations and provide committed environmental leadership to the community-at-large. The Sustainability and Environmental Resources mission is to advance practical solutions for protecting the environment, conserving energy and living sustainably in Frederick County. The offices oversee multiple functions: sustainability, energy and emissions planning and performance; watershed management policy, planning, and implementation; financial grant management; education; outreach, and training.

The Office is responsible for goals in a number of Board resolutions including Resolution 07-14: Endorsement of the U.S. Mayors' Climate Protection Agreement (MCPA) passed on April 9, 2007; a Sustainability Framework, adopted March 10, 2009; Resolution 09-02 on March 26, 2009 to create the thirteen member Frederick County Sustainability Commission; a Sustainable Action Plan (SAP) for County Operations adopted Thursday, August 26, 2010 for County Operations for Fiscal Year 2011-2015; Resolution 10-24 passed on August 26, 2010 to provide an "Organizational Commitment to Sustainability"; the Comprehensive Energy Plan for 2010-2024, adopted September 16, 2010; Resolution 13-24 Transportation Petroleum

Consumption Policy and Renewable Energy Policy passed October 31, 2013 to reduce petroleum consumption in County vehicles 20% by 2016 and meet 20% of electricity demand of County buildings with distributed renewable energy generation by 2022.

Regulatory functions include compliance with the mandatory National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System (MS4) permit; oversight on Industrial Discharge Permits for Stormwater; and coordination on Chesapeake Bay Total Maximum Daily Load (TMDL) requirements. Through a Green Infrastructure planning effort, the office has conducted natural resource assessments for wetlands, forests, and streams. Green Infrastructure is a priority for the Environmental Protection Agency and is tied to funding opportunities and regulatory programs.

On May 2, 2012, Maryland Governor Martin O’Malley signed into law House Bill 987, which requires 10 Maryland counties, including Frederick, to collect a Stormwater Remediation Fee from taxpayers to fund the implementation of local stormwater management practices and stream and wetland restoration projects. The charge to Frederick residential properties was set at \$0.01 per year. All funds collected by the Stormwater Fee must be placed in a dedicated fund which can only be used to pay for stormwater remediation projects and related expenses. Such projects are being funded through the County’s Capital Improvements Program and included stream restorations, stormwater management pond retrofits, and education outreach.

Permits and Inspections

Permits and Inspections continue their mission of providing a “one-stop” location for all activities relating to the issuance of building, plumbing, electrical and gaming permits. These activities include issuance and inspection of Life Safety requirements for fire suppression and alarm systems as well as review of plans and permits. The Department of Permits and Inspections is administered by a staff of 30.

Business Development and Retention

Functions within the Business Development and Retention Department are administered by a staff of 3 full-time and 2 part-time employees and include efforts to retain and foster the growth of existing businesses in Frederick County and to attract new businesses that bring career opportunities and enable Frederick County citizens to work where they live.

The County is made up of a diverse business community and supports and cultivates the growth of entrepreneurship. The County boasts a supportive and business friendly climate as well as a strategic location, a highly skilled and well-educated workforce, an award winning educational system and an array of business associations and agencies to assist and foster the growth and success of businesses.

From third quarter 2012 to third quarter 2013, Frederick County saw an increase of 2% or 1,761 new jobs, illustrating favorable job growth over the last year. The average wage per worker was \$873 per week, up 3 percent since the third quarter 2009, the 5th highest percentage of increase in average weekly wages per worker among all Maryland jurisdictions in the past five years. The industries that experienced the most growth in employment in the private sector were natural resources and mining, the leisure and hospitality sector, and the construction industries.

The County’s first business incubator, the Frederick Innovative Technology Center, Inc. (“FITCI”), was officially opened in January 2005. From 2005 to 2013, FITCI has assisted 38 clients who have leased over 76,500 SF of local commercial space. FITCI’s tenant companies have created over 268 new jobs in the last seven years with a payroll value of these jobs to Frederick County estimated at \$16.6 million. FITCI has generated a 429 percent return on investment and leverages its funding by attracting over \$3.00 for every \$1.00 of local funding. FITCI estimates a local economic impact of \$74.7 million on the local economy.

The County has experienced significant growth in the bioscience and advanced technology industries over the past few years. The growth is due in part to the County’s access to the Federal labs and other public and private high tech facilities in the region. The location of Fort Detrick in Frederick is also a major contributor to the growth of the life sciences industry in Frederick County. Fort Detrick is home to the National Cancer Institute and the U.S. Army Medical Research Institute of Infectious Diseases, which is the lead medical research laboratory for the nation’s biological defense program, and is home to the new National Interagency Biodefense Campus.

Manufacturing plays an important role in Frederick County’s diverse economy. In 2013, there were 170 manufacturing establishments employing approximately 4,767 people, paying an average of over \$67 million in annual wages. Average

annual wage rates for this sector are 23 percent greater than the weekly wage per worker. The Financial Activities Sector pays the highest average weekly wage per worker (\$1,213) which is 39 percent greater than the average weekly wage per worker for Frederick County.

Roads and Highways

Frederick County is served by I-270 of the federal interstate highway system running northwest from Washington, D.C., to the City of Frederick and I-70 running west from Baltimore to and continuing through Frederick County. U.S. 15 runs north and south of the City, U.S. 340 runs south of the City and U.S. 40 runs east and west of the City.

The County-owned and maintained road system of approximately 1,272 miles supplements approximately 39 miles of State-maintained and federally aided interstate highways and approximately 308 miles of additional State-maintained primary and secondary roadways serving Frederick County. The County budget includes capital and operating expenditures of \$16,728,575 and \$14,978,705, respectively, for the County's road system in fiscal year 2014. State Highway User Revenues to the County for highway maintenance through State-shared taxes was budgeted to be \$1,300,500 in fiscal year 2014.

Health

Frederick County ranked again in 2014 as the third best county for health outcomes in Maryland according to the Robert Wood Johnson Foundation (RWJF) and the University of Wisconsin Population Health Institute (UWPHI). The County provides various health services to its citizens through the Health Services Division ("HSD"). HSD, alone or in conjunction with the Maryland Department of Health and Mental Hygiene and Maryland Department of the Environment, is responsible for the enforcement of all State and local health and sanitation laws. The HSD also provides services in the areas of nutrition, maternal and child health, dental health for children, school health, communicable disease control, public health emergency response, early intervention services for children with developmental disabilities, employment for persons with developmental disabilities, behavioral health treatment and prevention services, geriatric evaluations, food service facility inspections, and well and septic inspections. Funding for the HSD is shared among County funds, both matching and non-matching, State and Federal funds, and client fee collections.

Health Care

Frederick Regional Health System (FRHS) is a not-for-profit healthcare delivery system serving Frederick County and surrounding areas. FRHS consists of Frederick Memorial Hospital, Monocacy Health Partners, Monocacy Insurance Limited, and Frederick Health Services. FRHS operates from multiple sites in Frederick County including an acute care hospital licensed for 297 beds with over 20,144 admissions and 79,624 Emergency Department visits. FRHS employs 2,800 staff.

FRHS operates a Regional Cancer Therapy Center consisting of radiation therapy, chemo therapy, and cyberknife. Other ambulatory operations located throughout Frederick County are FMH Rosehill (imaging, laboratory, rehabilitation and vascular lab), FMH Crestwood (women's center, imaging, lab, rehab and physician offices), FMH Urbana (imaging, lab and physician offices), Mt. Airy (imaging, lab, rehab and physician offices), Corporate Occupational Health, Home Health, Home Medical, Hospice of Frederick County (Hospice, Palliative Care, Kline Hospice House), FMH Diabetes Center, FMH Wellness Center, Frederick Surgical Center, and three Immediate Care Centers (Frederick, Mt. Airy and Urbana) which provide walk-in care for non-life threatening conditions. FRHS also operates a pre-natal Center for the underserved population on its hospital campus.

FRHS operates several physician practices located throughout the county including family practice, medical oncology, urology, breast surgery, thoracic surgery, orthopedic surgery, pediatric hospitalists, wound care/hyperbaric, pain & palliative care, general surgery, and behavioral health.

In addition to the FRHS facilities there are 3 imaging centers, 3 labs, 2 urgent care centers, and 7 outpatient surgery/endoscopy centers. There are numerous rehab and wellness centers. Several physicians also have X-ray, rehab, and wellness components in their offices. There are approximately 400 physicians practicing in Frederick County.

Nursing Home and Assisted Living Facilities

The County owns a licensed 170-bed comprehensive and skilled nursing care facility ("Citizens Care & Rehabilitation Center") and a 75-bed assisted living facility ("Montevue Home" and, together with Citizens Care & Rehabilitation Center, the "Facilities"). Citizens Care & Rehabilitation Center and Montevue Home are located adjacent to each other in the City of Frederick.

On May 1, 2014, the County leased the Facilities to Aurora Holdings VII, LLC, a Maryland limited liability company (“Aurora”). Pursuant to the terms of the lease agreement, Aurora will pay the County an annual rental payment of \$1,440,000, subject to a 1.5% annual increase on May 1, 2018 and on each May 1 thereafter. The lease agreement expires on December 31, 2035, subject to early termination in various circumstances, notably the consummation of the sales described in the next succeeding paragraph. The County also sold to Aurora certain accounts receivable relating to the Facilities for \$1,500,000. In addition, the County has deposited \$300,000 in an indemnity escrow to pay certain of its ongoing obligations and indemnities relating to the Facilities.

The County has agreed to sell, and Aurora has agreed to purchase, the buildings and improvements comprising the Facilities for \$29,600,000, subject to the satisfaction of certain terms and conditions, which include but are not limited to obtaining regulatory approvals and the resolution of certain ongoing litigation (see “County Litigation” below). In addition, the County has agreed to sell, and Aurora has agreed to purchase, the real property on which the Facilities are sited for \$400,000, subject to the satisfaction of certain terms and conditions, which include but are not limited to subdividing such real property from other property to be retained by the County. The County presently intends to apply the proceeds of such sales, should they occur, to the redemption of its general obligation bonds attributable to the capital cost of the Facilities. The County cannot predict when or if such sales will be consummated.

As part of the lease and sale transactions described herein, the County and Aurora entered into a Continued Care Commitment, pursuant to which the County has agreed to pay the aggregate amount of \$10,700,000 in installments ending May 1, 2017, for the cost of providing ongoing care to certain residents of Montevue Home.

Solid Waste

The Division of Utilities and Solid Waste Management (DUSWM) is responsible for the planning, design and management of the County’s solid waste management system and programs. The County’s primary disposal facilities are located at its 529-acre Reich’s Ford Road Landfill property, which includes the 72-acre Site A landfill, the 58-acre Site B landfill, and a 17-acre rubblefill. The Site A landfill ceased operating in August 1997 and its closure was completed in December 1998. Closure construction included the deployment of a synthetic cap, a landfill gas extraction and collection system, and a flaring system. Site A is maintained as an open, grassed space. To the south of Site A is a closed rubblefill. Since the County’s rubblefill was unlined, it was closed on September, 2001, in accordance with State regulations. The construction contract for the rubblefill closure and capping was initiated in September, 2005, with final acceptance in August, 2007 and a bituminous-improved surface for the yard waste processing operation was completed in May 2008. As a post closure end use, the rubblefill site is being used for yard waste processing. Rubble or construction and demolition debris is accepted and co-disposed primarily at Cell 3 in the Site B landfill or transferred to other solid waste facilities along with municipal solid waste. The latter are the principal means of disposal for these wastes.

All of the disposal cells within Site B are constructed with a double composite liner system. Cell 1 construction was completed and operational by January 1997. Cell 1 reached its interim capacity prematurely in August 2000, resulting in the immediate need to temporarily transfer waste to an out-of-state landfill. This temporary waste transfer operation lasted until the construction of the first half of Cell 2 was completed and operational in August 2001. Construction of the second half of Cell 2 was completed and operational by November 2003. Cell 2 reached approximately 95% of its capacity in December 2005, at which time waste transfer operations were initiated. The construction of the sub title D liner system for third Cell was completed in August 2006 and is in service receiving approximately 50 tons per day (“TPD”) of waste. An active gas extraction system was installed at Site B Cells 1 and 2 in 2010 in conjunction with the landfill gas to energy project through DCO Energy.

DUSWM started construction in June 2012 on a project that extended a sanitary sewer interceptor along Bush Creek to a point where the Leachate Treatment Plant discharge could be connected by eliminating the Leachate Plant’s direct discharge into Bush Creek. Upon its completion in April 2013, the leachate from both Site A and B landfills is now discharged and conveyed via the Bush Creek Sewer interceptor and treated at the Ballenger/McKinney WWTPDUSWM also operates a comprehensive groundwater and gas monitoring program for Sites A, B and the rubblefill.

Construction of Cells 1 and 2 was funded with proceeds from the County’s Public Facilities Bonds of 1995 and 2000, respectively. Funding for the Leachate Treatment Plant, Stormwater Diversion Project, Site A Closure Project, and Cell 3 Construction and Rubblefill Closure Project was from the Maryland Department of the Environment (“MDE”) Revolving Loan Program.

Other than through its curbside recycling collection, the County does not provide or fund waste collection services. Municipal or private waste haulers (by subscription) collect trash in Frederick County and use the County's Reich's Ford Road disposal facilities as their primary disposal facility for municipal solid waste generated in Frederick County.

The County's residential Recycling Program includes curbside recycling collection for all individual single family residential properties, one drop-off center location at the Reich's Ford Road landfill and two yard waste drop-off sites with mulching/composting operations. In 2009 the County's curbside residential collection program was upgraded to a single stream operation and expanded from 54,000 to over 74,000 households; it now provides collection to all single family residential properties within Frederick County.

Solid Waste Initiatives

Since 2000, the County has pursued initiatives to extend the operational life of the Reich's Ford Road Site B Landfill. These initiatives include permitting a 105 foot vertical expansion of the Site B landfill, construction of a waste transfer station to allow waste to be diverted from the County's landfill, and permitting a waste to-energy facility located in Frederick County that can reduce or eliminate the need to transfer waste to other jurisdictions.

On May 9, 2008 the MDE issued the County its new Refuse Disposal Permit for the Site B landfill (No. 2003-WMF-0582), which includes the requested vertical expansion of the landfill. The vertical expansion provides an additional 2 million cubic yards of landfill disposal capacity, without the need to construct additional lined disposal cells.

Following a protracted siting and permitting process, the County completed the construction of the transfer station in January 2009. The transfer station, located at the Reich's Ford Road landfill is owned and operated by the County. It receives waste generated throughout Frederick County and through waste transportation and disposal contracts, procured through the Northeast Maryland Waste Disposal Authority ("NMWDA"), transfers waste to landfills outside of Frederick County. The primary transportation and disposal contract is provided by Waste Management Inc., which provides the County disposal capacity in several Waste Management Landfills in Virginia and Pennsylvania. This contract expires on April 24, 2015. The County had a secondary transportation and disposal contract with Advanced Waste Disposal (previously Interstate Waste Services), which expired on April 24, 2014.

On April 23, 2014, at the County's direction, NMWDA issued a comprehensive Request for Proposals (RFP), which among other things, requested proposals for both short-term (3 years) and long-term (up to 20 Years) Solid Waste Transportation and Disposal services, which will replace the current contract with Waste Management that expires on April 24, 2015. Responses to the RFP were received on June 16, 2014, and are currently being reviewed NMWDA and Frederick County staff. Recommendations to the Board of County Commissioners regarding the award of these services will occur in July or August of this year. The new transportation and disposal contract(s) will take effect on April 25, 2015.

The transfer station also provides for the transfer of single stream recycling materials collected in the County. The County also receives, through agreements procured through NMWDA, transportation and Material Recovery Facility (MRF) services provided by Waste Management's Recycle America LLC. Recyclable materials are processed at Recycle America's Howard or Prince George's County MRF.

In addition to the projects detailed above, the County has pursued other initiatives to address the County's long-term waste disposal infrastructure needs. In 2003, the County obtained enabling legislation allowing the County to become a member of NMWDA. NMWDA was created in 1980 by the Maryland General Assembly, is a regional quasi-state agency that assists its member jurisdictions in planning and developing efficient and reliable waste management systems. Also in 2003, the County obtained enabling legislation that allows the County to assess a solid waste disposal fee or System Benefit Charge ("SBC") for the developed properties in Frederick County. To assure that the County's Solid Waste Enterprise continues to operate on a self sufficient basis, the County implemented a countywide solid waste SBC in 2006. The revenue generated by the SBC supplements the revenues collected as tipping fees, allowing the County to set tipping fees at market rates. To ensure adequate funding of the Solid Waste Fund and to allow for recycling program expansions, the Board has continually increased the SBC as deemed necessary. The most recent increases were approved on May 21, 2008 when a multi-fiscal year increase was established.

At the same time the Board adopted higher tipping fees for municipal solid waste and construction and demolition debris. The increases in the SBC and tipping fees were needed to address the solid waste enterprise's increasing program costs, which are primarily attributed to recycling program expansions and increased transportation and disposal contract costs resulting from increases in diesel fuel costs. For fiscal year 2014 the Board reduced tipping fees for transactions made by cash or check. Summarized below are the current tipping fees and the approved fiscal year 2014 tipping fees.

Material	FY2013	FY2014*
Municipal Solid Waste	\$ 76/ton	\$ 69/ton
Construction & Demolition (C&D)	85/ton	78/ton
Tires	160/ton	160/ton

[*Note: Fiscal year 2014 rates were approved to include a discounted tipping fee for all transactions made by cash or check, which includes billable accounts making payments by check or cash. Current tipping fees will be reduced to \$69 per ton for MSW and \$78 per ton for C&D respectively.]

These tipping fees are subject to a monthly tipping fee escalation provision to ensure that the tipping fees are adjusted as costs associated with the Waste Management transportation (fuel) and disposal contract increase.

The Board adopted the SBC fee structure on January 26, 2006; and increased these rates in fiscal year 2009 through fiscal year 2011. No changes to the SBC have been made since.

Property Designation	FY2010	FY2011	FY2012	FY2013	FY2014
Single Family Residential	\$ 84/yr	\$ 88/yr	\$ 88/yr	\$ 88/yr	\$ 88/yr
Multi Family Residential	47/yr	49/yr	49/yr	49/yr	49/yr
(Per 2000 ft²)					
Commercial Low	\$ 40	\$ 42	\$ 42	\$ 42	\$ 42
Commercial Medium Low	119	125	125	125	125
Commercial Medium	198	208	208	208	208
Commercial Medium High	286	301	301	301	301
Commercial High	354	372	372	372	372

The increase in the tipping fees produced approximately \$12.3 million in fiscal year 2013 for the Solid Waste Enterprise and an estimated \$11.8 million in fiscal year 2014. The approved SBC rates resulted in \$9.8 million in Solid Waste Enterprise Revenues for fiscal year 2011, \$9.9 million for fiscal year 2012, \$9.9 million in fiscal year 2013 and an estimated \$10.0 million in fiscal year 2014.

In addition to these tipping fee and SBC increases, the Board also adopted fees for commercial Single Stream Recycling disposal and processing which became available with the opening of the new transfer station in January 2009, and they adopted a fee schedule for the sale of mulch and compost products. Revenues from the sale of these products were approximately \$76,000 for fiscal year 2013 and budgeted to be \$110,000 in fiscal year 2014.

Another revenue producing initiative for the solid waste enterprise was the development of the landfill (Site A and B) gas to energy (electricity) project. In January 2009 after completing a second procurement to develop the landfill gas, the Board executed an agreement with NMWDA to develop the landfill gas through DCO Energy. This project, which was completed on May 31, 2010, involved the construction and operation of facilities capable of generating up to 2 mega watts of electricity using the landfill gas, with guaranteed annual minimum revenue of \$199,000. The agreement also includes the installation of gas extraction wells on Cells 1 and 2 of the Site B landfill, which has been estimated over \$1 million that was borne by DCO Energy.

Long Term Solid Waste Management Planning

In October 2005, R.W. Beck Inc. completed a study of Frederick County's long-term solid waste management options. The Beck Report concluded that the construction of a regional 1500 TPD waste to energy (WTE) facility would provide the County with the lowest cost long-term waste disposal option. The study compared three disposal options including long haul and disposal out of state, composting, and a County only and regional WTE facility. The report also provided several recommendations on how the County can provide low cost improvements to its recycling program, including the conversion to single stream recycling, which was implemented in January 2009.

In an effort to explore the WTE recommendations contained in the Beck Report, the Board adopted Resolution No. 06-05 Waste to Energy Disposal Facility directing DUSWM and NMWDA to pursue full service proposals for the design, construction and operation of a 900 TPD local (County only) WTE and a 1500 TPD regional WTE. An RFP for these services was released through NMWDA in October, 2006. In March 2007 County staff accompanied representatives from NMWDA and HDR Engineers on a technology tour of WTE facilities in several European countries. Pre-qualified vendors submitted formal proposals on April 20, 2007. Three proposals were received, two were deemed responsive to the RFP. The County, through NMWDA, secured the services of HDR Engineers to comprehensively review the proposals. HDR and the Authority constructed a detailed financial model to evaluate the proposals. Based on the proposals, the 1500 TPD regional WTE concept provided the lowest per ton waste disposal cost. After being briefed on the lower cost regional option, in December, 2007 the Board held a public hearing on the construction of a publicly owned regional WTE in Frederick County, Maryland.

In February, 2008, the Board and Carroll County Commissioners conducted a joint meeting regarding the regional WTE concept. Subsequently the Frederick and Carroll County Commissioners decided to pursue a joint regional WTE facility which will be located in Frederick County. In February 2009, the Board conducted a second public hearing regarding the construction of a regional WTE facility on property owned by the County (DUSWM) in the McKinney Industrial Park. On July 28, 2009 the Board executed a Memorandum of Understanding (MOU) with Carroll County and NMWDA for the development of the regional WTE facility and they executed their agreement with NMWDA to develop the project in Frederick County. Carroll County executed the MOU on July 23, 2009 and their agreement with NMWDA on July 30, 2009.

The MDE issued draft permits and its Notice of Tentative Determinations regarding the WTE permits on December 20, 2012. MDE conducted its final public hearing on these permit determinations on January 30, 2013. The MDE extended the public comment period regarding the permits until May 20, 2013, after which MDE will draft and issue the final permits for the facility. These permits were received in February 2014.

On February 21, 2014, MDE issued the (final) five necessary permits for the WTE Facility. However, on March 21, 2014, a Petition for Judicial Review of the WTE's facility's National Pollutant Discharge Elimination System (NPDES) permit (one of the five permits received from the MDE) was received by the Circuit Court of Frederick County. A hearing on this petition has not yet been scheduled.

On April 22, 2014, NMWDA Board of Directors approved a revised MOU and First Amendment to the Service Contract with Wheelabrator, which allows Carroll County to exit the WTE project after paying a \$1 million payment for the project development costs. Carroll County made this payment on May 6, 2014 and exited the project. The revised MOU also eliminates any payment from Frederick County if Frederick County directs the NMWDA to terminate the project after August 1, 2014.

If suitable replacement partner (for Carroll County) is found in 2014 and WTE option is selected, financing and construction of facility would begin in 2015 and the facility would be completed in 2018.

Water Supply and Wastewater Facilities

DUSWM is also responsible for the planning, design, operation and maintenance of certain County owned water supply and wastewater disposal systems. The County's water and wastewater utilities are typically provided in unincorporated areas of Frederick County, although in some cases the County owns and operates certain water and wastewater utilities in incorporated towns or municipalities. The development of water and wastewater infrastructure within Frederick County is controlled by the County's Comprehensive Plan and its subordinate Water and Sewerage Plan.

The County owns and/or operates 12 water treatment plants ("WTP"). The County's largest WTP relies on surface water, while the other smaller facilities rely on ground water. With the completion of the Potomac River Water Transmission project, approximately 88% of the County's water supply now comes from the Potomac River. The remaining 12% of the County's source comes from deep well sources associated with the County's smaller water systems.

The County's recent completion of the Potomac River water transmission system establishes approximately 32 MGD of water transmission capacity to serve the County's service areas south of the City of Frederick and east of the Monocacy River as well as a portion of the City of Frederick. In March 2006, the City of Frederick executed the County's Potomac River Water

Supply Agreement (PRWSA), which among other things, formally establishes the City's participation in the funding of the County's Potomac River transmission system and treatment plant improvements so that the City can receive up to 8.0 MGD (max day demand) of water supply capacity. The New Design WTP was completed in April 2011, which expanded the WTP capacity to 25 MGD, which the City of Frederick funding a share of the improvement providing them with up to 8.0 MGD maximum daily demand and is billed monthly (revenue) for water supplied pursuant to the PRWSA. In addition, the County executed the Fort Detrick Water Supply Agreement on September 28, 2010, which provides the Fort with 2.6 MGD max day demand of water with a provision that a minimum of approximately 1.0 MGD of water is purchased (revenue) each month, less the wheeling surcharge to City of Frederick for use of its water distribution system.

The County owns and operates 12 wastewater treatment plants ("WWTP") a where all but one has a design capacity of less than 0.5 MGD. These smaller WWTPs provide wastewater service to individual subdivisions, small incorporated or unincorporated municipalities within Frederick County.

The County's largest WWTP is the Ballenger McKinney WWTP, which currently has a design capacity of 7.0 MGD. This facility treats wastewater that originates from areas south of the City of Frederick, east of the Monocacy River and areas south of Frederick in the general vicinity of Ballenger Creek, Adamstown and Urbana. This facility also receives wastewater flow from the County's Monocacy wastewater collection system, which is a large wastewater conveyance system that serves areas within a portion of the City of Frederick as well as areas immediately north of the City of Frederick and the entire Town of Walkersville. Wastewater flow values for the Monocacy system are reported as part of the total flow treated at the Ballenger McKinney WWTP. This facility is currently undergoing an expansion to 15 MGD and is designed to meet the State of Maryland's enhanced nutrient removal (ENR) requirements. The increase in capacity is based in part on 20-year projected capacity needs and available assimilation capacity in the Monocacy River. Construction notice to proceed for the 15 MGD expansion was issued on December 14, 2009 and is expected to be completed in September 2014.

When completed, the 15 MGD Ballenger-McKinney ENR WWTP will also provide additional capacity for the City of Frederick; an amount of which has not yet been identified by the City. The County and the City are currently working on a wastewater capacity study that initiated a draft wastewater capacity agreement that will complement the PRWSA.

As of June 30, 2013, the County owned and operated 12 wastewater systems and 13 water systems having a total capacity of 8.677 and 27.759 millions of gallons per day, respectively. The wastewater systems serve a total of 29,398 accounts and the water systems serve a total of 19,950 accounts.

User Rates and Fees

In January 2001, the County commissioned a comprehensive water and sewer cost of service study for the water and sewer enterprise. The study included the development of a computer model to assist DUSWM in monitoring its revenue requirements and determining necessary rate increases. In fiscal year 2008 a comprehensive update to the model was completed, which resulted in recommendations to increase water and sewer capacity fees and to change the basis for non-residential Ready-to-Serve charges. On May 20, 2008 the Board adopted these recommended changes, establishing an annual escalation factor for the water and sewer capacity fees and increasing the Ready-to-Serve charges for non-residential customers based on the size of their meter. The Ready-to-Serve fee is a fixed availability fee billed quarterly regardless of consumption. An update of the existing rate model (study) was completed in fiscal year 2013, with the Board of County Commissioners approval of an annual 15% rate increase in water rates over the next 5 years, along with a one-time sewer increase of 1.03%. The rate increases began in July 2013 (fiscal year 2014) and are subject to annual review by the Board, with the Board recently providing guidance to continue the planned rate increase in fiscal year 2015.

ECONOMIC AND DEMOGRAPHIC FACTORS

Frederick County is included as a part of the Washington, D.C. Maryland Virginia Metropolitan Statistical Area ("Washington MSA"). The Maryland portion of the Washington MSA includes the following counties: Calvert, Charles, Frederick, Montgomery and Prince George's.

Population of Frederick County, Municipalities and the State of Maryland

Over the last two decades (1990-2000 and 2000-2010), the U.S. Census Bureau tabulated population of Frederick County increased by approximately 30% and 20% respectively. Frederick County has provided estimates for the years between the U.S. Census Bureau reports.

Year	Population of Frederick County
2013	238,345
2012	236,551
2011	235,400
2010	235,385
2000	195,277
1995	176,044
1990	150,208
1985	127,860
1980	114,792
1970	84,927
1960	71,930
1950	62,287

Source: U.S. Department of Commerce, U.S. Census Bureau. Frederick County Community Development Division.

The following table sets forth Frederick County's 12 incorporated municipalities and their populations for the Census years 1980, 1990, 2000 and 2010.

Municipalities	1980	1990	2000	2010
Brunswick	4,572	5,117	4,894	5,870
Burkittsville	202	1942	171	151
Emmitsburg	1,552	1,870	2,290	2,814
Frederick	28,086	40,186	52,767	65,239
Middletown	1,748	1,834	2,668	4,136
Mount Airy ⁽¹⁾	540	1,497	2,967	3,785
Myersville	432	464	1,382	1,626
New Market	306	374	427	656
Rosemont	305	256	273	294
Thurmont	2,934	3,398	5,588	6,170
Walkersville	2,212	4,145	5,192	5,800
Woodsboro	506	513	846	1,141

⁽¹⁾Mount Airy is located partly within Carroll County and partly within Frederick County and the data set forth above includes only the Frederick County portion.

Source: U.S. Department of Commerce, U.S. Census Bureau; Frederick County Division of Planning.

Frederick County's growth in the decade from 2000 to 2010 as compared with the State and other Maryland counties is shown below:

Population of the State of Maryland and Subdivisions

Subdivision	2010 Population	2000 Population	Percent Change
Maryland	5,773,552	5,296,486	9.0 %
Allegany.....	75,087	74,930	0.2
Anne Arundel	537,656	489,656	9.8
Baltimore City	620,961	651,154	-4.6
Baltimore County	805,029	754,292	6.7
Calvert	88,737	74,563	19.0
Caroline	33,066	29,772	11.0
Carroll	167,134	150,897	10.7
Cecil	101,108	85,951	17.6
Charles	146,551	120,546	21.5
Dorchester	32,618	30,674	6.3
Frederick.....	235,385	195,277	20.5
Garrett	30,097	29,846	0.8
Harford	244,826	218,590	12.0
Howard	287,085	247,842	15.8
Kent	20,197	19,197	5.2
Montgomery	971,777	873,341	11.2
Prince George's	863,420	801,515	7.7
Queen Anne's	47,798	40,563	17.8
St. Mary's.....	105,151	86,211	21.9
Somerset	26,470	24,747	6.9
Talbot	37,782	33,812	11.4
Washington	147,730	131,923	11.7
Wicomico	98,733	84,644	16.6
Worcester	51,454	46,543	10.5

Source: U.S. Department of Commerce, 2010 U.S. Census Bureau.

Income

The experience of personal income growth in Frederick County, the State and the United States is shown in the two following tables:

Frederick County, State of Maryland and United States Average Per Capita Personal Income

<u>Calendar Year</u>	<u>Frederick County</u>	<u>Percent Change from Previous Year</u>	<u>State of Maryland</u>	<u>Percent Change from Previous Year</u>	<u>United States</u>	<u>Percent Change from Previous Year</u>
2012	\$49,544	6.2%	\$51,971	2.6%	\$42,693	2.7%
2011	46,610	1.2	50,656	3.2	41,560	4.0
2010	46,057	3.5	49,070	9.7	39,945	0.8
2009	44,472	-0.5	44,742	-0.4	39,635	-2.5
2008	44,951	2.4	44,951	3.1	40,674	17.6
2007	43,894	5.0	43,894	4.5	34,586	4.6

Source: U.S. Bureau of Economic Analysis, March 2013.

Frederick County and State of Maryland Total Personal Income

<u>Calendar Year</u>	<u>Personal Income (\$000's)*</u>		<u>Percent Change from Previous Year</u>	
	<u>Frederick County</u>	<u>State of Maryland</u>	<u>Frederick County</u>	<u>State of Maryland</u>
2012	\$11,869,821	\$305,826,774	7.5%	3.5%
2011	11,034,674	295,235,516	2.3	4.0
2010	10,785,913	283,633,895	5.7	3.1
2009	10,200,248	274,980,101	0.2	0.2
2008	10,182,523	274,285,685	3.1	3.5
2007	9,875,134	264,797,700	6.4	4.8

Source: U.S. Bureau of Economic Analysis, March 2013.

*Note: Total personal income are in thousands of dollars, not adjusted for inflation.

Personal income levels for Frederick County residents from 2008 to 2012 show a significant increase as measured by the number of income tax returns with adjusted gross income levels over \$50,000 filed with the Maryland Comptroller of the Treasury. Listed below is a four year comparison of the experience for the subdivisions constituting the Maryland portion of the Washington MSA and the State.

Adjusted Gross Income in Excess of \$50,000

	<u>2012 Number of Returns</u>	<u>2008 Number of Returns</u>	<u>Percent Increase</u>
Calvert County	20,244	19,329	4.7%
Charles County	31,790	30,056	5.7
Frederick County	51,950	49,017	5.9
Montgomery County	228,777	212,116	7.8
Prince George's County	155,004	146,533	5.7
State of Maryland	1,130,614	1,063,129	6.3

Source: Comptroller of the Treasury, Income Tax Summary Report, Tax Years 2008 and 2012.

Education

Survey results of the number of high school students in the Maryland portion of the Washington MSA and the State as a whole who graduated in 2013, as a percentage of their ninth grade enrollment four grades earlier, are presented below:

Calvert County	91.7 %
Charles County.....	89.7
Frederick County.....	93.3
Montgomery County	88.3
Prince George's County	74.1
State of Maryland	84.93

Source: Maryland Report Card 2013 Performance Report State and School Systems- Maryland State Department of Education.

The following table sets forth the years of school completed by persons 25 years of age or older as a percentage of the population described in the 2010 Census for Frederick County and the other counties in the Maryland portion of the Washington MSA and the State.

	Calvert	Charles	Frederick	Montgomery	Prince George's	State
Elementary (grades K-8)	2.2%	3.3%	3.2%	5.2%	6.4%	4.7%
High School						
1-3 years	6.5	6.8	5.2	4.2	6.9	7.2
4 years.....	32.7	29.1	24.3	14.5	28.2	25.9
College						
No degree	22.7	28.4	20.6	14.5	22.6	19.7
Associate degree.....	7.5	6.8	8.8	5.1	6.0	6.3
Bachelor's degree	15.7	14.8	23.1	26.3	17.0	19.7
Graduate/Professional degree..	12.8	10.8	14.8	30.2	12.3	16.4

Source: Table S1501 - Educational Attainment. U.S. Bureau of the Census, 2010. 2006-2010 American Community Survey, American Fact Finder.

Retail Sales

Retail sales as measured by the growth in retail sales and use tax collections have experienced a steady gain between fiscal years 2012 and 2013. Listed below is the comparison of the experience of the counties in the Maryland portion of the Washington MSA and the State.

Retail Sales and Use Tax Collections (\$000's)

	Fiscal Year 2013	Fiscal Year 2012	Percent Increase
Calvert County	\$ 35,271	\$ 35,197	0.2%
Charles County	108,718	104,559	4.0
Frederick County.....	142,671	137,105	4.1
Montgomery County	517,693	523,568	-1.1
Prince George's County	480,743	481,737	-0.2
State of Maryland.....	4,126,854	4,095,706	0.7

Source: Retail Sales Tax Division of the Office of the Maryland Comptroller of the Treasury.

Business, Employment and Labor

In the following table, annual average statistics are provided relating to the distribution of employment in Frederick County by employer classification for the third quarter of 2013. These figures exclude railroad, domestic service, self-employed, agricultural and unpaid family workers:

Business and Employment Composition

Classification	Number of Reporting Units	Percent of Total	Quarterly Average Employment	Percent of Total
Natural Resources and Mining.....	63	1.00 %	644	0.6 %
Construction.....	939	14.9	8,451	9.0
Manufacturing.....	170	2.7	4,783	5.0
Trade/Transportation/Utilities.....	1,117	17.8	16,207	17.2
Information	80	1.2	1,141	1.2
Financial Activities	564	8.9	6,550	6.9
Professional and Business Services	1,383	22.0	14,992	15.9
Education and Health Services	698	11.1	12,573	13.4
Leisure and Hospitality	554	8.8	11,108	11.8
Other Services.....	549	8.7	3,180	3.39
Total – Private Sector.....	<u>6,118</u>	<u>97.6</u>	<u>79,628</u>	<u>84.8</u>
Local Government	59	0.9	9,617	10.2
State Government.....	9	0.1	773	0.8
Federal Government	82	1.3	3,780	4.0
Total	<u>6,268</u>	<u>100.00</u> %	<u>93,797</u>	<u>100.00</u> %

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information, "Employment and Payrolls, Third Quarter 2013."

Listed below are the 10 largest employers as of June 2013, exclusive of the local government located in Frederick County:

Ten Largest Employers in Frederick County

Employer	Principal Products or Activities	June 2013 Employment
Fort Detrick Campus	Research/Telecommunications	11,000*
Frederick Memorial Healthcare System	Comprehensive health care	2,696
SAIC (Science Applications International Corp.) - Frederick	Medical research	1,874
Wells Fargo Home Mortgage	Mortgage servicing	1,881
Bechtel Corporation.....	Telecommunications	1,578
Frederick Community College.....	Education	939
United Health Care.....	Insurance	830
State Farm Insurance	Insurance, regional headquarters	839
Wal-Mart Stores	Retail products	700
AstraZeneca	Biotech manufacturing	595

* Includes military personnel.

Source: Frederick County Business Development and Retention Department

The following table indicates the Frederick County's unemployment rate as compared with the other counties of the Maryland portion of the Washington MSA, the State and the United States for the calendar years 2009-2013.

Annual Average Unemployment Rate

	<u>2013*</u>	<u>2012*</u>	<u>2011*</u>	<u>2010*</u>	<u>2009*</u>
Calvert County	5.7%	5.9%	6.3%	6.7%	6.1%
Charles County.....	6.2	6.3	6.5	6.8	6.2
Frederick County	5.7	5.9	6.3	6.9	6.6
Montgomery County	5.1	5.2	5.4	5.8	5.6
Prince George's County	6.8	7.2	7.5	8.0	7.3
State of Maryland.....	6.6	6.9	7.3	7.9	7.4
United States ¹	7.4	8.1	8.9	9.6	9.3

*Estimates are revised to the 2013 benchmark from the Current Population Survey. Published April 2013.

¹U.S. Department of Labor, Bureau of Labor Statistics.

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information; U.S. Bureau of Labor Statistics.

The number of persons living in Frederick County who were available for work and composed the work force totaled 127,315 in May 2014 and the total employment for this force was 121,054, resulting in an unemployment rate of 4.9% for this period. Certain comparative unemployment rates are given below for May 2014.

Calvert County.....	5.0%
Charles County	5.5
Frederick County	4.9
Montgomery County	4.5
Prince George's County	6.0
State of Maryland	5.7
United States	6.3

Source: "State of Maryland. Civilian Labor Force, Employment, and Unemployment by Place of Residence, June 2014." Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information.

Commuting Patterns

The Census Bureau 2010 American Community Survey determined the work commuting patterns for workers 16 years and older for the labor forces of each of Maryland's counties with populations of 65,000 or more and the City of Baltimore. Comparative figures for workers commuting outside the county of residence for the subdivisions in the Maryland portion of the Washington Metropolitan Statistical Area MSA are presented below:

Calvert County	44.5%
Frederick County	31.6
Charles County.....	28.7
Prince George's County	18.2
Montgomery County	11.3

Source: U.S. Census Bureau, 2010 American Community Survey, Table S0801.

Agriculture

Agriculture is one of the largest industries in Frederick County, with nearly 57% of the total land acreage dedicated to farmland. According to the most recent U.S. Census of Agriculture (2007), there are 1,442 farms located in Frederick County with an average size of 140 acres each. Dairy farming is the major type of farming, and Frederick County is the largest producer of dairy products in the State. Frederick County provides one-third of all milk for the State and is the third largest producer of milk in the mid-Atlantic region. Frederick County leads the State in the production of dairy products, hay, turkeys, cattle and calves, horses and ponies, forage and corn for silage.

Dedicated to farmland preservation, the County is a participant in the Maryland Agricultural Land Preservation Program. This program provides for the purchase of development rights easements. As of December 31, 2013, Maryland Agricultural Land Preservation Foundation easements have been purchased on 19,215 acres with an additional 5,362 acres under the temporary district status. The County is now in the twelfth year of its agricultural land preservation Installment Purchase Program which has purchased easements to protect a total of 16,503 acres. In combination with county and State land preservation programs, there are permanent protective easements on 49,478 acres.

Transportation

CSX Corporation, Maryland Midland Shortline, and numerous truck lines provide railroad and truck freight service to Frederick County. Regular rail passenger service is provided by Amtrak and commuter rail services are provided by the Maryland Railroad Administration (“MARC”) to Washington, D.C. Frederick County has four MARC train stations, a downtown Frederick City location and a suburban location just south of the City of Frederick, as well as MARC service from Brunswick and Point of Rocks. In addition, the Maryland Transit Administration provides commuter bus services to the Washington, D.C. Metropolitan Area Transit Shady Grove Metrorail station via the 991 Commuter Bus from Frederick and to College Park via the Inter County Connector from various points in Frederick County. Regular passenger bus service is provided by the Greyhound Corporation to a variety of locations outside the County. Intercity bus service is provided Bayrunner Shuttle and serves Western Maryland, initiating in Grantsville and serving stops in route to Frederick, terminating in Baltimore and the reverse. Local fixed route and shuttle bus service and demand-response service in the County is provided by Transit Services of Frederick County. The Frederick Municipal Airport is served by private, industrial, and charter aviation. Three major airports are within 60-miles of Frederick County – Dulles International, Reagan National and Baltimore-Washington International Thurgood Marshall airports.

Utilities

Electric power distribution in Frederick County is provided by the Potomac Edison Company, an operating unit of First Energy, and Thurmont Municipal Light Company, which serves the incorporated town of Thurmont. The electrical generation is purchased from Hess Energy and Washington Gas Light Company. Natural gas distribution is provided by the Frederick Gas Company, a division of the Washington Gas Light Company, and UGI/Central Penn Gas Company, which services the town of Emmitsburg and the surrounding area.

Recreation and Leisure

There are many historical and cultural attractions in Frederick County including: the Weinberg Center for the Arts, the Delaplaine Visual Arts Center, the Maryland Ensemble Theatre, the National Museum of Civil War Medicine, the Barbara Fritchie House, the Children’s Museum of Rose Hill Park, Francis Scott Key’s Monument and Grave, Roger Brooke Taney House/Francis Scott Key Museum, the Camp David Museum, the Historical Society of Frederick County, the Seton Shrine Center, the Grotto of Lourdes, Lily Pons Water Gardens, Brunswick Railroad Museum, three covered bridges and an abundance of antique shops.

Frederick County also offers 13 golf courses, the Frederick Keys (a minor league Class A affiliate of the Baltimore Orioles that plays at the Harry Grove Stadium in the City of Frederick), numerous Civil War sites, and local, state and national park facilities. The Appalachian Trail which runs from Georgia to Maine roughly follows the western boundary of Frederick County and skirts the Gathland State Park which contains the first monument to war correspondents. Frederick County is also home to several family-owned wineries, and has created a Frederick Wine Trail that highlights each unique vineyard.

Parks and Recreation

The Parks and Recreation Division provides for acquisition and development of a County-wide park system including community, district, regional and special use parks. The system includes 2,074 acres of parkland of which 1,342 acres are developed to some degree. The largest site is 249 acres. Additionally, the Division develops and manages community recreational programs and maintains County-owned grounds.

State and national parks within Frederick County are primarily utilized for natural and historical resource protection. There are five State parks in Frederick County: Cunningham Falls State Park, Gambrill State Park, Gathland State Park, South Mountain State Park and Washington Monument State Park. Federal recreation areas include Monocacy National Battlefield, C&O Canal Park and Catoctin Mountain National Park.

The twelve municipalities also provide and maintain park systems which include neighborhood, community, and special use parks.

Construction Activity

Construction activity as illustrated by the number of building permits issued and their estimated value is reflected below. This table reflects building activity in Frederick County including the incorporated municipalities:

Building Permits Year Ending December 31										
	2013		2012		2011		2010		2009	
	Issued	Value (000's)								
Residential	1,239	\$ 221,227	893	\$ 197,942	533	\$ 195,695	743	\$ 186,589	723	\$ 168,463
Other	3,288	146,826	2,746	113,162	2,908	139,211	2,920	184,931	2,871	268,683
Total.	<u>4,527</u>	<u>\$ 368,053</u>	<u>3,639</u>	<u>\$ 311,104</u>	<u>3,441</u>	<u>\$ 334,906</u>	<u>3,663</u>	<u>\$ 371,520</u>	<u>3,594</u>	<u>\$ 437,146</u>

Source: Frederick County Community Development Division.

Housing Permit Activity

The number of permits for new dwelling units issued in Frederick County, including the municipalities, for the five most recent available calendar years are listed below:

Year	Single Family	Towns Duplex	Mobile Home	Multi-Family	Total
2013*	399	312	6	522	1239
2012	441	168	7	277	893
2011	361	121	5	46	533
2010	460	223	3	57	743
2009	403	218	12	90	723

Source: Frederick County Community Development Division.

Land Use

Frederick County's existing land use is predominantly in agricultural and resource conservation (mountains, floodplains, etc.) uses. The following table shows overall land use within the County as of December 2013:

	Acres	Percentage
Agriculture	217,821	51%
Commercial/Industrial.....	12,323	3
Institutional	2,992	1
Municipal	27,330	6
Residential.....	40,845	10
Mixed Use	938	0
Resource Conservation/Water/Parks	113,080	26
Right of Way	13,415	3
Total	<u>428,744</u>	<u>100.00%</u>

Source: Frederick County Community Development Division

BUDGET AND ACCOUNTING

The County budget is comprised of the Current Expense Budget (“General Fund Budget” or “Operating Budget”), the Capital Budget, and the Capital Improvement Program (a six year plan). Budgets are also adopted for certain Special Revenue Funds and all Enterprise and Internal Service Funds. The formulation of the County’s budget is the responsibility of the Budget Officer. Public local law requires that a balanced budget be adopted by the Board.

General Fund Budget

The General Fund Budget is prepared and submitted to the Board by the Budget Officer based on estimated revenues and expenditures of operations submitted by the County departments and agencies for the ensuing fiscal year. As submitted to the Board, the General Fund Budget must contain: fund balance in excess of 5 percent of the prior year’s General Fund expenditures and transfers to the Board of Education and Frederick Community College on a budgetary basis, if any; estimates of taxes and other revenues sufficient to balance said budget; recommended appropriations for current expenditures for each department, agency and non-departmental account and transfers to the Board of Education, Frederick Community College and Frederick County Public Libraries; amounts sufficient to meet all general obligation debt service requirements; and portions of the Capital Improvement Program to be financed out of current revenues during said fiscal year.

Operating and Capital Budgets and Capital Improvement Program

No department or agency of the County government may, during any fiscal year, expend or contract to expend any money or incur any liability or enter into any contract which by its terms involves the expenditure of money in excess of the amounts appropriated in the budget for such fiscal year. No payment may be made, nor any obligation or liability incurred, which has not been provided for in the Operating or Capital Budget. Funds resulting from the issuance of bonds, certificates of indebtedness, notes or other obligations of the County may be expended only for authorized purchases of capital assets. Transfer of appropriations among the items set forth therein may be authorized with the approval of the Board.

The Capital Budget is the County’s plan to receive and expend funds for capital projects during the ensuing fiscal year. The Capital Improvement Program sets forth the County’s plan of proposed capital projects to be undertaken in the ensuing fiscal year and the next five fiscal years and the proposed means of financing such projects. The Capital Budget and Capital Improvement Program are prepared by the Budget Office in cooperation with the Finance Division and Community Development Division from submissions by the County departments and agencies and must be approved by the Board. The portion of the cost of the Capital Budget that is to be paid from current funds is included in the Operating Budget as a transfer to the Capital Budget where the expenditures are recorded.

Accounting System

The accounts of the County are organized and operated on the basis of funds, each of which is considered a separate fiscal and accounting entity. The financial position and operations of each fund are accounted for with a self-balancing set of accounts recording revenue, other financing sources, expenditures/expenses, and other financing uses, together with all related assets, liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special purposes, restrictions, or limitations.

Fund Structure

The County reports its financial activity on Government-wide and Fund Financial Statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

The Government-wide financial statements, which include the Statement of Net Position and the Statement of Activities, report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The Statement of Net Position displays the financial position of the County as of the fiscal year end. 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 Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers who use, purchase or directly benefit from goods, services or privileges provided by a given function or segment, and grants 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.

The Fund Financial Statements are identified in the financial statements of the County included in the County's Comprehensive Annual Financial Report located on the County's website (www.FrederickCountyMD.gov). The fund types are: Governmental Funds, which include the General Fund, the Special Revenue Funds, and the Capital Project Fund; Proprietary Funds, which include the Enterprise Funds and Internal Service Funds; and Fiduciary Funds, which include Agency, Other Post-Employment Benefits Trust and Pension Trust Funds. Details of the County's fund structure are set forth in the Notes to the Financial Statements. The revenues and expenditures/expenses of the County are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

Basis of Accounting

As noted above, the Government-wide Financial Statements are reported using the economic resources measurement focus and the full accrual basis of accounting.

Relative to the Fund Financial Statements, the financial operations of the Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded at the time liabilities are incurred, except for interest on long-term debt which is considered an expenditure when due and accrued annual leave which is considered an expenditure when paid. In addition, an encumbrance system is employed in the General, Special Revenue, and Capital Project budgetary schedules to account for expenditure commitments resulting from approved purchase orders and contracts.

The financial operations of the Proprietary and Pension Trust Funds are maintained on the accrual basis of accounting, in which all revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Agency funds also use the full accrual basis of accounting to recognize assets and liabilities.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (the "GFOA") has awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report for fiscal year 2012. This was the thirty-first year (twenty-sixth consecutive year) that the County has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

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

A Certificate of Achievement is valid for a period of one year only. The County intends to continue to conform its Comprehensive Annual Financial Report to the Certificate of Achievement program requirements and has submitted the report for the fiscal year ended June 30, 2013 to the GFOA for its review.

CERTAIN REVENUES AND EXPENDITURES

General

The audited fiscal year 2013 financial statements can be found on the County's web site (www.FrederickCountyMD.gov.reports). Accordingly fiscal year 2014 data is estimated.

The County records its transactions under various funds in conformity with GAAP as discussed under "BUDGET AND ACCOUNTING - Fund Structure". The largest of these funds is the General Fund, from which all general expenses of County government are paid and to which taxes and other revenues not specifically directed by law to be deposited in special funds, are deposited. In addition to the General Fund, several special revenue funds receive revenues from particular sources for specific purposes, all as prescribed by law.

The following table indicates the County's General Fund revenues and expenditures for the fiscal years 2010-2014:

Frederick County Maryland
General Fund
Schedule of Revenues and Other Financing Sources Over
Expenditures and Other Financing Uses (Change in Fund Balance) - Budgetary Basis

	FY14*	FY13	FY12	FY11	
Revenues					
Local property taxes	\$ 268,041,733	\$ 229,421,283	\$ 249,135,361	\$ 255,257,972	
Local income taxes	176,363,100	176,068,392	169,760,329	157,826,635	
Other local taxes	1,417,319	2,011,774	2,389,931	2,412,583	
Recordation	15,192,748	15,617,540	9,969,245	10,063,393	
Grants from federal government	244,220	253,848	251,082	265,300	
Grants from state government					
Highway user	1,833,951	1,151,629	617,562	855,248	
Other state grants	1,391,185	1,235,561	1,244,699	1,274,743	
Intergovernmental					
Investment earnings	324,084	231,262	348,963	461,454	
Charges for services	8,422,024	6,114,460	3,821,932	3,459,426	
Licenses and permits	3,097,022	2,974,589	532,075	517,018	
Fines and forfeitures	43,997	308,429	153,910	159,132	
Miscellaneous revenues	5,458,149	3,751,404	3,211,126	3,633,933	
Total revenues	481,829,532	439,140,171	444,636,215	439,863,821	
Expenditures					
Current					
General government	34,526,548	34,447,322	30,124,889	28,776,826	
Judicial	6,779,080	6,941,777	6,851,545	6,327,824	
Public safety	97,091,469	53,951,074	48,672,919	44,719,793	
Public works	17,794,288	16,861,431	16,061,215	16,473,933	
Parks and recreation	6,054,015	5,622,119	5,277,901	4,891,397	
Health	8,323,027	7,765,636	7,703,802	7,279,086	
Citizen's services	2,342,409	2,851,927	2,762,135	3,388,048	
Education and library					
Board of education	242,043,884	237,156,411	229,599,287	228,374,917	
Community college	14,279,055	13,966,874	13,414,859	13,531,929	
Public library	10,010,398	9,490,849	9,357,871	8,885,956	
Other education	-	-	-	-	
Grant-in-aid agencies	138,711	200,025	396,131	502,841	
Non-county agencies	79,335	162,576	180,328	359,580	
Non-departmental					
Debt service	37,047,643	34,623,407	33,905,913	33,149,353	
Tax equity	4,011,172	3,732,735	7,402,079	7,402,079	
Other post employment benefits	-	4,191,056	-	4,455,589	
Other employee benefits	2,972,294	106,911	324,528	463,508	
Property and liability insurance	1,120,434	809,416	713,743	847,001	
Indirect cost recovery	(2,968,125)	(4,659,736)	(5,165,608)	(5,158,419)	
Other non-departmental & contingencies	686,269	1,637,853	1,465,615	(399,530)	
Total expenditures	482,331,906	429,859,663	409,049,150	404,271,710	
Other financing sources (uses)					
Transfers from:					
Capital projects funds	-	-	-	8,159,594	
Special revenue funds	1,910,081	6,987,796	-	547,695	
Internal service funds	-	51,300	-	1,674,000	
Enterprise funds	-	1,410,316	-	-	
Proceeds from refunding bonds	-	35,235,134	49,589,928	-	
Proceeds from capital lease	-	-	1,842,437	-	
Premium on debt	-	3,167,032	10,495,016	-	
Transfers to:					
Capital projects funds	(13,124,075)	(8,836,125)	(6,644,110)	(6,742,276)	
Special revenue funds	(5,161,080)	(14,240,588)	(9,904,449)	(5,972,843)	
Internal service funds	-	-	-	(129,592)	
Enterprise funds	(3,572,532)	(4,192,557)	(6,012,930)	(5,735,201)	
Payment to refunding agent	-	(35,117,972)	(57,261,534)	-	
Payment to refunding lease escrow	-	-	(1,827,651)	-	
Total other financing sources (uses)	(19,947,606)	(15,535,664)	(19,723,293)	(8,198,623)	
Total expenditures and other financing uses	502,279,512	445,395,327	428,772,443	412,470,333	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(20,449,980)	(6,255,156)	15,863,772	27,393,488	
Change in fund balance	\$ (20,449,980)	\$ (6,255,156)	\$ 15,863,772	\$ 27,393,488	

*Projected

NOTE: Several division and departments were re-organized in FY2013 and FY2014. This may distort some comparisons between fiscal years.

Taxes

Ad valorem property taxes remain the County's most important source of revenues, estimated at 52.2% of total General Fund revenues and 54.2% of total local General Fund tax revenues in fiscal year 2013. By comparison, in fiscal year 2009, these percentages were 54.2% and 58.0%, respectively.

The following table represents the County's actual principal tax revenues by source for each of the six fiscal years 2009-2014:

	Total Local Taxes	General Property Taxes (1)	Income Taxes	Other Local Taxes
2014(2)....	\$461,014,900	\$268,041,733	\$176,363,100	\$16,610,067
2013	423,118,989	229,421,283	176,068,392	17,629,314
2012	431,254,867	249,135,361	169,760,329	12,359,177
2011	425,560,583	255,257,972	157,826,635	12,475,976
2010	411,824,452	251,830,507	146,332,338	13,661,607
2009	407,301,687	236,321,168	158,356,951	12,623,568

(1) Includes payment in lieu of taxes, additions and abatements, interest on taxes and tax credits.

Source: Frederick County Finance Division.

(2) Estimated/Unaudited

Property Taxes

The assessment of all real and tangible personal property for purposes of property taxation by the County is the sole responsibility of the State Department of Assessments and Taxation, an independent State agency. In February 2008 the County imposed a personal property tax applicable to all fiscal years beginning after June 30, 2008. The tax is applicable only to the one subclass of personal property (machinery and equipment, other than operating personal property of a public utility that is used to generate (i) electricity or steam for sale, or (ii) hot or chilled water for sale that is used to heat or cool a building). For State and County real property tax purposes, real property is valued at the currently phased-in market value. All property is physically inspected once every three years and any increase in value arising from such inspection is phased in over the ensuing three taxable years in equal annual installments.

A tax credit is permitted against local real property taxes on certain owner-occupied residential property. The tax credit for tax years 1991-1992 and thereafter was computed by multiplying the prior year's taxable assessment by a percentage of between 100% and 110% (as determined by the State, each county and each municipality), subtracting that amount from the current year's assessment, and multiplying the difference, if it is positive, by the applicable tax rate. The County and most of its municipalities adopted 105% as the tax credit factor for tax year 2012-2013.

The State also provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale, which indicates a maximum tax liability for various income levels. This credit can be supplemented at the local level. For fiscal year 2014, the County has budgeted \$3,335,100 in tax credits which is entirely reimbursable from the State. In 2006, the County chose to supplement this credit however; subsequently the State expanded its credit eligibility, thereby substantially lessening the effect of the County's action. On January 3, 2012 the Board approved an additional supplement as a Senior Tax Credit effective for fiscal year 2013. The anticipated annual fiscal impact for both County supplements is budgeted as \$275,000 for fiscal year 2014. Other budgeted tax credits not reimbursed by the State include \$52,500 for historic districts, and \$1,151,000 for agriculture land and buildings. In addition, the Board decided to issue a one-time \$100 tax credit to all property owners on their owner-occupied property for fiscal year 2013. The County budgeted \$6,700,000 for this one-time credit. Payments were disbursed in September of 2012.

Exemptions from State and County property taxation include public property; property owned by religious groups or organizations for public religious worship; property owned by charitable, fraternal, benevolent, educational and literary organizations; property owned by a national organization of veterans; property owned by historical societies and museums; property owned by fire companies and rescue squads; operating property owned by railroad and transportation companies (exempt from State taxation only); tangible personal property of certain domestic corporations, savings institutions and commercial banks; inventory, manufacturing equipment, manufacturing inventory and certain rolling stock (exempt from local taxation only); vessels, aircraft and motor vehicles; farming implements, certain agricultural products and commodities; all personal property located at a taxpayer's place of residence other than property used in connection with any business, occupation or profession; tools of mechanics or artisans; and non-operating property of public utilities and contract carriers (exempt from State taxation only).

The following table sets forth the assessment of all taxable property in Frederick County for fiscal years 2009-2013 and the County and State tax rates applicable in each of those years. As of June 30, 2013, the assessment of tax exempt property owned by Federal, State and County governments, churches, schools, fraternal organizations, cemeteries, disabled and the blind aggregated \$2,901,917,428. Under applicable law, there are no limits on the rates of property taxes.

**Assessments and Tax Rates of All Taxable Property by Class
(Fiscal Years Ended June 30)**

Assessments.....	2013	2012	2011	2010	2009
Real Property.....	\$25,473,411,929	\$25,979,764,052	\$26,609,347,752	\$26,312,887,121	\$24,649,056,470
Public Utilities.....	298,056,050	294,258,800	295,566,800	298,307,100	297,661,810
Total Base	<u>\$25,771,467,979</u>	<u>\$26,274,022,852</u>	<u>\$26,904,914,552</u>	<u>\$26,611,194,221</u>	<u>\$24,946,718,280</u>
County Tax Rate	\$0.936** (Per \$100 of Assessment)	\$0.936**	\$0.936**	\$0.936**	\$0.936**
State Tax Rate.....	\$0.112 (Per \$100 of Assessment)	\$0.112	\$0.112	\$0.112	\$0.112

** Excludes Special Revenue Tax Districts.

Source: Frederick County Finance Division.

Tax rates for fiscal year 2014 are based on a budgeted taxable assessment of \$24,910,570,541. There are residents who live in municipalities within the County and therefore pay property taxes to both the County and municipality for services that are only provided by the municipality. Prior to fiscal year 2013, all municipalities received a tax rebate or direct payment for the cost of services provided by the municipality but taxed by the County. Maryland code governs the procedure for setting a differential rate in the municipalities, and in fiscal year 2014, Frederick City and Myersville decided to take advantage of the differential rate rather than receive a tax rebate. The fiscal year 2014 tax rates are as follows:

	2014
County Tax Rate (Per \$100 of Assessment)	\$ 1.0640
County Frederick City Differential (Per \$100 of Assessment)	\$ 0.9357
County Myersville Differential (Per \$100 of Assessment)	\$ 0.9405
State Tax Rate (Per \$100 of Assessment)	\$ 0.1120

Source: Frederick County Treasurer's Office.

The 2015 fiscal year budget is based on a taxable assessment of \$26,044,548,600.

The following table lists the 20 largest taxpayers in Frederick County and the assessment of their property for fiscal year 2013:

Name of Taxpayer	Assessment	Percentage of Total County Taxable Assessments
Potomac Edison Company	\$134,351,850	0.5213%
RIV 402 LLC	95,725,000	0.3714
PR Financing Limited Partnership	70,287,900	0.2727
Verizon Maryland.	67,325,150	0.2612
Medimmune Inc	51,825,900	0.2011
River X LLC	46,370,467	0.1799
Costco Wholesale Corporation	45,198,900	0.1754
Washington Gas Light Company	41,044,750	0.1593
WRIT Frederick Crossing Land LLC.....	39,208,500	0.1521
State Farm Mutual Auto Insurance.	38,407,100	0.1490
Frederick Westview Properties LLC	36,850,000	0.1430
Fannie Mae	36,446,900	0.1414
Summit Clearbrook LLC.	34,004,200	0.1319
Toys R Us Inc.....	32,537,500	0.1263
SP Joma Corp	31,818,400	0.1235
I&G Direct Real Estate 23 LP	31,198,300	0.1211
ALDI Inc.....	30,575,600	0.1186
85 South LLC.....	30,285,800	0.1175
FCP Crystal Park LLC	28,317,133	0.1099
ASN Sunset LLC.....	28,277,567	0.1097
Total	\$950,056,917	3.6865

Source: Frederick County Treasurer's Office

Tax Levies and Collections

Property taxes are levied as of July 1. Effective July 1, 2000, taxes on owner-occupied residential real property may be paid in two installments: one by September 30, and one by December 31. Discounts for timely payments are allowed through August 31 and taxes due and not paid by September 30 are subject to interest and penalties at a rate of 1% per month for each month or fraction thereof that taxes remain unpaid. Tax liens on real property are sold at public auction the second Monday in May when taxes have remained delinquent during the current fiscal year.

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

The following table sets forth certain information with respect to the County's tax levies and tax collections for each of the five most recent fiscal years:

Fiscal Year	Total Tax Levy (Original Levy)	in Year of Levy		Subsequent Years	Amount	Percentage of Adjusted Levy
		Amount	Percentage			
2014(1)	\$ 256,890,246	\$ 256,643,394	99.90%	\$ -	256,643,394	99.90%
2013	225,237,681	224,912,437	99.86%	226,264	225,138,701	99.96%
2012	238,393,670	238,135,801	99.89%	128,679	238,264,480	99.95%
2011	243,648,635	243,347,532	99.88%	186,445	243,533,977	99.95%
2010	241,251,539	240,846,665	99.83%	339,549	241,186,214	99.97%
2009	226,065,003	225,751,007	99.86%	289,290	226,040,297	99.99%

(1) Estimated/Unaudited

Income Tax

The State imposes an income tax on the adjusted gross income of individuals for federal income tax purposes, subject to certain adjustments. Beginning tax year 2013, the personal State income tax rate is graduated up to 5.75%. Each county and Baltimore City must levy a local income tax at the rate of at least 1.25% of Maryland taxable income, but not in excess of 3.20%. The County's income tax rate is 2.96%, and has been the same since 2002. The County does not levy a local income tax on corporations. Local income tax was budgeted at \$176,363,100 for fiscal year 2014 and the fiscal year income tax is projected to be at budget.

Other Local Taxes

In addition to property taxes and income taxes, the County levies and collects miscellaneous taxes, the largest of which is the recordation tax on instruments conveying title to property and securing debt. Revenues from this tax in fiscal year 2014 are estimated at \$23,693,087 (including General Fund revenues of \$15,192,748). The budget for fiscal year 2014 is \$22,143,072 (including General Fund revenues of \$14,067,359).

State and Federal Financial Assistance

The County receives grants from the Federal and State governments for use in the General, Special Revenue, and Capital Projects Funds. In addition, the Board of Education, Frederick Community College, and Frederick County Public Libraries receive grants directly from the Federal and State governments.

Water and Sewer Enterprise Fund

Water and sewer user charges are recorded when earned and expenses are recognized when they are incurred based on the accrual basis of accounting. Unpaid water and sewer user charges are a lien on the real property served and are collectible in the same manner as real property taxes.

For fiscal year 2013, the Water and Sewer Enterprise Fund reported \$9,992,869 of connection fees, \$17,868,768 in developer contributions and \$8,149,393 in capital grants for a total capital contribution of \$36,011,030. Overall for fiscal year 2013, net position increased \$28,410,151 consisting of (\$7,407,879) in net loss and \$36,011,030 in capital contributions and \$193,000 in net transfers out.

Per GASB 34 requirements, the Water and Sewer Enterprise Fund reported total Net Position of \$455,530,855 for fiscal year 2013. Of this amount, \$379,290,156 was net investment in capital assets, \$1,918,188 was restricted for capital projects and \$76,322,511 was unrestricted.

The current schedule of rates and charges for water and sewer service became effective on July 1, 2013, which included a programmed increase in the rates over a period of five years.

The following table summarizes the revenues and expenses of the Water and Sewer Enterprise Fund for the four most recent fiscal years and an estimate for fiscal year 2014:

Water and Sewer Enterprise Fund
Schedule of Revenues and Expenses & Change in Net Position
For the Fiscal Years ending June 30

	2014 *	2013	2012	2011	2010
Operating revenues					
Water and sewer charges	\$ 25,847,503	\$ 23,418,738	\$ 23,734,175	\$ 22,941,159	\$ 20,495,421
Delinquent Fees	60,000	56,707	60,374	55,130	59,661
Other sources	922,162	977,774	744,587	1,278,028	319,756
Total operating revenues	<u>26,829,665</u>	<u>24,453,219</u>	<u>24,539,136</u>	<u>24,274,317</u>	<u>20,874,838</u>
Operating expenses					
Personnel services	9,705,535	8,670,045	8,289,678	8,713,691	8,601,821
Operating expenses	7,241,240	6,932,431	6,642,903	6,459,561	6,727,890
Supplies	1,813,973	1,135,444	965,609	987,452	916,696
Repairs and maintenance	2,709,322	1,830,590	1,438,339	1,789,352	1,686,517
Depreciation expense	9,442,921	9,694,115	9,560,014	8,257,544	7,387,986
Total operating expenses	<u>30,912,991</u>	<u>28,262,625</u>	<u>26,896,544</u>	<u>26,207,600</u>	<u>25,320,910</u>
Operating income (loss)	<u>(4,083,326)</u>	<u>(3,809,406)</u>	<u>(2,357,407)</u>	<u>(1,933,283)</u>	<u>(4,446,072)</u>
Nonoperating revenues (expenses)					
Investment income	450,000	362,395	352,273	492,480	671,737
Miscellaneous Income (expense)	-	-	-	40,765	642,055
Capital Grants	-	-	-	7,714,232	-
Build America Bonds Subsidy	323,641	341,630	354,480	354,480	152,623
Interest expense	(4,066,863)	(4,308,223)	(4,247,431)	(3,429,346)	(3,602,715)
Gain (Loss) on disposition of capital assets	5,725	(834,016)	(4,984)	(31,122)	
Total nonoperating revenues (expenses)	<u>(3,293,222)</u>	<u>(3,598,473)</u>	<u>(4,374,694)</u>	<u>5,167,627</u>	<u>(2,167,422)</u>
Net Income (Loss) Before Capital Contributions and Transfers	<u>(7,376,548)</u>	<u>(7,407,879)</u>	<u>(6,732,101)</u>	<u>3,234,344</u>	<u>(6,613,494)</u>
Capital Contributions	18,000,000	36,011,030	15,481,330	32,662,061	27,238,122
Transfers in	-	-	40,084	586,811	856,772
Transfers out	-	(193,000)	-	(31,655)	(65,583)
Total contributions and transfers	<u>18,000,000</u>	<u>35,818,030</u>	<u>15,521,414</u>	<u>33,217,217</u>	<u>28,029,311</u>
Change in Net Position	<u>\$ 10,623,452</u>	<u>\$ 28,410,151</u>	<u>\$ 8,789,313</u>	<u>\$ 36,451,561</u>	<u>\$ 21,415,817</u>

* Projected

Source: Frederick County Finance Division

Solid Waste Management Enterprise Fund

As of July 1, 1989, the Solid Waste Management Enterprise Fund was established to account for the operations of the County landfill and future solid waste activities. Revenues from user fees are the primary source of funds for operations, debt service payments and capital projects.

Landfill user charges (tipping fees) are recorded as revenues when billed. Unpaid tipping fees are assessed interest at the rate of 1% per month and access is denied to landfill users whose accounts are over 60 days past due.

The following table summarizes the revenues and expenses of the Solid Waste Management Enterprise Fund for the four most recent fiscal years and the budget for fiscal year 2014:

Solid Waste Management Enterprise Fund
Schedule of Revenues and Expenses & Change in Net Position
For the Fiscal Years ending June 30

	2014*	2013	2012	2011	2010
Operating revenues					
Tipping Fee Charges	\$ 11,778,510	\$ 12,236,598	\$ 12,394,626	\$ 12,557,024	\$ 13,083,868
System Benefit Charges	9,970,000	9,957,169	9,957,757	9,842,140	9,300,632
Recycling	2,633,000	2,572,782	1,780,320	1,871,272	856,500
Delinquent Fees	15,000	56,468	73,400	72,278	72,156
Landfill Gas Revenues	288,000	243,486	288,000	242,192	-
Total operating revenues	<u>24,684,510</u>	<u>25,066,503</u>	<u>24,494,103</u>	<u>24,584,906</u>	<u>23,313,156</u>
Operating expenses					
Personnel services	2,220,237	1,861,333	1,896,608	1,993,376	2,067,983
Operating expenses	1,457,445	1,396,588	1,421,763	1,888,463	1,897,995
Supplies	30,500	42,880	39,677	26,820	31,571
Repairs and maintenance	283,250	161,673	244,767	190,784	269,739
Transfer expense	8,259,756	7,102,275	7,298,247	8,561,773	8,852,884
Recycling	6,565,858	5,839,196	4,490,589	4,563,098	4,234,709
Depreciation expense	852,258	1,029,995	1,340,126	1,396,548	1,635,575
Total operating expenses	<u>19,669,304</u>	<u>17,433,940</u>	<u>16,731,777</u>	<u>18,620,862</u>	<u>18,990,456</u>
Operating income (loss)	<u>5,015,206</u>	<u>7,632,563</u>	<u>7,762,327</u>	<u>5,964,044</u>	<u>4,322,700</u>
Nonoperating revenues (expenses)					
Investment income	100,000	104,323	81,103	127,440	190,115
Miscellaneous Income (expense)	-	-	(57,927)	-	-
Build America Bonds Subsidy	8,476	8,947	9,284	9,284	3,997
Interest expense	(1,015,422)	(979,803)	(1,112,139)	(1,337,085)	(1,503,707)
Gain (Loss) on disposition of capital assets	-	-	8,041	-	-
Total nonoperating revenues (expenses)	<u>(906,946)</u>	<u>(866,533)</u>	<u>(1,071,638)</u>	<u>(1,200,361)</u>	<u>(1,309,595)</u>
Net Income (Loss) Before Capital Contributions and Transfers	<u>4,108,260</u>	<u>6,766,030</u>	<u>6,690,689</u>	<u>4,763,683</u>	<u>3,013,105</u>
Capital Contributions	-	-	-	531,000	271,841
Transfers in	-	-	-	163,978	283,533
Transfers out	-	(60,000)	-	-	-
Total contributions and transfers	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>	<u>694,978</u>	<u>555,374</u>
Change in Net Position	<u>\$ 4,108,260</u>	<u>\$ 6,706,030</u>	<u>\$ 6,690,689</u>	<u>\$ 5,458,661</u>	<u>\$ 3,568,479</u>

*Projected

Source: Frederick County Finance Division

CERTAIN DEBT INFORMATION

Bonded Indebtedness of the County

The County may not issue general obligation bonds unless specific enabling legislation is passed by the Maryland General Assembly. In addition to the Bonds, the County has been authorized by the General Assembly to, among other things, (i) issue temporary notes during any single year in an amount up to \$100,000 to pay debt service on bonded indebtedness and \$5,000,000 to pay any expenses or obligations of the County, (ii) incur debt for the purpose of providing funds for the construction of water, sewage, drainage systems and solid waste systems, as long as the amount issued, less any sinking funds or reserves to pay such bonds, does not exceed 6% of the valuation of all legally assessable property within Frederick County subject to unlimited County taxation, (iii) incur debt for the purposes of providing funds for the construction and improvement of public schools per Sections 5.601- 5.604 of the Education Volume of the Annotated Code of Maryland (2004 Replacement Volume, 2005 Supp.) as amended, (iv) to borrow not more than \$563,000 to finance the cost of construction of certain buildings and facilities for the use and benefit of the Tourism Council of Frederick County (this represents the remaining authority under Chapter 558 of the Laws of Maryland of 2000) and (v) issue bonds in an amount up to \$10,746,652 (this represents remaining authority under Chapter 382 of the Laws of Maryland of 2007), and (vi) issue bonds in an amount up to \$100,000,000 (this represents remaining authority under Chapter 54 of the Laws of Maryland of 2012), which is equal to the authorization remaining prior to the issuance of the Bonds. The County is not subject to any general debt limitations with regard to its issuance of general obligation bonds other than water, sewer, drainage system and solid waste bonds and other specific types of bonds which are authorized to be issued under certain provisions of the Maryland Code, but any debt limitation which would be applicable to a particular issue of bonds would be contained within the enabling legislation enacted by the General Assembly of the State.

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

Except as described in “COUNTY GOVERNMENT AND ADMINISTRATION - Leases and Other Contracts”, the County is not a party to any long-term leases, lease-purchase obligations, joint ventures, guaranteed debt, “moral obligation” indebtedness, output or supply contracts, take or pay or similar contracts or any other form of contingency indebtedness that does not appear on its balance sheet.

The table on the following page sets forth the amount of the County’s long-term general obligation bonded indebtedness issued and outstanding as of June 30, 2013.

Incurrence of Debt Under Charter

From and after December 1, 2014, the County will have the power to incur debt without specific enabling legislation from the Maryland General Assembly. See “COUNTY GOVERNMENT AND ADMINISTRATION – Change in Form of County Government” above. The aggregate amount of County general obligation debt will be limited to an amount equal to 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; as of July 1, 2013, this limit would have been \$1.26 billion. The estimated limit as of 7/1/2014 is \$1.27 billion. This limit will not apply to the following categories of debt: tax anticipation notes or other evidences of indebtedness having a maturity not in excess of 12 months; debt payable primarily or exclusively from taxes levied in or on, or other revenues of, special taxing areas or community development authorities; and debt issued for self-liquidating and other projects payable primarily or exclusively from the proceeds of assessments or charges for special benefits or services.

Incurrence of debt will be authorized by legislation enacted by the County Council and approved by the County Executive in accordance with the provisions of the Charter. All such legislation may be referred to the voters of the County for referendum if a petition signed by at least seven percent of the registered voters of the County is filed with the Board of Elections for the County no later than fifty-nine days following the date the legislation is enacted.

Schedule of Long-Term Loans and Bonded Indebtedness Issued and Outstanding

	Date of Debt Issue	Date of Debt Maturity	Amount of Original Issue	Amount Outstanding 6/30/2013
General Government Debt				
MD Industrial Land Act Loan - Dan Jay LLC	2/11/1994	2/11/2021	630,000	287,177
MD Industrial Land Act Loan - State Farm	5/12/1994	5/12/2021	181,059	88,261
Public Facilities Refunding Bonds of 1998, Series A	10/15/1998	7/1/2015	19,346,419	6,444,279
Public Facilities Refunding Bonds of 2002, Series A	4/1/2002	7/1/2016	13,999,267	1,989,272
Public Facilities and Refunding Bonds of 2003	9/1/2003	8/1/2013	41,788,860	2,020,000
Public Facilities Refunding Bonds of 2005	5/1/2005	8/1/2015	91,781,972	26,120,171
Public Facilities Refunding Bonds of 2006	2/1/2006	11/1/2022	12,608,476	12,608,476
Public Facilities Bonds of 2007	5/15/2007	6/1/2027	52,890,000	16,886,462
Public Facilities Bonds of 2008	6/15/2008	6/1/2028	61,055,000	25,893,381
Public Facilities Bonds of 2010A	1/26/2010	2/1/2020	47,213,456	35,347,818
Public Facilities Bonds of 2010B (BAB)	1/26/2010	2/1/2030	71,261,044	71,261,044
Public Facilities Bonds of 2010C Refunding	4/27/2010	12/1/2020	57,786,283	44,811,400
Public Facilities Bonds of 2011, Series A	8/4/2011	8/1/2031	55,810,000	55,810,000
Public Facilities Refunding Bonds of 2011, Series B	8/4/2011	8/1/2017	9,909,092	9,909,092
Public Facilities Refunding Bonds of 2012	2/9/2012	8/1/2017	59,842,669	59,842,669
Public Facilities Refunding Bonds of 2012 - Taxable	8/23/2012	8/1/2020	51,946,393	51,946,393
Public Facilities Bonds of 2013	5/2/2013	5/1/2033	26,800,000	26,800,000
FY2009 Capital Lease	9/26/2008	10/15/2013	2,120,000	229,576
FY2012 Refunding Lease	12/15/2011	1/15/2017	1,842,437	1,362,173
FY2012 Capital Lease	12/15/2011	1/15/2017	836,610	668,870
Installment Purchase Agreements	VARIOUS	VARIOUS	53,783,983	53,783,983
Total General Government Debt			733,433,020	504,110,497
Less: Installment Purchase Agreements			(53,783,983)	(53,783,983)
Less: Capital Leases			(4,799,047)	(2,260,619)
Less: Notes Payable			(811,059)	(375,438)
Total Serial Bond General Government Debt			674,038,931	447,690,457
Proprietary Fund Debt				
Maryland Department of the Environment Loans	VARIOUS	VARIOUS	114,699,904	81,125,093
Interfund Solid Waste Cart loan	1/1/2009	12/31/2013	3,702,346	369,917
Public Facilities Refunding Bonds of 1998, Series A	10/15/1998	7/1/2015	9,143,581	3,045,721
Public Facilities Refunding Bonds of 2002, Series A	4/1/2002	7/1/2016	8,590,733	1,220,728
Public Facilities and Refunding Bonds of 2003	9/1/2003	8/1/2013	7,216,140	-
Public Facilities Refunding Bonds of 2005	5/1/2005	8/1/2015	15,233,028	4,249,829
Public Facilities Refunding Bonds of 2006	2/1/2006	11/1/2022	7,756,524	7,756,524
Public Facilities Bonds of 2007	5/15/2007	6/1/2027	38,990,000	12,448,538
Public Facilities Bonds of 2008	6/15/2008	6/1/2028	18,325,000	7,771,619
Public Facilities Bonds of 2010A	1/26/2010	2/1/2020	12,491,544	9,352,183
Public Facilities Bonds of 2010B (BAB)	1/26/2010	2/1/2020	18,853,956	18,853,957
Public Facilities Bonds of 2010C Refunding	4/27/2010	12/1/2020	21,578,717	16,733,599
Public Facilities Refunding Bonds of 2011, Series B	8/4/2011	8/1/2017	6,095,908	6,095,907
Public Facilities Refunding Bonds of 2012	2/9/2012	8/1/2024	25,232,331	25,232,331
Public Facilities Refunding Bonds of 2012 - Taxable	8/23/2012	8/1/2020	9,423,607	9,423,607
Public Facilities Bonds of 2013	5/2/2013	5/1/2033	4,650,000	4,650,000
Total Proprietary Debt			321,983,319	208,329,553
Less: MDE and Interfund Loans			(118,402,250)	(81,495,010)
Total Serial Bond Proprietary Debt			203,581,069	126,834,543
Total Serial Bond Long-Term Indebtedness			\$877,620,000	\$574,525,000

Subsequent Refunding

On July 8, 2014, the County issued its General Obligation Public Facilities Taxable Refunding Bonds, Series 2014B, in the aggregate principal amount of \$34,495,000 (the “Series 2014B Bonds”). All of the Series 2014B Bonds were purchased by JPMorgan Chase Bank, National Association (the “Bank”). In conjunction with such purchase the Bank and the County entered into a term loan agreement. The Series 2014B Bonds were issued as variable rate bonds, with a taxable interest rate based on 30-day LIBOR. The proceeds of the Series 2014B Bonds were applied to the advance refunding of a portion of certain maturities of the County’s General Obligation Public Facilities Bonds of 2008, Consolidated Public Improvement Tax-Exempt Bonds, Series 2010A, Consolidated Public Improvement Taxable Build America Bonds – Direct Payment To Issuer, Series 2010B, General Obligation Refunding Bonds of 2010, Series C, General Obligation Public Facilities Bonds, Series 2011A and General Obligation Public Facilities Refunding Bonds of 2012, in the aggregate principal amount of approximately \$29,370,000. The County presently projects that it will achieve debt service savings from the issuance of the Series 2014B Bonds, but such savings are predicated on future LIBOR interest rates which cannot be assured.

Maryland Department of the Environment Loans

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

The County has been a participant in the MDE’s loan program since fiscal year 1992. As of June 30, 2013, the County has authorized and approved borrowings in an aggregate principal amount of \$91,357,811 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. The outstanding principal on these MDE loans as of June 30, 2013 is \$65,378,647. These loans have interest rates of 0.08 – 4.56%.

Maryland Industrial Land Act Loans

The County has an outstanding loan from the Department of Business and Economic Development of the State (“DBED”) in the original amount of \$630,000 under the Maryland Industrial Land Act, Article 83A, Section 5-401 *et. seq.* of the Maryland Code. The outstanding balance of this loan at June 30, 2013 is \$287,177. The proceeds of this loan have been reloaned by the County to a private user to assist in the financing of the acquisition of certain industrial land and shell buildings in Frederick County. It is anticipated that the repayment of this loan by the private user will generate sufficient moneys for the County to repay DBED; however, the loan is a full faith and credit obligation of the County. A loan in the amount of \$181,059 has also been received under the program and granted to a private user to assist in the financing of certain street and site improvements in Frederick County. The loan is a full faith and credit obligation of the County. The outstanding balance of this loan at June 30, 2013 was \$88,261.

Other Loans and Bonds

The County issued taxable 8.16%, \$1,890,094 Tax Increment Financing Bonds due serially through fiscal year 2019 to finance part of the infrastructure needed in the Dudrow Industrial Park Lot Two Development District. The debt is a special obligation of the County. The County surrenders its tax revenues on the incremental increase in property taxes within the districts to pay the debt service on the bonds. Cash and the related liability to bondholders are accounted for in an Agency Fund.

Frederick County issued special obligation bonds on November 6, 1998, April 1, 2004, and September 23, 2010 for the Urbana Community Development Authority in the amount of \$30,000,000, \$32,974,000, and \$97,695,000, respectively; and January 18, 2001 and September 20, 2007 for the Villages of Lake Linganore Community Development Authority in the amount of \$6,730,000 and \$6,346,142, respectively. The bonds were issued to finance infrastructure costs within the boundaries of the respective Authorities. In addition, a portion of the Urbana Community Development Authority 2010 bonds was to refund all the outstanding 1998 and 2004 Bonds, to fund capitalized interest and the debt service reserve fund and to pay the cost of issuance of the 2010 Bonds. The bonds are secured by special tax assessments levied on the properties within the respective Authorities and do not pledge the full faith and credit of the County. There remains additional bond authority totaling \$2,305,000 for unissued debt within the Urbana Community Development Authority. Additionally, the County has authorized a Community Development Authority district for the Aspen North area of the County. While the levy of taxes has been approved on the Aspen North properties, debt has not yet been issued.

On August 6, 2013, Frederick County issued Special Tax A Limited Obligation Bonds, Series 2013A, in the amount of \$6,640,000, and Tax Increment and Special Tax B Limited Obligation Bonds, Series 2013B, in the amount of \$33,360,000.

The bonds financed infrastructure costs within the Jefferson Technology Park Development District. Each series is a limited obligation and as such, does not pledge the full faith and credit of the County. The Series A bonds are secured by special tax assessments within the established Jefferson Technology Park Community Development Authority (CDA). The Series B bonds are primarily secured by incremental real property tax revenues on parcels within the Jefferson Technology Park Development District and supported by additional special tax assessments within the CDA, if needed.

On March 6, 2014, the Board of County Commissioners enacted ordinances and adopted resolutions creating the Oakdale-Lake Linganore Development District, authorizing the issuance of up to \$75 million aggregate principal amount of special obligation bonds to finance infrastructure costs within the District, pledging certain incremental tax revenues to the payment of debt service on such bonds, and authorizing the levy of special taxes within the District to pay debt service on such bonds. The County presently anticipates that such bonds will be issued during fiscal year 2017.

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 and 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.

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Summary of Debt Service Requirements

The following tables illustrate the County's schedules of projected debt service requirements for outstanding long-term obligations as of June 30, 2013.

Summary of Debt Service Requirements for Outstanding Long-Term Loans and Bonds

Fiscal Year	General Government Debt		Proprietary Debt		Total Long-Term Indebtedness		Total Indebtedness
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 33,334,243	\$ 20,503,495	\$ 16,011,583	\$ 6,574,906	\$ 49,345,826	\$ 27,078,401	\$ 76,424,227
2015	37,696,817	19,158,679	14,848,714	6,030,179	52,545,531	25,188,858	77,734,389
2016	39,326,562	17,571,936	15,351,906	5,522,154	54,678,468	23,094,090	77,772,558
2017	40,496,026	16,169,452	14,727,529	5,025,870	55,223,555	21,195,322	76,418,877
2018	35,677,576	14,578,804	14,256,729	4,561,503	49,934,305	19,140,307	69,074,612
2019	38,071,882	13,265,023	14,764,901	4,088,290	52,836,783	17,353,313	70,190,096
2020	38,672,578	11,981,656	14,688,291	3,593,637	53,360,869	15,575,293	68,936,162
2021	30,779,733	10,560,362	13,923,762	3,139,475	44,703,495	13,699,837	58,403,332
2022	21,363,484	9,467,482	10,789,021	2,713,174	32,152,505	12,180,656	44,333,161
2023	26,205,955	8,619,538	11,086,252	2,364,775	37,292,207	10,984,313	48,276,520
2024	22,106,768	7,417,957	9,609,015	2,046,991	31,715,783	9,464,948	41,180,731
2025	22,633,623	6,413,006	9,850,685	1,760,275	32,484,308	8,173,281	40,657,589
2026	20,908,979	5,453,556	10,028,018	1,531,963	30,936,997	6,985,519	37,922,516
2027	23,316,874	4,492,596	9,906,964	1,179,829	33,223,838	5,672,425	38,896,263
2028	22,136,345	3,400,784	7,324,304	851,857	29,460,649	4,252,641	33,713,290
2029	17,576,048	2,354,867	6,149,976	628,192	23,726,024	2,983,059	26,709,083
2030	16,030,309	1,423,398	6,283,250	455,623	22,313,559	1,879,021	24,192,580
2031	9,826,728	685,476	4,121,746	278,395	13,948,474	963,871	14,912,345
2032	6,083,768	195,599	4,171,778	229,712	10,255,546	425,311	10,680,857
2033	1,866,199	55,986	333,522	11,138	2,199,721	67,124	2,266,845
2034	-	-	9,800	1,347	9,800	1,347	11,147
2035	-	-	9,879	1,268	9,879	1,268	11,147
2036			9,958	1,189	9,958	1,189	11,147
2037			10,037	1,110	10,037	1,110	11,147
2038			10,118	1,029	10,118	1,029	11,147
2039			10,199	948	10,199	948	11,147
2040			10,280	867	10,280	867	11,147
2041			10,362	785	10,362	785	11,147
2042			10,445	702	10,445	702	11,147
2043			10,529	618	10,529	618	11,147
Total	\$ 504,110,497	\$ 173,769,652	\$ 208,329,553	\$ 52,597,801	\$ 712,440,050	\$ 226,367,453	\$ 938,807,503

**Schedule of Debt Service Requirements
As Adjusted to Reflect the Issuance of the Bonds***

Fiscal Year	Total Outstanding Debt Service	Public Facilities Bonds, Series 2014A		Total Adjusted Debt Service
		Principal	Interest(1)	
2014.....	\$76,424,227	\$ 0	\$ 0	\$76,424,227
2015.....	77,734,389	0	706,159	78,440,548
2016.....	77,772,558	1,145,000	1,348,000	80,265,558
2017.....	76,418,877	1,175,000	1,318,925	78,912,802
2018.....	69,074,612	1,215,000	1,277,000	71,566,612
2019.....	70,190,096	1,265,000	1,227,400	72,682,496
2020.....	68,936,162	1,325,000	1,168,975	71,430,137
2021.....	58,403,332	1,395,000	1,100,975	60,899,307
2022.....	44,333,161	1,465,000	1,029,475	46,827,636
2023.....	48,276,520	1,540,000	954,350	50,770,870
2024.....	41,180,731	1,620,000	875,350	43,676,081
2025.....	40,657,589	1,700,000	792,350	43,149,939
2026.....	37,922,516	1,780,000	714,250	40,416,766
2027.....	38,896,263	1,855,000	641,550	41,392,813
2028.....	33,713,290	1,920,000	575,650	36,208,940
2029.....	26,709,083	1,975,000	517,225	29,201,308
2030.....	24,192,580	2,040,000	451,900	26,684,480
2031.....	14,912,345	2,110,000	381,913	17,404,258
2032.....	10,680,857	2,190,000	306,563	13,177,420
2033.....	2,266,845	2,270,000	222,938	4,759,783
2034.....	11,147	2,360,000	136,125	2,507,272
2035.....	11,147	2,450,000	45,938	2,507,085
2036.....	11,147	0	0	11,147
2037.....	11,147	0	0	11,147
2038.....	11,147	0	0	11,147
2039.....	11,147	0	0	11,147
2040.....	11,147	0	0	11,147
2041.....	11,147	0	0	11,147
2042.....	11,147	0	0	11,147
2043.....	11,147	0	0	11,147
Total.....	<u>\$938,807,503</u>	<u>\$34,795,000</u>	<u>\$15,793,009</u>	<u>\$989,395,512</u>

(1) Interest rates range from 2.00% to 5.00%.

(2) Totals may not add due to rounding.

* Does not include the results of the County's General Obligation Taxable Refunding Bonds, Series 2014B. See "Subsequent Refunding" on page 48.

The following table sets forth the County's general obligation long-term debt (including notes payable, capital leases, and installment purchase agreements) per capita and ratio of debt to assessment for the five most recent fiscal years:

Schedule of Debt Service Requirements
As Adjusted to Reflect the Issuance of the Bonds

Fiscal Year	General		Debt to Assessment	Population (1)	Debt Per Capita
	Government Debt	Property Tax Assessment			
2013	\$ 504,110,497	\$ 25,771,467,979	1.96%	238,345	\$ 2,115
2012	477,310,498	26,334,506,930	1.81%	236,551	2,018
2011	468,965,949	26,904,914,552	1.74%	235,400	1,992
2010	492,712,593	26,611,194,221	1.85%	233,385 (2)	2,111
2009	393,925,004	24,946,718,280	1.58%	234,400	1,681

(1) Population estimate from the Frederick County Division of Community Development.

(2) U.S. Census

Source: Frederick County Finance Division.

The following table sets forth the County's General Fund debt service as a percentage of General Fund revenues for each of its four most recent fiscal years and an estimate for the current fiscal year:

Fiscal Year	General Fund Revenues	Debt Service Expenditures	Percentage
2014.....	\$481,829,532	\$37,047,643	7.69%
2013	439,140,171	34,623,407	7.88
2012.....	444,636,215	33,905,912	7.63
2011.....	439,863,821	33,149,352	7.54
2010.....	421,899,301	29,779,558	7.05

Source: Frederick County Finance Division.

Rapidity of Debt (Excluding Proposed Issue)

Number of Years	Principal Retired	Percent of Debt Retired
5	\$ 261,727,685	36.74%
10	482,073,544	67.67%
15	639,895,119	89.82%
20	712,338,444	99.99%
25	712,388,236	99.99%
30	712,440,051	100.00%

Source: Frederick County Finance Division.

The following table sets forth the computation of direct and overlapping governmental activities debt of the municipalities within Frederick County as of June 30, 2013:

Jurisdiction	Debt Outstanding (1)	Estimated % Applicable	Estimated Share of Direct and Overlapping Debt
Brunswick	\$ 534,421	100%	\$ 534,421
Emmitsburg	412,187	100%	412,187
Frederick City	69,619,446	100%	69,619,446
Middletown	929,182	100%	929,182
Myersville	3,500,000	100%	3,500,000
Frederick County Public Schools	16,059,000	100%	16,059,000
Frederick Community College	7,007,805	100%	7,007,805
Total Overlapping Debt			98,062,041
Frederick County Direct Debt			504,884,412
			\$ 602,946,453

(1) Debt repaid by general government activities source:
Frederick County Finance Division.

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Capital Budget

The following table sets forth the different classes of capital projects and the amounts included in the Capital Budget for fiscal year 2014 and the amounts included in the Capital Improvement Program for the next five fiscal years indicated:

Capital Budget - Program Requirements and Sources of Funds

	2014	2015	2016	2017	2018	2019
Program Requirements						
General Government	\$ 6,744,000	\$ 17,281,000	\$ 4,647,000	\$ 9,694,000	\$ 4,423,000	\$ 9,052,000
Water & Sewer	409,500	-	4,988,700	47,992,950	-	-
Solid Waste	385,000	-	-	-	-	-
Parks and Recreation	230,000	482,000	2,241,000	7,806,350	3,658,000	12,157,648
Watershed Restoration	1,005,093	1,904,863	324,500	-	-	-
Roads	2,588,000	3,900,000	3,734,000	1,545,000	4,469,000	8,658,000
Bridges	1,207,000	3,012,000	556,000	2,351,000	335,000	426,000
Highways	12,933,575	14,046,508	14,438,620	13,366,620	13,366,620	14,866,620
Community College	511,100	9,569,460	1,185,000	1,885,422	16,316,000	2,503,026
Board of Education	42,772,074	12,974,878	73,994,500	39,716,434	43,870,349	58,204,607
Municipalities	25,000	144,807	140,250	2,375	-	94,375
Total - Projects	<u>\$ 68,810,342</u>	<u>\$ 63,315,516</u>	<u>\$ 106,249,570</u>	<u>\$ 124,360,151</u>	<u>\$ 86,437,969</u>	<u>\$ 105,962,276</u>
Sources of Funds						
General Fund	\$ 6,935,165	\$ 9,477,648	\$ 11,291,888	\$ 11,812,217	\$ 12,257,916	\$ 13,118,443
General Obligation Bonds	40,637,047	21,302,453	66,712,708	33,504,944	50,987,216	71,924,634
General Govt Capital Lease	-	8,000,000	-	-	-	-
Recordation Tax	230,000	482,000	2,203,190	4,576,000	1,860,000	2,949,648
Recordation Tax Bonds	-	-	4,952,333	4,360,683	452,333	5,452,333
Impact Fees	-	-	52,000	1,500,000	598,000	-
Impact Fee Bonds	-	-	-	2,180,000	-	-
School Mitigation Fee	-	1,024,878	-	1,800,000	-	99,000
Water & Sewer Fees	132,500	-	7,000	-	7,000	28,000
Solid Waste Fees	385,000	-	-	-	-	-
Enterprise Fund Bonds	152,000	-	4,140,000	39,834,045	-	-
Grants	19,438,630	17,820,872	12,746,077	14,584,514	19,320,545	11,344,401
City of Frederick	-	-	848,700	8,158,905	-	-
Miscellaneous	900,000	5,207,665	3,295,674	2,048,843	954,959	1,045,817
Total - Source of Funds	<u>\$ 68,810,342</u>	<u>\$ 63,315,516</u>	<u>\$ 106,249,570</u>	<u>\$ 124,360,151</u>	<u>\$ 86,437,969</u>	<u>\$ 105,962,276</u>

Source: Frederick County Budget Office

The County has consistently used a plan of “pay-as-you-go” financing. Under the pay-as-you-go approach, the County financed the construction of certain of its capital projects by appropriation of revenues from the current funds of the County. Monies expended under General Fund “pay-as-you-go” are as follows:

Fiscal Year	Expended General Fund “Pay-As-You-Go” Funds
2009	\$ 14.5 million
2010*	(1.2) million
2011	3.1 million
2012	6.6 million
2013	8.8 million
2014	13.1 million

* In fiscal year 2010, unspent pay-as-you-go funds were returned to the General Fund to assist with budget shortfalls.

Through use of pay-as-you-go, the County has sought to reduce the aggregate amount of general obligation indebtedness issued that would otherwise bear interest to finance the construction of capital projects.

Future General Obligation Issues

The County’s Capital Improvement Program is an ongoing process, which requires periodic issuance of the County’s general obligation bonds to fund any portion of such program appropriated from general obligation funds.

COUNTY LITIGATION

The County is currently involved in a number of legal disputes involving such matters as civil rights violations, construction contracts, land use, personnel matters, automotive vehicle accidents and other negligence claims. Many of these are covered by insurance in whole or in part. Since certain of these disputes involve unspecified damages, it is not possible to provide a total of the damages claimed. In the opinion of the County Attorney, such matters are unlikely to result, singly or collectively, in total liabilities that would have a material effect on the financial condition of the County.

In addition, the County is a party in 3 legal cases involving the County’s proposed sale of the Citizens Care & Rehabilitation Center and Montevue Home facilities (see “CERTAIN SERVICES AND RESPONSIBILITIES - Nursing Home and Assisted Living Facilities” above). Money damages are not sought in any of these legal cases so these cases themselves would not have a material effect on the financial condition of the County. These legal proceedings have delayed the ultimate sale of the Facilities. Although in the opinion of the County Attorney, this is not the most likely outcome, a final adverse result in the legal proceedings could prevent the sale of these Facilities.

UNDERWRITING

The Bonds are being purchased by J.P. Morgan Securities LLC (the “Underwriter”) pursuant to a Bond Purchase Agreement between the County and the Underwriter. The Underwriter has agreed to purchase the Bonds for a purchase price of \$37,305,619.13 (which is equal to the aggregate principal amount of the Bonds of \$34,795,000, plus net original issue premium of \$2,573,690.95, less underwriter’s discount of \$63,071.82. The Underwriter’s obligation to purchase the Bonds is subject to certain terms and conditions set forth in the related Bond Purchase Agreement, the approval of certain matters by Bond Counsel, and certain other conditions. The prices at which the Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the inside cover page of this Official Statement. In addition, the Underwriter may allow commissions or discounts from such initial offering prices to dealers and others. The Bonds may be offered and sold to certain dealers (including dealers depositing the Bond into investment trusts, certain of which may be sponsored or managed by the Underwriter), and certain dealer banks and banks acting as agents, at prices lower than the initial offering prices. The initial offering prices set forth on the inside cover of the Official Statement may be changed from time to time by the Underwriter.

The Underwriter has entered into a negotiated dealer agreement (the "Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to the Dealer Agreement, CS&Co. will purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the County for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the County.

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

The fiscal year 2013 financial statements of the County have been audited by SB & Company, LLC, independent certified public accountants. The fiscal year 2013 financial statements can be found on the County's web site (www.FrederickCountyMD.gov/reports).

FINANCIAL ADVISOR

Davenport & Company LLC, Towson, Maryland, has rendered financial advice to the County in the preparation of this Official Statement.

CERTIFICATE OF COUNTY OFFICIALS

Simultaneously with or before delivery of and payment for the Bonds, the County will furnish to the Underwriter a certificate of the President of the Board and the Director of Finance, which shall state that, to the best of their knowledge and belief, this Official Statement (and any amendment or supplement thereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as reflected or contemplated in this Official Statement (and any amendment or supplement thereto).

CONTINUING DISCLOSURE UNDERTAKING

In order to enable the participating underwriter, as defined in Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") to comply with the requirements of paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") on or before the date of issuance and delivery of the Bonds, the form of which is attached to this Official Statement as Appendix C. Potential purchasers of the Bonds should note that the definition of Listed Events in Appendix C is intended to completely restate the events specified in Rule 15c2-12. It is noted that certain Listed Events are expected to have no applicability to the Bonds, such as the possibility of unscheduled draws on debt service reserves and matters affecting collateral for the Bonds.

With the exception of non-compliance with a continuing disclosure undertaking as a result of a late filing in connection with the County's Special Obligation Bonds (Urbana Community Development Authority), Series 2010 (the "Urbana Bonds"), the County has complied with its continuing disclosure undertakings for each of the past five years. With respect to the Urbana Bonds undertaking, a report required to be filed with the Municipal Securities Rulemaking Board by February 15, 2013 was not filed until March 21, 2013. The County is committed to maintaining compliance with all of its continuing disclosure undertakings.

MISCELLANEOUS

Financial data presented in this Official Statement which are identified as having been furnished by the County from its records, unless otherwise stated, reflect data prepared from the County's official records, which are public documents and which are believed to be accurate and reliable. Other data have been prepared by or furnished by sources (identified herein) which the County believes to be accurate and reliable, but the County does not guarantee the accuracy of such data. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement or any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

This Official Statement has been prepared by the County. Davenport & Company LLC, Financial Advisor to the County, has assisted the County, with this financing. This Official Statement has been approved, authorized and executed by the appropriate officials of the County for use in connection with the sale of the Bonds, all pursuant to the legislation authorizing the issuance of the Bonds.

So far as any statements are made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of any of the Bonds. Reference is made to Appendix B for the forms of legal opinions on the validity of the Bonds.

The execution of this Official Statement and its delivery have been approved by the County.

COUNTY COMMISSIONERS OF
FREDERICK COUNTY

BY: /S/ BLAINE R. YOUNG
Blaine R. Young
President
Board of County Commissioners of Frederick County

BY: /S/ ERIN WHITE, CPA
Erin White, CPA
Acting Director of Finance

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Appendix A

The County's Fiscal Year 2013 Comprehensive Annual Financial Report can be viewed at

www.frederickcountymd.gov/reports

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FORMS OF BOND COUNSEL OPINIONS FOR BONDS

County Commissioners of Frederick County
Winchester Hall
12 East Church Street
Frederick, Maryland 21701

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by County Commissioners of Frederick County (the "County"), a body politic and corporate and a political subdivision of the State of Maryland, of its Frederick County, Maryland, General Obligation Public Facilities Bonds, Series 2014A, in an aggregate principal amount of \$34,795,000 (the "Bonds") dated July 24, 2014.

In such capacity, we have examined the law and such certified proceedings and other papers as we deem necessary to render the opinions set forth below.

We are qualified to practice law in the State of Maryland, and we do not purport to be experts on, or to express any opinion herein concerning, any law other than the law of the State of Maryland and the federal law of the United States of America.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We express no opinion herein as the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the County and other certifications by public officials.

Based upon the foregoing, we are of the opinion that, under existing Maryland and federal law and as of the date hereof:

1. The County is a validly created and existing body politic and corporate and political subdivision of the State of Maryland (the "State"), possessing authority under the Acts (as hereafter defined) to issue the Bonds.

2. The Bonds are issued for valid public purposes as provided in Chapter 382 of the Laws of Maryland of 2007, as amended (the "2007 Act"), Chapter 54 of the Laws of Maryland of 2012, as amended ("Chapter 54"), Chapter 2-13 of the Code of Public Local Laws of Frederick County (1979), as amended (the "Water and Sewer Act"), Sections 5-601 through 5-604 of the Education Volume of the Annotated Code of Maryland, as amended (the "Education Act" and, together with the 2007 Act, the 2012 Act and the Water and Sewer Act, the "Acts"), and Resolution No. 14-13 of the County adopted on June 5, 2014 (the "Resolution"), and the issuance thereof is within every debt and other similar legal limit applicable to the County.

3. The Resolution has been validly adopted.

4. All actions for the authorization, approval, sale, execution and delivery of the Bonds have been taken in full compliance with the Constitution and laws of the State, the laws of the County, the Acts and the Resolution.

5. The Bonds are valid and binding general obligations of the County to the payment of which the County has pledged its full faith and credit and unlimited taxing power, and are payable as to principal, premium, if any, and interest from ad valorem property taxes upon all the legally assessable property within the corporate limits of Frederick County, and the County is required by law to levy and collect such taxes in rate and amount sufficient to provide for such payments when due.

6. By the terms of the Acts, the Bonds, their transfer, the interest payable on them, and any income derived therefrom, including any profit made in their sale shall be exempt from State, county, municipal or other taxation of every kind and nature whatsoever within the State, but no opinion is expressed as to estate or inheritance taxes or to any other taxes not levied or assessed directly on the Bonds or the income therefrom.

7. Interest on the Bonds is excluded from gross income for federal income tax purposes, and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes). The opinion set forth in the preceding sentence is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The County has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. In addition interest on the Bonds may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

Other than as set forth in the preceding paragraphs 6 and 7, we express no opinion regarding the federal or state income tax consequences arising with respect to the Bonds.

The rights of the holders of the Bonds and the enforceability of the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and to the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or a court of equity).

Very truly yours,

[to be signed "Venable LLP"]

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by **COUNTY COMMISSIONERS OF FREDERICK COUNTY** (the “Issuer”) in connection with the issuance of Frederick County, Maryland \$34,795,000 General Obligation Public Facilities Bonds, Series 2014A (the “Bonds”). The Bonds are being issued pursuant to Resolution No. 14-13 adopted on June 5, 2014 (the “Resolution”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the holders and the beneficial owners of the Bonds and to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The County’s obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Section 3 of this Disclosure Agreement.

“Annual Audited Financial Information” means the annual financial statements of the Issuer, as prepared in accordance with generally accepted accounting principles in effect from time to time consistently applied and which are audited by an independent certified public accountant or firm of such accountants.

“Electronic Municipal Market Access (EMMA)” described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule. The Electronic Municipal Market Access system, or EMMA, is a comprehensive, centralized online source for free access to municipal disclosures, market transparency data and educational materials about the municipal securities market. EMMA houses municipal disclosure documents that provide information for investors about municipal securities. EMMA also provides access to advance refunding documents, which detail arrangements made when new bonds are issued to establish escrows to pay-off existing bonds (usually to refinance their debt at a lower interest rate), and continuing disclosure documents that describe material information throughout the life of a bond and must be provided by municipal bond issuers. Additional disclosures that are voluntarily provided by issuers may be available for some bonds. EMMA is a service of the Municipal Securities Rulemaking Board, or MSRB, the Federal regulator of broker-dealers and banks that market, trade and underwrite municipal bonds, notes and other securities issued by state and local governments. The MSRB promotes investor protection through rulemaking and information collection and dissemination designed to promote transparency and public access. The MSRB collaborates with the Securities and Exchange Commission, Financial Industry Regulatory Authority, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and the United States Department of the Treasury’s Office of the Comptroller of the Currency and Office of Thrift Supervision, all of which enforce compliance by brokers, dealers and banks with MSRB rules.

“Listed Events” shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, and its successors.

“Official Statement” shall mean the Official Statement dated July 10, 2014 relating to the Bonds.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Financial Information, Operating Data, and Audited Information.

(a) The Issuer shall provide to EMMA annual financial information and operating data generally consistent with the information contained under the headings “Certain Revenues and Expenditures” and “Certain Debt Information” in the

Official Statement, such information to be made available within 270 days after the end of the Issuer's fiscal year, commencing with the fiscal year ending June 30, 2014.

(b) The Issuer shall provide to EMMA Annual Audited Financial Information, such information to be made available within 270 days after the end of the Issuer's fiscal year, commencing with the fiscal year ending June 30, 2014, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available.

(c) The presentation of the financial information referred to in paragraph (a) and in paragraph (b) shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the Official Statement, *provided*, that the Issuer may modify the accounting principles utilized in the presentation of financial information by amending this Disclosure Agreement pursuant to the provisions of Section 8 hereof. Changes in Generally Accepted Accounting Principles, where applicable to financial information to be provided by the Issuer, shall not require the Issuer to amend this Disclosure Agreement.

(d) If the Issuer is unable to provide the annual financial information and operating data within the applicable time periods specified in (a) and (b) above, the Issuer shall send in a timely manner a notice of such failure to EMMA or to the Municipal Securities Rulemaking Board and the State Repository, if any.

The Issuer has not failed to comply with any prior undertakings under the Rule except as described in the section of the Official Statement titled "Continuing Disclosure Undertaking".

SECTION 4. *Reporting of Significant Events.*

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of owners of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds; if material;
- (xi) rating changes.
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

- (xiii) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material; or
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in the above clause (a)(xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or Federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement of liquidation by a court or governmental authority having supervision or jurisdiction over substantially all the assets or business of the obligated person.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall within ten (10) business days file a notice of such occurrence with the MSRB through EMMA.

(c) The Issuer shall file or cause to be filed with the MSRB notice of any change in its Fiscal Year not later than the date on which it files any information in the then current Fiscal Year.

(d) Any information required to be included in the Annual Bond Disclosure Report or Annual Audited Financial Information may be included by specific reference to other documents previously provided to the MSRB, if any, or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

SECTION 5. *Termination of Reporting Obligation.* The Issuer's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. In addition, the Issuer may terminate its obligations under this Disclosure Agreement if and when the Issuer no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

SECTION 6. *Dissemination Agent.* The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 7. *Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel, expert in Federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 8. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event. The Issuer has not failed to comply with any prior undertakings pursuant to the Rule.

SECTION 9. *Limitation of Remedies.* The Issuer shall be given written notice at the address set forth below of any claimed failure by the Issuer to perform its obligations under the Disclosure Agreement, and the Issuer shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the Issuer shall be limited to specific performance as the adequate and exclusive remedy available in connection with

such action. Written notice to the Issuer shall be given to the Director of Finance, Winchester Hall, 12 E. Church Street, Frederick, MD 21701, or at such alternate address as shall be specified by the Issuer with disclosures made pursuant to Section 4(a) or 4(b) hereof or a notice of occurrence of a Listed Event.

SECTION 10. *Relationship to Bonds.* The Disclosure Agreement constitutes an undertaking by the Issuer that is independent of the Issuer's obligations with respect to the Bonds; any breach or default by the Issuer under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

SECTION 11. *Law of Maryland.* This Disclosure Agreement, and any claim made with respect to the performance by the Issuer of its obligations hereunder, shall be governed by, subject to, and construed according to the laws of the State of Maryland.

SECTION 12. *Limitation of Forum.* Any suit or other proceeding seeking redress with regard to any claimed failure by the Issuer to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Frederick County, Maryland.

SECTION 13. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the Owners, including beneficial owners, from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2014

ATTEST:

Lori L. Depies, CPA County Manager

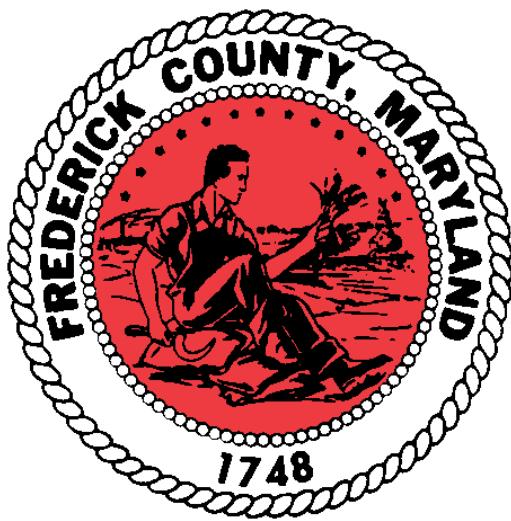
COUNTY COMMISSIONERS OF
FREDERICK COUNTY

By: _____

Blaine R. Young, President
Board of County Commissioners
of Frederick County

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