

Frederick County Maryland



Stronghold Sugarloaf Mountain

Michael D. Mazaika

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2019

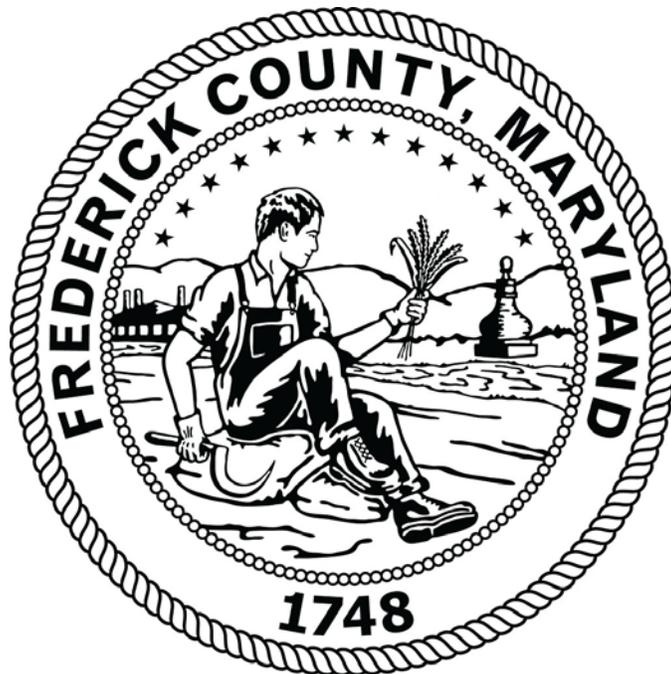
Maryland Country Roads - Autumn Respite No. 2 - Stronghold Sugarloaf Mountain Frederick County MD was captured by Michael D. Mazaika, a Southerly view of mid-afternoon autumn colors across a tranquil pond where Comus Road and Sugarloaf Mountain Road intersect near the base of Sugarloaf Mountain.

Michael Mazaika currently resides in Mt. Airy, Maryland, but his family has resided in the Frederick area for nearly 40 years. More of his work can be found at <https://pixels.com/profiles/michael-mazaika>

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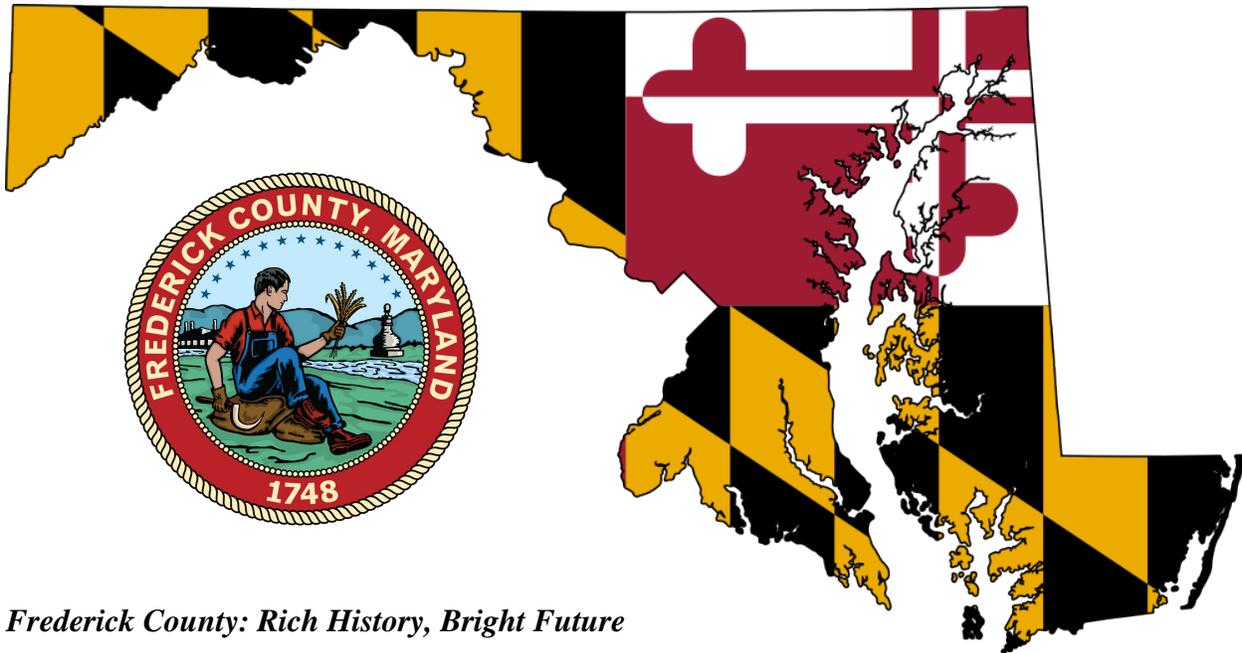
Permission was granted by the photographer to use this photo.

Frederick County, Maryland
Comprehensive Annual Financial Report
Fiscal Year 2019
July 1, 2018 – June 30, 2019



Prepared by the Finance Division

Frederick County, Maryland



Frederick County: Rich History, Bright Future

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

**FREDERICK COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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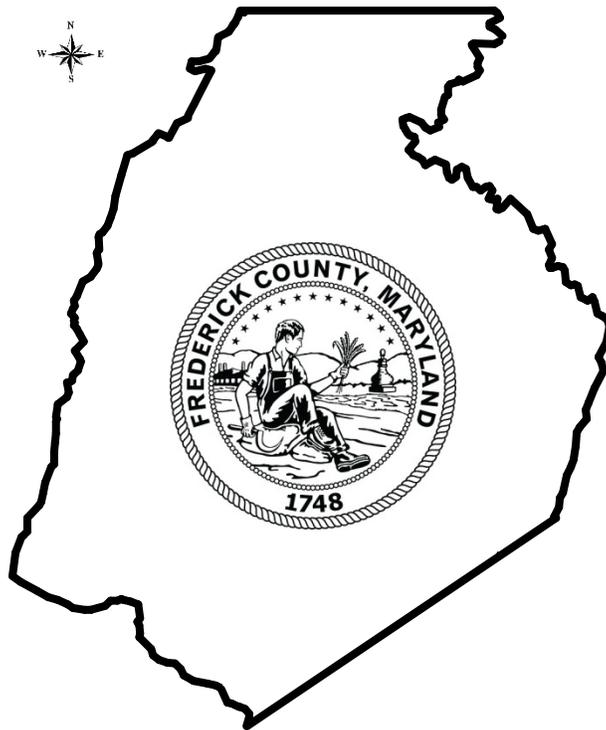
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WINCHESTER HALL



INTRODUCTORY SECTION





FREDERICK COUNTY GOVERNMENT

Jan H. Gardner
County Executive

DIVISION OF FINANCE
Accounting Department

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

November 30, 2019

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

We are pleased to present this Comprehensive Annual Financial Report (CAFR) of Frederick County, Maryland (the "County") for the fiscal year ended June 30, 2019.

Formal Transmittal of the CAFR

This report was prepared by the County's Finance Division in cooperation with the finance departments of the County's component unit organizations in conformity with accounting principles generally accepted in the United States (GAAP). This includes the report of the independent public accountants pursuant to Section 704 of the Charter of Frederick County, Maryland.

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

The financial statements of Frederick County, Maryland have been audited by SB & Company, LLC, a firm of licensed certified public accountants. SB & Company, LLC, has issued an unmodified opinion on the County's financial statements as of and for the fiscal year ended June 30, 2019. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and estimates made by management, and evaluating the overall financial statement presentation. The report of the independent public accountants is located at the beginning of the financial section of this report.

The County is also required to undergo an annual Single Audit in conformity with the provisions of the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Information related to this Single Audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be included in a separately issued single audit report.

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

Profile of the Government

Frederick County, Maryland, founded in 1748, originally included the present Maryland counties of Garrett, Allegany, Washington, Carroll and Montgomery. It is located in the north central part of Maryland, is 664 square miles in area, and serves an estimated population of 259,942. Frederick County is bordered on the north by the Commonwealth of Pennsylvania, on the west by Washington County, Maryland, on the east by Howard and Carroll Counties, both in Maryland, and on the south by Montgomery County, Maryland and the Commonwealth of Virginia.

There are twelve incorporated municipalities within Frederick County. The County seat and largest city is the City of Frederick, which has an estimated population of 72,481. The City of Frederick is located approximately 45 miles northwest of Washington, D.C. and 45 miles west of Baltimore, Maryland.

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

Under charter government, the County Executive has authority over the day-to-day operations of the County while the County Council has legislative authority. This change allows the County to create laws and ordinances that affect Frederick County without the need for approval of the General Assembly of the State of Maryland.

Both the executive and legislative offices of the County are located at Winchester Hall, 12 East Church Street, Frederick, Maryland 21701. The County's internet address is www.frederickcountymd.gov.

The Reporting Entity

The County provides a full range of services, including fire and rescue; law enforcement; sanitation services (including water, sewer, solid waste management and residential recycling); construction and maintenance of highways, streets, and infrastructure; recreational activities; and general government activities. Bell Court Apartments, the Comprehensive Care Facility, the Solid Waste Management, and Water and Sewer Enterprise Funds are supported through user fees.

Incorporated municipalities within Frederick County provide some or all of the following services within their boundaries which relieves the County from providing these services in those areas: highway and street maintenance, parks and recreation, planning services, and police protection. The County is also financially accountable for legally separate entities, which are reported separately within the County's financial statements. The entities, known as component units, that meet these criteria are the Frederick County Board of Education, the Frederick Community College, and the Frederick County Public Libraries. The County has no blended component units. Additional information on the component units can be found in Note 1 in Exhibit II-A-13.

Budgetary Overview

By definition in the County Charter, the budget is comprised of the annual Operating Budget, annual Capital Budget and the six-year Capital Improvement Program (CIP). The Operating Budget is commonly referred to as the General Fund Budget. The Operating and Capital Budgets are adopted annually by the County Council. The CIP is a planning budget that is updated annually but not formally adopted. Budgets are also adopted for most Special Revenue Funds and the Enterprise Funds. Detail regarding this is included in the Annual Budget and Appropriation Ordinance.

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

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

The Capital Budget is the County's plan to receive and expend funds for capital projects during the ensuing fiscal year. The CIP sets forth the County's plan of proposed capital projects to be undertaken in the ensuing fiscal year and the following five fiscal years, as well as the proposed means of financing all projects. The Capital Budget and CIP are prepared by the County Executive from submissions by the County departments and agencies. The portion of the cost of the Capital Budget that is to be paid from current funds may be included in the Operating Budget or that of certain Special Revenue and Enterprise Funds.

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis - Budget and Actual is presented for the General Fund in Exhibit II-A-7, as part of the basic financial statements. Budget-to-actual comparison schedules for other special revenue funds with legally adopted budgets are presented in the Supplementary Data portion of the Financial Section. These budget-to-actual comparison schedules include funds which do not exist in a GAAP basis as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 54. Those funds are included in the Capital Projects Fund for GAAP reporting. The reconciliation of budgetary basis presentation to the GAAP presentation is presented in Footnote 2.B.

Factors Affecting Financial Condition

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

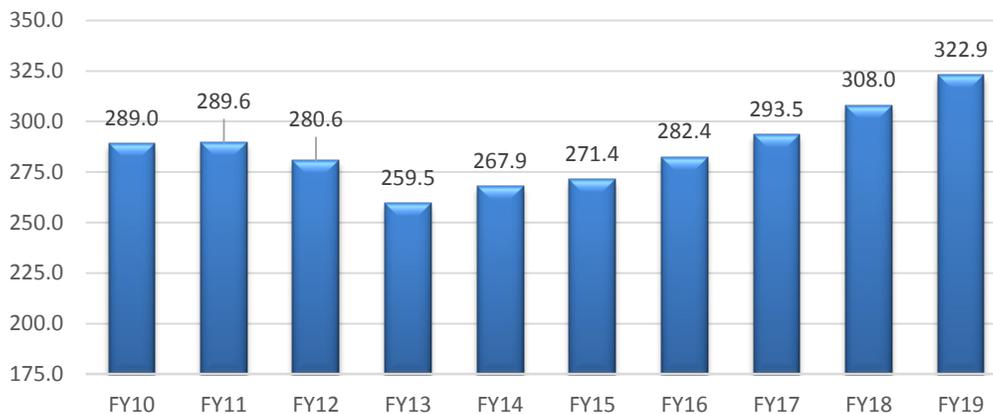
Local Economy – Frederick County has a diverse economy and is well positioned for business growth and development. Location, upscale business and employment parks, available infrastructure, business friendly programs, a highly skilled and educated workforce and room to grow are all key factors for businesses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

The federal government has been a positive influence on Maryland and Frederick County during the most recent recession. Frederick County is the home of the U.S. Army's Fort Detrick, a dynamic hub of military, government, private science and systems development dedicated to medical research.

Because of its location in a region with a diverse business community, the local unemployment rate is 3.1% as of September 2019. Average employment in Frederick County is 128,370 as of September 2019.

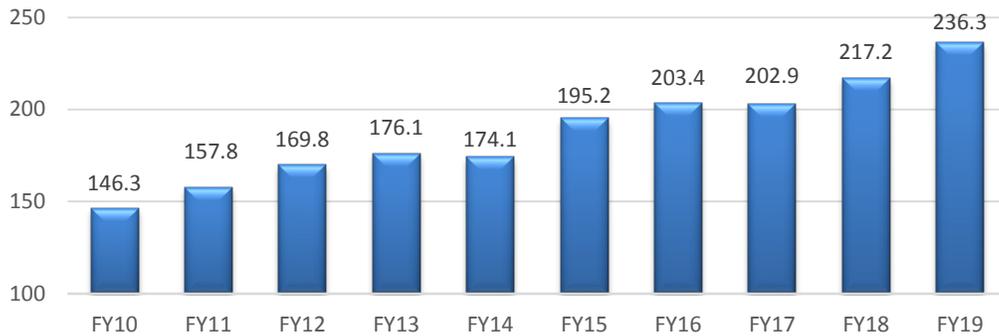
The County's largest revenue source remains real property taxes. Real property assessed values increased by 4.4% in FY19 and this trend continues into FY20 as values grew to \$31.7 billion from \$30.7 billion. General Fund property taxes are projected to increase in FY20 by \$18.4 million over FY19, representing a 5.8% increase. The real estate market has experienced an increase in property assessments, which have increased over the past seven years.

Property Tax Revenues Values shown in Millions



Income tax revenue, the second largest revenue source in the County, is directly affected by population growth, employment levels and personal income. Income tax revenue has a volatile history. With the implementation of the Tax Cuts and Jobs Act of 2017 the County is encouraged that the preliminary data has shown an increase in this revenue source. Revenues were at their lowest during the past ten years in FY10 at \$146.3 million. In the current fiscal year the County received \$236.3 million. This reflects the highest level of income tax revenues for the County since FY10. The adopted budget for income tax revenues is \$227.1 million for FY20.

Income Tax Revenues Values shown in Millions



Long-term Financial Planning - The major credit rating agencies have recognized that Frederick County's growing economic base, solid operating performance, strong management, financial position, policies and practices combine to rank Frederick as a top tier county government. The County's AAA ratings from Fitch Ratings, Moody's Investors Service, and S&P Global Ratings were affirmed in August 2019 for the fourth time since June of 2016. The ratings reflect ongoing and consistent growth, primarily in the commercial sector; increased employment; tax base growth; strong, well-embedded and sustainable management practices coupled with established fiscal policies; and a low debt burden.

The FY20 budget reflects a strong economy with a modest growth in revenues. The budget is fiscally responsible with no increase in property tax or income tax rates and adheres to long standing conservative policies. Total Operating Revenue is budgeted at \$612.0 million for FY20, representing a 5.6% increase over FY19.

The FY20 budget reflects the County Executive's goals by providing increased funding for education as well as an investment in public safety.

Below are some highlights from Executive Gardner's FY20 budget:

- Continued increase in funding for Frederick County Public Schools at \$8.1 million over the mandated maintenance-of-effort to fund the fourth year of the new teacher and staff pay scale.
- Public safety is provided with increased staffing including 38 additional firefighter/EMT's through the federal SAFER grant program and 6 staff to the 911 communications call center. Additionally, to address the growing calls for service in the County, 6 new sheriff deputy positions were added.
- Commitment to staff by providing a 3.5% merit increase for general county workers and the support of law enforcement and corrections officers by funding the first year of a new three year contract.
- The budget expands TransIT-Plus, a paratransit service, to eliminate the wait list and assist seniors and people with disabilities who need to get to medical appointments, including dialysis.

- The budget includes start-up funding for a detox center. This will be a public private partnership that requires a one-time funding commitment from the County to convert an underutilized space for this purpose. This is an important component for individuals and families in the fight for recovery.

Financial Policies and Practices

Debt Policy:

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

Investment Policy:

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

Frederick County Employees Retirement Trust Funding Policy:

This policy establishes a formal methodology for financing the pension obligations of the County's defined benefit plan. The Frederick County Employees Retirement Committee adopted this policy in September of 2018, with approval of the County Executive. This policy insures a plan funded ratio of the actuarial value of assets to actuarial liabilities remains between 95% - 105%.

General Fund Revenue Surplus Appropriation Policy:

Provides management with the flexibility to appropriate financial resources from the current fiscal year or projected surplus General Fund revenues in the current or immediate subsequent fiscal year budget. This policy requires the annual review of property tax and income tax revenues. If a surplus is determined, those funds may be appropriated to offset nonrecurring expenditures.

Debt Affordability Policy:

In order to establish a manageable level of debt issuance, the County commissioned a study which facilitated the establishment of a debt affordability limit, based on certain standards. These standards are applied to the Capital Improvement Program budget process in calculating manageable debt levels.

All financial policies are reviewed periodically.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to Frederick County, Maryland, for its comprehensive annual financial report for the fiscal year ended June 30, 2019. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

The preparation of this report could not have been accomplished without the dedicated team effort of the staff of the County's Finance Division. Each member of the division has my sincere appreciation for the contributions made in preparation of this report. Special recognition is given to the Deputy Director of Finance, Erin White, Director of Accounting, Melanie Thom and her Team Leaders, Robin Inskip, Ronni Putman and Kathi Tritsch, along with their staff; Financial Services Manager, Susan Keller, Director of Treasury, Diane Fox, and her staff who administer the County's property taxes and revenue collection system; Director of Procurement and Contracting, Diane Fouche, and her staff who work to maximize the value the County receives in all expenditures of tax dollars. A special thank you is given to our Budget Office staff who administers the budget process without which accounting and financial reporting could not exist. A sincere note of appreciation goes to Lori Rhodes who assumed the production process of this document. Lastly, I express my appreciation to our County Executive, Jan Gardner, as well as the County Council members and their staffs for their continued interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Use of this Report

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

Respectfully submitted,



Lori L. Depies, CPA
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Frederick County
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

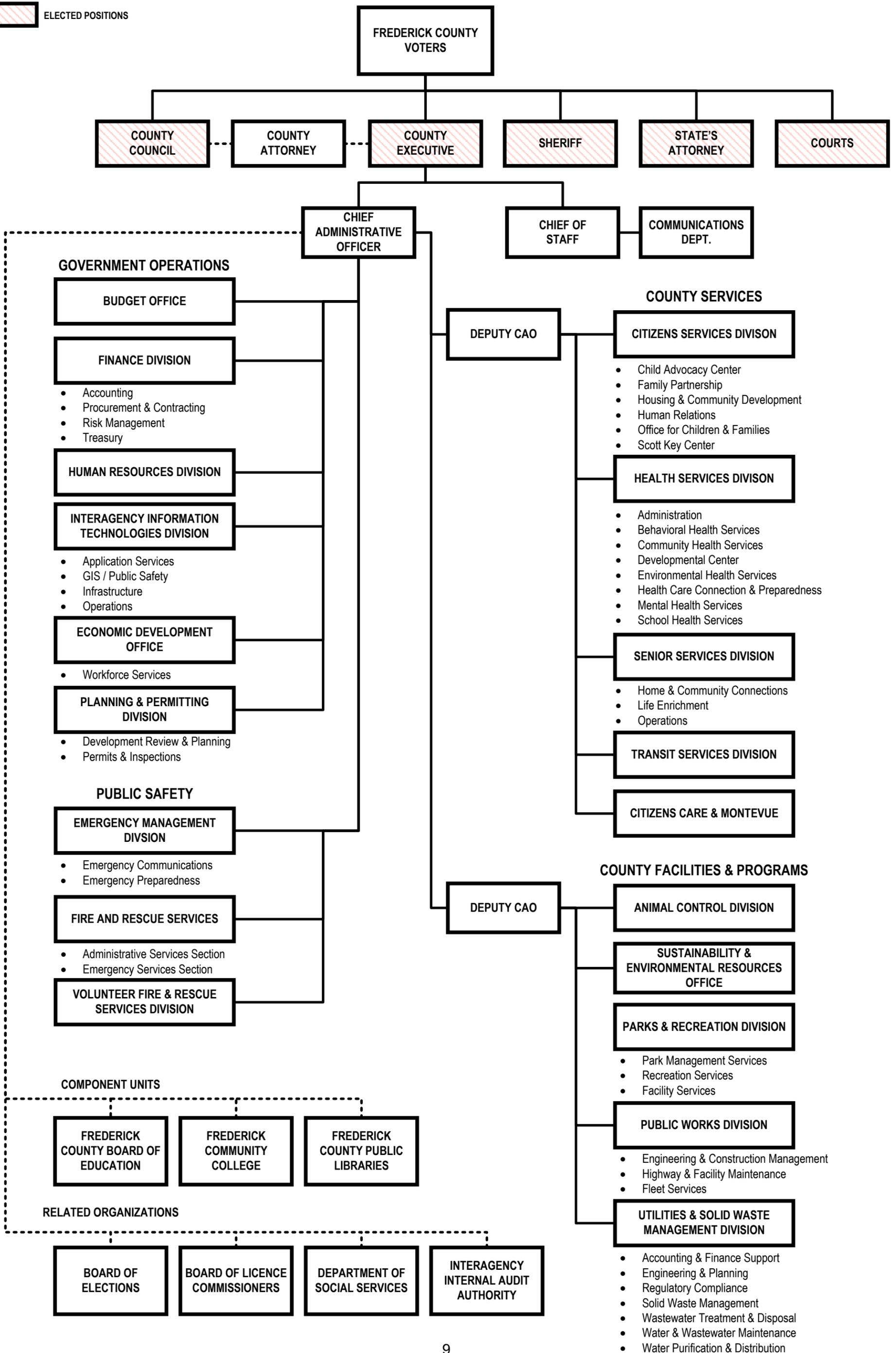
June 30, 2018

Christopher P. Morvill

Executive Director/CEO

FREDERICK COUNTY GOVERNMENT ORGANIZATIONAL CHART

 ELECTED POSITIONS





Frederick County Elected Officials



Jan H. Gardner
County Executive

Frederick County Council



From left to right – Steve McKay (District 2), Kai Hagen (At Large), Jerry Donald (District 1),
President M.C. Keegan-Ayer (District 3), Phil Dacey (At Large), Jessica Fitzwater (District 4),
and Vice President Michael Blue (District 5)

Frederick County, Maryland
Summary of Elected and Appointed Officials

County Executive

Jan H. Gardner

County Council

M.C. Keegan-Ayer, President, District 3
Michael Blue, Vice President, District 5
Jerry Donald, District 1
Steve McKay, District 2
Jessica Fitzwater, District 4
Phil Dacey, At Large
Kai Hagen, At Large

Sheriff

Charles A. "Chuck" Jenkins

State's Attorney

J. Charles Smith III, Esquire

Administrative Judge of the Circuit Court

Honorable Julie R. Stevenson Solt

Clerk of the Circuit Court

Sandra K. Dalton, Clerk

Appointed Officials

County Executive's Cabinet

Chief of Staff
Communications Director
Education and Special Initiatives Director
Government Affairs Director

Margaret Nusbaum
Vivian Laxton
Janice Spiegel
Roger Wilson

Chief Administrative Officer
Deputy Chief Administrative Officer
County Attorney

Richard Harcum
Michael Marschner
John Mathias, Esquire

Animal Control Director
Budget Director (Acting)
Citizens Services Director
Economic Development Director
Emergency Management Director
Finance Director
Fire and Rescue Services Chief / Director (Interim)
Health Services Director / Health Officer
Human Resources Director
Interagency Information Technologies Director
Parks and Recreation Director
Planning and Permitting Director
Public Works Director
Senior Services Director
Sustainability and Environmental Resources Manager
Transit Services Director
Utilities and Solid Waste Management Director
Volunteer Fire and Rescue Services Director

Linda Shea
Kelly Weaver, CPA
Monica Bearden, PT, SDcPt
Helen Propheter
John Markey
Lori Depies, CPA
Thomas Coe
Barbara Brookmyer, MD, MPH
Wayne Howard
Thomas Dixon
Jeremy Kortright
Steven Horn
Charles Nipe
Kathy Schey
Shannon Moore
Nancy Norris
Kevin Demosky
Kevin Fox

Component Units

Board of Education

President	Brad W. Young
Vice President	M. Joy Schaefer
Member	Michael G. Bunitsky
Member	Lois A. Jarman, DProf
Member	Elizabeth A. Barrett
Member	Jay Mason
Member	Karen A. Yoho
Student Member	Paige Tolbard
Superintendent	Theresa R. Alban, Ph.D.

Frederick Community College Board of Trustees

Chairperson	Debra S. Borden, Esquire
Vice Chairperson	Dr. John Molesworth
Trustee	Ellis Barber
Trustee	Nick Diaz
Trustee	Gary V. Fearnow
Trustee	Carolyn Kimberlin
Trustee	Thomas E. Lynch, III, Esquire
President	Elizabeth Burmaster

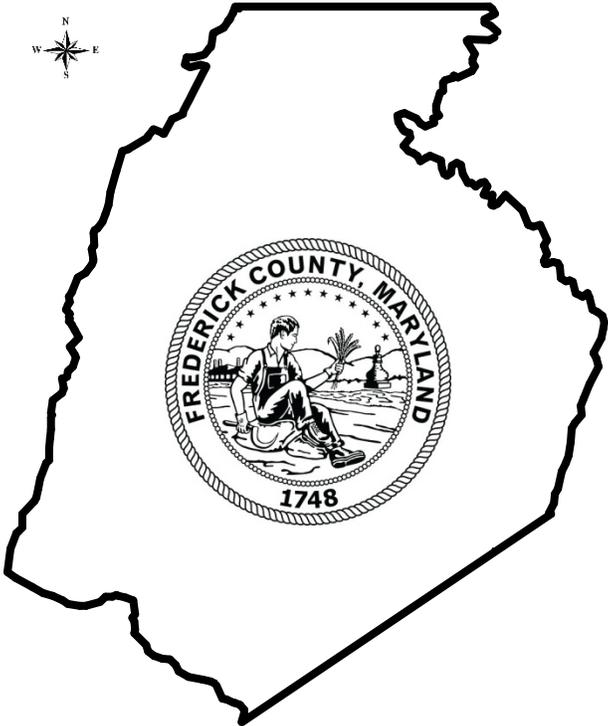
Frederick County Public Library Board

Chairperson	Kyle R. Kane, Esquire
Vice Chairperson	Deborah Kiser
Secretary/Treasurer	Cheryl G. Smith
Member	Candy Greenway
Member	George J. Laugelli
Member	Susan L. Manny
Member	Maurice "Mick" J. O'Leary
Public Libraries Director	James M. Kelly

Interagency Internal Audit Authority

Internal Audit Director	Tricia A. Griffis, CPA
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FINANCIAL SECTION





REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Frederick County, Maryland (the County) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Owings Mills, Maryland
November 14, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report of Frederick County, Maryland (the "County") presents a narrative overview and analysis of the financial activities of the County, for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements and the accompanying notes to those financial statements.

The objective of this overview is to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the County's financial activity, (c) identify changes in the County's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

Government-Wide:

- The assets and deferred outflows of resources of Frederick County Government exceeded its liabilities and deferred inflows of resources at the close of this fiscal year by \$922.8 million (net position), approximately 71.3% of which is attributable to the County's business-type activities. Of total net position, \$791.3 million is the net investment in capital assets, and \$231.9 million is restricted for specific purposes. The County's unrestricted net position is a negative \$100.4 million. This deficit balance in unrestricted net position results primarily from the County's issuance of debt to fund construction for the Frederick County Board of Education and Frederick Community College, both component units. The educational facilities that are constructed through the County's financial support are assets of the Frederick County Board of Education and Frederick Community College, and therefore are not shown as assets of Frederick County Primary Government. A more detailed discussion is presented later in this document. Included in the County's liabilities at year-end is approximately \$270.8 million of bonds and direct placement notes payable, the proceeds of which have been used to fund school and college construction.
- The total government-wide net position increased by \$136.7 million or 17.4% in FY19. The governmental activities net position increased by \$90.1 million, compared to an increase of \$5.1 million in FY18. The business-type activities net position increase by \$46.7 million, reflecting a greater increase than the \$22.7 million increase in FY18.

Fund Level:

- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$357.7 million, an increase of \$22.6 million from the prior year. The County's proprietary funds reported a combined net position of \$658.1 million, representing a \$46.7 million increase over the prior year.
- At the end of FY19, the total committed, assigned and unassigned fund balances for the County's General Fund was \$114.3 million, or approximately 21.3% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements are comprised of three components:

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

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

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns, which present a total for the Primary Government. The focus of the *Statement of Net Position* (Exhibit II-A-1) is designed to be similar to bottom line results for the County and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets, deferred inflows and outflows of resources, and long term obligations. "Net Position" is the difference between the County's assets, deferred inflows and outflows of resources, and its liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Additionally, other factors, such as the diversification of the County's property tax base, the condition of its schools, and the condition of its facilities and infrastructure should also be a consideration of the County's condition and health.

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

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

The Government-Wide Financial Statements include not only Frederick County (known as the primary government), but also a legally separate board of education, a legally separate community

college, and a legally separate library board for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Component units, which are other governmental units over which the County can exercise influence and/or may be obligated to provide financial subsidies, are presented as separate columns in the Government-Wide Financial Statements. The focus of the statements is clearly on the primary government and the presentation allows the user to address the relative relationship with the component units. Additional detailed financial information for the Frederick County Board of Education and Frederick Community College may be obtained from their respective separately issued financial statements. The Library Board does not issue separate financial statements. Consolidated financial information is available in the Government-Wide Financial Statements. The Government-Wide Financial Statements can be found on pages 31-33 of this report.

Fund Financial Statements

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

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

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

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

Frederick County adopts an annual appropriated budget for its General Fund and each of the Special Revenue Funds (except for the Watershed Protection and Restoration Fund, the Sheriff's Drug Enforcement Fund, the Narcotics Investigative Section Fund, the State Attorney Law Enforcement Aid Fund, the Inmates' Canteen Fund, the Non-Profit Organizations Loans Fund, and the Fire/Rescue Loans Fund). A budgetary comparison statement is prepared for the General Fund. This statement can be found on Exhibit II-A-7 of this report. Budgetary schedules for the non-major special revenue funds and the Debt Service Fund can be found in Exhibit II-B-7 and Exhibit II-B-8, respectively in the Supplementary Data section. The Capital Projects Fund has a budget from

inception until completion of the project. The budgetary display of this activity can be found in Exhibit II-B-9.

Proprietary Funds: Frederick County maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions as business-type activities in the Government-Wide Financial Statements. Frederick County has four individual enterprise funds: the Water & Sewer Fund, the Solid Waste Management Fund, the Comprehensive Care Facility Fund and the Bell Court Apartments Fund.

Internal service funds are an accounting device used to accumulate and allocate costs internally among Frederick County's various functions and activities. Frederick County uses internal service funds to account for worker's compensation, fleet services and voice services operations. Because the services of these funds benefit both the governmental and business-type functions, the change in net position is distributed between both the governmental activities and business-type activities in the Government-Wide Financial Statements. The basic proprietary fund financial statements are presented in Exhibits II-A-8, II-A-9, and II-A-10. Detailed statements for each of the internal service funds can be found in the Exhibits II-B-10, II-B-11, and II-B-12, in the Supplementary Data section of this report.

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

Fiduciary Funds: The Fund Financial Statements also allow the County to address its fiduciary funds. Summary statements for the fiduciary funds are displayed in Exhibits II-A-11 and II-A-12, while the detail for each fund is presented in Exhibits II-B-13, II-B-14 and II-B-15. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County's fiduciary funds include the Pension Trust Fund, the Other Post-Employment Benefits (OPEB) Trust Fund, the Length of Service Award Program (LOSAP) Trust, and various agency funds. While the fiduciary funds represent trust responsibilities of the County, these assets are restricted in purpose and do not represent discretionary assets of the County. Therefore, these assets are not presented as part of the Government-Wide Financial Statements. The basis of accounting used for the fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Frederick County's fiduciary trust liabilities and schedule of employer contributions. The required supplementary information is presented in Exhibit II-A-14 through Exhibit II-A-19.

Infrastructure Assets

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

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

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

Changes in net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of Frederick County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$922.8 million at the close of the fiscal year.

Statement of Net Position

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 500,668	\$ 468,403	\$ 228,952	\$ 210,620	\$ 729,620	\$ 679,023
Capital assets	497,400	485,245	658,209	645,843	1,155,609	1,131,088
Total assets	998,068	953,648	887,161	856,463	1,885,229	1,810,111
Deferred outflows of resources	20,049	39,798	3,119	3,906	23,168	43,704
Current and other liabilities	172,812	119,536	50,919	30,283	223,731	149,819
Long-term debt outstanding	545,424	653,228	181,260	218,636	726,684	871,864
Total Liabilities	718,236	772,764	232,179	248,919	950,415	1,021,683
Deferred inflows of resources	35,137	46,031	-	-	35,137	46,031
Net Position:						
Net investment in capital assets	318,948	324,840	472,364	449,599	791,312	774,439
Restricted	200,972	173,536	30,968	38,936	231,940	212,472
Unrestricted (deficit)	(255,176)	(323,725)	154,769	122,915	(100,407)	(200,810)
Total net position	<u>\$ 264,744</u>	<u>\$ 174,651</u>	<u>\$ 658,101</u>	<u>\$ 611,450</u>	<u>\$ 922,845</u>	<u>\$ 786,101</u>

Frederick County's net position is divided into three categories, net investment in capital assets, restricted net position and unrestricted net position. The largest portion of the County's net position, \$791.3 million or 85.7%, reflects its investment in capital assets net of depreciation (e.g., land, buildings, equipment, infrastructure, construction in progress, and improvements), less any outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net position of \$231.9 million includes resources that are subject to external restrictions on how they may be used. Unrestricted net position of the government has a negative balance of \$100.4 million. The reason for this negative balance is related to the County issuing debt for public school construction as discussed below. The unrestricted net position for business-type activities has a positive balance of \$154.8 million.

The result of these basic current year calculations is that the County's overall financial position has increased from FY18 to FY19. There was an improvement in the Unrestricted Net Position of the Governmental Activities by \$68.6 million while the already positive Business Activities Unrestricted Net Position increased \$31.8 million. The main reason for the current year's continuing deficit in the Unrestricted Net Position in the governmental activities is the fact that counties in the State of Maryland issue debt for public school construction. These public schools are considered capital assets of the Frederick County Board of Education and Frederick Community College and are not included as assets of the County. The fact that the County must report the long-term debt for the schools as a liability, but cannot report the school buildings being financed by the County as assets, has a cumulative adverse impact on the County's unrestricted net position. The reduction in the negative Unrestricted Net Position of the Governmental Activities is due to the fact that no new bonds were issued in FY19.

In addition, the County's commitment to increasing the amount of its mandated reserves in an amount equal to 7.0% of General Fund expenditures and transfers to Frederick County Board of Education and Frederick Community College resulted in an additional \$7.7 million of restricted net position in FY19. This marks the final year of a gradual increase from FY16 when this was set at 5%.

In FY19, there were no new bonds issued to finance capital projects. However, on September 24, 2019, the County issued \$106.3 million in general obligation bonds that included \$28.4 million in funding of Frederick County Board of Education capital projects and \$2.1 million in funding for Frederick Community College capital projects. Currently the County is carrying outstanding general obligation bonds issued for the Frederick County Board of Education and Frederick Community College projects in the amounts of \$252.7 million and \$31.0 million, respectively.

Overall total net position increased by \$136.7 million. This increase is largely attributed to the increase in net position from the governmental activities (\$90.1 million). Tax revenues, charges for services and investment earnings showed substantial increases as well as overall spending decreased.

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

Statement of Activities

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

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

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2019	2018	2019	2018	Government	2018
REVENUES						
Program revenues						
Charges for services	\$ 62,781	\$ 51,165	\$ 96,501	\$ 91,940	\$ 159,282	\$ 143,105
Operating grants and contributions	27,057	27,818	-	-	27,057	27,818
Capital grants and contributions	9,553	8,452	45,159	25,228	54,712	33,680
General revenues						
Local property taxes	322,657	308,185	-	-	322,657	308,185
Local income taxes	252,610	228,887	-	-	252,610	228,887
Other local taxes	44,427	40,062	-	-	44,427	40,062
Build America Bond subsidy	1,246	1,244	375	365	1,621	1,609
Investment earnings	12,423	3,048	4,611	2,107	17,034	5,155
Miscellaneous	11,804	9,414	134	79	11,938	9,493
Gain/Loss on Disposal of Assets	(133)	384	-	14	(133)	398
Total revenues	744,425	678,659	146,780	119,733	891,205	798,392
EXPENSES						
Program Activities						
Governmental Activities:						
General government	68,549	63,461	-	-	68,549	63,461
Public safety	131,166	118,906	-	-	131,166	118,906
Public works	52,700	53,272	-	-	52,700	53,272
Health	7,322	7,418	-	-	7,322	7,418
Social services	8,739	8,156	-	-	8,739	8,156
Education	314,235	351,198	-	-	314,235	351,198
Parks, recreation, and culture	22,399	23,678	-	-	22,399	23,678
Conservation of natural resources	11,642	9,749	-	-	11,642	9,749
Community development and public housing	8,369	8,479	-	-	8,369	8,479
Economic development and opportunity	11,165	10,573	-	-	11,165	10,573
Interest on long term debt	18,790	18,793	-	-	18,790	18,793
Business-type Activities:						
Water and sewer	-	-	48,117	43,577	48,117	43,577
Solid waste management	-	-	23,731	27,238	23,731	27,238
Comprehensive Care Facility	-	-	27,351	25,859	27,351	25,859
Public Housing	-	-	186	176	186	176
Total expenses	655,076	673,683	99,385	96,850	754,461	770,533
Change in net position before transfers	89,349	4,976	47,395	22,883	136,744	27,859
Transfers	744	167	(744)	(167)	-	-
Change in net position	90,093	5,143	46,651	22,716	136,744	27,859
Net position - beginning of year	174,651	238,052	611,450	588,734	786,101	826,786
Change in accounting principle	-	(68,544)	-	-	-	(68,544)
Net position - beginning of year (restated)	174,651	169,508	611,450	588,734	786,101	758,242
Net position - ending of year	\$ 264,744	\$ 174,651	\$ 658,101	\$ 611,450	\$ 922,845	\$ 786,101

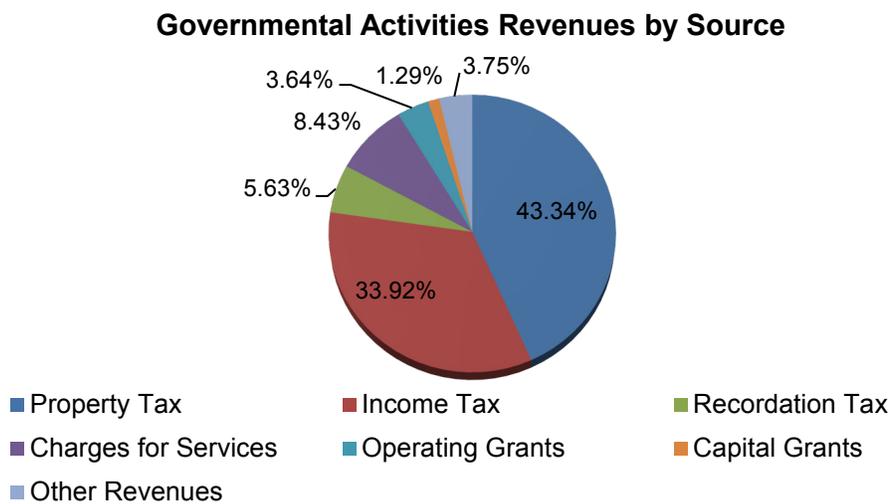
Governmental Activities: As noted earlier, the government's net position increased by \$136.7 million during the fiscal year. The net position of governmental activities increased \$90.1 million. Governmental activity revenues increased by \$65.8 million during FY19 with a decrease in expenses of \$18.6 million. There were increases in expenses in the general government and public safety areas of \$5.1 million and \$12.3 million respectively. These were offset by a \$37.0 million reduction in education spending that is a result of timing issues of when projects are completed.

Key elements impacting the governmental activities revenues include:

- The County recorded \$322.7 million in local property tax revenues in FY19, compared to \$308.2 million in the prior year, representing a 4.7% increase.

- Increases in income tax revenues of \$23.7 million, reflecting a 10.4% increase over FY18.
- Charges for services also increased \$11.6 million in FY19 from \$51.2 million in FY18 to \$62.8 million in FY19. Impact fees for general government capital projects accounted for \$12.6 million of this increase, due to permit issuance exceeding budget expectations.
- Investment Earnings increased in FY19 due to a favorable interest rate environment from \$3.0 million in FY18 to \$12.4 million in FY19.
- Capital Grants and Contributions increased by \$1.1 million in FY19. State funding for agricultural preservation and conservation easements grew by \$3.3 million in FY19, offset by a \$1.7 million decrease in funding for public works capital projects.

The following chart illustrates the governmental activities revenues received by source for FY19:



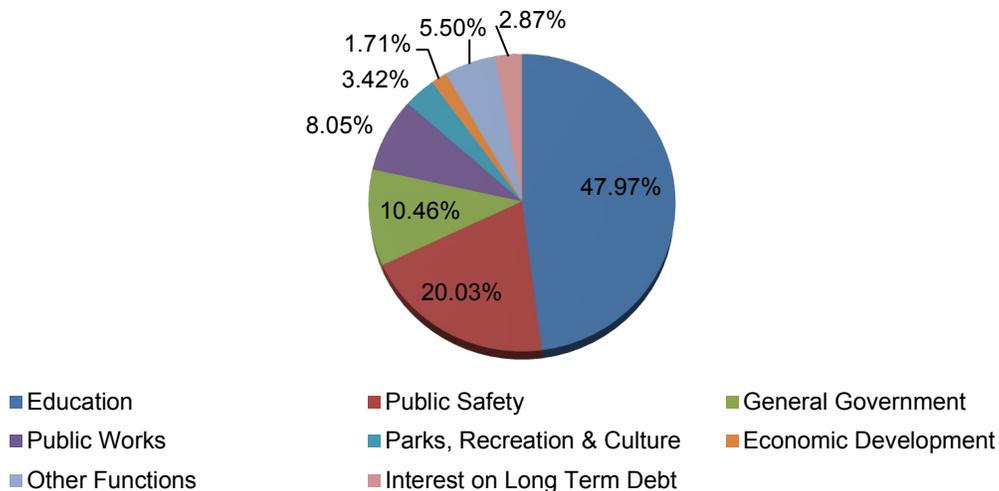
Governmental activities expenses decreased by \$18.6 million in FY19. The largest contributors to this increase were in the areas:

- Overall Education expenses decreased in FY19 by \$37.0 million when compared to FY18. Operating funding for our local education system continues to grow including an additional \$13.5 million in funding for FY19. This supports the County Executive’s focus on our education system. Capital project expenses decreased by \$50.7 million in FY19. This decrease should not be interpreted as an overall decrease in school construction funding, but simply a result of timing issues of when projects are completed. The County has \$125.9 million in unencumbered appropriations for school construction commitments as of June 30, 2019 that will be expended in future years. As previously mentioned the County does not own the assets created for the local education system, and spending is expensed annually by the County. FY18’s education capital project expenses totaled \$63.9 million due to the completion of two elementary schools and one high school.
- Public Safety increased spending by \$12.3 million. Emergency Management increased by \$1.0 million. Approximately \$0.5 million of this variance is indicative of the budget initiatives established by the County Executive for FY19 to include additional staffing in the areas of Emergency Communications (five emergency communications officers and an assistant director) and one planner for emergency preparedness grants. \$5.0 million is attributed to Division of Fire & Rescue Services for program enhancements, hiring recruits and over-time to cover shifts. The Sheriff’s Office’s operational spending increased by \$1.4 million in FY19.

- General Government expenses increased by \$5.1 million in FY19. Overall increases in department spending in Elections, Planning and Zoning, and Management Services of less than \$1.0 million each. Other contributing factors were increases in depreciation expense of \$0.6 million and a \$1.5 million increase in pension expense. A substantial influence was the write-off of contributed capital owed to the General Fund in FY19 that is included in miscellaneous expense. Offsetting these increases was a \$4.5 million in reduction to capital project expenditures that is a result of the timing of project completions.
- Conservation of Natural Resources expenses increased by \$1.9 million in FY19. This escalation in costs is directly related to increased funding received from the Maryland Department of Natural Resources Rural Legacy and Conservation Easement programs.

The following chart illustrates the governmental activities expenses by function for FY19:

Governmental Activities Expenses by Function



Business-type Activities: Business-type activities increased Frederick County’s net position by \$46.7 million in FY19, compared to an increase of \$22.7 million in FY18.

Total Revenues for Business-type activities increase by \$27.0 million in FY19.

Other key factors include:

- Capital grants and contributions continue to provide a major revenue source for the Water and Sewer Fund during the current fiscal year, producing \$40.2 million in revenue, representing an increase of \$15.0 million from FY18. Contributions for capacity charges continue to exceed 50% of total contributions, with the majority of the remaining contributions from developers and a smaller portion from municipalities,
- Charges for services increased by \$4.6 million. The Solid Waste Fund reported an increase of \$2.3 million, of which is contributed to landfill tipping fees.
- The Comprehensive Care Facility also reflect an increase of \$1.5 million in FY19 in charges for services, as well as a \$4.9 million capital contribution received in FY19.

Total Expenses for Business-type activities increased by \$2.5 million in FY19.

- The Water & Sewer Fund reported an increase of \$4.5 million in FY19. This is due to increased costs for the Linganore Dredging project in FY19 of \$4.4 million, compared to \$160 thousand in FY18.
- Expenses for the Solid Waste Fund decreased by \$3.5 million in FY19 primarily in the area of operating expenses and administrative overhead.
- The Comprehensive Care Facilities personnel expenses increased by \$1.5 million in FY19.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Frederick County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of Frederick County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Frederick County's financing requirements.

As of the end of the current fiscal year, Frederick County's governmental funds reported combined ending fund balances of \$357.7 million. Approximately 99.6% of this total amount (\$356.2 million) constitutes restricted, committed, assigned and/or unassigned fund balance, which is generally available for spending. The remainder of fund balance (\$1.5 million) is classified as nonspendable to indicate that it is not available for spending because it is in the form of inventories, prepaid expenditures, long-term receivables or other like conditions. Included in the committed fund balance of \$203.4 million is \$40.7 million that is the result of enabling legislation. Section 2-7-1, subsection (a)(2) of the Frederick County, Maryland Code of Ordinances requires being set-aside in an amount equal to 7.0% percent of the General Fund expenditures and transfers to the Frederick County Board of Education and Frederick Community College. This marks the successful completion of a gradual increase from FY16, when the set-aside was set at 5.0% in accordance with the promulgations of GASB No. 54. This set-aside is classified as committed fund balance.

The General Fund is the chief operating fund of Frederick County. At the end of the current fiscal year, restricted, committed, assigned and unassigned fund balance of the General Fund was \$115.2 million. Reducing the committed fund balance for the legislative mandate noted earlier still provides a fund balance of \$74.5 million spendable for current operations. The remainder of the fund balance (\$1.3 million) is non spendable and is not available for spending because it is in the form of inventory, prepaid expenditures, long term receivables and salary advances. Total fund balance for the General Fund is \$116.5 million. As a measure of the General Fund's liquidity, it may be useful to compare restricted, committed, assigned, and unassigned fund balance and total fund balance to total expenditures. Restricted, committed, assigned and unassigned fund balance represents 21.5% of total general fund expenditures, while total fund balance represents 21.8% of that same amount.

The Capital Projects Fund has a total fund balance of \$104.6 million. The increase in fund balance was \$5.8 million. This represents a \$5.0 million decrease over the increase in fund balance in FY18 of \$10.8 million. This decrease is primarily due to the timing of bond issuance. There were no new bond issues in FY19. Bonds issued in FY18 produced \$90.7 million in proceeds. Bonds were issued in September of 2019 with proceeds including premium for project funding in the amount of \$109.1 million. Other variances include a decrease in capital project spending of \$61.7 million offset by increased revenues of \$14.7 million, largely due to increases in impact fee revenues, as previously mentioned. Other Financing Sources and Uses include \$17.1 million in General Fund revenues (\$2.2 million increase from FY18) and \$7.0 million in lease financing proceeds. Transfers to the Debt Service Fund include special revenues used for debt service payments related to capital projects of \$12.0 million, representing a slight increase of \$0.5 million from FY18.

Proprietary Funds: Frederick County's proprietary fund statements provide the same type of information found in the Government-Wide Financial Statements, but in more detail. At the end of FY19, the enterprise funds reported a combined total net position of \$656.4 million. Of that total, unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$111.3 million and unrestricted net position in the Solid Waste Management Fund totaled \$34.1 million. The Comprehensive Care Facility Fund ended the year with an unrestricted net position of \$7.7 million. The Bell Court Apartment Fund had an unrestricted net position of \$455.

The County's internal service funds ended FY19 with a total net position of \$29.4 million. Net Position included \$18.5 million of net investment in capital assets in the Fleet Services Fund and the remaining \$10.9 million of unrestricted net position for all internal service funds. Overall there was a decrease in net position of \$0.8 million from the prior year.

General Fund Budgetary Highlights

The final expenditure and transfer budgets for the General Fund increased \$6.6 million over the original budget. As part of the FY19 budget process, the County now has the authority to re-appropriate encumbrances outstanding at the end of the fiscal year for the General Fund. This accounted for \$2.7 million of the increase from the adopted budget. Other notable increases to the adopted budget included \$12.2 million in additional funding for Frederick County Public Schools to provide for additional enrollment and new teacher and staff pay scale funding. Recordation taxes were also allocated to provide additional \$0.5 million in funding to the Housing Initiative Fund.

During the year, revenues were greater than budgetary estimates by \$33.7 million and expenditures were less than budgetary estimates by \$7.6 million. Other financing sources and uses had a favorable variance of \$1.0 million. The favorable variances totaled \$42.3 million, thereby reducing the need to draw upon all of the appropriated fund balance of \$32.9 million.

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

- Local property tax revenue was greater than the budgeted amount by \$6.1 million. This is primarily due to taxes levied in excess of original estimates for real property (\$1.8 million) and public utilities (\$3.9 million). New construction billings have decreased from \$445.0 million in FY18 to \$341.2 million in FY19.
- Local income tax distributions were greater than the budgeted amount by \$16.5 million. This is the result of distributions being uncertain since the implementation of the Federal Government's Tax Cuts and Jobs Act. This increase in revenues allowed for a mid-year appropriation of \$2.4 million to increase funding for public safety. This included funding for an additional 28 firefighter recruit positions, \$1 million in equipment, an Assistant Director of Volunteer Fire and Rescue Services, Next Generation 911 implementation and radio improvements for the Brunswick community.
- Recordation taxes exceeded budgeted amounts by \$3.9 million. These taxes are based on property transfers and are challenging to estimate.
- Permits in the construction area have also reported better than budget performance for FY19 by \$1.2 million, particularly in the single family dwelling applications.
- Charges for services revenue surpassed the budgeted amount by \$2.1 million. The majority of these positive variances were in the areas of planning and zoning, public safety and recreation. Planning and zoning fees were higher than budgeted due to an increase in

preliminary plan and public works construction applications. These two application types have significantly higher fees than other application types. Public safety revenues continue to exceed budget estimates for ambulance billings and from the Office of Life Safety inspection fees. Recreation has exceeded budgets for day camp programs, class tuitions, nature centers and museum fees.

- Investment income exceeded budget estimates in FY19 by \$2.5 million. This is the result of a rising interest rate environment during the fiscal year.
- Various departmental under spending of appropriations resulted in total expenditures being under budget by \$7.6 million generally throughout all functions of government. The largest contributors to this savings were \$3.2 million in general government areas, particularly in management services in the areas of salaries and utility costs. Public safety had a total savings of \$2.4 million with salary savings from the sheriff's office and detention center offset by overages in fire and rescue operations related to overtime. Public works had a favorable budget variance of \$0.7 million which is partially attributed to salary recoveries related to time spent on capital projects exceeding expectations, while \$1.1 million was transferred to the public works budget from the severe weather contingency to cover overages in salaries and materials related to extreme cold and ice during the winter months. The extremely rainy spring prevented other public works activities from occurring resulting in savings in a number of areas. Education had a favorable variance of \$1.1 million, due to in-kind costs coming in significantly lower than anticipated. Various contingencies also exceeded budget expectations by \$2.9 million. Of these an unanticipated expense related to the write-off of a working capital contribution was the largest contributor.

Details of the variances can be found on Exhibit II-A-7.

Capital Asset and Debt Administration

Capital Assets: Frederick County Government's investments in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2018 and 2019, amount to \$1,131.1 million and \$1,155.6 million, respectively. This investment in capital assets includes land, easements, buildings, improvements, equipment, vehicles, roads, water and sewer lines, highways, bridges and construction in progress. The total increase in Frederick County's investment in capital assets for the current fiscal year was 2.2%.

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

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 112,808	\$ 106,953	\$ 9,328	\$ 9,328	\$ 122,136	\$ 116,281
Buildings & improv.	247,684	237,403	362,995	361,844	610,679	599,247
Equipment	145,223	144,928	57,036	55,966	202,259	200,894
Infrastructure	418,244	389,492	429,015	415,698	847,259	805,190
Construction in progress	24,060	40,399	26,208	14,246	50,268	54,645
Accum. depreciation	(450,619)	(433,930)	(226,373)	(211,239)	(676,992)	(645,169)
Total	\$ 497,400	\$ 485,245	\$ 658,209	\$ 645,843	\$ 1,155,609	\$ 1,131,088

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

	Governmental Activities	Business-type Activities	Total
Beginning Balance - July 1, 2018	\$ 485,245	\$ 645,843	\$ 1,131,088
Additions	94,480	44,254	138,734
Depreciation	(26,477)	(16,325)	(42,802)
Retirement*	(55,848)	(15,563)	(71,411)
Ending Balance - June 30, 2019	<u>\$ 497,400</u>	<u>\$ 658,209</u>	<u>\$ 1,155,609</u>

*Net of accumulated depreciation related to asset retirement.

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

Governmental Activities:

- Costs were incurred for the following major projects and capital purchases:
 - Pavement Management \$11.5 million
 - Utica District Park – Phase II 4.4 million
 - Othello Regional Park 3.7 million
 - Fire & Rescue Portable Radio Replacement 2.8 million
 - Myersville Library 2.5 million
 - Middletown Fire Station 2.0 million

- The following transfers were made to the Frederick County Board of Education for school construction:
 - Systemic Projects \$4.8 million
 - Urbana Elementary School – Modernization/Addition 5.3 million
 - Frederick High School 1.3 million
 - IT Equipment Replacement 0.9 million

- The following transfer was made to Frederick Community College for school construction:
 - Systemic Projects \$2.7 million
 - Jefferson Hall – Building J 1.5 million

Business-type Activities:

- Construction costs were incurred for the following major projects:
 - Monocacy WWPS 1B – Force Main \$7.4 million
 - Pinehurst Esplanade Replacement 1.1 million
 - White Rock Water Treatment Plant Replacement 0.8 million
 - Ballenger Zone 2 Water Tank 0.8 million

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

Long-Term Debt

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 434,276	\$ 475,221	\$ 132,299	\$ 144,818	\$ 566,575	\$ 620,039
Ag Easement Notes (IPA)	50,654	50,619	-	-	50,654	50,619
Notes from Direct Borrowings and Direct Placements	20,290	20,397	59,725	64,353	80,015	84,750
Capital Leases	9,541	3,240	319	163	9,860	3,403
Total	<u>\$ 514,761</u>	<u>\$ 549,477</u>	<u>\$ 192,343</u>	<u>\$ 209,334</u>	<u>\$ 707,104</u>	<u>\$ 758,811</u>

As of year-end, the County had \$566.6 million in general obligation bonds outstanding compared to a total of \$620.0 million last year, a 9.4% net decrease. This decrease (\$53.4 million) is attributed to principle payments and reductions.

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

Pursuant to the Charter of Frederick County Maryland, future authorizations for general obligation borrowings will be granted by the County Council. Section 508 of the Charter sets limitations for general obligation borrowings. This debt limit is calculated at an amount not to exceed a total of five percent of the assessable basis of real property of the County and fifteen percent of the County's assessable basis of personal property and operating real property described in Section 8-109(c) of the Tax-Property Article of the Annotated Code of Maryland. Exhibit III-A-12 presents the calculation of legal debt margin at \$949.4 million. In FY19 the County Council granted an additional \$100 million for long-term borrowings.

Principal payments and reductions of all the County's long-term liabilities in the amounts of \$43.2 million and \$17.2 million were made in the governmental and business-type activities, respectively. Additional information on the County's long-term debt can be found in Note 3.F of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The General Fund budget for FY20 is based on existing tax rates for both County property taxes (\$1.06) and income taxes (2.96%) and reflects a 5.6% increase in revenues compared to FY19. Property tax and income tax revenues increased by 5.8% and 4.5% respectively, reflecting a moderately recovering economy. The City of Frederick and the Town of Myersville use County property tax differential rates. The City of Frederick rate for FY20 will be 0.9423, which is an increase from the FY19 rate of 0.9413. The Town of Myersville decreased their rate for FY20 to 0.9325 from the FY19 rate of 0.9333.
- Funding for Frederick County Public Schools exceeds the Maintenance of Effort (MOE) level, the minimum level required by state law to fund the fourth year of new teacher and pay staff scales. The FY20 budget provides for \$8.1 million over MOE. Overall funding increased to the school system in the amount of \$11.4 million. The total appropriation for FY20 is \$295.6 million.

- Funding for Frederick Community College will also experience an increase of \$1.1 million in FY20. The total appropriation for FY19 is \$19.0 million. The capital budget includes funding for improvements to Building E and L and various systemic projects.
- The appropriation for Frederick County Libraries decreased by \$350K at \$12.0 million in FY20.
- As a result of operations in FY19, there remains \$26.0 million of fund balance in the General Fund that is committed for use in the FY21 budget. This represents an increase from the \$25.8 million programmed as a budgeted use of fund balance in the FY20 budget.
- Interest rates have increased by 73 basis points over FY19 for the County’s operating funds and are expected to continue into FY20. Budget estimates remain constant and conservative.
- As of June 2019, the average unemployment rate for the County was 3.6 percent, while the average unemployment rate for the State of Maryland was 3.9 percent.

Below are the property tax rates for Frederick County and the State of Maryland. Only the City of Frederick’s differential tax rate increased in FY19.

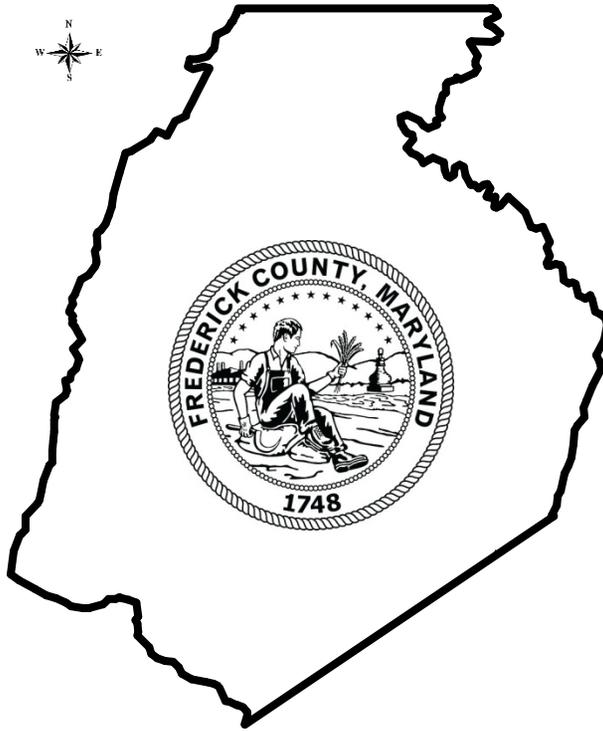
<u>Jurisdiction</u>	<u>FY 2020</u>	<u>FY 2019</u>
State of Maryland	0.1120	0.1120
Frederick County	1.0600	1.0600
City of Frederick Differential	0.9423	0.9413
Town of Myersville Differential	0.9325	0.9333
Total Real Property Assessed Values	31.7B	30.7B

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS



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

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Assets						
Cash	\$ 603,080	\$ 2,930	\$ 606,010	\$ 10,485,383	\$ 13,861,386	\$ 8,256
Equity in pooled invested cash	210,944,972	156,378,011	367,322,983	-	-	-
Cash and cash equivalents - restricted	3,978,729	12,740,836	16,719,565	2,378,625	-	20,000
Total cash and cash equivalents	215,526,781	169,121,777	384,648,558	12,864,008	13,861,386	28,256
Investments - restricted	64,957,276	19,365,614	84,322,890	-	-	-
Investments	92,301,297	20,019,200	112,320,497	41,978,439	16,309,161	561,426
Receivables, net of allowance for uncollectibles:						
Property taxes	451,031	-	451,031	-	-	-
Accounts	9,202,894	14,859,621	24,062,515	7,808,416	1,069,166	27,949
Intergovernmental	78,551,666	-	78,551,666	4,191,644	2,414,842	-
Internal balances	(1,676,735)	1,676,735	-	-	-	-
Net pension asset	27,352,554	-	27,352,554	-	-	-
Due from primary government	-	-	-	1,840,714	-	3,592,345
Due from component units	18,220	8,525	26,745	-	-	-
Inventories	1,615,086	125,415	1,740,501	1,129,363	558,325	-
Prepaid items	333,380	1,767,297	2,100,677	193,735	292,222	58,731
Long-term receivables, net of allowance for uncollectibles	12,033,770	2,008,588	14,042,358	-	24,562	-
Capital assets:						
Land	112,808,147	9,327,737	122,135,884	51,653,390	271,620	-
Buildings and improvements	247,684,309	362,995,384	610,679,693	1,058,753,436	128,304,814	-
Equipment	145,222,714	57,035,720	202,258,434	55,914,330	6,636,954	364,858
Library collection	-	-	-	-	2,065,438	7,229,701
Infrastructure	418,244,041	429,014,808	847,258,849	-	-	-
Construction in progress	24,060,393	26,208,357	50,268,750	23,752,294	2,115,220	-
Accumulated depreciation	(450,619,746)	(226,373,202)	(676,992,948)	(421,877,979)	(55,421,009)	(5,519,610)
Total assets	998,067,078	887,161,576	1,885,228,654	838,201,790	118,502,701	6,343,656
Deferred Outflows of Resources						
Deferred outflow related to Pension	5,539,835	-	5,539,835	6,739,399	-	-
Deferred outflow related to OPEB	6,318,274	-	6,318,274	86,699,082	-	-
Deferred charge on refunding	8,191,054	3,119,138	11,310,192	-	-	-
Total deferred outflows of resources	20,049,163	3,119,138	23,168,301	93,438,481	-	-

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Liabilities						
Accounts payable	\$ 325,992	\$ 37,547	\$ 363,539	\$ 17,363,045	\$ 1,562,433	\$ 8,225
Accrued liabilities	20,958,471	9,713,628	30,672,099	634,227	394,949	-
Payroll and benefit deductions	11,772,986	832,733	12,605,719	14,520,787	210,954	512,905
Property taxes payable	108,657	-	108,657	-	-	-
Due to third parties	9,020,182	-	9,020,182	-	192,196	-
Due to other governmental units	64,474	-	64,474	-	-	-
Due to component units	5,615,809	-	5,615,809	-	-	-
Due to fiduciary funds	-	-	-	-	-	-
Unearned revenues	7,560,524	286,356	7,846,880	684,733	1,351,041	299,149
Performance and security deposits	-	868,803	868,803	-	-	-
Other liabilities	3,062,159	1,401,520	4,463,679	-	-	-
Noncurrent liabilities:						
Due within one year	114,322,925	37,778,510	152,101,435	6,524,913	1,749,071	57,151
Due in more than one year	545,423,486	181,259,991	726,683,477	816,099,825	5,790,312	464,106
Total liabilities	<u>718,235,665</u>	<u>232,179,088</u>	<u>950,414,753</u>	<u>855,827,530</u>	<u>11,250,956</u>	<u>1,341,536</u>
Deferred Inflows of Resources						
Deferred inflow related to pensions	31,785,070	-	31,785,070	3,061,749	-	-
Deferred inflow related to LOSAP	617,691	-	617,691	-	-	-
Deferred inflow related to OPEB	2,734,001	-	2,734,001	73,499,355	-	-
Total deferred inflows of resources	<u>35,136,762</u>	<u>-</u>	<u>35,136,762</u>	<u>76,561,104</u>	<u>-</u>	<u>-</u>
Net Position						
Net investment in capital assets	318,947,830	472,364,314	791,312,144	745,864,060	78,321,247	2,074,949
Restricted for:						
School and library construction	75,696,938	-	75,696,938	-	-	-
Additional or expanded road facilities	6,029,882	-	6,029,882	-	-	-
Parks acquisition	10,901,359	-	10,901,359	-	-	-
Capital projects	-	11,602,385	11,602,385	-	-	-
Agricultural preservation	2,032,833	-	2,032,833	-	-	-
County code required set-aside	40,736,583	-	40,736,583	-	-	-
Debt service	65,324,590	19,365,806	84,690,396	2,378,625	-	-
Other purposes	249,675	-	249,675	-	14,951,859	581,426
Unrestricted (Deficit)	(255,175,876)	154,769,121	(100,406,755)	(748,991,048)	13,978,639	2,345,745
Total net position	<u>\$ 264,743,814</u>	<u>\$ 658,101,626</u>	<u>\$ 922,845,440</u>	<u>\$ (748,363)</u>	<u>\$ 107,251,745</u>	<u>\$ 5,002,120</u>

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position						
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units			
					Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries	
Primary government:											
Governmental activities:											
General government	\$ 68,549,392	\$ 49,171,958	\$ 1,867,853	\$ -	\$ (17,509,581)	\$ -	\$ (17,509,581)	\$ -	\$ -	\$ -	
Public safety	131,166,006	8,574,631	5,134,361	-	(117,457,014)	-	(117,457,014)	-	-	-	
Public works	52,700,033	814,575	7,228,985	2,105,792	(42,550,681)	-	(42,550,681)	-	-	-	
Health	7,321,929	248,377	910,564	-	(6,162,988)	-	(6,162,988)	-	-	-	
Social services	8,739,411	1,767,433	1,191,802	-	(5,780,176)	-	(5,780,176)	-	-	-	
Education	314,234,528	-	-	783,122	(313,451,406)	-	(313,451,406)	-	-	-	
Parks, recreation and culture	22,399,034	1,744,240	-	764,846	(19,889,948)	-	(19,889,948)	-	-	-	
Conservation of natural resources	11,642,334	459,396	340,876	5,899,526	(4,942,536)	-	(4,942,536)	-	-	-	
Community development and public housing	8,369,398	-	7,390,791	-	(978,607)	-	(978,607)	-	-	-	
Economic development and opportunity	11,164,606	-	2,991,754	-	(8,172,852)	-	(8,172,852)	-	-	-	
Interest on long term debt	18,789,477	-	-	-	(18,789,477)	-	(18,789,477)	-	-	-	
Total governmental activities	<u>655,076,148</u>	<u>62,780,610</u>	<u>27,056,986</u>	<u>9,553,286</u>	<u>(555,685,266)</u>	<u>-</u>	<u>(555,685,266)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Business-type activities:											
Water and sewer	48,117,760	40,678,445	-	40,247,614	-	32,808,299	32,808,299	-	-	-	
Solid waste management	23,730,871	28,218,241	-	-	-	4,487,370	4,487,370	-	-	-	
Comprehensive care facility	27,350,922	27,475,458	-	4,911,763	-	5,036,299	5,036,299	-	-	-	
Public housing	185,840	129,366	-	-	-	(56,474)	(56,474)	-	-	-	
Total business-type activities	<u>99,385,393</u>	<u>96,501,510</u>	<u>-</u>	<u>45,159,377</u>	<u>-</u>	<u>42,275,494</u>	<u>42,275,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total primary government	<u>\$ 754,461,541</u>	<u>\$ 159,282,120</u>	<u>\$ 27,056,986</u>	<u>\$ 54,712,663</u>	<u>(555,685,266)</u>	<u>42,275,494</u>	<u>(513,409,772)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Component Units:											
Board of Education	\$ 693,048,572	\$ 7,550,639	\$ 154,273,874	\$ 37,799,310	-	-	-	(493,424,749)	-	-	
Community College	64,836,463	19,395,672	41,205,719	5,379,597	-	-	-	-	1,144,525	-	
Public Libraries	16,624,537	408,749	14,925,954	-	-	-	-	-	-	(1,289,834)	
Total Component Units	<u>\$ 774,509,572</u>	<u>\$ 27,355,060</u>	<u>\$ 210,405,547</u>	<u>\$ 43,178,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(493,424,749)</u>	<u>1,144,525</u>	<u>(1,289,834)</u>	
General Revenues:											
Local property taxes					322,656,757	-	322,656,757	-	-	-	
Local income taxes					252,609,768	-	252,609,768	-	-	-	
Recordation taxes					41,891,167	-	41,891,167	-	-	-	
Hotel rental tax					2,506,978	-	2,506,978	-	-	-	
Agriculture transfer tax					30,000	-	30,000	-	-	-	
Build America Bond Subsidy					1,246,061	374,401	1,620,462	-	-	-	
Grants and contributions not restricted to specific programs					-	-	-	437,939,943	-	-	
Investment earnings					12,422,655	4,611,389	17,034,044	1,169,840	1,230,987	10,343	
Miscellaneous					11,804,103	-	11,804,103	447,627	12,555	-	
Gain/(Loss) on disposal of assets					(133,395)	134,322	927	-	-	-	
Transfers					743,708	(743,708)	-	-	-	-	
Total general revenues and transfers					<u>645,777,802</u>	<u>4,376,404</u>	<u>650,154,206</u>	<u>439,557,410</u>	<u>1,243,542</u>	<u>10,343</u>	
Change in net position					90,092,536	46,651,898	136,744,434	(53,867,339)	2,388,067	(1,279,491)	
Net position - beginning of year					174,651,278	611,449,728	786,101,006	53,118,976	104,863,678	6,281,611	
Total net position - end of year					<u>\$ 264,743,814</u>	<u>\$ 658,101,626</u>	<u>\$ 922,845,440</u>	<u>\$ (748,363)</u>	<u>\$ 107,251,745</u>	<u>\$ 5,002,120</u>	

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

FREDERICK COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 405,791	\$ -	\$ -	\$ 197,289	\$ 603,080
Equity in pooled invested cash	70,762,069	109,661,746	2,435,826	17,313,234	200,172,875
Total cash and cash equivalents	<u>71,167,860</u>	<u>109,661,746</u>	<u>2,435,826</u>	<u>17,510,523</u>	<u>200,775,955</u>
Investments	50,053,550	-	-	42,247,747	92,301,297
Receivables, net of allowance for uncollectibles:					
Property taxes	451,031	-	-	-	451,031
Accounts	6,188,700	2,014,000	352,613	418,335	8,973,648
Intergovernmental	73,279,403	171,394	-	4,577,399	78,028,196
Prepaid items	117,674	-	-	142,663	260,337
Due from other funds	304,495	-	-	-	304,495
Due from component units	5,402	-	-	12,818	18,220
Inventories	1,112,344	-	-	-	1,112,344
Long-term receivables, net of allowance for uncollectibles:					
Employee salary advances	23,042	-	-	-	23,042
Non-profit organization loans	78,381	-	-	1,841,396	1,919,777
Housing loans	-	-	-	9,550,951	9,550,951
Other long term receivables	-	-	-	540,000	540,000
Investments- restricted	-	-	64,957,276	-	64,957,276
Cash and cash equivalents - restricted	28,755	3,934,000	15,974	-	3,978,729
Total assets	<u>\$ 202,810,637</u>	<u>\$ 115,781,140</u>	<u>\$ 67,761,689</u>	<u>\$ 76,841,832</u>	<u>\$ 463,195,298</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 258,767	\$ -	\$ -	\$ 67,225	\$ 325,992
Accrued liabilities	1,536,062	9,208,126	22,658	774,634	11,541,480
Payroll and benefit deductions	10,773,939	132,550	-	718,046	11,624,535
Property taxes payable	108,657	-	-	-	108,657
Due to third parties	8,919,353	-	-	100,829	9,020,182
Due to general fund	-	-	-	304,495	304,495
Due to other governmental units	48,774	-	-	15,700	64,474
Due to component units	5,332,157	-	-	-	5,332,157
Other liabilities	936,860	1,015,077	-	1,110,222	3,062,159
Unearned revenues	1,808,213	821,631	-	4,930,680	7,560,524
Total liabilities	<u>29,722,782</u>	<u>11,177,384</u>	<u>22,658</u>	<u>8,021,831</u>	<u>48,944,655</u>
Deferred Inflows of Resources					
Unavailable revenue	56,532,711	-	-	-	56,532,711
Total deferred inflows of resources	<u>56,532,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,532,711</u>
Fund balances:					
Nonspendable	1,331,441	-	-	142,663	1,474,104
Restricted	923,383	61,163,223	65,324,590	4,654,874	132,066,070
Committed	95,977,890	43,440,533	-	64,022,464	203,440,887
Assigned	18,022,430	-	2,414,441	-	20,436,871
Unassigned	300,000	-	-	-	300,000
Total fund balances	<u>116,555,144</u>	<u>104,603,756</u>	<u>67,739,031</u>	<u>68,820,001</u>	<u>357,717,932</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 202,810,637</u>	<u>\$ 115,781,140</u>	<u>\$ 67,761,689</u>	<u>\$ 76,841,832</u>	<u>\$ 463,195,298</u>

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

**FREDERICK COUNTY, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total fund balance - governmental funds (See Exhibit II-A-3) \$ 357,717,932

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (includes capital assets of the internal service fund).

Land	\$	112,808,147	
Buildings and Improvements		247,684,309	
Equipment		145,222,714	
Infrastructure		418,244,041	
Construction in Progress		24,060,393	
Less Accumulated Depreciation		<u>(450,619,746)</u>	497,399,858

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

Deferred Outflows Related to Pensions	\$	8,191,054	
Deferred Outflows on Refundings		11,858,109	
Deferred Outflows related to pensions and OPEB		<u>11,858,109</u>	20,049,163

Long-term liabilities related to governmental activities are not due and payable in the current period and therefore are not reported in the funds (includes long-term liabilities of the internal service fund).

Bonds Payable	\$	(434,275,771)	
Notes from direct Borrowings and Direct Placements		(20,289,802)	
Unamortized Premium on Bonds Payable		(31,055,579)	
Installment Purchase Agreements		(50,654,101)	
Capital Lease Obligations		(9,540,862)	
Compensated Absences		(12,381,216)	
Net Other Post Employment Benefit Liability		(90,707,635)	
Net LOSAP Pension Liability		(10,472,707)	
Termination Benefits		(368,738)	
Net Pension Asset		27,352,554	
Accrued Bond Interest		(9,074,118)	
Build America Bond Subsidy Receivable		523,470	
Recognition of Deferred Inflows - unearned revenues in governmental funds		56,532,711	(584,411,794)

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

Deferred Inflows Related to pensions and OPEB		<u>(35,136,762)</u>	(35,136,762)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of an internal service fund are included in governmental activities in the statement of net position. This balance is net of capital assets and long-term liabilities included above.

9,125,417

Net position of governmental activities (See Exhibit II-A-1) \$ 264,743,814

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 322,868,436	\$ -	\$ -	\$ 16,166	\$ 322,884,602
Local income taxes	236,272,579	-	-	-	236,272,579
Other local taxes	26,085,077	12,218,395	-	7,773,374	46,076,846
Licenses and permits	6,637,041	-	-	-	6,637,041
Grants from federal government	443,571	1,036,696	-	17,469,323	18,949,590
Grants from state government	4,745,375	1,978,482	-	11,311,794	18,035,651
Charges for services	11,725,155	40,740,932	-	1,619,865	54,085,952
Fines and forfeitures	40,170	-	-	215,630	255,800
Investment income	3,981,717	1,907,046	2,203,267	4,078,129	12,170,159
Build America bond subsidy	-	-	1,253,644	-	1,253,644
Miscellaneous	3,183,879	502,201	-	3,334,541	7,020,621
Total revenues	<u>615,983,000</u>	<u>58,383,752</u>	<u>3,456,911</u>	<u>45,818,822</u>	<u>723,642,485</u>
Expenditures					
Current:					
General government	47,128,358	-	-	2,377,450	49,505,808
Public safety	117,544,843	-	-	4,450,017	121,994,860
Public works	21,457,296	-	-	8,330,231	29,787,527
Health	5,995,133	-	-	1,376,471	7,371,604
Social services	6,522,691	-	-	1,950,534	8,473,225
Education	301,059,766	-	-	-	301,059,766
Parks, recreation and culture	19,067,361	-	-	-	19,067,361
Conservation of natural resources	2,416,126	-	-	8,937,348	11,353,474
Community development and public housing	668,913	-	-	7,739,157	8,408,070
Economic development and opportunity	3,835,844	-	-	7,364,821	11,200,665
Miscellaneous	4,330,921	-	-	-	4,330,921
Intergovernmental	5,463,438	-	-	-	5,463,438
Debt service	-	-	65,613,452	-	65,613,452
Capital projects	-	65,349,543	-	-	65,349,543
Total expenditures	<u>535,490,690</u>	<u>65,349,543</u>	<u>65,613,452</u>	<u>42,526,029</u>	<u>708,979,714</u>
Excess (deficiency) of revenues over expenditures	<u>80,492,310</u>	<u>(6,965,791)</u>	<u>(62,156,541)</u>	<u>3,292,793</u>	<u>14,662,771</u>
Other financing sources (uses)					
Transfers in from:					
General fund	-	17,107,782	42,000,000	6,640,937	65,748,719
Capital projects fund	-	-	11,971,181	-	11,971,181
Special revenue funds	295,252	-	3,852,500	85,003	4,232,755
Enterprise funds	-	633,377	-	-	633,377
Transfers out to:					
General fund	-	-	-	(295,252)	(295,252)
Capital projects fund	(17,107,782)	-	-	-	(17,107,782)
Special revenue funds	(6,640,937)	-	-	(85,003)	(6,725,940)
Internal service funds	(1,206,005)	(9,625)	-	(28,419)	(1,244,049)
Debt service fund	(42,000,000)	(11,971,181)	-	(3,852,500)	(57,823,681)
Installment purchase agreement	-	-	-	1,527,513	1,527,513
Capital leases	-	6,960,503	47,500	-	7,008,003
Total other financing sources and (uses)	<u>(66,659,472)</u>	<u>12,720,856</u>	<u>57,871,181</u>	<u>3,992,279</u>	<u>7,924,844</u>
Net change in fund balances	13,832,838	5,755,065	(4,285,360)	7,285,072	22,587,615
Fund balances - beginning of year	102,722,306	98,848,691	72,024,391	61,534,929	335,130,317
Fund balances - end of year	<u>\$ 116,555,144</u>	<u>\$ 104,603,756</u>	<u>\$ 67,739,031</u>	<u>\$ 68,820,001</u>	<u>\$ 357,717,932</u>

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

FREDERICK COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds (See Exhibit II-A-5) \$ 22,587,615

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay (net of write-offs and non-construction in progress capital outlay)	35,947,417	
Depreciation Expense	(26,476,963)	
Adjusted for Internal Service Fund Depreciation	2,684,431	12,154,885

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income Taxes - Deferred in the Fund Statements	53,457,743	
Income Taxes - Recognized as Income in the Prior Year	(37,120,554)	
Other Revenues - Deferred in the Fund Statements	3,074,968	
Other Revenues - Recognized as Income in the Prior Year	(3,143,077)	16,269,080

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

Issuance of Installment Purchase Agreements	(1,527,513)	
Issuance of Capital Lease	(7,008,003)	
Build America Bond Subsidy Receivable - Prior Year	(531,053)	
Build America Bond Subsidy Receivable - Current Year	523,470	
Principal Payments on General Obligation Debt	40,945,814	
Principal Payments on Direct Borrowings and Direct Placements	95,104	
Principal Payments on Notes Payable	11,942	
Amortization of Bond Premiums	6,323,663	
Amortization of Deferred Loss on Bonds	(2,810,618)	38,221,789

(continued)

FREDERICK COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net Pension	\$	3,905,221	
Net Other Post Employment Benefit Obligations		(805,968)	
Net LOSAP		562,777	
Accrued Interest - Prior Year		(9,133,206)	
Accrued Interest - Current Year		9,074,118	
Compensated Absences Accrual		(66,638)	
Termination Benefits Accrual		<u>(79,637)</u>	3,456,667

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

(2,597,500)

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

\$ 90,092,536

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	<u>Variance- Positive (Negative)</u>
Local property taxes				
Real property (inc. additions & abatements)	\$ 311,299,111	\$ 311,299,111	\$ 313,135,655	\$ 1,836,544
Public utilities	7,300,000	7,300,000	11,162,077	3,862,077
Payments in lieu of taxes	265,000	265,000	665,180	400,180
Total levy	<u>318,864,111</u>	<u>318,864,111</u>	<u>324,962,912</u>	<u>6,098,801</u>
Tax credit - state reimbursement	3,250,000	3,250,000	8,718	(3,241,282)
Homestead credit	(781,483)	(781,483)	(824,323)	(42,840)
Other tax credits and refunds	(5,254,238)	(5,254,238)	(2,236,942)	3,017,296
Interest - delinquent taxes	2,700,000	2,700,000	3,009,201	309,201
Discounts allowed on taxes	(2,000,000)	(2,000,000)	(2,051,130)	(51,130)
Total adjustments	<u>(2,085,721)</u>	<u>(2,085,721)</u>	<u>(2,094,476)</u>	<u>(8,755)</u>
Total local property taxes	<u>316,778,390</u>	<u>316,778,390</u>	<u>322,868,436</u>	<u>6,090,046</u>
Local income taxes	<u>217,363,700</u>	<u>219,803,105</u>	<u>236,272,579</u>	<u>16,469,474</u>
Other local taxes				
Recordation	20,557,616	20,557,616	24,436,376	3,878,760
911 fees - local	1,600,000	1,600,000	1,648,276	48,276
Security interest filing fees	200	200	425	225
Total other local taxes	<u>22,157,816</u>	<u>22,157,816</u>	<u>26,085,077</u>	<u>3,927,261</u>
Licenses and permits				
Alcoholic beverage licenses	438,800	438,800	481,925	43,125
Traders' licenses	210,000	210,000	201,465	(8,535)
Animal licenses	52,100	52,100	60,359	8,259
Marriage fees	17,500	17,500	23,483	5,983
Building permits	1,600,000	1,600,000	2,186,345	586,345
Electrical permits	850,000	850,000	1,061,506	211,506
Plumbing permits	850,000	850,000	1,206,184	356,184
Grading permits	750,000	750,000	789,156	39,156
Miscellaneous licenses and permits	523,000	462,300	626,618	164,318
Total licenses and permits	<u>5,291,400</u>	<u>5,230,700</u>	<u>6,637,041</u>	<u>1,406,341</u>
Grants from federal government	<u>299,239</u>	<u>307,153</u>	<u>443,571</u>	<u>136,418</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	<u>Variance- Positive (Negative)</u>
Grants from state government				
Police protection	\$ 1,082,533	\$ 1,082,533	\$ 1,094,424	\$ 11,891
Aid for fire, rescue and ambulance services	580,000	580,000	572,654	(7,346)
Highway user revenues	1,980,651	1,980,651	2,876,877	896,226
County inmate housing	250,000	250,000	201,420	(48,580)
Total grants from state government	<u>3,893,184</u>	<u>3,893,184</u>	<u>4,745,375</u>	<u>852,191</u>
Charges for services				
Planning and zoning fees	768,000	773,700	1,208,718	435,018
Court costs, fees and charges	2,200	167,200	195,304	28,104
Scott Key Center	1,670,817	1,670,817	1,765,133	94,316
Other general government	168,371	168,471	224,778	56,307
Public safety	4,839,500	4,872,703	5,781,797	909,094
Public improvement inspections	200,000	200,000	183,843	(16,157)
Frederick County Developmental Center	10,000	10,000	37,454	27,454
Weed control	254,643	254,643	458,873	204,230
Municipal recoveries	100,000	100,000	125,015	25,015
Recreation	1,389,103	1,389,103	1,744,240	355,137
Total charges for services	<u>9,402,634</u>	<u>9,606,637</u>	<u>11,725,155</u>	<u>2,118,518</u>
Fines and forfeitures				
Court	35,000	35,000	22,520	(12,480)
Alcoholic beverages	30,000	30,000	8,000	(22,000)
Other fines and forfeitures	500	500	9,650	9,150
Total fines and forfeitures	<u>65,500</u>	<u>65,500</u>	<u>40,170</u>	<u>(25,330)</u>
Investment income				
	<u>1,500,011</u>	<u>1,500,011</u>	<u>3,981,717</u>	<u>2,481,706</u>
Miscellaneous revenues				
Rents and concessions	1,546,049	1,546,049	1,682,238	136,189
Contributions and donations	43,265	89,247	85,736	(3,511)
Sale of property	-	199,605	305,732	106,127
Other miscellaneous revenues	1,026,100	1,131,107	1,110,173	(20,934)
Total miscellaneous revenues	<u>2,615,414</u>	<u>2,966,008</u>	<u>3,183,879</u>	<u>217,871</u>
Total revenues	<u>579,367,288</u>	<u>582,308,504</u>	<u>615,983,000</u>	<u>33,674,496</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
General government				
Legislative and executive				
County Executive	\$ 1,424,164	\$ 1,424,164	\$ 1,343,449	\$ 80,715
County Council	813,915	813,915	663,479	150,436
Ethics Commission	10,419	10,419	-	10,419
Total legislative and executive	<u>2,248,498</u>	<u>2,248,498</u>	<u>2,006,928</u>	<u>241,570</u>
Judicial				
Circuit court	1,615,746	1,712,450	1,607,988	104,462
Orphans court	39,681	39,681	31,602	8,079
State's attorney	6,541,033	6,575,771	6,355,416	220,355
Grand jury	97,395	97,395	42,527	54,868
Total judicial	<u>8,293,855</u>	<u>8,425,297</u>	<u>8,037,533</u>	<u>387,764</u>
Elections				
Board of supervisors of elections	<u>1,949,354</u>	<u>1,982,979</u>	<u>1,840,051</u>	<u>142,928</u>
Financial administration				
Accounting	2,572,714	2,584,360	2,546,817	37,543
Independent auditing	76,500	76,500	76,500	-
Budgeting	824,017	950,658	741,952	208,706
Procurement & contracting	1,256,976	1,263,187	1,135,766	127,421
Risk management	403,171	407,449	402,680	4,769
Treasury	1,312,753	1,314,850	1,217,551	97,299
Total financial administration	<u>6,446,131</u>	<u>6,597,004</u>	<u>6,121,266</u>	<u>475,738</u>
Legal				
County attorney	<u>1,631,980</u>	<u>1,634,743</u>	<u>1,433,724</u>	<u>201,019</u>
Personnel administration				
Human resources	<u>1,282,504</u>	<u>1,290,356</u>	<u>1,292,111</u>	<u>(1,755)</u>
Planning & Zoning				
Permits & inspection	3,767,755	3,672,091	3,530,531	141,560
Planning & development review	2,553,124	2,687,524	2,506,082	181,442
Environmental sustainability	227,580	227,580	202,393	25,187
Total planning and zoning	<u>6,548,459</u>	<u>6,587,195</u>	<u>6,239,006</u>	<u>348,189</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Management services				
Custodial/security	\$ 2,455,754	\$ 2,461,218	\$ 2,015,148	\$ 446,070
Maintenance	8,480,026	8,849,988	8,251,927	598,061
Total management services	10,935,780	11,311,206	10,267,075	1,044,131
Other general government				
Interagency information technologies	9,632,265	9,980,752	9,741,810	238,942
Communications	796,613	796,613	780,583	16,030
Internal audit	364,418	398,045	405,052	(7,007)
Board of liquor license commissioners	508,275	508,275	426,469	81,806
Total other general government	11,301,571	11,683,685	11,353,914	329,771
Total general government	50,638,132	51,760,963	48,591,608	3,169,355
Public safety				
Sheriff	28,609,941	28,631,712	27,891,108	740,604
Detention center	15,689,040	15,689,692	14,429,920	1,259,772
Work release center	4,075,321	4,090,612	3,996,556	94,056
Ambulance billing	583,914	619,245	698,529	(79,284)
Fire and rescue operations	45,341,413	47,260,513	49,035,025	(1,774,512)
Fire/rescue technical services	1,429,504	1,505,033	1,291,437	213,596
Emergency communications	8,657,930	9,260,116	8,777,333	482,783
Volunteer fire and rescue	7,863,130	8,224,527	6,956,389	1,268,138
Training and emergency medical	597,142	607,305	545,980	61,325
Fire and rescue services	1,003,159	1,006,151	1,068,434	(62,283)
Emergency preparedness	518,019	518,019	482,692	35,327
Fire inspection	612,904	612,904	567,275	45,629
Fire/rescue state grant allocation	580,000	580,000	572,653	7,347
Director of division of fire rescue services	670,637	675,888	695,484	(19,596)
Emergency management	399,009	299,800	286,762	13,038
Animal control	2,169,758	2,271,371	2,184,723	86,648
Total public safety	118,800,821	121,852,888	119,480,300	2,372,588
Public works				
Highways	16,619,267	17,689,563	17,747,829	(58,266)
Public works administration	1,113,996	1,128,480	1,091,710	36,770
Facilities and project services	1,211,368	1,211,368	885,689	325,679
Transportation engineering	1,903,627	2,075,135	1,721,833	353,302
Total public works	20,848,258	22,104,546	21,447,061	657,485

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	<u>Variance- Positive (Negative)</u>
Health				
County administrator	\$ 129,215	\$ 129,215	\$ 129,215	\$ -
Core services	2,027,497	2,056,589	1,718,420	338,169
Detention center substance abuse	132,572	132,572	132,572	-
Mental health	421,533	421,533	421,533	-
School health	10,000	10,000	-	10,000
Frederick County Developmental Center	3,846,676	3,858,963	3,593,393	265,570
Total health	<u>6,567,493</u>	<u>6,608,872</u>	<u>5,995,133</u>	<u>613,739</u>
Social services				
Contribution to department of social services	560,824	562,460	542,449	20,011
Scott Key Center	3,438,055	3,440,478	3,255,302	185,176
Department of aging	1,840,807	1,998,077	1,654,238	343,839
Office of children and families	266,073	285,597	286,687	(1,090)
Medical transportation services	124,754	125,238	80,315	44,923
Family partnership	419,884	422,968	408,906	14,062
Child advocacy center	366,460	365,035	316,633	48,402
Deinstitutionalization day care	11,514	11,514	11,514	-
Total social services	<u>7,028,371</u>	<u>7,211,367</u>	<u>6,556,044</u>	<u>655,323</u>
Education				
Maryland School for the Blind	2,000	2,000	-	2,000
Frederick County Board of Education	284,145,549	284,367,456	283,305,204	1,062,252
Frederick Community College	17,878,027	17,823,999	17,754,562	69,437
Total education	<u>302,025,576</u>	<u>302,193,455</u>	<u>301,059,766</u>	<u>1,133,689</u>
Parks, recreation and culture				
Frederick County Public Libraries	11,535,213	11,640,144	11,575,842	64,302
Parks	7,718,847	7,733,319	7,526,644	206,675
Frederick Arts Council	50,000	50,000	50,000	-
Maryland Ensemble Theater	15,000	15,000	15,000	-
Historical Society of Frederick County	11,630	11,630	11,630	-
Total parks, recreation and culture	<u>19,330,690</u>	<u>19,450,093</u>	<u>19,179,116</u>	<u>270,977</u>
Conservation of natural resources				
Extension service	396,762	396,762	392,028	4,734
Weed control	260,250	300,250	359,590	(59,340)
Watershed management section	1,792,826	2,338,391	2,105,054	233,337
Soil conservation	109,335	109,335	109,335	-
Total conservation of natural resources	<u>2,559,173</u>	<u>3,144,738</u>	<u>2,966,007</u>	<u>178,731</u>

(continued)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	<u>Variance- Positive (Negative)</u>
Community development and public housing				
Housing administration	\$ 698,620	\$ 713,189	\$ 668,913	\$ 44,276
Total community development and public housing	<u>698,620</u>	<u>713,189</u>	<u>668,913</u>	<u>44,276</u>
Economic development and opportunity				
Office of economic development	1,535,356	1,535,807	1,542,337	(6,530)
Citizens services administration	471,076	482,864	492,278	(9,414)
Workforce services	586,091	586,324	574,252	12,072
Center for Ed & Res in Science and Tech	25,000	25,000	25,000	-
Human relations	155,136	155,136	149,466	5,670
Commission for women	11,196	11,196	6,661	4,535
Community partnership grants	950,000	1,450,000	1,445,551	4,449
Total economic development and opportunity	<u>3,733,855</u>	<u>4,246,327</u>	<u>4,235,545</u>	<u>10,782</u>
Non-departmental				
Property and liability insurance	1,569,289	1,569,289	1,290,030	279,259
Employee benefits	1,071,500	702,339	386,434	315,905
County contingency	300,000	300,000	-	300,000
Permanent public improvement reserve	25,074	25,074	-	25,074
Other various contingencies	3,249,420	2,088,538	4,985,423	(2,896,885)
Indirect cost recovery	(2,607,017)	(2,607,017)	(2,854,060)	247,043
Dues & subscriptions	160,457	161,339	211,339	(50,000)
Other miscellaneous	326,350	326,350	242,966	83,384
Total non-departmental	<u>4,095,073</u>	<u>2,565,912</u>	<u>4,262,132</u>	<u>(1,696,220)</u>
Intergovernmental				
Financial corporations grant to municipalities	50,000	50,000	49,273	727
State Department of Assessments and Taxation	876,118	876,118	724,248	151,870
Towns	50,328	50,328	46,119	4,209
Tax rebate to municipalities	4,689,916	4,689,916	4,689,916	-
Total intergovernmental	<u>5,666,362</u>	<u>5,666,362</u>	<u>5,509,556</u>	<u>156,806</u>
Total expenditures	<u>541,992,424</u>	<u>547,518,712</u>	<u>539,951,181</u>	<u>7,567,531</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	<u>Variance- Positive (Negative)</u>
Other financing sources (uses)				
Transfers in from:				
Grants special revenue fund	\$ -	\$ 295,252	\$ 295,252	\$ -
Transfers out to:				
Grants special revenue fund	(6,385,601)	(6,680,853)	(5,654,170)	1,026,683
Agriculture preservation special revenue fund	(457,767)	(457,767)	(457,767)	-
Capital projects fund	(16,649,783)	(17,107,782)	(17,107,782)	-
Fleet services	(646,131)	(1,215,008)	(1,206,005)	9,003
Housing initiatives fund	(529,000)	(529,000)	(529,000)	-
Debt service fund	(42,000,000)	(42,000,000)	(42,000,000)	-
Total other financing sources (uses)	<u>(66,668,282)</u>	<u>(67,695,158)</u>	<u>(66,659,472)</u>	<u>1,035,686</u>
 Budgeted use of fund balance	 \$ <u>(29,293,418)</u>	 \$ <u>(32,905,366)</u>	 \$ <u>9,372,347</u>	 \$ <u>42,277,713</u>
 Net change in reserves and adjustments to GAAP basis			 4,460,491	
Fund balance - beginning of year			<u>102,722,306</u>	
Fund balance - end of year			<u>\$ <u>116,555,144</u></u>	

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Enterprise Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	
	Water and Sewer	Solid Waste Management	Comprehensive Care Facility	Bell Court Apartments		
Assets						
Current assets:						
Cash	\$ 300	\$ 2,630	\$ -	\$ -	\$ 2,930	\$ -
Equity in pooled invested cash	103,330,194	46,076,638	6,952,855	18,324	156,378,011	10,772,097
Restricted cash and cash equivalents	12,031,659	5	88,613	620,559	12,740,836	-
Total cash and cash equivalents	115,362,153	46,079,273	7,041,468	638,883	169,121,777	10,772,097
Restricted investments	18,871,365	494,249	-	-	19,365,614	-
Short-term investments	10,014,725	5,004,475	-	-	15,019,200	-
Receivables, net of allowance for uncollectibles accounts	8,032,664	2,866,019	3,957,150	3,788	14,859,621	229,246
Due from component units	8,525	-	-	-	8,525	-
Inventories	125,415	-	-	-	125,415	502,742
Prepaid items	1,455,865	-	311,432	-	1,767,297	73,043
Total current assets	153,870,712	54,444,016	11,310,050	642,671	220,267,449	11,577,128
Noncurrent assets:						
Notes receivable	2,008,588	-	-	-	2,008,588	-
Long-term investments	2,500,000	2,500,000	-	-	5,000,000	-
Capital assets:						
Land	5,558,373	2,837,164	800,000	132,200	9,327,737	-
Buildings and improvements	273,189,182	53,636,065	34,292,257	1,877,880	362,995,384	1,833,133
Equipment	48,806,438	7,142,840	911,442	175,000	57,035,720	35,680,070
Other improvements	425,879,448	3,135,360	-	-	429,014,808	-
Accumulated depreciation	(178,106,364)	(40,993,943)	(5,843,955)	(1,428,940)	(226,373,202)	(18,980,240)
Construction in progress	25,554,856	653,501	-	-	26,208,357	-
Total noncurrent assets	605,390,521	28,910,987	30,159,744	756,140	665,217,392	18,532,963
Total assets	759,261,233	83,355,003	41,469,794	1,398,811	885,484,841	30,110,091
Deferred Outflows of Resources						
Deferred charge on refunding	2,669,049	450,089	-	-	3,119,138	-
Total deferred outflows of resources	2,669,049	450,089	-	-	3,119,138	-

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Business-type Activities-Enterprise Funds					
	Water and Sewer	Solid Waste Management	Comprehensive Care Facility	Bell Court Apartments	Total Enterprise Funds	Activities- Internal Service Funds
Liabilities						
Current liabilities:						
Accounts payable	-	37,547	-	-	37,547	-
Payroll and benefit deductions	635,925	195,753	-	1,055	832,733	148,451
Accrued expenses	5,146,444	1,499,009	3,061,071	7,104	9,713,628	342,873
Due to other funds	-	-	-	-	-	-
Due to other government units	-	-	-	-	-	-
Unearned revenues	274,845	11,511	-	-	286,356	-
Security deposits	837,179	18,126	-	13,498	868,803	-
Other liabilities	1,181,349	-	220,171	-	1,401,520	-
Current portion landfill closure and postclosure liability	-	227,500	-	-	227,500	-
Current portion general obligation bonds, notes and leases	33,125,296	2,743,664	1,557,692	-	37,426,652	-
Current portion of compensated absences	45,429	7,303	71,626	-	124,358	5,296
Total current liabilities	<u>41,246,467</u>	<u>4,740,413</u>	<u>4,910,560</u>	<u>21,657</u>	<u>50,919,097</u>	<u>496,620</u>
Noncurrent liabilities:						
Long term portion landfill closure and postclosure liability	-	19,000,055	-	-	19,000,055	-
Long term portion general obligation bonds, notes and leases	121,470,880	8,734,719	30,811,225	-	161,016,824	-
Liability for compensated absences	724,192	204,046	286,502	-	1,214,740	204,473
Accrued termination benefits	20,889	7,483	-	-	28,372	-
Total noncurrent liabilities	<u>122,215,961</u>	<u>27,946,303</u>	<u>31,097,727</u>	<u>-</u>	<u>181,259,991</u>	<u>204,473</u>
Total liabilities	<u>163,462,428</u>	<u>32,686,716</u>	<u>36,008,287</u>	<u>21,657</u>	<u>232,179,088</u>	<u>701,093</u>
Net Position						
Net investment in capital assets	457,267,771	16,549,576	(2,209,173)	756,140	472,364,314	18,532,963
Restricted for:						
Capital projects	10,981,826	-	-	620,559	11,602,385	-
Debt Service	18,871,552	494,254	-	-	19,365,806	-
Unrestricted	111,346,705	34,074,546	7,670,680	455	153,092,386	10,876,035
Total net position	<u>\$ 598,467,854</u>	<u>\$ 51,118,376</u>	<u>\$ 5,461,507</u>	<u>\$ 1,377,154</u>	<u>656,424,891</u>	<u>\$ 29,408,998</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					1,676,735	
Net position of business-type activities					<u>\$ 658,101,626</u>	

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Business-type Activities Enterprise Funds</u>					<u>Governmental Activities- Internal Service Funds</u>
	<u>Major Enterprise Funds</u>			<u>Nonmajor Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Comprehensive Care Facility</u>	<u>Bell Court Apartments</u>	<u>Total Enterprise Funds</u>	
Operating revenues						
Service charges	\$ 37,912,035	\$ 28,129,146	\$ 27,246,149	\$ -	\$ 93,287,330	\$ 16,551,196
Rental charges	-	-	-	129,366	129,366	-
Total net charges for services	<u>37,912,035</u>	<u>28,129,146</u>	<u>27,246,149</u>	<u>129,366</u>	<u>93,416,696</u>	<u>16,551,196</u>
Delinquent fees collected	81,226	64,387	-	-	145,613	-
Other revenues	<u>2,685,184</u>	<u>24,708</u>	<u>229,309</u>	<u>-</u>	<u>2,939,201</u>	<u>-</u>
Total operating revenues	<u>40,678,445</u>	<u>28,218,241</u>	<u>27,475,458</u>	<u>129,366</u>	<u>96,501,510</u>	<u>16,551,196</u>
Operating expenses						
Personnel services	9,688,768	2,708,246	-	37,697	12,434,711	3,153,985
Operating expenses (including administrative overhead)	8,171,253	19,024,659	25,720,618	73,088	52,989,618	1,696,458
Prefunded loss & estimated claims	-	-	-	-	-	3,894,103
Insurance	331,827	63,706	53,072	3,222	451,827	1,262,154
Supplies	2,584,198	29,450	-	174	2,613,822	5,511,592
Repairs and maintenance	3,822,241	259,377	-	214	4,081,832	940,460
Depreciation expense	<u>14,222,889</u>	<u>1,194,870</u>	<u>835,681</u>	<u>71,346</u>	<u>16,324,786</u>	<u>2,684,431</u>
Total operating expenses	<u>38,821,176</u>	<u>23,280,308</u>	<u>26,609,371</u>	<u>185,741</u>	<u>88,896,596</u>	<u>19,143,183</u>
Operating income (loss)	<u>1,857,269</u>	<u>4,937,933</u>	<u>866,087</u>	<u>(56,375)</u>	<u>7,604,914</u>	<u>(2,591,987)</u>
Nonoperating revenues (expenses)						
Investment earnings	3,301,990	1,272,477	36,803	119	4,611,389	252,496
Miscellaneous income (expense)	(4,661,907)	-	-	-	(4,661,907)	3,872
Build America Bonds Subsidy	364,846	9,555	-	-	374,401	-
Insurance recovery	-	-	-	-	-	14,794
Interest expense	(4,601,570)	(442,026)	(741,551)	-	(5,785,147)	-
Contributions and donations	-	-	-	-	-	-
Gain (loss) on disposition of capital assets	<u>44,149</u>	<u>90,173</u>	<u>-</u>	<u>-</u>	<u>134,322</u>	<u>197,498</u>
Total nonoperating revenues (expenses)	<u>(5,552,492)</u>	<u>930,179</u>	<u>(704,748)</u>	<u>119</u>	<u>(5,326,942)</u>	<u>468,660</u>
Net income (loss) before contributions and transfers	<u>(3,695,223)</u>	<u>5,868,112</u>	<u>161,339</u>	<u>(56,256)</u>	<u>2,277,972</u>	<u>(2,123,327)</u>
Capital contributions	40,247,614	-	4,911,763	-	45,159,377	-
Transfers (out)	<u>(743,708)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(743,708)</u>	<u>1,354,380</u>
Total contributions and transfers	<u>39,503,906</u>	<u>-</u>	<u>4,911,763</u>	<u>-</u>	<u>44,415,669</u>	<u>1,354,380</u>
Change in net position	35,808,683	5,868,112	5,073,102	(56,256)	46,693,641	(768,947)
Net position - beginning of year	<u>562,659,171</u>	<u>\$ 45,250,264</u>	<u>\$ 388,405</u>	<u>\$ 1,433,410</u>		<u>\$ 30,177,945</u>
Net position - end of year	<u>\$ 598,467,854</u>	<u>\$ 51,118,376</u>	<u>\$ 5,461,507</u>	<u>\$ 1,377,154</u>		<u>\$ 29,408,998</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					(41,743)	
Change in net position of business-type activities (Exhibit II-A-2)					<u>\$ 46,651,898</u>	

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Business-type Activities - Enterprise Funds

	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
	Water and Sewer	Solid Waste Management	Comprehensive Care Facility	Bell Court Apartments		
Cash flows from operating activities						
Cash received from residents and customers	\$ 42,526,570	\$ 27,919,522	\$ 26,530,499	\$ 129,586	\$ 97,106,177	\$ 1,249,055
Cash paid to suppliers	(15,391,088)	(19,727,859)	(25,159,708)	(75,943)	(60,354,598)	(13,380,614)
Cash paid to employees	(9,738,767)	(2,698,580)	-	(38,263)	(12,475,610)	(3,181,009)
Internal activity - receipts from other funds	-	-	-	-	-	15,272,481
Net cash provided (used) by operating activities	<u>17,396,715</u>	<u>5,493,083</u>	<u>1,370,791</u>	<u>15,380</u>	<u>24,275,969</u>	<u>(40,087)</u>
Cash flows from noncapital financing activities						
Transfers in (out)	(743,708)	-	-	-	(743,708)	1,354,381
Net cash provided (used) by noncapital financing activities	<u>(743,708)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(743,708)</u>	<u>1,354,381</u>
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(31,664,266)	(718,471)	-	-	(32,382,737)	(4,973,833)
Recoveries for damages	-	-	-	-	-	14,794
Proceeds from sale of capital assets	-	2,173	-	-	2,173	473,384
Proceeds from debt issues	212,000	-	-	-	212,000	-
Payment of bond and note principal	(13,445,479)	(2,327,471)	(1,430,000)	-	(17,202,950)	-
Interest paid on bonds	(4,980,814)	(418,725)	(900,668)	-	(6,300,207)	-
Contributed capital	40,247,614	-	-	-	40,247,614	-
Net cash provided (used) by capital & related financing activities	<u>(9,630,945)</u>	<u>(3,462,494)</u>	<u>(2,330,668)</u>	<u>-</u>	<u>(15,424,107)</u>	<u>(4,485,655)</u>
Cash flows from investing activities						
Purchase of investments	(10,000,000)	(5,000,000)	-	-	(15,000,000)	-
Proceeds from the sale of investments	12,500,000	12,500,000	-	-	25,000,000	-
Interest received on investments	3,529,394	1,234,646	36,802	(3,669)	4,797,173	252,496
Net cash provided (used) by investing activities	<u>6,029,394</u>	<u>8,734,646</u>	<u>36,802</u>	<u>(3,669)</u>	<u>14,797,173</u>	<u>252,496</u>
Net increase (decrease) in cash and cash equivalents	13,051,456	10,765,235	(923,075)	11,711	22,905,327	(2,918,865)
Cash and cash equivalents - beginning of year	102,310,697	35,314,038	7,964,543	627,172	146,216,450	13,690,962
Cash and cash equivalents - end of year	<u>\$ 115,362,153</u>	<u>\$ 46,079,273</u>	<u>\$ 7,041,468</u>	<u>\$ 638,883</u>	<u>\$ 169,121,777</u>	<u>\$ 10,772,097</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Enterprise Funds		
	Water and Sewer	Solid Waste Management	Comprehensive Care Facility	Bell Court Apartments			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 1,857,269	\$ 4,937,933	\$ 866,087	\$ (56,375)	\$ 7,604,914	\$ (2,591,987)	
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	14,222,889	1,194,870	835,681	71,346	16,324,786	2,684,431	
Landfill closing costs	-	(19,685)	-	-	(19,685)	-	
Accrued termination benefits	538	358	-	-	896	-	
Change in assets and liabilities:							
(Increase) decrease:							
Accounts receivable	1,835,609	(299,295)	(312,148)	220	1,224,386	(29,663)	
Inventory	10,148	-	-	-	10,148	(45,385)	
Prepaid items	(1,375,865)	-	(15,741)	-	(1,391,606)	(34,275)	
Increase (decrease):							
Accounts payable	-	(1,980)	-	-	(1,980)	(38,437)	
Accrued expenses	1,628,136	(104,964)	566,955	189	2,090,316	20,199	
Deferred revenues	80,492	576	-	-	81,068	-	
Liability for compensated leave	(26,537)	20,186	62,768	-	56,417	(4,970)	
Closure liability	-	(240,922)	-	-	(240,922)	-	
Other liabilities	(835,964)	6,006	(632,811)	-	(1,462,769)	-	
Net cash provided (used) by operating activities	\$ <u>17,396,715</u>	\$ <u>5,493,083</u>	\$ <u>1,370,791</u>	\$ <u>15,380</u>	\$ <u>24,275,969</u>	\$ <u>(40,087)</u>	

Non-cash investing, capital, and financing activities:

Included in interest income in the Water and Sewer Fund is an unrealized loss of \$313,704. Included in interest income in the Solid Waste Fund is an unrealized loss of \$41,301.

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	<u>Pension/ OPEB Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 2,506,014	\$ 629,807
Equity in pooled invested cash	13,228,767	6,158,262
Investments:		
Money markets	5,619,756	-
Fixed income securities	204,728,700	-
Equity securities	633,244,309	-
Accounts receivable	1,331,354	-
Interest receivable	1,012,488	-
Total assets	<u>861,671,388</u>	<u>6,788,069</u>
LIABILITIES		
Accounts payable	653,559	-
Accrued payroll	1,607,841	-
Due to third parties	44,501	3,036,320
Bond forfeitures	-	84,250
Performance deposits	-	3,667,499
Other liabilities	-	-
Retirement benefit deductions	256,147	-
Total liabilities	<u>2,562,048</u>	<u>6,788,069</u>
NET POSITION		
Net position restricted for pensions	690,977,359	-
Net position restricted for other post employment benefits	168,131,981	-
Total net position	<u>\$ 859,109,340</u>	<u>\$ -</u>

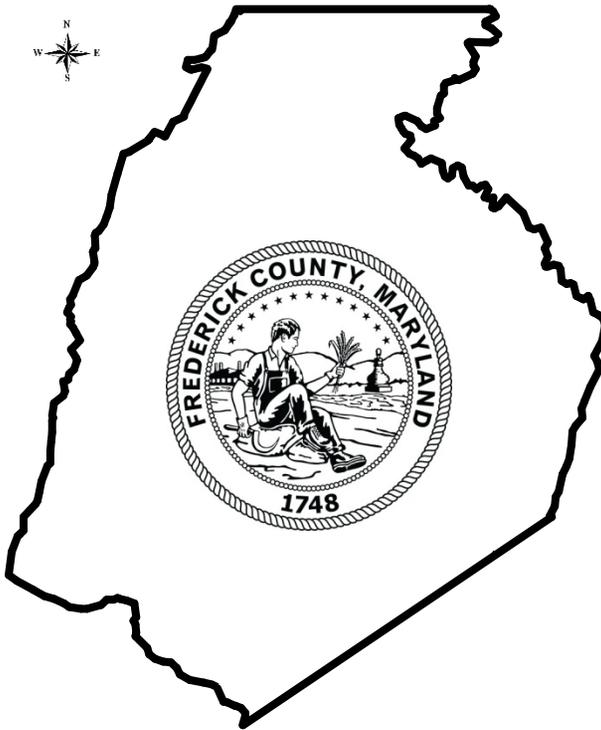
The notes to the financial statements are an integral part of this statement.

**FREDERICK COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Pension Trust Funds
Additions	
Contributions	
Employer contributions	\$ 34,805,300
Member contributions	11,144,254
County contributions	1,460,600
Other	378,558
Total contributions	47,788,712
Investment income	
Net appreciation in fair value of plan investments	37,632,734
Interest and dividends	21,492,017
Investment expense	(1,936,342)
Net investment income	57,188,409
Total additions	104,977,121
Deductions	
Benefits and refunds	32,360,251
Administrative expenses	1,528,372
Total deductions	33,888,623
Change in net position	71,088,498
Net position - beginning of year	788,020,842
Net position - end of year	\$ 859,109,340

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

NOTES TO FINANCIAL SECTION



**FREDERICK COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

Frederick County, Maryland is governed by an elected County Executive and an elected County Council pursuant to the Charter of Frederick County, Maryland that became effective in December 2014. The Charter provides, among other things, for the election of the County Executive and the organization, powers, and duties of the executive and administrative branches; the election of a seven member County Council and the organization, powers and duties of the legislative branch; and fiscal and budgetary matters. The Charter supersedes a Commissioner form of government where the five Commissioners (combined executive/legislative) exercised powers granted by the General Assembly of Maryland. For financial reporting purposes, in conformance with GAAP, the reporting entity includes Frederick County, Maryland (the primary government) and its component units. The concept of "financial accountability" determines which organizations are included in the reporting entity and how they are reported. The primary government or the separately elected governing body is the nucleus of the financial reporting entity. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the primary government.

Component Units

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

The Board of Education of Frederick County (BOE) is a legally separate organization created by State Law to operate the County's school system. Day-to-day management of the schools is under the control of the BOE with final decision-making authority held by the State Board of Education. The BOE's budget is subject to approval by the County Executive and County Council. The BOE submits a funding request by major categories of expenditure. The County Executive and County Council also must approve budget amendments between major categories. The State Board of Education, through the State Department of Education, reviews the BOE's budget to ensure that the County funds a minimum budget as a condition for State funding.

The Board of Trustees of Frederick Community College oversees the day-to-day management of Frederick Community College (FCC). FCC is also legally separate under State Law. The Governor appoints FCC board members. FCC's budget is subject to approval by the County. FCC requests

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

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

Board of Education of Frederick County
191 South East Street
Frederick, Maryland 21701
www.fcps.org

Frederick Community College
7932 Opossumtown Pike
Frederick, Maryland 21702
www.frederick.edu

Joint Venture

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

The County reports the following major governmental funds:

- The General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Debt Service Fund – This fund is used for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term obligations of governmental funds. Transfers from the General, Agricultural Preservation, Hotel Tax, Impact Fee, Parks Acquisition and School Construction funds contribute resources, as well as proceeds from debt issuances.
- The Capital Projects Fund – This fund accounts for the purchase, construction or renovation of major capital assets. It is composed of the General Government Capital Projects Fund and accounts for additions of education facilities, roads and similar general government capital assets (other than those financed by the proprietary funds). With the implementation of Governmental Accounting Standards Board (GASB) Statement Number 54, the activities of the former special revenue funds listed below are combined with the Capital Projects Funds in the fund statements. These revenues are dedicated for the purpose of funding capital projects. They are also presented individually as supplementary data in the Budget to Actual statements. See Note 2B.
- Impact Fees Fund – This fund accounts for impact fees collected from developers to pay a portion of the cost of schools and libraries necessitated by the development.
- Parks Acquisition and Development Fund – This fund accounts for recordation taxes dedicated for parkland acquisition and development.
- School Construction Fund – This fund accounts for recordation taxes dedicated to pay a portion of the cost of school construction.

Nonmajor governmental funds include the following special revenue funds:

- Electric Lighting Tax Districts Fund – This fund accounts for property taxes that are legally restricted to paying for street lighting.
- Grants Fund – This fund accounts for Federal and State grant revenues and expenditures. This fund is a special revenue fund and receives revenues from Federal and State grants and expends these funds in accordance with the terms of the grants.

NOTES TO FINANCIAL STATEMENTS
(Continued)

- The Agricultural Preservation Fund – This fund accounts for taxes on the transfer of agricultural properties that are legally restricted to providing funding for state or approved local agricultural land preservation programs. It also accounts for other revenue sources designated for agricultural land preservation.
- Hotel Rental Tax Fund – This fund accounts for the hotel tax received from the local hotels as defined by the Hotel Tax Ordinance.
- Loan Activities Funds – These funds account for the loan activities associated with four loan funds – Housing Initiative Loans, Non-Profit Organization Loans, Fire/Rescue Loans and Economic Development Loans.
- Sheriff's/Judicial Activities Funds – These four funds account for activities such as the Sheriff's Drug Enforcement, Narcotics Investigative Section, Inmates' Canteen and the State's Attorney Law Enforcement Aid.
- Watershed Protection and Restoration Fund – This fund was established to account for stormwater remediation fees assessed against each property in the County. All funds collected will be dedicated to pay for stormwater remediation projects and related expenses.

The County reports the following major proprietary funds:

- Solid Waste Management Enterprise Fund – This fund accounts for the capital outlay, operation and maintenance of the County's recycling program and the County's landfill, providing solid waste disposal service to County residents through commercial haulers.
- Water and Sewer Enterprise Fund – This fund accounts for the acquisition and operation of utility systems providing water and sewer service to certain sections of the County.
- Comprehensive Care Facility Fund – This fund accounts for the operations of both Citizens Care and Rehabilitation Center, a skilled nursing facility, and Montevue Assisted Living facility.

Nonmajor proprietary funds include the following enterprise funds:

- Bell Court Apartments Fund – This fund accounts for the operation of the Bell Court low income, elderly housing rental project.

Additionally, the County reports the following fund types:

- Agency Funds are used to account for monies received and held by the County as an agent for such activities as sales of property for delinquent tax bills, deposits for subdivisions, work release, servicing tax increment financing bonds, law library, juror's fund and revenue sharing.
- Internal Service Funds account for worker's compensation, fleet and voice related services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.
- Other Post-Employment Benefits Trust Fund accounts for the activities of the Frederick County Retiree Health Benefit Plan, which accumulates resources for healthcare benefits to eligible retirees and, in certain instances, their eligible survivors and dependents.

NOTES TO FINANCIAL STATEMENTS (Continued)

- Pension Trust Fund accounts for the activities of the Frederick County Employee Retirement Plan, which accumulates resources for pension benefit payments to qualified employees.
- Length of Service Award Program (LOSAP) Trust Fund: This fund was established to account for the LOSAP for the volunteer fire and rescue personnel serving the various independent volunteer fire companies in the County.

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

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

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

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

1. Pooled Cash and Investments

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

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

Frederick County categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; Level 2 inputs are valuations based on quoted prices for similar assets or liabilities in active

NOTES TO FINANCIAL STATEMENTS (Continued)

markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and Level 3 inputs are valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

2. Property Taxes Receivable

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

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

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

Total assessed value on which levies were made for the year ended June 30, 2019, was \$31,106,458,994. The Countywide property tax rate was \$1.060 per \$100 of assessed value on real property taxes, except in the municipalities of the City of Frederick and the Town of Myersville. The County's property tax differential rates within the City of Frederick and the Town of Myersville are \$0.9413 and \$0.9333, respectively. In addition, taxes were levied in three lighting tax districts. The County collected 99.86 percent of taxes levied in the current year. The receivable portion of the current year property tax levy, including the lighting tax districts and public utility tax, is \$29,047 and is included in total property taxes receivable of \$451,031 on the Statement of Net Position. This compares to the current portion of the prior year levy of \$251,179 included in the total property taxes of \$678,398 as of June 30, 2019.

3. Inventories and Prepaids

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Capital Assets

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

Most capital assets used in operations are depreciated using the straight-line method over their estimated useful lives. The County defines capital assets, other than infrastructure and internally generated software, as assets with an initial, individual cost of \$10,000 or more, and an estimated useful life in excess of one year. Infrastructure and internally generated software is defined as capital assets with an initial cost of \$100,000 or more, and an estimated useful life in excess of one year. The County has included infrastructure acquired prior to fiscal years ended after June 30, 1980 in capital assets. The estimated useful lives for assets depreciated using the straight-line method are as follows:

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

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

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

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

5. Deferred Outflows/Inflows

In addition to assets, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future

NOTES TO FINANCIAL STATEMENTS (Continued)

period and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until that time. The County recognizes three items that qualify for reporting in this category: 1) the deferred charge on refunding resulting from the difference in the net carrying value of refunded debt and its reacquisition price; this amount is deferred and amortized over the shorter of the life of the refunded or refunding debt; 2) changes in total pension liability and 3) changes in OPEB liability. The changes in pension and OPEB liability arise from the differences between projected and actual earnings on pension plan investments, changes of assumptions, and differences between expected and actual experience are recognized as deferred outflows or inflows of resources. The differences between net projected and actual earnings on pension plan investments are amortized over a closed five year period. The effects of changes of assumptions and the differences between projected and actual experience are amortized over a closed period equal to the average of the remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees), determined as of the beginning of the measurement period.

In addition to liabilities, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The County has an item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, this item, unavailable revenue, is reported only on the governmental funds Balance Sheet. The governmental funds record unavailable revenues from property taxes. The County also recognizes deferred inflows of resources related to pensions and OPEB in the Statement of Net Position. These differences are between expected and actual experience, changes in assumptions, and the net difference between projected and actual investment earnings on pension plan investments. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

6. Compensated Absences

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

7. Long-Term Obligations

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

8. Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets, represents all capital assets, including infrastructure, reduced by accumulated depreciation and the outstanding debt directly attributable to the acquisition, construction or improvements of these assets. Restricted net position represents external restrictions by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. In the Water & Sewer Enterprise Fund, a portion of the unrestricted net position is reserved to represent the intent of the County's administration to use the unrestricted net position for specific purposes in the future. Data specific to these reserves is available in Note 3.G.7.

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

- *Nonspendable* – This component includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- *Restricted* – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the County to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
- *Committed* – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal County Council legislative action. Those committed amounts cannot be used for any other purpose unless the County Council removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.
- *Assigned* – This component consists of amounts that are constraints imposed by the County Executive or their designee(s), but are neither restricted nor committed. The assigned amounts that are allocated for future use by the County Executive or their designee(s) but are not spendable until a budget ordinance is passed by the County Council.
- *Unassigned* – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

9. *Estimates*

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The budget document is a comprehensive financial plan showing all anticipated revenues, expenditures for the annual Operating Budget, the annual Capital Budget and the Capital Improvement Program, and any surplus or deficit in the general or special funds of the government. The Capital Improvement Program sets forth clearly the plan for proposed capital projects to be undertaken in the ensuing fiscal year and the next five years. Budgets are adopted on an annual cycle for all governmental funds except as noted below.

The majority of these procedures are set forth in the Charter for preparing the County Budget.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

- Encumbrances are treated as expenditures for budgetary accounting purposes. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.
- Inventories are recorded as expenditures at the time of purchase.
- The use of prior years' fund balance is reported as another financing source (appropriated fund balance).

NOTES TO FINANCIAL STATEMENTS
(Continued)

15. In accordance to the annual budget and appropriations ordinance of Frederick County, encumbered but unexpended appropriations in the General Fund and Library are re-appropriated and carried forward to the following fiscal year.

B. Reconciliation of Budgetary Basis to GAAP Basis

The General Fund has a legally adopted annual budget. Exhibit II-A-7 the “Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual,” is prepared on a basis consistent with that budget. The budget is prepared using encumbrance accounting where encumbrances are treated as expenditures of the current period. The reconciliation of Budget to GAAP, as presented on the “Statement of Revenues, Expenditures, and Changes in Fund Balances,” reflects adjustments as described below. The “Statement of Revenues, Expenditures and Changes in Fund Balance” for all major governmental funds is prepared on a basis consistent with GAAP where encumbrances are treated as a reservation of fund balance.

	General Fund			Net change in Fund Balance
	Revenues	Expenditures	Other Financing Sources (Uses)	
Budgetary Basis	\$ 615,983,000	\$ 539,951,181	\$ (66,659,472)	\$ 9,372,347
Basis Adjustments:				
Encumbrance adjustment	-	(5,375,813)	-	5,375,813
Inventory adjustment	-	915,322	-	(915,322)
Net affect of basis adjustments	-	(4,460,491)	-	4,460,491
GAAP Basis	<u>\$ 615,983,000</u>	<u>\$ 535,490,690</u>	<u>\$ (66,659,472)</u>	<u>\$ 13,832,838</u>

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Cash, Investments and Equity in Pooled Invested Cash

1. Deposits

Primary Government

As of June 30, 2019, Frederick County’s carrying amount of deposits was \$9,293,000 and the bank balance was \$9,289,353. The County’s deposits are categorized below to give an indication of the level of custodial credit risk assumed by the County at year-end. The bank’s balances were collateralized as follows:

Federal Deposit Insurance Corporation (FDIC)	\$ 431,313
Held by the government's agent in the government's name	8,858,040
Total Bank Balance	<u>\$ 9,289,353</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

The County's cash and investments as of June 30, 2019, totaled \$581,291,945 as presented in the Statement of Net Position. Restricted cash and cash equivalents represent unspent bond proceeds and various funds restricted by law or third party agreements. The following table reconciles the County's deposits and investments to the Statement of Net Position:

Total Primary Government - Exhibit II-A-1	
Cash	\$ 606,010
Equity in Pooled Invested Cash	367,322,983
Investments	112,320,497
Restricted Cash and Investments	101,042,455
Total	\$ 581,291,945
Deposit & Investment Summary:	
Investments	\$ 594,533,135
Cash on Hand	16,916
Deposits	9,293,000
Less: Component Units and Agency Fund Cash Equivalents	
Pension Trust	(15,734,781)
Frederick County Public Libraries	(28,256)
Agency Funds	(6,788,069)
Total	\$ 581,291,945

Pension Trust Fund

As of June 30, 2019, the carrying amount of the Pension Trust Fund's deposits was \$2,506,014 and the bank balance was \$2,551,178. The deposits of the Pension Trust Fund were not exposed to custodial risk as of June 30, 2019.

Component Units

Deposits and investments of the BOE, FCC and FCPL are governed by the same law governing the County's investments. As of June 30, 2019, BOE's cash on hand for petty cash was \$100. The carrying amount of the Board's deposits was \$16,236,092 and investments, including \$113,144,275 of fiduciary funds, were \$155,127,936. Cash and cash equivalents restricted for debt service was \$2,378,625. The bank balance was \$18,838,837. The deposits of the Board were not exposed to custodial risk as of June 30, 2019.

As of June 30, 2019, FCC's cash on hand for petty cash was \$8,300. The carrying amount of the college's deposits was \$4,672,768 and cash equivalents were \$8,794,750. Cash and cash equivalents, as shown on the Statement of Net Position, include Frederick Community College Foundation, Inc. in the amount of \$385,568. The bank balance was \$5,459,598. The deposits of the college were not exposed to custodial risk as of June 30, 2019.

NOTES TO FINANCIAL STATEMENTS
(Continued)

As of June 30, 2019, FCPL's cash on hand for petty cash was \$2,900. The carrying amount of FCPL's deposits was \$25,356 including \$20,000 of restricted cash. The bank balance was \$25,356. The deposits of the library were not exposed to custodial risk as of June 30, 2019.

2. *Investments*

Primary Government

As of June 30, 2019, Frederick County held the following investments and maturities. The government's investment balances were as follows:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>0-18 Month Maturities</u>	<u>18-24 Month Maturities</u>	<u>> 24 Month Maturities</u>
U. S. Treasuries	\$ 126,570,638	\$ 87,479,438	\$ 750,967	\$ 38,340,233
MD Local Government Investment Pool	397,114,633	397,114,633	-	-
Money Market Funds	785,264	785,264	-	-
Federal Agency Securities	70,062,600	70,062,600	-	-
Total Fair Value	<u>\$ 594,533,135</u>	<u>\$ 555,441,935</u>	<u>\$ 750,967</u>	<u>\$ 38,340,233</u>

<u>Investments by fair value level</u>	<u>June 30, 2019</u>	<u>Fair Value Measurement Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
U. S. Treasuries	\$ 126,570,638	\$ 126,570,638	\$ -	\$ -
Federal Agency Securities	70,062,600	-	70,062,600	-
Total investments by fair value levels	<u>196,633,238</u>	<u>\$ 126,570,638</u>	<u>\$ 70,062,600</u>	<u>\$ -</u>
Investments carried at amortized cost				
MD Local Government Investment Pool	397,114,633			
Money Market Funds	785,264			
Total investments carried at amortized cost	<u>397,899,897</u>			
Total investments at fair value	<u>\$ 594,533,135</u>			

Frederick County categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 investments are valued at the closing price reported in the active market in which the individual security is traded.
- Level 2 investments are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

NOTES TO FINANCIAL STATEMENTS
(Continued)

- Level 3 investments are valued using techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Interest Rate Risk – The County recognizes that interest rate risk can result from market price losses due to changes in interest rates. Portfolio diversification of maturities is employed as a way to control these risks. The County’s investment policy states 75% of the investments must be on short-term basis of a maximum maturity of up to eighteen months. The balance of the portfolio and those funds attributed to bond proceeds may be invested in investments with longer maturities up to a maximum maturity of three years. In all funds, portfolio maturities are staggered to avoid undue concentration of assets in a specific maturity sector. The Maryland Local Government Investment Pool is managed to a Weighted Average Maturity (WAM) of a sixty day maximum to reduce their exposure to interest rate risk. There are no significant redemption notices, maximum transaction amounts or other limitations or restrictions on the County’s withdrawals from the Maryland Local Government Investment Pool.

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

1. U. S. Treasury securities
2. Obligations of U. S. government agencies
3. Repurchase agreements (collateralized in an amount not less than 102 percent of the principal amount by an obligation of the U.S., its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller and designated by the buyer)
4. Bankers’ acceptances
5. Money market mutual funds that contain only securities of the organizations listed in items 1), 2), and 3) above
6. Certificates of deposit (collateralized within the guidelines of the Annotated Code of Maryland, State Finance and Procurement Article 6-202)
7. Maryland Local Government Investment Pool (MLGIP)

The County’s investments have received the followings ratings:

<u>Investment</u>	<u>Fair Value</u>	<u>Moody's</u>	<u>Standard & Poors</u>	<u>Fitch Ratings</u>
MD Local Government Investment Pool	\$ 397,114,633	not rated	AAAm	not rated
Federal Agriculture Mortgage Corporation	55,062,300	not rated	not rated	not rated
Federal Farm Credit Bank	15,000,300	AAA	AA+	not rated

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
MD Local Government Investment Pool (MLGIP)	\$ 397,114,633	66.794 %
U. S. Treasuries	126,570,638	21.289
Federal Agricultural Mortgage Corp.	55,062,300	9.261
Federal Farm Credit Bank	15,000,300	2.523
Money Market Funds	785,264	0.132
Total Fair Value	<u>\$ 594,533,135</u>	<u>100.000 %</u>

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

1. In an amount not less than 102 percent of the principal amount of the repurchase agreement,
2. Include debt securities of the issuing agency or mortgage-backed securities guaranteed by the issuing agency, but no derivatives thereof,
3. Direct obligations of the U. S. Treasury, and derivatives thereof insofar as they represent principal portions of the debt stripped of their interest coupons (Treasury strips),
4. Held to a minimum number of pieces at all times, and
5. Marked to market daily and reported monthly by the investment custodian.

Pension Trust Fund

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

As of June 30, 2019, the Plan held the following investments and maturities:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>0 - 18 Month Maturities</u>	<u>18 - 24 Month Maturities</u>	<u>> 24 Month Maturities</u>
Money Market Funds	\$ 5,618,660	\$ 5,618,660	\$ -	\$ -
Equity Mutual Funds	185,031,876	185,031,876	-	-
Fixed Income Mutual Funds	136,192,494	136,192,494	-	-
Common Stock	287,659,857	287,659,857	-	-
Corporate Bonds & Notes	27,787,530	3,204,323	-	24,583,207
US Government Securities	38,346,254	2,744,789	880,859	34,720,606
Other Government Agencies	2,402,421	488,646	296,460	1,617,315
Total Fair Value	<u>\$ 683,039,092</u>	<u>\$ 620,940,645</u>	<u>\$ 1,177,319</u>	<u>\$ 60,921,128</u>

Frederick County has the following recurring fair value measurements as of June 30, 2019:

Investments by fair value level	June 30, 2019	Fair Value Measurement Using		
		(Level 1)	(Level 2)	(Level 3)
Equity Mutual Funds	\$ 185,031,876	\$ 185,031,876	\$ -	\$ -
Fixed Income Mutual Funds	136,192,494	136,192,494	-	-
Common Stock	287,659,857	287,659,857	-	-
Corporate Bonds & Notes	27,787,530	-	27,787,530	-
US Government Securities	38,346,254	38,346,254	-	-
Other Government Agencies	2,402,421	-	2,402,421	-
Total investments by fair value levels	<u>677,420,432</u>	<u>\$ 647,230,481</u>	<u>\$ 30,189,951</u>	<u>\$ -</u>
Investments carried at amortized cost				
Money Market Funds	<u>5,618,660</u>			
Total investments carried at amortized cost	<u>5,618,660</u>			
Total investments at fair value	<u>\$ 683,039,092</u>			

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

The following types of investment vehicles are permissible for investment of plan assets:

1. No-load mutual funds;
2. Commingled pooled funds; and
3. Separate accounts.

Equities - Permissible

1. Common and preferred stocks listed on a major U.S. exchange or traded regularly on another established U.S. market or exchange;
2. Equity securities of non-U.S. incorporated entities; whereby, the types of securities and the permissible percent of total portfolio holdings are limited by language contained in the contract of each equity manager;
3. Securities convertible into common stocks; and
4. Other specialized asset classes, as authorized by the Retirement Plan Committee.

Equities – Not Permissible

1. Short sales;
2. Put and call options, other than covered call options;
3. Margin purchases, lending or borrowing funds;
4. Letter stock, private or direct placements;
5. Commodities; and
6. Securities of the asset manager, their parent or subsidiaries (excluding money market funds and publicly available mutual funds).

Fixed Income - Permissible

Except as specifically listed below, debt instruments of any U.S. entity denominated in U.S. dollars including U.S., dollar denominated sovereign and supranational bonds (Yankee bonds) and MBS (Mortgage Backed Securities) notwithstanding the prohibition on derivatives listed below.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Fixed Income – Not Permissible

The following categories of securities are not permissible for investment without the Retirement Plan Committee's written approval:

1. Tax-exempt municipal bonds;
2. Securities of the asset manager, their parent or subsidiaries (excluding money market funds and publicly available market funds);
3. Common stock;
4. Inverse floaters;
5. CLOs (Collateralized Loan Obligations);
6. CBOs (Collateralized Bond Obligations);
7. Capped floaters;
8. Interest-only MBS (Mortgage Backed Securities) securities;
9. Principal-only MBS (Mortgage Backed Securities) securities;
10. Support CMO (Collateralized Mortgage Obligation) or Support MBS (Mortgage Backed Securities) tranches;
11. Swap contracts; and
12. Derivative securities including futures, options, swaps, and high risk mortgage derivatives (not permitted for active investment managers; permitted for index fund managers).

The money market funds are unrated, as are the mutual funds and common stocks used by the Plan. As of June 30, 2019, the Plan's fixed income investments had the following characteristics:

<u>Moody's Rating or Comparable</u>	<u>Fair Value</u>
AAA to A1	\$ 45,939,516
BAA3 to BA1	34,401,293
CAA2 to C	1,379,723
Not rated	601,318,560
Total Fair Value	<u>\$ 683,039,092</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Foreign Currency Risk – The Plan's exposure to foreign currency risk derives from its investment in foreign currency or instruments denominated in foreign currency. The Plan recognizes the value of global diversification and retains two investment managers for global and international equity investments. The Plan's investment policy does not establish any limitation related to foreign currency risk. The country of origin for the two investments is the United States; therefore, the Plan did not have foreign currency risk as of June 30, 2019.

Length of Service Awards Program

The Length of Service Award Program (LOSAP) Trust Fund has an investment policy that is designed to preserve and/or increase the value of the LOSAP's assets, net of inflation. The performance objective of the plan is to generate an annualized total rate of return which meets or exceeds the discount rate over the long-term. Professional investment managers are employed by the plan to manage the Plan's assets.

Investments – The Plan's investment policy includes an asset allocation plan for investments. The target allocation is 65 percent equities and 35 percent US fixed income. The minimum and maximum percentages for equities are 50 percent and 80 percent respectively and for fixed income are 25 percent and 55 percent, respectively.

As of June 30, 2019, the Plan held the following investments and maturities:

Investment Type (All funds)	<u>Fair Value</u>	<u>0 - 18 Month Maturities</u>	<u>18 - 24 Month Maturities</u>	<u>> 24 Month Maturities</u>
Money Market Funds	\$ 169	\$ 169	\$ -	\$ -
Mutual Funds	948,095	948,095	-	-
Collective Investment Trust (Fixed Income)	522,345	522,345	-	-
Total Fair Value	<u>\$ 1,470,609</u>	<u>\$ 1,470,609</u>	<u>\$ -</u>	<u>\$ -</u>

Frederick County has the following recurring fair value measurements as of June 30, 2019:

Investments by fair value level	<u>June 30, 2019</u>	<u>Fair Value Measurement Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual Funds	\$ 948,095	\$ 948,095	\$ -	\$ -
Collective Investment Trust (Fixed Income)	522,345	522,345	-	-
Total investments by fair value levels	<u>1,470,440</u>	<u>\$ 1,470,440</u>	<u>\$ -</u>	<u>\$ -</u>
Investments carried at amortized cost				
Money Market Funds	169			
Total investments carried at amortized cost	<u>169</u>			
Total investments at fair value	<u>\$ 1,470,609</u>			

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Credit Risk – The Plan’s investment policy states that the assets of the County’s LOSAP Trust will be invested in accordance with Article 95, Section 22 of the Annotated Code of Maryland. The Investment Committee may consider both actively and passively managed investment strategies.

Foreign Currency Risk – The Plan’s exposure to foreign currency risk derives from its investment in foreign currency or instruments denominated in foreign currency. The Plan’s investment policy does not establish any limitation related to foreign currency risk. The country of origin for the investments is the United States; therefore, the Plan did not have foreign currency risk as of June 30, 2019.

Other Post Employment Benefit (OPEB) Trust Fund

The County’s OPEB Trust is one of two OPEB trusts that participate in the Frederick County Master Retiree Benefit Trust Agreement (“OPEB Master Trust”). The other OPEB Trust, which participates in the OPEB Master Trust, is the Retiree Benefit Trust of Frederick County Public Schools (“Public Schools OPEB Trust”). The OPEB Master Trust exists for the purpose of receiving, holding and managing the investment of funds contributed on behalf of both the Frederick County, Maryland Retiree Health Benefit Plan and the Frederick County Public Schools Retiree Health Benefit Plan, in connection with the funding of their OPEB obligations. As of June 30, 2019 Frederick County Public Schools separated from the Master Retiree Trust Agreement and as a result the Master Trust was dissolved.

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

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

As of June 30, 2019, the Plan held the following investments and maturities:

Investment Type (All funds)	Fair Value	0 - 18 Month Maturities	18 - 24 Month Maturities	> 24 Month Maturities
Money Market Funds	\$ 927	\$ 927	\$ -	\$ -
Mutual Funds	107,279,212	107,279,212	-	-
Collective Investment Trust	51,802,925	51,802,925	-	-
Total Fair Value	<u>\$ 159,083,064</u>	<u>\$ 159,083,064</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Frederick County has the following recurring fair value measurements as of June 30, 2019:

Investments by fair value level	June 30, 2019	Fair Value Measurement Using		
		(Level 1)	(Level 2)	(Level 3)
Mutual Funds	\$ 107,279,212	\$ 107,279,212	\$ -	\$ -
Collective Investment Trust	51,802,925	-	-	51,802,925
Total investments by fair value levels	159,082,137	\$ 107,279,212	\$ -	\$ 51,802,925
Investments carried at amortized cost				
Money Market Funds	927			
Total investments carried at amortized cost	927			
Total investments at fair value	\$ 159,083,064			

The collective investment trust classified in Level 3 of the hierarchy is valued based on a non-M&T Bank independent source using internal valuation models.

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

Credit Risk – The Plan’s investment policy states that the assets of the County’s OPEB Trust will be invested in accordance with Article 95, Section 22 of the Annotated Code of Maryland. The Investment Committee may consider both actively and passively managed investment strategies

Foreign Currency Risk – The Plan’s exposure to foreign currency risk derives from its investment in foreign currency or instruments denominated in foreign currency. The Plan recognizes the value of global diversification and retains two investment managers for global and international equity investments. The Plan’s investment policy does not establish any limitation related to foreign currency risk. The country of origin for the two investments is the United States; therefore, the Plan did not have foreign currency risk as of June 30, 2019.

Component Units

The Board of Education’s investments as of June 30, 2019 are categorized in the following table:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-5	6-10
MLGIP	\$ 38,175,983	\$ 38,175,983	\$ -	\$ -
Money Market	3,803,112	3,803,112	-	-
Certificates of Deposit	4,566	4,566	-	-
Fixed Income Securities	35,231,277	35,231,277	-	-
Equity Securities	77,912,998	77,912,998	-	-
Totals	\$ 155,127,936	\$ 155,127,936	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCPS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets.

FCPS has recurring fair value investments as of June 30, 2019, of \$113,144,275, that include Fixed Income Securities and Equity Securities. These investments were valued using quoted market prices (Level 1 inputs).

MLGIP of \$38,175,983, Money Market of \$3,803,112 and Certificates of Deposit of \$4,566 are valued using amortized cost method, which estimates market value.

The above investment balances include fiduciary funds in the amount of \$113,144,275. Total net investment income per the statement of activities as of June 30, 2019 was \$1,169,840.

FCC's investments as of June 30, 2019 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
MLGIP	<u>\$ 8,794,750</u>	<u>\$ 8,794,750</u>	<u>\$ -</u>	<u>\$ -</u>

Total net investment income for FCC (excluding the FCC Foundation) as of June 30, 2019 was \$265,328. The Frederick Community College Foundation investments as of June 30, 2019 were:

<u>Investment Type</u>	<u>June 30, 2019</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
USMF Fund	\$ 15,428,630	\$ 16,082,970	\$ 654,340
Certificate of Deposit	226,191	226,191	-
Charitable Remainder Trust	21,604	24,562	2,958
Total Investments	<u>\$ 15,676,425</u>	<u>\$ 16,333,723</u>	<u>\$ 657,298</u>

As of June 30, 2019, the Foundation had 391,199.1004 units of the University System of Maryland Foundation, Inc. Unitized Investment Fund valued at \$41.112 per unit with a value of \$16,082,970.

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCPL's investments as of June 30, 2019 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			<u>Interest Rate At June 30</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	
MLGIP	\$ 372,837	\$ 372,837	\$ -	\$ -	0.06%
Certificates of Deposit	208,588	208,588	-	-	Various
Total Investments	<u>\$ 581,425</u>	<u>\$ 581,425</u>	<u>\$ -</u>	<u>\$ -</u>	

Total net investment income per the statement of activities for the year ended June 30, 2019 was \$10,343.

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

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

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the BOE, FCC and FCPL will not be able to recover all or portion of the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2019, all of the component unit investments were insured or registered, or securities were held by the unit or its agent in the unit's name or were invested in the MLGIP.

Foreign Currency Risk – There are no direct investments in foreign currency by BOE, FCC or FCPL.

NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Receivables and Payables

1. Accounts and Other Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The associated allowance for doubtful accounts has been established in the following governmental and business-type funds: General Fund, \$1,020,776; Comprehensive Care Facility, \$245,367 and Solid Waste, \$25,919.

2. Due To/From Primary Government and Component Units

The receivable and payable balances between the primary government and its component units as of June 30, 2019, are reconciled as follows:

	<u>BOE</u>	<u>FCC</u>	<u>FCPL</u>	<u>TOTAL</u>
Due from component units per Primary Government	\$ 26,745	\$ -	\$ -	\$ 26,745
Less: Not recorded as payable by component unit in FY19	(10,475)	-	-	(10,475)
Due to primary government per Component Units (included in accounts payable)	<u>\$ 16,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,270</u>
Due to component units per Primary Government	\$ 2,118,685	\$ 169	\$ 3,496,955	\$ 5,615,809
Add: Receivables recorded by component unit in FY19	-	-	95,390	95,390
Less: Receivable recorded by component unit in FY19	(277,971)	(169)	-	(278,140)
Due from primary government per Component Units	<u>\$ 1,840,714</u>	<u>\$ -</u>	<u>\$ 3,592,345</u>	<u>\$ 5,433,059</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Capital Assets

Capital Asset activity for the year ended June 30, 2019 is as follows:

	Primary Government				Ending Balance
	Beginning Balance	Increases	Adjustments/ Transfers	Decreases	
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 106,953,336	\$ 5,854,811	\$ -	\$ -	\$ 112,808,147
Construction in progress	40,399,372	39,198,921	-	(55,537,900)	24,060,393
Total capital assets at historical cost not being depreciated	<u>147,352,708</u>	<u>45,053,732</u>	<u>-</u>	<u>(55,537,900)</u>	<u>136,868,540</u>
Capital assets being depreciated:					
Buildings and improvements	237,402,552	10,281,757	-	-	247,684,309
Equipment	144,927,736	10,355,532	(18,887)	(10,041,667)	145,222,714
Infrastructure	389,492,137	28,789,075	-	(37,171)	418,244,041
Total capital assets at historical cost being depreciated	<u>771,822,425</u>	<u>49,426,364</u>	<u>(18,887)</u>	<u>(10,078,838)</u>	<u>811,151,064</u>
Less accumulated depreciation for:					
Buildings and improvements	105,891,492	6,458,395	-	-	112,349,887
Equipment	85,520,828	10,614,542	(18,887)	(9,731,319)	86,385,164
Infrastructure	242,517,840	9,404,026	-	(37,171)	251,884,695
Total accumulated depreciation	<u>433,930,160</u>	<u>26,476,963</u>	<u>(18,887)</u>	<u>(9,768,490)</u>	<u>450,619,746</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>337,892,265</u>	<u>22,949,401</u>	<u>-</u>	<u>(310,348)</u>	<u>360,531,318</u>
Governmental activities capital assets, net	<u>\$ 485,244,973</u>	<u>\$ 68,003,133</u>	<u>\$ -</u>	<u>\$ (55,848,248)</u>	<u>\$ 497,399,858</u>
Depreciation expense was charged to governmental functions as follows:					
General government					\$ 3,651,141
Public safety					7,538,826
Public works					2,584,581
Health					199,784
Social services					526,513
Recreation and culture					2,548,090
Conservation of natural resources					2,843
Economic development and opportunity					21,160
Infrastructure					9,404,025
Total depreciation expense					<u>\$ 26,476,963</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Primary Government				Ending Balance
	Beginning Balance	Increases	Adjustments/ Transfers	Decreases	
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 9,327,737	\$ -	\$ -	\$ -	\$ 9,327,737
Construction in progress	14,246,137	27,501,909	-	(15,539,689)	26,208,357
Total capital assets at historical cost not being depreciated	<u>23,573,874</u>	<u>27,501,909</u>	<u>-</u>	<u>(15,539,689)</u>	<u>35,536,094</u>
Capital assets being depreciated:					
Buildings and improvements	361,844,406	1,255,978	-	(105,000)	362,995,384
Equipment	55,966,056	2,178,587	18,888	(1,127,811)	57,035,720
Infrastructure	415,697,859	13,316,949	-	-	429,014,808
Total capital assets at historical cost being depreciated	<u>833,508,321</u>	<u>16,751,514</u>	<u>18,888</u>	<u>(1,232,811)</u>	<u>849,045,912</u>
Less accumulated depreciation for:					
Buildings and improvements	92,100,050	7,857,641	-	(105,000)	99,852,691
Equipment	38,684,583	2,727,429	18,888	(1,104,802)	40,326,098
Infrastructure	80,454,697	5,739,716	-	-	86,194,413
Total accumulated depreciation	<u>211,239,330</u>	<u>16,324,786</u>	<u>18,888</u>	<u>(1,209,802)</u>	<u>226,373,202</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>622,268,991</u>	<u>426,728</u>	<u>-</u>	<u>(23,009)</u>	<u>622,672,710</u>
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 645,842,865</u>	<u>\$ 27,928,637</u>	<u>\$ -</u>	<u>\$ (15,562,698)</u>	<u>\$ 658,208,804</u>

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

Bell Court	\$ 71,346
Comprehensive Care Facility	835,681
Solid Waste	1,194,870
Water & Sewer	14,222,889
Total depreciation expense	<u>\$ 16,324,786</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Component units' capital asset activity for the year ended June 30, 2019 was as follows:

BOE	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	\$ 51,154,643	\$ 573,747	\$ (75,000)	\$ 51,653,390
Construction in progress	83,223,933	34,149,127	(93,620,766)	23,752,294
Total capital assets at historical cost not being depreciated	<u>134,378,576</u>	<u>34,722,874</u>	<u>(93,695,766)</u>	<u>75,405,684</u>
Capital assets being depreciated:				
Building and improvements	975,194,272	88,692,646	(5,133,482)	1,058,753,436
Furniture and equipment	54,274,543	3,906,619	(2,266,832)	55,914,330
Total capital assets at historical cost being depreciated	<u>1,029,468,815</u>	<u>92,599,265</u>	<u>(7,400,314)</u>	<u>1,114,667,766</u>
Less accumulated depreciation for:				
Building and improvements	363,684,578	27,821,589	(4,895,682)	386,610,485
Furniture and equipment	34,081,904	3,406,165	(2,220,575)	35,267,494
Total accumulated depreciation	<u>397,766,482</u>	<u>31,227,754</u>	<u>(7,116,257)</u>	<u>421,877,979</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>631,702,333</u>	<u>61,371,511</u>	<u>(284,057)</u>	<u>692,789,787</u>
BOE's capital assets, net of accumulated depreciation	<u>\$ 766,080,909</u>	<u>\$ 96,094,385</u>	<u>\$ (93,979,823)</u>	<u>\$ 768,195,471</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCC	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	\$ 271,620	\$ -	\$ -	\$ 271,620
Construction in progress	445,804	2,104,720	(435,304)	2,115,220
Total capital assets at historical cost not being depreciated	<u>717,424</u>	<u>2,104,720</u>	<u>(435,304)</u>	<u>2,386,840</u>
Capital assets being depreciated:				
Library collection	2,065,438	-	-	2,065,438
Building and improvements	117,230,573	3,223,353	-	120,453,926
Furniture and equipment	6,511,607	222,021	(96,674)	6,636,954
Site improvement	7,555,075	295,813	-	7,850,888
Total capital assets at historical cost being depreciated	<u>133,362,693</u>	<u>3,741,187</u>	<u>(96,674)</u>	<u>137,007,206</u>
Less accumulated depreciation for:				
Library collection	1,977,631	20,722	-	1,998,353
Building and improvements	39,201,194	3,047,147	-	42,248,341
Furniture and equipment	4,553,583	561,190	(95,626)	5,019,147
Site improvement	5,994,745	160,423	-	6,155,168
Total accumulated depreciation	<u>51,727,153</u>	<u>3,789,482</u>	<u>(95,626)</u>	<u>55,421,009</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>81,635,540</u>	<u>(48,295)</u>	<u>(1,048)</u>	<u>81,586,197</u>
FCC's capital assets, net of accumulated depreciation	<u>\$ 82,352,964</u>	<u>\$ 2,056,425</u>	<u>\$ (436,352)</u>	<u>\$ 83,973,037</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCPL	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Library collection	\$ 9,488,349	\$ 954,589	\$ (3,213,237)	\$ 7,229,701
Furniture and equipment	341,123	32,330	(8,595)	364,858
Total capital assets at historical cost being depreciated	<u>9,829,472</u>	<u>986,919</u>	<u>(3,221,832)</u>	<u>7,594,559</u>
Less accumulated depreciation for:				
Library collection	5,727,254	1,090,202	(1,444,304)	5,373,152
Furniture and equipment	129,433	25,620	(8,595)	146,458
Total accumulated depreciation	<u>5,856,687</u>	<u>1,115,822</u>	<u>(1,452,899)</u>	<u>5,519,610</u>
FCPL's capital assets, net of accumulated depreciation	<u>\$ 3,972,785</u>	<u>\$ (128,903)</u>	<u>\$ (1,768,933)</u>	<u>\$ 2,074,949</u>

D. Interfund Receivables, Payables and Transfers

1. Primary Government Interfund Receivables and Payable Balances

<u>Receivable Fund</u>	<u>Payable Fund</u>
	<u>Nonmajor Governmental</u>
General Fund	\$ 304,495
Total Due to Other Funds	<u>\$ 304,495</u>

The Nonmajor Governmental amount is due from the Grants Fund and is the cash amount needed during the year ended June 30, 2019, to fund grant expenditures, until the County is reimbursed by the grantor agencies.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. *Interfund Transfers – Primary Government*

Interfund transfers for the year ended June 30, 2019 consists of the following:

	Transfers In					Total Transfers To Other Funds
	General Fund	Debt Service	Capital Projects	Nonmajor Governmental	Internal Service	
<u>Transfers Out</u>						
General Fund	\$ -	\$ 42,000,000	\$ 17,107,782	\$ 6,640,937	\$ 1,206,005	\$ 66,954,724
Nonmajor Governmental	295,252	3,852,500	-	85,003	28,419	4,261,174
Capital Projects	-	11,971,181	-	-	9,625	11,980,806
Water and Sewer	-	-	633,377	-	110,331	743,708
Total Transfers in from Other Funds	<u>\$ 295,252</u>	<u>\$ 57,823,681</u>	<u>\$ 17,741,159</u>	<u>\$ 6,725,940</u>	<u>\$ 1,354,380</u>	<u>\$ 83,940,412</u>

Primary activities include:

- Transfers of pay-go funding from the General Fund and various non-major governmental funds to the Capital Projects Fund;
- Transfers of matching County grants funding from the General Fund to the Grants Fund.
- Transfers from various funds to the Debt Service Fund for the payment of interest and principal on long term obligations of governmental funds.

NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Operating Leases

Frederick County is committed under various leases for building and office space, the majority of which are cancelable. These leases are considered for accounting purposes to be operating leases. Operating lease expenditures for fiscal year 2019 were \$1,033,237.

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

Years Ending June 30,	Total Payment
2020	\$ 523,843
2021	498,093
2022	503,796
2023	392,011
2024	307,967
2025-2029	1,101,213
2030-2034	538,926
2035-2038	175,543
Total	\$ 4,041,392

The County subleases a portion of one of these buildings to other companies and government agencies; this does not however release the County from the lease obligation. Lease revenues from subleases for fiscal year 2019 totaled \$77,779.

The future minimum lease revenues for the subleases are \$280,005 for fiscal year 2019.

The County is committed under various rental lease agreements as lessor. All leases are considered for accounting purposes to be non-cancelable leases. Lease revenues for fiscal year 2019 totaled \$1,420,579.

Future minimum lease revenues for these rentals are as follows:

Years Ending June 30,	Total Payment
2020	\$ 1,282,430
2021	1,038,955
2022	1,030,025
2023	963,132
2024	925,951
2025 - thereafter	4,414,782
	\$ 9,655,275

NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Non-Current Liabilities

1. Changes in Non-Current Liabilities

Primary Government:

	Balance July 1, 2018	Additions	Principal Repayments & Reductions	Balance June 30, 2019	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 475,221,585	\$ -	\$ (40,945,814)	\$ 434,275,771	\$ 103,121,598
Notes from direct borrowings and direct placements	20,396,848	-	(107,046)	20,289,802	247,542
Unamortized Premium on Bonds	37,379,242	-	(6,323,663)	31,055,579	5,758,187
Installment Purchase Agreements	50,618,445	1,527,513	(1,491,857)	50,654,101	3,194,665
Capital Lease Obligations	3,239,985	7,008,003	(707,126)	9,540,862	1,431,735
Compensated Absences	12,319,550	13,263,199	(13,201,531)	12,381,218	569,198
Net OPEB Liability	92,062,481	23,237,366	(24,592,212)	90,707,635	-
Net LOSAP Pension Liability	11,597,594	1,065,217	(2,190,104)	10,472,707	-
Termination Benefits	285,006	88,652	(4,922)	368,736	-
	<u>\$ 703,120,736</u>	<u>\$ 46,189,950</u>	<u>\$ (89,564,275)</u>	<u>\$ 659,746,411</u>	<u>\$ 114,322,925</u>
Total Governmental Activity- Long Term Liabilities	<u>\$ 703,120,736</u>	<u>\$ 46,189,950</u>	<u>\$ (89,564,275)</u>	<u>\$ 659,746,411</u>	<u>\$ 114,322,925</u>

Payments on the non-current liabilities above (excluding personnel related liabilities), that pertain to the County's governmental activities are recorded in the Debt Service Fund and supported by revenue transfers from the General, Parks Acquisition and Development, Agricultural Preservation, Impact Fee, School Construction and Hotel Rental Tax Funds. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund. Any additions to the unamortized premium on bonds payable for governmental activities are recorded as an Other Financing Source.

Payments on the non-current liabilities related to the LOSAP Pension Trust are supported by revenue transfers from the general fund. Payments on the non-current liabilities related to OPEB are supported by transfers from the General, Grants and Agricultural Preservation Funds.

The Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities related to the Internal Service Funds are included as part of the above totals for governmental activities. As of June 30, 2019, Internal Service Funds compensated absences totaling \$209,769 are included in the above amounts.

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Balance July 1, 2018	Additions	Principal Repayments & Reductions	Balance June 30, 2019	Due Within One Year
Business-type Activities:					
Bonds Payable	\$ 144,818,415	\$ -	\$ (12,519,186)	\$ 132,299,229	\$ 31,873,402
Notes from direct borrowing and direct placements	64,352,465	-	(4,627,827)	59,724,638	4,113,806
Unamortized Premium on Bonds	7,642,724	-	(1,542,532)	6,100,192	1,352,478
Capital Lease Obligations	163,355	212,001	(55,939)	319,417	86,966
Landfill Closure Costs	19,488,162	44,871	(305,478)	19,227,555	227,500
Compensated Absences	1,282,682	1,144,019	(1,087,603)	1,339,098	124,358
Termination Benefits	26,119	2,253	-	28,372	-
Total Business-type Activities - Long Term Liabilities	<u>\$ 237,773,922</u>	<u>\$ 1,403,144</u>	<u>\$ (20,138,565)</u>	<u>\$ 219,038,501</u>	<u>\$ 37,778,510</u>

Component Units:

	Balance July 1, 2018	Net Changes	Balance June 30, 2019	Due Within One Year
Board of Education				
Capital lease obligations	\$ 25,476,195	\$ (766,159)	\$ 24,710,036	\$ 2,706,864
Compensated absences	7,985,585	331,397	8,316,982	1,151,061
Net OPEB liability	653,002,962	73,787,942	726,790,904	-
Termination benefits payable	22,967,039	643,697	23,610,736	2,666,988
Net pension liability	36,818,619	2,377,461	39,196,080	-
Board of Education - Long-term Liabilities	<u>\$ 746,250,400</u>	<u>\$ 76,374,338</u>	<u>\$ 822,624,738</u>	<u>\$ 6,524,913</u>
Frederick Community College				
Certificates of Participation	\$ 5,941,126	\$ (289,336)	\$ 5,651,790	\$ 275,000
Compensated absences	1,502,497	63,777	1,566,274	1,474,071
Net OPEB liability	295,525	25,794	321,319	-
Frederick Community College - Long-term Liabilities	<u>\$ 7,739,148</u>	<u>\$ (199,765)</u>	<u>\$ 7,539,383</u>	<u>\$ 1,749,071</u>
Frederick County Public Libraries				
Compensated absences	\$ 529,818	\$ (16,358)	\$ 513,460	\$ 57,151
Termination Benefits	3,756	4,041	7,797	-
Frederick County Public Libraries - Long-term Liabilities	<u>\$ 533,574</u>	<u>\$ (12,317)</u>	<u>\$ 521,257</u>	<u>\$ 57,151</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. General Obligation Bonds

Primary Government

Under the Commissioner form of government the County could not issue general obligation bonds and installment purchase agreements unless specific enabling legislation was passed by the Maryland General Assembly. As of June 30, 2019, there remains \$3,056,371 of authorization under the authority granted under Chapter 54 of the Laws of Maryland of 2012. Any indebtedness authorized by the General Assembly may not be issued until a resolution authorizing the same has been adopted by the County Council.

Pursuant to the Charter of Frederick County Maryland, future authorizations for general obligation borrowings will be granted by the County Council. Section 508 of the Charter sets limitations for general obligation borrowings. This debt limit is calculated at an amount not to exceed a total of five percent of the assessable base of real property of the County and fifteen percent of the County's assessable base of personal property and operating real property described in Section 8-109(c) of the Tax-Property Article of the Annotated Code of Maryland. As of June 30, 2019, Council bill 17-03 granted an additional \$100,000,000 for long-term borrowings.

The debt limit for the primary government's general obligation borrowings as of June 30, 2019 was \$1,597,003,053 and the legal debt margin was \$949,438,952.

The County's most recent credit ratings were reaffirmed as of August 2019 are Moody's – Aaa, S&P – AAA, Fitch – AAA. These bonds are a general obligation of the County and as such, are supported by the full faith and credit of the County.

Government Activities	Date of Debt Issue	Date of Debt Maturity Due Serially to	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/19
Pub Facility Refunding Bonds of 2006	2/1/2006	11/1/2022	4.00%-5.25%	\$ 12,608,476	\$ 10,438,443
Public Facilities Bonds of 2010A	1/26/2010	2/1/2020	2.00%-5.00%	47,213,456	5,161,179
Pub Fac Bonds of 2010B (BAB)	1/26/2010	2/1/2030	4.90%-5.90%	71,261,044	63,241,044
Pub Fac Bonds of 2010C Refunding	4/27/2010	12/1/2020	2.00%-5.00%	57,786,283	12,274,240
Public Facilities Bonds of 2011A	8/4/2011	8/1/2031	2.50%-5.00%	55,810,000	4,545,000
Pub Fac Bonds of 2012 Refunding	2/9/2012	8/1/2024	2.00%-4.00%	59,842,669	38,188,176
Pub Fac Bonds of 2012B - Refunding - Taxable	8/23/2012	8/1/2020	1.00%-1.66%	51,946,393	16,065,546
Public Facilities Bonds of 2013	5/2/2013	5/1/2033	2.00%-5.00%	26,800,000	20,540,986
Public Facilities Bonds of 2014, Series A	7/24/2014	8/1/2034	2.00%-5.00%	32,117,727	17,648,827
Pub Fac Bonds of 2016, Series A	6/29/2016	8/1/2036	2.00%-5.00%	77,186,341	72,211,096
Pub Fac Bonds of 2017A - Refunding (2020 Crossover)	4/11/2017	2/11/2030	5.00%	56,901,147	56,901,147
Pub Fac Bonds of 2017B - Refunding	12/20/2017	8/1/2031	2.00%-5.00%	35,860,543	35,588,242
Pub Fac Bonds of 2018, Series A	3/7/2018	8/1/2037	2.00%-5.00%	84,465,639	81,471,845
Total Bonds Outstanding				<u>\$ 669,799,718</u>	<u>\$ 434,275,771</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize governmental activities bond debt outstanding as of June 30, 2019 are as follows:

Years Ending June 30,	Principal	Interest	Total Requirement
2020	\$ 103,121,598	\$ 16,610,097	\$ 119,731,695
2021	33,867,746	13,400,803	47,268,549
2022	23,859,436	12,102,151	35,961,587
2023	24,729,040	11,045,051	35,774,091
2024	23,328,678	10,008,308	33,336,986
2025-2029	103,904,701	34,818,230	138,722,931
2030-2034	81,146,826	12,918,572	94,065,398
2035-2038	40,317,746	2,339,069	42,656,815
	<u>\$ 434,275,771</u>	<u>\$ 113,242,281</u>	<u>\$ 547,518,052</u>

For the year ended June 30, 2019, total principal and interest incurred related to general obligation bonds was \$40,945,814 and \$19,493,041.

<u>Business-type Activities</u>	<u>Date of Debt Issue</u>	<u>Date of Debt Maturity Due Serially to</u>	<u>Range of Interest Rates</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding 6/30/19</u>
Pub Facility Refunding Bonds of 2006	2/1/2006	11/1/2022	4.00%-5.25%	\$ 7,756,524	\$ 6,421,557
Public Facilities Bonds of 2010A	1/26/2010	2/1/2020	2.00%-5.00%	12,491,544	1,538,821
Pub Fac Bonds of 2010B (BAB)	1/26/2010	2/1/2030	4.90%-5.90%	18,853,956	18,853,956
Pub Fac Bonds of 2010C Refunding	4/27/2010	12/1/2020	2.00%-5.00%	21,578,717	4,635,760
Pub Fac Bonds of 2012 Refunding	2/9/2012	8/1/2024	4.00%	25,232,331	20,741,824
Pub Fac Bonds of 2012B - Refunding - Taxable	8/23/2012	8/1/2020	1.00%-1.66%	9,423,607	2,914,454
Public Facilities Bonds of 2013	5/2/2013	5/1/2033	2.00%-5.00%	4,650,000	3,564,014
Public Facilities Bonds of 2014, Series A	7/14/2014	8/1/2034	2.00%-5.00%	2,677,273	1,471,173
Pub Fac Bonds of 2016, Series A	6/29/2016	8/1/2036	2.00%-5.00%	8,218,659	7,688,904
Pub Fac Bonds of 2016B - Refunding	6/29/2016	8/1/2036	2.00%-3.00%	34,820,000	31,975,000
Pub Fac Bonds of 2017A - Refunding (2020 Crossover)	4/11/2017	2/1/2030	0.05	16,963,853	16,963,853
Pub Fac Bonds of 2017B - Refunding	12/20/2017	8/1/2031	2.00%-5.00%	824,457	801,758
Pub Fac Bonds of 2018, Series A	3/7/2018	8/1/2037	2.00%-5.00%	15,269,361	14,728,155
Total Bonds Outstanding				<u>\$ 178,760,282</u>	<u>\$ 132,299,229</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize business-type activities bonded debt outstanding as of June 30, 2019 are as follows:

Years Ending June 30,	Principal	Interest	Total Requirement
2020	\$ 31,873,402	\$ 4,632,686	\$ 36,506,088
2021	12,027,254	3,614,550	15,641,804
2022	9,145,564	3,162,391	12,307,955
2023	9,490,960	2,778,591	12,269,551
2024	8,061,322	2,426,284	10,487,606
2025-2029	28,650,298	8,204,220	36,854,518
2030-2034	20,603,174	3,465,382	24,068,556
2035-2038	12,447,255	653,445	13,100,700
	<u>\$ 132,299,229</u>	<u>\$ 28,937,549</u>	<u>\$ 161,236,778</u>

For the year ended June 30, 2019, total principal and interest incurred related to business-type activities was \$12,519,185 and \$5,574,633.

3. Notes from Direct Borrowings and Direct Placements

Primary Government

The County's outstanding notes from direct borrowings and direct placements include the County's General Obligation Public Facilities Refunding Bonds, Series 2014C and Series 2015A. Both of these debt instruments are general obligations of the County to which its full faith and credit and unlimited taxing power are pledged, but no collateral is pledged for repayment of the debt. The Series 2014C bonds do not contain a provision for early payment of the obligation. The Series 2015A bonds allow for the prepayment of the outstanding principal and accompanying accrued interest at any time. These notes do not contain any acceleration clauses or termination events that would result in financial consequences to the County.

<u>Government Activities</u>	<u>Date of Debt Issue</u>	<u>Date of Debt Maturity Due Serially to</u>	<u>Range of Interest Rates</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding 6/30/19</u>
Pub Fac Bonds of 2014C Refunding	11/25/2014	6/1/2028	2.49%	\$ 12,429,335	\$ 12,403,309
Pub Fac Bonds of 2015A Refunding	3/19/2015	6/1/2027	2.25%	8,061,868	7,860,393
Total Notes from Direct Borrowing and Direct Placements				<u>\$ 20,491,203</u>	<u>\$ 20,263,702</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2019, total principal and interest incurred related to notes from direct borrowing and direct placement was \$95,104 and \$487,904. The annual requirements to amortize governmental activities notes from direct borrowing and direct placements outstanding as of June 30, 2019 are as follows:

Years Ending June 30,	Principal	Interest	Total Requirement
2020	\$ 247,542	\$ 485,701	\$ 733,243
2021	254,138	479,703	733,841
2022	257,856	473,548	731,404
2023	264,452	467,300	731,752
2024	271,888	460,895	732,783
2025-2029	18,967,826	1,271,256	20,239,082
	<u>\$ 20,263,702</u>	<u>\$ 3,638,403</u>	<u>\$ 23,902,105</u>

Maryland Industrial Land Act Loans

The County has an outstanding loan from the Maryland Department of Commerce in the original amount of \$181,059 under the Maryland Industrial Land Act, Article 83A, Section 5-401 et. seq. of the Maryland Code. The outstanding balance of this loan as of June 30, 2019 was \$26,100. The proceeds of this loan have been reloaned by the County to State Farm Insurance to assist in the financing of certain street and site improvements within the County. The loan is a full faith and credit obligation of the County.

Governmental Activity:	Paying Fund	Amount of Original Issue	Date of Debt Issue	Date of Debt Maturity	Annual Rate/ Payment Frequency	Amount Outstanding 06/30/19
MD Industrial Land Act Loan - State Farm	General	\$ 181,059	05/12/94	05/12/21	5.93%/Quarterly	\$ 26,100
Total Notes Payable		<u>\$ 181,059</u>				<u>\$ 26,100</u>

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

Years Ending June 30,	Principal	Interest
2020	\$ 12,666	\$ 1,270
2021	13,434	501
	<u>\$ 26,100</u>	<u>\$ 1,771</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Business-type Activities</u>	<u>Date of Debt Issue</u>	<u>Date of Debt Maturity Due Serially to</u>	<u>Range of Interest Rates</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding 6/30/19</u>
Pub Fac Bonds of 2014C Refunding	11/25/2014	6/1/2028	2.49%	\$ 4,285,665	\$ 4,276,691
Pub Fac Bonds of 2015A Refunding	3/19/2015	6/1/2027	2.25%	5,943,132	5,794,607
Total Notes from Direct Borrowing and Direct Placements				<u>\$ 10,228,797</u>	<u>\$ 10,071,298</u>

For the year ended June 30, 2019, total principal and interest incurred related to notes from direct borrowing and direct placement was \$59,897 and \$238,237. The annual requirements to amortize business-type activities notes from direct borrowings and direct placements outstanding as of June 30, 2019 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2020	\$ 112,458	\$ 236,868	\$ 349,326
2021	115,862	234,190	350,052
2022	117,144	231,433	348,577
2023	120,548	228,643	349,191
2024	123,112	225,774	348,886
2025-2029	9,482,174	603,097	10,085,271
	<u>\$ 10,071,298</u>	<u>\$ 1,760,005</u>	<u>\$ 11,831,303</u>

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, 2019, the County has authorized and approved borrowings in an aggregate principal amount of \$94,639,145 for ten water and sewer loans. The County has also authorized and approved borrowings in an aggregate principal amount of \$23,083,532 for three solid waste loans. As of June 30, 2019, \$94,639,145 of the water and sewer loan proceeds and \$23,083,532 of the solid waste loan proceeds have been drawn. The outstanding principal balance on these loans as of June 30, 2019 is \$49,653,340. These loans have interest rates of 0.80 – 3.48 percent.

NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2019, total principal and interest incurred related to the MDE loans was \$4,567,931 and \$862,884. The annual requirements to amortize these loans as of June 30, 2019 are as follows:

Years Ending June 30,	Principal	Interest	Total Requirement
2020	\$ 4,001,348	\$ 702,889	\$ 4,704,237
2021	4,046,274	657,963	4,704,237
2022	3,878,947	602,551	4,481,498
2023	3,917,718	563,780	4,481,498
2024	3,956,878	524,620	4,481,498
2025-2029	19,163,117	1,973,905	21,137,022
2030-2034	10,669,511	708,177	11,377,688
2035-2036	19,547	1,240	20,787
	<u>\$ 49,653,340</u>	<u>\$ 5,735,125</u>	<u>\$ 55,388,465</u>

4. Agricultural Preservation Installment Purchase Agreements

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

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

Year Ending June 30,	Principal	Interest	Total Requirement
2020	\$ 3,194,665	\$ 2,245,393	\$ 5,440,058
2021	770,675	2,059,695	2,830,370
2022	1,818,558	2,051,282	3,869,840
2023	5,959,489	2,100,185	8,059,674
2024	3,978,905	1,739,429	5,718,334
2025-2029	17,588,699	5,939,603	23,528,302
2030-2034	7,928,215	2,215,368	10,143,583
2035-2039	9,414,895	1,034,726	10,449,621
	<u>\$ 50,654,101</u>	<u>\$ 19,385,681</u>	<u>\$ 70,039,782</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2019, total principal and interest incurred related to agricultural land preservation installment agreements was \$1,491,857 and \$2,165,883, respectively. These agreements have interest rates that vary from 2.37 percent to 5.73 percent.

5. Capital Lease Obligations

Primary Government

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

Asset:		
Equipment	\$	4,543,096
Less: Accumulated depreciation		606,638
Total:	\$	<u>3,936,458</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Years Ending June 30,	Governmental Activities	Business Type Activities	Total Primary Government
2020	\$ 1,673,296	\$ 94,451	\$ 1,767,747
2021	1,673,292	94,451	1,767,743
2022	1,673,296	34,228	1,707,524
2023	1,673,293	34,229	1,707,522
2024	1,673,293	34,229	1,707,522
2025 - 2030	2,045,837	51,343	2,097,180
	10,412,307	342,931	10,755,238
Less: amount representing interest	(871,445)	(23,515)	(894,960)
Present value-net minimum lease payments	<u>\$ 9,540,862</u>	<u>\$ 319,416</u>	<u>\$ 9,860,278</u>

Component Unit

In 2007, the BOE entered into a lease agreement, as lessee, for a new central office building in the amount of \$16,700,000. Financing was completed in December 2007. The BOE refinanced the central office lease agreement in fiscal year 2013. The terms of the refinanced lease agreement lowered the interest rate from 4.62% to 3.1%. Principal and interest payments were adjusted under the refinanced lease agreement but the agreement still terminates on September 1, 2032. Payments including interest during fiscal year 2019 were \$1,082,221.

NOTES TO FINANCIAL STATEMENTS
(Continued)

In fiscal year 2018, FCPS entered into an energy performance contract lease agreement, as lessee, to finance various deferred maintenance and facility improvements in the amount of \$15,002,047. Financing was completed in June 2018. The lease agreement term is for a period of fifteen years ending September 1, 2033, with an interest rate of 3.39%. The first payment will be due on September 1, 2019. As of June 30, 2019, FCPS had unspent lease proceeds in the amount of \$2,378,625.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Building	\$ 16,361,159
Less: Accumulated depreciation	<u>(3,476,746)</u>
Total	<u>\$ 12,884,413</u>

As of June 30, 2019, the minimum obligations under capital leases was as follows:

	<u>Years Ending June 30</u>	<u>Governmental Activities</u>
	2020	\$ 3,607,733
	2021	1,855,493
	2022	1,885,686
	2023	1,915,945
	2024	1,946,859
	2025-2029	10,239,488
	2030-2034	<u>9,802,043</u>
Total obligations		31,253,247
Less: Portion representing interest		<u>(6,543,211)</u>
Present value of lease obligation		<u>\$ 24,710,036</u>

6. Certificates of Participation

Component Unit

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

The annual requirements to amortize the Certificates of Participation as of June 30, 2019 are as follows:

NOTES TO FINANCIAL STATEMENTS
(Continued)

Years Ending June 30,	Certificates of Participation			
	Principal	Less Discount	Net	Interest
2020	\$ 275,000	\$ 5,201	\$ 269,799	\$ 395,528
2021	285,000	5,201	279,799	380,403
2022	295,000	5,201	289,799	364,728
2023	300,000	5,201	294,799	348,503
2024	310,000	5,201	304,799	329,303
2025-2029	1,720,000	26,002	1,693,998	1,326,270
2030-2034	2,080,000	26,002	2,053,998	655,288
2035	470,000	5,201	464,799	35,249
	<u>\$ 5,735,000</u>	<u>\$ 83,210</u>	<u>\$ 5,651,790</u>	<u>\$ 3,835,272</u>

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

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

As of June 30, 2005, the Site A landfill was at 100 percent of capacity. Total capacity of Site A is 3,228,000 tons. In fiscal year 2019, \$240,922 of operating activities such as leachate treatment and well testing related to Site A were incurred. The liability for Site A closure was decreased \$64,556 to reflect the variance between estimated and actual costs. The total remaining estimated cost for closure and post closure care of Site A is \$7,167,500 as of June 30, 2019. This entire amount is reported as a liability for Site A.

As of June 30, 2019, the Site B landfill had capacity used of 2,176,964 tons, which is 52.82 percent of the revised capacity of 4,121,115 tons which includes the vertical expansion and an aerial adjustment. The total estimated costs for closure and post closure care of Site B are \$22,830,358. The resulting liability is \$12,060,055 with \$10,770,303 remaining to be recognized. The current operating strategy includes the utilization of a transfer station that became operational in January 2009.

The Solid Waste Enterprise Fund has a total liability for closure and post closure care of \$19,227,555 as of June 30, 2019. No assets are restricted for payment of the closure and post closure care costs. The costs are based on estimates and actual costs may differ due to inflation, changes in technology, or changes in regulations.

NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Fund Balances/Net Position

1. *Governmental Funds – Nonspendable*

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Inventory	\$ 1,112,344	\$ -	\$ 1,112,344
Prepaid	117,674	142,663	260,337
Long-term receivables	78,381	-	78,381
Salary advances	23,042	-	23,042
Total nonspendable fund balances	<u>\$ 1,331,441</u>	<u>\$ 142,663</u>	<u>\$ 1,474,104</u>

2. *Governmental Funds – Restricted*

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Debt service	\$ -	\$ -	\$ 65,324,590	\$ -	\$ 65,324,590
Animal control	785,100	-	-	-	785,100
Forfeitures - Circuit Court	24,615	-	-	-	24,615
School and library construction	-	60,964,378	-	-	60,964,378
Weed control	113,668	-	-	-	113,668
Parks construction	-	-	-	-	-
Roads and bridges construction	-	-	-	-	-
Watershed restoration	-	198,845	-	-	198,845
General government/other construction	-	-	-	-	-
Grants	-	-	-	2,386,221	2,386,221
Sheriffs/judicial activities	-	-	-	235,820	235,820
Agricultural Preservation	-	-	-	185,468	185,468
Rural Legacy	-	-	-	1,847,365	1,847,365
Total restricted fund balances	<u>\$ 923,383</u>	<u>\$ 61,163,223</u>	<u>\$ 65,324,590</u>	<u>\$ 4,654,874</u>	<u>\$ 132,066,070</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. *Governmental Funds – Committed*

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Bond rating enhancement	\$ 100,000	\$ -	\$ -	\$ 100,000
Enabling legislation	40,736,583	-	-	40,736,583
Length of Service Award Program	53,818	-	-	53,818
Severe weather	1,149,900	-	-	1,149,900
FY20 budget	25,763,352	-	-	25,763,352
Appropriation of FY19 unaudited fund balance	2,089,793	-	-	2,089,793
Permanent public improvement	79,074	-	-	79,074
FY21 budget	26,005,370	-	-	26,005,370
School and library construction	-	14,732,560	-	14,732,560
Parks construction	-	10,901,359	-	10,901,359
Roads and bridges construction	-	6,029,882	-	6,029,882
General government/other construction	-	3,221,475	-	3,221,475
Watershed restoration	-	8,555,257	3,128	8,558,385
Grant activities	-	-	1,465,244	1,465,244
Electric lighting	-	-	10,727	10,727
Sheriffs/judicial activities	-	-	1,061,380	1,061,380
Loan activities	-	-	13,673,022	13,673,022
Agricultural Preservation	-	-	1,160,131	1,160,131
Installment purchase agreements	-	-	46,648,832	46,648,832
Total committed fund balances	<u>\$ 95,977,890</u>	<u>\$ 43,440,533</u>	<u>\$ 64,022,464</u>	<u>\$ 203,440,887</u>

* Section 2-7-1(a) (2) of the Frederick County, Maryland Code of Ordinances provides for the County to maintain a committed General Fund balance equal to seven percent of General Fund expenditures and transfers to the Board of Education and Frederick Community College on a budgetary basis. As of June 30, 2019 the required balance is \$40,736,583. This is classified as “committed” fund balance in accordance with the promulgations of Governmental Accounting Standards Board Statement No.54, Fund Balance Reporting and Governmental Fund Type Definitions. Due to the restricting nature of the set-aside, the seven percent is reported as restricted net position in the governmental activities column of the government-wide Statement of Net Position.

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. *Governmental Funds – Assigned*

	General Fund	Debt Service Fund
Encumbrances	\$ 5,375,813	\$ -
Income taxes	150,000	-
Road/Street inspection	814,647	-
Automation enhancement fee	42,946	-
Revenue stabilization	11,639,024	-
Debt Service	-	2,414,441
Total assigned fund balances	<u>\$ 18,022,430</u>	<u>\$ 2,414,441</u>

5. *Governmental Funds - Unassigned*

Sections 2-7-1(b) and (4) of the Frederick County, Maryland Code of Ordinances stipulates that the County may not levy more than \$500,000 as use in a contingency fund and must be maintained as part of unassigned fund balance. It shall be dedicated and appropriated to meet any unexpected demand which arises after the tax levy has been made, the occurrence of which could not reasonably have been foreseen. As of June 30, 2019, Frederick County, Maryland has appropriated \$300,000 for use in a contingency fund which is maintained as part of unassigned fund balance.

6. *Net Position Restricted by Enabling Legislation*

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

	Governmental Activities	Business-type Activities
Restricted by Enabling Legislation	\$ 133,378,617	\$ -
Other Amounts Restricted by Third Parties	67,593,243	30,968,191
Total Restricted Net Position	<u>\$ 200,971,860</u>	<u>\$ 30,968,191</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

7. Business-type Activities with Unrestricted Net Position

On February 19, 2002, the former Board of County Commissioners adopted a Water and Sewer rate study, which recommended the establishment of several reserves to promote the financial stability of the Water and Sewer Enterprise Fund. As of June 30, 2019, the calculation of these reserves is \$111,346,705 (detailed below). These reserves are a part of the \$598,467,854 net position balance.

Reserved for:		
Operating Reserves	\$	6,149,572
3 R Reserves		4,447,805
Tap Credits		937,207
Cash Funding of Capital Projects		12,680,328
Rosemont MDE		149,339
System Development		<u>80,566,789</u>
Total Water and Sewer Reserves		104,931,040
Excess reserves		<u>6,415,665</u>
Unrestricted net position	\$	<u><u>111,346,705</u></u>

8. Net Investment in Capital Assets

As of June 30, 2019, net investment in capital assets in the Government-Wide Statement of Net Position was calculated as follows:

	Governmental Activities	Business-type Activities
Capital Assets (Exhibit II-A-1)	\$ 497,399,858	\$ 658,208,804
Debt related to Capital Assets	(247,710,618)	(197,320,757)
Unspent bond proceeds included in debt related to capital assets	<u>69,258,590</u>	<u>11,476,267</u>
Net Investment in Capital Assets (Exhibit II-A-1)	<u><u>\$ 318,947,830</u></u>	<u><u>\$ 472,364,314</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

As of June 30, 2019, the County had the following commitments with respect to unfinished capital projects:

	Total Project Budget	Total Expenditures	Amount Funded	Required Future Funding
General government	\$ 90,505,846	\$ 13,120,926	\$ 15,861,125	\$ 74,644,721
Roads and bridges	128,658,498	28,547,051	14,413,354	114,245,144
Board of Education	216,014,754	90,455,200	90,100,422	125,914,332
Frederick Community College	46,753,093	37,207,060	36,991,496	9,761,597
Parks and recreation	43,627,090	26,562,572	19,575,206	24,051,884
Watershed restoration	26,527,294	11,189,292	14,683,612	11,843,682
Municipal	12,050,549	9,199,466	3,633,053	8,417,496
	<u>\$ 564,137,124</u>	<u>\$ 216,281,567</u>	<u>\$ 195,258,268</u>	<u>\$ 368,878,856</u>

2. Federal Financial Assistance

The County participates in a number of federally assisted programs, principal of which are the Child Support Enforcement, Mass Transit, Workforce Innovation and Opportunity Act, Section 8 Housing, Capital Projects, and State Homeland Security Programs. Audits of these programs are conducted according to the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Single Audit report for the year ended June 30, 2019 is issued under separate cover.

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

3. Pending Litigation

There are several pending lawsuits in which the County is involved. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County as of June 30, 2019.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. *Economic Dependency*

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

The Solid Waste Enterprise Fund has three customers which account for 20.70 percent of total operating revenues. Two commercial haulers accounted for \$4,250,917 or 15.06 percent of fiscal year 2019 operating revenues. A single municipality accounted for \$1,596,331 or 5.66 percent of fiscal year 2019 operating revenues. Should the revenues from any of these customers decrease significantly, certain variable operating expenses, such as transfer expense and closure and post closure care costs would decrease.

The Comprehensive Care fund, a non-major enterprise fund, has three payer types that individually exceed ten percent of total operating revenues for this fund. They are Medicaid (39.74 percent), Medicare (32.18 percent), and Private Pay (18.45 percent).

5. *Risk Management*

The County is exposed to a variety of risks given the unique and diverse responsibilities of a public entity. To protect its interests and assets, the County carries commercial insurance for property and liability coverage, including, but not limited to, general and auto, professional, cyber, crime, media, fiduciary, law enforcement, employment practices, and pollution policies. The County retains no risk for claims up to the maximum amount of these policies except for the deductible amounts.

Employers are required by law to provide workers' compensation coverage to their employees. The County participates in a high-deductible workers' compensation program to keep the annual insurance premium low. The cost of employee injury claims that fall under the deductible are paid through the County's Workers' Compensation Internal Service Fund.

6. *Contingent Liability*

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

On June 20, 2013 the County entered into two loan agreements with the Maryland Department of the Environment (MDE) for the purpose of replacing the aging water distribution system located in the Village of Rosemont. The principal amount approved for the first loan to be repaid to MDE is \$202,455, maturing on February 1, 2036. The second loan was approved in the amount of \$1,417,182. At any time prior to June 20, 2023, the principal advanced under the second loan agreement shall be payable in full, on demand. MDE has agreed to forgive the repayment of the principal amount of the loan and interest payable, so long as the County performs all of its other obligations under the loan agreement.

NOTES TO FINANCIAL STATEMENTS (Continued)

B. Arbitrage Rebate Requirements

Arbitrage rebate requirements under Internal Revenue Code Section 1.148-3 apply to the County's investment of the proceeds of certain bond issues. The law requires the computation and payment of arbitrage profits on unspent proceeds of a bond issue if the current investment of these funds yields a higher rate of return than the original bond issue. The filing of this computation and payment to the Internal Revenue service is required at the end of the fifth year of the bond issuance date and every 5 years subsequently; however, computations and filings can be made for annual periods. There is no rebatable arbitrage to report as of June 30, 2019.

C. Tax Abatements

Facts and Assumptions

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

- The Golden Mile Tax Credit provided property tax abatements to encourage improvements to non-residential properties located within the Golden Mile Tax Credit District. The program is established under the auspices of a state statute (Md. Code Ann., Tax Property Articles, §9-236) empowering counties to establish such programs. The program was enacted locally under Frederick County Code §1-8-302. The program has a sunset provision and new projects no longer qualify. There is currently one project still under the program and fiscal year 2019 is the last year a tax credit will be issued for this program. The abatements equal a percentage of the additional property tax resulting from the lesser of the increase in assessed value as a result of the improvement to the property or the cost expended for the rehabilitation of the property. The percentage of tax credit is 100% in years one through four, 75% in year five, 50% in year six, and 25% in the final year seven. The credit is administered as a reduction in the tax bill. Abatements are obtained through application by the property owner and require subsequent annual applications. All rehabilitation projects must have or provide pedestrian and vehicular connections to adjacent commercial properties. Because taxes are not abated until after the improvements have been made, there are no provisions for recapturing abated taxes. No other commitments were made by the County as part of those agreements.
- The Rehabilitated Vacant Commercial Structures Tax Credit provides property tax abatements to encourage improvements in vacant commercial structures. The program is established under the auspices of a state statute (Md. Code Ann., Tax Property Article, §9-236) empowering counties to establish such programs. The program was enacted locally under Frederick County Code §1-8-303. The program requires that the property be vacant for not less than 18 of the previous 24 months prior to the commencement of the rehabilitation or application for the credit. All rehabilitation projects must have or provide pedestrian and vehicular connections to adjacent commercial properties. A qualifying structure must have been constructed no fewer than five years prior to the submission of an application. The abatement only applies to rehabilitation of existing structures, and is only granted on the non-residential portion if the structure is multi-use. The abatement equals a percentage of the additional property tax resulting from the lesser of the increase in assessed value as a result of the improvements or the cost expended for the project. Abatements are obtained through application by the property owner and require subsequent annual applications. Because taxes are not abated until after the improvements have been made, there are no provisions for recapturing abated taxes. No other commitments were made by the County as part of those agreements. The credits are administered as a reduction in the tax bill and last for seven years as shown in the scheduled below:

NOTES TO FINANCIAL STATEMENTS
(Continued)

**Rehabilitated Vacant Commercial Structures
Tax Credit Schedule**

Based on Cost of Rehabilitation Project/Change in Assessed Value

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Information relevant to the disclosure of those programs for the fiscal year ended June 30, 2019 is:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Economic Development:	
Rehabilitated Vacant Commercial Structures Tax Credit	\$ 116,099
Total	<u>\$ 116,099</u>

D. Conduit Debt

1. Community Development Authority (Special Tax) Financing

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

2. Tax Increment Financing

Frederick County has issued Tax Increment Financing Bonds to finance a portion of the infrastructure needed in the Jefferson Technology Park and Oakdale-Lake Linganore Development Districts. The County surrenders its tax revenues on the incremental increase in property taxes within the districts. The districts then utilize these revenues to pay the debt service on these bonds. These transactions are accounted for in an Agency Fund. These are limited obligation bonds and as such, do not pledge the full faith and credit of the County. These bonds are supported by additional special tax assessments within the CDA, if needed.

On March 6, 2014, the former Board of County Commissioners enacted ordinances and adopted resolutions creating the Oakdale-Lake Linganore Development District, authorizing the issuance of up to \$75 million aggregate principal amount of special obligation bonds to finance infrastructure costs within the District, pledging certain incremental tax revenues to the payment of debt service on such bonds, and authorizing the levy of special taxes within the District to pay debt serve on such bonds. These bonds were issued on November 14, 2014, as draw-down bonds. On June 19, 2018, the County entered into a Memorandum of Understanding with Oakdale Infrastructure Development to cancel the Series A bonds. Also as

NOTES TO FINANCIAL STATEMENTS
(Continued)

part of that agreement the County agreed to remarket the Series B bonds in an amount not to exceed \$15 million, with a target closing date no later than December 31, 2019. As of June 30, 2019, the developer has drawn \$381,622 of the Series B bonds.

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

<u>Conduit Borrower</u>	<u>TIF/CDA</u>	<u>Amount of Original Issue</u>	<u>Date of Debt Issue</u>	<u>Date of Debt Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding 6/30/2019</u>
Lake Linganore - Series 2001A	CDA-Term	\$ 1,957,000	02/05/01	07/01/20	5.600%	\$ 316,000
Lake Linganore - Series 2001A	CDA-Term	4,285,000	02/05/01	07/01/29	5.700%	2,375,000
Lake Linganore - Series 2007A	CDA-Loan	3,114,000	09/20/07	07/01/29	0.000%	1,725,912
Lake Linganore - Series 2007B	CDA-Loan	3,232,142	09/20/07	03/01/28	0.000%	1,630,142
Urbana CDA - Series 2010A	CDA-Serial	30,440,000	09/23/10	07/01/25	2.00-5.00%	18,280,000
Urbana CDA - Series 2010A	CDA-Term	20,455,000	09/23/10	07/01/30	4.400%	20,430,000
Urbana CDA - Series 2010A	CDA-Term	26,780,000	09/23/10	07/01/40	4.700%	26,750,000
Urbana CDA - Series 2010B	CDA-Term	20,020,000	09/23/10	07/01/40	5.500%	18,076,000
Jefferson Technology Park - Series 2013A	CDA-Serial	6,640,000	08/06/13	07/01/43	7.250%	6,560,000
Jefferson Technology Park - Series 2013B	TIF/CDA-Serial	33,360,000	08/06/13	07/01/43	7.125%	33,230,000
Oakdale-Lake Linganore - Series 2014B	TIF/CDA-Serial	7,750,000	11/14/14	07/01/44	2.000%	381,622
						<u>\$ 129,754,676</u>

3. Other Conduit Financing

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

Below is information on the current outstanding Economic Development Revenue bond issues.

<u>Conduit Borrower</u>	<u>Serial/ Term Bonds</u>	<u>Original Issue Amount</u>	<u>Date of Debt Issue</u>	<u>Date of Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding 6/30/2019</u>
Buckingham's Choice	Serial	\$ 20,998,000	11/15/13	12/01/38	2.660%	\$ 17,531,409
Friends Meeting School	Serial	2,822,138	10/01/18	10/01/28	4.600%	2,294,456
Homewood	Serial	20,450,000	12/01/97	12/01/22	2.000%	5,500,000
Homewood	Serial	86,000,000	06/19/14	07/01/42	3.152%	83,516,183
Hood College	Serial	15,800,295	07/28/10	07/01/32	Variable	14,882,000
Mount Saint Mary's University	Serial	7,345,000	12/01/17	09/01/27	5.000%	7,345,000
Mount Saint Mary's University	Serial	9,440,000	12/01/17	09/01/32	5.000%	9,440,000
Mount Saint Mary's University	Serial	12,110,000	12/01/17	09/01/37	5.000%	12,110,000
Mount Saint Mary's University	Serial	25,695,000	12/01/17	09/01/45	5.000%	25,695,000
Mount Saint Mary's University	Term	660,000	12/01/17	09/01/21	5.000%	660,000
Mount Saint Mary's University	Term	1,260,000	12/01/17	09/01/22	5.100%	1,260,000
St. John's Catholic Prep	Serial	9,310,000	10/06/17	10/01/42	3.080%	9,310,000
YMCA	Term	1,715,000	04/23/98	10/01/23	6.000%	1,715,000
						<u>\$ 191,259,048</u>

E. Retirement and Pension Programs

Frederick County employees either participate in the Frederick County Employees Retirement Plan (employer sponsored defined benefit plan), the Frederick County Defined Contribution Plan (employer sponsored defined contribution plan) or the Maryland State Retirement and Pension systems which are cost sharing multiple-employer pension plans administered by the State of Maryland. As of June 30, 2019, the County has terminated the Frederick County Defined Contribution Plan. Eighty-two participants in this plan were transferred to the Frederick County Employees Retirement Plan. Contributions transferred to the Frederick County Employees Retirement Plan's Trust amounted to \$0.9 million.

1. Single-Employer Pension Plan

Plan Description

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

The Retirement Plan Committee was established July 13, 1993. Their purpose is to administer and operate the pension plan. There are seven members that have staggered three year terms. The committee membership requires representatives from the Human Resources Division, Finance

NOTES TO FINANCIAL STATEMENTS
(Continued)

Division, Fraternal Order of Police, Career Firefighter's Association, a retiree and two non-uniformed at-large representatives. Any changes to the Frederick County Employees Retirement Plan initiated by this committee, must also meet the approval of the County Executive and County Council.

For County employees hired prior to July 1, 1993, the 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.

For County employees hired on or after July 1, 1993, their participation in the County Plan is a condition of employment with the County. Participation classification is based on the employee's status as either "uniformed" or "non-uniformed." County employees who meet these requirements are referred to as "qualified" or "covered" employees. An employee must work 700 hours per year to be eligible for benefits. Members of the County Council are not eligible to participate in this Plan. In addition, grant funded employees hired or rehired after June 30, 2012, were not eligible to participate in this Plan. The active grant funded employees as of June 30, 2019, were transferred to the County plan.

The type and number of employees covered as of June 30, 2019, was as follows:

	<u>Uniformed</u>	<u>Non-Uniformed</u>	<u>Non-Vested Terminations</u>	<u>Vested Terminations</u>
Retirees and beneficiaries currently receiving benefits	229	796	-	-
Terminated employees entitled to benefits	-	-	280	224
Active employees	697	1,270	-	-

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

Summary of Significant Accounting Policies

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

Funding Policy

Funding for the plan provides for periodic contributions based upon actuarial valuations. In September of 2018, the County adopted a funding policy for the County Plan. This policy establishes a formal methodology for financing the pension obligations of the County Plan, with a goal of maintaining a funding ratio between 95% - 105%. The objective of the policy is to reflect a reasonable and fiscally conservative approach to fund the obligations over a time frame that ensures benefit security while balancing the additional, and sometimes competing goals of intergenerational equity and a stable contribution rate. It is intended to provide flexibility to smooth the volatility of the investment market place and the actual economic and demographic experiences that differ from assumed experience. The policy considers the actuarial determined contribution (ADC) and a minimum contribution equal to two (2) times the net blended employee contribution rate, as of the most recent actuarial valuation. Required contributions under the plan that are not funded by employee contributions are funded entirely by the County. Costs of administering the plan are financed on a current funding basis.

As of July 1, 2012, uniformed employees contribute nine percent of their base pay under the plan and non-uniformed employees contribute six percent. The County's required payroll contribution in fiscal year 2019 was 18.6 percent.

Net Pension Liability

The components of the net pension liability of the County at June 30, 2019, were as follows:

Total pension liability	\$ 662,061,974
Plan fiduciary net position	(689,414,528)
County's net pension liability (asset)	<u>\$ (27,352,554)</u>
Plan fiduciary net position as a percentage of the total pension liability	104.13%

Annual Pension Cost

During the fiscal year ending June 30, 2019 contributions to the plan were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed as of July 1, 2018.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2018 rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Rates vary by participant years of service and status (uniformed vs non-uniformed)
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Mortality rates	Pre-retirement mortality is 70% of RP2014 Blue Collar table with fully generational projection using scale MP2016 set back one year for uniformed employees; 70% of RP2014 Total Dataset table with fully generational projection using scale MP2016 set back one year for non-uniformed employees.
	Post-retirement mortality for healthy participants and beneficiaries is RP2014 Total Dataset table with fully generational projection using scale MP2016 set back one year.
	Post-retirement mortality for disabled participant is RP2014 Total Dataset table with fully generational projection using scale MP2016 set forward ten years.

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2018 actuarial valuation report.

Long-term expected rate of return

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

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Large Cap Domestic Equity	6.05%
Small/mid Cap Domestic Equity	7.23%
International Equity	7.01%
Fixed Income	2.17%
Cash	0.78%
Inflation	2.50%

NOTES TO FINANCIAL STATEMENTS
(Continued)

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of expense, was 7.34%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

	1% Decrease - 6%	Current Discount Rate - 7%	1% Increase - 8%
County's net pension liability (asset)	\$ 61,976,450	\$ (27,352,554)	\$ (101,078,153)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of June 30, 2018	\$ 615,134,357	\$ 635,261,065	\$ (20,126,708)
Changes for the year:			
Service cost	22,688,594	-	22,688,594
Interest	42,252,049	-	42,252,049
Changes of benefit terms	11,649,178	-	11,649,178
Differences between expected and actual experience	(6,594,890)	-	(6,594,890)
Contributions - employer	-	23,152,628	(23,152,628)
Contributions - member	-	9,401,591	(9,401,591)
Net investment income	-	46,158,811	(46,158,811)
Benefit payments, including refunds of member contributions	(23,067,314)	(23,067,314)	-
Administrative expense	-	(1,492,253)	1,492,253
Net Changes	<u>46,927,617</u>	<u>54,153,463</u>	<u>(7,225,846)</u>
Balances as of June 30, 2019	<u>\$ 662,061,974</u>	<u>\$ 689,414,528</u>	<u>\$ (27,352,554)</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

For the year ended June 30, 2019, the County recognized pension expense of \$19,247,407. As of June 30, 2019, the County reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,250,321	\$ 14,147,471
Changes of assumptions	4,289,514	390,199
Net difference between projected and actual earnings on pension plan investments	-	17,247,400
Total	<u>\$ 5,539,835</u>	<u>\$ 31,785,070</u>

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

	<u>Year ending June 30</u>	<u>Total</u>
2020	\$ (6,624,015)	
2021	(12,436,561)	
2022	(4,476,032)	
2023	(1,609,477)	
2024	(1,099,150)	
Thereafter	-	

2. Employer Sponsored Defined Contribution Retirement Plan

Plan Description

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

The Defined Contribution Plan Committee was established June 9, 1981. Their purpose is to supervise the administration and implementation of the Defined Contribution (401a) and the Deferred Compensation (457b) plans. The committee is comprised of seven members. A representative is required from the Human Resources and Finance Divisions with no term limit. The remaining five members serve staggered three year terms. New members are appointed by the County Executive with confirmation by the County Council.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy

The County funding of this plan is solely based on a 4% employer contribution determined by the payroll associated with employees classified as “grant funded” and hired on or after July 1, 2012. In fiscal year 2019 there were 167 total participants in the Defined Contribution Plan. This total includes 82 active participants and 85 terminated participants with a balance. As of June 30, 2019, the County terminated the Defined Contribution Plan and transferred the active participants to the Frederick County Employees Retirement Plan.

3. Length of Service Awards Program

Plan Description

In 1985, the County created the Length of Service Awards Program (LOSAP), a single employer defined benefit plan for eligible volunteers of Frederick County fire, rescue and emergency medical services. In fiscal year 2019, the County Executive elected to create a Length of Service Award Program Trust which is funded entirely by the general fund. This trust provides benefits to volunteers who have completed certain eligibility and years of service requirements.

The Length of Service Award Trust Administrative Committee was established for the purpose of administering this trust. The committee is comprised of the individuals holding the positions of Director of Finance, Director of Human Resources and Director of Budget, or their delegates. There is a separate committee comprised of members of the Frederick County Volunteer Fire & Rescue Association that administers the benefits of this program.

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

The LOSAP program also provides a death benefit to eligible volunteers. In the event a member who is receiving LOSAP benefits dies before receiving at least \$15,000 in total payments, their designated beneficiary will receive a partial benefit equal to the difference between payments received and \$15,000. A maximum benefit of \$15,000 will be paid to the designated beneficiaries of a member, age 65 or older, who has died after completing 5 years of active service but less than 25 years. The benefit will be pro-rated based on years served after 5 years. A member who has served a minimum of 5 years and is under 65 years of age will be covered under a \$15,000 LOSAP life insurance policy. The plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system of another entity.

The type and number of participants consisted of the following at July 1, 2018, the date of the Actuarial Valuation.

Active volunteers	865
Terminated vested	37
Service retirements continuing employment	104
Service retirements and beneficiaries	142
Total	<u>1,148</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Summary of Significant Accounting Policies

The plan's financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value, which for the plan is determined by market price.

Funding Contribution Policy

The Length of Service Award Program (LOSAP) was established with resolution 84-45 and is funded with general revenue tax sources which are appropriated through the Annual Budget and Appropriation Ordinance of Frederick County. The actually determined contribution is an increase compared to the previous pay-as-you-go funding policy. Due to this change in funding policy, the actual contributions are planned to increase until the ADC is reached, which is projected to occur in fiscal year 2019.

Net LOSAP Liability of the County

The components of the net LOSAP liability of the County at June 30, 2019, were as follows:

Total LOSAP liability	\$ 12,035,538
Plan fiduciary net position	(1,562,831)
County's net LOSAP liability	<u>\$ 10,472,707</u>
Plan fiduciary net position as a percentage of the total LOSAP liability	12.99%

Annual LOSAP Costs

During fiscal year ending June 30, 2019 contributions were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation as of July 1, 2018. For the year ended June 30, 2019, the County recognized LOSAP expense of \$897,823.

Actuarial assumptions

The total LOSAP liability was determined by an actuarial valuation as of July 1, 2018, rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

Mortality rates

Mortality rates were based on RP-2014 Blue Collar tables set forward one year, with fully generational projection using scale MP-2015.

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2018 actuarial valuation report.

Long-term expected rate of return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap domestic equity	45%	6.05%
Small/mid cap domestic equity	10%	7.23%
International equity	10%	7.01%
Fixed income	35%	2.17%
Cash	0%	0.78%
Inflation	0%	2.50%
Total	<u>100%</u>	

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on LOSAP plan investments, net of LOSAP plan expense, was 7.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Actual returns may vary due to timing of contributions and redemptions.

Sensitivity of the net LOSAP liability

	<u>1% Decrease - 6%</u>	<u>Current Discount Rate - 7%</u>	<u>1% Increase - 8%</u>
County's net LOSAP liability	\$ 11,352,741	\$ 10,472,707	\$ 9,091,386

NOTES TO FINANCIAL STATEMENTS
(Continued)

Changes in the Net LOSAP Liability

	Increase (Decrease)		
	Total LOSAP Liability	Plan Fiduciary Net Position	Net LOSAP Liability
	(a)	(b)	(a) - (b)
Balances as of June 30, 2018	\$ 12,384,808	\$ 787,214	\$ 11,597,594
Changes for the year:			
Service cost	201,529	-	201,529
Interest	840,221	-	840,221
Differences between expected and actual experience	(627,705)	-	(627,705)
Contributions - employer	-	1,460,600	(1,460,600)
Net investment income	-	101,799	(101,799)
Benefit payments, including refunds of member contributions	(763,315)	(763,315)	-
Administrative expense	-	(23,467)	23,467
Net Changes	<u>(349,270)</u>	<u>775,617</u>	<u>(1,124,887)</u>
Balances as of June 30, 2019	<u>\$ 12,035,538</u>	<u>\$ 1,562,831</u>	<u>\$ 10,472,707</u>

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

As of June 30, 2019, the County reported deferred outflows of resources and deferred inflow of resources related to LOSAP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 607,166
Net difference between projected and actual earnings on LOSAP plan investments	-	10,525
Total	<u>\$ -</u>	<u>\$ 617,691</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year ending		
June 30	Total	
2020	\$	(88,705)
2021		(88,705)
2022		(88,707)
2023		(91,360)
2024		(86,738)
Thereafter		(173,476)

4. Component Units

The employees at the BOE are covered under one of four defined benefit retirement plans. These plans are part of the Maryland State Retirement and Pension Systems and are cost sharing multiple-employer public employee retirement plans. Total contributions were \$30,735,591 in 2019. This contribution was recognized as both revenue and expenditures for BOE.

As of June 30, 2019, the BOE reported a liability of approximately \$39.2 million for its proportionate share of the Employees Retirement System of the State of Maryland (ERS) net pension liability. The ERS net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The BOE's proportion of the ERS net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2019, the Board's proportion for ERS was 0.19%, which was substantially the same from its proportion measured as of June 30, 2018. For the year ended June 30, 2019, the public schools recognized pension expense for ERS of approximately \$4.1 million. Detailed retirement plan information for the BOE is available in their current year audited financial statements.

The BOE administers the Frederick County Public Schools Defined Contribution Plan (the "Plan"). The Plan is designed to afford eligible employees an opportunity to increase their security at retirement through employee and employer contributions during participants' periods of active employment while this Plan remains in effect. The BOE has the right to amend the Plan at any time. In fiscal year 2019, the Superintendent of Schools was the only participant in the Defined Contribution Plan. There are no contribution requirements of the employee or the BOE. The Plan has received a favorable determination letter from the Internal Revenue Service indicating that it qualifies as a tax-qualified "profit-sharing" plan. It is intended to be a "governmental plan" within the meaning of Internal Revenue Code Section 414. During the year ended June 30, 2019 a \$40,000 contribution was made to the Plan by the BOE. The Plan is similar to other deferred compensation plans such as 401(k), 403(b), and 457 plans, and therefore is not reported in these financial statements.

All permanent employees of the College are covered under one of the two cost-sharing multiple-employer pension/retirement plans. One of these plans is provided directly by the State of Maryland, and the employer funding for eligible College employees is provided directly by the State. Only teachers employed by FCC are eligible. State contributions for the fiscal year for this plan totaled \$1,681,775. The other retirement plan, provided through TIAA/CREF or Fidelity, is an option for certain professional employees and is also provided for those College employees for which the State

NOTES TO FINANCIAL STATEMENTS
(Continued)

does not provide employer share funding of retirement benefits. The employer contributions toward these non-State plans totaled \$1,081,883. These non-State plans are defined contribution plans requiring an employer contribution of 7.25 percent of employees' base salary. Employee contributions to the non-State plans are not mandatory.

Substantially all employees of the FCPL are covered under the Maryland State Teachers' Retirement System or the Maryland State Teachers' Pension System. Plan members on December 31, 1979, are members of the Teachers' Retirement System unless they elected to join the Pension System. No new Retirement System members were accepted after December 31, 1979. A member of the Teachers' Retirement System may retire with full benefits at age 60 or with 30 years of service. A member of the Teachers' Pension System may retire with full benefits with 30 years of service or at age 62 or older with specified years of service. For both systems, vesting starts after five years of service. Benefits under both plans are established under Titles 22 and 23 of the State Personnel and Pensions Article of the Annotated Code of Maryland. Obligations to contribute to the plans were established under the above-referenced article of the Maryland Code. Members of the Retirement System and the Pension System contribute seven percent and five percent of their gross employee compensation, respectively. The FCPL's share of contributions for its employees is primarily the responsibility of the State. During the fiscal year ended June 30, 2019, the State paid \$841,048 in retirement costs on its behalf. This amount has been shown as grant revenue and current expenditures for the FCPL.

F. Post-Employment Benefits Plans

1. Retiree Health Benefit Plan

Plan Description

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

The Other Post Employee Benefits (OPEB) Investment Committee was established on June 24, 2008 to administer the Frederick County Master Retiree Trust Agreement. This agreement represented a relationship for the management of the Retiree Benefit Trust of Frederick County and other participating governmental trusts. At its inception, Frederick County Public Schools was the only other participating governmental entity. This was reflected in the committee membership. The committee was comprised of the Frederick County's Deputy Director of the Human Resources Division, Frederick County's Director of Finance and Frederick County Public School's Chief Financial Officer. All three of these members serve an unlimited term. The remaining members consisted of two members from the Frederick County Retirement Plan Committee and two at-large representatives from Frederick County Public Schools. The Frederick County Retirement Plan Committee members' terms correspond with their terms on the Retirement Plan Committee, while the Frederick County Public School at-large members serve two, two-year terms.

NOTES TO FINANCIAL STATEMENTS
(Continued)

As of June 30, 2019, Frederick County Public Schools separated from the Master Retiree Trust Agreement and as a result the Master Trust was dissolved. The County Council for Frederick County amended the Retiree Benefit Trust of Frederick County to exclude the members of Frederick County Public Schools from the Investment Committee. This amendment leaves the Frederick County committee members as the Deputy Director of Human Resources and Director of Finance serving unlimited terms. The remaining members include the two members from the Frederick County Retirement Plan Committee who serve two consecutive three year terms on the OPEB Investment Committee.

Membership of the Plan consisted of the following at July 1, 2017, the date of the February 27, 2018, actuarial valuation report:

Retirees and beneficiaries receiving benefits	717
Terminated plan members entitled to but not yet receiving benefits	N/A
Active plan members	<u>1,649</u>
Total	<u><u>2,366</u></u>

Summary of Significant Accounting Policies

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value, which for the Plan is determined by market price.

Funding Policy and Contributions

Benefits are based on the employee's hire date. For employees hired on or before July 1, 1992, the County pays approximately 84 percent of the cost of premiums for medical and hospitalization costs. Employees hired after July 1, 1992 and before August 1, 2008, also must have worked for the County for a minimum of ten years; these employees pay 50 percent of the cost of premiums. Employees hired after August 1, 2008, also must have worked for the County for a minimum of ten consecutive years; these employees will pay 75 percent of the cost of the premium with 10 to 14.9 years of service, 65 percent with 15 to 19.9 years, 55 percent with 20 to 24.9 years and 45 percent with over 25 years of service. If a retiree elects to discontinue coverage at the time of retirement or later, they have the option of re-enrolling in the County plan. Therefore, the number of retirees participating in the plan varies throughout the year. For fiscal year 2019, the County contributed \$11,652,672 to the Plan, including \$6,786,959 for current premiums (approximately 80 percent of total premiums) and an additional \$4,865,713 to prefund benefits. Plan members receiving benefits contributed \$1,742,663 approximately 20 percent of the total premium. Administrative costs are financed through investment earnings.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Net OPEB Liability of the County

The components of the net OPEB liability of the County at June 30, 2019, were as follows:

Total OPEB liability	\$ 258,839,616
Plan fiduciary net position	168,131,981
County's net OPEB liability	<u>\$ 90,707,635</u>
Plan fiduciary net position as a percentage of the total OPEB liability	64.96%

Annual OPEB Costs

During fiscal year ending June 30, 2019, contributions were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation as of July 1, 2018. The County recognized OPEB expense of \$12,837,198 for year ended June 30, 2019.

Actuarial Assumptions

The total OPEB liability as of June 30, 2019, was determined by an actuarial valuation as of July 1, 2017, and rolled forward to June 30, 2019, using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.5%
Salary Increases	3.5% Annually
Investment Rate of Return	7.0%
Discount Rate	7.0%
Healthcare Cost Trend Rate	5.5% in 2019 to 3.9 Pre-Medicare and 3.8 Post-Medicare in 2082 based on the Society of Actuaries Long Term Medical Trend Model
Actuarial Cost Method	Entry age

Mortality rates for healthy pre-retirement participants were based on 70 percent of RP2014 Blue Collar table with fully generational projection using scale MP2016 set back one year (base year 2006) for uniformed and non-uniformed employees. Rates for healthy post-retirement participants were based on the RP2014 Total Dataset table with fully generational projection using scale MP2016 set back one year (base year 2006). Disabled participants were based on the RP2014 Total Dataset table with fully generational projection using scale MP2016 set forward ten years (base year 2006).

Long-term expected rate of return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These

NOTES TO FINANCIAL STATEMENTS
(Continued)

ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates for each major asset class are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equities	45%	6.05%
U.S. Small/Mid Cap Equities	10%	4.23%
International equity	10%	7.01%
Fixed income	35%	2.17%
Cash	0%	0.78%
Inflation	0%	2.50%
Total	100%	

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on OPEB plan investments, net of expense was 7.71%. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Actual returns may vary due to timing of capital contributions and redemptions.

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

The following table presents Frederick County Government's net OPEB liability if calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher.

	<u>1% Decrease 6%</u>	<u>Current Discount Rate 7%</u>	<u>1% Increase 8%</u>
County's net OPEB liability	\$ 133,059,233	\$ 90,707,635	\$ 56,828,200

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	<u>1% Decrease 2.8%</u>	<u>Trend Rate 3.8%</u>	<u>1% Increase 4.8%</u>
County's net OPEB liability	\$ 49,762,673	\$ 90,707,635	\$ 143,181,644

NOTES TO FINANCIAL STATEMENTS
(Continued)

Changes in the net OPEB liability

	Increase/(Decrease)		
	Total OPEB Liability	Plan Fiduciary	Net OPEB Liability
	(a)	Net Position	(a) - (b)
		(b)	
Balance as of June 30, 2018	\$ 244,035,044	\$ 151,972,563	\$ 92,062,481
Changes for the year			
Service cost	6,379,805	-	6,379,805
Interest	16,844,909	-	16,844,909
Experience losses	(1,633,183)	-	(1,633,183)
Contributions - employer	-	11,652,672	(11,652,672)
Contributions - member	-	1,742,663	(1,742,663)
Contributions from non employer contributing entities	-	378,558	(378,558)
Net Investment Income	-	10,927,799	(10,927,799)
Benefit payments	(6,786,959)	(8,529,622)	1,742,663
Administrative expenses	-	(12,652.00)	12,652
Net Changes	<u>14,804,572</u>	<u>16,159,418</u>	<u>(1,354,846)</u>
Balance as of June 30, 2019	<u>\$ 258,839,616</u>	<u>\$ 168,131,981</u>	<u>\$ 90,707,635</u>

Deferred outflow of resources and deferred inflows of resources related to OPEB

At June 30, 2019 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
	of Resources	of Resources
Primary government		
Difference between expected and actual experience	\$ 1,845,234	\$ 1,429,035
Changes of assumptions	4,473,040	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,304,966
Total primary government	<u>\$ 6,318,274</u>	<u>\$ 2,734,001</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in the expense as follows:

<u>Year ending</u>	<u>Total</u>
2020	\$ 421,017
2021	421,017
2022	421,016
2023	827,576
2024	848,898
Thereafter	644,749

2. Component Units

The FCPS Retiree Health Benefit Plan (the "Plan") is a single-employer defined benefit plan administered by the Board of Education. The Plan provides medical, dental, vision, and life insurance benefits to eligible participants (covered retirees, covered survivors, and with respect to certain benefits, their eligible dependents). As of June 30, 2019 there were 2,187 retirees (of which 555 had dependent coverage) and 5,116 active benefited employees in the Plan. The Board of Education has the authority to establish and amend post-employment benefits.

The Board of Education negotiates the contribution percentage between the FCPS and the employees through union contracts and personnel policy. The required contribution is based on projected "pay-as-you-go" financing requirements. For fiscal year 2019, the Board contributed \$13,399,513 to the plan. Of this amount \$11,323,200 was for FCPS' share of retiree premiums, \$34,500 was contributed towards trust investment fees and \$2,041,813 was placed into a 115 Trust account (the Trust), which was established on May 29, 2008 for the purpose of pre-funding a portion of retiree health benefits in the future. Plan members receiving benefits contributed \$8,632,616 or approximately 39 percent of the total premiums. The rates for fiscal year 2019 were based on the length of service of the retiree (two tiers), the age of the retiree (non-Medicare eligible or Medicare eligible), and the type of insurance (medical Choice Advantage, medical PPO, and/or Dental).

The FCC Healthcare Plan is approved by the Board of Trustees. This policy provides for those retirees who are collecting benefits through either the Maryland State System or one of the state-approved Optional Retirement Plans to continue their healthcare coverage at their expense indefinitely. The healthcare premiums charged have not been age adjusted and, as a result, the plan is deemed to provide an implied subsidy to retirees. The required contribution is based on projected "pay-as-you-go" financing requirements. Coverage for retirees will be governed by contracts in effect with the insurance carriers.

Eligible retirees of FCPL are included in the County Retiree Health Benefit Plan as described in F.1 above.

NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Deferred Compensation

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

The deferred compensation plan is available to all regular employees or temporary employees, to whom compensation is paid. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. During the fiscal year 2019 approximately 31.7 percent of the County's eligible employees elected to participate in the plan.

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

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

H. Joint Venture

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

Northeast Maryland Waste Disposal Authority (NMWDA)

The NMWDA is a body politic and corporate and a public instrumentality of the State of Maryland. The NMWDA was established to assist the political subdivisions in the Northeast Maryland Region and the private sector in waste management and the development of waste disposal facilities adequate to accommodate the region's requirements for disposal of solid waste. The MWDA has the following eight member jurisdictions from the State of Maryland: Anne Arundel County, Baltimore City, Baltimore County, Carroll County, Frederick County, Harford County, Howard County and Montgomery County. The Maryland Environmental Service is an ex-officio member. As a participating government in NMWDA, the County paid fiscal year 2019 membership dues and fees for services amounting to \$143,618.

NOTES TO FINANCIAL STATEMENTS
(Continued)

I. Subsequent Events

Installment Purchase Agreements Issued:

On July 17, 2019, Frederick County entered into an Installment Purchase Agreement to purchase an easement of the development rights of agricultural land in Frederick County. This borrowing was authorized under Chapter 54 of the Laws of Maryland of 2012. This transaction is a 20-year obligation with interest paid annually at 2.437% and final maturity on May 15, 2039, in the amount of \$626,849. Funds are invested in U.S. Treasury strips to finance the final maturity payments. These investments are recorded in the Agricultural Preservation Fund.

General Obligation Bonds Issued:

On September 24, 2019, Frederick County issued its Tax-Exempt General Obligation Public Facility Bonds, Series 2019A, in the amount of \$106,245,000. The Series 2019A Bond bears an average coupon rate of 3.238% per annum and a true interest cost of 2.165%. The principal amount of the Series 2019A Bonds are payable August 1, 2020 through 2039.

On September 24, 2019, Frederick County issued its Tax-Exempt General Obligation Public Facilities Refunding Bond, Series 2019B, in the amount of \$30,015,000 to advance refund certain maturities of the series 2013 and 2014A Tax Exempt General Obligation bonds. The Series 2019B Bond bears an average coupon rate of 2.414% per annum and a true interest cost of 2.299%. The principal amount of the Series 2019B Bonds are payable August 1, 2021 through 2034.

<u>Refunded Bond Issues</u>	<u>Par Amount</u>	<u>Maturity Dates</u>	<u>Call Date</u>
2013 Tax-Exempt GO Bonds	\$ 12,645,000	5/1/2025 - 5/1/2031	5/1/2023
2014A Tax-Exempt GO Bonds	15,395,000	8/1/2028-8/1/2034	8/1/2022
Total Refunded Bonds	<u>\$ 28,040,000</u>		

Economic Development Bonds Issued:

Hood College

On July 23, 2019, Frederick County issued Economic Development Revenue Bonds, Series 2019 to benefit Hood College, in the amount of \$36,100,000. The proceeds of this bond issue were to finance \$21,190,008 in improvements to the campus facilities and the balance (\$14,909,992) to refinance the County's Economic Development Revenue Bonds, Series 2010A. These are limited obligation bonds and as such, do not pledge the full faith and credit of the County. These bonds will be repaid by Hood College. These bonds were approved in an amount not to exceed \$36,100,000 by County Council on June 4, 2019.

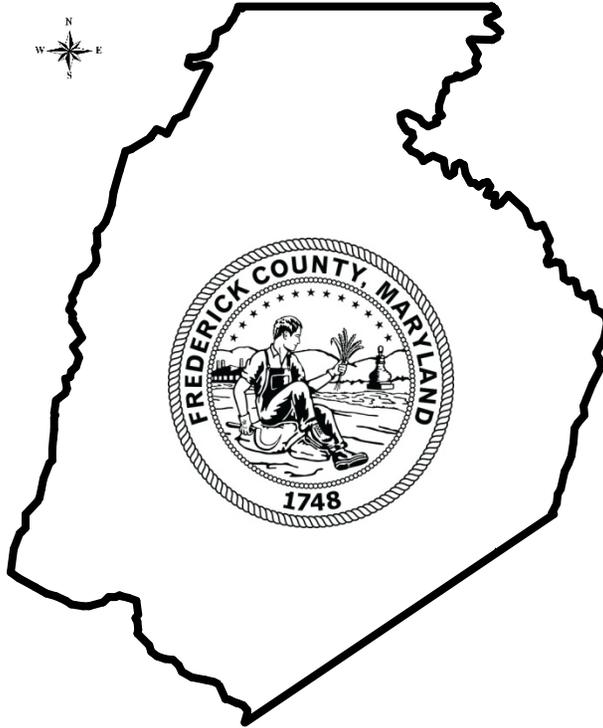
NOTES TO FINANCIAL STATEMENTS
(Continued)

J. New Governmental Accounting Standards Board (GASB) Standard

The County has adopted the provisions of Governmental Accounting Standard Board (GASB) issued Statement 83 entitled *Certain Asset Retirement Obligations* and Statement No. 88 entitled *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The early implementation of Statement 89 entitled *Accounting for Interest Cost Incurred before the End of a Construction Period*, was adopted by County in fiscal year 2019. The adoption of these standards did not have a material effect on these statements.

As of year ended June 30, 2019, GASB issued Statement No. 84 entitled *Fiduciary Activities*, Statement No. 87 entitled *Leases*, and Statement 90 entitled *Majority Equity Interests*. The County has not yet completed the process of evaluating the impact of these pronouncements on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION



The information provided in this section is required supplementary disclosures.

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014		2013	2012	2011
Total pension liability										
Service cost	\$ 22,689	\$ 22,387	\$ 21,310	\$ 20,272	\$ 20,127	\$ 21,309	Information for FY2013 and earlier is not available			
Interest	42,252	39,564	36,760	34,936	32,636	30,170				
Changes of benefit terms	11,649	-	-	-	-	-				
Differences between expected and actual experience	(6,595)	(7,803)	2,501	(10,287)	(124)	-				
Changes of assumptions	-	6,434	-	-	(2,341)	-				
Benefit payments, including refunds of member contributions	(23,067)	(21,308)	(19,696)	(18,052)	(16,812)	(15,671)				
Net change in total pension liability	46,928	39,274	40,875	26,869	33,486	35,808				
Total pension liability - beginning	615,134	575,860	534,985	508,116	474,630	438,822				
Total pension liability - ending	<u>\$ 662,062</u>	<u>\$ 615,134</u>	<u>\$ 575,860</u>	<u>\$ 534,985</u>	<u>\$ 508,116</u>	<u>\$ 474,630</u>				
Plan fiduciary net position										
Contributions - employer	23,153	21,678	20,419	18,910	20,323	21,260				
Contributions - member	9,401	8,093	7,681	7,199	7,022	6,880				
Net investment income	46,159	56,674	66,342	3,253	22,501	67,022				
Benefit payments, including refunds of member contributions	(23,067)	(21,308)	(19,696)	(18,052)	(16,812)	(15,671)				
Administrative expense	(1,492)	(1,504)	(1,038)	(705)	(793)	(930)				
Net change in plan fiduciary net position	54,154	63,633	73,708	10,605	32,241	78,561				
Plan fiduciary net position - beginning	635,261	571,628	497,920	487,315	455,074	376,513				
Plan fiduciary net position - ending	<u>\$ 689,415</u>	<u>\$ 635,261</u>	<u>\$ 571,628</u>	<u>\$ 497,920</u>	<u>\$ 487,315</u>	<u>\$ 455,074</u>				
Net pension position liability (asset) - ending	<u>\$ (27,353)</u>	<u>\$ (20,127)</u>	<u>\$ 4,232</u>	<u>\$ 37,065</u>	<u>\$ 20,801</u>	<u>\$ 19,556</u>				
Plan fiduciary net position as a percentage of the total pension liability	104.13%	103.27%	99.27%	93.07%	95.91%	95.88%				
Covered payroll	\$ 117,956	\$ 114,631	\$ 108,689	\$ 100,998	\$ 99,555	\$ 106,397				
Net pension liability as a percentage of covered payroll	-23.19%	-17.56%	3.89%	36.70%	20.89%	18.38%				
Expected average remaining service years of all participants	6	6	6	6	6	6				
Annual money weighted rate of return, net of investment expenses	7.34%	10.17%	13.46%	1.07%	5.18%	18.04%				

Notes to Schedule:

Changes of assumptions: None

Benefit changes: In the fiscal year beginning July 1, 2019, a set of ad hoc living adjustments are scheduled to be given in addition to the annual 1% cost of living adjustment. Also in the fiscal year beginning July 1, 2019, grant funded employees are provided benefits in the plan.

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 16,929	\$ 17,365	\$ 17,455	\$ 18,808	\$ 18,721	\$ 18,687	Information for FY2013 and earlier is not available			
Contributions in relation to the actuarially determined contribution	23,153	21,678	20,419	18,910	20,323	21,260				
Contribution deficiency (excess)	<u>\$ (6,224)</u>	<u>\$ (4,313)</u>	<u>\$ (2,964)</u>	<u>\$ (102)</u>	<u>\$ (1,602)</u>	<u>\$ (2,573)</u>				
Covered payroll	\$ 117,956	\$ 114,631	\$ 108,689	\$ 100,998	\$ 99,555	\$ 100,298				
Contributions as a percentage of covered payroll	19.63%	18.91%	18.79%	18.72%	20.41%	21.20%				

Notes to Schedule

Valuation date: July 1, 2018

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll
Remaining amortization period	3 years for ad hoc COLA, 15 years for grant funded employees, 30 years for surplus
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	Rates vary by participant service
Investment rate of return	7.0% net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP2014 Total Database table with fully generational projection, using scale MP2016 set back one year.

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total LOSAP liability										
Service cost	\$ 202	\$ 171	\$ 167							
Interest	840	827	810							
Differences between expected and actual experience	(628)	(74)	-							
Benefit payments, including refunds of member contributions	(763)	(719)	(744)							
Net change in total LOSAP liability	(349)	205	233							
Total LOSAP liability - beginning	12,385	12,180	11,947							
Total LOSAP liability - ending	<u>\$ 12,036</u>	<u>\$ 12,385</u>	<u>\$ 12,180</u>							
Plan fiduciary net position										
Contributions - employer	1,461	1,241	1,006							
Net investment income	102	23	-							
Benefit payments, including refunds of member contributions	(763)	(719)	(744)							
Administrative expense	(24)	(20)	-							
Net change in plan fiduciary net position	776	525	262							
Plan fiduciary net position - beginning	787	262	-							
Plan fiduciary net position - ending	<u>\$ 1,563</u>	<u>\$ 787</u>	<u>\$ 262</u>							
Net position liability - ending	<u>\$ 10,473</u>	<u>\$ 11,598</u>	<u>\$ 11,918</u>							
Plan fiduciary net position as a percentage of the total LOSAP liability	12.99%	6.36%	2.15%							
Covered payroll	n/a	n/a	n/a							
Net LOSAP liability as a percentage of covered payroll	n/a	n/a	n/a							
Expected average remaining service years of all participants	8	9	9							
Annual money weighted rate of return, net of investment expenses	7.75%	3.21%	0.00%							
Notes to Schedule:										
Changes of assumptions: None										
Benefit changes: None										

Information for FY2016 and earlier is not available

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 1,461	\$ 1,461	\$ 1,430	Information for FY2016 and earlier is not available						
Contributions in relation to the actuarially determined contribution	1,461	1,241	1,005							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 220</u>	<u>\$ 425</u>							
Covered payroll	n/a	n/a	n/a							
Contributions as a percentage of covered payroll	n/a	n/a	n/a							

Notes to Schedule

Valuation date: July 1, 2018

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

Methods and assumptions used to determine contribution rates:

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

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total pension liability										
Service cost	\$ 6,380	\$ 5,623	\$ 5,257							
Interest	16,845	15,251	14,311							
Differences between expected and actual experience	(1,633)	2,460	-							
Changes of assumptions	(6,787)	5,964	-							
Benefit payments, including refunds of member contributions	-	(6,278)	(5,998)							
Net change in total pension liability	<u>14,805</u>	<u>23,020</u>	<u>13,570</u>							
Total OPEB liability - beginning	<u>244,035</u>	<u>221,015</u>	<u>207,445</u>							
Total OPEB - ending	<u><u>\$ 258,840</u></u>	<u><u>\$ 244,035</u></u>	<u><u>\$ 221,015</u></u>							
Plan fiduciary net position										
Contributions - employer	12,031	10,833	10,343							
Contributions - member	-	-	-							
Net investment income	10,928	11,693	13,807							
Benefit payments, including refunds of member contributions	(6,787)	(6,279)	(5,998)							
Administrative expense	(13)	-	(52)							
Net change in plan fiduciary net position	<u>16,159</u>	<u>16,247</u>	<u>18,100</u>							
Plan fiduciary net position - beginning	<u>151,973</u>	<u>135,726</u>	<u>117,626</u>							
Plan fiduciary net position - ending	<u><u>\$ 168,132</u></u>	<u><u>\$ 151,973</u></u>	<u><u>\$ 135,726</u></u>							
Net position liability - ending	<u><u>\$ 90,708</u></u>	<u><u>\$ 92,062</u></u>	<u><u>\$ 85,289</u></u>							
Plan fiduciary net position as a percentage of the total pension liability	64.96%	62.27%	61.41%							
Covered payroll	\$ 117,956	\$ 114,631	\$ 108,689							
Expected average remaining service years of all participants	8	8	8							
Annual money weighted rate of return, net of investment expenses	7.71%	8.39%	11.60%							

Information for FY2016 and earlier is not available

Notes to Schedule:

Changes of assumptions: None
Benefit changes: None

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	
Actuarially determined contribution	\$ 11,519	\$ 10,386	\$ 9,783							Information for FY2016 and earlier is not available
Contributions in relation to the actuarially determined contribution	12,031	10,832	10,343							
Contribution deficiency (excess)	<u>\$ (512)</u>	<u>\$ (446)</u>	<u>\$ (560)</u>							
Covered payroll	\$ 117,956	\$ 114,631	\$ 108,689							
Contributions as a percentage of covered payroll	n/a	n/a	n/a							

Notes to Schedule

Valuation date: July 1, 2018

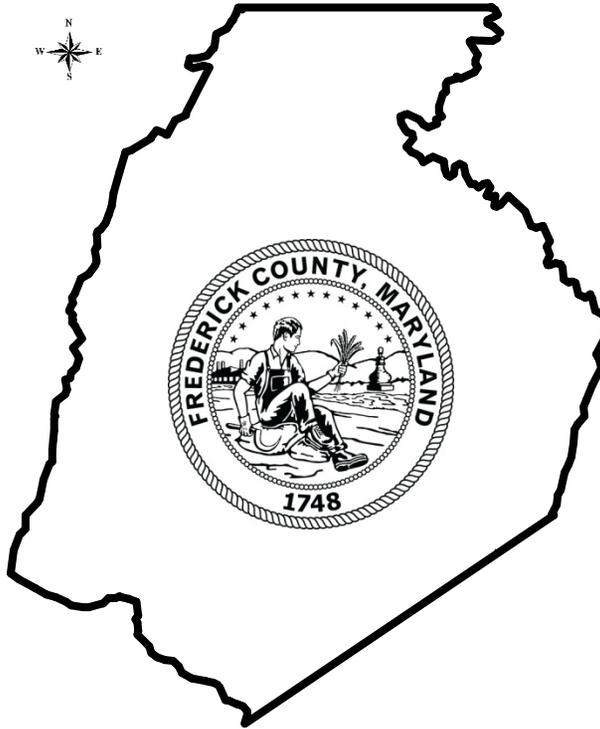
Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every two years.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Level payments over a closed period of 20 years as a percentage of payroll
Remaining amortization period	20 years
Asset valuation method	Market value
Inflation	2.5%
Salary increases	3.5% Annually
Investment rate of return	7.0% net of OPEB investment expense, including inflation
Retirement age	The latter of 25 years of service and age 65

Mortality rates for healthy pre-retirement participants were based on 70 percent of RP2014 Blue Collar table with fully generational projection using scale MP2016 set back one year (base year 2006) for uniformed and non-uniformed employees. Rates for healthy post-retirement participants were based on the RP2014 Total Dataset table with fully generational projection using scale MP2016 set back one year (base year 2006). Disabled participants were based on the RP2014 Total Dataset table with fully generational projection using scale MP2016 set forward ten years (base year 2006).

FUND STATEMENTS AND SCHEDULES



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

FREDERICK COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue Funds							Total Non Major Governmental Funds (See Exhibit II-A-3)
	Grants	Agricultural Preservation	Watershed Protection & Restoration	Electric Lighting Tax Districts	Hotel Rental Tax	Sheriffs/ Judicial Activities	Loan Activities	
Assets								
Cash	\$ 3,099	\$ -	\$ -	\$ -	\$ -	\$ 194,190	\$ -	\$ 197,289
Equity in pooled invested cash	-	9,839,566	3,127	12,013	245,061	1,230,172	5,983,295	17,313,234
Total cash and cash equivalents	3,099	9,839,566	3,127	12,013	245,061	1,424,362	5,983,295	17,510,523
Investments	-	42,247,747	-	-	-	-	-	42,247,747
Receivables, net of allowance for uncollectibles:								
Accounts	75,590	7,896	1	-	293,956	40,892	-	418,335
Intergovernmental	4,577,399	-	-	-	-	-	-	4,577,399
Prepaid items	9,145	133,518	-	-	-	-	-	142,663
Due from component units	12,818	-	-	-	-	-	-	12,818
Long term receivables, net of allowance for uncollectibles:								
Non-profit organization loans	-	-	-	-	1,841,396	-	-	1,841,396
Housing loans	1,846,221	-	-	-	-	-	7,704,730	9,550,951
Other long term receivables	540,000	-	-	-	-	-	-	540,000
Cash and cash equivalents - restricted	-	-	-	-	-	-	-	-
Total assets	<u>\$ 7,064,272</u>	<u>\$ 52,228,727</u>	<u>\$ 3,128</u>	<u>\$ 12,013</u>	<u>\$ 2,380,413</u>	<u>\$ 1,465,254</u>	<u>\$ 13,688,025</u>	<u>\$ 76,841,832</u>
Liabilities and fund balance								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,225	\$ -	\$ 67,225
Accrued liabilities	234,111	220	-	1,286	539,017	-	-	774,634
Payroll and benefit deductions	708,014	10,032	-	-	-	-	-	718,046
Due to third parties	-	-	-	-	-	100,829	-	100,829
Due to general fund	304,495	-	-	-	-	-	-	304,495
Due to other governmental units	10,041	5,659	-	-	-	-	-	15,700
Other liabilities	1,095,219	-	-	-	-	-	15,003	1,110,222
Unearned revenues	851,782	2,237,502	-	-	1,841,396	-	-	4,930,680
Total liabilities	<u>3,203,662</u>	<u>2,253,413</u>	<u>-</u>	<u>1,286</u>	<u>2,380,413</u>	<u>168,054</u>	<u>15,003</u>	<u>8,021,831</u>
Fund balances								
Nonspendable	9,145	133,518	-	-	-	-	-	142,663
Restricted	2,386,221	2,032,833	-	-	-	235,820	-	4,654,874
Committed	1,465,244	47,808,963	3,128	10,727	-	1,061,380	13,673,022	64,022,464
Total fund balance	<u>3,860,610</u>	<u>49,975,314</u>	<u>3,128</u>	<u>10,727</u>	<u>-</u>	<u>1,297,200</u>	<u>13,673,022</u>	<u>68,820,001</u>
Total liabilities and fund balance	<u>\$ 7,064,272</u>	<u>\$ 52,228,727</u>	<u>\$ 3,128</u>	<u>\$ 12,013</u>	<u>\$ 2,380,413</u>	<u>\$ 1,465,254</u>	<u>\$ 13,688,025</u>	<u>\$ 76,841,832</u>

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
SHERIFF'S/ JUDICIAL ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2019

	<u>Sheriff's Drug Enforcement</u>	<u>Narcotics Investigative Section</u>	<u>State's Attorney Law Enforcement Aid</u>	<u>Inmates' Canteen</u>	<u>Total Sheriff's/Judicial Activities (See Exhibit II-B-1)</u>
Assets					
Cash	\$ 46,703	\$ 2,283	\$ 44,064	\$ 101,140	\$ 194,190
Equity in pooled invested cash	187,941	170,221	52,392	819,618	1,230,172
Total cash and cash equivalents	<u>234,644</u>	<u>172,504</u>	<u>96,456</u>	<u>920,758</u>	<u>1,424,362</u>
Receivables, net of allowance for uncollectibles:					
Accounts	-	-	-	40,892	40,892
Total assets	<u>\$ 234,644</u>	<u>\$ 172,504</u>	<u>\$ 96,456</u>	<u>\$ 961,650</u>	<u>\$ 1,465,254</u>
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ -	\$ 6,847	\$ -	\$ 60,378	\$ 67,225
Due to third parties	-	-	-	100,829	100,829
Total liabilities	<u>-</u>	<u>6,847</u>	<u>-</u>	<u>161,207</u>	<u>168,054</u>
Fund balances					
Restricted	186,186	-	49,634	-	235,820
Committed	48,458	165,657	46,822	800,443	1,061,380
Total fund balance	<u>234,644</u>	<u>165,657</u>	<u>96,456</u>	<u>800,443</u>	<u>1,297,200</u>
Total liabilities and fund balance	<u>\$ 234,644</u>	<u>\$ 172,504</u>	<u>\$ 96,456</u>	<u>\$ 961,650</u>	<u>\$ 1,465,254</u>

**FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
LOAN ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2019**

	<u>Housing Initiative</u>	<u>Non-Profit Organizations Loans</u>	<u>Fire/Rescue Loans</u>	<u>Economic Development Loans</u>	<u>Total Loan Activities (See Exhibit II-B-1)</u>
Assets					
Equity in pooled invested cash	\$ 5,228,210	\$ 20,000	\$ 201,656	\$ 533,429	\$ 5,983,295
Total cash and cash equivalents	<u>5,228,210</u>	<u>20,000</u>	<u>201,656</u>	<u>533,429</u>	<u>5,983,295</u>
Receivables, net of allowance for uncollectibles:					
Accounts	-	-	-	-	-
Long term receivables, net of allowance for uncollectibles:					
Housing loans	<u>7,704,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,704,730</u>
Total assets	<u>\$ 12,932,940</u>	<u>\$ 20,000</u>	<u>\$ 201,656</u>	<u>\$ 533,429</u>	<u>\$ 13,688,025</u>
Liabilities and fund balance					
Liabilities					
Other liabilities	\$ 15,003	\$ -	\$ -	\$ -	\$ 15,003
Total liabilities	<u>15,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,003</u>
Fund balances					
Committed	<u>12,917,937</u>	<u>20,000</u>	<u>201,656</u>	<u>533,429</u>	<u>13,673,022</u>
Total fund balance	<u>12,917,937</u>	<u>20,000</u>	<u>201,656</u>	<u>533,429</u>	<u>13,673,022</u>
Total liabilities and fund balance	<u>\$ 12,932,940</u>	<u>\$ 20,000</u>	<u>\$ 201,656</u>	<u>\$ 533,429</u>	<u>\$ 13,688,025</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Special Revenue Funds							Total Nonmajor Governmental Funds (See Exhibit II-A-5)
	Grants	Agricultural Preservation	Watershed Protection & Restoration	Electric Lighting Tax Districts	Hotel Rental Tax	Sheriff's/ Judicial Activities	Loan Activities	
Revenues								
Storm Water Remediation Fee	\$ -	\$ -	\$ 523	\$ -	\$ -	\$ -	\$ -	\$ 523
Lighting tax levy	-	-	-	16,166	-	-	-	16,166
Other local taxes	-	5,266,396	-	-	2,506,978	-	-	7,773,374
Grants from federal government	17,417,765	-	-	-	-	51,558	-	17,469,323
Grants from state government	5,799,966	5,511,828	-	-	-	-	-	11,311,794
Charges for services	843,954	-	-	-	-	775,388	-	1,619,342
Fines and forfeitures	-	-	-	-	-	215,630	-	215,630
Interest from loans	-	-	-	-	-	-	-	-
Investment earnings	385	3,943,695	68	363	2,700	25,103	105,815	4,078,129
Miscellaneous revenue	282,830	8,079	-	-	169,047	10,020	2,864,565	3,334,541
Total revenues	<u>24,344,900</u>	<u>14,729,998</u>	<u>591</u>	<u>16,529</u>	<u>2,678,725</u>	<u>1,077,699</u>	<u>2,970,380</u>	<u>45,818,822</u>
Expenditures								
General government	2,340,248	-	-	-	37,202	-	-	2,377,450
Public safety	3,443,915	-	-	-	-	1,006,102	-	4,450,017
Public works	8,317,123	-	-	13,108	-	-	-	8,330,231
Health	1,376,471	-	-	-	-	-	-	1,376,471
Social services	1,950,534	-	-	-	-	-	-	1,950,534
Conservation of natural resources	352,626	8,584,722	-	-	-	-	-	8,937,348
Community development and public housing	7,438,764	-	-	-	-	-	300,393	7,739,157
Economic development and opportunity	4,892,345	-	-	-	2,472,476	-	-	7,364,821
Total expenditures	<u>30,112,026</u>	<u>8,584,722</u>	<u>-</u>	<u>13,108</u>	<u>2,509,678</u>	<u>1,006,102</u>	<u>300,393</u>	<u>42,526,029</u>
Excess (deficiency) of revenues over expenditures	(5,767,126)	6,145,276	591	3,421	169,047	71,597	2,669,987	3,292,793
Other financing sources (uses)								
Transfers in from General Fund	5,654,170	457,767	-	-	-	-	529,000	6,640,937
Transfers in from Grants Fund	-	-	-	-	-	-	85,003	85,003
Transfers out to Debt Service Fund	-	(3,683,453)	-	-	(169,047)	-	-	(3,852,500)
Transfers out to Housing Initiative	(85,003)	-	-	-	-	-	-	(85,003)
Transfers out to General Fund	(295,252)	-	-	-	-	-	-	(295,252)
Transfers out to Fleet Services	(28,419)	-	-	-	-	-	-	(28,419)
Refunding bonds issued	-	-	-	-	-	-	-	-
Premium on debt	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-
Installment purchase agreement	-	1,527,513	-	-	-	-	-	1,527,513
Total other financing sources (uses)	<u>5,245,496</u>	<u>(1,698,173)</u>	<u>-</u>	<u>-</u>	<u>(169,047)</u>	<u>-</u>	<u>614,003</u>	<u>3,992,279</u>
Net change in fund balances	(521,630)	4,447,103	591	3,421	-	71,597	3,283,990	7,285,072
Fund balance - beginning of year	4,382,240	45,528,211	2,537	7,306	-	1,225,603	10,389,032	61,534,929
Fund balance - end of year	<u>\$ 3,860,610</u>	<u>\$ 49,975,314</u>	<u>\$ 3,128</u>	<u>\$ 10,727</u>	<u>\$ -</u>	<u>\$ 1,297,200</u>	<u>\$ 13,673,022</u>	<u>\$ 68,820,001</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SHERIFF'S/JUDICIAL ACTIVITIES - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Sheriff's Drug Enforcement</u>	<u>Narcotics Investigative Section</u>	<u>State's Attorney Law Enforcement Aid</u>	<u>Inmates' Canteen</u>	<u>Total Sheriff's/Judicial Activities (See Exhibit II-B-4)</u>
Revenues					
Grants from federal government	\$ 51,558	\$ -	\$ -	\$ -	\$ 51,558
Charges for services	-	-	-	775,388	775,388
Fines and forfeitures	23,551	166,326	25,753	-	215,630
Investment earnings	3,627	3,745	1,318	16,413	25,103
Miscellaneous revenue	-	9,870	150	-	10,020
Total revenues	<u>78,736</u>	<u>179,941</u>	<u>27,221</u>	<u>791,801</u>	<u>1,077,699</u>
Expenditures					
Public safety	69,426	199,242	76,212	661,222	1,006,102
Total expenditures	<u>69,426</u>	<u>199,242</u>	<u>76,212</u>	<u>661,222</u>	<u>1,006,102</u>
Net change in fund balances	<u>9,310</u>	<u>(19,301)</u>	<u>(48,991)</u>	<u>130,579</u>	<u>71,597</u>
Fund balance - beginning of year	<u>225,334</u>	<u>184,958</u>	<u>145,447</u>	<u>669,864</u>	<u>1,225,603</u>
Fund balance - end of year	<u>\$ 234,644</u>	<u>\$ 165,657</u>	<u>\$ 96,456</u>	<u>\$ 800,443</u>	<u>\$ 1,297,200</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
LOAN ACTIVITIES - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Housing Initiative</u>	<u>Non-Profit Organizations Loans</u>	<u>Fire/Rescue Loans</u>	<u>Economic Development Loans</u>	<u>Total Loan Activities (See Exhibit II-B-4)</u>
Revenues					
Investment earnings	\$ 89,779	\$ -	\$ 4,399	\$ 11,637	\$ 105,815
Miscellaneous revenue	2,864,565	-	-	-	2,864,565
Total revenues	<u>2,954,344</u>	<u>-</u>	<u>4,399</u>	<u>11,637</u>	<u>2,970,380</u>
Expenditures					
Community development and public housing	300,393	-	-	-	300,393
Total expenditures	<u>300,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,393</u>
Excess (deficiency) of revenues over expenditures	<u>2,653,951</u>	<u>-</u>	<u>4,399</u>	<u>11,637</u>	<u>2,669,987</u>
Other financing sources (uses)					
Transfer in from grants fund	85,003	-	-	-	85,003
Transfer in from general fund	529,000	-	-	-	529,000
Total other financing sources (uses)	<u>614,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>614,003</u>
Net change in fund balances	3,267,954	-	4,399	11,637	3,283,990
Fund balance - beginning of year	<u>9,649,983</u>	<u>20,000</u>	<u>197,257</u>	<u>521,792</u>	<u>10,389,032</u>
Fund balance - end of year	<u>\$ 12,917,937</u>	<u>\$ 20,000</u>	<u>\$ 201,656</u>	<u>\$ 533,429</u>	<u>\$ 13,673,022</u>

**FREDERICK COUNTY, MARYLAND
SPECIAL REVENUE FUNDS
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Grants			Housing Initiative			School Construction		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
Revenues									
Lighting tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes	-	-	-	-	-	-	5,873,755	6,981,999	1,108,244
Grants from federal government	22,218,254	17,417,765	(4,800,489)	-	-	-	-	-	-
Grants from state government	7,885,503	5,799,966	(2,085,537)	-	-	-	-	-	-
Charges for services	966,270	843,954	(122,316)	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	385	385	-	10,650	89,779	79,129	120,791	326,186	205,395
Build America Bonds Subsidy	-	-	-	-	-	-	-	-	-
Miscellaneous revenue	1,681,340	537,830	(1,143,510)	1,032,000	3,066,080	2,034,080	-	-	-
Total revenues	32,751,752	24,599,900	(8,151,852)	1,042,650	3,155,859	2,113,209	5,994,546	7,308,185	1,313,639
Expenditures									
General government	3,185,462	2,319,425	866,037	-	-	-	-	-	-
Public safety	4,862,833	3,069,307	1,793,526	-	-	-	-	-	-
Public works	11,686,650	8,934,172	2,752,478	-	-	-	-	-	-
Health	1,505,232	1,376,471	128,761	-	-	-	-	-	-
Social services	2,888,536	1,927,615	960,921	-	-	-	-	-	-
Conservation of natural resources	1,725,947	492,628	1,233,319	-	-	-	-	-	-
Community development and public housing	8,053,478	7,589,447	464,031	4,223,072	2,588,617	1,634,455	-	-	-
Economic development and opportunity	6,532,708	4,963,835	1,568,873	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Total expenditures	40,440,846	30,672,900	9,767,946	4,223,072	2,588,617	1,634,455	-	-	-
Excess (deficiency) of revenues over expenditures	(7,689,094)	(6,073,000)	1,616,094	(3,180,422)	567,242	3,747,664	5,994,546	7,308,185	1,313,639
Other financing sources (uses)									
Appropriated fund balance	1,712,167	1,212,699	(499,468)	2,566,418	2,344,260	(222,158)	200,454	-	(200,454)
Transfers in from general fund	6,385,601	5,654,170	(731,431)	529,000	529,000	-	-	-	-
Transfers in from grants fund	-	-	-	85,004	85,003	(1)	-	-	-
Transfers out to capital projects fund	-	-	-	-	-	-	(2,179,000)	(2,179,000)	-
Transfers out to general fund	(295,252)	(295,252)	-	-	-	-	-	-	-
Transfers out to fleet services	(28,419)	(28,419)	-	-	-	-	-	-	-
Transfers out to housing initiative	(85,003)	(85,003)	-	-	-	-	-	-	-
Transfers out to debt service fund	-	-	-	-	-	-	(4,016,000)	(3,963,124)	52,876
Installment purchase agreement	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	7,689,094	6,458,195	(1,230,899)	3,180,422	2,958,263	(222,159)	(5,994,546)	(6,142,124)	(147,578)
Net change in fund balances	\$ -	385,195	\$ 385,195	\$ -	3,525,505	\$ 3,525,505	\$ -	1,166,061	\$ 1,166,061
Fund balance - beginning of year		4,382,240			9,649,983			-	
Net change in reserves and adjustments to GAAP basis		(906,825)			(257,551)			(1,166,061)	
Fund balance - end of year		\$ 3,860,610			\$ 12,917,937			\$ -	

(continued)

FREDERICK COUNTY, MARYLAND
SPECIAL REVENUE FUNDS
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Impact Fees			Economic Development Loans			Electric Lighting Tax Districts		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
Revenues									
Lighting tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,037	\$ 16,166	\$ 129
Other local taxes	-	-	-	-	-	-	-	-	-
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	19,900,834	40,740,932	20,840,098	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	340,358	1,244,739	904,381	-	11,637	11,637	-	363	363
Build America Bonds Subsidy	-	-	-	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
Total revenues	<u>20,241,192</u>	<u>41,985,671</u>	<u>21,744,479</u>	<u>-</u>	<u>11,637</u>	<u>11,637</u>	<u>16,037</u>	<u>16,529</u>	<u>492</u>
Expenditures									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	14,700	13,108	1,592
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	200	-	200	-	-	-
Debt service	1,200	-	1,200	-	-	-	-	-	-
Total expenditures	<u>1,200</u>	<u>-</u>	<u>1,200</u>	<u>200</u>	<u>-</u>	<u>200</u>	<u>14,700</u>	<u>13,108</u>	<u>1,592</u>
Excess (deficiency) of revenues over expenditures	<u>20,239,992</u>	<u>41,985,671</u>	<u>21,745,679</u>	<u>(200)</u>	<u>11,637</u>	<u>11,837</u>	<u>1,337</u>	<u>3,421</u>	<u>2,084</u>
Other financing sources (uses)									
Appropriated fund balance	(3,097,568)	-	3,097,568	200	-	(200)	(1,337)	-	1,337
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	(9,273,424)	(9,273,424)	-	-	-	-	-	-	-
Transfers out to debt service fund	(7,869,000)	(7,864,038)	4,962	-	-	-	-	-	-
Installment purchase agreement	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(20,239,992)</u>	<u>(17,137,462)</u>	<u>3,102,530</u>	<u>200</u>	<u>-</u>	<u>(200)</u>	<u>(1,337)</u>	<u>-</u>	<u>1,337</u>
Net change in fund balances	<u>\$ -</u>	<u>24,848,209</u>	<u>\$ 24,848,209</u>	<u>\$ -</u>	<u>11,637</u>	<u>\$ 11,637</u>	<u>\$ -</u>	<u>3,421</u>	<u>\$ 3,421</u>
Fund balance - beginning of year		-			521,792			7,306	
Net change in reserves and adjustments to GAAP basis		<u>(24,848,209)</u>			<u>-</u>			<u>-</u>	
Fund balance - end of year		<u>\$ -</u>			<u>\$ 533,429</u>			<u>\$ 10,727</u>	

(continued)

FREDERICK COUNTY, MARYLAND
SPECIAL REVENUE FUNDS
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Parks Acquisition & Development			Hotel Rental Tax			Agricultural Preservation		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
Revenues									
Lighting tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes	4,405,228	5,236,396	831,168	2,346,000	2,506,978	160,978	5,305,228	5,236,396	(68,832)
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	8,148,216	5,511,828	(2,636,388)
Charges for services	-	-	-	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	43,074	336,121	293,047	1,000	2,700	1,700	1,271,000	3,943,695	2,672,695
Build America Bonds Subsidy	-	-	-	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	170,000	169,047	(953)	1,929,491	8,079	(1,921,412)
Total revenues	<u>4,448,302</u>	<u>5,572,517</u>	<u>1,124,215</u>	<u>2,517,000</u>	<u>2,678,725</u>	<u>161,725</u>	<u>16,653,935</u>	<u>14,699,998</u>	<u>(1,953,937)</u>
Expenditures									
General government	-	-	-	45,451	37,202	8,249	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	14,390,667	8,580,523	5,810,144
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	2,301,549	2,472,476	(170,927)	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,347,000</u>	<u>2,509,678</u>	<u>(162,678)</u>	<u>14,390,667</u>	<u>8,580,523</u>	<u>5,810,144</u>
Excess (deficiency) of revenues over expenditures	<u>4,448,302</u>	<u>5,572,517</u>	<u>1,124,215</u>	<u>170,000</u>	<u>169,047</u>	<u>(953)</u>	<u>2,263,268</u>	<u>6,119,475</u>	<u>3,856,207</u>
Other financing sources (uses)									
Appropriated fund balance	5,720,478	-	(5,720,478)	-	-	-	(243,892)	-	243,892
Transfers in from general fund	-	-	-	-	-	-	457,767	457,767	-
Transfers out to capital projects fund	(10,022,780)	(10,022,780)	-	-	-	-	-	-	-
Transfers out to debt service fund	(146,000)	(144,020)	1,980	(170,000)	(169,047)	953	(3,969,000)	(3,683,452)	285,548
Installment purchase agreement	-	-	-	-	-	-	1,491,857	1,527,513	35,656
Total other financing sources (uses)	<u>(4,448,302)</u>	<u>(10,166,800)</u>	<u>(5,718,498)</u>	<u>(170,000)</u>	<u>(169,047)</u>	<u>953</u>	<u>(2,263,268)</u>	<u>(1,698,172)</u>	<u>565,096</u>
Net change in fund balances	<u>\$ -</u>	<u>(4,594,283)</u>	<u>\$ (4,594,283)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,421,303</u>	<u>\$ 4,421,303</u>
Fund balance - beginning of year								45,528,211	
Net change in reserves and adjustments to GAAP basis		4,594,283						(4,200)	
Fund balance - end of year		<u>\$ -</u>			<u>\$ -</u>			<u>\$ 49,945,314</u>	

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Amended Budget	Actual	Variance - Positive (Negative)
Revenues			
Investment earnings	\$ -	\$ 2,203,267	\$ 2,203,267
Build America bond subsidy	1,197,739	1,253,644	55,905
Total revenues	1,197,739	3,456,911	2,259,172
Expenditures			
Debt Service:			
Principal and interest for general obligation bonds:			
General government	13,943,711	13,710,947	232,764
Parks and recreation	889,144	876,729	12,415
Watershed restoration	267,438	262,974	4,464
Transportation	6,592,383	6,482,336	110,047
Frederick Community College	3,623,889	3,563,395	60,494
Frederick County Public Schools	35,593,890	35,226,450	367,440
Municipalities	742,403	730,011	12,392
Tourism	169,022	169,021	1
Principal and interest for:			
Installment purchase agreements	3,959,000	3,657,740	301,260
Long term leases	541,830	830,665	(288,835)
Notes payable	13,940	13,936	4
Debt issuance costs	109,940	89,248	20,692
Total expenditures	66,446,590	65,613,452	833,138
Excess (deficiency) of revenues over expenditures	(65,248,851)	(62,156,541)	3,092,310
Other financing sources (uses)			
Transfers in from general fund	42,000,000	42,000,000	-
Transfers in from special revenue funds:			
Agricultural preservation fund	3,969,000	3,683,452	(285,548)
Hotel rental tax fund	170,000	169,047	(953)
Transfers in from capital project funds:			
Impact fee fund	7,870,200	7,864,038	(6,162)
Parks acquisition & development fund	146,000	144,020	(1,980)
School construction fund	4,016,000	3,963,124	(52,876)
Capital leases	-	47,500	47,500
Total other financing sources (uses)	58,171,200	57,871,181	(300,019)
Net change in fund balances	\$ (7,077,651)	(4,285,360)	\$ 2,792,291
Net change in reserves and adjustment to GAAP basis		-	
Fund balance - beginning of year		72,024,391	
Fund balance - end of year		\$ 67,739,031	

FREDERICK COUNTY, MARYLAND
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Project Budget</u>	<u>Current Year Actual</u>	<u>Total To Date</u>	<u>Variance - Positive (Negative)</u>
Revenues				
Grants from federal government				
Highways	\$ 8,826,038	\$ 698,347	\$ (150,000)	\$ (8,976,038)
Miscellaneous grants	4,357,573	338,349	879,944	(3,477,629)
Grants from state government:				
Highways	3,614,119	-	-	(3,614,119)
Program open space	2,244,436	764,846	764,846	(1,479,590)
Education	55,874,044	22,219,990	34,552,639	(21,321,405)
Watershed restoration	1,109,845	387,698	-	(1,109,845)
Miscellaneous grants	544,697	42,816	48,461	(496,236)
Other	7,841,239	502,201	696,999	(7,144,240)
Total revenues	<u>84,411,991</u>	<u>24,954,247</u>	<u>36,792,889</u>	<u>(47,619,102)</u>
Expenditures				
General government	90,505,846	15,929,153	13,120,926	77,384,920
Roads and bridges	128,658,498	29,081,112	28,547,051	100,111,447
Board of Education	216,014,754	25,837,603	90,455,200	125,559,554
Frederick Community College	46,753,093	8,774,026	37,207,060	9,546,033
Parks and recreation	43,627,090	23,818,343	26,562,572	17,064,518
Watershed restoration	26,527,294	8,901,595	11,189,292	15,338,002
Municipal	12,050,549	2,063,749	9,199,466	2,851,083
Total expenditures	<u>564,137,124</u>	<u>114,405,581</u>	<u>216,281,567</u>	<u>347,855,557</u>
Excess (deficiency) of revenues over expenditures	<u>(479,725,133)</u>	<u>(89,451,334)</u>	<u>(179,488,678)</u>	<u>300,236,455</u>
Other financing sources (uses)				
Transfers in from general fund	77,518,464	17,107,782	54,995,247	(22,523,217)
Transfers in from impact fees fund	41,587,485	9,273,424	37,570,066	(4,017,419)
Transfers in from parks acquisition & development fund	20,967,553	10,022,781	17,009,916	(3,957,637)
Transfers in from development road improvement fund	5,111,785	-	303,932	(4,807,853)
Transfers in from school construction fund	9,034,352	2,179,000	3,544,641	(5,489,711)
Transfers in from water and sewer fund	777,778	633,377	753,278	(24,500)
Transfers out to fleet service fund	-	(9,625)	-	-
General obligation bonds issued	310,667,786	-	33,066,809	(277,600,977)
Premium on debt	2,021,698	-	7,222,281	5,200,583
Capital leases	12,038,232	6,960,503	3,999,209	(8,039,023)
Total other financing sources (uses)	<u>479,725,133</u>	<u>46,167,242</u>	<u>158,465,379</u>	<u>(321,259,754)</u>
Net change in fund balances	<u>\$ -</u>	<u>(43,284,092)</u>	<u>\$ (21,023,299)</u>	<u>\$ (21,023,299)</u>
Net change in reserves and adjustment to GAAP basis		49,039,157		
Fund balance - beginning of year		98,848,691		
Fund balance - end of year		<u>\$ 104,603,756</u>		

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2019

	Worker's Compensation	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-8)
Assets				
Current assets:				
Equity in pooled invested cash	\$ 3,680,307	\$ 1,143,232	\$ 5,948,558	\$ 10,772,097
Total cash and cash equivalents	3,680,307	1,143,232	5,948,558	10,772,097
Receivables, net of allowance for uncollectible accounts	99,015	43,601	86,630	229,246
Inventories	-	-	502,742	502,742
Prepaid items	-	73,043	-	73,043
Total current assets	<u>3,779,322</u>	<u>1,259,876</u>	<u>6,537,930</u>	<u>11,577,128</u>
Noncurrent assets:				
Capital assets:				
Buildings and improvements	-	-	1,833,133	1,833,133
Equipment	-	813,780	34,866,290	35,680,070
Accumulated depreciation	-	(813,780)	(18,166,460)	(18,980,240)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>18,532,963</u>	<u>18,532,963</u>
Total assets	<u>3,779,322</u>	<u>1,259,876</u>	<u>25,070,893</u>	<u>30,110,091</u>
Liabilities				
Current liabilities:				
Payroll and benefit deductions	-	20,865	127,586	148,451
Accrued expenses	7,730	18,554	316,589	342,873
Current portion of compensated absences	-	1,146	4,150	5,296
Total current liabilities	<u>7,730</u>	<u>40,565</u>	<u>448,325</u>	<u>496,620</u>
Noncurrent liabilities:				
Liability for compensated absences	-	32,244	172,229	204,473
Total noncurrent liabilities	<u>-</u>	<u>32,244</u>	<u>172,229</u>	<u>204,473</u>
Total liabilities	<u>7,730</u>	<u>72,809</u>	<u>620,554</u>	<u>701,093</u>
Net position				
Net investment in capital assets	-	-	18,532,963	18,532,963
Unrestricted	3,771,592	1,187,067	5,917,376	10,876,035
Total net position	<u>\$ 3,771,592</u>	<u>\$ 1,187,067</u>	<u>\$ 24,450,339</u>	<u>\$ 29,408,998</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Worker's Compensation	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-9)
Operating revenues				
Service charges	\$ 2,595,440	\$1,107,570	\$12,848,186	\$ 16,551,196
Total operating revenues	2,595,440	1,107,570	12,848,186	16,551,196
Operating expenses				
Personnel services	-	430,056	2,723,929	3,153,985
Other operating expenses (including administrative overhead)	171,899	463,883	1,060,676	1,696,458
Prefunded loss & estimated claims	3,894,103	-	-	3,894,103
Insurance	1,262,154	-	-	1,262,154
Supplies	-	2,539	5,509,053	5,511,592
Repairs and maintenance	-	239,321	701,139	940,460
Depreciation	-	-	2,684,431	2,684,431
Total operating expenses	5,328,156	1,135,799	12,679,228	19,143,183
Operating income (loss)	(2,732,716)	(28,229)	168,958	(2,591,987)
Nonoperating revenues (expenses)				
Investment earnings	89,403	24,613	138,480	252,496
Miscellaneous income	-	-	3,872	3,872
Insurance recovery	-	-	14,794	14,794
Gain (loss) on disposition of capital assets	-	-	197,498	197,498
Total nonoperating revenues (expenses)	89,403	24,613	354,644	468,660
Net income (loss) before contributions and transfers	(2,643,313)	(3,616)	523,602	(2,123,327)
Transfers in (out)	-	-	1,354,380	1,354,380
Total contributions and transfers	-	-	1,354,380	1,354,380
Change in net position	(2,643,313)	(3,616)	1,877,982	(768,947)
Net position - beginning of year	6,414,905	1,190,683	22,572,357	30,177,945
Net position - end of year	\$ 3,771,592	\$1,187,067	\$24,450,339	\$ 29,408,998

**FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Worker's Compensation</u>	<u>Voice Services</u>	<u>Fleet Services</u>	<u>Total Internal Service Funds (See Exhibit II-A-10)</u>
Cash flows from operating activities				
Cash received from residents and customers	\$ -	\$ 458,964	\$ 790,091	\$ 1,249,055
Cash paid to suppliers	(5,327,372)	(739,186)	(7,314,056)	(13,380,614)
Cash paid to employees	-	(433,374)	(2,747,635)	(3,181,009)
Internal activity - receipts from other funds	2,549,481	676,493	12,046,507	15,272,481
Net cash provided by operating activities	<u>(2,777,891)</u>	<u>(37,103)</u>	<u>2,774,907</u>	<u>(40,087)</u>
Cash flows from noncapital financing activities				
Transfers in (out)	-	-	1,354,381	1,354,381
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>1,354,381</u>	<u>1,354,381</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	-	(4,973,833)	(4,973,833)
Recoveries for damages	-	-	14,794	14,794
Proceeds from sale of capital assets	-	-	473,384	473,384
Net cash provided (used) by capital & related financing activities	<u>-</u>	<u>-</u>	<u>(4,485,655)</u>	<u>(4,485,655)</u>
Cash flows from investing activities				
Interest received on investments	89,403	24,613	138,480	252,496
Net cash provided by investing activities	<u>89,403</u>	<u>24,613</u>	<u>138,480</u>	<u>252,496</u>
Net increase (decrease) in cash and cash equivalents	(2,688,488)	(12,490)	(217,887)	(2,918,865)
Cash and cash equivalents - beginning of year	<u>6,368,795</u>	<u>1,155,722</u>	<u>6,166,445</u>	<u>13,690,962</u>
Cash and cash equivalents - end of year	<u>\$ 3,680,307</u>	<u>\$ 1,143,232</u>	<u>\$ 5,948,558</u>	<u>\$ 10,772,097</u>

(continued)

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Worker's Compensation</u>	<u>Voice Services</u>	<u>Fleet Services</u>	<u>Total Internal Service Funds (See Exhibit II-A-10)</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ (2,732,716)	\$ (28,229)	\$ 168,958	\$ (2,591,987)
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation	-	-	2,684,431	2,684,431
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(45,960)	27,886	(11,589)	(29,663)
Inventory	-	-	(45,385)	(45,385)
Prepaid items	-	(34,275)	-	(34,275)
Increase (decrease) in:				
Accounts payable	-	-	(38,437)	(38,437)
Accrued expenses	785	(2,159)	21,573	20,199
Liability for compensated leave	-	(326)	(4,644)	(4,970)
Net cash provided by operating activities	<u>\$ (2,777,891)</u>	<u>\$ (37,103)</u>	<u>\$ 2,774,907</u>	<u>\$ (40,087)</u>
Non-cash investing, capital, and financing activities:				
None				

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
JUNE 30, 2019

	<u>Pension Trust</u>	<u>Other Post Employment Benefits Trust</u>	<u>Length of Service Award Program Trust</u>	<u>Total Pension Trust Funds (See Exhibit II-A-11)</u>
ASSETS				
Cash and cash equivalents	\$ 2,506,014	\$ -	\$ -	\$ 2,506,014
Equity in pooled invested cash	4,076,279	9,056,259	96,229	13,228,767
Investments:				
Money markets	5,618,660	927	169	5,619,756
Fixed income securities	204,728,700	-	-	204,728,700
Equity securities	472,691,732	159,082,137	1,470,440	633,244,309
Accounts receivable	1,330,606	748	-	1,331,354
Interest receivable	1,012,376	112	-	1,012,488
Total assets	<u>691,964,367</u>	<u>168,140,183</u>	<u>1,566,838</u>	<u>861,671,388</u>
LIABILITIES				
Accounts payable	641,350	8,202	4,007	653,559
Accrued payroll	1,607,841	-	-	1,607,841
Due to third parties	44,501	-	-	44,501
Other liabilities	-	-	-	-
Retirement benefit deductions	256,147	-	-	256,147
Total liabilities	<u>2,549,839</u>	<u>8,202</u>	<u>4,007</u>	<u>2,562,048</u>
NET POSITION				
Net position restricted for pension	689,414,528	-	1,562,831	690,977,359
Net position restricted for other post employment benefits	-	168,131,981	-	168,131,981
Total net position	<u>\$ 689,414,528</u>	<u>\$ 168,131,981</u>	<u>\$ 1,562,831</u>	<u>\$ 859,109,340</u>

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

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CHANGES IN NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Pension Trust</u>	<u>Other Post Employment Benefits Trust</u>	<u>Length of Service Award Program Trust</u>	<u>Total Pension Trust Funds (See Exhibit II-A-12)</u>
Additions				
Contributions				
Employer contributions	\$ 23,152,628	\$ 11,652,672	\$ -	\$ 34,805,300
Member contributions	9,401,591	1,742,663	-	11,144,254
County contributions	-	-	1,460,600	1,460,600
Other	-	378,558	-	378,558
Total contributions	<u>32,554,219</u>	<u>13,773,893</u>	<u>1,460,600</u>	<u>47,788,712</u>
Investment income				
Net appreciation in fair value of plan investments	29,308,410	8,271,153	53,171	37,632,734
Interest and dividends	18,744,463	2,696,807	50,747	21,492,017
Investment expense	(1,894,062)	(40,161)	(2,119)	(1,936,342)
Net investment income	<u>46,158,811</u>	<u>10,927,799</u>	<u>101,799</u>	<u>57,188,409</u>
Total additions	<u>78,713,030</u>	<u>24,701,692</u>	<u>1,562,399</u>	<u>104,977,121</u>
Deductions				
Benefits and refunds	23,067,314	8,529,622	763,315	32,360,251
Administrative expenses	1,492,253	12,652	23,467	1,528,372
Total deductions	<u>24,559,567</u>	<u>8,542,274</u>	<u>786,782</u>	<u>33,888,623</u>
Change in net position	54,153,463	16,159,418	775,617	71,088,498
Net position - beginning of year	<u>635,261,065</u>	<u>151,972,563</u>	<u>787,214</u>	<u>788,020,842</u>
Net position - end of year	<u>\$ 689,414,528</u>	<u>\$ 168,131,981</u>	<u>\$ 1,562,831</u>	<u>\$ 859,109,340</u>

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

FREDERICK COUNTY, MARYLAND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Tax Agency Fund				
Assets				
Cash and cash equivalents	\$ 710,011	\$ 3,543,658	\$ 3,659,170	\$ 594,499
Equity in pooled invested cash	3,449,440	6,550,182	7,940,888	2,058,734
Total Assets	<u>\$ 4,159,451</u>	<u>\$ 10,093,840</u>	<u>\$ 11,600,058</u>	<u>\$ 2,653,233</u>
Liabilities				
Due to third parties	<u>\$ 4,159,451</u>	<u>\$ 3,359,536</u>	<u>\$ 4,865,754</u>	<u>\$ 2,653,233</u>
Subdivision and Driveway Deposits Fund				
Assets				
Equity in pooled invested cash	<u>\$ 4,097,436</u>	<u>\$ 807,281</u>	<u>\$ 1,237,218</u>	<u>\$ 3,667,499</u>
Liabilities				
Performance deposits	<u>\$ 4,097,436</u>	<u>\$ 762,480</u>	<u>\$ 1,192,417</u>	<u>\$ 3,667,499</u>
Work Release Fund				
Assets				
Cash and cash equivalents	\$ 17,169	\$ 250,120	\$ 251,071	\$ 16,218
Equity in pooled invested cash	-	750	750	-
	<u>\$ 17,169</u>	<u>\$ 250,870</u>	<u>\$ 251,821</u>	<u>\$ 16,218</u>
Liabilities				
Due to third parties	<u>\$ 17,169</u>	<u>\$ 251,850</u>	<u>\$ 252,801</u>	<u>\$ 16,218</u>
Tax Incremental Financing Bond Fund				
Assets				
Equity in pooled invested cash	<u>\$ -</u>	<u>\$ 1,099,952</u>	<u>\$ 1,099,952</u>	<u>\$ -</u>
Liabilities				
Due to third parties	<u>\$ -</u>	<u>\$ 1,099,952</u>	<u>\$ 1,099,952</u>	<u>\$ -</u>
Law Library Fund				
Assets				
Cash and cash equivalents	\$ 426,207	\$ -	\$ 426,207	\$ -
Equity in pooled invested cash	-	496,904	64,875	432,029
	<u>\$ 426,207</u>	<u>\$ 496,904</u>	<u>\$ 491,082</u>	<u>\$ 432,029</u>

FREDERICK COUNTY, MARYLAND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
Liabilities				
Due to third parties	\$ 290,712	\$ 107,306	\$ 50,239	\$ 347,779
Bond forfeitures	133,150	550	49,450	84,250
External System Trans Clearing	2,345	2,345	4,690	-
Total Liabilities	<u>\$ 426,207</u>	<u>\$ 110,201</u>	<u>\$ 104,379</u>	<u>\$ 432,029</u>
Juror's Fund				
Assets				
Cash and cash equivalents	<u>\$ 13,870</u>	<u>\$ 49,763</u>	<u>\$ 44,543</u>	<u>\$ 19,090</u>
Liabilities				
Due to third parties	<u>\$ 13,870</u>	<u>\$ 34,004</u>	<u>\$ 28,784</u>	<u>\$ 19,090</u>
Revenue Sharing-457(b)/401(a) Fund				
Assets				
Cash and cash equivalents	\$ 69,301	\$ -	\$ 69,301	\$ -
Equity in pooled invested cash	-	140,527	140,527	-
	<u>\$ 69,301</u>	<u>\$ 140,527</u>	<u>\$ 209,828</u>	<u>\$ -</u>
Liabilities				
Due to third parties	<u>\$ 69,301</u>	<u>\$ 82,476</u>	<u>\$ 151,777</u>	<u>\$ -</u>
Totals - All Agency funds				
Assets				
Cash and cash equivalents	\$ 1,236,558	\$ 3,843,541	\$ 4,450,292	\$ 629,807
Equity in pooled invested cash	7,546,876	9,095,596	10,484,210	6,158,262
Total assets	<u>\$ 8,783,434</u>	<u>\$ 12,939,137</u>	<u>\$ 14,934,502</u>	<u>\$ 6,788,069</u>
Liabilities				
Due to third parties	\$ 4,550,503	\$ 4,935,124	\$ 6,449,307	\$ 3,036,320
Bond forfeitures	133,150	550	49,450	84,250
Performance deposits	4,097,436	762,480	1,192,417	3,667,499
External System Trans Clearing	2,345	2,345	4,690	-
Total liabilities	<u>\$ 8,783,434</u>	<u>\$ 5,700,499</u>	<u>\$ 7,695,864</u>	<u>\$ 6,788,069</u>

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE (1)
JUNE 30, 2019

	<u>2019</u>
Governmental funds capital assets	
Land and improvements	\$ 151,237,368
Buildings	207,421,956
Equipment	109,542,644
Infrastructure	418,244,041
Construction in progress	24,060,393
Total governmental funds capital assets	<u>\$ 910,506,402</u>
Investment in governmental funds capital assets by source	
Capital projects fund (2)	\$ 734,973,324
General fund	11,588,131
Special revenue funds	113,238,327
Donations	50,706,620
Total governmental funds capital assets	<u>\$ 910,506,402</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$37,513,202 are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Position.

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

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION (1)
JUNE 30, 2019

<u>Function</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government	\$ 3,159,743	\$ 50,964,676	\$ 22,459,253	\$ -	\$ -	\$ 76,583,672
Public safety	7,665,606	74,981,233	67,790,870	-	-	150,437,709
Public works	4,781,648	10,322,182	13,281,831	-	-	28,385,661
Public health	111,605	7,584,601	140,626	-	-	7,836,832
Social services	526,264	9,040,254	608,161	-	-	10,174,679
Recreation and culture	43,559,501	53,471,009	5,132,920	-	-	102,163,430
Conservation of natural resources	90,723,298	-	128,984	-	-	90,852,282
Economic development and opportunity	217,969	1,058,000	-	-	-	1,275,969
Infrastructure	491,734	-	-	418,244,041	-	418,735,775
Construction in progress	-	-	-	-	24,060,393	24,060,393
Total governmental funds capital assets	<u>\$ 151,237,368</u>	<u>\$ 207,421,955</u>	<u>\$ 109,542,645</u>	<u>\$ 418,244,041</u>	<u>\$ 24,060,393</u>	<u>\$ 910,506,402</u>

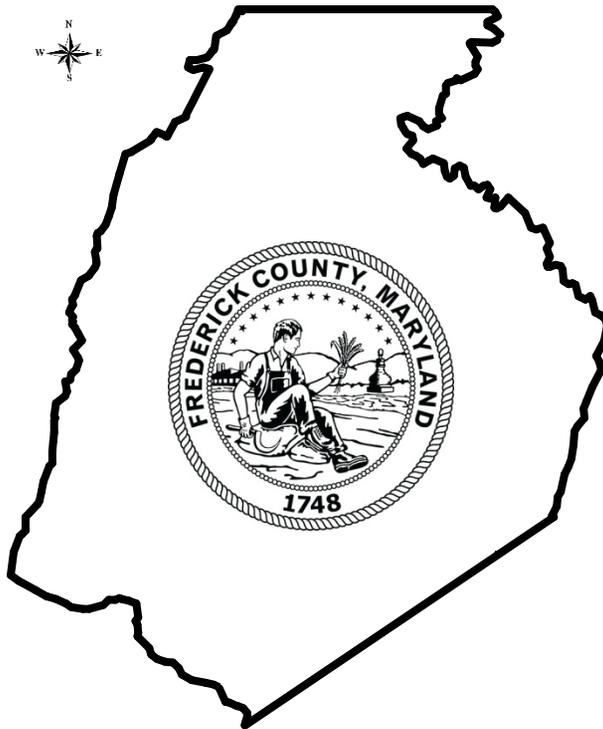
(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$37,513,202 are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Position.

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION (1)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Function</u>	Governmental Funds Capital Assets July 1, 2018	Additions	Deductions	Governmental Funds Capital Assets June 30, 2019
General government	\$ 74,061,148	\$ 3,139,848	\$ 617,325	\$ 76,583,671
Public safety	144,412,080	7,723,684	1,698,054	150,437,710
Public works	28,732,790	1,925,836	2,272,966	28,385,660
Public health	7,808,139	28,693	-	7,836,832
Social services	10,874,390	33,483	733,194	10,174,679
Recreation and culture	99,241,112	3,190,349	268,031	102,163,430
Conservation of natural resources	85,460,509	5,391,773	-	90,852,282
Economic development and opportunity	1,275,969	-	-	1,275,969
Infrastructure	389,492,137	29,280,810	37,171	418,735,776
Construction in progress	40,399,372	39,198,921	55,537,900	24,060,393
Total governmental funds capital assets	<u>\$ 881,757,646</u>	<u>\$ 89,913,397</u>	<u>\$ 61,164,641</u>	<u>\$ 910,506,402</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$37,513,202 are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Position.

STATISTICAL SECTION



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

	<u>2019</u>	<u>2018 (4)</u>	<u>2017</u>	<u>2016 (3)</u>	<u>2015</u>	<u>2014</u>	<u>2013 (2)</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Governmental activities										
Net Investment in capital assets	\$ 318,947,830	\$ 324,840,212	\$ 307,568,324	\$ 297,438,174	\$ 259,453,783	\$ 254,191,895	\$ 275,015,641	\$ 261,682,219	\$ 282,853,416	\$ 273,493,228
Restricted	200,971,860	173,536,423	163,711,175	182,283,535	145,342,639	138,179,573	180,302,326	146,940,466	143,503,406	184,828,765
Unrestricted (Deficit) (1)	<u>(255,175,876)</u>	<u>(323,725,357)</u>	<u>(233,227,495)</u>	<u>(235,936,549)</u>	<u>(183,217,496)</u>	<u>(178,367,506)</u>	<u>(238,490,895)</u>	<u>(191,281,325)</u>	<u>(228,733,110)</u>	<u>(288,083,336)</u>
Total governmental activities net position	<u>264,743,814</u>	<u>174,651,278</u>	<u>238,052,004</u>	<u>243,785,160</u>	<u>221,578,926</u>	<u>214,003,962</u>	<u>216,827,072</u>	<u>217,341,360</u>	<u>197,623,712</u>	<u>170,238,657</u>
Business-type activities										
Net Investment in capital assets	472,364,314	449,599,222	442,194,425	438,579,430	425,865,230	401,049,591	385,175,447	354,046,472	338,311,974	312,459,077
Restricted	30,968,191	38,935,350	27,602,398	8,854,679	2,036,901	1,326,742	2,401,597	456,221	4,371,265	9,714,241
Unrestricted (Deficit)	<u>154,769,121</u>	<u>122,915,156</u>	<u>118,937,571</u>	<u>101,822,626</u>	<u>105,728,749</u>	<u>107,306,474</u>	<u>101,996,356</u>	<u>101,593,763</u>	<u>98,317,538</u>	<u>77,554,957</u>
Total business-type activities net position	<u>658,101,626</u>	<u>611,449,728</u>	<u>588,734,394</u>	<u>549,256,735</u>	<u>533,630,880</u>	<u>509,682,807</u>	<u>489,573,400</u>	<u>456,096,456</u>	<u>441,000,777</u>	<u>399,728,275</u>
Primary government										
Net Investment in capital assets	791,312,144	774,439,434	749,762,749	736,017,604	685,319,013	655,241,486	660,191,088	615,728,691	621,165,390	585,952,305
Restricted	231,940,051	212,471,773	191,313,573	191,138,214	147,379,540	139,506,315	182,703,923	147,396,687	147,874,671	194,543,006
Unrestricted (Deficit) (1)	<u>(100,406,755)</u>	<u>(200,810,201)</u>	<u>(114,289,924)</u>	<u>(134,113,923)</u>	<u>(77,488,747)</u>	<u>(71,061,032)</u>	<u>(136,494,539)</u>	<u>(89,687,562)</u>	<u>(130,415,572)</u>	<u>(210,528,379)</u>
Total primary government net position	<u>\$ 922,845,440</u>	<u>\$ 786,101,006</u>	<u>\$ 826,786,398</u>	<u>\$ 793,041,895</u>	<u>\$ 755,209,806</u>	<u>\$ 723,686,769</u>	<u>\$ 706,400,472</u>	<u>\$ 673,437,816</u>	<u>\$ 638,624,489</u>	<u>\$ 569,966,932</u>

- (1) Deficits occur in unrestricted net position for governmental activities because the County issues debt to fund construction costs for the Board of Education yet the Board of Education owns the capital assets. See the Management's Discussion and Analysis for further details.
- (2) Restated due to the implementation of GASB Statement No. 65 in fiscal year 2014 required a restatement of unrestricted net position
- (3) Restated due to the implementation of GASB Statement No. 73 in fiscal year 2017 required a restatement of unrestricted net position
- (4) Restated due to the implementation of GASB Statement No. 75 in fiscal year 2018 required a restatement of unrestricted net position

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Expenses										
Governmental activities:										
General government	\$ 68,549,392	\$ 63,460,776	\$ 68,013,736	\$ 57,212,165	\$ 60,751,789	\$ 52,314,050	\$ 51,175,746	\$ 46,806,905	\$ 47,444,418	\$ 47,426,759
Public safety	131,166,006	118,905,575	113,039,674	109,986,688	102,524,827	102,479,766	97,785,269	94,646,502	94,014,597	96,002,101
Public works	52,700,033	53,272,452	44,509,357	46,776,331	37,487,379	36,262,384	35,874,382	38,137,648	38,082,578	42,608,184
Health	7,321,929	7,418,055	7,312,583	7,155,032	6,087,893	6,618,902	5,722,861	6,165,458	7,389,079	8,666,393
Social services	8,739,411	8,156,301	6,990,145	8,193,173	13,667,150	8,618,986	8,505,272	7,570,218	8,607,518	8,699,974
Education	314,234,528	351,197,463	331,171,787	286,993,704	271,936,166	269,815,733	249,689,186	253,445,819	255,092,160	296,413,864
Parks, recreation and culture	22,399,034	23,678,439	20,007,099	19,898,672	19,604,270	19,424,328	18,636,699	18,460,120	18,294,771	17,106,503
Conservation of natural resources	11,642,334	9,749,130	10,624,901	5,461,861	3,782,468	2,451,626	2,654,878	4,007,350	2,514,717	3,203,584
Community development and public housing	8,369,398	8,479,237	8,256,051	7,857,125	6,906,365	7,065,314	6,979,175	6,632,923	7,068,638	6,124,692
Economic development and opportunity	11,164,606	10,572,727	9,103,679	8,130,895	7,782,637	7,128,852	7,440,036	7,558,114	12,777,129	14,318,099
Interest on long term debt	18,789,477	18,792,919	17,918,468	19,414,360	17,826,278	18,608,011	19,465,343	19,546,097	15,104,694	17,983,300
Total governmental activities expenses	<u>655,076,148</u>	<u>673,683,074</u>	<u>636,947,480</u>	<u>577,080,006</u>	<u>548,357,222</u>	<u>530,787,952</u>	<u>503,928,847</u>	<u>502,977,154</u>	<u>506,390,299</u>	<u>558,553,453</u>
Business-type activities:										
Water and sewer	48,117,760	43,576,797	40,909,521	39,275,344	34,933,323	34,528,670	32,464,763	31,926,579	29,622,835	28,894,767
Solid waste management	23,730,871	27,238,710	19,648,104	20,021,489	19,829,130	19,474,982	18,365,946	17,878,124	19,949,545	20,467,049
Comprehensive care facility	27,350,922	25,858,932	20,679,299	-	-	21,928,222	22,407,711	20,203,892	19,217,797	19,389,965
Public housing	185,840	176,422	166,198	165,457	163,740	194,866	168,096	149,510	143,837	174,279
Permitting and development review	-	-	-	-	-	-	-	4,287,265	5,080,138	5,840,521
Total business-type activities expenses	<u>99,385,393</u>	<u>96,850,861</u>	<u>81,403,122</u>	<u>59,462,290</u>	<u>54,926,193</u>	<u>76,126,740</u>	<u>73,406,516</u>	<u>74,445,370</u>	<u>74,014,152</u>	<u>74,766,581</u>
Total primary government expenses	<u>\$ 754,461,541</u>	<u>\$ 770,533,935</u>	<u>\$ 718,350,602</u>	<u>\$ 636,542,296</u>	<u>\$ 603,283,415</u>	<u>\$ 606,914,692</u>	<u>\$ 577,335,363</u>	<u>\$ 577,422,524</u>	<u>\$ 580,404,451</u>	<u>\$ 633,320,034</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 49,171,958	\$ 35,709,760	\$ 31,796,658	\$ 23,323,815	\$ 19,555,583	\$ 16,430,929	\$ 15,442,981	\$ 8,208,837	\$ 7,755,507	\$ 9,934,491
Public safety	8,574,631	10,255,623	8,555,612	7,483,879	6,895,014	5,543,192	6,143,618	7,356,176	6,456,180	6,808,959
Public works	814,575	1,005,135	1,014,323	1,014,588	937,256	1,048,985	758,458	747,519	785,085	657,612
Health	248,377	316,946	345,202	257,160	239,230	293,068	253,721	271,307	43,167	1,895,940
Social services	1,767,433	1,958,040	1,812,220	1,840,224	1,514,741	1,334,066	1,870,902	1,532,062	1,388,107	1,309,912
Parks, recreation and culture	1,744,240	1,626,022	1,654,271	1,401,608	1,222,224	1,249,899	1,235,612	1,161,925	1,045,575	859,500
Conservation of natural resources	459,396	292,960	320,147	271,956	237,143	229,566	190,724	181,256	183,549	-
Community development and public housing	-	-	-	-	-	-	104,050	174,436	-	-
Economic development and opportunity	-	-	-	-	-	287,303	18,644	30,247	65,258	94,066
Operating grants and contributions:	27,056,986	27,818,407	24,429,063	21,321,993	23,553,216	20,861,610	20,368,814	18,668,608	22,050,865	23,530,387
Capital grants and contributions:	9,553,286	8,452,087	11,454,285	14,833,955	8,130,387	3,673,967	8,845,948	10,060,341	8,006,580	7,425,608
Total governmental activities program revenues	<u>\$ 99,390,882</u>	<u>\$ 87,434,980</u>	<u>\$ 81,381,781</u>	<u>\$ 71,749,178</u>	<u>\$ 62,284,794</u>	<u>\$ 50,952,585</u>	<u>\$ 55,233,472</u>	<u>\$ 48,392,714</u>	<u>\$ 47,779,873</u>	<u>\$ 52,516,475</u>

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Business-type activities:										
Charges for services:										
Water and sewer	\$ 40,678,445	\$ 39,897,755	\$ 34,597,137	\$ 31,400,630	\$ 28,935,733	\$ 26,515,370	\$ 24,453,219	\$ 24,539,136	\$ 24,274,317	\$ 20,874,838
Solid waste management	28,218,241	25,920,502	25,238,901	24,952,098	24,951,765	23,837,722	25,066,503	24,502,144	24,584,906	23,313,156
Comprehensive care facility	27,475,458	25,993,069	20,193,147	-	-	16,261,305	18,594,578	14,241,647	14,185,948	13,869,981
Public housing	129,366	128,367	127,729	126,095	125,304	120,875	114,488	108,478	94,815	94,164
Permitting and development review	-	-	-	-	-	-	-	3,838,228	4,350,081	5,216,087
Operating grants and contributions:	-	986	-	-	-	-	-	-	-	25,000
Capital grants and contributions:	45,159,377	25,227,165	39,754,531	21,740,182	24,576,946	25,481,073	36,011,030	15,481,330	40,907,293	27,684,963
Total business-type activities program revenues	141,660,887	117,167,844	119,911,445	78,219,005	78,589,748	92,216,345	104,239,818	82,710,963	108,397,360	91,078,189
Total primary government program revenues	\$ 241,051,769	\$ 204,602,824	\$ 201,293,226	\$ 149,968,183	\$ 140,874,542	\$ 143,168,930	\$ 159,473,290	\$ 131,103,677	\$ 156,177,233	\$ 143,594,664
Net (Expense)/Revenue										
Governmental activities	\$ (555,685,266)	\$ (586,248,094)	\$ (555,565,699)	\$ (505,330,828)	\$ (486,072,428)	\$ (479,835,367)	\$ (448,695,375)	\$ (454,584,440)	\$ (458,610,426)	\$ (506,036,978)
Business-type activities	42,275,494	20,316,983	38,508,323	18,756,715	23,663,555	16,089,605	30,833,302	8,265,593	34,383,208	16,311,608
Total primary government net expense	\$ (513,409,772)	\$ (565,931,111)	\$ (517,057,376)	\$ (486,574,113)	\$ (462,408,873)	\$ (463,745,762)	\$ (417,862,073)	\$ (446,318,847)	\$ (424,227,218)	\$ (489,725,370)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Local property taxes	\$ 322,656,757	\$ 308,184,413	\$ 293,611,922	\$ 282,362,326	\$ 271,031,681	\$ 267,892,085	\$ 259,687,605	\$ 280,654,804	\$ 289,330,130	\$ 289,144,746
Local income taxes	252,609,768	228,887,334	203,994,345	201,920,167	204,424,356	177,325,988	163,761,716	161,879,620	165,839,265	143,208,402
Other local taxes	44,428,145	40,061,715	38,329,124	32,936,414	27,257,030	25,883,856	26,244,396	19,886,169	21,938,991	23,080,409
Intergovernmental	-	-	-	-	-	-	-	3,200,000	3,676,983	-
Build America Bonds Subsidy	1,246,061	1,244,234	1,247,613	1,277,965	1,274,642	1,274,184	1,325,054	1,374,895	1,374,892	591,969
Grants & contributions not restricted to specific progra	-	-	-	-	-	-	-	-	-	-
Investment earnings	12,422,655	3,048,508	338,486	4,855,222	2,213,961	1,911,117	(945,754)	8,637,707	1,758,640	4,904,974
Miscellaneous	11,804,103	9,413,511	11,600,117	12,131,643	7,006,950	6,008,732	3,525,720	4,681,823	7,903,103	914,146
Gain / (Loss) on disposal of assets	(133,395)	384,230	284,109	-	(5,388)	-	230,352	-	-	-
Transfers	743,708	166,960	426,827	4,000,000	-	(3,283,705)	(2,782,241)	(6,012,930)	(5,826,523)	(8,381,479)
Total governmental activities	645,777,802	591,390,905	549,832,543	539,483,737	513,203,232	477,012,257	451,046,848	474,302,088	485,995,481	453,463,167
Business-type activities:										
Build America Bonds Subsidy	374,401	364,816	388,152	336,301	337,240	337,121	341,630	363,764	363,764	156,620
Investment earnings	4,611,389	2,107,163	1,033,861	-	366,410	382,050	469,201	447,281	642,203	892,586
Miscellaneous	-	79,277	934	532,839	-	16,926	19,585	6,111	56,804	661,855
Gain / (Loss) on disposal of assets	134,322	14,055	(26,784)	-	(419,132)	-	(215,886)	-	-	-
Transfers	(743,708)	(166,960)	(426,827)	(4,000,000)	-	3,283,705	2,782,241	6,012,930	5,826,523	8,381,479
Total business-type activities	4,376,404	2,398,351	969,336	(3,130,860)	284,518	4,019,802	3,396,771	6,830,086	6,889,294	10,092,540
Total primary government	\$ 650,154,206	\$ 593,789,256	\$ 550,801,879	\$ 536,352,877	\$ 513,487,750	\$ 481,032,059	\$ 454,443,619	\$ 481,132,174	\$ 492,884,775	\$ 463,557,707
Change in Net Position										
Governmental activities	\$ 90,092,536	\$ 5,142,811	\$ (5,733,156)	\$ 34,152,909	\$ 27,130,804	\$ (2,823,110)	\$ 2,351,473	\$ 19,717,648	\$ 27,385,055	\$ (52,573,811)
Business-type activities	46,651,898	22,715,334	39,477,659	15,625,855	23,948,073	20,109,407	34,230,073	15,095,679	41,272,502	26,404,148
Total primary government	\$ 136,744,434	\$ 27,858,145	\$ 33,744,503	\$ 49,778,764	\$ 51,078,877	\$ 17,286,297	\$ 36,581,546	\$ 34,813,327	\$ 68,657,557	\$ (26,169,663)

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010(1)
General Fund										
Nonspendable	\$ 1,331,441	\$ 2,229,603	\$ 2,289,616	\$ 2,460,677	\$ 2,106,066	\$ 875,623	\$ 1,448,707	\$ 1,245,845	\$ 1,648,689	\$ -
Restricted	923,383	948,467	1,144,725	1,811,085	2,284,366	1,789,157	3,075,002	1,481,720	1,748,141	-
Committed	95,977,890	83,364,687	85,447,354	85,472,727	70,701,317	28,937,617	25,194,232	22,808,337	21,460,449	-
Assigned	18,022,430	15,879,549	6,101,299	6,157,055	5,105,750	45,598,798	64,137,601	74,564,269	59,868,123	-
Unassigned	300,000	300,000	300,000	300,000	300,000	300,000	500,000	500,000	500,000	-
Total General Fund	116,555,144	102,722,306	95,282,994	96,201,544	80,497,499	77,501,195	94,355,542	100,600,171	85,225,402	-
All other Governmental Funds										
Nonspendable										
Special revenue funds	142,663	68,514	-	6,994,203	7,444,229	6,752,481	5,721,414	5,890,746	5,527,435	-
Restricted										
Capital project funds	61,163,223	36,790,982	31,645,560	83,037,492	29,625,910	22,756,077	40,695,165	26,378,793	15,301,345	-
Debt Service fund	65,324,590	66,579,921	68,405,176	-	-	-	-	-	-	-
Special revenue funds	4,654,874	4,788,291	4,672,649	1,872,261	1,986,081	1,729,249	1,730,552	2,216,834	1,885,830	-
Committed										
Capital project funds	43,440,533	62,057,709	56,382,750	64,277,420	61,532,982	56,746,856	51,814,834	39,012,874	28,461,553	-
Special revenue funds	64,022,464	56,678,124	53,082,809	52,533,574	50,610,317	46,106,305	45,795,195	49,323,414	49,659,195	-
Assigned										
Debt Service fund	2,414,441	5,444,470	4,374,736	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	5,645,840	6,279,023	11,286,926	5,915,306	-
Total all other governmental funds	241,162,788	232,408,011	218,563,680	208,714,950	151,199,519	139,736,808	152,036,183	134,109,587	106,750,664	-
General Fund										
Reserved	-	-	-	-	-	-	-	-	-	2,712,109
Unreserved										
Designated	-	-	-	-	-	-	-	-	-	34,083,914
Undesignated	-	-	-	-	-	-	-	-	-	20,360,666
Total General Fund	-	-	-	-	-	-	-	-	-	57,156,689
All other Governmental Funds										
Reserved	-	-	-	-	-	-	-	-	-	60,726,010
Unreserved										
Designated										
Special revenue funds	-	-	-	-	-	-	-	-	-	77,153,427
Undesignated										
Capital project funds	-	-	-	-	-	-	-	-	-	11,442,860
Special revenue funds	-	-	-	-	-	-	-	-	-	23,122,490
Total all other governmental funds	-	-	-	-	-	-	-	-	-	172,444,787
Total Governmental Fund Balance	\$ 357,717,932	\$ 335,130,317	\$ 313,846,674	\$ 304,916,494	\$ 231,697,018	\$ 217,238,003	\$ 246,391,725	\$ 234,709,758	\$ 191,976,066	\$ 229,601,476

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

(2) Restated

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues										
Local property taxes	\$ 322,884,602	\$ 308,037,634	\$ 293,528,978	\$ 282,362,800	\$ 271,415,720	\$ 267,862,169	\$ 259,514,346	\$ 280,559,892	\$ 289,635,356	\$ 288,983,632
Local income taxes	236,272,579	217,210,924	202,906,047	203,361,507	195,202,656	174,145,880	176,068,392	169,760,329	157,826,635	146,332,338
Other local taxes	46,076,846	41,716,007	39,937,950	34,539,017	28,836,221	27,401,993	27,730,818	21,465,211	23,529,980	25,219,644
Licenses and permits	6,637,041	5,870,061	5,531,434	4,781,330	4,094,070	3,360,551	2,974,589	532,074	517,020	508,039
Grants from federal government	18,949,590	23,301,956	19,562,749	23,577,357	17,301,232	14,384,629	15,412,690	16,645,496	20,508,653	20,900,126
Grants from state government	18,035,651	13,343,947	16,499,117	12,685,953	14,067,186	8,004,219	11,107,191	9,017,538	9,542,786	9,684,799
Intergovernmental	-	-	-	-	-	-	-	3,200,000	3,676,983	-
Charges for services	54,085,952	41,607,173	37,851,416	29,101,150	25,074,489	22,750,120	21,688,995	15,866,215	15,401,850	18,437,255
Fines and forfeitures	255,800	310,369	288,871	295,013	402,343	266,718	502,583	212,745	272,540	225,230
Interest from loans	-	34	298	4,721	2,201	23,312	23,219	25,632	26,130	36,243
Investment income	12,170,159	2,871,799	248,415	4,820,107	2,193,040	1,862,271	(996,954)	8,575,492	1,696,828	4,829,617
Build America bond subsidy	1,253,644	1,254,053	1,247,613	1,277,965	1,275,215	1,265,591	1,374,894	1,374,895	1,393,990	-
Miscellaneous	7,020,621	7,433,392	8,317,174	8,028,474	6,920,048	8,261,245	3,851,416	4,402,651	3,700,464	2,621,349
Total revenues	<u>723,642,485</u>	<u>662,957,349</u>	<u>625,920,062</u>	<u>604,835,394</u>	<u>566,784,421</u>	<u>529,588,698</u>	<u>519,252,179</u>	<u>531,638,170</u>	<u>527,729,215</u>	<u>517,778,272</u>
Expenditures										
Current										
General government	49,505,808	44,818,908	44,901,162	42,600,221	41,515,466	38,637,465	37,810,525	32,732,501	31,033,301	31,630,270
Public safety	121,994,860	117,507,126	112,413,340	105,100,235	102,933,508	96,852,558	96,758,110	91,044,159	86,282,410	91,382,456
Public works	29,787,527	28,128,388	24,760,896	27,662,046	25,594,930	24,590,164	22,335,990	23,097,616	22,071,591	26,459,278
Health	7,371,604	7,468,654	7,403,305	6,864,090	6,407,492	6,446,902	5,936,409	5,999,958	6,553,649	7,959,216
Social services	8,473,225	7,895,895	7,163,574	7,101,453	12,959,464	7,420,761	6,861,672	6,836,930	7,339,050	7,862,659
Education	301,059,766	287,567,740	273,253,016	264,499,491	256,036,118	255,444,856	251,123,285	243,014,146	241,906,846	243,159,708
Parks, recreation and culture	19,067,361	17,589,839	17,153,413	16,418,611	16,039,160	15,791,538	15,142,891	14,645,090	13,977,415	14,161,782
Conservation of natural resources	11,353,474	11,549,402	12,272,476	10,967,872	7,135,337	5,311,395	4,249,374	5,617,846	9,155,146	11,438,864
Community development and public housing	8,408,070	8,517,484	8,275,968	7,858,215	6,925,622	7,063,243	6,997,550	6,648,743	7,033,746	6,078,956
Economic development and opportunity	11,200,665	10,697,281	9,151,557	8,089,745	7,808,805	7,137,461	7,524,458	7,589,188	11,815,100	13,469,494
Miscellaneous	4,330,921	1,864,036	4,641,857	6,393,719	3,665,209	2,967,580	5,824,185	1,104,915	1,322,468	1,451,118
Intergovernmental	5,463,438	5,392,457	5,102,156	5,057,136	4,876,200	4,812,532	5,077,122	8,768,154	7,451,352	6,651,041
Debt service										
Principal	43,251,842	40,698,573	40,521,476	38,547,782	36,280,911	33,334,242	33,334,244	30,689,502	27,242,262	25,866,128
Interest	22,361,610	17,739,886	17,739,886	17,791,749	18,215,612	20,791,313	19,402,391	21,317,629	23,543,184	18,123,755
Capital projects	65,349,543	127,082,296	103,057,067	62,117,010	45,349,937	30,550,542	16,655,781	45,867,283	68,903,882	97,440,556
Total expenditures	<u>708,979,714</u>	<u>734,517,965</u>	<u>687,811,149</u>	<u>627,069,375</u>	<u>591,743,771</u>	<u>557,152,552</u>	<u>535,033,987</u>	<u>544,973,660</u>	<u>565,631,402</u>	<u>603,135,281</u>
Excess of revenues over expenditures	<u>14,662,771</u>	<u>(71,560,616)</u>	<u>(61,891,087)</u>	<u>(22,233,981)</u>	<u>(24,959,350)</u>	<u>(27,563,854)</u>	<u>(15,781,808)</u>	<u>(13,335,490)</u>	<u>(37,902,187)</u>	<u>(85,357,009)</u>

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Other Financing Sources (Uses)										
Transfers in from:										
General Fund	\$ 65,748,719	\$ 61,722,743	\$ 60,410,203	\$ 17,980,116	\$ 15,748,182	\$ 14,146,422	\$ 23,076,713	\$ 16,548,559	\$ 9,055,525	\$ 7,373,865
Special Revenue Funds	4,232,755	3,198,428	7,956,116	-	-	-	7,222,796	400,000	696,364	3,025,753
Capital Projects Fund	11,971,181	11,453,087	11,340,453	-	-	-	-	-	4,500,000	2,691,419
Enterprise Funds	633,377	119,000	-	4,000,000	-	-	1,410,316	-	-	38,360
Internal Service Funds	-	-	-	-	3,235,721	300,000	51,300	-	1,674,000	1,000,000
Transfer out to:										
General Fund	(295,252)	-	-	-	-	-	(6,987,796)	-	(5,047,695)	(2,487,108)
Special Revenue Funds	(6,725,940)	(6,234,579)	(6,139,510)	(5,440,407)	(5,715,547)	(5,402,015)	(14,240,588)	(7,044,110)	(5,972,843)	(8,862,176)
Capital Projects Fund	(17,107,782)	(14,954,639)	(13,055,192)	(12,539,709)	(10,032,635)	(8,744,407)	(9,071,125)	(9,904,449)	(3,231,351)	(1,741,753)
Enterprise Funds	-	-	(2,999,332)	-	-	(2,583,705)	(4,192,557)	(6,012,930)	(5,735,201)	(8,481,582)
Internal Service Funds	(1,244,049)	(1,323,181)	(795,276)	(276,478)	(171,288)	-	-	-	(129,592)	(250,648)
Debt Service Fund	(57,823,681)	(55,185,040)	(60,512,070)	-	-	-	-	-	-	-
Gain on sale of property	-	-	-	-	350,000	-	-	-	-	-
Proceeds from public facilities and refunding bonds	-	120,326,182	56,901,147	112,006,339	87,103,930	-	78,746,393	120,557,832	-	173,041,815
Payment to refunded bond escrow agent	-	(43,852,615)	-	(34,523,171)	(54,546,633)	-	(51,773,701)	(81,114,121)	-	(59,789,074)
Payment to refunded lease escrow agent	-	-	-	-	(910,517)	-	-	-	-	-
Bond premium on public facilities and refunding bonds	-	15,198,824	12,039,897	11,508,322	2,375,660	-	3,222,024	18,317,929	-	10,503,504
Installment purchase agreement	1,527,513	2,376,049	1,970,599	2,738,445	1,981,492	693,837	-	1,587,605	4,467,570	6,509,802
Proceeds of capital lease	7,008,003	-	3,704,232	-	-	-	-	2,679,047	-	-
Sale of capital assets	-	-	-	-	-	-	-	53,820	-	45,918
Total other financing sources (uses)	<u>7,924,844</u>	<u>92,844,259</u>	<u>70,821,267</u>	<u>95,453,457</u>	<u>39,418,365</u>	<u>(1,589,868)</u>	<u>27,463,775</u>	<u>56,069,182</u>	<u>276,777</u>	<u>122,618,095</u>
Net change in fund balances	<u>\$ 22,587,615</u>	<u>\$ 21,283,643</u>	<u>\$ 8,930,180</u>	<u>\$ 73,219,476</u>	<u>\$ 14,459,015</u>	<u>\$ (29,153,722)</u>	<u>\$ 11,681,967</u>	<u>\$ 42,733,692</u>	<u>\$ (37,625,410)</u>	<u>\$ 37,261,086</u>
Total expenditures	\$ 708,979,714	\$ 734,517,965	\$ 687,811,149	\$ 627,069,375	\$ 591,743,771	\$ 557,152,552	\$ 535,033,987	\$ 544,973,660	\$ 565,631,402	\$ 603,135,281
Less: Capital outlay	(3,133,403)	(10,926,354)	(6,765,350)	(885,721)	(3,307,691)	(4,692,445)	(167,076)	(4,331,574)	(6,402,058)	(16,999,763)
Noncapital expenditures	<u>\$ 705,846,311</u>	<u>\$ 723,591,611</u>	<u>\$ 681,045,799</u>	<u>\$ 626,183,654</u>	<u>\$ 588,436,080</u>	<u>\$ 552,460,107</u>	<u>\$ 534,866,911</u>	<u>\$ 540,642,086</u>	<u>\$ 559,229,344</u>	<u>\$ 586,135,518</u>
Debt service	<u>\$ 65,613,452</u>	<u>\$ 58,438,459</u>	<u>\$ 58,261,362</u>	<u>\$ 56,339,531</u>	<u>\$ 54,496,523</u>	<u>\$ 54,125,555</u>	<u>\$ 52,736,635</u>	<u>\$ 52,007,131</u>	<u>\$ 50,785,446</u>	<u>\$ 43,989,883</u>
Debt service as a percentage of noncapital expenditures	9.30%	8.08%	8.55%	9.00%	9.26%	9.80%	9.86%	9.62%	9.08%	7.51%

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

Fiscal Year	Real Property Taxable Assessed Value					Limited Business Personal Property (4)		Total	
	Residential Property	Commercial Property	Industrial Property	Total Real Property	Direct Tax Rate (1)	Public Utilities		Taxable Assessed Value	Direct Tax Rate (1) (3)
						Taxable Assessed Value	Direct Tax Rate (1) (2)		
2019	\$ 23,868,391,244	\$ 5,392,964,469	\$ 1,428,302,251	\$ 30,689,657,964	1.060	\$ 416,801,030	2.65	\$ 31,106,458,994	1.081
2018	22,758,173,436	5,209,332,611	1,396,834,400	29,364,340,447	1.060	393,853,430	2.65	29,758,193,877	1.081
2017	21,635,023,165	5,027,530,566	1,310,743,601	27,973,297,332	1.060	374,887,120	2.65	28,348,184,452	1.081
2016	20,809,732,203	4,793,034,691	1,282,299,164	26,885,066,058	1.060	342,546,890	2.34	27,227,612,948	1.076
2015	20,062,491,947	4,672,981,701	1,279,373,375	26,014,847,023	1.060	302,584,420	2.34	26,317,431,443	1.075
2014	19,696,121,250	4,509,960,797	1,259,675,094	25,465,757,141	1.064	299,508,700	2.34	25,765,265,841	1.079
2013	19,711,683,572	4,482,673,576	1,279,054,781	25,473,411,929	0.936	298,056,050	2.34	25,771,467,979	0.952
2012	20,114,709,447	4,638,038,491	1,259,251,162	26,011,999,100	0.936	294,258,800	2.34	26,306,257,900	0.952
2011	20,722,341,796	4,626,661,711	1,260,344,245	26,609,347,752	0.936	295,566,800	2.34	26,904,914,552	0.951
2010	20,475,208,672	4,559,184,750	1,278,493,699	26,312,887,121	0.936	298,307,100	2.34	26,611,194,221	0.952

Source: County Treasury Office and Maryland State Department of Assessments and Taxation

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

(1) Per \$100 of assessed value

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

(3) The Total Direct Tax Rate is the weighted average of the real property and public utilities limited personal property direct rates.

(4) Percent of assessment for this subclass of personal property is 55% and applies only to machinery and equipment, other than operating personal property of a public utility, that is used to generate electricity or steam for sale, or hot or chilled water for sale that is used to heat or cool a building.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Direct Real Property Tax Rates										
Frederick County (1)	\$ 1.060	\$ 1.060	\$ 1.060	\$ 1.060	\$ 1.060	\$ 1.064	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936
Total Direct Real Property Tax Rates	<u>\$ 1.060</u>	<u>\$ 1.064</u>	<u>\$ 0.936</u>	<u>\$ 0.936</u>	<u>\$ 0.936</u>	<u>\$ 0.936</u>				
Overlapping real property tax rates										
<u>Fire and lighting tax districts</u>										
Suburban Fire/Rescue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080
Urban Fire/Rescue	-	-	-	-	-	-	0.128	0.128	0.128	0.128
Braddock lighting tax district	0.015	0.015	0.015	0.015	0.018	0.018	0.010	0.010	0.006	0.006
Libertytown lighting tax district	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.013
New Addition lighting tax district	0.017	0.017	0.017	0.017	0.013	0.013	0.090	0.010	0.007	0.007
State	0.112	0.112	0.112	0.112	0.112	0.112	0.112	0.112	0.112	0.112
<u>Municipalities</u>										
Brunswick	0.420	0.430	0.440	0.462	0.462	0.462	0.462	0.462	0.462	0.422
Burkittsville	0.190	0.190	0.190	0.190	0.140	0.140	0.140	0.140	0.140	0.140
Emmitsburg	0.360	0.360	0.360	0.360	0.360	0.360	0.360	0.360	0.360	0.360
Frederick	0.731	0.731	0.731	0.731	0.731	0.731	0.732	0.650	0.650	0.650
Middletown	0.232	0.232	0.232	0.232	0.232	0.232	0.232	0.232	0.232	0.232
Mt. Airy	0.166	0.166	0.170	0.170	0.170	0.170	0.170	0.170	0.170	0.165
Myersville	0.376	0.391	0.391	0.391	0.391	0.391	0.391	0.274	0.274	0.274
New Market	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120
Rosemont	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040
Thurmont	0.304	0.285	0.293	0.302	0.310	0.309	0.308	0.260	0.260	0.260
Walkersville	0.160	0.160	0.160	0.150	0.150	0.150	0.170	0.170	0.156	0.156
Woodsboro	0.124	0.126	0.125	0.126	0.127	0.128	0.128	0.130	0.120	0.120

(1) In FY2019, the County offered a tax differential to any municipality that wanted to substitute the tax rate with the current tax equity program.

County's Frederick City tax differential rate: 0.9413

County's Myersville tax differential rate: 0.9333

Source: County Treasury Office

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

<u>Name of Taxpayer</u>	<u>Fiscal Year 2019</u>			<u>Fiscal Year 2010</u>		
	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>
Potomac Edison Company	\$ 188,864,950	1	0.61 %	\$ 120,141,270	1	0.45 %
Astrazeneca Pharmaceuticals	116,227,000	2	0.37	50,129,033	4	0.19
RIV 402, LLC	99,260,367	3	0.32	-	-	-
PR Financing Limited Partnership	80,423,300	4	0.26	72,606,500	3	0.27
Costco Wholesale Corporation	66,710,800	5	0.21	-	-	-
Dominion Transmission Corporation	59,873,220	6	0.19	-	-	-
Homewood at Frederick MD Inc	55,238,400	7	0.18	-	-	-
River X, LLC	53,949,267	8	0.17	40,716,866	9	0.15
Washington Gas Light Company	53,783,900	9	0.17	40,878,040	8	0.15
YBC Investors LLC	50,674,900	10	0.16	-	-	-
Verizon	-	-	-	92,766,470	2	0.35
WRIT Frederick Crossing Land, LLC	-	-	-	45,863,500	5	0.17
State Farm Mutual Auto Insurance	-	-	-	41,615,200	6	0.16
Westview Corporate Center	-	-	-	41,294,500	7	0.16
Fannie Mae	-	-	-	36,348,000	10	0.14
Totals	<u>\$ 825,006,104</u>		<u>2.65 %</u>	<u>\$ 582,359,379</u>		<u>2.19 %</u>

Source: County Treasury Office

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

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year (Original Levy)</u>	<u>Adjustments (1)</u>	<u>Total Adjusted Levy</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
				<u>Amount</u>	<u>Percentage of Original Levy</u>		<u>Amount</u>	<u>Percentage of Adjusted Levy</u>
2019	\$ 310,250,830	\$ (1,969,739)	\$ 308,281,091	\$ 308,100,885	99.94 %	\$ -	\$ 308,100,885	99.94 %
2018	295,980,742	(1,920,093)	294,060,650	293,695,909	99.88	229,196	293,925,105	99.95
2017	282,599,043	(2,049,697)	280,549,346	280,316,897	99.92	125,547	280,442,444	99.96
2016	271,195,289	(1,674,469)	269,520,820	269,144,537	99.86	(172,798)	268,971,739	99.80
2015	261,968,145	(1,625,791)	260,342,354	260,153,968	99.93	13,923	260,167,891	99.93
2014	258,299,607	(1,435,910)	256,863,697	256,652,511	99.92	85,286	256,737,797	99.95
2013	226,706,549	(1,920,093)	224,786,456	224,912,437	100.06	238,343	225,150,780	100.16
2012	240,261,872	(1,868,202)	238,393,670	238,135,801	99.89	140,334	238,276,135	99.95
2011	245,857,629	(2,208,994)	243,648,635	243,347,532	99.88	213,743	243,561,275	99.96
2010	243,164,858	(1,913,319)	241,251,539	240,846,665	99.83	352,037	241,198,702	99.98

Source: County Treasury Office

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

(1) For fiscal years 2010 through 2019, only additions and abatements are included in this column.

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

Governmental Activities						
Fiscal Year	General Obligation Bonds (1)	Notes from Direct Borrowings & Direct Placements	Capital Leases	Notes Payable	Agricultural Preservation Installment Purchase Agreements	Total Governmental Activities
2019	\$ 465,331,349	\$ 20,263,703	\$ 9,540,862	\$ 26,100	\$ 50,654,101	\$ 545,816,115
2018	512,600,827	20,358,806	3,239,985	38,042	50,618,445	586,856,105
2017	461,159,303	20,425,005	3,704,232	49,302	49,113,314	534,451,156
2016	467,042,767	20,491,203	106,708	59,918	52,440,249	540,140,845
2015	417,177,384	20,491,204	289,042	69,927	52,332,153	490,359,710
2014	433,189,044	-	1,474,560	335,652	53,505,061	488,504,317
2013	448,464,372	-	2,260,619	375,438	53,783,983	504,884,412
2012	443,447,989	-	3,516,894	1,244,870	54,611,083	502,820,836
2011	415,119,045	-	4,071,505	2,092,380	53,023,478	474,306,408
2010	442,861,027	-	5,850,235	2,922,118	48,555,908	500,189,288

Business-Type Activities								
Fiscal Year	General Obligation Bonds (1)	Notes from Direct Borrowings & Direct Placements	Capital Leases	Notes Payable	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
2019	\$ 138,399,421	\$ 10,071,297	\$ 319,416	\$ 49,653,340	\$ 198,443,474	\$ 744,259,589	N/A	\$ 2,863
2018	152,461,139	10,131,194	163,353	54,221,271	216,976,957	803,833,062	N/A	3,149
2017	148,748,940	10,179,995	231,830	57,353,912	216,514,677	750,965,833	5.0%	3,013
2016	103,784,507	10,228,796	287,798	62,247,445	176,548,546	716,689,390	5.2%	2,902
2015	106,048,518	10,228,796	-	67,187,542	183,464,856	673,824,566	5.2%	2,765
2014	123,494,437	-	-	71,834,384	195,328,821	683,833,138	5.3%	2,839
2013	126,747,752	-	-	65,748,564	192,496,316	697,380,728	5.9%	2,926
2012	136,436,986	-	-	51,144,933	187,581,919	690,402,755	5.8%	2,919
2011	147,577,338	-	-	44,100,674	191,678,012	665,984,420	6.0%	2,829
2010	158,045,900	-	-	31,250,960	189,296,860	689,486,148	6.4%	2,910

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

(1) Presented net of unamortized premium/discount.

(2) See Exhibit III-A-13 for personal income and population data. (All information updated as of June 30, 2019)

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

<u>Fiscal Year</u>	<u>General Obligation Debt (1)</u>	<u>Installment Purchase Agreements (2)</u>	<u>Less Amounts to be Paid with Other Resources (3)</u>	<u>Total Net General Obligation Debt Outstanding</u>	<u>Percentage of Total Estimated Actual Value of Taxable Property (4)</u>	<u>Per Capita (4)</u>
2019	\$ 634,065,770	\$ 50,654,101	\$ (82,095,000)	\$ 602,624,871	1.94%	\$ 2,318
2018	695,551,966	50,618,445	(82,095,000)	664,075,411	2.23%	2,602
2017	640,513,242	49,113,314	(82,095,000)	607,531,556	2.14%	2,437
2016	601,547,272	52,440,249	-	653,987,521	2.40%	2,648
2015	553,945,902	52,332,153	-	606,278,055	2.30%	2,488
2014	556,683,481	53,505,061	-	610,188,542	2.37%	2,533
2013	575,212,124	53,783,983	-	628,996,107	2.44%	2,639
2012	579,884,975	54,611,083	-	634,496,058	2.41%	2,682
2011	562,696,383	53,023,478	-	615,719,861	2.29%	2,616
2010	600,906,927	48,555,908	-	649,462,835	2.44%	2,783

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

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

**FREDERICK COUNTY, MARYLAND
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2019**

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct:			
Frederick County	\$ 545,816,116	100%	\$ 545,816,116
Overlapping Debt:			
Component Units:			
Frederick County Public Schools	24,710,036	100%	24,710,036
Frederick Community College	5,651,790	100%	5,651,790
Towns, Cities and Villages:			
Brunswick	428,451	100%	428,451
Emmitsburg	203,831	100%	203,831
Frederick City	63,729,357	100%	63,729,357
Middletown	2,358,364	100%	2,358,364
Myersville	4,329,038	100%	4,329,038
Subtotal Overlapping:	<u>101,410,867</u>		<u>101,410,867</u>
Totals	<u>\$ 647,226,983</u>		<u>\$ 647,226,983</u>

Source: Division of Finance

(1) Debt repaid by general government activities

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014 (3)</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Debt limitation	\$ 1,692,327,206	\$ 1,613,639,986	\$ 1,551,079,602	\$ 1,495,999,620	\$ 1,545,915,950	\$ 1,546,288,079	\$ 1,578,375,474	\$ 1,614,294,873	\$ 1,596,671,653
Total debt applicable to limit (2)	<u>701,148,445</u>	<u>652,533,314</u>	<u>626,480,249</u>	<u>586,867,153</u>	<u>195,328,821</u>	<u>192,126,399</u>	<u>185,262,503</u>	<u>184,227,695</u>	<u>183,492,836</u>
Legal debt margin	<u>\$ 991,178,761</u>	<u>\$ 961,106,672</u>	<u>\$ 924,599,353</u>	<u>\$ 909,132,467</u>	<u>\$ 1,350,587,129</u>	<u>\$ 1,354,161,680</u>	<u>\$ 1,393,112,971</u>	<u>\$ 1,430,067,178</u>	<u>\$ 1,413,178,817</u>
Total net debt applicable to the limit as a percentage of debt limit	41.43%	40.44%	40.39%	39.23%	12.64%	12.43%	11.74%	11.41%	11.49%

Legal debt margin calculation for Fiscal Year 2019 (4)

Assessable Basis - Real Property (1)	\$ 30,689,657,964	
Debt limitation - 5% of assessable basis in real property (1)		\$ 1,534,482,898
Assessable Basis - Personal Property (public utilities)	416,801,030	
Debt limitation - 15% of assessable basis in personal property		<u>62,520,155</u>
Total Debt Limit		1,597,003,053
Amount of Debt Applicable to Debt Limit:		
Total Bonds Payable		596,910,000
Total Installment Purchase Agreements		<u>50,654,101</u>
Total debt applicable to limit		<u>647,564,101</u>
Legal debt margin		<u>\$ 949,438,952</u>
Total net debt applicable to the limit as a percentage of debt limit		40.55%

(1) Source - Maryland State Department of Assessments and Taxation; all other data - Division of Finance

(2) The total debt applicable to the limit is for bonds and notes issued pursuant to Chapter 2-13-13. Water, sewers, drains and solid waste of Part II, Code of Public Laws of Frederick County, 1979. Fiscal year 2013 and prior are sh net of unamortized premium/discount and deferred loss on bond refunding.

(3) With the implementation of GASB 65 in fiscal year 2014, the general obligation bonds are presented net of unamortized premium/discount. Deferred loss on bond refundings is no longer considered part of outstanding debt.

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

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

<u>Year</u>	<u>Population(1)</u>	<u>Personal Income (thousands of dollars) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Public School Enrollment (3)</u>	<u>Community College Academic State FTE (4)</u>			<u>Unemployment Rate (5)</u>
					<u>Credit</u>	<u>Non- Credit</u>	<u>Total</u>	
2019	259,942	N/A	N/A	42,789	3,293	639	3,932	3.6%
2018	255,265	N/A	N/A	42,204	3,534	652	4,186	4.1
2017	249,277	\$ 14,934,448	\$ 59,259	41,378	3,424	647	4,071	3.7
2016	246,972	13,882,887	56,072	40,720	3,594	613	4,207	4.0
2015	243,692	13,447,457	54,803	40,757	3,582	560	4,142	5.0
2014	240,911	12,918,918	53,040	40,715	3,672	529	4,201	5.4
2013	238,345	12,477,615	51,736	40,527	3,798	534	4,332	6.6
2012	236,551	12,405,485	51,774	40,487	3,842	571	4,413	5.9
2011	235,400	12,041,181	50,738	40,484	4,055	553	4,608	6.5
2010	233,385	11,498,846	49,098	40,210	4,068	319	4,387	6.6

Sources: (1) Frederick County Planning and Permitting Division Population Estimates
(2) US Bureau of Economic Analysis (All data updated as of March 6, 2019)
(3) Frederick County Board of Education
(4) Frederick Community College
(5) Maryland Department of Labor, Licensing & Regulation
N/A - Not available

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

<u>Employer</u>	<u>2019</u>			<u>2010</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment *</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment *</u>
Fort Detrick	10,078 *	1	9.68 %	9,200 *	1	10.05 %
Frederick County Board of Education	5,863	2	5.63	5,384	2	5.88
Frederick Memorial Healthcare System	2,618	3	2.52	2,295	4	2.51
Leidos Biomedical (formerly SAIC-Frederick)	2,277	4	2.19	1,965	6	2.15
Frederick County Government	2,175	5	2.09	2,404	3	2.63
Wells Fargo Home Mortgage	1,400	6	1.34	1,500	7	1.64
Frederick Community College	1,115	7	1.07	899	9	0.98
Frederick City Government	931	8	0.89	-	-	-
NVR, Inc.	683	9	0.66	-	-	-
AstraZeneca	675	10	0.65	-	-	-
United Health Care (formerly MAMSI)	-	-	-	832	10	0.91
Bechtel Corporation (formerly Bechtel Power)	-	-	-	2,203	5	2.41
CitiMortgage	-	-	-	900	8	0.98
	<u>27,815</u>		<u>26.72 %</u>	<u>27,582</u>		<u>30.14 %</u>

* Includes military personnel

Source: Frederick County Office of Economic Development

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

<u>Function/Program</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General government	349	341	338	318	291	287	294	303	332	356
Public safety	967	915	898	837	819	808	810	820	801	831
Public works	394	402	385	374	370	343	359	376	407	422
Health	153	149	154	157	158	157	316	298	318	326
Social services	111	106	104	98	97	97	101	105	109	138
Parks, recreation and culture	46	46	46	46	45	48	46	45	46	46
Library	106	119	115	115	107	111	111	114	119	117
Conservation of natural resources	8	8	8	7	7	8	7	7	5	7
Community dev. & public housing	11	11	11	10	9	9	9	9	9	11
Economic dev. & opportunity	39	37	34	30	33	28	31	31	33	114
Total	<u>2,184</u>	<u>2,134</u>	<u>2,093</u>	<u>1,992</u>	<u>1,936</u>	<u>1,896</u>	<u>2,084</u>	<u>2,108</u>	<u>2,179</u>	<u>2,368</u>

Source: Division of Finance

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

Function/Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government										
Human Resources										
Employment announcements issued	333	314	323	297	228	220	219	256	180	110
Employment applications received/reviewed	15,227	13,755	14,976	13,947	12,219	12,500	9,392	8,993	7,515	4,698
Finance/Accounting										
Accounts payable checks/ACH's generated	23,359	21,639	19,315	19,223	19,160	20,163	20,766	21,056	22,310	21,580
Procurement & Contracting										
Formal bids, sole source & emergencies	614	406	287	286	265	223	185	211	204	203
Treasurer										
Invoices prepared	2,332	2,447	1,874	1,791	1,953	2,183	2,063	2,148	2,573	2,413
Property tax bills/delinquent notices mailed (1)	108,320	109,509	108,101	107,557	106,460	104,890	102,348	107,045	106,612	101,345
Building Maintenance										
Buildings	166	165	164	162	162	155	149	147	142	145
Work orders/service requests	3,542	3,703	3,800	4,004	3,700	4,064	4,331	5,888	5,815	4,231
Square feet of properties managed	1,513,635	1,524,239	1,526,544	1,527,176	1,527,176	1,462,965	1,316,994	1,313,488	1,300,120	1,250,119
Facility Services										
Number of leases managed	33	17	28	28	28	30	35	39	33	41
Square feet of leased property managed	77,257	74,286	100,238	100,238	100,238	110,238	136,860	148,257	141,742	161,996
Pieces of outgoing U.S. mail	272,739	233,430	243,253	234,145	231,078	406,924	291,304	298,733	326,858	334,375
Elections										
Registered voters	177,333	169,113	167,809	163,131	152,913	149,393	149,312	141,136	136,014	135,264
Liquor Board										
Regular liquor licenses	336	332	331	322	310	306	307	304	304	284
Liquor inspections	3,926	6,597	8,825	10,084	9,747	7,323	7,216	5,399	5,864	4,449
Internal Audit										
Internal Audits performed (2)	13	12	10	12	10	7	2	4	4	6
Circuit Court										
New cases filed	9,190	8,379	8,181	8,734	9,756	9,704	10,333	10,710	10,431	12,499
Public Safety										
Housing units permitted (3)	2,226	1,410	1,263	1,302	721	1,296	1,006	845	581	788
Sheriff's Office										
Administration Bureau										
Civil Process papers served	21,995	22,521	22,701	23,416	23,970	23,181	22,972	19,440	20,648	28,286
Courthouse Security										
Prisoners handled: adult/juvenile	3,570	3,793	4,750	5,129	4,608	4,149	3,846	4,332	4,241	4,535
Operations: Law Enforcement										
Arrests: adult/juvenile	4,046	3,902	3,924	4,162	3,770	3,372	3,189	3,520	3,826	3,892
Calls for service	113,762	108,045	93,621	121,158	90,251	95,223	89,428	98,876	99,047	101,728
Adult Detention Center										
Average daily populaton	298	321	398	374	407	360	382	395	442	416
Emergency Communications										
Fire/EMS dispatches	35,682	36,739	35,222	33,646	33,324	32,114	32,614	32,199	32,453	30,457
Police dispatches	277,548	301,502	277,546	262,803	240,922	208,541	134,084	145,206	144,489	150,634
Administrative phone calls	359,884	363,781	383,672	298,311	264,044	274,703	186,643	161,568	167,106	155,373
Animal Control/ECC/Park Dispatches	31,972	31,647	28,228	28,375	28,001	19,735	19,067	18,980	18,526	18,752
911 calls	97,610	90,032	93,249	136,708	100,162	107,321	126,042	140,973	132,231	117,346
Text to 911 (4)	198	188	178	272	-	-	-	-	-	-

(1) The decrease in property tax bills/delinquent notices mailed from FY18 to FY19 is solely due to \$0 property tax bills being excluded from this count since they are not mailed. \$0 property tax bills consist primarily of government owned vacant land exempted from real property tax.

(2) The drop in the number of audits after FY10 is due to the majority of the Internal Audit function being outsourced and resulting decrease in staff. Two in house FTEs remain. Two contractors began performing audit work in FY13. FY14 - FY19 includes special projects, agreed upon procedure reports, reviews, audits and closed follow up reports.

(3) For FY10 - FY12, the data represents housing units constructed. For FY13 - FY16 the data represents housing units permitted. FY15 - FY19 numbers include the County and all municipalities, but excludes the City of Frederick.

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

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

Function/Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public Safety, Cont'd										
Animal Control (1)										
Calls for service	10,968	10,543	10,446	11,834	11,700	11,154	10,858	11,322	10,657	9,373
Public Works										
Water facilities										
Customers	26,000	24,536	23,636	22,666	21,926	21,213	21,113	20,763	20,549	20,263
Annual production (1,000 gals.)	2,337,841	2,341,430	2,215,190	2,441,675	2,414,284	2,395,882	2,032,866	2,036,251	1,846,545	1,612,900
Sewer facilities										
Customers	34,183	33,267	32,178	30,978	30,201	29,454	29,398	28,550	28,221	27,874
Fleet Services										
Work orders	5,934	5,725	5,510	5,646	5,700	5,516	5,160	5,429	5,716	5,613
Vehicles maintained	1,141	1,054	966	962	981	874	926	961	967	1,045
Highway Operations										
County roads - mileage maintained	1,279	1,285	1,273	1,273	1,273	1,272	1,270	1,271	1,264	1,264
Tar and chip maintenance (miles)	56	61	87	64	44	8	12	11	21	12
Usage of salt & anti-skid (tons)	31,668	21,242	12,426	12,995	30,307	37,222	17,911	7,268	15,263	16,998
Transportation Engineering										
Bridges inspected	134	142	103	145	103	145	103	138	116	136
Road overlay (miles)	32	33	33	25	13	49	17	26	3	37
Construction Management										
CIP and developer funded subdivision projects completed	32	45	32	38	26	40	23	23	41	74
TransIT										
Passenger trips	593,853	614,551	636,862	677,808	761,088	839,297	864,013	909,804	835,880	786,711
Revenue vehicle miles (2)	1,214,758	1,142,403	1,126,156	1,130,887	1,108,172	1,059,840	1,129,546	1,147,211	1,173,086	1,196,533
Revenue vehicle hours (2)	85,986	83,902	81,855	81,037	78,603	77,365	79,904	81,995	83,154	86,305
Health										
Public health nursing/non-nursing contacts (3)	41,363	42,044	40,533	24,775	19,641	20,535	22,068	21,130	21,499	22,632
Mental health visits	3,836	7,518	12,781	16,514	11,902	13,498	12,220	12,165	10,724	10,133
Substance abuse visits	15,388	8,544	39,620	35,401	21,581	39,755	35,827	25,764	26,464	28,860
Environmental health reviews/inspections	17,390	16,591	16,610	16,150	12,478	12,437	13,458	14,304	14,799	14,668
School health program										
Children served (4)	31,031	42,340	41,984	40,819	40,757	40,715	40,527	39,293	40,484	40,210
Health room visits	305,928	299,000	345,604	338,167	331,992	317,079	320,884	289,766	304,730	307,925
Developmental Center										
Dental visits for children	3,848	4,090	4,065	4,109	3,970	3,897	3,983	3,899	4,242	4,384
Infants & Toddlers Program children served	797	744	682	636	607	555	528	697	638	583
School-based services visits	20,575	20,521	20,327	19,133	14,000	14,810	14,113	13,959	14,378	14,734
School-based assessments	385	376	414	325	220	*	*	*	*	*
Audiology services visits	693	775	810	798	786	778	793	767	809	835
Social Services										
Child & Adult Care Food Program										
Home visits (5)	n/a	850	900	850	850	850	800	855	843	825
Senior Services										
Home delivered meals served to elderly	79,000	80,000	58,000	57,635	51,951	41,003	51,282	50,305	50,220	45,490
Congregate meals served	10,000	10,500	10,000	10,751	10,366	9,485	11,795	13,474	15,522	15,338

*Information not available

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

(2) FY19 Transit miles and hours are based on FTA/NTD approved sampling.

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

(4) The FY19 value reflects children who visited a health room. FY18 and prior years reflect number of children enrolled who had access to a health room.

(5) DSS no longer administers this program. It is now being administered through the City of Frederick, Community Action Agency.

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

Function/Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Parks, recreation and culture										
Parks acres maintained	2,099	2,099	2,099	2,099	2,096	2,074	2,066	2,066	2,066	2,066
Recreation center registrations (1)	7,526	6,725	6,918	6,676	7,287	6,292	55,997	49,994	62,183	51,873
Conservation of natural resources										
Agriculture										
Farms	1,373	1,308	1,308	1,308	1,308	1,308	1,442	1,442	1,442	1,442
Acreage	188,576	181,512	181,512	181,512	181,512	181,512	202,087	202,087	202,087	202,087
Preserved land										
Farms	482	467	455	439	426	413	405	397	390	376
Acreage	65,546	63,565	61,667	59,220	57,198	55,542	54,365	53,572	52,802	50,946
Community development and public housing										
Bell Court housing project (28 units)										
Occupancy rate	99%	94%	100%	100%	100%	99%	99%	100%	100%	100%
Economic development and opportunity										
Workforce Services										
One - stop services - customers served	5,210	5,896	6,132	5,911	5,324	5,511	5,009	4,538	6,547	5,122
One - stop services - youth customers served	295	284	377	335	255	237	220	212	242	214
Job openings received	5,244	4,879	4,755	3,708	3,968	3,073	3,178	3,743	4,446	2,761
Customized training provided (trainees)	n/a	n/a	n/a	n/a	n/a	n/a	Program Ended	1,044	1,413	998
Frederick Business works projects (trainees)	84	90	45	1	91	n/a	n/a	Grant Ended	351	187
Recruitment for business (2)	110	80	5	58	80	91	44	60	32	90
Customized & onsite recruitment events	416	300	439	318	415	454	359	454	364	18
Website unique visitors	47,876	36,410	35,313	41,054	50,380	68,344	82,257	93,875	82,422	79,697
Office of Economic Development										
Website sessions/social media engagements (3)	208,728	29,382	1,243	513,951	413,000	396,800	421,502	420,018	422,119	390,112
Inquiries (4)	n/a	n/a	2,100	2,100	2,100	2,100	2,100	2,001	2,590	3,847
Prospects	124	106	195	120	150	185	140	128	150	164
Projects (4)	n/a	n/a	500	400	500	410	503	499	513	541
Business visits (5)	264	284	400	350	350	348	325	308	311	348
Business assistance (6)	2,328	2,501	500	400	300	275	313	290	270	272

(1) Formerly recreation center attendance - numbers updated accordingly

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

(3) Formerly average web hits per month for FY10 - FY16 and average page views per month for FY17 - FY18. FY19 total includes Office of Economic Development, Homegrown and Root website sessions/social media engagements

(4) Indicators are no longer being tracked

(5) Formerly companies visited

(6) Formerly companies assisted

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

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

Function/Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government										
Building maintenance										
Buildings managed	166	165	164	162	162	155	149	147	142	145
Public Safety										
Fire/rescue stations	29	29	30	30	30	30	30	30	30	30
Adult Detention Center average daily population	298	321	398	374	407	360	382	395	442	416
Public Works										
County roads - mileage	1,279	1,285	1,273	1,273	1,273	1,272	1,270	1,271	1,264	1,264
Water facilities										
Plants/Distribution Systems	13	13	13	13	13	13	12	12	12	12
Daily capacity (1,000 gals.)	17,005	17,061	17,198	17,198	17,282	18,124	18,124	18,124	18,124	12,432
Miles of water mains	355	344	336	321	314	308	306	302	293	290
Hydrants	3,224	3,117	3,026	2,843	2,783	2,689	2,665	2,602	2,482	2,453
Sewer facilities										
Plants/Collection Systems	12	12	12	12	12	13	14	14	15	15
Daily capacity (1,000 gals.)	16,043	16,043	16,043 *	16,043 *	16,043	8,533	8,677	8,677	8,677	8,677
Miles of sewer mains	416	406	396	377	373	371	367	363	357	353
Bridges										
Bridges (over 20' spans)	221	222	219	218	218	219	219	219	219	219
Fleet services										
Vehicles	1,008	1,054	1,001	996	987	940	926	961	967	1,045
Parks, Recreation and Culture										
County park acreage	2,099	2,099	2,099	2,099	2,096	2,074	2,066	2,066	2,066	2,066
County facilities	40	39	39	39	37	37	36	36	36	36

*FY2016 and FY2017 reflect updated capacity

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