THE CITY OF FREDERICK

FREDERICK, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year

July 1, 2008 — June 30, 2009

THE CITY OF FREDERICK, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Prepared by the Department of Finance

Gerald D. Kolbfleisch
Director of Finance

Member of Government Finance Officers Association
of the United States and Canada

THE CITY OF FREDERICK, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	Page (s)
INTRODUCTORY SECTION	
Title Page	1
Table of Contents	2 - 3
Letter of Transmittal	4 - 7
GFOA Certificate of Achievement for Excellence in Financial Reporting	8
Operational Organizational Chart	9
Summary of Elected and Appointed Officials	10
FINANCIAL SECTION	
Independent Auditor's Report	11
Management's Discussion and Analysis	12 - 21
Basic financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	22
Statement of Activities	23
Fund Financial Statements:	
Balance Sheet - Governmental Funds	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	27 - 28
Statement of Net Assets - Proprietary Funds	29
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	30
Statement of Cash Flows - Proprietary Funds	31 - 32
Statement of Fiduciary Net Assets - Fiduciary Funds	33
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	34
Notes to the Financial Statements	35 - 60
Required Supplementary Information:	
Schedule of Funding Progress - Pension Plans	61
Schedule of Employer Contributions - Pension Plans	62
Schedule of Funding Progress - Other Post Employment Benefit Plans	63
Schedule of Employer Contributions - Other Post Employment Benefit Plans	63
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Govermental Funds	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	65
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
CDS Program Fund	66
Weinberg Center Fund	67
Community Development Fund	68
Combining Statement of Net Assets - Nonmajor Proprietary Funds	69
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Nonmajor Proprietary Funds	70
Combining Statement of Cash Flows - Nonmajor Proprietary Funds	71 - 72

THE CITY OF FREDERICK, MARYLAND
TABLE OF CONTENTS

	Page (s)
STATISTICAL SECTION:	
Net Assets by Component	73
Changes in Net Assets	74 - 75
Fund Balances of Governmental Funds	76
Changes in Fund Balances of Governmental Funds	77
Assessed and Estimated Actual Value of Taxable Property	78
Property Tax Levies and Collections	79
Property Tax Rates and Tax Levies - Direct and Overlapping Governments	79
Schedule of Principal Tax Payers	80
Ratios of Outstanding Debt by Type	81
Ratios of General Bonded Debt Outstanding	81
Direct and Overlapping Debt	82
Legal Debt Margin Information	83
Computation of Legal Debt Margin	83
Pledged Revenue Coverage	84
Selected Demographic Statistics	85
Principal Employers	86
Authorized Fulltime Equivalent Employees by Function	87
Capital Asset Statistics by Function	88
Operating Indicators by Function	89
SINGLE AUDIT SECTION:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	90 - 91
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	92 - 93
Schedule of Expenditures of Federal Awards	94 - 95
Notes to the Schedule of Expenditures of Federal Awards	96
Schedule of Findings and Questioned Costs	97 - 100
Summary Schedule of Prior Audit Findings	101

Mayor
William J. Holtzinger

Marcia A. Hall
President Pro Tem
David "Kip" Koontz
Alan E. Imhoff
C. Paul Smith
Donna Kuzemchak

October 29, 2009

Honorable Mayor
Members of the Board of Aldermen
Citizens and Friends of The City of Frederick, Maryland

Ladies and Gentlemen:

In compliance with Section 105 of the Charter, submitted herewith is the Comprehensive Annual Financial Report of The City of Frederick, Maryland as of and for the fiscal year ended June 30, 2009. The form and contents of this report have been prepared by the City's Department of Finance in conformance with the standards set forth by the Charter of The City of Frederick, reporting principles promulgated by the Governmental Accounting Standards Board, and the Government Finance Officers Association of the United States and Canada.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from 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 City of Frederick's financial statements have been audited by McGladrey & Pullen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2009, are free of material misstatement. 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 significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that The City of Frederick's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements required the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit section of this report.

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

Profile of the City

Founded in 1745, The City of Frederick is one of the most historic and economically vibrant cities in the state of Maryland. Incorporated in 1817, Frederick is the cultural, business and financial center of Frederick County. Its proximity to Washington, D.C. and Baltimore, located near Interstates 70 and 270, make it a logical location for growth and progress. The City currently occupies a land area of approximately 21.12 square miles and serves an estimated population of 62,217. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Mayor and Board of Aldermen.

The City operates under the mayor-council form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and five aldermen. The governing body is responsible, among other things, for passing ordinances, adopting the budget, and appointing committees. The mayor is responsible for carrying out the policies and ordinances of the governing body, and for overseeing the day-to-day operations of the City. The board is elected at large on a non-partisan basis. Board members serve four-year terms.

The City provides a full range of services, including police protection, planning and engineering, code enforcement, maintenance of streets and other infrastructure, waste collection and disposal, traffic control, and recreation and parks. Water and sewer, parking, airport, storm water, golf and rental operation facilities are provided by the City under the enterprise fund concept. Provisions are made for public capital improvements through the City's capital improvement program.

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the Mayor prior to March 15th. The mayor uses these requests as the starting point for developing a proposed budget. The mayor presents the proposed budget prior to May 30th. Public hearings are held on the proposed budget and the final budget must be adopted prior to June 29th. The budget is prepared by fund, function and department. The Mayor may make transfers or appropriations within a department. Transfers between departments require the special approval of the board. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 27 and 28 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 64.

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 City operates.

Local economy

The City of Frederick attracts some 1,000 new residents each year. The City's population of approximately 62,217, coupled with an additional 50,000 residents who live in surrounding neighborhoods, represents fifty percent of Frederick County's total population. Closely equal in gender, more than 61% of Frederick's population falls between the ages of 20 and 64, with the estimated median age of Frederick residents coming in at 36. 43% of Frederick's total number of jobs is in professional and managerial levels. The average household income holds at $71,623. Some of the larger employers in the City are Fort Detrick Campus, Frederick Memorial Hospital, Wells Fargo Home Mortgage and Frederick Community College.

Abundant, diverse housing is a primary attraction among new residents moving to Frederick. The City includes 25,051 households, a third of all those located in Frederick County. In 2009, the median home value in Frederick City was $267,690, boasting housing costs that are lower than other Washington, D.C. suburban counties.

The City of Frederick is also a major transportation nucleus. National and state highways leading from Washington, D.C., Baltimore, and Pittsburgh connect to Frederick's larger streets, ultimately funneling into the City's original

historic downtown thoroughfares. Passenger rail service to Washington D.C.'s Union Station and points in between is also available to City residents. The City and surrounding area is also serviced by Frederick Municipal Airport, a general aviation reliever airport for Reagan National, Baltimore-Washington International and Washington Dulles International airports. Its close proximity to urban areas along with the available transportation systems make the City a logical location for growth and progress.

Long-term financial planning

The City of Frederick is making comprehensive revisions to the development of its 5-year Capital Improvement Plan that incorporates elements of the City's Comprehensive Plan, the Engineering and Public Works Strategic Plan, the Airport Master Plan, and the Water/Sewer Master Plan. The Capital Improvement Plan not only tabulates the actual development cost of each project, but also identifies creative new funding sources such as tax increment financing, impact fees, special assessments and grants in addition to traditional bond funding and operating transfers. The Capital Improvement Plan also identifies future operating costs for each project.

One of the major projects in the Capital Improvement Plan is the Monocacy Boulevard project, a four lane highway connecting Route 70 to Route 26 that will open the way for new mixed use industrial, commercial and residential development. The total cost of over $46,200,000 will be financed by a combination of tax increment financing, special assessments and general obligation bonds. The center section of Monocacy Boulevard is now fully permitted and slated for completion in 2010.

The East Street Extension project will provide direct access to Frederick's downtown business district from Interstate 70 via Carroll Creek Park. The immediate access provided by this highway will result in its becoming the City's major southern portal and dramatically increase Carroll Creek Park's commercial appeal. The first phase of the East Street Extension, spanning East Patrick Street to East South Street through Carroll Creek Park is completed. Construction of the final connection to I-70 is underway and will occur over the next several years. This project in combination with the center section will provide an eastern bypass and congestion relief for the City of Frederick.

The Carroll Creek Linear Park project will provide landscape and creek-side improvements along the recently completed park and flood control project. These improvements will provide development opportunities, create jobs and services and enhance the tax base of the city.

The purchase of the Hargett Farm by the City will allow the City to accomplish a number of public improvements, including but not limited to the development of a much needed Regional Park, re-alignment of Butterfly Lane to relieve congestion along the MD 180/MD 351 corridor, a Department of Public Works western satellite facility and a satellite Police office.

The City is also encouraging private investment through property and income tax credits for the Historic District, Arts District and the Golden Mile Commercial District. These short-term tax credits provide needed incentives for private sector capital reinvestment and revitalization in the properties of the area.

Cash management policies and practices

Cash temporarily idle during the year was invested in various instruments. The pension trust fund's investment portfolio included investments in fixed income securities, equities, and money market funds. Total investment earnings for this fund for the year were $3,819,300 with realized losses of $22,346,222 and unrealized gains of $957,024.

Funds received by the City through day-to-day operations were invested daily in demand deposits, certificates of deposits, or repurchase agreements. These investments are normally invested for periods no longer than one year and are either insured or collateralized. The rate of return for the year on these investments was approximately 2.28%, with total investment interest of $1,138,784.

The City also invested unspent bond proceeds during the fiscal year. The average rate for these investments was 1.00%. Total investment interest earnings on these proceeds for the fiscal year were $363,724.

Total interest on all investments other than pension funds for fiscal year 2009 was $1,508,356.

Risk Management

The City currently utilizes the services of an insurance company to manage risks. Coverage includes buildings, contents, flood, fire, multi-peril, comprehensive general liability, property damage and motor vehicles. The Director of Budget and Purchasing has responsibility for overseeing the City's risk management.

Additional information on the City's risk management activity can be found in Note 11 of the notes to the financial statements.

Pension and other post-employment benefits

The City sponsors three single-employer defined benefit pension plans for its employees. Each year, an independent actuary calculates the amount of the annual contribution that the City must make to the pension plans to ensure that the plans will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by the actuary.

The City of Frederick also provides postretirement health benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 490 retirees and beneficiaries eligible for health benefits, which are financed on a pay-as-you-go basis. Current GAAP require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits to the extent that the governments contributions do not fully fund the annual required contribution as determined by an actuarial valuation.

Additional information on the City's pension arrangements and post-employment benefits can be found in notes 7 and 8 in the notes to the financial statements.

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 The City of Frederick for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the twenty sixth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This 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 that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the Department of Finance and the various directors and employees from each department who assisted and contributed to its preparation. My sincere appreciation is given not only for the physical preparation of this report, but also for the efforts expended throughout the year to ensure proper treatment and recordation of the various transactions the City enters into.

My appreciation is extended to the Mayor and Board of Aldermen for their interest and support in the planning and conduction of the financial operations of the City in a responsible manner. I also express my appreciation to our independent accounting firm, McGladrey & Pullen, LLP, as well as our financial software consultants, Sungard HTE Inc., for their cooperation in our efforts to effect a better accounting and reporting responsibility.

Respectfully submitted,

Gerald D. Kolbfleisch
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The City of Frederick Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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

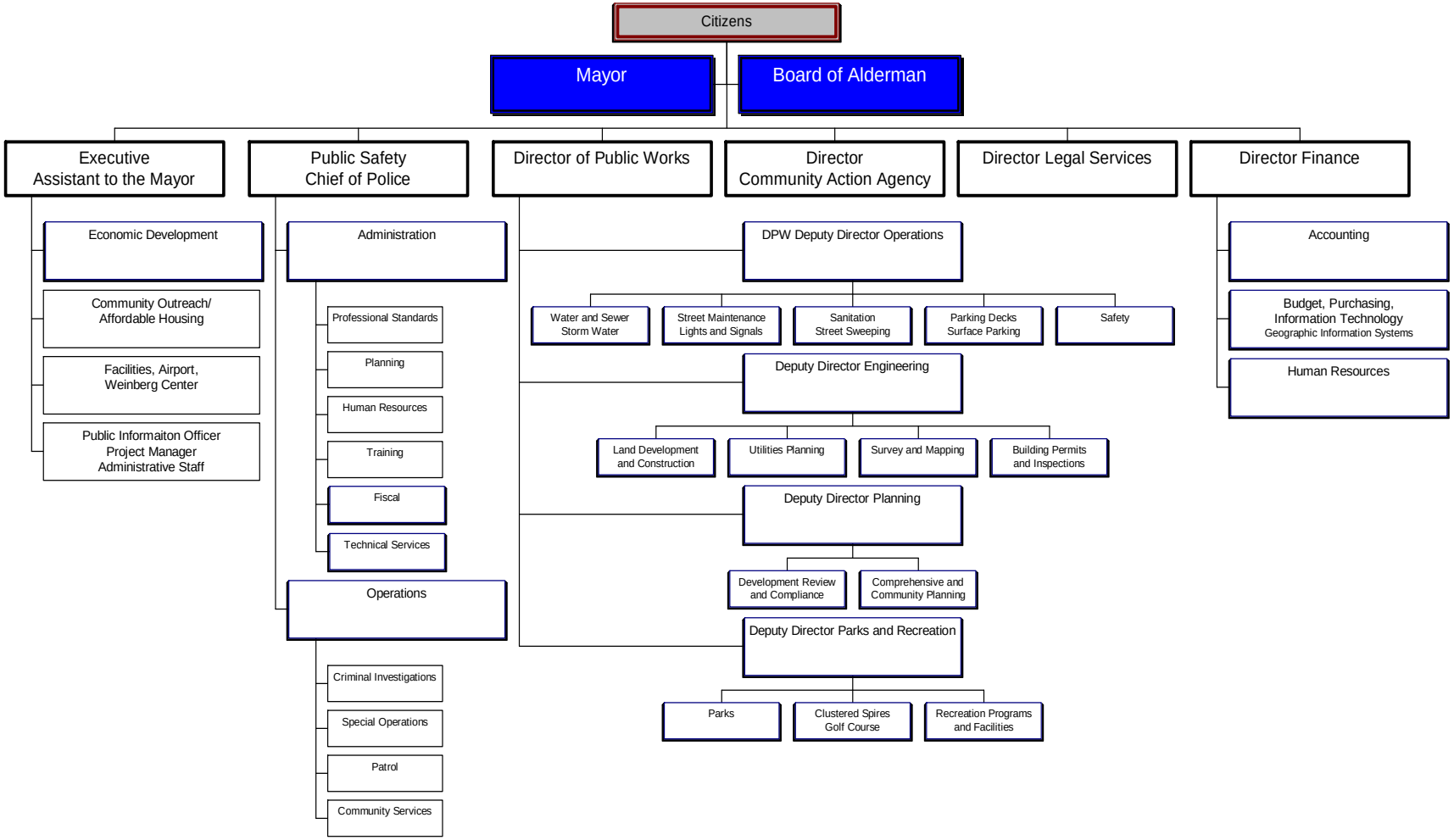
President

Executive Director

The City of Frederick

Organizational Chart

June 30, 2009



THE CITY OF FREDERICK, MARYLAND
SUMMARY OF ELECTED AND APPOINTED OFFICIALS
June 30, 2009

MAYOR

William J. Holtzinger

BOARD OF ALDERMEN

Marcia A. Hall
President Pro Tem

David "Kip" Koontz
Alan E. Imhoff
C. Paul Smith
Donna Kuzemchak

APPOINTED OFFICIALS

Chief of Police	Colonel Kim C. Dine
City Attorney	Saundra A. Nickols
Deputy Director for Engineering	Zachary J. Kershner
Deputy Director for Parks and Recreation	Roelkey I. Myers
Deputy Director for Planning	Joseph A. Adkins
Acting Deputy Director for Operations	Keith W. Brown
Director of Budget and Purchasing	M. Katherine Barkdoll
Director of Community Action	Michael R. Spurrier
Director of Economic Development	Richard G. Griffin
Director of Finance	Gerald D. Kolbfleisch
Acting Director of Public Works	Earl R. Reed
Acting Executive Assistant	Ronald G. Tobin

FINANCIAL SECTION

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and Board of Aldermen The City
of Frederick, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Frederick, Maryland (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of The City of Frederick, Maryland, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The "Management's Discussion and Analysis" on pages 12 through 21, the "Schedule of Funding Progress – Pension Plans" on page 61, the "Schedule of Employer Contributions – Pension Plans" on page 62, the "Schedule of Funding Progress – Other Post Employment Benefit Plans" and the "Schedule of Employer Contributions – Other Post Employment Benefit Plans" on page 63 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the Table of Contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Frederick, Maryland
November 2, 2009

McGladrey & Pullen, LLP

McGladrey & Pullen, LLP is a member firm of RSM International ,
an affiliation of separate and independent legal entities.

THIS PAGE INTENTIONALLY LEFT BLANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of The City of Frederick, Maryland, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of The City of Frederick for the fiscal year ended June 30, 2009. The Management's Discussion and Analysis (MD&A) is designed to provide an overview of the City's financial activity. It is also intended to assist the reader in focusing on significant financial issues including identifying changes in the City's financial position (its' ability to address the next and subsequent years challenges), identifying any material deviations from the approved budget, and identifying individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 4 –7 of this report, and the City's financial statements.

Financial Highlights

The assets of The City of Frederick exceeded its liabilities at the close of the most recent fiscal year by $268,424,539 (net assets). Of this amount, $50,685,923 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets decreased by $7,770,092, or 2.81%. The governmental net assets decreased by $333,063 and the business-type net assets decreased by $7,437,029.

As of the close of the current fiscal year, the City's governmental funds (reflected on a current financial resource basis) reported combined ending fund balances of $39,181,328, an increase of $10,342,467 in comparison to the prior year. An increase of $213,345 in the fund balance was attributable to non-major governmental funds, $10,908,930 was attributable to the capital improvement program and the remaining change in fund balance was due to a decrease of $779,808 in the general fund.

At June 30, 2009, the total governmental fund unreserved fund balance was $24,076,707. The unreserved fund balance for the general fund was $14,182,460, or 21.11% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to The City of Frederick's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. There are two basic statements in the government-wide financial statements: the statement of net assets and the statement of activities. These statements are designed to provide readers with a broad overview of The City of Frederick's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities present information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, recreation and parks, community development and economic opportunity. The business-type activities of the City include water and sewer, golf course, airport, parking, storm water management and rental operations.

The government-wide financial statements can be found on pages 22 and 23 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 segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five individual governmental funds. Information is presented separately in the governmental balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund and general capital improvements program fund, both of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its' general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24 - 26 of this report.

Proprietary funds. The City maintains six enterprise funds that are used to report the same functions presented as business-type activities in the government-wide financial statements; specifically, water and sewer, airport, parking, storm water management, golf course and rental operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and sewer, airport, parking and storm water management, all of which are considered to be major funds of the City. The golf course and rental operations funds are considered to be non-major funds and are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 29 - 32 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 33 - 34 of this report

Notes to the financial statements. The notes 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 can be found on pages 35 - 60 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found on pages 61 - 63 of this report.

The combining statements referred to earlier in connection with non-major governmental and proprietary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 64 - 72 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $268,424,539 at the close of the most recent fiscal year.

The City of Frederick's Net Assets

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 51,909,200	$ 37,220,841	$ 97,624,606	$ 52,406,685	$ 149,533,806	$ 89,627,526
Capital assets	128,515,870	98,314,002	263,721,489	228,857,351	392,237,359	327,171,353
Total assets	180,425,070	135,534,843	361,346,095	281,264,036	541,771,165	416,798,879
Long-term liabilities outstanding	86,474,857	42,386,267	170,737,133	86,924,709	257,211,990	129,310,976
Other liabilities	7,381,730	6,247,030	8,752,906	5,046,242	16,134,636	11,293,272
Total liabilities	93,856,587	48,633,297	179,490,039	91,970,951	273,346,626	140,604,248
Net assets:						
Invested in capital assets, net of related debt	59,517,153	57,992,552	152,780,782	162,281,588	212,297,935	220,274,140
Restricted	2,649,212	1,873,394	4,801,857	6,343,147	7,451,069	8,216,541
Unrestricted	24,402,118	27,035,600	24,273,420	20,668,350	48,675,538	47,703,950
Total net assets	$ 86,568,483	$ 86,901,546	$ 181,856,059	$ 189,293,085	$ 268,424,542	$ 276,194,631

By far the largest portion of the City's net assets (79 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of net assets ($7,451,069) represents resources that are restricted on how they may be used. The remaining balance of net assets ($48,675,535) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole. The golf course and airport business-type activities had negative unrestricted net assets in the amount of $3,750,925 and $479,364 respectively.

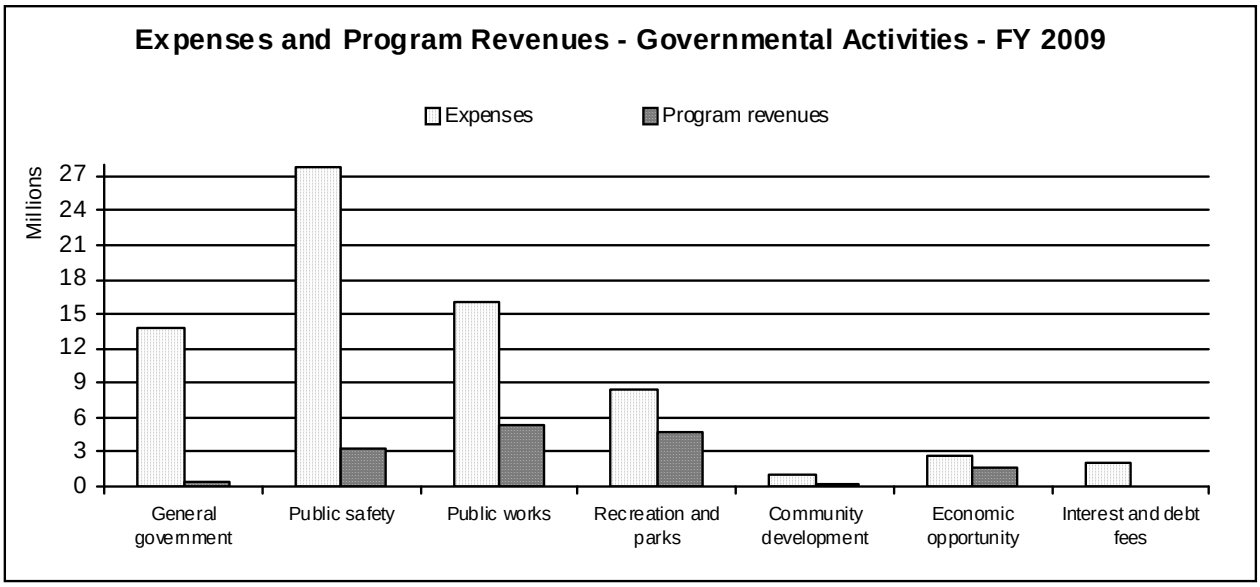
The City's net assets decreased by $7,770,092 during the current fiscal year.

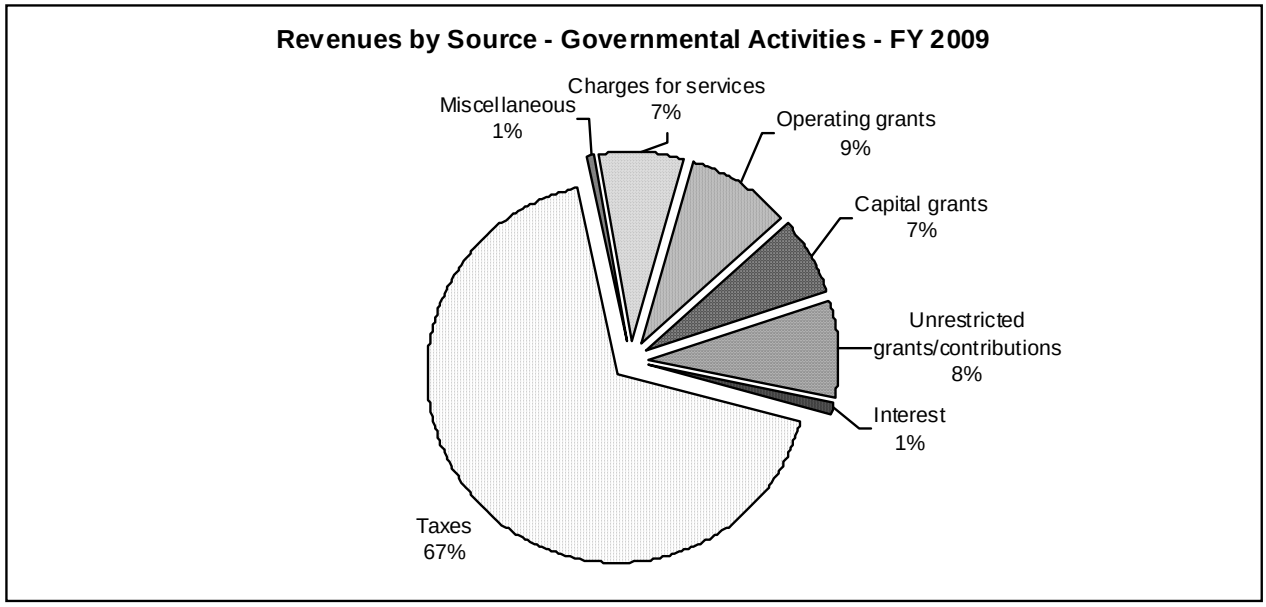
Governmental activities. Governmental activities decreased the City's net assets by $333,063 in the current fiscal year with total revenues from governmental activities increasing by $4,303,901 and total governmental activities expenses increasing by $10,360,415.

Taxes increased by $2,434,339 with the primary increase in property taxes resulting from continued assessment growth within the City. Licenses and permits decreased by $443,286 with decreased building activity being reflected in lower building permit fees. Intergovernmental revenues increased by $1,757,787. Intergovernmental operating grants decreased by approximately 133,000 (2.14%) while grants to assist with capital project outlays increased by approximately $1,855,000. County tax differential revenue increased by $545,660 and state shared highway user revenue decreased by $320,776. State and developer contributions to capital improvement projects increased by approximately $3,600,000, while developer donated capital assets decreased by $1,743,373. Fines and forfeitures increased by $138,250 and were a result of increased red light camera violations and the first full year of false alarm fees.

Total expenses increased by $10,360,415 in fiscal year 2009. The significant increases were in salaries with a $1,078,234 (4.3%) increase, personnel benefits with an increase of $4,487,139 (30.6%) and other services and charges with a $4,327,595 increase (50.6%). The increase in salaries was primarily due to a 3.5% cost of living adjustment plus an annual performance increase offset by approximately $1,200,000 in estimated salary savings in the governmental activities resulting from the early retirement incentive program that was adopted in the prior fiscal year. The personnel benefits increase was due primarily to increased costs for healthcare benefits of approximately $4,270,000 which resulted from implementation of GASB Statement No. 45 which requires the City to record an estimated liability for other post employment benefits. Additionally, other services and charges increased by $4,327,595, with $3,958,528 of the increase attributable to a donation to the Housing Authority of the City of Frederick for the HOPE VI project.

The net transfer from business-type activities to the governmental activities totaled $2,415,935. Transfer to the business-type activities, in the amount of $100,000, was for airport operating subsidy. $680,316 of the transfer from the business-type activities was a contribution toward capital improvements and $1,834,738 was to reimburse the governmental funds for administrative services they provide to the business-type funds that benefit the City.





The City of Frederick's Changes in Net Assets

	Governmental activities		Business-type activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	$ 5,085,061	$ 4,963,076	$ 22,426,971	$ 22,342,983	$ 27,512,032	$ 27,306,059
Operating grants/contributions	6,093,560	6,226,986	131,486	166,747	6,225,046	6,393,733
Capital grants/contributions	4,706,273	2,850,668	2,102,232	4,699,256	6,808,505	7,549,924
General revenues:						
Taxes	46,809,632	44,375,293	-	-	46,809,632	44,375,293
Non-restricted grants/contributions	5,769,443	5,259,594	-	-	5,769,443	5,259,594
Other	929,568	1,414,019	1,082,434	2,601,009	2,012,002	4,015,028
Total revenues	69,393,537	65,089,636	25,743,123	29,809,995	95,136,660	94,899,631
Expenses:						
General government	13,843,701	9,921,865	-	-	13,843,701	9,921,865
Public safety	27,774,500	24,930,778	-	-	27,774,500	24,930,778
Public works	16,085,179	14,258,037	-	-	16,085,179	14,258,037
Recreation and parks	8,537,986	7,218,619	-	-	8,537,986	7,218,619
Community development	1,042,266	1,030,103	-	-	1,042,266	1,030,103
Economic opportunity	2,762,777	2,665,212	-	-	2,762,777	2,665,212
Interest and long-term debt	2,096,126	1,757,506	-	-	2,096,126	1,757,506
Rental operations	-	-	46,580	47,628	46,580	47,628
Water and sewer	-	-	21,183,272	15,719,737	21,183,272	15,719,737
Golf course	-	-	1,781,729	1,848,767	1,781,729	1,848,767
Airport	-	-	1,783,928	1,501,508	1,783,928	1,501,508
Parking	-	-	3,611,042	3,447,433	3,611,042	3,447,433
Storm water	-	-	2,357,663	2,087,634	2,357,663	2,087,634
Total expenses	72,142,535	61,782,120	30,764,214	24,652,707	102,906,749	86,434,827
Increase/(decrease) in net assets before transfers	(2,748,998)	3,307,516	(5,021,091)	5,157,288	(7,770,089)	8,464,804
Transfers	2,415,935	2,738,153	(2,415,935)	(2,738,153)	-	-
Increase/(decrease) in net assets	(333,063)	6,045,669	(7,437,026)	2,419,135	(7,770,089)	8,464,804
Net assets, July 1	86,901,546	80,855,877	189,293,085	186,873,950	276,194,631	267,729,827
Net assets, June 30	$ 86,568,483	$ 86,901,546	$ 181,856,059	$ 189,293,085	$ 268,424,542	$ 276,194,631

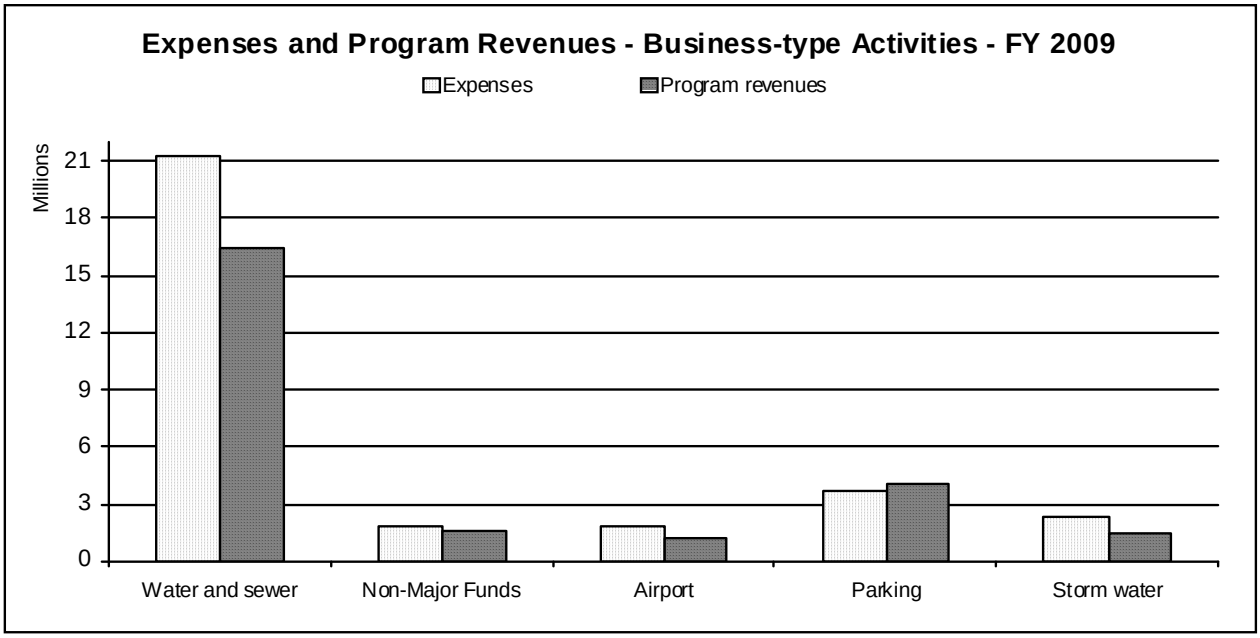
Business-type activities. Business-type activities decreased the City's net assets by $7,437,026 in the current fiscal year. Total revenues decreased by $4,066,872 while expenses increased by $6,111,507.

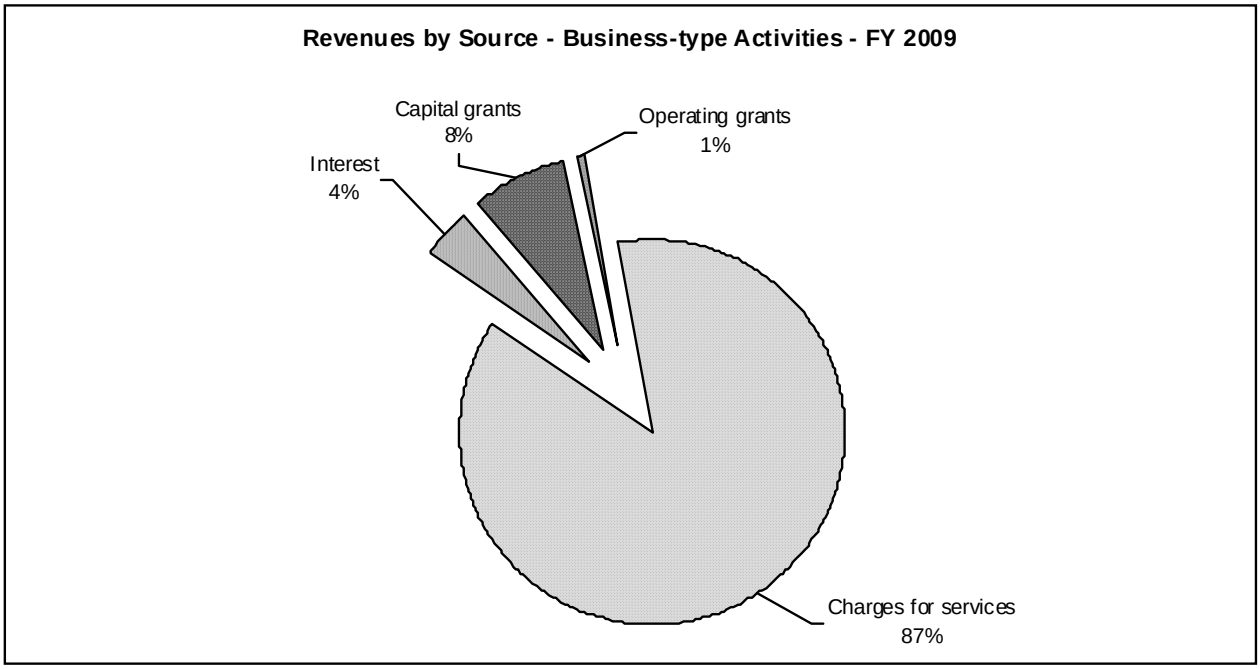
Charges for services increased by $83,988, which included a twenty percent (20%) increase in storm-water management rates.

There was a $2,594,024 decrease in capital grants and contributions. Impact fees from developers decreased by $559,092, demonstrating the continuing slow down in development within the City. The value of donated assets decreased in fiscal year 2009 by approximately $633,000.

Total expenses increased by 6,111,507 in fiscal year 2009. Benefits expense increased by approximately $980,000 and was due primarily to the implementation of GASB Statement No. 45 which requires the City to record an estimated liability for other post employment benefits. Supplies expense increased by approximately $645,000 and was due to increased chemical and water acquisition costs in the water and sewer fund. Other services and charges were approximately $394,000 greater in FY 2009. A significant portion of this increase was due to the removal of sediment from the Carroll Creek Flood Control basins. Non-capitalized items associated with improvements were approximately $2,600,000 greater in fiscal year 2009 and debt service related expenses were approximately $458,000 greater in FY 2009.

Business-type activities transferred $2,515,935 into governmental activities in FY 2009 and received a transfer of $100,000 from governmental activities for a net amount of $2,415,935. The transfer to governmental activities represents reimbursement to the governmental funds for administrative services they provide to the business-type activities. The $100,000 received from the general fund is an amount that the general fund contributed to the airport fund for airport operations.





Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2009, the City's governmental funds reported combined ending fund balances of $39,181,328, an increase of $10,342,467 over the prior fiscal year.

Revenues increased by 8.0%, or approximately $5,020,000 in the current year. Taxes increased by $2,434,339 with the primary increase in property taxes resulting from continued assessment growth within the City. Licenses and permits decreased by $443,286 with decreased building activity being reflected in lower building permit fees. Intergovernmental revenues increased by $879,155. State contributions to capital improvement projects increased by $463,172 and the police department was able to secure additional operating grants in the amount of $199,700 County tax differential revenue increased by $545,660 and state shared highway user revenue decreased by $320,776. Developer contributions to capital improvement projects increased by approximately $2,220,000, private donations to the Weinberg Center increased approximately $273,000 and interest earnings decreased by $580,292 due to lower investment yields. Fines and forfeitures increased by $138,250 and were a result of increased red light camera violations and the first full year of false alarm fees.

Expenditures increased by $40,594,623, or 63.5% over the preceding year. Spending for capital projects increased by $31,799,351 in the current fiscal year, while other operating costs increased by $8,795,272. Salaries increased by $588,828 and benefits increased by $2,566,126. The increase in salaries was primarily due to a 3.5% cost of living adjustment plus an annual performance increase offset by approximately $396,000 in estimated salary savings resulting from the early retirement incentive program that was adopted in the prior fiscal year. The personnel benefits increase was due primarily to increased costs for healthcare benefits of approximately $2,477,000 that are designated to fund other post employment benefits (OPEB). The City plans to create an OPEB trust to deposit funds for meeting its OPEB liability. Additionally, the City contributed $3,958,528 to the Housing Authority of the City of Frederick for the HOPE VI project in the current fiscal year.

Of the ending fund balance, $15,104,621 is reserved to indicate that it is not available for new spending because it has been 1) committed to liquidate encumbrances ($9,197,543), 2) loaned to other entities or funds ($5,262,066), or 3) used to purchase inventory, assets held for resale or other prepaid items ($645,012). $24,076,707 of the fund balance is unreserved and available for the City's use; however, $9,352,102 is designated for capital improvement projects, $542,145 is designated for special revenue fund use and $2,752,109 is designated for subsequent years' usage.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was $14,182,460, while total fund balance was $20,088,529. $2,752,110 of the unreserved fund balance is designated for subsequent years' use leaving an unreserved, undesignated fund balance of $11,430,350. In fiscal year 2009, the City adopted a policy of maintaining an unreserved, undesignated general fund balance equal to 12% of total general fund expenditures, including transfers out, as a "rainy day" reserve to provide for adequate working capital and to provide funds to meet unforeseen emergencies. The rainy day reserve as of June 30, 2009 is 16.09%.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21.11 percent of total general fund expenditures, while total fund balance represents 29.90 percent of that same amount.

The fund balance of the City's general fund decreased by $779,808 during the current fiscal year. Revenues increased by 8.25 percent and expenditures increased by 25.55 percent.

The general capital improvements project fund has a total fund balance of $16,889,084, all of which will be used for general capital improvements within the City.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was an increase of $1,374,143 and is summarized as follows:

Increase in general government activities	$ 100,886
Increase in public safety	332,395
Increase in public works	115,221
Increase in recreation	11,733
Increase in community development	696
Increase in debt service	1,043,052
Decrease in miscellaneous activities	(229,840)
Total change in budget	$ 1,374,143

Of this increase, $331,091 was to be funded by an increase in intergovernmental revenue and $1,043,052 from debt proceeds. During the year, the police department was able to acquire grant funds for various police equipment and services in the amount of $331,091.

During the year actual revenues did not meet the amended budget by $1,910,432. Taxes were $157,747 less than estimated. License and permit fees were $711,200 less than budgeted due to slower than anticipated development. Intergovernmental revenues were $814,428 less than budgeted. The City's share of highway user revenue was $399,819 less than budgeted for FY 2009. Additionally, the community action agency estimated that they would be able to acquire approximately $490,000 in public or private grants that did not materialize. Since these are reimbursement type grants, less expenditures means less revenue.

Expenditures were less than the final budgetary estimates by $7,603,944 or 10.2%. Of this amount, $1,634,344 was encumbered at year end. Approximately $2,460,000 of this variance is due to salary savings resulting from a combination of early retirement incentive savings, delays in filling those positions and/or not filling some open positions. Departments were aware of the economic trials facing the City during the fiscal year and were strongly encouraged to avoid unneeded expenditures. We believe these efforts enabled the City to avoid or delay additional expenditures in the current year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2009, amounts to $392,237,359 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, equipment and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 19.89 percent. Capital assets for governmental activities increased by 30.72 percent and increased by 15.23 percent for business type activities.

Major capital asset events during the current fiscal year include:

1) Developer provided improvements of streets, curbs, sidewalks, streetlights, water lines, sewer lines and storm drains totaled approximately $865,714.
2) Expenditures for parking facilities totaled $8,165,940 in FY 2009.
3) Expenditures for the water and sewer projects for FY 2009 totaled $25,813,642.
4) Airport improvements, to include land acquisition and construction, totaled $11,263,640.
5) Golf course facilities, $714,228.
6) Storm water facilities, $728,820.
7) Land acquisitions for City facilities, $25,078,777.
8) Vehicle and equipment acquisitions, $4,124,967.

The City of Frederick's Capital Assets (net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	$ 48,669,666	$ 38,535,093	$ 87,204,759
Buildings	12,837,404	45,675,242	58,512,646
Other improvements	21,598,870	108,856,915	130,455,785
Infrastructure	29,925,246	-	29,925,246
Machinery and equipment	6,117,784	2,967,522	9,085,306
Construction in progress	9,366,900	67,686,717	77,053,617
Total	$ 128,515,870	$ 263,721,489	$ 392,237,359

Additional information on the City's capital assets can be found in note 4 on pages 44 - 45 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $245,211,879. Of this amount, $243,279,846 carried the full faith, credit and taxing power of the City. The remaining $1,932,033 is tax increment financing debt. Any debt service that cannot be covered by the incremental tax revenues generated by the properties will be assessed as an additional fee to cover any shortfall.

The City of Frederick's Outstanding Long-term Obligations

	Governmental Activities	Business-type Activities	Total
General obligation debt	$ 76,646,238	$ 166,633,608	$ 243,279,846
Tax increment financing debt	1,932,033	-	1,932,033
Capital leases	484,952	104,474	589,426
Compensated absences	2,452,923	405,059	2,857,982
Total	$ 81,516,146	$ 167,143,141	$ 248,659,287

During fiscal year 2009, the City issued a total of $131,200,000 in debt. Components of this debt include $1,300,000 Refunding Bond, Series 2008, $8,700,000 General Improvements Bond, Series 2008, $95,545,000 Public Improvements Bonds, Tax-Exempt Series 2009A, $12,000,000 Public Improvements Bonds, Taxable Series 2009B and $13,655,000 Public Improvements Notes, Taxable Series 2009.

The $1,300,000 refunding bond refunded the City's 1989 variable rate demand bond and matures August 1, 2011 with an interest rate of 3.29%.

The $8,700,000 general improvements bonds, issued to finance several water system projects, matures August 1, 2028. The interest rate on this issue is 4.39%.

$95,545,000 tax exempt public improvement bonds were issued to pay for various general government, airport, storm-water, golf course and water and sewer projects. These bonds, except for the water and sewer portion, mature March 1, 2029. The water and sewer bonds mature March 1, 2034. The interest rates vary between 3.0% and 5.0%.

The $12,000,000 taxable public improvements bonds were issued to pay for parking facilities and carry interest rates that vary between 3.264% and 6.933%. They also mature on March 1, 2029.

Public improvement notes in the amount of $13,655,000 were issued to pay for land acquisitions for the airport. It is anticipated that the City will receive grant revenues from federal, state and county sources that will be used to assist in paying off this debt. These notes mature March 1, 2013 and carry an interest rate of 4.52%.

Of the $131,200,000 of debt that was issued during the fiscal year, it is anticipated that $43,465,000 will be repaid from general fund sources, $58,942,000 will be repaid from water and sewer revenues, $14,295,000 from airport revenues, $12,283,000 from parking fees and charges, $1,230,000 from storm-water management fees and $985,000 from golf course revenues.

The City maintains a “Aa3” rating from Moody’s, a “AA” rating from Standard & Poor’s and a “AA” rating from Fitch.

The City Charter limits the amount of debt to eight percent of the total assessed value of all taxable property in the City. Debt issued for water and sewer purposes are exempt from this limitation. The current debt limit for the City is $482,719,448 and the legal debt margin of the City is $356,303,482.

Additional information on the City’s long-term debt can be found in notes 5 and 6 on pages 46 - 49 of this report.

Economic Factors and Next Year’s Budgets and Rates

When preparing the City’s budget for the 2010 fiscal year, there were many economic factors and trends taken into consideration. Those considerations included: inflationary trends in the City and surrounding areas, and the unemployment rate for the City and surrounding areas. The estimated unemployment rate for the City for June 2009 was 6.8 percent, which is a 2.9 percent increase from June 2008. The estimated rate for June 2009 for the county was 6.5 percent, the state was 7.4 percent and the nation was 9.5 percent.

The fiscal year 2010 budget calls for maintaining the same level of key services. The City was able to maintain the real estate tax rate of $.65 per $100 of assessed value. Water and sewer rates and storm-water management rates were each increased by 12 percent.

The general fund unreserved fund balance at June 30, 2009 was $14,182,460. The City has estimated that $10,100,000 would be available for the FY 2010 budget, with $8,501,065 of that amount being used for a budgeted fund balance.

Requests for information

This financial report is designed to provide a general overview of The City of Frederick’s finances for all those with an interest in the City’s finances. Questions concerning any of the information should be addressed to The City of Frederick, Finance Department, 101 North Court Street, Frederick, Maryland 21701.

BASIC FINANCIAL STATEMENTS

The City of Frederick, Maryland
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 285,122	$ 43,860	$ 328,982
Investments	2,792	5,091	7,883
Equity in pooled cash/investments	27,365,975	40,060,761	67,426,736
Receivables (net of allowance of uncollectibles)	4,444,601	3,158,625	7,603,226
Inventories	440,545	525,661	966,206
Prepaids	80,157	98,928	179,085
Assets held for resale	124,310	-	124,310
Deferred charges	690,161	1,097,393	1,787,554
Internal balances	3,652,891	(3,652,891)	-
Temporarily restricted assets:			
Cash and cash equivalents	12,713,719	55,797,370	68,511,089
Net pension asset	2,108,927	489,808	2,598,735
Capital assets (net of accumulated depreciation):			
Land	48,669,666	38,535,093	87,204,759
Buildings and systems	12,837,404	45,675,242	58,512,646
Improvements other than buildings	21,598,870	108,856,916	130,455,786
Infrastructure	29,925,246	-	29,925,246
Machinery and equipment	6,117,784	2,967,524	9,085,308
Construction in progress	9,366,900	67,686,717	77,053,617
Total assets	180,425,070	361,346,098	541,771,168
LIABILITES			
Accounts payable and other current liabilities	1,954,015	6,042,160	7,996,175
Accrued liabilities	3,116,816	2,454,269	5,571,085
Deposits	1,495,765	84,623	1,580,388
Deferred revenue	815,134	171,854	986,988
Noncurrent liabilities:			
Due within one year	5,435,702	6,026,960	11,462,662
Due in more than one year	81,039,155	164,710,173	245,749,328
Total liabilities	93,856,587	179,490,039	273,346,626
NET ASSETS			
Invested in capital assets, net of related debt	59,517,153	152,780,782	212,297,935
Restricted for:			
Water/sewer improvements	-	2,791,469	2,791,469
Airport Improvements	-	2,010,388	2,010,388
Parks improvements	1,063,164	-	1,063,164
Debt service	1,586,048	-	1,586,048
Unrestricted	24,402,118	24,273,420	48,675,538
Total net assets	$ 86,568,483	$ 181,856,059	$ 268,424,542

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

The City of Frederick, Maryland
Statement of Activities
For the Year Ended June 30, 2009

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
General government	$ 13,843,701	$ 507,494	$ -	$ -	$ (13,336,207)	$ -	$ (13,336,207)
Public safety	27,774,500	1,749,465	1,598,889	-	(24,426,146)	-	(24,426,146)
Public works	16,085,179	238,150	2,662,563	2,384,692	(10,799,774)	-	(10,799,774)
Recreation and parks	8,537,986	2,426,172	47,375	2,321,581	(3,742,858)	-	(3,742,858)
Community development	1,042,266	1,064	352,970	-	(688,232)	-	(688,232)
Economic opportunity	2,762,777	162,716	1,431,763	-	(1,168,298)	-	(1,168,298)
Interest and long-term debt	2,096,126	-	-	-	(2,096,126)	-	(2,096,126)
Total governmental activities	72,142,535	5,085,061	6,093,560	4,706,273	(56,257,641)	-	(56,257,641)
Business-type activities:							
Rental operations	46,580	21,620	19,900	-	-	(5,060)	(5,060)
Water and sewer	21,183,272	14,524,384	-	1,836,708	-	(4,822,180)	(4,822,180)
Golf course	1,781,729	1,531,269	-	-	-	(250,460)	(250,460)
Airport	1,783,928	1,135,860	-	106,017	-	(542,051)	(542,051)
Parking	3,611,042	3,894,883	111,586	9,584	-	405,011	405,011
Storm water	2,357,663	1,318,955	-	149,923	-	(888,785)	(888,785)
Total business-type activities	30,764,214	22,426,971	131,486	2,102,232	-	(6,103,525)	(6,103,525)
Total primary government	$ 102,906,749	$ 27,512,032	$ 6,225,046	$ 6,808,505	(56,257,641)	(6,103,525)	(62,361,166)
General revenues:							
Property taxes					40,656,389	-	40,656,389
Income taxes					5,806,339	-	5,806,339
Other taxes					346,904	-	346,904
Grants/contributions not restricted to specific programs					5,769,443	-	5,769,443
Interest earnings					526,778	1,082,434	1,609,212
Gain/(loss) on sale of capital assets					361,697	-	361,697
Miscellaneous revenues					41,093	-	41,093
Transfers					2,415,935	(2,415,935)	-
Total general revenues and transfers					55,924,578	(1,333,501)	54,591,077
Change in net assets					(333,063)	(7,437,026)	(7,770,089)
Net assets - beginning					86,901,546	189,293,085	276,194,631
Net assets - ending					$ 86,568,483	$ 181,856,059	$ 268,424,542

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

The City of Frederick, Maryland
Balance Sheet
Governmental Funds
June 30, 2009

	General	General CIP	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,680	$ -	$ 283,442	$ 285,122
Investments	2,792	-	-	2,792
Equity in pooled cash/investments	20,214,931	6,858,412	292,632	27,365,975
Receivables (net of allowance for uncollectibles)	741,495	330	1,561,309	2,303,134
Inventories	440,545	-	-	440,545
Assets held for resale	-	-	124,310	124,310
Prepaid items	79,907	-	250	80,157
Advances to other funds	3,652,891	-	-	3,652,891
Cash - restricted	1,816,223	10,897,496	-	12,713,719
Intergovernmental receivable	871,883	1,208,988	60,596	2,141,467
Total assets	$ 27,822,347	$ 18,965,226	$ 2,322,539	$ 49,110,112
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 3,192,361	$ 1,197,289	$ 41,639	$ 4,431,289
Accrued liabilities	2,307,964	-	-	2,307,964
Deposits	1,418,359	221	77,185	1,495,765
Deferred revenue	815,134	878,632	-	1,693,766
Total liabilities	7,733,818	2,076,142	118,824	9,928,784
Fund balances:				
Reserved for:				
Encumbrances	1,634,344	7,536,982	26,217	9,197,543
Inventory	440,545	-	-	440,545
Assets held for resale	-	-	124,310	124,310
Prepaid items	79,907	-	250	80,157
Loans	3,751,273	-	1,510,793	5,262,066
Unreserved, reported in:				
General fund	14,182,460	-	-	14,182,460
Special revenue funds	-	-	542,145	542,145
Capital projects funds	-	9,352,102	-	9,352,102
Total fund balances	20,088,529	16,889,084	2,203,715	39,181,328
Total liabilities and fund balances	$ 27,822,347	$ 18,965,226	$ 2,322,539	

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	128,515,870
Deferred bond issuance costs are not available to pay of current period expenditures and therefore, are not reported in the funds.	690,161
Earned but unavailable revenue is not recorded in the funds.	878,632
Accrued interest payable is not recorded in the funds.	(808,852)
Net pension asset is not included in the governmental funds.	2,108,927
Long-term liabilities, including bonds payable and other post employment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(83,997,583)
Net assets of governmental activities	$ 86,568,483

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

The City of Frederick, Maryland
Statement of Revenues, Expenditures, and Change in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General	General CIP	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 40,510,072	$ -	$ -	$ 40,510,072
Payment in lieu of taxes	1,272	-	-	1,272
Income taxes	5,806,340	-	-	5,806,340
Business taxes	346,904	-	-	346,904
Discount allowance	(255,494)	-	-	(255,494)
Penalties/interest on delinquent taxes	400,539	-	-	400,539
Licenses and permits	1,468,000	-	-	1,468,000
Intergovernmental	10,780,461	894,069	400,345	12,074,875
Charges for services	1,446,961	-	874,788	2,321,749
Fines and forfeitures	571,378	-	52,704	624,082
Miscellaneous	1,296,565	2,563,177	477,519	4,337,261
Total revenues	62,372,998	3,457,246	1,805,356	67,635,600
EXPENDITURES				
Current:				
General government	12,976,950	-	-	12,976,950
Public safety	27,137,102	-	35,891	27,172,993
Public works	11,712,321	-	-	11,712,321
Recreation and parks	5,429,431	-	1,285,670	6,715,101
Community development	697,255	-	307,807	1,005,062
Economic opportunity	2,638,573	-	-	2,638,573
Debt service:				
Principal	4,638,528	-	-	4,638,528
Interest	1,545,865	-	-	1,545,865
Other fees	407,157	-	-	407,157
Capital projects	-	35,731,632	-	35,731,632
Total expenditures	67,183,182	35,731,632	1,629,368	104,544,182
Excess (deficiency) of revenues over (under) expenditures	(4,810,184)	(32,274,386)	175,988	(36,908,582)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,891,488	4,345,316	90,523	6,327,327
Transfers out	(3,855,523)	-	(56,750)	(3,912,273)
Proceeds from debt	5,205,053	38,838,000	-	44,043,053
Insurance reimbursements	110,633	-	-	110,633
Capital asset disposition	678,725	-	3,584	682,309
Total other financing sources (uses)	4,030,376	43,183,316	37,357	47,251,049
Net change in fund balances	(779,808)	10,908,930	213,345	10,342,467
Fund balances - beginning	20,868,337	5,980,154	1,990,370	28,838,861
Fund balances - ending	$ 20,088,529	$ 16,889,084	$ 2,203,715	$ 39,181,328

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

The City of Frederick, Maryland
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances of Governmental Funds To the Statement of Activities
For the Year Ended June 30, 2009

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

Net change in fund balances - total governmental funds	$ 10,342,467
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.	30,175,858
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-in, and donations) is to increase net assets.	26,011
The issuance of long-term debt provides 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(39,100,584)
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.	(2,690,421)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	913,606
Change in net assets of governmental activities	$ (333,063)

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

The City of Frederick, Maryland
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes:				
Property	$ 40,586,180	$ 40,586,180	$ 40,510,072	$ (76,108)
Payment in lieu of taxes	1,200	1,200	1,272	72
Income taxes	5,900,000	5,900,000	5,806,340	(93,660)
Business taxes	420,000	420,000	346,904	(73,096)
Discount allowance	(240,000)	(240,000)	(255,494)	(15,494)
Penalties/interest on delinquent taxes	300,000	300,000	400,539	100,539
Licenses and permits	2,179,200	2,179,200	1,468,000	(711,200)
Intergovernmental	11,263,798	11,594,889	10,780,461	(814,428)
Charges for services	1,561,639	1,561,639	1,446,961	(114,678)
Fines and forfeitures	529,000	529,000	571,378	42,378
Miscellaneous	1,451,322	1,451,322	1,296,565	(154,757)
Total revenues	63,952,339	64,283,430	62,372,998	(1,910,432)
EXPENDITURES				
Current:				
General government:				
Executive and legislative	1,355,571	1,390,873	1,255,761	135,112
Legal services	717,844	717,844	534,160	183,684
Registration and election	1,504	4,004	3,867	137
Finance and accounting	1,212,448	1,231,322	1,103,738	127,584
Purchasing	570,012	570,012	514,050	55,962
Information technology	887,669	887,669	744,322	143,347
Geographic information system	365,593	365,593	323,494	42,099
Human resources	771,495	771,495	578,393	193,102
Safety	198,338	206,438	198,240	8,198
Planning and zoning	1,240,980	1,240,980	1,093,356	147,624
Code enforcement	635,947	642,257	572,849	69,408
Facilities maintenance	818,606	818,606	690,012	128,594
Asset management	657,376	674,176	529,393	144,783
Municipal Annex	444,869	444,869	407,853	37,016
Community promotion	4,554,854	4,562,854	4,161,192	401,662
Special events	280,047	285,047	266,270	18,777
Total general government	14,713,153	14,814,039	12,976,950	1,837,089
Public safety:				
Police department	26,398,707	26,729,798	25,008,849	1,720,949
Fire and rescue services	283,247	284,551	283,182	1,369
Building inspection	1,229,885	1,229,885	1,095,625	134,260
Electrical inspection	299,568	299,568	253,656	45,912
Construction inspection	646,220	646,220	495,790	150,430
Total public safety	28,857,627	29,190,022	27,137,102	2,052,920
Public works:				
General administration	1,372,341	1,372,341	1,222,466	149,875
Machinery & equipment maintenance	1,083,344	1,083,344	1,009,477	73,867
Engineering	1,484,314	1,478,004	1,145,727	332,277
Waste collection and disposal	4,623,120	4,655,451	3,867,069	788,382
Streets, roadways and alleys	2,078,353	2,167,353	1,733,321	434,032
Snow removal	449,544	449,544	358,541	91,003
Street lighting	2,249,282	2,249,282	1,840,220	409,062
Traffic lines	559,276	559,276	482,289	76,987
Bus service	53,073	53,273	53,211	62
Total public works	13,952,647	14,067,868	11,712,321	2,355,547

(continued)

The City of Frederick, Maryland
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual (continued)
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Recreation and parks:				
Municipal parks	4,168,527	4,145,527	3,706,529	438,998
Harry Grove stadium	147,276	147,276	102,169	45,107
Recreation centers	1,188,148	1,222,881	1,203,687	19,194
Recreation commission	137,249	137,249	120,571	16,678
Swimming pools	314,034	314,034	296,475	17,559
Total recreation and parks	5,955,234	5,966,967	5,429,431	537,536
Community development:				
Community development	125,491	126,187	121,274	4,913
Economic development	583,555	583,555	575,981	7,574
Total community development	709,046	709,742	697,255	12,487
Economic opportunity:				
Community Action Agency	3,128,129	3,128,129	2,638,573	489,556
Total economic opportunity	3,128,129	3,128,129	2,638,573	489,556
Miscellaneous	500,000	270,160	-	270,160
Debt service:				
Principal	3,988,531	4,638,531	4,638,528	3
Interest	1,583,909	1,583,909	1,545,865	38,044
Other fees	24,707	417,759	407,157	10,602
Total debt service	5,597,147	6,640,199	6,591,550	48,649
Total expenditures	73,412,983	74,787,126	67,183,182	7,603,944
Excess (deficiency) of revenues over	(9,460,644)	(10,503,696)	(4,810,184)	5,693,512
OTHER FINANCING SOURCES (USES)				
Transfers in	1,899,349	1,899,349	1,891,488	(7,861)
Transfers out	(3,990,000)	(3,990,000)	(3,855,523)	134,477
Proceeds from debt	4,200,000	5,243,052	5,205,053	(37,999)
Insurance reimbursements	30,000	30,000	110,633	80,633
Capital asset disposition	31,000	31,000	678,725	647,725
Total other financing sources (uses)	2,170,349	3,213,401	4,030,376	816,975
Net change in fund balances	(7,290,295)	(7,290,295)	(779,808)	6,510,487
Fund balance - beginning	14,642,834	14,642,834	20,868,337	6,225,503
Fund balance - ending	$ 7,352,539	$ 7,352,539	$ 20,088,529	$ 12,735,990

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

The City of Frederick, Maryland
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities - Enterprise Funds					
	Water and Sewer	Airport	Parking Facilities	Storm Water Management	Nonmajor Proprietary	Total
ASSETS						
Current assets:						
Cash and cash equivalents	$ -	$ -	$ 42,860	$ -	$ 1,000	$ 43,860
Investments	-	-	-	-	5,091	5,091
Equity in pooled cash/investments	33,570,950	1,697,559	3,848,409	861,322	82,521	40,060,761
Receivables (net of allowance of uncollectibles)	2,779,224	80,099	49,166	237,453	12,683	3,158,625
Inventories	378,923	-	-	-	146,738	525,661
Prepaids	95,928	-	-	-	3,000	98,928
Deferred charges	738,528	108,418	221,164	10,620	18,663	1,097,393
Total current assets	37,563,553	1,886,076	4,161,599	1,109,395	269,696	44,990,319
Noncurrent assets:						
Temporarily restricted assets:						
Cash and cash equivalents	46,458,691	1,429,376	7,300,266	451,839	157,198	55,797,370
Net pension asset	400,425	2,133	46,016	8,843	32,391	489,808
Capital assets:						
Land	3,503,338	31,547,116	3,443,239	10,750	30,650	38,535,093
Buildings and systems	30,294,924	8,387,065	31,020,119	-	180,795	69,882,903
Improvements other than buildings	78,031,220	6,699,285	43,404	58,308,527	4,803,823	147,886,259
Machinery and equipment	6,138,905	559,198	720,968	1,062,373	714,122	9,195,566
Construction in progress	54,094,491	2,714,975	9,271,421	872,002	733,828	67,686,717
Less accumulated depreciation	(41,432,327)	(5,242,555)	(9,831,196)	(10,651,643)	(2,307,325)	(69,465,046)
Total noncurrent assets	177,489,667	46,096,593	42,014,237	50,062,691	4,345,482	320,008,670
Total assets	215,053,220	47,982,669	46,175,836	51,172,086	4,615,178	364,998,989
LIABILITIES						
Current liabilities:						
Accounts payable	3,788,176	65,624	1,867,635	140,744	179,981	6,042,160
Accrued liabilities	1,790,086	182,277	445,440	14,035	22,431	2,454,269
Deposits	1,023	83,011	-	-	589	84,623
Unearned revenue	54,113	11,263	58,920	-	47,558	171,854
Advances from other funds	-	-	-	-	3,652,891	3,652,891
Compensated absences	199,753	10,655	22,831	10,419	21,674	265,332
Bonds, notes, and loans payable	3,835,850	174,798	1,336,574	1,420	412,986	5,761,628
Total current liabilities	9,669,001	527,628	3,731,400	166,618	4,338,110	18,432,757
Noncurrent liabilities:						
OPEB liaibilities	834,400	-	39,733	39,733	-	913,866
Compensated absences	81,281	1,617	3,398	-	53,431	139,727
Bonds, notes, and loans payable	117,365,895	17,157,940	26,477,959	1,255,558	1,399,228	163,656,580
Total noncurrent liabilities	118,281,576	17,159,557	26,521,090	1,295,291	1,452,659	164,710,173
Total liabilities	127,950,577	17,687,185	30,252,490	1,461,909	5,790,769	183,142,930
NET ASSETS						
Invested in capital assets, net of related debt	58,188,855	28,764,460	14,527,222	48,823,849	2,476,396	152,780,782
Restricted for:						
Other improvements	2,791,469	2,010,388	-	-	-	4,801,857
Unrestricted	26,122,319	(479,364)	1,396,124	886,328	(3,651,987)	24,273,420
Total net assets	$ 87,102,643	$ 30,295,484	$ 15,923,346	$ 49,710,177	$(1,175,591)	$ 181,856,059

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

The City of Frederick, Maryland
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds					
	Water and Sewer	Airport	Parking Facilities	Storm Water Management	Nonmajor Proprietary	Total
Operating revenues:						
Charges for services:						
Water and sewer charges	$ 14,036,745	$ -	$ -	$ -	$ -	$ 14,036,745
Golf course fees	-	-	-	-	1,521,047	1,521,047
Airport fees	-	855,664	-	-	-	855,664
Parking fees	-	-	2,758,192	-	-	2,758,192
Stormwater management fees	-	-	-	1,315,271	-	1,315,271
Licenses and permits	157,847	-	90,046	-	-	247,893
Fines and forfeitures	7,175	-	657,511		-	664,686
Miscellaneous	50,347	31,473	365,560	1,648	25,957	474,985
Total operating revenues	14,252,114	887,137	3,871,309	1,316,919	1,547,004	21,874,483
Operating expenses:						
Finance	218,047	-	-	-	-	218,047
Plumbing inpsection	351,190	-	-	-	-	351,190
Water service	4,661,438	-	-	-	-	4,661,438
Water chemicals	338,546	-	-	-	-	338,546
Water treatment	3,419,768	-	-	-	-	3,419,768
Sewage collection/disposal	3,129,368	-	-	-	-	3,129,368
Sewage maintenance/house connections	1,545,648	-	-	-	-	1,545,648
Inflow and infiltration	264,080	-	-	-	-	264,080
Plant maintenance	978,116	-	-	-	-	978,116
Public housing	-	-	-	-	39,769	39,769
Golf course maintenance	-	-	-	-	558,238	558,238
Golf course clubhouse	-	-	-	-	656,732	656,732
Golf course restaurant	-	-	-	-	323,216	323,216
Airport	-	803,827	-	-	-	803,827
Parking facilities	-	-	1,522,108	-	-	1,522,108
Stormwater management activities	-	-	-	778,523	-	778,523
Depreciation	3,041,642	628,073	1,110,696	1,572,772	170,935	6,524,118
Total operating expenses	17,947,843	1,431,900	2,632,804	2,351,295	1,748,890	26,112,732
Operating income/(loss)	(3,695,729)	(544,763)	1,238,505	(1,034,376)	(201,886)	(4,238,249)
Nonoperating revenues/(expenses)						
Intergovernmental	-	106,017	121,170	-	19,900	247,087
Interest income	996,884	7,141	68,653	7,067	2,689	1,082,434
Gain on disposal of capital assets	8,088	-	-	616	1,078	9,782
Other nonoperating revenues	264,182	248,723	23,574	1,420	4,807	542,706
Interest expense	(2,082,613)	(318,282)	(953,037)	(5,799)	(32,164)	(3,391,895)
Loss on disposal of capital assets	(1,063,911)	-	-	-	-	(1,063,911)
Other nonoperating expenses	(88,905)	(33,746)	(25,201)	(569)	(47,255)	(195,676)
Total nonoperating revenue/(expenses)	(1,966,275)	9,853	(764,841)	2,735	(50,945)	(2,769,473)
Income/(loss) before contributions and transfers	(5,662,004)	(534,910)	473,664	(1,031,641)	(252,831)	(7,007,722)
Capital contributions	1,836,708	-	-	149,923	-	1,986,631
Transfers in	-	100,000	-	-	-	100,000
Transfers out	(2,188,771)	-	(283,202)	(43,962)	-	(2,515,935)
Change in net assets	(6,014,067)	(434,910)	190,462	(925,680)	(252,831)	(7,437,026)
Total net assets - beginning	93,116,710	30,730,394	15,732,884	50,635,857	(922,760)	189,293,085
Total net assets - ending	$ 87,102,643	$ 30,295,484	$ 15,923,346	$ 49,710,177	$(1,175,591)	$ 181,856,059

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

The City of Frederick, Maryland
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds					
	Water and Sewer	Airport	Parking Facilities	Storm Water Management	Nonmajor Proprietary	Total
Cash flows from operating activities:						
Receipts from customers and users	$ 13,601,268	$ 913,838	$ 3,920,859	$ 1,278,785	$ 1,542,633	$ 21,257,383
Receipts from other sources	695,673	247,927	121,171	-	3,600	1,068,371
Payments to vendors	(10,812,023)	(612,414)	(897,888)	(311,846)	(891,246)	(13,525,417)
Payments to employees	(3,924,550)	(203,283)	(604,018)	(310,513)	(672,336)	(5,714,700)
Net cash provided (used) by operating activities	(439,632)	346,068	2,540,124	656,426	(17,349)	3,085,637
Cash flows from noncapital financing activities:						
Transfers out	(2,187,890)	-	(283,202)	(43,962)	-	(2,515,054)
Transfers in	-	100,000	-	-	-	100,000
Operating subsidy	-	-	-	-	19,900	19,900
Due to other funds	-	-	-	-	277,675	277,675
Net cash provided (used) by noncapital financing activities	(2,187,890)	100,000	(283,202)	(43,962)	297,575	(2,117,479)
Cash flows from capital and related financing activities:						
Capital contributions	1,836,708	-	-	149,923	-	1,986,631
Intergovernmental payments	-	396,408	-	-	-	396,408
Capital asset acquisitions	(24,290,173)	(6,592,849)	(6,023,195)	(1,237,203)	(687,484)	(38,830,904)
Proceeds from debt issue	59,524,038	14,310,941	12,283,000	1,258,399	1,009,140	88,385,518
Debt issuance costs	(515,880)	(125,368)	(111,713)	(11,179)	(8,964)	(773,104)
Reallocation of proceeds from debt issue	5,282,000	-	(5,282,000)	-	-	-
Capital lease payments	(49,555)	-	-	-	-	(49,555)
Principal payments	(3,476,635)	(170,000)	(1,373,000)	-	(420,485)	(5,440,120)
Interest payments	(1,251,057)	(148,679)	(873,466)	8,232	(23,903)	(2,288,873)
Estimated arbitrage earnings	(78,911)	-	(23,395)	-	-	(102,306)
Proceeds from sale of capital assets	133,004	-	-	616	1,078	134,698
Due to other funds	-	(4,994,612)	-	-	-	(4,994,612)
Other debt related costs	(25,275)	(1,505)	(6,642)	(10)	(758)	(34,190)
Net cash provided (used) by capital and related financing activities	37,088,264	2,674,336	(1,410,411)	168,778	(131,376)	38,389,591
Cash flows from investings activities:						
Interest earned	1,014,848	6,531	65,286	6,874	2,571	1,096,110
Net cash provided by investing activities	1,014,848	6,531	65,286	6,874	2,571	1,096,110
Net increase (decrease) in cash equivalents	35,475,590	3,126,935	911,797	788,116	151,421	40,453,859
Cash equivalents - beginning	44,554,051	-	10,279,738	525,045	94,389	55,453,223
Cash equivalents - ending	$ 80,029,641	$ 3,126,935	$ 11,191,535	$ 1,313,161	$ 245,810	$ 95,907,082

(continued)

The City of Frederick, Maryland
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds					
	Water and Sewer	Airport	Parking Facilities	Storm Water Management	Nonmajor Proprietary	Total
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income/(loss)	$ (3,695,729)	$ (544,763)	$ 1,238,505	$ (1,034,376)	$ (201,886)	$ (4,238,249)
Other Cash Receipts that do not result from Transactions defined as Capital and Related Financing, Noncapital Financing or Investing Activities.	127,075	247,927	121,170	-	3,600	499,772
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	3,041,642	628,073	1,110,696	1,572,772	170,935	6,524,118
(Increase)/decrease in accounts receivable	(88,851)	1,834	58,203	(38,135)	(9,031)	(75,980)
(Increase)/decrease in inventory	29,845	-	-	-	6,949	36,794
(Increase)/decrease in prepaids	789	-	-	-	-	789
Decrease in net pension asset	267	2	44	22	32	367
(Decrease)/increase in accounts payable	(678,122)	2,900	(24,289)	121,839	5,933	(571,739)
(Decrease)/increase in deferred revenue	8,142	(1,689)	(8,653)	-	4,768	2,568
(Decrease)/increase in deposits	(1,539)	26,556	-	-	(108)	24,909
(Decrease)/increase in OPEB liability	834,400	-	39,733	39,733	-	913,866
(Decrease)/increase in wages payable	(100,886)	(20,086)	(2,480)	(5,715)	(5,804)	(134,971)
(Decrease)/increase in compensated absences	83,335	5,314	7,195	286	7,263	103,393
Total adjustments	3,129,022	642,904	1,180,449	1,690,802	180,937	6,824,114
Net cash provided (used) by operating activities	$ (439,632)	$ 346,068	$ 2,540,124	$ 656,426	$ (17,349)	$ 3,085,637

The City of Frederick, Maryland
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Pension Trust Fund
ASSETS:	
Cash and short-term investments	$ 2,171,778
Receivables	
Accounts receivable - employee	112,612
Total receivables	112,612
Investments, at fair value:	
Equities	35,395,525
Fixed income	16,821,629
Total investments	52,217,154
Total assets	54,501,544
NET ASSETS	
Held in trust for pension benefits	$ 54,501,544

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

The City of Frederick, Maryland
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2009

	Pension Trust Fund
ADDITIONS:	
Contributions - employer	$ 7,727,435
Contributions - employees	1,470,234
Interest	3,819,300
Net appreciation/(depreciation)	(21,389,197)
Total Additions	(8,372,228)
DEDUCTIONS:	
Pension benefits	6,626,757
Service charges	456,710
Total Deductions	7,083,467
Change in net assets	(15,455,695)
Net assets - beginning	69,957,239
Net assets - ending	$ 54,501,544

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

1. Summary of Significant Accounting Policies

The financial statements of The City of Frederick have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government 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 are described below.

A. The Reporting Entity

The City of Frederick, Maryland (the "City") was incorporated on January 14, 1817 by Chapter 74 of the Acts of the General Assembly of Maryland of 1816. The City operates under a Mayor/Council form of government and provides the following services as authorized by its charter: public safety, public works, recreation and community development. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. A primary government is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or specific financial burdens on, the primary government. Blended component units are, in substance, a part of the primary government's operations and so data from these units are combined with data of the primary government.

Based upon the above criteria, the following is a brief overview of each potential component unit addressed in defining the City's reporting entity.

Blended Component Units:

The City of Frederick Pension System - This plan is for the benefit of the employees of The City of Frederick. Aetna Life Insurance Company serves as manager for this plan with the City's Human Resource Manager serving as plan administrator and the Mayor and Board of Aldermen serving as the governing board. The City and the plan's participants are obligated to fully fund all plan costs based upon actuarial valuations.

The City of Frederick Twenty-Five Year Pension System - This plan is also for the benefit of the employees of The City of Frederick. The plan is managed by Aetna Life Insurance Company. The City's Human Resource Manager is the plan administrator and the Mayor and Board of Aldermen serve as the governing board. The City and the plan's participants are obligated to fully fund all plan costs based upon actuarial valuations.

The City of Frederick Twenty-Two Year Pension System - This plan is for the benefit of sworn-in police officers of The City of Frederick. The plan is managed by Aetna Life Insurance Company. The City's Human Resource Manager is the plan administrator and the Mayor and Board of Aldermen serve as the governing board. The City and the plan's participants are obligated to fully fund all plan costs based upon actuarial valuations.

Weinberg Center for the Arts - This organization gives the Frederick community an opportunity to experience the visual and performing arts. A board of directors that is appointed by the Mayor and approved by the Board of Aldermen gives guidance to the City on Center operations. The Mayor and Board of Aldermen have final approval on Weinberg Center activities and function as the Weinberg Center's governing board.

Separate financial statements for the component units are not available.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund 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.

1. Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 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 instead as *general revenues.*

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 individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Material revenues from property taxes, intergovernmental revenues and grants 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. Other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The *general capital improvements fund* is used to account for activities relating to capital improvements that relate to general governmental activities.

The City reports the following major proprietary funds:

The *water and sewer fund* is used to account for all activities relating to water and sewer service within the City. The fund operates water collection, treatment and distribution facilities as well as the sewage collection and treatment system.

The *airport fund* accounts for the operation and maintenance of the City's airport.

The *parking fund* is used to account for parking facilities and activities which include parking lots, decks and metered parking.

The *storm water management fund* is used to account for storm water related facilities and activities.

1. Summary of Significant Accounting Policies (continued)

Additionally, the City reports the following fund type:

The *pension trust funds* account for activities of the City's three retirement plans, which accumulate resources for pension benefit payments to qualified employees.

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

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include the City's water and sewer fund charges to other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various other functions.

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 assessment and impact fees. 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 *non-operating* 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. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, liabilities, and net assets or equity

Cash and Investments

Cash balances from all funds are combined and invested to the extent possible in certificates of deposit and other authorized investments, and are reflected in the combined balance sheet as Equity in pooled cash/investments. Earnings from these investments are allocated among the various funds based on the average monthly inter-fund balances. Investments are stated at cost plus accrued interest, which approximates fair value, except for investments in the pension trust fund, which are reported at fair value.

For purposes of reporting the statement of cash flows, the City includes the following as cash and cash equivalents:

1. Demand deposit accounts which are not subject to withdrawal restriction or penalties.
2. Individual fund amounts due from the City's pooled cash/investment account, which is recorded as Equity in pooled cash/investments in the various individual funds only.
3. Restricted cash and cash equivalents.
4. Investments

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

1. Summary of Significant Accounting Policies (continued)

All trade and property tax receivables are shown net of an allowance for un-collectibles.

The City's property tax is levied and the related revenue is recognized each July 1 on the assessed value listed as of the prior January 1 for all real property located within City boundaries which receive substantially all City services, except principal residences which are due and payable in semiannual installments at July 1 and December 31. Property tax revenues are recognized when they become available. Available means when due, or past due and receivable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Assessed values are established by the Maryland State Department of Assessments and Taxation based on estimates of fair market value. A re-evaluation of all property is required to be completed every third year. Any increase in assessed value is phased in over a three-year period.

The billing and collection of real estate taxes is handled by the county government.

Taxes that are due on July 1 become delinquent October 1. Semi-annual installments due on December 31 become delinquent January 1. Maryland state law establishes a lien on the property on the date of the levy. Property on which taxes are not paid by the following March 1 may be sold at tax sale.

The City considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year.

Inventories and prepaid items

Inventories are valued at cost, determined by the moving average method, in the governmental fund and at the lower of cost or market in the proprietary funds. Inventory consists of expendable supplies held for consumption or items for resale. Inventory in the general fund is recorded under the consumption method, an expenditure when used, and is equally offset by a fund balance reserve in the fund financial statements which indicates that inventory does not constitute "available spendable resources" even though it is a component of net current assets.

Payments made to vendors for services that benefit periods beyond June 30, 2009, are recorded as prepaid items in both the government-wide and fund financial statements.

Deferred revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds, along with proprietary funds, also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the governmental funds reported $ 815,134 in unearned revenue. Additionally, $ 878,632 of deferred revenue was recognized due to its unavailability.

Restricted assets

Unspent bond proceeds are restricted for use to certain capital improvement projects, and as a result are classified as restricted assets on the balance sheet. Additionally, the City's 1999 Tax Increment Financing agreement requires that certain funds be deposited with the trustee throughout the life of the bond issue. These funds are also recorded as restricted assets on the balance sheet.

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items); are defined by the City as assets with an initial, individual cost of $5,000 or greater and an estimated useful life in excess of three years. Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

1. Summary of Significant Accounting Policies (continued)

When material in amount, interest related to construction projects is capitalized as a cost of the project.

Property and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40-95 years
Equipment	3-25 years
Other improvements	10-50 years
Infrastructure	20-40 years

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation and compensatory pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

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 the 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 are reported as debt service expenditures.

Fund balance

In the fund financial statements, governmental funds report reserves for inventory, prepaid items and noncurrent loans receivable to segregate that portion of fund balance which does not represent "available spendable resources". Reserves for encumbrances are segregated to indicate that portion of fund balance which is committed for expenditure and is therefore not available for future appropriation. Designations of unreserved fund balances indicate City management's plans to use financial resources in a future period.

Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, not reported in the fund." The details of this $128,515,870 difference are as follows:

Capital assets	$ 191,726,446
Less: Accumulated depreciation	(63,210,576)
Net adjustment to increase *fund balance – total governmental funds* to arrive at *net assets – governmental activities*	$ 128,515,870

Another element of that reconciliation states that "long-term liabilities, including bonds payable and other post employment benefits, are not due and payable in the current period and therefore are not reported in the funds." The details of this $83,997,583 difference are as follows:

Bonds payable	$ 79,063,223
Add: Issuance premium (to be amortized over life of debt)	627,777
Add: Other post employment benefits	1,853,660
Add: Compensated absences	2,452,923
Net adjustment to reduce *fund balance – total governmental funds* to arrive at *net assets – governmental activities*	$ 83,997,583

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this $ 30,175,858 difference are as follows:

Capital outlay	$ 36,682,389
Depreciation expense	(6,506,531)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 30,175,858

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets." The details of this $ 26,011 difference are as follows:

In the statement of activities, only the *gain/loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the remaining book value of the capital assets sold.	$ (367,511)
Donation of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not capitalized.	393,522
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 26,011

2. Reconciliation of government-wide and fund financial statements (continued)

Another element of that reconciliation states that "the issuance of long-term debt provides 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $ 39,100,584 difference are as follows:

Principal repayments	$ 4,638,528
Issuance of debt	(43,465,000)
Debt premium	(578,053)
Issuance costs of debt	385,468
Amortization of issuance costs	(81,527)
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ (39,100,584)

Another element of that reconciliation states that "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." The details of this $ 2,690,421 difference are as follows:

Compensated absences	$ 388,107
Pension expense resulting in a net pension asset reduction	1,610
Other post employment benefits	1,853,660
Accrued interest	447,044
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 2,690,421

3. Stewardship, compliance and accountability

Budgetary information

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

1. Prior to March 15th, the Mayor requests all departments to submit their proposed operating budgets for the fiscal year commencing the following July 1.

2. All budget requests are compiled by the Finance Department and presented to the Mayor and Board of Aldermen for review together with comparative and supporting data.

3. Public hearings are properly advertised and conducted at City Hall for taxpayer comments.

4. Prior to May 30th, the Mayor formally presents the balanced budget and budget message to the Board of Aldermen at a public meeting. The budget message includes a statement of pending capital project programs for the next five fiscal years. Additional taxpayer comments are requested.

5. Prior to June 29th, the budget is legally enacted through the passage of an ordinance.

6. Budgetary control is maintained at the departmental sub-function level. The Mayor may approve the transfer of funds within a department; however, any transfers required between departments must be approved by the Board of Aldermen. Any change in the total budget amount requires the approval of the Board of Aldermen. The final budget amounts are reported based on the original budget adjusted for authorized transfers and amendments.

7. Over-expenditures at the departmental level are prohibited by Charter.

Annual operating budgets are adopted for the general and special revenue funds. Appropriations which have not been expended or lawfully encumbered lapse at the end of the budget year. Any lawfully encumbered appropriations at year end are carried forward to the following year and increase the following year's budget appropriation by the amount of the encumbrance(s).

3. Stewardship, compliance and accountability (continued)

Budgetary control is achieved through a capital improvements program for all capital projects funds.

Any excess of total expenditures and encumbrances over total budgeted appropriations by individual departments is in violation of certain legal provisions. During fiscal year 2009, the Weinberg Center exceeded their budget allotment. The primary reason for the over-expenditure was a large increase in donated in-kind services that were recorded at year-end. The over-expenditure in the Weinberg Center Fund was fully funded by the revenue recognized by the in-kind service donations. Supplemental budget appropriations were made during fiscal year 2009 in the amount of $1,374,143 in the General Fund to account for unanticipated sources and uses of funds.

Encumbrances related to grant-funded contracts may cause a deficit undesignated fund balance in some funds. This results from a timing difference between the recording of the original encumbrance of the contract and the recognition of the grant revenue when it is measurable and available.

4. Detailed notes on all funds

Deposits and investments

The City maintains a cash and investment pool that is available for use by all funds. Deposits and certificates of deposit are carried at cost plus accrued interest. The City is restricted by state law as to the kinds of investments that can be made. Authorized investments include, (1) deposits in banks, savings and loan, etc., which have the lawfully required escrow deposits, or which have authorized collateral, (2) in any obligation for which the United States has pledged its faith and credit of the payment of the principal and interest, (3) in any obligation that a federal agency issues in accordance with an act of Congress, (4) in a repurchase agreement that any of these obligations secures, or (5) with respect to bond sale proceeds only, in bonds, notes or other obligations of investment grade quality (as established by a nationally recognized rating agency) issued by or on behalf of the State of Maryland or any other state or any agency, department, county, municipal or public corporation, special district, authority, or political subdivision thereof, or in any fund or trust that invests only in securities of the type described in this section. The pension trust fund's investment portfolio included investments in fixed income securities, equities, money market funds and real estate.

The City of Frederick may invest in U.S. Treasury obligations, U.S. Government Agency Securities, repurchase agreements secured by U.S. Treasury obligations or U.S Government agency securities, the Maryland Local Government Investment Pool, interest bearing accounts in any bank as provided by Article 95, Section 22 of the Annotated Code of Maryland or shares in an investment company or investment trust as provided by Article 95, Section 22N of the Annotated Code of Maryland.

As of June 30, 2009, the City had the following investments:

Investment Type	Fair Value
Repurchase agreements	$ 2,881,567
U. S. Treasuries	1,586,048
Maryland Local Government Investment Pool	92,520,198
	$ 96,987,813
Pension Fund investments	54,388,932
Total fair value of investments	$ 151,376,745

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturity date of securities to no more than two (2) years from the date of purchase, unless it is matched to a specific cash flow requirement.

Credit risk. The City of Frederick's investment does not specifically address credit risk. As of June 30, 2009, the Maryland Local Government Investment Pool was rated AAAm by Standard & Poor's. Regulatory oversight for the local government investment pool rests with the Maryland State Treasurer's Office and the fair value of the pool is the same as the value of the pool shares.

4. Detailed notes on all funds (continued)

Concentration of credit risk. The City's policy states that "investments will be diversified to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities". However, the policy does not define specific benchmarks to clearly identify when an over concentration may occur.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At year end, the carrying amount of the City's deposits was $38,912,006, and the bank balance was $34,718,247. As of June 30, 2009, all of the City's deposits were either covered by federal depository insurance or were covered by collateral held by the City's agent in the City's name.

Pension Fund investments:	
Equities	
Growth equities	$ 25,342,707
Small cap equities	5,044,676
International equities	5,008,142
Total equities	$ 35,395,525
Core Fixed income	$ 9,893,004
Fixed income	3,443,753
Research Advantage Collective Trust	3,484,872
Total fixed income	$ 16,821,629
Cash and short-term investments	
Cash management fund	$ 992,010
Disbursement payment account	1,179,768
Total cash and short-term investments	$ 2,171,778
Total pension fund investments	$ 54,388,932

The average quality of the core fixed income investments is AA2, with yield to maturity of 5.87% and an effective duration of 4.27 years. 67.5% of the portfolio is rated AAA, 3.2% AA, 8.0% A, 17.1% BBB and 4.3% less than BBB.

Petty cash amounts at June 30, 2009 totaled $46,135.

Receivables

Receivables as of year end for the City's individual major and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	CIP	Water & Sewer	Airport	Parking	Storm Water Management	Non-major Funds	Total
Taxes	$ 409,867	$ -	$ -	$ -	$ -	$ -	$ -	$ 409,867
Loans/notes	98,382	-	-	-	-	-	1,510,793	1,609,175
Intergovernmental	871,883	1,208,988	16,981	34,844	23,018	-	113,533	2,269,247
Interest	4,410	-	21,190	-	-	-	-	25,600
Other	309,443	330	2,753,496	62,069	26,148	237,453	10,262	3,399,201
Gross receivables	1,693,985	1,209,318	2,791,667	96,913	49,166	237,453	1,634,588	7,713,090
Less: allowance for un-collectibles	(80,607)	-	(12,443)	(16,814)	-	-	-	(109,864)
Net receivables	$ 1,613,378	$1,209,318	$2,779,224	$ 80,099	$ 49,166	$ 237,453	$1,634,588	$ 7,603,226

4. Detailed notes on all funds (continued)

Capital assets

Capital asset activity for the year ended June 30, 2009 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 23,901,174	$ 24,975,314	$ 310,285	$ 103,463	$ 48,669,666
Construction in progress	1,996,064	8,020,757	225,153	(424,768)	9,366,900
Total capital assets, not being depreciated	25,897,238	32,996,071	535,438	(321,305)	58,036,566
Capital assets, being depreciated:					
Buildings	28,212,150	-	-	-	28,212,150
Other improvements	28,498,695	354,183	27,434	147,150	28,972,594
Infrastructure	54,994,481	1,083,327	-	-	56,077,808
Machinery and equipment	18,342,050	2,867,482	1,003,495	221,291	20,427,328
Total capital assets, being depreciated	130,047,376	4,304,992	1,030,929	368,441	133,689,880
Less accumulated depreciation for:					
Buildings	14,415,635	959,111	-	-	15,374,746
Other improvements	5,988,978	1,393,090	8,344	-	7,373,724
Infrastructure	23,905,813	2,246,749	-	-	26,152,562
Machinery and equipment	13,320,186	1,907,581	964,478	46,255	14,309,544
Total accumulated depreciation	57,630,612	6,506,531	972,822	46,255	63,210,576
Total capital assets, being depreciated, net	72,416,764	(2,201,539)	58,107	322,186	70,479,304
Governmental activities capital assets, net	$ 98,314,002	$ 30,794,532	$ 593,545	$ 881	$ 128,515,870

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 27,022,515	$ 6,851,051	$ -	$ 4,661,527	$ 38,535,093
Construction in progress	38,971,150	34,011,532	-	(5,295,965)	67,686,717
Total capital assets, not being depreciated	65,993,665	40,862,583	-	(634,438)	106,221,810
Capital assets, being depreciated:					
Buildings	69,882,903	-	-	-	69,882,903
Other improvements	147,980,429	708,054	1,346,661	544,437	147,886,259
Machinery and equipment	8,330,166	1,007,329	184,793	42,864	9,195,566
Total capital assets, being depreciated	226,193,498	1,715,383	1,531,454	587,301	226,964,728
Less accumulated depreciation for:					
Buildings	22,248,755	1,958,906	-	-	24,207,661
Other improvements	35,524,220	3,681,362	176,238	-	39,029,344
Machinery and equipment	5,556,837	883,850	166,388	(46,255)	6,228,044
Total accumulated depreciation	63,329,812	6,524,118	342,626	(46,255)	69,465,049
Total capital assets, being depreciated, net	162,863,686	(4,808,735)	1,188,828	633,556	157,499,679
Business-type activities capital assets, net	$ 228,857,351	$ 36,053,848	$ 1,188,828	$ (881)	$ 263,721,489

4. Detailed notes on all funds (continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	$ 465,020
Public safety	590,050
Public works	3,235,471
Recreation and parks	2,122,537
Economic opportunity	93,453
Total depreciation expense – governmental activities	$ 6,506,531
Business-type activities:	
Rental operations	$ 6,811
Water and sewer	3,041,642
Golf course	164,124
Airport	628,073
Parking	1,110,696
Storm water	1,572,772
Total depreciation expense – business-type activities	$ 6,524,118

Construction commitments

The City has active construction projects as of June 30, 2009. At year end the City's commitments with contractors for major projects are as follows:

Project	Spent-to-Date	Remaining Commitment
Gas House Pike Improvements	$ 3,924,810	$ 2,370,904
Monocacy Boulevard Central Section	8,788,824	2,466,163
Water Distribution	9,161,419	2,809,490
New Design Water Plant Expansion	39,492,292	12,258,823
Wastewater Treatment Plant Improvements	2,937,916	6,690,322
Parking Deck No. 5	7,894,791	4,615,511

The Gas House Pike Improvements, Monocacy Boulevard Central Section, Water Distribution, New Design Water Plant Expansion, Wastewater Treatment Plant Improvements and Parking Deck No. 5 are primarily debt funded.

Inter-fund receivables, payables and transfers

The composition of inter-fund balances as of June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
General	Golf Course	$ 3,652,891

The $3,652,891 balance due to the general fund from the golf course resulted from accumulated net losses within the golf course operation. It is not anticipated that this balance will be repaid within the subsequent fiscal year.

4. Detailed notes on all funds (continued)

Inter-fund transfers:	Transfers In:				
Transfer out:	General Fund	CIP Fund	Non-major Governmental	Airport Fund	Total
General fund	$ -	$ 3,665,000	$ 90,523	$ 100,000	$ 3,855,523
Non-major governmental funds	56,750	-	-	-	56,750
Water and sewer fund	1,637,574	550,316	-	-	2,187,890
Parking fund	153,202	130,000	-	-	283,202
Storm water management fund	43,962	-	-	-	43,962
Total transfers out	$ 1,891,488	$ 4,345,316	$ 90,523	$ 100,000	$ 6,427,327

Transfers into the general fund from water and sewer, parking and storm water management funds are allocations made by those funds to the general administration functions that are recorded in the general fund, but also relate to their operations. The transfer from non-major government funds into the general fund represents general fund expenditures that are funded by special fund revenues.

Transfers into the CIP fund are general fund allocations to support capital improvement projects.

The $90,523 transfer by the general fund into the non-major governmental fund represents the annual contribution to subsidize operations of the Weinberg Center for the Arts.

The water and sewer fund transferred an asset with a book value of $881 into the general fund without remuneration. The general fund, with its current financial resources measurement focus, is unable to report the receipt of the asset resulting in an “unbalanced” transfer in the fund financial statements.

5. Capital Leases

The City has entered into several lease agreements as lessee for financing the acquisition of various equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The assets acquired through the capital lease are as follows:

	2005 Lease	
	General Fund	Water & Sewer Fund
Machinery and equipment	$ 1,178,295	$ 247,663
Less: Accumulated depreciation	(659,766)	(136,558)
Total	$ 518,529	$ 111,105

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009 are as follows:

	2005 Lease	
Fiscal Year Ending June 30,	General Fund	Water & Sewer Fund
2010	$ 255,519	$ 55,047
2011	255,519	55,047
Total minimum lease payments	$ 511,038	$ 110,094
Less: amount representing interest	(26,086)	(5,620)
Present value of minimum lease payments	$ 484,952	$ 104,474

6. Long term obligations

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities; and are direct obligations and pledge the full faith and credit of the City. The bonds are generally issued as 20-year serial bonds with varying amounts of principal maturing each year. The long-term obligations of the City currently outstanding are as follows:

	Date of Issue	Date of Maturity	Range of Interest Rates	Outstanding 7/1/2008	Transfers/ Additions FY '09	Reductions FY '09	Outstanding 6/30/2009	Due Within One Year
Governmental Activities:								
Bonds and Notes Payable:								
General Purpose	08/01/89	08/01/11	Variable	$ 900,000	$ -	$ (900,000)	$ -	$ -
General Purpose	08/07/01	12/01/21	3.25-4.75%	16,067,000	-	(2,162,000)	13,905,000	2,173,000
General Purpose	09/19/02	09/01/22	2.50-5.0%	20,051,000	-	(981,000)	19,070,000	1,018,000
Refunding Bonds	11/18/08	08/01/11	3.29%	-	650,000	-	650,000	250,000
General Purpose	03/26/09	03/01/29	3.0 - 5.0%	-	42,815,000	-	42,815,000	-
MILA Loan - Trading Lane	06/95	06/22	5.93%	128,565	-	(6,090)	122,475	6,460
CELP Loan	12/21/05	06/01/14	2.0%	99,538	-	(15,775)	83,763	16,093
Tax Increment Financing	12/99	06/24	5.95%	2,010,676	-	(78,643)	1,932,033	83,322
Capital Lease	11/25/03	07/15/08	2.65%	264,991	-	(264,991)	-	-
Capital Lease	12/20/05	07/20/10	3.0 - 5.0%	714,980	-	(230,028)	484,952	238,230
Subtotal				40,236,750	43,465,000	(4,638,527)	79,063,223	3,785,105
Add remaining premium				84,701	578,053	(34,975)	627,779	34,974
Total bonds and notes payable				40,321,451	44,043,053	(4,673,502)	79,691,002	3,820,079
Other Obligations:								
Compensated Absences				2,064,816	2,245,384	(1,857,277)	2,452,923	1,615,623
OPEB Liabilities				-	6,052,132	(1,721,198)	4,330,934	-
Total Governmental Activity Long-term Obligations				$ 42,386,267	$ 52,340,569	$ (8,251,977)	$ 86,474,859	$ 5,435,702
Business-type activities:								
General Obligation Bonds:								
Water and Sewer	08/01/89	08/01/11	Variable	$ 507,000	$ -	$ (507,000)	$ -	$ -
Water and Sewer	08/07/01	12/01/21	3.25-4.75%	6,481,000	-	(769,000)	5,712,000	779,000
Water and Sewer	09/19/02	09/01/22	2.50-5.0%	1,509,000	-	(74,000)	1,435,000	77,000
Water and Sewer	08/15/05	08/01/25	4.0 - 5.0%	45,597,000	5,282,000	(1,884,000)	48,995,000	2,150,000
Water and Sewer	11/18/08	08/01/11	3.29%	-	367,000	-	367,000	140,000
Water and Sewer	11/18/08	08/01/28	4.39%	-	8,700,000	-	8,700,000	277,700
Water and Sewer	03/26/09	03/01/34	3.0 - 5.0%	-	49,875,000	-	49,875,000	-
Total General Obligation Bonds				54,094,000	64,224,000	(3,234,000)	115,084,000	3,423,700
State Loan Fund - BNR	08/23/01	02/01/22	2.30%	3,954,548	-	(242,635)	3,711,913	248,216
Capital Lease	12/20/05	07/20/10	3.0 - 5.0%	154,029	-	(49,555)	104,474	51,322
Total Water & Sewer Debt				58,202,577	64,224,000	(3,526,190)	118,900,387	3,723,238
Golf Course Facilities Bonds	07/26/04	10/01/10	2.84%	1,272,180	-	(420,485)	851,695	449,711
Golf Course Facilities Bonds	03/26/09	03/01/29	3.0 - 5.0%	-	985,000	-	985,000	-
Total Golf Course Obligations				1,272,180	985,000	(420,485)	1,836,695	449,711
Aiport Improvement Bonds	08/07/01	12/01/21	3.25-4.75	3,205,000	-	(170,000)	3,035,000	175,000
Aiport Improvement Bonds	03/26/09	03/01/29	3.0 - 5.0%	-	640,000	-	640,000	-
Aiport Impvt. BANs - Taxable	03/26/09	03/01/13	4.52%	-	13,655,000	-	13,655,000	-
Total Airport Debt				3,205,000	14,295,000	(170,000)	17,330,000	175,000
Parking Facilities	08/01/89	08/01/11	Variable	393,000	-	(393,000)	-	-
Parking Facilities	08/07/01	12/01/21	3.25-4.75	2,867,000	-	(214,000)	2,653,000	223,000
Parking Facilities	08/15/05	08/01/25	4.0 - 5.0%	18,553,000	(5,282,000)	(766,000)	12,505,000	575,000
Parking Facilities	11/18/08	08/01/11	3.29%	-	283,000	-	283,000	110,000
Parking Facilities - Taxable	03/26/09	03/01/29	3.264-6.933%	-	12,000,000	-	12,000,000	405,000
Total Parking Facilities				21,813,000	7,001,000	(1,373,000)	27,441,000	1,313,000
Stormwater Facilities	03/26/09	03/01/29	3.0 - 5.0%	-	1,230,000	-	1,230,000	-
Total Stormwater Facilities				-	1,230,000	-	1,230,000	-
Total business-type activities debt				84,492,757	87,735,000	(5,489,675)	166,738,082	5,660,949
Other Obligations:								
Add remaining premium				2,327,015	650,519	(164,104)	2,813,430	164,104
Less remaining discounts				(13,406)	-	999	(12,407)	(1,000)
Less deferred refunding				(183,322)	-	62,426	(120,896)	(62,426)
Compensated Absences				301,665	434,794	(331,400)	405,059	265,333
OPEB Liabilities				-	1,421,868	(508,002)	913,866	-
Total business-type activities obligations				$ 86,924,709	$ 90,242,181	$ (6,429,756)	$ 169,823,268	$ 6,026,960

Ninety-seven percent of the compensated absences in the governmental activities will be paid out of the general fund. The remaining three percent will be paid out of nonmajor governmental funds.

6. Long term obligations (continued)

The annual requirements to amortize all general long term debt, as of June 30, 2009, are as follows:

Fiscal	Governmental Activities		Business-type Activities		Total		
Year	Principal	Interest	Principal	Interest	Principal	Interest	Total
2010	$ 3,463,553	$ 3,000,569	$ 5,609,627	$ 7,320,101	$ 9,073,180	$ 10,320,670	$ 19,393,850
2011	3,674,268	2,994,134	5,785,009	7,343,242	9,459,277	10,337,376	19,796,653
2012	4,228,013	2,863,523	5,523,865	7,102,215	9,751,878	9,965,738	19,717,616
2013	4,225,790	2,715,304	19,301,440	6,861,037	23,527,230	9,576,341	33,103,571
1014	4,412,601	2,550,093	5,890,852	5,984,935	10,303,453	8,535,028	18,838,481
2015 - 2019	20,642,939	10,389,897	33,488,373	25,686,956	54,131,312	36,076,853	90,208,165
2020 - 2024	20,689,074	6,078,396	40,565,242	17,627,570	61,254,316	23,705,966	84,960,282
2025 – 2029	15,310,000	2,274,881	35,989,200	8,128,116	51,299,200	10,402,997	61,702,197
2030 - 2034	-	-	14,480,000	2,242,750	14,480,000	2,242,750	16,722,750
Totals	$76,646,238	$32,866,797	$166,633,608	$ 88,296,922	$243,279,846	$121,163,719	$ 364,443,565

The annual requirements to amortize all tax incremental financing debt outstanding as of June 30, 2009 are as follows:

Fiscal	Tax Incremental Financing Bonds		
Year	Principal	Interest	Total
2010	$ 83,322	$ 71,669	$ 154,991
2011	88,280	68,578	156,858
2012	93,532	65,303	158,835
2013	99,098	61,834	160,932
2014	104,994	58,158	163,152
2015 - 2019	626,450	227,519	853,969
2020 - 2024	836,357	96,656	933,013
Totals	$1,932,033	$ 649,717	$2,581,750

Computation of Legal Debt Margin:

Assessed value		$6,033,993,100
Debt limit (8% of assessed value per City Charter)		$ 482,719,448
Amount of debt applicable to debt limit:		
Total bonded debt	$241,293,728	
Other debt	3,918,151	
	$245,211,879	
Less: Water and sewer debt	118,795,913	
Total amount of debt applicable to debt limit		126,415,966
Legal debt margin		$ 356,303,482

Schedule of Intended Source of Funds for Debt Retirement:

	Debt Amount
General revenue	$ 76,646,238
Water and sewer charges	118,795,913
Airport charges	17,330,000
Parking charges and fines	27,441,000
Storm water charges	1,230,000
Cash flow from golf course operations	1,836,695
Incremental tax revenue	1,932,033
	$ 245,211,879

Although a large portion of City debt is to be paid from revenue sources other than taxes, virtually all of the City's debt is backed by the full faith, credit and taxing power of the City. The following computation of direct and overlapping debt is based upon total City debt outstanding, reflecting the backing of the City.

6. Long term obligations (continued)

Computation of Direct and Overlapping Debt:

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City	Amount Applicable to City
The City of Frederick	$ 243,279,846	100.00%	$ 243,279,846
Frederick County	556,777,433	23.84%	132,735,740
Total	$ 800,057,279		$ 376,015,586

7. Pension Plans

Under authority granted by section 137 of the charter of The City of Frederick, the City provides pension and retirement benefits for substantially all full-time City employees through a group pension immediate participation guarantee contract with an insurance company. Three pension plans currently exist.

The financial statements of the City's pension plans are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which contributions are due. City contributions to each plan are recognized when due and the City has made formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Separate, audited GAAP-basis pension plan reports are not available for the defined benefit pension plans.

Investments of the pension plans are reported at fair value.

The City of Frederick Pension System (Thirty-Year Plan)

Plan description and provisions:

Full-time employees of The City of Frederick are eligible to participate in this single-employer, defined benefit pension plan. Current membership in the plan is comprised of the following:

Retired and disabled participants, beneficiary annuitants, and spouses as of July 1, 2009	75
Vested terminated employees	86
Active employees - vested 100%	93
Active employees – non-vested	58

Eligibility - Work at least twenty hours a week, attain the age of 18 with one year of service, and agree to make required contributions.

Employee contributions - 5% of earnings above Social Security Taxable Wage Base.

Retirement -

Normal - Age 62 with five years of service
Age 63 with four years of service
Age 64 with three years of service
Age 65 or older with two years of service
or 30 years of service regardless of age

Annual benefit is 1.2% of Final Average Earnings multiplied by years and months of service (plus unused sick leave). Final Average Earnings is the average yearly earnings during the three consecutive plan years out of the last 10 plan years which produces the highest average.

Early - Age 55 with at least 15 years of service.

Annual benefit calculated as at normal but reduced 1/2% for each month preceding age 62.

Vesting - A participant is 100% vested after 5 years of service.

Benefit commences at age 62 or early retirement date, if eligible. Benefit is calculated as the amount accrued to date of termination.

7. Pension plans (continued)

Disability eligibility is 5 years of service. Benefit is same as Service Retirement Formula to age 62.

Death benefit eligibility is one year of service. Benefit is 100% of Annual Salary (payable as a lump sum).

Spouse's Benefit - Primary beneficiary available if deceased member was at least age 55 with 20 years of service.

Cost of Living - based on the Consumer Price Index but limited to an annual increase of 3% of the member's benefit the previous year.

The City of Frederick is required to contribute all amounts in excess of employee contributions necessary to fund this pension plan, using the entry age-normal actuarial method.

Significant actuarial assumptions used in determining the actuarial accrued liability include:

Mortality – RP2000 Combined Mortality Tables for males and females.

Interest rates – 8.0% per annum, compounded annually, 8.5% was used in the prior year.

Expenses – None assumed paid from plan assets.

Retirement - Assumed retirement at the earlier of 30 years of service,
age 62 with 5 years of service,
age 63 with 4 years of service,
age 64 with 3 years of service, or
age 65 with 2 years of service.

Turnover - All employees who do not meet membership requirements under the plan are excluded from funding. In addition, terminations from service prior to retirement are discounted in advance, in accordance with the following scale based on attained ages:

Age	Annual Termination Rate
25	7.72%
35	6.86%
45	5.16%
55	1.37%

Disability - Disability among active lives is discounted in advance according to a scale based on attained ages. Disablement is assumed to be ordinary. The scale for the annual disablement rate is as follows:

Age	Annual Disablement Rate
25	.006%
35	.089%
45	.306%
55	.804%

Salary scale - Salaries are assumed to increase 6.0% per year for participants under age 50 and 4.5% per year for participants age 50 and older. When available, actual salaries are used retrospectively.

Cost-of-living increases - a compound increase rate of 3.0% per annum is assumed in projecting the liability for cost-of-living benefits.

Future service credits - A full credit for each future year.

Spouses benefits - 95% of all participants are assumed to be married. Wives are assumed to be one year younger than their husbands.

The City's funding policy is to provide periodic employer contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. The required contributions are determined using an entry age actuarial funding method.

7. Pension plans (continued)

The annual pension costs and net pension assets for the current year were as follows:

Annual required contribution	$ 886,197
Interest on net pension assets	(20,429)
Adjustment to annual required contribution	20,612
Annual pension cost	886,380
Contributions made	(886,197)
Decrease in net pension assets	183
Net pension assets beginning of year	(240,337)
Net pension assets end of year	$ (240,154)

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2007	835,131	99.98%	(240,520)
2008	846,358	99.98%	(240,337)
2009	886,380	99.98%	(240,154)

The City of Frederick Twenty-Five Year Pension System

Plan description and provisions:

Full-time employees of The City of Frederick are eligible to participate in this single-employer, defined benefit pension plan. Current membership in the plan is comprised of the following:

Retired and disabled participants, beneficiary annuitants, and spouses as of July 1, 2009	169
Vested terminated employees	65
Active employees - vested 100%	118
Active employees – non-vested	73

Eligibility - Work at least twenty hours a week, attain the age of 18 with one year of service, and agree to make member contributions.

Retirement -

Normal - Age 62 with five years of service
Age 63 with four years of service
Age 64 with three years of service
Age 65 or older with two years of service
or 25 years of service regardless of age

Annual benefit is 2% of Final Average Earnings multiplied by years and months of service (plus unused sick leave). Final Average Earnings is the average yearly earnings during the three consecutive plan years out of the last 10 plan years which produces the highest average.

Early - Age 55 with at least 15 years of service.

Annual benefit calculated as at normal but reduced 1/2% for each month preceding age 62.

Vesting - A participant is 100% vested after 5 years of service.

Benefit commences at age 62 or early retirement date, if eligible. Benefit is calculated as the amount accrued to date of termination.

Disability eligibility is 5 years of service. Benefit is same as Service Retirement Formula to age 62.

7. Pension plans (continued)

Death benefit eligibility is one year of service. Benefit is 100% of Annual Salary (payable as a lump sum).

Spouse's Benefit - Primary beneficiary available if deceased member was at least age 55 with 15 years of service.

Contributions - Effective July 1, 1989, employees hired on or before February 17, 1987, contribute 5% of earnings and employees hired after February 17, 1987, contribute 7% of earnings.

Cost-of-Living - based on the Consumer Price Index but limited to an annual increase of 3% of the member's benefit the previous year.

The City of Frederick is required to contribute the remaining amounts necessary to fund this pension plan, using the entry age-normal actuarial method.

Significant actuarial assumptions used in determining the actuarial accrued liability include:

Mortality – RP2000 Combined Mortality Tables for males and females.

Interest rates - 8.0% per annum, compounded annually, 8.5% used in the prior year.

Expenses – None assumed paid from plan assets.

Retirement - Assumed retirement at the earlier of 25 years of service,
age 62 with 5 years of service,
age 63 with 4 years of service,
age 64 with 3 years of service, or
age 65 with 2 years of service.

Turnover - All employees who do not meet membership requirements under the plan are excluded from funding. In addition, terminations from service prior to retirement are discounted in advance, in accordance with the following scale based on attained ages:

Age	Annual Termination Rate
25	7.72%
35	6.86%
45	5.16%
55	1.37%

Disability - Disability among active lives is discounted in advance according to a scale based on attained ages. Disablement is assumed to be ordinary. The scale for the annual disablement rate is as follows:

Age	Annual Disablement Rate
25	.006%
35	.089%
45	.306%
55	.804%

Salary scale - Salaries are assumed to increase 6.0% per year for participants under age 50 and 4.5% per year for participants age 50 and older. When available, actual salaries are used retrospectively.

Cost-of-living increases - a compound increase rate of 3.0% per annum is assumed in projecting the liability for cost-of-living benefits.

Future service credits - A full credit for each future year.

Spouse's benefits - 95% of all participants are assumed to be married. Wives are assumed to be one year younger than their husbands.

7. Pension plans (continued)

The City's funding policy is to provide periodic employer contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. The required contributions are determined using an entry age actuarial funding method.

The annual pension costs and net pension assets for the current year were as follows:

Annual required contribution	$ 2,774,792
Interest on net pension assets	(130,187)
Adjustment to annual required contribution	131,352
Annual pension cost	2,775,957
Contributions made	(2,774,792)
Decrease in net pension assets	1,165
Net pension assets beginning of year	(1,531,617)
Net pension assets end of year	$(1,530,452)

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2007	2,722,939	99.96%	(1,532,784)
2008	2,765,899	99.96%	(1,531,617)
2009	2,775,957	99.96%	(1,530,452)

The City of Frederick Twenty-Two Year Pension System

Plan description and provisions:

Effective January 1, 1995, all sworn police officers were given the option to join this plan or to remain in their existing plan. Eighty-two of the existing eighty-six officers joined this plan. All newly hired full time sworn police officers up to the rank of Captain are required to participate in this single-employer, defined benefit pension plan. Current membership in the plan is comprised of the following:

Retired and disabled participants, beneficiary annuitants, and spouses as of July 1, 2009	43
Vested terminated employees	19
Active employees - vested 100%	106
Active employees – non-vested	32

Eligibility - All police officers become an active member on their date of hire with the agreement to make member contributions.

Retirement -
Normal - Age 62 with five years of service
Age 63 with four years of service
Age 64 with three years of service
Age 65 or older with two years of service
or 22 years of service regardless of age

Annual benefit is 60% of Final Average Earnings with twenty-two year of service plus 1.5% of Final Average Earnings multiplied by years and months of service in excess of twenty-two. Final Average Earnings is the average yearly earnings of the three consecutive plan years out of the last 10 plan years which produces the highest average.

Early - Age 55 with at least 15 years of service.

Annual benefit calculated as at normal but reduced 1/2% for each month preceding age 62.

7. Pension plans (continued)

Vesting - A participant is 100% vested after 5 years of service.

Benefit commences at age 62 or early retirement date, if eligible. Benefit is calculated as the amount accrued to date of termination.

Disability eligibility is 5 years of service. Benefit is same as Service Retirement Formula to age 62.

Death benefit eligibility is one year of service. Benefit is 100% of Annual Salary (payable as a lump sum).

Spouse's Benefit - Primary beneficiary available if deceased member was at least age 55 with 12 years of service.

Contributions - Effective July 1, 1995, employees contribute 8% of earnings.

Cost of living - based on the Consumer Price Index but limited to an annual increase of 3% of the prior year's retirement benefit (called 3% compound interest).

The City of Frederick is required to contribute the remaining amounts necessary to fund this pension plan, using the entry age-normal actuarial method.

Significant actuarial assumptions used in determining the actuarial accrued liability include:

Mortality –RP2000 Blue Collar Mortality Tables for Males and Females.

Interest rates - 8.0% per annum, compounded annually, 8.5% used in prior year.

Expenses – none assumed to be paid from plan assets.

Retirement - Assumed retirement at the earlier of 22 years of service,
age 62 with 5 years of service,
age 63 with 4 years of service,
age 64 with 3 years of service, or
age 65 with 2 years of service.

Turnover - All employees who do not meet membership requirements under the plan are excluded from funding. In addition, terminations from service prior to retirement are discounted in advance, in accordance with the following scale based on attained ages:

Age	Annual Termination Rate
25	5.29%
35	4.70%
45	3.54%
55	0.94%

The rates are adjusted for service according to the following table:

Years of Service	Percentage of Annual Termination Rate
Less than 5	150%
5 – 9	100%
10 – 14	40%
15 – 19	15%
20 or more (not retirement eligible)	10%

Disability - Disability among active lives is discounted in advance according to a scale based on attained ages. Disablement is assumed to be ordinary. The scale for the annual disablement rate is as follows:

Age	Annual Disablement Rate
25	.090%
35	.133%
45	.459%
55	1.206%

7. Pension plans (continued)

Salary scale - Salaries are assumed to increase prospectively and decrease retrospectively at the rate of 7% per annum. When available, actual salaries are used retrospectively.

Cost-of-living increases - a compound increase rate of 3.0% per annum is assumed in projecting the liability for cost-of-living benefits.

Future service credits - A full credit for each future year.

Spouse's benefits - 95% of all participants are assumed to be married. Wives are assumed to be one year younger than their husbands.

The City's funding policy is to provide periodic employer contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. The required contributions are determined using an entry age actuarial funding method.

The annual pension costs and net pension assets for the current year were as follows:

Annual required contribution	$ 4,066,446
Interest on net pension assets	(70,445)
Adjustment to annual required contribution	71,075
Annual pension cost	4,067,076
Contributions made	(4,066,446)
Decrease in net pension assets	630
Net pension assets beginning of year	(828,759)
Net pension assets end of year	$ (828,129)

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2007	3,287,913	99.98%	(829,390)
2008	4,126,859	99.98%	(828,759)
2009	4,067,076	99.98%	(828,129)

Additional information for each of the plans as of the latest actuarial valuation follows.

	30-Year Plan	25-Year Plan	22-Year Plan
Valuation date	7/1/09	7/1/09	7/1/09
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar	Level dollar	Level dollar
Amortization period	30 yrs. from valuation date - open	30 yrs. from valuation date - open	30 yrs. from valuation date – open
Asset valuation method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions:			
Investment rate of return	8.0%	8.0%	8.0%
Projected salary increases:			
Under age 50	6.0%	6.0%	7.0%
Age 50 and older	4.5%	4.5%	7.0%
Actuarial value of assets -	9,138,572	33,138,867	35,850,764

7. Pension plans (continued)

Actuarial accrued liability -	19,306,994	68,831,455	68,509,327
Total unfunded actuarial accrued liability -	10,168,422	35,692,588	32,658,563
Actuarial value of assets as a percentage of actuarial accrued liability (funded ratio) -	47.33%	48.14%	52.33%
Annual covered payroll -	7,780,038	9,582,428	9,849,864
Ratio of the unfunded actuarial liability to annual covered payroll -	130.70%	372.48%	331.56%

The information presented in the required supplementary schedules immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Statement of Fiduciary Net Assets

	Pension Trust Fund			
	Pension - 30 Year	Pension - 25 Year	Pension - 22 Year	2009 Total
ASSETS:				
Cash and short-term investments	$ 250,733	$ 908,693	$ 1,012,352	$ 2,171,778
Receivables				
Accounts receivable – employee	-	51,072	61,540	112,612
Total receivables	-	51,072	61,540	112,612
Investments, at fair value:				
Equities	4,086,473	14,809,823	16,499,229	35,395,525
Fixed income	1,942,086	7,038,329	7,841,214	16,821,629
Total investments	6,028,559	21,848,152	24,340,443	52,217,154
Total assets	6,279,292	22,807,917	25,414,335	54,501,544
NETS ASSETS:				
Held in trust for pension benefits	$ 6,279,292	$ 22,807,917	$ 25,414,335	$ 54,501,544

Statement of Changes in Fiduciary Net Assets

	Pension Trust Fund			
	Pension - 30 Year	Pension - 25 Year	Pension - 22 Year	2009 Total
ADDITIONS:				
Contributions – employer	$ 886,197	$ 2,774,792	$ 4,066,446	$ 7,727,435
Contributions – employee	4,032	649,530	816,672	1,470,234
Interest	441,783	1,645,585	1,731,932	3,819,300
Net appreciation/(depreciation)	(2,474,113)	(9,215,760)	(9,699,324)	(21,389,197)
Total additions	(1,142,101)	(4,145,853)	(3,084,274)	(8,372,228)
DEDUCTIONS:				
Pension benefits	635,593	4,092,431	1,898,733	6,626,757
Service charges	52,828	196,779	207,103	456,710
Total deductions	688,421	4,289,210	2,105,836	7,083,467
Change in net assets	(1,830,522)	(8,435,063)	(5,190,110)	(15,455,695)
Net assets – beginning	8,109,814	31,242,980	30,604,445	69,957,239
Net assets – ending	$ 6,279,292	$ 22,807,917	$ 25,414,335	$ 54,501,544

8. Post-Employment Health Care Benefits

Pursuant to Sections 35-B and 137 of the City Charter, the City provides other post employment benefits (OPEB) to all employees who qualify as a retiree and meet specific service requirements. A $3,000 life insurance benefit is provided to retirees with at least 10 years of service and hired prior to July 1, 2003. Currently 490 retirees and dependents are eligible for health benefits and 244 of those are also eligible for life insurance coverage. The City provides point of service types of health coverage for pre-Medicare retirees and their dependents. Retirees over 65 are enrolled in a plan that coordinates benefits with Medicare. The cost of retiree health care and life insurance benefits is recognized as an expenditure when claims are accrued. For fiscal year 2009, those costs totaled approximately $2,300,673.

General plan description and provisions:

For participants hired before July 1, 2003 – These employees must meet eligibility requirements under the retirement plan and have 10 vesting years of service with the City to be eligible for health insurance. Health insurance premiums for these employees and their dependents shall be paid in full by the City. The Medicare supplemental insurance program involves a monthly cost share. Additionally, these employees are eligible for a retiree life insurance benefit at no cost.

Eligible employees who are hired on or after July 1, 2003 – These employees must meet eligibility requirements under the retirement plan and have 10 vesting years of service with the City to be eligible for health insurance. Health insurance premiums for these employees and their dependents may involve a monthly cost share.

Eligible employees who are hired on or after July 1, 2005 – These employees must meet eligibility requirements under the retirement plan and have 15 vesting years of service with the City to be eligible for health insurance. Health insurance premiums for these employees and their dependents may involve a monthly cost share.

Life insurance:

Employees hired prior to July 1, 2003 are eligible for $3,000 of Life Insurance Coverage at retirement. The same service requirements, as stated above, for health care coverage are applicable for life insurance coverage. The City pays the entire cost of the coverage.

Underlying plan description:

Pre-Medicare retirees may choose between several medical plans, a low point of service (POS) plan, a high POS plan and an Open Access plus (OAP) plan. All three plan options have both in and out of network services.

Once the participant is Medicare-eligible, a Medicare supplemental plan is available.

The City pays the entire cost for dental coverage based on the eligibility requirements above.

Currently, the City requires all retirees to contribute $30 per month per retiree once they attain age 65.

Funding Policy:

The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The current ARC rate is 30.48% of annual covered payroll. The ARC consisted of the normal cost of $3,947,000 and the amortization of unfunded accrued liability of $3,527,000. The City contributed $2,229,200 for the year ended June 30, 2009 for current health care and life insurance premiums. An additional $3,000,001 has been designated for future benefits. It is the intent of the City to establish an OPEB trust to pre-fund future benefits.

Annual OPEB Cost and Net OPEB Obligation:

The City had an actuarial valuation performed as of July 1, 2006 to determine the funded status of the plan as of that date as well as the City's ARC for the fiscal year ended June 30, 2009. The annual OPEB cost (expense) for the year ended June 30, 2009 was $7,474,000 which was equal to the ARC, as the transition liability was set at zero as of July 1, 2008. The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2009 was as follows:

8. Post-Employment Health Care Benefits (continued)

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 7,474,000	29.83%	$ 5,244,800

Funded status and progress:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information that shows whether the actuarial value of plan assets is increasing, or decreasing over time relative to the actuarial accrued liabilities for benefits. The City had another valuation performed based on August 1, 2008 census data.

Actuarial methods and assumptions:

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

The projected unit credit method with linear pro-ration to assumed benefit commencement was used in this valuation.

The unfunded liability was amortized over a period of 29 years as a level percentage of pay.

Participants are assumed to elect coverage for life insurance at the same rate as health coverage.

Actual coverage status is used; females assumed to be 1 year younger than male spouse. Employees with family coverage are assumed to continue family coverage in retirement. Employees with individual coverage are assumed to elect individual coverage in retirement. Employees who have waived coverage are assumed to waive coverage in retirement.

This valuation assumes that 95% of those eligible for post-retirement health care will continue the same coverage levels at retirement.

Interest assumptions – discount rate of 4.0% and payroll growth of 4.0%.

Healthcare cost trend assumptions –

Medical and Prescription Drug	Base	Sensitivity
2009	8.5%	9.5%
2010	8.0%	9.0%
2011	7.5%	8.5%
2012 - 2013	7.2%	8.2%
2014 - 2019	7.1%	8.1%
2020 - 2024	6.9%	7.9%
2025 - 2029	6.8%	7.8%
2030 - 2039	6.7%	7.7%
2040 - 2049	6.2%	7.2%
2050 - 2059	5.9%	6.9%
2060 - 2069	5.8%	6.8%
2070 – 2079	5.7%	6.7%
2080 – 2089	5.2%	6.2%
2090 +	5.2%	6.2%

Mortality – RP 2000 Combined Healthy Table and RP 2000 Disabled Table

8. Post-Employment Health Care Benefits (continued)

Disability assumptions –

Age	22-Year Plan	25-Year Plan	30-Year Plan
25	0.090%	0.006%	0.006%
35	0.133%	0.089%	0.089%
45	0.459%	0.306%	0.306%
55	1.206%	0.804%	0.804%

Turnover assumptions –

Age	22-Year Plan	25-Year Plan	30-Year Plan
25	5.29%	7.72%	7.72%
35	4.70%	6.86%	6.86%
45	3.54%	5.16%	5.16%
55	0.94%	1.37%	1.37%

For the 22-Year Plan the rates are adjusted for service according to the following table:

Years of Service	Percentage of Annual Termination Rate
Less than 5	150%
5 – 9	100%
10 – 14	40%
15 – 19	15%
20 or more (not retirement eligible)	10%

Retirement – 100% of employees are assumed to retire at the earlier of:

A) for 22-Year Plan
   a. Age 62 with 5 years of service
   b. Age 63 with 4 years of service
   c. Age 64 with 3 years of service
   d. Age 65 with 2 years of service
   e. Age 55 with 15 years of service
   f. 22 years of service

B) for 25-Year Plan
   a. Age 62 with 5 years of service
   b. Age 63 with 4 years of service
   c. Age 64 with 3 years of service
   d. Age 65 with 2 years of service
   e. Age 55 with 15 years of service
   f. 25 years of service

C) for 30-Year Plan
   a. Age 62 with 5 years of service
   b. Age 63 with 4 years of service
   c. Age 64 with 3 years of service
   d. Age 65 with 2 years of service
   e. Age 55 with 15 years of service
   f. 30 years of service

Pre-age 65 claims are based on the combined active and retired pre-age 65 claims from October 1, 2007 to September 30, 2008, trended 10 percent to 1/1/09. These amounts were increased by an aging factor to reflect the older average age of the retirees than the total population. These results were blended 55/45 with the 45 percent the average experience for neighboring jurisdictions with similar benefit plans with credible experience. A 10% administrative load was then applied.

Post-age 64 claims assumption is the monthly insurance premium that is paid for post-age 64 retirees. Retirees participate in a fully insured Medicare Advantage plan. Since these plans are commercially available no age adjustment was made.

9. Commitments and contingencies

Grant Compliance - The City participates in a number of state and federally assisted grant programs which are subject to financial and compliance audits by the grantors or their representatives. The audits of some of these programs through June 30, 2009, have not been conducted; however, such federal programs were audited in accordance with the Federal Office of Management and Budget's Circular No. A-133, for the current year.

Litigation - The City is subject to various legal proceedings. In the opinion of the City Attorney, the potential liability arising from claims against the City not covered by insurance, would not materially affect the financial statements.

10. Conduit Debt Obligations

From time to time, the City has issued Industrial/Economic Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2009 there were thirteen series of Industrial/Economic Revenue Bonds outstanding. The aggregate principal amount payable for these issues could not be determined; however, their original issue amounts totaled $53,074,353.

11. Risk Management

The City faces the full realm of risks typical of a thriving entity. Liabilities associated with torts and protection against damage or loss of assets are the two general categories of risk for which the City carries commercial insurance. Specific insurance related to these categories includes general, police and public official liability coverage, workers compensation, inland marine and automobile insurance. The City is liable for deductibles ranging up to $50,000 and for settlements exceeding its limits of coverage, which range from $1 million to $5 million.

The City self insures against any damage caused by sinkholes located in well influence zones.

The City has experienced no claim awards greater than its insurance coverage in the last three fiscal years.

12. New Governmental Accounting Standards Board Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2009 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statement of the City:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* will be effective for fiscal year 2010 for the City. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* will be effective for fiscal year 2010 for the City. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* will be effective for the City in fiscal year 2011. The purpose of this Statement is to improve the usefulness, including the understandability, of governmental fund balance information.

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

The City of Frederick, Maryland
Required Supplementary Information (unaudited)
Schedule of Funding Progress - Pension Plans

The City of Frederick Thirty-Year Pension System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/00	6,608,202	6,283,183	(325,019)	105.17%	5,488,930	-5.92%
07/01/01	7,075,699	7,640,941	565,242	92.60%	6,235,412	9.07%
07/01/02	7,210,661	8,828,780	1,618,119	81.67%	6,537,445	24.75%
07/01/03	7,315,294	10,553,554	3,238,260	69.32%	7,562,016	42.82%
07/01/04	7,715,840	11,531,014	3,815,174	66.91%	7,554,517	50.50%
07/01/05	8,337,386	11,880,776	3,543,390	70.18%	7,508,089	47.19%
07/01/06	9,364,339	12,144,760	2,780,421	77.11%	7,121,925	39.04%
07/01/07	10,835,413	13,547,104	2,711,691	79.98%	7,888,669	34.37%
07/01/08	8,929,471	16,749,251	7,819,780	53.31%	7,160,069	109.21%
07/01/09	9,138,572	19,306,994	10,168,422	47.33%	7,780,038	130.70%

City of Frederick Twenty-Five Year Pension System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/00	36,699,638	36,872,412	172,774	99.53%	6,236,356	2.77%
07/01/01	37,227,330	42,421,294	5,193,964	87.76%	6,898,563	75.29%
07/01/02	35,635,894	44,901,337	9,265,443	79.36%	7,124,689	130.05%
07/01/03	33,541,406	48,272,476	14,731,070	69.48%	7,865,877	187.28%
07/01/04	32,450,166	51,327,131	18,876,965	63.22%	7,998,673	236.00%
07/01/05	31,477,624	54,053,336	22,575,712	58.23%	8,738,749	258.34%
07/01/06	32,728,652	55,779,275	23,050,623	58.68%	8,728,421	264.09%
07/01/07	36,308,180	59,312,422	23,004,242	61.22%	8,913,644	258.08%
07/01/08	33,881,990	63,336,029	29,454,039	53.50%	8,238,801	357.50%
07/01/09	33,138,867	68,831,455	35,692,588	48.14%	9,582,428	372.48%

The City of Frederick Twenty-Two Year Pension System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/00	13,374,512	18,515,303	5,140,791	72.23%	5,017,900	102.45%
07/01/01	14,747,228	23,901,043	9,153,815	61.70%	5,562,375	164.57%
07/01/02	15,351,371	28,453,297	13,101,926	53.95%	6,458,916	202.85%
07/01/03	16,186,136	32,019,641	15,833,505	50.55%	6,451,813	245.41%
07/01/04	17,371,771	36,676,680	19,304,909	47.36%	7,275,892	265.33%
07/01/05	19,343,006	41,731,458	22,388,452	46.35%	7,718,223	290.07%
07/01/06	22,661,227	49,943,963	27,282,736	45.37%	8,384,676	325.39%
07/01/07	27,609,635	53,545,904	25,936,269	51.56%	8,357,560	310.33%
07/01/08	32,852,717	58,162,448	25,309,731	56.48%	9,118,974	277.55%
7/1/2009	35,850,764	68,509,327	32,658,563	52.33%	9,849,864	331.56%

The City of Frederick, Maryland
Required Supplementary Information (unaudited)
Schedule of Employer Contributions - Pension Plans
For the Fiscal Year Ended June 30,

The City of Frederick Thirty-Year Pension System

Fiscal Year	Annual Pension Cost (APC)	Employer Contribution	Percentage Contributed	Net Pension Obligation
2001	$ 373,693	$ 402,192	107.63%	$ (182,080)
2002	397,583	428,926	107.88%	(213,153)
2003	582,657	614,003	105.38%	(244,501)
2004	658,558	656,744	99.72%	(242,687)
2005	883,651	881,850	99.80%	(240,886)
2006	923,956	923,773	99.98%	(240,703)
2007	835,131	834,948	99.98%	(240,520)
2008	846,358	846,175	99.98%	(240,337)
2009	886,380	886,197	99.98%	(240,154)

The City of Frederick Twenty-Five Year Pension System

Fiscal Year	Annual Pension Cost (APC)	Employer Contribution	Percentage Contributed	Net Pension Obligation
2001	$ 623,639	$ 686,462	110.07%	$ (1,456,844)
2002	659,896	700,782	106.20%	(1,497,730)
2003	1,273,543	1,333,968	104.74%	(1,558,155)
2004	1,547,050	1,535,489	99.25%	(1,546,594)
2005	2,028,742	2,017,267	99.43%	(1,535,119)
2006	2,421,113	2,419,945	99.95%	(1,533,951)
2007	2,722,939	2,721,772	99.96%	(1,532,784)
2008	2,765,898	2,764,732	99.96%	(1,531,617)
2009	2,775,957	2,774,792	99.96%	(1,530,452)

The City of Frederick Twenty-Two Year Pension System

Fiscal Year	Annual Pension Cost (APC)	Employer Contribution	Percentage Contributed	Net Pension Obligation
2001	$ 919,256	$ 1,034,312	112.52%	$ (687,560)
2002	945,009	1,014,765	107.38%	(757,316)
2003	1,618,944	1,704,747	105.30%	(843,119)
2004	2,046,995	2,040,739	99.69%	(836,863)
2005	2,244,906	2,238,697	99.72%	(830,654)
2006	2,747,263	2,746,631	99.98%	(830,022)
2007	3,287,913	3,287,281	99.98%	(829,390)
2008	4,126,859	4,126,228	99.98%	(828,759)
2009	4,067,077	4,066,446	99.98%	(828,129)

The City of Frederick, Maryland
Required Supplementary Information (unaudited)
Schedule of Funding Progress - Other Post Employment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/06	-	88,005,000	88,005,000	0.00%	24,235,022	363.13%
08/01/08	-	157,062,000	157,062,000	0.00%	24,517,844	640.60%

Required Supplementary Information (unaudited)
Schedule of Employer Contributions - Other Post Employment Benefits Plan
For the Fiscal Year Ended June 30,

Fiscal Year	Annual Pension Cost (APC)	Employer Contribution	Percentage Contributed	Net Pension Obligation
2009	$ 7,474,000	$ 2,229,200	29.83%	$ 5,244,800

THIS PAGE INTENTIONALLY LEFT BLANK

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenues that are restricted to expenditures for specified purposes.

CDS Program Fund - This fund is used to account for the activities of the City involving its controlled dangerous substance program.

Weinberg Center for the Arts - This fund is used to record the activities of the Weinberg Center for the Arts.

Community Development Fund - Transactions involving the City's Community Development Block Grants and related community development activities are recorded in this fund.

The City of Frederick, Maryland
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue Funds			
	CDS Program	Weinberg Center	Community Development	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ -	$ 283,442	$ -	$ 283,442
Equity in pooled cash/investments	197,417	45,429	49,786	292,632
Receiveables (net of allowance for uncollectibles)	-	-	1,561,309	1,561,309
Intergovernmental receivable	-	-	60,596	60,596
Assets held for resale	-	-	124,310	124,310
Prepaid items	-	250	-	250
Total assets	$ 197,417	$ 329,121	$ 1,796,001	$ 2,322,539
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ 35,100	$ 6,539	$ 41,639
Deposits	77,185	-	-	77,185
Total liabilities	77,185	35,100	6,539	118,824
Fund balances:				
Reserved for:				
Encumbrances	-	10,924	15,293	26,217
Assets held for resale	-	-	124,310	124,310
Prepaid items	-	250	-	250
Loans	-	-	1,510,793	1,510,793
Unreserved:				
Undesignated	120,232	282,847	139,066	542,145
Total fund balances	120,232	294,021	1,789,462	2,203,715
Total liabilities and fund balances	$ 197,417	$ 329,121	$ 1,796,001	$ 2,322,539

The City of Frederick, Maryland
Combining Statement of Revenues, Expenditures, and Change in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue Funds			
	CDS Program	Weinberg Center	Community Development	Total Nonmajor Governmental Funds
REVENUES:				
Intergovernmental	$ -	$ 47,375	$ 352,970	$ 400,345
Charges for services	-	874,488	300	874,788
Fines and forfeitures	52,704	-	-	52,704
Miscellaneous	7,570	464,920	5,029	477,519
Total revenues	60,274	1,386,783	358,299	1,805,356
EXPENDITURES:				
Current:				
Public safety	35,891	-	-	35,891
Recreation and parks	-	1,285,670	-	1,285,670
Community development	-	-	307,807	307,807
Total expenditures	35,891	1,285,670	307,807	1,629,368
Excess (Deficiency) of Revenues over Expenditures	24,383	101,113	50,492	175,988
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	3,584	-	-	3,584
Transfers in	-	90,523	-	90,523
Transfers out	-	-	(56,750)	(56,750)
Total Other Financing Sources (Uses)	3,584	90,523	(56,750)	37,357
Net Change in Fund Balances	27,967	191,636	(6,258)	213,345
Fund Balance - beginning	92,265	102,385	1,795,720	1,990,370
Fund Balance - ending	$ 120,232	$ 294,021	$ 1,789,462	$ 2,203,715

The City of Frederick, Maryland
CDS Program Fund
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Fines and forfeitures	$ 25,500	$ 25,500	$ 52,704	$ 27,204
Miscellaneous	1,500	1,500	7,570	6,070
Total Revenues	27,000	27,000	60,274	33,274
EXPENDITURES:				
CDS Enforcement	105,265	105,265	35,891	69,374
Total Expenditures	105,265	105,265	35,891	69,374
Excess (Deficiency) of Revenues over Expenditures	(78,265)	(78,265)	24,383	102,648
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	-	3,584	3,584
Total Other Financing Sources (Uses)	-	-	3,584	3,584
Net Change in Fund Balance	(78,265)	(78,265)	27,967	106,232
Budgetary Fund Balance - beginning	78,265	78,265	92,265	14,000
Budgetary Fund Balance - ending	$ -	$ -	$ 120,232	$ 120,232

The City of Frederick, Maryland
Weinberg Center Fund
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Intergovernmental	$ 34,250	$ 34,250	$ 47,375	$ 13,125
Charges for services	529,500	529,500	874,488	344,988
Miscellaneous	170,015	170,015	464,920	294,905
Total Revenues	733,765	733,765	1,386,783	653,018
EXPENDITURES:				
Weinberg Center	970,081	970,081	1,285,670	(315,589)
Total Expenditures	970,081	970,081	1,285,670	(315,589)
Excess (Deficiency) of Reveneus over Expenditures	(236,316)	(236,316)	101,113	337,429
OTHER FINANCING SOURCES (USES):				
Transfer in	225,000	225,000	90,523	(134,477)
Total Other Financing Sources (Uses)	225,000	225,000	90,523	(134,477)
Net Change in Fund Balance	(11,316)	(11,316)	191,636	202,952
Budgetary Fund Balance - beginning	11,316	11,316	102,385	91,069
Budgetary Fund Balance - ending	$ -	$ -	$ 294,021	$ 294,021

The City of Frederick, Maryland
Community Development Fund
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Intergovernmental	$ 637,133	$ 637,133	$ 352,970	$ (284,163)
Charges for services	36,000	36,000	300	(35,700)
Miscellaneous	5,050	5,050	5,029	(21)
Total Revenues	678,183	678,183	358,299	(319,884)
EXPENDITURES:				
Community development	615,794	615,794	307,807	307,987
Total Expenditures	615,794	615,794	307,807	307,987
Excess (Deficiency) of Revenues over Expenditures	62,389	62,389	50,492	(11,897)
OTHER FINANCING SOURCES (USES):				
Transfers out	(64,611)	(64,611)	(56,750)	7,861
Total Other Financing Sources (Uses)	(64,611)	(64,611)	(56,750)	7,861
Net Change in Fund Balance	(2,222)	(2,222)	(6,258)	(4,036)
Budgetary Fund Balance - beginning	2,222	2,222	1,795,720	1,793,498
Budgetary Fund Balance - ending	$ -	$ -	$ 1,789,462	$ 1,789,462

THIS PAGE INTENTIONALLY LEFT BLANK

Nonmajor Proprietary Funds

Proprietary Funds

Proprietary funds focus on the determination of operating income, changes in net assets, financial position and cash flows.

Golf Course Fund - This fund is used to account for all activities relating to the City's public golf course.

Rental Operations Fund - This fund is used to account for all activities involving an apartment building the City operates for low income housing.

The City of Frederick, Maryland
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2009

	Business-type Activities - Enterprise Funds		
	Golf Course	Rental Operations	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,000	$ -	$ 1,000
Investments	-	5,091	5,091
Equity in pooled cash/investments	-	82,521	82,521
Receivables (net of allowance of uncollectibles)	118	12,565	12,683
Inventories	146,738	-	146,738
Prepaids	3,000	-	3,000
Deferred charges	18,663	-	18,663
Total current assets	169,519	100,177	269,696
Noncurrent assets:			
Temporarily rstricted assets:			
Cash and cash equivalents	157,198	-	157,198
Net pension asset	32,391	-	32,391
Capital assets:			
Land	-	30,650	30,650
Buildings and systems	-	180,795	180,795
Improvements other than buildings	4,803,823	-	4,803,823
Machinery and equipment	698,082	16,040	714,122
Construction in progress	733,828	-	733,828
Less accumulated depreciation	(2,151,201)	(156,124)	(2,307,325)
Total noncurrent assets	4,274,121	71,361	4,345,482
Total assets	4,443,640	171,538	4,615,178
LIABILITES			
Current liabilities:			
Accounts payable	179,331	650	179,981
Accrued liabilities	22,431	-	22,431
Deposits	-	589	589
Unearned revenue	47,558	-	47,558
Advances from other funds	3,652,891	-	3,652,891
Compensated absences	21,674	-	21,674
Bonds, notes, and loans payable	412,986	-	412,986
Total current liabilities	4,336,871	1,239	4,338,110
Noncurrent liabilities:			
Compensated absences	53,431	-	53,431
Bonds, notes, and loans payable	1,399,228	-	1,399,228
Total noncurrent liabilities	1,452,659	-	1,452,659
Total liabilities	5,789,530	1,239	5,790,769
NET ASSETS			
Invested in capital assets, net of related debt	2,405,035	71,361	2,476,396
Unrestricted	(3,750,925)	98,938	(3,651,987)
Total net assets	$(1,345,890)	$ 170,299	$ (1,175,591)

The City of Frederick, Maryland
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds		
	Golf Course	Rental Operations	Total
Operating revenues:			
Charges for services:			
Golf course fees	$ 1,521,047	$ -	$ 1,521,047
Miscellaneous	4,337	21,620	25,957
Total operating revenues	1,525,384	21,620	1,547,004
Operating expenses:			
Public housing	-	39,769	39,769
Golf course maintenance	558,238	-	558,238
Golf course clubhouse	656,732	-	656,732
Golf course restaurant	323,216	-	323,216
Depreciation	164,124	6,811	170,935
Total operating expenses	1,702,310	46,580	1,748,890
Operating income/(loss)	(176,926)	(24,960)	(201,886)
Nonoperating revenues/(expenses)			
Intergovernmental	-	19,900	19,900
Interest income	834	1,855	2,689
Gain on disposal of capital assets	1,078	-	1,078
Other nonoperating revenues	4,807	-	4,807
Interest expense	(32,164)	-	(32,164)
Other nonoperating expenses	(47,255)	-	(47,255)
Total nonoperating revenue/(expenses)	(72,700)	21,755	(50,945)
Change in net assets	(249,626)	(3,205)	(252,831)
Total net assets - beginning	(1,096,264)	173,504	(922,760)
Total net assets - ending	$(1,345,890)	$ 170,299	$ (1,175,591)

The City of Frederick, Maryland
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds		
	Golf Course	Rental Operations	Total
Cash flows from operating activities:			
Receipts from customers and users	$ 1,530,557	$ 12,076	$ 1,542,633
Receipts from other sources	3,600	-	3,600
Payments to vendors	(871,774)	(19,472)	(891,246)
Payments to employees	(652,200)	(20,136)	(672,336)
Net cash provided (used) by operating activities	10,183	(27,532)	(17,349)
Cash flows from noncapital financing activities:			
Operating subsidy	-	19,900	19,900
Due to other funds	277,675	-	277,675
Net cash provided (used) by noncapital financing activities	277,675	19,900	297,575
Cash flows from capital and related financing activities:			
Capital asset acquisitions	(687,484)	-	(687,484)
Proceeds from debt issue	1,009,140	-	1,009,140
Debt issuance costs	(8,964)	-	(8,964)
Principal payments	(420,485)	-	(420,485)
Interest payments	(23,903)	-	(23,903)
Proceeds from sale of capital assets	1,078	-	1,078
Other debt related costs	(758)	-	(758)
Net cash provided (used) by capital and related financing activities	(131,376)	-	(131,376)
Cash flows from investings activities:			
Interest earned	716	1,855	2,571
Net cash provided (used) by investing activities	716	1,855	2,571
Net increase (decrease) in cash equivalents	157,198	(5,777)	151,421
Cash equivalents - beginning	1,000	93,389	94,389
Cash equivalents - ending	$ 158,198	$ 87,612	$ 245,810

The City of Frederick, Maryland
Combining Statement of Cash Flows (continued)
Nonmajor Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds		
	Golf Course	Rental Operations	Total
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating loss	$ (176,926)	$ (24,960)	$ (201,886)
Other cash receipts that do not result from transactions defined as capital and related financing, noncapital financing or investing activities	3,600	-	3,600
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	164,124	6,811	170,935
(Increase)/decrease in accounts receivable	405	(9,436)	(9,031)
(Increase)/decrease in inventory	6,949	-	6,949
Decrease in net pension asset	32	-	32
(Decrease)/increase in accounts payable	5,772	161	5,933
(Decrease)/increase in deferred revenue	4,768	-	4,768
(Decrease)/increase in deposits	-	(108)	(108)
(Decrease)/increase in wages payable	(5,804)	-	(5,804)
(Decrease)/increase in compensated absences	7,263	-	7,263
Total adjustments	183,509	(2,572)	180,937
Net cash provided (used) by operating activities	$ 10,183	$ (27,532)	$ (17,349)

STATISTICAL SECTION

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

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

THE CITY OF FREDERICK, MARYLAND
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities							
Invested in capital assets, net of related debt	$ 64,563,229	$ 104,435,028	$ 54,856,404	$ 55,805,720	$ 55,591,683	$ 57,992,552	$ 59,517,153
Restricted	145,572	113,014	820,341	795,991	1,190,033	1,873,394	2,649,212
Unrestricted	11,696,089	8,910,173	7,839,494	20,230,961	24,074,161	27,035,600	24,402,118
Total governmental activities net assets	$ 76,404,890	$ 113,458,215	$ 63,516,239	$ 76,832,672	$ 80,855,877	$ 86,901,546	$ 86,568,483
Business-type activities							
Invested in capital assets, net of related debt	$ 68,202,650	$ 86,625,237	$ 143,574,323	$ 144,403,887	$ 158,629,713	$ 162,281,588	$ 152,780,782
Restricted	446,635	3,252,369	6,490,579	12,695,679	9,463,659	6,343,147	2,791,469
Unrestricted	23,304,139	23,727,578	19,500,985	18,833,302	18,780,578	20,668,350	26,283,805
Total business-type activities net assets	$ 91,953,424	$ 113,605,184	$ 169,565,887	$ 175,932,868	$ 186,873,950	$ 189,293,085	$ 181,856,056
Primary government							
Invested in capital assets, net of related debt	$ 132,765,879	$ 191,060,265	$ 198,430,727	$ 200,209,607	$ 214,221,396	$ 220,274,140	$ 212,297,935
Restricted	592,207	3,365,383	7,310,920	13,491,670	10,653,692	8,216,541	5,440,681
Unrestricted	35,000,228	32,637,751	27,340,479	39,064,263	42,854,739	47,703,950	50,685,923
Total primary government net assets	$ 168,358,314	$ 227,063,399	$ 233,082,126	$ 252,765,540	$ 267,729,827	$ 276,194,631	$ 268,424,539

Note - Information for fiscal years 2000 through 2002 is not readily avialable.

THE CITY OF FREDERICK, MARYLAND
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities:							
General government	$ 7,719,643	$ 7,857,792	$ 7,811,588	$ 7,381,790	$ 8,442,242	$ 9,921,865	$ 13,843,701
Public safety	16,114,175	17,670,546	18,969,032	20,289,857	22,335,882	24,930,778	27,774,500
Public works	10,405,465	12,977,426	12,666,210	13,955,935	14,025,384	14,258,037	16,085,179
Recreation and parks	5,317,760	5,585,375	5,513,056	5,334,442	6,473,547	7,218,619	8,537,986
Community development	667,175	787,758	1,102,406	711,756	1,035,084	1,030,103	1,042,266
Economic opportunity	2,055,864	1,964,282	2,194,580	2,323,843	2,413,856	2,665,212	2,762,777
Interest on long-term debt	2,087,187	2,186,093	2,097,849	1,999,391	1,924,408	1,757,506	2,096,126
Miscellaneous	62,839	59,002	61,126	15,216	-	-	-
Total governmental activities expenses	44,430,108	49,088,274	50,415,847	52,012,230	56,650,403	61,782,120	72,142,535
Business-type activities:							
Rental operations	27,017	33,412	63,547	22,433	36,695	47,628	46,580
Water and sewer	9,461,124	10,991,499	14,262,777	14,709,615	16,114,447	15,719,737	21,183,272
Golf course	1,731,567	1,629,269	1,660,229	1,612,515	1,758,967	1,848,767	1,781,729
Airport	1,069,779	1,711,743	1,685,136	1,764,846	1,332,623	1,501,508	1,783,928
Parking	1,382,570	1,588,800	1,899,409	3,724,869	3,792,464	3,447,433	3,611,042
Storm water	-	-	1,942,658	1,984,030	1,989,406	2,087,634	2,357,663
Total business-type activities expenses	13,672,057	15,954,723	21,513,756	23,818,308	25,024,602	24,652,707	30,764,214
Total primary government expenses	$ 58,102,165	$ 65,042,997	$ 71,929,603	$ 75,830,538	$ 81,675,005	$ 86,434,827	$ 102,906,749
Program Revenues							
Government activities:							
Charges for services:							
Public safety	$ 633,197	$ 1,121,937	$ 1,966,838	$ 2,731,753	$ 2,914,865	$ 1,966,484	$ 1,749,465
Recreation and parks	1,383,679	1,336,374	1,265,644	1,347,786	1,989,950	1,974,985	2,426,172
Other activities	1,416,155	1,310,454	1,985,858	1,616,970	899,633	1,021,607	909,424
Operating grants and contributions	5,307,237	4,794,391	6,409,566	6,413,053	6,796,260	6,226,986	6,093,560
Capital grants and contributions	5,591,748	1,852,181	2,678,857	3,074,822	2,633,527	2,850,668	4,706,273
Total governmental activities program revenues	14,332,016	10,415,337	14,306,763	15,184,384	15,234,235	14,040,730	15,884,894
Business-type activities:							
Charges for services:							
Water and sewer	9,606,540	10,097,461	10,937,738	12,827,261	14,829,193	14,510,771	14,524,384
Golf course	1,414,023	1,593,098	1,615,152	1,739,201	1,761,511	1,758,726	1,531,269
Airport	820,820	995,699	1,138,627	1,045,308	1,116,295	1,164,930	1,135,860
Parking	2,034,922	2,163,631	2,987,254	3,148,483	3,349,077	3,808,048	3,894,883
Other activities	10,391	14,086	817,109	818,503	955,642	1,100,508	1,340,575
Operating grants and contributions	136,919	99,610	109,830	103,762	177,585	166,747	131,486
Capital grants and contributions	3,487,957	11,907,542	7,346,014	14,414,700	8,667,779	4,699,256	2,102,232
Total business-type activities program revenues	17,511,572	26,871,127	24,951,724	34,097,218	30,857,082	27,208,986	24,660,689
Total primary government revenues	$ 31,843,588	$ 37,286,464	$ 39,258,487	$ 49,281,602	$ 46,091,317	$ 41,249,716	$ 40,545,583

THE CITY OF FREDERICK, MARYLAND
CHANGES IN NET ASSETS - (continued)
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Net (expense)/revenue							
Governmental activities	$ (30,098,092)	$ (38,672,937)	$ (36,109,084)	$ (36,827,846)	$ (41,416,168)	$ (47,741,390)	$ (56,257,641)
Business-type activities	3,839,515	10,916,404	3,437,968	10,278,910	5,832,480	2,556,279	(6,103,525)
Total primary government net expense	$ (26,258,577)	$ (27,756,533)	$ (32,671,116)	$ (26,548,936)	$ (35,583,688)	$ (45,185,111)	$ (62,361,166)
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes	$ 24,256,535	$ 24,873,386	$ 27,784,135	$ 31,426,436	$ 35,077,508	$ 37,948,719	$ 40,656,389
Income taxes	4,774,771	4,561,415	4,907,806	5,166,640	5,627,603	5,995,166	5,806,339
Other taxes	491,614	575,344	387,408	389,999	402,365	431,408	346,904
Unrestricted grants and contributions	2,706,746	3,092,151	3,341,584	3,728,364	4,695,551	5,259,594	5,769,443
Interest earnings	574,113	352,445	506,950	886,927	1,201,986	1,129,019	526,778
Gain/(loss) on sale of capital assets	403,980	264,778	1,036,837	1,221,775	5,857	232,107	361,697
Miscellaneous	141,320	74,783	58,991	56,199	49,751	52,893	41,093
Transfers	907,800	1,870,044	1,518,921	7,267,939	(1,621,248)	2,738,153	2,415,935
Transfer of capital assets	-	-	(53,375,524)	-	-	-	-
Total governmental activities	34,256,879	35,664,346	(13,832,892)	50,144,279	45,439,373	53,787,059	55,924,578
Business-type activities:							
Interest earnings	700,093	467,727	666,132	3,356,010	3,487,354	2,601,009	1,082,434
Transfers	(907,800)	(1,870,044)	(1,518,921)	(7,267,939)	1,621,248	(2,738,153)	(2,415,935)
Transfer of capital assets	-	-	53,375,524	-	-	-	-
Total business-type activities	(207,707)	(1,402,317)	52,522,735	(3,911,929)	5,108,602	(137,144)	(1,333,501)
Total primary government	$ 34,049,172	$ 34,262,029	$ 38,689,843	$ 46,232,350	$ 50,547,975	$ 53,649,915	$ 54,591,077
Change in Net Assets							
Governental activities	$ 4,158,787	$ (3,008,591)	$ (49,941,976)	$ 13,316,433	$ 4,023,205	$ 6,045,669	$ (333,063)
Business-type activities	3,631,808	9,514,087	55,960,703	6,366,981	10,941,082	2,419,135	(7,437,026)
Total primary government	$ 7,790,595	$ 6,505,496	$ 6,018,727	$ 19,683,414	$ 14,964,287	$ 8,464,804	$ (7,770,089)

Note - Information for fiscal years 2000 through 2002 is not readily available.

THE CITY OF FREDERICK, MARYLAND
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General fund										
Reserved	$ 5,136,148	$ 4,748,462	$ 4,957,004	$ 5,108,192	$ 5,290,273	$ 4,956,617	$ 5,288,664	$ 5,793,698	$ 10,213,220	$ 5,906,069
Unreserved:										
Designated	4,025,748	4,104,561	2,624,649	2,376,475	1,630,579	1,910,579	3,047,463	2,042,750	4,946,108	2,752,110
Undesignated	4,469,017	6,517,579	6,285,539	3,906,757	821,580	2,860,897	7,270,067	11,623,563	5,709,009	11,430,350
Total general fund	$ 13,630,913	$ 15,370,602	$ 13,867,192	$ 11,391,424	$ 7,742,432	$ 9,728,093	$ 15,606,194	$ 19,460,011	$ 20,868,337	$ 20,088,529
All other governmental funds										
Reserved	$ 2,128,300	$ 5,379,048	$ 8,863,766	$ 4,552,956	$ 9,631,509	$ 11,388,067	$ 7,225,118	$ 3,923,804	$ 11,956,981	$ 9,198,552
Unreserved, reported in:										
Special revenue funds	1,094,295	1,262,616	2,261,087	188,943	(55,409)	30,209	140,431	161,639	326,626	542,145
Capital projects funds	6,982,818	(2,851,816)	(2,699,382)	17,707,505	10,265,668	4,864,579	4,427,961	2,588,627	(4,313,083)	9,352,102
Total all other governmental funds	$ 10,205,413	$ 3,789,848	$ 8,425,471	$ 22,449,404	$ 19,841,768	$ 16,282,855	$ 11,793,510	$ 6,674,070	$ 7,970,524	$ 19,092,799

THE CITY OF FREDERICK, MARYLAND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes:										
Property taxes	$ 19,864,880	$ 20,864,965	$ 21,897,619	$ 24,256,535	$ 24,984,483	$ 27,784,135	$ 31,426,435	$ 35,077,508	$ 37,948,719	$ 40,656,389
Income taxes	3,135,332	3,505,717	4,437,718	4,774,771	4,561,415	4,907,806	5,166,640	5,627,603	5,995,166	5,806,340
Other taxes	2,813,950	2,842,069	3,108,501	491,614	464,247	387,408	389,999	402,365	431,408	346,904
Licenses and permits	1,104,845	1,136,046	830,568	811,367	1,160,087	1,965,138	2,693,743	2,711,634	1,911,285	1,468,000
Intergovernmental	5,649,460	7,143,695	11,127,878	8,271,637	9,226,953	10,627,614	11,162,584	11,168,733	11,195,720	12,074,875
Charges for services	1,139,518	1,289,396	1,241,508	1,233,540	1,490,066	1,774,069	1,745,271	1,924,643	2,155,354	2,321,749
Fines and forfeitures	105,432	26,663	73,437	122,942	71,864	116,690	444,404	577,893	485,832	624,082
Miscellaneous	2,904,243	1,838,062	1,322,387	1,631,836	2,471,717	2,236,450	2,363,280	2,690,232	2,491,345	4,337,261
Total revenues	36,717,660	38,646,613	44,039,616	41,594,242	44,430,832	49,799,310	55,392,356	60,180,611	62,614,829	67,635,600
Expenditures										
General government	5,187,944	5,770,291	6,506,390	7,201,732	7,291,826	7,544,954	7,081,328	7,567,824	8,807,373	12,976,950
Public safety	11,862,193	12,835,731	13,910,720	15,590,211	17,350,095	18,469,066	20,019,582	22,096,860	24,566,690	27,172,993
Public works	7,065,302	7,788,576	8,358,712	9,439,703	9,678,425	9,146,013	10,251,810	11,170,943	10,978,191	11,712,321
Recreation and parks	3,426,829	3,870,892	4,019,936	4,456,581	4,569,933	4,671,167	4,585,333	4,760,130	5,579,399	6,715,101
Urban development and housing	424,800	361,913	455,294	803,601	793,812	1,437,530	776,877	1,321,871	793,394	1,005,062
Economic opportunity	1,262,933	1,515,764	1,878,996	2,085,198	1,982,785	2,152,705	2,231,192	2,324,480	2,765,476	2,638,573
Miscellaneous	217,433	43,984	65,294	62,839	59,002	61,126	3,931	77,889	59,477	-
Capital projects	4,144,028	11,400,191	18,648,319	3,952,098	7,056,923	8,071,281	13,219,554	4,755,216	3,932,281	35,731,632
Debt service:										
Principal	1,902,533	2,314,554	2,312,770	2,222,479	3,328,662	4,042,885	4,024,631	3,964,680	4,735,368	4,638,528
Interest	1,555,470	1,558,760	1,204,392	1,712,226	2,096,685	2,016,215	1,908,433	1,849,520	1,713,343	1,545,865
Other charges	28,283	32,039	160,846	107,891	40,159	25,268	19,166	22,837	18,567	407,157
Total expenditures	37,077,748	47,492,695	57,521,669	47,634,559	54,248,307	57,638,210	64,121,837	59,912,250	63,949,559	104,544,182
Excess (deficiency) of revenues over expenditures	(360,088)	(8,846,082)	(13,482,053)	(6,040,317)	(9,817,475)	(7,838,900)	(8,729,481)	268,361	(1,334,730)	(36,908,582)
Other financing sources (uses)										
Capital asset disposition	4,666,095	2,801,753	22,990	923,416	420,803	3,347,897	1,588,366	5,857	1,102,369	682,309
Insurance reimbursements	-	-	-	-	-	-	67,774	81,407	99,734	110,633
Debt proceeds	2,500,000	-	34,808,309	24,689,331	1,270,000	1,398,945	1,194,043	-	99,255	44,043,053
Transfers in	7,461,635	3,524,021	3,183,363	3,516,462	3,586,580	3,610,205	10,115,807	3,733,281	5,695,808	6,327,327
Transfers out	(6,738,471)	(2,709,324)	(2,574,422)	(2,608,662)	(1,716,536)	(2,091,284)	(2,847,868)	(5,354,529)	(2,957,656)	(3,912,273)
Payment to refunded bond escrow	-	-	(19,759,093)	-	-	-	-	-	-	-
Total other financing sources (uses)	7,889,259	3,616,450	15,681,147	26,520,547	3,560,847	6,265,763	10,118,122	(1,533,984)	4,039,510	47,251,049
Net change in fund balances	$ 7,529,171	$ (5,229,632)	$ 2,199,094	$ 20,480,230	$ (6,256,628)	$ (1,573,137)	$ 1,388,641	$ (1,265,623)	$ 2,704,780	$ 10,342,467
Debt service as a percentage of noncapital expenditures	10.9%	11.2%	9.4%	9.0%	11.5%	12.2%	11.6%	10.7%	10.8%	9.6%

THE CITY OF FREDERICK, MARYLAND
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
TEN-YEAR SUMMARY
For the years ended June 30,

	REAL PROPERTY			PERSONAL PROPERTY			TOTAL		Ratio of Total Assessed to
Fiscal Year	Estimated Actual Value	Assessed Value	Direct Tax Rate	Estimated Actual Value	Assessed Value	Direct Tax Rate	Estimated Actual Value	Assessed Value	Total Estimated Actual Value
2000	$ 2,763,715,410	$ 1,105,486,164	$ 1.59	$ 377,381,971	$ 141,518,239	$ 1.59	$ 3,141,097,381	$ 1,247,004,403	39.70%
2001	2,940,378,980	1,176,151,592	1.57	406,754,819	152,533,057	1.57	3,347,133,799	1,328,684,649	39.70%
2002	3,118,925,484	3,118,925,484	0.62	431,091,957	161,659,484	1.55	3,550,017,441	3,280,584,968	92.41%
2003	3,356,541,848	3,356,541,848	0.64	459,129,176	172,173,441	1.55	3,815,671,024	3,528,715,289	92.48%
2004	3,500,070,576	3,500,070,576	0.64	437,145,803	163,929,676	1.55	3,937,216,379	3,664,000,252	93.06%
2005	3,644,565,359	3,644,565,359	0.69	441,113,224	165,417,459	1.55	4,085,678,583	3,809,982,818	93.25%
2006	4,138,633,781	4,138,633,781	0.69	432,435,000	162,163,125	1.55	4,571,068,781	4,300,796,906	94.09%
2007	4,675,591,445	4,675,591,445	0.69	430,311,680	161,366,880	1.55	5,105,903,125	4,836,958,325	94.73%
2008	5,299,468,558	5,299,468,558	0.67	416,806,432	156,302,412	1.55	5,716,274,990	5,455,770,970	95.44%
2009	5,877,472,266	5,877,472,266	0.65	417,388,892	156,520,834	1.55	6,294,861,158	6,033,993,100	95.86%

Note - Effective fiscal year 2002, the assessed value for real property was changed from 40% to 100% of estimated actual value.

THE CITY OF FREDERICK, MARYLAND
PROPERTY TAX LEVIES AND COLLECTIONS
TEN-YEAR SUMMARY
For the years ended June 30,

Fiscal Year	Current Tax Levy	Taxes Collected In Year of Levy Amount	Taxes Collected In Year of Levy Percent	Applicable To Prior Years	* Total Taxes Collected Amount	* Total Taxes Collected Percent
2000	$ 19,827,370	$ 19,676,923	99.2%	$ 251,997	$ 19,928,920	100.5%
2001	20,860,349	20,737,662	99.4%	250,135	20,987,797	100.6%
2002	21,843,060	21,576,340	98.8%	39,159	21,615,499	99.0%
2003	24,137,418	23,994,424	99.4%	267,417	24,261,841	100.5%
2004	24,936,205	24,804,259	99.5%	83,142	24,887,401	99.8%
2005	27,663,408	27,469,863	99.3%	39,011	27,508,874	99.4%
2006	31,023,926	30,834,951	99.4%	271,246	31,106,197	100.3%
2007	34,716,468	34,454,566	99.2%	152,522	34,607,088	99.7%
2008	37,890,393	37,663,481	99.4%	55,378	37,718,859	99.5%
2009	40,600,977	40,412,247	99.5%	468,851	40,881,098	100.7%

* Includes current and delinquent

THE CITY OF FREDERICK, MARYLAND
PROPERTY TAX RATES AND TAX LEVIES
DIRECT AND OVERLAPPING GOVERNMENTS
TEN-YEAR SUMMARY
For the years ended June 30,

Fiscal	City			County		State		Total	
	Property Tax Rate								
Year	Real	Personal	Levy	Rate	Levy	Rate	Levy	Rate	Levy
2000	$ 1.59	$ 1.59	$ 19,827,370	$ 2.440	$ 26,973,862	$ 0.210	$ 2,321,521	$ 4.240	$ 49,122,753
2001	1.57	1.57	20,860,349	2.680	31,520,863	0.210	2,469,918	4.460	54,851,130
2002	0.62	1.55	21,843,060	1.100	34,308,180	0.084	2,619,897	1.804	58,771,137
2003	0.64	1.55	24,137,418	1.100	36,921,960	0.084	2,819,495	1.824	63,878,873
2004	0.64	1.55	24,936,205	1.135	39,725,801	0.132	4,620,093	1.907	69,282,099
2005	0.69	1.55	27,663,408	1.135	41,365,817	0.132	4,810,826	1.957	73,840,051
2006	0.69	1.55	31,023,926	1.135	46,973,493	0.132	5,462,997	1.957	83,460,416
2007	0.69	1.55	34,716,468	1.064	49,748,293	0.112	5,236,662	1.866	89,701,423
2008	0.67	1.55	37,890,393	1.064	56,386,345	0.112	5,935,405	1.846	100,212,143
2009	0.65	1.55	40,600,977	1.064	62,536,305	0.112	6,582,769	1.826	109,720,051

Note 1 - Tax rate is per $100 of assessed value
Note 2 - No tax rate limits
Note 3 - Current taxes are due July 1 except for principal residences which are due semiannually on July 1 and December 31
Note 4 - Taxes become delinquent October 1 except for semiannual payments due December 31 which become delinquent January 1
Note 5 - Penalty of 1% per month for delinquent taxes
Note 6 - Discount of 1% if paid in July and 0.5% if paid in August
Note 7 - All properties owing delinquent real property taxes are sold at tax sale

THE CITY OF FREDERICK, MARYLAND
SCHEDULE OF PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

Real Property Tax:

	2009			2000		
Taxpayer	Assessed Value	Rank	Percentage of Total Assessed Value	Assessed Value	Rank	Percentage of Total Assessed Value
State Farm Mutual Auto Insurance	$ 45,746,800	1	0.78%	$ 14,830,000	1	1.34%
River X, LLC	36,535,066	2	0.62%	-	-	-
Aldi, Inc.	36,399,900	3	0.62%	-	-	-
Frederick Partners LLP	31,747,400	4	0.54%	6,762,280	4	0.61%
Westfreit Corp.	26,468,200	5	0.45%	-	-	-
ACE, LLC	23,769,800	6	0.40%	-	-	-
ASN Sunset LLC	23,597,166	7	0.40%	-	-	-
Frederick Commons, LLC	20,531,200	8	0.35%	-	-	-
Frederick Shopping Center LLC	20,485,266	9	0.35%	5,152,380	8	0.47%
Waverly Limited Partnership	19,703,800	10	0.34%	5,319,380	7	0.48%
Fredericktowne Mall Assoc.	-	-	-	13,196,280	2	1.19%
First Real Estate Investment Trust	-	-	-	9,205,560	3	0.83%
Summit Properties Partnership	-	-	-	6,733,020	5	0.61%
Washington Real Estate Inv. Trust	-	-	-	5,370,160	6	0.49%
East Side Story, LLC	-	-	-	4,581,600	10	0.41%
MedImmune, Inc.	-	-	-	4,778,320	9	0.43%
	$ 284,984,598		4.85%	$ 75,928,980		6.87%

Assessed Value provided by the Maryland Department of Assessment and Taxation

Personal Property Tax:

	2009			2000		
Taxpayer	Assessed Value	Rank	Percentage of Total Assessed Value	Assessed Value	Rank	Percentage of Total Assessed Value
BPSolar International, LLC	$ 12,726,830	1	8.13%	$ -	-	-
Mid-Atlantic Medical Services, LLC	$ 3,675,630	2	2.35%	-	-	-
Giant Eagle, Inc.	2,545,640	3	1.63%	-	-	-
MedImmune, Inc.	2,448,500	4	1.56%	6,739,840	1	-
Morningstar Foods, LLC	2,384,980	5	1.52%	1,634,130	4	1.15%
State Farm Mutual Automobile Insurance Co.	2,245,950	6	1.43%	4,847,740	2	3.43%
Airpax LLC	2,140,380	7	1.37%	-	-	-
Comcast	1,995,730	8	1.28%	-	-	-
Experient Inc.	1,864,810	9	1.19%	-	-	-
Hydro Conduit Corporation	1,227,480	10	0.78%	-	-	-
Amoco Enron Solar	-	-	-	3,036,220	3	2.15%
Weis Markets, Inc.	-	-	-	1,614,800	5	1.14%
Galaxy Registration, Inc.	-	-	-	1,549,370	6	1.09%
Frederick County Foods, LLC	-	-	-	1,358,300	7	0.96%
Fairchild Controls Corp.	-	-	-	1,208,010	8	0.85%
GS Communications, Inc.	-	-	-	1,205,500	9	0.85%
Valley Rental Company, Inc.	-	-	-	975,230	10	0.69%
	$ 33,255,930		21.25%	$ 24,169,140		12.32%

Assessed Value provided by the Maryland Department of Assessment and Taxation

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

	Governmental Activities				Business-Type Activities					
Fiscal Year	General Obligation Bonds	Tax Increment Financing Bonds	State Loans	Leases	General Obligation Bonds	State Loans	Leases	Total Primary Government	Percentage of Estimated Personal Income (1)	Per Capita (2)
2000	$ 29,151,000	$ 2,500,000	$ 2,814,379	$ -	$ 14,209,000	$ -	$ 240,340	$ 48,914,719	2.83%	926.99
2001	26,835,000	2,450,472	2,368,089	-	12,900,000	-	174,749	44,728,310	2.47%	847.66
2002	40,921,000	2,397,997	1,656,603	-	16,614,000	3,785,000	137,936	65,512,536	3.38%	1,164.01
2003	52,738,000	2,342,399	1,290,333	-	26,907,000	5,365,105	97,250	88,740,087	4.33%	1,532.14
2004	49,553,000	2,283,494	1,205,576	1,270,000	25,157,000	5,140,568	-	84,609,638	3.85%	1,442.62
2005	45,611,646	2,221,084	1,117,651	1,019,450	21,993,067	4,910,560	-	76,873,458	3.32%	1,302.65
2006	43,680,000	2,154,960	1,033,999	1,968,583	89,269,364	4,674,983	225,957	143,007,846	5.70%	2,355.01
2007	40,352,000	2,084,902	955,120	1,480,841	84,881,629	4,191,728	181,238	134,127,458	4.95%	2,180.65
2008	37,018,000	2,010,676	228,103	979,971	80,384,180	3,954,548	154,029	124,729,507	N/A	2,018.90
2009	76,440,000	1,932,033	206,238	484,952	162,921,695	3,711,913	104,474	245,801,305	N/A	3,950.71

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) - See Selected Demographic Statistics for personal income data.
(2) - See Ratios of General Bonded Debt Outstanding below for population data.

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

Fiscal Year	General Obligation Bonds	Tax Increment Financing Bonds	Total General Bonded Debt	Assessed Value of Taxable Property	Percentage of Total General Bonded Debt to Assessed Value of Taxable Property	Population	Total General Bonded Debt Per Capita
2000	$ 29,151,000	$ 2,500,000	$ 31,651,000	$ 1,247,004,403	2.54%	52,767	$ 599.83
2001	26,835,000	2,450,472	29,285,472	1,328,684,649	2.20%	52,767	555.00
2002	40,921,000	2,397,997	43,318,997	3,280,584,968	1.32%	56,282	769.68
2003	52,738,000	2,342,399	55,080,399	3,528,715,289	1.56%	57,919	950.99
2004	49,553,000	2,283,494	51,836,494	3,664,000,252	1.41%	58,650	883.83
2005	45,611,646	2,221,084	47,832,730	3,809,982,818	1.26%	59,013	810.55
2006	43,680,000	2,154,960	45,834,960	4,300,796,906	1.07%	60,725	754.80
2007	40,352,000	2,084,902	42,436,902	4,836,958,325	0.88%	61,508	689.94
2008	37,018,000	2,010,676	39,028,676	5,455,770,970	0.72%	61,781	631.73
2009	76,440,000	1,932,033	78,372,033	6,033,993,100	1.30%	62,217	1,259.66

THE CITY OF FREDERICK, MARYLAND
DIRECT AND OVERLAPPING DEBT
as of June 30, 2009

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Frederick County	$ 556,777,433	23.84%	$ 132,735,740
The City of Frederick direct debt			78,578,271
			$ 211,314,011

Sources: Debt outstanding and assessed value data used to estimate applicable percentages provided by Frederick County.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of The City of Frederick. This process recognizes that, when considering the government'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.

The City of Frederick direct debt included in this schedule is limited to debt related to governmental activities.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the County's total taxable assessed value.

THE CITY OF FREDERICK, MARYLAND
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Ratio of Total Net Debt Applicable to Limit to Debt Limit
2000	$ 99,760,352	$ 38,629,923	$ 61,130,429	38.72%
2001	106,294,771	35,498,561	70,796,210	33.40%
2002	262,446,797	48,460,600	213,986,197	18.46%
2003	282,297,223	69,725,527	212,571,696	24.70%
2004	293,120,020	65,525,887	227,594,133	22.35%
2005	304,798,625	61,400,017	243,398,608	20.14%
2006	344,063,752	76,733,730	267,330,022	22.30%
2007	386,956,666	71,374,651	315,582,015	18.45%
2008	436,461,678	65,546,959	370,914,719	15.02%
2009	482,719,448	126,415,966	356,303,482	26.19%

In fiscal year 2002, the assessed value of real property was changed from 40% to 100% of estimated actual value. However, no adjustment was made to the debt limit restriction rate of 8% that is established by City charter.

THE CITY OF FREDERICK, MARYLAND
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2009

Assessed valuations		$ 6,033,993,100
Debt limit (8% of assessed value per City Charter)		$ 482,719,448
Amount of debt applicable to debt limit:		
Total bonded debt	$ 241,293,728	
Other debt	3,918,151	
	$ 245,211,879	
Less: Water and sewer debt	118,795,913	
Total amount of debt applicable to debt limit		126,415,966
Legal debt margin		$ 356,303,482

The City charter establishes a debt limit of 8% of the total assessed value of all taxable property. Debt issued for the purpose of financing and paying for the construction, operation, maintenance and repair of the water supply and treatment facilities and the sewage collection and treatment facilities are not included in the calculation of the amount of debt subject to this limitation.

THE CITY OF FREDERICK, MARYLAND
PLEGED-REVENUE COVERAGE
Last Nine Fiscal Years

	Real Property Tax Increment Financing Bonds							
	Pledged Revenues			Expenditures				
	Property Tax Increment	Special Tax	Total	Principal	Interest	Other	Total	Coverage
2001	$ 43,252	$ 81,723	$ 124,975	$ -	$ 65,698	$ 5,981	$ 71,679	174.00%
2002	65,325	140,000	205,325	52,475	145,803	14,169	212,447	97.00%
2003	113,772	105,000	218,772	55,597	142,672	6,511	204,780	107.00%
2004	124,781	110,000	234,781	58,905	139,391	6,470	204,766	115.00%
2005	167,679	-	167,679	62,410	135,839	2,356	200,605	84.00%
2006	195,074	-	195,074	66,124	56,668	5,866	128,658	152.00%
2007	240,421	-	240,421	70,058	79,938	9,924	159,920	150.00%
2008	746,100	-	746,100	74,226	77,340	6,069	157,635	473.00%
2009	865,402	-	865,402	78,643	74,586	6,955	160,184	540.00%

Note - The City issued tax increment financing bonds in 2000 with the first recorded activity in fiscal year 2001.

THE CITY OF FREDERICK, MARYLAND
SELECTED DEMOGRAPHIC STATISTICS
June 30, 2009
For the years ended June 30,

Fiscal Year	(1) Population	(2) Household Mean Income	(3) Per Capita Personal Income	(1 x 3) Estimated Personal Income (000s)	(4) School Enrollment	(5) Estimated Unemployment Rate - June
2000	52,767	$ 75,650	$ 32,708	$ 1,725,903	36,145	4.50%
2001	52,767	79,600	34,317	1,810,805	36,961	5.10%
2002	56,282	80,900	34,422	1,937,339	38,122	5.90%
2003	57,919	83,150	35,378	2,049,058	38,621	6.10%
2004	58,650	87,750	37,462	2,197,146	39,004	5.90%
2005	59,013	91,550	39,245	2,315,965	39,564	3.70%
2006	60,725	96,250	41,286	2,507,092	39,741	3.70%
2007	61,508	102,950	44,092	2,712,011	40,315	3.30%
2008	61,781	108,100	N/A	N/A	40,566	3.90%
2009	62,217	N/A	N/A	N/A	40,155	6.80%

Data on population, estimated personal income and unemployment rate is for The City of Frederick; all other data is for Frederick County

Sources:
(1) 2007 Estimate by Frederick County Planning Department
2000 - 2001 - U.S. Census Bureau
2002 - 2006, 2008, 2009 - The City of Frederick Planning Department
(2) Maryland Department of Planning Data Services, June 2009, (current dollars)
(3) Regional Economic Information System, Bureau of Economic Analysis, April 2009 (current dollars, not adjusted for inflation)
(4) Frederick County Board of Education
(5) U.S. Department of Labor, Bureau of Labor Statistics, Frederick City

N/A - Not available

THE CITY OF FREDERICK, MARYLAND
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

	2009			2000			
Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment	Business Classification
Fort Detrick	8,200	1	N/A	5,600	1	N/A	Military, bioscience, communications
Frederick County Board of Education	5,685	2	N/A	3,974	2	N/A	Public Education
Frederick County Government	3,142	3	N/A	2,053	3	N/A	County Government
Frederick Memorial Healthcare System	2,681	4	N/A	2,000	4	N/A	Comprehensive Healthcare
Wells Fargo Home Mortgage	1,550	5	N/A	-	-	-	Mortgage Loans & Service Center
Frederick Community College	937	6	N/A	589	9	N/A	Two-Year College
Frederick City Government	863	7	N/A	612	8	N/A	Municipal Government
United Health Care	832	8	N/A	-	-	-	Medical Insurance
State Farm Insurance Company	795	9	N/A	874	7	N/A	Regional Headquarters - Insurance
BP Solar	460	10	N/A	-	-	-	Manufacture, Research & Development of Photovoltaic Cells
First USA	-	-	-	1,216	5	N/A	Operations Center
First Nationwide Mortgage	-	-	-	1,195	6	N/A	Operations Center
F & M Bancorp	-	-	-	500	10	N/A	Banking Headquarters

Frederick County Economic and Community Development Commission 2000
The City of Frederick, Department of Economic Development, 2009
Total City employment figures are not readily available to make calculation.

The City of Frederick, Maryland
Authorized Full-time Equivalent Employees by Function
Last Ten Fiscal Years

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Function:										
General government	80.75	71.29	80.76	89.51	80.93	80.27	77.30	81.18	81.68	88.18
Public safety	177.63	176.23	181.86	187.00	197.30	197.40	194.24	203.15	203.84	212.70
Public works	78.64	77.91	84.88	85.02	90.52	89.35	84.77	86.59	85.38	93.78
Recreation and parks	59.10	64.36	66.50	68.70	69.34	64.52	60.44	58.73	60.56	58.78
Community development	1.80	1.80	3.00	5.00	6.00	6.00	6.00	6.00	6.00	6.00
Economic opportunity	33.72	31.08	37.57	36.68	37.84	41.56	38.27	41.34	39.17	36.95
Rental operations	0.00	0.00	0.00	0.00	0.00	0.35	0.50	0.50	0.40	0.50
Water and sewer	61.04	66.21	66.21	66.11	68.54	75.58	76.83	76.34	72.60	77.29
Golf course	18.50	17.91	21.94	22.47	22.37	22.08	21.01	20.80	20.69	22.17
Airport	2.00	2.00	2.00	2.00	3.13	3.50	3.50	3.50	3.50	3.50
Parking	11.46	11.52	11.82	11.96	13.05	15.73	15.74	16.60	17.04	13.09
Storm water	3.28	4.62	4.62	4.62	4.82	7.15	7.00	7.40	7.23	7.10
Total	527.92	524.93	561.16	579.07	593.84	603.49	585.60	602.13	598.09	620.04

The City of Frederick, Maryland
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Function:										
Public safety										
Police:										
Stations	2	2	2	2	2	2	2	2	1	1
Public works:										
Miles of paved streets (road miles)	170	170	168	180	180	183	184	250	257	275
Miles of sidewalks	260	323	320	344	344	350	350	500	265	272
Number of street lights	6,875	6,986	7,164	7,506	7,790	7,959	8,131	8,213	7,459	9,050
Number of traffic signals	72	73	74	71	71	72	71	72	71	71
Recreation and parks:										
Number of parks	57	57	58	63	63	63	59	57	57	55
Parks acreage	421	275	300	465	465	443	464	400	435	583
Number of swimming pools	2	2	2	2	2	2	2	2	2	2
Number of tennis courts	26	32	32	32	32	25	26	26	26	23
Number of municpal stadiums	2	2	2	2	2	2	2	2	2	2
Economic opportunity:										
Number of transitional shelters	1	1	1	1	1	1	1	1	1	1
Number of transitional apartments	3	3	3	3	3	3	3	3	3	3
Rental operations:										
Number of apartment buildings	1	1	1	1	1	1	1	1	1	1
Water and sewer:										
Miles of water main	205	215	250	250	250	255	215	220	220	220
Number of fire hydrants	2,300	2,500	2,600	2,600	2,600	2,675	2,500	2,520	2,520	2,520
Number of storage tanks	6	6	6	6	6	6	6	6	6	6
Number of water pump stations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3	3
Miles of sanitary sewer	180	200	200	157	157	162	161	161	161	161
Number of sewage treatment plants	1	1	1	1	1	1	1	1	1	1
Number of sewage pump stations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9	9
Golf course:										
Number of golf courses	1	1	1	1	1	1	1	1	1	1
Airport:										
Number of runways	2	2	2	2	2	2	2	2	2	2
Number of T-hangars	45	45	125	125	125	125	125	125	125	125
Number of corporate hangars	0	0	0	1	1	1	1	1	1	1
Parking:										
Number of parking areas	8	5	3	5	5	3	3	3	3	3
Number of parking area spaces	362	357	234	250	250	156	156	156	164	158
Number of parking garages	3	3	3	3	3	3	3	4	4	4
Number of parking garage spaces	1,469	1,469	1,469	1,469	1,469	1,469	1,470	2,112	2,116	2,116
On street parking spaces	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,500	2,500
Stormwater:										
Miles of storm drain	N/A	N/A	N/A	N/A	N/A	N/A	210	211	211	210
Number of storm water pump stations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	4

N/A - information is not readily available

The City of Frederick, Maryland
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Function:										
Public safety										
Police:										
Calls for service	54,946	57,533	59,901	59,586	58,396	64,876	65,227	70,606	74,906	83,164
Physical arrests	2,932	3,582	3,938	3,739	3,442	3,693	2,897	4,161	3,229	4,359
Traffic violations	8,992	9,192	9,819	9,819	9,819	12,684	8,750	10,425	11,682	14,292
Water and sewer:										
Number of water service connections	14,667	15,000	16,520	16,600	16,600	17,100	17,587	17,814	17,939	18,092
Avg. daily water consumption (thousands of gallons)	6,649	6,209	6,798	6,412	6,412	6,500	5,780	5,989	6,300	5,533
Number of sewer service connections	13,158	15,000	15,000	14,300	14,300	14,729	14,713	14,845	14,934	14,987
Avg. daily sewage treatment (thousands of gallons)	6,040	6,380	6,500	6,610	6,610	7,000	6,450	6,690	6,900	6,200
Golf course:										
Number of rounds of golf	N/A	N/A	N/A	32,298	34,816	33,979	35,260	33,758	33,672	29,780
Airport:										
Number of Operations	131,712	131,800	134,436	156,627	159,562	150,441	154,107	160,657	151,088	130,284
Parking:										
Number of parking violations	31,746	31,614	36,390	40,816	40,816	48,094	30,272	38,177	42,354	39,213

N/A - information is not readily available
Information from various City departments

THIS PAGE INTENTIONALLY LEFT BLANK

SINGLE AUDIT SECTION

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report On Internal Control Over Financial Reporting
And On Compliance and Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With *Government Auditing Standards*

To the Honorable Mayor and Board of
Aldermen The City of Frederick, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Frederick, Maryland (City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider items 09-01 and 09-02 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

McGladrey & Pullen, LLP is a member firm of RSM International,
an affiliation of separate and independent legal entities.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's written response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, Board of Aldermen and City Management, and federal awarding agencies and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Frederick, Maryland
November 2, 2009

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133

To the Honorable Mayor and Board of Aldermen
The City of Frederick, Maryland

Compliance

We have audited the compliance of The City of Frederick, Maryland (City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major Federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item 09-03.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

McGladrey & Pullen, LLP is a member firm of RSM International –
an affiliation of separate and independent legal entities.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, Board of Aldermen, City management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Frederick, Maryland
November 2, 2009

THE CITY OF FREDERICK, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass Through Grantor/ Program Title	Federal I.D. Number	Federal CFDA Number	Federal Award Amount	Accrual Basis Disbursements July 1, 2008 - June 30, 2009
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
Community Development Block Grant - Entitlement Program	B-06-MC-240013	14.218	$ 399,634	$ 51,881
Community Development Block Grant - Entitlement Program	B-07-MC-240013	14.218	398,794	298,090
Community Development Block Grant - Entitlement Program	B-08-MC-240013	14.218	384,928	-
Plus Program Income				333,727
Total Program				683,698
Supportive Housing Program Grant	MD06B709004	14.235	135,536	135,536
Supportive Housing Program Grant	MD06B709005	14.235	65,896	65,896
Total Program				201,432
Emergency Shelter Grant	2007-ESG-BOS-07	14.231	23,642	19,500
Emergency Shelter Grant	2008-ESG-BOS-09	14.231	16,150	16,150
Total Program				35,650
HUD Housing Counseling Grant		14.169	89,001	18,787
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				$ 939,567
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Maryland State Department of Human Resources:				
Community Services Block Grant	01-07-B1MD COSR	93.569	$ 244,126	$ 55,413
Community Services Block Grant	01-08-B1MD COSR	93.569	244,126	203,029
Total Program				258,442
Passed Through Healthcare for the Homeless, Inc.:				
Healthcare for the Homeless	03-H-002,325-03	93.151	123,134	47,782
Healthcare for the Homeless	03-H-002,325-03	93.151	123,134	70,073
Total Program				117,855
Passed Through Maryland State Department of Health and Mental Hygiene:				
McKinney PATH Grant	MH-263-OTH	93.150	77,400	77,399
Total Program				77,399
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				$ 453,696
DEPARTMENT OF ENERGY				
Passed Through Maryland Department of Housing and Community Development:				
Weatherization Assistance Program		81.042	$ (A)	$ 145,972

(A) The City is a subgrantee of the State of Maryland. Grant awards are not made, rather passed-through receipts are based on the number of operations performed.

The accompanying notes are an integral part of this statement.

THE CITY OF FREDERICK, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass Through Grantor/ Program Title	Federal I.D. Number	Federal CFDA Number	Federal Award Amount	Accrual Basis Disbursements July 1, 2008 - June 30, 2009
DEPARTMENT OF JUSTICE				
Direct Programs				
Anti-Gang Initiative	YRegDoc G 37 1339	16.744	25,000	5,517
Anti-Gang Strategy Equipment Grant	I37-1358	16.000		7,243
2008 Justice Assistance Grant	2008-DJ-BX-0381	16.738	18,663	18,554
Total Program				31,314
Passed Through Frederick County Health Department:				
Tobacco Enforcement Grant		16.542	(B)	15,290
				15,290
TOTAL DEPARTMENT OF JUSTICE				$ 46,604
DEPARTMENT OF TRANSPORTATION				
Direct Program:				
Airport Development Aid Program	3-24-0017-025	20.106	4,445,788	(146,094)
Plus Program Income	3-24-0017-025	20.106		146,094
Airport Development Aid Program	3-24-0017-030	20.106	160,056	22,922
Airport Development Aid Program	3-24-0017-032	20.106	378,935	202,940
Airport Development Aid Program	3-24-0017-033	20.106	68,073	18,349
				244,211
TOTAL DEPARTMENT OF TRANSPORTATION				$ 244,211
DEPARTMENT OF AGRICULTURE				
Passed Through Maryland State Dept. of Education				
Summer Food Service Program		10.559	(C)	$ 22,716
DEPARTMENT OF HOMELAND SECURITY				
Passed Through Frederick County Fire and Rescue Services Division				
FFY 2007 Homeland Security Grant	2007-GE-T7-0040	97.067	$ 12,000	$ 2,182
FFY 2007 Homeland Security Grant	G21758 LETPP	97.067	95,802	36,323
TOTAL DEPARTMENT OF HOMELAND SECURITY				$ 38,505
CONGRESSIONAL ACTION				
Passed Through Maryland State Department of Housing and Community Development				
Foreclosure Mitigation Grant	PL 110-161:95X1350	99.999	50,400	$ 21,798
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 1,913,069

(B) The City is a subgrantee of the Frederick County Health Department. Grant awards are not made, rather passed-through receipts are based on operations performed.

(C) The City is a subgrantee of the State of Maryland. Grant awards are not made, rather passed-through receipts are based on the number of meals served.

The accompanying notes are an integral part of this statement.

1. Single Audit Overview

The Single Audit is the performance of a uniform audit of all the City's federal grants in conjunction with the annual audit of the general-purpose financial statements. The adoption of such a procedure was formalized by the Federal Office of Management and Budget (OMB) in Circular A-133. The Single Audit fulfills all the Federal agencies' audit requirements which include financial, compliance, and the adequacy of internal control.

2. Fiscal Period Audited

Single audit testing procedures were performed for transactions occurring during the fiscal year ended June 30, 2009.

3. Pass-Through Funds

A portion of the federal awards received by the City have been "passed-through" various agencies and departments of the State of Maryland. Such funds have been included in the Schedule of Expenditures of Federal Awards as they represent federal assistance awards and the State agencies are so identified.

4. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the City has met the qualifications for the respective grants. Several programs are funded jointly by Federal, State and Local funds. Costs incurred in programs partially funded by Federal grants are applied against those grant funds to the extent of revenue available when they properly apply to the grant.

b. Revenue Recognized

Revenue recognized on grant reimbursement type programs represents the federal share of costs claimed for reimbursement. Timing differences can exist between expenditures and program reimbursements at the beginning and end of the year. Accrued balances at year end represent an excess of expenditures over cash reimbursements received to date. Generally, accrued balances caused by differences in the timing of cash reimbursements and expenditures will reverse in the subsequent grant period.

The City Of Frederick, Maryland

Schedule Of Findings And Questioned Costs
Year Ended June 30, 2009

Section I – Summary Of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified			
Internal control over financial reporting:				
▪ Material weakness(es) identified?		Yes	X	No
▪ Significant deficiency(ies) identified that are not considered to be material weakness(es)?	X	Yes		No
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
▪ Material weakness(es) identified?		Yes	X	No
▪ Significant deficiency(ies) identified that are not considered to be material weakness(es)?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	X	Yes		No

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program
20.106	Airport Development Aid Program
14.218	Community Development Block Grant
93.569	Community Services Block Grant

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000			
Auditee qualified as low-risk auditee?		Yes	X	No

Section II – Financial Statement Findings

Internal Control

Finding 09-01: Wire Transfers

Criteria: Accounting functions should allow for segregation of duties in the processing of transactions, segregating amongst three individuals the functions of asset custody, initiation of transactions, and recording of transactions.

Condition: Wire transfers can be processed by the City's Director of Finance and Accounting Manager without independent approval or authorization. A cash management report is obtained from the bank, which is reviewed daily by an independent party. However, the primary purpose of the review is not to detect improper wire transfers.

Context: In performing our audit, we considered the City's internal control over financial reporting.

Effect: There is an increased risk of misstatement and risk of loss to City assets due to fraud or unintentional employee error.

Cause: The City did not perceive a risk of misstatement due to the experience and tenure of the Director of Finance and Accounting Manager.

Recommendation: We recommend the implementation of procedures to ensure that all wire transfers are subjected to an independent, formally documented review and approval process prior to the transfer of funds.

Views of Responsible Officials and Planned Corrective Actions: The City is committed to ensuring that internal controls are in place to protect City assets. The City will implement a process whereby all wire transfers are reviewed and approved by at least two individuals prior to the transfer of funds.

Section II – Financial Statement Findings (Continued)

Finding 09-02: Golf Course Pro Shop Resale Merchandise

Criteria: Internal controls should allow for the safeguarding of City assets and the accurate recording of transactions on a timely basis.

Condition: There is a difference between total costs of golf merchandise sold per the general ledger and the cumulative total reported on the monthly golf sales reports of approximately $30,000 for the year ended June 30, 2009.

Context: In performing our audit, we performed an analysis of profit margins on resale merchandise sales. Further test work into unexpected margins identified the discrepancy.

Effect: The difference represents costs of golf resale merchandise that are expensed due to a physical inventory count, but are not accounted for in the monthly sales reports. As a result, City assets are unaccounted for. There is an increased risk of misstatement and risk of loss to City assets due to fraud or unintentional employee error.

Cause: Sales reports, containing costs of sales data for merchandise sold, are generated monthly. In addition, monthly golf course inventory counts are performed. However, the inventory counts are not adjusted through the general ledger until the end of year count is performed. The current process for the safeguarding of golf course resale merchandise and recording of transactions is not effective to identify differences timely.

Recommendation: We recommend the City investigate the discrepancy. In addition, we recommend the City reassess the monthly procedures to account for inventory and sales transactions to ensure accurate reporting within the general ledger on a monthly basis.

Views of Responsible Officials and Planned Corrective Actions: The City will continue to investigate the discrepancy in the cost of goods sold amounts reported by the golf course and the general ledger. The payment of vendor invoices is processed through the general ledger while the inventory and unit costs are updated through the golf course system. The two software systems are not integrated. The City will develop a process for monthly review and reconciliation of the recorded activities of the two systems.

Compliance

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

Internal Control

No matters were reported.

Compliance

Finding 09-03: Untimely Submission

Criteria: Circular A-133 (c)(1) requires "the audit shall be completed and the reporting required by paragraph (c)(2) or (c)(3) of this section submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the Federal agency that provided the funding or a different period is specified in a program-specific audit guide."

Condition: The A-133 audit reporting package for the year ended June 30, 2008 was not submitted to the Federal Audit Clearinghouse within 30 days after receipt of the auditor's report. The submission occurred on December 5, 2008, which was 37 days after receipt of the auditor's report.

Context: In performing our audit, we reviewed the City's compliance with federal requirements.

Effect: The untimely filing of the A-133 audit reporting package with the Federal Audit Clearinghouse could be considered by federal officials to be noncompliance with the federal guidelines, and may jeopardize future awards of federal funds. In addition, the City did not qualify as a low risk A-133 auditee for the year ended June 30, 2009.

Cause: Single audit reports were required to be filed electronically with the Federal Audit Clearinghouse for the first time for the City's year ended June 30, 2008. Responsible personnel at the City were not familiar with the new process and the untimely submission appears to have been an oversight.

Recommendation: We recommend the implementation of procedures to ensure that the A-133 audit reporting package is submitted within the required timeframe.

Views of Responsible Officials and Planned Corrective Actions: The City will ensure that timely filing of the A-133 reporting package will occur in the future.

The City Of Frederick, Maryland

Summary Schedule Of Prior Audit Findings
Year Ended June 30, 2009

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

THE City OF Frederick

William J. Holtzinger, Mayor

<u>Aldermen</u>
Marcia Hall, *President Pro Tem*
David "Kip" Koontz
Alan Imhoff
C. Paul Smith
Donna Kuzemchak

www.cityoffrederick.com