THE CITY OF FREDERICK

FREDERICK, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year
July 1, 2013 — June 30, 2014

THE CITY OF FREDERICK, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014

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 - 12
Management's Discussion and Analysis	13 - 22
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	23
Statement of Activities	24
Fund Financial Statements:	
Balance Sheet - Governmental Funds	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	28 - 29
Statement of Net Position - Proprietary Funds	30
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	31
Statement of Cash Flows - Proprietary Funds	32 - 33
Statement of Fiduciary Net Position - Fiduciary Funds	34
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	35
Notes to the Financial Statements	36 - 71
Required Supplementary Information:	
Schedule of Funding Progress - Pension Plans	72
Schedule of Employer Contributions - Pension Plans	73
Schedules of Changes in the City's Net Pension Liability and Related Ratios	74
Schedule of City Contributions - Pension Plans	75
Schedule of Investment Returns - Pension Plans	76
Schedule of Funding Progress - Other Post Employment Benefit Plans	77
Schedule of Employer Contributions - Other Post Employment Benefit Plans	77
Other Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Govermental Funds	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	79
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
CDS Program Fund	80
Weinberg Center Fund	81
Community Development Fund	82
City Housing Fund	83

THE CITY OF FREDERICK, MARYLAND
TABLE OF CONTENTS

	Page (s)
FINANCIAL SECTION (continued)	
Combining Statement of Net Position - Nonmajor Proprietary Funds	84
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Proprietary Funds	85
Combining Statement of Cash Flows - Nonmajor Proprietary Funds	86 - 87
STATISTICAL SECTION:	
Net Position by Component	88
Changes in Net Position	89 - 90
Fund Balances of Governmental Funds	91
Changes in Fund Balances of Governmental Funds	92
Assessed and Estimated Actual Value of Taxable Property	93
Property Tax Levies and Collections	94
Property Tax Rates and Tax Levies - Direct and Overlapping Governments	94
Schedule of Principal Tax Payers	95
Ratios of Outstanding Debt by Type	96
Ratios of General Bonded Debt Outstanding	96
Direct and Overlapping Debt	97
Legal Debt Margin Information	98
Computation of Legal Debt Margin	98
Ratio of General Fund Annual Debt Service Expenditures to General Fund Revenues	99
Pledged Revenue Coverage	100
Selected Demographic Statistics	101
Principal Employers	102
Authorized Fulltime Equivalent Employees by Function	103
Capital Asset Statistics by Function	104
Operating Indicators by Function	105
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	106
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	107 - 108
Schedule of Expenditures of Federal Awards	109 - 110
Notes to the Schedule of Expenditures of Federal Awards	111
Schedule of Findings and Questioned Costs	112 - 113
Summary Schedule of Prior Audit Findings	114

Randy McClement
Mayor

Aldermen

Kelly M. Russell
President Pro Tem

Michael C. O'Connor
Philip Dacey
Joshua Bokee
Donna Kuzemchak

October 29, 2014

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, 2014. 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 of 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 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, 2014, 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, 2014, 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 23.244 square miles and serves an estimated population of 67,435. 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 and each member serves a four-year term.

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. The Mayor uses these requests as the starting point for developing a proposed budget. The Mayor presents the proposed budget no later than April 1st of each year. Public hearings are held on the proposed budget and the final budget must be adopted prior to June 20th. 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 28 and 29 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 80.

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 estimated population of 67,435, coupled with an additional 50,000 residents living in surrounding neighborhoods, represents approximately fifty percent of Frederick County's total population. Professional and business services, along with health and education make up 34% of the City's total number of jobs. The government sector accounts for 23% of the total jobs. The median household income holds at $83,408. Approximately 49,000 individuals are employed by businesses in the City of Frederick. Some of the larger employers in the City are Fort Detrick and the national Cancer Institute-Frederick, which together employ nearly 12,000, Frederick Regional Health Care (2,652), Wells Fargo Home Mortgage (1,800), State Farm (795), AstraZeneca/MedImmune (630) and Frederick Community College.

Abundant, diverse jobs and housing are the primary attractors for new residents moving to Frederick. The City includes approximately 26,000 households, a third of all those located in Frederick County. In 2011, the median home value in Frederick City was $180,000, and the current 2014 median home sales price is $263,500.

The City of Frederick is also a major transportation hub. 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 services to Washington D.C.'s Union Station and points in between are also available to City residents. The City and surrounding area is also serviced by Frederick Municipal Airport, the second busiest airport in Maryland with 110,000 aircraft operations in 2013. The airport serves as a general aviation reliever airport for Reagan National, Baltimore-Washington International and Washington Dulles

International airports. The City's close proximity to urban areas along with the available transportation systems makes Frederick 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 Program which 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 Program 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 Program 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 I-70 to MD 26 that will provide opportunities for new 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. Phase I of the project is completed and open to the public. The completion of this section, along with the connection to Schifferstadt Boulevard allows for a cross connection from MD 355 to North Market Street. Phase II of the project will connect northward to Riverside Research Park and the NCI – Advanced Technology Research Facility (ATRF) and the cost of construction is being shared equally by the City and County.

The final phase of the Carroll Creek Park project is under way, constructing improvements primarily east of the Delaplaine Visual Arts Center across East Street to East Patrick Street. The project will include ADA multi-use paths, lighting, furniture, planters, landscaping, fountains, and other park improvements. The project is funded in partnership with Frederick County, developers, and a Federal Transportation Enhancement Program grant. These improvements will provide development opportunities, create jobs and services and enhance the tax base of the City. Construction of this phase of the project began during FY 2014.

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. A New Jobs Tax Credit Program has also been established which will award a credit based on the expansion of a facility and the number of new, permanent, full time positions created over a two year period. These short-term tax credits provide needed incentives for private sector capital reinvestment and revitalization in the properties of the area. The City is currently in negotiation with a number of businesses for location and expansion opportunities which total in excess of $500 million and more than 500 new jobs.

In January 2012, the Mayor and Board of Aldermen began the process of creating a strategic plan for the City. The objectives of the plan are to create strategies, goals and performance based measurements to drive the budget in the short term and transcend multiple administrations in the long term. The main themes of the strategic plan are long term stability, economic development, public safety, infrastructure, environmental sustainability, quality of life, innovative government, planning and development.

Relevant Financial Policies

The City of Frederick has established a "Rainy Day" reserve of unassigned general fund balance that is to equal 12% of total general fund revenues (excluding beginning fund balance) to provide for adequate working capital and to provide funds to meet unforeseen emergencies. At the end of fiscal year 2014, this policy would require a "Rainy Day" reserve of $8,415,426. The unassigned fund balance in the General Fund was $10,593,266, exceeding the requirement by $2,177,740.

Major Initiatives

The City is involved with a number of new initiatives which highlight the vitality and excitement in this growing and expanding community.

In an effort to help stimulate the local economy and meet citizen and business needs, the City is facilitating efforts by the Downtown Hotel Advisory Committee to attract a privately owned and operated 200 room full service hotel with up to 20,000 square feet of meeting space in downtown Frederick. Recently the Committee announced that it has selected a developer to construct a $64 million dollar full-service Marriott hotel in downtown Frederick with 207 rooms and 24,000 square feet of meeting space. A report released by the Maryland Stadium Authority confirmed there are a number of quality select-service hotels in the Frederick area providing overnight accommodations and

limited event and meeting space for citizen, business and leisure needs. However, there are no full-service hotels with large meeting capabilities in the Frederick lodging market and there are no hotel rooms in downtown Frederick. This study shows the Frederick lodging market is under-served and downtown Frederick is a great place for a full service hotel.

The Golden Mile Alliance, an organization created to strengthen the Golden Mile corridor along US 40 for businesses and residents, continues to move forward with organizing community events and boosting the identity of the Golden Mile as a major place for retail business in Frederick. They recently were involved in advocating for the implementation of the Golden Mile Small Area Plan and redevelopment of the Frederick Towne Mall. The City is beginning to realize reinvestment and revitalization of businesses along the Golden Mile, including a new proposed super Wal-Mart and renovated restaurants (Famous Dave's, Red Lobster, & McDonalds).

The City is also investing in the Vision Plan set forth by East Frederick Rising for the 800 acre area which abuts the east side of Downtown Frederick. This group is setting in motion a plan for a world-class sustainable community to deliver a desirable mixed use plan for housing and jobs to encourage developers to reinvest in the east side of the City. Recent announcements in this area include plans by the MATAN Companies to develop a mixed-use residential/retail neighborhood on the several hundred acre Renn Farm. The City has released an RFP for development of the 6 acre city-owned Site J/K property along Carroll Creek Park for mixed-use development.

The City is expanding efforts to create a sustainable tomorrow. The City's Bicycle and Pedestrian Committee led the way to fund a public-private project that created a bicycle lane along Seventh Street from Fort Detrick to East Street. The City was one of seven communities awarded funds from the Maryland Department of Transportation to begin the process of creating a bike-share pilot program and we have been awarded a bronze designation by the League of American Bicyclists towards our goal of becoming a bike friendly community. In addition, the City was awarded a $200,000 Maryland Department of Transportation bikeways grant for the design of the US 15 exit ramp tunnel that will make the final east to west connection of our shared use path system.

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, 2013. This was the thirty first 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 members 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 LLP, as well as our financial software consultants, Harris Systems U.S.A. Inc., for their cooperation in our efforts to effect a better accounting and reporting responsibility.

Respectfully submitted,

Gerald D. Kolbfleisch

Gerald D. Kolbfleisch
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

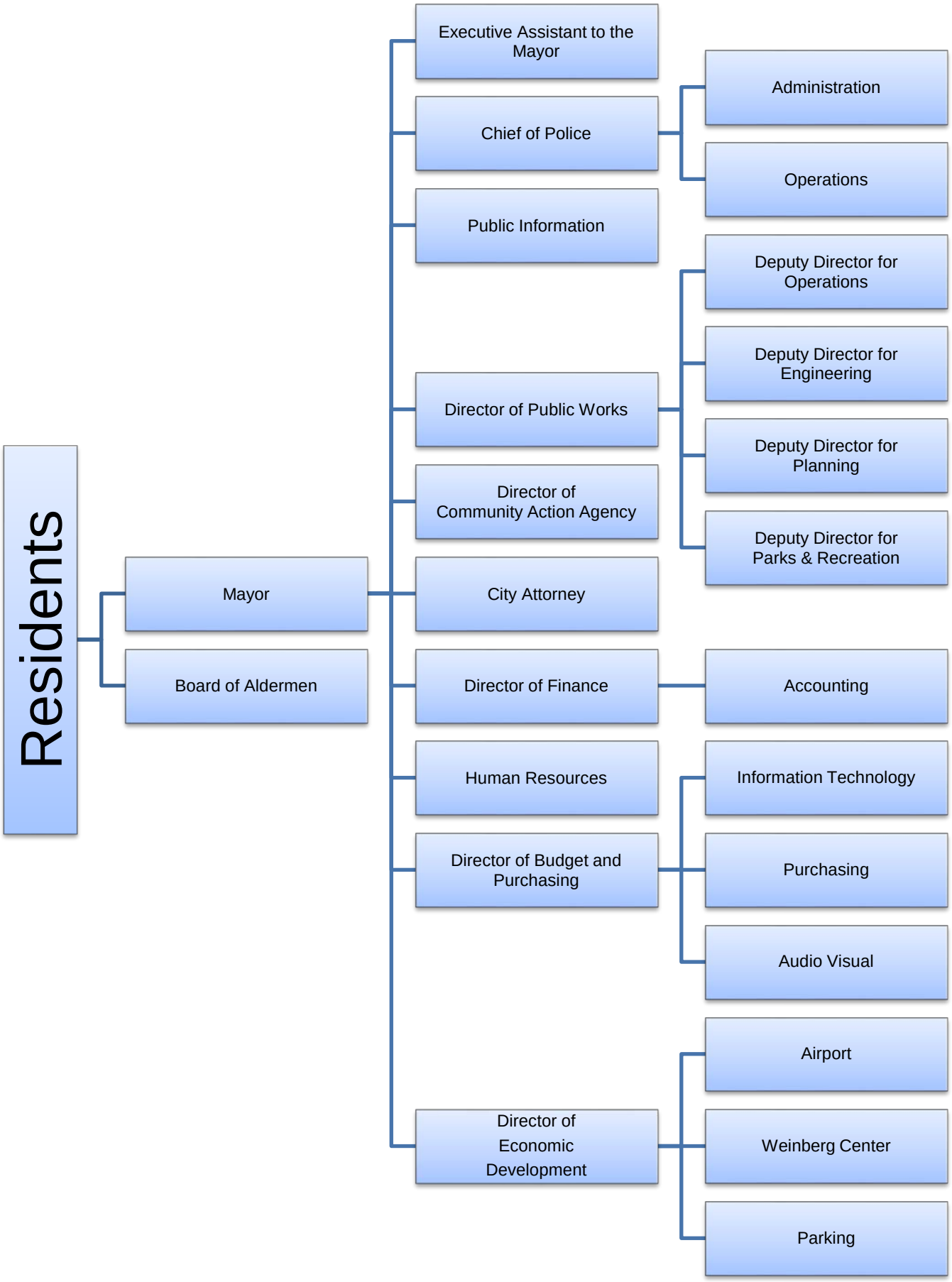
The City of Frederick Maryland

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Organizational Chart



THE CITY OF FREDERICK, MARYLAND
SUMMARY OF ELECTED AND APPOINTED OFFICIALS
June 30, 2014

MAYOR

Randy McClement

BOARD OF ALDERMEN

Kelly M. Russell
President Pro Tem

Michael C. O'Connor
Philip A. Dacey
Joshua L. Bokee
Donna S. Kuzemchak

APPOINTED OFFICIALS

Chief of Police	Colonel Thomas J. Ledwell
City Attorney	Saundra A. Nickols
Deputy Director for Engineering	Tracy A. Coleman
Deputy Director for Parks and Recreation	Roelkey I. Myers
Deputy Director for Planning	Joseph A. Adkins
Deputy Director for Operations	Marc P. Stachowski
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
Director of Public Works	Zachary J. Kershner

FINANCIAL SECTION

McGladrey

Independent Auditor's Report

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

Report on the Financial Statements

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, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise The City of Frederick, Maryland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 22, the Schedule of Funding Progress – Pension Plans on page

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72, the Schedule of Employer Contributions – Pension Plans on page 73, the Schedule of Changes in the City's Net Pension Liability and Related Ratios on page 74, the Schedule of City Contributions – Pension Plans on page 75, the Schedule of Investment Returns – Pension Plans on page 76, the Schedule of Funding Progress – Other Post Employment Benefit Plans and the Schedule of Employer Contributions – Other Post Employment Benefit Plans on page 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The City of Frederick, Maryland's basic financial statements. The supplementary information, listed in the table of contents as other supplementary information in the financial section and the schedule of expenditures of federal awards in the single audit section, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit* Organizations, and the other information, listed in the table of contents as the introductory and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, listed in the table of contents as other supplementary information and the schedule of expenditures of federal awards in the single audit section, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014 on our consideration of The City of Frederick Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The City of Frederick Maryland's internal control over financial reporting and compliance.

McGladrey LLP

Frederick, Maryland
October 30, 2014

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, 2014. 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 and deferred outflow of resources of The City of Frederick exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $283,033,447 (net position). Of this amount, $45,892,008 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by $8,061,030, or 2.93%. The governmental net position increased by $2,510,230 and the business-type net position increased by $5,550,800.

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 $44,690,030, a decrease of $2,710,271 in comparison to the prior year. An increase of $859,608 in the fund balance was attributable to non-major governmental funds, an increase of $935,823 was attributable to the capital improvement program and the remaining change in fund balance was due to a decrease of $4,505,702 in the General Fund.

At June 30, 2014, the total general fund unassigned fund balance was $10,593,266, or 14.69% of total general fund expenditures and 15.62% of total general fund revenues.

Overview of the Financial Statements

This discussion and analysis is 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 position 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 position presents information on all of the City's assets, deferred outflow of resources, liabilities and deferred inflow of resources. The total of assets plus deferred outflows of resources less liabilities and deferred inflows of resources equals net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will 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 23 and 24 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 six 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 four 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 25 - 29 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 30 – 33 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 34 - 35 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 36 - 71 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 72 - 77 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 and other post-employment benefits. Combining and individual fund statements and schedules can be found on pages 78 - 87 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $283,033,447 at the close of the most recent fiscal year.

The City of Frederick's Net Position

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 54,057,283	$ 54,738,587	$ 47,978,054	$ 46,720,382	$ 102,035,327	$101,458,969
Capital assets	125,993,034	123,660,625	305,738,787	304,857,109	431,731,821	428,517,734
Total assets	180,050,307	178,399,212	353,716,841	351,577,491	533,767,148	529,976,703
Total deferred outflow of resources	207,407	234,960	2,460,005	2,684,284	2,667,412	2,919,244
Long-term liabilities outstanding	89,216,432	91,937,560	152,343,046	154,907,187	241,559,478	246,844,747
Other liabilities	7,078,290	5,243,850	4,763,345	5,834,933	11,841,635	11,078,783
Total liabilities	96,294,722	97,181,410	157,106,391	160,742,120	253,401,113	257,923,530
Net position:						
Invested in capital assets, net of related debt	68,637,451	61,782,387	158,963,588	155,846,982	227,601,039	217,629,369
Restricted	2,808,140	2,114,030	6,732,260	6,704,374	9,540,400	8,818,404
Unrestricted	12,517,401	17,556,345	33,374,607	30,968,299	45,892,008	48,524,644
Total net position	$ 83,962,992	$ 81,452,762	$199,070,455	$ 193,519,655	$283,033,447	$274,972,417

By far the largest portion of the City's net position (80.4 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 position, $9,540,400, represents resources that are restricted on how they may be used. The remaining balance of net position, $45,892,008, 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 position for the government as a whole. The golf course business-type activity had negative unrestricted net position in the amount of $5,462,743.

The City's net position increased by $8,061,030 during the current fiscal year.

Governmental activities. Governmental activities increased the City's net position by $2,510,230 in the current fiscal year with total revenues from governmental activities increasing by $2,444,942 and total governmental activities expenses increasing by $2,998,747.

Taxes decreased by $437,749 in fiscal year 2014. The primary reason for the decrease was the unexpected abatement of approximately $1,079,000 in prior year personal property taxes for a company located within the City. Additionally, the City established a $450,000 allowance for possible abatement of current year taxes on the firm. Real estate taxes increased approximately $1,000,000 and other taxes increase about $200,000.

Licenses and permits increased approximately $227,000 from the previous year reflecting a slow but steady increase in building activity.

Intergovernmental revenues increased by approximately $1,316,000. State aid for police protection increased by nearly $394,000 while state shared highway user revenue increased by $974,091. Operating grants for the community action agency increased by nearly $666,287. Intergovernmental contributions for capital improvement projects for the current year decreased by $694,000 over the previous year.

Fines and forfeitures decreased by nearly $134,000 with the speed camera program revenues decreasing by approximately $192,000. It is believe that the speed camera program is encouraging greater conformance with traffic laws. However, penalties for red light camera increased by $ 49,570.

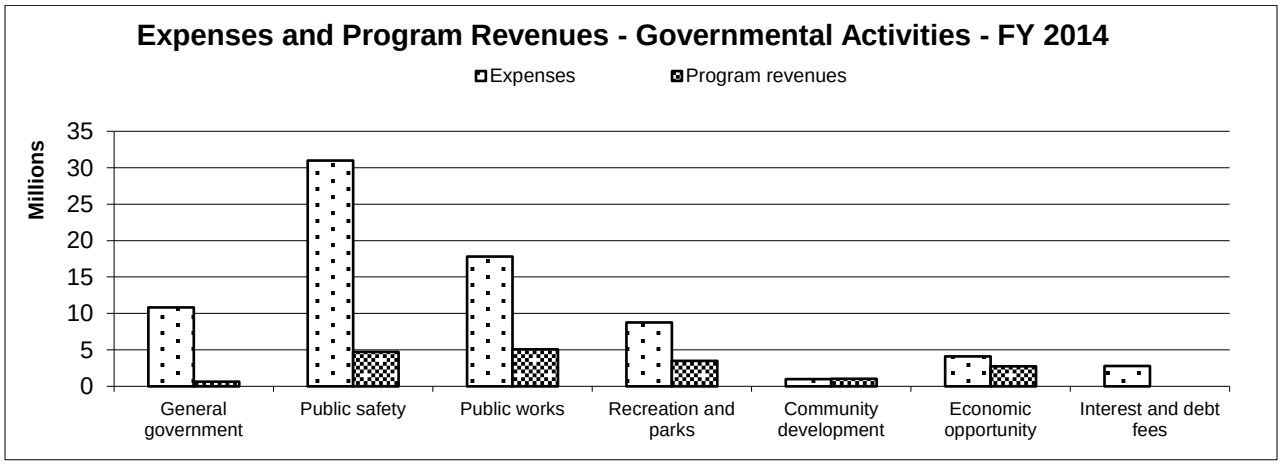
Miscellaneous revenues increased by approximately $512,904 which was primarily due to the institution of the moderately priced dwelling unit fee in lieu of. Developers are required to provide a certain amount of moderately priced housing units or pay a fee in lieu of to aid the City in providing moderately priced housing for low to moderate income families. $756,700 was generated through this fee in fiscal year 2014.

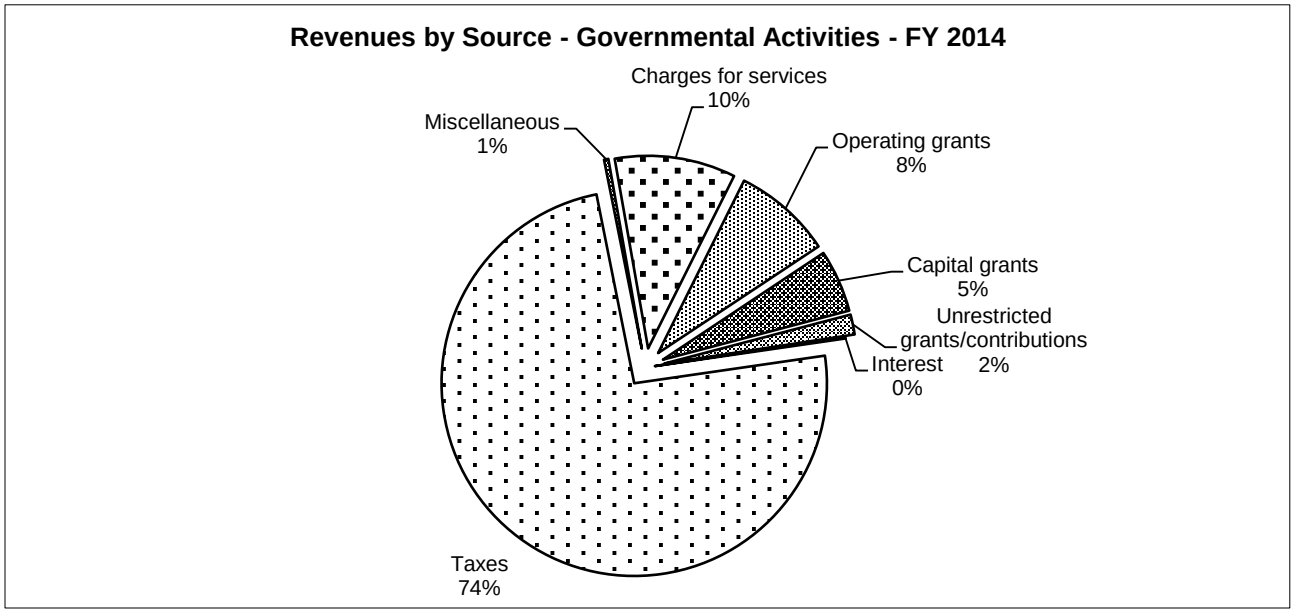
Total expenses increased by $2,998,747 in fiscal year 2014. The significant changes were in salaries with a $2,203,079 (8.6%) increase, personnel benefits with an increase of $889,922 (4.0%), supplies with an increase of $684,371 (14.9%), other services and charges with a $608,512 decrease (6.0%), a decrease in capital outlays that did not meet the capitalization criteria of $720,014 (74.8%) and an increase in debt service (interest and related fees) of approximately $467,00 which equates to a 20.0% increase.

The increase in salaries was due in part to a one-time payment to full-time employees in the amount $1,500 and graded part-time employees of $900. The total cost of these expenditures was $618,300. Additionally, eligible employees could receive up to a 4.0% merit increase during the fiscal year. The personnel benefits increase was due to the OPEB liability increase of approximately $600,000 over the previous year and increased benefit costs associated with the increase in salaries. Contributing to the increase in supply expenditures were replacement of in-vehicle computers for the police department of approximately $202,000 and the need for additional chemicals to combat the many snow events during the year. Approximately $850,000 less in street repairs was made in FY 2014 than in the previous year. This in conjunction with a roof replacement project of approximately $300,000 resulted in decreased other services and charges. A reallocation of $8,434,031 of previously issued bond proceeds from the proprietary funds into the General Fund resulted in higher interest costs in the governmental activities.

The Mayor's directive to department heads to be as frugal as possible given the economic climate continued in current fiscal year.

The net transfer from business-type activities to the governmental activities totaled $3,846,402. Transfer to the business-type activities, in the amount of $404,735 was for airport debt service and operations assistance. $2,126,512 of the transfer from the business-type activities was a contribution toward capital improvements and $2,124,625 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 Position

	Governmental activities		Business-type activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	$ 7,611,549	$ 6,731,417	$33,262,187	$33,336,514	$ 40,873,735	$40,067,931
Operating grants/contributions	6,232,712	4,109,780	162,985	175,352	6,395,697	4,285,132
Capital grants/contributions	3,934,322	3,607,381	10,783,042	7,309,417	14,717,364	10,916,798
General revenues:						
Taxes	55,665,791	56,103,540	-	-	55,665,791	56,103,540
Non-restricted grants/contributions	1,257,005	1,667,027	-	-	1,257,005	1,667,027
Other	369,967	407,259	91,504	125,716	461,471	532,975
Total revenues	75,071,346	72,626,404	44,299,718	40,946,999	119,371,064	113,573,403
Expenses:						
General government	10,837,533	10,551,754	-	-	10,837,533	10,551,754
Public safety	31,006,820	29,614,505	-	-	31,006,820	29,614,505
Public works	17,847,442	18,022,285	-	-	17,847,442	18,022,285
Recreation and parks	8,768,838	8,672,576	-	-	8,768,838	8,672,576
Community development	1,000,768	657,361	-	-	1,000,768	657,361
Economic opportunity	4,135,736	3,327,477	-	-	4,135,736	3,327,477
Interest and long-term debt	2,810,381	2,562,813	-	-	2,810,381	2,562,813
Rental operations	-	-	36,073	50,788	36,073	50,788
Water and sewer	-	-	24,141,597	22,448,787	24,141,597	22,448,787
Golf course	-	-	1,739,533	2,056,395	1,739,533	2,056,395
Airport	-	-	1,800,664	2,042,753	1,800,664	2,042,753
Parking	-	-	4,724,193	4,634,473	4,724,193	4,634,473
Storm water	-	-	2,460,456	2,425,996	2,460,456	2,425,996
Total expenses	76,407,518	73,408,771	34,902,516	33,659,192	111,310,034	107,067,963
Increase/(decrease) in net position before transfers	(1,336,172)	(782,367)	9,397,202	7,287,807	8,601,030	6,505,440
Transfers	3,846,402	1,724,528	(3,846,402)	(1,724,528)	-	-
Increase/(decrease) in net position	2,510,230	942,161	5,550,800	5,563,279	8,601,030	6,505,440
Net position, July 1	81,452,762	81,114,870	193,519,655	188,970,338	274,972,417	270,085,208
Net position, June 30	$ 83,962,992	$ 81,452,762	$ 199,070,455	$ 193,519,655	$ 283,033,447	$ 274,972,417

Business-type activities. Business-type activities increased the City's net position by $5,550,800 in the current fiscal year. Total revenues increased by $3,352,719 while expenses increased by $1,243,324.

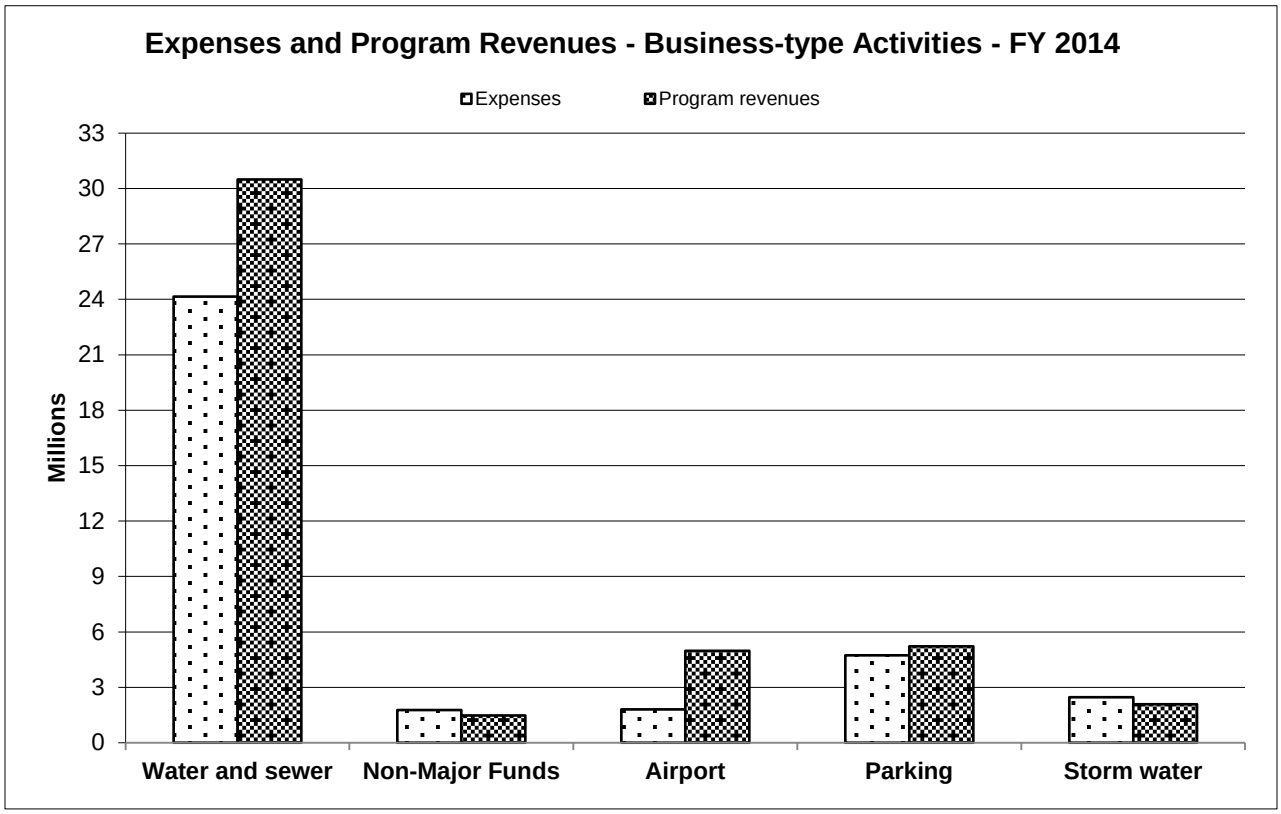
Capital grants and contributions increased by $3,473,625, of which $3,786,159 was attributable to the airport.

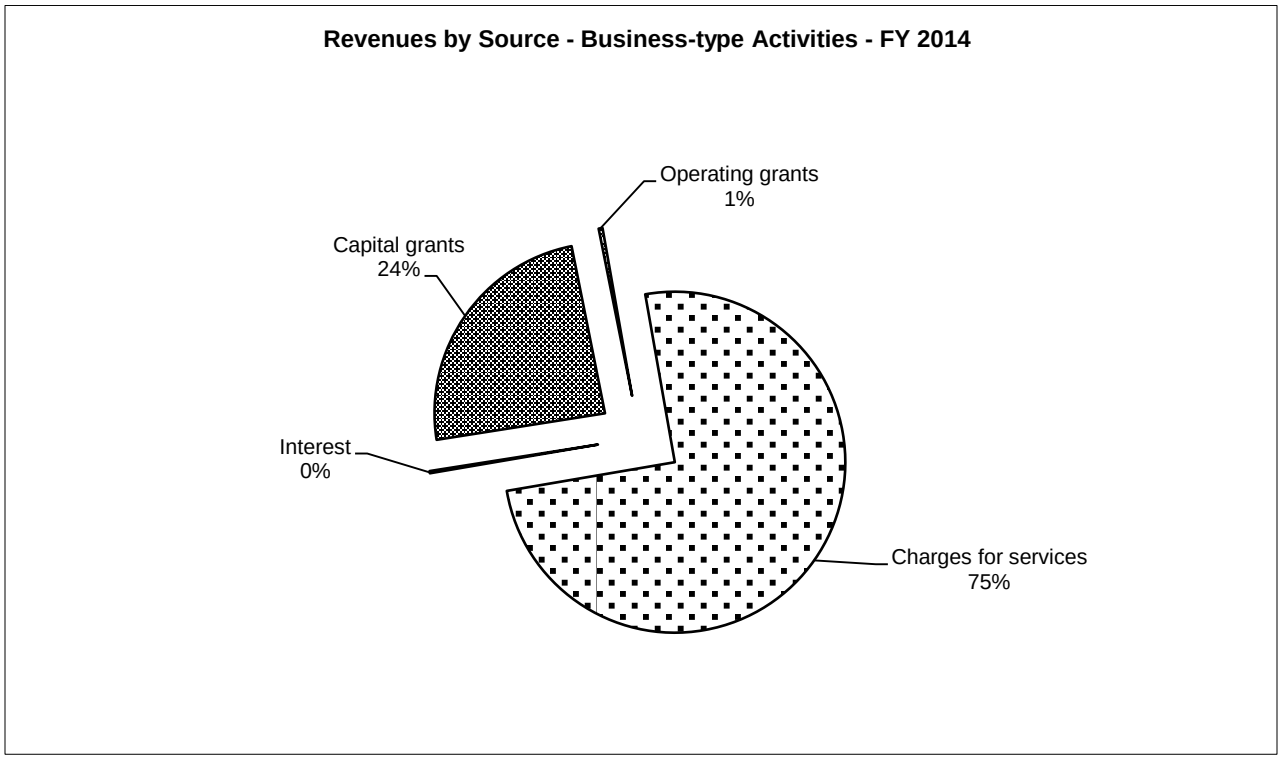
Charges for services and operating grants had small decreases of $74,327 and $12,367 respectively.

Total expenses increased by $1,243,324 in fiscal year 2014, an increase of 3.69%. As mentioned previously, the increase in salaries was due to a one-time payment to full-time employees in the amount $1,500 and graded part-time employees of $900. Also eligible employees could receive up to a 4.0% merit increase during the fiscal year. The total cost of the one-time payment for business-type activities was $153,300. Personnel benefits increased by approximately $569,000 which was primarily due to increased OPEB costs as well as costs associated with the salary increases. Professional service charges decreased approximately $500,000, and were primarily due to debt issuance costs incurred in the previous year. Due to some needed maintenance at the City's water and wastewater treatment plants, repairs and maintenance expense increased by approximately $400,000. Additionally, debt service expenditures (interest and amortization expenses), were $674,000 less than the previous year due to the reallocation of bond proceeds.

As in the governmental activities, department heads within the business-type activities were asked to be as frugal as possible in managing their departments.

Business-type activities transferred $4,251,137 into governmental activities in FY 2014 and received transfers of $404,735 from governmental activities for a net amount of $3,846,402. $2,124,525 of the transfer to governmental activities represents reimbursement to the governmental funds for administrative services they provide to the business-type activities. The remaining $2,126,512 was for support of three street capital improvement projects. The transfer received from the general fund is for debt service and operational support for the airport.





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, unassigned 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, 2014, the City's governmental funds reported combined ending fund balances of $44,690,030, a decrease of $2,710,271 over the prior fiscal year.

Revenues increased by approximately $1,537,000 in the current year.

Taxes decreased by $594,882. This decrease is due to two large abatements of prior year taxes and the creation of an allowance for possible refund of current year taxes. These three transactions totaled approximately $1,529,000. The City's share of income tax revenue increased by approximately $213,000.

Licenses and permits had an increase of $227,345.

Intergovernmental revenues increased by $1,340,060. State aid for police protection increased by $393,644 and highway user revenue remit by the state increased by $974,091.

Fines and forfeitures decreased by approximately $134,000 which gives an indication that the City's programs are encouraging greater conformance with traffic laws.

Miscellaneous revenues increased by $613,187 with a large part of the change due to the Moderately Priced Dwelling Unit In Lieu of Fee that had its first collections during the current fiscal year. Developers are required to provide a certain amount of moderately priced housing units or pay a fee in lieu of to aid the City in providing moderately priced housing for low to moderate income families. $756,700 was generated through this fee in fiscal year 2014.

Expenditures increased by $5,551,085, or 7.52% over the preceding year. Spending for capital projects increased by $1,239,410 in the current fiscal year, while other operating costs increased by $3,700,965 and debt service expenditures increased by $610,710. Salaries were approximately $1,954,000 greater than the previous fiscal year due to a one-time payment to full-time and eligible part-time employees that totaled $618,300 and employees were also eligible for a merit increase of up to 4%. Expenditures for retirement contributions decreased approximately $755,000, partially a result of an additional $400,000 contribution in the prior year. Expenditures for health care increased by $228,000. Workmen's compensation expenditures also increased nearly $290,000. Other services and charges decreased by nearly $480,000 and was a result of an approximate reduction in street repairs of $850,000 and an offsetting increase in supplies due to an increased need for chemicals to address more snow events ($131,000) and a major upgrade of in-vehicle computers for the police department ($202,000).

Of the ending fund balance, $34,096,764 is classified as either non-spendable (inventory, prepaid items or loans – items that are not in a spendable form), restricted (external restrictions as to usage), committed (usage restricted by action of the Mayor and Board of Aldermen) or assigned (usage is constrained by the City's intent to be used for specific purposes) to indicate that it is not available for new spending.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was $10,593,266, while total fund balance was $19,910,789. $5,816,997 of the fund balance is non-spendable, $194,814 has external restrictions as to usage, $329,649 has restrictions placed upon it by the Mayor and Board of Aldermen and $2,976,063 is classified as assigned. The City has a policy of maintaining an unassigned general fund balance equal to 12% of general fund revenues, not including the use of fund balance, 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, 2014 should be $8,415,426. $10,593,266 of unassigned fund balance is available to serve as the rainy reserve, leaving an excess unassigned fund balance of $2,177,840.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures, including transfers to other funds. Unassigned fund balance represents 14.19 percent of total general fund expenditures, while total fund balance represents 26.68 percent of that same amount.

The fund balance for the City's general fund decreased by $4,505,702 during the current fiscal year. Revenues increased by $1,120,954, or 1.68 percent. Expenditures increased by $4,323,701 or 6.38 percent. Salaries increased by $1,918,875 reflecting an up to 4.0% merit increase for employees and one-time payments of $609,900. Benefits decreased by $76,066 with increases in workmen's compensation ($286,000), FICA ($145,000), health insurance ($232,000) offset by a decrease in retirement contributions ($758,000). Other cost increases included approximately $202,000 for in-vehicle computers for the police department and $131,000 for chemicals due to winter weather events, an $850,000 decrease in street maintenance and an increase of approximately $1,500,000 in expenditures for capital items.

The general capital improvements project fund has a total fund balance of $20,980,519, all of which will be used for general capital improvements within the City. This is an increase of $935,823 over the prior year fund balance. Expenditures for fiscal year 2014 exceeded revenues by $3,193,083. Transfers into the CIP fund amounted to $4,128,906 in the current year.

Non-major governmental funds have a $3,798,722 fund balance at the end of the fiscal year of which $2,047,046 is non-spendable, $404,255 is restricted and the balance of $1,347,421 is assigned. This is an increase over the previous year of $859,608. The increase is primarily due to the creation of the City Housing Fund. The Mayor and Board of Aldermen adopted legislation that requires developers to provide a certain amount of moderately priced housing within developments or to pay an in-lieu-of fee. The creation of this fund is to record activity related to the in-lieu-of fees created by this legislation.

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 a decrease of $1,701,040 and is summarized as follows:

Decrease in general government	$ (335,800)
Increase in public safety	194,583
Increase in public works	376,128
Decrease in recreation/parks	(162,081)
Increase in community development	49,554
Increase in economic opportunity	1,440,000
Increase in debt service	141,567
Decrease in transfers out	(3,340,541)
Decrease in contingency fund	(100,000)
Increase in reserve fund	35,550
Total change in budget	$ (1,701,040)

Of this decrease, $1,200,000 was a decrease in taxes, $1,978,572 was increased intergovernmental revenues, $71,132 was increased miscellaneous revenues and $2,550,744 was a decrease to the beginning fund balance.

During the year actual revenues were less than the amended budget by $1,665,146. Taxes were $142,546 greater than estimated with property taxes being $146,184 less than expected and income taxes being $212,102 more than budgeted. Intergovernmental revenues were $1,357,979 less than the budget with grants for the community action agency having $1,445,768 less than budgeted. Fines and forfeitures were $313,174 less than budgeted with speed and red light cameras less than budget by $311,933 and $42,636 respectively.

Expenditures were less than the final budgetary estimates by $5,987,899 or 7.7%. Of this amount, $2,580,477 was encumbered at year end. Departments were aware of the economic challenges facing the City during the fiscal year and were strongly encouraged to avoid unnecessary 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, 2014, amounts to $431,731,821 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, equipment and construction in progress. The City's total net investment in capital assets for the current fiscal year increased by $3,214,087. Capital assets for governmental activities increased by 1.88 percent and increased by 0.29 percent for business type activities.

Major capital asset events during the current fiscal year include:

1) Developer provided improvements of streets, curbs, sidewalks, street lights, water lines, sewer lines and storm drains totaled approximately $6,154,555.
2) Expenditures for the water and sewer improvements for FY 2014 totaled $8,947,960.
3) Airport improvement expenditures totaled $712,569.
4) General governmental machinery and equipment acquisitions, $2,641,263.

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

	Governmental Activities	Business-type Activities	Total
Land	$ 49,090,626	$ 41,034,268	$ 90,124,894
Buildings	9,091,041	51,449,611	60,540,652
Other improvements	16,985,515	179,518,155	196,503,670
Infrastructure	41,075,410	-	41,075,410
Machinery and equipment	4,825,824	2,852,268	7,678,092
Construction in progress	4,924,618	30,884,485	35,809,103
Total	$ 125,993,034	$ 305,738,787	$ 431,731,821

Additional information on the City's capital assets can be found in note 4 on pages 46 - 47 of this report.

Long-term debt. At the end of the current fiscal year, the City had total gross debt outstanding of $205,411,941. Of this amount, $203,949,134 carried the full faith, credit and taxing power of the City. The remaining $1,462,807 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	$ 63,111,000	$ 140,838,134	$ 203,949,134
Tax increment financing debt	1,462,807	-	1,462,807
Premiums	2,587,118	6,634,998	9,222,116
Net OPEB obligation	19,359,627	4,450,877	23,810,504
Compensated absences	2,695,880	419,037	3,114,917
Total	$ 89,216,432	$ 152,343,046	$ 241,559,478

The City maintains a "Aa2" rating from Moody's, a "AA" rating from Standard & Poor's and a "AA+" rating from Fitch.

During fiscal year 2014, the Mayor and Board of Aldermen changed the debt limit from eight percent to three 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 $196,129,058 and the legal debt margin of the City is $90,295,073.

Additional information on the City's long-term debt can be found in note 6 on pages 49 - 51 of this report.

Economic Factors and Next Year's Budgets and Rates

When preparing the City's budget for the 2015 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 and changes in the assessable tax base. The estimated unemployment rate for the City for June 2014 was 5.9 percent, which is a .8 percent increase from June 2013. The estimated rate for June 2014 for the county was 5.4 percent, the state was 5.8 percent and the nation was 6.1 percent.

The fiscal year 2015 budget calls for maintaining the same level of key services. The City was able to maintain the tax rate of $.7305 in preparing the FY 2015 budget.

Real property taxes are based on assessments that are supplied by the State Department of Assessments and Taxation and are updated every three years. The City was reassessed for fiscal year 2012. Based on figures supplied by the state, it is estimated that the City will receive approximately $1,326,000 more in real estate taxes in fiscal year 2015 compared to fiscal year 2014 actuals.

The general fund unassigned fund balance at June 30, 2014 was $10,593,266.

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, Department of Finance, 101 North Court Street, Frederick, Maryland 21701.

BASIC FINANCIAL STATEMENTS

The City of Frederick, Maryland
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 407,207	$ 48,569	$ 455,776
Investments	452,393	-	452,393
Equity in pooled cash/investments	28,389,284	45,500,510	73,889,794
Receivables (net of allowance of uncollectibles)	4,465,673	5,630,894	10,096,567
Inventories	571,633	490,279	1,061,912
Prepaids	126,054	105,407	231,461
Internal balances	5,023,810	(5,023,810)	-
Temporarily restricted assets:			
Cash and cash equivalents	12,205,102	701,317	12,906,419
Net pension asset	2,416,117	524,888	2,941,005
Capital assets (net of accumulated depreciation):			
Land	49,090,626	41,034,268	90,124,894
Buildings and systems	9,091,041	51,449,611	60,540,652
Improvements other than buildings	16,985,515	179,518,155	196,503,670
Infrastructure	41,075,410	-	41,075,410
Machinery and equipment	4,825,824	2,852,268	7,678,092
Construction in progress	4,924,618	30,884,485	35,809,103
Total assets	180,050,307	353,716,841	533,767,148
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	207,407	2,460,005	2,667,412
LIABILITIES			
Accounts payable and other current liabilities	2,790,977	2,093,064	4,884,041
Accrued liabilities	2,942,890	2,012,859	4,955,749
Deposits	1,067,380	98,447	1,165,827
Unearned revenue	277,043	558,975	836,018
Noncurrent liabilities:			
Due within one year	7,232,312	8,367,598	15,599,910
Due in more than one year	81,984,120	143,975,448	225,959,568
Total liabilities	96,294,722	157,106,391	253,401,113
NET POSITION			
Net investment in capital assets	68,637,451	158,963,588	227,601,039
Restricted for:			
Water/sewer improvements	-	6,728,876	6,728,876
Parks improvements	2,209,071	-	2,209,071
Weinberg Center	372,044	-	372,044
Debt service	190,688	3,384	194,072
Other	36,337	-	36,337
Unrestricted	12,517,401	33,374,607	45,892,008
Total net position	$ 83,962,992	$ 199,070,455	$ 283,033,447

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, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Total
Primary Government							
Governmental activities:							
General government	$ 10,837,533	$ 567,694	$ 33,000	$ 26,700	$ (10,210,139)	$ -	$ (10,210,139)
Public safety	31,006,820	3,075,163	1,575,136	99,500	(26,257,021)	-	(26,257,021)
Public works	17,847,442	447,508	1,466,043	3,186,517	(12,747,374)	-	(12,747,374)
Recreation and parks	8,768,838	2,756,033	119,993	621,605	(5,271,207)	-	(5,271,207)
Community development	1,000,768	764,675	263,351	-	27,258	-	27,258
Economic opportunity	4,135,736	476	2,775,189	-	(1,360,071)	-	(1,360,071)
Interest and long-term debt	2,810,381	-	-	-	(2,810,381)	-	(2,810,381)
Total governmental activities	76,407,518	7,611,549	6,232,712	3,934,322	(58,628,935)	-	(58,628,935)
Business-type activities:							
Rental operations	36,073	9,468	27,523	-	-	918	918
Water and sewer	24,141,597	24,136,052	-	6,348,979	-	6,343,434	6,343,434
Golf course	1,739,533	1,429,603	-	-	-	(309,930)	(309,930)
Airport	1,800,664	867,135	-	4,103,103	-	3,169,574	3,169,574
Parking	4,724,193	5,075,188	135,462	1,087	-	487,544	487,544
Storm water	2,460,456	1,744,741	-	329,873	-	(385,842)	(385,842)
Total business-type activities	34,902,516	33,262,187	162,985	10,783,042	-	9,305,698	9,305,698
Total primary government	$ 111,310,034	$ 40,873,736	$ 6,395,697	$ 14,717,364	(58,628,935)	9,305,698	(49,323,237)
General revenues:							
Property taxes					48,266,570	-	48,266,570
Income taxes					7,010,102	-	7,010,102
Other taxes					389,119	-	389,119
Grants/contributions not restricted to specific programs					1,257,005	-	1,257,005
Interest earnings					97,008	91,504	188,512
Miscellaneous revenues					272,959	-	272,959
Transfers					3,846,402	(3,846,402)	-
Total general revenues and transfers					61,139,165	(3,754,898)	57,384,267
Change in net position					2,510,230	5,550,800	8,061,030
Net position - beginning					81,452,762	193,519,655	274,972,417
Net position - ending					$ 83,962,992	$ 199,070,455	$ 283,033,447

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, 2014

	General	General CIP	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 3,575	$ -	$ 403,632	$ 407,207
Investments	174,414	-	277,979	452,393
Equity in pooled cash/investments	17,021,884	10,223,375	1,144,025	28,389,284
Receivables (net of allowance for uncollectibles)	1,027,362	765	2,045,796	3,073,923
Inventories	571,633	-	-	571,633
Prepaid items	124,804	-	1,250	126,054
Advances to other funds	5,023,810	-	-	5,023,810
Cash - restricted	190,689	12,014,413	-	12,205,102
Intergovernmental receivable	1,190,877	102,272	98,601	1,391,750
Total assets	$ 25,329,048	$ 22,340,825	$ 3,971,283	$ 51,641,156
LIABILITIES				
Accounts payable	$ 1,316,175	$ 1,360,085	$ 114,717	$ 2,790,977
Accrued liabilities	2,050,991	-	16,409	2,067,400
Deposits	1,025,724	221	41,435	1,067,380
Unearned revenue	277,043	-	-	277,043
Total liabilities	4,669,933	1,360,306	172,561	6,202,800
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	264,936	-	-	264,936
Unavailable revenue - grants/other revenues	483,390	-	-	483,390
Total deferred inflows of resources	748,326	-	-	748,326
FUND BALANCES				
Nonspendable	5,816,997	-	2,047,046	7,864,043
Restricted	194,814	12,014,413	404,255	12,613,482
Committed	329,649	-	-	329,649
Assigned	2,976,063	8,966,106	1,347,421	13,289,590
Unassigned	10,593,266	-	-	10,593,266
Total fund balances	19,910,789	20,980,519	3,798,722	44,690,030
Total liabilities, deferred inflows of resources and fund balances	$ 25,329,048	$ 22,340,825	$ 3,971,283	

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds.	125,993,034
Earned but unavailable revenue is not recorded in the governmental funds.	748,326
Accrued interest payable is not recorded in the governmental funds.	(875,490)
Net pension asset is not included in the governmental funds.	2,416,117
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 governmental funds.	(89,216,432)
Refunding charge is not included in the governmental funds	207,407
Net position of governmental activities	$ 83,962,992

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, 2014

	General	General CIP	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 48,096,397	$ -	$ -	$ 48,096,397
Payment in lieu of taxes	1,441	-	-	1,441
BRAC zone payments	39,992	-	-	39,992
Income taxes	7,010,102	-	-	7,010,102
Business taxes	373,826	-	-	373,826
Gross receipts taxes	15,293	-	-	15,293
Discount allowance	(331,349)	-	-	(331,349)
Penalties/interest on delinquent taxes	407,700	-	-	407,700
Licenses and permits	2,544,470	-	-	2,544,470
Intergovernmental	5,541,273	484,272	325,802	6,351,347
Charges for services	1,753,947	-	939,209	2,693,156
Fines and forfeitures	1,123,626	-	50,157	1,173,783
Miscellaneous	1,261,850	1,693,790	1,328,229	4,283,869
Total revenues	67,838,568	2,178,062	2,643,397	72,660,027
EXPENDITURES				
Current:				
General government	10,028,228	-	-	10,028,228
Public safety	29,805,500	-	55,727	29,861,227
Public works	14,332,589	-	-	14,332,589
Recreation and parks	5,532,957	-	1,572,278	7,105,235
Community development	732,250	-	269,119	1,001,369
Economic opportunity	3,912,185	-	-	3,912,185
Debt service:				
Principal	5,045,640	-	-	5,045,640
Interest	2,718,264	-	-	2,718,264
Other fees	8,077	-	-	8,077
Capital projects	-	5,371,145	-	5,371,145
Total expenditures	72,115,690	5,371,145	1,897,124	79,383,959
Excess (deficiency) of revenues over (under) expenditures	(4,277,122)	(3,193,083)	746,273	(6,723,932)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,150,125	4,128,906	111,430	6,390,461
Transfers out	(2,518,559)	-	(25,500)	(2,544,059)
Insurance reimbursements	16,285	-	23,978	40,263
Capital asset disposition	123,569	-	3,427	126,996
Total other financing sources (uses)	(228,580)	4,128,906	113,335	4,013,661
Net change in fund balances	(4,505,702)	935,823	859,608	(2,710,271)
Fund balances - beginning	24,416,491	20,044,696	2,939,114	47,400,301
Fund balances - ending	$ 19,910,789	$ 20,980,519	$ 3,798,722	$ 44,690,030

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, 2014

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

Net change in fund balances - total governmental funds	$ (2,710,271)
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 depreciation exceeded capital outlays in the current period.	648,618
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-in, and donations) is to increase net position.	1,683,792
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 position. Also, governmental funds report the effect of, 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.	5,313,004
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.	(2,712,574)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	287,661
Change in net position of governmental activities	$ 2,510,230

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes:				
Property	$ 49,442,581	$ 48,242,581	$ 48,096,397	$ (146,184)
Payment in lieu of taxes	1,275	1,275	1,441	166
BRAC zone payments	-	-	39,992	39,992
Income taxes	6,798,000	6,798,000	7,010,102	212,102
Business taxes	380,000	380,000	373,826	(6,174)
Gross receipts taxes	24,000	24,000	15,293	(8,707)
Discount allowance	(330,000)	(330,000)	(331,349)	(1,349)
Penalties/interest on delinquent taxes	355,000	355,000	407,700	52,700
Licenses and permits	2,522,954	2,522,954	2,544,470	21,516
Intergovernmental	4,920,680	6,899,252	5,541,273	(1,357,979)
Charges for services	1,876,456	1,876,456	1,753,947	(122,509)
Fines and forfeitures	1,436,800	1,436,800	1,123,626	(313,174)
Miscellaneous	1,226,264	1,297,396	1,261,850	(35,546)
Total revenues	68,654,010	69,503,714	67,838,568	(1,665,146)
EXPENDITURES				
Current:				
General government:				
Executive and legislative	1,062,253	1,062,253	976,121	86,132
Legal services	791,759	766,759	699,476	67,283
Registration and election	114,953	114,953	104,819	10,134
Finance and accounting	1,506,214	1,233,719	1,127,432	106,287
Purchasing	707,128	706,829	700,784	6,045
Information technology	999,149	999,149	939,333	59,816
Geographic information system	252,419	252,419	209,897	42,522
Audio visual	224,016	224,016	163,367	60,649
Human resources	902,285	872,285	597,689	274,596
Safety	265,587	265,587	257,013	8,574
Planning and zoning	1,237,824	1,257,824	1,169,087	88,737
Code enforcement	695,078	700,517	687,637	12,880
Facilities maintenance	1,032,483	1,012,828	995,081	17,747
Asset management	795,573	781,783	722,477	59,306
Municipal Annex	384,692	384,692	382,089	2,603
Community promotion	80,841	80,841	79,602	1,239
Special events	223,698	223,698	216,324	7,374
Total general government	11,275,952	10,940,152	10,028,228	911,924
Public safety:				
Police department	27,970,048	28,183,502	27,474,144	709,358
Fire and rescue services	342,370	342,370	343,037	(667)
Building inspection	1,177,703	1,175,475	1,140,499	34,976
Electrical inspection	317,087	317,087	321,685	(4,598)
Construction inspection	587,251	570,608	526,135	44,473
Total public safety	30,394,459	30,589,042	29,805,500	783,542
Public works:				
General administration	1,385,415	1,380,804	1,300,050	80,754
Machinery & equipment maintenance	1,194,420	1,179,590	1,035,136	144,454
Engineering	1,423,089	1,423,089	1,322,594	100,495
Waste collection and disposal	3,970,985	3,843,211	3,489,940	353,271
Streets, roadways and alleys	4,007,044	3,919,668	3,208,794	710,874
Snow removal	500,596	1,126,260	1,094,001	32,259
Street lighting	2,841,287	2,836,728	2,236,216	600,512
Traffic lines	804,883	794,497	615,391	179,106
Bus service	30,551	30,551	30,467	84
Total public works	16,158,270	16,534,398	14,332,589	2,201,809

(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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Recreation and parks:				
Municipal parks	4,556,923	4,379,652	3,727,437	652,215
Harry Grove stadium	193,805	207,595	151,534	56,061
Recreation centers	1,444,630	1,442,030	1,293,637	148,393
Burck Street Center	23,650	23,650	13,505	10,145
Recreation commission	118,336	118,336	87,063	31,273
Swimming pools	275,891	279,891	259,781	20,110
Total recreation and parks	6,613,235	6,451,154	5,532,957	918,197
Community development:				
Community development	60,710	60,710	60,935	(225)
Economic development	836,118	885,672	671,315	214,357
Total community development	896,828	946,382	732,250	214,132
Economic opportunity:				
Community Action Agency	3,422,338	4,862,338	3,912,185	950,153
Total economic opportunity	3,422,338	4,862,338	3,912,185	950,153
Miscellaneous	100,000	-	-	-
Debt service:				
Principal	4,948,606	5,045,641	5,045,640	1
Interest	2,673,735	2,718,267	2,718,264	3
Other fees	16,215	16,215	8,077	8,138
Total debt service	7,638,556	7,780,123	7,771,981	8,142
Total expenditures	76,499,638	78,103,589	72,115,690	5,987,899
Excess (deficiency) of revenues over (under) expenditures	(7,845,628)	(8,599,875)	(4,277,122)	4,322,753
OTHER FINANCING SOURCES (USES)				
Transfers in	2,124,625	2,124,625	2,150,125	25,500
Transfers out	(6,585,935)	(3,245,394)	(2,518,559)	726,835
Insurance reimbursements	5,000	5,000	16,285	11,285
Capital asset disposition	3,500	3,500	123,569	120,069
Total other financing sources (uses)	(4,452,810)	(1,112,269)	(228,580)	883,689
Net change in fund balances	(12,298,438)	(9,712,144)	(4,505,702)	5,206,442
Fund balance - beginning	20,794,934	18,244,190	24,416,491	6,172,301
Fund balance - ending	$ 8,496,496	$ 8,532,046	$ 19,910,789	$ 11,378,743

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

The City of Frederick, Maryland
Statement of Net Position
Proprietary Funds
June 30, 2014

	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	$ -	$ 5,709	$ 48,569
Equity in pooled cash/investments	32,634,529	3,210,757	4,689,908	4,890,344	74,972	45,500,510
Receivables (net of allowance of uncollectibles)	4,394,872	457,908	49,207	289,905	48	5,191,940
Inventories	383,925	-	-	-	106,354	490,279
Prepaids	99,757	-	-	150	5,500	105,407
Total current assets	37,513,083	3,668,665	4,781,975	5,180,399	192,583	51,336,705
Noncurrent assets:						
Temporarily restricted assets:						
Cash and cash equivalents	472,053	81,890	147,374	-	-	701,317
Long term receivables	438,954	-	-	-	-	438,954
Net pension asset	423,619	2,907	51,065	10,728	36,569	524,888
Capital assets:						
Land	4,012,280	33,537,349	3,443,239	10,750	30,650	41,034,268
Buildings and systems	30,308,274	12,798,815	43,962,447	-	180,795	87,250,331
Improvements other than buildings	170,968,872	7,260,922	242,107	61,144,683	5,565,390	245,181,974
Machinery and equipment	6,930,277	1,284,479	1,980,568	944,567	912,166	12,052,057
Construction in progress	27,943,889	2,095,724	839,913	4,959	-	30,884,485
Less accumulated depreciation	(62,722,147)	(8,764,151)	(17,490,702)	(18,369,219)	(3,318,109)	(110,664,328)
Total noncurrent assets	178,776,071	48,297,935	33,176,011	43,746,468	3,407,461	307,403,946
Total assets	216,289,154	51,966,600	37,957,986	48,926,867	3,600,044	358,740,651
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	1,936,137	31,003	492,865	-	-	2,460,005
LIABILITIES						
Current liabilities:						
Accounts payable	1,914,430	67,614	43,637	12,123	55,260	2,093,064
Accrued liabilities	1,458,580	96,337	384,373	30,731	42,838	2,012,859
Deposits	13,632	84,405	-	-	410	98,447
Unearned revenue	66,642	382,318	56,340	-	53,675	558,975
Advances from other funds	-	-	-	-	5,023,810	5,023,810
Compensated absences	309,392	8,974	27,056	24,498	25,860	395,780
Bonds, notes, and loans payable	5,501,354	962,381	1,420,483	46,405	41,195	7,971,818
Total current liabilities	9,264,030	1,602,029	1,931,889	113,757	5,243,048	18,154,753
Noncurrent liabilities:						
OPEB liabilities	3,339,529	123,786	243,325	340,550	403,687	4,450,877
Compensated absences	16,357	-	196	-	6,704	23,257
Bonds, notes, and loans payable	105,234,855	12,019,288	20,503,363	933,269	810,539	139,501,314
Total noncurrent liabilities	108,590,741	12,143,074	20,746,884	1,273,819	1,220,930	143,975,448
Total liabilities	117,854,771	13,745,103	22,678,773	1,387,576	6,463,978	162,130,201
NET POSITION						
Net investment in capital assets	67,177,212	35,313,359	11,197,793	42,756,066	2,519,158	158,963,588
Restricted for:						
Other improvements	6,728,876	-	-	-	-	6,728,876
Debt service	77	-	3,307	-	-	3,384
Unrestricted	26,464,355	2,939,141	4,570,978	4,783,225	(5,383,092)	33,374,607
Total net position	$ 100,370,520	$ 38,252,500	$ 15,772,078	$ 47,539,291	$(2,863,934)	$ 199,070,455

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 Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	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	$ 22,637,269	$ -	$ -	$ -	$ -	$ 22,637,269
Golf course fees	-	-	-	-	1,413,902	1,413,902
Airport fees	-	840,785	-	-	-	840,785
Parking fees	-	-	3,725,213	-	-	3,725,213
Stormwater management fees	-	-	-	1,738,063	-	1,738,063
Licenses and permits	314,232	-	139,455	-	-	453,687
Fines and forfeitures	21,075	-	721,456	-	-	742,531
Miscellaneous	335,851	23,969	365,581	773	23,340	749,514
Total operating revenues	23,308,427	864,754	4,951,705	1,738,836	1,437,242	32,300,964
Operating expenses:						
Finance	305,362	-	-	-	-	305,362
Plumbing inpsection	365,645	-	-	-	-	365,645
Water service	2,382,643	-	-	-	-	2,382,643
Water chemicals	380,990	-	-	-	-	380,990
Water treatment	4,805,654	-	-	-	-	4,805,654
Sewage collection/disposal	4,156,822	-	-	-	-	4,156,822
Sewage maintenance/house connections	744,173	-	-	-	-	744,173
Inflow and infiltration	352,674	-	-	-	-	352,674
Plant maintenance	1,150,241	-	-	-	-	1,150,241
Public housing	-	-	-	-	20,864	20,864
Golf course maintenance	-	-	-	-	653,373	653,373
Golf course clubhouse	-	-	-	-	667,723	667,723
Golf course restaurant	-	-	-	-	194,715	194,715
Airport	-	611,422	-	-	-	611,422
Parking facilities	-	-	2,013,809	-	-	2,013,809
Stormwater management activities	-	-	-	794,155	-	794,155
Depreciation	5,671,497	881,683	1,572,001	1,622,423	201,116	9,948,720
Total operating expenses	20,315,701	1,493,105	3,585,810	2,416,578	1,737,791	29,548,985
Operating income/(loss)	2,992,726	(628,351)	1,365,895	(677,742)	(300,549)	2,751,979
Nonoperating revenues/(expenses)						
Intergovernmental	-	-	135,462	-	27,523	162,985
Interest income	77,868	(6,893)	9,598	10,780	151	91,504
Gain on disposal of capital assets	5,650	-	-	4,500	-	10,150
Insurance reimbursements	3,457	-	-	-	602	4,059
Other nonoperating revenues	243,052	-	-	-	32	243,084
Debt premium amortization	575,466	2,381	123,483	1,405	1,195	703,930
Interest expense	(3,580,616)	(302,405)	(1,092,536)	(43,870)	(37,808)	(5,057,235)
Other nonoperating expenses	(245,280)	(5,154)	(45,847)	(8)	(7)	(296,296)
Total nonoperating revenue/(expenses)	(2,920,403)	(312,071)	(869,840)	(27,193)	(8,312)	(4,137,819)
Income/(loss) before contributions and transfers	72,323	(940,422)	496,055	(704,935)	(308,861)	(1,385,840)
Capital contributions	6,348,979	4,103,103	1,087	329,873	-	10,783,042
Transfers in	-	404,735	-	-	-	404,735
Transfers out	(4,024,012)	-	(172,500)	(54,625)	-	(4,251,137)
Change in net position	2,397,290	3,567,416	324,642	(429,687)	(308,861)	5,550,800
Total net position - beginning	97,973,230	34,685,084	15,447,436	47,968,978	(2,555,073)	193,519,655
Total net position - ending	$ 100,370,520	$ 38,252,500	$ 15,772,078	$ 47,539,291	$(2,863,934)	$ 199,070,455

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, 2014

	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	$ 23,043,722	$ 851,096	$ 4,906,070	$ 1,763,582	$ 1,440,491	$ 32,004,961
Receipts from other sources	1,198,812	-	135,462	-	32	1,334,306
Payments to vendors	(10,431,189)	(406,568)	(1,331,925)	(375,047)	(932,252)	(13,476,981)
Payments to employees	(3,935,416)	(196,664)	(647,005)	(354,828)	(564,389)	(5,698,302)
Net cash provided (used) by operating activities	9,875,929	247,864	3,062,602	1,033,707	(56,118)	14,163,984
Cash flows from noncapital financing activities:						
Transfers out	(4,024,012)	-	(172,500)	(54,625)	-	(4,251,137)
Transfers in	-	404,735	-	-	-	404,735
Operating subsidy	-	-	-	-	27,523	27,523
Due to other funds	-	-	-	-	142,689	142,689
Net cash provided (used) by noncapital financing activities	(4,024,012)	404,735	(172,500)	(54,625)	170,212	(3,676,190)
Cash flows from capital and related financing activities:						
Capital contributions	6,389,122	3,825,894	1,087	329,873	-	10,545,976
Capital asset acquisitions	(10,874,035)	(666,187)	-	(382,481)	(39,454)	(11,962,157)
Proceeds sale of capital assets	5,650	-	-	4,500	-	10,150
Principal payments	(4,741,160)	(955,000)	(1,256,000)	(44,427)	(21,972)	(7,018,559)
Interest payments	(3,741,809)	(307,320)	(1,111,835)	(45,549)	(38,208)	(5,244,721)
Proceeds from insurance reimbursements	3,457	-	-	-	602	4,059
Proceeds from debt issue	4,618,076	-	-	-	-	4,618,076
Other debt related costs	(69,870)	(725)	(1,406)	(9)	(8)	(72,018)
Net cash provided (used) by capital and related financing activities	(8,410,569)	1,896,662	(2,368,154)	(138,093)	(99,040)	(9,119,194)
Cash flows from investings activities:						
Interest earned	78,435	(6,866)	9,603	10,785	152	92,109
Net cash provided by investing activities	78,435	(6,866)	9,603	10,785	152	92,109
Net increase (decrease) in cash equivalents	(2,480,217)	2,542,395	531,551	851,774	15,206	1,460,709
Cash equivalents - beginning	35,586,799	750,252	4,348,591	4,038,570	65,475	44,789,687
Cash equivalents - ending	$ 33,106,582	$ 3,292,647	$ 4,880,142	$ 4,890,344	$ 80,681	$ 46,250,396

(continued)

The City of Frederick, Maryland
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended June 30, 2014

	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)	$ 2,992,726	$ (628,351)	$ 1,365,895	$ (677,742)	$ (300,549)	$ 2,751,979
Other Cash Receipts that do not result from Transactions defined as Capital and Related Financing, Noncapital Financing or Investing Activities.	160,739	-	135,462	-	32	296,233
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	5,671,497	881,683	1,572,001	1,622,423	201,116	9,948,720
(Increase)/decrease in accounts receivable	403,479	(18,668)	(30,366)	24,745	651	379,841
(Increase)/decrease in inventory	(11,917)	-	-	-	(13,771)	(25,688)
(Increase)/decrease in prepaids	(813)	1,027	-	(150)	-	64
Decrease in net pension asset	1,469	37	241	87	169	2,003
(Decrease)/increase in accounts payable	(120,909)	(377)	415	6,871	(1,325)	(115,325)
(Decrease)/increase in unearned revenue	20,310	3,136	(15,268)	-	2,598	10,776
(Decrease)/increase in deposits	349,578	1,874	-	-	-	351,452
(Decrease)/increase in OPEB liability	358,369	14,741	29,503	43,627	68,471	514,711
(Decrease)/increase in wages payable	21,801	553	3,274	3,148	(5,119)	23,657
(Decrease)/increase in compensated absences	29,600	(7,791)	1,445	10,698	(8,391)	25,561
Total adjustments	6,722,464	876,215	1,561,245	1,711,449	244,399	11,115,772
Net cash provided (used) by operating activities	$ 9,875,929	$ 247,864	$ 3,062,602	$ 1,033,707	$ (56,118)	$ 14,163,984

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

The City of Frederick, Maryland
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	30-Year Pension Trust Fund	25-Year Pension Trust Fund	22-Year Pension Trust Fund	OPEB Trust Fund
ASSETS:				
Cash and short-term investments	$ 303,350	$ 780,760	$ 1,140,878	$ 711,889
Receivables				
Accounts receivable - employee	930	63,914	67,868	599
Total receivables	930	63,914	67,868	599
Investments, at fair value:				
Equities	11,514,532	29,636,038	43,305,404	13,481,415
Fixed income	5,615,708	14,453,679	21,120,314	6,755,145
Total investments	17,130,240	44,089,717	64,425,718	20,236,560
Total assets	17,434,520	44,934,391	65,634,464	20,949,048
LIABILITIES:				
Benefits payable	728	31,961	7,020	346,285
Accounts payable	-	-	-	5,718
Total liabilities	728	31,961	7,020	352,003
NET POSITION				
Restricted for pension/other benefits	$ 17,433,792	$ 44,902,430	$ 65,627,444	$ 20,597,045

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 Position
Fiduciary Funds
For the Year Ended June 30, 2014

	30-Year Pension Trust Fund	25-Year Pension Trust Fund	22-Year Pension Trust Fund	OPEB Trust Fund
ADDITIONS:				
Contributions - employer	$ 1,748,679	$ 4,596,936	$ 5,067,852	$ 5,549,410
Contributions - employees	8,713	797,029	870,282	87,840
Total Contributions	1,757,392	5,393,965	5,938,134	5,637,250
Investment income:				
Net appreciation/(depreciation)	2,293,347	5,902,603	8,625,128	2,390,810
Interest	220,254	566,888	828,360	418,971
Less investment expense	(63,361)	(163,079)	(238,297)	(92,313)
Net investment income	2,450,240	6,306,412	9,215,191	2,717,468
Total Additions	4,207,632	11,700,377	15,153,325	8,354,718
DEDUCTIONS:				
Pension/OPEB benefits	773,254	4,994,295	3,301,079	2,629,985
Service charges	16,552	42,600	62,249	322,097
Total Deductions	789,806	5,036,895	3,363,328	2,952,082
Change in net position	3,417,826	6,663,482	11,789,997	5,402,636
Net position - beginning	14,015,966	38,238,948	53,837,447	15,194,409
Net position - ending	$ 17,433,792	$ 44,902,430	$ 65,627,444	$ 20,597,045

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 the component unit addressed in defining the City's reporting entity.

Blended Component Unit:

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 Weinberg Center of the Arts component unit are not available.

Fiduciary funds are used to report assets held in a trust or agency capacity for others and which therefore cannot be used to support the City's own programs.

Fiduciary Funds:

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.

Retiree Benefit Trust of The City of Frederick – This plan is for the benefit of current retirees and current active employees that are or may receive other post employee benefits from the City of Frederick under the Retiree Health and Welfare Benefit Plan. The Director of Finance serves as the trustee for the trust.

Separate financial statements for the fiduciary funds are not available.

1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. 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 *fiduciary funds* for which the primary government is financially accountable.

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

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

The *OPEB trust fund* accounts for activities of the City's retiree health and welfare benefit plan for qualified employees.

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, deferred outflows/inflows of resources and net position/fund balance

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 statements of net position and 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 and OPEB trust funds, 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 classified as nonspendable fund balance in the applicable governmental fund 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 in the governmental fund financial statements. 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 funds 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, as an expenditure when used, and is equally offset within the nonspendable classification of fund balance in the governmental funds 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, 2014, are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded under the consumption method and are also offset within the non-spendable classification of fund balance in the governmental funds financial statements.

Restricted assets

Unspent bond proceeds and grant funds received in advance 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 statements of net position and 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 and in the proprietary funds 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.

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

1. Summary of Significant Accounting Policies (continued)

Deferred outflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge of refunding reported in the government-wide and proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Unearned revenue

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 $277,043 in unearned revenue and proprietary funds reported $558,975.

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 the proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary funds statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

In the governmental funds financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized 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.

Deferred inflows of resources

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. One item which qualifies for reporting in this category, which arises only under the modified accrual basis of accounting, is *unavailable revenue*. Accordingly, it is only reported in the governmental funds balance sheet. The City reports unavailable revenues from property taxes, grants and other revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund balance

In the governmental funds financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The ***nonspendable*** fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

The ***restricted*** fund balance includes amounts that are restricted to specific purposes when the constraints are externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

1. Summary of Significant Accounting Policies (continued)

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority, the Mayor and Board of Aldermen, are to be reported as ***committed*** fund balance. The action to establish, modify or rescind commitments would be adoption of an ordinance by a majority vote of the Aldermen taken at a public meeting.

Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, are to be reported as ***assigned*** fund balance. The Mayor and Board of Aldermen, through the capital budget process, or the Purchasing Supervisor, or her/his designee, through the requisition process may assign fund balance for the City. The requisition process was approved by the Mayor and Board of Aldermen as part of the City's Purchasing Policies and Procedures.

Unassigned fund balance is the residual classification for the general fund.

For fund balance classification purposes, when restricted and unrestricted amounts are available for expenditure use, the City would use the restricted amounts first. For expenditures where committed, assigned and unassigned amounts are available for use, the City would first use committed, then assigned and then unassigned fund balance amounts.

Net position

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets, 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 investment in capital assets excludes unspent debt proceeds. Net position is 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 position is 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 position.

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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 $125,993,034 difference are as follows:

Capital assets	$ 217,963,394
Less: Accumulated depreciation	(91,970,360)
Net adjustment to increase *fund balance – total governmental funds* to arrive at *net position – governmental activities*	$ 125,993,034

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 $89,216,432 difference are as follows:

Bonds payable	$ 64,573,807
Add: Issuance premium (to be amortized over life of debt)	2,587,118
Add: Other post-employment benefits	19,359,627
Add: Compensated absences	2,695,880
Net adjustment to reduce *fund balance – total governmental funds* to arrive at *net position – governmental activities*	$ 89,216,432

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

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 position 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 $648,618 difference are as follows:

Capital outlay	$ 7,841,505
Depreciation expense	(7,192,887)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$ 648,618

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 position." The details of this $ 1,683,792 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 position differs from the change in fund balance by the remaining book value of the capital assets sold.	$ (8,657)
Donation and/or transfer of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not capitalized.	1,692,449
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$ 1,683,792

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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $ 5,313,004 difference are as follows:

Principal repayments	$ 5,045,639
Amortization of bond premiums	294,917
Amortization of debt refunding	(27,552)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$ 5,313,004

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 $ 2,712,574 difference are as follows:

Compensated absences	$ 285,198
Pension expense resulting in a net pension asset reduction	9,105
Other post-employment benefits	2,334,232
Accrued interest	84,039
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$ 2,712,574

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 January 1st, the Mayor requests all departments to submit their proposed operating budgets for the fiscal year commencing the following July 1.

2. On or before April 1st, 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.

3. On or before April 1st, the Board of Aldermen shall approve the place and time of at least two meetings where the budget will be considered and at which any interested person may be heard concerning the budget.

4. Prior to June 20th, the budget is legally enacted through the passage of a special ordinance. If the Board of Aldermen fail to enact a special ordinance, then the Mayor's budget, as proposed, shall be deemed to have been adopted by the Board of Aldermen.

5. 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.

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

The City utilizes the modified accrual basis of accounting in preparing its operating budgets. 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).

As of June 30, 2014 the amount of departmental encumbrances within the governmental funds are as follows;

General Fund -	$ 2,580,477
CDS Program Fund -	475
Weinberg Center for the Arts -	10,617
Community Development -	1,484
General CIP fund -	16,833,754

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 2014, fire services exceeded its budget by $667, electrical inspection exceeded its budget by $4,599 and community development in the general fund exceeded it budget by $225. These over-expenditures were covered by departmental savings in other departments.

Budget amendments were made during fiscal year 2014 which resulted in a net decrease in the General Fund budget of $1,701,040. The available fund balance in the General Fund at June 30, 2013 was approximately $2,555,000 less than estimated in the FY 2014 budget which necessitated the adjustment to the current year budget.

Encumbrances related to grant-funded contracts may cause a deficit 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 City‘s investment policy for operating funds allows investment 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.

The pension trust fund’s and OPEB trust fund’s investment portfolio includes investments in fixed income securities, equities, and money market funds. As of June 30, the pension fund asset allocation is 75% equities and 25% fixed income and cash. The OPEB trust fund has an asset allocation of 65% equities and 35% fixed income securities. These investment types are not limited by statute.

As of June 30, 2014, the City had the following investments:

Investment Type	Fair Value
Maryland Local Government Investment Pool	$ 23,770,808
OPEB Fund investments	20,245,974
Pension Fund investments	126,416,139
Total fair value of investments	$ 170,432,921

Interest rate risk. In accordance with its investment policy for its operating funds, 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. There is no limit on maturity dates for the pension and OPEB trust funds.

Credit risk. The City of Frederick’s investment policy does not specifically address credit risk. As of June 30, 2014, 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. The pension and OPEB investments in fixed income mutual funds are not rated.

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 $64,588,114, and the bank balance was $65,017,270. As of June 30, 2014, 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.

4. Detailed notes on all funds (continued)

	Pension Trust Investments			OPEB Trust
	30-Year Plan	25-Year Plan	22-Year Plan	OPEB Plan
Mutual fund - equities				
Domestic	$ 7,829,096	$ 20,150,483	$ 29,444,720	$ 9,266,705
Global	1,495,705	3,849,638	5,625,249	1,706,474
International	2,189,731	5,635,917	8,235,435	2,508,236
Total equities	$ 11,514,532	$ 29,636,038	$ 43,305,404	$ 13,481,415
Mutual funds - fixed income	$ 5,615,708	$ 14,453,679	$ 21,120,314	$ 6,755,145
Cash and short-term investments				
Cash management account	$ 105,043	$ 270,360	$ 395,060	$ 9,413
Disbursement payment account	198,307	510,400	745,818	702,476
Total cash and short-term investments	$ 303,350	$ 780,760	$ 1,140,878	$ 711,889
Total	$ 17,433,590	$ 44,870,477	$ 65,566,596	$ 20,948,449

Petty cash amounts at June 30, 2014 totaled $47,935.

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	$ 477,675	$ -	$ -	$ -	$ -	$ -	$ -	$ 477,675
Loans/notes	96,750	-	438,954	-	-	-	2,045,796	2,581,500
Intergovernmental	1,190,877	102,272	17,001	403,691	21,109	-	98,649	1,833,599
Interest	391	-	19	4	6	-	-	420
Other	606,948	765	4,390,535	58,137	28,092	289,905	8,066	5,382,448
Gross receivables	2,372,641	103,037	4,846,509	461,832	49,207	289,905	2,152,511	10,275,642
Less: allowance for un-collectibles	(154,402)	-	(12,683)	(3,924)	-	-	(8,066)	(179,075)
Net receivables	$ 2,218,239	$103,037	$4,833,826	$ 457,908	$ 49,207	$ 289,905	$2,144,445	$10,096,567

4. Detailed notes on all funds (continued)

Capital assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 49,044,196	$ 26,700	$ -	$ 19,729	$ 49,090,625
Construction in progress	3,534,964	1,683,826	-	(294,172)	4,924,618
Total capital assets, not being depreciated	52,579,160	1,710,526	-	(274,443)	54,015,243
Capital assets, being depreciated:					
Buildings	29,027,491	9,867	39,362	187,466	29,185,462
Other improvements	31,436,125	45,358	-	86,977	31,568,460
Infrastructure	75,940,619	5,126,939	-	-	81,067,558
Machinery and equipment	22,951,346	2,641,263	3,466,084	146	22,126,671
Total capital assets, being depreciated	159,355,581	7,823,427	3,505,446	274,589	163,948,151
Less accumulated depreciation for:					
Buildings	19,192,638	941,144	39,362	-	20,094,420
Other improvements	13,151,310	1,431,635	-	-	14,582,945
Infrastructure	36,734,823	3,257,325	-	-	39,992,148
Machinery and equipment	19,195,344	1,562,783	3,457,426	146	17,300,847
Total accumulated depreciation	88,274,115	7,192,887	3,496,788	146	91,970,360
Total capital assets, being depreciated, net	71,081,466	630,540	8,658	274,443	71,977,791
Governmental activities capital assets, net	$ 123,660,626	$ 2,341,066	$ 8,658	$ -	$ 125,993,034

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 40,503,582	$ 530,687	$ -	$ -	$ 41,034,269
Construction in progress	31,401,607	7,633,778	-	(8,150,900)	30,884,485
Total capital assets, not being depreciated	71,905,189	8,164,465	-	(8,150,900)	71,918,754
Capital assets, being depreciated:					
Buildings	87,250,331	-	-	-	87,250,331
Other improvements	235,455,906	1,575,168	-	8,150,900	245,181,974
Machinery and equipment	11,380,277	1,090,765	418,839	(146)	12,063,057
Total capital assets, being depreciated	334,086,514	2,665,933	418,839	8,150,754	344,484,362
Less accumulated depreciation for:					
Buildings	33,323,029	2,477,691	-	-	35,800,720
Other improvements	59,074,433	6,589,386	-	-	65,663,819
Machinery and equipment	8,737,132	881,643	418,839	(146)	9,199,790
Total accumulated depreciation	101,134,594	9,948,720	418,439	(146)	110,664,329
Total capital assets, being depreciated, net	232,951,920	(7,282,787)	-	8,150,900	233,820,033
Business-type activities capital assets, net	$ 304,857,109	$ 881,678	$ -	$ -	$ 305,738,787

4. Detailed notes on all funds (continued)

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

Governmental activities:	
General government	$ 287,023
Public safety	387,049
Public works	4,159,330
Recreation and parks	2,286,943
Economic opportunity	72,542
Total depreciation expense – governmental activities	$ 7,192,887
Business-type activities:	
Rental operations	$ 15,209
Water and sewer	5,671,497
Golf course	185,907
Airport	881,683
Parking	1,572,001
Storm water	1,622,423
Total depreciation expense – business-type activities	$ 9,948,720

Construction commitments

The City has active construction projects as of June 30, 2014. At year end the City's commitments with contractors for major projects are as follows:

Project	Spent-to-Date	Remaining Commitment
Ballenger-McKinney Wastewater Treatment Plant	$ 14,556,348	$ 1,499,698
ENR Upgrade Waste Water Treatment Plant	2,029,569	900,088
Carroll Creek Linear Park Phase II	516,786	15,370,745

The Ballenger-McKinney Wastewater Treatment Plant is primarily debt funded. The Wastewater Treatment Plant Solids Process Rehab and ENR Upgrade to the Waste Water Treatment Plant are funded with a combination of state grants and debt. The Carroll Creek Linear Park Phase II is funded from grants, developer contributions and debt.

Inter-fund receivables, payables and transfers

The composition of inter-fund balances as of June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Golf Course	$ 5,023,810

The $5,023,810 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.

Inter-fund transfers:

	Transfers In:				
Transfer out:	General Fund	CIP Fund	Non-major Governmental	Airport Fund	Total
General fund	$ -	$2,002,394	$ 111,430	$ 404,735	$ 2,518,559
Non-major governmental fund	25,500	-	-	-	25,500
Water and sewer fund	1,897,500	2,126,512	-	-	4,024,012
Parking fund	172,500	-	-	-	172,500
Storm water management fund	54,625	-	-	-	54,625
Total transfers out	$2,150,125	$4,128,906	$ 111,430	$ 404,735	$ 6,795,196

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

4. Detailed notes on all funds (continued)

Transfers into the general fund from water and sewer, parking and the 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 $111,430 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.

$404,735 was transferred from the general fund to the airport fund to assist in debt service and operations.

5. Fund balances

The classification of governmental funds balances as of June 30, 2014 is as follows.

	General	General CIP	Nonmajor Governmental	Total
Nonspendable:				
Inventory	$ 571,632	$ -	$ -	$ 571,632
Prepaid items	124,804	-	1,250	126,054
Loans	96,750	-	2,045,796	2,142,546
Advances to other funds	5,023,810	-	-	5,023,810
Restricted for:				
Parks/recreation	-	9,500,000	-	9,500,000
Harry Grove Stadium	-	305,342	-	305,342
Parks impact fees	-	2,209,071	-	2,209,071
Weinberg Center	-	-	372,044	372,044
Debt service reserve	189,283	-	-	189,283
Street lights/signals/sidewalks	2,743	-	-	2,743
Pathways	1,383	-	-	1,383
Other purposes	1,405	-	32,211	33,616
Committed to:				
General government	4,649	-	-	4,649
Streets/roadways	325,000	-	-	325,000
Assigned:				
General government	368,672	22,847	-	391,519
Public safety	132,623	-	475	133,098
Public works	1,479,119	-	-	1,479,119
Streets/roadways	-	836,961	-	836,961
Street lights/signals/sidewalks	-	157,294	-	157,294
Pathways	-	103,155	-	103,155
Parks/recreations	545,934	6,207,756	-	6,753,690
Weinberg Center	-	-	10,617	10,617
Community development	-	-	1,484	1,484
Economic development	82,530	-	-	82,530
Community action	40,715	-	-	40,715
Subsequent years budget	326,471	-	842,852	1,169,323
Other purposes	-	1,638,093	491,994	2,130,087
Unassigned:	10,593,266	-	-	10,593,266
Total fund balances	$ 19,910,789	$ 20,980,519	$ 3,798,723	$ 44,690,031

Rainy Day Reserve Policy

The City has adopted a rainy day reserve policy which states that the City will maintain a general fund balance equal to 12% of general fund revenues (excluding the use of fund balance) to provide for adequate working capital and to meet unforeseen emergencies. The Board of Aldermen has the discretion to determine whether circumstances or events constitute an emergency. Following use of the reserve, the City must restore the reserve to the 12% level within a two year period.

At June 30th, the City had sufficient unassigned General Fund fund balance to meet the Rainy Day Reserve Requirement.

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 7/1/2013	Transfers/ Additions FY '14	Reductions FY '14	Outstanding 6/30/2014	Due Within One Year
Governmental Activities:								
Bonds and Notes Payable:								
General Purpose	03/26/09	03/01/29	3.0 - 5.0%	$ 48,879,031	$ -	$ (2,459,031)	$ 46,420,000	$ 2,535,000
Refunding Bonds Series A	12/28/11	12/01/21	2.0 - 2.75%	6,391,000	-	(1,380,000)	5,011,000	1,406,000
Refunding Bonds of 2013	01/29/13	09/01/25	2.0 - 5.0%	12,670,000	-	(990,000)	11,680,000	1,032,000
MILA Loan - Trading Lane	06/95	06/22	5.93%	94,188	-	(94,188)	-	-
CELP Loan	12/21/05	06/01/14	2.0%	17,426	-	(17,426)	-	-
Tax Increment Financing	12/99	06/24	5.95%	1,567,801	-	(104,994)	1,462,807	111,241
Subtotal				69,619,446	-	(5,045,639)	64,573,807	5,084,241
Add remaining premium				2,882,035	-	(294,917)	2,587,118	294,917
Total bonds and notes payable				72,501,481	-	(5,340,556)	67,160,925	5,379,158
Other Obligations:								
Compensated Absences				2,410,683	2,397,679	(2,112,482)	2,695,880	1,853,154
OPEB Liabilities				17,025,396	6,850,175	(4,515,944)	19,359,627	-
Total Governmental Activity Long-term Obligations				$ 91,937,560	$ 9,247,854	$ (11,968,982)	$ 89,216,432	$ 7,232,312
Business-type activities:								
General Obligation Bonds:								
Water and Sewer	08/15/05	08/01/25	4.0 - 5.0%	$ 7,594,000	$ -	$ (2,444,000)	$ 5,150,000	$ 2,530,000
Water and Sewer	03/26/09	03/01/34	3.0 - 5.0%	40,679,569	-	(174,569)	40,505,000	235,000
Refunding Bonds Series A	12/28/11	12/01/21	2.0 - 2.75%	2,960,000	-	(535,000)	2,425,000	370,000
Refunding Bonds Series B	12/28/11	12/01/28	2.0 - 4.0%	7,325,000	-	(360,000)	6,965,000	547,000
Refunding Bonds of 2013	01/29/13	09/01/25	2.0 - 5.0%	32,136,000	-	(75,000)	32,061,000	78,000
Total General Obligation Bonds				90,694,569	-	(3,588,569)	87,106,000	3,760,000
State Loan Fund - BNR	08/23/01	02/01/22	2.30%	2,684,267	-	(271,852)	2,412,415	278,104
State Loan Fund - ENR	03/23/12	02/01/33	0.80%	10,710,973	3,262,508	(688,754)	13,284,727	694,264
State Loan Fund - Series 2012A	10/19/12	02/01/33	0.80%	1,033,643	1,070,899	(191,984)	1,912,558	193,520
State Loan Fund - Series 2012B	10/19/12	02/01/33	0.00%	274,765	284,669	-	559,434	-
Total Water & Sewer Debt				105,398,217	4,618,076	(4,741,159)	105,275,134	4,925,888
Golf Course Facilities Bonds	03/26/09	03/01/29	3.0 - 5.0%	856,972	-	(21,972)	835,000	40,000
Total Golf Course Obligations				856,972	-	(21,972)	835,000	40,000
Refunding Bonds 2011	12/28/11	12/01/21	2.0 - 2.5%	2,320,000	-	(240,000)	2,080,000	245,000
Taxable Refunding Bond of 2013	01/23/13	09/01/23	2.28%	11,600,000	-	(715,000)	10,885,000	715,000
Total Airport Debt				13,920,000	-	(955,000)	12,965,000	960,000
Parking Facilities	08/15/05	08/01/25	4.0 - 5.0%	1,966,000	-	(636,000)	1,330,000	655,000
Parking Facilities - Taxable	03/26/09	03/01/29	3.264-6.933%	10,455,000	-	(410,000)	10,045,000	425,000
Refunding Bonds Series A	12/28/11	12/01/21	2.0 - 2.75%	1,784,000	-	(210,000)	1,574,000	217,000
Refunding Bonds of 2013	01/29/13	09/01/25	2.0 - 5.0%	7,854,000	-	-	7,854,000	-
Total Parking Facilities				22,059,000	-	(1,256,000)	20,803,000	1,297,000
Stormwater Facilities	03/26/09	03/01/29	3.0 - 5.0%	1,004,428	-	(44,428)	960,000	45,000
Total Stormwater Facilities				1,004,428	-	(44,428)	960,000	45,000
Total business-type activities debt				143,238,617	4,618,076	(7,018,559)	140,838,134	7,267,888
Other Obligations:								
Add remaining premium				7,338,929	-	(703,931)	6,634,998	703,930
Compensated Absences				393,479	480,751	(455,193)	419,037	395,780
OPEB liabilities				3,936,165	1,548,178	(1,033,466)	4,450,877	-
Total business-type activities obligations				$ 154,907,190	$ 6,647,005	$ (9,211,149)	$ 152,343,046	$ 8,367,598

Ninety-nine percent of the compensated absences and OPEB liabilities in the governmental activities will be paid out of the general fund. The remaining one percent will be paid out of nonmajor governmental funds.

6. Long term obligations (continued)

In fiscal year 2012, the City entered into a loan agreement with the Maryland Water Quality Financing Administration to assist in financing the City's share of the County's Ballenger/McKinney Waste Water Treatment Plant. The proceeds of the loan are forwarded to the City as work on the project progresses. In fiscal year 2014, the City received $3,262,508 bringing the total received through June 30, 2014 to $13,973,481. The total amount of the loan agreement is $14,874,000.

In fiscal year 2013, the City entered into loan agreements with the Maryland Water Quality Financing Administration to assist in financing the Gas House Pike Waste Water Treatment Plant ENR Upgrade – Solids Processing Rehabilitation Design-Build Project. The Series 2012A loan was for $4,146,000 and is paid to the City in installments as the work progresses. The interest rate on this loan is 0.80% and is to be repaid over a period of twenty years. As of June 30, 2014, the City has received $2,104,542 of this loan.

The Series 2012B loan was for $1,116,000. The Administration shall forgive repayment of the principal amount of the loan and the interest payable thereon so long as the City performs all of the obligations under the loan agreement. At any time prior to October 19, 2022, the principal advanced under the loan agreement shall be payable in full on demand by the Administration in accordance with the loan agreement together with interest at a rate of 3.52% per annum accruing from the date on which such demand is made by the Administration. As of June 30, 2014, the City has received $559,434 under this agreement.

The current obligation of $559,434 under the Series 2012B loan is reflected in the preceding schedule of long-term obligations; however, there is no allowance for repayment included in the following amortization schedule for this obligation since it is anticipated that this loan will be fully forgiven.

The annual requirements to amortize all long term debt, exclusive of the Maryland Water Quality Financing Administration 2012B Series, as of June 30, 2014, are set forth in the two tables below:

Fiscal	Governmental Activities		Business-type Activities		Total		
Year	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	$ 4,973,000	$ 2,664,554	$ 7,267,889	$ 5,274,175	$ 12,240,889	$ 7,938,729	$ 20,179,618
2016	4,234,000	2,501,834	7,485,388	5,015,403	11,719,388	7,517,237	19,236,625
2017	4,252,000	2,355,296	7,586,091	4,745,090	11,838,091	7,100,386	18,938,477
2018	4,421,000	2,182,171	7,881,001	4,461,300	12,302,001	6,643,471	18,945,472
2019	4,513,000	2,014,961	8,193,123	4,169,125	12,706,123	6,184,086	18,890,209
2020 - 2024	22,538,000	7,121,359	48,928,469	15,627,241	71,466,469	22,748,600	94,215,069
2025 - 2029	18,180,000	2,698,226	36,189,873	7,536,209	54,369,873	10,234,435	64,604,308
2030 - 2034	-	-	16,746,866	2,278,327	16,746,866	2,278,327	19,025,193
Totals	$ 63,111,000	$ 21,538,401	$ 140,278,870	$ 49,106,870	$203,389,700	$70,645,271	$ 274,034,971

The annual requirements to amortize all tax incremental financing debt outstanding as of June 30, 2014 are as follows:

Fiscal	Tax Incremental Financing Bonds		
Year	Principal	Interest	Total
2015	$ 111,241	$ 33,454	$ 144,695
2016	117,860	30,910	148,770
2017	124,873	28,215	153,088
2018	132,302	25,359	157,661
2019	140,174	22,333	162,507
2020 - 2024	836,357	59,590	895,947
Totals	$1,462,807	$ 199,861	$1,662,668

6. Long term obligations (continued)

Computation of Legal Debt Margin:

Assessed value		$6,537,635,269
Debt limit (3% of assessed value per City Charter)		$ 196,129,058
Amount of debt applicable to debt limit:		
Total bonded debt	$196,464,924	
Other debt	18,169,134	
	$214,634,058	
Less: Water and sewer debt	108,800,073	
Total amount of debt applicable to debt limit		105,833,985
Legal debt margin		$ 90,295,073

Schedule of Intended Source of Funds for Debt Retirement:

	Debt Amount
General revenue	$ 65,698,118
Water and sewer charges	110,736,209
Airport charges	12,981,670
Parking charges and fines	21,923,846
Storm water charges	979,674
Cash flow from golf course operations	851,734
Incremental tax revenue	1,462,807
	$ 214,634,058

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 limited to the City's direct debt related to governmental activities.

Computation of Direct and Overlapping Debt:

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City	Amount Applicable to City
The City of Frederick	$ 67,160,925	100.00%	$ 67,160,925
Frederick County	658,232,258	25.00%	164,558,065
Total	$ 725,393,183		$ 231,718,990

7. Pension Plans – City Reporting

Under authority granted by Article VIII, section 8 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 a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are financed by the pension plans.

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

75% of the pension investments are in liquid assets with readily available market prices, 23% of pension investments are held in pooled separate accounts, and the remaining 2% are in a Group Annuity Contract.

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, 2013	94
Vested terminated employees	98
Active employees - vested 100%	120
Active employees – non-vested	51

Eligibility: All covered employees (who do not participate in the 22 and 25 year plan) become participants on the first day of the month following the date all the requirements below are met:

One year of continuous service, age 18 and agree in writing to make required contributions

Effective March 17, 2011, the following requirements are to be met:

Later of April 30, 2011 and Employee's Employment or Reemployment date, age 18, agree in writing to make required contributions and participate in the 30 year plan

Normal Retirement Age: Employees hired prior to July 1, 2012:
Age 62 with 5 years of service,
age 63 with 4 years of service,
age 64 with 3 years of service,
age 65 with 2 years of service,
or if earlier, when the participant has reached 30 years of service.

Employees hired on or after July 1, 2012:
Date on which the combined age and eligibility service of the participant equals 90.

Early Retirement Age: Employees hired prior to July 1, 2012:
Age 55 and the completion of 15 years of service

Employees hired on or after July 1, 2012:
Age 60 and the completion of 15 years of eligibility service

Normal Form of Benefit: Monthly life annuity with guaranteed return of employee contributions.

Cost of Living Increase: Retiree benefits are adjusted each July 1. The revised benefit amount is the lesser of:
a. Prior year benefit plus base benefit multiplied by increase/decrease in the current CPI from CPI of prior year, or
b. Benefit increased by 3% for Employees hired prior to July 1, 2012; or
c. Benefit increased by 2.5% for Employees hired after June 30, 2012.

7. Pension Plans – City Reporting (continued)

Employee Contributions: Employees hired prior to July 1, 2012:
Participants contribute 5% of compensation in excess of the Social Security wage base.
Employees hired after June 30, 2012:
Participants contribute 1.0% of compensation, in addition participants will contribute 5% of compensation in excess of the Social Security wage base.

Compensation: Total compensation, excluding compensation from which the participant did not make required contributions.

Final Average Earnings: Employees hired prior to July 1, 2012:
The average of the highest 3 consecutive plan years of the last 10 plan years compensation.
Employees hired after June 30, 2012:
The average of the highest 5 consecutive plan years of the last 10 plan years of compensation.

Normal Retirement Benefit Formula: Employees hired prior to July 1, 2012:
1.2% of Final Average Earnings for each year of credited service.
Employees hired after June 30, 2012:
1.0% of Final Average Earnings for each year of credited service.

Early Retirement Benefit Formula: Normal retirement benefit reduced by 0.5% for each month that benefit commencement precedes 62 for hires prior to July 1, 2012, and age 65 for hires after June 30, 2012.

Termination Prior to Retirement: Employees hired prior to July 1, 2012:

Less than 5 years of eligibility service: Return of employee contributions with 5% interest.

5 years of eligibility service or more: At the discretion of the employee, either a return of contributions with interest or the accrued normal retirement benefit taking into account final earnings and service at date of termination, payable at normal retirement date. If employee contributions are refunded there may be a residual employer provided benefit. There is no minimum annuity benefit based on the actuarial equivalent of the employee contributions.

Employees hired after June 30, 2012:

Less than 10 years of eligibility service: Return of employee contributions with 5% interest.

10 years of service or more: At the discretion of the employee, either a return of contributions with interest or the accrued normal retirement benefit taking into account final earnings and service at date of termination, payable at normal retirement date. If employee contributions are refunded there may be a residual employer provided benefit. There is no minimum annuity benefit based on the actuarial equivalent of the employee contributions.

Disability: Must be totally and permanently disabled.

Line of Duty: The sum of the annuity equivalent of the employee's accumulated contributions and 66 2/3% of final average earnings, payable immediately, unreduced, but not greater than 100% of final average earnings.

Ordinary Disability: Employees hired prior to July 1, 2012:
Five years of eligibility service is required to receive non-duty disability benefits. The benefit equals the amount the participant would have received if he had worked until age 62, earning years of credited service between the date of disability and the participant's 62nd birthday, to a maximum of 30 years of credited service, payable immediately, unreduced.

7. Pension Plans - City Reporting (continued)

Employees hired after June 30, 2012:

Ten years of eligibility service is required to receive non duty disability benefits. The benefit equals the amount the participant would have received if he had worked until age 65, earning years of credited service between the date of disability and the participant's 65th birthday, payable immediately, unreduced.

Pre-Retirement Spouse's Benefit:	
Married, eligible for early retirement (or dies within 10 years of Normal Retirement) and actively employed at date of death:	The participant's surviving spouse will receive a monthly benefit equal to the accrued benefit, reduced actuarially for early commencement and the joint and 100% survivor option, provided certain requirements are met.
Other Pre Retirement Death Benefits:	
With 1 year of eligibility service	The greater of return of employee contributions with 5.0% interest or a lump sum equal to the participant's annual base salary at time of death.
With less than 1 year of eligibility service	Refund of employee contributions with 5.0% interest.

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

Funding Method: For funding and GASB reporting: Entry Age Normal Actuarial Cost Method. The contribution equals the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability over thirty years as level dollar amount.

Asset Method: Asset smoothing method. Spreading the investment gains or losses in excess of the assumed return over a 5-year period.

Interest Rates: 7.5% compounded annually.

COLA Increases: 2.5% compounded annually

Taxable Wage Base: Assumed to increase 4% per year.

Salary Increases: 4.5% per year.

Mortality: Healthy: RP2000 Combined Mortality Table for males and females.
Disabled: RP2000 Combined +6 Mortality Tables.

Disability: Sample rates are:

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

All disablement is assumed to be ordinary.

Turnover: Table T-6 from the Actuary's Pension Handbook adjusted for years of service. Sample T-6 rates are:

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

Retirement: All active participants (hired prior to July 1, 2012) are assumed to retire 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.

All active participants (hired after June 30, 2012) are assumed to retire on the date on which their combined age and years of eligibility service equals 90.

7. Pension Plans - City Reporting (continued)

Expenses: None assumed paid from plan assets.

Percent Married: 95% of participants are assumed to be married. Female spouses are assumed to be one year younger than their male spouse.

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

Annual required contribution	$ 1,748,679
Interest on net pension assets	(21,614)
Adjustment to annual required contribution	22,698
Annual pension cost	1,749,763
Contributions made	(1,748,679)
Decrease in net pension assets	1,086
Net pension assets beginning of year	(288,174)
Net pension assets end of year	$ (287,090)

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Asset
2012	$ 1,687,988	99.92%	$ (237,214)
2013	1,703,179	102.99%	(288,174)
2014	1,749,763	99.94%	(287,090)

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, 2013	183
Vested terminated employees	73
Active employees - vested 100%	154
Active employees – non-vested	76

Eligibility: All employees, including Aldermen but excluding police officers hired prior to 03/17/11, who work at least 20 hours per week, become participants on the first day of the month following the date all the requirements below are met:

One year of continuous service, age 18 and agree in writing to make required contributions

Effective March 17, 2011, the following requirements are to be met:

Later of April 30, 2011 and Employee's Employment or Reemployment date, meet definition of covered employee, age 18, agree in writing to make required contributions and participate in the 25 year plan

Normal Retirement Age: Employees hired prior to July 1, 2012:
Age 62 with 5 years of service,
age 63 with 4 years of service,
age 64 with 3 years of service,
age 65 with 2 years of service,
or if earlier, when the participant has reached 25 years of service.

7. Pension Plans – City Reporting (continued)

Employees hired on or after July 1, 2012:
Date on which the combined age and eligibility service of the participant equals 90.

Early Retirement Age: Employees hired prior to July 1, 2012:
Age 55 and the completion of 15 years of service

Employees hired on or after July 1, 2012:
Age 60 and the completion of 15 years of eligibility service

Normal Form of Benefit: Monthly life annuity with guaranteed return of employee contributions.

Cost of Living Increase: Retiree benefits are adjusted each July 1. The revised benefit amount is the lesser of:
a. Prior year benefit plus base benefit multiplied by increase/decrease in the current CPI from CPI of prior year, or
b. Benefit increased by 3% for Employees hired prior to July 1, 2012; or
c. Benefit increased by 2.5% for Employees hired after June 30, 2012.

Employee Contributions: Employees hired prior to July 1, 2012:
Participants contribute 7.0% of compensation.
5.0% of compensation for participants hired prior to February 18, 1987.
Employees hired after June 30, 2012:
Participants contribute 7.5% of compensation.

Compensation: Total compensation, excluding compensation from which the participant did not make required contributions.

Final Average Earnings: Employees hired prior to July 1, 2012:
The average of the highest 3 consecutive plan years of the last 10 plan years compensation.
Employees hired after June 30, 2012:
The average of the highest 5 consecutive plan years of the last 10 plan years of compensation.

Normal Retirement Benefit Formula: Employees hired prior to July 1, 2012:
2.0% of Final Average Earnings for each year of credited service.
Employees hired after June 30, 2012:
1.5% of Final Average Earnings for each year of credited service.

Early Retirement Benefit Formula: Normal retirement benefit reduced by 0.5% for each month that benefit commencement precedes 62 for hires prior to July 1, 2012, and age 65 for hires after June 30, 2012.

Termination Prior to Retirement: Employees hired prior to July 1, 2012:

Less than 5 years of eligibility service: Return of employee contributions with 5% interest.

5 years of eligibility service or more: At the discretion of the employee, either a return of contributions with interest or the accrued normal retirement benefit taking into account final earnings and service at date of termination, payable at normal retirement date. If employee contributions are refunded there may be a residual employer provided benefit. There is no minimum annuity benefit based on the actuarial equivalent of the employee contributions.

Employees hired after June 30, 2012:

Less than 10 years of eligibility service: Return of employee contributions with 5% interest.

10 years of eligibility service or more: At the discretion of the employee, either a return of contributions with interest or the accrued normal retirement benefit taking into account final earnings and service at date of termination, payable at normal retirement date. If employee contributions are refunded there may be a residual employer provided benefit. There is no minimum annuity benefit based on the actuarial equivalent of the employee contributions.

7. Pension Plans – City Reporting (continued)

Disability: Must be totally and permanently disabled.

Line of Duty: The sum of the annuity equivalent of the employee's accumulated contributions and 66 2/3% of final average earnings, payable immediately, unreduced, but not greater than 100% of final average earnings.

Ordinary Disability: Employees hired prior to July 1, 2012:

Five years of eligibility service is required to receive non-duty disability benefits. The benefit equals the amount the participant would have received if he had worked until age 62, earnings years of credited service between the date of disability and the participant's 62nd birthday, to a maximum of 25 years of credited service, payable immediately, unreduced.

Employees hired after June 30, 2012:

Ten years of eligibility service is required to receive non duty disability benefits. The benefit equals the amount the participant would have received if he had worked until age 65, earning years of credited service between the date of disability and the participant's 65th birthday, payable immediately, unreduced.

Pre-Retirement Spouse's Benefit:

Married, eligible for early retirement (or within 10 years of Normal Retirement) and actively employed at date of death:	The participant's surviving spouse will receive a monthly benefit equal to the accrued benefit, reduced actuarially for early commencement and the joint and 100% survivor option, provided certain requirements are met.

Other Pre Retirement Death Benefits:

With 1 year of eligibility service	The greater of return of employee contributions with 5.0% interest or a lump sum equal to the participant's annual base salary at time of death.
With less than 1 year of eligibility service	Refund of employee contributions with 5.0% interest.

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

Funding Method: For funding and GASB reporting: Entry Age Normal Actuarial Cost Method. The contribution equals the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability over thirty years as level dollar amount.

Asset Method: Asset smoothing method. Spreading the investment gains or losses in excess of the assumed return over a 5-year period.

Interest Rates: 7.5% compounded annually.

COLA Increases: 2.5% compounded annually

Salary Increases: 4.5% per year.

Mortality: Healthy: RP2000 Combined Mortality Table for males and females.
Disabled: RP2000 Combined +6 Mortality Tables.

Disability: Sample rates are:

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

All disablement is assumed to be ordinary.

7. Pension Plans – City Reporting (continued)

Turnover: Table T-6 from the Actuary's Pension Handbook adjusted for years of service. Sample T-6 rates are:

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

Retirement: All active participants (hired prior to July 1, 2012) are assumed to retire 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.

All active participants (hired after June 30, 2012) are assumed to retire on the date on which their combined age and years of eligibility service equals 90.

Expenses: None assumed paid from plan assets.

Percent Married: 95% of participants are assumed to be married. Female spouses are assumed to be one year younger than their male spouse.

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

Annual required contribution	$ 4,596,936
Interest on net pension assets	(121,569)
Adjustment to annual required contribution	127,670
Annual pension cost	4,603,037
Contributions made	(4,596,936)
Decrease in net pension assets	6,101
Net pension assets beginning of year	(1,620,921)
Net pension assets end of year	$(1,614,820)

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Asset
2012	$ 4,228,561	99.79%	$ (1,511,707)
2013	4,299,589	102.54%	(1,620,921)
2014	4,603,037	99.87	(1,614,820)

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, 2013	71
Vested terminated employees	23
Active employees - vested 100%	99
Active employees – non-vested	37

7. Pension Plans – City Reporting (continued)

Normal Retirement Age: Age 62 with 5 years of service,
age 63 with 4 years of service,
age 64 with 3 years of service,
age 65 with 2 years of service,
or if earlier, when the participant has reached 22 years of service.

Early Retirement Age: Age 55 and the completion of 15 years of service

Normal Form of Benefit: Monthly life annuity with guaranteed return of employee contributions.

Cost of Living Increase: Retiree benefits are adjusted each July 1. The revised benefit amount is the lesser of:
a. Prior year benefit plus base benefit multiplied by increase/decrease in the current CPI from CPI of prior year, or
b. Benefit increased by 3%.

Employee Contributions: Participants contribute 8.0% of compensation. The City credits an additional $400 plus 8 times the participant's hourly rate on July1 of each year.

Compensation: Total compensation, excluding compensation from which the participant did not make required contributions.

Final Average Earnings: The average of the highest 3 consecutive years of the last 10 years compensation.

Normal Retirement Benefit Formula: 60.0% of Final Average Earnings for 22 years of service, plus 1.5% of Final Average Earnings times service in excess of 22 years.

Early Retirement Benefit Formula: Normal retirement benefit reduced by 0.5% for each month that benefit commencement precedes 62.

Termination Prior to Retirement:
Less than 5 years of service: Return of employee contributions with 5% interest.
5 years of service or more: At the discretion of the employee, either a return of contributions with interest or the accrued normal retirement benefit taking into account final earnings and service at date of termination, payable at normal retirement date. If employee contributions are refunded there may be a residual employer provided benefit. There is no minimum annuity benefit based on the actuarial equivalent of the employee contributions.

Disability: Must be totally and permanently disabled.
Line of Duty/Catastrophic: 66 2/3% of final average earnings, payable immediately, unreduced.

Line of Duty/Non-catastrophic: Greater of 33 1/3% of final average earnings or the accrued benefit, payable immediately.

Ordinary Disability: Five years of service are required to receive non-duty disability benefits. The benefit is 66 2/3% of final earnings, payable immediately, unreduced.

Pre-Retirement Spouse's Benefit:
Married, eligible for early retirement and actively employed at date of death: The participant's surviving spouse will receive a monthly benefit equal to the accrued benefit, reduced actuarially for early commencement and the joint and 100% survivor option, provided certain requirements are met.

Other Pre Retirement Death Benefits: Return of employee contributions with 5.0% interest plus a lump sum of one year's earnings.

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

Funding Method: For funding and GASB reporting: Entry Age Normal Actuarial Cost Method. The contribution equals the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability over thirty years as level dollar amount.

7. Pension Plans – City Reporting (continued)

Asset Method: Asset smoothing method. Spreading the investment gains or losses in excess of the assumed return over a 5-year period.

Interest Rates: 7.5% compounded annually.

COLA Increases: 2.5% compounded annually

Salary Increases: 4.5% per year.

Mortality: Healthy: RP2000 Blue Collar Mortality Table for males and females.
Disabled: RP2000 Blue Collar +6 Mortality Tables.

Disability: Sample rates are:

Age	Rate
25	.09%
35	.13%
45	.46%
55	1.21%

All disablement is assumed to be ordinary.

Turnover: Table T-4 from the Actuary's Pension Handbook adjusted for years of service. Sample T-4 rates are:

Age	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 T-4 Rates
Less than 5	150%
5 – 9	100%
10 – 14	40%
15 – 19	15%
20 or more (not retirement eligible)	10%

Retirement: All active participants are assumed to retire 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.

Expenses: None assumed paid from plan assets.

Percent Married: 95% of participants are assumed to be married. Female spouses are assumed to be one year younger than their male spouse.

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 .

7. Pension Plans – City Reporting (continued)

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

Annual required contribution	$ 5,067,852
Interest on net pension assets	(78,227)
Adjustment to annual required contribution	82,152
Annual pension cost	5,071,777
Contributions made	(5,067,852)
Decrease in net pension assets	3,925
Net pension assets beginning of year	(1,043,019)
Net pension assets end of year	$ (1,039,095)

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Asset
2012	$ 5,221,273	99.91%	$ (817,986)
2013	5,762,164	103.91%	(1,043,019)
2014	5,071,777	99.92	(1,039,095)

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	7/1/13	7/1/13	7/1/13
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	7.5%	7.5%	7.5%
Projected salary increases	4.5%	4.5%	4.5%
Cost of living rate	2.5%	2.5%	2.5%
Actuarial value of assets -	13,177,559	35,974,408	50,599,871
Actuarial accrued liability -	26,156,495	82,165,494	89,259,400
Total unfunded actuarial accrued liability -	12,978,936	46,191,086	38,659,529
Actuarial value of assets as a percentage of actuarial accrued liability (funded ratio) -	50.38%	43.78%	56.69%
Annual covered payroll -	8,210,675	10,660,897	9,686,182
Ratio of the unfunded actuarial liability to annual covered payroll -	158.07%	433.28%	399.12%

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.

8. Pension Plans – Plan Reporting

GASB Statement No. 67, *Financial Reporting for Pension Plans*, became effective for the City's fiscal year 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. As a result, additional pension plan disclosures are required and are included in this note.

Article VIII, section 8 of the Charter authorizes the City to provide retirement benefits to City employees. The City, acting through the Mayor and Board of Aldermen, retains responsibility for control and administration of the pension plans.

The City of Frederick pension System (Thirty Year Plan)

Investments:

The pension plan's guidelines have been established to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The guidelines discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time periods. The following are the asset allocation guidelines as of June 30, 2014:

Asset Class	Target Allocation
Domestic equity	49%
International equity	16%
Fixed income bonds	32%
Cash	3%

Investment in any one fund that represents five percent or more of the plan's fiduciary net position is as follows:

Investment Fund	Percentage of Plan Fiduciary Net Position
SSgA S&P 500 Index Account	21.42%
Eaton Vance Atlanta Capital SMID	5.01%
T. Rowe Price Institutional Large Cap Core Growth	5.02%
American Funds International Growth and Income	5.29%
Vanguard Short-term Bond Index	15.46%
Federated Total Return Bond	10.78%

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the City:

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

Total pension liability	$ 28,800,665
Plan fiduciary net position	17,433,792
City's net pension liability	$ 11,366,873
Plan fiduciary net position as a percentage of total pension liability	60.53%

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

Inflation: 3.0%
Salary increase: 3.0% + service based increases
Investment Return: 7.5%, net of investment expense and including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables, for Males or Females. A six-year set-forward is applied for disabled lives.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of actuarial experience analysis prior to 2010. The next assumption review study will be in 2015.

There have been no changes in actuarial assumptions since the prior year.

Actuarial method: Entry age.

8. Pension Plans – Plan Reporting (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2013, and the final investment return assumption, are summarized in the following table:

Asset Class	Long-term Expected Real Return – Portfolio
Domestic equity	5.80%
International equity – developed	5.90
International equity – emerging	7.10
Fixed income – U.S. investment grade	1.80
Fixed income – U.S. high yield	3.90
Fixed income – international	0.80
Commodities	3.30
Real estate	4.20
Private equity	7.90
Cash equivalents	1.00
Total weighted average real return	4.60
Plus inflation	3.00
Total return without adjustment	7.60
Risk adjustment	(0.10)
Total expected return	7.50

Discount rate: The discount rate used to measure the total pension liability was 7.27%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be exhausted in the year 2062. Therefore, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return until 2062, and discounting with the 20 year municipal bond index rate of 3.75% thereafter.

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 7.27%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.27%) or 1% higher (8.27%) than the current rate:

	1% Decrease (6.27%)	Current Discount Rate (7.27%)	1% Increase (8.27%)
City's net pension liability	$ 15,184,031	$ 11,366,873	$ 8,182,694

The City of Frederick Twenty-Five Year Pension System

Investments:

The pension plan's guidelines have been established to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The guidelines discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time periods. The following are the asset allocation guidelines as of June 30, 2014:

8. Pension Plans – Plan Reporting (continued)

Asset Class	Target Allocation
Domestic equity	49%
International equity	16%
Fixed income bonds	32%
Cash	3%

Investment in any one fund that represents five percent or more of the plan's fiduciary net position is as follows:

Investment Fund	Percentage of Plan Fiduciary Net Position
SSgA S&P 500 Index Account	21.42%
Eaton Vance Atlanta Capital SMID	5.01%
T. Rowe Price Institutional Large Cap Core Growth	5.02%
American Funds International Growth and Income	5.29%
Vanguard Short-term Bond Index	15.46%
Federated Total Return Bond	10.78%

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the City:

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

Total pension liability	$ 89,000,516
Plan fiduciary net position	44,902,430
City's net pension liability	$ 44,098,086
Plan fiduciary net position as a percentage of total pension liability	50.45%

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

Inflation: 3.0%
Salary increase: 3.0% + service based increases
Investment Return: 7.5%, net of investment expense and including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables, for Males or Females. A six-year set-forward is applied for disabled lives.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of actuarial experience analysis prior to 2010. The next assumption review study will be in 2015.

There have been no changes in actuarial assumptions since the prior year.

Actuarial method: Entry age.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2013, and the final investment return assumption, are summarized in the following table:

8. Pension Plans – Plan Reporting (continued)

Asset Class	Long-term Expected Real Return – Portfolio
Domestic equity	5.80%
International equity – developed	5.90
International equity – emerging	7.10
Fixed income – U.S. investment grade	1.80
Fixed income – U.S. high yield	3.90
Fixed income – international	0.80
Commodities	3.30
Real estate	4.20
Private equity	7.90
Cash equivalents	1.00
Total weighted average real return	4.60
Plus inflation	3.00
Total return without adjustment	7.60
Risk adjustment	(0.10)
Total expected return	7.50

Discount rate: The discount rate used to measure the total pension liability was 7.08%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be exhausted in the year 2057. Therefore, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return until 2057, and discounting with the 20 year municipal bond index rate of 3.75% thereafter.

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 7.08%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.08%) or 1% higher (8.08%) than the current rate:

	1% Decrease (6.08%)	Current Discount Rate (7.08%)	1% Increase (8.08%)
City's net pension liability	$ 54,811,562	$ 44,098,086	$ 35,147,238

The City of Frederick Twenty-Two Year Pension System

Investments:

The pension plan's guidelines have been established to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The guidelines discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time periods. The following are the asset allocation guidelines as of June 30, 2014:

Asset Class	Target Allocation
Domestic equity	49%
International equity	16%
Fixed income bonds	32%
Cash	3%

Investment in any one fund that represents five percent or more of the plan's fiduciary net position is as follows:

Investment Fund	Percentage of Plan Fiduciary Net Position
SSgA S&P 500 Index Account	21.42%
Eaton Vance Atlanta Capital SMID	5.01%
T. Rowe Price Institutional Large Cap Core Growth	5.02%
American Funds International Growth and Income	5.29%
Vanguard Short-term Bond Index	15.46%
Federated Total Return Bond	10.78%

8. Pension Plans – Plan Reporting (continued)

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the City:

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

Total pension liability	$ 96,803,122
Plan fiduciary net position	65,627,444
City's net pension liability	$ 31,175,678
Plan fiduciary net position as a percentage of total pension liability	67.79%

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

Inflation: 3.0%
Salary increase: 3.0% + service based increases
Investment Return: 7.5%, net of investment expense and including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables, for Males or Females. A six-year set-forward is applied for disabled lives.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of actuarial experience analysis prior to 2010. The next assumption review study will be in 2015.

There have been no changes in actuarial assumptions since the prior year.

Actuarial method: Entry age.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2013, and the final investment return assumption, are summarized in the following table:

Asset Class	Long-term Expected Real Return – Portfolio
Domestic equity	5.80%
International equity – developed	5.90
International equity – emerging	7.10
Fixed income – U.S. investment grade	1.80
Fixed income – U.S. high yield	3.90
Fixed income – international	0.80
Commodities	3.30
Real estate	4.20
Private equity	7.90
Cash equivalents	1.00
Total weighted average real return	4.60
Plus inflation	3.00
Total return without adjustment	7.60
Risk adjustment	(0.10)
Total expected return	7.50

8. Pension Plans – Plan Reporting (continued)

Discount rate: The discount rate used to measure the total pension liability was 7.38%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be exhausted in the year 2067. Therefore, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return until 2067, and discounting with the 20 year municipal bond index rate of 3.75% thereafter.

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 7.38%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.38%) or 1% higher (8.38%) than the current rate:

	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
City's net pension liability	$ 44,730,758	$ 31,175,678	$ 20,062,023

9. 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. Two hundred sixty six (266) retirees are eligible for life insurance coverage. Five hundred and eight (508) retirees and dependents are currently enrolled in either the City's Group Health Insurance or the Medicare Advantage Plans. The City provides three Group Health Insurance open access plans for pre-Medicare retirees hired prior to September 1, 2013 and their dependents. Retirees that are Medicare eligible are enrolled in a Medicare Advantage plan. The cost of retiree health care and life insurance benefits is recognized as a deduction in the OPEB plan when claims are due to be paid. For fiscal year 2014, those costs totaled approximately $ 2,630,000.

The financial statements of the City's OPEB plan are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which contributions are due. City contributions 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 the plan.

Separate, audited GAAP-basis OPEB plan reports are not available for the other post-employment benefit plan.

Investments of the OPEB plan are reported at fair value.

General Provisions—Other Post-Employment Benefits (OPEB):

Group Health Insurance :

Pre-Medicare Eligibility – Pre-Medicare retirees hired prior to September 1, 2013 may choose from three medical plans: an Open Access Plus In-Network (OAPIN) Plan, an Open Access Plus (OAP) Plan (which provides both in- and out-of network benefits) and an Open Access Plus High Deductible health Plan (HDHP) with a health savings account.

The retiree cost and the City subsidy for the pre-Medicare Group Health Insurance is determined based on the retiree's date of hire, years of service, age and date of retirement.

Post-Medicare Eligibility - Once a retiree or retiree's dependent becomes Medicare entitled, either by age or disability, they are no longer eligible to participate in the City's Group Health Insurance Plan, but may enroll in a Medicare Advantage Plan offered by the City, which requires the participant to pay a monthly cost share of the premium.

The City contributes to a Retirement Health Savings (RHS) Plan for each eligible civilian employee hired on or after September 1, 2013. Once the employee meets vesting requirements, they may use RHS assets to pay medical expenses following retirement. These employees are not eligible to participate in any other post-employment benefits sponsored by the City.

9. Post-Employment Health Care Benefits (continued)

Group Term Life Insurance:

Employees hired prior to July 1, 2003 may be eligible to receive $3,000 in Group Term Life Insurance coverage at retirement depending on years of service. The City pays the entire premium cost for this coverage. Employees hired on or after July 1, 2003 are not eligible to receive the post retirement Group Term Life Insurance benefit.

Group Dental Insurance:

Retirees may elect Group Dental Insurance on a voluntary basis, and the retiree is responsible for 100 percent of the premium costs based upon the coverage level selected.

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 ARC consisted of the normal cost of $3,966,469, the amortization of unfunded accrued liability of $4,520,381 and interest of $509,211. The City contributed $6,496,205 for the year ended June 30, 2014 for current health care and life insurance premiums. This includes an estimated $946,795 of implicit retiree costs.

The City established an OPEB trust in fiscal year 2011 to pre-fund future benefits.

Annual OPEB Cost and Net OPEB Obligation:

The City had an actuarial valuation performed as of July 1, 2014 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, 2015. The annual OPEB costs and net OPEB obligation for the current year were as follows:

Annual required contribution	$ 8,996,061
Interest on net OPEB obligation	1,257,694
Adjustment to annual required contribution	(908,607)
Annual OPEB cost	9,345,148
Contributions made	(6,496,205)
Increase in net OPEB obligation	2,848,943
Net OPEB obligation beginning of year	20,961,561
Net OPEB obligation end of year	$ 23,810,504

Three-Year Trend Information

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$ 11,028,221	$ 5,882,079	53.34%	$ 19,005,256
2013	8,869,359	6,913,055	77.94%	20,961,561
2014	9,345,148	6,496,205	69.51%	23,810,504

Additional information for the OPEB plan as of the latest actuarial valuation is as follows:

Actuarial valuation date -	July 1, 2014
Actuarial value of assets -	$ 20,245,974
Actuarial accrued liability -	119,136,169
Total unfunded actuarial liability -	98,890,195
Actuarial value of assets as a percentage of actuarial accrued liability -	16.99%
Annual covered payroll -	$ 24,438,846
Ratio of the unfunded actuarial liability to annual covered payroll -	404.64%

9. Post-Employment Health Care Benefits (continued)

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.

Actuarial methods and assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 was used in this valuation.

The unfunded liability was amortized over a period of 30 years as a level percentage of pay. The amortization period is closed as of 01/01/14.

Normal Cost: Determined for each active employee as the Actuarial Present Value of benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of full benefit eligibility.

Accumulated Post-Retirement Benefit Obligation (APBO): The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year. The APBO is also referred to as the Actuarial Accrued Liability.

Interest assumptions – discount rate of 6.0% and payroll growth of 3.0%.

Healthcare cost trend assumptions –

Medical and Prescription Drug	Base
2014	7.75%
2015	7.50%
2016	7.25%
2017	7.00%
2018	6.75%
2019	6.50%
2020	6.25%
2021	6.00%
2022	5.75%
2023	5.50%
2024	5.25%
2025 +	4.75%

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

Disability assumptions –	Age	22-Year Plan	25-Year Plan	30-Year Plan
	25	0.090%	0.060%	0.060%
	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%

9. Post-Employment Health Care Benefits (continued)

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

Expected Annual Claims: (2014-2015 basis)	Age	Retiree	Spouse (if covered)
	45	$ 7,555	$ 8,206
	50	8,971	9,744
	55	10,548	11,456
	60	12,112	13,155
	65	5,465	5,936
	70	5,858	6,362
	75	6,126	6,654
	80	6,281	6,822
	85+	6,408	6,959

For retirees with family coverage, child(ren) claims are expected to be $3,028 (2014-2015 basis). Children are assumed to be 30 years younger than the retiree.

Marriage Assumption/Age Difference: For actives, 95% are assumed to be married with males one year older than females. For retirees, use actual marital status. Assume 20% of future retirees will have family coverage.

Changes since Prior Valuation: The expected claims and healthcare trend assumptions have been updated since the prior valuation. The assumed payroll increase has also decreased from 4% to 3%.

10. 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, 2014, 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.

11. 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, 2014 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.

12. 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, professional, pollution, police and public official liability coverage, workers compensation, property, 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.

13. New Governmental Accounting Standards Board Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2014 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 Number 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, will be effective for the City with its fiscal years that ends on June 30, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement also results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessment of accountability and inter-period equity, and creating additional transparency.

GASB Statement Number 69, *Government Combinations and Disposals of Government Operations*, will be effective for the City with its year ending June 30, 2015. This Statement establishes account and financial reporting standards related to government combinations and disposals of government operations.

GASB Statement Number 71, *Pension Transition for Contributions Made subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, will be effective for the City with its year ending June 30, 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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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)
07/01/04	$ 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%
07/01/10	9,622,888	21,305,517	11,682,629	45.17%	8,685,338	134.51%
07/01/11	10,586,674	22,177,914	11,591,240	47.74%	8,854,752	130.90%
07/01/12	11,625,228	24,874,324	13,249,096	46.74%	8,724,909	151.85%
07/01/13	13,177,559	26,156,495	12,978,936	50.38%	8,210,675	158.07%

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)
07/01/04	$ 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%
07/01/10	32,669,669	72,299,571	39,629,902	45.19%	10,747,148	368.75%
07/01/11	33,418,469	73,899,682	40,481,213	45.22%	10,615,123	381.35%
07/01/12	33,849,115	80,380,389	46,531,274	42.11%	11,012,096	422.55%
07/01/13	35,974,408	82,165,494	46,191,086	43.78%	10,660,897	433.28%

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)
07/01/04	$ 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%
07/01/09	35,850,764	68,509,327	32,658,563	52.33%	9,849,864	331.56%
07/01/10	38,108,396	74,698,614	36,590,218	51.02%	9,671,091	378.35%
07/01/11	42,249,987	82,059,278	39,809,291	51.49%	9,598,238	414.76%
07/01/12	45,249,399	85,542,315	40,292,916	52.90%	9,968,446	404.20%
07/01/13	50,599,871	89,259,400	38,659,529	56.69%	9,686,182	399.12%

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

The City of Frederick Thirty-Year Pension System

Fiscal Year	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed	Net Pension (Asset)
2005	$ 881,850	$ 881,850	100.00%	$ (240,886)
2006	923,773	923,773	100.00%	(240,703)
2007	834,948	834,948	100.00%	(240,520)
2008	846,175	846,175	100.00%	(240,337)
2009	886,197	886,197	100.00%	(240,154)
2010	1,342,669	1,342,669	100.00%	(239,971)
2011	1,518,438	1,518,438	100.00%	(238,589)
2012	1,686,613	1,686,613	100.00%	(237,214)
2013	1,701,812	1,754,139	103.07%	(288,174)
2014	1,748,679	1,748,679	100.00%	(287,090)

The City of Frederick Twenty-Five Year Pension System

Fiscal Year	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed	Net Pension (Asset)
2005	$ 2,017,267	$ 2,017,267	100.00%	$ (1,535,119)
2006	2,419,945	2,419,945	100.00%	(1,533,951)
2007	2,721,772	2,721,772	100.00%	(1,532,784)
2008	2,764,732	2,764,732	100.00%	(1,531,617)
2009	2,774,792	2,774,792	100.00%	(1,530,452)
2010	3,479,683	3,479,683	100.00%	(1,529,284)
2011	3,854,773	3,854,773	100.00%	(1,520,470)
2012	4,219,798	4,219,798	100.00%	(1,511,707)
2013	4,290,877	4,408,803	102.75%	(1,620,921)
2014	4,596,936	4,596,936	100.00%	(1,614,820)

The City of Frederick Twenty-Two Year Pension System

Fiscal Year	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed	Net Pension (Asset)
2005	$ 2,238,697	$ 2,238,697	100.00%	$ (830,654)
2006	2,746,631	2,746,631	100.00%	(830,022)
2007	3,287,281	3,287,281	100.00%	(829,390)
2008	4,126,228	4,126,228	100.00%	(828,759)
2009	4,066,446	4,066,446	100.00%	(828,129)
2010	4,130,255	4,130,255	100.00%	(827,497)
2011	4,952,458	4,952,458	100.00%	(822,728)
2012	5,216,531	5,216,531	100.00%	(817,986)
2013	5,757,450	5,987,197	103.99%	(1,043,019)
2014	5,067,852	5,067,852	100.00%	(1,039,095)

The City of Frederick, Maryland
Required Supplementary Information (unaudited)
Schedule of Changes in the City's Net Pension Liability and Related Ratios
as of June 30, 2014

	30-Year Plan 2014	25-Year Plan 2014	22-Year Plan 2014
Total pension liability:			
Service cost	$ 655,407	$ 1,726,237	$ 2,631,974
Interest	1,978,567	6,052,538	6,768,531
Benefits payments, including refunds	(773,254)	(4,994,295)	(3,301,079)
Net change in total pension liability	1,860,720	2,784,480	6,099,426
Total pension liability, beginning	26,939,945	86,216,036	90,703,696
Total pension liability, ending	$ 28,800,665	$ 89,000,516	$ 96,803,122
Plan fiduciary net position:			
Contributions, employer	$ 1,748,679	$ 4,596,936	$ 5,067,852
Contributions, employee	8,713	797,029	870,282
Net investment income	2,450,240	6,306,412	9,215,191
Benefits payments, including refunds	(773,254)	(4,994,295)	(3,301,079)
Administrative expense	(16,552)	(42,600)	(62,249)
Net change in plan fiduciary net position:	3,417,826	6,663,482	11,789,997
Plan fiduciary net position, beginning	14,015,966	38,238,948	53,837,447
Plan fiduciary net position, ending	$ 17,433,792	$ 44,902,430	$ 65,627,444
City's net pension liability	$ 11,366,873	$ 44,098,086	$ 31,175,678
Plan fiduciary net position as a percentage of total pension liability	60.53%	50.45%	67.79%
Covered payroll	$ 8,643,500	$ 11,239,261	$ 10,684,088
City's net position liability as a percentage of covered payroll	131.51%	392.36%	291.80%

Information for fiscal years prior to 2014 is not readily available.

The City of Frederick, Maryland
Required Supplementary Information (unaudited)
Schedule of City Contributions
Last 10 Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
30-Year Pension Trust Fund:										
Actuarially determined contribution	$ 881,850	$ 923,773	$ 834,948	$ 846,175	$ 886,197	$ 1,342,669	$ 1,518,438	$ 1,686,613	$ 1,701,812	$ 1,748,679
Contribution	881,850	923,773	834,948	846,175	886,197	1,342,669	1,518,438	1,686,613	1,754,139	1,748,679
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (52,327)	$ -
Covered payroll	$ 7,508,089	$ 7,121,925	$ 7,888,669	$ 7,160,069	$ 7,780,038	$ 8,685,338	$ 8,854,752	$ 8,724,909	$ 8,210,675	$ 8,643,500
Contributions as a percentage of covered payroll	11.75%	12.97%	10.58%	11.82%	11.39%	15.46%	17.15%	19.33%	21.36%	20.23%
25-Year Pension Trust Fund:										
Actuarially determined contribution	$ 2,017,267	$ 2,419,945	$ 2,721,772	$ 2,764,732	$ 2,774,792	$ 3,479,683	$ 3,854,773	$ 4,219,798	$ 4,290,877	$ 4,596,936
Contribution	2,017,267	2,419,945	2,721,772	2,764,732	2,774,792	3,479,683	3,854,773	4,219,798	4,408,803	4,596,936
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (117,926)	$ -
Covered payroll	$ 8,738,749	$ 8,728,421	$ 8,913,644	$ 8,238,801	$ 9,582,428	$ 10,747,148	$ 10,615,123	$ 11,012,096	$ 10,660,897	$ 11,239,261
Contributions as a percentage of covered payroll	23.08%	27.72%	30.53%	33.56%	28.96%	32.38%	36.31%	38.32%	41.35%	40.90%
22-Year Pension Trust Fund										
Actuarially determined contribution	$ 2,238,697	$ 2,746,631	$ 3,287,281	$ 4,126,228	$ 4,066,446	$ 4,130,255	$ 4,952,458	$ 5,216,531	$ 5,757,450	$ 5,067,852
Contribution	2,238,697	2,746,631	3,287,281	4,126,228	4,066,446	4,130,255	4,952,458	5,216,531	5,987,197	5,067,852
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (229,747)	$ -
Covered payroll	$ 7,718,223	$ 8,384,676	$ 8,357,560	$ 9,118,974	$ 9,849,864	$ 9,671,091	$ 9,598,238	$ 9,968,446	$ 9,686,182	$ 10,684,088
Contributions as a percentage of covered payroll	29.01%	32.76%	39.33%	45.25%	41.28%	42.71%	51.60%	52.33%	61.81%	47.43%

The City of Frederick, Maryland
Pension Trust Funds
Required Supplementary Information (unaudited)
Schedule of Investment Returns
Fiscal Year Ending June 30, 2014

	2014
30 Year Plan:	
Annual money weighted rate of return, net of investment expense	16.5%
25 Year Plan:	
Annual money weighted rate of return, net of investment expense	16.5%
22 Year Plan:	
Annual money weighted rate of return, net of investment expense	16.5%

Information for fiscal years prior to 2014 is not readily available.

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%
07/01/10	-	127,998,804	127,998,804	0.00%	29,103,577	439.80%
07/01/12	10,457,567	114,742,755	104,285,188	9.11%	23,077,699	451.89%
07/01/14	20,245,974	119,136,169	98,890,195	16.99%	24,438,846	404.64%

Required Supplementary Information (unaudited)
Schedule of Employer Contributions - Other Post Employment Benefits Plan

Fiscal Year	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed	Net OPEB Obligation
2009	$ 7,474,000	$ 2,229,200	29.83%	$ 5,244,800
2010	12,628,000	3,299,727	26.13%	14,433,073
2011	11,120,616	11,598,116	104.29%	13,859,114
2012	11,120,616	5,882,079	52.89%	19,005,256
2013	8,996,061	6,913,055	76.85%	20,961,561
2014	8,996,061	6,496,205	72.21%	23,810,504

OTHER SUPPLEMENTARY INFORMATION

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.

City Housing Fund - This fund is used to record transactions for the City's Moderately Priced Dwelling Unit program.

The City of Frederick, Maryland
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds				
	CDS Program	Weinberg Center	Community Development	City Housing Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	$ -	$ 403,632	$ -	$ -	$ 403,632
Equity in pooled cash/investments	175,140	98,947	112,157	757,781	1,144,025
Investments	-	277,979	-	-	277,979
Receivables (net of allowance for uncollectibles)	-	-	2,045,796	-	2,045,796
Prepaid items	-	1,250	-	-	1,250
Intergovernmental receivable	-	-	98,601	-	98,601
Total assets	$ 175,140	$ 781,808	$ 2,256,554	$ 757,781	$ 3,971,283
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 7,621	$ 75,222	$ 31,874	$ -	$ 114,717
Accrued liabilities	-	14,008	2,401	-	16,409
Deposits	41,435	-	-	-	41,435
Total liabilities	49,056	89,230	34,275	-	172,561
Fund balances:					
Nonspendable	-	1,250	2,045,796	-	2,047,046
Restricted	32,211	372,044	-	-	404,255
Assigned	93,873	319,284	176,483	757,781	1,347,421
Total fund balances	126,084	692,578	2,222,279	757,781	3,798,722
Total liabilities and fund balances	$ 175,140	$ 781,808	$ 2,256,554	$ 757,781	$ 3,971,283

The City of Frederick, Maryland
Combining Statement of Revenues, Expenditures, and Change in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds				
	CDS Program	Weinberg Center	Community Development	City Housing Fund	Total Nonmajor Governmental Funds
REVENUES:					
Intergovernmental	$ 19,433	$ 93,018	$ 213,351	$ -	$ 325,802
Charges for services	-	939,209	-	-	939,209
Fines and forfeitures	50,157	-	-	-	50,157
Miscellaneous	424	569,559	465	757,781	1,328,229
Total revenues	70,014	1,601,786	213,816	757,781	2,643,397
EXPENDITURES:					
Current:					
Public safety	55,727	-	-	-	55,727
Recreation and parks	-	1,572,278	-	-	1,572,278
Community development	-	-	269,119	-	269,119
Total expenditures	55,727	1,572,278	269,119	-	1,897,124
Excess (Deficiency) of Revenues over Expenditures	14,287	29,508	(55,303)	757,781	746,273
OTHER FINANCING SOURCES (USES):					
Transfers in	-	111,430	-	-	111,430
Transfers out	-	-	(25,500)	-	(25,500)
Insurance reimbursements	-	23,978	-	-	23,978
Capital asset disposition	3,427	-	-	-	3,427
Total Other Financing Sources (Uses)	3,427	135,408	(25,500)	-	113,335
Net Change in Fund Balances	17,714	164,916	(80,803)	757,781	859,608
Fund Balance - beginning	108,370	527,662	2,303,082	-	2,939,114
Fund Balance - ending	$ 126,084	$ 692,578	$ 2,222,279	$ 757,781	$ 3,798,722

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Intergovernmental	$ -	$ -	$ 19,433	$ 19,433
Fines and forfeitures	25,000	25,000	50,157	25,157
Miscellaneous	-	-	424	424
Total Revenues	25,000	25,000	70,014	45,014
EXPENDITURES:				
CDS Enforcement	97,190	97,190	55,727	41,463
Total Expenditures	97,190	97,190	55,727	41,463
Excess (Deficiency) of Revenues over Expenditures	(72,190)	(72,190)	14,287	86,477
OTHER FINANCING SOURCES:				
Capital asset disposition	-	-	3,427	3,427
Total Other Financing Sources	-	-	3,427	3,427
Net Change in Fund Balances	(72,190)	(72,190)	17,714	89,904
Budgetary Fund Balance - beginning	72,190	72,190	108,370	36,180
Budgetary Fund Balance - ending	$ -	$ -	$ 126,084	$ 126,084

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Intergovernmental	$ 54,000	$ 54,000	$ 93,018	$ 39,018
Charges for services	991,500	991,500	939,209	(52,291)
Miscellaneous	263,900	263,900	569,559	305,659
Total Revenues	1,309,400	1,309,400	1,601,786	292,386
EXPENDITURES:				
Weinberg Center	1,654,705	1,654,705	1,572,278	82,427
Total Expenditures	1,654,705	1,654,705	1,572,278	82,427
Excess (Deficiency) of Revenues over Expenditures	(345,305)	(345,305)	29,508	374,813
OTHER FINANCING SOURCES:				
Insurance reimbursements	-	-	23,978	23,978
Transfer in	137,265	137,265	111,430	(25,835)
Total Other Financing Sources	137,265	137,265	135,408	(1,857)
Net Change in Fund Balances	(208,040)	(208,040)	164,916	372,956
Budgetary Fund Balance - beginning	208,040	208,040	527,662	319,622
Budgetary Fund Balance - ending	$ -	$ -	$ 692,578	$ 692,578

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Intergovernmental	$ 284,000	$ 284,000	$ 213,351	$ (70,649)
Miscellaneous	17,500	17,500	465	(17,035)
Total Revenues	301,500	301,500	213,816	(87,684)
EXPENDITURES:				
Community development	302,420	302,420	269,119	33,301
Total Expenditures	302,420	302,420	269,119	33,301
Excess (Deficiency) of Revenues over Expenditures	(920)	(920)	(55,303)	(54,383)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(25,500)	(25,500)
Total Other Financing Sources (Uses)	-	-	(25,500)	(25,500)
Net Change in Fund Balance	(920)	(920)	(80,803)	(79,883)
Budgetary Fund Balance - beginning	920	920	2,303,082	2,302,162
Budgetary Fund Balance - ending	$ -	$ -	$ 2,222,279	$ 2,222,279

The City of Frederick, Maryland
City Housing Fund
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Miscellaneous	$ -	$ -	$ 757,781	$ 757,781
Total Revenues	-	-	757,781	757,781
EXPENDITURES:				
MPDU housing	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	757,781	757,781
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	757,781	757,781
Budgetary Fund Balance - beginning	-	-	-	-
Budgetary Fund Balance - ending	$ -	$ -	$ 757,781	$ 757,781

Nonmajor Proprietary Funds

Proprietary Funds

Proprietary funds focus on the determination of operating income, changes in net position, 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 Position
Nonmajor Proprietary Funds
June 30, 2014

	Business-type Activities - Enterprise Funds		
	Golf Course	Rental Operations	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 600	$ 5,109	$ 5,709
Equity in pooled cash/investments	-	74,972	74,972
Receivables (net of allowance of uncollectibles)	48	-	48
Inventories	106,354	-	106,354
Prepaids	5,500	-	5,500
Total current assets	112,502	80,081	192,583
Noncurrent assets:			
Net pension asset	36,569	-	36,569
Capital assets:			
Land	-	30,650	30,650
Buildings and systems	-	180,795	180,795
Improvements other than buildings	5,565,390	-	5,565,390
Machinery and equipment	837,340	74,826	912,166
Less accumulated depreciation	(3,110,376)	(207,733)	(3,318,109)
Total noncurrent assets	3,328,923	78,538	3,407,461
Total assets	3,441,425	158,619	3,600,044
LIABILITES			
Current liabilities:			
Accounts payable	55,240	20	55,260
Accrued liabilities	42,838	-	42,838
Deposits	-	410	410
Unearned revenue	53,675	-	53,675
Advances from other funds	5,023,810	-	5,023,810
Compensated absences	25,860	-	25,860
Bonds, notes, and loans payable	41,195	-	41,195
Total current liabilities	5,242,618	430	5,243,048
Noncurrent liabilities:			
OPEB Liabilities	403,687	-	403,687
Compensated absences	6,704	-	6,704
Bonds, notes, and loans payable	810,539	-	810,539
Total noncurrent liabilities	1,220,930	-	1,220,930
Total liabilities	6,463,548	430	6,463,978
NET POSITION			
Invested in capital assets, net of related debt	2,440,620	78,538	2,519,158
Unrestricted	(5,462,743)	79,651	(5,383,092)
Total net position	$(3,022,123)	$ 158,189	$ (2,863,934)

The City of Frederick, Maryland
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Golf Course	Rental Operations	Total
Operating revenues:			
Charges for services:			
Golf course fees	$ 1,413,902	$ -	$ 1,413,902
Miscellaneous	13,872	9,468	23,340
Total operating revenues	1,427,774	9,468	1,437,242
Operating expenses:			
Public housing	-	20,864	20,864
Golf course maintenance	653,373	-	653,373
Golf course clubhouse	667,723	-	667,723
Golf course restaurant	194,715	-	194,715
Depreciation	185,907	15,209	201,116
Total operating expenses	1,701,718	36,073	1,737,791
Operating income/(loss)	(273,944)	(26,605)	(300,549)
Nonoperating revenues/(expenses)			
Intergovernmental	-	27,523	27,523
Interest income	-	151	151
Insurance reimbursements	602	-	602
Other nonoperating revenues	32	-	32
Debt premium amortization	1,195	-	1,195
Interest expense	(37,808)	-	(37,808)
Other nonoperating expenses	(7)	-	(7)
Total nonoperating revenue/(expenses)	(35,986)	27,674	(8,312)
Income/(loss) before transfers	(309,930)	1,069	(308,861)
Total net position - beginning	(2,712,192)	157,119	(2,555,073)
Total net position - ending	$(3,022,122)	$ 158,188	$ (2,863,934)

The City of Frederick, Maryland
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Golf Course	Rental Operations	Total
Cash flows from operating activities:			
Receipts from customers and users	$ 1,430,867	$ 9,624	$ 1,440,491
Receipts from other sources	$ 32	$ -	32
Payments to vendors	(911,397)	(20,855)	(932,252)
Payments to employees	(563,557)	(832)	(564,389)
Net cash provided (used) by operating activities	(44,055)	(12,063)	(56,118)
Cash flows from noncapital financing activities:			
Operating subsidy	-	27,523	27,523
Due to other funds	142,689	-	142,689
Net cash provided (used) by noncapital financing activities	142,689	27,523	170,212
Cash flows from capital and related financing activities:			
Principal payments	(21,972)	-	(21,972)
Interest payments	(38,208)	-	(38,208)
Other debt related costs	(8)	-	(8)
Proceeds from insurance reimbursements	602		602
Capital asset acquisition	(39,454)	-	(39,454)
Net cash (used) by capital and related financing activities	(99,040)	-	(99,040)
Cash flows from investings activities:			
Interest earned	1	151	152
Net cash provided by investing activities	1	151	152
Net increase (decrease) in cash equivalents	(405)	15,611	15,206
Cash equivalents - beginning	1,005	64,470	65,475
Cash equivalents - ending	$ 600	$ 80,081	$ 80,681

(continued)

The City of Frederick, Maryland
Combining Statement of Cash Flows (continued)
Nonmajor Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Golf Course	Rental Operations	Total
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating loss	$ (273,944)	$ (26,605)	$ (300,549)
Other Cash Receipts that do not result from Transactions defined as Capital and Related Financing, Noncapital Financing or Investing Activities.	32	-	32
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	185,907	15,209	201,116
(Increase)/decrease in accounts receivable	495	156	651
(Increase)/decrease in inventory	(13,771)	-	(13,771)
Decrease in net pension asset	169	-	169
(Decrease)/increase in accounts payable	(1,334)	9	(1,325)
(Decrease)/increase in deferred revenue	2,598	-	2,598
(Decrease)/increase in OPEB liability	68,471	-	68,471
(Decrease)/increase in wages payable	(4,287)	(832)	(5,119)
(Decrease)/increase in compensated absences	(8,391)	-	(8,391)
Total adjustments	229,857	14,542	244,399
Net cash provided (used) by operating activities	$ (44,055)	$ (12,063)	$ (56,118)

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 POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Invested in capital assets, net of related debt	$ 54,856,404	$ 55,805,720	$ 55,591,683	$ 57,992,552	$ 59,517,153	$ 59,765,449	$ 58,911,146	$ 58,971,758	$ 61,782,387	$ 68,637,451
Restricted	820,341	795,991	1,190,033	1,873,394	2,649,212	1,547,698	1,818,497	1,741,456	2,114,030	2,808,140
Unrestricted	7,839,494	20,230,961	24,074,161	27,035,600	24,402,118	20,703,812	21,647,000	20,401,656	17,556,345	12,517,401
Total governmental activities net position	$ 63,516,239	$ 76,832,672	$ 80,855,877	$ 86,901,546	$ 86,568,483	$ 82,016,959	$ 82,376,643	$ 81,114,870	$ 81,452,762	$ 83,962,992
Business-type activities										
Invested in capital assets, net of related debt	$ 143,574,323	$ 144,403,887	$ 158,629,713	$ 162,281,588	$ 152,780,782	$ 155,252,838	$ 162,204,773	$ 156,954,179	$ 155,846,982	$ 158,963,588
Restricted	6,490,579	12,695,679	9,463,659	6,343,147	4,801,857	498,487	1,849,613	3,036,286	6,704,374	6,732,260
Unrestricted	19,500,985	18,833,302	18,780,578	20,668,350	24,273,420	22,761,675	22,069,063	28,979,873	30,968,299	33,374,607
Total business-type activities net position	$ 169,565,887	$ 175,932,868	$ 186,873,950	$ 189,293,085	$ 181,856,059	$ 178,513,000	$ 186,123,449	$ 188,970,338	$ 193,519,655	$ 199,070,455
Primary government										
Invested in capital assets, net of related debt	$ 198,430,727	$ 200,209,607	$ 214,221,396	$ 220,274,140	$ 212,297,935	$ 215,018,287	$ 221,115,919	$ 215,925,937	$ 217,629,369	$ 227,601,039
Restricted	7,310,920	13,491,670	10,653,692	8,216,541	7,451,069	2,046,185	3,668,110	4,777,742	8,818,404	9,540,400
Unrestricted	27,340,479	39,064,263	42,854,739	47,703,950	48,675,538	43,465,487	43,716,063	49,381,529	48,524,644	45,892,008
Total primary government net position	$ 233,082,126	$ 252,765,540	$ 267,729,827	$ 276,194,631	$ 268,424,542	$ 260,529,959	$ 268,500,092	$ 270,085,208	$ 274,972,417	$ 283,033,447

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	$ 7,811,588	$ 7,381,790	$ 8,442,242	$ 9,921,865	$ 13,843,701	$ 11,112,807	$ 9,605,846	$ 9,674,531	$ 10,551,754	$ 10,837,533
Public safety	18,969,032	20,289,857	22,335,882	24,930,778	27,774,500	29,380,419	28,689,755	29,619,355	29,614,505	31,006,820
Public works	12,666,210	13,955,935	14,025,384	14,258,037	16,085,179	17,920,281	16,782,556	16,913,468	18,022,285	17,847,442
Recreation and parks	5,513,056	5,334,442	6,473,547	7,218,619	8,537,986	8,593,681	8,904,412	8,787,099	8,672,576	8,768,838
Community development	1,102,406	711,756	1,035,084	1,030,103	1,042,266	1,233,762	1,074,238	1,055,298	657,361	1,000,768
Economic opportunity	2,194,580	2,323,843	2,413,856	2,665,212	2,762,777	3,550,150	3,160,817	3,265,475	3,327,477	4,135,736
Interest on long-term debt	2,097,849	1,999,391	1,924,408	1,757,506	2,096,126	3,130,649	3,230,708	3,165,462	2,562,813	2,810,381
Miscellaneous	61,126	15,216	-	-	-	-	-	-	-	-
Total governmental activities expenses	50,415,847	52,012,230	56,650,403	61,782,120	72,142,535	74,921,749	71,448,332	72,480,688	73,408,771	76,407,518
Business-type activities:										
Rental operations	63,547	22,433	36,695	47,628	46,580	51,008	57,746	50,991	50,788	36,073
Water and sewer	14,262,777	14,709,615	16,114,447	15,719,737	21,183,272	19,495,148	18,387,834	22,986,792	22,448,787	24,141,597
Golf course	1,660,229	1,612,515	1,758,967	1,848,767	1,781,729	1,964,708	1,829,914	1,781,409	2,056,395	1,739,533
Airport	1,685,136	1,764,846	1,332,623	1,501,508	1,783,928	2,317,740	2,028,957	2,492,055	2,042,753	1,800,664
Parking	1,899,409	3,724,869	3,792,464	3,447,433	3,611,042	4,025,218	4,760,912	4,468,651	4,634,473	4,724,193
Storm water	1,942,658	1,984,030	1,989,406	2,087,634	2,357,663	2,344,948	2,512,994	2,524,774	2,425,996	2,460,456
Total business-type activities expenses	21,513,756	23,818,308	25,024,602	24,652,707	30,764,214	30,198,770	29,578,357	34,304,672	33,659,192	34,902,516
Total primary government expenses	$ 71,929,603	$ 75,830,538	$ 81,675,005	$ 86,434,827	$ 102,906,749	$ 105,120,519	$ 101,026,689	$ 106,785,360	$ 107,067,963	$ 111,310,034
Program Revenues										
Government activities:										
Charges for services:										
Public safety	$ 1,966,838	$ 2,731,753	$ 2,914,865	$ 1,966,484	$ 1,749,465	$ 2,523,502	$ 1,818,954	$ 3,017,097	$ 2,833,586	$ 3,075,163
Recreation and parks	1,265,644	1,347,786	1,989,950	1,974,985	2,426,172	2,223,533	2,543,464	2,264,643	2,921,182	2,756,033
Other activities	1,985,858	1,616,970	899,633	1,021,607	909,424	646,804	793,407	867,871	976,649	1,780,353
Operating grants and contributions	6,409,566	6,413,053	6,796,260	6,226,986	6,093,560	5,587,027	4,195,169	4,766,506	4,109,780	6,232,712
Capital grants and contributions	2,678,857	3,074,822	2,633,527	2,850,668	4,706,273	2,569,066	1,813,587	1,706,795	3,607,381	3,934,322
Total governmental activities program revenues	14,306,763	15,184,384	15,234,235	14,040,730	15,884,894	13,549,932	11,164,581	12,622,912	14,448,578	17,778,583
Business-type activities:										
Charges for services:										
Water and sewer	10,937,738	12,827,261	14,829,193	14,510,771	14,524,384	16,433,555	19,343,380	21,495,925	24,489,123	24,136,052
Golf course	1,615,152	1,739,201	1,761,511	1,758,726	1,531,269	1,529,491	1,520,422	1,556,753	1,574,674	1,429,603
Airport	1,138,627	1,045,308	1,116,295	1,164,930	1,135,860	943,969	864,021	818,464	843,707	867,135
Parking	2,987,254	3,148,483	3,349,077	3,808,048	3,894,883	3,632,117	4,400,010	4,541,440	4,686,233	5,075,188
Other activities	817,109	818,503	955,642	1,100,508	1,340,575	1,510,399	1,740,966	1,746,214	1,742,777	1,754,209
Operating grants and contributions	109,830	103,762	177,585	166,747	131,486	136,640	141,820	638,020	175,352	162,985
Capital grants and contributions	7,346,014	14,414,700	8,667,779	4,699,256	2,102,232	4,213,433	10,429,437	7,314,724	7,309,417	10,783,042
Total business-type activities program revenues	24,951,724	34,097,218	30,857,082	27,208,986	24,660,689	28,399,604	38,440,056	38,111,540	40,821,283	44,208,214
Total primary government revenues	$ 39,258,487	$ 49,281,602	$ 46,091,317	$ 41,249,716	$ 40,545,583	$ 41,949,536	$ 49,604,637	$ 50,734,452	$ 55,269,861	$ 61,986,797
Net (expense)/revenue										
Governmental activities	$ (36,109,084)	$ (36,827,846)	$ (41,416,168)	$ (47,741,390)	$ (56,257,641)	$ (61,371,817)	$ (60,283,751)	$ (59,857,776)	$ (58,960,193)	$ (58,628,935)
Business-type activities	3,437,968	10,278,910	5,832,480	2,556,279	(6,103,525)	(1,799,166)	8,861,699	3,806,868	7,162,091	9,305,698
Total primary government net expense	$ (32,671,116)	$ (26,548,936)	$ (35,583,688)	$ (45,185,111)	$ (62,361,166)	$ (63,170,983)	$ (51,422,052)	$ (56,050,908)	$ (51,798,102)	$ (49,323,237)

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	$ 27,784,135	$ 31,426,436	$ 35,077,508	$ 37,948,719	$ 40,656,389	$ 43,570,134	$ 46,567,875	$ 43,816,598	$ 48,901,253	$ 48,266,570
Income taxes	4,907,806	5,166,640	5,627,603	5,995,166	5,806,339	5,548,046	6,090,857	6,587,811	6,796,948	7,010,102
Other taxes	387,408	389,999	402,365	431,408	346,904	305,873	317,816	401,280	405,339	389,119
Unrestricted grants and contributions	3,341,584	3,728,364	4,695,551	5,259,594	5,769,443	5,146,165	5,848,174	5,094,664	1,667,027	1,257,005
Interest earnings	506,950	886,927	1,201,986	1,129,019	526,778	274,691	191,738	157,056	107,835	97,008
Gain/(loss) on sale of capital assets	1,036,837	1,221,775	5,857	232,107	361,697	23,614	39,538	258,914	20,515	-
Miscellaneous	58,991	56,199	49,751	52,893	41,093	41,622	36,819	1,181,437	278,909	272,959
Transfers	1,518,921	7,267,939	(1,621,248)	2,738,153	2,415,935	1,910,148	1,448,229	1,098,243	1,724,528	3,846,402
Transfer of capital assets	(53,375,524)	-	-	-	-	-	-	-	-	-
Total governmental activities	(13,832,892)	50,144,279	45,439,373	53,787,059	55,924,578	56,820,293	60,541,046	58,596,003	59,902,354	61,139,165
Business-type activities:										
Interest earnings	666,132	3,356,010	3,487,354	2,601,009	1,082,434	366,255	196,979	138,264	125,716	91,504
Transfers	(1,518,921)	(7,267,939)	1,621,248	(2,738,153)	(2,415,935)	(1,910,148)	(1,448,229)	(1,098,243)	(1,724,528)	(3,846,402)
Transfer of capital assets	53,375,524	-	-	-	-	-	-	-	-	-
Total business-type activities	52,522,735	(3,911,929)	5,108,602	(137,144)	(1,333,501)	(1,543,893)	(1,251,250)	(959,979)	(1,598,812)	(3,754,898)
Total primary government	$ 38,689,843	$ 46,232,350	$ 50,547,975	$ 53,649,915	$ 54,591,077	$ 55,276,400	$ 59,289,796	$ 57,636,024	$ 58,303,542	$ 57,384,267
Change in Net Position										
Governental activities	$ (49,941,976)	$ 13,316,433	$ 4,023,205	$ 6,045,669	$ (333,063)	$ (4,551,524)	$ 257,295	$ (1,261,773)	$ 942,161	$ 2,510,230
Business-type activities	55,960,703	6,366,981	10,941,082	2,419,135	(7,437,026)	(3,343,059)	7,610,449	2,846,889	5,563,279	5,550,800
Total primary government	$ 6,018,727	$ 19,683,414	$ 14,964,287	$ 8,464,804	$ (7,770,089)	$ (7,894,583)	$ 7,867,744	$ 1,585,116	$ 6,505,440	$ 8,061,030

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Reserved	$ 4,956,617	$ 5,288,664	$ 5,793,698	$ 10,213,220	$ 5,906,069	$ 5,802,406	$ -	$ -	$ -	$ -
Unreserved:										
Designated	1,910,579	3,047,463	2,042,750	4,946,108	2,752,110	926,039	-	-	-	-
Undesignated	2,860,897	7,270,067	11,623,563	5,709,009	11,430,350	14,153,802	-	-	-	-
Nonspendable	-	-	-	-	-	-	5,284,535	5,269,844	5,553,876	5,816,997
Restricted	-	-	-	-	-	-	197,938	197,674	195,938	194,814
Committed	-	-	-	-	-	-	524,324	522,177	1,192,444	329,649
Assigned	-	-	-	-	-	-	2,781,723	6,446,946	11,528,480	2,976,063
Unassigned	-	-	-	-	-	-	17,048,404	15,252,943	5,945,753	10,593,266
Total general fund	$ 9,728,093	$ 15,606,194	$ 19,460,011	$ 20,868,337	$ 20,088,529	$ 20,882,247	$ 25,836,924	$ 27,689,584	$ 24,416,491	$ 19,910,789
All other governmental funds										
Reserved	$ 11,388,067	$ 7,225,118	$ 3,923,804	$ 11,956,981	$ 9,198,552	$ 8,738,827	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	30,209	140,431	161,639	326,626	542,145	891,196	-	-	-	-
Capital projects funds	4,864,579	4,427,961	2,588,627	(4,313,083)	9,352,102	5,545,065	-	-	-	-
Nonspendable	-	-	-	-	-	-	2,206,633	2,169,708	2,125,039	2,047,046
Restricted	-	-	-	-	-	-	4,107,321	3,668,132	12,541,334	12,418,668
Committed	-	-	-	-	-	-	2,885,570	2,186,365	214,717	-
Assigned	-	-	-	-	-	-	3,319,297	4,023,980	8,102,720	10,313,527
Total all other governmental funds	$ 16,282,855	$ 11,793,510	$ 6,674,070	$ 7,970,524	$ 19,092,799	$ 15,175,088	$ 12,518,821	$ 12,048,185	$ 22,983,810	$ 24,779,241

Note - GASB Statement No. 54 altered the classification of governmental fund balances on a prospective basis effective with fiscal year 2011. Retroactive application was encouraged; however, information pertaining to prior years is not readily available. The objective of this statement is to more clearly define categories that reflect the nature and extent of constraints placed on the City's fund balances.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes:										
Property taxes	$ 27,784,135	$ 31,426,435	$ 35,077,508	$ 37,948,719	$ 40,656,389	$ 43,570,135	$ 46,567,875	$ 43,495,667	$ 49,005,998	$ 48,214,181
Income taxes	4,907,806	5,166,640	5,627,603	5,995,166	5,806,340	5,548,045	6,090,857	6,587,811	6,796,948	7,010,102
Other taxes	387,408	389,999	402,365	431,408	346,904	305,873	317,816	401,280	405,339	389,119
Licenses and permits	1,965,138	2,693,743	2,711,634	1,911,285	1,468,000	2,375,343	1,687,457	2,230,532	2,317,125	2,544,470
Intergovernmental	10,627,614	11,162,584	11,168,733	11,195,720	12,074,875	10,648,160	9,305,651	9,776,411	5,011,287	6,351,347
Charges for services	1,774,069	1,745,271	1,924,643	2,155,354	2,321,749	2,332,081	2,536,048	2,455,452	2,607,519	2,693,156
Fines and forfeitures	116,690	444,404	577,893	485,832	624,082	577,466	532,398	1,705,111	1,307,955	1,173,783
Miscellaneous	2,236,450	2,363,280	2,690,232	2,491,345	4,337,261	2,257,919	1,813,516	2,530,774	3,670,682	4,283,869
Total revenues	49,799,310	55,392,356	60,180,611	62,614,829	67,635,600	67,615,022	68,851,618	69,183,038	71,122,853	72,660,027
Expenditures										
General government	7,544,954	7,081,328	7,567,824	8,807,373	12,976,950	9,692,762	8,724,561	8,549,607	9,031,999	10,028,228
Public safety	18,469,066	20,019,582	22,096,860	24,566,690	27,172,993	26,441,580	26,765,448	27,489,456	29,341,398	29,861,227
Public works	9,146,013	10,251,810	11,170,943	10,978,191	11,712,321	12,411,139	11,976,035	12,616,116	13,941,014	14,332,589
Recreation and parks	4,671,167	4,585,333	4,760,130	5,579,399	6,715,101	5,979,589	5,969,521	6,191,212	6,367,495	7,105,235
Urban development and housing	1,437,530	776,877	1,321,871	793,394	1,005,062	1,170,722	1,010,691	1,024,771	759,242	1,001,369
Economic opportunity	2,152,705	2,231,192	2,324,480	2,765,476	2,638,573	3,260,161	2,995,984	2,924,599	3,098,720	3,912,185
Miscellaneous	61,126	3,931	77,889	59,477	-	-	-	-	-	-
Capital projects	8,071,281	13,219,554	4,755,216	3,932,281	35,731,632	7,154,657	3,628,998	3,816,969	4,131,735	5,371,145
Debt service:										
Principal	4,042,885	4,024,631	3,964,680	4,735,368	4,638,528	3,785,104	4,009,270	4,346,545	4,621,888	5,045,640
Interest	2,016,215	1,908,433	1,849,520	1,713,343	1,545,865	3,075,786	3,045,211	2,821,654	2,374,364	2,718,264
Other charges	25,268	19,166	22,837	18,567	407,157	8,762	9,054	159,596	165,019	8,077
Total expenditures	57,638,210	64,121,837	59,912,250	63,949,559	104,544,182	72,980,262	68,134,773	69,940,525	73,832,874	79,383,959
Excess (deficiency) of revenues over expenditures	(7,838,900)	(8,729,481)	268,361	(1,334,730)	(36,908,582)	(5,365,240)	716,845	(757,487)	(2,710,021)	(6,723,932)
Other financing sources (uses)										
Capital asset disposition	3,347,897	1,588,366	5,857	1,102,369	682,309	282,909	27,290	246,114	20,515	126,996
Insurance reimbursements	-	67,774	81,407	99,734	110,633	48,190	14,982	24,527	19,710	40,263
Debt proceeds	1,398,945	1,194,043	-	99,255	44,043,053	-	-	8,367,000	21,274,997	-
Premium on bonds issued	-	-	-	-	-	-	-	127,312	2,530,309	-
Transfers in	3,610,205	10,115,807	3,733,281	5,695,808	6,327,327	2,470,432	3,319,151	3,768,259	6,014,481	6,390,461
Transfers out	(2,091,284)	(2,847,868)	(5,354,529)	(2,957,656)	(3,912,273)	(560,284)	(1,882,247)	(2,670,016)	(4,289,953)	(2,544,059)
Payment to refunded bond escrow	-	-	-	-	-	-	-	(7,723,685)	(15,197,506)	-
Total other financing sources (uses)	6,265,763	10,118,122	(1,533,984)	4,039,510	47,251,049	2,241,247	1,479,176	2,139,511	10,372,553	4,013,661
Net change in fund balances	$ (1,573,137)	$ 1,388,641	$ (1,265,623)	$ 2,704,780	$ 10,342,467	$ (3,123,993)	$ 2,196,021	$ 1,382,024	$ 7,662,532	$ (2,710,271)
Debt service as a percentage of noncapital expenditures	12.2%	11.6%	10.7%	10.8%	9.6%	10.4%	10.8%	10.9%	10.4%	10.8%

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
2005	$3,644,565,359	$3,644,565,359	$0.6900	$ 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	0.6900	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	0.6900	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	0.6700	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	0.6500	417,388,892	156,520,834	1.55	6,294,861,158	6,033,993,100	95.86%
2010	6,324,191,887	6,324,191,887	0.6500	411,723,070	154,396,151	1.55	6,735,914,957	6,478,588,038	96.18%
2011	6,762,305,403	6,762,305,403	0.6500	420,906,402	157,839,901	1.55	7,183,211,805	6,920,145,304	96.34%
2012	6,158,768,855	6,158,768,855	0.6500	592,379,348	222,142,255	1.55	6,751,148,203	6,380,911,110	94.52%
2013	6,213,988,112	6,213,988,112	0.7320	593,200,830	222,450,311	1.55	6,807,188,942	6,436,438,423	94.55%
2014	6,366,307,120	6,366,307,120	0.7305	456,875,064	171,328,149	1.55	6,823,182,184	6,537,635,269	95.82%

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	(Note 1) Applicable to Prior Years	(Note 2) Amount	Percent
2005	$27,663,408	$27,469,863	99.3%	$ 193,545	$ 27,663,408	100.0%
2006	31,023,926	30,834,951	99.4%	188,031	31,022,982	100.0%
2007	34,716,468	34,454,566	99.2%	251,013	34,705,579	100.0%
2008	37,890,393	37,663,481	99.4%	225,317	37,888,798	100.0%
2009	40,600,977	40,412,247	99.5%	159,100	40,571,347	99.9%
2010	43,488,738	43,351,084	99.7%	111,959	43,463,043	99.9%
2011	46,395,466	46,264,937	99.7%	86,027	46,350,964	99.9%
2012	43,475,202	43,013,544	98.9%	420,761	43,434,305	99.9%
2013	48,934,372	48,752,446	99.6%	112,406	48,864,852	99.9%
2014	49,161,460	48,915,935	99.5%	-	48,915,935	99.5%

Note 1 - Includes additions, abatements and collections of original levy
Note 2 - Total amount collected and abated.

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
2005	$0.6900	$ 1.55	$27,663,408	$1.1350	$41,365,817	$ 0.132	$4,810,826	$ 1.957	$73,840,051
2006	0.6900	1.55	31,023,926	1.1350	46,973,493	0.132	5,462,997	1.957	83,460,416
2007	0.6900	1.55	34,716,468	1.0640	49,748,293	0.112	5,236,662	1.866	89,701,423
2008	0.6700	1.55	37,890,393	1.0640	56,386,345	0.112	5,935,405	1.846	100,212,143
2009	0.6500	1.55	40,600,977	1.0640	62,536,305	0.112	6,582,769	1.826	109,720,051
2010	0.6500	1.55	43,488,738	1.0640	67,289,402	0.112	7,083,095	1.826	117,861,235
2011	0.6500	1.55	46,395,466	1.0640	71,950,929	0.112	7,573,782	1.826	125,920,177
2012	0.6500	1.55	43,475,202	1.0640	65,529,301	0.112	6,897,821	1.826	115,902,324
2013	0.7320	1.55	48,934,372	0.9410	58,473,628	0.112	6,959,667	1.785	114,367,667
2014	0.7305	1.55	49,161,460	0.9357	59,569,536	0.112	7,130,264	1.778	115,861,260

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:

	2014			2005		
Taxpayer	Assessed Value	Rank	Percentage of Total Assessed Value	Assessed Value	Rank	Percentage of Total Assessed Value
RIV 402 LLC	$ 95,725,000	1	1.54%	-	-	-
MedImmune, Inc.	51,825,900	2	0.83%	-	-	-
River X, LLC	47,105,200	3	0.76%	-	-	-
LSREF2 Tractor REO (Frederick) LLC	38,407,100	4	0.62%	39,914,266	1	1.10%
I&G Direct Real Estate 23 LP	31,198,300	5	0.50%	-	-	-
Aldi, Inc.	30,575,600	6	0.49%	-	-	-
KBS Legacy Partners Crystal LLC	28,634,267	7	0.46%	20,671,432	4	0.57%
ASN Sunset LLC	28,337,500	8	0.46%	-	-	-
Frederick Shopping Center LLC	27,691,700	9	0.45%	15,708,600	7	0.43%
Market Square at Frederick LLC	26,377,150	10	0.42%	-	-	-
Fredericktowne Mall Assoc.	-	-	-	23,252,200	3	0.64%
First Real Estate Investment Trust	-	-	-	27,217,200	2	0.75%
Brightseat LLC	-	-	-	20,239,500	5	0.56%
Homewood Retirement Centers	-	-	-	15,958,600	6	0.44%
Costco Wholesale Corp.	-	-	-	14,687,000	8	0.40%
Waverly Limited Partnership	-	-	-	14,657,632	9	0.40%
Frederick Commons, LLC	-	-	-	13,438,400	10	0.37%
	$ 405,877,717		6.53%	$ 205,744,830		5.65%

Assessed Value provided by the Maryland Department of Assessment and Taxation

Personal Property Tax:

	2014			2005		
Taxpayer	Assessed Value	Rank	Percentage of Total Assessed Value	Assessed Value	Rank	Percentage of Total Assessed Value
MedImmune, Inc.	$ 48,779,320	1	21.93%	$ 3,162,570	5	1.91%
Maryland Grocery Store Company	4,300,130	2	1.93%	-	-	-
Randall Family LLC	3,345,150	3	1.50%	-	-	-
United Healthcare Services Inc.	2,752,130	4	1.24%	-	-	-
Nicolock Paving Stones LLC	2,553,300	5	1.15%	-	-	-
Saputo Dairy Foods USA, LLC	2,452,100	6	1.10%	3,856,930	4	2.33%
State Farm Mutual Automobile						0.00%
Insurance Co.	2,131,600	7	0.96%	2,886,300	6	1.74%
Wegmans Food Markets, Inc.	1,769,960	8	0.80%	-	-	-
Experient Inc.	1,594,350	9	0.72%	-	-	-
Comcast	1,473,250	10	0.66%	-	-	-
BP Solar International LLC	-	-	-	11,341,700	1	6.86%
Mid Atlantic Medical Services, Inc.	-	-	-	5,802,520	2	3.51%
Intracel Resources, LLC	-	-	-	5,105,460	3	3.09%
Von Hoffman Corporation	-	-	-	2,577,870	7	1.56%
Valley Rental Company, Inc.	-	-	-	2,211,970	8	1.34%
Expoexchange, LLC	-	-	-	2,207,540	9	1.33%
GS Cable, LLC	-	-	-	2,078,990	10	1.26%
	$ 71,151,290		31.99%	$ 41,231,850		24.93%

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)
2005	$ 45,714,562	$ 2,221,084	$ 1,117,651	$ 1,019,450	$ 21,644,847	$ 4,910,560	$ -	$ 76,628,154	3.21%	$ 1,298.50
2006	43,776,844	2,154,960	1,033,999	1,968,583	91,547,599	4,674,983	225,957	145,382,925	5.60%	2,394.12
2007	41,260,872	2,084,902	955,120	1,480,841	87,085,891	4,191,728	181,238	137,240,592	5.00%	2,231.26
2008	37,102,701	2,010,676	228,103	979,971	82,514,467	3,954,548	154,029	126,944,495	4.46%	2,054.75
2009	77,067,779	1,932,033	206,238	484,952	165,601,822	3,711,913	104,474	249,109,211	8.75%	4,003.88
2010	73,591,804	1,848,711	183,685	246,723	160,139,733	3,469,278	54,919	239,534,853	7.97%	3,671.65
2011	69,905,830	1,760,431	160,417	-	154,479,520	3,209,772	-	229,515,970	7.33%	3,503.04
2012	66,686,164	1,666,899	136,404	-	149,274,136	10,319,038	-	228,082,641	6.99%	3,464.56
2013	70,822,066	1,567,801	111,614	-	135,873,898	14,703,648	-	223,079,027	N/A	3,373.49
2014	65,698,118	1,462,807	-	-	129,303,999	18,169,134	-	214,634,058	N/A	3,182.83

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
2005	$ 67,359,409	$ 2,221,084	$ 69,580,493	$3,809,982,818	1.83%	59,013	$ 1,179.07
2006	135,324,443	2,154,960	137,479,403	4,300,796,906	3.20%	60,725	2,263.97
2007	128,346,763	2,084,902	130,431,665	4,836,958,325	2.70%	61,508	2,120.56
2008	119,617,168	2,010,676	121,627,844	5,455,770,970	2.23%	61,781	1,968.69
2009	242,669,601	1,932,033	244,601,634	6,033,993,100	4.05%	62,217	3,931.43
2010	233,731,537	1,848,711	235,580,248	6,478,588,038	3.64%	65,239	3,611.03
2011	224,385,350	1,760,431	226,145,781	6,920,145,304	3.27%	65,519	3,451.61
2012	215,960,300	1,666,899	217,627,199	6,380,911,110	3.41%	65,833	3,305.75
2013	206,695,964	1,567,801	208,263,765	6,436,438,423	3.24%	66,127	3,149.45
2014	195,002,117	1,462,807	196,464,924	6,537,635,269	3.01%	67,435	2,913.40

THE CITY OF FREDERICK, MARYLAND
DIRECT AND OVERLAPPING DEBT
as of June 30, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Frederick County	$ 658,232,258	25.00%	$ 164,558,065
The City of Frederick direct debt			67,160,925
			$ 231,718,990

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
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%
2010	518,287,043	120,931,380	397,355,663	23.33%
2011	553,611,624	115,182,848	438,428,776	20.81%
2012	510,472,889	109,578,303	400,894,586	21.47%
2013	514,915,074	107,459,846	407,455,228	20.87%
2014	196,129,058	105,833,985	90,295,073	53.96%

Note - On October 3, 2013 the City revised the debt limit from 8% to 3% of the total assessed value of all taxable property within the City.

THE CITY OF FREDERICK, MARYLAND
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2014

Assessed valuations		$ 6,537,635,269
Debt limit (3% of assessed value per City Charter)		$ 196,129,058
Amount of debt applicable to debt limit:		
Total bonded debt	$ 196,464,924	
Other debt	18,169,134	
	$ 214,634,058	
Less: Water and sewer debt	108,800,073	
Total amount of debt applicable to debt limit		105,833,985
Legal debt margin		$ 90,295,073

The City charter establishes a debt limit of 3% 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
Ratio of General Fund Annual Debt Service Expenditures to General Fund Revenues
Ten-Year Summary
For the years ended June 30,

Fiscal Year	Principal	Interest	Total General Fund Debt Service	Total General Fund Revenue	Ratio of Debt Service to General Fund Revenue
2005	$ 4,042,885	$ 2,016,215	$ 6,059,100	$ 46,515,231	13.03%
2006	4,024,631	1,908,433	5,933,064	52,683,932	11.26%
2007	3,964,680	1,849,520	5,814,200	57,622,015	10.09%
2008	4,735,368	1,713,343	6,448,711	60,460,843	10.67%
2009	4,638,528	1,545,865	6,184,393	62,372,998	9.92%
2010	3,785,104	3,075,786	6,860,890	63,281,356	10.84%
2011	4,009,270	3,045,211	7,054,481	66,468,557	10.61%
2012	4,346,545	2,821,654	7,168,199	66,220,095	10.82%
2013	4,621,888	2,374,364	6,996,252	66,717,614	10.49%
2014	5,045,640	2,718,264	7,763,904	67,838,568	11.44%

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

	Real Property Tax Increment Financing Bonds							
	Pledged Revenues			Expenditures				
	Property Tax Increment	Special Tax	Total	Principal	Interest	Other	Total	Coverage
2005	$ 167,679	$ -	$ 167,679	$ 62,410	$ 135,839	$ 2,356	$ 200,605	83.59%
2006	195,074	-	195,074	66,124	56,668	5,866	128,658	151.62%
2007	240,421	-	240,421	70,058	79,938	9,924	159,920	150.34%
2008	746,100	-	746,100	74,226	77,340	6,069	157,635	473.31%
2009	865,402	-	865,402	78,643	74,586	6,955	160,184	540.25%
2010	942,403	-	942,403	83,322	57,927	7,156	148,405	635.02%
2011	1,022,905	-	1,022,905	88,280	42,280	7,549	138,109	740.65%
2012	914,466	-	914,466	93,532	40,261	9,860	143,653	636.58%
2013	1,034,874	-	1,034,874	99,098	38,122	8,675	145,895	709.33%
2014	1,016,562	-	1,016,562	104,994	35,856	7,073	147,923	687.22%

THE CITY OF FREDERICK, MARYLAND
SELECTED DEMOGRAPHIC STATISTICS
June 30, 2014
For the years ended June 30,

Fiscal Year	(1) Population	(2) Per Capita Personal Income	(1 x 2) Estimated Personal Income (000s)	(3) School Enrollment	(4) Estimated Unemployment Rate - June
2005	59,013	$ 40,402	$ 2,384,243	39,564	3.70%
2006	60,725	42,750	2,595,994	39,741	3.70%
2007	61,508	44,640	2,745,717	40,315	3.30%
2008	61,781	46,036	2,844,150	40,566	3.90%
2009	62,217	45,745	2,846,117	40,155	7.30%
2010	65,239	46,092	3,006,996	40,210	7.40%
2011	65,519	47,823	3,133,315	40,255	7.20%
2012	65,833	49,544	3,261,630	40,360	6.70%
2013	66,127	N/A	N/A	40,501	6.70%
2014	67,435	N/A	N/A	40,715	5.90%

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
2005 - 2006, 2008 - 2009, 2011 - 2014 - The City of Frederick Planning Department
2010 - U.S. Census Bureau
(2) Regional Economic Information System, Bureau of Economic Analysis, May 2014 (current dollars, not adjusted for inflation)
(3) Frederick County Board of Education
(4) 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

	2014			2005			
Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment	Business Classification
Fort Detrick	10,000	1	N/A	7,800	1	N/A	Military, bioscience, communications
Frederick County Board of Education	5,700	2	N/A	4,800	2	N/A	Public Education
Frederick Memorial Healthcare System	2,696	3	N/A	2,300	4	N/A	Comprehensive Healthcare
Frederick County Government	2,072	4	N/A	2,526	3	N/A	County Government
Ledios Biomedical Research	1,874	5	N/A	-	-	-	Medical Research
Wells Fargo Home Mortgage	1,881	6	N/A	1,700	5	N/A	Mortgage Loans & Service Center
Frederick Community College	939	7	N/A	1,159	7	N/A	Two-Year College
State Farm Insurance Company	900	8	N/A	1,000	8	N/A	Regional Headquarters - Insurance
Frederick City Government	831	9	N/A	851	10	N/A	Municipal Government
United Health Care	830	10	N/A	-	-	-	Medical Insurance
Mid Atlantic Medical Services Inc.	-	-	-	1,600	6	N/A	Medical Insurance
CitiMortgage	-	-	-	868	9	N/A	Operations Center

Frederick County Economic and Community Development Commission, November 2004
Frederick County Business Development and Retention Division 2014
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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function:										
General government	80.27	77.30	81.18	81.68	88.18	84.69	77.14	75.01	77.33	81.42
Public safety	197.40	194.24	203.15	203.84	212.70	211.3	207.75	195.15	199.94	207.53
Public works	89.35	84.77	86.59	85.38	93.78	96.33	93.69	90.15	89.22	90.37
Recreation and parks	64.52	60.44	58.73	60.56	58.78	61.46	57.98	53.83	55.60	56.91
Community development	6.00	6.00	6.00	6.00	6.00	6	5	4.4	4.00	4.50
Economic opportunity	41.56	38.27	41.34	39.17	36.95	46.04	43.81	39.88	42.65	42.92
Rental operations	0.35	0.50	0.50	0.40	0.50	0.5	0.5	0.5	0.50	0.25
Water and sewer	75.58	76.83	76.34	72.60	77.29	75.65	74.81	75.54	75.55	76.00
Golf course	22.08	21.01	20.80	20.69	22.17	19.77	19.85	15.64	15.94	15.98
Airport	3.50	3.50	3.50	3.50	3.50	2.86	2.5	2.5	2.50	2.50
Parking	15.73	15.74	16.60	17.04	13.09	16.26	17.03	16.14	18.07	20.08
Storm water	7.15	7.00	7.40	7.23	7.10	7.07	7.05	7.55	7.55	7.56
Total	603.49	585.60	602.13	598.09	620.04	627.93	607.11	576.29	588.85	606.02

Source: The City of Frederick Finance Department

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function:										
Public safety										
Police:										
Stations	2	2	2	1	1	1	1	1	1	1
Public works:										
Miles of paved streets (road miles)	183	184	250	257	275	278	280	282	284	287
Miles of sidewalks	350	350	500	530	544	552	562	565	569	575
Number of street lights	7,959	8,131	8,213	7,459	9,050	9,135	9,216	9,256	9,411	9,438
Number of traffic signals	72	71	72	71	71	74	74	75	77	44
Recreation and parks:										
Number of parks	63	59	57	57	55	55	61	61	61	67
Parks acreage	443	464	400	435	583	603	603	603	603	624
Number of swimming pools	2	2	2	2	2	2	2	2	2	2
Number of tennis courts	25	26	26	26	23	23	23	23	23	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	4	3	3
Rental operations:										
Number of apartment buildings	1	1	1	1	1	1	1	1	1	1
Number of units	5	5	5	5	5	5	5	5	5	5
Water and sewer:										
Miles of water main	255	215	220	220	220	220	260	260	262	267
Number of fire hydrants	2,675	2,500	2,520	2,520	2,520	2,750	2,750	2,750	2,850	2,891
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	3	3	3	3	3	3	3
Miles of sanitary sewer	162	161	161	161	161	161	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	9	9	10	11	11	10	10
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	125	125	125	125	125	125	125	125	125	125
Number of corporate hangars	1	1	1	1	1	1	1	1	2	2
Parking:										
Number of parking areas	3	3	3	3	3	3	4	5	5	5
Number of parking area spaces	156	156	156	164	158	143	231	265	265	265
Number of parking garages	3	3	4	4	4	5	5	5	5	5
Number of parking garage spaces	1,469	1,470	2,112	2,116	2,116	2,477	2,477	2,474	2,474	2,474
On street parking spaces	N/A	N/A	N/A	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Number of parking meters	N/A	N/A	N/A	N/A	N/A	N/A	744	856	856	856
Stormwater:										
Miles of storm drain	N/A	210	211	211	210	210	210	210	210	210
Number of storm water pump stations	N/A	N/A	N/A	4	4	5	5	6	6	6

N/A - information is not readily available
Source: The City of Frederick Departments

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function:										
Public safety										
Police:										
Calls for service	64,876	65,227	70,606	74,906	83,164	80,349	74,607	79,000	81,019	92,286
Physical arrests	3,693	2,897	4,161	3,229	4,359	4,116	2,225	1,908	3,724	3,844
Traffic violations	12,684	8,750	10,425	11,682	14,292	10,679	10,189	9,617	8,223	8,847
Water and sewer:										
Number of water service connections	17,100	17,587	17,814	17,939	18,092	18,246	18,342	18,502	18,620	18,796
Avg. daily water consumption (thousands of gallons)	6,500	5,780	5,989	6,300	5,533	5,509	5,437	5,612	5,371	5.268
Number of sewer service connections	14,729	14,713	14,845	14,934	14,987	15,030	15,050	15,088	15,114	15,168
Avg. daily sewage treatment (thousands of gallons)	7,000	6,450	6,690	6,900	6,200	6,890	6,005	6,228	6,143	6.665
Golf course:										
Number of rounds of golf	33,979	35,260	33,758	33,672	29,780	29,258	29,579	30,382	28,649	27,611
Airport:										
Number of Operations	150,441	154,107	160,657	151,088	130,284	132,803	131,500	131,500	110,000	110,000
Parking:										
Number of parking violations	48,094	30,272	38,177	42,354	39,213	25,320	29,996	28,995	30,714	31,105

Source: The City of Frederick Departments

SINGLE AUDIT SECTION

McGladrey

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, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGladrey LLP

Frederick, Maryland
October 30, 2014

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McGladrey

Independent Auditor's Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited The City of Frederick, Maryland's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular No. A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-002. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Frederick, Maryland
October 30, 2014

THE CITY OF FREDERICK, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass Through Grantor/ Program Title	Federal I.D. Number	Federal CFDA Number	Federal Award Amount	Accrual Basis Expenditures July 1, 2013 - June 30, 2014
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
Community Development Block Grant - Entitlement Program	B-11-MC-240013	14.218	351,775	$ 95,246
Community Development Block Grant - Entitlement Program	B-12-MC-240013	14.218	306,500	115,106
Community Development Block Plus Program Income		14.218		172,268
Total Program				382,620
Direct Programs:				
Supportive Housing Program Grant	MD06B709004	14.235	135,536	135,536
Supportive Housing Program Grant	MD06B709005	14.235	66,087	66,087
Total Program				201,623
Direct Programs:				
HUD Housing Counseling Grant		14.169	18,167	13,174
Total Program				13,174
Direct Programs:				
Emergency Solutions Grant	12ESGFC	14.231	9,000	9,000
Emergency Solutions Grant	11ESGFC	14.231	15,000	11,500
Emergency Solutions Grant	12ESGFC-2011B	14.231	15,795	15,500
Emergency Solutions Grant	13ESGFC-2012	14.231	11,500	20,250
				56,250
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				$ 653,667
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Maryland State Department of Housing & Community Development:				
Community Services Block Grant	CAN 2013G994002	93.569	255,289	$ 76,687
Community Services Block Grant	CAN 2014G994002	93.569	255,289	222,595
Green Job Program		93.569	50,000	37,955
Total Program				337,237
Passed Through Healthcare for the Homeless, Inc.:				
Healthcare for the Homeless	03-H-002,325-03	93.224	123,134	65,825
Healthcare for the Homeless	03-H-002,325-03	93.224	123,134	74,440
Total Program				140,265
Passed Through Maryland State Department of Health and Mental Hygiene:				
McKinney PATH Grant	MH-263-OTH	93.150	77,400	74,103
Total Program				74,103
Passed Through Frederick County Health Department				
After-Hours/Over Serving Enforcement		93.959	(A)	2,108
Alcohol Compliance, DUI Saturation and Underage Party		93.243	(A)	8,258
Passed Through Healthy Howard Inc.:				
Affordable Care Care - Consumer Assistance Program Grants		93.519	22,464	22,464
Passed Through Maryland's Department of Human Resources:				
Low Income Home Energy Assistance - Fuel Assistance		93.568	1,100,000	296,985
Low Income Home Energy Assistance - Administration		93.568	204,000	71,975
				368,960
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				$ 953,395
DEPARTMENT OF ENERGY				
Passed Through Maryland Department of Housing and Community Development:				
Weatherization Assistance Program		81.042		$ 84,292
Maryland Energy Assistance Program		81.042	150,000	2,038
TOTAL DEPARTMENT OF ENERGY				$ 86,330

(A) 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, 2014

Federal Grantor/Pass Through Grantor/ Program Title	Federal I.D. Number	Federal CFDA Number	Federal Award Amount	Accrual Basis Expenditures July 1, 2013 - June 30, 2014
DEPARTMENT OF JUSTICE				
Direct Programs:				
2010 Justice Assistance Grant	2010-DJ-BX-0696	16.738	78,272	$ 1,302
2011 Justice Assistance Grant	2011-DJ-BX-2584	16.738	66,513	4,300
2013 Justice Assistance Grant	2013-DJ-BX-0479	16.738	49,227	48,196
Total Program				53,798
Passed Through Governor's Office of Crime Control and Prevention				
Warrant Reduction Program	BJAG-2010-0028	16.738	30,000	30,000
Direct Programs:				
Bulletproof Vest Partnership Program	Regular Grant	16.607		6,690
Direct Programs:				
Police Firing Range Target System (FBI)		16.999	100,000	99,500
TOTAL DEPARTMENT OF JUSTICE				$ 189,988
DEPARTMENT OF TRANSPORTATION				
Direct Program:				
Airport Traffic Control Tower - ARRA	DTFA-WA-10-A-80026	20.999	5,332,462	$ 314,871
Airport Development Aid Program	3-24-0017-036	20.106	21,277	16,688
Airport Development Aid Program	3-24-0017-037	20.106	1,054,315	862,890
Airport Development Aid Program	3-24-0017-038	20.106	3,862,304	2,313,673
Airport Development Aid Program Income				73,291
Total Program				3,581,413
Passed Through Maryland Motor Vehicle Administration:				
State and Community Highway Safety		20.600	(A)	10,311
Alcohol Impaired Driving Countermeasures Incentives		20.601	(A)	5,140
Alcohol Open Container Requirements		20.607	(A)	22,830
National Safety Prioity Programs		20.616	(A)	5,000
Total Program				43,281
TOTAL DEPARTMENT OF TRANSPORTATION				$ 3,624,694
DEPARTMENT OF AGRICULTURE				
Passed Through Maryland State Dept. of Education				
Summer Food Service Program		10.559	(B)	61,649
Child/Adult Care Food Program		10.558	(B)	7,871
TOTAL DEPARTMENT OF AGRICULTURE				$ 69,520
DEPARTMENT OF THE INTERIOR				
Passed Through Maryland State Dept. of Planning				
Frederick Historic District Survey	24-12-41927	15.904	25,000	13,000
TOTAL DEPARTMENT OF INTERIOR				$ 13,000
DEPARTMENT OF HOMELAND SECURITY				
Passed Through Frederick County				
FFY 11 SHSP G2174A	EMW-2011-SS-00044-S01-SHS	97.073	29,190	$ 337
FFY 12 SHSP G2174B	EMW-2012-SS-00044-S01-SHS	97.073	10,057	10,057
TOTAL DEPARTMENT OF HOMELAND SECURITY				$ 10,394
CONGRESSIONAL ACTION				
Passed Through Maryland State Department of Housing and Community Development				
Foreclosure Mitigation Grant	PL 110-161:95X1350	99.999	95,400	$ 13,666
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 5,614,654

(A) Grant awards are not made, rather passed-through receipts are based on the number of operations performed.
(B) 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.

THE CITY OF FREDERICK, MARYLAND
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2014

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 basic 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, 2014.

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.

5. Subrecipients

CFDA Number	Program Name	Amounts Provided to Subrecipients
14.218	Community Development Block Grant - Entitlement Program	$ 131,861
14.231	Emergency Solutions Grant	$ 44,750
16.738	2013 Justice Assistance Grant	$ 24,613

The City Of Frederick, Maryland

Schedule Of Findings And Questioned Costs
Year Ended June 30, 2014

Section I – Summary Of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified		
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)?	____ Yes	X	None reported
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)?	X Yes	____ Yes	
Type of auditor's report issued on compliance for major programs:	Unmodified		
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 / 20.999	Non-ARRA Airport Improvements and ARRA Airport Traffic Control Tower
14.218	Community Development Block Grant – Entitlement Program
93.568	Low Income Home Energy Assistance Program
93.569	Community Services Block Grant Programs

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

The City Of Frederick, Maryland

Schedule Of Findings And Questioned Costs
Year Ended June 30, 2014

Section II – Financial Statement Findings

Internal Control

No matters were reported.

Compliance

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

Internal Control

Finding 2014-01: Subaward Reporting under the Transparency Act (*Significant Deficiency)*

Federal Program: Department of Housing and Urban Development, CFDA 14.218 Community Development Block Grants

Criteria: In accordance with the Federal Funding Accountability and Transparency Act (FFATA), Federal prime awardees must report subawards greater than or equal to $25,000 through the electronic FFATA Subaward Reporting System (FSRS).

Condition: The City did not have controls in place to ensure that sub-awards issued through the CDBG program greater than or equal to $25,000 were reported through the FSRS.

Context: In performing our audit, we noted that subawards for Community Development Block Grants funds were not reported through the FSRS.

Effect: The City did not make subaward information publicly available.

Cause: The subaward reporting requirement is relatively new and the City had not yet established policies and procedures to address the requirement.

Recommendation: We recommend the City establish policies and procedures to ensure compliance with the FFATA and provide training to program personnel.

Views of Responsible Officials and Planned Corrective Actions: The City will establish policies and procedures to ensure compliance with the FFATA and provide training to program personnel. The Director of Finance will be responsible for implementation of this action.

Compliance

Finding 2014-02: Subaward Reporting under the Transparency Act

Compliance Requirement: Reporting

Federal Program: Department of Housing and Urban Development, CFDA 14.218 Community Development Block Grants

This compliance finding is the same as Finding 2014-01 above.

The City Of Frederick, Maryland

Summary Schedule Of Prior Audit Findings
Year Ended June 30, 2014

Section II – Financial Statement Findings

Internal Control

No matters were reported.

Compliance

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

Internal Control

No matters were reported.

Compliance

No matters were reported.

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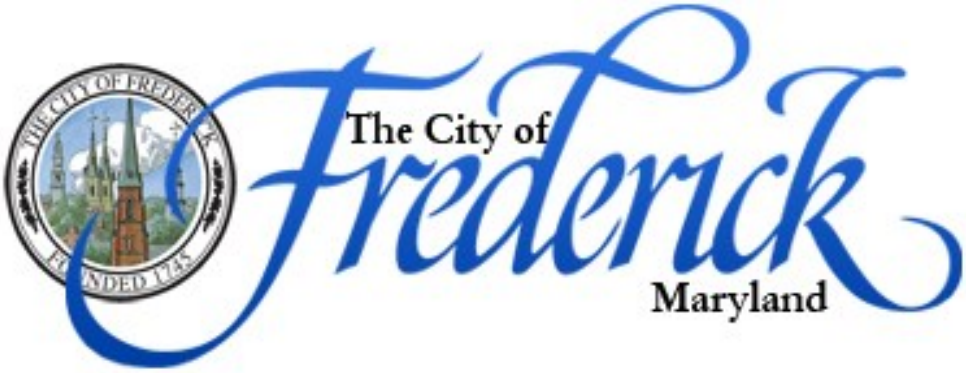

Randy A. McClement, Mayor

<u>Aldermen</u>
Kelly russell, *Pres. Pro Tem*
Michael C. O'Connor
Philip A. Dacey
Joshua L. Bokee
Donna S. Kuzemchak

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