

# COMPREHENSIVE ANNUAL

# F I N A N C I A L R E P O R T



**COUNTY OF FREDERICK, VIRGINIA**  
**Fiscal Year Ending June 30, 2011**

**- Introductory Section -**

# **COUNTY OF FREDERICK, VIRGINIA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
JUNE 30, 2011**

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Issued by

Cheryl B. Shiffler, Finance Director

Winchester, Virginia

**COUNTY OF FREDERICK, VIRGINIA**

**Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2011**

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**COUNTY OF FREDERICK, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**FISCAL YEAR ENDED JUNE 30, 2011**

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**BOARD OF SUPERVISORS**

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	Richard C. Shickle, Chairman	
	Bill M. Ewing, Vice-Chairman	
Charles S. DeHaven, Jr.		Christopher E. Collins
Gary W. Dove	Gene E. Fisher	Gary A. Lofton

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**COUNTY SCHOOL BOARD**

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	Stuart A. Wolk, Chairman	
	Benjamin F. Waterman, Vice-Chairman	
Jody S. Wall		Dr. John Lamanna
Melvin S. Harmon, Jr.	Peggy Clark	Dr. David Zerull

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**BOARD OF SOCIAL SERVICES**

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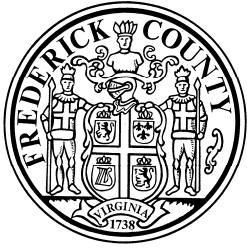
	Phillip Roby, Chairman	
	Kathleen Pitcock, Vice-Chairman	
Lorene Carter		James Stephens
Jane Warner	Donald Nesslerodt	Joanne Leonardis

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**OTHER OFFICIALS**

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John R. Riley, Jr. ....	County Administrator
Kris C. Tierney .....	Assistant County Administrator
Cheryl B. Shiffler .....	Finance Director
Harvey E. Strawsnyder, Jr. ....	Engineering and General Services Director
Dennis D. Linaburg .....	Fire and Rescue Services Director
Paula Nofsinger .....	Human Resources Director
Walter T. Banks .....	Information Technologies Director
Charles B. Tyson .....	Management Information Systems Director
Eric R. Lawrence .....	Planning and Development Director
Patrick E. Barker.....	Economic Development Director
Jason Robertson.....	Parks and Recreation Director
LeeAnna Pyles .....	Public Safety Communications Director
Ellen E. Murphy .....	Commissioner of the Revenue
C. William Orndoff, Jr. ....	County Treasurer
Glenn R. Williamson .....	Commonwealth Attorney
Roderick B. Williams .....	County Attorney
Robert T. Williamson .....	Sheriff
John E. Wetsel, Jr. ....	Judge of the Circuit Court
David S. Whitacre.....	Judge of the General District Court
Elizabeth Kellas .....	Judge of the Juvenile and Domestic Relations Court
Rebecca Hogan .....	Clerk of the Circuit Court
Daniel B. Ellis .....	Court Services Director
Gwen Monroe .....	Social Services Director
Charles Devine .....	Health Department District Director
Karen Ridings .....	Frederick County Extension Agent
Richard S. Miller .....	Central Registrar
Patricia Taylor. ....	Superintendent of Schools



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COUNTY of FREDERICK

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**John R. Riley, Jr.**  
County Administrator

540/665-5666  
Fax: 540/667-0370  
E-mail: jriley@co.frederick.va.us

December 21, 2011

Board of Supervisors  
County of Frederick  
Winchester, Virginia

To the Board Members:

The comprehensive annual financial report of the County of Frederick, Virginia for the fiscal year ended June 30, 2011 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes the transmittal letter, the County's organization chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The County is required to undergo an annual single audit in conformity with the provision of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditor's report on the internal control structure and compliance with applicable laws and regulations are included in the compliance section of this report. This report includes all funds of the County.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditors' Report and provides a narrative introduction, overview, and analysis of the basic financial statements. Management's Discussion and Analysis complements this letter of transmittal and should be read in conjunction with it.

## **REPORTING ENTITY**

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The County's Comprehensive Annual Financial Report (CAFR) includes all organizations which have significant operational or financial relationships with the County. Organizations which are included in the CAFR as component units of the County are the Frederick County School Board and the Frederick County Industrial Development Authority. The organizations are presented as discretely presented component units of the County to emphasize that they are legally separate from the County.

Organizations which are regional governments or other multi-governmental arrangements that are governed by representation from each participant, and for which the participants do not retain an ongoing financial responsibility, are considered to be jointly governed organizations. These organizations are not included in the CAFR. The organizations which have not been included are the Handley Regional Library Board, the Northwestern Regional Jail Authority, the Winchester Regional Airport Authority, the Frederick-Winchester Service Authority and the Northwestern Community Services Board.

The Frederick County Sanitation Authority was created by the Board of Supervisors to operate the County's water and sewer systems. The Board of Supervisors appoints all six members of the Authority Board of Directors. However, other than appointing the Board of Directors, the County does not participate or is involved in the day-to-day management operations, nor is the Authority financially accountable to the County. The Authority was included as a part of the reporting entity prior to the 2000 fiscal year primarily due to the significance of outstanding advances owed to the County. However, based on further review and evaluation of the Authority and County relationships, the Authority is no longer considered to be a component unit of the County.

## **ECONOMIC CONDITIONS AND OUTLOOK**

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Frederick County, at the tip of the Northern Shenandoah Valley, is 72 miles northwest of Washington, D.C., and in the northernmost corner of the state of Virginia. The County, which covers 424 square miles and borders the West Virginia line, was established in 1738. Its county administrator form of government was established in 1971. In the southeastern portion of the county, there are two incorporated towns – Stephens City and Middletown.

According to the latest census conduction in 2010, the provisional population of the County was estimated at 78,305 based on the U.S. Census Bureau. The per capita income in Winchester-Frederick County was \$36,360 in 2009, the last year for which the information is available, according to the Bureau of Economic Analysis.

The area is served by the Winchester Regional Airport, a 376-acre, all-weather general aviation airport. It is the only general aviation airport in the state manned and open for service 24 hours a day that has a U.S. customs service on call 24 hours a day. It's the official airport of the Virginia Inland Port Authority.

### **LOCAL ECONOMY**

Frederick County continues to be faced with the same concerns as surrounding localities. Unemployment rates are at all time highs, businesses have closed, home values have declined, and interest rates are near nothing. Our neighboring counties in Northern Virginia continue to infiltrate our job market while they attempt to offer solutions for their employee shortages with enticing salaries.

Frederick County currently experiences a comparably low tax rate and continues to offer the citizens quality education, public safety and a high level of government services. The combination of low tax rates and high quality of life makes the county appealing to neighboring residents.

The ability to maintain an affordable tax rate requires a tax base that encourages industrial development to offset residential costs, while continuing to preserve our history and recognizing the rights and needs of the citizens. Frederick County has been successful in balancing the needs of the citizens in the past and strives to continue to offer quality and affordability to its residents in the future.

### **VISION STATEMENT & CORE VALUES**

*Ensuring the quality of life of all Frederick County citizens by preserving the past and planning for the future through sound fiscal management.*

- A government that is accountable and dedicated to providing responsible stewardship for county funds and to insure the citizens receive the best services possible for the funds expended.
- A government concerned with long range planning that protects our rural heritage and directs its future growth through planned infrastructure.
- A government concerned with expanding commercial and industrial tax base in order to insure a viable and thriving economy.
- A government that looks to the future and implements plans to insure that the quality of life for future generations is preserved.
- A government that emphasizes a quality education through a cooperative effort with the school board.
- A government that recognizes the importance of maintaining a highly trained public safety program to provide efficient services and protection to county citizens.
- A government that promotes the spirit of cooperation with its regional local government partners.
- A government unit based on honesty, trust, integrity, and respect that understands the importance of clear communication and a willingness to listen.

### **FUTURE GOALS**

In order for Frederick County to provide the highest quality of services to all citizens, the following long-term and short-term goals have been established:

- Preserve and enhance natural resources.  
Strategy: Implement plans that concentrate on preserving historic sites and natural resources.
- Provide adequate public utility infrastructure to support the present and future needs of the county.  
Strategy: Work with county utility agencies to include monitoring demand of service and the availability of services to all areas.
- Establish and implement policies that maintain a high quality of life for citizens at the least possible cost.  
Strategy: Continue to provide and improve services to county residents such as recreational activities, refuse collection sites and enhanced public safety.
- Maintain a fund balance that assures a positive cash flow.  
Strategy: Monitor fund balance on a regular basis.
- Promote economic development to improve the current residential/business tax ratio.  
Strategy: Promote economic development incentives to attract businesses/industries to the Frederick County area.

- Enhance and perfect the public safety element within the county.  
Strategy: Improve fire and rescue volunteer program and support continued public safety training.
- Keep abreast of any potential significant changes to cyclical revenue sources.  
Strategy: Monitor monthly county revenue sources such as sales tax, Development Revenue Fees, and building permits.
- Improve and maintain the momentum of Geographic Information System (G.I.S.) growth and development in Frederick County.  
Strategy: Provide improved, easy-to-use format for citizens and develop in-house training programs.
- Continue to upgrade the county's web site for increased accessibility for county residents.  
Strategy: Improve county department web pages with the accessibility of applications, registration forms and payment options for county citizens.
- Improve quality security at county facilities.  
Strategy: Update lighting, key access and entrance doors for increased safety.
- Prepare coordinated plans for community facilities.  
Strategy: Improve the quality and accuracy of the five-year Capital Improvements Plan for major capital facilities to include increased coordination and cooperation between various county departments.

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## **A PROFILE OF FREDERICK COUNTY**

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### **HISTORY**

English ownership of Frederick County was originally by the Virginia Company but was taken over by the Crown in 1624. By the 1650's, various traders, trappers and explorers were coming to the Shenandoah Valley. Some of the earliest settlers were Quakers who built the Hopewell Friends Meeting House which still stands near Clearbrook in Frederick County. These settlers were attracted by the fertile soils and the abundant forest and water resources.

Frederick County was created from western Orange County by the House of Burgesses on December 21, 1738 and was named after the Prince of Wales. James Wood, County Surveyor for Orange County, platted a town at the county seat, which he named Winchester, after his birthplace. Eventually, eleven other counties would be created from the 3,824 square miles included in the original Frederick County.

County government in Virginia was originally by self-perpetuating courts. Frederick County's Court was proclaimed and organized in 1743. It first met at the surveying office of its clerk, James Wood, at the site on which he later built his estate, Glen Burnie.

George Washington was associated with Winchester and Frederick County between the years of 1748 and 1765. Early during those years, he maintained a surveying office in Winchester. During the French and Indian War, he was given a Commission and later made Commander in Chief of the colonial forces with headquarters in Winchester. Washington held his first elective offices representing Frederick County, having been elected to the House of Burgesses in 1758 and 1761.

During the late eighteenth and early nineteenth centuries, life in the current Frederick County area centered around small family farms. During this period, wheat production became the center of the local economy, along with cattle production. In 1820, there were fifty flour mills in Frederick County along with numerous sawmills, tanneries and other business activities.

Economic life was centered around Winchester and other local towns including Stephens City, Middletown, Kernstown, Gainesboro and Gore. There were a large number and diversity of craftsmen and merchants in these towns. The strongest influence on the local economy was the Great Wagon Road, which later became Route 11 and which carried settlers and travelers from Philadelphia, south through the Valley and to the west. Activity associated with this road made Winchester one of the largest towns in western Virginia.

Frederick County played a significant part in the Civil War. The northern Shenandoah Valley supplied food, livestock, horses and soldiers to the southern cause. The Valley was also important because of its strategic location in relation to Washington, D. C. The town of Winchester changed hands in the war about 70 times, an average of once every three weeks for four years.

Major local battles include the First Battle of Kernstown in March of 1862, during which General Stonewall Jackson suffered his only tactical defeat during the Valley Campaign but did succeed in keeping Union troops in the Valley from leaving to reinforce McClellan on the peninsula. In May of 1862, Jackson's army defeated the Union troops at the First Battle of Winchester. In the Second Battle of Winchester in 1863, confederate troops successfully attacked and defeated Union troops occupying forts on the western side of Winchester. Union troops were again defeated at the Second Battle of Kernstown in 1864. At the Third Battle of Winchester, General Philip Sheridan's Union troops successfully attacked confederate troops at Winchester. With the high number of losses on both sides, a new war of attrition was to begin in the Valley from which the southern forces would never recover.

The Civil War period brought much destruction and economic hardship to Frederick County, due to the county's strategic location in the Valley. Many farms, mills and dwellings were damaged or destroyed, and the county's economic productivity was greatly reduced. The Reconstruction period was characterized by a slow economic recovery from damages suffered, and by the 1880's economic stability gradually returned. After the war, old economic activities resumed and new activities began. New businesses included a tannery, dairying, farm machinery and shipping.

There was a tremendous building boom in the county during the period of 1880-1900. New communities were also formed as a consequence of newer, more advanced transportation systems including the automobile and the railroad. Among the communities that experienced growth during this period were Meadow Mills, Hayfield, Gore, Mountain Falls, Mount Williams, Gravel Springs, Gainesboro, Albin, Brucetown, White Hall and Armel.

Industrial activity slowly resumed after the Civil War. According to one source, by 1890, Frederick County had 37 mills, eight woolen factories and mills, a steam elevator, two iron foundries, four glove factories, a boot and shoe factory, ten broom factories, four tanneries, a large paper mill, three newspapers, a book bindery, eight cigar factories, three marble yards and two furniture factories.

In the early twentieth century, there was rapid industrial growth in Frederick County. There was a phenomenal rise in apple production, with apples replacing wheat as the primary cash crop. Many new facilities were developed relating to apple production and processing. Later in the twentieth century, the local economy had diversified to include a range of different industrial activities. Activities continue to be based on the accessibility of the area and on north-south travel along the route that was once the Great Wagon Road and is now Route 11 and Interstate 81.

## **HISTORIC PRESERVATION**

There are quite a few historic sites in Frederick County. The following sites are listed on both the Virginia Landmarks Register and the National Register of Historic Places:

Belle Grove and Cedar Creek Battlefield  
Monte Vista  
Springdale House and Mill Complex  
Willow Shade  
Sunrise  
Rose Hill

Hopewell Friends Meeting House  
County Poor House  
Willa Cather's Birthplace  
Newtown/Stephensburg District  
St. Thomas Episcopal Church (Middletown)

In addition to these, there are approximately 50 sites in the county that have been preliminarily reviewed by the Virginia Department of Historic Resources and deemed most likely eligible for inclusion on the State and National Registers.

Six battlefields of great national importance are located in Frederick County and Winchester.

### **Battlefields:**

First and Second Battles of Winchester  
First and Second Battles of Kernstown  
Stephenson's Depot

Third Battle of Winchester  
Cedar Creek  
Rutherford's Farm

### **Fortifications/Entrenchments:**

Star Fort  
Parkins Mill Battery  
Nineteenth Corps Line  
Hilandale Earthworks/1864-65 Winter Line

Fort Collier  
Carysbrook Redoubt  
Zig-Zag Trenches

There are over 12,000 acres of land in battlefields that maintain high historic character. Without a concentrated and effective effort, most battlefield sites in Winchester and Frederick County will be lost to development during the next twenty years because of their location. Significant efforts are underway on the part of the City and County government, the Kernstown Battlefield Association, the Cedar Creek Battlefield Foundation and others to protect local battlefield sites and create a battlefield park network. A battlefield park network in Frederick County and Winchester will provide substantial economic and educational benefits.

## **PHYSICAL CHARACTERISTICS**

The county can be viewed in terms of three physical areas. The eastern portion of the county contains a band running north-south along the length of the county, which is underlain by Martinsburg shale. This area consists of broad, relatively level ridges separated by steep stream valleys. The soils tend to be dense and not well suited for intensive agriculture or septic drainfields. Much of the land is used either as pasture land or is developed for residential or urban uses. Much of the sewered suburban development in the county is in this area.

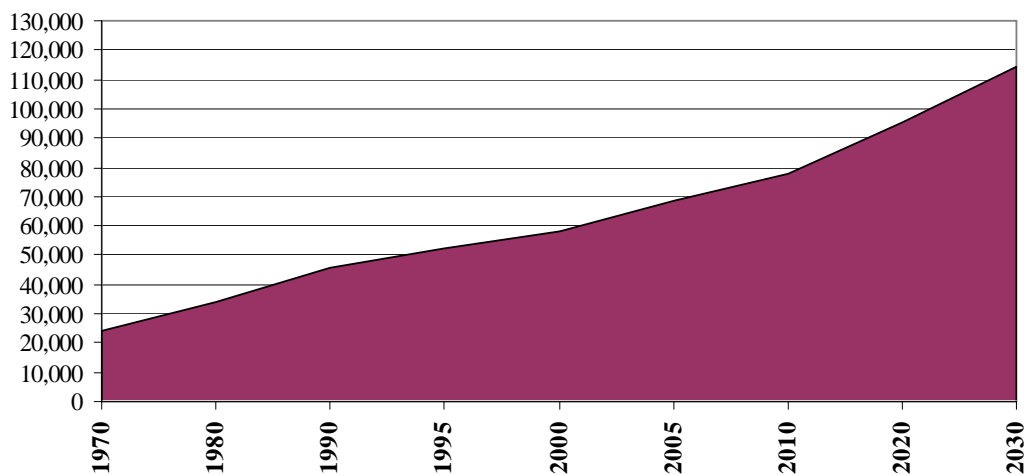
The second area is underlain by limestone-carbonate bedrock and consists of a band that runs north-south through the county between Interstate 81 and Little North Mountain. The terrain here tends to be gently rolling. Outside of the City of Winchester, much of this area is currently used for agriculture and contains the bulk of prime agriculture soil in the county. Most of the orchards in the county are located in this area. Soils in this area tend to be well suited for septic drainfields, except where the soils are thin.

The third area is the large western Valley and Ridge area that is underlain by a variety of shale, sandstone and limestone formations. This area consists of alternating valleys and ridges that run north-south through the county. Most of the area is forested. The ridges tend to be very steep, and the highest elevations in the county are in this area. Soils are varied, although most tend not to be well suited for septic drainfields.

## **POPULATION**

During the twentieth century, the population of Frederick County skyrocketed 347 percent, growing from 13,239 people in 1900 to 59,209 in 2000. Much of the population growth occurred during the 1970's and 1980's and again during the economic/construction boom in the mid 2000's. The 2010 population estimate for Frederick County was 78,305. By 2020, it is projected that the population of Frederick County will be approximately 95,648 and by 2030 114,539.

**Frederick County Population Counts, 1970-2030**



## **PUBLIC SCHOOL SYSTEM**

The Frederick County Public School System, the 20th largest school division in Virginia, is composed of eleven elementary schools serving students in grades kindergarten through fifth grade; four middle schools serving grades six through eight; three high schools serving grades nine through twelve; and one alternative/vocational school. Frederick County participates and is fiscal agent for a regional facility, Northwestern Regional Educational Program that provides services to some of its special education population. Other support facilities include the administration building, the maintenance and warehousing facility and the transportation facility. The school system also provides building maintenance services for the county government office buildings and the regional library.

In the fall of 2001 (fiscal year 2002), student enrollment was 11,029. In the fall of 2010 (fiscal year 2011), student enrollment was 13,060, which represents an increase of 2,031 students, or 18%, since Fiscal Year 2002. The structure of the school division is designed to support the needs of the 13,115 students projected for the school year 2011-2012.

The growth in the Frederick County community brings challenges to the school system. Those challenges include increased space needs, class-sizes, textbooks, instructional materials, teaching staff and custodial staff. Athletic, band, choral, vocational and selective arts are under pressure as well with an increased school population. Frederick County will continue to require the construction of additional student capacity for the foreseeable future.

With increased, temporary revenues, the school division faces a greater challenge in teacher recruitment and retention, professional development, and in meeting No Child Left Behind and state requirements. Frozen salaries for the third consecutive year result in a greater challenge of offering a competitive compensation package.

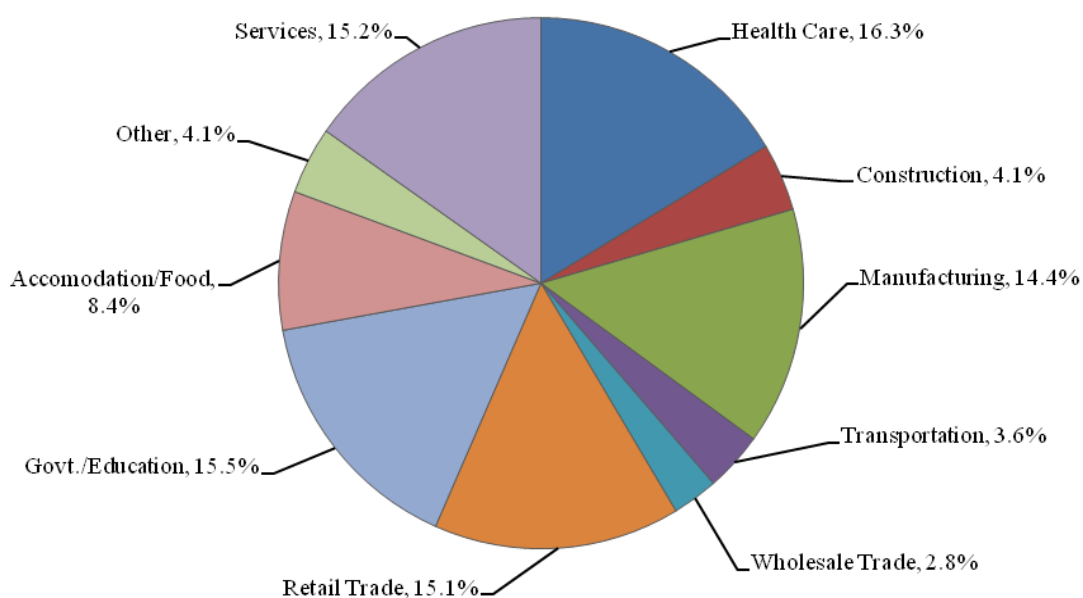
Much attention has been focused on the retirement program provided for educators through the Virginia Retirement System (VRS). For several years, the contributions to the system have been less than recommended by the VRS board. During the same period, an increasing number of employees have entered or neared retirement age. This has created an under-funded situation, which if not corrected, could lead to imbalance. The fiscal solvency of the program would not be an area of concern had the General Assembly not reduced the contribution rates to artificially low levels. The resulting situation is one of not only increased dollars needed, but also increased attention to the benefits of the program.

Three years of budget reductions and one-time sources have changed the school division. Federal stimulus funds, one-time federal carry-over amounts and temporary state funds - \$17 million collectively – have been used to save jobs. Artificially low retirement rates in Virginia freed up funds to save jobs. The theory behind the distribution of one-time funds was built on the premise that national and state economic recovery would occur at a faster pace. In FY 2013, FCPS will lose \$4.2 million in one-time federal sources, and \$1.0 million in state funds. At the same time, the school board will be faced with health insurance increases, the need for competitive salaries, more students to serve, increased class sizes, aging school buses, building repairs, and technology replacement needs. Their goal to implement a full-day kindergarten program will remain.

### **EMPLOYMENT TRENDS**

Winchester and Frederick County had a total of 47,869 jobs in 2010 as measured by the Virginia Employment Commission. The largest employment sector was education/government which employed 8,250 workers in 2009.

**Employment Trends - Frederick County and Winchester - 2010**



Unemployment rates for Frederick County and Winchester have paralleled those of Virginia. Unemployment rates locally and nationally are at the highest to be seen in almost twenty years. In the last three years, the Frederick County unemployment rate has increased 159%, the Virginia unemployment rate has increased 123%, and the United States unemployment rate has increased 102%. The unemployment rate for Frederick County for 2010 was 8.1% compared to the January 2011 rate of 7.1%.

Unemployment Rate Comparison



## QUALITY OF LIFE

### Higher Education

Lord Fairfax Community College located in Frederick County, offers two-year programs for an associate degree in Art and Sciences and Applied Science, Career Studies and Certificate Programs. LFCC serves more than 7,600 unduplicated credit students and more than 10,450 individuals in professional development and business and industry courses annually.

Shenandoah University offers four-year undergraduate and graduate programs with a school enrollment of 3,000 students. The schools include Harry F. Byrd, Jr. School of Business, Health Professions, Arts and Sciences, Pharmacy and Conservatory. The John Marsh Institute of Public Policy is also located at the university.

There are 22 colleges and universities within a 125 mile radius of Frederick County.

### Cost of Living

The cost of living in Frederick County area is about 102.3% of the national average. The median single family detached home sold for approximately \$157,500 in 2010. This low cost of living in such a close proximity to Washington, D. C. attributes to the attractiveness of the area to many working families.

### Crime

The latest FBI report (data for 2009) gives the crime rate per 100,000 people for the USA as 429.4. The crime rate for Winchester-Frederick County was 181.4 in 2009.

### Medical Care

Winchester Medical Center is a 411-bed, nonprofit, regional referral hospital offering a full range of inpatient and outpatient diagnostic, medical, surgical and rehabilitative services to residents of the northern Shenandoah Valley. The Medical Center anchors a 150-acre campus with an imaging center, outpatient diagnostic and surgery facilities, cancer center, retail pharmacy, medical office building, adult and adolescent behavioral health centers and a 250-seat conference center. Maintaining a breadth of quality services at a reasonable cost has been a point of pride for Winchester Medical Center.

Library Services      Library service is provided to Frederick County through the Handley Regional Library located in downtown Winchester, the Mary Jane and James L. Bowman Library located in Stephens City, and the Clarke County Library located in Berryville. Currently, there are 37,805 active registered library card holders in Frederick County. During the 2011 fiscal year, Frederick County residents borrowed 443,285 items from the library system.

Parks      The County currently owns and operates two district parks. Clearbrook Park, located five miles north of Winchester, consists of approximately 55 acres and Sherando Park, located two miles east of Stephens City, consists of approximately 335 acres. Both district parks currently serve the county's population with both active and passive recreational programs and facilities. Recreational facilities currently provided are two outdoor swimming pool complexes, athletic fields, playgrounds and picnic areas, fishing, paddleboats and volleyball. An additional amenity located at Sherando Park is a bike path that begins and ends at Sherando High School, wrapping its way through the park and adjoining neighborhoods. A wide path that is approximately three miles in length, it provides a good surface for both walking and biking. There are also three neighborhood parks located at Round Hill, Reynolds Store, and Frederick Heights which primarily provide playground equipment for young children.

Frederick County Parks and Recreation operates community centers inside of five Frederick County Public Schools. This is one example of the benefits of the Cooperative Use Agreement between Frederick County and the Frederick County School Board. The Community Center at Sherando High School has a fitness room with cardio and resistance training equipment, two racquetball courts and a multi-purpose room. The multi-purpose room can be divided into two rooms for the public. The facility opened in 1993. The Community Center at Orchard View Elementary School has a full sized gymnasium. The Community Center at Evendale Elementary and the Community Center at Gainesboro Elementary have a full sized gymnasium, a multi-purpose room which includes a kitchen area and an aerobics room. The Community Center at Greenwood Mill Elementary School contains a full sized gymnasium, a multi-purpose room which includes a kitchen, and a fitness room with cardio and resistance equipment. These facilities are available for private rental and hosts many Parks Department programs including the basicREC, Camp basicREc, and kinderREC programs.

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## FINANCIAL INFORMATION

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Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled and allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reliable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

## **SINGLE AUDIT**

As a recipient of federal and state financial assistance the County also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the County.

As a part of the County's single audit described earlier, tests are made to determine the adequacy of the internal control structure including that portion related to federal financial assistance programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2011, are included in the Compliance Section.

## **BUDGETING CONTROLS**

In addition, the County maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County's governing body. Activities of the general fund and special revenue funds, and the funds of the component unit School Board are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity within an individual fund. Open encumbrance amounts, as of June 30, 2011, have been determined and the amount of these encumbrances is reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances generally are reappropriated as part of the following year's budget.

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## **OTHER INFORMATION**

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### **INDEPENDENT AUDIT**

State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates was selected by the Board of Supervisors. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and the related requirements of OMB Circular A-133. The auditor's report on the financial statements and schedules is included in the financial section.

### **AWARDS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the twenty-fifth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the County also received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its fiscal year ending June 30, 2010. This is the fifth year that the County has received this award. In order to receive this award a government unit must publish a document whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

The County also received GFOA's Award for Distinguished Budget Presentation for its fiscal year beginning July 1, 2010 and twenty-five prior fiscal year annual budgets. In order to qualify for the Distinguished Budget Presentation Award, the County's budget was judged to be proficient in several categories including policy documentation, financial planning and organization.

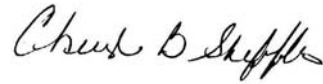
#### **ACKNOWLEDGMENTS**

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated services of the entire staff of the finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the Frederick County Board of Supervisors and the Finance Committee, preparation of this report would not have been possible.



John R. Riley, Jr.  
County Administrator



Cheryl B. Shiffler  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Frederick  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

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



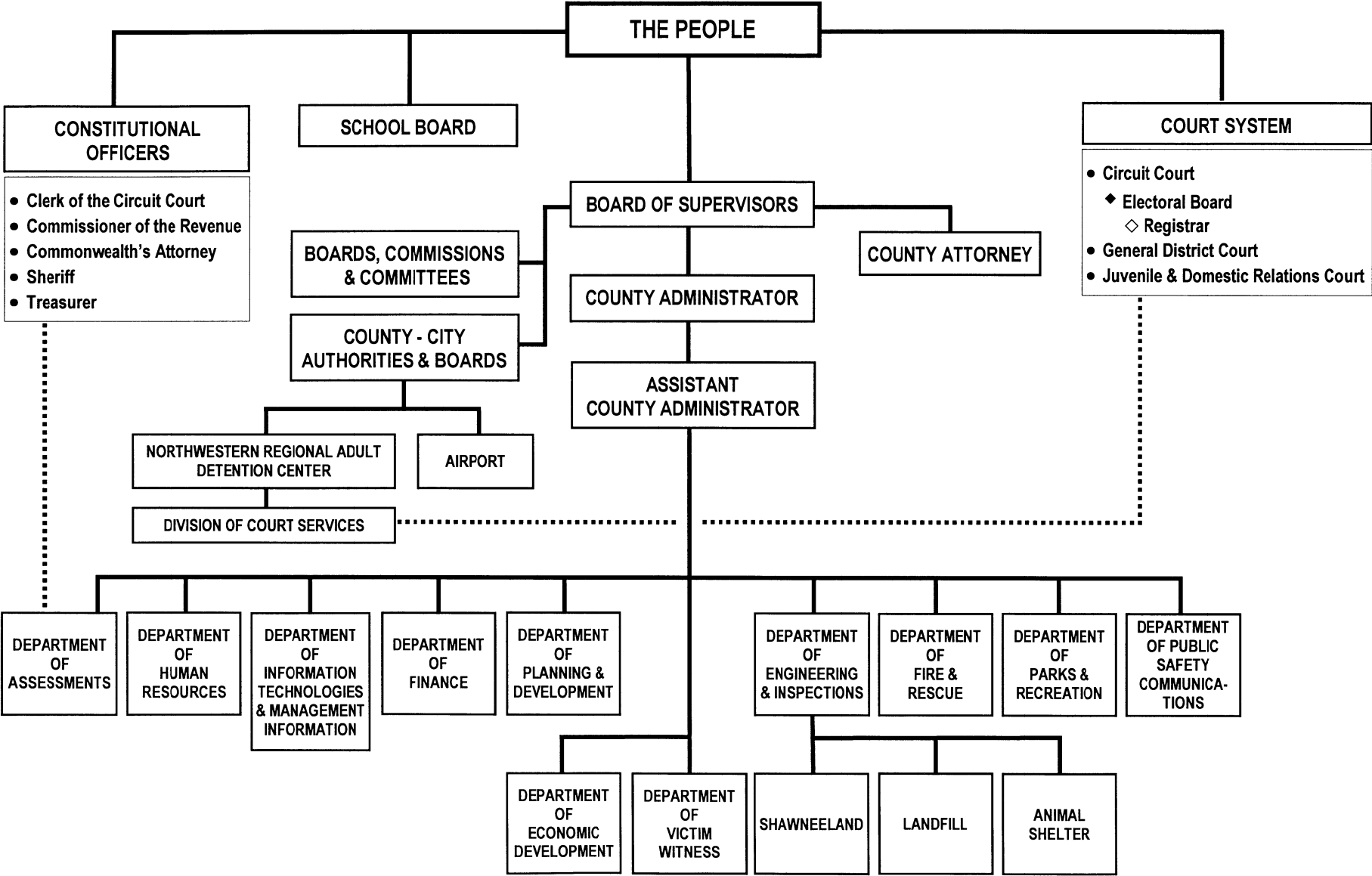
*Linda C. Sandison*

President

*Jeffrey R. Emer*

Executive Director

FREDERICK COUNTY ORGANIZATIONAL CHART



**- Financial Section -**

# ROBINSON, FARMER, COX ASSOCIATES

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CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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### **To the Honorable Members of the Board of Supervisors County of Frederick, Virginia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Frederick, Virginia (the "County"), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Frederick, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Frederick, Virginia, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County of Frederick, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011, on our consideration of the County of Frederick, Virginia'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress 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 management's discussion and analysis and schedules of funding progress 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 management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Frederick, Virginia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

*Robinson, Jarner, & Associates*

Charlottesville, Virginia  
December 21, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The following discussion and analysis of the County of Frederick's (the County) financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the County's financial statements, which follow this section.

### **Financial Highlights for Fiscal Year 2011:**

#### **□ Government-wide Statements:**

- On a government-wide basis for governmental activities the County had expenses net of program revenues of \$116.6 million, which was approximately \$2.1 million more than the general revenues of \$114.5 million.
- On a government-wide basis, the governmental activities total net assets totaled \$29.3 million.

#### **□ Fund Statements:**

- The fund financial statements report combined ending general fund balances of \$33.4 million. Of that amount, \$28.4 million reflects unassigned general fund balance.
- General fund property taxes of \$71.1 million equaled just over half of the total \$126.3 million in revenues in the general fund.
- The net change in fund balance for the general fund of the prior year was approximately a \$1.7 million decrease.

### **Using the Comprehensive Annual Financial Report:**

The County's current financial statements are presented in two different statements, with two different approaches and view of the County's finances. The government-wide statements provide information on the overall financial status of the County. This method is more comparable to the method used in private industry. The fund financial statements focus on the individual funds of the County government, reporting the operations in more detail than the government-wide statements. When presented in one report, both types of statements will give the user a more broaden basis of comparison and enhance the County's accountability.

### **Government-wide Statements:**

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. These statements are designed to provide a broad overview of the County's finances and include all assets and liabilities using the accrual method of accounting. All of the year's revenue and expenses are taken into account regardless of when cash is received or paid.

The two government-wide statements, the Statement of Net Assets and the Statement of Activities, report the County's net assets and changes in them. The County's net assets can be thought of as the difference between assets and liabilities, which is one way to measure the County's financial position. Over time, increases and decreases in net assets can be one indicator that the County's financial health is improving or deteriorating.

## **Government-wide Statements: (continued)**

The Statement of Net Assets presents information on all the County's assets and liabilities. As discussed earlier, the difference between assets and liabilities is reported as net assets. Net assets are presented in three categories: invested in capital assets-net of related debt, restricted and unrestricted. To accurately use changes as an indicator of the County's financial health, the factors that contribute to the increases and decreases must be analyzed. Other factors such as the County's tax rate and the condition of other capital assets must also be considered when using the Statement of Net Assets as a financial indicator.

The Statement of Activities provides information on how the net assets changed during the year. Since the government-wide financial statements use the accrual method of accounting, changes in net assets are recognized when an event occurs, regardless of the timing of cash. This will result in revenues and expenses being reported in this statement for some items that will not impact cash flow until a later time in another fiscal period.

The Statement of Net Assets and the Statement of Activities are divided into the following types of activities:

- Governmental Funds: These activities are supported primarily by property taxes and report the County's basic services such as general administration, public safety, parks and recreation, and community development.
- Business-Type Activities: These activities charge fees to customers to help cover the costs of the service. The County's landfill fund is a business-type activity.
- Component Units: The Frederick County Public Schools and Industrial Development Authority are component units of the County. Component units are legally separate, but are reported since the County is financially accountable and provide funding for them.

## **Fund Financial Statements:**

Fund financial statements are the traditional governmental financial statements. They focus on the County's most significant funds instead of the County as a whole. The County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The County has three kinds of funds:

1. Governmental Funds: The governmental funds report most of the County's basic services. The governmental funds serve essentially the same function as the governmental activities in the government-wide statements. The governmental fund financial statements focus on near-term cash flows and the amount of spendable resources available at the end of the fiscal year. It provides the reader a short-term view of the financial position. Since the information provides a narrow focus, the government-wide statements will provide additional information. A reconciliation from the fund statements is provided to facilitate this comparison.
2. Proprietary Funds: The County of Frederick maintains two types of proprietary funds: Enterprise Funds and Internal Service Funds. Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long and short-term financial information.

## **Fund Financial Statements: (continued)**

Enterprise Funds report the same functions as the business-type activities in the government-wide financial statements. Internal Service Funds account for the goods and services provided by one department or agency to other departments or agencies of the County. The County's Central Stores fund accounts for the operations of duplicating, postage and gasoline. Revenue is derived from sales to user departments. The Health Insurance Fund accounts for funds to pay health insurance premiums and claims. The Volunteer Fire and Rescue Fund accounts for length of service stipends to be paid to volunteer fire and rescue personnel. The Maintenance Insurance Fund accounts for maintenance contracts.

3. **Fiduciary Funds:** Fiduciary funds are used to report assets held in trustee or agency capacity for others and cannot be used to support the governments own programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.
- The County of Frederick has several private purpose trust funds. These funds are restricted to build a chapel, provide textbooks for indigent students, and to provide scholarships to deserving students.
  - Frederick County has seven agency funds. These funds include entities for which the County has assumed fiscal agency status: the Northwestern Regional Jail Authority and the Winchester Regional Airport.

## **Notes to the Financial Statements:**

Notes to the financial statements provide additional information and are an integral part of the statements and should be read in conjunction with the financial statements, the transmittal letter, and the management's discussion and analysis.

## **Financial Analysis of the County as a Whole:**

**Statement of Net Assets:** The following table reflects a comparative condensed Statement of Net Assets.

<b>Summary Statement of Net Assets</b>								
<b>June 30, 2011</b>								
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Component Units</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Current and Other Assets	\$ 65,631,240	\$ 56,938,224	\$ 30,651,422	\$ 32,287,556	\$ 96,282,662	\$ 89,225,780	\$ 26,124,828	\$ 24,329,811
Capital Assets (net)	120,963,616	132,661,548	21,340,265	18,264,393	142,303,881	150,925,941	95,626,223	89,999,826
Total Assets	<u>\$186,594,856</u>	<u>\$ 189,599,772</u>	<u>\$ 51,991,687</u>	<u>\$ 50,551,949</u>	<u>\$ 238,586,543</u>	<u>\$ 240,151,721</u>	<u>\$121,751,051</u>	<u>\$114,329,637</u>
Long-term Liabilities	\$149,174,289	\$ 149,333,455	\$ 11,667,593	\$ 11,553,154	\$ 160,841,882	\$ 160,886,609	\$ 3,366,467	\$ 2,737,463
Other Liabilities	8,128,172	8,810,422	2,205,396	801,748	10,333,568	9,612,170.00	16,235,372	16,179,577
Total Liabilities	<u>\$157,302,461</u>	<u>\$ 158,143,877</u>	<u>\$ 13,872,989</u>	<u>\$ 12,354,902</u>	<u>\$ 171,175,450</u>	<u>\$ 170,498,779</u>	<u>\$ 19,601,839</u>	<u>\$ 18,917,040</u>
Net Assets:								
Invested in Capital Assets, net of related debt	\$ (9,537,133)	\$ (8,248,388)	\$ 21,340,265	\$ 18,264,393	\$ 11,803,132	\$ 10,016,005	\$ 95,626,223	\$ 89,999,826
Restricted for Capital Projects	-	-	-	-	-	-	-	-
Unrestricted	38,829,528	39,704,283	16,778,433	19,932,654	55,607,961	59,636,937	6,522,989	5,412,771
Total Net Assets	<u>\$ 29,292,395</u>	<u>\$ 31,455,895</u>	<u>\$ 38,118,698</u>	<u>\$ 38,197,047</u>	<u>\$ 67,411,093</u>	<u>\$ 69,652,942</u>	<u>\$102,149,212</u>	<u>\$ 95,412,597</u>

The County's combined net assets decreased from \$69,652,942 to \$67,411,093. This net decrease in the amount of \$2,241,849 can be attributed to a decrease in governmental activities in the amount of \$2,163,500 and a decrease in business-type activities in the amount of \$78,349. Further details of these contributing factors are explained on the next page.

## Financial Analysis of the County as a Whole: (continued)

### County of Frederick's Changes in Net Assets For the Fiscal Year Ended June 30, 2011

	Governmental Activities		Business-Type Activities		Total		Component Units	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Governmental Activities</b>								
Revenues:								
Program Revenues								
Charges for Services	\$ 4,025,756	\$ 4,104,393	\$ 5,268,343	\$ 5,144,925	\$ 9,294,099	\$ 9,249,318	\$ 3,059,346	\$ 2,890,823
Operating Grants & Contributions	10,945,448	11,817,662	-	-	10,945,448	11,817,662	68,436,356	73,158,583
General Revenues								
Real Estate & Personal Property	73,729,205	70,903,832	-	-	73,729,205	70,903,832	-	-
Other Taxes	25,294,693	24,839,738	-	-	25,294,693	24,839,738	-	-
Payments from Primary Government	-	-	-	-	-	-	68,730,175	61,991,847
Non-restricted Grants	14,689,496	13,318,446	-	-	14,689,496	13,318,446	-	-
Use of Money and Property	190,074	416,503	93,809	177,850	283,883	594,353	374,505	404,222
Miscellaneous	561,013	533,261	208,967	180,453	769,980	713,714	311,784	307,158
Total Revenues	\$ 129,435,685	\$ 125,933,835	\$ 5,571,119	\$ 5,503,228	\$ 135,006,804	\$ 131,437,063	\$ 140,912,166	\$ 138,752,633
Expenses:								
General Government	\$ 7,327,459	\$ 6,321,805	\$ -	\$ -	\$ 7,327,459	\$ 6,321,805	\$ -	\$ -
Judicial Administration	3,193,494	3,386,474	-	-	3,193,494	3,386,474	-	-
Public Safety	24,433,750	24,589,993	-	-	24,433,750	24,589,993	-	-
Public Works	3,727,381	3,497,874	-	-	3,727,381	3,497,874	-	-
Health / Welfare	8,384,653	8,174,845	-	-	8,384,653	8,174,845	-	-
Education	71,756,548	65,309,552	-	-	71,756,548	65,309,552	133,220,922	136,709,562
Parks, Recreation & Culture	5,099,689	5,256,852	-	-	5,099,689	5,256,852	-	-
Community Development	2,920,744	2,191,518	-	-	2,920,744	2,191,518	-	-
Interest on Long-term Debt	4,755,467	6,555,195	-	-	4,755,467	6,555,195	-	-
Landfill Operations	-	-	5,649,468	5,433,404	5,649,468	5,433,404	-	-
Industrial Development Authority	-	-	-	-	-	-	954,629	343,745
Total Expenses	\$ 131,599,185	\$ 125,284,108	\$ 5,649,468	\$ 5,433,404	\$ 137,248,653	\$ 130,717,512	\$ 134,175,551	\$ 137,053,307
<b>Expenses (greater than) less than revenues received</b>	\$ (2,163,500)	\$ 649,727	\$ (78,349)	\$ 69,824	\$ (2,241,849)	\$ 719,551	\$ 6,736,615	\$ 1,699,326
Net Assets, July 1, 2010	31,455,895	30,806,168	38,197,047	38,127,223	69,652,942	68,933,391	95,412,597	93,713,271
Net Assets, June 30, 2011	\$ 29,292,395	\$ 31,455,895	\$ 38,118,698	\$ 38,197,047	\$ 67,411,093	\$ 69,652,942	\$ 102,149,212	\$ 95,412,597

## Revenues:

- **Governmental Activities:** For the fiscal year ended June 30, 2011, revenues from governmental activities totaled \$129,435,685, an increase of \$3.5 million over last fiscal year. Property tax revenues, which include real estate tax revenues and the local paid portion of personal property taxes account for approximately \$73.7 million of the total revenues received. Personal property taxes paid by the State under the provisions of PPTRA are included in nonrestricted grants.

Other local taxes include sales tax, utilities tax, gross receipts tax, business license, bank stock taxes, franchise tax, hotel and meals tax, and motor vehicle licenses. This category increased from last fiscal year by \$454,955.

- **Business-Type Activities:** The Regional Landfill is the only category that is classified as a business-type activity. Fees generated from usage of the landfill are recorded along with interest earnings as revenue. The landfill decreased net assets by \$78,349 in FY11.
- **Component Units:** Component units include the Frederick County Public Schools and the Frederick County Industrial Development Authority. Program revenues would include direct revenues such as charges for services and operating grants. Operating grants include state and federal funding that is primarily comprised of categorical funding.

## **Expenses:**

- **Governmental Activities:** For the fiscal year ended June 30, 2011, expenses related to governmental activities totaled \$131,599,185 which includes payments to the component units. Net assets related to governmental activities decreased by \$2.2 million.

## **Financial Analysis of the Fund Financial Statements:**

- **Governmental Funds:** Reported combined ending fund balance is \$46,904,103, an increase of \$6.9 million in comparison with the prior year. The increase was mostly due to the addition of the Lake Holiday Sanitary District Fund that added \$9,736,076 to the combined ending fund balance. It was the County's goal to replenish general fund balance by the amount used to balance the budget. At year end this goal was met.

Approximately 60% (\$28,372,870) of the combined ending fund balance is unassigned, which is available for spending at the government's discretion. The FY12 budget appropriates \$4.3 million from fund balance to balance the budget. Of the remainder of the fund balance, \$740,576 is nonspendable, \$12,170,378 is restricted, \$4,895,744 is committed and \$724,535 is assigned. Detailed information on fund balance types and amounts can be found in the Notes to Financial Statements - NOTE 1-N of this document.

The County's major funds are the General, Shawneeland Sanitary District, Lake Holiday Sanitary District, School Debt Service, and Capital Projects Funds. Detailed information on fund revenues, expenditures and fund balance during the 2010-11 fiscal year can be found on Exhibit 5 – Statement of Revenues, Expenditures, and Changes in Fund Balances.

- The General Fund is the chief operating fund of the County of Frederick.
  - The Shawneeland Sanitary District Fund accounts for special property tax assessments which are used to pay for various services requested by residents of the District.
  - The Lake Holiday Sanitary District Fund accounts for special property tax assessments which are used to pay for the repair of the dam and related expenditures.
  - The School Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related charges.
  - The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.
- **Proprietary Funds:** The County's proprietary funds consist of the landfill fund and internal service funds. The Landfill Fund is operated like a business (enterprise) fund and the internal service funds include the County's Health Insurance, Central Stores, Unemployment, and Volunteer Fire and Rescue Funds. The Landfill Fund reflected a decrease in net assets of \$78,349, while the Internal Service Funds recognized an increase in net assets in the amount of \$762,192. The Landfill Fund purchased capital assets in the amount of \$4,931,195 and posted operating loss of \$172,158. The Internal Service Funds had operating income of \$630,029.

## **General Budgetary Highlights:**

Differences between the original budget appropriations and the final budget appropriations of the general fund resulted in an increase of \$7,520,163 in additional appropriations. Highlights of the budget amendments are as follows:

### **General Budgetary Highlights: (continued)**

- \$2,300,000 in budget amendments for school construction.
- \$700,000 in budget amendments for EDC incentives.
- \$345,477 in budget amendments for an energy performance contract.
- \$172,948 in budget amendments for the NW Works project.
- \$696,081 in budget amendments for grants and grant carry forwards for the Sheriff's department.
- \$83,000 in budget amendments to appropriate proffers for a parking lot at the Bowman Library.
- \$250,000 in budget amendments for additional professional and legal services.

The variance between the final amended budget and actual was \$4,429,765. Significant variances were:

- \$460,030 from general government administration;
- \$1,131,371 from Sheriff's office;
- \$201,036 from fire & rescue;
- \$277,053 from general property maintenance;
- \$313,484 from welfare and social services;
- \$478,380 from education services from schools;
- \$325,699 from parks and recreation.

### **Capital Assets:**

At the end of the Fiscal Year 2011, Governmental Activities had invested \$120,963,616 and the Component Unit School Board had invested \$95,626,223 in capital assets net of depreciation. School Board capital assets are jointly owned by the County (Primary Government) and the Component Unit School Board to the extent of the proportion of general obligation debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. The County and School Board have no infrastructure capital assets, such as roads and bridges, because all such items have been transferred to and are maintained by the Commonwealth of Virginia. The following two schedules reflect the capital assets of the Governmental Activities and Component Unit School Board. Additional information on capital assets can be found in Note 8 in this report.

<b>Capital Assets</b>						
	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital Assets not being depreciated:						
Land and Land Improvements	\$ 2,396,274	\$ 2,396,274	\$ 3,310,126	\$ 3,310,126	\$ 5,706,400	\$ 5,706,400
Construction in Progress	-	31,237	2,771,396	3,563,413	2,771,396	3,594,650
School Construction in Progress	645,655	6,766	-	-	645,655	6,766
Total Capital Assets not being depreciated	\$ 3,041,929	\$ 2,434,277	\$ 6,081,522	\$ 6,873,539	\$ 9,123,451	\$ 9,307,816
Other Capital Assets:						
Building and Improvements	\$ 44,870,200	\$ 44,623,956	\$ 2,965,316	\$ 2,702,366	\$ 47,835,516	\$ 47,326,322
Landfill Improvements	-	-	27,273,402	22,465,919	27,273,402	22,465,919
School Building & Improvements	101,099,257	110,497,352	-	-	101,099,257	110,497,352
Furniture, Equipment & Vehicles	9,161,921	9,308,208	4,801,859	4,531,507	13,963,780	13,839,715
Total Other Capital Assets	\$ 155,131,378	\$ 164,429,516	\$ 35,040,577	\$ 29,699,792	\$ 190,171,955	\$ 194,129,308
Less: Accumulated Depreciation	37,209,691	34,202,245	19,781,834	18,308,938	56,991,525	52,511,183
Net Capital Assets	\$ 120,963,616	\$ 132,661,548	\$ 21,340,265	\$ 18,264,393	\$ 142,303,881	\$ 150,925,941

**Capital Assets: (continued)**

<b>Component Unit School Board Capital Assets</b>		
	<b>2011</b>	<b>2010</b>
Capital Assets not being depreciated:		
Land and Land Improvements	\$ 8,288,366	\$ 8,290,115
Construction in Progress	645,655	6,766
Construction in Progress Allocated to County	(645,655)	(6,766)
Total Capital Assets not being depreciated	<u>\$ 8,288,366</u>	<u>\$ 8,290,115</u>
Other Capital Assets:		
Building and Improvements	\$ 225,436,034	\$ 224,659,749
School Buildings and Improvements allocated to County	(101,099,257)	(110,497,352)
Furniture, Equipment & Vehicles	42,511,877	40,476,922
Total Other Capital Assets	<u>\$ 166,848,654</u>	<u>\$ 154,639,319</u>
Less: Accumulated Depreciation	<u>79,510,797</u>	<u>72,929,608</u>
Net Capital Assets	<u><u>\$ 95,626,223</u></u>	<u><u>\$ 89,999,826</u></u>

**Long-Term Obligations:**

General Fund revenues are used to pay lease and general obligation bonds and state literary fund loans. At the end of the fiscal year, the County had bonded debt of \$136.6 million. This entire amount represents debt backed by the full faith and credit of the County.

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2011.

	<b>June 30, 2010</b>	<b>Increase</b>	<b>Decrease</b>	<b>June 30, 2011</b>
Lease Revenue Bonds Payable	\$ 23,415,000	\$ 9,245,000	\$ 1,025,000	\$ 31,635,000
General Obligation Bonds:				
Library	3,155,975	-	193,014	2,962,961
School	105,238,560	-	8,482,909	96,755,651
Add deferred amount for issuance premiums	3,577,521	-	442,597	3,134,924
Less deferred amount on refunding	(118,675)	-	(40,133)	(78,542)
Total School General Obligation Bonds	<u>\$ 108,697,406</u>	<u>\$ -</u>	<u>\$ 8,885,373</u>	<u>\$ 99,812,033</u>
State Literary Fund Loans:				
School	6,172,487	-	905,573	5,266,914
Intergovernmental loans	317,071	-	143,544	173,527
Claims	635,242	6,209,141	6,280,428	563,955
Capital leases	116,592	-	40,941	75,651
Other post employment benefits	4,818,000	2,025,000	277,000	6,566,000
Compensated absences	2,640,924	1,889,926	1,848,647	2,682,203
Total	<u><u>\$ 149,968,697</u></u>	<u><u>\$ 19,369,067</u></u>	<u><u>\$ 19,599,520</u></u>	<u><u>\$ 149,738,244</u></u>

Additional details on long-term obligations are presented in Note 9 to the financial statements.

**Contacting the Finance Department:**

This Comprehensive Annual Financial Report (CAFR) is designed to provide our investors, citizens, taxpayers, and readers with a general overview of the County's finances and to demonstrate accountability. Questions concerning this report should be directed to Cheryl Shiffler, Finance Director, Frederick County Finance Department, 107 North Kent Street, Winchester, Virginia, 22601, telephone (540) 665-5610.

**Basic Financial Statements:**  
**- Government-wide Financial Statements -**

## COUNTY OF FREDERICK, VIRGINIA

Statement of Net Assets  
At June 30, 2011

				Component Units	
	Governmental	Business-Type		School	Industrial
	Activities	Activities	Total	Board	Development
					Authority
Assets:					
Cash and cash equivalents	\$ 46,656,352	\$ 18,607,956	\$ 65,264,308	\$ 20,583,991	\$ 152,781
Restricted cash	-	11,545,004	11,545,004	-	-
Receivables, net	8,629,499	498,462	9,127,961	397,982	300,275
Due from other governments	9,239,945	-	9,239,945	4,462,364	-
Intergovernmental loan	734,939	-	734,939	-	-
Prepaid expenses	5,637	-	5,637	-	1,865
Inventory	-	-	-	225,570	-
Unamortized debt issuance costs	364,868	-	364,868	-	-
Capital assets:					
Land and construction in progress	3,041,929	6,081,522	9,123,451	8,288,366	-
Other capital assets, net of accumulated depreciation	117,921,687	15,258,743	133,180,430	87,337,857	-
Capital assets, net	\$ 120,963,616	\$ 21,340,265	\$ 142,303,881	\$ 95,626,223	\$ -
Total assets	\$ 186,594,856	\$ 51,991,687	\$ 238,586,543	\$ 121,296,130	\$ 454,921
Liabilities:					
Accounts payable and accrued expenses	\$ 1,399,051	\$ 2,199,436	\$ 3,598,487	\$ 14,810,454	\$ 330,000
Accrued interest payable	2,524,729	-	2,524,729	-	-
Claims payable	563,955	-	563,955	1,094,918	-
Unearned revenue	2,015,276	5,960	2,021,236	-	-
Amounts held for others	1,625,161	-	1,625,161	-	-
Long-term liabilities:					
Due within one year	12,451,461	85,812	12,537,273	800,654	-
Due in more than one year	136,722,828	11,581,781	148,304,609	2,535,813	30,000
Total liabilities	\$ 157,302,461	\$ 13,872,989	\$ 171,175,450	\$ 19,241,839	\$ 360,000
Net Assets:					
Invested in capital assets, net of related debt	\$ (9,537,133)	\$ 21,340,265	\$ 11,803,132	\$ 95,626,223	\$ -
Unrestricted	38,829,528	16,778,433	55,607,961	6,428,068	94,921
Total net assets	\$ 29,292,395	\$ 38,118,698	\$ 67,411,093	\$ 102,054,291	\$ 94,921

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

## COUNTY OF FREDERICK, VIRGINIA

Statement of Activities  
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	School Board	Industrial Development Authority
<b>Primary Government</b>									
<b>Governmental activities</b>									
General government administration	\$ 7,327,459	\$ -	\$ 1,611,151	\$ -	\$ (5,716,308)	\$ -	\$ (5,716,308)	\$ -	\$ -
Judicial administration	3,193,494	1,264,609	847,069	-	(1,081,816)	-	(1,081,816)	-	-
Public safety	24,433,750	1,018,694	3,157,363	-	(20,257,693)	-	(20,257,693)	-	-
Public works	3,727,381	-	31,067	-	(3,696,314)	-	(3,696,314)	-	-
Health and welfare	8,384,653	-	5,098,798	-	(3,285,855)	-	(3,285,855)	-	-
Education	71,756,548	-	-	-	(71,756,548)	-	(71,756,548)	-	-
Parks, recreation and cultural	5,099,689	1,739,445	-	-	(3,360,244)	-	(3,360,244)	-	-
Community development	2,920,744	3,008	200,000	-	(2,717,736)	-	(2,717,736)	-	-
Interest on long-term debt	4,755,467	-	-	-	(4,755,467)	-	(4,755,467)	-	-
Total governmental activities	\$ 131,599,185	\$ 4,025,756	\$ 10,945,448	\$ -	\$ (116,627,981)	\$ -	\$ (116,627,981)	\$ -	\$ -
<b>Business type activities</b>									
Landfill operations	5,649,468	5,268,343	-	-	-	(381,125)	(381,125)	-	-
<b>Total Primary Government</b>	<b>\$ 137,248,653</b>	<b>\$ 9,294,099</b>	<b>\$ 10,945,448</b>	<b>\$ -</b>	<b>\$ (116,627,981)</b>	<b>\$ (381,125)</b>	<b>\$ (117,009,106)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Component Units</b>									
Frederick County Public Schools	\$ 133,220,922	\$ 3,058,821	\$ 67,496,356	\$ -				\$ (62,665,745)	\$ -
Frederick County Industrial Development Authority	954,629	525	940,000	-				-	(14,104)
<b>Total Component Units</b>	<b>\$ 134,175,551</b>	<b>\$ 3,059,346</b>	<b>\$ 68,436,356</b>	<b>\$ -</b>				<b>\$ (62,665,745)</b>	<b>\$ (14,104)</b>
<b>General Revenues</b>									
Taxes:									
General property taxes, real and personal					\$ 73,729,205	\$ -	\$ 73,729,205	\$ -	\$ -
Local sales and use taxes					9,711,110	-	9,711,110	-	-
Business licenses tax					5,007,502	-	5,007,502	-	-
Consumer utility taxes					3,080,740	-	3,080,740	-	-
Meals and lodging taxes					4,032,296	-	4,032,296	-	-
Motor vehicle licenses tax					2,113,938	-	2,113,938	-	-
Taxes on recordation and wills					992,281	-	992,281	-	-
Other taxes					356,826	-	356,826	-	-
Payment from County of Frederick:									
Education					-	-	-	68,730,175	-
Grants and contributions not restricted to specific programs					14,689,496	-	14,689,496	-	-
Unrestricted use of money and property					190,074	93,809	283,883	374,474	31
Miscellaneous					561,013	208,967	769,980	311,784	-
Total general revenues					\$ 114,464,481	\$ 302,776	\$ 114,767,257	\$ 69,416,433	\$ 31
Change in net assets					\$ (2,163,500)	\$ (78,349)	\$ (2,241,849)	\$ 6,750,688	\$ (14,073)
Net assets, beginning of year					31,455,895	38,197,047	69,652,942	95,303,603	108,994
Net assets, end of year					\$ 29,292,395	\$ 38,118,698	\$ 67,411,093	\$ 102,054,291	\$ 94,921

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

**Basic Financial Statements:**  
**- Fund Financial Statements -**

## COUNTY OF FREDERICK, VIRGINIA

Balance Sheet  
Governmental Funds  
At June 30, 2011

	General Fund	Shawneeland Sanitary District Fund	Lake Holiday Sanitary District Fund	Capital Projects Fund	School Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 26,184,308	\$ 2,140,750	\$ 9,736,076	\$ -	\$ 80,400	\$ 1,573,318	\$ 39,714,852
Property taxes receivable, net	4,511,418	919,004	765,225	-	-	-	6,195,647
Business licenses receivable	840,058	-	-	-	-	-	840,058
Accounts receivable	1,580,451	2,384	-	-	-	1,520	1,584,355
Due from other governments	9,018,462	-	-	-	-	221,483	9,239,945
Intergovernmental loan	734,939	-	-	-	-	-	734,939
Prepaid items	5,637	-	-	-	-	-	5,637
Total assets	<u>\$ 42,875,273</u>	<u>\$ 3,062,138</u>	<u>\$ 10,501,301</u>	<u>\$ -</u>	<u>\$ 80,400</u>	<u>\$ 1,796,321</u>	<u>\$ 58,315,433</u>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ 1,143,462	\$ 31,196	\$ -	\$ -	\$ -	\$ 169,541	\$ 1,344,199
Amounts held for others	1,625,161	-	-	-	-	-	1,625,161
Deferred revenue - business licenses	840,058	-	-	-	-	-	840,058
Deferred revenue - prepaid taxes	1,979,435	26,402	-	-	-	-	2,005,837
Deferred revenue - property taxes	3,926,945	903,905	765,225	-	-	-	5,596,075
Total liabilities	<u>\$ 9,515,061</u>	<u>\$ 961,503</u>	<u>\$ 765,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,541</u>	<u>\$ 11,411,330</u>
<b>Fund Balance</b>							
Nonspendable	\$ 740,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 740,576
Restricted	3,022,694	-	9,147,684	-	-	-	12,170,378
Committed	1,222,437	2,100,635	588,392	-	-	984,280	4,895,744
Assigned	1,635	-	-	-	80,400	642,500	724,535
Unassigned	28,372,870	-	-	-	-	-	28,372,870
Total fund balance	<u>\$ 33,360,212</u>	<u>\$ 2,100,635</u>	<u>\$ 9,736,076</u>	<u>\$ -</u>	<u>\$ 80,400</u>	<u>\$ 1,626,780</u>	<u>\$ 46,904,103</u>
Total liabilities and fund balance	<u>\$ 42,875,273</u>	<u>\$ 3,062,138</u>	<u>\$ 10,501,301</u>	<u>\$ -</u>	<u>\$ 80,400</u>	<u>\$ 1,796,321</u>	<u>\$ 58,315,433</u>

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

## COUNTY OF FREDERICK, VIRGINIA

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**At June 30, 2011**

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Total fund balances for governmental funds (Exhibit 3)	\$ 46,904,103
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and improvements	\$ 2,396,274	
Construction in progress	645,655	
Buildings and improvements, net of depreciation	34,403,597	
Equipment, net of depreciation	1,780,398	
School Board capital assets, net of depreciation	<u>81,737,692</u>	
Total capital assets		120,963,616

Debt issuance costs net of amortization	364,868
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Internal service funds are used by the County to charge the cost of health insurance, supplies, gasoline, duplicating and unemployment benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. The internal service funds net assets are:

	6,322,693
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Some of the County's taxes and business licenses will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore are reported as deferred revenue in the funds.

	6,436,133
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Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Also, the County received a premium on its long-term debt issues and incurred defeasance costs when refunding debt. The premium and defeasance costs will be amortized over the life of the new bond issue as interest is paid. Balances of long-term liabilities affecting net assets are as follows:

Accrued interest on debt	\$ (2,524,729)	
Bonds, notes and capital leases payable	(136,869,704)	
Unamortized bond premium	(3,134,924)	
Unamortized defeasance costs	78,542	
Other post employment benefits	(6,566,000)	
Compensated absences	<u>(2,682,203)</u>	
Total		<u>(151,699,018)</u>

Total net assets of governmental activities (Exhibits 1 and 2)	\$ <u>29,292,395</u>
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The accompanying notes to financial statements are an integral part of this statement.

## COUNTY OF FREDERICK, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2011**

	<b>General Fund</b>	<b>Shawneeland Sanitary District Fund</b>	<b>Lake Holiday Sanitary District Fund</b>	<b>Capital Projects Fund</b>	<b>School Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>							
Property taxes	\$ 71,054,980	\$ 636,494	\$ 453,438	\$ -	\$ -	\$ -	\$ 72,144,912
Other local taxes	25,294,693	-	-	-	-	-	25,294,693
Permits, privilege fees and regulatory licenses	920,328	-	-	-	-	-	920,328
Fines and forfeitures	279,102	-	-	-	-	-	279,102
Use of money and property	196,118	9,167	(9,260)	-	-	(37,082)	158,943
Charges for services	2,202,922	-	-	-	-	623,404	2,826,326
Miscellaneous	541,102	2,000	-	3,597	-	314	547,013
Recovered costs	1,570,383	2,354	169,315	-	-	144,601	1,886,653
Intergovernmental:							
Revenue from the Commonwealth	20,347,260	-	-	-	-	1,435,741	21,783,001
Revenue from the Federal Government	3,851,943	-	-	-	-	-	3,851,943
Total revenues	\$ 126,258,831	\$ 650,015	\$ 613,493	\$ 3,597	\$ -	\$ 2,166,978	\$ 129,692,914
<b>Expenditures</b>							
Current:							
General government administration	\$ 8,053,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,053,735
Judicial administration	2,148,676	-	-	-	-	1,099,197	3,247,873
Public safety	22,682,060	-	-	-	-	-	22,682,060
Public works	3,944,394	-	-	-	-	-	3,944,394
Health and welfare	6,559,164	-	-	-	-	1,690,382	8,249,546
Education - local community college	56,493	-	-	-	-	-	56,493
Education - public school system	59,175,501	-	-	-	1,693,595	626,647	61,495,743
Parks, recreation and cultural	4,919,987	-	-	-	-	-	4,919,987
Community development	2,621,535	600,066	25,101	-	-	-	3,246,702
Capital projects	-	-	-	3,597	-	-	3,597
Debt service:							
Principal payments	1,361,558	-	-	-	9,388,482	-	10,750,040
Interest and fiscal charges	1,492,831	-	97,316	-	3,714,194	-	5,304,341
Total expenditures	\$ 113,015,934	\$ 600,066	\$ 122,417	\$ 3,597	\$ 14,796,271	\$ 3,416,226	\$ 131,954,511
<b>Excess (deficiency) of revenues over expenditures</b>	\$ 13,242,897	\$ 49,949	\$ 491,076	\$ -	\$ (14,796,271)	\$ (1,249,248)	\$ (2,261,597)
<b>Other financing sources (uses)</b>							
Long-term debt issued	\$ -	\$ -	\$ 9,245,000	\$ -	\$ -	\$ -	\$ 9,245,000
Transfers in	722,078	-	-	-	14,626,151	980,502	16,328,731
Transfers out	(15,707,685)	-	-	(722,078)	-	-	(16,429,763)
Total other financing sources (uses)	\$ (14,985,607)	\$ -	\$ 9,245,000	\$ (722,078)	\$ 14,626,151	\$ 980,502	\$ 9,143,968
Net change in fund balance	\$ (1,742,710)	\$ 49,949	\$ 9,736,076	\$ (722,078)	\$ (170,120)	\$ (268,746)	\$ 6,882,371
<b>Fund balance, beginning of year</b>	35,102,922	2,050,686	-	722,078	250,520	1,895,526	40,021,732
<b>Fund balance, end of year</b>	\$ 33,360,212	\$ 2,100,635	\$ 9,736,076	\$ -	\$ 80,400	\$ 1,626,780	\$ 46,904,103

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

## COUNTY OF FREDERICK, VIRGINIA

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2011**

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 6,882,371
<p>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.</p>	
Capital outlay	\$ 381,662
Disposal of capital assets	(8,361)
Depreciation	(4,836,801)
Net adjustment	(4,463,500)
<p>School Board capital assets are jointly owned by the County and School Board. The County share of School Board capital assets is in proportion to the debt owed on such by the County. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship increased the transfers to the School Board.</p>	
	(7,234,432)
<p>Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and realizable to pay current obligations. However, in the statement of net assets revenues are reported when earned. This requires adjustments to convert the revenues to the accrual basis.</p>	
	1,584,293
<p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>	
Debt issued:	
Lease revenue bonds	\$ (9,245,000)
Repayments:	
Lease revenue bonds	\$ 1,025,000
General obligation library bonds	193,014
General obligation school bonds	8,482,909
State Literary Fund loans	905,573
Intergovernmental loans	143,544
Capital leases	40,941
Net adjustment	1,545,981
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:</p>	
Compensated absences	\$ (41,279)
Other post employment benefits	(1,748,000)
Amortization of debt premium	442,597
Amortization of advanced refunding defeasance costs	(40,133)
Amortization of bond issuance costs	(14,595)
Accrued interest on bonds and loans	161,005
Net adjustment	(1,240,405)
<p>Internal service funds are used by the County to charge the costs of health insurance, supplies and unemployment costs to individual funds. The net revenue of internal service funds is reported with governmental activities.</p>	
	762,192
Change in net assets of governmental activities (Exhibit 2)	\$ (2,163,500)
The accompanying notes to financial statements are an integral part of this statement.	

## COUNTY OF FREDERICK, VIRGINIA

Statement of Net Assets  
 Proprietary Funds  
 At June 30, 2011

	Business-Type Activities - Enterprise Fund <u>Landfill Fund</u>	Governmental Activities <u>Internal Service Funds</u>
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 18,607,956	\$ 6,941,500
Restricted cash - landfill closure	11,545,004	-
Receivables, net	498,462	9,439
Total current assets	\$ <u>30,651,422</u>	\$ <u>6,950,939</u>
Noncurrent assets:		
Capital assets:		
Land and improvements	\$ 3,310,126	\$ -
Construction in progress	2,771,396	-
Other capital assets, net of accumulated depreciation	15,258,743	-
Total noncurrent assets	\$ <u>21,340,265</u>	\$ <u>-</u>
Total assets	\$ <u>51,991,687</u>	\$ <u>6,950,939</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,199,436	\$ 54,852
Deferred revenue	5,960	9,439
Compensated absences, current portion	85,812	-
Claims payable	-	563,955
Total current liabilities	\$ <u>2,291,208</u>	\$ <u>628,246</u>
Long-term liabilities:		
Compensated absences, noncurrent portion	\$ 36,777	\$ -
Accrued landfill remediation costs	11,545,004	-
Total long-term liabilities	\$ <u>11,581,781</u>	\$ <u>-</u>
Total liabilities	\$ <u>13,872,989</u>	\$ <u>628,246</u>
<b>Net Assets:</b>		
Invested in capital assets	\$ 21,340,265	\$ -
Unrestricted	16,778,433	6,322,693
Total net assets	\$ <u>38,118,698</u>	\$ <u>6,322,693</u>

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

## COUNTY OF FREDERICK, VIRGINIA

**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2011**

	<b>Business-Type Activities - Enterprise Landfill Fund</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Operating revenues:</b>		
Charges for services, net	\$ 5,268,343	\$ 7,642,294
Miscellaneous	208,967	-
Total operating revenues	\$ 5,477,310	\$ 7,642,294
<b>Operating expenses:</b>		
Personal services	\$ 1,065,599	\$ -
Fringe benefits	441,623	6,364,580
Contractual services	885,652	-
Other charges	1,401,271	647,685
Depreciation	1,855,323	-
Total operating expenses	\$ 5,649,468	\$ 7,012,265
<b>Operating income (loss)</b>	\$ (172,158)	\$ 630,029
<b>Nonoperating revenues:</b>		
Investment earnings	93,809	31,131
Income before transfers	\$ (78,349)	\$ 661,160
<b>Transfers in</b>	-	101,032
<b>Change in net assets</b>	\$ (78,349)	\$ 762,192
<b>Total net assets, beginning of year</b>	38,197,047	5,560,501
<b>Total net assets, end of year</b>	\$ 38,118,698	\$ 6,322,693

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

## COUNTY OF FREDERICK, VIRGINIA

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended June 30, 2011

	Business-Type Activities - Enterprise Landfill Fund	Governmental Activities Internal Service Funds
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 5,302,539	\$ -
Receipts from insured	-	7,008,383
Receipts from services	-	633,911
Other receipts	208,967	-
Payments to employees	(1,490,631)	-
Payments to suppliers	(775,894)	(7,106,154)
Other payments	-	(21,880)
Net cash provided (used) by operating activities	\$ 3,244,981	\$ 514,260
<b>Cash flows from noncapital financing activities</b>		
Transfers in	\$ -	\$ 101,032
<b>Cash flows from investing activities</b>		
Investment earnings	\$ 93,809	\$ 31,131
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	\$ (4,931,195)	\$ -
Net cash provided (used) by capital and related financing activities	\$ (4,931,195)	\$ -
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ (1,592,405)	\$ 646,423
<b>Cash and cash equivalents, beginning of year</b>	31,745,365	6,295,077
<b>Cash and cash equivalents, end of year</b>	\$ 30,152,960	\$ 6,941,500
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (172,158)	\$ 630,029
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	1,855,323	-
Changes in assets and liabilities:		
Receivables	43,729	(2,171)
Accounts payable and accrued expenses	1,413,181	(44,482)
Deferred revenue	(9,533)	2,171
Claims payable	16,591	(71,287)
Increase in accrued landfill costs	97,848	-
Net cash provided (used) by operating activities	\$ 3,244,981	\$ 514,260

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

## COUNTY OF FREDERICK, VIRGINIA

Statement of Fiduciary Net Assets  
At June 30, 2011

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 255,303	\$ 5,452,719
Receivables	-	154,633
Due from other governmental units	-	830,952
Total assets	\$ 255,303	\$ 6,438,304
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ -	\$ 946,121
Amounts held for others	-	5,492,183
Total liabilities	\$ -	\$ 6,438,304
<b>Net Assets</b>	\$ 255,303	\$ -

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

## COUNTY OF FREDERICK, VIRGINIA

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year Ended June 30, 2011

	<b>Private Purpose Trust Funds</b>
<b>Additions:</b>	
Investment earnings	\$ 42,375
<b>Deductions:</b>	
Education	<u>8,664</u>
Change in net assets	\$ 33,711
<b>Net assets, beginning of year</b>	<u>221,592</u>
<b>Net assets, end of year</b>	<u><u>\$ 255,303</u></u>

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

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2011

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **Narrative Profile**

The County of Frederick, located in northwest Virginia and bordered by West Virginia and the counties of Shenandoah, Warren, and Clarke, was founded in 1738. The County has a population of 69,123 and a land area of 427 square miles.

The County is governed under the County Administrator - Board of Supervisors form of government. Frederick County engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, human service programs, landfill operations, planning, community development and recreation, cultural, and historic activities.

The financial statements of the County of Frederick, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

#### **A. Financial Reporting Entity**

##### Management's Discussion and Analysis:

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to the analysis the private sector provides in their annual reports.

##### Government-wide Financial Statements:

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

##### Statement of Net Assets:

The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

##### **A. Financial Reporting Entity (Continued)**

###### Statement of Program Activities:

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

###### Budgetary Comparison Schedules:

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The County and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the reporting model, governments will continue to provide budgetary comparison information in their annual reports, including a requirement to include the government's original budget with the comparison of final budget and actual results for its major funds.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The County has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

###### **Inclusions in the Reporting Entity:**

###### 1. Component Units:

###### a. Frederick County School Board:

The Frederick County School Board is elected to four year terms by the County voters. The School Board may hold property and issue debt subject to approval by the Board of Supervisors. The School Board provides public primary and secondary education services to the County residents. The primary funding sources of the School Board are state and federal grants, and appropriations from the County, which are significant since the School Board does not have separate taxing authority. The County also approves the School Board budget. The School Board does not issue separate financial statements.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

##### **A. Financial Reporting Entity (Continued)**

###### **b. Frederick County Industrial Development Authority:**

The Frederick County Industrial Development Authority was created by the Board of Supervisors to administer the issuance of industrial development revenue bonds. The Authority may also acquire property and issue debt in its own name and may also enter into lease/purchase arrangements with the County. The County appoints all six of the members of the Authority's Board of Directors. The County Administrator serves as the Secretary/Treasurer of the Authority. The County may significantly influence the fiscal affairs of the Authority and, accordingly, is included in the County's financial statements.

A copy of the Authority's audit report may be obtained from the Industrial Development Authority, c/o Frederick County Administrator, County Administration Building, 107 North Kent Street, Winchester, Virginia 22604.

##### **Exclusions from the Reporting Entity:**

###### **1. Jointly Governed Organizations:**

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

The financial activities of the following organizations are excluded from the accompanying financial statements for the reasons indicated:

- a. The Handley Regional Library Board provides library services to the Counties of Frederick and Clarke, and the City of Winchester. The participating localities provide annual contributions for operations based on usage of library services. The Library Board is composed of nine members, of which three are appointed by the County, five by the City of Winchester, and one by the County of Clarke. The County made operating grants of \$802,550 to the Library for fiscal 2011, and has no equity interest in the Library. The participating governments have no ongoing financial responsibility to fund the Library to assure its continued operations. The Library has a significant endowment trust.
- b. The Northwestern Regional Jail Authority was created in 1987 to construct and operate the Clarke, Fauquier, Frederick, Winchester Regional Adult Detention Center. The Jail Authority charges on a per diem basis other localities and the federal government for their prisoners placed in the jail. The fourteen member board consists of four members each from the County of Frederick and City of Winchester, and three from the Counties of Clarke and Fauquier. The County and the other participants have no equity interest in the jail. The County made operating contributions of \$3,388,830 to the regional jail in fiscal 2011.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

##### **A. Financial Reporting Entity (Continued)**

- c. The Winchester Regional Airport Authority was created in 1987 to operate and maintain the regional airport. The City of Winchester and the Counties of Clarke, Frederick, Shenandoah and Warren contribute operating and capital funds as necessary to maintain, operate and construct the airport facilities. The Authority Board consists of seven members of which two each are appointed by the County of Frederick and the City of Winchester, and one each from the Counties of Clarke, Shenandoah and Warren. The participating localities do not retain an equity interest in the Authority. The County of Frederick serves as fiscal agent for the Authority, which is reported as an agency fund in the financial statements. The County made operating grants of \$16,874 and capital grants of \$6,575 to the Authority in fiscal 2011.
- d. The Frederick-Winchester Service Authority was created by the County of Frederick and City of Winchester to provide for the administration, planning and design of wastewater facilities. The Authority has nine Board Members of which four each are appointed by the County and City, and one member appointed at-large by the Authority Board. The participating localities do not retain an ongoing financial interest nor are responsible for the financial activities of the Authority. The County made no operating grants to the Authority in fiscal 2011.
- e. The Northwestern Community Services Board was created to provide Mental Health, Mental Retardation and Substance Abuse Services to the residents of the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah and Warren. The Board has fifteen members of which three each are appointed by the City of Winchester and the Counties of Clarke, Frederick, Page and Warren. The participating localities contribute annual operating grants to the Board, but are not required to do so. The participants have no ongoing financial responsibilities to or equity interest in the Board. The County appropriated \$318,263 for an operating grant to the Board in fiscal 2011.
- f. The Northwestern Regional Juvenile Detention Center was created by the Counties of Clarke, Frederick, Page, Shenandoah and Warren, and the City of Winchester. Each participant jurisdiction has one representative on the Center's Board of Directors, and the Clarke, Fauquier, Frederick, Winchester Jail Board has one representative on the Board. The City of Winchester serves as the Center's fiscal agent. The participating localities contribute annual operating grants to the Center, but do not retain an ongoing financial interest in the Center. The County of Frederick appropriated \$359,379 in operating grants to the Center in fiscal 2011.

Financial information for the jointly governed organizations may be obtained as follows:

- Handley Regional Library, Picadilly and Braddock Streets, Winchester, Virginia 22604
- Northwestern Regional Jail Authority, c/o Frederick County Administrator, Frederick County Administration Bldg., 107 North Kent Street, Winchester, Virginia 22604
- Winchester Regional Airport, 491 Airport Road, Winchester, Virginia 22602

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

##### **A. Financial Reporting Entity (Continued)**

- Northwestern Community Services Board, 209 W. Criser Road, Front Royal, Virginia 22630
- Frederick-Winchester Service Authority, 107 North Kent Street, Winchester, Virginia 22604
- Northwestern Regional Juvenile Detention Center, c/o City of Winchester, City Hall, Winchester, Virginia 22604

##### **2. Other Organizations:**

The Frederick County Sanitation Authority was created by the Board of Supervisors to operate the County's water and sewer systems. The County appoints all six members of the Authority's Board of Directors. Other than making appointments to the Authority Board of Directors, the County is not involved with day-to-day management or rate setting processes. All obligations of the Authority are payable solely from and secured by revenues derived from the operation of the water and sewer systems. None of the obligations are issued against the credit of the County nor does the County have any legal or moral obligations to the holders of the bonds or notes. The County has made no contributions to the Authority for operations or capital asset acquisitions during fiscal year 2011. However, the County has made advances to the Authority at below market interest rates in order to provide operating capital. The Authority is excluded from the County's financial statements because it is not accountable to the County.

##### **B. Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. The focus is on both the County as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category), and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The County generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The County may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

##### **B. Government-wide and Fund Financial Statements (Continued)**

and welfare, etc.) or a business-type activity. 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, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Internal service charges are eliminated and the net income or loss from internal service activities are allocated to the various functional expense categories based on the internal charges to each function.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

Proprietary fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings and other revenues not directly derived from the providing of services.

The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The County's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the County in FY 2011.

##### **1. Governmental Funds:**

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

##### **B. Government-wide and Fund Financial Statements (Continued)**

- a. General Fund - The General Fund is the primary operating fund of the County and accounts for and reports all revenues and expenditures applicable to the general operations of the County which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes.
- b. Special Revenue Funds - Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special Revenue Funds include the following funds:
  - Division of Court Services Fund - This fund accounts for and reports the operations of the Frederick-Winchester Division of Court Services which provides various services relating to substance abuse care and treatment, and diversionary programs for local felons. Funding is primarily from service fees and state grants.
  - Shawneeland Sanitary District Fund - This fund accounts for and reports special property tax assessments which are used to pay for various services requested by residents of the District. The Shawneeland Sanitary District Fund is considered a major fund for financial reporting purposes.
  - Lake Holiday Sanitary District Fund - This fund accounts for and reports special property tax assessments which are used to pay for the repair of the dam and related debt service expenditures for the District. The Lake Holiday Sanitary District Fund is considered a major fund for financial reporting purposes.
  - Comprehensive Services Act Fund - This fund accounts for and reports the Comprehensive Services Act grant funds which provides assistance primarily for foster care and related services and the prevention of foster care. Services provided include education, housing, health and food. Funding is primarily from state grants and local match appropriations.
- c. School Debt Service Fund - The School Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for the payment of, general long-term debt principal, interest and related charges for school debt. This fund is considered a major fund for financial reporting purposes.
- d. Capital Projects Funds - Capital Projects Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. Capital Projects Funds include the following funds:
  - Detox Center Construction Fund - This fund accounts for resources and expenditures for the construction of detox facilities. Primary revenues consist of investment earnings. Funding for additional construction or renovation projects would be provided primarily by the Division of Court Services Fund revenues.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

##### **B. Government-wide and Fund Financial Statements (Continued)**

- Administration Building Renovation Fund - This fund accounts for and reports the renovation and improvements of the County's administration building. Financing is provided by General Fund revenues.
- Capital Projects Fund - This fund accounts for and reports all other renovation and improvements made to County buildings. Financing is provided by debt issuance and General Fund revenues. This fund is considered a major fund for financial reporting purposes.

##### **2. Proprietary Funds:**

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise and Internal Service Funds.

- a. Enterprise or Business Funds - Enterprise or Business Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. The Enterprise Fund consists of the landfill fund.
- b. Internal Service Funds - The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County government. The Internal Service Funds consist of the following funds:
  - Health Insurance Fund - This fund accounts for the health insurance program activities of the County. This fund also includes pass-through premiums and claims from other localities, boards and authorities which elected to participate in the County's health insurance program. The other participants in the program are required to fund any claims which may not be covered by the insurance carrier.
  - Central Stores Fund - This fund accounts for the operations of duplicating, postage, and gasoline. Revenue is derived from sales to user departments.
  - Unemployment Fund - This fund accounts for unemployment obligations of the primary government. Revenue is derived from interfund transfers and investment earnings.
  - Volunteer Fire and Rescue Fund - This fund accounts for length of service stipends to be paid to volunteer fire and rescue personnel. Revenue is derived from transfers from the General Fund.
  - Maintenance Insurance Fund - This fund accounts for maintenance contracts. Revenue is derived from transfers from the General Fund.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

##### **B. Government-wide and Fund Financial Statements (Continued)**

###### **3. Fiduciary Funds (Trust and Agency Funds):**

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Agency Funds. Private purpose trust funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency funds also utilize the accrual basis of accounting. The Private Purpose Trust and Agency Funds consist of the following:

###### **a. Private Purpose Trust Funds:**

- Laura Bates Trust Fund - This fund accounts for funds provided by a private donor, the corpus of which is non-expendable. Investment earnings on fund assets may be used to construct a nondenominational chapel at the Middletown School.
- Harriet S. Sides Trust Fund - This fund accounts for funds provided through a private donor, the corpus of which is non-expendable. Investment earnings on fund assets may be used to purchase textbooks for indigent students of the Frederick County School system.
- Olin Larrick Trust Fund - This fund accounts for funds provided through a private donor, the corpus of which is non-expendable. Investment earnings on fund assets may be used to provide a scholarship to a deserving student of the Frederick County, Virginia schools.
- Armstrong Foundation Scholarship Trust Fund - This fund accounts for funds provided by the Armstrong Foundation. The corpus is non-expendable. Investment earnings on fund assets are used to provide scholarships to deserving students of the Frederick County, Virginia schools.

###### **b. Agency Funds:**

- Special Welfare Fund - This fund accounts for monies provided primarily through private donors for assistance of children in foster care, and needy senior citizens. This fund is also used to account for monies received from other governments and individuals (i.e., social security and child support) to be paid to special welfare recipients.
- Northwestern Regional Jail Authority Fund - This fund accounts for operations of the regional jail. The regional jail is self-supporting and the County acts as the jail fiscal agent.
- Winchester Regional Airport Authority Fund - This fund accounts for operations and construction projects of the regional airport. The airport operation serves the City of Winchester and the Counties of Frederick, Warren, Clarke and Shenandoah. Financing is provided through funds from the Commonwealth of Virginia, the federal government and user charges. The County acts as the Authority fiscal agent.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

##### **B. Government-wide and Fund Financial Statements (Continued)**

- Undistributed Local Sales Tax Fund - This fund accounts for monies received from the Commonwealth of Virginia for Frederick County's share of local sales tax. The County disburses part of this money to Middletown and Stephens City based on their school population.
- State Sales Tax Fund - This fund accounts for monies received from purchases by individuals for which sales tax was charged. The County remits this money to the Treasurer of Virginia monthly.
- Employee Cafeteria Plan Fund - This fund accounts for funds received from individuals through payroll withholdings for payment of expenditures allowable under Section 125 of the Internal Revenue Code.
- Northwestern Regional Education Program Fund - This fund accounts for the operation of the Northwestern Regional Education Program. The Program is a regional program utilized by local school districts for certain special education activities.

#### 4. Component Units:

##### a. Frederick County School Board:

The Frederick County School Board has the following funds:

##### -- Governmental Funds:

- ~ School Operating Fund - This fund is the primary operating fund of the School Board and accounts for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Frederick and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.
- ~ School Cafeteria Fund - This fund accounts for and reports the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales, and state and federal grants. The School Cafeteria Fund is considered a major fund for financial reporting purposes.
- ~ Consolidated Maintenance Fund - This fund accounts for and reports the maintenance of County properties. Financing is provided by appropriations from the County. The Consolidated Maintenance Fund is considered a major fund for financial reporting purposes.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

##### **B. Government-wide and Fund Financial Statements (Continued)**

- ~ School Textbook Fund - This fund accounts for and reports the purchase of textbooks for the public school system. Funding is provided primarily by state grants and transfers from the School Operating Fund. The School Textbook Fund is considered a major fund for financial reporting purposes.
  - ~ School Special Grants Fund - This fund accounts for and reports special grants that the School Board is the fiscal agent for. The School Special Grants Fund is considered a major fund for financial statement purposes.
  - ~ School Capital Projects Fund - This fund accounts for and reports school construction and related expenditures of the public school system. Funding is primarily from investment earnings and appropriations from the County of Frederick. The School Capital Projects Fund is considered a major fund for financial reporting purposes.
  - ~ School Capital Fund - This fund accounts for and reports school construction and related expenditures of the public school system. Funding is primarily from investment earnings and appropriations from the County of Frederick. The School Capital Fund is considered a major fund for financial reporting purposes.
- Internal Service Fund:
- ~ Health Insurance Fund - This fund accounts for the School Board's health insurance program activities. Revenues are primarily from health insurance charges to the school system's operating funds.

##### **b. Industrial Development Authority:**

The Industrial Development Authority operates on an enterprise fund basis where revenues and expenses are recognized on the accrual basis of accounting as more fully described in Note 1, B. 2.

##### **C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net assets and statement of activities, all proprietary funds, and private purpose trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

##### **C. Basis of Accounting (Continued)**

activities are either included on the Statement of Net Assets or on the Statement of Fiduciary Net Assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Statement of Net Assets, Statement of Activities, financial statements of the Proprietary Funds, Internal Service Funds, Fiduciary Funds, and Agency Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, Debt Service, and Capital Projects (for the primary government and component unit School Board) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

##### **D. Budgets and Budgetary Accounting**

The Board of Supervisors annually adopts budgets for the various funds of the primary government and component unit School Board. All appropriations are legally controlled at the department level for the primary government funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

##### **Encumbrances:**

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is used as an extension of formal budgetary control in the primary government and component unit School Board. Encumbrances outstanding at year-end are reported as committed fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year. These encumbrances are subject to reappropriation by the Board of Supervisors in the succeeding fiscal year.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

##### **D. Budgets and Budgetary Accounting** (Continued)

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings and open-houses are conducted to obtain citizen comments. Also, several work sessions between the Board of Supervisors and School Board were conducted on the School Board budget.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function and departmental level. The appropriation for each fund, function and department can be revised only by the Board of Supervisors; however, the School Board is authorized to transfer budgeted amounts within the school system's categories. Supplemental appropriations in addition to the appropriated budget were necessary during the year. Supplemental appropriations may not be made without amending the budget.
5. The County legally adopted budgets for the following funds:  
General, Division of Court Services, Shawneeland Sanitary District, School Operating, School Cafeteria, School Textbook, School Debt Service, and School Capital Fund.

The County may adopt budgets for other funds, such as the Proprietary, Internal Service, Trust and Agency Funds, for use as a management control device over such funds. Budgets were not adopted for the Comprehensive Services Act, Detox Center Capital Projects, Consolidated Maintenance, and School Capital Projects funds. However, appropriations were made for all funds that incurred expenditures during the year, with the exception of the Consolidated Maintenance Fund.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30, for all County and School Board funds.
8. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2011, as adopted, appropriated and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and at the function level for the School Board. State law requires that if budget amendments exceed 1% of the original adopted budget the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. There were no budget amendments during the year that exceeded the 1% limitation. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

##### **E. Cash and Cash Equivalents**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

##### **F. Investments**

Investments are reported at fair value.

##### **G. Allowance for Uncollectible Accounts**

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$2,420,933 at June 30, 2011 and is comprised of the following:

General Fund--taxes receivable	\$ 1,017,429
General Fund--street light assessments receivable	19,504
Shawneeland District--taxes receivable	1,300,000
Enterprise Fund--Landfill Fund--accounts receivable	<u>84,000</u>
Total	<u><u>\$ 2,420,933</u></u>

##### **H. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

##### **I. Capital Assets**

Capital outlays are recorded as expenditures of the governmental funds of the primary government and Component Unit School Board, and as assets in the government-wide financial statements to the extent the County's and School Board's capitalization threshold of \$5,000 is met. The County and Component Unit School Board do not have any infrastructure in their capital assets since roads, streets, bridges and similar assets within their boundaries are property of the Commonwealth of Virginia. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	10 to 40 years
Furniture and other equipment	3 to 20 years

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2011 (Continued)

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

#### **I. Capital Assets** (Continued)

To the extent the County's capitalization threshold of \$5,000 is met, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis using the straight-line method and the following estimated useful lives:

Buildings	10 to 20 years
Equipment	5 to 10 years
Landfill improvements	15 years

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. The County maintains various historic treasures and works of art that are of significance to the history of the County. However, the County does not capitalize historic treasures or works of art because the collection is held for reasons other than financial gain; the collection is protected, kept unencumbered, cared for, and preserved; and the collection is subject to a County policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Interest on cost of construction funds for the Proprietary Funds is capitalized where applicable. There was no interest capitalized in the year ended June 30, 2011.

#### **J. Compensated Absences**

The County and Component Unit School Board accrue compensated absences (annual and sick leave benefits) when vested. The amounts include all balances earned by employees which would be paid upon employee terminations, resignations or retirements.

In accordance with GASB Statement No. 16, "*Accounting for Claims, Judgments and Compensated Absences*", the County and its component units have accrued the liability arising from all outstanding claims, judgments and compensated absences. The liability for future vacation and sick leave benefits is accrued when such benefits meet the following conditions:

The County's policy is to pay employees accrued vacation leave upon termination. Sick leave is also paid to School Board employees upon retirement, which is limited to a maximum of 90 days at the rate of \$10 per day, and to Social Service and General Government personnel which is limited to 25% of amounts unused upon termination up to a maximum of \$2,500. The General, Division of Court Services, and Shawneeland Sanitary District Funds are used to liquidate the County's compensated absences liabilities. The School Operating and School Cafeteria Funds are used to liquidate the School Board's compensated absences liabilities.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

##### **K. Use of Estimates**

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

##### **L. Long-Term Obligations**

The County reports long-term debt at face value. The face value of the debt is believed to approximate fair value.

##### **M. Net Assets**

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

##### **N. Fund Balances**

###### Financial Policies

The Board of Supervisors meets on a monthly basis to manage and review cash financial activities and to ensure compliance with established policies. It is the County's policy to fund current expenditures with current revenues and the County's mission is to strive to maintain a diversified and stable revenue stream to protect the government from problematic fluctuations in any single revenue source and provide stability to ongoing services. The County's unassigned General Fund balance will be maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

Under GASB 54, fund balances are required to be reported according to the following classifications:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2011 (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### N. Fund Balances (Continued)

Assigned fund balance - Amounts that are constrained by the County's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

The Board of Supervisors is authorized to assign amounts for specific purposes. The Board of Supervisors is also authorized to commit amounts for purposes. The following is a detail of fund balances at June 30, 2011:

Category	General Fund	Shawneeland Sanitary District Fund	Lake Holiday Sanitary District Fund	School Debt Service Fund	Other Governmental Funds	Total Primary Government	Component Unit School Board
<b>Nonspendable:</b>							
Prepaid Expenses	\$ 5,637	\$ -	\$ -	\$ -	\$ -	\$ 5,637	\$ -
Inventory	-	-	-	-	-	-	225,570
Noncurrent Loans	734,939	-	-	-	-	734,939	-
Total Nonspendable	<u>\$ 740,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 740,576</u>	<u>\$ 225,570</u>
<b>Restricted:</b>							
Peg grant	\$ 118,448	\$ -	\$ -	\$ -	\$ -	\$ 118,448	\$ -
Courthouse ADA Fees	75,601	-	-	-	-	75,601	-
Animal Shelter	309,580	-	-	-	-	309,580	-
Proffers	2,514,803	-	-	-	-	2,514,803	-
Star Fort Fees	4,262	-	-	-	-	4,262	-
Unexpended Bond Proceeds	-	-	9,147,684	-	-	9,147,684	277,653
Total Restricted	<u>\$ 3,022,694</u>	<u>\$ -</u>	<u>\$ 9,147,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,170,378</u>	<u>\$ 277,653</u>
<b>Committed:</b>							
Encumbrances	\$ 330,705	\$ -	\$ -	\$ -	\$ 34,503	\$ 365,208	\$ 421,623
Capital Projects	-	-	-	-	-	-	2,174,232
School Textbooks	-	-	-	-	-	-	1,704,857
Cafeteria	-	-	-	-	-	-	1,395,774
Tri Centennial	1,103	-	-	-	-	1,103	-
Historical Marker	16,059	-	-	-	-	16,059	-
VDOT Revenue Sharing	436,270	-	-	-	-	436,270	-
Shawneeland District	-	2,100,635	-	-	-	2,100,635	-
Lake Holiday District	-	-	588,392	-	-	588,392	-
Court Services	-	-	-	-	520,773	520,773	-
Comprehensive Services Act	-	-	-	-	429,004	429,004	-
Transportation	438,300	-	-	-	-	438,300	-
Total Committed	<u>\$ 1,222,437</u>	<u>\$ 2,100,635</u>	<u>\$ 588,392</u>	<u>\$ -</u>	<u>\$ 984,280</u>	<u>\$ 4,895,744</u>	<u>\$ 5,696,486</u>
<b>Assigned:</b>							
Trans. Development Rights	\$ 1,635	\$ -	\$ -	\$ -	\$ -	\$ 1,635	\$ -
Debt Service	-	-	-	80,400	-	80,400	-
Capital Projects	-	-	-	-	642,500	642,500	-
Total Assigned	<u>\$ 1,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,400</u>	<u>\$ 642,500</u>	<u>\$ 724,535</u>	<u>\$ -</u>

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

#### **NOTE 2 - DEPOSITS AND INVESTMENTS:**

##### Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

##### Investments:

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

##### Custodial Credit Risk (Investments):

Under County policy, all securities purchased for the County shall be held by the Treasurer or by the Treasurer's designated custodian. If held by a custodian, the securities must be in the County's name in the custodian's nominee name and identifiable on the custodian's books as belonging to the County. Further, if held by a custodian, the custodian must be a third party, not a counter party (buyer or seller) to the transaction.

The County's investments at June 30, 2011 were held by the County or in the County's name by the County's custodial banks.

##### Credit Risk of Debt Securities:

The County's rated debt investments as of June 30, 2011 were rated by Standard & Poor's Corporation and the ratings are presented below using Standard & Poor's Corporation rating scale. The County does not currently have a policy relating to credit risk.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings			
	AAA	AAAm	AA	Unrated
Local Government Investment Pool	\$ -	\$ 7,025,546	\$ -	\$ -
U.S. Government Securities	715,741	-	-	-
Commercial Paper	-	-	399,428	2,797,051
Money Market Mutual Fund	17,413,638	298,508	-	-
Total	<u>\$ 18,129,379</u>	<u>\$ 7,324,054</u>	<u>\$ 399,428</u>	<u>\$ 2,797,051</u>

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 2 - DEPOSITS AND INVESTMENTS:** (Continued)

##### Interest Rate Risk:

The County does not currently have a policy relating to interest rate risk.

Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1 Year	6-10 Years
Local Government Investment Pool	\$ 7,025,546	\$ 7,025,546	\$ -
U.S. Government Securities	715,741	-	715,741
Commercial Paper	3,196,479	3,196,479	-
Money Market Mutual Fund	17,712,146	17,712,146	-
Total	<u>\$ 28,649,912</u>	<u>\$ 27,934,171</u>	<u>\$ 715,741</u>

##### External Investment Pools:

The fair value of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

#### **NOTE 3 - PROPERTY TAXES:**

Real property taxes are assessed on property values as of January 1, and attach as an enforceable lien on property as of the date levied by the Board of Supervisors. Personal property taxes are assessed on a prorated basis for the period the property is located in the County and also attach as an enforceable lien on the property.

Real estate and personal property taxes are due in two installments, the first on June 5 and the second on December 5.

A ten percent penalty is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes beginning on their due date.

Property taxes for calendar year 2010 were levied by the County Board of Supervisors on April 7, 2010, on the assessed value listed as of January 1, 2010.

Property taxes for calendar year 2011 were levied by the County Board of Supervisors on April 6, 2011, on the assessed value listed as of January 1, 2011.

Property taxes levied in the current and prior year have been recorded as receivables as of the date the County has the legal right to receive payments thereon. The receivables collected during the fiscal year and during the first 45 days of the succeeding fiscal year are recognized as revenues in the current fiscal year. Taxes receivable as of the end of the year (June 30) and not collected until the succeeding year are reported as deferred revenues.

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2011 (Continued)

### **NOTE 4 - RECEIVABLES:**

Receivables at June 30, 2011 consist of the following:

	Primary Government								
	Governmental Activities				Business- Type Activities	Component Units			
	General	Special	Internal	Total		School Board	Industrial		Fiduciary Activities
		Revenue	Service				Development Authority		
Property taxes	\$ 5,528,847	\$2,984,229	\$ -	\$ 8,513,076	\$ -	\$ -	\$ -	\$ -	
Business licenses	840,058	-	-	840,058	-	-	-	-	
Airport funds	387,839	-	-	387,839	-	-	-	64,815	
Utility taxes	302,951	-	-	302,951	-	-	-	-	
Meals taxes	375,858	-	-	375,858	-	-	-	-	
Lodging taxes	42,829	-	-	42,829	-	-	-	-	
Landfill fees	-	-	-	-	582,462	-	-	-	
Vehicle license tax	120,287	-	-	120,287	-	-	-	-	
Prisoner fees	-	-	-	-	-	-	-	69,893	
Interest	278,832	2,384	-	281,216	-	-	-	-	
Street lights	19,504	-	-	19,504	-	-	-	-	
Other	71,855	1,520	9,439	82,814	-	397,982	300,275	19,925	
Total	\$ 7,968,860	\$2,988,133	\$9,439	\$10,966,432	\$582,462	\$397,982	\$ 300,275	\$ 154,633	
Allowance for uncollectibles	(1,036,933)	(1,300,000)	-	(2,336,933)	(84,000)	-	-	-	
Net receivables	\$ 6,931,927	\$1,688,133	\$9,439	\$ 8,629,499	\$498,462	\$397,982	\$ 300,275	\$ 154,633	

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2011 (Continued)

### **NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS:**

	Governmental Activities				Business- Type Activities	Component Units		
	General	Special Revenue	Internal Service	Total		School Board	Industrial Development Authority	Fiduciary Activities
<b>Commonwealth of Virginia:</b>								
Local sales taxes	\$1,779,490	\$ -	\$ -	\$1,779,490	\$ -	\$ -	\$ -	\$ 32,913
Communication taxes	214,219	-	-	214,219	-	-	-	-
Comprehensive Services Act	-	221,483	-	221,483	-	-	-	-
Shared expenses and grants	303,561	-	-	303,561	-	-	-	-
PPTRA	6,215,370	-	-	6,215,370	-	-	-	-
Public assistance	138,532	-	-	138,532	-	-	-	-
State school funds	-	-	-	-	-	2,218,352	-	-
Federal pass-through school funds	-	-	-	-	-	2,244,012	-	-
Airport	-	-	-	-	-	-	-	2,264
Jail operations and costs	-	-	-	-	-	-	-	724,085
Other	61,667	-	-	61,667	-	-	-	-
<b>Federal government:</b>								
Criminal justice	36,847	-	-	36,847	-	-	-	-
Airport	-	-	-	-	-	-	-	71,690
DMV grant	9,110	-	-	9,110	-	-	-	-
Public assistance	259,666	-	-	259,666	-	-	-	-
Prisoner fees	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$9,018,462</b>	<b>\$221,483</b>	<b>\$ -</b>	<b>\$9,239,945</b>	<b>\$ -</b>	<b>\$4,462,364</b>	<b>\$ -</b>	<b>\$ 830,952</b>

### **NOTE 6 - INTERFUND BALANCES AND ACTIVITY:**

#### **Primary Government:**

Balances due to/from other funds at June 30, 2011:

There were no interfund obligations in the primary government.

Transfers to/from other funds:

Transfers to the School Debt Service Fund to pay school debt service and related costs	\$ 14,626,151
Transfers to the General fund for various costs	722,078
Transfers to the Volunteer Fire and Rescue fund for various costs	79,152
Transfers to the Unemployment fund from General Fund for various costs	21,880
Transfers to the Comprehensive Services fund from the General Fund for various welfare costs	980,502
Total transfers	<u>\$ 16,429,763</u>

#### **Component Unit School Board:**

Balances due to/from other funds at June 30, 2011:

Due from School Special Grants Fund	<u>\$ 7,083</u>
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Transfers to/from other funds:

Transfers to the School Textbook Fund to pay textbook and related costs	<u>\$ 261,744</u>
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# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2011 (Continued)

### NOTE 7 - INTERGOVERNMENTAL LOANS:

#### Frederick County Sanitation Authority:

The County has made loans to the Frederick County Sanitation Authority. The loans shall bear interest at the rate of 5% per annum, for a term of 20 years beginning July 1, 1989.	\$ 152,492
Interest accrued through June 30, 2011	<u>582,447</u>
Total	<u><u>\$ 734,939</u></u>

### NOTE 8 - CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2011.

#### **Governmental Activities**

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land and land improvements	\$ 2,396,274	\$ -	\$ -	\$ 2,396,274
Construction in progress	31,237	215,007	246,244	-
School construction in progress allocated to County *	6,766	638,889	-	645,655
Total capital assets not being depreciated	<u>\$ 2,434,277</u>	<u>\$ 853,896</u>	<u>\$ 246,244</u>	<u>\$ 3,041,929</u>
Other capital assets:				
Buildings and improvements	\$ 44,623,956	\$ 246,244	\$ -	\$ 44,870,200
School buildings and improvements *	110,497,352	-	9,398,095	101,099,257
Furniture, equipment and vehicles	9,308,208	166,655	312,942	9,161,921
Total other capital assets	<u>\$ 164,429,516</u>	<u>\$ 412,899</u>	<u>\$ 9,711,037</u>	<u>\$ 155,131,378</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 9,327,879	\$ 1,138,724	\$ -	\$ 10,466,603
School buildings and improvements *	17,916,459	2,969,880	1,524,774	19,361,565
Furniture, equipment and vehicles	6,957,907	728,197	304,581	7,381,523
Total accumulated depreciation	<u>\$ 34,202,245</u>	<u>\$ 4,836,801</u>	<u>\$ 1,829,355</u>	<u>\$ 37,209,691</u>
Other capital assets, net	<u>\$ 130,227,271</u>	<u>\$ (4,423,902)</u>	<u>\$ 7,881,682</u>	<u>\$ 117,921,687</u>
Net capital assets	<u><u>\$ 132,661,548</u></u>	<u><u>\$ (3,570,006)</u></u>	<u><u>\$ 8,127,926</u></u>	<u><u>\$ 120,963,616</u></u>
Depreciation expense was allocated as follows:				
General government administration		\$ 269,015		
Judicial administration		151,327		
Public safety		1,046,552		
Public works		97,677		
Health and welfare		26,163		
Education		2,969,880		
Parks, recreation and cultural		267,678		
Community development		8,509		
Total depreciation expense		<u><u>\$ 4,836,801</u></u>		

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2011 (Continued)

### NOTE 8 - CAPITAL ASSETS: (Continued)

#### Component Unit School Board

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land and land improvements	\$ 8,290,115	\$ -	\$ 1,749	\$ 8,288,366
Construction in progress	6,766	638,889	-	645,655
Construction in progress allocated to County *	(6,766)	(638,889)	-	(645,655)
Total capital assets not being depreciated	\$ 8,290,115	\$ -	\$ 1,749	\$ 8,288,366
Other capital assets:				
Buildings and improvements	\$ 224,659,749	\$ 799,285	\$ 23,000	\$ 225,436,034
School buildings and improvements allocated to County *	(110,497,352)	-	(9,398,095)	(101,099,257)
Furniture, equipment and vehicles	40,476,922	2,034,955	-	42,511,877
Total other capital assets	\$ 154,639,319	\$ 2,834,240	\$ (9,375,095)	\$ 166,848,654
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 66,002,137	\$ 5,537,269	\$ 14,950	\$ 71,524,456
School buildings and improvements allocated to County *	(17,916,459)	(2,969,880)	(1,524,774)	(19,361,565)
Furniture, equipment and vehicles	24,843,930	2,503,976	-	27,347,906
Total accumulated depreciation	\$ 72,929,608	\$ 5,071,365	\$ (1,509,824)	\$ 79,510,797
Other capital assets, net	\$ 81,709,711	\$ (2,237,125)	\$ (7,865,271)	\$ 87,337,857
Net capital assets	\$ 89,999,826	\$ (2,237,125)	\$ (7,863,522)	\$ 95,626,223
Depreciation expense allocated to education		\$ 5,071,365		

\* School Board capital assets are jointly owned by the County (primary government) and the component unit School Board. The County share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system.

#### Reconciliation of primary government net assets invested in capital assets, net of related debt:

Net capital assets	\$ 120,963,616
Long-term debt applicable to capital assets at June 30, 2011	139,926,086
Less: School bond proceeds received but not expended on capital assets at June 30, 2011	(9,425,337)
Net assets invested in capital assets, less related debt	\$ (9,537,133)

#### Business Type Activities

##### Landfill Operations

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land and land improvements	\$ 3,310,126	\$ -	\$ -	\$ 3,310,126
Construction in progress	3,563,413	3,946,678	4,738,695	2,771,396
Total capital assets not being depreciated	\$ 6,873,539	\$ 3,946,678	\$ 4,738,695	\$ 6,081,522
Other capital assets:				
Buildings and improvements	\$ 2,702,366	\$ 262,950	\$ -	\$ 2,965,316
Landfill improvements	22,465,919	4,807,483	-	27,273,402
Furniture, equipment and vehicles	4,531,507	907,730	637,378	4,801,859
Total other capital assets	\$ 29,699,792	\$ 5,978,163	\$ 637,378	\$ 35,040,577
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 690,710	\$ 147,266	\$ -	\$ 837,976
Landfill improvements	13,986,140	1,312,269	-	15,298,409
Furniture, equipment and vehicles	3,632,088	395,788	382,427	3,645,449
Total accumulated depreciation	\$ 18,308,938	\$ 1,855,323	\$ 382,427	\$ 19,781,834
Other capital assets, net	\$ 11,390,854	\$ 4,122,840	\$ 254,951	\$ 15,258,743
Net capital assets	\$ 18,264,393	\$ 8,069,518	\$ 4,993,646	\$ 21,340,265

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2011 (Continued)

### **NOTE 9 - LONG-TERM OBLIGATIONS:**

General Fund revenues are used to pay all long-term general obligation debt and General Fund capital leases. General Fund revenues are used to liquidate the net other post-employment benefit obligations for the County. The School Operating Fund is used to liquidate the net other post-employment benefit obligations for the School Board.

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2011.

	Amounts Payable July 1, 2010	Increases	Decreases	Amounts Payable June 30, 2011	Amounts Due Within One Year
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
Lease revenue bonds payable	\$ 23,415,000	\$ 9,245,000	\$ 1,025,000	\$ 31,635,000	\$ 1,060,000
County General obligation bonds:					
Library	3,155,975	-	193,014	2,962,961	203,560
School General obligation bonds:					
School	105,238,560	-	8,482,909	96,755,651	8,060,479
Add deferred amount for issuance premiums	3,577,521	-	442,597	3,134,924	412,481
Less deferred amount on refunding	(118,675)	-	(40,133)	(78,542)	(33,159)
Total School General obligation bonds	\$ 108,697,406	\$ -	\$ 8,885,373	\$ 99,812,033	\$ 8,439,801
State Literary Fund loans:					
School	6,172,487	-	905,573	5,266,914	814,149
Intergovernmental loans	317,071	-	143,544	173,527	11,399
Claims	635,242	6,209,141	6,280,428	563,955	563,955
Capital leases	116,592	-	40,941	75,651	45,010
Other post employment benefits	4,818,000	2,025,000	277,000	6,566,000	-
Compensated absences	2,640,924	1,889,926	1,848,647	2,682,203	1,877,542
Total governmental activities	\$ 149,968,697	\$ 19,369,067	\$ 19,599,520	\$ 149,738,244	\$ 13,015,416
Reconciliation to Exhibit 1:					
Claims				\$ 563,955	
Long-term liabilities due within one year				12,451,461	
Long-term liabilities due in more than one year				136,722,828	
Total long-term debt				\$ 149,738,244	
<b>Business-type activities:</b>					
Compensated absences	\$ 105,998	\$ 90,790	\$ 74,199	\$ 122,589	\$ 85,812
Accrued landfill remediation costs	11,447,156	97,848	-	11,545,004	-
Total business-type activities	\$ 11,553,154	\$ 188,638	\$ 74,199	\$ 11,667,593	\$ 85,812
Reconciliation to Exhibit 1:					
Long-term liabilities due within one year				\$ 85,812	
Long-term liabilities due in more than one year				11,581,781	
Total long-term debt				\$ 11,667,593	

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2011 (Continued)

### **NOTE 9 - LONG-TERM OBLIGATIONS:** (Continued)

Annual requirements to amortize all long-term debt and related interest are as follows:

Year Ending June 30,	Long-term Debt		Capital Leases	
	Principal	Interest	Principal	Interest
2012	\$ 10,149,587	\$ 6,390,520	\$ 45,010	\$ 2,594
2013	9,918,190	5,937,866	26,903	799
2014	9,702,662	5,464,128	3,738	471
2015	9,783,392	4,996,656	-	-
2016	9,119,914	4,542,029	-	-
2017-2021	41,422,505	16,384,585	-	-
2022-2026	28,112,803	7,592,369	-	-
2027-2031	12,000,000	2,951,700	-	-
2032-2036	6,585,000	882,023	-	-
2037-2039	-	-	-	-
Total	<u>\$ 136,794,053</u>	<u>\$ 55,141,876</u>	<u>\$ 75,651</u>	<u>\$ 3,864</u>

Note: The long-term debt includes lease revenue bonds, general obligation bonds, literary fund loans, and intergovernmental loans.

The cost of equipment under current capital leases is \$349,388.

#### **Details of Long-Term Indebtedness: Governmental:**

Amount  
Outstanding

#### Lease Revenue Bonds:

\$6,425,000 Industrial Development Authority refunding lease revenue bonds, issued December 1, 2001, interest at various rates from 2% to 5%, maturing in various annual installments, interest payable semiannually, through December 1, 2015	\$ 2,620,000
\$21,410,000 Industrial Development Authority refunding lease revenue bonds, issued April 15, 2006, interest at various rates from 4.5% to 5.25%, maturing in various annual installments, interest payable semiannually, through December 1, 2036	19,770,000
\$9,245,000 Virginia Resources Authority infrastructure revenue bonds, issued April 15, 2011, interest at various rates from 3.971% to 5.271%, maturing in various annual installments, interest payable semiannually, through October 1, 2031	9,245,000

#### General Obligation Bonds:

\$4,500,000 general obligation bonds, issued March 1, 2000, interest at 5.39%, maturing in various annual installments, interest payable semiannually, through January 15, 2022	<u>2,962,961</u>
Total lease revenue and general obligation bonds	<u>\$ 34,597,961</u>

#### General Obligation School Bonds:

\$775,132 School Bonds, 1991, issued July 1991, maturing in various installments of \$25,400 to \$49,032 through July 15, 2011, interest at various rates from 4.85% to 6.6%	\$ 49,032
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# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2011 (Continued)

### **NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)**

<b>Details of Long-Term Indebtedness: (continued)</b>	<b>Amount Outstanding</b>
<b>Governmental: (continued)</b>	
<b><u>General Obligation School Bonds: (continued)</u></b>	
\$3,820,000 School Bonds, 1992, issued December 1992, maturing in various installments of \$115,000 to \$275,000 through June 15, 2013, interest at various rates from 5.1% to 8.1%	260,000
\$5,740,000 School Bonds, 1993, issued April 1993, maturing in various installments of \$180,000 to \$515,000 through June 15, 2013, interest at various rates from 5.1% to 5.5%	395,000
\$18,175,000 School Bonds, 1993 series B, issued December 1993, due in annual installments ranging from \$1,155,000 to \$465,000, interest at various interest rates from 6.31% to 6.8%	465,000
\$3,700,000 School Bonds, 1995, issued December 1995, maturing in installments of \$185,000 through July 15, 2016, interest at 5.10%, payable semiannually	925,000
\$1,200,000 School Bonds, 1996 B, issued November 1996, maturing in annual installments of \$60,000 through July 15, 2017, interest at various rates from 5.1% to 5.6%	360,000
\$1,355,000 School Bonds, 1997 A, issued April 1997, maturing in annual installments of \$70,000 and \$65,000 through January 15, 2018, interest at various rates from 5.4% to 6.1%	455,000
\$3,200,000 School Bonds, 1998 A, issued April 1998, maturing in annual installments of \$160,000 through January 15, 2019, interest at various rates from 4.1% to 5.35%	1,280,000
\$4,650,000 School Bonds, issued April 1999, maturing in annual installments of \$236,000 to \$448,000 through January 2020, interest at 5%	2,070,000
\$4,100,000 School Bonds, issued November 1999, maturing in annual installments of \$205,000 through July 2019, interest at various rates from 5.62% to 6.10%	1,845,000
\$18,600,000 School Bonds, issued April 2001, maturing in annual installments of \$840,000 to \$1,200,000 through July 2021, interest at various rates from 4.1% to 5.35%	9,240,000
\$6,150,000 School Bonds, issued November 15, 2001, maturing in annual installments of \$305,000 to \$310,000 through July 15, 2021, interest at 4.55%	3,360,000
\$8,385,000 School Bonds, issued April 30, 2002, maturing in annual installments of \$415,000 to \$420,000 through July 15, 2022, interest at 4.667%	5,025,000
\$3,315,000 School Bonds, issued November 7, 2002, maturing in annual installments of \$165,000 to \$170,000 through July 15, 2022, interest at 4.77%	1,980,000
\$3,782,296 School Bonds, issued November 7, 2002, maturing in annual installments of \$173,528 to \$215,784 through July 15, 2022, interest at 4.77%	2,361,619
\$12,655,000 School Bonds, issued May 15, 2003, maturing in annual installments of \$630,000 to \$635,000 through July 15, 2023, interest at 3.10% to 5.35%	8,210,000
\$5,980,000 School Bonds, issued November 6, 2003, maturing in annual installments of \$295,000 to \$300,000 through July 15, 2023, interest at 3.10% to 5.35%	3,880,000
\$8,580,000 School Bonds, issued May 13, 2004, maturing in annual installments of \$425,000 to \$430,000 through July 15, 2024, interest at 5.10%	6,000,000
\$8,550,000 School Bonds, issued October 15, 2004, maturing in annual installments of \$425,000 to \$430,000 through January 15, 2025, interest at 4.10% to 5.60%	5,970,000

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2011 (Continued)

### **NOTE 9 - LONG-TERM OBLIGATIONS:** (Continued)

#### **Details of Long-Term Indebtedness: (continued)**

##### **Governmental: (continued)**

Amount  
Outstanding

##### General Obligation School Bonds: (continued)

\$5,995,000 School Bonds, issued April 13, 2005, maturing in annual installments of \$295,000 to \$300,000 through July 15, 2025, interest at 3.10% to 5.10%	4,495,000
\$5,685,000 School Bonds, issued November 10, 2005, maturing in annual installments of \$280,000 to \$285,000 through July 15, 2025, interest at 4.60% to 5.10%	4,260,000
\$6,305,000 School Bonds, issued April 13, 2006, maturing in annual installments of \$315,000 to \$320,000 through July 15, 2026, interest at 4.10% to 5.10%	5,040,000
\$5,830,000 School Bonds, issued November 9, 2006, maturing in annual installments of \$290,000 to \$295,000 through July 15, 2026, interest at 4.225% to 5.10%	4,650,000
\$4,370,000 School Bonds, issued May 8, 2007, maturing in annual installments of \$215,000 to \$220,000 through July 15, 2026, interest at 5.10%	3,710,000
\$3,800,000 School Bonds, issued November 4, 2007, maturing in annual installments of \$190,000 through July 15, 2027, interest at 5.10%	3,230,000
\$13,450,000 School Bonds, issued April 30, 2008, maturing in annual installments of \$670,000 to \$675,000 through July 15, 2028, interest at 5.10%	12,100,000
\$5,720,000 School Bonds, issued November 25, 2008, maturing in annual installments of \$285,000 to \$290,000 through July 15, 2028, interest at 4.91%	5,140,000
Total School Bonds	<u>\$ 96,755,651</u>

##### State Literary Fund Loans:

\$5,000,000, issued May 30, 1997, due in annual installments of \$250,000 through July 1, 2017, interest at 3%	\$ 1,500,000
\$1,500,052, issued May 30, 1997, due in annual installments of \$75,002 through July 1, 2017, interest at 3%	450,024
\$2,142,948, issued May 30, 1997, due in annual installments of \$107,147 through July 1, 2017, interest at 3%	642,890
\$3,000,000, issued September 2, 1997, due in annual installments of \$150,000 through September 2, 2017, interest at 3%	1,050,000
\$4,640,000, issued September 2, 1997, due in annual installments of \$232,000 through September 2, 2017, interest at 3%	1,624,000
Total State Literary Fund Loans	<u>\$ 5,266,914</u>

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 9 - LONG-TERM OBLIGATIONS:** (Continued)

<b>Details of Long-Term Indebtedness: (continued)</b>	<b>Amount Outstanding</b>
<b>Governmental: (continued)</b>	
<u>Intergovernmental Loans:</u>	
\$723,269, payable to City of Winchester, due in various annual installments through March 2024, interest payable semiannually at various rates.	<u>\$ 173,527</u>
<u>Capital Leases:</u>	
The County leases various types of equipment under capital lease agreements. Title to the equipment passes to the entity upon completion of payment of the minimum lease payments. There are no restrictions imposed by the agreements.	
The balance of capital leases at June 30, 2011 is	<u>\$ 75,651</u>
Claims	<u>\$ 563,955</u>
Other post employment benefits	<u>\$ 6,566,000</u>
Compensated absences	<u>\$ 2,682,203</u>
Total governmental long-term obligations	<u>\$ 146,681,862</u>
Add deferred amount for issuance premiums	3,134,924
Less deferred amount on refunding	<u>(78,542)</u>
Net governmental long-term obligations	<u><u>\$ 149,738,244</u></u>
<b>Business-type:</b>	
Compensated absences	<u>\$ 122,589</u>
Accrued landfill remediation costs	<u>\$ 11,545,004</u>
Total business-type long-term obligations	<u><u>\$ 11,667,593</u></u>

#### **Advance Refunding of Debt:**

On December 1, 2001 the County issued refunding lease revenue bonds to refund portions of earlier issues. Proceeds from the sale were placed in an irrevocable trust that is to be used to service the future debt requirements of the old debt. This refunding resulted in an economic gain of \$510,850 and the net savings from the refunding was \$886,663.

At June 30, 2011, \$4,835,000 of bonds outstanding are considered to be defeased.

#### **Federal Arbitrage Regulations:**

The County is in compliance with federal arbitrage regulations. Any arbitrage amounts that may be required to be paid are not material to the financial statements.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

#### **NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)**

##### **Component Unit School Board:**

The following is a summary of long-term debt transactions of the School Board for the year ended June 30, 2011.

	Amounts Payable July 1, 2010	Increases	Decreases	Amounts Payable June 30, 2011	Amounts Due Within One Year
Claims	\$ 1,272,177	\$ 13,017,900	\$13,195,159	\$ 1,094,918	\$ 1,094,918
Other post employment benefits	930,000	857,000	291,000	1,496,000	-
Compensated absences	1,807,463	857,291	824,287	1,840,467	800,654
Total	<u>\$ 4,009,640</u>	<u>\$ 14,732,191</u>	<u>\$14,310,446</u>	<u>\$ 4,431,385</u>	<u>\$ 1,895,572</u>
Reconciliation to Exhibit 1:					
Claims				\$ 1,094,918	
Long-term liabilities due within one year				800,654	
Long-term liabilities due in more than one year				2,535,813	
Total long-term debt				<u>\$ 4,431,385</u>	

#### **NOTE 10 - DEFINED BENEFIT PENSION PLAN:**

##### **A. Plan Description:**

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 10 - DEFINED BENEFIT PENSION PLAN:** (Continued)

##### A. Plan Description: (Continued)

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at <http://www.varetire.org/Pdf/publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

##### B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School's non-professional employee contribution rates for the fiscal year ended 2011 were 10.34% and 7.44% of annual covered payroll, respectively.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 10 - DEFINED BENEFIT PENSION PLAN: (Continued)**

##### B. Funding Policy: (Continued)

The School Board's contributions for professional employees were \$2,837,995, \$4,837,958 and \$6,623,544, to the teacher cost-sharing pool for the fiscal years ended June 30, 2011, 2010 and 2009, respectively and these contributions represented 3.93%, 8.81% from July 2009 - March 2010 and 0% from April - June 2010, and 8.81%, respectively, of current covered payroll.

##### C. Annual Pension Cost:

For fiscal year 2011, the County's annual pension cost of \$3,160,137 (does not include the employee share assumed by the County which was \$1,528,113) was equal to the County's required and actual contributions.

For fiscal year 2011, the County School Board's annual pension cost for the Board's non-professional employees was \$550,366 (does not include the employee share assumed by the Board which was \$369,870) and was equal to the Board's required and actual contributions.

Three-Year Trend Information for the County and School Board			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2011	\$ 3,160,137	100%	\$ -
June 30, 2010	3,166,271	100%	-
June 30, 2009	3,314,841	100%	-
School Board Non-Professional:			
June 30, 2011	\$ 550,366	100%	\$ -
June 30, 2010	565,712	100%	-
June 30, 2009	572,287	100%	-

(1) Employer portion only

The FY2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 10 - DEFINED BENEFIT PENSION PLAN: (Continued)**

##### D. Funded Status and Funding Progress:

As of June 30, 2010, the most recent actuarial valuation date, the County's plan was 75.10% funded. The actuarial accrued liability for benefits was \$99,780,026, and the actuarial value of assets was \$74,936,007, resulting in an unfunded actuarial accrued liability (UAAL) of \$24,844,019. The covered payroll (annual payroll of active employees covered by the plan) was \$31,058,541, and ratio of the UAAL to the covered payroll was 79.99%.

As of June 30, 2010, the most recent actuarial valuation date, the County School Board's plan was 87.75% funded. The actuarial accrued liability for benefits was \$16,609,277, and the actuarial value of assets was \$14,574,742, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,034,535. The covered payroll (annual payroll of active employees covered by the plan) was \$7,295,869, and ratio of the UAAL to the covered payroll was 27.89%.

The schedule of funding progress, presented as Required Supplementary Information 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 (AAL) for benefits.

#### **NOTE 11 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

The School Consolidated Maintenance Fund had expenditures in excess of appropriations in the amount of \$11,053 for the year ended June 30, 2011.

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2011 (Continued)

### **NOTE 12 - DEFERRED REVENUE:**

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
<b>Primary Government:</b>		
Deferred property tax revenue:		
Deferred revenue representing billings for business licenses for which asset recognition criteria has not been met. The business license receivables are not available for the funding of current expenditures.	\$ -	\$ 840,058
Deferred revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	-	5,596,075
Deferred revenue from central stores internal service fund	9,439	-
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	2,005,837	2,005,837
Total governmental activities	<u>\$ 2,015,276</u>	<u>\$ 8,441,970</u>
	Government-wide Statements	Statement of Net Assets
	Business-type Activities	Enterprise Funds
Deferred revenue from landfill operations	<u>\$ 5,960</u>	<u>\$ 5,960</u>
Total primary government	<u>\$ 2,021,236</u>	<u>\$ 8,447,930</u>

### **NOTE 13 - COMMITMENTS AND CONTINGENCIES:**

#### **Primary Government and Component Unit School Board:**

Federal programs in which the County and School Board participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 13 - COMMITMENTS AND CONTINGENCIES: (Continued)**

The County and School Board have authorized and/or commenced construction on various capital projects. At June 30, 2011 the following significant items were in process:

- Landfill gas to energy - estimated completion cost is \$300,000.
- Landfill partial capping - estimated completion cost is \$356,271.

#### **NOTE 14 - LITIGATION:**

At June 30, 2011 there were no matters of litigation involving the County or its component units that would have an adverse material affect on the financial position of the reporting entity.

#### **NOTE 15 - SURETY BONDS:**

	<u>Amount</u>
Virginia Department of Risk Management:	
Rebecca Hogan, Clerk of the Circuit Court	\$ 230,000
C. William Orndoff, Jr., Treasurer	750,000
Ellen E. Murphy, Commissioner of Revenue	3,000
Robert T. Williamson, Sheriff	30,000
Above constitutional officers' employees - blanket bond - each loss	500,000
Virginia Association of Counties Risk Pool:	
All School Board employees - blanket bond	250,000
Virginia Association of Counties Risk Pool:	
All County employees, including members of any duly constituted board, commission, department or entity under the County's control	250,000

#### **NOTE 16 - SELF INSURANCE/RISK MANAGEMENT:**

The County administers employee health and unemployment insurance programs. These insurance activities have been accounted for in Internal Service Funds, the Health Insurance and Unemployment Funds.

The County and its component units have had no reductions in insurance coverages from the prior year. There have been no settlements in excess of insurance coverages for the past three years, other than the payment of deductibles which are immaterial.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 16 - SELF INSURANCE/RISK MANAGEMENT:** (Continued)

##### Employee Health Insurance:

The County and School Board have contracted with private carriers to administer this activity. The County's Health Insurance Fund recognizes revenue from other fund charges and from other localities and agencies which participate in the County program. The interfund charges are reported as fund expenditures in the funds that have employees participating in the program. The Health Insurance Fund expenses represent premium payments to the private carrier. The premium payments are based on the number insured and benefits.

Claims liability is reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Incurred but not reported claims have been accrued as a liability based upon prior history and estimates from the insurance carrier. Changes in the estimated claims liability for fiscal years 2009, 2010 and 2011 are listed as follows:

Funds	Estimated Claims Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Estimated Claims Liability End of Fiscal Year
<b>Primary Government:</b>				
Insurance Internal Service Fund				
2009	\$ 546,288	\$ 6,228,869	\$ 6,212,856	\$ 562,301
2010	562,301	6,325,182	6,252,241	635,242
2011	635,242	6,209,141	6,280,428	563,955
<b>Component Unit School Board:</b>				
School Operating and Health Insurance Funds				
2009	\$ 890,151	\$12,691,412	\$ 12,568,412	\$ 1,013,151
2010	1,013,151	13,792,096	13,533,070	1,272,177
2011	1,272,177	13,017,900	13,195,159	1,094,918

##### Unemployment Insurance:

The County is fully self-insured for unemployment claims. The Virginia Employment Commission bills the County for all unemployment claims. The liability for billed but unpaid claims has been accrued in the Unemployment Fund. No liability has been recorded for estimated unreported claims. The amount of estimated unreported claims is not expected to be significant.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 16 - SELF INSURANCE/RISK MANAGEMENT:** (Continued)

##### Property and Casualty Insurance:

The County contracts with the Virginia Association of Counties Municipal Liability Pool to provide coverages for property damage, employee crime and dishonesty, and general liability. In the event of a loss deficit and depletion of all assets and available insurance of the Pool, the Pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The property coverages are for specific amounts based on values assigned to the insured properties. Liability coverages are for \$5,000,000.

The County also contracts with the Virginia Association of Counties for its workers compensation coverages. This Pool also has similar provisions as the Virginia Association of Counties Municipal Liability Pool for assumptions of a loss deficit by the members.

The School Board contracts with private insurers for property and liability coverages. Property coverages are for specific property values and liability coverages are \$3,000,000.

#### **NOTE 17 - ACCRUED LANDFILL REMEDIATION COST:**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$11,545,004 reported as landfill closure and postclosure care liability at June 30, 2011 represents the cumulative amount reported to date based on the use of the estimated capacity of the landfill. On October 8, 1993 the County opened the new landfill and initiated closure of the old landfill. The \$11,545,004 reported as the accrued landfill liability and postclosure costs reflects usage on the new landfill from October 5, 1993 to June 30, 2011. The County will recognize the remaining estimated cost of closure and postclosure care as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2011. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

At June 30, 2011, the solid waste landfill capacity used to date was approximately 25% and 18% for the construction/demolition debris section of the landfill.

The County has demonstrated financial assurance requirements for closure, postclosure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

The remaining estimated landfill life approximates 30 years. The remaining estimated postclosure cost to be recognized at June 30, 2011 is \$21,255,000 for the municipal solid waste landfill and \$3,945,000 for the construction/demolition debris landfill.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS PROGRAM:**

##### **County:**

##### **A. Plan Description:**

In addition to the pension benefits described in Note 10, the County has a single-employer medical plan that provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. Individuals employed on or after July 1, 1995, and who retire from County service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service), will receive 100% of their health insurance premium until age 65 when they become eligible for Medicare, at which time the County will provide 100% supplemental insurance benefits. Persons employed prior to July 1, 1995 are only required to be 50 years of age and have 20 years of continuous service to be eligible for these benefits.

##### **B. Funding Policy:**

The County establishes employer contribution rates for plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For participating retirees the County pays 100% of the monthly premium. Surviving spouses are not allowed access to the plan.

##### **C. Annual OPEB Cost and Net OPEB Obligation:**

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 2,018,000
Interest on net OPEB obligation	193,000
Adjustment to annual required contribution	<u>(186,000)</u>
Annual OPEB cost (expense)	\$ 2,025,000
Contribution made	<u>277,000</u>
Increase in net OPEB obligation	\$ 1,748,000
Net OPEB obligation - beginning of year	<u>4,818,000</u>
Net OPEB obligation - end of year	<u><u>\$ 6,566,000</u></u>

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS PROGRAM:** (Continued)

##### **County:** (Continued)

##### C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 2,025,000	13.7%	\$ 6,566,000
June 30, 2010	\$ 1,888,000	13.9%	\$ 4,818,000
June 30, 2009	\$ 1,733,806	7.9%	\$ 3,192,000

##### D. Funded Status and Funding Progress

The funded status of the plan as of June 10, 2010 is as follows:

Actuarial accrued liability (AAL)	\$ 21,042,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	21,042,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	32,339,777
UAAL as a percentage of covered payroll	65%

##### E. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions 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 multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS PROGRAM:** (Continued)

##### **County:** (Continued)

##### E. Actuarial Methods and Assumptions (Continued)

###### Cost Method

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

###### Interest Assumptions

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 10, 2010 was thirty years.

	<u>Unfunded</u>
Discount rate	4.00%
Payroll growth	4.00%

##### **School Board:**

##### A. Plan Description:

The School Board Post-Retirement Medical Plan (SBPRMP) is a single-employer medical plan that offers health insurance for retired employees. Retirees can continue the same medical coverage they had (including family coverage) as active employees. Employees must meet retirement eligibility requirements under VRS. Dependents are allowed access to the plan.

##### B. Funding Policy:

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. Retirees pay 100% of the monthly premium. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (Continued)**

##### **School Board: (Continued)**

##### **C. Annual OPEB Cost and Net OPEB Obligation:**

The School Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation:

Annual required contribution	\$ 857,000
Interest on net OPEB obligation	37,000
Adjustment to annual required contribution	<u>(37,000)</u>
Annual OPEB cost (expense)	\$ 857,000
Contribution made	<u>291,000</u>
Increase in net OPEB obligation	\$ 566,000
Net OPEB obligation - beginning of year	<u>930,000</u>
Net OPEB obligation - end of year	<u><u>\$ 1,496,000</u></u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 857,000	34%	\$ 1,496,000
June 30, 2010	\$ 800,000	35%	\$ 930,000
June 30, 2009	\$ 950,000	79%	\$ 413,000

##### **D. Funded Status and Funding Progress**

The funded status of the plan as of May 11, 2010 is as follows:

Actuarial accrued liability (AAL)	\$ 5,744,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	5,744,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	80,517,316
UAAL as a percentage of covered payroll	7%

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (Continued)**

##### **School Board: (Continued)**

##### **E. Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions 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 multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

##### **Cost Method**

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

##### **Interest Assumptions**

In the May 11, 2010, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at May 11, 2010 was thirty years.

	<u>Unfunded</u>
Discount rate	4.00%
Payroll growth	3.50%

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2011 (Continued)

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#### **NOTE 19 - VRS HEALTH INSURANCE CREDIT - OTHER POST-EMPLOYMENT BENEFITS (OPEB):**

##### A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 10.

##### B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 0.60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2011, 2010, and 2009 were \$433,282, \$571,110, and \$811,967, respectively and equaled the required contributions for each year.

**- Required Supplementary Information -**

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 80,085,000	\$ 80,085,000	\$ 71,054,980	\$ (9,030,020)
Other local taxes	24,144,437	24,148,711	25,294,693	1,145,982
Permits, privilege fees and regulatory licenses	1,219,649	1,219,649	920,328	(299,321)
Fines and forfeitures	482,849	482,849	279,102	(203,747)
Use of money and property	871,762	882,574	196,118	(686,456)
Charges for services	2,312,574	2,315,663	2,202,922	(112,741)
Miscellaneous	641,446	658,986	541,102	(117,884)
Recovered costs	1,706,842	1,895,258	1,570,383	(324,875)
Intergovernmental:				
Revenue from the Commonwealth	9,813,660	9,883,054	20,347,260	10,464,206
Revenue from the Federal Government	33,122	763,250	3,851,943	3,088,693
Total revenues	\$ 121,311,341	\$ 122,334,994	\$ 126,258,831	\$ 3,923,837
<b>Expenditures</b>				
Current:				
General Government Administration:				
Board of supervisors	\$ 244,205	\$ 238,405	\$ 215,184	\$ 23,221
County administrator	556,468	553,468	549,083	4,385
County attorney	193,571	198,571	197,471	1,100
Personnel	301,479	301,479	298,414	3,065
Independent auditor	62,500	62,500	62,500	-
Commissioner of the Revenue	1,112,912	1,117,727	1,094,983	22,744
Board of assessors	257,380	252,565	185,410	67,155
Treasurer	1,084,757	1,084,757	1,002,620	82,137
Finance	676,401	676,401	649,497	26,904
Information technology	778,397	785,928	751,202	34,726
Management information systems	460,083	461,245	435,915	25,330
Other	875,970	2,556,569	2,414,010	142,559
Elections	73,119	74,406	67,770	6,636
Registrar	151,031	149,744	129,676	20,068
Total general government administration	\$ 6,828,273	\$ 8,513,765	\$ 8,053,735	\$ 460,030
Judicial Administration:				
Circuit court	\$ 48,300	\$ 48,300	\$ 53,111	\$ (4,811)
General district court	12,252	12,252	7,661	4,591
Juvenile and domestic relations court	17,250	17,250	14,631	2,619
Clerk of the circuit court	667,062	671,062	632,574	38,488
Law library	7,200	7,200	13,744	(6,544)
Detox center	40,885	40,885	40,885	-
Juvenile court probation	172,200	193,539	140,272	53,267

**COUNTY OF FREDERICK, VIRGINIA**

**Budgetary Comparison Schedule  
General Fund (Continued)  
Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Expenditures (Continued)</b>				
Judicial Administration: (Continued)				
Commonwealth attorney	\$ 1,163,091	\$ 1,178,558	\$ 1,131,689	\$ 46,869
Victim/witness program	125,226	125,226	114,109	11,117
Total judicial administration	<u>\$ 2,253,466</u>	<u>\$ 2,294,272</u>	<u>\$ 2,148,676</u>	<u>\$ 145,596</u>
Public Safety:				
Sheriff	\$ 10,197,514	\$ 11,205,617	\$ 10,074,246	\$ 1,131,371
Volunteer fire departments	609,776	788,776	689,447	99,329
Ambulance and rescue service	391,219	391,219	396,613	(5,394)
Fire and rescue	6,044,676	6,098,925	5,897,889	201,036
Regional jail	3,388,830	3,388,830	3,388,830	-
Juvenile detention center	364,979	364,979	359,379	5,600
Inspections	1,024,688	1,024,688	950,366	74,322
Public safety communications	1,103,472	1,111,710	925,290	186,420
Total public safety	<u>\$ 23,125,154</u>	<u>\$ 24,374,744</u>	<u>\$ 22,682,060</u>	<u>\$ 1,692,684</u>
Public Works:				
Road administration, street lights	\$ 51,745	\$ 64,326	\$ 61,711	\$ 2,615
General engineering and administration	411,792	419,392	308,835	110,557
Refuse collection	1,211,959	1,254,904	1,151,196	103,708
Refuse disposal	401,096	401,096	332,617	68,479
Litter control	13,932	13,932	6,289	7,643
General properties	1,474,437	1,922,771	1,645,718	277,053
Animal shelter	504,112	504,112	438,028	66,084
Total public works	<u>\$ 4,069,073</u>	<u>\$ 4,580,533</u>	<u>\$ 3,944,394</u>	<u>\$ 636,139</u>
Health and Welfare:				
Health department	\$ 301,959	\$ 301,959	\$ 301,959	\$ -
Northwestern Community Services Board	318,263	318,263	318,263	-
Welfare and social services	6,027,533	5,766,436	5,452,952	313,484
Tax relief for the elderly	520,000	520,000	425,060	94,940
Area Agency on Aging	60,930	60,930	60,930	-
Total health and welfare	<u>\$ 7,228,685</u>	<u>\$ 6,967,588</u>	<u>\$ 6,559,164</u>	<u>\$ 408,424</u>
Education:				
Community college	\$ 56,493	\$ 56,493	\$ 56,493	\$ -
Appropriation to public school system	56,637,668	59,653,881	59,175,501	478,380
Total education	<u>\$ 56,694,161</u>	<u>\$ 59,710,374</u>	<u>\$ 59,231,994</u>	<u>\$ 478,380</u>

**COUNTY OF FREDERICK, VIRGINIA**

**Budgetary Comparison Schedule  
General Fund (Continued)  
Year Ended June 30, 2011**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Expenditures (Continued)</b>				
Parks, recreation and cultural:				
Parks and recreation	\$ 4,192,667	\$ 4,442,830	\$ 4,117,131	\$ 325,699
Regional library	801,356	884,356	802,856	81,500
Total parks, recreation and cultural	<u>\$ 4,994,023</u>	<u>\$ 5,327,186</u>	<u>\$ 4,919,987</u>	<u>\$ 407,199</u>
Community Development:				
Planning and community development	\$ 1,046,117	\$ 1,043,117	\$ 950,814	\$ 92,303
Economic Development Commission	477,895	1,420,715	1,401,486	19,229
Zoning board	6,175	9,175	5,653	3,522
Building appeals board	550	550	79	471
NSV Regional Commission	26,365	26,365	26,365	-
Gypsy moth suppression	30,934	30,534	17,137	13,397
Soil and Water Conservation District	7,650	7,650	7,650	-
Cooperative extension program	194,540	210,961	212,351	(1,390)
Total community development	<u>\$ 1,790,226</u>	<u>\$ 2,749,067</u>	<u>\$ 2,621,535</u>	<u>\$ 127,532</u>
Debt Service:				
Principal	\$ 1,361,558	\$ 1,361,558	\$ 1,361,558	\$ -
Interest and fiscal charges	1,580,917	1,566,612	1,492,831	73,781
Total debt service	<u>\$ 2,942,475</u>	<u>\$ 2,928,170</u>	<u>\$ 2,854,389</u>	<u>\$ 73,781</u>
Total expenditures	<u>\$ 109,925,536</u>	<u>\$ 117,445,699</u>	<u>\$ 113,015,934</u>	<u>\$ 4,429,765</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 11,385,805</u>	<u>\$ 4,889,295</u>	<u>\$ 13,242,897</u>	<u>\$ 8,353,602</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 722,078	\$ 722,078
Transfers out	(15,685,805)	(15,707,685)	(15,707,685)	-
Total other financing sources (uses)	<u>\$ (15,685,805)</u>	<u>\$ (15,707,685)</u>	<u>\$ (14,985,607)</u>	<u>\$ 722,078</u>
Net change in fund balance	\$ (4,300,000)	\$ (10,818,390)	\$ (1,742,710)	\$ 9,075,680
<b>Fund balance, beginning of year</b>	<u>4,300,000</u>	<u>10,818,390</u>	<u>35,102,922</u>	<u>24,284,532</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,360,212</u></u>	<u><u>\$ 33,360,212</u></u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles. Appropriations to public school system includes actual cash outlay and funds from debt issuances. Budgets have been reclassified accordingly.

## COUNTY OF FREDERICK, VIRGINIA

**Budgetary Comparison Schedule**  
**Shawneeland Sanitary District Fund**  
**Year Ended June 30, 2011**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 603,500	\$ 603,500	\$ 636,494	\$ 32,994
Use of money and property	16,500	16,500	9,167	(7,333)
Miscellaneous	-	-	2,000	2,000
Recovered costs	1,000	1,000	2,354	1,354
Total revenues	<u>\$ 621,000</u>	<u>\$ 621,000</u>	<u>\$ 650,015</u>	<u>\$ 29,015</u>
<b>Expenditures</b>				
Current:				
Community Development:				
Community development	\$ <u>848,097</u>	\$ <u>848,097</u>	\$ <u>600,066</u>	\$ <u>248,031</u>
Net change in fund balance	\$ (227,097)	\$ (227,097)	\$ 49,949	\$ 277,046
<b>Fund balance, beginning of year</b>	<u>227,097</u>	<u>227,097</u>	<u>2,050,686</u>	<u>1,823,589</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,100,635</u>	<u>\$ 2,100,635</u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

## COUNTY OF FREDERICK, VIRGINIA

**Budgetary Comparison Schedule**  
**Lake Holiday Sanitary District Fund**  
**Year Ended June 30, 2011**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 453,438	\$ 453,438
Use of money and property	-	-	(9,260)	(9,260)
Recovered costs	-	200,000	169,315	(30,685)
Total revenues	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 613,493</u>	<u>\$ 413,493</u>
<b>Expenditures</b>				
Current:				
Community Development:				
Community development	\$ -	\$ 200,000	\$ 25,101	\$ 174,899
Debt Service:				
Interest and fiscal charges	\$ -	\$ -	\$ 97,316	\$ (97,316)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,316</u>	<u>\$ (97,316)</u>
Total expenditures	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 122,417</u>	<u>\$ 77,583</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 491,076</u>	<u>\$ 491,076</u>
<b>Other Financing Sources (Uses)</b>				
Long-term debt issued	\$ -	\$ -	\$ 9,245,000	\$ 9,245,000
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,245,000</u>	<u>\$ 9,245,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,736,076</u>	<u>\$ 9,736,076</u>
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,736,076</u></u>	<u><u>\$ 9,736,076</u></u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

## COUNTY OF FREDERICK, VIRGINIA

Required Supplementary Information  
Schedule of Funding Progress  
Last Three Fiscal Years

**VIRGINIA RETIREMENT SYSTEM****County**

<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio (2) / (3)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as % of Payroll (4) / (6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>
6/30/2010	\$ 74,936,007	\$ 99,780,026	\$ 24,844,019	75.10%	\$ 31,058,541	79.99%
6/30/2009	71,050,795	86,850,695	15,799,900	81.81%	32,339,777	48.86%
6/30/2008	65,239,903	78,582,265	13,342,362	83.02%	31,695,052	42.10%

**Discretely Presented Component Unit - School Board****School Board Non-Professionals:**

<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio (2) / (3)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as % of Payroll (4) / (6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>
6/30/2010	\$ 14,574,742	\$ 16,609,277	\$ 2,034,535	87.75%	\$ 7,295,869	27.89%
6/30/2009	13,975,909	14,852,614	876,705	94.10%	7,475,939	11.73%
6/30/2008	13,084,382	13,476,040	391,658	97.09%	7,305,379	5.36%

**OTHER POST-EMPLOYMENT BENEFITS****County**

<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio (2) / (3)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as % of Payroll (4) / (6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>
6/10/2010	\$ -	\$ 21,042,000	\$ 21,042,000	0.00%	\$ 32,339,777	65%
7/1/2007	-	17,272,000	17,272,000	0.00%	N/A	N/A

**Discretely Presented Component Unit - School Board**

<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio (2) / (3)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as % of Payroll (4) / (6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>
5/11/2010	\$ -	\$ 5,744,000	\$ 5,744,000	0.00%	\$ 80,517,316	7%
7/1/2007	-	9,267,000	9,267,000	0.00%	N/A	N/A

**- Other Supplementary Information -**

## COUNTY OF FREDERICK, VIRGINIA

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**At June 30, 2011**

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	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 930,818	\$ 642,500	\$ 1,573,318
Accounts receivable	1,520	-	1,520
Due from other governments	<u>221,483</u>	<u>-</u>	<u>221,483</u>
Total assets	<u>\$ 1,153,821</u>	<u>\$ 642,500</u>	<u>\$ 1,796,321</u>
<b>Liabilities</b>			
A/P and accrued liabilities	\$ <u>169,541</u>	\$ -	\$ <u>169,541</u>
Total liabilities	<u>\$ 169,541</u>	<u>\$ -</u>	<u>\$ 169,541</u>
<b>Fund Balance</b>			
Committed	\$ 984,280	\$ -	\$ 984,280
Assigned	<u>-</u>	<u>642,500</u>	<u>642,500</u>
Total fund balance	<u>\$ 984,280</u>	<u>\$ 642,500</u>	<u>\$ 1,626,780</u>
Total liabilities and fund balance	<u>\$ 1,153,821</u>	<u>\$ 642,500</u>	<u>\$ 1,796,321</u>

## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2011**

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Revenues</b>			
Use of money and property	\$ 7,298	\$ (44,380)	\$ (37,082)
Charges for services	623,404	-	623,404
Miscellaneous	314	-	314
Recovered costs	144,601	-	144,601
Intergovernmental:			
Revenue from the Commonwealth	1,435,741	-	1,435,741
Total revenues	\$ 2,211,358	\$ (44,380)	\$ 2,166,978
<b>Expenditures</b>			
Current:			
Judicial administration	\$ 1,099,197	\$ -	\$ 1,099,197
Health and welfare	1,690,382	-	1,690,382
Education	626,647	-	626,647
Total expenditures	\$ 3,416,226	\$ -	\$ 3,416,226
<b>Excess (deficiency) of revenues over expenditures</b>	\$ (1,204,868)	\$ (44,380)	\$ (1,249,248)
<b>Other financing sources (uses)</b>			
Transfers in	\$ 980,502	\$ -	\$ 980,502
Total other financing sources (uses)	\$ 980,502	\$ -	\$ 980,502
Net change in fund balance	\$ (224,366)	\$ (44,380)	\$ (268,746)
<b>Fund balance, beginning of year</b>	1,208,646	686,880	1,895,526
<b>Fund balance, end of year</b>	\$ 984,280	\$ 642,500	\$ 1,626,780

## COUNTY OF FREDERICK, VIRGINIA

**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**At June 30, 2011**

	<b>Division of Court Services Fund</b>	<b>Comprehensive Services Act Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 571,669	\$ 359,149	\$ 930,818
Receivables	1,520	-	1,520
Due from other governments	-	221,483	221,483
Total assets	<u>\$ 573,189</u>	<u>\$ 580,632</u>	<u>\$ 1,153,821</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 17,913	\$ 151,628	\$ 169,541
Total liabilities	<u>\$ 17,913</u>	<u>\$ 151,628</u>	<u>\$ 169,541</u>
<b>Fund Balance</b>			
Committed	\$ 555,276	\$ 429,004	\$ 984,280
Total fund balance	<u>\$ 555,276</u>	<u>\$ 429,004</u>	<u>\$ 984,280</u>
Total liabilities and fund balance	<u>\$ 573,189</u>	<u>\$ 580,632</u>	<u>\$ 1,153,821</u>

## COUNTY OF FREDERICK, VIRGINIA

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

## Nonmajor Special Revenue Funds

Year Ended June 30, 2011

	Division of Court Services Fund	Comprehensive Services Act Fund	Total
<b>Revenues</b>			
Use of money and property	\$ 7,298	\$ -	\$ 7,298
Charges for services	623,404	-	623,404
Miscellaneous	314	-	314
Recovered costs	144,601	-	144,601
Intergovernmental:			
Revenue from the Commonwealth	214,486	1,221,255	1,435,741
Total revenues	\$ 990,103	\$ 1,221,255	\$ 2,211,358
<b>Expenditures</b>			
Current:			
Judicial administration	\$ 1,099,197	\$ -	\$ 1,099,197
Health and welfare	-	1,690,382	1,690,382
Education	-	626,647	626,647
Total expenditures	\$ 1,099,197	\$ 2,317,029	\$ 3,416,226
<b>Excess (deficiency) of revenues over expenditures</b>	\$ (109,094)	\$ (1,095,774)	\$ (1,204,868)
<b>Other financing sources (uses)</b>			
Transfers in	\$ -	\$ 980,502	\$ 980,502
Total other financing sources (uses)	\$ -	\$ 980,502	\$ 980,502
Net change in fund balance	\$ (109,094)	\$ (115,272)	\$ (224,366)
<b>Fund balance, beginning of year</b>	664,370	544,276	1,208,646
<b>Fund balance, end of year</b>	\$ 555,276	\$ 429,004	\$ 984,280

## COUNTY OF FREDERICK, VIRGINIA

**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**At June 30, 2011**

	<b>Detox Center Construction Fund</b>	<b>Administration Building Renovation Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 642,500	\$ 642,500
<b>Liabilities</b>			
A/P and accrued liabilities	\$ -	\$ -	\$ -
<b>Fund Balance</b>			
Assigned	\$ -	\$ 642,500	\$ 642,500
Total fund balance	\$ -	\$ 642,500	\$ 642,500
Total liabilities and fund balance	\$ -	\$ 642,500	\$ 642,500

## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**Year Ended June 30, 2011**

	<b>Detox Center Construction Fund</b>	<b>Administration Building Renovation Fund</b>	<b>Total</b>
<b>Revenues</b>			
Use of money and property	\$ -	\$ (44,380)	\$ (44,380)
<b>Expenditures</b>			
Capital projects	\$ -	\$ -	\$ -
<b>Excess (deficiency) of revenues over expenditures</b>	\$ -	\$ (44,380)	\$ (44,380)
<b>Other financing sources (uses)</b>			
Transfers out	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ (44,380)	\$ (44,380)
<b>Fund balance, beginning of year</b>	-	686,880	686,880
<b>Fund balance, end of year</b>	\$ -	\$ 642,500	\$ 642,500

## COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Net Assets  
Internal Service Funds  
At June 30, 2011

	Health Insurance Fund	Central Stores Fund	Unemploy- ment Fund	Volunteer Fire and Rescue Fund	Maintenance Insurance Fund	Total Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 6,483,529	\$ 196,493	\$ -	\$ 63,929	\$ 197,549	\$ 6,941,500
Accounts receivable	-	9,439	-	-	-	9,439
Total current assets	<u>\$ 6,483,529</u>	<u>\$ 205,932</u>	<u>\$ -</u>	<u>\$ 63,929</u>	<u>\$ 197,549</u>	<u>\$ 6,950,939</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 3,901	\$ 48,191	\$ 181	\$ -	\$ 2,579	\$ 54,852
Deferred revenue	-	9,439	-	-	-	9,439
Claims payable	563,955	-	-	-	-	563,955
Total current liabilities	<u>\$ 567,856</u>	<u>\$ 57,630</u>	<u>\$ 181</u>	<u>\$ -</u>	<u>\$ 2,579</u>	<u>\$ 628,246</u>
<b>Net Assets</b>						
Unrestricted	<u>\$ 5,915,673</u>	<u>\$ 148,302</u>	<u>\$ (181)</u>	<u>\$ 63,929</u>	<u>\$ 194,970</u>	<u>\$ 6,322,693</u>
Total net assets	<u>\$ 5,915,673</u>	<u>\$ 148,302</u>	<u>\$ (181)</u>	<u>\$ 63,929</u>	<u>\$ 194,970</u>	<u>\$ 6,322,693</u>

## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Funds**  
**Year Ended June 30, 2011**

	<b>Health Insurance Fund</b>	<b>Central Stores Fund</b>	<b>Unemploy- ment Fund</b>	<b>Volunteer Fire and Rescue Fund</b>	<b>Maintenance Insurance Fund</b>	<b>Total Internal Service Funds</b>
<b>Operating revenues</b>						
Charges for services	\$ 6,968,806	\$ 633,911	\$ -	\$ -	\$ 39,577	\$ 7,642,294
<b>Operating Expenses</b>						
Benefits and related expenses	\$ 6,280,428	\$ -	\$ 5,562	\$ 78,590	\$ -	\$ 6,364,580
Services and supplies	-	629,474	-	-	18,211	647,685
Total operating expenses	\$ 6,280,428	\$ 629,474	\$ 5,562	\$ 78,590	\$ 18,211	\$ 7,012,265
Operating income (loss)	\$ 688,378	\$ 4,437	\$ (5,562)	\$ (78,590)	\$ 21,366	\$ 630,029
<b>Nonoperating revenues</b>						
Investment earnings	28,614	1,740	-	-	777	31,131
Income before transfers	\$ 716,992	\$ 6,177	\$ (5,562)	\$ (78,590)	\$ 22,143	\$ 661,160
<b>Transfers in</b>	-	-	21,880	79,152	-	101,032
Change in net assets	\$ 716,992	\$ 6,177	\$ 16,318	\$ 562	\$ 22,143	\$ 762,192
Net assets, beginning of year	5,198,681	142,125	(16,499)	63,367	172,827	5,560,501
Net assets, end of year	\$ 5,915,673	\$ 148,302	\$ (181)	\$ 63,929	\$ 194,970	\$ 6,322,693

## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended June 30, 2011**

	<b>Health Insurance Fund</b>	<b>Central Stores Fund</b>	<b>Unemploy- ment Fund</b>	<b>Volunteer Fire and Rescue Fund</b>	<b>Maintenance Insurance Fund</b>	<b>Total Internal Service Funds</b>
<b>Cash flows from operating activities</b>						
Receipts from insured	\$ 6,968,806	\$ -	\$ -	\$ -	\$ 39,577	\$ 7,008,383
Receipts from services	-	633,911	-	-	-	633,911
Payments to suppliers	(6,353,640)	(654,263)	-	(80,240)	(18,011)	(7,106,154)
Other payments	-	-	(21,880)	-	-	(21,880)
Net cash provided (used) by operating activities	\$ 615,166	\$ (20,352)	\$ (21,880)	\$ (80,240)	\$ 21,566	\$ 514,260
<b>Cash flows from noncapital financing activities:</b>						
Transfers in	\$ -	\$ -	\$ 21,880	\$ 79,152	\$ -	\$ 101,032
<b>Cash flows from investing activities</b>						
Investment earnings	\$ 28,614	\$ 1,740	\$ -	\$ -	\$ 777	\$ 31,131
Net increase (decrease) in cash and cash equivalents	\$ 643,780	\$ (18,612)	\$ -	\$ (1,088)	\$ 22,343	\$ 646,423
Balances, beginning of year	5,839,749	215,105	-	65,017	175,206	6,295,077
Balances, end of year	\$ 6,483,529	\$ 196,493	\$ -	\$ 63,929	\$ 197,549	\$ 6,941,500
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 688,378	\$ 4,437	\$ (5,562)	\$ (78,590)	\$ 21,366	\$ 630,029
Change in assets and liabilities:						
Receivables, net	-	(2,171)	-	-	-	(2,171)
Accounts payable	(1,925)	(24,789)	(16,318)	(1,650)	200	(44,482)
Deferred revenue	-	2,171	-	-	-	2,171
Claims payable	(71,287)	-	-	-	-	(71,287)
Net cash provided (used) by operating activities	\$ 615,166	\$ (20,352)	\$ (21,880)	\$ (80,240)	\$ 21,566	\$ 514,260

## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Fiduciary Net Assets**  
**Private Purpose Trust Funds**  
**At June 30, 2011**

<b>Private Purpose Trust Funds</b>					
	<b>Laura Bates</b>	<b>Harriet Sides</b>	<b>Olin Larrick</b>	<b>Armstrong</b>	
	<b>Trust</b>	<b>Trust</b>	<b>Trust</b>	<b>Foundation</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Scholarship</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Trust</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 12,497	\$ 9,381	\$ 1,914	\$ 231,511	\$ 255,303
Total assets	\$ 12,497	\$ 9,381	\$ 1,914	\$ 231,511	\$ 255,303
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Assets</b>	\$ 12,497	\$ 9,381	\$ 1,914	\$ 231,511	\$ 255,303

## COUNTY OF FREDERICK, VIRGINIA

## Combining Statement of Fiduciary Net Assets

## Agency Funds

At June 30, 2011

	Special Welfare Fund	Northwestern Regional Jail Authority Fund	Winchester Regional Airport Fund	Undistributed Local Sales Tax Fund	State Sales Tax Fund	Employee Cafeteria Plan Fund	Northwestern Regional Education Program Fund	Total
<b>Assets</b>								
Cash and cash equivalents	\$ 100,297	\$ 4,057,708	\$ 486,118	\$ -	\$ 2,152	\$ 18,086	\$ 788,358	\$ 5,452,719
Receivables	-	69,893	64,815	-	-	-	19,925	154,633
Due from other governmental units	-	724,085	73,954	32,913	-	-	-	830,952
Total assets	\$ <u>100,297</u>	\$ <u>4,851,686</u>	\$ <u>624,887</u>	\$ <u>32,913</u>	\$ <u>2,152</u>	\$ <u>18,086</u>	\$ <u>808,283</u>	\$ <u>6,438,304</u>
<b>Liabilities</b>								
Accounts payable and accrued liabilities	\$ -	\$ 265,720	\$ 169,532	\$ 32,913	\$ 98	\$ -	\$ 477,858	\$ 946,121
Amounts held for others	100,297	4,585,966	455,355	-	2,054	18,086	330,425	5,492,183
Total liabilities	\$ <u>100,297</u>	\$ <u>4,851,686</u>	\$ <u>624,887</u>	\$ <u>32,913</u>	\$ <u>2,152</u>	\$ <u>18,086</u>	\$ <u>808,283</u>	\$ <u>6,438,304</u>
<b>Net Assets</b>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

## COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Changes in Fiduciary Net Assets  
 Private Purpose Trust Funds  
 Year Ended June 30, 2011

	<b>Laura Bates</b>		<b>Harriet Sides</b>		<b>Olin Larrick</b>		<b>Armstrong Foundation Scholarship</b>		
	<b>Trust</b>		<b>Trust</b>		<b>Trust</b>		<b>Trust</b>		
	<b>Fund</b>		<b>Fund</b>		<b>Fund</b>		<b>Fund</b>		<b>Total</b>
<b>Additions:</b>									
Investment earnings	\$	56	\$	43	\$	9	\$	42,267	\$ 42,375
<b>Deductions:</b>									
Education		-		43		216		8,405	8,664
Change in net assets	\$	56	\$	-	\$	(207)	\$	33,862	\$ 33,711
<b>Net assets, beginning of year</b>		12,441		9,381		2,121		197,649	221,592
<b>Net assets, end of year</b>	\$	12,497	\$	9,381	\$	1,914	\$	231,511	\$ 255,303

**COUNTY OF FREDERICK, VIRGINIA**

**Agency Funds**  
**Statement of Changes in Assets and Liabilities**  
**Year Ended June 30, 2011**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Special Welfare Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 135,001	\$ 10,907	\$ 45,611	\$ 100,297
Liabilities:				
Amounts held for others	\$ 135,001	\$ 10,907	\$ 45,611	\$ 100,297
<b>Northwestern Regional Jail Authority Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 4,051,453	\$ 15,971,752	\$ 15,965,497	\$ 4,057,708
Receivables	75,983	69,893	75,983	69,893
Due from other governmental units	713,701	724,085	713,701	724,085
Total assets	\$ 4,841,137	\$ 16,765,730	\$ 16,755,181	\$ 4,851,686
Liabilities:				
Accounts payable and accrued liabilities	\$ 272,301	\$ 265,720	\$ 272,301	\$ 265,720
Amounts held for others	4,568,836	16,500,010	16,482,880	4,585,966
Total liabilities	\$ 4,841,137	\$ 16,765,730	\$ 16,755,181	\$ 4,851,686
<b>Winchester Regional Airport Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 503,721	\$ 2,368,495	\$ 2,386,098	\$ 486,118
Receivables	89,258	64,815	89,258	64,815
Due from other governmental units	172,488	73,954	172,488	73,954
Total assets	\$ 765,467	\$ 2,507,264	\$ 2,647,844	\$ 624,887
Liabilities:				
Accounts payable and accrued liabilities	\$ 240,511	\$ 169,532	\$ 240,511	\$ 169,532
Amounts held for others	524,956	2,337,732	2,407,333	455,355
Total liabilities	\$ 765,467	\$ 2,507,264	\$ 2,647,844	\$ 624,887
<b>Undistributed Local Sales Tax Fund:</b>				
Assets:				
Cash	\$ -	\$ 9,890,726	\$ 9,890,726	\$ -
Due from other governmental units	28,789	32,913	28,789	32,913
Total assets	\$ 28,789	\$ 9,923,639	\$ 9,919,515	\$ 32,913

**COUNTY OF FREDERICK, VIRGINIA**

**Agency Funds**  
**Statement of Changes in Assets and Liabilities**  
**Year Ended June 30, 2011 (Continued)**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Undistributed Local Sales Tax Fund: (Continued)</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 28,789	\$ 9,923,639	\$ 9,919,515	\$ 32,913
Total liabilities	<u>\$ 28,789</u>	<u>\$ 9,923,639</u>	<u>\$ 9,919,515</u>	<u>\$ 32,913</u>
<b>State Sales Tax Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 3,146	\$ 2,548	\$ 3,542	\$ 2,152
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,106	\$ 98	\$ 1,106	\$ 98
Amounts held for others	<u>2,040</u>	<u>2,450</u>	<u>2,436</u>	<u>2,054</u>
Total liabilities	<u>\$ 3,146</u>	<u>\$ 2,548</u>	<u>\$ 3,542</u>	<u>\$ 2,152</u>
<b>Employee Cafeteria Plan Fund:</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 18,086	\$ -	\$ 18,086
Liabilities:				
Amounts held for others	<u>\$ -</u>	<u>\$ 18,086</u>	<u>\$ -</u>	<u>\$ 18,086</u>
<b>Northwestern Regional Education Program Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 1,013,136	\$ 3,677,189	\$ 3,901,967	\$ 788,358
Receivables	<u>-</u>	<u>19,925</u>	<u>-</u>	<u>19,925</u>
Total assets	<u>\$ 1,013,136</u>	<u>\$ 3,697,114</u>	<u>\$ 3,901,967</u>	<u>\$ 808,283</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 484,833	\$ 477,858	\$ 484,833	\$ 477,858
Amounts held for others	<u>528,303</u>	<u>3,219,256</u>	<u>3,417,134</u>	<u>330,425</u>
Total liabilities	<u>\$ 1,013,136</u>	<u>\$ 3,697,114</u>	<u>\$ 3,901,967</u>	<u>\$ 808,283</u>

**COUNTY OF FREDERICK, VIRGINIA**

**Agency Funds**  
**Statement of Changes in Assets and Liabilities**  
**Year Ended June 30, 2011 (Continued)**

	<b>Balance Beginning of Year</b>		<b>Additions</b>		<b>Deletions</b>		<b>Balance End of Year</b>
<b>Total -- All Agency Funds</b>							
Assets:							
Cash and cash equivalents	\$ 5,706,457	\$	31,939,703	\$	32,193,441	\$	5,452,719
Receivables	165,241		154,633		165,241		154,633
Due from other governmental units	<u>914,978</u>		<u>830,952</u>		<u>914,978</u>		<u>830,952</u>
Total assets	<u>\$ 6,786,676</u>	\$	<u>32,925,288</u>	\$	<u>33,273,660</u>	\$	<u>6,438,304</u>
Liabilities:							
Accounts payable and accrued liabilities	\$ 1,027,540	\$	10,836,847	\$	10,918,266	\$	946,121
Amounts held for others	<u>5,759,136</u>		<u>22,088,441</u>		<u>22,355,394</u>		<u>5,492,183</u>
Total liabilities	<u>\$ 6,786,676</u>	\$	<u>32,925,288</u>	\$	<u>33,273,660</u>	\$	<u>6,438,304</u>

## COUNTY OF FREDERICK, VIRGINIA

**Revenue and Expenditures Budgetary Comparison Schedule**  
**For Nonmajor and Other Funds With Legally Adopted Budgets**  
**Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Special Revenue Funds</b>				
<b>Division of Court Services Fund</b>				
<b>Revenues</b>				
Revenue from use of money and property	\$ 11,600	\$ 11,600	\$ 7,298	\$ (4,302)
Charges for services	770,643	696,429	623,404	(73,025)
Miscellaneous	-	-	314	314
Recovered costs	249,885	163,185	144,601	(18,584)
Intergovernmental:				
Revenue from the Commonwealth	212,511	223,449	214,486	(8,963)
Total revenues	<u>\$ 1,244,639</u>	<u>\$ 1,094,663</u>	<u>\$ 990,103</u>	<u>\$ (104,560)</u>
<b>Expenditures</b>				
<b>Judicial Administration</b>				
Division of Court Services	\$ 585,164	\$ 608,552	\$ 539,442	\$ 69,110
Division of Court Services Administration	157,980	144,705	141,675	3,030
Detox Center	203,438	116,270	102,757	13,513
Community Corrections	332,501	392,556	315,323	77,233
Total expenditures	<u>\$ 1,279,083</u>	<u>\$ 1,262,083</u>	<u>\$ 1,099,197</u>	<u>\$ 162,886</u>
<b>Capital Projects Funds</b>				
<b>General Capital Projects Fund</b>				
<b>Revenues</b>				
Miscellaneous	\$ -	\$ 299,686	\$ 3,597	\$ (296,089)
Total revenues	<u>\$ -</u>	<u>\$ 299,686</u>	<u>\$ 3,597</u>	<u>\$ (296,089)</u>
<b>Expenditures</b>				
Capital projects	\$ -	\$ 299,686	\$ 3,597	\$ 296,089
Total expenditures	<u>\$ -</u>	<u>\$ 299,686</u>	<u>\$ 3,597</u>	<u>\$ 296,089</u>
<b>Debt Service Funds</b>				
<b>School Debt Service Fund</b>				
<b>Expenditures</b>				
Education	\$ -	\$ -	\$ 1,693,595	\$ (1,693,595)
Principal and interest	14,806,621	14,806,621	13,102,676	1,703,945
Total expenditures	<u>\$ 14,806,621</u>	<u>\$ 14,806,621</u>	<u>\$ 14,796,271</u>	<u>\$ 10,350</u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

## COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board  
Combining Balance Sheet  
At June 30, 2011

	<b>School Operating Fund</b>	<b>School Cafeteria Fund</b>	<b>Consolidated Maintenance Fund</b>	<b>School Textbook Fund</b>	<b>School Special Grants Fund</b>	<b>School Capital Projects Fund</b>	<b>School Capital Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>								
Cash and cash equivalents	\$ 9,444,263	\$ 1,685,507	\$ -	\$ 1,704,719	\$ -	\$ 2,577,654	\$ 511,199	\$ 15,923,342
Accounts receivable	228,124	18,418	-	618	-	-	-	247,160
Due from other governments	4,330,636	74,021	-	-	57,707	-	-	4,462,364
Due from other funds	7,083	-	-	-	-	-	-	7,083
Inventory	73,045	152,525	-	-	-	-	-	225,570
Total assets	<u>\$ 14,083,151</u>	<u>\$ 1,930,471</u>	<u>\$ -</u>	<u>\$ 1,705,337</u>	<u>\$ 57,707</u>	<u>\$ 2,577,654</u>	<u>\$ 511,199</u>	<u>\$ 20,865,519</u>
<b>Liabilities</b>								
Accounts payable and accrued liabilities	\$ 14,083,151	\$ 382,172	\$ -	\$ 480	\$ 50,624	\$ 7,674	\$ 207,671	\$ 14,731,772
Due to other funds	-	-	-	-	7,083	-	-	7,083
Total liabilities	<u>\$ 14,083,151</u>	<u>\$ 382,172</u>	<u>\$ -</u>	<u>\$ 480</u>	<u>\$ 57,707</u>	<u>\$ 7,674</u>	<u>\$ 207,671</u>	<u>\$ 14,738,855</u>
<b>Fund Balance</b>								
Nonspendable	\$ 73,045	\$ 152,525	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,570
Restricted	-	-	-	-	-	277,653	-	277,653
Committed	-	1,395,774	-	1,704,857	-	2,292,327	303,528	5,696,486
Unassigned	(73,045)	-	-	-	-	-	-	(73,045)
Total fund balance	<u>\$ -</u>	<u>\$ 1,548,299</u>	<u>\$ -</u>	<u>\$ 1,704,857</u>	<u>\$ -</u>	<u>\$ 2,569,980</u>	<u>\$ 303,528</u>	<u>\$ 6,126,664</u>
Total liabilities and fund balance	<u>\$ 14,083,151</u>	<u>\$ 1,930,471</u>	<u>\$ -</u>	<u>\$ 1,705,337</u>	<u>\$ 57,707</u>	<u>\$ 2,577,654</u>	<u>\$ 511,199</u>	<u>\$ 20,865,519</u>

## COUNTY OF FREDERICK, VIRGINIA

## Component Unit School Board

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

At June 30, 2011

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Total fund balances for governmental funds (Exhibit 30)	\$	6,126,664
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land and improvements	\$	8,288,366
Buildings and improvements, net of depreciation		153,911,578
Equipment, net of depreciation		15,163,971
School Board capital assets in primary government, net of depreciation		<u>(81,737,692)</u>
Total capital assets		95,626,223
An internal service fund is used by the School Board to charge the cost of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. The internal service net assets are:		
		3,637,871
Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net assets are compensated absences and other post employment benefits.		
		<u>(3,336,467)</u>
Total net assets of governmental activities (Exhibit 1)	\$	<u><u>102,054,291</u></u>

## COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2011

	School Operating Fund	School Cafeteria Fund	Consolidated Maintenance Fund	School Textbook Fund	School Special Grants Fund	School Capital Projects Fund	School Capital Fund	Total Governmental Funds
<b>Revenues</b>								
Use of money and property	\$ 337,443	\$ 6,385	\$ -	\$ 7,963	\$ -	\$ 1,939	\$ -	\$ 353,730
Charges for services	413,632	2,632,413	10,305	2,471	-	-	-	3,058,821
Miscellaneous	311,741	-	-	43	-	-	-	311,784
Intergovernmental:								
Appropriation from primary government	57,502,148	-	-	-	-	2,300,000	1,693,595	61,495,743
Revenue from the Commonwealth	57,170,144	91,058	-	421,251	-	-	-	57,682,453
Revenue from the Federal Government	7,190,195	2,404,610	-	-	219,098	-	-	9,813,903
Total revenues	<u>\$ 122,925,303</u>	<u>\$ 5,134,466</u>	<u>\$ 10,305</u>	<u>\$ 431,728</u>	<u>\$ 219,098</u>	<u>\$ 2,301,939</u>	<u>\$ 1,693,595</u>	<u>\$ 132,716,434</u>
<b>Expenditures</b>								
Current:								
Education:								
Instruction	\$ 92,684,482	\$ -	\$ -	\$ 1,247,670	\$ 219,098	\$ -	\$ 1,390,067	\$ 95,541,317
Administration, attendance and health	5,048,487	-	-	-	-	-	-	5,048,487
Transportation	7,672,377	-	-	-	-	-	-	7,672,377
Facilities operations	11,793,585	-	11,053	-	-	-	-	11,804,638
Building improvements	325,026	-	-	-	-	-	-	325,026
Technology	5,139,602	-	-	-	-	-	-	5,139,602
School food services	-	4,877,891	-	-	-	-	-	4,877,891
Capital projects	-	-	-	-	-	638,889	-	638,889
Total expenditures	<u>\$ 122,663,559</u>	<u>\$ 4,877,891</u>	<u>\$ 11,053</u>	<u>\$ 1,247,670</u>	<u>\$ 219,098</u>	<u>\$ 638,889</u>	<u>\$ 1,390,067</u>	<u>\$ 131,048,227</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 261,744</u>	<u>\$ 256,575</u>	<u>\$ (748)</u>	<u>\$ (815,942)</u>	<u>\$ -</u>	<u>\$ 1,663,050</u>	<u>\$ 303,528</u>	<u>\$ 1,668,207</u>
<b>Other financing sources (uses)</b>								
Transfers in	\$ -	\$ -	\$ -	\$ 261,744	\$ -	\$ -	\$ -	\$ 261,744
Transfers out	(261,744)	-	-	-	-	-	-	(261,744)
Total other financing sources (uses)	<u>\$ (261,744)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 256,575</u>	<u>\$ (748)</u>	<u>\$ (554,198)</u>	<u>\$ -</u>	<u>\$ 1,663,050</u>	<u>\$ 303,528</u>	<u>\$ 1,668,207</u>
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>1,291,724</u>	<u>748</u>	<u>2,259,055</u>	<u>-</u>	<u>906,930</u>	<u>-</u>	<u>4,458,457</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ 1,548,299</u>	<u>\$ -</u>	<u>\$ 1,704,857</u>	<u>\$ -</u>	<u>\$ 2,569,980</u>	<u>\$ 303,528</u>	<u>\$ 6,126,664</u>

## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2011**

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Net change in fund balances - total governmental funds (Exhibit 32)	\$	1,668,207
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	3,473,129	
Disposal of Capital Assets	(9,799)	
Depreciation	<u>(5,071,365)</u>	(1,608,035)

School Board capital assets are jointly owned by the County and School Board. The County share of School Board capital assets is in proportion to the debt owed on such by the County. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship reduced the transfers to the School Board.

7,234,432

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:

Compensated absences	(33,004)	
Other post employment benefits	<u>(566,000)</u>	(599,004)

Internal service funds are used by the County to charge the costs of health insurance, supplies and unemployment costs to individual funds. The net revenue of internal service funds is reported with governmental activities.

55,088

Change in net assets of governmental activities (Exhibit 2)	\$	<u><u>6,750,688</u></u>
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## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board**  
**Statement of Net Assets**  
**Internal Service Fund**  
**At June 30, 2011**

	<b>Health Insurance Fund</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 4,660,649
Receivables, net	150,822
	<hr/>
Total assets	\$ 4,811,471
	<hr/> <hr/>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 78,682
Claims payable	1,094,918
	<hr/>
Total current liabilities	\$ 1,173,600
	<hr/> <hr/>
<b>Net Assets</b>	
Unrestricted	\$ 3,637,871
	<hr/>
Total net assets	\$ 3,637,871
	<hr/> <hr/>

## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Fund**  
**Year Ended June 30, 2011**

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	<b>Health Insurance Fund</b>
<b>Operating revenues</b>	
Charges for services	\$ 13,028,981
<b>Operating Expenses</b>	
Benefits and related expenses	12,994,637
Operating income (loss)	\$ 34,344
<b>Nonoperating revenues</b>	
Investment earnings	20,744
Change in net assets	\$ 55,088
<b>Net assets, beginning of year</b>	3,582,783
<b>Net assets, end of year</b>	\$ 3,637,871

## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board**  
**Statement of Cash Flows**  
**Internal Service Fund**  
**Year Ended June 30, 2011**

	<b>Health Insurance Fund</b>
<b>Cash flows from operating activities</b>	
Receipts from insured	\$ 12,999,067
Payments to suppliers	(13,355,063)
Net cash provided (used) by operating activities	\$ (355,996)
<b>Cash flows from investing activities</b>	
Interest	20,744
Net increase (decrease) in cash and cash equivalents	\$ (335,252)
<b>Balances, beginning of year</b>	4,995,901
<b>Balance, end of year</b>	\$ 4,660,649
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 34,344
Change in assets and liabilities:	
Accounts receivable	(29,914)
Accounts payable	(183,167)
Claims payable	(177,259)
Net cash provided (used) by operating activities	\$ (355,996)

## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board**  
**School Operating Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2011**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Use of money and property	\$ 326,376	\$ 326,376	\$ 337,443	\$ 11,067
Charges for services	422,614	422,614	413,632	(8,982)
Miscellaneous	398,022	398,022	311,741	(86,281)
Intergovernmental:				
Appropriation from primary government	56,637,668	57,353,881	57,502,148	148,267
Revenue from the Commonwealth	57,659,847	57,659,847	57,170,144	(489,703)
Revenue from the Federal Government	8,260,671	8,779,361	7,190,195	(1,589,166)
Total revenues	<u>\$ 123,705,198</u>	<u>\$ 124,940,101</u>	<u>\$ 122,925,303</u>	<u>\$ (2,014,798)</u>
<b>Expenditures</b>				
Current:				
Education:				
Instruction	\$ 93,790,119	\$ 94,125,520	\$ 92,684,482	\$ 1,441,038
Administration, attendance and health	5,150,163	5,114,391	5,048,487	65,904
Transportation	7,693,173	7,854,733	7,672,377	182,356
Facilities operations	11,845,472	12,065,912	11,793,585	272,327
Building improvements	329,073	342,474	325,026	17,448
Technology	4,635,454	5,175,327	5,139,602	35,725
Total expenditures	<u>\$ 123,443,454</u>	<u>\$ 124,678,357</u>	<u>\$ 122,663,559</u>	<u>\$ 2,014,798</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 261,744</u>	<u>\$ 261,744</u>	<u>\$ 261,744</u>	<u>\$ -</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>\$ (261,744)</u>	<u>\$ (261,744)</u>	<u>\$ (261,744)</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ (261,744)</u>	<u>\$ (261,744)</u>	<u>\$ (261,744)</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board  
Revenue and Expenditure Budgetary Comparison Schedule  
Nonmajor and Other Funds  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>School Cafeteria Fund</b>				
<b>Revenues:</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 6,385	\$ 6,385
Charges for services	2,830,812	2,830,812	2,632,413	(198,399)
Intergovernmental:				
Revenue from the Commonwealth	90,225	90,225	91,058	833
Revenue from the Federal Government	1,903,783	1,903,783	2,404,610	500,827
Total revenues	<u>\$ 4,824,820</u>	<u>\$ 4,824,820</u>	<u>\$ 5,134,466</u>	<u>\$ 309,646</u>
<b>Expenditures:</b>				
School food service operations	<u>\$ 5,955,697</u>	<u>\$ 5,957,747</u>	<u>\$ 4,877,891</u>	<u>\$ 1,079,856</u>
<b>Consolidated Maintenance Fund</b>				
<b>Revenues:</b>				
Charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,305</u>	<u>\$ 10,305</u>
<b>Expenditures:</b>				
Maintenance operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,053</u>	<u>\$ (11,053)</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,053</u>	<u>\$ (11,053)</u>
<b>School Textbook Fund</b>				
<b>Revenues:</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 7,963	\$ 7,963
Charges for services	33,500	33,500	2,471	(31,029)
Miscellaneous	-	-	43	43
Intergovernmental:				
Revenue from the Commonwealth	424,166	424,166	421,251	(2,915)
Total revenues	<u>\$ 457,666</u>	<u>\$ 457,666</u>	<u>\$ 431,728</u>	<u>\$ (25,938)</u>
<b>Expenditures:</b>				
Instruction	<u>\$ 2,952,741</u>	<u>\$ 2,952,741</u>	<u>\$ 1,247,670</u>	<u>\$ 1,705,071</u>

**COUNTY OF FREDERICK, VIRGINIA**

**Component Unit School Board  
Revenue and Expenditure Budgetary Comparison Schedule  
Nonmajor and Other Funds  
Year Ended June 30, 2011 (Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>School Special Grants Fund</b>				
<b>Revenues:</b>				
Intergovernmental:				
Revenue from the Federal Government	\$ -	\$ 999,547	\$ 219,098	\$ (780,449)
Total revenues	<u>\$ -</u>	<u>\$ 999,547</u>	<u>\$ 219,098</u>	<u>\$ (780,449)</u>
<b>Expenditures:</b>				
Instruction	<u>\$ -</u>	<u>\$ 999,547</u>	<u>\$ 219,098</u>	<u>\$ 780,449</u>
<b>School Capital Projects Fund</b>				
<b>Revenues:</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 1,939	\$ 1,939
Intergovernmental:				
Appropriation from primary government	-	2,300,000	2,300,000	-
Total revenues	<u>\$ -</u>	<u>\$ 2,300,000</u>	<u>\$ 2,301,939</u>	<u>\$ 1,939</u>
<b>Expenditures:</b>				
Capital projects - school construction projects	<u>\$ -</u>	<u>\$ 21,673,109</u>	<u>\$ 638,889</u>	<u>\$ 21,034,220</u>
<b>School Capital Fund</b>				
<b>Revenues:</b>				
Intergovernmental:				
Appropriation from primary government	\$ 1,693,595	\$ 1,693,595	\$ 1,693,595	\$ -
Total revenues	<u>\$ 1,693,595</u>	<u>\$ 1,693,595</u>	<u>\$ 1,693,595</u>	<u>\$ -</u>
<b>Expenditures:</b>				
Capital outlay - equipment, etc.	\$ 1,693,595	\$ 1,693,595	\$ 1,390,067	\$ 303,528
Total expenditures	<u>\$ 1,693,595</u>	<u>\$ 1,693,595</u>	<u>\$ 1,390,067</u>	<u>\$ 303,528</u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

## **- Statistical Section -**

### Contents

### Tables

#### Financial Trends

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

1 - 4

#### Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

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#### Debt Capacity

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

9 - 10

#### Demographic and Economic Information

This table offers demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

11

#### Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.

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*Sources:* Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

COUNTY OF FREDERICK, VIRGINIA

Table 1

Net Assets by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	\$ 480,380	\$ (724,865)	\$ (1,144,913)	\$ 13,041,140	\$ 13,474,232	\$ 24,916,051	\$ 1,516,420	\$ (4,421,477)	\$ (8,248,388)	\$ (9,537,133)
Restricted	1,742,288	1,055,812	767,224	-	-	-	-	-	-	-
Unrestricted	25,064,631	25,801,897	28,301,024	33,113,765	46,750,306	26,017,458	30,796,130	35,227,645	39,704,283	38,829,528
Total governmental activities net assets	\$ 27,287,299	\$ 26,132,844	\$ 27,923,335	\$ 46,154,905	\$ 60,224,538	\$ 50,933,509	\$ 32,312,550	\$ 30,806,168	\$ 31,455,895	\$ 29,292,395
Business-type activities										
Invested in capital assets, net of related debt	\$ 10,900,601	\$ 10,735,752	\$ 11,258,699	\$ 10,988,036	\$ 13,271,904	\$ 17,552,174	\$ 17,241,816	\$ 15,875,231	\$ 18,264,393	\$ 21,340,265
Restricted	5,875,220	-	-	-	-	-	-	-	-	-
Unrestricted	9,283,970	17,099,382	18,451,203	20,911,825	21,355,422	19,270,847	21,440,407	22,251,992	19,932,654	16,778,433
Total business-type activities net assets	\$ 26,059,791	\$ 27,835,134	\$ 29,709,902	\$ 31,899,861	\$ 34,627,326	\$ 36,823,021	\$ 38,682,223	\$ 38,127,223	\$ 38,197,047	\$ 38,118,698
Primary government										
Invested in capital assets, net of related debt	\$ 11,380,981	\$ 10,010,887	\$ 10,113,786	\$ 24,029,176	\$ 26,746,136	\$ 42,468,225	\$ 18,758,236	\$ 11,453,754	\$ 10,016,005	\$ 11,803,132
Restricted	7,617,508	1,055,812	767,224	-	-	-	-	-	-	-
Unrestricted	34,348,601	42,901,279	46,752,227	54,025,590	68,105,728	45,288,305	52,236,537	57,479,637	59,636,937	55,607,961
Total primary government net assets	\$ 53,347,090	\$ 53,967,978	\$ 57,633,237	\$ 78,054,766	\$ 94,851,864	\$ 87,756,530	\$ 70,994,773	\$ 68,933,391	\$ 69,652,942	\$ 67,411,093

Note: Accrual-basis financial information is available back to fiscal year 2002 when the County implemented GASB 34

Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>										
Governmental activities:										
General government	\$ 3,598,120	\$ 4,965,883	\$ 4,378,251	\$ 6,206,202	\$ 5,114,673	\$ 5,217,730	\$ 7,531,381	\$ 6,717,739	\$ 6,321,805	\$ 7,327,459
Judicial administration	1,968,820	2,107,373	2,157,129	2,505,547	2,669,148	3,081,145	3,278,720	3,289,067	3,386,474	3,193,494
Public safety	10,951,251	12,600,675	13,523,075	15,733,331	18,266,892	21,222,717	24,152,999	24,941,153	24,589,993	24,433,750
Public works	2,234,665	1,927,189	1,963,687	2,139,170	1,465,731	2,136,910	2,738,150	3,046,615	3,497,874	3,727,381
Health and welfare	6,375,250	7,171,401	7,893,895	6,833,696	7,693,815	8,280,314	8,621,166	8,855,627	8,174,845	8,384,653
Education	31,737,953	49,571,044	55,432,325	58,152,208	68,968,848	76,872,596	84,407,223	65,637,853	65,309,552	71,756,548
Parks, recreation and cultural	3,600,216	4,011,890	4,159,533	4,403,978	4,832,855	5,506,804	6,141,133	5,741,930	5,256,852	5,099,689
Community development	2,951,509	2,701,629	3,124,706	1,787,426	2,474,162	2,698,126	2,266,985	3,364,222	2,191,518	2,920,744
Interest on long-term debt	4,228,764	4,704,034	5,025,809	5,504,706	5,609,353	6,486,553	6,758,465	6,487,627	6,555,195	4,755,467
Total governmental activities expenses	\$ 67,646,548	\$ 89,761,118	\$ 97,658,410	\$ 103,266,264	\$ 117,095,477	\$ 131,502,895	\$ 145,896,222	\$ 128,081,833	\$ 125,284,108	\$ 131,599,185
Business-type activities:										
Landfill	\$ 3,756,465	\$ 3,817,755	\$ 3,949,354	\$ 4,956,206	\$ 5,077,016	\$ 6,068,374	\$ 5,753,899	\$ 6,637,575	\$ 5,433,404	\$ 5,649,468
Total primary government expenses	\$ 71,403,013	\$ 93,578,873	\$ 101,607,764	\$ 108,222,470	\$ 122,172,493	\$ 137,571,269	\$ 151,650,121	\$ 134,719,408	\$ 130,717,512	\$ 137,248,653
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Judicial administration	\$ 772,934	\$ 917,359	\$ 992,762	\$ 2,021,148	\$ 2,044,420	\$ 1,730,282	\$ 1,474,751	\$ 1,650,792	\$ 1,349,061	\$ 1,264,609
Public safety	1,672,996	2,319,311	3,111,660	81,302	195,858	92,759	1,855,069	1,394,189	1,093,830	1,018,694
Public works	-	-	-	2,752,512	3,165,573	3,269,199	-	-	-	-
Parks, recreation and cultural	927,473	936,863	1,023,189	1,108,762	1,338,194	1,496,265	1,649,090	1,682,524	1,656,135	1,739,445
Community development	6,304	13,198	25,905	15,061	-	10,742	12,526	6,988	5,367	3,008
Operating grants and contributions	9,625,751	10,272,912	10,204,992	9,970,097	11,277,934	11,547,852	9,637,413	12,273,169	11,817,662	10,945,448
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	\$ 13,005,458	\$ 14,459,643	\$ 15,358,508	\$ 15,948,882	\$ 18,021,979	\$ 18,147,099	\$ 14,628,849	\$ 17,007,662	\$ 15,922,055	\$ 14,971,204
Business-type activities:										
Charges for services:										
Landfill	\$ 5,264,437	\$ 5,246,518	\$ 5,512,103	\$ 6,467,692	\$ 6,729,873	\$ 6,863,415	\$ 6,370,576	\$ 5,487,025	\$ 5,144,925	\$ 5,268,343
Capital grants and contributions	-	-	-	-	-	-	15,862	-	-	-
Total business-type activities program revenues	\$ 5,264,437	\$ 5,246,518	\$ 5,512,103	\$ 6,467,692	\$ 6,729,873	\$ 6,863,415	\$ 6,386,438	\$ 5,487,025	\$ 5,144,925	\$ 5,268,343
Total primary government program revenues	\$ 18,269,895	\$ 19,706,161	\$ 20,870,611	\$ 22,416,574	\$ 24,751,852	\$ 25,010,514	\$ 21,015,287	\$ 22,494,687	\$ 21,066,980	\$ 20,239,547
Net (expense) / revenue										
Governmental activities	\$ (54,641,090)	\$ (75,301,475)	\$ (82,299,902)	\$ (87,317,382)	\$ (99,073,498)	\$ (113,355,796)	\$ (131,267,373)	\$ (111,074,171)	\$ (109,362,053)	\$ (116,627,981)
Business-type activities	1,507,972	1,428,763	1,562,749	1,511,486	1,652,857	795,041	632,539	(1,150,550)	(288,479)	(381,125)
Total primary government net expense	\$ (53,133,118)	\$ (73,872,712)	\$ (80,737,153)	\$ (85,805,896)	\$ (97,420,641)	\$ (112,560,755)	\$ (130,634,834)	\$ (112,224,721)	\$ (109,650,532)	\$ (117,009,106)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 40,221,258	\$ 44,827,985	\$ 50,311,064	\$ 53,911,011	\$ 68,137,163	\$ 59,049,060	\$ 66,650,022	\$ 69,116,087	\$ 70,903,832	\$ 73,729,205
Local sales and use taxes	-	-	6,121,631	8,488,195	9,698,878	10,387,530	10,959,334	10,145,846	8,794,212	9,711,110
Business licenses taxes	-	-	3,218,256	4,160,697	4,877,840	5,307,237	5,130,116	4,783,973	4,301,959	5,007,502
Communication taxes	-	-	-	-	-	-	-	-	1,413,711	-
Consumer utility taxes	-	-	3,100,048	3,213,017	3,467,089	3,378,207	3,166,129	3,079,363	3,075,230	3,080,740
Lodging taxes	-	-	2,534,429	2,741,496	2,970,671	3,300,415	3,616,084	3,611,669	3,735,236	4,032,296
Motor vehicle licenses tax	-	-	1,660,154	1,871,393	1,946,216	1,895,034	1,707,280	1,989,921	2,092,226	2,113,938
Taxes on recordation and wills	-	-	1,203,420	2,770,777	2,829,777	2,188,564	1,699,714	1,189,200	1,094,031	992,281
Other local taxes	14,545,935	16,327,234	169,621	207,977	236,136	230,899	270,453	306,490	333,133	356,826
Unrestricted grants and contributions	10,482,194	11,231,480	13,139,573	12,068,887	14,585,024	13,613,912	16,141,414	13,272,212	13,318,446	14,689,496
Unrestricted revenues from use of money and property	886,675	490,603	271,292	664,258	1,650,232	3,352,277	2,259,090	1,078,840	416,503	190,074
Miscellaneous	1,074,853	1,269,718	1,136,151	1,241,876	2,720,753	1,361,632	1,046,778	994,188	533,261	561,013
Total governmental activities	\$ 67,210,915	\$ 74,147,020	\$ 82,865,639	\$ 91,339,584	\$ 113,119,779	\$ 104,064,767	\$ 112,646,414	\$ 109,567,789	\$ 110,011,780	\$ 114,464,481
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 469,883	\$ 324,029	\$ 224,013	\$ 487,814	\$ 1,051,814	\$ 1,366,844	\$ 1,187,467	\$ 571,354	\$ 177,850	\$ 93,809
Miscellaneous	27,852	22,551	88,006	80,969	22,794	33,810	39,196	24,196	180,453	208,967
Total business-type activities	\$ 497,735	\$ 346,580	\$ 312,019	\$ 568,783	\$ 1,074,608	\$ 1,400,654	\$ 1,226,663	\$ 595,550	\$ 358,303	\$ 302,776
Total primary government	\$ 67,708,650	\$ 74,493,600	\$ 83,177,658	\$ 91,908,367	\$ 114,194,387	\$ 105,465,421	\$ 113,873,077	\$ 110,163,339	\$ 110,370,083	\$ 114,767,257
<b>Change in Net Assets</b>										
Governmental activities	\$ 12,569,825	\$ (1,154,455)	\$ 565,737	\$ 4,022,202	\$ 14,046,281	\$ (9,291,029)	\$ (18,620,959)	\$ (1,506,382)	\$ 649,727	\$ (2,163,500)
Business-type activities	2,005,707	1,775,343	1,874,768	2,080,269	2,727,465	2,195,695	1,859,202	(555,000)	69,824	(178,349)
Total primary government	\$ 14,575,532	\$ 620,888	\$ 2,440,505	\$ 6,102,471	\$ 16,773,746	\$ (7,095,334)	\$ (16,761,757)	\$ (2,061,382)	\$ 719,551	\$ (2,341,849)

Note: Accrual-basis financial information is available back to fiscal year 2002 when the County implemented GASB 34.  
Detail on other local taxes is not available prior to fiscal year 2004.

COUNTY OF FREDERICK, VIRGINIA

Table 3

Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Reserved	\$ 4,371,537	\$ 3,208,383	\$ 2,523,383	\$ 3,945,440	\$ 3,436,600	\$ 4,035,769	\$ 4,424,640	\$ 4,143,819	\$ 6,678,970	\$ -
Unreserved	18,664,900	21,137,136	25,331,822	28,969,699	38,740,704	41,212,142	33,701,529	30,324,674	28,423,952	-
Nonspendible	-	-	-	-	-	-	-	-	-	740,576
Restricted	-	-	-	-	-	-	-	-	-	3,022,694
Committed	-	-	-	-	-	-	-	-	-	1,222,437
Assigned	-	-	-	-	-	-	-	-	-	1,635
Unassigned	-	-	-	-	-	-	-	-	-	28,372,870
Total general fund	<u>\$ 23,036,437</u>	<u>\$ 24,345,519</u>	<u>\$ 27,855,205</u>	<u>\$ 32,915,139</u>	<u>\$ 42,177,304</u>	<u>\$ 45,247,911</u>	<u>\$ 38,126,169</u>	<u>\$ 34,468,493</u>	<u>\$ 35,102,922</u>	<u>\$ 33,360,212</u>
All other governmental funds										
Reserved	\$ -	\$ 143,143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,367,131	1,515,329	1,486,695	1,677,244	4,285,650	3,968,620	3,961,348	3,450,524	3,259,332	-
Capital projects funds	1,742,288	1,055,812	767,224	724,735	16,977,294	3,474,869	1,907,844	1,455,932	1,408,958	-
Debt service funds	573,103	557,163	122,516	214,000	55,306	352,345	30,357	49,800	250,520	-
Restricted, reported in:										
Lake Holiday Sanitary District fund	-	-	-	-	-	-	-	-	-	9,147,684
Committed, reported in:										
Shawneeland Sanitary District fund	-	-	-	-	-	-	-	-	-	2,100,635
Lake Holiday Sanitary District fund	-	-	-	-	-	-	-	-	-	588,392
Other governmental funds	-	-	-	-	-	-	-	-	-	984,280
Assigned, reported in:										
School debt service fund	-	-	-	-	-	-	-	-	-	80,400
Other governmental funds	-	-	-	-	-	-	-	-	-	642,500
Total all other governmental funds	<u>\$ 3,682,522</u>	<u>\$ 3,271,447</u>	<u>\$ 2,376,435</u>	<u>\$ 2,615,979</u>	<u>\$ 21,318,250</u>	<u>\$ 7,795,834</u>	<u>\$ 5,899,549</u>	<u>\$ 4,956,256</u>	<u>\$ 4,918,810</u>	<u>\$ 13,543,891</u>

NOTE: The county implemented GASB 54 in 2011 which required fund balances to be reported under new classifications. Fund balance classification definitions can be found in the Notes to the Financial Statements, NOTE 1-N.

COUNTY OF FREDERICK, VIRGINIA

Table 4

Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
General property taxes	\$ 40,052,675	\$ 44,854,096	\$ 50,096,362	\$ 53,463,481	\$ 61,583,051	\$ 64,403,108	\$ 66,558,555	\$ 69,248,556	\$ 70,515,367	\$ 72,144,912
Other local taxes	14,129,893	16,189,296	18,007,559	23,453,552	26,026,607	26,687,886	26,549,110	25,106,462	24,839,738	25,294,693
Permits, privilege fees and regulatory licenses	1,181,812	1,556,839	2,192,360	2,773,787	3,186,465	3,290,254	1,771,184	1,308,407	950,143	920,328
Fines and forfeitures	59,492	133,549	240,167	282,828	210,902	227,693	324,259	526,081	328,273	279,102
Revenue from use of money and property	847,945	465,999	265,360	629,791	1,571,091	3,218,104	2,111,954	987,392	370,663	158,943
Charges for services	2,197,895	2,496,343	2,720,989	2,922,170	3,346,678	3,081,300	2,895,993	2,900,005	2,825,977	2,826,326
Miscellaneous	1,015,361	1,269,718	1,136,151	1,287,741	2,720,753	1,404,792	1,046,778	1,002,536	533,261	547,013
Recovered costs	2,031,909	2,660,081	2,790,089	2,969,724	3,364,965	2,566,712	3,518,072	2,869,183	1,622,623	1,886,653
Intergovernmental:										
School Board	-	-	555,098	-	-	-	-	75,199	-	-
Commonwealth	17,942,666	18,969,374	20,907,092	19,724,037	22,994,740	22,239,766	22,926,432	21,974,545	19,637,377	21,783,001
Federal	2,165,279	2,535,018	2,437,473	2,314,947	2,868,218	2,921,998	2,852,395	3,495,637	5,498,731	3,851,943
Total revenues	\$ 81,624,927	\$ 91,130,313	\$ 101,348,700	\$ 109,822,058	\$ 127,873,470	\$ 130,041,613	\$ 130,554,732	\$ 129,494,003	\$ 127,122,153	\$ 129,692,914
<b>Expenditures</b>										
General government administration	\$ 3,820,691	\$ 4,945,481	\$ 4,893,037	\$ 6,152,689	\$ 6,100,985	\$ 6,583,607	\$ 8,119,131	\$ 7,276,944	\$ 6,687,604	\$ 8,053,735
Judicial administration	2,428,766	2,368,511	2,446,063	2,753,028	3,083,978	3,368,271	3,675,622	3,526,972	3,403,686	3,247,873
Public safety	11,419,185	12,109,078	13,442,648	15,607,849	18,907,930	21,011,083	24,032,872	23,722,707	22,681,537	22,682,060
Public works	2,744,931	2,627,042	2,738,920	3,290,973	3,205,933	3,619,922	4,503,865	4,159,409	3,768,694	3,944,394
Health and welfare	6,334,307	7,180,976	7,886,336	6,808,832	7,656,236	8,263,906	8,370,164	8,599,559	7,958,998	8,249,546
Education	55,206,840	62,389,908	62,169,905	64,352,365	67,534,934	69,256,423	81,833,398	65,275,369	56,368,057	61,552,236
Parks, recreation and cultural	3,608,713	3,817,096	3,890,243	4,461,985	4,587,827	5,172,402	5,873,039	5,332,794	4,841,120	4,919,987
Community development	3,606,104	3,918,244	4,309,371	3,119,951	2,855,655	3,736,695	3,518,826	3,866,963	2,830,039	3,246,702
Capital projects	1,230,497	703,787	-	-	4,737,885	14,273,970	1,604,431	1,058,050	10,099	3,597
Debt service										
Principal	5,380,977	6,891,396	7,646,718	8,193,343	9,024,354	9,164,886	9,653,751	10,140,317	10,952,875	10,750,040
Interest and other fiscal charges	3,759,721	4,371,644	4,889,637	5,346,772	5,735,999	6,627,457	7,044,286	7,105,225	6,938,256	5,304,341
Total expenditures	\$ 99,540,732	\$ 111,323,163	\$ 114,312,878	\$ 120,087,787	\$ 133,431,716	\$ 151,078,622	\$ 158,229,385	\$ 140,064,309	\$ 126,440,965	\$ 131,954,511
Excess of revenues over (under) expenditures	\$ (17,915,805)	\$ (20,192,850)	\$ (12,964,178)	\$ (10,265,729)	\$ (5,558,246)	\$ (21,037,009)	\$ (27,674,653)	\$ (10,570,306)	\$ 681,188	\$ (2,261,597)
<b>Other financing sources (uses)</b>										
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,245,000
Transfers in	6,404,922	8,216,157	9,493,193	10,597,219	18,605,245	13,065,803	11,792,301	13,904,797	15,653,657	16,328,731
Transfers out	(6,404,922)	(8,216,157)	(9,493,193)	(10,597,219)	(18,605,245)	(13,065,803)	(11,792,301)	(13,904,797)	(15,737,862)	(16,429,763)
Bonds issued	20,960,000	19,752,296	14,560,000	14,545,000	33,522,682	10,200,000	17,497,913	5,720,000	-	-
Premium on bonds issued	611,736	1,213,767	1,018,852	1,020,207	-	385,200	1,158,713	147,862	-	-
Payments to refunded bond escrow agent	(4,835,000)	-	-	-	-	-	-	-	-	-
Capital leases	-	124,794	-	-	-	-	-	101,475	-	-
Total other financing sources (uses)	\$ 16,736,736	\$ 21,090,857	\$ 15,578,852	\$ 15,565,207	\$ 33,522,682	\$ 10,585,200	\$ 18,656,626	\$ 5,969,337	\$ (84,205)	\$ 9,143,968
Net change in fund balances	\$ (1,179,069)	\$ 898,007	\$ 2,614,674	\$ 5,299,478	\$ 27,964,436	\$ (10,451,809)	\$ (9,018,027)	\$ (4,600,969)	\$ 596,983	\$ 6,882,371
Debt service as a percentage of noncapital expenditures	10.251%	11.336%	12.318%	12.708%	12.955%	13.050%	11.933%	14.212%	16.482%	13.898%

COUNTY OF FREDERICK, VIRGINIA

Table 5

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Utility		Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
					Real Estate	Personal Property			
2002	\$ 3,512,434,751	\$ 662,564,655	\$ 27,888,418	\$ 231,920,311	\$ 208,166,364	\$ 1,448,563	\$ 4,644,423,062	\$ 4,644,423,062	100.00%
2003	3,806,927,513	720,516,577	30,878,859	234,640,199	183,456,775	1,617,850	4,978,037,773	4,978,037,773	100.00%
2004	4,052,354,325	768,711,320	31,843,306	234,968,283	188,465,590	3,510,696	5,279,853,520	5,279,853,520	100.00%
2005	5,390,315,685	831,996,886	31,049,625	245,449,038	174,729,621	2,495,494	6,676,036,349	6,676,036,349	100.00%
2006	6,889,772,707	943,249,786	32,189,875	256,643,746	177,919,118	1,508,096	8,301,283,328	8,301,283,328	100.00%
2007	7,354,880,957	956,028,615	35,063,205	256,751,924	155,747,099	1,024,865	8,759,496,665	8,759,496,665	100.00%
2008	7,628,047,323	950,660,132	38,049,501	255,318,207	150,502,779	705,449	9,023,283,391	9,023,283,391	100.00%
2009	7,811,319,762	931,328,186	39,192,659	257,046,280	185,732,461	776,669	9,225,396,017	9,225,396,017	100.00%
2010	8,050,510,887	876,964,704	39,530,158	265,744,961	246,737,225	1,091,033	9,480,578,968	9,480,578,968	100.00%
2011	7,835,124,893	959,116,919	40,906,316	265,929,030	257,825,002	966,246	9,359,868,406	9,359,868,406	100.00%

Notes: The County collects real estate and personal property taxes on semiannual installments. Accordingly, assessed values for real property, personal property, machinery and tools, and mobile home taxes include assessments for the second half of the prior calendar year and first half of the current calendar year.

Source: Commissioner of Revenue - based on book values only - abatements not included

## Property Tax Rates (1)

## Last Ten Fiscal Years

<b>Fiscal Years</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Airplanes</b>	<b>Mobile Homes</b>
2002	\$ 0.610	\$ 4.20	\$ 2.00	\$ 0.425	\$ 0.610
2003	0.730	4.20	2.00	0.425	0.730
2004	0.730	4.20	2.00	0.425	0.730
2005	0.525	4.20	2.00	0.425	0.525
2006	0.525	4.20	2.00	0.425	0.525
2007	0.525	4.20	2.00	0.425	0.525
2008	0.525	4.20	2.00	0.425	0.525
2009	0.510	4.86	2.00	0.425	0.510
2010	0.510	4.86	2.00	0.425	0.510
2011	0.545	4.86	2.00	0.001	0.545

(1) Per \$100 of assessed value

Principal Property Taxpayers  
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2011		Fiscal Year 2002	
		2011 Assessed Valuation (1)	% of Total Assessed Valuation	2002 Assessed Valuation	% of Total Assessed Valuation
Potomac Edison	Utility - electric power	\$ 115,950,932	1.45%	\$ 91,394,269	2.82%
Verizon VA	Utility - communications	37,672,620	0.47%	41,848,158	1.29%
H.P. Hood, Inc.	Dairy Plant	36,979,500	0.46%	24,173,300	0.74%
Fort Collier Group	Industrial park	34,699,500	0.43%	12,312,400	0.38%
Cowperwood FEMA	Offices - government	33,059,200	0.41%	-	-
Equity Ind Winchester	Distribution	28,373,000	0.35%	-	-
Washington Gas Light	Utility - natural gas	21,536,210	0.27%	19,670,641	0.61%
Cole HD	Motorcycle Shop	18,443,000	0.23%	-	0.00%
Elman FBI Assoc	Offices - government	17,737,100	0.22%	-	-
Kohl's Department Stores	Distribution	16,317,300	0.20%	12,468,800	0.38%
Trex Company	Decking	-	-	12,423,400	0.38%
AT&T	Utility - communications	-	-	22,835,133	0.70%
Aquiport Winchester	Pasta food manufacturing	-	-	9,997,000	0.31%
General Electric Co.	Incandescent lamps	-	-	14,174,400	0.44%
		<u>\$ 360,768,362</u>	<u>4.51%</u>	<u>\$ 261,297,501</u>	<u>8.05%</u>

Source: Commissioner of Revenue - 2011 RE BOOK  
FY 2002 CAFR

NOTES: (1) Percentage of total assessed valuation is based on 2010 tax year assessed value for real property taxes.

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collection	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 49,692,168	\$ 47,788,594	96.17%	\$ 1,157,814	\$ 48,946,408	98.50%
2003	56,707,435	53,814,205	94.90%	2,483,603	56,297,808	99.28%
2004	61,994,028	59,044,440	95.24%	2,541,857	61,586,297	99.34%
2005	67,175,489	64,011,850	95.29%	2,736,647	66,748,497	99.36%
2006	73,870,802	69,425,543	93.98%	2,042,434	71,467,977	96.75%
2007	77,747,045	75,112,880	96.61%	1,585,010	76,697,890	98.65%
2008	80,536,673	76,110,627	94.50%	1,955,080	78,065,707	96.93%
2009	81,868,016	78,223,920	95.55%	2,570,528	80,794,448	98.69%
2010	83,281,960	79,440,045	95.39%	2,845,376	82,285,421	98.80%
2011	85,272,526	81,702,640	95.81%	2,891,619	84,594,259	99.20%

Notes:

Levies and collection amounts are exclusive of penalties and interest.

Levies and collection amounts do not include Shawneeland Sanitary District, Lake Holiday Sanitary District or Star Fort.

Levies and collection amounts for 1999 through 2005 include amounts reimbursed and/or owed to the County by the Commonwealth of Virginia for personal property taxes.

Fiscal Year 2006, the collected revenue was provided from the general ledger with the 45 day accrual included.

Source: County Treasurer's office and prior audit reports.

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Years	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases			
2002	\$ 69,836,675	\$ 14,560,889	\$ 9,379,431	\$ 56,368	\$ 93,833,363	3789.34%	\$ 1,491
2003	84,940,591	13,477,710	8,253,769	146,987	106,819,057	4150.71%	1,648
2004	94,145,819	12,394,531	7,077,143	114,846	113,732,339	4097.29%	1,705
2005	102,465,321	11,311,352	6,226,072	81,251	120,083,996	3886.20%	1,737
2006	107,415,333	10,228,173	26,770,000	46,136	144,459,642	4280.36%	1,994
2007	110,080,330	9,144,994	26,260,000	9,432	145,494,756	4073.37%	1,949
2008	119,624,758	8,111,815	25,345,000	90,059	153,171,632	4140.82%	2,014
2009	117,323,033	7,078,636	24,395,000	155,718	148,952,387	4044.24%	1,923
2010	108,394,535	6,172,487	23,415,000	116,592	138,098,614	N/A	1,764
2011	99,718,612	5,266,914	31,635,000	75,651	136,696,177	N/A	1,730

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

(1) See the Schedule of Demographic and Economic Statistics - Table 11

N/A - Not Available

Ratio of Net General Bonded Debt to  
Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: City of Winchester Share</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2002	\$ 93,101,851	\$ -	\$ 93,101,851	2.00%	\$ 1,479
2003	106,371,525	-	106,371,525	2.14%	1,641
2004	113,617,493	-	113,617,493	2.15%	1,704
2005	120,002,745	-	120,002,745	1.80%	1,736
2006	144,413,506	-	144,413,506	1.74%	1,993
2007	145,585,324	-	145,585,324	1.66%	1,950
2008	153,081,573	-	153,081,573	1.70%	2,013
2009	148,796,669	-	148,796,669	1.61%	1,921
2010	137,982,022	-	137,982,022	1.46%	1,762
2011	136,620,526		136,620,526	1.46%	1,729

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 11

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes capital leases, and compensated absences.

Demographic and Economic Statistics  
Last Ten Calendar Years

<b>Calendar Year</b>	<b>County Population (1)</b>	<b>Personal Income (4)(b)</b>	<b>Per Capita Personal Income (4)(b)</b>	<b>Median Age (2)</b>	<b>School Enrollment (3)</b>	<b>Unemploy- ment Rate (5)</b>
2002	62,937 \$	2,476,247 \$	28,481	N/A	10,969	3.40%
2003	64,820	2,573,512	29,541	N/A	11,357	3.50%
2004	66,696	2,775,794	31,174	N/A	11,745	2.80%
2005	69,123	3,090,007	32,819	37	12,211	2.50%
2006	72,456	3,374,945	34,948	37	12,605	2.60%
2007	74,670	3,571,851	36,258	36	12,997	2.90%
2008	76,060	3,699,069	37,006	N/A	13,043	4.20%
2009	77,477	3,683,072	36,360	38	13,148	7.50%
2010	78,305	N/A	N/A	39	13,060	7.00%
2011 (a)	79,000	N/A	N/A	N/A	13,137	6.00%

## Notes:

- (a) 2011 figures are estimated
- (b) Includes City of Winchester

## Sources:

- (1) U.S. Census Bureau
- (2) University of Virginia Weldon Cooper Center for Public Service
- (3) Virginia Department of Education Fall Membership Report as of September 30th of the respective year
- (4) Bureau of Economic Analysis
- (5) LAUS Unit and Bureau of Labor Statistics

N/A = Not available

Principal Employers -- Frederick County  
Current Year and Nine Years Ago

<b>Employer</b>	<b>2011</b>		<b>Employees</b>	<b>2002</b>	
	<b>Rank</b>	<b>Total Employment</b>		<b>Rank</b>	<b>Total Employment</b>
Frederick County School Board	1	1000 and over	Frederick County School Board	1	1000 and over
County of Frederick	2	500 to 999	County of Frederick	2	500 to 999
U.S. Dept. of Homeland Defense	3	500 to 999	Siemen's Automotive Corporation	3	500 to 999
Kraft Foods	4	250 to 499	World Wide Automotive	4	250 to 499
Navy Federal Credit Union	5	250 to 499	Shockey Brothers, Inc.	5	250 to 499
H.P. Hood, Inc.	6	250 to 499	GE Lighting	6	250 to 499
Lord Fairfax Community College	7	250 to 499	American Woodmark Corporation	7	250 to 499
Trex Company Inc & Subsid	8	250 to 499	Lord Fairfax Community College	8	250 to 499
Martins Food Market	9	250 to 499	Crown, Cork and Seal Company	9	100 to 249
The Home Depot	10	250 to 499	H.P. Hood, Inc.	10	100 to 249

Source: Virginia Employment Commission

Full-time Equivalent County Government Employees by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	45	47	48	51	54	57	64	66	65	62
Judicial administration	17	18	17	19	19	20	22	24	22	22
Public safety										
Sheriffs department	92	96	100	107	112	118	123.5	126.5	125.5	125.5
Juvenile Court Probation	3	3	2	2	2	2	2	2	2	2
Building Inspections	12	12	12	14	17	25	23	21	18	14
Fire & Rescue	41	44	50	68	68	77	79.5	80.5	76.5	77.5
Communications	11	11	11	11	13	15	15	16	14	13
Public Works										
Engineering	2	3	4	5	6	6	7	7	6	5
Refuse Collection	1	1	1	2	2	2	2	2	2	2
Litter Control	0.5	0.5	-	-	-	-	-	-	-	-
Maintenance	4	4	4	5	5	5	8	10	10	9
Animal Shelter	4	4	4	4	5	6	7	7	7	7
Health and welfare										
Department of social services	40	44	46	46	52	57	57	57	58	57
Parks and Recreation	28	29	29	29	30	40	41	41	38	38
Community development										
Planning	14	12	13	13	13	14	14	13	11	11
EDC	3	3	3	3	3	3	3	3	3	3
Gypsy Moth/Biosolids	-	1	1	1	1	1	1	1	1	0
Soil & Water Conservation	4	4	4	3	6	6	6	6	0	0
Extensions	2	2	2	2	2	2	2	2	2	2
Regional Jail	117	122	124	154	154	187	195	206	194	189
Landfill	18.5	17.5	18	27	27	31	31	28	26	26
Division of Court Services	20	20	19	21	19	19	20	20	19	15
Shawneeland Sanitary District	5	4	4	5	6	6	6	6	6	6
Airport	9	9	9	9	9	12	13	13	11	11
Totals	493	511	525	601	625	711	742	758	717	697

Source: Prior Frederick County Annual Budgets

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (c)
Public Safety										
Sheriffs Department:										
Calls for service answered (a) (d)	39,920	47,466	50,686	51,774	55,872	62,773	67,593	69,852	70,880	64,795
Warrants served (a) (d)	3,706	3,824	4,114	4,061	4,440	4,604	4,806	6,249	6,731	6,625
Criminal arrests (a) (d)	2,474	2,560	2,726	2,588	3,123	3,494	3,766	3,868	3,808	3,595
Citations issued (a) (d)	4,608	4,679	5,690	6,648	4,107	6,222	7,883	8,257	6,207	6,842
Civil papers served (a) (d)	14,713	16,484	17,237	17,460	18,410	19,669	20,962	21,995	20,171	18,042
Fire and Rescue:										
Incident responses (a) (d)	7,824	7,919	8,256	8,890	8,969	9,137	9,229	9,101	9,339	9,062
Building Inspections:										
Permits issued	6,730	6,671	7,218	9,284	9,771	7,474	5,690	3,917	3,639	3,463
Inspections performed	23,497	21,837	24,361	29,582	34,495	28,625	23,307	17,687	14,669	12,463
Public Works										
Road Administration:										
Street signs replaced	152	238	135	119	117	165	148	116	176	131
Engineering:										
Site reviews	237	249	241	298	342	339	239	414	285	250
Land disturbance permits issued	50	500	906	1,328	1,245	650	411	320	261	196
Animal Shelter:										
Dogs/cats adopted/reclaimed	856	884	784	947	1,003	1,008	1,367	1,471	1,363	1,400
Health and Welfare										
Department of Social Services:										
Adult protective service investigations	86	100	116	151	147	147	132	127	190	214
Child protective service investigations	303	348	422	422	433	433	550	564	443	437
Culture and Recreation										
Parks and Recreation:										
Recreation hall & shelter permits issued	593	551	566	597	669	811	825	1,141	1,256	1,538
Special events & excursions conducted	71	65	47	38	73	62	67	63	61	59
After-school program participants	N/A	N/A	402	416	480	504	460	444	404	442
Youth sports participants	N/A	N/A	6,891	7,039	7,742	7,848	8,183	8,381	8,567	8,652
Community Development										
Planning:										
Rezoning applications processed (a)	12	14	14	17	20	12	16	9	1	1
Landfill										
Refuse weighed and disposed (tons/year)	168,084	181,370	196,120	204,348	213,417	197,245	179,963	159,794	146,633	146,211
Residential Recycling (tons/year)	1,091	1,178	1,348	1,316	1,449	1,950	2,662	2,484	2,710	6,448
Component Unit - School Board										
Education:										
School enrollment (1)	10,969	11,357	11,745	12,211	12,605	12,997	13,043	13,148	13,060	13,137
Number of instructional personnel (b)	1,210	1,212	1,290.3	1,354.5	1,419	1,477	1,527	1,334	1,441	1,439
Local expenditures per pupil (2)	3,669	3,793	4,299	4,048	4,599	4,642	4,852	4,617	4,574	4,457

## Notes:

- (a) Calendar year
- (b) Full-time equivalent positions
- (c) Budgeted/Estimated
- (d) 2011 figures are through December 1st.

Source: Individual county departments, prior Frederick County Annual Budgets

- (1) Virginia Department of Education Fall Membership Report as of September 30th of the respective year
- (2) Superintendent's Annual School Report, Table 15

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Administration buildings	1	1	1	1	1	1	2	2	2	2
Vehicles	7	7	8	8	8	12	14	10	10	9
Public safety										
Sheriffs department:										
Patrol units	68	62	69	72	81	73	87	97	86	99
Other vehicles	30	36	31	33	34	37	42	38	41	39
Building inspections:										
Vehicles	10	11	11	11	15	15	14	11	10	10
Animal control:										
Vehicles	3	3	3	3	3	3	3	3	3	4
Fire & Rescue:										
Vehicles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	20	20	19
Public works										
General maintenance:										
Trucks/vehicles	1	1	1	1	1	2	2	3	3	3
Landfill:										
Vehicles	17	15	15	15	12	11	13	13	12	12
Sites	9	9	9	9	9	9	9	9	9	9
Health and welfare										
Department of Social Services:										
Vehicles	6	7	7	7	8	9	10	10	10	10
Culture and Recreation										
Parks and Recreation:										
Community centers	N/A	N/A	N/A	N/A	N/A	N/A	6	6	6	6
Vehicles	24	26	24	27	26	26	29	30	28	27
Parks acreage	431	431	431	431	400	400	400	400	400	400
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	10	10	10	10	16	16	6	6	6	6
Community Development										
Planning:										
Vehicles	3	3	3	4	4	5	5	5	4	4
Component Unit - School Board										
Education:										
Schools (a)	15	15	16	17	18	18	18	18	18	18
School buses	147	157	155	162	182	196	194	194	196	209

Notes:

(a) Elementary, middle and high schools

Source: Individual county departments, prior Frederick County Annual Budgets

**- Compliance Section -**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## **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***

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### **To the Honorable Members of the Board of Supervisors County of Frederick, Virginia**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Frederick, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Frederick, Virginia's basic financial statements and have issued our report thereon dated December 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

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

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 County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

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

*Robinson, Jarner, Cox Associates*

Charlottesville, Virginia  
December 21, 2011

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## **Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

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**To the Honorable Members of the Board of Supervisors  
County of Frederick, Virginia**

### **Compliance**

We have audited County of Frederick, Virginia's 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 its major federal programs for the year ended June 30, 2011. The County of Frederick, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Frederick, Virginia's management. Our responsibility is to express an opinion on County of Frederick, Virginia's compliance based on our audit.

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

In our opinion, County of Frederick, Virginia complied, in all material respects, with the 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, 2011.

### **Internal Control Over Compliance**

Management of County of Frederick, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered County of Frederick, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 County'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Robinson, Jarmer, & Associates*

Charlottesville, Virginia  
December 21, 2011

**COUNTY OF FREDERICK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

<b>Federal Grantor/Pass - Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Identifying Number</b>	<b>Federal Expendi- tures</b>
<b><u>PRIMARY GOVERNMENT:</u></b>			
<b><u>DEPARTMENT OF AGRICULTURE:</u></b>			
<u>Pass through payments:</u>			
Virginia Department of Social Services:			
SNAP Cluster:			
State administrative matching grants for the supplemental nutrition assistance programs	10.561	0010109/0010110/0040109/0040110	\$ 503,842
ARRA-State administrative matching grants for the supplemental nutrition assistance programs	10.561	0010109/0010110/0040109/0040110	34,142
Total Department of Agriculture			<u>\$ 537,984</u>
<b><u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u></b>			
<u>Pass through payments:</u>			
Virginia Department of Social Services:			
Promoting safe and stable families	93.556	0950109/0950110	\$ 1,856
Temporary Assistance for Needy Families	93.558	0400109/0400110	474,581
Refugee and Entrant Assistance-State Administered Programs	93.566	0500109/0500110	1,090
Low-income Home Energy Assistance	93.568	0600409/0600410	14,525
Child Care Cluster:			
Child Care and Development Block Grant	93.575	0770109/0770110	239,511
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	262,998
ARRA-Child Care and Development Block Grant	93.713	0740109/078109	36,745
Chafee education and training vouchers program	93.599	9160109	2,666
Child welfare services - State grants	93.645	0900109/0900110	1,419
Foster Care - Title IV-E	93.658	1100109/1100110	\$ 246,861
ARRA-Foster Care - Title IV-E	93.658	1100109/1100110	3,368
			<u>\$ 250,229</u>
Adoption Assistance	93.659	1120109/1120110	\$ 160,261
ARRA-Adoption Assistance	93.659	1120109/1120110	9,695
			<u>\$ 169,956</u>
Social Services Block Grant	93.667	1000109/1000110	213,091
Chafee foster care independence program	93.674	9150108/915109/9150110	6,111
Children's health insurance program	93.767	0540109/0540110	15,547
Medical Assistance Program	93.778	1200109/1200110	309,075
Total Department of Health and Human Services			<u>\$ 1,999,400</u>
<b><u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></b>			
<u>Pass through payments:</u>			
Department of Housing and Community Development:			
ARRA-Community Development Block Grants	14.255	N/A	\$ 915,753
Total Department of Housing and Urban Development			<u>\$ 915,753</u>
<b><u>DEPARTMENT OF THE INTERIOR:</u></b>			
<u>Direct payments:</u>			
Bureau of Land Management:			
Payment in-lieu of taxes PL - 97-258:			
National Forest Acreage payment (31-USC-6901)	15.226	N/A	<u>\$ 9,123</u>

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011 (Continued)

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expendi- tures
<b><u>PRIMARY GOVERNMENT: (Continued)</u></b>			
<b><u>DEPARTMENT OF JUSTICE:</u></b>			
<u>Pass through payments:</u>			
Department of Criminal Justice Services:			
Sheriff grant	16.000	N/A	\$ 2,864
State criminal alien assistance program	16.606	N/A	54,760
ARRA-Stop Violence Against Women Formula Grants	16.588	09EFS60025	2,841
Crime victim assistance	16.575	09VAGX0007	73,694
Congressionally recommended awards	16.753	2008-DD-BX-0539/2009-D1-BX-0172	205,415
ARRA-Public Safety Partnership and Community Policing Grants	16.710	09EFS60025	32,321
Total Department of Justice			\$ 371,895
<b><u>DEPARTMENT OF TRANSPORTATION:</u></b>			
<u>Pass through payments:</u>			
Virginia Department of Transportation:			
State and Community Highway Safety	20.600	SC1050173	\$ 5,354
Alcohol Open Container Requirements	20.607	AL0959188	12,435
Total Department of Transportation			\$ 17,789
Total Primary Government			\$ 3,851,944
<b><u>COMPONENT UNIT SCHOOL BOARD:</u></b>			
<b><u>DEPARTMENT OF AGRICULTURE:</u></b>			
<u>Pass through payments:</u>			
Virginia Department of Agriculture:			
Food distribution (Child Nutrition Cluster)	10.555	N/A	\$ 366,546
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	10.555/2009/2010	1,729,791
			\$ 2,096,337
National School Breakfast Program (Child Nutrition Cluster)	10.553	10.553/2009/2010	308,273
Secure payments for states and counties containing Federal lands	10.665	10.665	4,944
Total Department of Agriculture			\$ 2,409,554

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011 (Continued)

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expendi- tures
<b><u>COMPONENT UNIT SCHOOL BOARD: (Continued)</u></b>			
<b><u>DEPARTMENT OF EDUCATION:</u></b>			
<u>Pass through payments:</u>			
Virginia Department of Education:			
Adult Education - Basic Grants to States	84.002	V002A080046/VA002A070046/V002A090046	\$ 250,511
Title I Cluster:			
Title I grants to local educational agencies	84.010	S010A080046/S010A090046	897,199
ARRA-Title I grants to local educational agencies	84.389	S389A090046	519,427
Title I - State Agency Program for Neglected and Delinquent Children and Youth	84.013	S013A070046/S013A0080046	34,498
English Language Acquisition Grants	84.365	T365A080046/S365A090046	74,411
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A070107/H027A080107/H027A090107	1,652,756
ARRA-Special Education - Grants to States	84.391	H391A090107	1,849,275
Special Education - Preschool Grants	84.173	H173A090112	45,879
ARRA-Special Education - Preschool Grants	84.392	H392A090112	12,381
ARRA-State Fiscal Stabilization Funds - Education			
State Grants	84.394	S394A090047	1,405,265
Fund for the Improvement of Education	84.215	N/A	219,098
Career and Technical Education - Basic Grants to States	84.048	V048A080046/VA048A090046	126,974
Special Projects:			
Improving Teacher Quality State Grants	84.367	S367A080044/S367A090044	287,084
Safe and Drug-free Schools and Communities - State Grants	84.186	Q186A070048/Q186A080048	12,000
Education Technology Cluster:			
ARRA-Education Technology State Grants	84.386	S386A090046	2,373
Education Technology State Grants	84.318	S318X070046/S318X080046	15,217
Total Department of Education			\$ 7,404,348
Total Component Unit School Board			\$ 9,813,902
Total Expenditures of Federal Awards			\$ 13,665,846

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2011

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#### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Frederick, Virginia under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Frederick, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Frederick, Virginia.

#### Note 2 - Summary of Significant Accounting Policies

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

#### Note 3 - Food Donation

Nonmonetary assistance is reported on the schedule at fair market value of the commodities received and disbursed. At June 30, 2011 the School Board had food commodities totaling \$152,525 in inventory.

#### Note 4 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 3,851,943
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Total primary government	\$ 3,851,943
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Component Unit Public Schools:

School Operating Fund	\$ 7,190,195
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School Cafeteria Fund	2,404,610
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School Special Grants Fund	219,098
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Total component unit public schools	\$ 9,813,903
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Total federal expenditures per basic financial statements	\$ 13,665,846
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Total federal expenditures per the Schedule of Expenditures  
of Federal Awards

\$ 13,665,846
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**COUNTY OF FREDERICK, VIRGINIA**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
14.255	ARRA-Community Development Block Grant
84.027/84.173/84.391/84.392	Special Education Cluster
84.010/84.389	Title I, Part A Cluster
84.394	State Fiscal Stabilization Funds Education State Grants
93.575/93.596/93.713	Child Care Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$409,975
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

There are no federal award findings and questioned costs to report.

**COUNTY OF FREDERICK, VIRGINIA**

**Schedule of Prior Year Findings and Questioned Costs  
Year Ended June 30, 2011**

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There were no items reported.