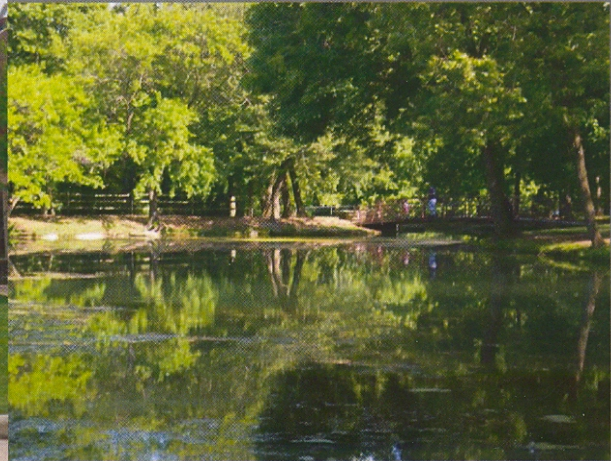


COMPREHENSIVE ANNUAL

FINANCIAL REPORT



COUNTY OF FREDERICK, VIRGINIA
Fiscal Year Ending June 30, 2009

- Introductory Section -

COUNTY OF FREDERICK, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2009**

Issued by

Cheryl B. Shiffler, Finance Director

Winchester, Virginia

COUNTY OF FREDERICK, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2009

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COUNTY OF FREDERICK, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2009

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

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

BOARD OF SOCIAL SERVICES

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

OTHER OFFICIALS

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
Timothy Welsh	Fire and Rescue Services Director
Paula Nofsinger	Human Resources Director
Marcus Lemasters	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 Prosser	Judge of the Circuit Court
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
Scott Anderson	Court Services Director
Gwen Monroe	Social Services Director
G. Douglas Larson, MD	Acting Health Department District Director
Karen Ridings	Frederick County Extension Agent
Richard S. Miller	Central Registrar
Patricia Taylor	Superintendent of Schools



John R. Riley, Jr.
County Administrator

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Fax: 540/667-0370

E-mail: jriley@co.frederick.va.us

December 21, 2009

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, 2009 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

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

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.

In 2008, the provisional population of the County was estimated at 73,898 based on the U.S. Census Bureau. 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. The per capita income in Winchester-Frederick County was \$34,417 in 2007, the last year for which the information is available, according to the U.S. Census Bureau.

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. 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.

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.
- Maintain and improve the planning process in order to manage growth and development in Frederick County.
Strategy: Modify the Comprehensive Policy Plan format and review process.
- 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.

A PROFILE OF FREDERICK COUNTY

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 on 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 Stephen 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	Hopewell Friends Meeting House
Monte Vista	County Poor House
Springdale House and Mill Complex	Willa Cather's Birthplace
Willow Shade	Newtown/Stephensburg District
Sunrise	St. Thomas Episcopal Church (Middletown)
Rose Hill	

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	Third Battle of Winchester
First and Second Battles of Kernstown	Cedar Creek
Stephenson's Depot	Rutherford's Farm

Fortifications/Entrenchments:

Star Fort	Fort Collier
Parkins Mill Battery	Carysbrook Redoubt
Nineteenth Corps Line	Zig-Zag Trenches
Hilandale Earthworks/1864-65 Winter Line	

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.

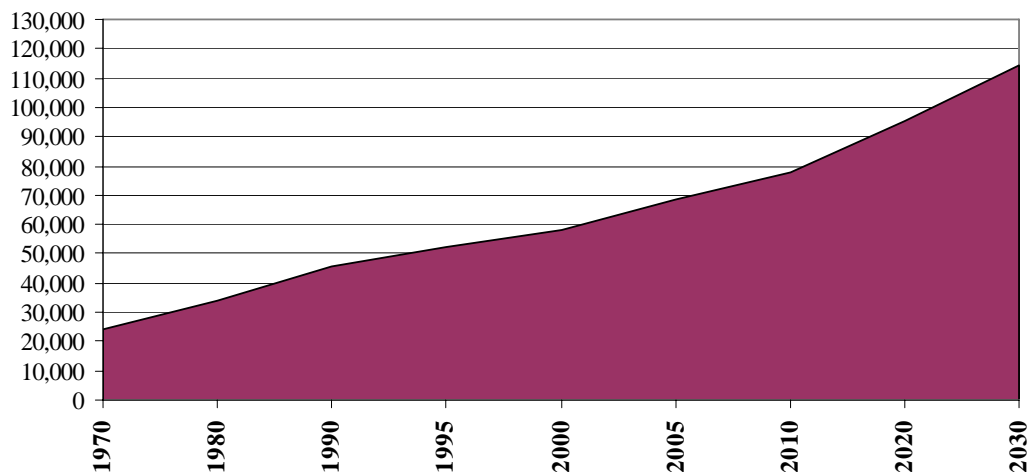
The second area is underlain by limestone-carbonate bedrock and consists of a band that runs north-south through the county between Interstate 81 and Little North Mountain. The terrain here tends to be gently rolling. Outside of the City of Winchester, much of this area is currently used for agriculture 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

Since the turn of the twentieth century, the population of Frederick County has skyrocketed 347%, growing from 13,239 people in 1900 to 59,209 in 2000. The 2008 population estimate for Frederick County was 73,898 according to the U.S. Census Bureau. Much of the population growth occurred during the 1970's and 1980's. By 2010, it is projected that the population of Frederick County will be approximately 77,864, by 2020 95,648 and 114,539 by 2030.

Frederick County Population Counts, 1970-2030



PUBLIC SCHOOL SYSTEM

The Frederick County Public School System, the 19th 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 2000, student enrollment was 10,634. In the fall of 2008, student enrollment was 13,043 according to the Virginia Department of Education fall membership reports, which represents an increase of 2,409 students, or 22.6%, since 2000. The structure of the school division is designed to support the needs of the 13,092 students projected for the school year 2009-2010.

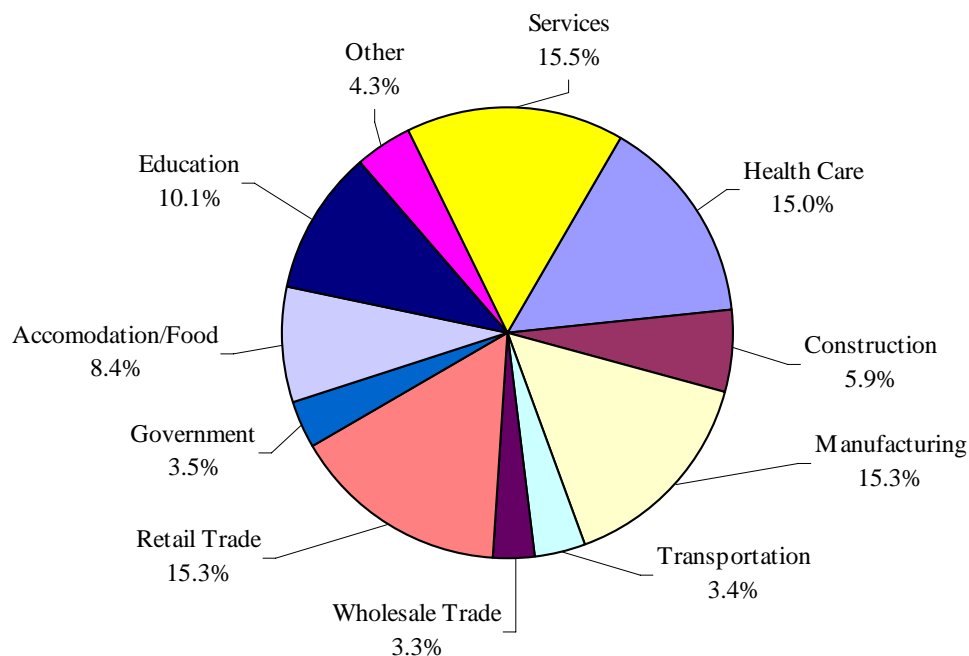
The growth in the Frederick County community brings challenges to the school system. Those challenges include increased space needs, class-sizes, textbooks, instructional materials, teaching staff and custodial staff. Athletic, band, choral, vocational and selective arts are under pressure as well with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

With decreased 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 result in a greater challenge of offering a competitive compensation package.

EMPLOYMENT TRENDS

Winchester and Frederick County had a total of 50,859 jobs in 2008 as measured by the Virginia Employment Commission. The largest employment sector was services which employed 7,862 workers in 2008.

Employment Trends - Frederick County and Winchester - 2008



Unemployment rates for Frederick County and Winchester have paralleled those of Virginia. Unemployment rates locally and nationally are at the highest in almost twenty years. In the last three years, the Frederick County unemployment rate has increased 211%, the Virginia unemployment rate has increased 133%, and the United States unemployment rate has increased 97%. The unemployment rate for Frederick County for 2008 was 4.3% compared to the current 2009 annual average rate of 7.8% (through October 2009) according to the Bureau of Labor Statistics.

QUALITY OF LIFE

Higher Education Founded in 1970, Lord Fairfax Community College (LFCC) is a comprehensive, multi-campus public institution of higher education. Through its three locations – the Fauquier and Middletown Campuses and the Luray-Page County Center – the College serves eight localities in the Shenandoah Valley and Piedmont regions. The localities are the counties of Clarke, Fauquier, Frederick, Page, Rappahannock, Shenandoah and Warren and the City of Winchester.

LFCC offers more than 75 associate degree and certificate programs in a wide variety of disciplines, in addition to providing access to bachelor's, master's and doctoral degree programs offered on site by a four-year institution. LFCC also serves the business community by offering workforce preparation programs for employees and employers. 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 is a comprehensive Level VI private university which offers four-year undergraduate and graduate programs with a school enrollment of more than 3,000 students. The university offers more than 80 programs of study at the undergraduate, graduate, doctorate and professional levels at the main campus in Winchester, VA, the Health Professions Building on the campus of the Winchester Medical Center and the Northern Virginia campus in Leesburg, VA. The schools include Harry F. Byrd, Jr. School of Business, Health Professions, Arts and Sciences, Pharmacy and Conservatory. The Institute for Government and Public Service 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 the Frederick County area is about 101.5% of the national average. The median single family detached home sold for approximately \$210,000 in 2008. 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 Frederick County traditionally experiences less crime than the total for the United States. The latest FBI report (2007) lists the crime rate per 100,000 people for the United States at 466.9, while the local rate was 207.5.

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 approximately 31,925 active registered library card holders in Frederick County. During the 2009 fiscal year, Frederick County residents borrowed 452,336 items from the library system.

Medical Care

Winchester Medical Center, a 411-bed, non-profit hospital in Winchester, VA is a regional referral center offering a broad spectrum of services that includes diagnostic, medical, surgical and rehabilitative care. A level II trauma center, WMC is a resource for 400,000 residents in a region known as the Top of Virginia, plus neighboring West Virginia and Maryland.

Parks

The county currently owns and operates two regional 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 330 acres. Both regional parks currently serve the county's population with both active and passive recreational programs and facilities. In addition to these regional parks, four neighborhood parks have been developed consisting primarily of playground equipment for young children. Three of these neighborhood parks are located on fire company property and one is located in a subdivision. Additional recreational facilities currently provided are two outdoor swimming pool complexes, athletic fields, playgrounds and picnic areas, fishing, paddleboats and volleyball. As a result of a joint operating agreement with the County School Board, the Parks and Recreation Department has use of the following Sherando High School facilities when they are not in use by the high school: lighted football field and track, baseball field, eight outdoor lighted tennis courts and four outdoor lighted basketball courts.

The joint efforts of Frederick County Board of Supervisors, Frederick County Parks and Recreation Commission and the Frederick County School Board resulted in the co-location of recreational facilities in three elementary schools and one high school. The Community Center at Sherando High School has a fitness room with cardio and resistance training equipment, two racquetball courts and a 2,000 square foot multi-purpose room which includes a kitchen area. 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, which opened in 2000, has a full sized gymnasium which seats approximately 150. The Community Center at Evendale Elementary, which opened in 2006, has a full sized gymnasium seating approximately 300, a 500 square foot multi-purpose room with a kitchen area, a 1,150 square foot aerobics room and two offices. The Community Center at Gainesboro Elementary contains a full sized gymnasium with bleachers, a 500 square foot multi-purpose room which includes a kitchen, a 1,150 square foot group exercise room, and cardio exercise equipment. This facility is available for private rental and hosts many Parks Department programs including the basicREC, Camp basicREC, and kinderREC programs. The Community Center at Greenwood Mill Elementary School, which will open in the fall of 2009, contains a full sized gymnasium with bleachers, a fitness room with cardio and resistance training equipment, a multi-purpose room that can be divided into two rooms for the public, an office, and storage space. This facility will be available for private rental and will host many Parks and Recreation Department programs.

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 2.45 miles in length, it provides a good surface for both walking and biking.

FINANCIAL INFORMATION

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, 2009, 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, 2009, 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.

OTHER INFORMATION

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, 2008. This was the twenty-third 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, 2008. This is the third 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, 2008 and twenty-three 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, 2008

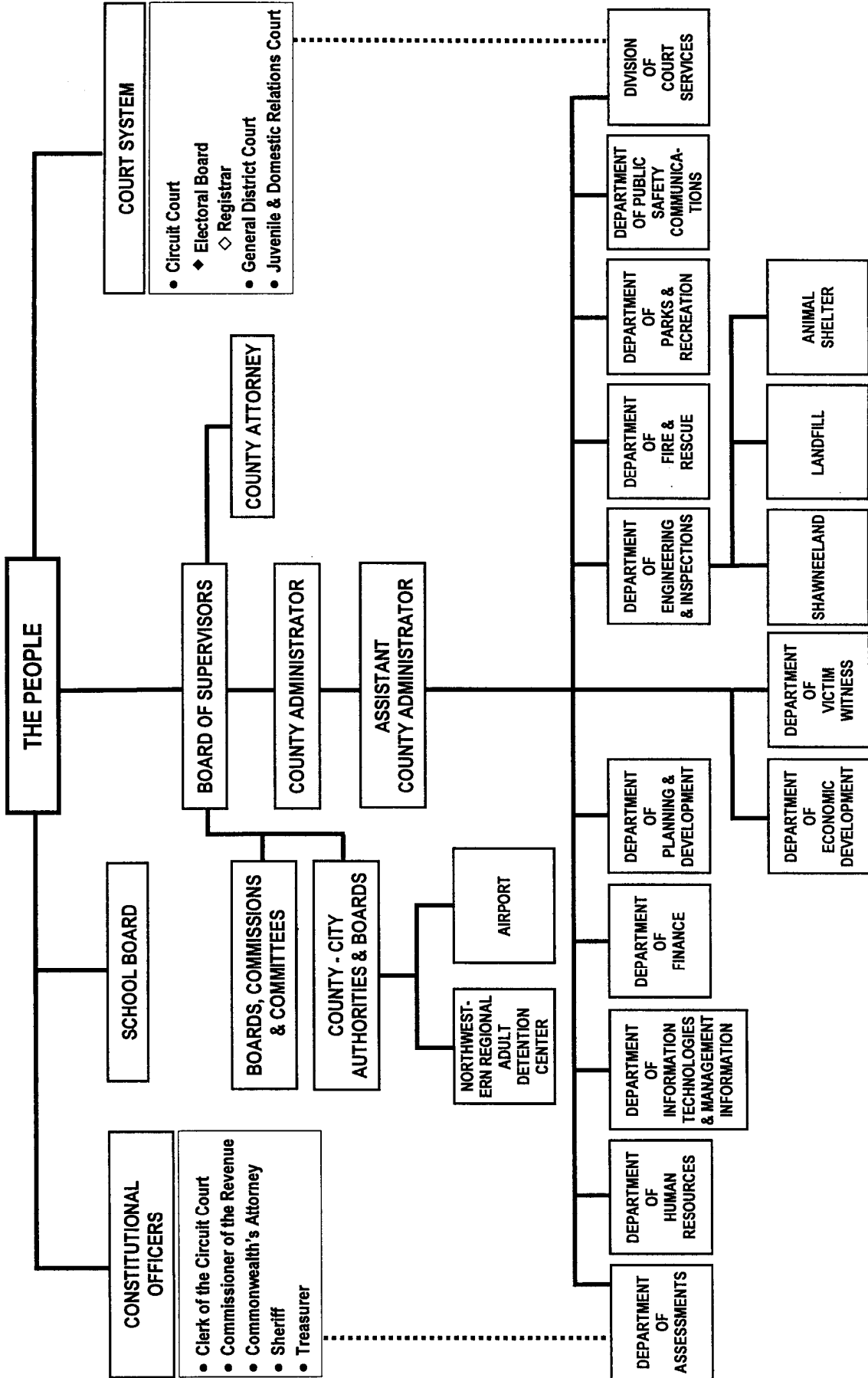
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

FREDERICK COUNTY ORGANIZATIONAL CHART



- Financial Section -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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, 2009, 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2009, 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 important for assessing the results of our audit.

The Management's Discussion and Analysis and required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Frederick, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Frederick, Virginia. The combining and individual nonmajor fund financial statements, the budgetary comparison schedules, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Jarmer, Cox Associates

Charlottesville, Virginia
December 21, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights for Fiscal Year 2009:

- Government-wide Statements:
 - On a government-wide basis for governmental activities the County had expenses net of program revenues of \$111.1 million, which was approximately \$1.5 million more than the general revenues of \$109.6 million.
 - On a government-wide basis, the general activities total net assets totaled \$30.8 million.

- Fund Statements:
 - The fund financial statements reflect unreserved general fund balance of \$30.3 million.
 - General fund property taxes of \$68.7 million equaled to just over half of the total \$124.3 million in revenues in the general fund.
 - The net change in fund balance for the general fund of the prior year was approximately a \$3.7 million decrease.

Using the Comprehensive Annual Financial Report:

Over the past two decades, the primary focus of local government financial statements has been summarized by fund type. The approach was changed for the first time in the Fiscal Year Ending 2002 financial statements. The County's current financial statements now present 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, which is the method that has been used in the past, focuses 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 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.

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

Government-wide Statements: (continued)

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 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. 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.

Fund Financial Statements: (continued)

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 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.

**Summary Statement of Net Assets
June 30, 2009**

	Governmental Activities		Business-Type Activities		Total		Component Units	
	2009	2008	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 54,741,151	\$ 59,358,269	\$ 34,118,576	\$ 33,164,111	\$ 88,859,727	\$ 92,522,380	\$ 27,745,180	\$ 40,739,982
Capital Assets (net)	143,350,187	144,318,560	15,875,231	17,241,816	159,225,418	161,560,376	85,034,217	72,388,694
Total Assets	\$198,091,338	\$ 203,676,829	\$ 49,993,807	\$ 50,405,927	\$ 248,085,145	\$ 254,082,756	\$112,779,397	\$113,128,676
Long-term Liabilities	\$158,998,691	\$ 162,160,715	\$ 11,454,649	\$ 11,226,868	\$170,453,340	\$ 173,387,583	\$ 2,206,312	\$ 1,824,556
Other Liabilities	8,286,479	9,203,564	411,935	496,836	8,698,414	9,700,400.00	16,859,814	18,141,487
Total Liabilities	\$167,285,170	\$ 171,364,279	\$ 11,866,584	\$ 11,723,704	\$179,151,754	\$ 183,087,983	\$ 19,066,126	\$ 19,966,043
Net Assets:								
Invested in Capital Assets, net of related debt	\$ (4,421,477)	\$ 882,858	\$ 15,875,231	\$ 17,241,816	\$ 11,453,754	\$ 18,124,674	\$ 85,034,217	\$ 72,388,694
Unrestricted	35,227,645	31,429,692	22,251,992	21,440,407	57,479,637	52,870,099	8,679,054	20,773,939
Total Net Assets	\$ 30,806,168	\$ 32,312,550	\$ 38,127,223	\$ 38,682,223	\$ 68,933,391	\$ 70,994,773	\$ 93,713,271	\$ 93,162,633

The County’s combined net assets decreased to \$68,933,391 from \$70,994,773. This net decrease in the amount of \$2,061,382 can be attributed to a decrease in governmental activities in the amount of \$1,506,382 and a decrease in business-type activities in the amount of \$555,000. 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, 2009

	Governmental Activities		Business-Type Activities		Total		Component Units	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenues:								
Program Revenues								
Charges for Services	\$ 4,734,493	\$ 4,991,436	\$ 5,487,025	\$ 6,370,576	\$ 10,221,518	\$ 11,362,012	\$ 2,981,134	\$ 3,614,506
Operating Grants & Contributions	12,273,169	9,637,413	-	-	12,273,169	9,637,413	71,391,158	68,917,128
General Revenues								
Real Estate & Personal Property	69,116,087	66,650,022	-	-	69,116,087	66,650,022	-	-
Other Taxes	25,106,462	26,549,110	-	-	25,106,462	26,549,110	-	-
Payments from Primary Government	-	-	-	-	-	-	61,858,362	80,350,953
Non-restricted Grants	13,272,212	16,141,414	-	15,862	13,272,212	16,157,276	-	-
Use of Money and Property	1,078,840	2,259,090	571,354	1,187,467	1,650,194	3,446,557	345,563	824,464
Miscellaneous	994,188	1,046,778	24,196	39,196	1,018,384	1,085,974	951,419	1,377,861
Total Revenues	\$ 126,575,451	\$ 127,275,263	\$ 6,082,575	\$ 7,613,101	\$ 132,658,026	\$ 134,888,364	\$ 137,527,636	\$ 155,084,912
Expenses:								
General Government	\$ 6,717,739	\$ 7,531,381	\$ -	\$ -	\$ 6,717,739	\$ 7,531,381	\$ -	\$ -
Judicial Administration	3,289,067	3,278,720	-	-	3,289,067	3,278,720	-	-
Public Safety	24,941,153	24,152,999	-	-	24,941,153	24,152,999	-	-
Public Works	3,046,615	2,738,150	-	-	3,046,615	2,738,150	-	-
Health / Welfare	8,855,627	8,621,166	-	-	8,855,627	8,621,166	-	-
Education	65,637,853	84,407,223	-	-	65,637,853	84,407,223	136,911,340	137,714,931
Parks, Recreation & Culture	5,741,930	6,141,133	-	-	5,741,930	6,141,133	-	-
Community Development	3,364,222	2,266,985	-	-	3,364,222	2,266,985	-	-
Interest on Long-term Debt	6,487,627	6,758,465	-	-	6,487,627	6,758,465	-	-
Landfill Operations	-	-	6,637,575	5,753,899	6,637,575	5,753,899	-	-
Industrial Development Authority	-	-	-	-	-	-	65,658	206,333
Total Expenses	\$ 128,081,833	\$ 145,896,222	\$ 6,637,575	\$ 5,753,899	\$ 134,719,408	\$ 151,650,121	\$ 136,976,998	\$ 137,921,264
Change in Net Assets	\$ (1,506,382)	\$ (18,620,959)	\$ (555,000)	\$ 1,859,202	\$ (2,061,382)	\$ (16,761,757)	\$ 550,638	\$ 17,163,648
Net Assets, July 1, 2008, as restated	32,312,550	50,933,509	38,682,223	36,823,021	70,994,773	87,756,530	93,162,633	75,998,985
Net Assets, June 30, 2009	\$ 30,806,168	\$ 32,312,550	\$ 38,127,223	\$ 38,682,223	\$ 68,933,391	\$ 70,994,773	\$ 93,713,271	\$ 93,162,633

Revenues:

- **Governmental Activities:** For the fiscal year ended June 30, 2009, revenues from governmental activities totaled \$126,575,451. Property tax revenues, which include real estate tax revenues and the local paid portion of personal property taxes account for approximately \$69.1 million of the total revenues received. The amount of 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 decreased from last fiscal year by \$1,442,648.

- **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 \$555,000 in FY09.
- **Component Units:** 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, 2009, expenses related to governmental activities totaled \$128,081,833. Net assets related to governmental activities decreased by \$1.5 million. The expenses for education reflect an adjustment for unexpended bond proceeds, school board capital outlay activity, and depreciation along with the adjustment of the accrual related to post employment benefits.

Financial Analysis of the Fund Financial Statements:

- **Governmental Funds:** Reported combined ending fund balance is \$39,424,749, a decrease of \$4,600,969 in comparison with the prior year. The following are key factors which attributed to the decrease of fund balance:
 - A \$905,772 reduction in fund balance for encumbrances;
 - A \$451,912 reduction in fund balance for capital projects; and
 - A \$3,376,855 reduction in unreserved fund balance. The majority of this reduction is the result of fiscal year 2009 funding from fund balance used to balance the budget since expenses totaled \$128 million and revenue totaled \$124 million.

Approximately 77% (\$30,324,674) of the combined ending fund balance is unreserved, which is available for spending at the government's discretion. The FY10 budget appropriates \$4.3 million from fund balance to balance the budget. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to (1) liquidate purchase orders (\$485,247) of the prior period and subsequent years expenditures, (2) non-current loans and capital projects (\$3,544,263), (3) debt service (\$49,800), (4) historical markers, tri-centennial and prepaid items (\$20,501), and (5) employee benefits (\$93,121).

The County's major funds are the General, School Debt Service, and Capital Projects Funds.

-- The General Fund is the chief operating fund of the County of Frederick. The fund balance of the County's General Fund decreased by \$3,657,676 during the 2008-09 fiscal year on Exhibit 5 – Statement of Revenues, Expenditures and Fund Balances. A key factor to the reduction in fund balance was that the Board of Supervisors made a conscious decision to reduce fund balance to fund expenditures to alleviate an additional tax burden on the citizen.

- **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 \$555,000, while the Internal Service Funds recognized an increase in net assets in the amount of \$823,580. The Landfill Fund purchased capital assets in the amount of \$648,638 and posted operating loss of \$1,126,354. The Internal Service Funds had operating income of \$732,132.

General Budgetary Highlights:

Differences between the original budget and the final budget of the general fund resulted in an increase of \$11,376,767 in additional appropriations. Highlights of the budget amendments are as follows:

- \$125,000 in budget amendments for the Youth Development Center.
- \$151,800 in budget amendments for the Old Gainesboro School.
- \$227,723 in budget amendments for the NetTech Center.

General Budgetary Highlights: (continued)

- \$540,506 in budget amendments for the BFI refund.
- \$473,264 in budget amendments for a carry forward to school operating fund.
- \$441,300 in budget amendments for a carry forward of transportation funds.
- \$594,025 in budget amendments for grants for the Sheriff’s department.

The variance between the final amended budget and actual was \$9,514,618. Significant variances were:

- \$991,958 from general government administration;
- \$1,001,669 from Sheriff’s office;
- \$315,428 from general property maintenance;
- \$393,271 from welfare and social services;
- \$4,195,423 from education services from schools;
- \$413,273 from parks and recreation;
- \$651,981 from planning and community development.

Capital Assets:

At the end of the Fiscal Year 2009, Governmental Activities had invested \$143,350,187 and the Component Unit School Board had invested \$85,034,217 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.

	Capital Assets					
	Governmental Activities		Business Activities		Total	
	2009	2008	2009	2008	2009	2008
Capital Assets not being depreciated:						
Land and Land Improvements	\$ 2,396,274	\$ 2,390,241	\$ 3,310,126	\$ 3,310,126	\$ 5,706,400	\$ 5,700,367
Construction in Progress	26,558	17,069,564	129,329	-	155,887	17,069,564
School Construction in Progress	16,708,986	19,224,576	-	-	16,708,986	19,224,576
Total Capital Assets not being depreciated	<u>\$ 19,131,818</u>	<u>\$ 38,684,381</u>	<u>\$ 3,439,455</u>	<u>\$ 3,310,126</u>	<u>\$ 22,571,273</u>	<u>\$ 41,994,507</u>
Other Capital Assets:						
Building and Improvements	\$ 44,576,290	\$ 27,216,511	\$ 2,253,092	\$ 2,253,092	\$ 46,829,382	\$ 29,469,603
Landfill Improvements	-	-	22,465,919	21,983,111	22,465,919	21,983,111
School Building & Improvements	100,894,314	96,375,201	-	-	100,894,314	96,375,201
Furniture, Equipment & Vehicles	9,651,221	9,429,391	4,444,718	4,959,372	14,095,939	14,388,763
Total Other Capital Assets	<u>\$ 155,121,825</u>	<u>\$ 133,021,103</u>	<u>\$29,163,729</u>	<u>\$ 29,195,575</u>	<u>\$ 184,285,554</u>	<u>\$ 162,216,678</u>
Less: Accumulated Depreciation	<u>30,903,456</u>	<u>27,386,924</u>	<u>16,727,953</u>	<u>15,263,885</u>	<u>47,631,409</u>	<u>42,650,809</u>
Net Capital Assets	<u><u>\$ 143,350,187</u></u>	<u><u>\$ 144,318,560</u></u>	<u><u>\$ 15,875,231</u></u>	<u><u>\$ 17,241,816</u></u>	<u><u>\$ 159,225,418</u></u>	<u><u>\$ 161,560,376</u></u>

Capital Assets: (continued)

Component Unit School Board Capital Assets		
	2009	2008
Capital Assets not being depreciated:		
Land and Land Improvements	\$ 8,286,076	\$ 7,658,875
Construction in Progress	18,058,615	20,619,302
Construction in Progress Allocated to County	(16,708,986)	(19,224,576)
Total Capital Assets not being depreciated	<u>\$ 9,635,705</u>	<u>\$ 9,053,601</u>
Other Capital Assets:		
Building and Improvements	\$ 205,322,329	\$ 185,590,161
School Buildings and Improvements allocated to County	(100,894,314)	(96,375,201)
Furniture, Equipment & Vehicles	37,918,929	35,808,959
Total Other Capital Assets	<u>\$ 142,346,944</u>	<u>\$ 125,023,919</u>
Less: Accumulated Depreciation	66,948,432	61,688,826
Net Capital Assets	<u><u>\$ 85,034,217</u></u>	<u><u>\$ 72,388,694</u></u>

Long-Term Obligations:

General Fund revenues are used to pay all long-term general obligation debt, General Fund capital leases, and the School Board Early Retirement Incentive Obligation. At the end of the fiscal year, the County had total bonded debt outstanding of \$152.7 million. This entire amount represents debt backed by the full faith and credit of the County. During the year, the County issued \$5.7 million of VPSA General Obligation Bonds for school construction.

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2009.

	June 30, 2008	Increase	Decrease	June 30, 2009
Lease Revenue Bonds Payable	\$ 25,345,000	\$ -	\$ 950,000	\$ 24,395,000
General Obligation Bonds:				
Library	3,512,523	-	173,533	3,338,990
School	116,112,235	5,720,000	7,848,192	113,984,043
Add deferred amount for issuance premiums	4,364,307	147,862	460,644	4,051,525
Less deferred amount on refunding	(218,222)	-	(52,871)	(165,351)
Total School General Obligation Bonds	<u>\$ 120,258,320</u>	<u>\$ 5,867,862</u>	<u>\$ 8,255,965</u>	<u>\$ 117,870,217</u>
State Literary Fund Loans:				
School	8,111,815	-	1,033,179	7,078,636
Intergovernmental loans	590,712	-	135,413	455,299
Claims	546,288	6,228,869	6,212,856	562,301
Capital leases	90,059	101,475	35,816	155,718
Other post employment benefits	1,596,000	1,596,000	-	3,192,000
Compensated absences	2,656,286	1,715,945	1,859,400	2,512,831
Total	<u><u>\$ 162,707,003</u></u>	<u><u>\$ 15,510,151</u></u>	<u><u>\$ 18,656,162</u></u>	<u><u>\$ 159,560,992</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, 2009

	Component Units				
	Governmental Activities	Business-Type Activities	Total	School Board	Industrial Development Authority
Assets:					
Cash and cash equivalents	\$ 37,462,837	\$ 22,278,736	\$ 59,741,573	\$ 24,203,380	\$ 119,985
Restricted cash	-	11,353,331	11,353,331	-	-
Receivables, net	6,904,452	486,509	7,390,961	65,582	450
Due from other governments	9,241,312	-	9,241,312	3,220,472	-
Intergovernmental loan	734,939	-	734,939	-	-
Prepaid expenses	3,553	-	3,553	-	1,875
Inventory	-	-	-	133,436	-
Unamortized debt issuance costs	394,058	-	394,058	-	-
Capital assets:					
Land and construction in progress	19,131,818	3,439,455	22,571,273	9,635,705	-
Other capital assets, net of accumulated depreciation	124,218,369	12,435,776	136,654,145	75,398,512	-
Capital assets, net	\$ 143,350,187	\$ 15,875,231	\$ 159,225,418	\$ 85,034,217	\$ -
Total assets	\$ 198,091,338	\$ 49,993,807	\$ 248,085,145	\$ 112,657,087	\$ 122,310
Liabilities:					
Accounts payable and accrued expenses	\$ 1,730,968	\$ 408,822	\$ 2,139,790	\$ 15,846,663	\$ -
Accrued interest payable	2,656,062	-	2,656,062	-	-
Claims payable	562,301	-	562,301	1,013,151	-
Unearned revenue	2,043,108	3,113	2,046,221	-	-
Amounts held for others	1,294,040	-	1,294,040	-	-
Long-term liabilities:					
Due within one year	14,774,107	70,923	14,845,030	1,230,833	-
Due in more than one year	144,224,584	11,383,726	155,608,310	975,479	-
Total liabilities	\$ 167,285,170	\$ 11,866,584	\$ 179,151,754	\$ 19,066,126	\$ -
Net Assets:					
Invested in capital assets, net of related debt	\$ (4,421,477)	\$ 15,875,231	\$ 11,453,754	\$ 85,034,217	\$ -
Unrestricted	35,227,645	22,251,992	57,479,637	8,556,744	122,310
Total net assets	\$ 30,806,168	\$ 38,127,223	\$ 68,933,391	\$ 93,590,961	\$ 122,310

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, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	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
Primary Government									
Governmental activities									
General government administration	\$ 6,717,739	\$ -	\$ 792,712	\$ -	\$ (5,925,027)	\$ -	\$ (5,925,027)	\$ -	\$ -
Judicial administration	3,289,067	1,650,792	1,127,593	-	(510,682)	-	(510,682)	-	-
Public safety	24,941,153	1,394,189	3,418,145	-	(20,128,819)	-	(20,128,819)	-	-
Public works	3,046,615	-	18,458	-	(3,028,157)	-	(3,028,157)	-	-
Health and welfare	8,855,627	-	4,693,562	-	(4,162,065)	-	(4,162,065)	-	-
Education	65,637,853	-	1,826,801	-	(63,811,052)	-	(63,811,052)	-	-
Parks, recreation and cultural	5,741,930	1,682,524	5,000	-	(4,054,406)	-	(4,054,406)	-	-
Community development	3,364,222	6,988	390,898	-	(2,966,336)	-	(2,966,336)	-	-
Interest on long-term debt	6,487,627	-	-	-	(6,487,627)	-	(6,487,627)	-	-
Total governmental activities	\$ 128,081,833	\$ 4,734,493	\$ 12,273,169	\$ -	\$ (111,074,171)	\$ -	\$ (111,074,171)	\$ -	\$ -
Business type activities									
Landfill operations	6,637,575	5,487,025	-	-	-	(1,150,550)	(1,150,550)	-	-
Total Primary Government	\$ 134,719,408	\$ 10,221,518	\$ 12,273,169	\$ -	\$ (111,074,171)	\$ (1,150,550)	\$ (112,224,721)	\$ -	\$ -
Component Units									
Frederick County Public Schools	\$ 137,218,642	\$ 2,932,989	\$ 71,698,460	\$ -			\$ (62,587,193)	\$ -	
Frederick County Industrial Development Authority	65,658	48,145	-	-			-	(17,513)	
Total Component Units	\$ 137,284,300	\$ 2,981,134	\$ 71,698,460	\$ -			\$ (62,587,193)	\$ (17,513)	
General Revenues									
Taxes:									
General property taxes, real and personal					\$ 69,116,087	\$ -	\$ 69,116,087	\$ -	\$ -
Local sales and use taxes					10,145,846	-	10,145,846	-	-
Business licenses tax					4,783,973	-	4,783,973	-	-
Consumer utility taxes					3,079,363	-	3,079,363	-	-
Meals and lodging taxes					3,611,669	-	3,611,669	-	-
Motor vehicle licenses tax					1,989,921	-	1,989,921	-	-
Taxes on recordation and wills					1,189,200	-	1,189,200	-	-
Other taxes					306,490	-	306,490	-	-
Payment from County of Frederick:									
Education					-	-	-	61,858,362	-
Grants and contributions not restricted to specific programs					13,272,212	-	13,272,212	-	-
Unrestricted use of money and property					1,078,840	571,354	1,650,194	344,969	594
Miscellaneous					994,188	24,196	1,018,384	951,419	-
Total general revenues					\$ 109,567,789	\$ 595,550	\$ 110,163,339	\$ 63,154,750	\$ 594
Change in net assets					\$ (1,506,382)	\$ (555,000)	\$ (2,061,382)	\$ 567,557	\$ (16,919)
Net assets, beginning of year					32,312,550	38,682,223	70,994,773	93,023,404	139,229
Net assets, end of year					\$ 30,806,168	\$ 38,127,223	\$ 68,933,391	\$ 93,590,961	\$ 122,310

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, 2009

	<u>General Fund</u>	<u>Shawneeland Sanitary District Fund</u>	<u>Capital Projects Fund</u>	<u>School Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 26,875,544	\$ 2,561,448	\$ 722,078	\$ 49,800	\$ 1,805,150	\$ 32,014,020
Property taxes receivable, net	3,932,011	778,720	-	-	-	4,710,731
Business licenses receivable	756,035	-	-	-	-	756,035
Accounts receivable	1,424,898	1,453	-	-	4,424	1,430,775
Due from other governments	9,017,735	-	-	-	223,577	9,241,312
Intergovernmental loan	734,939	-	-	-	-	734,939
Prepaid items	3,553	-	-	-	-	3,553
Total assets	<u>\$ 42,744,715</u>	<u>\$ 3,341,621</u>	<u>\$ 722,078</u>	<u>\$ 49,800</u>	<u>\$ 2,033,151</u>	<u>\$ 48,891,365</u>
Liabilities						
Accounts payable and accrued liabilities	\$ 1,278,222	\$ 271,519	\$ -	\$ -	\$ 123,263	\$ 1,673,004
Amounts held for others	1,294,040	-	-	-	-	1,294,040
Deferred revenue - business licenses	756,035	-	-	-	-	756,035
Deferred revenue - prepaid taxes	2,011,195	25,002	-	-	-	2,036,197
Deferred revenue - property taxes	2,936,730	770,610	-	-	-	3,707,340
Total liabilities	<u>\$ 8,276,222</u>	<u>\$ 1,067,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,263</u>	<u>\$ 9,466,616</u>
Fund Balance						
Reserved for:						
Prepaid items	\$ 3,553	\$ -	\$ -	\$ -	\$ -	\$ 3,553
Encumbrances	485,247	-	-	-	-	485,247
Non-current loans	734,939	-	-	-	-	734,939
Capital projects	2,809,324	-	-	-	-	2,809,324
Employee benefits	93,121	-	-	-	-	93,121
Historical markers	15,859	-	-	-	-	15,859
Economic development	687	-	-	-	-	687
Tri-centennial	1,089	-	-	-	-	1,089
Unreserved:						
Designated:						
Debt service	-	-	-	49,800	-	49,800
Subsequent year's expenditures:						
Special Revenue Funds	-	2,274,490	-	-	1,176,034	3,450,524
Capital projects	-	-	722,078	-	733,854	1,455,932
Unreserved/undesignated	30,324,674	-	-	-	-	30,324,674
Total fund balance	<u>\$ 34,468,493</u>	<u>\$ 2,274,490</u>	<u>\$ 722,078</u>	<u>\$ 49,800</u>	<u>\$ 1,909,888</u>	<u>\$ 39,424,749</u>
Total liabilities and fund balance	<u>\$ 42,744,715</u>	<u>\$ 3,341,621</u>	<u>\$ 722,078</u>	<u>\$ 49,800</u>	<u>\$ 2,033,151</u>	<u>\$ 48,891,365</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, 2009

Total fund balances for governmental funds (Exhibit 3) \$ 39,424,749

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	16,735,544
Buildings and improvements, net of depreciation	36,384,168
Equipment, net of depreciation	3,014,033
School Board capital assets, net of depreciation	<u>84,820,168</u>

Total capital assets 143,350,187

Debt issuance costs net of amortization 394,058

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:

4,828,552

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.

4,463,375

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	\$ (2,656,062)
Bonds, notes and capital leases payable	(149,407,686)
Unamortized bond premium	(4,051,525)
Unamortized defeasance costs	165,351
Other post employment benefits	(3,192,000)
Compensated absences	<u>(2,512,831)</u>

Total (161,654,753)

Total net assets of governmental activities (Exhibits 1 and 2) \$ 30,806,168

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, 2009

	<u>General Fund</u>	<u>Shawneeland Sanitary District Fund</u>	<u>Capital Projects Fund</u>	<u>School Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Property taxes	\$ 68,696,787	\$ 551,769	\$ -	\$ -	\$ -	\$ 69,248,556
Other local taxes	25,106,462	-	-	-	-	25,106,462
Permits, privilege fees and regulatory licenses	1,308,407	-	-	-	-	1,308,407
Fines and forfeitures	526,081	-	-	-	-	526,081
Use of money and property	913,216	50,550	4,531	-	19,095	987,392
Charges for services	2,220,436	-	-	-	679,569	2,900,005
Miscellaneous	371,456	171	600,759	-	30,150	1,002,536
Recovered costs	2,530,437	4,613	-	-	334,133	2,869,183
Intergovernmental:						
Appropriation from the School Board	75,199	-	-	-	-	75,199
Revenue from the Commonwealth	19,083,430	-	-	1,751,602	1,139,513	21,974,545
Revenue from the Federal Government	3,495,637	-	-	-	-	3,495,637
Total revenues	<u>\$ 124,327,548</u>	<u>\$ 607,103</u>	<u>\$ 605,290</u>	<u>\$ 1,751,602</u>	<u>\$ 2,202,460</u>	<u>\$ 129,494,003</u>
Expenditures						
Current:						
General government administration	\$ 7,276,944	\$ -	\$ -	\$ -	\$ -	\$ 7,276,944
Judicial administration	2,177,048	-	-	-	1,349,924	3,526,972
Public safety	23,722,707	-	-	-	-	23,722,707
Public works	4,159,409	-	-	-	-	4,159,409
Health and welfare	6,994,158	-	-	-	1,605,401	8,599,559
Education - local community college	73,847	-	-	-	-	73,847
Education - public school system	65,201,522	-	-	-	-	65,201,522
Parks, recreation and cultural	5,332,794	-	-	-	-	5,332,794
Community development	2,522,247	1,344,716	-	-	-	3,866,963
Capital projects	-	-	1,057,548	-	502	1,058,050
Debt service:						
Principal payments	1,258,946	-	-	8,881,371	-	10,140,317
Interest and fiscal charges	1,330,142	-	-	5,775,083	-	7,105,225
Total expenditures	<u>\$ 120,049,764</u>	<u>\$ 1,344,716</u>	<u>\$ 1,057,548</u>	<u>\$ 14,656,454</u>	<u>\$ 2,955,827</u>	<u>\$ 140,064,309</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 4,277,784</u>	<u>\$ (737,613)</u>	<u>\$ (452,258)</u>	<u>\$ (12,904,852)</u>	<u>\$ (753,367)</u>	<u>\$ (10,570,306)</u>
Other financing sources (uses)						
Long-term debt issued	\$ 5,720,000	\$ -	\$ -	\$ -	\$ -	\$ 5,720,000
Bond premium	147,862	-	-	-	-	147,862
Capital lease issuance	101,475	-	-	-	-	101,475
Transfers in	-	-	-	12,924,295	980,502	13,904,797
Transfers out	(13,904,797)	-	-	-	-	(13,904,797)
Total other financing sources (uses)	<u>\$ (7,935,460)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,924,295</u>	<u>\$ 980,502</u>	<u>\$ 5,969,337</u>
Net change in fund balance	\$ (3,657,676)	\$ (737,613)	\$ (452,258)	\$ 19,443	\$ 227,135	\$ (4,600,969)
Fund balance, beginning of year	<u>38,126,169</u>	<u>3,012,103</u>	<u>1,174,336</u>	<u>30,357</u>	<u>1,682,753</u>	<u>44,025,718</u>
Fund balance, end of year	<u>\$ 34,468,493</u>	<u>\$ 2,274,490</u>	<u>\$ 722,078</u>	<u>\$ 49,800</u>	<u>\$ 1,909,888</u>	<u>\$ 39,424,749</u>

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, 2009**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	(4,600,969)
<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	\$	1,470,319
Depreciation		<u>(5,781,852)</u>
Net adjustment		(4,311,533)
<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>		
		3,343,160
<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>		
		(132,469)
<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:		
General obligation school bonds	\$	(5,720,000)
Capital lease		(101,475)
Premium on debt:		
School bonds		(147,862)
Repayments:		
Lease revenue bonds		950,000
General obligation library bonds		173,533
General obligation school bonds		7,848,192
State Literary Fund loans		1,033,179
Intergovernmental loans		135,413
Capital leases		<u>35,816</u>
Net adjustment		4,206,796
<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	\$	143,455
Other post employment benefits		(1,596,000)
Amortization of debt premium		460,644
Amortization of advanced refunding defeasance costs		(52,871)
Amortization of bond issuance costs		(14,595)
Accrued interest on bonds and loans		<u>224,420</u>
Net adjustment		(834,947)
<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>		
		<u>823,580</u>
Change in net assets of governmental activities (Exhibit 2)	\$	<u>(1,506,382)</u>

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, 2009

	Business-Type Activities - Enterprise Fund	Governmental Activities
	Landfill Fund	Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	\$ 22,278,736	\$ 5,448,817
Restricted cash - landfill closure	11,353,331	-
Receivables, net	486,509	6,911
Total current assets	<u>\$ 34,118,576</u>	<u>\$ 5,455,728</u>
Noncurrent assets:		
Capital assets:		
Land and improvements	\$ 3,310,126	\$ -
Construction in progress	129,329	-
Other capital assets, net of accumulated depreciation	12,435,776	-
Total noncurrent assets	<u>\$ 15,875,231</u>	<u>\$ -</u>
Total assets	<u>\$ 49,993,807</u>	<u>\$ 5,455,728</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 408,822	\$ 57,964
Deferred revenue	3,113	6,911
Compensated absences, current portion	70,923	-
Claims payable	-	562,301
Total current liabilities	<u>\$ 482,858</u>	<u>\$ 627,176</u>
Long-term liabilities:		
Compensated absences, noncurrent portion	\$ 30,395	\$ -
Accrued landfill remediation costs	11,353,331	-
Total long-term liabilities	<u>\$ 11,383,726</u>	<u>\$ -</u>
Total liabilities	<u>\$ 11,866,584</u>	<u>\$ 627,176</u>
Net Assets:		
Invested in capital assets	\$ 15,875,231	\$ -
Unrestricted	22,251,992	4,828,552
Total net assets	<u>\$ 38,127,223</u>	<u>\$ 4,828,552</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, 2009

	Business-Type Activities - Enterprise Landfill Fund	Governmental Activities Internal Service Funds
Operating revenues:		
Charges for services, net	\$ 5,487,025	\$ 7,620,769
Miscellaneous	24,196	-
Total operating revenues	\$ 5,511,221	\$ 7,620,769
Operating expenses:		
Personal services	\$ 1,039,196	\$ -
Fringe benefits	441,075	6,241,229
Contractual services	1,039,266	-
Other charges	2,127,966	647,408
Depreciation	1,990,072	-
Total operating expenses	\$ 6,637,575	\$ 6,888,637
Operating income (loss)	\$ (1,126,354)	\$ 732,132
Nonoperating revenues:		
Investment earnings	571,354	91,448
Change in net assets	\$ (555,000)	\$ 823,580
Total net assets, beginning of year	38,682,223	4,004,972
Total net assets, end of year	\$ 38,127,223	\$ 4,828,552

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, 2009

	Business-Type Activities - Enterprise Landfill Fund	Governmental Activities Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 5,772,684	\$ -
Receipts from insured	-	6,991,295
Receipts from services	-	642,385
Other receipts	49,347	-
Payments to employees	(1,496,893)	-
Payments to suppliers	(2,996,097)	(6,908,790)
Other payments	-	(25,662)
Net cash provided (used) by operating activities	<u>\$ 1,329,041</u>	<u>\$ 699,228</u>
Cash flows from investing activities		
Investment earnings	<u>\$ 571,354</u>	<u>\$ 91,448</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	<u>\$ (648,638)</u>	<u>\$ -</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (648,638)</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,251,757	\$ 790,676
Cash and cash equivalents, beginning of year	<u>32,380,310</u>	<u>4,658,141</u>
Cash and cash equivalents, end of year	<u><u>\$ 33,632,067</u></u>	<u><u>\$ 5,448,817</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (1,126,354)	\$ 732,132
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	1,990,072	-
Loss on disposal of capital assets	25,151	-
Changes in assets and liabilities:		
Receivables	297,292	18,176
Accounts payable and accrued expenses	(73,268)	(61,828)
Deferred revenue	(11,633)	(5,265)
Claims payable	(16,622)	16,013
Increase in accrued landfill costs	<u>244,403</u>	<u>-</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,329,041</u></u>	<u><u>\$ 699,228</u></u>

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, 2009

	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 202,677	\$ 6,389,223
Receivables	-	180,081
Due from other governmental units	-	1,415,510
	<u> </u>	<u> </u>
Total assets	\$ 202,677	\$ 7,984,814
	<u> </u>	<u> </u>
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 1,264,997
Amounts held for others	-	6,719,817
	<u> </u>	<u> </u>
Total liabilities	\$ -	\$ 7,984,814
	<u> </u>	<u> </u>
Net Assets	\$ 202,677	\$ -
	<u> </u>	<u> </u>

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, 2009

		Private Purpose Trust Funds
		<u> </u>
Additions:		
Investment earnings	\$	(41,954)
Deductions:		
Education		<u>10,223</u>
Change in net assets	\$	(52,177)
Net assets, beginning of year, as restated		<u>254,854</u>
Net assets, end of year	\$	<u><u>202,677</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, 2009

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 cost 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, 2009 (Continued)

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, 2009 (Continued)

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 \$1,047,525 to the Library for fiscal 2009, 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2009 (Continued)

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

A. Financial Reporting Entity (Continued)

- 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 \$2,744,121 to the regional jail in fiscal 2009.
- 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 \$31,272 and capital grants of \$107,253 to the Authority in fiscal 2009.
- 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 2009.
- 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 \$416,029 for an operating grant to the Board in fiscal 2009.
- 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 \$351,350 in operating grants to the Center in fiscal 2009.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2009 (Continued)

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

A. Financial Reporting Entity (Continued)

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
- 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 2009. 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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2009 (Continued)

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

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

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 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2009 (Continued)

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

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

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 2009.

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:

- a. General Fund - The General Fund is the primary operating fund of the County and accounts for 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 the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds include the following funds:
 - Division of Court Services Fund - This fund accounts for 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 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.
 - Comprehensive Services Act Fund - This fund accounts for 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 the accumulation of resources for, and 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2009 (Continued)

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

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

d. Capital Projects Funds - Capital Projects Funds account for financial resources to be used 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.

-- Administration Building Renovation Fund - This fund accounts for the renovation and improvements of the County's administration building. Financing is provided by General Fund revenues.

-- Capital Projects Fund - This fund accounts for 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2009 (Continued)

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

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

- 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.

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 - This fund accounts for operations of the regional jail. The regional jail is self-supporting and the County acts as the jail fiscal agent.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2009 (Continued)

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

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

- 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.
- 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 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2009 (Continued)

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

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

~ Consolidated Maintenance Fund - This fund accounts for 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.

~ School Textbook Fund - This fund accounts for 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 Capital Projects Fund - This fund accounts for 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 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2009 (Continued)

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

C. Basis of Accounting (Continued)

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 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 reservations of fund balance and do not

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2009 (Continued)

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

D. Budgets and Budgetary Accounting (Continued)

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.

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, Consolidated Maintenance, School Cafeteria, School Textbook, School Debt Service, School Capital Projects Fund, 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 and Detox Center Capital Projects funds. However, appropriations were made for all funds that incurred expenditures during the year.

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, 2009, as adopted, appropriated and legally amended.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2009 (Continued)**

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

D. Budgets and Budgetary Accounting (Continued)

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% or \$500,000 limitations. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

E. Investments

Investments are reported at fair value.

F. 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 \$2,467,871 at June 30, 2009 and is comprised of the following:

General Fund--taxes receivable	\$ 1,043,972
General Fund--street light assessments receivable	14,899
Shawneeland District--taxes receivable	1,325,000
Enterprise Fund--Landfill Fund--accounts receivable	84,000
Total	<u>\$ 2,467,871</u>

G. 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.

H. 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, 2009 (Continued)

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

H. 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, 2009.

I. 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, 2009 (Continued)

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

J. 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.

K. Long-Term Obligations

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

L. 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.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

All cash of the primary government and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2009 (Continued)**

NOTE 2 - DEPOSITS AND INVESTMENTS: (Continued)

Custodial Credit Risk (Investments): (Continued)

The County's investments at June 30, 2009 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, 2009 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.

<u>Locality's Rated Debt Investments' Values</u>		
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>	
	<u>AAA</u>	<u>AAAm</u>
Local Government Investment Pool	\$ -	\$ 6,989,973
Virginia State Non-Arbitrage Fund	-	3,776,984
Money Market Mutual Fund	<u>12,040,212</u>	<u>2,495,251</u>
Total	<u>\$ 12,040,212</u>	<u>\$ 13,262,208</u>

Interest Rate Risk:

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

External Investment Pools:

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). 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.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2009 (Continued)**

NOTE 3 - PROPERTY TAXES: (Continued)

Property taxes for calendar year 2008 were levied by the County Board of Supervisors on April 9, 2008, on the assessed value listed as of January 1, 2008.

Property taxes for calendar year 2009 were levied by the County Board of Supervisors on April 8, 2009, on the assessed value listed as of January 1, 2009.

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.

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2009 consist of the following:

	Primary Government							
	Governmental Activities				Business- Type Activities	Component Units		
	General	Special Revenue	Internal Service	Total		School Board	Industrial Development Authority	Fiduciary Activities
Property taxes	\$ 4,975,983	\$2,103,720	\$ -	\$ 7,079,703	\$ -	\$ -	\$ -	\$ -
Business licenses	756,035	-	-	756,035	-	-	-	-
Airport funds	213,582	-	-	213,582	-	-	-	105,024
Utility taxes	269,563	-	-	269,563	-	-	-	-
Meals taxes	293,055	-	-	293,055	-	-	-	-
Lodging taxes	36,287	-	-	36,287	-	-	-	-
Landfill fees	-	-	-	-	570,509	-	-	-
Vehicle license tax	116,684	-	-	116,684	-	-	-	-
Prisoner fees	-	-	-	-	-	-	-	75,057
Interest	299,175	1,453	-	300,628	-	-	-	-
Street lights	14,899	-	-	14,899	-	-	-	-
Other	196,552	4,424	6,911	207,887	-	65,582	450	-
Total	\$ 7,171,815	\$2,109,597	\$ 6,911	\$ 9,288,323	\$570,509	\$ 65,582	\$ 450	\$180,081
Allowance for uncollectibles	(1,058,871)	(1,325,000)	-	(2,383,871)	(84,000)	-	-	-
Net receivables	\$ 6,112,944	\$ 784,597	\$ 6,911	\$ 6,904,452	\$486,509	\$ 65,582	\$ 450	\$180,081

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2009 (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
Commonwealth of Virginia:								
Local sales taxes	\$1,490,690	\$ -	\$ -	\$1,490,690	\$ -	\$ -	\$ -	\$ 27,571
Communication taxes	204,331	-	-	204,331	-	-	-	-
Comprehensive Services Act	-	223,577	-	223,577	-	-	-	-
Shared expenses and grants	318,735	-	-	318,735	-	-	-	-
PPTRA	6,215,370	-	-	6,215,370	-	-	-	-
Public assistance	139,997	-	-	139,997	-	-	-	-
State school funds	-	-	-	-	-	1,991,779	-	-
Federal pass-through school funds	-	-	-	-	-	1,228,693	-	-
Airport	-	-	-	-	-	-	-	290,709
Jail operations and costs	-	-	-	-	-	-	-	815,987
Development	390,898	-	-	390,898	-	-	-	-
Other	55,004	-	-	55,004	-	-	-	-
Federal government:								
Criminal justice	16,507	-	-	16,507	-	-	-	-
Airport	-	-	-	-	-	-	-	242,320
Public assistance	186,203	-	-	186,203	-	-	-	-
Prisoner fees	-	-	-	-	-	-	-	38,923
Total	\$9,017,735	\$223,577	\$ -	\$9,241,312	\$ -	\$3,220,472	\$ -	\$1,415,510

NOTE 6 - INTERFUND BALANCES AND ACTIVITY:

Primary Government:

Balances due to/from other funds at June 30, 2009:

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	\$ 12,924,295
Transfers to the Comprehensive Services fund from the General Fund for various welfare costs	980,502
Total transfers	\$ 13,904,797

Component Unit School Board:

Transfers from the School Operating Fund to the School Textbook Fund to provide funding for future textbook purchases

\$ 621,194

There were no interfund obligations in the component unit School Board.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2009 (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, 2009	<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, 2009.

Governmental Activities

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated:				
Land and land improvements	\$ 2,390,241	\$ 6,033	\$ -	\$ 2,396,274
Construction in progress	17,069,564	273,113	17,316,119	26,558
School construction in progress allocated to County *	<u>19,224,576</u>	<u>10,694,894</u>	<u>13,210,484</u>	<u>16,708,986</u>
Total capital assets not being depreciated	<u>\$ 38,684,381</u>	<u>\$ 10,974,040</u>	<u>\$ 30,526,603</u>	<u>\$ 19,131,818</u>
Other capital assets:				
Buildings and improvements	\$ 27,216,511	\$ 17,409,779	\$ 50,000	\$ 44,576,290
School buildings and improvements *	96,375,201	13,210,484	8,691,371	100,894,314
Furniture, equipment and vehicles	<u>9,429,391</u>	<u>1,105,861</u>	<u>884,031</u>	<u>9,651,221</u>
Total other capital assets	<u>\$ 133,021,103</u>	<u>\$ 31,726,124</u>	<u>\$ 9,625,402</u>	<u>\$ 155,121,825</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 7,095,838	\$ 1,146,284	\$ 50,000	\$ 8,192,122
School buildings and improvements *	13,708,139	3,705,644	1,339,637	16,074,146
Furniture, equipment and vehicles	<u>6,582,947</u>	<u>929,924</u>	<u>875,683</u>	<u>6,637,188</u>
Total accumulated depreciation	<u>\$ 27,386,924</u>	<u>\$ 5,781,852</u>	<u>\$ 2,265,320</u>	<u>\$ 30,903,456</u>
Other capital assets, net	<u>\$ 105,634,179</u>	<u>\$ 25,944,272</u>	<u>\$ 7,360,082</u>	<u>\$ 124,218,369</u>
Net capital assets	<u><u>\$ 144,318,560</u></u>	<u><u>\$ 36,918,312</u></u>	<u><u>\$ 37,886,685</u></u>	<u><u>\$ 143,350,187</u></u>
Depreciation expense was allocated as follows:				
General government administration		\$ 272,383		
Judicial administration		158,731		
Public safety		1,196,539		
Public works		55,358		
Health and welfare		15,579		
Education		3,705,644		
Parks, recreation and cultural		305,451		
Community development		<u>72,167</u>		
Total depreciation expense		<u><u>\$ 5,781,852</u></u>		

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2009 (Continued)**

NOTE 8 - CAPITAL ASSETS: (Continued)

Component Unit School Board

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated:				
Land and land improvements	\$ 7,658,875	\$ 650,651	\$ 23,450	\$ 8,286,076
Construction in progress	20,619,302	16,904,159	19,464,846	18,058,615
Construction in progress allocated to County *	(19,224,576)	(10,694,894)	(13,210,484)	(16,708,986)
Total capital assets not being depreciated	<u>\$ 9,053,601</u>	<u>\$ 6,859,916</u>	<u>\$ 6,277,812</u>	<u>\$ 9,635,705</u>
Other capital assets:				
Buildings and improvements	\$ 185,812,933	\$ 19,509,396	\$ -	\$ 205,322,329
School buildings and improvements allocated to County *	(96,375,201)	(13,210,484)	(8,691,371)	(100,894,314)
Furniture, equipment and vehicles	35,586,187	2,354,220	21,478	37,918,929
Total other capital assets	<u>\$ 125,023,919</u>	<u>\$ 8,653,132</u>	<u>\$ (8,669,893)</u>	<u>\$ 142,346,944</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 55,391,263	\$ 5,119,428	\$ -	\$ 60,510,691
School buildings and improvements allocated to County *	(13,708,139)	(3,705,644)	(1,339,637)	(16,074,146)
Furniture, equipment and vehicles	20,005,702	2,524,077	17,892	22,511,887
Total accumulated depreciation	<u>\$ 61,688,826</u>	<u>\$ 3,937,861</u>	<u>\$ (1,321,745)</u>	<u>\$ 66,948,432</u>
Other capital assets, net	<u>\$ 63,335,093</u>	<u>\$ 4,715,271</u>	<u>\$ (7,348,148)</u>	<u>\$ 75,398,512</u>
Net capital assets	<u>\$ 72,388,694</u>	<u>\$ 11,575,187</u>	<u>\$ (1,070,336)</u>	<u>\$ 85,034,217</u>
Depreciation expense allocated to education		<u>\$ 3,937,861</u>		

* 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	\$ 143,350,187
Long-term debt applicable to capital assets at June 30, 2009	153,293,860
Less: School bond proceeds received but not expended on capital assets at June 30, 2009	(5,522,196)
Net assets invested in capital assets, less related debt	<u>\$ (4,421,477)</u>

Business Type Activities

Landfill Operations

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated:				
Land and land improvements	\$ 3,310,126	\$ -	\$ -	\$ 3,310,126
Construction in progress	-	129,329	-	129,329
Total capital assets not being depreciated	<u>\$ 3,310,126</u>	<u>\$ 129,329</u>	<u>\$ -</u>	<u>\$ 3,439,455</u>
Other capital assets:				
Buildings and improvements	\$ 2,253,092	\$ -	\$ -	\$ 2,253,092
Landfill improvements	21,983,111	482,808	-	22,465,919
Furniture, equipment and vehicles	4,959,372	36,501	551,155	4,444,718
Total other capital assets	<u>\$ 29,195,575</u>	<u>\$ 519,309</u>	<u>\$ 551,155</u>	<u>\$ 29,163,729</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 444,937	\$ 111,655	\$ -	\$ 556,592
Landfill improvements	11,559,985	1,276,607	-	12,836,592
Furniture, equipment and vehicles	3,258,963	601,810	526,004	3,334,769
Total accumulated depreciation	<u>\$ 15,263,885</u>	<u>\$ 1,990,072</u>	<u>\$ 526,004</u>	<u>\$ 16,727,953</u>
Other capital assets, net	<u>\$ 13,931,690</u>	<u>\$ (1,470,763)</u>	<u>\$ 25,151</u>	<u>\$ 12,435,776</u>
Net capital assets	<u>\$ 17,241,816</u>	<u>\$ (1,341,434)</u>	<u>\$ 25,151</u>	<u>\$ 15,875,231</u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2009 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS:

General Fund revenues are used to pay all long-term general obligation debt and General Fund capital leases.

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2009.

	Amounts Payable July 1, 2008	Increases	Decreases	Amounts Payable June 30, 2009	Amounts Due Within One Year
Primary Government:					
Governmental activities:					
Lease revenue bonds payable	\$ 25,345,000	\$ -	\$ 950,000	\$ 24,395,000	\$ 980,000
County General obligation bonds:					
Library	3,512,523	-	173,533	3,338,990	183,015
School General obligation bonds:					
School	116,112,235	5,720,000	7,848,192	113,984,043	8,745,483
Add deferred amount for issuance premiums	4,364,307	147,862	460,644	4,051,525	474,004
Less deferred amount on refunding	(218,222)	-	(52,871)	(165,351)	(46,676)
Total School General obligation bonds	<u>\$ 120,258,320</u>	<u>\$ 5,867,862</u>	<u>\$ 8,255,965</u>	<u>\$ 117,870,217</u>	<u>\$ 9,172,811</u>
State Literary Fund loans:					
School	8,111,815	-	1,033,179	7,078,636	906,149
Intergovernmental loans	590,712	-	135,413	455,299	138,228
Claims	546,288	6,228,869	6,212,856	562,301	562,301
Capital leases	90,059	101,475	35,816	155,718	38,922
Other post employment benefits	1,596,000	1,725,000	129,000	3,192,000	1,596,000
Compensated absences	2,656,286	1,715,945	1,859,400	2,512,831	1,758,982
Total governmental activities	<u>\$ 162,707,003</u>	<u>\$ 15,639,151</u>	<u>\$ 18,785,162</u>	<u>\$ 159,560,992</u>	<u>\$ 15,336,408</u>
Reconciliation to Exhibit 1:					
Claims				\$ 562,301	
Long-term liabilities due within one year				14,774,107	
Long-term liabilities due in more than one year				144,224,584	
Total long-term debt				<u>\$ 159,560,992</u>	
	Amounts Payable July 1, 2008	Increases	Decreases	Amounts Payable June 30, 2009	Amounts Due Within One Year
Business-type activities:					
Compensated absences	\$ 117,940	\$ 71,964	\$ 88,586	\$ 101,318	\$ 70,923
Accrued landfill remediation costs	11,108,928	244,403	-	11,353,331	-
Total business-type activities	<u>\$ 11,226,868</u>	<u>\$ 316,367</u>	<u>\$ 88,586</u>	<u>\$ 11,454,649</u>	<u>\$ 70,923</u>
Reconciliation to Exhibit 1:					
Long-term liabilities due within one year				\$ 70,923	
Long-term liabilities due in more than one year				11,383,726	
Total long-term debt				<u>\$ 11,454,649</u>	

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2009 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

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

<u>Year Ending June 30,</u>	<u>Long-term Debt</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 10,952,875	\$ 7,061,468	\$ 38,922	\$ 6,293
2011	10,750,040	6,500,563	40,728	4,488
2012	10,149,587	5,987,535	42,622	2,594
2013	9,623,190	5,502,767	29,291	799
2014	9,392,662	5,041,037	4,155	54
2015-2019	42,861,085	18,665,789	-	-
2020-2024	33,172,529	9,157,753	-	-
2025-2029	14,475,000	3,443,472	-	-
2030-2034	5,360,000	1,384,625	-	-
2035-2038	2,515,000	180,500	-	-
Total	<u>\$ 149,251,968</u>	<u>\$ 62,925,509</u>	<u>\$ 155,718</u>	<u>\$ 14,228</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	\$ 3,775,000
\$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	20,620,000

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>3,338,990</u>
Total lease revenue and general obligation bonds	<u>\$ 27,733,990</u>

General Obligation School Bonds:

\$2,010,000 School Bonds, 1990, issued September 1990, maturing in various annual installments of \$75,000 to \$120,000 through December 2010, interest at various rates	\$ 240,000
\$5,350,000 School Bonds, 1993, issued April 1993, maturing in various installments of \$105,000 to \$280,000 through December 2010, interest at various rates	565,000
\$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%	142,161

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2009 (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness: (continued)

Governmental: (continued)

Amount
Outstanding

General Obligation School Bonds: (continued)

\$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%	570,000
\$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%	880,000
\$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%	1,625,000
\$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	1,295,000
\$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%	480,000
\$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%	585,000
\$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%	1,600,000
\$4,650,000 School Bonds, issued April 1999, maturing in annual installments of \$236,000 to \$448,000 through January 2020, interest at 5%	2,535,000
\$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%	2,255,000
\$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%	10,920,000
\$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%	3,980,000
\$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%	5,865,000
\$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%	2,310,000
\$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%	2,721,882
\$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%	9,480,000
\$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%	4,480,000
\$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%	6,860,000
\$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%	6,830,000

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2009 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness: (continued)	Amount Outstanding
Governmental: (continued)	
<u>General Obligation School Bonds:</u> (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%	5,095,000
\$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%	4,830,000
\$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%	5,670,000
\$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%	5,240,000
\$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%	4,150,000
\$3,800,000 School Bonds, issued November 4, 2007, maturing in annual installments of \$190,000 through July 15, 2027, interest at 5.10%	3,610,000
\$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%	13,450,000
\$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%	<u>5,720,000</u>
Total School Bonds	<u>\$113,984,043</u>
<u>State Literary Fund Loans:</u>	
\$1,839,424, issued April 6, 1989, due in annual installments of \$92,000 through October 1, 2010, interest at 4%	\$ 183,424
\$5,000,000, issued May 30, 1997, due in annual installments of \$250,000 through July 1, 2017, interest at 3%	2,000,000
\$1,500,052, issued May 30, 1997, due in annual installments of \$75,002 through July 1, 2017, interest at 3%	600,028
\$2,142,948, issued May 30, 1997, due in annual installments of \$107,147 through July 1, 2017, interest at 3%	857,184
\$3,000,000, issued September 2, 1997, due in annual installments of \$150,000 through September 2, 2017, interest at 3%	1,350,000
\$4,640,000, issued September 2, 1997, due in annual installments of \$232,000 through September 2, 2017, interest at 3%	<u>2,088,000</u>
Total State Literary Fund Loans	<u>\$ 7,078,636</u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2009 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness: (continued)	Amount Outstanding
Governmental: (continued)	
<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>\$ 455,299</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, 2009 is	<u>\$ 155,718</u>
Claims	<u>\$ 562,301</u>
Other post employment benefits	<u>\$ 3,192,000</u>
Compensated absences	<u>\$ 2,512,831</u>
Total governmental long-term obligations	<u>\$ 155,674,818</u>
Add deferred amount for issuance premiums	4,051,525
Less deferred amount on refunding	<u>(165,351)</u>
Net governmental long-term obligations	<u><u>\$ 159,560,992</u></u>
Business-type:	
Compensated absences	<u>\$ 101,318</u>
Accrued landfill remediation costs	<u>\$ 11,353,331</u>
Total business-type long-term obligations	<u><u>\$ 11,454,649</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, 2009, \$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, 2009 (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, 2009.

	Amounts Payable July 1, 2008	Increases	Decreases	Amounts Payable June 30, 2009	Amounts Due Within One Year
Claims	\$ 890,151	\$ 12,691,412	\$12,568,412	\$ 1,013,151	\$ 1,013,151
Other post employment benefits	210,000	950,000	747,000	413,000	413,000
Compensated absences	1,614,556	915,068	736,312	1,793,312	817,833
Compensated absences	<u>\$ 2,714,707</u>	<u>\$ 14,556,480</u>	<u>\$14,051,724</u>	<u>\$ 3,219,463</u>	<u>\$ 2,243,984</u>
Reconciliation to Exhibit 1:					
Claims				\$ 1,013,151	
Long-term liabilities due within one year				1,230,833	
Long-term liabilities due in more than one year				<u>975,479</u>	
Total long-term debt				<u>\$ 3,219,463</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 employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. 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.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2009 (Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLAN: (Continued)

A. Plan Description: (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2008AnnuRept.pdf> or obtained 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 annual salary to the VRS. This 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 2009 were 10.08% and 7.67% of annual covered payroll, respectively.

The School Board’s contributions for professional employees were \$6,623,544, \$7,434,576 and \$6,238,139, to the teacher cost-sharing pool for the fiscal years ended June 30, 2009, 2008 and 2007, respectively and these contributions represented 8.81%, 10.30% and 9.20%, respectively, of current covered payroll.

C. Annual Pension Cost:

For fiscal year 2009, the County’s annual pension cost of \$3,314,841 (does not include the employee share assumed by the County which was \$1,644,266) was equal to the County’s required and actual contributions.

For fiscal year 2009, the County School Board’s annual pension cost for the Board’s non-professional employees was \$572,287 (does not include the employee share assumed by the Board which was \$373,069) 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, 2009	\$ 3,314,841	100%	\$ -
June 30, 2008	3,196,177	100%	-
June 30, 2007	2,703,381	100%	-
School Board Non-Professional:			
June 30, 2009	\$ 572,287	100%	\$ -
June 30, 2008	510,779	100%	-
June 30, 2007	482,758	100%	-

(1) Employer portion only

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2009 (Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLAN: (Continued)

C. Annual Pension Cost: (Continued)

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 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 the County 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, 2007 was 20 years.

D. Funded Status and Funding Progress:

As of June 30, 2008, the most recent actuarial valuation date, the County's plan was 83.02% funded. The actuarial accrued liability for benefits was \$78,582,265, and the actuarial value of assets was \$65,239,903, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,342,362. The covered payroll (annual payroll of active employees covered by the plan) was \$31,695,052, and ratio of the UAAL to the covered payroll was 42.10%.

As of June 30, 2008, the most recent actuarial valuation date, the County School Board's plan was 97.09% funded. The actuarial accrued liability for benefits was \$13,476,040, and the actuarial value of assets was \$13,084,382, resulting in an unfunded actuarial accrued liability (UAAL) of \$391,658. The covered payroll (annual payroll of active employees covered by the plan) was \$7,305,379, and ratio of the UAAL to the covered payroll was 5.36%.

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:

There were no excess of expenditures over appropriations in any of the County or School Board funds for the year ended June 30, 2009.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2009 (Continued)**

NOTE 12 - DEFERRED REVENUE:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
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.	\$ -	\$ 756,035
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.	-	3,707,340
Deferred revenue from central stores internal service fund	6,911	-
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	<u>2,036,197</u>	<u>2,036,197</u>
Total governmental activities	<u>\$ 2,043,108</u>	<u>\$ 6,499,572</u>
	<u>Government-wide Statements</u>	<u>Statement of Net Assets</u>
	<u>Business-type Activities</u>	<u>Enterprise Funds</u>
Deferred revenue from landfill operations	<u>\$ 3,113</u>	<u>\$ 3,113</u>
Total primary government	<u>\$ 2,046,221</u>	<u>\$ 6,502,685</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, 2009 (Continued)**

NOTE 13 - COMMITMENTS AND CONTINGENCIES: (Continued)

The County and School Board have authorized and/or commenced construction on various capital projects. At June 30, 2009 the following significant items were in process:

Component Unit School Board:

- 12th Elementary School - estimated completion cost is \$1,119,889.
- Gainsboro Elementary School - estimated completion cost is \$79,153.

NOTE 14 - LITIGATION:

At June 30, 2009 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 duty 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, 2009 (Continued)**

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 2007, 2008 and 2009 are listed as follows:

<u>Funds</u>	<u>Estimated Claims Liability Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Estimated Claims Liability End of Fiscal Year</u>
Primary Government:				
Insurance Internal Service Fund				
2007	\$ 313,128	\$ 4,957,730	\$ 4,895,051	\$ 375,807
2008	375,807	5,434,452	5,263,971	546,288
2009	546,288	6,228,869	6,212,856	562,301
Component Unit School Board:				
School Operating and Health Insurance Funds				
2007	\$ 890,533	\$10,520,198	\$ 10,604,798	\$ 805,933
2008	805,933	11,379,976	11,295,758	890,151
2009	890,151	12,691,412	12,568,412	1,013,151

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, 2009 (Continued)

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 \$11,353,331 reported as landfill closure and postclosure care liability at June 30, 2009 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 \$11,353,331 reported as the accrued landfill liability and postclosure costs reflects usage on the new landfill from October 5, 1993 to June 30, 2009. 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 2009. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

At June 30, 2009, 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 remaining to be recognized at June 30, 2009 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, 2009 (Continued)**

NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS PROGRAM:

County:

A. Plan Description:

In addition to the pension benefits described in Note 10, the County 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	\$ 1,725,000
Interest on net OPEB obligation	63,840
Adjustment to annual required contribution	<u>(55,034)</u>
Annual OPEB cost (expense)	\$ 1,733,806
Contribution made	<u>137,806</u>
Increase in net OPEB obligation	\$ 1,596,000
Net OPEB obligation - beginning of year	<u>1,596,000</u>
Net OPEB obligation - end of year	<u><u>\$ 3,192,000</u></u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2009 (Continued)**

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 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 1,725,000	7%	\$ 3,192,000
June 30, 2008	\$ 1,725,000	7%	\$ 1,596,000

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009 is as follows:

Actuarial accrued liability (AAL)	\$ 17,272,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	17,272,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

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, 2009 (Continued)**

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

In the July 1, 2007, 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 an open basis. The remaining amortization period at July 1, 2007 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) 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, 2009 (Continued)**

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	\$ 950,000
Interest on net OPEB obligation	8,000
Adjustment to annual required contribution	<u>(8,000)</u>
Annual OPEB cost (expense)	\$ 950,000
Contribution made	<u>747,000</u>
Increase in net OPEB obligation	\$ 203,000
Net OPEB obligation - beginning of year	<u>210,000</u>
Net OPEB obligation - end of year	<u><u>\$ 413,000</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 2009 are as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual OPEB Cost Contributed	Net Pension Obligation
June 30, 2009	\$ 950,000	79%	\$ 413,000
June 30, 2008	\$ 910,000	77%	\$ 210,000

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009 is as follows:

Actuarial accrued liability (AAL)	\$ 9,267,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	9,267,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2009 (Continued)

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 July 1, 2007, 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 an open basis. The remaining amortization period at July 1, 2007 was thirty years.

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

- Required Supplementary Information -

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 79,935,000	\$ 80,085,000	\$ 68,696,787	\$ (11,388,213)
Other local taxes	29,402,112	25,602,112	25,106,462	(495,650)
Permits, privilege fees and regulatory licenses	1,819,165	1,819,165	1,308,407	(510,758)
Fines and forfeitures	299,033	299,033	526,081	227,048
Use of money and property	1,073,962	873,962	913,216	39,254
Charges for services	2,508,711	2,516,178	2,220,436	(295,742)
Miscellaneous	429,571	465,852	371,456	(94,396)
Recovered costs	1,727,497	2,778,441	2,530,437	(248,004)
Intergovernmental:				
Appropriation from the School Board	-	-	75,199	75,199
Revenue from the Commonwealth	9,166,289	6,883,789	19,083,430	12,199,641
Revenue from the Federal Government	46,000	2,943,919	3,495,637	551,718
Total revenues	\$ 126,407,340	\$ 124,267,451	\$ 124,327,548	\$ 60,097
Expenditures				
Current:				
General Government Administration:				
Board of supervisors	\$ 261,357	\$ 281,098	\$ 263,125	\$ 17,973
County administrator	543,944	563,253	552,961	10,292
County attorney	189,388	201,581	195,287	6,294
Personnel	410,324	453,421	405,085	48,336
Independent auditor	57,000	61,500	62,500	(1,000)
Commissioner of the Revenue	1,183,129	1,219,423	1,187,173	32,250
Board of assessors	270,812	271,468	239,551	31,917
Treasurer	1,177,872	1,196,755	1,102,402	94,353
Finance	658,893	681,989	648,463	33,526
Information technology	1,198,858	1,334,120	1,142,517	191,603
Other	876,167	1,742,722	1,221,418	521,304
Elections	79,533	111,253	110,124	1,129
Registrar	152,755	150,319	146,338	3,981
Total general government administration	\$ 7,060,032	\$ 8,268,902	\$ 7,276,944	\$ 991,958
Judicial Administration:				
Circuit court	\$ 48,300	\$ 48,300	\$ 54,828	\$ (6,528)
General district court	10,847	24,602	7,860	16,742
Juvenile and domestic relations court	16,350	15,050	8,529	6,521
Clerk of the circuit court	872,426	960,036	652,914	307,122
Law library	7,200	7,200	6,583	617
Detox center	48,100	48,100	48,100	-
Juvenile court probation	184,206	172,408	160,526	11,882

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures (Continued)				
Judicial Administration: (Continued)				
Commonwealth attorney	\$ 1,241,801	\$ 1,267,337	\$ 1,130,034	\$ 137,303
Victim/witness program	125,615	125,263	107,674	17,589
Total judicial administration	<u>\$ 2,554,845</u>	<u>\$ 2,668,296</u>	<u>\$ 2,177,048</u>	<u>\$ 491,248</u>
Public Safety:				
Sheriff	\$ 10,276,611	\$ 11,851,961	\$ 10,850,292	\$ 1,001,669
Volunteer fire departments	888,354	959,287	848,922	110,365
Ambulance and rescue service	450,188	442,688	450,652	(7,964)
Fire and rescue	6,284,898	6,278,995	6,072,561	206,434
Regional jail	2,789,621	2,744,121	2,744,121	-
Juvenile detention center	390,460	385,015	351,350	33,665
Inspections	1,457,728	1,368,860	1,301,274	67,586
Public safety communications	1,330,408	1,277,817	1,103,535	174,282
Total public safety	<u>\$ 23,868,268</u>	<u>\$ 25,308,744</u>	<u>\$ 23,722,707</u>	<u>\$ 1,586,037</u>
Public Works:				
Road administration, street lights	\$ 60,815	\$ 55,815	\$ 49,078	\$ 6,737
General engineering and administration	503,312	468,725	454,367	14,358
Refuse collection	1,304,139	1,506,019	1,338,811	167,208
Refuse disposal	830,304	415,304	371,531	43,773
Litter control	15,120	14,390	5,518	8,872
General properties	1,701,942	1,806,165	1,490,737	315,428
Animal shelter	510,905	515,152	449,367	65,785
Total public works	<u>\$ 4,926,537</u>	<u>\$ 4,781,570</u>	<u>\$ 4,159,409</u>	<u>\$ 622,161</u>
Health and Welfare:				
Health department	\$ 347,456	\$ 347,456	\$ 323,639	\$ 23,817
Northwestern Community Services Board	416,029	416,029	416,029	-
Welfare and social services	6,176,809	6,117,940	5,724,669	393,271
Tax relief for the elderly	480,000	480,000	450,174	29,826
Area Agency on Aging	79,647	79,647	79,647	-
Total health and welfare	<u>\$ 7,499,941</u>	<u>\$ 7,441,072</u>	<u>\$ 6,994,158</u>	<u>\$ 446,914</u>
Education:				
Community college	\$ 73,847	\$ 73,847	\$ 73,847	\$ -
Appropriation to public school system	63,933,177	69,396,945	65,201,522	4,195,423
Total education	<u>\$ 64,007,024</u>	<u>\$ 69,470,792</u>	<u>\$ 65,275,369</u>	<u>\$ 4,195,423</u>

COUNTY OF FREDERICK, VIRGINIA

**Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures (Continued)				
Parks, recreation and cultural:				
Parks and recreation	\$ 4,575,495	\$ 4,698,542	\$ 4,285,269	\$ 413,273
Regional library	1,047,525	1,047,525	1,047,525	-
Total parks, recreation and cultural	<u>\$ 5,623,020</u>	<u>\$ 5,746,067</u>	<u>\$ 5,332,794</u>	<u>\$ 413,273</u>
Community Development:				
Planning and community development	\$ 1,175,740	\$ 1,529,787	\$ 1,389,626	\$ 140,161
Economic Development Commission	556,858	819,219	610,446	208,773
Zoning board	6,820	6,320	-	6,320
Building appeals board	550	550	18	532
NSV Regional Commission	31,065	31,065	31,065	-
Gypsy moth suppression	346,438	241,178	61,555	179,623
Soil and Water Conservation District	334,606	337,556	238,014	99,542
Cooperative extension program	195,871	208,553	191,523	17,030
Total community development	<u>\$ 2,647,948</u>	<u>\$ 3,174,228</u>	<u>\$ 2,522,247</u>	<u>\$ 651,981</u>
Debt Service:				
Principal	\$ -	\$ 1,258,946	\$ 1,258,946	\$ -
Interest and fiscal charges	-	1,445,765	1,330,142	115,623
Total debt service	<u>\$ -</u>	<u>\$ 2,704,711</u>	<u>\$ 2,589,088</u>	<u>\$ 115,623</u>
Total expenditures	<u>\$ 118,187,615</u>	<u>\$ 129,564,382</u>	<u>\$ 120,049,764</u>	<u>\$ 9,514,618</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 8,219,725</u>	<u>\$ (5,296,931)</u>	<u>\$ 4,277,784</u>	<u>\$ 9,574,715</u>
Other Financing Sources (Uses)				
Long-term debt issued	\$ -	\$ 6,925,277	\$ 5,720,000	\$ (1,205,277)
Bond premium	-	-	147,862	147,862
Capital lease issuance	-	-	101,475	101,475
Transfers out	\$ (16,918,725)	\$ (14,361,490)	\$ (13,904,797)	\$ 456,693
Total other financing sources (uses)	<u>\$ (16,918,725)</u>	<u>\$ (7,436,213)</u>	<u>\$ (7,935,460)</u>	<u>\$ (499,247)</u>
Net change in fund balance	\$ (8,699,000)	\$ (12,733,144)	\$ (3,657,676)	\$ 9,075,468
Fund balance, beginning of year	<u>8,699,000</u>	<u>12,733,144</u>	<u>38,126,169</u>	<u>25,393,025</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 34,468,493</u></u>	<u><u>\$ 34,468,493</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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 626,850	\$ 626,850	\$ 551,769	\$ (75,081)
Use of money and property	60,000	60,000	50,550	(9,450)
Miscellaneous	-	-	171	171
Recovered costs	1,214	1,214	4,613	3,399
Total revenues	<u>\$ 688,064</u>	<u>\$ 688,064</u>	<u>\$ 607,103</u>	<u>\$ (80,961)</u>
Expenditures				
Current:				
Community Development:				
Community development	\$ 1,020,538	\$ 1,880,104	\$ 1,344,716	\$ 535,388
Net change in fund balance	\$ (332,474)	\$ (1,192,040)	\$ (737,613)	\$ 454,427
Fund balance, beginning of year	<u>332,474</u>	<u>1,192,040</u>	<u>3,012,103</u>	<u>1,820,063</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,274,490</u></u>	<u><u>\$ 2,274,490</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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2008	\$ 65,239,903	\$ 78,582,265	\$ 13,342,362	83.02%	\$ 31,695,052	42.10%
6/30/2007	56,217,980	67,544,836	11,326,856	83.23%	29,281,543	38.68%
6/30/2006	47,537,682	57,816,812	10,279,130	82.22%	25,614,884	40.13%

Discretely Presented Component Unit - School Board

School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2008	\$ 13,084,382	\$ 13,476,040	\$ 391,658	97.09%	\$ 7,305,379	5.36%
6/30/2007	11,271,711	12,209,150	937,439	92.32%	6,939,083	13.51%
6/30/2006	9,668,941	10,554,457	885,516	91.61%	6,112,456	14.49%

OTHER POST-EMPLOYMENT BENEFITS

County

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2007	\$ -	\$ 17,272,000	\$ 17,272,000	0.00%	\$ N/A	N/A

Discretely Presented Component Unit - School Board

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(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, 2009

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,071,296	\$ 733,854	\$ 1,805,150
Accounts receivable	4,424	-	4,424
Due from other governments	<u>223,577</u>	<u>-</u>	<u>223,577</u>
Total assets	<u>\$ 1,299,297</u>	<u>\$ 733,854</u>	<u>\$ 2,033,151</u>
Liabilities			
A/P and accrued liabilities	<u>\$ 123,263</u>	<u>\$ -</u>	<u>\$ 123,263</u>
Total liabilities	<u>\$ 123,263</u>	<u>\$ -</u>	<u>\$ 123,263</u>
Fund Balance			
Unreserved:			
Designated:			
Subsequent year's expenditures	\$ 1,176,034	\$ -	\$ 1,176,034
Capital projects	<u>-</u>	<u>733,854</u>	<u>733,854</u>
Total fund balance	<u>\$ 1,176,034</u>	<u>\$ 733,854</u>	<u>\$ 1,909,888</u>
Total liabilities and fund balance	<u>\$ 1,299,297</u>	<u>\$ 733,854</u>	<u>\$ 2,033,151</u>

COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2009**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues			
Use of money and property	\$ 18,247	\$ 848	\$ 19,095
Charges for services	679,569	-	679,569
Miscellaneous	30,150	-	30,150
Recovered costs	334,133	-	334,133
Intergovernmental:			
Revenue from the Commonwealth	<u>1,139,513</u>	-	<u>1,139,513</u>
Total revenues	<u>\$ 2,201,612</u>	<u>\$ 848</u>	<u>\$ 2,202,460</u>
Expenditures			
Current:			
Judicial administration	\$ 1,349,924	\$ -	\$ 1,349,924
Health and welfare	1,605,401	-	1,605,401
Capital projects	<u>-</u>	<u>502</u>	<u>502</u>
Total expenditures	<u>\$ 2,955,325</u>	<u>\$ 502</u>	<u>\$ 2,955,827</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (753,713)</u>	<u>\$ 346</u>	<u>\$ (753,367)</u>
Other financing sources (uses)			
Transfers in	<u>\$ 980,502</u>	<u>\$ -</u>	<u>\$ 980,502</u>
Total other financing sources (uses)	<u>\$ 980,502</u>	<u>\$ -</u>	<u>\$ 980,502</u>
Net change in fund balance	\$ 226,789	\$ 346	\$ 227,135
Fund balance, beginning of year	<u>949,245</u>	<u>733,508</u>	<u>1,682,753</u>
Fund balance, end of year	<u><u>\$ 1,176,034</u></u>	<u><u>\$ 733,854</u></u>	<u><u>\$ 1,909,888</u></u>

COUNTY OF FREDERICK, VIRGINIA

Combining Balance Sheet
Nonmajor Special Revenue Funds
At June 30, 2009

	Division of Court Services Fund	Comprehensive Services Act Fund	Total
Assets			
Cash and cash equivalents	\$ 741,602	\$ 329,694	\$ 1,071,296
Receivables	2,850	1,574	4,424
Due from other governments	-	223,577	223,577
Total assets	<u>\$ 744,452</u>	<u>\$ 554,845</u>	<u>\$ 1,299,297</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 19,781	\$ 103,482	\$ 123,263
Total liabilities	<u>\$ 19,781</u>	<u>\$ 103,482</u>	<u>\$ 123,263</u>
Fund Balance			
Unreserved			
Designated:			
Subsequent year's expenditures	\$ 724,671	\$ 451,363	\$ 1,176,034
Total fund balance	<u>\$ 724,671</u>	<u>\$ 451,363</u>	<u>\$ 1,176,034</u>
Total liabilities and fund balance	<u>\$ 744,452</u>	<u>\$ 554,845</u>	<u>\$ 1,299,297</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2009

	Division of Court Services Fund	Comprehensive Services Act Fund	Total
Revenues			
Use of money and property	\$ 18,247	\$ -	\$ 18,247
Charges for services	679,569	-	679,569
Miscellaneous	-	30,150	30,150
Recovered costs	334,133	-	334,133
Intergovernmental:			
Revenue from the Commonwealth	287,893	851,620	1,139,513
Total revenues	\$ 1,319,842	\$ 881,770	\$ 2,201,612
Expenditures			
Current:			
Judicial administration	\$ 1,349,924	\$ -	\$ 1,349,924
Health and welfare	-	1,605,401	1,605,401
Total expenditures	\$ 1,349,924	\$ 1,605,401	\$ 2,955,325
Excess (deficiency) of revenues over expenditures	\$ (30,082)	\$ (723,631)	\$ (753,713)
Other financing sources (uses)			
Transfers in	\$ -	\$ 980,502	\$ 980,502
Total other financing sources (uses)	\$ -	\$ 980,502	\$ 980,502
Net change in fund balance	\$ (30,082)	\$ 256,871	\$ 226,789
Fund balance, beginning of year	754,753	194,492	949,245
Fund balance, end of year	\$ 724,671	\$ 451,363	\$ 1,176,034

COUNTY OF FREDERICK, VIRGINIA

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 At June 30, 2009

	Detox Center Construction Fund	Administration Building Renovation Fund	Total
Assets			
Cash and cash equivalents	\$ 46,974	\$ 686,880	\$ 733,854
Liabilities			
A/P and accrued liabilities	\$ -	\$ -	\$ -
Fund Balance			
Unreserved:			
Designated:			
Capital projects	\$ 46,974	\$ 686,880	\$ 733,854
Total fund balance	\$ 46,974	\$ 686,880	\$ 733,854
Total	\$ 46,974	\$ 686,880	\$ 733,854

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year Ended June 30, 2009

	Detox Center Construction Fund	Administration Building Renovation Fund	Total
Revenues			
Use of money and property	\$ 848	\$ -	\$ 848
Expenditures			
Capital projects	\$ -	\$ 502	\$ 502
Excess (deficiency) of revenues over expenditures	\$ 848	\$ (502)	\$ 346
Net change in fund balance	\$ 848	\$ (502)	\$ 346
Fund balance, beginning of year	46,126	687,382	733,508
Fund balance, end of year	\$ 46,974	\$ 686,880	\$ 733,854

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Net Assets
Internal Service Funds
At June 30, 2009

	<u>Health Insurance Fund</u>	<u>Central Stores Fund</u>	<u>Unemploy- ment Fund</u>	<u>Volunteer Fire and Rescue Fund</u>	<u>Maintenance Insurance Fund</u>	<u>Total Internal Service Funds</u>
Assets						
Current assets:						
Cash and cash equivalents	\$ 5,032,208	\$ 179,010	\$ 25,311	\$ 56,545	\$ 155,743	\$ 5,448,817
Accounts receivable	-	6,911	-	-	-	6,911
Total current assets	<u>\$ 5,032,208</u>	<u>\$ 185,921</u>	<u>\$ 25,311</u>	<u>\$ 56,545</u>	<u>\$ 155,743</u>	<u>\$ 5,455,728</u>
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	\$ 3,548	\$ 46,539	\$ 4,094	\$ -	\$ 3,783	\$ 57,964
Deferred revenue	-	6,911	-	-	-	6,911
Claims payable	562,301	-	-	-	-	562,301
Total current liabilities	<u>\$ 565,849</u>	<u>\$ 53,450</u>	<u>\$ 4,094</u>	<u>\$ -</u>	<u>\$ 3,783</u>	<u>\$ 627,176</u>
Net Assets						
Unrestricted	<u>\$ 4,466,359</u>	<u>\$ 132,471</u>	<u>\$ 21,217</u>	<u>\$ 56,545</u>	<u>\$ 151,960</u>	<u>\$ 4,828,552</u>
Total net assets	<u>\$ 4,466,359</u>	<u>\$ 132,471</u>	<u>\$ 21,217</u>	<u>\$ 56,545</u>	<u>\$ 151,960</u>	<u>\$ 4,828,552</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Internal Service Funds

Year Ended June 30, 2009

	<u>Health Insurance Fund</u>	<u>Central Stores Fund</u>	<u>Unemploy- ment Fund</u>	<u>Volunteer Fire and Rescue Fund</u>	<u>Maintenance Insurance Fund</u>	<u>Total Internal Service Funds</u>
Operating revenues						
Charges for services	\$ 6,949,134	\$ 629,474	\$ -	\$ -	\$ 42,161	\$ 7,620,769
Operating Expenses						
Benefits and related expenses	\$ 6,149,096	\$ -	\$ 22,563	\$ 69,570	\$ -	\$ 6,241,229
Services and supplies	-	628,227	-	-	19,181	647,408
Total operating expenses	\$ 6,149,096	\$ 628,227	\$ 22,563	\$ 69,570	\$ 19,181	\$ 6,888,637
Operating income (loss)	\$ 800,038	\$ 1,247	\$ (22,563)	\$ (69,570)	\$ 22,980	\$ 732,132
Nonoperating revenues						
Investment earnings	85,712	2,883	621	-	2,232	91,448
Change in net assets	\$ 885,750	\$ 4,130	\$ (21,942)	\$ (69,570)	\$ 25,212	\$ 823,580
Net assets, beginning of year	3,580,609	128,341	43,159	126,115	126,748	4,004,972
Net assets, end of year	\$ 4,466,359	\$ 132,471	\$ 21,217	\$ 56,545	\$ 151,960	\$ 4,828,552

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2009

	Health Insurance Fund	Central Stores Fund	Unemploy- ment Fund	Volunteer Fire and Rescue Fund	Maintenance Insurance Fund	Total Internal Service Funds
Cash flows from operating activities						
Receipts from insured	\$ 6,949,134	\$ -	\$ -	\$ -	\$ 42,161	\$ 6,991,295
Receipts from services	-	642,385	-	-	-	642,385
Payments to suppliers	(6,130,207)	(691,846)	-	(69,570)	(17,167)	(6,908,790)
Other payments	-	-	(25,662)	-	-	(25,662)
Net cash provided (used) by operating activities	<u>\$ 818,927</u>	<u>\$ (49,461)</u>	<u>\$ (25,662)</u>	<u>\$ (69,570)</u>	<u>\$ 24,994</u>	<u>\$ 699,228</u>
Cash flows from investing activities						
Investment earnings	<u>\$ 85,712</u>	<u>\$ 2,883</u>	<u>\$ 621</u>	<u>\$ -</u>	<u>\$ 2,232</u>	<u>\$ 91,448</u>
Net increase (decrease) in cash and cash equivalents	\$ 904,639	\$ (46,578)	\$ (25,041)	\$ (69,570)	\$ 27,226	\$ 790,676
Balances, beginning of year	<u>4,127,569</u>	<u>225,588</u>	<u>50,352</u>	<u>126,115</u>	<u>128,517</u>	<u>4,658,141</u>
Balances, end of year	<u>\$ 5,032,208</u>	<u>\$ 179,010</u>	<u>\$ 25,311</u>	<u>\$ 56,545</u>	<u>\$ 155,743</u>	<u>\$ 5,448,817</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 800,038	\$ 1,247	\$ (22,563)	\$ (69,570)	\$ 22,980	\$ 732,132
Change in assets and liabilities:						
Receivables, net	-	18,176	-	-	-	18,176
Accounts payable	2,876	(63,619)	(3,099)	-	2,014	(61,828)
Deferred revenue	-	(5,265)	-	-	-	(5,265)
Claims payable	16,013	-	-	-	-	16,013
Net cash provided (used) by operating activities	<u>\$ 818,927</u>	<u>\$ (49,461)</u>	<u>\$ (25,662)</u>	<u>\$ (69,570)</u>	<u>\$ 24,994</u>	<u>\$ 699,228</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Fiduciary Net Assets
 Private Purpose Trust Funds
 At June 30, 2009

Private Purpose Trust Funds					
	Laura Bates	Harriet Sides	Olin Larrick	Armstrong	
	Trust	Trust	Trust	Foundation	
	Fund	Fund	Fund	Scholarship	Total
	Fund	Fund	Fund	Fund	Fund
Assets					
Cash and cash equivalents	\$ 12,342	\$ 9,381	\$ 2,104	\$ 178,850	\$ 202,677
Total assets	<u>\$ 12,342</u>	<u>\$ 9,381</u>	<u>\$ 2,104</u>	<u>\$ 178,850</u>	<u>\$ 202,677</u>
Net Assets	<u>\$ 12,342</u>	<u>\$ 9,381</u>	<u>\$ 2,104</u>	<u>\$ 178,850</u>	<u>\$ 202,677</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
Year Ended June 30, 2009

	Laura Bates Trust Fund	Harriet Sides Trust Fund	Olin Larrick Trust Fund	Armstrong Foundation Scholarship Trust Fund	Total
Additions:					
Investment earnings	\$ 223	\$ 173	\$ 38	\$ (42,388)	\$ (41,954)
Deductions:					
Education	-	173	-	10,050	10,223
Change in net assets	\$ 223	\$ -	\$ 38	\$ (52,438)	\$ (52,177)
Net assets, beginning of year, as restated	<u>12,119</u>	<u>9,381</u>	<u>2,066</u>	<u>231,288</u>	<u>254,854</u>
Net assets, end of year	<u>\$ 12,342</u>	<u>\$ 9,381</u>	<u>\$ 2,104</u>	<u>\$ 178,850</u>	<u>\$ 202,677</u>

COUNTY OF FREDERICK, VIRGINIA

Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2009

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 168,239	\$ 25,130	\$ 46,836	\$ 146,533
Liabilities:				
Amounts held for others	\$ 168,239	\$ 25,130	\$ 46,836	\$ 146,533
Northwestern Regional Jail Authority Fund:				
Assets:				
Cash and cash equivalents	\$ 5,381,222	\$ 17,500,600	\$ 18,195,513	\$ 4,686,309
Receivables	381,038	75,057	381,038	75,057
Due from other governmental units	862,847	854,910	862,847	854,910
Total assets	\$ 6,625,107	\$ 18,430,567	\$ 19,439,398	\$ 5,616,276
Liabilities:				
Accounts payable and accrued liabilities	\$ 224,646	\$ 413,434	\$ 224,646	\$ 413,434
Amounts held for others	6,400,461	18,017,133	19,214,752	5,202,842
Total liabilities	\$ 6,625,107	\$ 18,430,567	\$ 19,439,398	\$ 5,616,276
Winchester Regional Airport Fund:				
Assets:				
Cash and cash equivalents	\$ 607,058	\$ 2,999,622	\$ 3,011,173	\$ 595,507
Receivables	80,417	105,024	80,417	105,024
Due from other governmental units	11,644	533,029	11,644	533,029
Total assets	\$ 699,119	\$ 3,637,675	\$ 3,103,234	\$ 1,233,560
Liabilities:				
Accounts payable and accrued liabilities	\$ 132,729	\$ 282,028	\$ 132,729	\$ 282,028
Amounts held for others	566,390	3,355,647	2,970,505	951,532
Total liabilities	\$ 699,119	\$ 3,637,675	\$ 3,103,234	\$ 1,233,560
Undistributed Local Sales Tax Fund:				
Assets:				
Due from other governmental units	\$ 31,842	\$ 27,571	\$ 31,842	\$ 27,571
Total assets	\$ 31,842	\$ 27,571	\$ 31,842	\$ 27,571

COUNTY OF FREDERICK, VIRGINIA

Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2009 (Continued)

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Undistributed Local Sales Tax Fund: (Continued)				
Liabilities:				
Accounts payable and accrued liabilities	\$ 31,842	\$ 27,571	\$ 31,842	\$ 27,571
Total liabilities	<u>\$ 31,842</u>	<u>\$ 27,571</u>	<u>\$ 31,842</u>	<u>\$ 27,571</u>
State Sales Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 2,559	\$ 3,024	\$ 2,891	\$ 2,692
Liabilities:				
Accounts payable and accrued liabilities	\$ 706	\$ 359	\$ 706	\$ 359
Amounts held for others	1,853	2,665	2,185	2,333
Total liabilities	<u>\$ 2,559</u>	<u>\$ 3,024</u>	<u>\$ 2,891</u>	<u>\$ 2,692</u>
Employee Cafeteria Plan Fund:				
Assets:				
Cash and cash equivalents	\$ 325	\$ 6	\$ -	\$ 331
Liabilities:				
Amounts held for others	\$ 325	\$ 6	\$ -	\$ 331
Northwestern Regional Education Program Fund:				
Assets:				
Cash and cash equivalents	\$ 1,201,839	\$ 4,195,610	\$ 4,439,598	\$ 957,851
Receivables	703	-	703	-
Total assets	<u>\$ 1,202,542</u>	<u>\$ 4,195,610</u>	<u>\$ 4,440,301</u>	<u>\$ 957,851</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 590,179	\$ 541,605	\$ 590,179	\$ 541,605
Amounts held for others	612,363	3,654,005	3,850,122	416,246
Total liabilities	<u>\$ 1,202,542</u>	<u>\$ 4,195,610</u>	<u>\$ 4,440,301</u>	<u>\$ 957,851</u>

COUNTY OF FREDERICK, VIRGINIA

Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2009 (Continued)

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Total -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 7,361,242	\$ 24,723,992	\$ 25,696,011	\$ 6,389,223
Receivables	462,158	180,081	462,158	180,081
Due from other governmental units	906,333	1,415,510	906,333	1,415,510
Total assets	<u>\$ 8,729,733</u>	<u>\$ 26,319,583</u>	<u>\$ 27,064,502</u>	<u>\$ 7,984,814</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 980,102	\$ 1,264,997	\$ 980,102	\$ 1,264,997
Amounts held for others	7,749,631	25,054,586	26,084,400	6,719,817
Total liabilities	<u>\$ 8,729,733</u>	<u>\$ 26,319,583</u>	<u>\$ 27,064,502</u>	<u>\$ 7,984,814</u>

COUNTY OF FREDERICK, VIRGINIA

**Revenue and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Special Revenue Funds				
Division of Court Services Fund				
Revenues				
Revenue from use of money and property	\$ 17,400	\$ 17,400	\$ 18,247	\$ 847
Charges for services	743,158	743,158	679,569	(63,589)
Recovered costs	356,980	356,980	334,133	(22,847)
Intergovernmental:				
Revenue from the Commonwealth	309,375	309,375	287,893	(21,482)
Total revenues	<u>\$ 1,426,913</u>	<u>\$ 1,426,913</u>	<u>\$ 1,319,842</u>	<u>\$ (107,071)</u>
Expenditures				
Judicial Administration				
Division of Court Services	\$ 562,348	\$ 571,375	\$ 532,128	\$ 39,247
Division of Court Services Administration	155,706	161,169	155,411	5,758
Detox Center	379,313	386,404	344,425	41,979
Community Corrections	317,669	333,452	317,960	15,492
Total expenditures	<u>\$ 1,415,036</u>	<u>\$ 1,452,400</u>	<u>\$ 1,349,924</u>	<u>\$ 102,476</u>
Capital Projects Funds				
General Capital Projects Fund				
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 4,531	\$ 4,531
Miscellaneous	-	1,109,459	600,759	(508,700)
Total revenues	<u>\$ -</u>	<u>\$ 1,109,459</u>	<u>\$ 605,290</u>	<u>\$ (504,169)</u>
Expenditures				
Capital projects	\$ -	\$ 2,173,609	\$ 1,057,548	\$ 1,116,061
Total expenditures	<u>\$ -</u>	<u>\$ 2,173,609</u>	<u>\$ 1,057,548</u>	<u>\$ 1,116,061</u>
Debt Service Funds				
School Debt Service Fund				
Revenues				
Intergovernmental:				
Categorical aid:				
Revenue from the Commonwealth	\$ 2,078,082	\$ 1,745,513	\$ 1,751,602	\$ 6,089
Expenditures				
Principal and interest	\$ 14,672,237	\$ 14,672,237	\$ 14,656,454	\$ 15,783

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, 2009

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Consolidated Maintenance Fund</u>	<u>School Textbook Fund</u>	<u>School Capital Projects Fund</u>	<u>School Capital Fund</u>	<u>Total Governmental Funds</u>
Assets							
Cash and cash equivalents	\$ 11,254,045	\$ 1,323,115	\$ 672	\$ 2,657,713	\$ 3,765,950	\$ 330,017	\$ 19,331,512
Accounts receivable	37,486	25,174	866	9	-	-	63,535
Due from other governments	3,144,518	75,954	-	-	-	-	3,220,472
Inventory	-	133,436	-	-	-	-	133,436
Total assets	<u>\$ 14,436,049</u>	<u>\$ 1,557,679</u>	<u>\$ 1,538</u>	<u>\$ 2,657,722</u>	<u>\$ 3,765,950</u>	<u>\$ 330,017</u>	<u>\$ 22,748,955</u>
Liabilities							
Accounts payable and accrued liabilities	<u>\$ 14,436,049</u>	<u>\$ 408,161</u>	<u>\$ 790</u>	<u>\$ 734</u>	<u>\$ 745,485</u>	<u>\$ 13,149</u>	<u>\$ 15,604,368</u>
Total liabilities	<u>\$ 14,436,049</u>	<u>\$ 408,161</u>	<u>\$ 790</u>	<u>\$ 734</u>	<u>\$ 745,485</u>	<u>\$ 13,149</u>	<u>\$ 15,604,368</u>
Fund Balance							
Reserved for:							
Inventory	\$ -	\$ 133,436	\$ -	\$ -	\$ -	\$ -	\$ 133,436
Unreserved:							
Designated:							
Subsequent year's expenditures	-	1,016,082	748	2,656,988	-	-	3,673,818
Capital projects	-	-	-	-	3,020,465	316,868	3,337,333
Total fund balance	<u>\$ -</u>	<u>\$ 1,149,518</u>	<u>\$ 748</u>	<u>\$ 2,656,988</u>	<u>\$ 3,020,465</u>	<u>\$ 316,868</u>	<u>\$ 7,144,587</u>
Total liabilities and fund balance	<u>\$ 14,436,049</u>	<u>\$ 1,557,679</u>	<u>\$ 1,538</u>	<u>\$ 2,657,722</u>	<u>\$ 3,765,950</u>	<u>\$ 330,017</u>	<u>\$ 22,748,955</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, 2009**

Total fund balances for governmental funds (Exhibit 28)	\$	7,144,587
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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	\$	8,286,076	
Construction in progress		1,349,629	
Buildings and improvements, net of depreciation		144,811,638	
Equipment, net of depreciation		15,407,042	
School Board capital assets in primary government, net of depreciation		<u>(84,820,168)</u>	
Total capital assets			85,034,217

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:		3,618,469
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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>(2,206,312)</u>
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Total net assets of governmental activities (Exhibit 1)	\$	<u><u>93,590,961</u></u>
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COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2009

	School Operating Fund	School Cafeteria Fund	Consolidated Maintenance Fund	School Textbook Fund	School Capital Projects Fund	School Capital Fund	Total Governmental Funds
Revenues							
Use of money and property	\$ -	\$ 19,155	\$ -	\$ 42,471	\$ 193,496	\$ -	\$ 255,122
Charges for services	-	2,906,050	21,262	5,677	-	-	2,932,989
Miscellaneous	911,616	66,666	-	173	-	-	978,455
Intergovernmental:							
Appropriation from primary government	59,333,660	-	-	-	5,867,862	-	65,201,522
Revenue from the Commonwealth	64,925,919	79,004	-	893,177	-	-	65,898,100
Revenue from the Federal Government	3,881,823	1,918,537	-	-	-	-	5,800,360
Total revenues	\$ 129,053,018	\$ 4,989,412	\$ 21,262	\$ 941,498	\$ 6,061,358	\$ -	\$ 141,066,548
Expenditures							
Current:							
Education:							
Instruction	\$ 102,940,321	\$ -	\$ -	\$ 496,693	\$ -	\$ 562,926	\$ 103,999,940
Administration, attendance and health	5,187,300	-	-	-	-	-	5,187,300
Transportation	7,685,695	-	-	-	-	-	7,685,695
Facilities operations	12,323,012	-	21,262	-	-	-	12,344,274
Building improvements	295,496	-	-	-	-	-	295,496
School food services	-	4,873,243	-	-	-	-	4,873,243
Capital projects	-	-	-	-	16,904,159	-	16,904,159
Contribution to County	-	-	-	-	-	75,199	75,199
Total expenditures	\$ 128,431,824	\$ 4,873,243	\$ 21,262	\$ 496,693	\$ 16,904,159	\$ 638,125	\$ 151,365,306
Excess (deficiency) of revenues over expenditures	\$ 621,194	\$ 116,169	\$ -	\$ 444,805	\$ (10,842,801)	\$ (638,125)	\$ (10,298,758)
Other financing sources (uses)							
Transfers in	\$ -	\$ -	\$ -	\$ 621,194	\$ -	\$ -	\$ 621,194
Transfers out	(621,194)	-	-	-	-	-	(621,194)
Total other financing sources (uses)	\$ (621,194)	\$ -	\$ -	\$ 621,194	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ 116,169	\$ -	\$ 1,065,999	\$ (10,842,801)	\$ (638,125)	\$ (10,298,758)
Fund balance, beginning of year	-	1,033,349	748	1,590,989	13,863,266	954,993	17,443,345
Fund balance, end of year	\$ -	\$ 1,149,518	\$ 748	\$ 2,656,988	\$ 3,020,465	\$ 316,868	\$ 7,144,587

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, 2009**

Net change in fund balances - total governmental funds (Exhibit 30) \$ (10,298,758)

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. 15,988,683

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. (3,343,160)

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	(178,756)
Other post employment benefits	(203,000)

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. (1,397,452)

Change in net assets of governmental activities (Exhibit 2)	<u><u>\$ 567,557</u></u>
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COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Statement of Net Assets
Internal Service Fund
At June 30, 2009

	Health Insurance Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 4,871,868
Receivables, net	2,047
	4,873,915
Total assets	\$ 4,873,915
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	\$ 242,295
Claims payable	1,013,151
	1,255,446
Total current liabilities	\$ 1,255,446
Net Assets	
Unrestricted	\$ 3,618,469
Total net assets	\$ 3,618,469

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Fund
Year Ended June 30, 2009

	Health Insurance Fund
Operating revenues	
Charges for services	\$ 11,101,661
Operating Expenses	
Benefits and related expenses	12,588,960
Operating income (loss)	\$ (1,487,299)
Nonoperating revenues	
Investment earnings	89,847
Change in net assets	\$ (1,397,452)
Net assets, beginning of year	5,015,921
Net assets, end of year	\$ 3,618,469

COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board
Combining Statement of Cash Flows
Internal Service Fund
Year Ended June 30, 2009**

	Health Insurance Fund
Cash flows from operating activities	
Receipts from insured	\$ 11,229,536
Payments to suppliers	(12,282,796)
	(1,053,260)
Net cash provided (used) by operating activities	\$ (1,053,260)
Cash flows from investing activities	
Interest	89,847
	89,847
Net increase (decrease) in cash and cash equivalents	\$ (963,413)
Balances, beginning of year	5,835,281
Balance, end of year	\$ 4,871,868
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,487,299)
Change in assets and liabilities:	
Accounts receivable	127,875
Accounts payable	183,164
Claims payable	123,000
	334,039
Net cash provided (used) by operating activities	\$ (1,053,260)

COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board
School Operating Fund
Budgetary Comparison Schedule
Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Miscellaneous	\$ 981,218	\$ 981,218	\$ 911,616	\$ (69,602)
Intergovernmental:				
Appropriation from primary government	63,472,093	62,471,667	59,333,660	(3,138,007)
Revenue from the Commonwealth	66,132,120	66,464,689	64,925,919	(1,538,770)
Revenue from the Federal Government	<u>4,448,277</u>	<u>4,448,277</u>	<u>3,881,823</u>	<u>(566,454)</u>
Total revenues	<u>\$ 135,033,708</u>	<u>\$ 134,365,851</u>	<u>\$ 129,053,018</u>	<u>\$ (5,312,833)</u>
Expenditures				
Current:				
Education:				
Instruction	\$ 107,637,140	\$ 106,752,620	\$ 102,940,321	\$ 3,812,299
Administration, attendance and health	5,369,441	5,415,472	5,187,300	228,172
Transportation	8,814,131	8,782,547	7,685,695	1,096,852
Facilities operations	12,238,497	12,480,313	12,323,012	157,301
Building improvements	<u>339,518</u>	<u>313,310</u>	<u>295,496</u>	<u>17,814</u>
Total expenditures	<u>\$ 134,398,727</u>	<u>\$ 133,744,262</u>	<u>\$ 128,431,824</u>	<u>\$ 5,312,438</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 634,981</u>	<u>\$ 621,589</u>	<u>\$ 621,194</u>	<u>\$ (395)</u>
Other financing sources (uses)				
Transfers out	<u>\$ (634,981)</u>	<u>\$ (621,589)</u>	<u>\$ (621,194)</u>	<u>\$ 395</u>
Total other financing sources (uses)	<u>\$ (634,981)</u>	<u>\$ (621,589)</u>	<u>\$ (621,194)</u>	<u>\$ 395</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
School Cafeteria Fund				
Revenues:				
Revenue from use of money and property	\$ 43,098	\$ 43,098	\$ 19,155	\$ (23,943)
Charges for services	3,171,963	3,171,963	2,906,050	(265,913)
Miscellaneous	47,151	47,151	66,666	19,515
Intergovernmental:				
Revenue from the Commonwealth	76,722	76,722	79,004	2,282
Revenue from the Federal Government	1,533,845	1,533,845	1,918,537	384,692
Total revenues	<u>\$ 4,872,779</u>	<u>\$ 4,872,779</u>	<u>\$ 4,989,412</u>	<u>\$ 116,633</u>
Expenditures:				
School food service operations	<u>\$ 5,623,346</u>	<u>\$ 5,623,346</u>	<u>\$ 4,873,243</u>	<u>\$ 750,103</u>
Consolidated Maintenance Fund				
Revenues:				
Charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,262</u>	<u>\$ 21,262</u>
Expenditures:				
Maintenance operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,262</u>	<u>\$ (21,262)</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,262</u>	<u>\$ (21,262)</u>
School Textbook Fund				
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 42,471	\$ 42,471
Charges for services	18,500	18,500	5,677	(12,823)
Miscellaneous	-	-	173	173
Intergovernmental:				
Revenue from the Commonwealth	906,609	906,609	893,177	(13,432)
Total revenues	<u>\$ 925,109</u>	<u>\$ 925,109</u>	<u>\$ 941,498</u>	<u>\$ 16,389</u>
Expenditures:				
Instruction	<u>\$ 3,051,911</u>	<u>\$ 3,051,911</u>	<u>\$ 496,693</u>	<u>\$ 2,555,218</u>

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Revenue and Expenditure Budgetary Comparison Schedule
Nonmajor and Other Funds
Year Ended June 30, 2009 (Continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
School Capital Projects Fund				
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 193,496	\$ 193,496
Intergovernmental:				
Appropriation from primary government	-	6,925,277	5,867,862	(1,057,415)
Total revenues	\$ -	\$ 6,925,277	\$ 6,061,358	\$ (863,919)
Expenditures:				
Capital projects - school construction projects	\$ -	\$ 23,655,699	\$ 16,904,159	\$ 6,751,540
School Capital Fund				
Revenues:				
Intergovernmental:				
Appropriation from primary government	\$ -	\$ 94,000	\$ -	\$ (94,000)
Total revenues	\$ -	\$ 94,000	\$ -	\$ (94,000)
Expenditures:				
Capital outlay - equipment, etc.	\$ 500,000	\$ 1,048,994	\$ 562,926	\$ 486,068
Contribution to County	-	-	75,199	(75,199)
Total expenditures	\$ 500,000	\$ 1,048,994	\$ 638,125	\$ 410,869

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

- Statistical Section -

<u>Contents</u>	<u>Tables</u>
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.	5 - 8
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 These tables offer 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.	12 - 15

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

COUNTY OF FREDERICK, VIRGINIA

Table 1

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
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)
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
Total governmental activities net assets	<u>\$ 27,287,299</u>	<u>\$ 26,132,844</u>	<u>\$ 27,923,335</u>	<u>\$ 46,154,905</u>	<u>\$ 60,224,538</u>	<u>\$ 50,933,509</u>	<u>\$ 32,312,550</u>	<u>\$ 30,806,168</u>
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
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
Total business-type activities net assets	<u>\$ 26,059,791</u>	<u>\$ 27,835,134</u>	<u>\$ 29,709,902</u>	<u>\$ 31,899,861</u>	<u>\$ 34,627,326</u>	<u>\$ 36,823,021</u>	<u>\$ 38,682,223</u>	<u>\$ 38,127,223</u>
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
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
Total primary government net assets	<u>\$ 53,347,090</u>	<u>\$ 53,967,978</u>	<u>\$ 57,633,237</u>	<u>\$ 78,054,766</u>	<u>\$ 94,851,864</u>	<u>\$ 87,756,530</u>	<u>\$ 70,994,773</u>	<u>\$ 68,933,391</u>

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

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Expenses								
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
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
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
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
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
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
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
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
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
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
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
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
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	772,934	917,359	992,762	2,021,148	2,044,420	1,730,282	1,474,751	1,650,792
Public safety	1,672,996	2,319,311	3,111,660	81,302	195,858	92,759	1,855,069	1,394,189
Public works	-	-	-	2,752,512	3,165,573	3,269,199	-	-
Health and welfare	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
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
Community development	6,304	13,198	25,905	15,061	-	10,742	12,526	6,988
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
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
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
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
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
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)
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)
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)
General Revenues and Other Changes in Net Assets								
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
Local sales and use taxes	-	-	6,121,631	8,488,195	9,698,878	10,387,530	10,959,334	10,145,846
Business licenses taxes	-	-	3,218,256	4,160,697	4,877,840	5,307,237	5,130,116	4,783,973
Consumer utility taxes	-	-	3,100,048	3,213,017	3,467,089	3,378,207	3,166,129	3,079,363
Lodging taxes	-	-	2,534,429	2,741,496	2,970,671	3,300,415	3,616,084	3,611,669
Motor vehicle licenses tax	-	-	1,660,154	1,871,393	1,946,216	1,895,034	1,707,280	1,989,921
Taxes on recordation and wills	-	-	1,203,420	2,770,777	2,829,777	2,188,564	1,699,714	1,189,200
Other local taxes	14,545,935	16,327,234	169,621	207,977	236,136	230,899	270,453	306,490
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
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
Miscellaneous	1,074,853	1,269,718	1,136,151	1,241,876	2,720,753	1,361,632	1,046,778	994,188
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
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
Miscellaneous	27,852	22,551	88,006	80,969	22,794	33,810	39,196	24,196
Total business-type activities	\$ 497,735	\$ 346,580	\$ 312,019	\$ 568,783	\$ 1,074,608	\$ 1,400,654	\$ 1,226,663	\$ 595,550
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
Change in Net Assets								
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)
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)
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)

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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General fund										
Reserved	\$ 5,229,030	\$ 6,390,074	\$ 4,371,537	\$ 3,208,383	\$ 2,523,383	\$ 3,945,440	\$ 3,436,600	\$ 4,035,769	\$ 4,424,640	\$ 4,143,819
Unreserved	16,428,487	18,248,022	18,664,900	21,137,136	25,331,822	28,969,699	38,740,704	41,212,142	33,701,529	30,324,674
Total general fund	<u>\$ 21,657,517</u>	<u>\$ 24,638,096</u>	<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>
All other governmental funds										
Reserved	\$ 3,220,929	\$ -	\$ -	\$ 143,143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,130,756	1,464,870	1,367,131	1,515,329	1,486,695	1,677,244	4,285,650	3,968,620	3,961,348	3,450,524
Capital projects funds	1,176,587	1,410,545	1,742,288	1,055,812	767,224	724,735	16,977,294	3,474,869	1,907,844	1,455,932
Debt service funds	-	-	573,103	557,163	122,516	214,000	55,306	352,345	30,357	49,800
Permanent funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 5,528,272</u>	<u>\$ 2,875,415</u>	<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>

COUNTY OF FREDERICK, VIRGINIA

Table 4

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
General property taxes	\$ 38,389,226	\$ 39,780,459	\$ 40,052,675	\$ 44,854,096	\$ 50,096,362	\$ 53,463,481	\$ 61,583,051	\$ 64,403,108	\$ 66,558,555	\$ 69,248,556
Other local taxes	12,323,081	13,787,234	14,129,893	16,189,296	18,007,559	23,453,552	26,026,607	26,687,886	26,549,110	25,106,462
Permits, privilege fees and regulatory licenses	974,484	1,111,056	1,181,812	1,556,839	2,192,360	2,773,787	3,186,465	3,290,254	1,771,184	1,308,407
Fines and forfeitures	27,733	31,196	59,492	133,549	240,167	282,828	210,902	227,693	324,259	526,081
Revenue from use of money and property	1,218,006	1,421,915	847,945	465,999	265,360	629,791	1,571,091	3,218,104	2,111,954	987,392
Charges for services	1,936,842	1,978,305	2,197,895	2,496,343	2,720,989	2,922,170	3,346,678	3,081,300	2,895,993	2,900,005
Miscellaneous	1,870,639	1,391,651	1,015,361	1,269,718	1,136,151	1,287,741	2,720,753	1,404,792	1,046,778	1,002,536
Recovered costs	1,855,231	1,719,262	2,031,909	2,660,081	2,790,089	2,969,724	3,364,965	2,566,712	3,518,072	2,869,183
Intergovernmental:										
School Board	138,460	-	-	-	555,098	-	-	-	-	75,199
Commonwealth	10,281,914	13,565,643	17,942,666	18,969,374	20,907,092	19,724,037	22,994,740	22,239,766	22,926,432	21,974,545
Federal	1,624,915	3,862,195	2,165,279	2,535,018	2,437,473	2,314,947	2,868,218	2,921,998	2,852,395	3,495,637
Total revenues	\$ 70,640,531	\$ 78,648,916	\$ 81,624,927	\$ 91,130,313	\$ 101,348,700	\$ 109,822,058	\$ 127,873,470	\$ 130,041,613	\$ 130,554,732	\$ 129,494,003
Expenditures										
General government administration	\$ 6,656,140	\$ 6,296,713	\$ 3,820,691	\$ 4,945,481	\$ 4,893,037	\$ 6,152,689	\$ 6,100,985	\$ 6,583,607	\$ 8,119,131	\$ 7,276,944
Judicial administration	1,701,577	1,862,426	2,428,766	2,368,511	2,446,063	2,753,028	3,083,978	3,368,271	3,675,622	3,526,972
Public safety	8,087,971	9,247,838	11,419,185	12,109,078	13,442,648	15,607,849	18,907,930	21,011,083	24,032,872	23,722,707
Public works	2,300,987	2,568,834	2,744,931	2,627,042	2,738,920	3,290,973	3,205,933	3,619,922	4,503,865	4,159,409
Health and welfare	5,472,225	4,892,004	6,334,307	7,180,976	7,886,336	6,808,832	7,656,236	8,263,906	8,370,164	8,599,559
Education	36,540,951	41,291,307	55,206,840	62,389,908	62,169,905	64,352,365	67,534,934	69,256,423	81,833,398	65,275,369
Parks, recreation and cultural	2,988,116	3,155,426	3,608,713	3,817,096	3,890,243	4,461,985	4,587,827	5,172,402	5,873,039	5,332,794
Community development	2,112,934	4,660,369	3,606,104	3,918,244	4,309,371	3,119,951	2,855,655	3,736,695	3,518,826	3,866,963
Capital projects	1,257,801	3,223,544	1,230,497	703,787	-	-	4,737,885	14,273,970	1,604,431	1,058,050
Debt service										
Principal	622,851	500,235	5,380,977	6,891,396	7,646,718	8,193,343	9,024,354	9,164,886	9,653,751	10,140,317
Interest and other fiscal charges	445,286	622,498	3,759,721	4,371,644	4,889,637	5,346,772	5,735,999	6,627,457	7,044,286	7,105,225
Total expenditures	\$ 68,186,839	\$ 78,321,194	\$ 99,540,732	\$ 111,323,163	\$ 114,312,878	\$ 120,087,787	\$ 133,431,716	\$ 151,078,622	\$ 158,229,385	\$ 140,064,309
Excess of revenues over (under) expenditures	\$ 2,453,692	\$ 327,722	\$ (17,915,805)	\$ (20,192,850)	\$ (12,964,178)	\$ (10,265,729)	\$ (5,558,246)	\$ (21,037,009)	\$ (27,674,653)	\$ (10,570,306)
Other financing sources (uses)										
Transfers in	\$ 659,340	\$ 101,619	\$ 6,404,922	\$ 8,216,157	\$ 9,493,193	\$ 10,597,219	\$ 18,605,245	\$ 13,065,803	\$ 11,792,301	\$ 13,904,797
Transfers out	(380,848)	(101,619)	(6,404,922)	(8,216,157)	(9,493,193)	(10,597,219)	(18,605,245)	(13,065,803)	(11,792,301)	(13,904,797)
Bonds issued	4,500,000	-	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)	\$ 4,778,492	\$ -	\$ 16,736,736	\$ 21,090,857	\$ 15,578,852	\$ 15,565,207	\$ 33,522,682	\$ 10,585,200	\$ 18,656,626	\$ 5,969,337
Net change in fund balances	\$ 7,232,184	\$ 327,722	\$ (1,179,069)	\$ 898,007	\$ 2,614,674	\$ 5,299,478	\$ 27,964,436	\$ (10,451,809)	\$ (9,018,027)	\$ (4,600,969)
Debt service as a percentage of noncapital expenditures	1.622%	1.518%	10.251%	11.336%	12.318%	12.708%	12.955%	13.050%	11.933%	14.212%

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			
2000	\$ 3,052,227,934	\$ 562,969,701	\$ 25,338,868	\$ 194,433,899	\$ 193,267,067	\$ 1,014,175	\$ 4,029,251,644	\$ 4,029,251,644	100.00%
2001	3,307,251,040	618,705,456	25,936,422	220,973,344	209,475,199	1,058,556	4,383,400,017	4,383,400,017	100.00%
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%

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

<u>Fiscal Years</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Machinery and Tools</u>	<u>Airplanes</u>	<u>Mobile Homes</u>
2000	\$ 0.640	\$ 4.20	\$ 2.00	\$ 0.425	\$ 0.640
2001	0.610	4.20	2.00	0.425	0.610
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

(1) Per \$100 of assessed value

Principal Property Taxpayers
 Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2009		Fiscal Year 2000	
		2009 Assessed Valuation	% of Total Assessed Valuation	2000 Assessed Valuation	% of Total Assessed Valuation
Potomac Edison	Utility - electric power	\$ 75,184,497	0.94%	\$ 87,217,088	2.69%
H.P. Hood, Inc.	Dairy Plant	34,969,300	0.44%	8,039,500	-
Verizon VA	Utility - communications	29,750,652	0.37%	35,028,515	1.08%
Fort Collier Group	Industrial park	29,572,200	0.37%	10,405,200	0.32%
Equity Ind Winchester	Distribution	26,913,800	0.34%	-	-
Trex Company	Decking	19,454,100	0.24%	-	-
Walmart	Retail	15,255,300	0.19%	-	-
Washington Gas Light	Utility - natural gas	13,846,562	0.17%	19,937,649	0.61%
Cowperwood FEMA		13,641,500	0.17%	-	-
Kohl's Department Stores	Distribution	13,195,800	0.17%	11,251,500	0.35%
AT&T	Utility - communications	-	-	29,876,982	0.92%
Hershey Pasta Group	Pasta food manufacturing	-	-	15,840,200	0.49%
General Electric Co.	Incandescent lamps	-	-	14,685,500	0.45%
Fisher Scientific Company	Diagnostic Equipment	-	-	7,356,400	0.23%
		<u>\$ 271,783,711</u>	<u>3.40%</u>	<u>\$ 239,638,534</u>	<u>7.38%</u>

Source: Commissioner of Revenue - 2009 RE BOOK
 FY 2000 CAFR

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
2000	\$ 42,532,680	\$ 40,479,322	95.17%	\$ 1,224,420	\$ 41,703,742	98.05%
2001	46,716,011	45,166,257	96.68%	1,243,875	46,410,132	99.35%
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%	3,363,263	78,476,143	100.94%
2008	80,536,673	79,318,685	98.49%	2,402,031	81,720,716	101.47%
2009	81,868,016	78,223,920	95.55%	2,570,528	80,794,448	98.69%

Notes:

Levies and collection amounts are exclusive of penalties and interest.

Levies and collection amounts do not include Shawneeland Sanitary District.

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			
2000	\$ 42,953,251	\$ 16,777,247	\$ 9,830,399	\$ 321,813	\$ 69,882,710	3081.55%	\$ 1,173
2001	58,442,647	15,644,068	8,911,047	91,578	83,089,340	3462.59%	1,357
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	4010.49%	1,737
2006	107,415,333	10,228,173	26,770,000	46,136	144,459,642	4425.33%	2,029
2007	110,080,330	9,144,994	26,260,000	9,432	145,494,756	4297.66%	1,996
2008	119,624,758	8,111,815	25,345,000	90,059	153,171,632	N/A	2,073
2009	117,323,033	7,078,636	24,395,000	155,718	148,952,387	N/A	1,986

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

Fiscal Year	Gross Bonded Debt	Less: City of Winchester Share	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2000	\$ 61,956,927	\$ -	\$ 61,956,927	1.54%	\$ 1,040
2001	82,022,073	-	82,022,073	1.87%	1,340
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%	2,029
2007	145,585,324	-	145,585,324	1.66%	1,998
2008	153,081,573	-	153,081,573	1.70%	2,072
2009	148,796,669	-	148,796,669	1.61%	1,984

(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

Calendar Year	County Population (1)	Personal Income (4)(b)	Per Capita Personal Income (4)(b)	Median Age (2)	School Enrollment (3)	Unemployment Rate (5)
2000	59,594 \$	2,267,781 \$	27,233	N/A	10,634	2.00%
2001	61,216	2,399,633	28,129	N/A	10,736	2.80%
2002	62,937	2,476,247	28,371	N/A	10,969	3.40%
2003	64,820	2,573,512	28,891	N/A	11,357	3.50%
2004	66,696	2,775,794	30,336	N/A	11,745	2.80%
2005	69,123	2,994,247	31,836	37	12,211	2.50%
2006	71,187	3,264,384	33,850	37	12,605	2.60%
2007	72,880	3,385,445	34,417	36	12,997	2.90%
2008	73,898	N/A	N/A	N/A	13,043	4.30%
2009 (a)	75,000	N/A	N/A	N/A	13,148	7.80%

Notes:

- (a) 2009 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

<u>Employer</u>	<u>2009</u>		<u>Employees</u>	<u>2000</u>	
	<u>Rank</u>	<u>Total Employment</u>		<u>Rank</u>	<u>Total Employment</u>
Frederick County School Board	1	1000 and over	Frederick County School Board	1	1000 and over
County of Frederick	2	500 to 999	Vdo North America LLC	2	500 to 999
U.S. Dept. of Homeland Defense	3	250 to 499	County of Frederick	3	500 to 999
Shockey Brothers, Inc.	4	250 to 499	General Electric Company	4	250 to 499
H.P. Hood, Inc.	5	250 to 499	Shockey Brothers, Inc.	5	250 to 499
Lord Fairfax Community College	6	250 to 499	Lord Fairfax Community College	6	250 to 499
Kraft Foods	7	250 to 499	Action Executive Services	7	250 to 499
Navy Federal Credit Union	8	250 to 499	American Woodmark Corporation	8	250 to 499
The Home Depot	9	250 to 499	Crown, Cork and Seal Company	9	250 to 499
Westminster Canterbury	10	250 to 499	Perry Engineering Company	10	100 to 249

Source: Virginia Employment Commission

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

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	42	42	45	47	48	51	54	57	64	66
Judicial administration	16	17	17	18	17	19	19	20	22	24
Public safety										
Sheriffs department	92	92	92	96	100	107	112	118	123.5	126.5
Juvenile Court Probation	1	1	3	3	2	2	2	2	2	2
Building Inspections	11	12	12	12	12	14	17	25	23	21
Fire & Rescue	28	30	41	44	50	68	68	77	79.5	80.5
Communications	9	10	11	11	11	11	13	15	15	16
Public Works										
Engineering	1	1	2	3	4	5	6	6	7	7
Refuse Collection	1	1	1	1	1	2	2	2	2	2
Litter Control	0.5	0.5	0.5	0.5	-	-	-	-	-	-
Maintenance	4	4	4	4	4	5	5	5	8	10
Animal Shelter	3	4	4	4	4	4	5	6	7	7
Health and welfare										
Department of social services	35	38	40	44	46	46	52	57	57	57
Parks and Recreation	27	27	28	29	29	29	30	40	41	41
Community development										
Planning	12	12	14	12	13	13	13	14	14	13
EDC	3	3	3	3	3	3	3	3	3	3
Gypsy Moth/Biosolids	-	-	-	1	1	1	1	1	1	1
Soil & Water Conservation	4	4	4	4	4	3	6	6	6	6
Extensions	2	2	2	2	2	2	2	2	2	2
Regional Jail	116	117	117	122	124	154	154	187	195	206
Landfill	18.5	18.5	18.5	17.5	18	27	27	31	31	28
Division of Court Services	19	19	20	20	19	21	19	19	20	20
Shawneeland Sanitary District	5	5	5	4	4	5	6	6	6	6
Airport	8	8	9	9	9	9	9	12	13	13
Totals	<u>458</u>	<u>468</u>	<u>493</u>	<u>511</u>	<u>525</u>	<u>601</u>	<u>625</u>	<u>711</u>	<u>742</u>	<u>758</u>

Source: Prior Frederick County Annual Budgets

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 (c)
Public Safety										
Sheriffs Department:										
Calls for service answered (a)	40,705	40,207	39,920	47,466	50,686	51,774	55,872	62,773	67,593	N/A
Warrants served (a)	3,489	3,497	3,706	3,824	4,114	4,061	4,440	4,604	4,806	N/A
Criminal arrests (a)	2,422	2,402	2,474	2,560	2,726	2,588	3,123	3,494	3,766	N/A
Citations issued (a)	1,972	2,263	4,608	4,679	5,690	6,648	4,107	6,222	7,883	N/A
Civil papers served (a)	14,449	13,100	14,713	16,484	17,237	17,460	18,410	19,669	20,962	N/A
Fire and Rescue:										
Incident responses (a)	6,994	7,435	7,824	7,919	8,256	8,890	8,969	9,137	9,229	N/A
Building Inspections:										
Permits issued	5,497	5,532	6,730	6,671	7,218	9,284	9,771	7,474	5,690	3,917
Inspections performed	16,547	17,350	23,497	21,837	24,361	29,582	34,495	28,625	23,307	17,687
Public Works										
Road Administration:										
Street signs replaced	328	315	152	238	135	119	117	165	148	200
Engineering:										
Site reviews	182	191	237	249	241	298	342	339	239	257
Land disturbance permits issued	55	49	50	500	906	1,328	1,245	650	411	418
Animal Shelter:										
Dogs/cats adopted/reclaimed	977	1,042	856	884	784	947	1,003	1,008	1,367	1,334
Health and Welfare										
Department of Social Services:										
Adult protective service investigations	53	84	86	100	116	151	147	147	132	127
Child protective service investigations	229	234	303	348	422	422	433	433	550	564
Culture and Recreation										
Parks and Recreation:										
Recreation hall & shelter permits issued	550	588	593	551	566	597	669	811	825	1,141
Special events & excursions conducted	117	95	71	65	47	38	73	62	67	63
After-school program participants	N/A	N/A	N/A	N/A	402	416	480	504	460	444
Youth sports participants	N/A	N/A	N/A	N/A	6,891	7,039	7,742	7,848	8,183	8,381
Community Development										
Planning:										
Rezoning applications processed (a)	4	11	12	14	14	17	20	12	16	9
Landfill										
Refuse weighed and disposed (tons/year)	158,100	167,142	168,084	181,370	196,120	204,348	213,417	197,245	179,963	166,838
Residential Recycling (tons/year)	1,160	1,220	1,091	1,178	1,348	1,316	1,449	1,950	2,662	2,076
Component Unit - School Board										
Education:										
School enrollment (1)	10,634	10,736	10,969	11,357	11,745	12,211	12,605	12,997	13,043	13,148
Number of instructional personnel (b)	1,102.8	1,141	1,210	1,212	1,290.3	1,354.5	1,419	1,477	1,527	1,433
Local expenditures per pupil (2)	3,054	3,297	3,669	3,793	4,299	4,048	4,599	4,642	4,852	4,900

Notes:

- (a) Calendar year
- (b) Full-time equivalent positions
- (c) Budgeted/Estimated

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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government										
Administration buildings	1	1	1	1	1	1	1	1	2	2
Vehicles	N/A	N/A	7	7	8	8	8	12	14	10
Public safety										
Sheriffs department:										
Patrol units	N/A	N/A	68	62	69	72	81	73	87	97
Other vehicles	N/A	N/A	30	36	31	33	34	37	42	38
Building inspections:										
Vehicles	N/A	N/A	10	11	11	11	15	15	14	11
Animal control:										
Vehicles	N/A	N/A	3	3	3	3	3	3	3	3
Fire & Rescue:										
Vehicles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	20
Public works										
General maintenance:										
Trucks/vehicles	N/A	N/A	1	1	1	1	1	2	2	3
Landfill:										
Vehicles	N/A	N/A	17	15	15	15	12	11	13	13
Sites	9	9	9	9	9	9	9	9	9	9
Health and welfare										
Department of Social Services:										
Vehicles	N/A	N/A	6	7	7	7	8	9	10	10
Culture and Recreation										
Parks and Recreation:										
Community centers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6	6
Vehicles	N/A	N/A	24	26	24	27	26	26	29	30
Parks acreage	431	431	431	431	431	431	400	400	400	400
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	10	10	10	10	10	10	16	16	6	6
Community Development										
Planning:										
Vehicles	N/A	N/A	3	3	3	4	4	5	5	5
Component Unit - School Board										
Education:										
Schools (a)	15	15	15	15	16	17	18	18	18	18
School buses	133	138	147	157	155	162	182	196	194	194

Notes:

(a) Elementary, middle and high schools

Source: Individual county departments, prior Frederick County Annual Budgets

- Compliance Section -

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**To the Honorable 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, 2009, which collectively comprise the County of Frederick, Virginia's basic financial statements and have issued our report thereon dated December 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 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, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, James, Co. Associates

Charlottesville, Virginia
December 21, 2009

Report on Compliance with Requirements Applicable To Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of County of Frederick, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the 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 the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Frederick, Virginia's internal control over compliance.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Jarmer, Cox Associates

Charlottesville, Virginia
December 21, 2009

COUNTY OF FREDERICK, VIRGINIA

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009**

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
<u>PRIMARY GOVERNMENT:</u>		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass through payments:</u>		
Virginia Department of Social Services:		
State administration matching grants for supplemental nutrition assistance programs	10.561	\$ 533,062
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Pass through payments:</u>		
Virginia Department of Social Services:		
Promoting safe and stable families	93.556	\$ 3,623
Temporary Assistance for Needy Families	93.558	558,791
Refugee and Entrant Assistance-State Administered Programs	93.566	2,510
Low-income Home Energy Assistance	93.568	8,276
Child Care and Development Block Grant	93.575	269,819
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	199,625
Child Care and Development Block Grant - ARRA	93.713	334
Chafee education and training vouchers program	93.599	3,419
Adoption incentive payments	93.603	4,740
Child welfare services - State grants	93.645	2,053
Foster Care - Title IV-E	93.658	306,805
Foster Care - Title IV-E - ARRA	93.658	13,705
Adoption Assistance	93.659	103,628
Adoption Assistance - ARRA	93.659	9,096
Social Services Block Grant	93.667	199,738
Chafee foster care independence program	93.674	10,285
Children's health insurance program	93.767	40,679
Medical Assistance Program	93.778	347,702
Total Department of Health and Human Services		\$ 2,084,828
<u>DEPARTMENT OF THE INTERIOR:</u>		
<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	\$ 13,892

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2009 (Continued)

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
<u>PRIMARY GOVERNMENT: (Continued)</u>		
<u>DEPARTMENT OF JUSTICE:</u>		
<u>Pass through payments:</u>		
Department of Criminal Justice Services:		
Sheriff grant	16.000	\$ 175,450
Crime victim assistance	16.575	<u>91,968</u>
Total Department of Justice		<u>\$ 267,418</u>
 <u>DEPARTMENT OF TRANSPORTATION:</u>		
<u>Pass through payments:</u>		
Virginia Department of Transportation:		
State and Community Highway Safety	20.600	<u>\$ 35,738</u>
 <u>DEPARTMENT OF EDUCATION:</u>		
<u>Pass through payments:</u>		
Virginia Compensation Board:		
State Fiscal Stabilization Fund	84.397	<u>\$ 560,699</u>
Total Primary Government		<u>\$ 3,495,637</u>
 <u>COMPONENT UNIT SCHOOL BOARD:</u>		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass through payments:</u>		
Virginia Department of Agriculture:		
Food distribution	10.555	\$ 307,302
Department of Education:		
National School Breakfast Program	10.553	203,679
National School Lunch Program	10.555	1,407,556
Schools and Roads - Grants to States	10.665	<u>5,843</u>
Total Department of Agriculture		<u>\$ 1,924,380</u>

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009 (Continued)**

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
<u>COMPONENT UNIT SCHOOL BOARD: (Continued)</u>		
<u>DEPARTMENT OF EDUCATION:</u>		
Pass through payments:		
Virginia Department of Education:		
Adult Education - Basic Grants to States	84.002	\$ 272,314
Title I grants to local educational agencies	84.010	869,341
Title I - Neglected and Delinquent Children	84.013	32,770
English Language Acquisition Grants	84.365	54,631
Title VI:		
Consolidation of Federal Programs for Elementary and Secondary Education Block Grant	84.298	87
Special Education - Grants to States	84.027	2,123,039
Special Education - Preschool Grants	84.173	46,483
Career and Technical Education - Basic Grants to States	84.048	134,544
Special Projects:		
Improving Teacher Quality State Grants	84.367	292,971
Safe and Drug-free Schools and Communities - State Grants	84.186	36,477
Education Technology State Grants	84.318	13,323
Total Department of Education		\$ 3,875,980
Total Component Unit School Board		\$ 5,800,360
Total Expenditures of Federal Awards		\$ 9,295,997

COUNTY OF FREDERICK, VIRGINIA

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009**

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federally assisted programs of the County of Frederick, Virginia. The County's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

Note 3 - 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	\$ 3,495,637
Total primary government	\$ <u>3,495,637</u>

Component Unit Public Schools:

School Operating Fund	\$ 3,881,823
School Cafeteria Fund	<u>1,918,537</u>
Total component unit public schools	\$ <u>5,800,360</u>
Total federal expenditures per basic financial statements	\$ <u>9,295,997</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>9,295,997</u></u>
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COUNTY OF FREDERICK, VIRGINIA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	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 Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.561	State administration matching grants for supplemental nutrition assistance programs
84.367	Improving Teacher Quality State Grants
84.397	State Fiscal Stabilization Fund
93.558	Temporary Assistance for Needy Families
93.575/93.596/93.713	Child Care Cluster
93.658	Foster Care Title IV-E / Foster Care Title IV-E ARRA
93.659	Adoption Assistance / Adoption Assistance ARRA
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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, 2009**

There were no items reported.