COUNTY of FREDERICK

Finance Department
Cheryl B. Shiffler
Director

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TO: **Board of Supervisors**

FROM: Finance Committee

DATE: September 15, 2010

SUBJECT: Finance Committee Report & Recommendations

The Finance Committee met in the First Floor Conference Room at 107 North Kent Street on Wednesday, September 15, 2010 at 8:00 a.m. All members were present.

1. The FCPS Executive Director of Finance requests a School Fund and General Fund supplemental appropriation in the amount of $69,909.40. This amount represents the remaining balance in the school operating fund that represents restricted funds. See attached memo, pg. 1. The committee recommends approval.

2. The FCPS Executive Director of Finance requests a School Construction Fund and General Fund supplemental appropriation in the amount of $2,300,000. This amount represents remaining, unrestricted school operating funds and is requested to be appropriated for upcoming CIP projects. See attached memo, pg. 1. The committee recommends approval.

3. The FCPS Executive Director of Finance requests a School Fund supplemental appropriation in the amount of $518,690.24. This amount represents additional grant balances in federal programs. See attached memo, pg. 2. The committee recommends approval.

4. The FCPS Executive Director of Finance requests a Special School Grant Fund supplemental appropriation in the amount of $999,547. This amount represents additional federal grant funds for which FCPS is fiscal agent. See attached memo, pg. 2. The committee recommends approval.

5. The Commissioner of the Revenue presents airplane tax rate comparatives for discussion. See attached memo, pg. 3. The committee recommends the reduction of the airplane tax rate to $0.01/$100 for calendar year 2011.

6. The County Finance Director and School Executive Finance Director provide FY 2010 year end reports. Both will be available to present and/or discuss. See attached information pg. 4-20 (County); pg. 21-44 (Schools).

7. The County Attorney provides as requested a copy of the contract template for the Commonwealth of Virginia Energy Performance Contract. Review of documents and execution of same, subject to appropriation, is being requested. See attached information pg. 45-91. The committee recommends a General Fund supplemental appropriation in the amount of $345,477 to fund the project; an annual review of the project by the Public Works Committee with a recommendation on the continuation of the Measurement & Verification; and authorizes the County Administrator to execute the contract upon final review by the County Attorney.

Information Only

1. The Finance Director provides a Fund 10 Transfer report for FY11. See attached, pg. 92.

2. The County Finance Director provides a report on FY 2010 outstanding encumbrances which were carried forward to FY 2011. See attached, pg. 93-94.

3. The School Executive Director of Finance provides information on FY 2010 outstanding encumbrances and carry-forward construction balances. See attached, pg. 95.

4. The Metropolitan Washington Ear, Inc. sends a letter of appreciation for the County's contribution. See attached letter, pg. 96.

5. The Northern Virginia 4-H Education and Conference Center sends a letter of appreciation for the County's contribution. See attached letter, pg. 97.

6. The Government Finance Officers Association has awarded Frederick County a Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) ending June 30, 2009. See attached, pg. 98-99.

Respectfully submitted,

FINANCE COMMITTEE

Bill Ewing
Richard Shickle
Charles DeHaven
Ron Hottle
Richie Wilkins
Stephen Swiger

By

Cheryl B. Shiffler

Cheryl B. Shiffler, Finance Director

Frederick County Public Schools
... to ensure all students an excellent education
Executive Director of Finance fryel@frederick.k12.va.us

DATE: September 8, 2010

TO: Cheryl Shiffler, Director of Finance – County of Frederick

FROM: Lisa K. Frye, Executive Director of Finance - FCPS Lisa K. Frye

SUBJECT: **Items for Consideration by the Board of Supervisors**

At their meeting last night, September 7, 2010, the School Board approved the following budget adjustments which are subject to consideration and approval by the Board of Supervisors. Please include the following requests for FY2011 budget adjustments on the agenda for the County Finance Committee meeting scheduled for September 15, 2010. Also, the financial reports for FY2010 are provided in this packet as an information item.

Budget Adjustments Developed from the FY2010 Close of Year:

I. Carryforward appropriation for restricted program funds at June 30, 2010

A FY2011 budget adjustment to the school operating fund is requested for $69,909.40, which represents the remaining balance in the following restricted fund programs. The funds were received for these programs during FY2010 and remaining funds are required to be used for their specified purpose.

1. Regional Adult Education Program	$32,656.06
2. eRate telecommunications program	$37,018.34
3. Clinical Faculty Grant	$ 235.00

II. Budget adjustment for school construction fund

The school operating fund had a remaining, un-obligated surplus of $2,379,865.64 for the close of the 2010 fiscal year. The school board is requesting a FY2011 budget adjustment to the school construction fund for $2,300,000 of the remaining funds. Approval of this request will provide appropriation for upcoming CIP projects scheduled for the school construction fund. Approval of this recommendation will reduce the need for future indebtedness for the upcoming projects.

Pease see the reverse side for additional requests.

Other Requests for FY2011 Budget Adjustments:

III. Appropriation for federal grant funds

A FY2011 budget adjustment to the school operating fund is requested for the $518,690.24 which represents the additional grant balances in the following federal programs.

1. Title I Part A – ARRA funds $124,190.00
2. Title VI-B IDEA – ARRA funds $269,621.00
3. Title II Part A – Regular Grant funds $124,879.24

IV. Appropriation for federal grant funds

A FY2011 budget adjustment to the special grants fund is requested in the amount of $999,547. This amount represents the recent award of the Building Bridges: Connecting Citizenship through American History grant. Frederick County Public Schools will be the fiscal agent for this multi-year, multi-locality grant. The fund is separate from the school operating funds and will account for this grant as well as other potential and specific grants or programs of like nature.

C: Patricia Taylor, Superintendent
John Riley, County Administrator

August 18, 2010

TO: FREDERICK COUNTY BOARD OF SUPERVISORS

FINANCE COMMITTEE

JOHN R. RILEY, JR., COUNTY ADMINISTRATOR

CHERYL SHIFFLER, FINANCE DIRECTOR

FROM: ELLEN E. MURPHY, COMMISSIONER OF THE REVENUE

RE: AIRPLANE COMPARATIVES

For 2010 tax year Frederick County has 111 taxable aircraft and 22 additional that were exempt or for other legitimate reason were not taxed.

None of the aircraft on the list for 2010 would qualify for a different rate based on empty gross weight of 20,000 pounds.

Three of the taxable aircraft are valued over $1,000,000 but again would not qualify for the 20,000 pound egw.

Our taxable value on all aircraft for 2010 is $25,328,600. At the 2010 aircraft rate of $0.425/$100 this equates to tax of $107,646.55 in revenue.

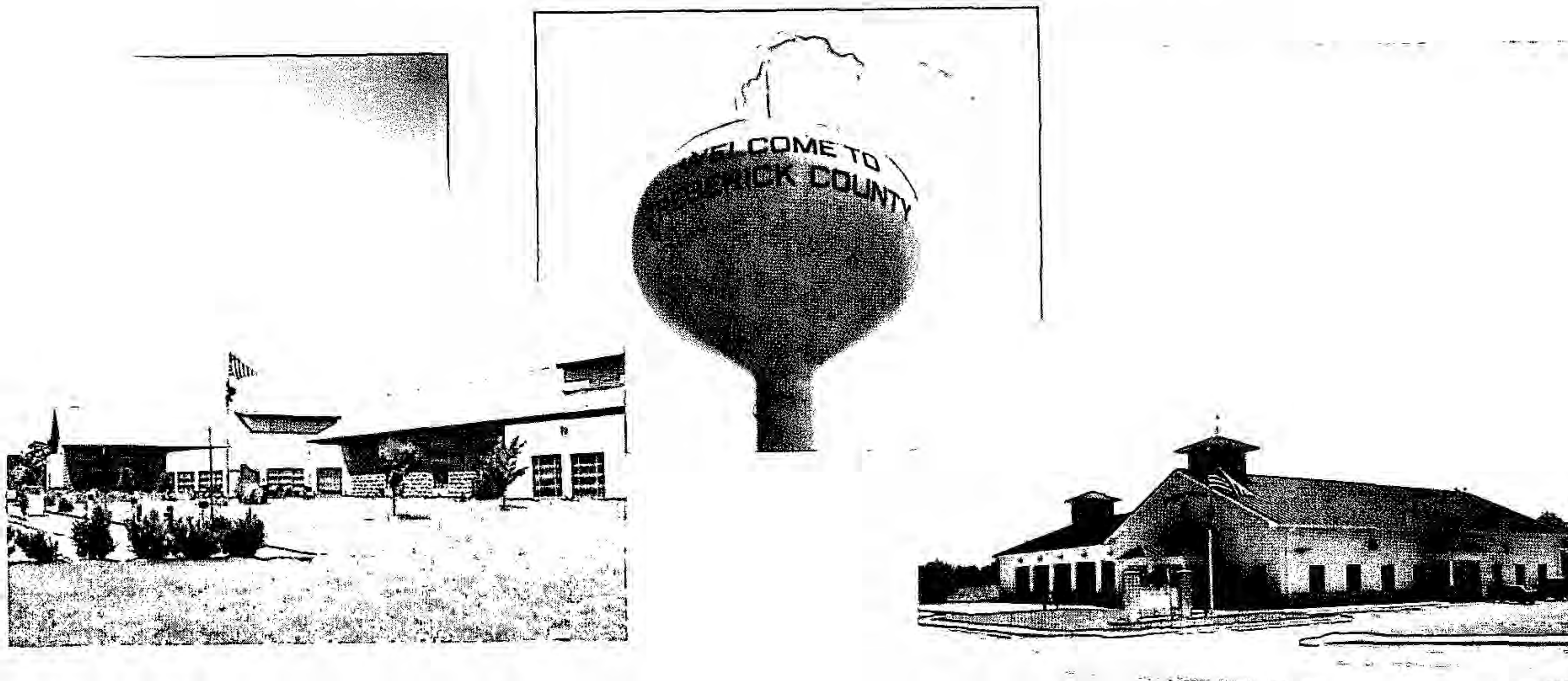
Here are some scenarios for all aircraft as reported for 2010:

Taxable value		Rate	Levy	Loss over 2010 year
$25,300,000	at	$0.01/$100	$2,530	$105,115.55
$25,300,000	at	$0.10/$100	$25,300	$ 82,346.55

I have no information on possible planes with empty gross weight of over 20,000 except the one we discussed last year. There are no planes on this year's list owned by that company. Both of their planes were removed for the 2010 tax year. One aircraft with a value of $10,000,000 would equate to $1,000 tax at $0.01/$100. It would take 105 of those to recover a revenue loss from a rate of $0.425/$100 to a rate of $0.01/$100

County of Frederick

Year Ended June 30, 2010



What is the year-end history of Unreserved General Fund Balance?

Fund Balance – June 30, 2010 (prior to close)	21,692,203
Reverse FY 10 Budgeted Fund Balance Funding	8,416,914
Post FY 10 Actual Fund Balance Funding	-1,668,584
Fund Balance – July 1, 2010	28,440,533
Post FY 11 Budgeted Fund Balance Funding	-4,300,000
	24,140,533

Above amounts include year-end surplus school operating funds.

What contributed to the increase in General Fund Unreserved Fund Balance?

Revenues : Budgeted	$124,206,728
Actual	123,425,103
Revenue Variance	-781,625
Expenditures: Budgeted	$132,623,642
Actual	125,093,687
Expenditure Variance	7,529,955
Net Increase in Fund Balance at June 30, 2010	$6,748,330

Budgeted Revenue Deficit

	BUDGETED	ACTUAL	VARIANCE
*Property Taxes	80,085,000	82,669,132	2,584,132
Other Local Taxes	25,627,042	25,256,986	-370,056
Permits / Fees	1,219,649	950,143	-269,506
Fines / Forfeitures	482,849	328,273	-154,576
Rev. from Use of Prop.	919,612	343,963	-575,649
Charges for Services	2,402,424	2,141,238	-261,186
Miscellaneous	579,958	525,847	-54,111
Recovered Costs	1,717,975	1,402,872	-315,103
State	8,761,693	8,646,520	-115,173
Federal	2,410,526	1,160,129	-1,250,397
TOTALS	**124,206,728**	**123,425,103**	**-781,625**

*Includes reimbursement for PPTRA.

Property Taxes

	BUDGETED	ACTUAL	VARIANCE
Real Estate	40,430,000	41,096,405	666,405
Public Service	800,000	1,245,011	445,011
Personal Property	33,050,000	33,863,700	813,700
Machinery and Tools	5,000,000	5,313,138	313,138
Penalties / Interest	620,000	1,000,962	380,962
Admin Fees - Treasurer	185,000	149,916	-35,084
TOTALS	**80,085,000**	**82,669,132**	**2,584,132**

*Includes state reimbursement for PPTRA.

Other Local Taxes

	BUDGETED	ACTUAL	VARIANCE
Sales Tax	8,800,000	8,794,211	-5,789
Communications Tax	1,458,605	1,413,710	-44,895
Utility Taxes	3,183,931	3,075,230	-108,701
Business License	4,600,000	4,301,959	-298,041
Motor Vehicle Decals	2,000,000	2,153,630	153,630
Bank Stock & Franchise	200,000	270,411	70,411
Taxes on Wills & Recordation	1,629,236	1,449,875	-179,361
Meals & Room Taxes	3,700,000	3,735,236	35,236
Street Lights/Star Fort Fees	55,270	62,724	7,454
TOTAL	**25,627,042**	**25,256,986**	**--370,056**

Permits / Fees

	BUDGETED	ACTUAL	VARIANCE
Dog License	15,000	39,659	24,659
Land Use Application Fees	2,400	14,525	12,125
Development Review Fees	394,349	247,948	-146,401
Building Permits	596,770	473,530	-123,240
1% State / Transfer Fees		3,027	3,027
Electrical Permits	57,520	72,229	14,709
Plumbing Permits	28,760	11,860	-16,900
Mechanical Permits	35,950	42,410	6,460
Sign Permits	6,000	3,620	-2,380
Permits – Fire and Rescue	2,900	835	-2,065
Land Disturbance Permits	80,000	38,000	-42,000
Septic Hauler/Sewage Install.	0	2,500.	2,500
TOTAL	1,219,649	950,143	269,506

Unspent Budgeted Expenditures
by category

	BUDGETED	ACTUAL	VARIANCE
Administration	9,500,093	8,814,661	685,432
Judicial	2,344,257	2,012,492	331,765
Public Safety	25,169,006	23,072,086	2,096,920
Public Works	4,528,408	3,813,683	714,725
Health / Welfare	6,974,985	6,600,082	374,903
Community College	62,770	62,770	0
Parks, Rec. & Cultural	5,673,153	5,090,661	582,492
Community Development	2,241,391	2,002,328	239,063
Transfers	76,129,579	73,624,924	2,504,655
TOTAL	**132,623,642**	**125,093,687**	**7,529,955**

Detail presented on following pages.

Budgeted Expenditures
by department

ADMINISTRATION	AMENDED BUDGET	ACTUAL	VARIANCE
Board of Supervisors	246,705	228,723	17,982
County Administrator	553,715	549,411	4,304
County Attorney	195,237	199,140	-3,903
Human Resources	361,806	338,758	23,048
Independent Auditor	62,500	62,500	0
Comm. of Revenue	1,165,044	1,113,579	51,465
Reassessment	255,980	217,302	38.678
Treasurer	1,172,055	1,046,021	126,034
Finance	674,845	641,057	33,788
IT /GIS	1,242,786	1,183,396	59,390
Other	3,332,117	3,016,078	316,039
Electoral Board	87,763	85,980	1,783
Registrar	149,540	132,716	16,824
SUBTOTAL	**9,500,093**	**8,814,661**	**685,432**

Budgeted Expenditures
by department

JUDICIAL	AMENDED BUDGET	ACTUAL	VARIANCE
Circuit Court	48,300	54,753	6,453
Gen. District Court	15,752	5,924	9,828
J&D Court	13,750	9,553	4,197
Clerk	835,177	627,134	208,043
Law Library	7,200	11,820	4,620
Detox	40,885	40,885	0
Comm. Attorney	1,251,467	1,142,775	108,692
Victim Witness	131,726	119,648	12,078
SUBTOTAL	**2,344,257**	**2,012,492**	**331,765**

Budgeted Expenditures
by department

PUBLIC SAFETY	AMENDED BUDGET	ACTUAL	VARIANCE
Sheriff	11,743,056	10,416,386	1,326,670
Vol. Fire Depts.	928,451	797,223	131,228
Ambul. / Rescue	393,043	395,581	-2,538
Jail / Juv. Detention	3,009,557	2,996,097	13,460
Juvenile Court	179,399	153,082	26,317
Inspections	1,251,270	1,086,292	164,978
Fire & Rescue	6,216,157	6,032,366	183,791
Public Comm.	1,448,073	1,195,059	253,014
SUBTOTAL	**25,169,006**	**23,072,086**	**2,096,920**

Budgeted Expenditures
by department

PUBLIC WORKS	AMENDED BUDGET	ACTUAL	VARIANCE
Road Admn.	20,475	19,999	476
Street Lights	55,270	52,719	2,551
Engineering	473,551	414,777	58,774
Refuse Collection	1,303,416	1,185,215	118,201
Refuse Disposal	426,096	340,406	85,690
Litter Control Grant	13,932	4,750	9,182
Maintenance Admn.	563,944	484,112	79,832
County Ofc. Bldg.	1,176,612	880,143	296,469
Animal Shelter	495,112	431,562	63,550
SUBTOTAL	**4,528,408**	**3,813,683**	**714,725**

Budgeted Expenditures
by department

HEALTH / WELFARE	AMENDED BUDGET	ACTUAL	VARIANCE
Local Health Dept.	295,338	295,338	0
Ch. 10 Board	353,625	353,625	0
Social Services	5,738,322	5,453,078	285,244
Area on Aging	67,700	67,700	0
Prop. Tax Relief	520,000	430,341	89,659
SUBTOTAL	**6,974,985**	**6,600,082**	**374,903**

Budgeted Expenditures
by department

COMMUNITY COLLEGE	AMENDED BUDGET	ACTUAL	VARIANCE
Community College	62,770	62,770	0
SUBTOTAL			

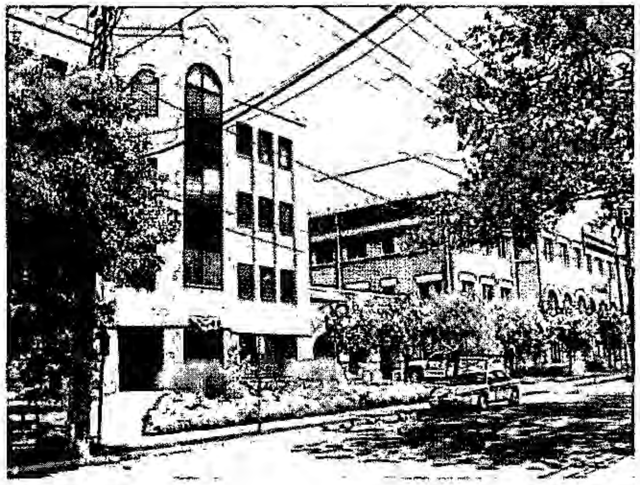
PARKS, REC. & CULTURAL			
Parks/Rec. Admn.	492,440	460,796	31,644
Parks Maintenance	894,049	861,396	32,653
RecCtr/Playgrnds	2,377,224	1,976,036	401,188
Clearbrook Park	392,712	324,445	68,267
Sherando Park	626,332	577,592	48,740
Regional Library	890,396	890,396	0
SUBTOTAL	**5,673,153**	**5,090,661**	**582,492**

Budgeted Expenditures
by department

COMMUNITY DEVELOPMENT	AMENDED BUDGET	ACTUAL	VARIANCE
Planning	1,067,117	957,441	109,676
EDC	788,328	760,548	27,780
Zoning Board	6,175	2,370	3,805
Building Appeals	550	0	550
NSV Reg. Comm.	29,294	29,294	0
Gypsy Moth	146,887	57,371	89,516
Soil & Water	8,500	8,500	0
Agriculture	194,540	186,804	7,736
SUBTOTAL	**2,241,391**	**2,002,328**	**239,063**

Budgeted Expenditures
by department

TRANSFERS	AMENDED BUDGET	ACTUAL	VARIANCE
School Transfers	73,460,332	71,010,557	2,449,775
County Debt	2,669,247	2,614,367	54,880
Other			
SUBTOTAL	**76,129,579**	**73,624,924**	**2,504,655**
GRAND TOTAL	**132,623,642**	**125,093,687**	**7,529,955**



Frederick County Public Schools

Executive Director of Finance

Visit us at www.frederick.k12.va.us

e-mail: fryel@frederick.k12.va.us

TO: School Board Members

THROUGH: Patricia Taylor, Superintendent of Schools PT.

FROM: Lisa K. Frye, Executive Director of Finance Lisa K. Frye

DATE: September 7, 2010

SUBJECT: **Financial Reports for Fiscal Year 2009-2010**

Attached are the year-end financial reports for fiscal year 2009-2010. As of the date of this report, the financials are unaudited. Included are the statements of operations for all funds managed by the school system.

The FY 2010 was the second year of financial challenges due to the local, state, and national economy. Variations in both revenue and expense budgets are material and represent the extent of the division reaction to revenue variances. This report summarizes the key issues, which have impacted the remaining balance significantly.

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540-662-3888 1415 Amherst Street, Post Office Box 3508, Winchester, VA 22604-2546 FAX 540-722-2788

Frederick County Public Schools
Financial Reports for All Funds
Fiscal Year 2009-2010

School Operating Fund *Refer to Financial Statement Page 15*

The school operating fund had a beginning FY2010 budget total of $131,151,560.00. Adjustments of $2,776,438.47 were approved and resulted in the current budget balance of $133,927,998.47. The adjustments included carryforward appropriation for prior year encumbrances as well as carryforward appropriation of a portion of the FY2009 remaining balance.

Fiscal Year 2010 school operating fund revenues exceeded expenditures and encumbrances by $2,449,775.04 for the fiscal year. However, obligations of $69,909.40 for miscellaneous, restricted grant receipts reduce the balance to an unobligated surplus of $2,379,865.64. This represents 1.8% of the total $133,927,998.47 operating budget.

Highlights of the fiscal year activity pertaining to the school operating fund are listed below.

1. Student enrollment in September 2009 was 60 students less than expected. The budget was developed using an estimate of 13,092 students for September 30, 2009. The actual enrollment at that date was 13,032, exclusive of students served in the NREP program. State funding is based upon the average daily membership throughout the year. Therefore, revenue estimates are projected first by the number of students enrolled in the fall and second by the number of students retained from that point forward. The estimated loss of state funds due to lower than expected enrollment in September was $246,232. By the end of March, approximately one-half of the loss had been regained due to the sustained level of enrollment throughout the year.

2. Beginning in the fall of 2009, the Governor warned of potential reductions in state aid to education for the second consecutive year. The threat of reductions existed throughout the winter and became a reality in the final General Assembly actions. State funding was reduced in FY 2010 by over $2.7 million in state distributions for retirement and textbook funds. Additional funding reductions were mitigated by the state's accelerated use of American Recovery and Reinvestment Act of 2009 (ARRA) funds in FY 2010 in lieu of reserving them for FY 2011.

3. By action of the General Assembly, a premium holiday was given in the 4th quarter for the employer share of payments to the Virginia Retirement System. This premium holiday provided expenditure savings of over $1.7 million and was used to offset the reduction in state aid.

4. Additional savings of approximately $500,000 in retirement contributions were realized at the end of the year due to the action by the General Assembly to significantly reduce the contribution rate effective July 1st. This action affected the FY 2010 expenditures for the summer payment obligations on the previous year's contracts.

5. Sales tax receipts are projected by the Virginia Department of Taxation and approved by the General Assembly. The estimated amount of sales tax for FCPS at the start of FY 2010 was $12.1 million and was revised downward to $11.3 million during the legislative session. By fiscal year end, the actual sales tax revenue was $11.6 million. The swing in the estimates throughout the fiscal period depicts the nature of the economic environment.

6. Expenditure savings were realized in all areas of operation. Utility and fuel costs were lower than expected. The number of substitute days paid were less than planned. Many vacancies were frozen producing significant savings. The number of retiring employees was less than budgeted generating savings in leave payout obligations. Additionally, savings were realized from reduced spending levels in departments and schools.

The pages that follow describe in more detail the revenue and expenditure variances as depicted in the financial statements. Please refer to the respective financial statement as you proceed through the text.

School Operating Fund – Continued

Revenue Variances

Revenues and transfers in the school operating fund for the fiscal year totaled $130,299,369. This amount is $3,628,630 less than the ending budget balance of $133,927,998 and is explained in the following paragraphs regarding each source of funds. Whole numbers are used and differences will occur due to rounding.

Revenue from Local Sources [line 1]

- Funds received from miscellaneous sources were less than the amount projected by $69,062. This category of revenue includes fees and charges to students and the public as well as billings to other agencies. It also includes projected revenue from gifts and donations.

Revenue from the Commonwealth [line 2]

- State funds received were less than the current amount budgeted by $2,324,543. The types of state revenue include Standards of Quality (SOQ) funding, state categorical funding, lottery funded program revenue, Medicaid funding, and sales tax receipts. The largest variances occurred in SOQ funding due to the 4th quarter premium holiday for Virginia Retirement System contributions for retirement and life insurance. The state funding variances are as shown below.

	Budget	Actual	Variance
➢ SOQ funds	$44,756,515	$42,762,969	($1,993,546)
➢ Lottery funded programs	$ 2,374,939	$ 2,623,350	$ 248,411
➢ Categorical funds	$ 958,140	$ 881,075	($ 77,065)
➢ Sales tax receipts	$12,187,123	$11,630,330	($ 556,793)
➢ Medicaid	$ 65,000	$ 119,450	$ 54,450
➢ Other incentive	$ 549,750	$ 549,750	$ 0
➢ Total	$60,891,467	$58,566,924	($2,324,543)

Revenue from the Federal Government [line 3]

- Federal funds received were $1,235,025 less than budgeted during the fiscal year. Federally-funded programs including such grants as Titles I, II, III, IV, V, VI-B, American Recovery and Reinvestment Act of 2009 (ARRA) as well as vocational and regional adult education grants are budgeted in this category. The fiscal year for these federal grants extends beyond the local June 30th fiscal year, and any remaining grant balances (as shown below) for active grants are eligible for expenditure in the next fiscal year. This variance is simply remaining appropriation associated with the grant award amount and does not contribute to or reduce the remaining unobligated surplus.

➢ Title I	$125,000
➢ Title I ARRA	$357,061
➢ Title I N&D	$ 45,045
➢ Title II	$124,879
➢ Title III	$ 19,324
➢ Title IV	$ 12,893
➢ Title VI-B	$189,923
➢ Title VI-B preschool	$ 74,150
➢ Title VI-B ARRA	$269,621
➢ Other	$ 17,129

School Operating Fund – Continued

Expenditure Variances

Expenditures and encumbrances in FY 2010 for the school operating fund totaled $127,849,594, which is $6,078,405 less than the adjusted budget balance of $133,927,998. The key components of this variance are shown in the following list. The categorical variances are described in the subsequent text.

- Mandated premium holiday & July 1 rate reduction for the Virginia Retirement System – $2.2 million savings
- Compensation savings due to frozen vacancies and reduced overtime and part-time hours – $0.9 million savings
- Compensation savings due to the use of fewer substitutes than budgeted - $0.2 million savings
- Leave payout benefit savings for employees choosing not to retire – $0.2 million savings
- Remaining portion of federal grants which will be carried forward – $1.2 million savings
- Remaining portion of other miscellaneous state grants – $0.3 million
- Utility and fuel savings – $0.3 million
- School and departmental savings – $0.7 million

Instruction [line 8]

- This function includes costs associated with classroom instruction, student support services, library and media services, instructional support services, and school administrative offices. 75% of all expenditures are in this category. The positive variance of $4,793,379 in this category is a combination of expenditure savings and remaining appropriation in grant funded programs. A large portion of the variance is attributable to the remaining appropriation for reimbursable programs. The grant variance, as described and listed previously, totals $1,235,025. This variance does not reflect funds received and not spent. Rather, the available grant balance will be carried forward by the awarding agency. As stated earlier, this variance has no effect on the unobligated surplus in the operating fund and is not part of local dollars.
- The premium holiday and rate reduction for retirement and life insurance contributions account for $2,053,760 in savings. Positive personnel service variances account for $909,793, and was due to savings realized in substitutes, part-time costs, and vacancies. The remainder variance is attributable to a NREP savings under the Payment to Joint Operations line, and all school and departmental savings throughout the division.

Administration, Attendance and Health [line 9]

- This function includes costs associated with the health services as well as the executive, finance, public information, human resources, and other administrative departments. A positive variance of $241,762 was realized, the largest portion due to the retirement premium holiday and rate reduction. Additional savings were realized in departmental budgets primarily due to reduced recruiting expenses, lower than expected publication expenditures, and staff turnover savings.

Transportation [line 10]

- This function includes costs associated with transporting students and maintaining school buses. A $410,332 positive variance in the transportation budget was realized. $256,956 in savings was realized in the personnel services and employee benefit expenses. The remainder variance was realized in fuel and other operational savings.

Operations and Maintenance [line 11]

- This function includes costs associated with maintaining the division's buildings and grounds. Utility expenses are key components of this function. A $504,568 positive variance was realized in this function. Significant savings, $257,054, were realized due to lower than expected electricity costs. Also, the retirement premium holiday and rate reduction, lower grounds maintenance costs, and staff turnover savings contributed to this variance.

School Operating Fund – Continued

Facilities [line 12]

- This function includes costs associated with planning for division facilities. The $11,587 positive variance is due to the timing and scoping of upcoming capital improvement projects. These funds were not used during the fiscal year.

Technology [line 13]

- This function includes costs associated with division technology, whether for instructional, administrative, or operational categories. The $116,777 positive variance is due to the retirement premium holiday and rate reduction, as well as the receipt of eRate funds, which must be carried forward to the next fiscal year.

REVENUE OVER EXPENDITURES [line 16] **$2,449,775.04**

LESS - OBLIGATED FUNDS [line 17] **($ 69,909.40)**

- $32,656.06 in remaining regional adult education programs
- $37,018.34 in remaining eRate funds
- $ 235.00 in remaining Clinical Faculty Grant funds

These funds were received in FY 2010 and will be appropriated in FY 2011 for the specified programs.

RESULT – AN UNOBLIGATED SURPLUS [line 18] **$2,379,865.64**

- $2,379,865.64 is the unobligated surplus, which represents the remaining local funds available for consideration for appropriation in FY 2011.

School Cafeteria Fund *Refer to Financial Statement Page 16*

The food service operation finished the year with funds in excess of expenditures of $142,205, which increases the fund balance to $1,291,722. Fund balance includes inventory valuation of $114,625. The funds in excess of expenditures are primarily due to lower than expected labor costs, the Virginia Retirement System 4th quarter premium holiday, and the use of USDA commodities.

Revenue Variances:

Compared to budget, revenues were less than expected by $264,122. The variance is the net result of four main components: interest revenue, lunch sales, breakfast sales, and federal meal reimbursement through the National School Lunch Program.

Lower than expected full priced lunch participants and having 5 less serving days caused $208,103 less lunch and breakfast revenue than was planned. Revenue from adults and a la carte sales were $268,494 less than expected. Federal revenues exceeded expectations by $210,046 due to the higher number of free and reduced priced meals served compared to projections. The percentage of students eligible for free and reduced-priced meals increased over FY 2009. 28.9% of students were eligible for free or reduced priced meals as of June 2010 as opposed to 26.6% in June 2009.

Interest earnings and other miscellaneous revenue account for a positive variance of $2,429.

Expenditure Variances:

Expenditures were $406,327 less than expected. Salaries and benefits were $164,559 less than expected primarily due to savings in personnel turnover, vacancies, overtime, and the Virginia Retirement System 4th quarter premium holiday. 51% of the food service operation is labor cost. Food and supplies cost was $95,037 less than expected due to fewer meals served. Utility, travel, and other miscellaneous expenses were $119,192 less than expected, and other costs such as capital outlay and contracted services were $27,538 less than planned.

Other Information:

1,398,256 lunches and 258,724 breakfasts were served throughout the 2009-2010 school year, which were 83,451 less meals than expected due to a loss of 5 serving days and lower than expected participation in the program. The lunch prices for a full meal were $2.00 for elementary, $2.25 for middle, and $2.25 regular lunch/$2.35 pizza lunch for high school students. Other items were sold on an a la carte basis. The division food service operation produced an average 15.47 meals per labor hour (MPLH) – 10,071 equivalent meals daily.

School Textbook Fund *Refer to Financial Statement Page 17*

The textbook fund finished the year with a decrease of $397,933 in the fund balance to $2,259,056. Receipts typically include state funding and required local funding for the provision of textbooks to students free of charge. However, for FY 2010 only, the General Assembly allowed school divisions to use textbook state funding for other school-related expenditures and waived the required local match.

Textbook fund balance is accumulated over time and is used to support the year-to-year disbursements driven by textbook adoption requirements. For FY 2010, textbook purchases were made for replacements, enrollment growth, and teacher's editions. No new textbooks were planned for adoption in FY 2010; however, a new social studies textbook was adopted for purchase during the year in preparation for FY 2011.

School Capital Project Fund *Refer to Financial Statement Page 18*

The school capital project fund is a separate fund designated for the purchase of capital items that are not provided for in the annual school operating fund. Appropriation was made for carryover funds from FY 2009 into this fiscal year. During the year, expenditures and encumbrances totaled $316,869 for various major maintenance projects including the completion of the annex building at the school administration site, the ADA improvements at D.J. Howard, and the athletic improvements at Sherando.

Construction Funds *Refer to Financial Statement Page 19*

The active construction projects for FY 2010 were:

- the final closing costs for Gainesboro Elementary School,
- the final construction, furniture, and equipment costs for Greenwood Mill Elementary School, and
- funding for land acquisition for a new transportation facility and a replacement middle school.

A summary of each project's financial activity is shown below and is provided in a different format on the financial statement.

Gainesboro Elementary School:	
Beginning project amount	$ 18,475,000.00
Expenditures through June 30,2010	$(18,357,127.28)
Remaining project balance	**$ 117,872.72**
Cash received – bond proceeds	$ 15,704,265.00
Cash received – premium proceeds	$ 584,374.35
Cash received – interest earnings	$ 497,901.03
Cash received- other projects	$ 1,629,055.94
Cash transferred to other projects	$ (58,469.04)
Cash disbursed for project	$(18,357,127.28)
Cash/ A/P balance as of *June 30, 2010*	$ 0.00

Replacement FCMS:	
Beginning project amount	$ 2,000,000.00
Remaining project balance	**$ 2,000,000.00**
Cash received - bond proceeds	$ 1,868,205.00
Cash received – premium proceeds	$ 132,555.49
Cash received – interest earnings	$ 22,120.91
Cash transferred to GWES	$(1,522,881.00)
Cash disbursed for project	$ 0.00
Accounts Payable @ June 30, 2010	$ 0.00
Cash balance @June 30, 2010	$ 500,000.40

Greenwood Mill Elementary School:	
Beginning project amount	$ 23,200,000.00
Expenditures through June 30, 2010	$(22,489,568.51)
O/S Encumbrances @ June 30, 2010	$(282,171.59)
Remaining project balance	**$ 428,259.90**
Cash received – bond proceeds	$18,300,160.00
Cash received – premium proceeds	$ 975,233.51
Cash received – interest earnings	$ 202,277.74
Cash received – other projects	$ 3,048,041.61
Cash disbursed for project	$(22,489,568.51)
Accounts Payable @ June 30, 2010	$ (0)
Cash/ A/P balance as of June 30, *2010*	$ 36,144.35

Transportation Facility:	
Beginning project amount	$ 2,000,000.00
Expenditures through June 30, 2010	$(542,322.29)
O/S Encumbrances @ June 30, 2010	$(0.00)
Remaining project balance	**$ 1,457,677.71**
Cash received - bond proceeds	$ 1,868,205.00
Cash received – premium proceeds	$ 132,555.49
Cash received – interest earnings	$ 22,120.91
Cash transferred to GWES	$(1,109,775.00)
Cash disbursed for project	$ (542,322.29)
Cash balance @June 30, 2010	$ 370,784.11

Funds were borrowed for the initial phases of the replacement middle school and transportation facilities; however, those projects were delayed. The delay caused those borrowed funds to be idle. Therefore, a portion of the funds were transferred to the Greenwood Mill Elementary School project. Additionally, the school division did not participate in the fall 2009 or spring 2010 bond sales, nor did it need to seek additional borrowing for the completion of Greenwood Mill.

With the exception of Gainesboro Elementary School, collective encumbrance amounts and remaining project amounts will be appropriated in the next fiscal year. The Gainesboro project is complete and all funds have been transferred to the next project to reduce the proposed borrowing.

Debt Service Fund *Refer to Financial Statement Page 20*

The year-end balance in the debt service fund is $250,520. The fund balance was generated from higher than expected lottery proceeds and a higher than expected carryforward balance from the previous year. The fund balance is planned to be used to offset local share of debt service in the next fiscal year.

No new debt issues were approved during FY 2010. As of June 30, 2010, there were 35 active debt issues. The total principal and interest payments, along with the management fees for the debt issues, totaled $15,305,262.

A summary of the outstanding indebtedness is shown below.

Outstanding debt at June 30, 2009	$ 121,062,679
New debt incurred during FY 2010	0
Principal payments on existing debt during FY 2010	(9,651,632)
Outstanding debt at June 30, 2010	$ 111,411,047

Insurance Reserve Fund ***Refer to Financial Statement Page 21***

The insurance reserve fund accounts for the premiums received and health claims paid for participating employees. The fund balance is generated from medical and dental premiums paid by the school system and employees exceeding insurance carrier payments for those claims. Likewise, the fund balance could decrease for claims exceeding premiums paid. A range for projected claim expense and health care utilization is prepared by the insurance carrier. Premiums are set within the projected range.

The year-end balance in the insurance reserve fund decreased by $58,045 to a balance of $2,472,497. Medical and dental claims and other expenses for FY 2010 were $13,792,096, below the expected level of $14,182,923. Column [e] shows the current year activity compared to expected and maximum levels shown in columns [c] and [d]. Revenues were less than planned due to participants shifting to a different plan option and the distribution of a portion of the previous year's remaining balance through a one month premium holiday for employees. The employer share was still paid into the health insurance fund.

The fund balance equates to approximately two and one-half months of claims activity. Columns [f] and [g] provide a range of activity projected for FY 2011. The importance of maintaining an adequate fund balance is exhibited by the expected future activity.

<u>Northwestern Regional Education Program (NREP) Funds</u> ***<u>Refer to Financial Statement Page 22</u>***

Frederick County Public Schools is the fiscal agent for the NREP program. The school divisions of Winchester City and Frederick and Clarke Counties fund the program along with some federal and state dollars. The NREP program provides intense services to severe and profound disabled students, emotionally disturbed students, multiple-handicapped students, and preschoolers with various disabilities. The program also provides outreach services to daycares and homes, as well as occupational, physical, and speech therapy services.

Total revenues were \$4,233,612 and were \$353,969 less than budgeted. This amount represents a reduction in the localities' contributions due to the distribution of the FY 2009 surplus of \$373,616, as well as interest earnings of \$8,387 and tuition payments of \$11,260. Additional program savings generated a residual surplus of \$483,259 at year end, which will be credited back to the localities in FY 2011. The additional surplus was generated from the Virginia Retirement System 4th quarter premium holiday and rate reduction, vacancy savings due to program changes, and reduced contracted service costs.

The NREP textbook fund concluded the year with a fund balance of \$45,044. The fund balance is accumulated over time and is used to support the year-to-year disbursements driven by textbook adoption requirements. The upcoming fiscal year plans for the use of most, if not all, of this fund balance for the purchase of new adoptions, enrollment growth, and consumable materials.

Consolidated Services Fund ***Refer to Financial Statement Page 23***

The consolidated services fund accounts for the transaction activity associated with the operation and maintenance of county buildings serviced by the school buildings and grounds department. The fund also accounts for the services provided to the Handley Regional Library. Billings to both agencies totaled $11,970. The FY 2010 fund balance is $748, which will be returned to the county's general fund.

Trust Fund Activity *Refer to Financial Statement Page 24*

The other funds maintained by the school system include four trust funds. The fund activity includes interest postings and fund transfers. Fund balances are brought forward each year into the next fiscal period.

Armstrong Foundation Scholarship 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. The fund balance as of June 30, 2010, is $197,649.42.

Olin Larrick Trust Fund

This fund accounts for funds provided through a private donor. The corpus 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. The fund balance as of June 30, 2010, is $2,121.16.

Laura Bates Trust Fund

This fund accounts for funds provided by a private donor. The corpus is non-expendable. Investment earnings on fund assets may be used to construct a nondenominational chapel at Middletown School. The fund balance as of June 30, 2010, is $12,440.35.

Harriet S. Sides Trust Fund

This fund accounts for funds provided through a private donor. The corpus is non-expendable. Investment earnings on fund assets may be used to purchase textbooks for indigent students of the Frederick County school system. The fund balance as of June 30, 2010, is $9,381.43.

Frederick County Public Schools

School Operating Fund

Year Ended June 30, 2010

		[a] 2007-08 Actual*	[b] 2008-09 Actual*	[c] 2009-10 Original Budget	[d] 2009-10 Adjusted Budget	[e] 2009-10 Actual*	[f] Variance from Adj. Budget
REVENUES:							
[1]	Revenue from Local Sources	$ 1,003,447	$ 911,616	$ 1,009,375	$ 891,116	$ 822,054	$ (69,062)
[2]	Revenue from Commonwealth	62,338,816	64,925,921	63,487,739	60,891,467	58,566,924	(2,324,543)
[3]	Revenue from Federal Government	3,969,752	3,881,821	10,016,778	13,311,234	12,076,209	(1,235,025)
[4]	Transfers- Encumbrances from prior year	147,406	471,260	-	302,229	302,229	-
[5]	Carry-over Transfers	115,849	378,265	-	1,894,285	1,894,285	-
[6]	Local Funds -Board of Supervisors	62,996,099	61,622,143	56,637,668	56,637,668	56,637,668	-
[7]	**TOTAL REVENUES**	**$ 130,571,369**	**$ 132,191,026**	**$ 131,151,560**	**$ 133,927,998**	**$ 130,299,369**	**$ (3,628,630)**
EXPENDITURES:							
[8]	**Instruction**	**$ 102,501,343**	**$ 97,943,336**	**$ 100,137,250**	**$ 101,007,132**	**$ 96,213,753**	**$ 4,793,379**
a	Personal Services	68,973,189	69,236,343	67,059,678	67,164,669	66,150,076	1,014,593
b	Employee Benefits	22,732,800	21,700,205	23,216,760	24,852,348	22,392,551	2,459,797
c	Purchased Services	2,236,015	1,587,867	2,438,442	2,267,628	1,911,627	356,001
d	Other Charges	734,356	726,687	798,154	727,217	644,079	83,137
e	Materials & Supplies	2,951,209	1,608,529	3,364,759	2,906,981	2,053,380	853,601
f	Payment to Joint Operations	3,154,684	2,808,515	3,063,797	2,823,569	2,800,996	22,572
g	Equipment/Capital Outlay	1,719,090	275,190	195,660	264,721	261,043	3,677
[9]	**Administration, Attendance & Health**	**$ 6,302,081**	**$ 5,187,300**	**$ 5,355,293**	**$ 5,486,666**	**$ 5,244,904**	**$ 241,762**
a	Personal Services	4,324,540	3,727,477	3,714,778	3,725,787	3,695,067	30,721
b	Employee Benefits	1,360,623	1,113,120	1,261,414	1,377,888	1,262,599	115,289
c	Purchased Services	331,268	182,182	207,050	186,833	137,038	49,795
d	Other Charges	79,491	63,640	80,930	77,067	58,040	19,027
e	Materials & Supplies	134,986	100,166	73,122	81,529	62,959	18,570
f	Equipment/Capital Outlay	71,173	715	18,000	37,562	29,202	8,360
[10]	**Pupil Transportation Services**	**$ 8,197,829**	**$ 7,685,695**	**$ 8,221,718**	**$ 8,340,865**	**$ 7,930,533**	**$ 410,332**
a	Personal Services	3,995,019	3,975,038	4,045,981	4,051,621	3,892,120	159,502
b	Employee Benefits	1,725,152	1,721,833	2,035,518	2,211,398	2,113,944	97,454
c	Purchased Services	88,636	116,943	105,042	107,742	87,940	19,802
d	Other Charges	85,621	83,131	92,028	91,828	85,749	6,079
e	Materials & Supplies	1,378,962	879,724	1,423,149	1,060,415	942,414	118,001
f	Equipment/Capital Outlay	924,439	909,026	520,000	817,860	808,366	9,494
[11]	**Operation and Maintenance**	**$ 11,644,081**	**$ 12,323,012**	**$ 12,090,790**	**$ 12,890,154**	**$ 12,385,586**	**$ 504,568**
a	Personal Services	4,103,104	4,332,679	4,275,932	4,305,851	4,297,331	8,520
b	Employee Benefits	1,423,132	1,498,251	1,673,970	1,763,725	1,709,703	54,022
c	Purchased Services	1,337,093	1,130,263	1,676,445	1,576,319	1,382,953	193,366
d	Other Charges	2,942,955	3,298,280	3,481,724	3,336,154	3,092,348	243,807
e	Materials & Supplies	1,012,511	792,418	779,018	993,878	989,201	4,677
f	Equipment/Capital Outlay	825,286	1,271,121	203,700	914,226	914,049	176
[12]	**Facilities**	**$ 302,688**	**$ 295,496**	**$ 341,905**	**$ 344,325**	**$ 332,738**	**$ 11,587**
a	Personal Services	171,709	188,040	188,040	188,040	187,990	50
b	Employee Benefits	55,712	56,701	59,365	59,365	54,380	4,986
c	Purchased Services	69,717	44,347	85,500	89,330	84,078	5,252
d	Other Charges	3,200	3,748	5,750	4,239	3,510	729
e	Materials & Supplies	2,350	2,660	3,250	3,351	2,779	572
[13]	**Technology**	**$ -**	**$ 5,299,214**	**$ 5,004,604**	**$ 5,858,857**	**$ 5,742,080**	**$ 116,777**
a	Personal Services		2,611,706	2,584,926	2,575,173	2,574,275	898
b	Employee Benefits		779,746	838,315	842,028	763,541	78,487
c	Purchased Services		462,812	431,263	522,091	522,091	-
d	Other Charges		9,690	8,500	16,558	16,558	-
e	Materials & Supplies		463,952	302,000	609,324	608,950	374
f	Equipment/Capital Outlay		971,308	839,600	1,293,684	1,256,665	37,018
[14]	**Fund Transfers**	**$ 517,662**	**$ 621,194**	**$ -**	**$ -**	**$ -**	**$ -**
a	Other Uses of Funds	517,662	621,194	-	-	-	-
[15]	**TOTAL EXPENDITURES**	**$ 129,465,684**	**$ 129,355,247**	**$ 131,151,560**	**$ 133,927,998**	**$ 127,849,594**	**$ 6,078,405**
[16]	**REVENUE OVER EXPENDITURES**	$ 1,105,685	$ 2,835,779	$ -	$ -	$ 2,449,775	
[17]	Obligated Funds-Grant Receipts Carryforward	28,265	52,339			69,909	erate/adlt ed
[18]	**LOCAL FUNDS UNOBLIGATED AT JUNE 30**	**$ 1,077,420**	**$ 2,783,440**			**$ 2,379,866**	
[19]	Percentage Surplus of Total Budget	0.82%	2.07%			1.78%	

* Actual fiscal year expenditures includes encumbrances

Frederick County Public Schools

School Cafeteria Fund

Year Ended June 30, 2010

		[a] Actual 2007-2008	[b] Actual 2008-2009	[c] Adjusted Budget 2009-2010	[d] Actual 2009-2010	[e] Variance (Over)/Under Adjstd Budget
[1]	**Beginning Balance July 1***	$ 906,540	$ 973,772	$ 681,163	$ 1,149,518	
	Revenues:					
[2]	Interest on Bank Deposits	$ 36,185	$ 19,155	$ 36,185	$ 10,095	$ (26,090)
[3]	Type A Lunches	1,978,351	2,048,298	2,124,695	1,926,957	$ (197,739)
[4]	Breakfast Program	98,107	113,151	122,951	112,587	$ (10,364)
[5]	All Other Sales and Adults	818,363	744,601	851,310	582,816	$ (268,494)
[6]	Other Receipts	45,695	66,666	45,589	68,444	$ 22,855
[7]	State School Food Payments	74,609	79,004	77,622	83,286	$ 5,664
[8]	Federal Meals Reimbursement	1,387,999	1,611,235	1,661,755	1,871,801	$ 210,046
[9]	Transfers From School Operating	-	-	-	-	$ -
[10]	**Total Revenues**	$ 4,439,309	$ 4,682,112	$ 4,920,107	$ 4,655,985	$ (264,122)
	Expenditures:					
[11]	Salaries	$ 1,789,807	$ 1,803,428	$ 1,802,101	$ 1,678,502	$ (123,599)
[12]	Fringe Benefits	580,144	590,551	653,812	612,852	$ (40,960)
[13]	Contractual Services	30,615	40,782	43,830	44,851	$ 1,021
[14]	Utilities, Travel and Misc	45,397	48,798	170,237	51,044	$ (119,192)
[15]	Food and Supplies	2,013,028	1,986,300	2,216,128	2,121,091	$ (95,037)
[16]	Capital Outlay	46,521	36,508	34,000	5,441	$ (28,559)
[17]	**Total Expenditures**	$ 4,505,511	$ 4,506,367	$ 4,920,107	$ 4,513,780	$ (406,327)
[18]	**Income Over Expenditures**	(66,202)	175,745	-	142,205	
[19]	**Balance June 30**	$ 840,338	$ 1,149,518	$ 681,163	$ 1,291,722	

* For FY 2009 Actual, the beginning balance includes inventory valuation.

Frederick County Public Schools
School Textbook Fund
Year Ended June 30, 2010

		[a] 2007-08 Actual	[b] 2008-09 Actual	[c] 2009-10 Budget	[d] 2009-10 Actual	[e] Variance
[1]	**Balance July 1**	$ 743,355	$ 1,590,991	$ 2,190,236	$ 2,656,989	
	Revenues:					
[2]	Interest on Bank Deposits	51,785	42,471	50,000	18,327	(31,673)
[3]	Sale of Textbooks/ Lost Fees	12,611	5,676	13,500	4,314	(9,186)
	Sale of Used Books					-
[4]	Misc Revenue	-	-	-	-	-
	Textbooks Furnished Free					-
[5]	State Reimbursements	777,837	893,177	-	-	-
[6]	Transfers From Other Funds	$ 518,029	$ 621,367	$ 150	$ 75	(75)
[7]	**Total Revenues**	$ 1,360,263	$ 1,562,691	$ 63,650	$ 22,716	$ (40,934)
	Expenditures:					
[8]	Salaries	$ 19,772	$ 32,165	$ 26,538	$ 18,662	(7,877)
[9]	Fringe Benefits	$ 4,704	$ 6,952	$ 5,950	$ 6,589	639
[10]	Contractual Services	$ -	$ -	$ -	$ -	-
[11]	Payments to Publishers	$ 488,152	$ 457,576	$ 2,221,398	$ 395,399	(1,825,999)
[12]	**Total Expenditures**	$ 512,627	$ 496,693	$ 2,253,886	$ 420,649	$ (1,833,237)
[13]	**Revenues Over (Under) Expenditures**	$ 847,635	$ 1,065,998	$ -	$ (397,933)	
[14]	**Balance June 30**	$ 1,590,991	$ 2,656,989		$ 2,259,056	

Frederick County Public Schools

School Capital Project Fund

Year Ended June 30, 2010

	[a] 2007-08 Actual*	[b] 2008-09 Actual*	[c] 2009-10 Budget	[d] 2009-10 Actual*	[e] Variance from Adjusted Budget
[1] **Balance July 1**	$ 446,372	$ 879,795	$ 114,469	$ 316,869	
Revenues:					
[2] Other Receipts	-	-	-	-	-
[3] Local Funds - Frederick County	1,668,429	-	-	-	-
[4] Transfers from Other Funds	-	-	-	-	-
[5] Transfers- Encumbrances from prior year	-	-	202,400	-	(202,400)
Total Revenues	$ 1,668,429	$ -	$ 202,400	$ -	$ (202,400)
Expenditures:					
[6] Capital Outlay	1,159,807	562,926	316,869	316,869	0
[7] **Total Expenditures**	$ 1,159,807	$ 562,926	$ 316,869	$ 316,869	$ 0
[8] **Fund Balance June 30**	$ 954,994	$ 316,869	$ 0	$ -	
[9] Reserve for Encumbrances	379,795	202,400	-	-	
Unreserved Balance June 30	$ 575,199	$ 114,469	$ 0	$ -	

* Actual fiscal year amounts include encumbrances.

Frederick County Public Schools

School Constuction Funds

Year Ended June 30, 2010

		[a] Project Budget	[b] Prior Years' Receipts	[c] 2009-2010 Actual Receipts	[d] Cummulative Project Receipts
	Revenues:				
[1]	Interest Income		$ 738,602	$ 5,819	$ 744,421
[2]	Proceeds from Bond Sale	45,675,000	37,740,835	0	$ 37,740,835
[3]	Other Receipts		1,824,719	0	$ 1,824,719
[4]	Transfers from Other Projects		1,985,973		$ 1,985,973
[5]	**Total Revenues**	$ 45,675,000	$ 42,290,128	$ 5,819	$ 42,295,947

		[a] Project Budget	[b] Prior Years' Expenditures	[c] 2009-2010 Actual	[d] Outstanding Encumbrances	[e] Cummulative Project Expenditures	[f] Remaining Project Balance
	Expenditures:						
[6]	Gainesboro Elementary School	18,475,000	18,275,494	81,634	0	18,357,128	117,872 *
[7]	Greenwood Mill Elementary School	23,200,000	20,452,028	2,037,540	282,172	22,771,740	428,260
[8]	New Transportation Facility	2,000,000	542,142	180	0	542,322	1,457,678
[9]	Replacement FCMS	2,000,000	0	0	0	-	2,000,000
[10]	**Total Expenditures**	$ 45,675,000	$ 39,269,664	$ 2,119,354	$ 282,172	$ 41,671,190	$ 4,003,810

* Project completed

Frederick County Public Schools
School Debt Service Fund
Year Ended June 30, 2010

		[a] 2007-08 Actual	[b] 2008-09 Actual	[c] 2009-10 Adjusted Budget	[d] 2009-10 Actual	[e] Variance from Adjusted Budget
[1]	**Balance July 1**	$ 352,346	$ 30,357	$ 2,429	$ 49,800	
	Reveneues:					
[2]	State- School Construction	256,832	254,710	-	-	-
[3]	State- Lottery Proceeds	1,728,182	1,496,892	687,033	879,831	192,798
[4]	Local Funds - Frederick County	11,792,301	12,924,295	14,626,151	14,626,151	-
[5]	Transfers from Other Funds					
[6]	***Total Revenues***	$ 13,777,315	$ 14,675,897	$ 15,313,184	$ 15,505,982	$ 192,798
	Expenditures:					
[7]	Principal Payments	8,574,207	8,881,371	9,651,632	9,651,632	-
[8]	Interest Payments	5,511,747	5,760,433	5,638,981	5,638,980	1
[9]	Miscellaneous	13,350	14,650	25,000	14,650	10,350
[10]	**Total Expenditures**	$ 14,099,304	$ 14,656,454	$ 15,315,613	$ 15,305,262	$ 10,351
[11]	**Balance June 30**	$ 30,357	$ 49,800	$ -	$ 250,520	

Frederick County Public Schools
School Health Insurance Reserve Fund
Year Ended June 30, 2010

	[a] Actual 2007-08	[b] Actual 2008-09	[c] Expected Activity 2009-10	[d] Maximum Claim Liability 2009-10	[e] Actual 2009-10	[f] Expected Activity 2010-2011	[g] Maximum Claim Liability 2010-2011	
[1] **Balance July 1**	$ 3,977,649	$ 4,030,446	$ 2,530,542	$ 2,530,542	$ 2,530,542	$ 2,472,497	$ 2,472,497	[1]
Revenues:								
[2] Interest on Bank Deposits	212,848	89,847			38,317			[2]
[3] Health Insurance Premiums	11,379,976	11,101,661	14,512,311	14,512,311	13,695,734	14,915,153	14,915,153	[3]
[4] **Total Revenues**	$ 11,592,824	$ 11,191,508	$ 14,512,311	$14,512,311	$ 13,734,051	$ 14,915,153	$ 14,915,153	[4]
Expenditures:								
[5] Contracted Activities	38,308	41,952			62,501	63,844	63,844	[5]
[6] Health Care Claims	10,789,272	11,864,059	13,287,963	14,403,329	12,892,493	14,141,171	15,528,646	[6]
[7] Dental Claims	712,446	785,401	895,960	1,000,000	837,102	866,612	866,612	[7]
[8] **Total Expenditures**	$ 11,540,027	$ 12,691,412	$ 14,183,923	$15,403,329	$ 13,792,096	$ 15,071,627	$ 16,459,102	[8]
[9] **Revenues Over (Under) Expenditures**	52,797	(1,499,904)	328,388	(891,018)	(58,045)	(156,474)	(1,543,949)	[9]
[10] **Balance June 30**	$ 4,030,446	$ 2,530,542	$ 2,858,930	$ 1,639,524	$ 2,472,497	$ 2,316,023	$ 928,548	[10]

Frederick County Public Schools

Northwestern Regional Educational Program (NREP)

Year Ended June 30, 2010

OPERATING FUND	[a] 2007-08 Actual	[b] 2008-09 Actual	[c] 2009-10 Adjusted Budget	[d] 2009-10 Actual	[e] Variance from Adj. Budget
Balance at July 1	$ 329,342	$ 569,634	$ 450,730	$ 373,616	
REVENUES:					
[1] Interest	$ 44,274	$ 20,586	$ -	$ 8,387	$ 8,387
[2] Tuition				11,260	$ 11,260
[3] Revenue from Commonwealth	26,000	26,000	26,000	26,000	$ -
[4] Revenue from Federal Government	16,418	-	-	-	$ -
[5] Local Funds -- Frederick County, Winchester City, and Clarke County	4,623,666	4,128,934	4,561,582	4,187,965	$ (373,616)
[6] **TOTAL REVENUES**	$ 4,710,359	$ 4,175,521	$ 4,587,582	$ 4,233,612	$ (353,969)
EXPENDITURES:					
[7] Instruction	$ 3,688,665	$ 3,489,224	$ 4,206,116	$ 3,392,449	$ 813,666
[8] Administration, Attendance & Health	227,471	233,941	181,008	166,947	14,061
[9] Pupil Transportation Services	-	-	-	-	-
[10] Operation and Maintenance	542,170	560,864	590,834	508,259	82,575
[11] Food Services	1,761	2,772	3,500	-	3,500
[12] Fund Transfers/Contingency	10,000	10,000	10,000	10,000	-
[13] Technology		74,739	46,854	46,314	540
[14] **TOTAL EXPENDITURES**	$ 4,470,067	$ 4,371,539	$ 5,038,312	$ 4,123,969	$ 914,343
[15] **Balance at June 30**	$ 569,634	$ 373,616	$ -	$ 483,259	

* Actual fiscal year expenditures include outstanding encumbrances at year end.

TEXTBOOK FUND	[a] 2007-08 Actual	[b] 2008-09 Actual	[c] 2009-10 Adjusted Budget	[d] 2009-10 Actual	[e] Variance from Adj. Budget
Balance at July 1	$ 23,963	$ 34,008	$ 20,000	$ 42,630	
REVENUES:					
[1] Interest	1,280	764	0	373	373
[2] Transfers from NREP Operating Fund	10,000	10,000	10,000	10,000	0
[3] **TOTAL REVENUES**	$ 11,280	$ 10,764	$ 10,000	$ 10,373	$ 373
EXPENDITURES:					
[4] Payments for textbooks	1,236	2,142	30,000	7,959	(22,041)
TOTAL EXPENDITURES	$ 1,236	$ 2,142	$ 30,000	$ 7,959	$ (22,041)
[5] **Balance at June 30**	$ 34,008	$ 42,630	$ -	$ 45,044	

Frederick County Public Schools
Consolidated Services Fund
Year Ended June 30, 2010

	[a] 2007-08 Actual	[b] 2008-09 Actual	[c] 2009-10 Actual
Balance July 1	$ 748	$ 748	$ 748
Revenue:			
Interest on Bank Deposits	-	-	-
Billings to Regional Library Board	5,713	6,781	1,685
Billings to County Government	20,603	14,481	10,285
Total Receipts	$ 26,317	$ 21,262	$ 11,970
Expenditures:			
County Office Building:			
Purchased Services	7,615	5,401	3,123
Other Charges[Utilities, Insurance]	-	-	
Materials and Supplies	11,654	7,988	6,024
Old Frederick County Courthouse:			
Purchased Services	1,252	1,042	737
Other Charges[Utilities, Insurance]	-	-	
Materials and Supplies	82	50	401
Bowman Library			
Purchased Services	5,713	5,990	1,373
Other Charges[Utilities, Insurance]	-	791	
Materials and Supplies	-	-	312
Total Expenditures	$ 26,317	$ 21,262	$ 11,970
Transfers to Other Funds	-	-	
Revenues Over (Under) Expenditures	-	(0)	0
Balance June 30	$ 748	$ 748	$ 748

Frederick County Public Schools

Trust Funds

Year Ended June 30, 2010

	[d] Armstrong Foundation Scholarship	[a] Larrick Trust	[b] Bates Trust	[c] Sides Trust
Balance July 1	$178,850	$2,104	$12,342	$9,381
REVENUES:				
Interest Earned	$26,866	$17	$98	$75
TOTAL REVENUES	$26,866	$17	$98	$75
EXPENDITURES:				
Trust Fund Activity	$8,067	$0	$0	$0
Transfers to Other Funds				$75
TOTAL EXPENDITURES	$8,067	$0	$0	$75
Balance June 30	$197,649	$2,121	$12,440	$9,381

COMMONWEALTH OF VIRGINIA
STANDARD CONTRACT

ENERGY PERFORMANCE CONTRACT

This contract entered into this ____ day of _____, 2010 between Siemens Industry, Inc, Building Technologies Division hereinafter called the "ESCO" or "Contractor" and ____________________________hereinafter called the "Purchasing Agency" or "Owner".

WITNESSETH that the Contractor and the Purchasing Agency, in consideration of the mutual covenants, promises and agreements herein contained, agree as follows:

Building Name

SCOPE OF CONTRACT: The ESCO shall provide the goods/services to the Purchasing Agency as set forth in the contract documents.

PERIOD OF PERFORMANCE:

The contract shall begin on signing by both parties and continue for _____ (_) years after construction.

The contract documents shall consist of:

(1) This signed contract ("Contract")

(2) The following negotiated items identified in Section 1, below:

SECTION 1. ENERGY MANAGEMENT PLAN

Section 1.1 Plan Details. ESCO has prepared the complete Technical Energy and Water Savings Audit set forth in <u>Attachment A</u> and dated ____ which has been approved and accepted by Agency. The audit includes all energy conservation measures agreed upon by the parties, but the specific measures to be implemented through this Contract are identified in Exhibit A, Scope of Work.

Section 1.2 Schedules. ESCO has prepared and Agency has approved and accepted the Schedules as set forth below, copies of which are attached hereto and made a part of this contract by reference.

1.2.1 Exhibit A. Scope of Work and Services
1.2.2 Exhibit B. Payment Schedule
1.2.3 Exhibit C. Performance Assurance
1.2.4 Exhibit D. Scope Details

Section 1.3 Priority. In the event of a conflict among the contract documents, precedence shall be established in the following order: 1) any amendments or addenda executed between the parties subsequent to this Contract, 2) the Schedules of this Contract, 3) this Contract, 4) Attachment A.

Agency reserves the right to include the provision of any future goods/services by ESCO on new or existing facilities as an amendment to this contract.

SECTION 2. ENERGY USAGE RECORDS AND DATA

Agency shall furnish (or cause its energy suppliers to furnish) to ESCO, upon its request, all of its records and complete data concerning energy usage and energy-related maintenance for the Premises described in Exhibit A, including the following data for the most current thirty-six (36) month period; utility records; occupancy information; descriptions of any changes in the building structure or its heating, cooling, lighting or other systems or energy requirements; descriptions of all energy consuming or saving equipment used in the Premises; bills and records relating to maintenance of energy-related equipment, and a description of energy management procedures presently utilized, if not provided under the Technical Energy and Water Savings Audit. If requested, Agency shall also provide any prior energy audits of the Premises, and copies of Agency's financial statements and records related to energy usage and operations for said thirty-six (36) month period at said Premises, and shall make agents and employees familiar with such records available for consultations and discussions with ESCO.

SECTION 3. COMMENCEMENT DATE AND TERMS; INTERIM PERIOD

Section 3.1 Commencement Date. The Commencement Date shall be the first day of the month after the month in which all schedules are in final form and accepted by the Agency, ESCO has delivered a Notice to the Agency that it has installed and commenced operating all of the Equipment specified in Exhibit A and in accordance with all the provisions of Section 6; and Agency has inspected and accepted said installation and operation as evidenced by the Certificate of *Acceptance*. Compensation payments due to ESCO for service and maintenance under this Contract as set forth in the attached Exhibit B shall begin no earlier than 30 days from the Commencement Date as defined herein.

Section 3.2 Term of Contract; Interim Period. Subject to the following sentence, the term of this Contract shall be no more than _________ (__) years measured beginning with the Commencement Date. Nonetheless, the Contract shall be effective and binding upon the parties immediately upon the "Effective Date." The Effective Date is the date this Contract is sent to the ESCO after it has been fully executed by Agency and ESCO and all approvals required by Commonwealth contracting procedures have been obtained. The period from Contract execution until the Commencement Date shall be known as the "Interim Period". All energy savings achieved during the interim period will be fully credited to Agency.

SECTION 4. PAYMENTS TO ESCO

Section 4.1 Energy Savings Guarantee. ESCO has formulated and, subject to the adjustments provided for, has guaranteed the annual level of energy and operations savings to be achieved as a result of the installation and operation of the Equipment and provision of services provided for in this Contract as specified in Exhibit A and in accordance with the Savings Calculation Formula as set for in Exhibit C. The Energy Savings Guarantee is set forth in annual increments for the term of the Contract as specified in Exhibit C and has been structured by the ESCO so as to be sufficient to cover any and all annual payments required to be made by the Agency as set forth in Exhibit B.

Section 4.2 Annual Review and Reimbursement/Reconciliation. If at the end of any year during the guarantee period as *specified in* Exhibit C, the ESCO has failed to achieve the annual Energy Savings Guarantee specified in Exhibit C, upon written request by the Agency, which shall be given no *earlier than the* end of such year and no later than forty-five (45) days thereafter, the ESCO will pay the Agency the difference between the annual amount guaranteed and the amount of actual energy and operations savings achieved at the Premises in accordance with the provisions of Exhibit C. The ESCO shall remit such payments to the Agency within thirty (30) days of written notice by the Agency of such monies due. When the total energy savings in any one year during the guarantee period exceeds the Energy Savings Guarantee as set forth in Exhibit C and are in addition to those monies due the ESCO for compensation for services as set forth in Exhibit D, such excess savings shall first be applied to reimburse ESCO for any payment ESCO made to Agency to meet ESCO's guarantee for previous years in which the energy savings fell short of ESCO's Energy Savings Guarantee under the terms as set forth in Exhibit C. In no event shall credit for excess savings be used to satisfy performance guarantees in future years of the contract. The Agency may terminate on the anniversary if the savings are not generated.

Section 4.3 ESCO Compensation and Fees. ESCO has structured the Energy Savings Guarantee referred to in Section 4.1 above, so as to be sufficient to include any and all annual payments required to be made by the Agency in connection with financing/purchasing the Equipment to be installed by ESCO under this Contract as set forth in Exhibit A. Actual energy and operations savings achieved by ESCO through the operation of Equipment and performance of services by ESCO shall be sufficient to cover any and all annual fees to be paid by Agency to ESCO for the provision of services as set forth and in accordance with the provisions of Exhibit B.

Section 4.4 Billing Information Procedure. Payments due to ESCO under Exhibit B shall be invoiced each month in the following manner:

The ESCO shall provide the Agency with detailed invoices itemized by equipment, materials and labor, and Agency shall pay ESCO within thirty (30) days of receipt of each of ESCO's invoice.

SECTION 5. NONAPPROPRIATION OF FUNDS

In the event no Agency funds or insufficient Agency funds are appropriated and budgeted in any Commonwealth of Virginia Fiscal Year for payments due under this Contract, then Agency will immediately notify ESCO or its assignee of such occurrence and this Contract shall terminate on the last day of Commonwealth's Fiscal Year for which appropriations were received without penalty or expense to Agency of any kind whatsoever. In the event of such termination, Agency agrees to peaceably surrender possession of all the Equipment in good operating condition, subject to normal wear and tear to ESCO or its assignee on the date of such termination. ESCO or its assignee will have all legal and equitable rights and remedies to take possession of the Equipment. Upon such termination, title to the Equipment will revert to ESCO or its assignee.

If, on the thirtieth (30th) day after the commencement of any Fiscal Year, sufficient funds have not been appropriated for the purpose of making all of the payments scheduled to be paid in such Fiscal Year, Agency shall cause to be delivered written notice thereof (a "notice of non-appropriation") to ESCO within ten (10) calendar days after such thirtieth (30th) day. Upon ESCO's receipt of a notice of non-appropriation, this Contract shall terminate, as of the end of the Fiscal Year just ended; provided, however, such termination shall not become effective as of the end of such Fiscal Year just ended if, within ten (10) calendar days of the thirtieth (30) day after the end of such Fiscal Year just completed, Agency shall cause to be delivered to ESCO a written statement to the effect that it reasonably expects sufficient funds for the then-current Fiscal Year to be appropriated therefore, and in such event the term shall continue into the then-current Fiscal year so long, but only so long, as an appropriation becomes available from which to make the payments.

Notwithstanding the foregoing, Agency agrees that (i) it will not cancel this Contract under the provisions of this paragraph if any funds are appropriated to it, or by it, for the acquisition, retention or operation of the Equipment or other equipment performing functions similar to the Equipment for the Fiscal Year in which such termination occurs and (ii) it will not, during the term of the Contract, give priority in the application of funds to any other functionally similar equipment or purchase of services such as outsourcing.

SECTION 6. CONSTRUCTION SCHEDULE AND EQUIPMENT INSTALLATION;APPROVAL

Section 6.1 ESCO shall be responsible for the professional and technical accuracy, of all construction and services performed in accordance with the Construction and Professional Services Manual, whether by ESCO or its subcontractors or others on its behalf, throughout the term of this Contract.

Section 6.2 ESCO shall provide overall coordination, management, and responsibility, and shall assure that all work is completed in a good and workmanlike manner. ESCO's services shall include the following:

a. Engineering Design: A survey of the Premises for purposes of designing the Program.

b. Procurement, Installation, Start-Up: Subject to other provisions of this Contract, ESCO will act as a turn-key general contractor assuming total responsibility for the procurement of labor and material for installation and start-up of the Equipment, including: selecting subcontractors and suppliers in concert with Agency; awarding subcontracts; receiving and evaluating submitted drawings on the equipment; progress inspections during installation; developing and presenting subcontractor punch lists after each inspection; receiving and evaluating record drawings; and operation and maintenance manuals from subcontractors; providing for training of Agency personnel on proper operation of the newly installed Equipment; and final inspection and recommendation for approval to the Agency for acceptance of the equipment. The Agency reserves the right to review the bids solicited by the ESCO for equipment and labor.

Section 6.3 Construction and Equipment installation shall proceed in accordance with the construction schedule approved by Agency.

Section 6.4 Systems Startup and Equipment Commissioning: The ESCO shall conduct a thorough and systematic performance test of each element and total system of the installed Equipment in accordance with the procedures specified in Exhibit A and prior to acceptance of the project by Agency. The ESCO shall provide notice to the Agency of the scheduled test(s) and the Agency and/or its designees shall have the right to be present at any or all such tests conducted by ESCO and/or manufacturers of the Equipment. The ESCO shall be responsible for correcting and/or adjusting all deficiencies in systems and Equipment operations that may be observed during system commissioning procedures.

Section 6.5 In order for ESCO to receive payments during the design/build stages of the Contract, the Agency shall authorize disbursements from any escrow account established and maintained pursuant to any escrow Contract entered into between ESCO and any third party financing company. Agency shall request disbursements from the escrow account pursuant to Article 1 of Exhibit B and the invoicing guidelines of Section 4.4 above.

Section 6.6 Statutory Requirements. In the installation of the Equipment, ESCO shall be required, and shall require its contractors and subcontractors to comply with all Terms and Conditions under contract SMR20080328, unless noted and agreed to as an exception.

SECTION 7. WARRANTIES

Section 7.1 General. Should any item of Equipment be found to be defective within one (1) year from the date of installation, ESCO agrees to repair such item or, if necessary, furnish and install, without charge, similar items to replace it; provided, however, that the original item is returned to ESCO and inspection by the manufacturer establishes the claim. All shipping and transportation costs involved in the repair or replacement of the defective Equipment shall be paid by ESCO.

On all systems installed pursuant to this Contract, ESCO shall provide, at no charge during the warranty period, any labor required to repair or replace defective Equipment or parts. Such labor shall include adjustment of controls, air balancing, and correction of mechanical difficulties if such adjustments are due to defective equipment or improper installation.

If the Equipment fails to fulfill the performance guarantees, ESCO shall have the opportunity to make such changes as it deems necessary to fulfill such guarantees. If a demonstration is required, ESCO shall be given the opportunity to test the equipment under requisite conditions.

The warranty provisions under this Section 7.1 are in addition to and not in lieu of any warranties made by equipment or component manufacturers. After installation of all ECMs, Contractor shall deliver to the Agency all manufacturer warranty certificates, documents, operation and maintenance instructions and manuals, and similar documents.

Section 7.2 Equipment Warranties. ESCO covenants and agrees that all Equipment installed as part of this Contract is new, in good and proper working condition and protected by appropriate written warranties covering all parts and equipment performance. ESCO further agrees to deliver to the Agency for inspection and approval, all such written warranties and which shall be attached, to pursue rights and remedies against manufacturer of the Equipment under the warranties in the event of Equipment malfunction or improper or defective function, and defects in parts, workmanship and performance, to notify the Agency whenever defects in Equipment parts or performance occur which give rise to such rights and remedies and those rights and remedies are exercised by ESCO. The cost of any risk of damage or damage to the Equipment and its performance, including damage to property and Equipment of the Agency or the Premises, due to ESCO's failure to exercise its warranty rights shall be borne solely by ESCO.

All warranties shall be transferable and extend to the Agency. The warranties shall specify that only new, and not reconditioned parts, may be used and installed when repair is necessitated by malfunction.

All warranties required hereunder shall be in force for a minimum of one year from the Commencement Date as defined in Section 3.1 hereof. All auxiliary equipment not manufactured by ESCO carries only such warranty as given by the manufacturer thereof and which is hereby assigned to Agency without recourse to ESCO. ESCO's obligation under this warranty is, at ESCO's sole option, to repair or replace any work which is shown to ESCO's satisfaction to have been defective as to material, workmanship or design, provided that: (i) written notice of such defect is given to ESCO within thirty (30) calendar days of discovery thereof; (ii) the equipment/work has been used or operated in accordance with the operating and maintenance instructions provided by ESCO; and (iii) no alterations or substitutions have been made in the work without the express written authorization of ESCO. NO FURTHER WARRANTIES OR GUARANTIES, EXPRESS OR IMPLIED, ARE MADE WITH RESPECT TO ANY GOODS OR SERVICES PROVIDED UNDER THIS CONTRACT, AND ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARE EXPRESSLY DISCLAIMED.

Notwithstanding the above, nothing in this Section shall be construed to alleviate/relieve the ESCO from complying with its obligations to perform under all terms and conditions of this Contract and as set forth in all attached Exhibits.

SECTION 8. TRAINING BY ESCO

As long as this Contract is in effect, the ESCO shall provide ongoing training whenever needed with respect to updated or altered Equipment, including upgraded software. Such training shall be provided at no additional charge to the Agency.

SECTION 9. PERFORMANCE BY ESCO

Section 9.1 ESCO shall perform all tasks/phases under the Contract, including construction, and install the Equipment in such a manner so as not to harm the structural integrity of the buildings or their operating systems and so as to conform to the standards set forth in Building Codes of Virginia and the construction schedule. The Agency reserves the right to review the work performed by ESCO and to direct ESCO to take certain corrective action if, in the opinion of the Agency, the structural integrity of the Premises or its operating system is or will be harmed. All costs associated with such corrective action to damage caused by ESCO's performance of the work shall be borne by ESCO.

Section 9.2 ESCO shall conform with all Terms and Conditions for Non-Capital Outlay Construction or Capital Outlay Construction as may be applicable.

SECTION 10. OWNERSHIP

Section 10.1 Ownership of Certain Proprietary Property Rights. Agency shall not, by virtue of this Contract, acquire any interest in any formulas, patterns, devices, secret inventions or processes, copyrights, patents, other intellectual or proprietary rights, or similar items of property which are or may be used in connection with the Equipment. The ESCO shall grant to the Agency a perpetual, irrevocable royalty-free license for any and all software or other intellectual property rights necessary for the Agency to continue to operate, maintain, and repair the Equipment in a manner that will yield maximal energy consumption reductions.

Section 10.2 Ownership of Existing Equipment. Ownership of the equipment and materials presently existing at the Premises at the time of execution of this Contract shall remain the property of the Agency even if it is replaced or its operation made unnecessary by work performed by ESCO pursuant to this Contract. If applicable, ESCO shall advise the Agency in writing of all equipment and materials to be replaced at the Premises and the Agency shall within fifteen (15) days designate in writing to the ESCO which equipment and materials that should not be disposed of off-site by the ESCO. It is understood and agreed to by both Parties that the Agency shall be responsible for and designate the location and storage for any equipment and materials that should not be disposed of off-site. The ESCO shall be responsible for the disposal of all equipment and materials designated by the Agency as disposable off-site in accordance with all applicable laws and regulations regarding such disposal. Agency shall be responsible for the removal and disposal of all hazardous waste, such as asbestos and lead containing materials. ESCO will stop work and notify Agency immediately if it discovers or suspects the presence of hazardous materials at the work-site. The discovery and subsequent third-party remediation of hazardous materials may justify an equitable adjustment to the Project Schedule and/or the Project Cost which, if applicable, the parties will document in a Change Order.

Section 10.3 Ownership of New Equipment. Title to the Equipment shall pass from the ESCO to the Agency after the Equipment has been delivered to the Premises and Agency has had a reasonable opportunity to inspect and accept the Equipment.

SECTION 11. EQUIPMENT SERVICE

Section 11.1 Actions by ESCO. ESCO shall provide all service, repairs, and adjustments to certain Equipment installed under terms of this Contract as identified in Exhibit A, Article 4 and as detailed in Exhibit D-Maintenance Services Program. Agency shall incur no additional cost for such Equipment service, repairs, and adjustments in excess of such costs identified in Exhibit B, Article 3, except when the need for maintenance or repairs principally arises due to the negligence or willful misconduct of the Agency or any employee or other agent of Agency, and ESCO can so demonstrate such causal connection. In such cases, ESCO may charge Agency for the actual cost of the maintenance or repair insofar as such cost is not covered by any warranty or insurance proceeds.

Section 11.2 Malfunctions and Emergencies. Agency shall use its best efforts to notify the ESCO or its designee(s) within 24 hours after the Agency's actual knowledge and occurrence of: (i) any malfunction in the operation of the Equipment or any preexisting energy related equipment that might materially impact upon the guaranteed energy savings, (ii) any interruption or alteration to the energy supply to the Premises, or (iii) any alteration or modification in any energy-related equipment or its operation.

Where Agency exercises due diligence in attempting to assess the existence of a malfunction, interruption, or alteration it shall be deemed not at fault in failing to correctly identify such conditions as having a material impact upon the guaranteed energy savings. Agency shall notify ESCO within twenty-four (24) hours upon its having actual knowledge of any emergency condition affecting the Equipment. ESCO shall respond or cause its designee(s) to respond within 2-4 hours and shall promptly proceed with corrective measures. Any telephonic notice of such conditions by Agency shall be followed within three business days by written notice to ESCO from Agency. If Agency unreasonably delays in so notifying ESCO of a malfunction or emergency, and the malfunction or emergency is not otherwise corrected or remedied, such conditions will be treated as a Energy Performance Change and the applicable provisions of Section 16 shall be applied.

Section 11.3 Actions by Agency. Agency shall not move, remove, modify, alter, or change in any way the Equipment or any part thereof without written notification to the ESCO. Notwithstanding the foregoing, Agency may take reasonable steps to protect the Equipment if, due to an emergency, it is not possible or reasonable to notify ESCO before taking any such actions. In the event of such an emergency, Agency shall take reasonable steps to protect the Equipment from damage or injury and shall follow instructions for emergency action provided in advance by ESCO. Agency agrees to maintain the Premises in good repair and to protect and preserve all portions thereof which may in any way affect the operation or maintenance of the Equipment.

Section 11.4 Non-Warranty Maintenance. Excluding certain Equipment whose maintenance shall be governed by Section 11.1, Agency shall provide all service, repairs, and adjustments to all other Equipment installed under terms of this Contract. Agency shall incur all costs for such Equipment service, repairs, and adjustments, except when the need for maintenance or repairs principally arises due to an ESCO warranty obligation.

SECTION 12 UPGRADING OR ALTERING THE EQUIPMENT

ESCO shall at all times have the right, subject to Agency's prior written approval, which approval shall not be unreasonably withheld, to change the Equipment, revise any procedures for the operation of the Equipment or implement other energy saving actions in the Premises, provided that:

(i) the ESCO complies with the standards of comfort and services set forth in Exhibit C herein;

(ii) such modifications or additions to, or replacement of the Equipment, and any operational changes, or new procedures are necessary to enable the ESCO to achieve the energy savings at the Premises and;

(iii) any cost incurred relative to such modifications, additions or replacement of the Equipment, or operational changes or new procedures shall be the responsibility of the ESCO.

All modifications, additions or replacements of the Equipment or revisions to operating or other procedures shall be described in a supplemental Schedule(s) to be provided to the Agency for approval, which shall not be unreasonably withheld, provided that any replacement of the Equipment shall be new and have equal or better potential to reduce energy consumption at the Premises than the Equipment being replaced. The ESCO shall update any and all software to be used in connection with the Equipment. All replacements of and alterations or additions to the Equipment shall become part of the Equipment described in Exhibit A and shall be covered by the provisions and terms of Section 6.

SECTION 13. STANDARDS OF COMFORT

ESCO will install the Equipment in a manner which will provide the standards of heating, cooling, hot water, and lighting as described in Exhibit D.

SECTION 14. ENERGY PERFORMANCE CHANGES

Section 14.1 Energy Performance Change Defined: A Energy Performance Change shall include any change in or to the Premises, whether structural, operational or otherwise in nature which reasonably could be expected, in the judgment of the Agency or as identified by the ESCO, to increase or decrease annual energy consumption in accordance with the provisions and procedures set forth in Exhibit C by at least 5% after adjustments for climatic variations. Actions by the Agency which may result in a Energy Performance Change include but are not limited to the following:

(i) manner of use of the Premises by the Agency; or

(ii) hours of operation for the Premises or for any equipment or energy using systems operating at the Premises; or

(iii) permanent changes in the comfort and service parameters set forth in Exhibit C; or

(iv) occupancy of the Premises; or

(v) structure of the Premises; or

(vi) types and quantities of equipment used at the Premises or

(vii) modification, renovation or construction at the Premises; or

(viii) the Agency's failure to provide maintenance of and repairs to the Equipment; or

(ix) any other conditions other than climate affecting energy use at the Premises.

Section 14.2 Reported Energy Performance Changes; Notice by Agency: The Agency shall use its best efforts to deliver to the ESCO a written notice describing all actual or proposed Energy Performance Changes in the Premises or in the operations of the Premises at least 10 days before any actual or proposed Energy Performance Change is implemented or as soon as is practicable after an emergency or other unplanned event. Notice to the ESCO of Energy Performance Changes which result because of a bona fide emergency or other situation which precludes advance notification shall be deemed sufficient if given by the Agency within 4 hours after having actual knowledge that the event constituting the Energy Performance Change occurred or was discovered by the Agency to have occurred.

Section 14.3 Unreported Energy Performance Change. In the absence of any Energy Performance Changes in the Premises or in their operations, the baseline energy consumption as set forth in Exhibit C should not change more than 5% during any month from the projected energy usage for that month, after adjustments for changes in climatic conditions. Therefore, if energy consumption for any month as set forth in Exhibit C deviates by more than 5 percent (5%) from the energy consumption for the same month of the preceding contract year after adjustments for changes to climactic conditions, then such deviation shall be timely reviewed by the ESCO to ascertain the cause of deviation. The ESCO shall report its findings to the Agency in a timely manner and the ESCO and Agency shall determine what, if any, adjustments to the baseline will be made in accordance with the provisions set forth in Exhibit C.

SECTION 15. RISK OF LOSS

Title and risk of loss of materials and Equipment furnished by ESCO shall pass to the Agency upon their delivery to the Site, and the Agency shall be responsible for protecting and insuring them against theft and damage.

ESCO's sole obligation with respect to insurance shall be to provide Commercial General Liability on an occurrence basis with a limit of $1,000,000 ($10,000,000 general aggregate), Automobile Liability $2,000,000 combined single limit, and Workers Compensation/Employer Liability $1,000,000. Agency (and other specific entities, if any, designated by Agency) shall be included as an additional insured to the General Liability/Automobile Liability policies. A certificate of insurance shall be issued to the Agency that evidences the above insurance and which provides for thirty (30) days written notice to the certificate holder by U.S. mail should any of the policies be cancelled before the policy expiration date.

The Agency will maintain, at its own expense, property insurance written on a builder's "all-risk" or equivalent policy form in the amount of the initial Contract Sum, plus the value of subsequent modifications and cost of materials supplied or installed by others, on a replacement cost basis without optional deductibles. Such property insurance shall be maintained, unless otherwise provided in the Contract Documents or otherwise agreed in writing by ESCO, until final payment has been made to ESCO or no person or entity other then the Agency has an insurable interest in the property, whichever is later. The policy form shall include without limitation, insurance against the perils of fire (with extended coverage) and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, earthquake, flood, windstorm, false work, testing and start-up, rebuilding and debris removal including demolition occasioned by enforcement of any applicable legal requirements, and shall cover reasonable compensation for ESCO' services and expenses required as result of such insured loss. If the insurance requires deductibles or retentions, the Agency shall pay costs not covered because of such deductibles or retentions. This insurance shall cover portions of the Work off the Site, and also portions of the Work in transit. Partial occupancy or use shall not commence unless the insurance company providing this insurance has consented to such partial occupancy or use by endorsement for otherwise. The Agency shall purchase and maintain boiler and machinery insurance which shall specifically cover such insured objects during installation and until Acceptance by the Agency. The insurance required by this section shall include the interests of the Agency, ESCO, subcontractor and sub-subcontractor in the Work. ESCO shall be included as an additional insured on each such insurance coverage. The Agency and ESCO waive all rights against each other and any of their subcontractors, sub-subcontractors, agents and employees for damages caused by fire or other causes of loss to the extent covered by the insurance required by this section and for any other property insurance applicable to the Work, except such rights as they have to proceeds of such insurance held by the Agency as fiduciary. A waiver of subrogation shall be effective as to a person or entity even though that person or entity would otherwise have duty of indemnification, contractual or otherwise, did not pay the insurance premium directly or indirectly, and whether or not the person or entity had an insurable interest in the property damaged. Insurance certificates shall be furnished upon request.

ESCO shall not be responsible for loss, delay, injury, damage or failure of performance that may be caused by circumstances beyond its control, including but not restricted to acts or omissions by the Agency or its employees, agents or contractors, Acts of God, war, civil commotion, acts or omissions of government authorities, fire, theft, corrosion, flood, water damage, lightning, freeze-ups, strikes, lockouts, differences with workmen, riots, explosions, quarantine restrictions, delays in transportation, or shortage of vehicles, fuel, labor or materials. In the event of such delay or failure, the time for performance shall be extended by a period equal to the time lost plus a reasonable recovery period and the compensation shall be equitably adjusted to compensate for additional costs ESCO incurs due to such delay. If any such delay exceeds sixty (60) days, ESCO may terminate this Agreement upon three (3) days notice to the Agency and the Agency shall promptly pay ESCO for the allocable portion of the Work completed, for any costs and expenses of termination, and for any loss or damage incurred with respect to materials, equipment, tools and machinery, including reasonable overhead and profit.

SECTION 16. CASUALTY OR CONDEMNATION OF PREMISES

Any construction or restoration of the Premises following or necessitated by fire, flood, or other casualty, or any condemnation affecting any portion of the Premises, shall be deemed a Energy Performance Change, and the provisions of Section 14 shall be applicable. If the casualty or condemnation renders fifty percent (50%) or more of the Premises uninhabitable or unusable and, in the case of a casualty, the affected portion is not reconstructed or restored within one hundred and twenty (120) days from the date of such casualty, Agency shall have the option to terminate this Contract by a notice to ESCO. In the event of condemnation, Agency agrees that ESCO shall be entitled to that portion of the condemnation award equal to the purchase option value applicable at that time with appropriate adjustments for applicable portions of the Premises which are condemned versus portions of the Premises which are unaffected. Upon such termination, ESCO may remove the Equipment from the condemned portion of the Premises.

SECTION 17. EVENTS OF DEFAULT

Section 17.1. Events of Default by Agency. Each of the following events or conditions shall constitute an "Event of Default" by Agency:

(i) Any failure by Agency to pay ESCO any sum due for a service and maintenance period of more than sixty (60) days after written notification by ESCO that Agency is delinquent in making payment and provided that ESCO is not in default in its performance under the terms of this Contract; or

(ii) Any other material failure by Agency to perform or comply with the terms and conditions of this Contract, including breach of any covenant contained herein, provided that such failure continues for sixty (60) days after notice to Agency demanding that such failures to perform be cured or if such cure cannot be effected in sixty (60) days, Agency shall be deemed to have cured default upon the commencement of a cure within sixty (60) days and diligent subsequent completion thereof; or

(iii) Any representation or warranty furnished by Agency in this Contract which was false or misleading in any material respect when made.

Section 17.2 Events of Default by ESCO. Each of the following events or conditions shall constitute an "Event of Default" by ESCO:

(i) The standards of comfort and service set forth in Exhibit C are not provided due to failure of ESCO to properly design, install, maintain, repair or adjust the Equipment except that such failure, if corrected or cured within thirty (30) days after written notice by Agency to ESCO demanding that such failure be cured, shall be deemed cured for purposed of this Contract;

(ii) Any representation or warranty furnished by ESCO in this Contract is false or misleading in any material respect when made;

(iii) Failure to furnish and install the Equipment and make it ready for use within the time specified by this Contract;

(iv) Any other material failure by ESCO to perform or comply with the terms and conditions of this Contract, including breach of any covenant contained herein, provided that such failure continues for thirty (30) days after written notice to ESCO demanding that such failure to perform be cured, if corrected or cured within thirty (30) days after ESCO's receipt of such written notice shall be deemed cured for the purpose of this Contract.

(v) Any lien or encumbrance upon the equipment by any subcontractor, laborer or material man of ESCO;

(vi) The filing of a bankruptcy petition whether by ESCO or its creditors against ESCO which proceeding shall not have been dismissed within thirty (30) days of its filing, or an involuntary assignment for the benefit of all creditors or the liquidation of ESCO;

(vii) Any change in ownership or control of the ESCO without the prior approval of the Agency, which shall not be unreasonably withheld;

(viii) Failure by the ESCO to pay any amount due the Agency or perform any obligation under the terms of this contract or the Energy Savings Guarantee as set forth in Exhibit C; or

(ix) Repossession or removal of the Equipment by ESCO or a third party without good cause.

SECTION 18. REMEDIES UPON DEFAULT

Section 18.1 Remedies upon Default by Agency. If an Event of Default by Agency occurs, ESCO may, without a waiver of other remedies which exist in law or equity, elect one or both of the following remedies:

(i) Exercise any and all remedies available at law or in equity or other appropriate proceedings including bringing an action or actions from time to time for recovery of amounts due and unpaid by Agency, and/or for damages which shall include all costs and expenses reasonably incurred in exercise of its remedy;

(ii) Without recourse to legal process, terminate this Contract by delivery of a notice declaring termination, enter the Premises, and dismantle and/or remove its Equipment from the Premises, without liability to Agency.

Section 18.2 Remedies Upon Default by ESCO. In the Event of Default by ESCO, Agency shall have the choice of one or more of the following remedies without waiving any other rights or remedies in law or equity:

(i) Exercise and any all remedies at law or equity, or institute other proceedings, including, without limitation, bringing an action or actions from time to time for specific performance, and/or for the recovery of amounts due and unpaid and/or for damages, which shall include all costs and expenses reasonably incurred;

(ii) Reserved.

(iii) If the payments under this Contract have not been assigned, Agency may set off or counterclaim against its obligation to make any of the payments provided in default; or

(iv) ESCO (but not the assignee) will be liable to Agency for damages incurred by Agency as a result of any default by ESCO. Such damages may include, but are not limited to: (a) payments made to ESCO or its assignee which represents payment towards a unit of Equipment for which acceptance was revoked because of a latent defect (b) the difference in price between the market price of the Equipment which was not delivered or which was rejected (or the actual purchase price if Agency purchases replacements (like Equipment) for any undelivered or rejected unit of Equipment) and the purchase price indicated in the Contract for such units of Equipment) (c) damages as a result of breach of warranty, failure to meet specifications, or damages incurred by Agency resulting from the delivery of Equipment which is defective or fails to meet specifications, or resulting from ESCO's failure to comply with any other requirements of this Contract, and (d) any other damages recoverable by law.

SECTION 19. REPRESENTATIONS AND WARRANTIES

Each party warrants and represents to the other that:

(i) It has all requisite power, authority, licenses, permits, and franchises, corporate or otherwise, to execute and deliver this Contract and perform its obligations hereunder;

(ii) Its execution, delivery, and performance of this Contract have been duly authorized by, or are in accordance with, its organic instruments, and this Contract has been duly executed and delivered for it by the signatories so authorized, and it constitutes its legal, valid, and binding obligation;

(iii) Its execution, delivery, and performance of this Contract will not breach or violate, or constitute a default under any contract, lease or instrument to which it is a party or by which it or its properties may be bound or affected; or

(iv) It has not received any notice, nor to the best of its knowledge is there pending or threatened any notice, of any violation of any applicable laws, ordinances, regulations, rules, decrees, awards, permits or orders which would materially and adversely affect its ability to perform hereunder.

SECTION 20. ADDITIONAL REPRESENTATIONS OF THE PARTIES.

Section 20.1 Agency hereby warrants, represents and promises that:

(i) It has provided or shall provide timely to ESCO, all records relating to energy usage and energy-related maintenance of Premises requested by ESCO and the information set forth therein is, and all information in other records to be subsequently provided pursuant to this Contract will be true and accurate in all material respects; and

(ii) It has not entered into any leases, contracts or contracts with other persons or entities regarding the leasing of energy efficiency equipment or the provision of energy management services for the Premises or with regard to servicing any of the energy related equipment located in the Premises. Agency shall provide ESCO with copies of any successor or additional leases of energy efficiency equipment and contracts for management or servicing of preexisting equipment at Premises which may be executed from time to time hereafter within thirty (30) days after execution thereof.

Section 20.2 ESCO hereby warrants, represents and promises that:

(i) Before commencing performance of this Contract:

(a) It is or shall become licensed or otherwise permitted to do business in the Commonwealth of Virginia and shall have a Class A Contractor's License

(b) It shall have provided proof and documentation of required insurance, upon reasonable request, all documents relating to its performance under this Contract, including all contracts and subcontracts entered into;

(c) It shall have provided all performance and payment bonds and labor and material bonds for the work to be performed; these bonds do not cover the energy savings. These bonds will apply solely to the Work performed during the Construction Period and to the required statutory lien filing period thereafter. These bonds will not apply to any of the obligations included in Exhibit C, Performance Assurance.

(ii) It shall use qualified subcontractors and delegees, licensed and bonded in this state to perform the work so subcontracted or delegated pursuant to the terms hereof;

(iii) That it is financially solvent, able to pay its debts as they mature and possessed of sufficient working capital to complete the Work and perform its obligations under this Contract.

SECTION 21. INDEPENDENT CAPACITY OF THE CONTRACTOR

The parties hereto agree that ESCO, and any agents and employees of ESCO, in the performance of this Contract, shall act in an independent capacity and not as officers, employees, or agents of the Agency.

SECTION 22. NO WAIVER

The failure of ESCO or Agency to insist upon the strict performance of the terms and conditions hereof shall not constitute or be construed as a waiver or relinquishment of either party's right to thereafter enforce the same in accordance with this Contract in the event of a continuing or subsequent default on the part of ESCO or Agency.

SECTION 23. CONTRACTOR RESPONSIBILITY PROVISIONS

Section 23.1 ESCO certifies that it is not currently under suspension or debarment by the Commonwealth of Virginia, any other state, or the federal government.

Section 23.2 If ESCO enters into any subcontracts under this Contract with subcontractors who are currently suspended or debarred by Commonwealth or federal government or who become suspended or debarred by Commonwealth or federal government during the term of this Contract or any extensions or renewals thereof, Agency shall have the right to require ESCO to terminate such subcontracts.

Section 23.3 ESCO agrees that it shall be responsible for reimbursing Agency for all necessary and reasonable costs and expenses incurred by the Office of the Attorney General relating to an investigation of ESCO's compliance with the terms of this or any other Contract between ESCO and Agency which results in the suspension or debarment of the ESCO.

SECTION 24. AGENCY'S COMPLIANCE WITH FACILITIES MAINTENANCE CHECKLIST

Section 24.1 The parties acknowledge and agree that ESCO has entered into this Contract in reliance upon the prospect of earning compensation based on guaranteed energy savings in energy used at Premises, as set forth Exhibits B & C, attached hereto and made a part hereof.

Section 24.2 The parties further acknowledge and agree that the said guaranteed energy savings would not likely be obtained unless certain procedures and methods of operation designed for energy conservation shall be implemented, and followed by Agency on a regular and continuous basis.

Section 24.3 Agency agrees that it shall adhere to, follow and implement the energy conservation procedures and methods of operation to be set forth on Exhibit C, to be attached hereto and made a part hereof after Agency's approval.

Section 24.4 Agency agrees that ESCO shall have the right once a month, with prior notice, to inspect Premises to determine if Agency is complying. Agency shall make the Premises available to ESCO for and during each monthly inspection, and shall have the right to witness each inspection and the recordations on the checklist.

SECTION 25. INDEMNIFICATION AND LIMITATION OF LIABILITY

Section 25.1 ESCO agrees to indemnify, hold harmless and defend Agency from and against any and all liabilities, demands, claims, fines, penalties, damages, forfeitures and suits, together with reasonable attorneys' and witnesses' fees and other costs and expenses of defense and settlement, which Agency may incur, become responsible for or pay out as a result of death or bodily injury or threat thereof to any person, destruction of or damage to any property, contamination of or adverse effect on natural resources or the environment, any violation of local, state or federal laws, regulations or orders, or any other damages claimed by third parties (collectively, "Damages"), to the extent such Damages are caused directly by the negligence or willful misconduct of ESCO. This indemnification represents and shall be the sole indemnification obligation of ESCO under the Contract.

Section 25.2 Anything herein notwithstanding, in no event shall either Agency or ESCO be liable to the other party for special, indirect, incidental or consequential damages, including commercial loss, loss of use, or lost profits, even if either party has been advised of the possibility of such damages and, in any event, ESCO's aggregate liability for any and all claims, losses or expenses arising out of this agreement, or out of any goods or services furnished under this agreement, whether based in contract, negligence, strict liability, agency, warranty, trespass, indemnity or any other theory of liability, shall be limited to the lesser of $1,500,000 or the total compensation received by ESCO from Agency under this agreement.

IN WITNESS WHEREOF, the parties have caused this Contract to be duly executed intending to be bound thereby.

CONTRACTOR (ESCO): **Siemens Industry, Inc.**	PURCHASING AGENCY: ________________________
By:____________________ (Signature in Ink)	By:____________________ (Signature in Ink)
Name:____________________	Name:____________________
Title:____________________	Title:____________________
Date:____________________	Date:____________________
Attest:____________________ (Signature and Date)	Attest:____________________ (Signature and Date)

Schedules, Exhibits, Attachments

Glossary

"Energy Conservation Measure" or "ECM" means the equipment, devices, materials and/or software as installed by ESCO at the Facilities, or as repaired or replaced by the OWNER hereunder, for the purpose of improving the efficiency of utility consumption.

"Facility" or "Facilities" means the building(s) or structure(s) where Work will be performed or implemented.

"Facility Improvement Measures" or "FIMs" means the methods, techniques, application of know-how, installation of devices or otherwise, described in the Scope of Work and Services, Exhibit A, that are undertaken by ESCO as a result of this Agreement with the intent of generating net savings or efficiencies at or in connection with the operation of the Facilities, including one or multiple ECMs as well as any non-conservation-related activities, means, or methods.

"Work" means collective labor, Equipment and services comprising the FIM to be performed by ESCO, as described in the Scope of Work and Services, Exhibit A.

Article 1: **Scope of Work**

1.1 *Description*: Except as otherwise expressly provided herein, ESCO shall provide each and every item of cost and expense necessary for the following Work.

All necessary engineering is included for design, submittals to the Commonwealth Department of Engineering and Construction, implementation, measurement and verification, and the final technical audit.

1.2 *Specific Elements*: The Work shall include the following Facility Improvement Measures ("FIM") at the following OWNER locations ("Premises"):

Building Name	Address	City	State	Zip Code

FIM 1.1 (description)

The Work shall consist of the following:

FIM 2.1 (description)

The Work shall consist of the following:

Article 2: Work Implementation Period

2.1 Commencement of Work

2.1.1 ESCO shall commence the Work seven (7) calendar days from the date this Contract is fully-executed, and shall perform the Work diligently and shall complete the Work no later than (__) calendar days from the day of commencement.

2.2 *Milestones*: Specific scheduling milestones and coordination requirements are as follows:

Contract signing, orientation	
Planning & Scheduling	
Engineering, equipment ordering	
Site Orientation - On Site Installation	
On Site Installation	
On Site Installation	
On Site Installation	
On Site Installation	
Complete Installation	
Commissioning	
Commissioning, sign off	

Article 3: Scope of Services-Performance Assurance Services Program

3.1 ESCO shall furnish OWNER with quarterly audits the first year and annual audits thereafter.

3.2 An annual reconciliation audit will be forwarded within 45 days of the anniversary of the Commencement Date.

3.3 OWNER is responsible for forwarding copies of utility billings to ESCO within 30 days of receipt.

Article 4: Scope of Services-Maintenance Services Program

OWNER has elected to self-implement all other maintenance. Therefore ESCO shall not perform any on-going maintenance services, although the parties may negotiate a separate agreement for such services at a later date. OWNER agrees that it will maintain the equipment per manufacturer specifications and that it will operate the Equipment in accordance with the Contracted Baseline described in Article 7 of Exhibit C. If OWNER fails to properly maintain or operate the Equipment, ESCO shall have the right to modify the Performance Guarantee pursuant to Article 14 of the Contract.

By signing below, this Exhibit is attached to and made a part of the Contract between ESCO and the OWNER.

OWNER:	*[Insert OWNER name]*	**ESCO:**	**Siemens Industry, Inc.**
Signature:	______________	Signature:	______________
Printed Name:	______________	Printed Name:	______________
Title:	______________	Title:	______________
Date:	______________	Date:	______________
		Signature:	______________
		Printed Name:	______________
		Title:	______________
		Date:	______________

Article 1: Payment for Scope of Work

1.1 **Price:** As full consideration of the Work as described in Exhibit A, Article 1: Scope of Work, the OWNER shall pay to ESCO ($.00) (plus taxes, if applicable).

1.2 **Escrow:** The OWNER has agreed to deposit the Price into an Escrow Account at a financial institution satisfactory to both the OWNER and ESCO. All expenses to establish the Escrow Account shall be the complete responsibility of the OWNER and the OWNER will receive all interest earnings from the Escrow Account. ESCO will submit periodic invoices to the OWNER based on the Payment Schedule in Table B.1 below. The OWNER shall be responsible for submitting the necessary documents to the Escrow Agent to allow for timely disbursements from the Escrow Account. The funding of the Escrow Account in an amount equal to or greater than the Price stated in Article 1.1 above shall be a condition precedent to ESCO obligation to perform or to continue the performance of the Work. If the Escrow Account is not funded within thirty (30)days of the execution of this Agreement, this Agreement shall be null and void. This thirty (30) day funding period may be extended as mutually agreed in writing by the Parties. In the event that the Agreement becomes null and void as described in this paragraph and OWNER has previously authorized ESCO to proceed with the Work, the OWNER shall be obligated to reimburse ESCO either: (i) for the Work performed to date; or (ii) for the Work specifically authorized by the OWNER.

1.3 **Timely Payments:** The OWNER agrees to pay ESCO per Table B.1 below. OWNER agrees to pay all invoices submitted by ESCO per Section 4.4 of the Contract.

Table B.1 – FIM Work Payment Schedule

Project Phase	Payments ($)	Payments (%)	Schedule
Initial Orientation, Planning & Scheduling			
Engineering & Equipment/Materials Purchase			
Installation, materials, labor & subcontractors			
Installation, materials, labor & subcontractors			
Installation, materials, labor & subcontractors			
Installation, materials, labor & subcontractors			
Installation, materials, labor & subcontractors			
Installation, materials, labor & subcontractors			
Installation, materials, labor & subcontractors			
Installation, materials, labor & subcontractors			
Installation, materials, labor & subcontractors			
Commissioning , sign off			
Total		100%	

Article 1 of Exhibit B is attached to and made a part of the Agreement between ESCO and the OWNER.

OWNER:	*[Insert OWNER name]*	**ESCO:**	**Siemens Industry, Inc.**
Signature:	____________________	Signature:	____________________
Printed Name:	____________________	Printed Name:	____________________
Title:	____________________	Title:	____________________
Date:	____________________	Date:	____________________
		Signature:	____________________
		Printed Name:	____________________
		Title:	____________________
		Date:	____________________

Article 2: Payment for Performance Assurance Services Program (PASP)

2.1 **Price:** As full consideration of the Services as described in Exhibit A, Article 3, the OWNER shall pay to ESCO the amounts identified in Table B.2 plus taxes, if applicable, on the dates identified therein.

2.2 **Performance Assurance Services Program Term:** The term of the PASP shall commence on the Commencement Date and shall extend for either: (a) the term of the Energy Savings Guarantee period where multi-year obligations are allowed; or (b) for twelve (12) month periods corresponding to the term of each Annual Period.

2.3 **Automatic Renewal:** Where the PASP term is limited to an Annual Period, the PASP shall automatically renew for successive Annual Periods beginning on the anniversary date of Commencement Date. Either party may request to amend the PASP at the end of an Annual Period by giving the other party at least sixty (60) days prior written notice of such amendments and such amendment shall be mutually negotiated by the parties and effective upon a written amendment signed by both parties prior to commencement of the next Annual Period. Each automatic renewal shall be and remain subject to the terms and conditions of this Contract. ESCO's obligations under the Energy Savings Guarantee are dependent upon and subject to the express condition that the OWNER maintains the PASP during the entire Energy Savings Guarantee period.

2.4 **Termination**: If the OWNER fails to maintain, breaches, cancels or otherwise causes the termination of the PASP then; (a) The Energy Savings Guarantee shall terminate immediately and be void and of no force or effect; or, (b) Where termination of the Energy Savings Guarantee would render the Contract in violation of the applicable law, all Guaranteed Savings thereafter shall be determined to have been achieved and ESCO shall have been deemed to have met its Energy Savings Guarantee obligations under this Contract for each and every Annual Period thereafter without the obligation to provide the OWNER, or any third-party as the case may be, with any further Annual Performance Assurance Reports.

Table B.2 – Performance Assurance Program Payment Schedule

Date	Annual Payments ($)	Notes
Totals		

Article 2 of Exhibit B is attached to and made a part of the Agreement between ESCO and the OWNER.

OWNER: *[Insert OWNER name]*

Signature: ______________________
Printed Name: ______________________
Title: ______________________
Date: ______________________

ESCO: **Siemens Industry, Inc.**

Signature: ______________________
Printed Name: ______________________
Title: ______________________
Date: ______________________

Signature: ______________________
Printed Name: ______________________
Title: ______________________
Date: ______________________

Article 3: Payment for Maintenance Services Program (MSP)

3.1 Price: As full consideration of the Services as described in Exhibit A, Article 4, the OWNER shall pay to ESCO the amounts identified in Table B.3 plus taxes, if applicable, on the dates identified therein.

3.2 Maintenance Services Program Term: The initial or first term of the MSP shall commence on March 1, 2012 and shall have duration of 12 months and shall extend thereafter for the term as identified in Table B.3 and in accordance with Section 3.3 below.

3.3 Automatic Renewal: Where multi-year obligations are disallowed, the Maintenance Services Program shall automatically renew for successive twelve (12) month periods beginning on the ending anniversary date of the initial or first term as set forth in Article 3.2 above, and each twelve (12) month period thereafter as identified in Table B.3. Either party may request not to renew or to amend the Maintenance Services Program at the end of the initial term or at the end of a renewal term by giving the other party at least sixty (60) days prior written notice of such amendments or intent not to renew. Each renewal shall be and remain subject to the terms and conditions of this Agreement.

Table B.3 – Maintenance Services Program Payment Schedule

Date	Annual Payments ($)	Notes
Totals		

Article 3 of Exhibit B is attached to and made a part of the Agreement between ESCO and the OWNER.

OWNER: **[Insert OWNER name]**
Signature: ______________________
Printed Name: ______________________
Title: ______________________
Date: ______________________

ESCO: **Siemens Industry, Inc.**
Signature: ______________________
Printed Name: ______________________
Title: ______________________
Date: ______________________

Signature: ______________________
Printed Name: ______________________
Title: ______________________
Date: ______________________

The following Articles and Tables are hereby included and made part of this Exhibit C:

Article 1: Summary of Articles and Total Guaranteed Savings

Table 1.1 – Energy Savings Guarantee (Units)

Performance Period		Electric Energy Saved (kWh)	Electric Power Saved (kW)	Propane Saved (Gal)	Water Saved (Gallons)
Construction					
Annual Period 1					

Table 1.2 – Energy Savings Guarantee (shown as Units converted to $$)

Year	Energy/Utility Savings	Operational Savings	Total Savings
CONSTRUCTION			
Year 1			
Year 2			
Year 3			
Year 4			
Year 5			
Year 6			
Year 7			
Year 8			
Year 9			
Year 10			
Year 11			
Year 12			
Year 13			
Year 14			
Year 15			
Total			

1.1 Table 1.1 shows the OWNER'S guaranteed energy/utility unit Savings for Annual Period 1 of the Agreement. Table 1.2 shows the OWNER'S guaranteed cost Savings that can be extrapolated from the guaranteed energy/utility unit Savings shown in Table 1.1 by multiplying the energy/utility Savings by the Baseline energy/utility rates including the stipulated escalation rates found in Article 6.

1.2 ESCO cannot and does not predict fluctuations in utility rates or the cost of energy. Therefore, the OWNER and ESCO agree that the energy/utility cost Savings for each Annual Period will be calculated by multiplying the verified units of energy/utility

Savings by the Annual Period's stipulated energy/utility rate and Escalation Rates and not the Annual Period's actual utility rate.

1.3 The determination of energy/utility Savings will follow current best practice, as defined in the IPMVP, or the FEMP Guidelines where required, unless otherwise agreed to by the Parties.

This Exhibit C is attached to and made a part of the Agreement between ESCO and the OWNER.

OWNER: [Insert OWNER name]

Signature: ____________________

Printed Name: ____________________

Title: ____________________

Date: ____________________

ESCO: **Siemens Industry, Inc.**

Signature: ____________________

Printed Name: ____________________

Title: ____________________

Date: ____________________

Signature: ____________________

Printed Name: ____________________

Title: ____________________

Date: ____________________

Article 2: Energy Savings Guarantee Options

2.1 Energy Savings Guarantee Options for Energy/Utility Savings: Utilizing IPMVP, there are four guarantee savings options to measure and verify Energy/Utility Savings: Option A - Retrofit Isolation: Key Parameter Measurement; Option B - Retrofit Isolation: All Parameter Measurement; Option C - Whole Facility; and, Option D – Calibrated Simulation.

Option A - Retrofit Isolation: Key Parameter Measurement. Savings are determined by field measurement of the key performance parameter(s) which define the energy use of the FIM's affected system(s) and/or the success of the project. Measurement frequency ranges from short-term to continuous, depending on the expected variations in the measured parameter, and the length of the reporting period. Parameters not selected for field measurement are estimated. Estimates can be based on historical data, manufacturer's specifications, or engineering judgment. Documentation of the source or justification of the estimated parameter is required. The plausible savings error arising from estimation rather than measurement is evaluated. The predetermined schedule for data collection, evaluation, and reporting is defined in Exhibit A, Article 3-Performance Assurance Services Program.

Option B – Retrofit Isolation: All Parameter Measurement. Savings are determined by field measurement of the energy use of the FIM-affected system. Measurement frequency ranges from short-term to continuous, depending on the expected variations in the savings and the length of the reporting period. The predetermined schedule for data collection, evaluation, and reporting is defined in Exhibit A, Article 3-Performance Assurance Services Program.

Option C - Whole Facility: Savings are determined by measuring energy use at the whole facility or sub-facility level. Continuous measurements of the entire facility's energy use are taken throughout the reporting period. The predetermined schedule for data collection, evaluation, and reporting is defined in Exhibit A, Article 3-Performance Assurance Services Program. Prior to the second Annual Period and prior to each Annual Period thereafter, the OWNER provides an Energy Usage Confirmation to ESCO applicable to the forthcoming Annual Period.

Option D - Calibrated Simulation: Savings are determined through simulation of the energy use of the whole facility, or of a sub-facility. Simulation routines are demonstrated to adequately model actual energy performance measured in the facility. This Option usually requires considerable skill in calibrated simulation. The predetermined schedule for data collection, evaluation, and reporting is defined in Exhibit A, Article 3-Performance Assurance Services Program. Prior to the second Annual Period and prior to each Annual Period thereafter, the OWNER provides an Energy Usage Confirmation to ESCO applicable to the forthcoming Annual Period.

2.1.1. Operational Savings: Operational Savings are Savings that are stipulated in advance by the parties as they are derived from data provided by the OWNER to ESCO that supports the stipulated outcome. Section 2.3 below identifies each source of Operational Savings, the stipulated savings, and any applicable escalation rate. Section 4.6 below describes each source of Operational Savings in detail. The stipulated savings will be achieved upon completion of the FIM. No further measurement or calculation will be performed.

2.2 Table 2.1 below summarizes the first Annual Period's Guaranteed Savings (See Article 1, Tables 1.1 and 1.2) utilizing the applicable Options as applied to the referenced FIMs valued pursuant to the agreed upon amounts identified in Article 6 hereof .

Table 2.1 – Savings for First Annual Period by Option

		Energy/Utility Saving $						
		Guarantee Type Options						
FIM		**A** Retrofit Isolation: Key Parameter Measurement	**B** Retrofit Isolation: All Parameter Measurement	**C** Whole Facility	**D** Calibrated Simulation	**Total** Energy/Utility Savings	**Operational Savings** Stipulated	**Total** Including Operational Savings
1.0								
1.1								
1.2								
1.3								
1.4								
1.5								
1.6								
1.7								
1.8								
1.9								
	Capital Cost Savings							
Totals								

2.3 Table 2.2 identifies the source of Operational Savings defined and quantified by the OWNER. The OWNER affirms that such amounts are stipulated for purposes of calculating actual savings and acknowledges that the Guaranteed Savings identified herein have been based on OWNER'S affirmation. OPERATIONAL SAVINGS SHALL NOT BE MEASURED OR MONITORED DURING THE TERM OF THE ENERGY SAVINGS GUARANTEE.

Table 2.2 – Annual Operational Savings

Enter Table 2.2

2.4 ESCO has explained to the OWNER and the OWNER has satisfied itself as to how Operational Savings will be incorporated into the actual savings calculation.

2.5 The escalation rate applicable annually to the Operational Savings is _%.

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BY SIGNING BELOW, THE PARTIES CONFIRM THAT THEY HAVE REVIEWED THE INCLUDED GUARANTEE SAVINGS OPTIONS AND THEIR APPLICATION TO BE USED IN CALCULATING SAVINGS UNDER THE AGREEMENT.

OWNER: [Insert OWNER name]

Signature: ____________________

Printed Name: ____________________

Title: ____________________

Date: ____________________

ESCO: **Siemens Industry, Inc.**

Signature: ____________________

Printed Name: ____________________

Title: ____________________

Date: ____________________

Signature: ____________________

Printed Name: ____________________

Title: ____________________

Date: ____________________

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Article 3: Energy Savings Guarantee Term Responsibilities of the OWNER
This Article details the responsibilities of the OWNER in connection with the management and administration of the Energy Savings Guarantee.

3.1 The OWNER will provide a representative at all applicable facilities to coordinate work and provide required data described below.

3.2 The OWNER will provide ESCO with accurate facility operating information as defined below and in the Contracted Baseline article of this Exhibit C during each Annual Period, within thirty (30) days of any Energy Performance Change that may increase or decrease energy usage.

3.3 OWNER will provide ESCO with copies of utility bills within thirty (30) days of receipt by OWNER or provide access to utility vendor information.

3.4 If required for the Work, OWNER will provide telephone/data remote access, through ESCO Insight® software package or otherwise, as ESCO reasonably requests. All charges related to telephone/data line installation, activation and communication services are the responsibility of the OWNER.

3.5 If required for the Work, OWNER will provide and coordinate utility meter upgrade for interface with ESCO metering and data collection. All charges related for these upgrades are the responsibility of the OWNER.

3.6 Operate, service and maintain all Equipment according to the manufacturer's recommendations including those set forth in the manufacturer's operating manuals or instructions, as well as all requirements of applicable law or of authorities having jurisdiction. The OWNER shall furnish all needed servicing and parts for said FIMs, which parts shall become part of the FIMs. Such Equipment shall be operated only in the specified operating environment, which shall be supplied by the OWNER, including without limitation: (1) suitable electrical service, including clean, stable, properly conditioned power, to all Equipment; (2) telephone lines, capacity and connectivity as required by such Equipment; and (3) heat, light, air conditioning or other environmental controls, and other utilities in accordance with the specifications for the Equipment;

Article 4: Measurement and Verification Plan

The following information is applicable to this Agreement:

Article 4.1 General Overview
Article 4.2 Option A - Retrofit Isolation: Key Parameter Measurement
Article 4.3 Option B - Retrofit Isolation: All Parameter Measurement
Article 4.4 Option C - Whole Facility
Article 4.5 Option D - Calibrated Simulation
Article 4.6 Operational Savings - Stipulated

4.1 **General Overview –**

The purpose of the Measurement and Verification (M&V) Plan is to identify the methods, measurements, procedures and tools that will be used to verify the Savings for each FIM. Savings are determined by comparing prior usage, consumption or efficiencies defined as the Baseline to the selected FIMs being implemented against the post FIM implementation usage, consumption or efficiencies. The Baseline usage, consumption or efficiencies is described in this Exhibit C, Article 5. The usage, consumption or efficiencies associated with the FIM implementation is defined as the Contracted Baseline, and are described in this Exhibit C, Article 7.

4.2 Option A - Retrofit Isolation: Key Parameter Measurement

4.2.1 - FIM 1.1, 2.1, 3.1 Lighting and Lighting Occupancy Sensor Upgrades

Description

Calculations
KW Savings = (Pre KW Measurement – Post KW Measurement) x 12 Months

KWH Savings = Pre Hours x Pre KW Measurement – Post Hours x Post KW Measurement

Annual Dollar Savings = KWH Savings x $/KWH Rate + KW Savings x $/KW Rate

Calculations Variables Index / Baseline Values
(see Article 5)
(see Article 7)
Demand Months - 12

Measurement or Reference Tables
Average KW per Fixture Type Pre – _% Sample
Average KW per Fixture Type Post – _% Sample

ESCO will take sample measurements from of each predominant pre-installation type and each predominant post-installation type.

Locations will be jointly decided between ESCO and the OWNER. Readings will be averaged to determine per fixture values

Responsibility for OWNER
Ongoing maintenance of systems.

Specifications or Measurement Tools
KW meter

Monitoring
Savings will be calculated one time after installation.

Reports
A one-time report will show pre- and post-installation figures with energy and dollar savings calculations.

4.2 Option B - Retrofit Isolation: All Parameter Measurement

No FIMs to be measured under Option B.

4.3 **Option C - Whole Facility**

No FIMs to be measured under Option C.

4.4 Option D – Calibrated Simulation

No FIMs to be measured under Option D.

Article 5: Baseline Data

5.1 The year(s) selected as the Baseline Period starts on ______ and ends on ________ coinciding with OWNER Fiscal Year _____. Table 5.1 outlines the utility consumption that occurred during this Baseline Period. This Baseline Period's Facility utility consumption will be used as the reference for comparing the actual Facility utility consumption during the Performance Guarantee Period in order to determine the Actual Realized Savings.

Insert Table 5.1

5.2 The operating practices during the Baseline Period determine the utility consumption shown in Table 5.1. This data indicates the operating characteristics that were in effect during the Baseline Period. The Guaranteed Savings provided under this Agreement are based on the efficiencies gained by implementing the Work and implementing the Contracted Baseline in Article 7 of this Exhibit C.

Enter Building Name Baseline Data

Table 5.2.1 Operating Hours *

Day of Week	Occupied Run Hours	Unoccupied Run Hours
Monday		
Tuesday		
Wednesday		
Thursday		
Friday		
Saturday		
Sunday		
Holiday		

* Represents normal operating hours building is occupied.

Lighting Burn Hours:

Baseline System Efficiencies:

5.3 **Weather Data:**

That ________ weather data below will be used to calculate Savings throughout the term of the Energy Savings Guarantee.

____________ **Bin Data**

__________ **High / Low Bin Monthly Bin Temperatures:**

5.4 Applicable codes - Federal, State (Provincial), County or Municipal codes or regulations are applicable to the use and operation of the Facility. ESCO will maintain the current level of Facility compliance relative to applicable codes unless specifically outlined to the contrary below. Unless specifically set forth in the Scope of Work and Services, Exhibit A, nothing herein should be construed as to require ESCO to provide additional work or services in the event that the current applicable code or regulation is modified.

5.4.1 Current code compliance:
   a. Commonwealth of Virginia, Construction & Professional Services Manual, Revision 1, October 1, 2004

5.4.2 Code changes: Not applicable

5.5 Building Inventory - The following information summarizes the equipment inventory that existed in the Facility during the Baseline period.

Enter Building Name

Enter Inventory Items

Enter Building Name

Enter Inventory Items

Article 6: Utility Rate Structures and Escalation Rates

6.1 Utility costs used for Savings calculations will be based on the utility rates and rate escalation percentages provided in the tables below. The rate identified below is a stipulated rate, and is shown below for each facility. An escalation rate of __%, applied per Annual Period, will be applied to the below stipulated utility rates.

Table 6.1.1 Electricity – KWH Rate
Tariff Number or Designation:
Utility Name:

Enter Building Name	$.___	$/KWH
Enter Building Name	$.___	$/KWH
Electric Demand – All Sites		
	$	$/KW
Rate Escalation		
	__%	% per Annual Period

Rate Escalation:

Article 7: Contracted Baseline Data

7.1 The following tables detail the Facility operating parameters that are required to be implemented on the Commencement Date or on such time as agreed upon by the parties. This specific configuration of Facility operating parameters is the Contracted Baseline and failure of the OWNER to maintain the Contracted Baseline may result in a Energy Performance Change which may require a modification of the Energy Savings Guarantee.

Enter Building Name

Table 7.1.1 Operating Hours *

Day of Week	Occupied Run Hours	Unoccupied Run Hours
Monday		
Tuesday		
Wednesday		
Thursday		
Friday		
Saturday		
Sunday		
Holiday		

* Represents normal operating hours building is occupied.

Article 1 (FIM 1 Details)

Description....................

Article 2 (FIM 2 Details)

Description....................

Article 3 (FIM 3 Details)

Description....................

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MEMORANDUM

TO: Finance Committee

FROM: Jonathan M. Turkel, Program Supervisor JMT

SUBJECT: Siemens Energy Performance Contract

DATE: August 10, 2010

Upon completion of a technical energy audit, Siemens Industry presented the Green Advisory Committee (Public Works Committee) two project scope options. The Green Advisory Committee is recommending 'Program 2' as the basis for entering a Performance Contract with Siemens Industry. Recommended energy improvement measures total **$345,477**. Details are outlined in **(Attachment 1).** Siemens has prepared a brief presentation of the project scope and Performance Contract concept.

Once energy improvement measures are implemented, Measurement and Verification procedures provide a framework to determine realized energy savings. If projected savings are not realized, Siemens is contractually obligated to pay the difference. State contract requires the use of the International Performance Measurement and Verification Protocol (IPMVP), Siemens has proposed using the IPMVP 'Option A' method for the proposed projects. The Green Advisory Committee has reviewed the 'Option A' protocol and determined it to be appropriate. VA Division of Energy staff has also indicated 'Option A' is the appropriate IPMVP method for the proposed projects. An overview of Performance Contracting Measurement and Verification is included as **(Attachment 2).**

Staff is seeking a recommendation from the Finance Committee to fund the Performance Contract with Siemens Industry. Funding options include use of existing funds or borrowing money. If funds are to be borrowed a capital contribution of $45,947 will be necessary in order to meet the State Contract requirement of a neutral or positive annual cash flow. **(For details on the 'borrowed funds, capital contribution' scenario see: Attachment 1, page 8)**

Executive Summary

Siemens has completed the Investment Grade Audit at the Public Safety Building and the County Administration Building. Engineers confirmed previous technical assumptions used in the Back-of-the-Envelope (BOE) audit. These were related to utility rate schedules, future planned utility rate increases, equipment operating schedules and temperature set-points. Additional savings measures were investigated in addition to those in the BOE audit; such as electrical demand response programs from the local electrical utility company, addition of Variable Frequency Drives (VFDs) on cooling tower fans, expansion of the automation system in the administration building, and ball park lighting retrofit. This resulted in two potential programs recommended to Frederick County.

The first program includes;

- Lighting Retrofits
- Time Clock Control of Domestic Hot Water Heater
- Installation of Vend-miser energy savers
- Fan belt replacements with Synchronous Belts

This first program is financially self-funded, that is, the cost of the facility improvements and guarantee are paid out of the energy and operational savings realized through implementing the recommended improvements. Additionally, there is an excess cash flow in the first year that covers the $2,500 VRA financing application fee.

Performance Contracting redirects a portion of your current operating budget allocation to utilities for electricity, gas, and water costs to creates capital improvements by lowering those utility bills and redirecting those utility savings to pay for the infrastructure improvements that create the energy savings.

The PC program has guaranteed savings which make the program extremely low risk to FC.

The second program includes;

- Lighting Retrofits
- Time Clock Control of Domestic Hot Water Heater
- Installation of Vend-miser energy savers
- Fan belt replacements with Synchronous Belts
- Replacement of 35 Perimeter Heat Pump Units

This second program is not fully financially self-funded. The program requires down payment of $45,947. However, there are a number of other factors that need to be considered in this second program before decision.

The added scope in the second program is the replacement of 35 heat pump units at one time in lieu of the present program of replacing only a few units per year. When comparing the annual replacement of a few units per year to the wholesale replacement of 35 units, there is an energy penalty to performing these replacements a few each year. The penalty is due to the cost of delaying the energy savings derived from replacing all 35 units now. That penalty is approximately $6,365 over the 10 years it will take to replace all these 35 units at the current annual rate.

As previously explained Performance Contracting will redirect a portion of your current payments made to a utility company for electricity, gas, and water costs and creates capital funds to obtain facility improvements. In this second program, Frederick County will gain $345,477 of capital improvements by spending only $45,947 out of pocket if the program is financed.

Measurement & Verification of Savings

Siemens recommends the "pre and post measurement" method of M&V. In this method actual field measurements of the kW will be multiplied by the validated operating schedule of the lighting and equipment to derive the kWH used. This is the standard M&V for the type of improvements contained in this project.

Note: These financial analyses are subject to change based on the interest rate at the time of financing and possible minor adjustments to pricing and savings as we close our technical audit efforts, but these scenarios are presented for your consideration at present. Also, if this program is financed, the finance company may negotiate different terms with Frederick County that could alter the amortization schedules presented here.

Glossary of Cash Flow Terminology

Accumulated Cash Flow – Rolling sum of the yearly values of the Annual Cash Flow
Amount Financed – Project Cost less the Down Payment
Annual Cash Flow – Mathematical difference between the Guaranteed Savings and the Total Annual Cost
Annual Energy Savings – Energy savings guaranteed by the ESCO
Annual Operational Savings – Savings derived from reduced maintenance material costs and operational efficiency gains.
Construction Savings – Energy and operational savings realized during the period of construction of the energy efficiency measures
Down Payment – Amount Frederick County will pay toward the construction price
Electric Increase – Planned electrical rate increases by the electrical utility company
ESCO – Energy Services Company
FIM – Facility Improvement Measure that when implemented yields the stated energy and operational savings (sometimes known also as Energy Conservation Measure or ECM)
Interest Rate – Financed interest rate (APR)
Measurement & Verification Program (M&V) – ESCO contract to perform annual measurements and re-verification of the actual energy savings according to the M&V plan procedures stated in the ESCO contract document
Payment – Principle and Interest payment calculated using the stated Interest Rate and the Term on the Amount Financed
Payments per year – frequency of payments per year
Project Cost – Total price of the construction part of the Performance Contract
Technical Support Program (TSP) – Third party maintenance programs
Term – Length of the finance term

Program 1: Fully Self Funded Program

Project Scope

- Lighting Retrofit
- Time Clock Control of Domestic Hot Water Heater
- Installation of Vend-misers
- Fan belt replacements with Synchronous Belts

Fig1: Cash Flow 1 - Fully Self Funded Program

Year	Energy Savings	Operations Savings	Guaranteed Savings	Payment	Performance Assurance (M&V)	Total Annual Cost	Annual Cash Flow	Accumulated Cash Flow
Construction	$0	$0	$0	$0	$0	$0	$0	$0
1	$18,504	$5,593	$24,097	$17,388	$6,154	$23,541	$556	$556
2	$19,356	$5,761	$25,116	$18,227	$6,338	$24,565	$551	$1,107
3	$20,265	$5,934	$26,199	$19,119	$6,529	$25,648	$551	$1,658
4	$22,150	$6,112	$28,262	$20,986	$6,724	$27,710	$551	$2,210
5	$23,501	$6,295	$29,796	$22,319	$6,926	$29,245	$551	$2,761
6	$24,629	$0	$24,629	$16,944	$7,134	$24,078	$551	$3,312
7	$25,294	$0	$25,294	$17,395	$7,348	$24,743	$551	$3,863
8	$26,078	$0	$26,078	$17,959	$7,568	$25,527	$551	$4,415
9	$26,861	$0	$26,861	$18,514	$7,796	$26,309	$551	$4,966
10	$27,666	$0	$27,666	$19,086	$8,029	$27,115	$551	$5,517
11	$28,496	$0	$28,496	$19,675	$8,270	$27,945	$551	$6,068
12	$29,351	$0	$29,351	$20,282	$8,518	$28,800	$551	$6,619
13	$30,232	$0	$30,232	$20,907	$8,774	$29,681	$551	$7,171
14	$31,139	$0	$31,139	$21,550	$9,037	$30,588	$551	$7,722
15	$32,073	$0	$32,073	$22,214	$9,308	$31,522	$551	$8,273
totals	$385,597	$29,694	$415,291	$292,563	$114,455	$407,018	$8,273	

Project Financial Parameters:

Project Price:			$214,580
Project Down Payment (buy down):			$0
Amount Financed:			$214,580
Term:	15 years		
Payments per Year:	12		
Interest Rate:	3.5%		
Escalation:	3.0%	(unless otherwise noted)	
M&V Program:	$6,154	annually	

Financial Totals (15 year term):

Total Energy Savings:	$385,597
Total Operational Savings:	$29,694
Total Guaranteed Savings:	**$415,291**
Total Payment:	$292,563
Total M&V Program:	$114,455
Total Cost:	**$407,018**

Program 1: Fully Self Funded Program (cont.)

Fig 2: Cash Flow 1 - Fully Self Funded Program

Financial Data Analysis																
Facility Name:	Frederick County															
Project:																
Project Cost			$214,580		Down Payment		$0									
Amount Financed			$214,580													
Term (Years)			15													
Payments per Year			12													
Interest Rate			3.50%													
Annual Energy Savings (First Year)			$18,504		3.00%	Escalation Rate		*Varies per year								
Annual Operations Savings (First Year)			$5,593		3.00%	Escalation Rate										
Technical Support Program(TSP)			$0		3.00%	Escalation Rate										
Measurement & Verification Program			$6,154		3.00%	Escalation Rate										
Cash Flow Analysis		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Energy Savings	$0	$18,504	$19,356	$20,265	$22,150	$23,501	$24,629	$25,294	$26,078	$26,861	$27,666	$28,496	$29,351	$30,232	$31,139	$32,073
Electric Increase		3.40%	4.60%	4.70%	9.30%	6.10%	4.80%	2.70%	3.10%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Operations Savings	$0	$5,593	$5,761	$5,934	$6,112	$6,295	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Construction Savings	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Non-Annual Savings	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Guaranteed Savings	**$0**	**$24,097**	**$25,116**	**$26,199**	**$28,262**	**$29,796**	**$24,629**	**$25,294**	**$26,078**	**$26,861**	**$27,667**	**$28,497**	**$29,351**	**$30,232**	**$31,139**	**$32,073**
Payment	$0	$14,888	$18,227	$19,119	$20,986	$22,319	$16,944	$17,395	$17,959	$18,514	$19,086	$19,675	$20,282	$20,907	$21,550	$22,214
Application Fee		$2,500														
Technical Support Program(TSP)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	Cashflow
Performance Assurance (M&V)	$0	$6,154	$6,338	$6,529	$6,724	$6,926	$7,134	$7,348	$7,568	$7,796	$8,029	$8,270	$8,518	$8,774	$9,037	$9,308
Total Annual Cost	**$0**	**$23,541**	**$24,565**	**$25,648**	**$27,710**	**$29,245**	**$24,078**	**$24,743**	**$25,527**	**$26,309**	**$27,115**	**$27,945**	**$28,800**	**$29,681**	**$30,588**	**$31,522**
Annual Cash Flow	$0	$556	$551	$551	$551	$551	$551	$551	$551	$551	$551	$551	$551	$551	$551	$551
Accumulated Cash Flow	$0	$556	$1,107	$1,659	$2,210	$2,761	$3,312	$3,864	$4,415	$4,966	$5,517	$6,069	$6,620	$7,171	$7,723	$8,274

Fig3: Cash Flow 2 – Program Requiring Capital Contribution

ESCO Energy Conservation Measure Detail Form - 3.00% Escalation

FIM #	Rec.	FIM DESCRIPTION	BLENDED OR ACTUAL RATES	SAVINGS	COST	SPB (YEARS)	M & V OPTION (A = 1, B = 2, C = 3)	SAVINGS BREAKOUT: ENERGY DOLLAR AMOUNT ($)	SAVINGS BREAKOUT: O&M DOLLAR AMOUNT ($)	SAVINGS BREAKOUT: WATER DOLLAR AMOUNT $
1		**County Administration Building**								
1.0	Y	Lighting	Actual	$13,013	$114,729	7.94	1	$9,561	$3,452	$0
1.0	N	Water Conservation Measures	Actual	$1,978	$44,704	17.51	1	$0	$200	$1,778
1.0	N	Replace Watersource AHUs	Actual	$3,691	$72,056	15.60	1	$691	$3,000	$0
1.0	N	Replace Perimeter Watersource HPs	Actual	$7,491	$129,298	14.12	1	$1,491	$6,000	$0
1.1	N	Replace Building Automation (South building)	Actual	$6,012	$123,047	16.20	1	$1,012	$5,000	$0
1.1	Y	Domestic Hot Water Time Clocks	Actual	$499	$2,474	4.69	1	$499	$0	$0
1.1	N	Domestic Hot Water Heater Replacement	Actual	$229	$3,471	12.68	1	$29	$200	$0
1.1	Y	Vendmisers	Actual	$240	$1,304	5.10	1	$240	$0	$0
1.1	N	Premium Efficiency Motors	Actual	$366	$10,778	21.43	1	$166	$200	$0
1.1	N	Networked Electronic WSHP Thermostats	Actual	$3,212	$81,956	19.23	1	$1,012	$2,200	$0
1.1	Y	Synchronous Belts	Actual	$394	$2,689	6.31	1	$394	$0	$0
1.1	N	Cooling Tower Fan VFDs	Actual	$210	$3,680	14.30	1	$210	$0	$0
1.1	N	Condenser Water Loop Reset	Actual	$251	$0	0.00	1	$251	$0	$0
		Total FIMs	Actual	$37,584	$590,185	13.06	0	$15,554	$20,252	$1,778
		Recommended FIMs	Actual	$14,145	$121,196	7.74	0	$10,693	$3,452	$0
2.0		***Public Safety Building***								
2.1	Y	Lighting	Actual	$9,135	$80,772	7.96	1	$6,994	$2,141	$0
2.2	Y	Vendmisers	Actual	$184	$689	4.58	1	$184	$0	$0
2.3	Y	Synchronous Belts	Actual	$423	$3,022	6.56	1	$423	$0	$0
2.4	Y	DHW Setback	Actual	$209	$0	0.00	1	$209	$0	$0
2.5	N	Generator Load Response - Energy Connect	Actual	$0	$0	#NUM!	1	$0	$0	$0
2.6	N	Generator Testing Procedure Change	Actual	$245	$0	0.00	1	$245	$0	$0
		Total FIMs	Actual	$10,197	$84,683	7.53	0	$8,056	$2,141	$0
		Recommended FIMs	Actual	$9,952	$84,683	7.69	0	$7,811	$2,141	$0
3.0	N	Sherando Ball Parking Lighting	Actual	$4,500	$714,286	59.25	0	$0	$4,500	$0
		Bond Fees	0	$0	$2,547		0	$0	$0	$0
		Measurement & Verification Setup Fee	0	$0	$6,154		0	$0	$0	$0
		Measurement & Verification TSP Annual Fee	0	$0	$6,154		0	$0	$0	$0
		Project Total FIMs	0	$52,281	$1,397,855	19.93	0	$23,610	$26,893	$1,778
		Project Recommended FIMs	0	$28,597	$214,580	6.87	0	$18,504	$5,593	$0

Program 2: Program Requiring Capital Contribution

Project Scope

- Lighting Retrofit
- Time Clock Control of Domestic Hot Water Heater
- *Installation of Vend-misers*
- Fan belt replacements with Synchronous Belts
- **Replacement of 35 Perimeter Heat Pump Units**

Fig4: Cash Flow 2 – Program Requiring Capital Contribution

Year	Energy Savings	Operations Savings	Guaranteed Savings	Payment	Performance Assurance (M&V)	Total Annual Cost	Annual Cash Flow	Accumulated Cash Flow
Construction	$0	$0	$0	$0	$0	$0	$0	$0
1	$19,995	$11,593	$31,588	$25,434	$6,154	$31,588	$0	$0
2	$20,915	$11,941	$32,856	$26,517	$6,338	$32,856	$0	$0
3	$21,898	$12,299	$34,197	$27,668	$6,529	$34,197	$0	$0
4	$23,934	$12,668	$36,602	$29,878	$6,724	$36,603	$0	$0
5	$25,394	$13,048	$38,442	$31,516	$6,926	$38,443	$0	$0
6	$26,613	$6,956	$33,569	$26,435	$7,134	$33,569	$0	$0
7	$27,332	$7,164	$34,496	$27,148	$7,348	$34,496	$0	$0
8	$28,179	$7,379	$35,558	$27,990	$7,568	$35,558	$0	$0
9	$29,025	$7,601	$36,625	$28,830	$7,796	$36,625	$0	$0
10	$29,895	$7,829	$37,724	$29,695	$8,029	$37,724	$0	$0
11	$30,792	$0	$30,792	$22,522	$8,270	$30,792	$0	$0
12	$31,716	$0	$31,716	$23,198	$8,518	$31,716	$0	$0
13	$32,667	$0	$32,667	$23,894	$8,774	$32,667	$0	$0
14	$33,647	$0	$33,647	$24,610	$9,037	$33,647	$0	$0
15	$34,657	$0	$34,657	$25,349	$9,308	~~$34,657~~	$0	$0
totals	$416,661	$98,477	$515,138	$400,684	$114,455	$515,138	$0	

Project Financial Parameters:

Project Price:			$345,477
Project Down Payment (buy down):			-$45,947
Amount Financed:			$299,530
Term:	15 years		
Payments per Year:	12		
Interest Rate:	3.5%		
Escalation:	3.0%	(unless otherwise noted)	
M&V Program:	$6,154	annually	

Financial Totals (15 year term):

Total Energy Savings:	$416,661
Total Operational Savings:	$98,477
Total Guaranteed Savings:	**$515,138**
Total Payment:	$400,684
Down Payment:	$45,947
Total M&V Program:	$114,455
Total Cost:	**$561,086**

Fig4: Cash Flow 2 – Program Requiring Capital Contribution

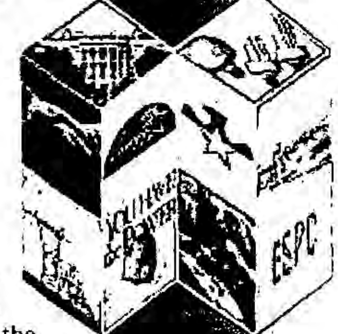
Financial Data Analysis																
Facility Name:	**Frederick County**															
Project:																
Project Cost			$345,477		Down Payment		$45,947									
Amount Financed			$299,530													
Term (Years)			15													
Payments per Year			12													
Interest Rate			3.50%													
Annual Energy Savings (First Year)			$19,995		3.00%	Escalation Rate		*Varies per year								
Annual Operations Savings (First Year)			$11,593		3.00%	Escalation Rate										
Technical Support Program(TSP)			$0		3.00%	Escalation Rate										
Measurement & Verification Program			$6,154		3.00%	Escalation Rate										
Cash Flow Analysis		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Energy Savings	$0	$19,995	$20,915	$21,898	$23,934	$25,394	$26,613	$27,332	$28,179	$29,025	$29,895	$30,792	$31,716	$32,667	$33,647	$34,657
Electric Increase		3.40%	4.60%	4.70%	9.30%	6.10%	4.80%	2.70%	3.10%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Operations Savings	$0	$11,593	$11,941	$12,299	$12,668	$13,048	$6,956	$7,164	$7,379	$7,601	$7,829	$0	$0	$0	$0	$0
Construction Savings		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Non-Annual Savings	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Guaranteed Savings	**$0**	**$31,588**	**$32,856**	**$34,197**	**$36,603**	**$38,443**	**$33,569**	**$34,496**	**$35,558**	**$36,625**	**$37,724**	**$30,792**	**$31,716**	**$32,667**	**$33,647**	**$34,657**
Payment	$0	$22,934	$26,517	$27,668	$29,878	$31,516	$26,435	$27,148	$27,990	$28,830	$29,695	$22,522	$23,198	$23,894	$24,610	$25,349
Application Fee		$2,500														
Technical Support Program(TSP)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Performance Assurance (M&V)	$0	$6,154	$6,338	$6,529	$6,724	$6,926	$7,134	$7,348	$7,568	$7,796	$8,029	$8,270	$8,518	$8,774	$9,037	$9,308
Total Annual Cost	**$0**	**$31,586**	**$32,856**	**$34,197**	**$36,603**	**$38,443**	**$33,569**	**$34,496**	**$35,558**	**$36,625**	**$37,724**	**$30,792**	**$31,716**	**$32,667**	**$33,647**	**$34,657**
Annual Cash Flow	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Accumulated Cash Flow	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Fig6: Cash Flow 2 – Program Requiring Capital Contribution

ESCO Energy Conservation Measure Detail Form - 3.00% Escalation

FIM #	Rec.	FIM DESCRIPTION	BLENDED OR ACTUAL RATES	SAVINGS	COST	SPB (YEARS)	M & V OPTION (A = 1, B = 2, C = 3)	SAVINGS BREAKOUT: ENERGY DOLLAR AMOUNT ($)	O & M DOLLAR AMOUNT $	WATER DOLLAR AMOUNT $
1		**County Administration Building**								
1.0	Y	Lighting	Actual	$13,013	$114,729	7.94	1	$9,561	$3,452	$0
1.0	N	Water Conservation Measures	Actual	$1,978	$44,704	17.51	1	$0	$200	$1,778
1.0	N	Replace Watersource AHUs	Actual	$3,691	$72,056	15.60	1	$691	$3,000	$0
1.0	Y	Replace Perimeter Watersource HPs	Actual	$7,491	$129,298	14.12	1	$1,491	$6,000	$0
1.1	N	Replace Building Automation (South building)	Actual	$6,012	$123,047	16.20	1	$1,012	$5,000	$0
1.1	Y	Domestic Hot Water Time Clocks	Actual	$499	$2,474	4.69	1	$499	$0	$0
1.1	N	Domestic Hot Water Heater Replacement	Actual	$229	$3,471	12.68	1	$29	$200	$0
1.1	Y	Vendmisers	Actual	$240	$1,304	5.10	1	$240	$0	$0
1.1	N	Premium Efficiency Motors	Actual	$366	$10,778	21.43	1	$166	$200	$0
1.1	N	Networked Electronic WSHP Thermostats	Actual	$3,212	$81,956	19.23	1	$1,012	$2,200	$0
1.1	Y	Synchronous Belts	Actual	$394	$2,689	6.31	1	$394	$0	$0
1.1	N	Cooling Tower Fan VFDs	Actual	$210	$3,680	14.30	1	$210	$0	$0
1.1	N	Condenser Water Loop Reset	Actual	$251	$0	0.00	1	$251	$0	$0
		Total FIMs	Actual	$37,584	$590,185	13.06	0	$15,554	$20,252	$1,778
		Recommended FIMs	Actual	$21,636	$250,494	10.09	0	$12,184	$9,452	$0
2.0		**Public Safety Building**								
2.1	Y	Lighting	Actual	$9,135	$80,772	7.96	1	$6,994	$2,141	$0
2.2	Y	Vendmisers	Actual	$184	$889	4.58	1	$184	$0	$0
2.3	Y	Synchronous Belts	Actual	$423	$3,022	6.56	1	$423	$0	$0
2.4	Y	DHW Setback	Actual	$209	$0	0.00	1	$209	$0	$0
2.5	N	Generator Load Response - Energy Connect	Actual	$0	$0	#NUM!	1	$0	$0	$0
2.6	N	Generator Testing Procedure Change	Actual	$245	$0	0.00	1	$245	$0	$0
		Total FIMs	Actual	$10,197	$84,683	7.53	0	$8,056	$2,141	$0
		Recommended FIMs	Actual	$9,952	$84,683	7.69	0	$7,811	$2,141	$0
3.0	N	Sherando Ball Parking Lighting	Actual	$4,500	$714,286	59.25	0	$0	$4,500	$0
		Bond Fees	0	$0	$4,146		0	$0	$0	$0
		Measurement & Verification Setup Fee	0	$0	$6,154		0	$0	$0	$0
		Measurement & Verification TSP Annual Fee	0	$0	$6,154		0	$0	$0	$0
		Project Total FIMs	0	$52,281	$1,399,454	19.94	0	$23,610	$26,893	$1,778
		Project Recommended FIMs	0	$31,588	$345,477	9.60	0	$19,995	$11,593	$0

*Note 9/2/10 - (This sheet has been revised with corrected addition of bottom line savings under "Project Recommended FIM's)



Measurement and Verification Guidelines For Energy Savings Performance Contracting

Comparing the after with the before to assess energy savings

Energy Savings Performance Contracting (ESPC) is all about saving measurable quantities of energy. Under an ESPC contract, an energy service company (ESCO) guarantees that after energy conservation measures (ECMs) are installed at a facility, energy use will be reduced by a quantifiable amount. In many respects, the success of an ESPC project hinges on verifying that the amount of energy saved closely matches the energy savings guaranteed in the ESCO's solicitation. The U.S. Department of Energy's Federal Energy Management Program (FEMP) has developed the *Measurement and Verification Guideline for Federal Energy Projects* to take the guesswork out of validating this before-and-after energy-use comparison.

Accurately verifying how ECMs perform is critical to both parties involved in an ESPC contract. For the government, verification confirms that the project is indeed a success and that energy and taxpayer money are being saved. For the ESCO, verification is the sole basis for the annual payments they receive throughout the term of the contract. By following the guideline, both parties are assured that savings will be accurately, consistently, and objectively verified.

The Guideline

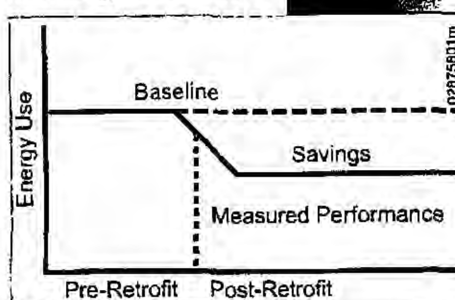
The measurement and verification guideline was developed to give the Federal government and the ESCO industry mutually agreed-upon methods for assessing the energy savings derived from commonly installed ECMs. The guideline presents a set of flexible measurement and verification (M&V) options that the contracting parties can use to determine energy savings for all types of ESPC contracts.

The guideline is the first application of the North American Energy Measurement and Verification Protocol (NEMVP). (The 1997 version is expected to be called the International Measurement and Verification Protocol.) A committee—comprising the Federal government, the ESCO industry, academia, financing organizations, and others—developed the NEMVP over 3 years. The committee worked closely with a diverse group of engineers and contracting personnel to ensure the NEMVP was acceptable from both technical and contractual perspectives.

Because the guideline was developed to accommodate the concerns of all of the primary players in the ESPC process, the procedures it specifies are impartial, reliable, and repeatable. Realizing that all ESPC projects are highly site specific, the guideline development committee built in flexibility, so the methods contained in the guideline are easily adapted to project-specific conditions. As a result, you can use the guideline with a high level of confidence, whether you are replacing a chiller in an office building in Fort Lauderdale or undertaking a lighting and boiler retrofit project in Seattle.

Baseline energy use and the allocation of risk

Before you can determine how much energy is being saved by ECMs, you have to know how much energy was being consumed before the ECMs were installed. This pre-ECM energy consumption is referred to as the baseline energy use, and it is the starting point for determining energy savings. The difference between the baseline energy use and the post-ECM-installation energy use is the actual project savings.



The Guideline shows how to use measured data to confidently assess energy savings.

What happens, though, when the baseline conditions change after the ECMs are installed? Say, for example, that two shifts were operating in the building when the baseline was established; now—at some point after the ECMs have been installed—building occupancy is scaled back to one shift. Who takes responsibility when the conditions under which the baseline was established change? And how is contract compliance determined in the wake of such changes?

The guideline's standardized M&V procedures cover factors that can affect the baseline conditions, so valid before-and-after energy use comparisons can still be made. Three factors could affect a project's energy savings once it is up and running: (1) changes in baseline conditions (typically the owner's responsibility), (2) changes in equipment performance (ESCO's responsibility), and (3) changes in conditions out of the control of the owner or the ESCO (such as the weather).

What's New in Federal Energy Management

U.S. Department of Energy

Office of Energy Efficiency and Renewable Energy

Collectively, such changes comprise the risk inherent within an ESPC contract. The guideline discusses who is responsible—the government or the ESCO—for shouldering the burden of these unforeseen changes. It also clearly allocates the risk associated with each party. By following the guideline, both the ESCO and the Federal agency involved in the ESPC contract understand where responsibility lies for ECM operation, maintenance, and performance throughout the life of the contract.

The three M&V options

ECMs vary substantially in their level of complexity. For example, for relatively straightforward lighting retrofit projects, assessing energy savings can often be accomplished with limited effort. On the other hand, projects that have a high degree of interaction among multiple energy-consuming systems—such as high-performance windows and automatic building controls—can be difficult to assess.

The guideline takes into account the varying complexity of ECM performance by providing three broad M&V options—referred to as Options A, B, and C—that can be used individually or in combination to determine the savings realized from any ECM, regardless of the complexity of its energy-saving mechanisms.

All three options are based, in part, on the ECM's "potential to perform," and verification begins by determining that the ECM is performing as expected. For example, if high-efficiency lighting is installed in a building, the ESCO guarantees the fixtures will perform to the levels specified by the manufacturer. A relatively simple monitoring program would then be used to verify that the lights are indeed performing as guaranteed.

Option A is the least complicated of the M&V options and is applied to projects in which the potential to perform needs to be verified, but the actual energy use can be determined through engineering calculations and statistical methods. Under Option A, verification entails ensuring that the installed ECMs meet the contractual performance specifications in terms of quantity, quality, and rating and that they continue to do so throughout the term of the contract. Option A does not involve long-term measurements, but regularly scheduled inspections and short-term metering or spot measurements will likely be conducted to ensure the performance goals are being met. In general, the performance of end-use-based ECMs such as lighting efficiency and fully loaded motors can be verified using Option A techniques.

Option B verifies the same items as Option A but also verifies actual achieved energy savings during the term of the contract using long-term or permanently installed metering/monitoring systems. Option B would be applied, for example, to verify the performance of ECMs whose energy use is affected by external variables such as weather patterns or inconsistent operating schedules. Depending on the operating environment, ECMs such as variable-speed drives and chillers would be likely candidates for Option B verification techniques. Essentially, Option B entails long-term measurements for capturing substantial operating variations that cannot be accurately assessed using the engineering and spot-metering techniques stipulated in Option A.

Option C determines energy savings at the whole-building level and is applied to projects in which the effect of the ECMs *cannot* be accurately assessed by measuring the before-and-after energy use of an isolated component or system. Option C is used, for example, when the ECMs installed interact extensively with each other, making the performance of a single ECM extremely difficult to quantify. Option C verification techniques involve whole-building metering using hourly performance data or utility billing data.

Selecting the proper M&V option for a project depends primarily on the site-specific conditions. Cost is also a factor. The M&V component of an ESPC contract should be scaled to the value of the project. Or put another way, the value of the information provided by a project's M&V procedures should be proportional to the value of the project. As a rule of thumb, M&V costs should fall within 3% to 10% of typical project cost savings.

For More Information

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DOE/GO-102000-1103
July 2000

FUND 10

DATE	DEPARTMENT	REASON FOR TRANSFER	FROM TO ACCT CODE	DESCRPTION	AMOUNT
2010-07-02	ELECTORAL BOARD AND OFFICIALS	WARRANTY MAINTENANCE	13010 3004 000 001	REPAIR AND MAINTENANCE-EQUIP.	778.40-
	ELECTORAL BOARD AND OFFICIALS		13010 3005 000 000	MAINTENANCE SERVICE CONTRACTS	778.40
2010-07-06	COUNTY ATTORNEY	CHG.SAL.SUPPORT STAFF POSITION	12020 3006 000 000	PRINTING & BINDING	20.00-
	COUNTY ATTORNEY		12020 1001 000 002	SECRETARY	20.00
	COUNTY ATTORNEY		12020 3007 000 000	ADVERTISING	50.00-
	COUNTY ATTORNEY		12020 1001 000 002	SECRETARY	50.00
	COUNTY ATTORNEY		12020 5401 000 000	OFFICE SUPPLIES	75.00-
	COUNTY ATTORNEY		12020 1001 000 002	SECRETARY	75.00
	COUNTY ATTORNEY		12020 5413 000 000	OTHER OPERATING	40.00-
	COUNTY ATTORNEY		12020 1001 000 002	SECRETARY	40.00
	COUNTY ATTORNEY		12020 5506 000 000	TRAVEL	200.00-
	COUNTY ATTORNEY		12020 1001 000 002	SECRETARY	200.00
	COUNTY ATTORNEY		12020 3004 000 001	REPAIRS/MAINT.- EQUIPMENT	20.00-
	COUNTY ATTORNEY		12020 1001 000 002	SECRETARY	20.00
2010-07-06	ECONOMIC DEVELOPMENT COMMISSION	OTHER OPERATING SUPPLIES	81020 5506 000 000	TRAVEL	9,000.00-
	ECONOMIC DEVELOPMENT COMMISSION		81020 5413 000 000	OTHER OPERATING SUPPLIES	9,000.00
2010-07-06	OTHER	POSTAGE MACHINE RENTAL	12240 5415 000 000	OTHER EXPENSES	600.00-
	OTHER		12240 9001 000 000	LEASE/RENT OF EQUIPMENT	600.00
2010-08-04	FINANCE DEPARTMENT	MAINTENANCE ON SCANNERS	12140 3002 000 000	PROFESSIONAL SERVICES-OTHER	50.00-
	FINANCE DEPARTMENT		12140 3004 000 001	REPAIR AND MAINTENANCE-EQUIP.	50.00
2010-08-12	ELECTORAL BOARD AND OFFICIALS	WARRANTY MAINTENANCE	13010 3004 000 001	REPAIR AND MAINTENANCE-EQUIP.	372.75-
	ELECTORAL BOARD AND OFFICIALS		13010 3005 000 000	MAINTENANCE SERVICE CONTRACTS	372.75
2010-08-13	FIRE AND RESCUE	CLASSES FOR ALS CERTIFICATION	35050 1007 000 001	CAREER DEVELOPMENT-PROMOTIONAL PAY	7,300.00-
	FIRE AND RESCUE		35050 2013 000 000	EDUCATION-TUITION ASSISTANCE	7,300.00
2010-08-16	SHERIFF	JULY 4 PARKS EVENT	31020 1005 000 000	OVERTIME	621.71
	RECREATION CENTERS AND PLAYGROUNDS		71040 3010 000 000	CONTRACTUAL SERVICES-ADMINISTRATION	621.71-
2010-08-30	MAINTENANCE ADMINISTRATION	TRANSPORATION PURCHASE/GAS	43010 5408 000 000	VEHICLE & POWERED EQUIP. SUPPLIES	500.00-
	MAINTENANCE ADMINISTRATION		43010 4003 000 003	CENTRAL STORES-GASOLINE CAB	500.00

*** E N D O F R E P O R T ***

Open Purchase Orders
Year Ending June 30, 2010

	PO #	VENDOR	EXPENDITURE CODE	TOTAL	DESCRIPTION
AIRPORT	21034	DELTA AIRPORT CONSULTANTS	4085-081030-8801-000-048-	6,585.40	Acquire Parcel 59-A; Update
AIRPORT	21036	DELTA AIRPORT CONSULTANTS	4085-081030-8801-000-064-	192,784.24	Rehabilitate Runway 14-32-
AIRPORT	21179	MCGRANE FENCE CO., INC.	4085-081030-7801-000-043-	4,950.00	Obstruction Removal - Relocate Fence
AIRPORT	21203	WILSON'S ASPHALT	4085-081030-7801-000-043-	19,874.00	Maintenance of Public Parking
AIRPORT Total				**$ 224,193.64**	
EDC	21222	COMMERCIAL PRESS INC.	4010-081020-3006-000-000-	2,820.00	Printing - Fandex Publication
EDC Total				**$ 2,820.00**	
FIRE & RESCUE	21167	MASON-DIXON FIRE	4010-035050-5410-000-000-	12,266.13	Uniforms
FIRE & RESCUE	21205	MUNICIPAL EMERGENCY SERVI	4010-035050-5407-000-000-	6,387.37	Scott In-House Repair Parts
FIRE & RESCUE	21206	MASIMO CORPORATION	4010-035050-5605-000-002-	4,169.00	Rad-57 Carbon Monoxide Monitor
FIRE & RESCUE	21218	MUNICIPAL EMERGENCY SERVI	4010-035050-5407-000-000-	6,117.26	Scott SCBA Parts
FIRE & RESCUE	21219	MASON-DIXON FIRE	4010-035050-5410-000-000-	2,669.20	Uniforms
FIRE & RESCUE Total				**$ 31,608.96**	
IT	21197	DELL MARKETING L.P.	4020-012220-5414-000-004-	4,876.32	(2) Dell Poweredge R300 Servers
IT	21204	SOFTWARE HOUSE	4020-012220-5414-000-004-	3,817.15	Server Room Racks
IT Total				**$ 8,693.47**	
LANDFILL	21119	SCS ENGINEERS	4012-042040-8900-000-000-	1,273,050.00	Landfill Gas to Energy Project
LANDFILL	21130	ALBAN TRACTOR COMPANY	4012-042040-5408-000-000-	10,567.20	Undercarriage for CAT Track Loader
LANDFILL	21133	RICKETTS, CHARLES	4012-042040-8900-000-000-	67,268.83	New Truck Wash - Landfill
LANDFILL Total				**$ 1,350,886.03**	
MAINTENANCE	21185	ATLANTIC SECURITY	4010-043040-3004-000-003-	4,481.00	Replace DVR on Security System
MAINTENANCE	21198	NEW AGAIN PAINTING LLC	4010-043040-3004-000-003-	6,895.00	Wallpaper Removal
MAINTENANCE	21209	SIMPLEXGRINNELL	4010-043040-3004-000-006-	3,352.12	Rebuild & Recertify Sprinklers
MAINTENANCE	21210	CONFEDERATE CONTRACTOR	4010-043040-3004-000-003-	2,575.00	Wall & Door Addition in COR
MAINTENANCE Total				**$ 17,303.12**	
NRADC	21187	CONSOLIDATED ELECTRIC	4011-033010-3004-000-003-	3,736.00	Replace Damaged Pole & Camera Box
NRADC Total				**$ 3,736.00**	
OTHER	21207	LANTZ CONSTRUCTION OF	4010-012240-5604-000-020-	1,178,000.00	N.W. Works Building Renovation
OTHER Total				**$ 1,178,000.00**	
PARKS & REC	21164	MAY SUPPLY COMPANY	4010-071090-5413-000-000-	10,060.20	Chemicals
PARKS & REC	21208	LANDSCAPE SUPPLY INC	4010-071100-5403-000-000-	7,408.21	Grass Seed
PARKS & REC	21211	SHENANDOAH VALLEY	4010-071100-8900-000-000-	212,350.00	Sherando Park Phase II Bike Trail

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Open Purchase Orders
Year Ending June 30, 2010

	PO #	VENDOR	EXPENDITURE CODE	TOTAL	DESCRIPTION
PARKS & REC	21214	BROWNING EQUIPMENT INC.	4010-071100-5413-000-000-	2,725.55	Tractor Parts
PARKS & REC	21215	SITE CONCEPTS	4010-071100-8900-000-000-	9,997.00	Miracle Playground Equipment -
PARKS & REC	21223	HEROD SEEDS, INC.	4010-071090-5403-000-000-	7,000.00	Topdressing
PARKS & REC Total				**$ 249,540.96**	
PUBLIC WORKS	21190	GRADE A PAVING, INC.	4010-042030-3004-000-003-	12,859.00	Asphalt - Shawneeland Conv Site
PUBLIC WORKS	21199	ENVIRO WORLD CORPORATION	4010-042030-5413-000-000-	6,250.80	55 gal. Rain Barrels
PUBLIC WORKS	21224	C.V.L.FENCING AND ROOFING	4010-042030-3004-000-003-	8,575.00	Fence & Gate at Conv Site
PUBLIC WORKS Total				**$ 27,684.80**	
SHERIFF	21212	GALL'S INC.	4010-031020-5408-000-000-	5,954.00	Sirens, Consoles, Spike Systems
SHERIFF	21213	SOUTHERN POLICE EQUIPMENT	4010-031020-5409-000-000-	16,300.00	(20) Smith & Wesson M&P 15A Rifles
SHERIFF	21216	QUALITY UNIFORM CO INC	4010-031020-5410-000-000-	5,509.55	(10) Body Armor Vest
SHERIFF	21217	TOBIN WELCH COMPANY	4010-031020-5409-000-000-	2,911.84	(4) Nikon Digital Camera
SHERIFF	21221	DELL MARKETING L.P.	4020-012220-5414-000-004-	29,302.65	(20) Dell Latitude E6510 Laptops
SHERIFF	21226	DIGITAL INTELLIGENCE INC	4020-012220-5414-000-004-	5,837.83	Forensic Recovery Device -
SHERIFF	21227	MOTOROLA	4010-031020-5409-000-000-	13,098.40	(6) Radios, Software Trunking
SHERIFF	21228	MOTOROLA	4010-031020-5409-000-000-	82,932.80	(30) Radios, Removal & Install
SHERIFF Total				**$ 161,847.07**	
Grand Total				**$ 3,256,314.05**	

Frederick County Public Schools
... to ensure all students an excellent education
Lisa K. Frye, Executive Director of Finance fryel@frederick.k12.va.us

DATE: August 16, 2010

TO: Cheryl Shiffler, Director of Finance

FROM: Lisa K. Frye, Executive Director of Finance

SUBJECT: **FY2011 Budget Adjustments for Carryforward Construction Balances and Carryforward Encumbrances**

As prescribed by the FY 2011 Budget Resolution adopted by the Board of Supervisors on April 28, 2010, construction fund balances will be appropriated as a carry-forward in the amount that equals the approved original project cost, less expenditures and encumbrances through June 30, 2010. Additionally, all encumbrances outstanding at June 30, 2010, are automatically approved for re-appropriation to the same department and account. This memo requests posting a FY2011 budget adjustment as shown below.

Construction Fund:

The following projects will remain active in FY 2011 and need their balances appropriated in FY2011 in accordance with the resolution.

Greenwood Mill Elementary School	$ 428,259.90
Transportation Facility	$ 1,457,677.71
Replacement Middle School	$ 2,000,000.00
	$ 3,885,937.61

Please post the following budget adjustment.		Debit	Credit
060-061000-5800-900-000	School Construction Fund	$3,885,937.61	
060-041990-0010	Carryforward prior year		$3,885,937.61

Outstanding Encumbrances:

Please post the following FY2011 budget adjustment for outstanding encumbrances at June 30, 2010.

050-011000-1121-200-100	School Operating Fund Expenses	$646,303.14	
050-051050-0002	Transfers-Outstanding Encumbrances		$646,303.14
051-051110-1193-900-000	Food Service Fund Expenses	$ 2,050.00	
051-051050-0002	Transfers-Outstanding Encumbrances		$ 2,050.00
060-061000-5800-900-000	School Construction Fund	$282,171.59	
060-051050-0002	Transfers-Outstanding Encumbrances		$282,171.59

Thank you .

L:\Lisa\FY10 11\FY2011 Budget Adjustments\Memo to CShiffler re carryforward construction balances and encumbrances.doc

THE METROPOLITAN WASHINGTON EAR, INC.
A multi-media reading service for the blind and physically handicapped
A NON-PROFIT CORPORATION

August 24, 2010

Ms. Cheryl B. Shiffler
Finance Director
County of Frederick
107 North Kent Street
Winchester, VA 22601

Dear Ms. Shiffler:

Thank you for the check for $306 for the multimedia reading and information services that the "Ear" provides to blind/visually impaired residents of Frederick County.

During October and November MWE will be holding a "Guest Reader" Series. We hosted this event last year and found it to be very beneficial both for the listeners and the readers. It gave many of the readers a better understanding of what we do at the Ear for the blind/visually impaired community. Many of the local politicians and columnists from the Post came to read. We would like to extend an invitation to you to be a part of this year's Guest Reader event. Please contact me at your earliest convenience to discuss this.

On behalf of our grateful listeners, dedicated volunteers and staff thank you again. The continuing support from Frederick County is greatly appreciated in these **very difficult** economic times.

Sincerely,

Rosey Roussil

Rosemary Roussil
Development Officer

RCR/ac

12061 TECH ROAD, SILVER SPRING, MD 20904
(301) 681-6636 • FAX (301) 625-1986 • EMAIL: INFORMATION@WASHEAR.ORG

Fin. Com. Agenda INFO.

NORTHERN VIRGINIA
4-H EDUCATIONAL AND CONFERENCE CENTER

600 4-H Center Drive • Front Royal, VA 22630
Phone: 540-635-7171 • FAX: 540-635-6876

Frederick County Administrator's Office

August 27, 2010

Mr. John Riley
County Administrator
107 N. Kent Street
Winchester, VA 22601

Dear John:

On behalf of the Board of Directors of the Northern Virginia 4-H Educational and Conference Center I would like to sincerely thank you, the Frederick County Board of Supervisors and the citizens of Frederick County for your recent check for $3,825.00 for FY 10. You will find enclosed receipt #013561 for your records.

Thank you again John for your continued recommendation to keep the 4-H Center in the Frederick County budget. Please express our appreciation to your Board members and assure them this contribution will be used very judiciously.

With much appreciation,

Nora Belle Comer

Nora Belle Comer
Executive Director

Encl

Government Finance Officers Association
203 N. LaSalle Street - Suite 2700
Chicago, IL 60601

Phone (312) 977-9700 Fax (312) 977-4806

RECEIVED
AUG 2010
Frederick County
Administrator's Office

August 6, 2010

John R. Riley, Jr.
County Administrator
County of Frederick
107 North Kent Street
Winchester VA 22601

Dear Mr. Riley:

We are pleased to notify you that your comprehensive annual financial report for the fiscal year ended **June 30, 2009** qualifies for a Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

The Certificate of Achievement plaque will be shipped to:

Cheryl B. Shiffler
Finance Director

under separate cover in about eight weeks. We hope that you will arrange for a formal presentation of the Certificate and Award of Financial Reporting Achievement, and that appropriate publicity will be given to this notable achievement. A sample news release is enclosed to assist with this effort. In addition, details of recent recipients of the Certificate of Achievement and other information about Certificate Program results are available in the "Awards Program" area of our website, www.gfoa.org.

We hope that your example will encourage other government officials in their efforts to achieve and maintain an appropriate standard of excellence in financial reporting.

Sincerely,
Government Finance Officers Association

Stephen J. Gauthier

Stephen J. Gauthier, Director

Technical Services Center

SJG/ds

Government Finance Officers Association
203 N. LaSalle Street - Suite 2700
Chicago, IL 60601

Phone (312) 977-9700 Fax (312) 977-4806

08/06/2010
NEWS RELEASE

For Information contact:
Stephen Gauthier (312) 977-9700

(Chicago)--The Certificate of Achievement for Excellence in Financial Reporting has been awarded to **County of Frederick** by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

An Award of Financial Reporting Achievement has been awarded to the individual(s), department or agency designated by the government as primarily responsible for preparing the award-winning CAFR. This has been presented to:

Finance Department, County of Frederick

The CAFR has been judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR.

The GFOA is a nonprofit professional association serving approximately 17,500 government finance professionals with offices in Chicago, IL, and Washington, D.C.