



COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

FISCAL YEAR ENDED JUNE 30, 2002

COUNTY OF FREDERICK,
VIRGINIA

- Introductory Section -

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COUNTY OF FREDERICK, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2002**

Issued by

Cheryl B. Shiffler, Finance Director

Winchester, Virginia

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COUNTY OF FREDERICK, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2002

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COUNTY OF FREDERICK, VIRGINIA

**DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2002**

BOARD OF SUPERVISORS

Richard C. Shickle, Chairman
W. Harrington Smith, Jr., Vice-Chairman

Margaret B. Douglas
Gina A. Forrester

Sidney A. Reyes

Robert M. Sager
Lynda J. Tyler

COUNTY SCHOOL BOARD

Stuart A. Wolk, Chairman
Patricia D. Stiles, Vice-Chairman

Richard Howett
John Lamanna

Melanie Mullinex

Barbara E. Van Oslen
Cary W. Smith

BOARD OF SOCIAL SERVICES

Vernon E. Marsteller, Jr., Chairman
Judith A. Morris, Vice-Chairman

Richard Crane
Kristen Goff

Joseph Rusz
Robert M. Sager

OTHER OFFICIALS

County Administrator John R. Riley, Jr.
Assistant County Administrator Kris C. Tierney
Finance Director Cheryl B. Shiffler
Engineering and General Service Director Harvey E. Strawsnyder, Jr.
Fire and Rescue Services Director Gary A. DuBrueler
Personnel Director Debra E. Didawick
Information Services Director Charles B. Tyson
Planning and Development Director Eric R. Lawrence
Economic Development Director Patrick E. Barker
Parks and Recreation Director James M. Doran
Commissioner of the Revenue Ellen E. Murphy
County Treasurer C. William Orndoff, Jr.
Commonwealth Attorney Lawrence R. Ambrogi
Sheriff Robert T. Williamson
Judge of the Circuit Court John Prosser
Judge of the Circuit Court John E. Wetsel, Jr.
Judge of the General District Court David S. Whitacre
Judge of the Juvenile and Domestic Relations Court Carle F. Germelman, Jr.
Clerk of the Circuit Court Rebecca Hogan
Court Services Director Scott Anderson
Social Services Director Gwen Monroe
Health Department District Administrator David Crabtree
Sanitation Authority Chairman James T. Anderson
Engineer/Director Sanitation Authority Wellington H. Jones
Frederick County Extension Agent Gary DeOms
Central Registrar Michael Janow
Superintendent of Schools William C. Dean, Ph.D.

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John R. Riley, Jr.
County Administrator

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jriley@co.frederick.va.us

December 18, 2002

Board of Supervisors
County of Frederick
Winchester, Virginia

To the Board Members:

The comprehensive annual financial report of the County of Frederick, Virginia for the fiscal year ended June 30, 2002 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

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

Beginning with the June 30, 2002 Comprehensive Financial Statements, the county is implementing the Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The new financial reporting model introduced by GASB Statement Number 34 is perhaps the most significant change in the history of governmental financial reporting. This report presents government-wide financial statements for the first time. GASB Statement Number 34 requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it.

REPORTING ENTITY

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

Frederick County, at the tip of the Northern Shenandoah Valley, is 72 miles northwest of Washington, D.C., and in the northernmost corner of the state of Virginia.

In 2002, the population of the County was estimated at 61,315 based on the Bureau of the Census population count. The County, which covers 427 square miles and borders the West Virginia line, was established in 1738. Its county administrator form of government was established in 1971.

In the southeastern portion of the county, there are two incorporated towns – Stephens City and Middletown. The projected per capita income in the County was \$26,451 in 1999, the last year for which the information is available, according to the Bureau of Economic Development.

The area is served by the Winchester Regional Airport, a 230-acre, all-weather general aviation airport. It is the only general aviation airport in the state manned and open for service 24 hours a day that has a U.S. customs service on call 24 hours a day. It's the official airport of the Virginia Inland Port Authority.

Local Economy

The local economy, like other areas, has experienced a slowdown. The reduction in projected state revenues has impacted the area and generated a need for additional local funds to continue to provide quality services. Our neighboring counties in Northern Virginia continue to infiltrate our job market while they attempt to offer solutions for their employee shortages with enticing salaries.

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

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

Initiatives

The following are the more significant initiatives considered by the County in its proposed budgetary and planning processes.

- School Funds
 - Construction of Millbrook High School continues and will open in the fall of 2003. The projected construction cost is \$38,000,000.
 - 23 new positions for the school system.
 - An average 5% increase is included to enhance all salary scales.
 - Extensive renovation of James Wood Middle School began May 2002. The renovation will take 2 ½ to 3 years to complete.
 - Level funding has been sustained for all supplies, utilities, and instructional materials.

- General Fund
 - Four new positions, of this amount, three positions are new fire and rescue personnel. The ability to promptly respond to fire and rescue emergencies continues to be a concern for County officials. The fourth position is a maintenance supervisor in Parks and Recreation. With the addition of Millbrook High School into the field maintenance program for Parks and Recreation, a new maintenance position was needed to assist in covering the increased workload.
 - Continued funding to implement the Geographic Information System (GIS).
 - 3% cost of living adjustment for County employees.
 - Fourteen new vehicles for various departments (8 for Sheriff's office).

A PROFILE OF FREDERICK COUNTY

History

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

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

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

Frederick County played a significant part in the Civil War. The northern Shenandoah Valley supplied food, livestock, horses, and soldiers to the southern cause. The Valley was also important because of its strategic location in relation to Washington, D.C. The City of Winchester, which is surrounded by Frederick County, changed hands 70 times throughout the duration of the war.

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

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

Physical Characteristics

The County can be viewed in terms of three physical areas. The eastern portion of the County contains a band running north-south along the length of the County which is underlain by Martinsburg shale. Much of the land is used either as pasture land or is developed for residential or urban uses.

The second area is underlain by limestone-carbonate bedrock and consists of a band that runs north-south through the County between Interstate 81 and Little North Mountain. Much of this area is currently used for agriculture and contains the bulk of prime agriculture soil in the County. Most of the orchards in the County are located in this area.

The third area is large western Valley and Ridge area that is underlain by a variety of shale, sandstone, and limestone formations. This area consists of alternating valleys and ridges that run north-south through the County. Most of the area is forested. The ridges tend to be very steep and the highest elevations in the County are in this area.

Population

During the last decade, population has increased from 48,800 in 1992 to 61,315 in 2002. This increase equates to an annual increase of approximately 3%.

Frederick County's low tax rate and proximity to the Washington, D.C. metropolitan area, continues to lure commuters who are willing to commute in trade for a high quality of life at a lower cost.

Public School System

The Frederick County Public School System is composed of ten elementary schools serving students in grades kindergarten through fifth grade; three middle schools serving grades six through eight; and two high schools serving grades nine through twelve. The Northwest Regional Educational Program (NREP) is a

regional program that provides special education services to students from Frederick and Clarke Counties and the City of Winchester. Approximately 58% of the students who receive services attending NREP are from Frederick County. The Dowell J. Howard Center provides vocational education services for high school students and adults, and is also the location of The Learning Center, a high school alternative program.

While school enrollment continues to increase, the percentage of growth has declined. Since 1998, school enrollment has increased by 468 students, or on an average of a little over 1% annually. During 2002, school enrollment reached 11,007 students.

Employment Trends

The number of employed people living in Frederick County has grown in recent years despite fluctuations in the national economy. Annual statistics show that in 2001, Frederick County had a civilian work force of 34,550, with the employment of 33,657. This equates to 893 unemployed civilians, or 2.6%. Frederick County's unemployment rate falls below the state average.

Quality of Life

Higher Education Lord Fairfax Community College, located in Frederick County, offers two-year programs for an associate degree in Art and Sciences and Applied Science, Career Studies, and Certificate Programs with a school enrollment of approximately 3,800 students.

Shenandoah University offers four-year undergraduate and graduate programs with a school enrollment of 2,500 students. The schools include Harry F. Byrd, Jr. School of Business, Health Professions, Arts and Sciences, Pharmacy and Conservatory.

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

Cost of Living According to the Virginia Association of Realtors, the average single family detached home sold for approximately \$143,770 in 2000. This low cost of living in such a close proximity to Washington, D.C. attributes to the attractiveness of the area to many working families.

Families 75% of households in Winchester-Frederick County are family households. The high percentage of families influences the orientation of community activities and quality of life, in particular, activities for youth and encouragement of academic accomplishment.

Crime The latest FBI report (data for 1999) indicates the national crime rate for Virginia per 100,000 people at 3,373.9. The crime rate for Frederick County was 2,136.2 for 1999. Both of these rates reflect a decrease from the prior year.

Medical Care Winchester Medical Center is a 408-bed, nonprofit, regional referral hospital offering a full range of inpatient and outpatient diagnostic, medical, surgical and rehabilitative services to residents of the northern Shenandoah Valley. Maintaining a breadth of quality services at a reasonable cost has been a point of pride for Winchester Medical Center.

Library Services Library service is provided free of charge to Frederick County through the Handley Regional Library, which also serves residents of Clarke County and Winchester. Frederick County residents may borrow and return materials at any regional library location: the Mary Jane & James L. Bowman Library on Tasker Road in Stephens City, the Handley Library in downtown Winchester, the Bookmobile in Gainesboro at Redland Church, a small branch at Apple Blossom Mall in Winchester, and the Clarke County Library in Berryville. Books, video tapes, books on tape, music on compact disc, reference service, computers for Internet and word processing, programs for children and for adults are available at most library locations. Frederick County currently has 19,117 active registered cardholders. During fiscal year 2001/2002, Frederick County residents checked out 100,033 items from Handley Regional Library, and registered 2,608 new patrons from Frederick County.

Parks The County currently owns and operates two regional parks, Clearbrook Park located five miles north of Winchester, consists of approximately 55 acres and Sherando Park, located two miles east of Stephens City, consists of approximately 330 acres. Both regional parks currently serve the County's population with both active and passive recreational programs and facilities. In addition to these regional parks, five neighborhood parks have been developed consisting primarily of playground equipment for young children. Four of these neighborhood parks are located on fire company property and one is located in a subdivision. Since 1987 Frederick County has completed the construction of two outdoor swimming pool complexes, four soccer fields, a maintenance building, one shelter, two playground areas, and two sand volleyball courts. Additional recreational facilities currently provided are athletic fields, playground and picnic areas, horseshoes, fishing, paddleboats and volleyball. As a result of a joint operating agreement with the County School Board, the Parks and Recreation Department has use of the following Sherando High School facilities when they are not in use by the high school: lighted football field and track, baseball field, eight outdoor lighted tennis courts, and four outdoor lighted basketball courts. The Parks and Recreation Department's Community Center, which was built as part of Sherando High School, opened in September of 1993 and contains two racquetball courts, a weight room and a multipurpose room.

A recent amenity is the completion of a bikeway and trail system. The 2.45 mile bicycle facility serves several residential areas east of Stephens City. This bicycle trail system will link those residential areas with Sherando Park and Sherando High School. Additional trails will provide residents with the ability to travel safely from their homes to schools, stores, work or recreational areas without having to travel on busy roads.

FINANCIAL INFORMATION

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

Single Audit

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

As a part of the County's single audit described earlier, tests are made to determine the adequacy of the internal control structure including that portion related to federal financial assistance programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2002, are included in the Compliance Section.

Budgeting Controls

In addition, the County maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County's governing body. Activities of the general fund and special revenue funds, and the funds of the component unit School Board are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity within an individual fund. Open encumbrance amounts, as of June 30, 2002, have been determined and the amount of these encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances generally are reappropriated as part of the following year's budget.

Management's Discussion & Analysis

In previous years, a brief summary of financial data was provided in the section of the Comprehensive Annual Financial Report. With the adoption of GASB 34, this information is provided in greater detail in the Management's Discussion & Analysis section.

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the fiscal year ended June 30, 2001. This was the fourteenth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the County also received GFOA's Award for Distinguished Budget Presentation for its fiscal 2000 and thirteen prior fiscal year annual budgets. In order to qualify for the Distinguished Budget Presentation Award, the County's budget was judged to be proficient in several categories including policy documentation, financial planning and organization.

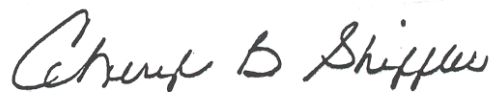
Acknowledgments

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

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



John R. Riley, Jr.
County Administrator



Cheryl B. Shiffler
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Frederick,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

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

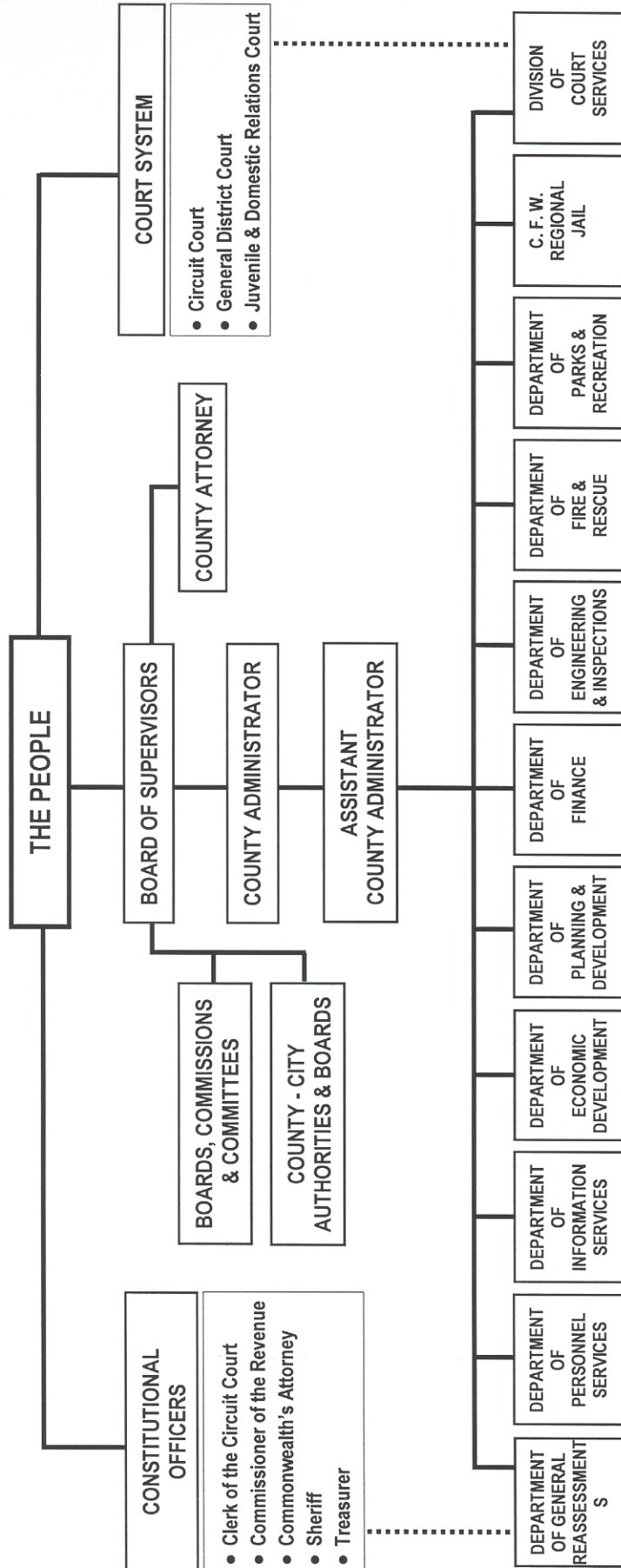


Timothy A. Howe
President

Jeffrey L. Esser
Executive Director

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FREDERICK COUNTY ORGANIZATIONAL CHART



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- Financial Section -

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ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional Limited Liability Company

INDEPENDENT AUDITORS' REPORT

THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF FREDERICK, VIRGINIA

We have audited the accompanying basic financial statements and the combining fund financial statements of the County of Frederick, Virginia (the "County") as of and for the year ended June 30, 2002, identified as Exhibits 1 through 34 in the Financial Section of the accompanying table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the County as of June 30, 2002, and the results of its operations, cash flows of its proprietary funds, and changes in its fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the basic financial statements and the combining fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the County as of June 30, 2002, and the results of operations of such funds, cash flows of each of the proprietary funds, and changes in net assets of each of the fiduciary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 21 to the basic financial statements, the County adopted Governmental Accounting Standards Board Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government*," effective July 1, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2002 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 10 in the Financial Section of the accompanying table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements and on the combining fund financial statements taken as a whole. The information identified as the Schedule of Expenditures of Federal Awards, required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory and Statistical Sections of the report are presented for the purposes of additional analysis and are not required parts of the financial statements of the County. Such additional information, except as described in the preceding paragraph, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

Robinson, Jaeger, Cox Associates

Charlottesville, Virginia
September 26, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights for Fiscal Year 2002:

- P On a government-wide basis for governmental activities the County had expenses net of program revenues of \$54.6 million, which were \$12.5 million less than the general revenues of \$67.2 million.
- P On a government-wide basis, the general activities total net assets totaled \$27.2 million.
- P The fund financial statements reflect unreserved fund balance of \$18.6 million. This amount includes \$3 million for a "rainy day fund".
- P Property taxes of \$40 million equaled to almost half of the total \$81.6 million in revenues in the governmental funds.
- P The net change in fund balance for the general fund of the prior year decreased by \$1.6 million.

Using the Comprehensive Annual Financial Report:

Over the past two decades, the primary focus of local government financial statements has been summarized by fund type. The approach has been changed for the first time in the Fiscal Year Ending 2002 financial statements. The County's current financial statements now present two different statements, with two different approaches and view of the County's finances. The government-wide statements, which are new, provide information on the overall financial status of the County. This method is more comparable to the method used in private industry. The fund financial statements, which is the method that has been used in the past, focuses on the individual funds of the County government, reporting the operations in more detail than the government-wide statements. When presented in one report, both types of statements will give the user a more broaden basis of comparison and enhance the County's accountability.

Government-Wide Statements:

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

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

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

Government-Wide Statements: (continued)

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

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

P Governmental Funds: These activities are supported primarily by property taxes and report the County's basic services such as general administration, public safety, parks and recreation, and community development.

P Business-Type Activities: These activities charge fees to customers to help cover the costs of the service. The County's landfill fund is a business type activity.

P Component Units: The Frederick County Public Schools and Industrial Development Authority are component units of the County. Component units are legally separate, but are reported since the County is financially accountable and provide funding for them.

Fund Financial Statements:

Fund financial statements are the traditional governmental financial statements. They focus on the County's most significant funds instead of the County as a whole.

The County has three kinds of funds:

1. **Governmental Funds:** The governmental funds report most of the County's basic services. The governmental funds serve essentially the same function as the governmental activities in the government-wide statements. The governmental fund financial statements focus on near-term cash flows and the amount of spendable resources available at the end of the fiscal year. It provides the reader a short-term view of the financial position. Since the information provides a narrow focus, the government-wide statements will provide additional information. A reconciliation from the fund statements is provided to facilitate this comparison.
2. **Proprietary Funds:** The County of Frederick maintains two types of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise funds report the same functions as the business-type activities in the government-wide financial statements. Internal service funds account for the goods and services provided by one department or agency to other departments or agencies of the County. The County's Central Stores fund accounts for the operations of duplicating, postage, gasoline, and office supplies. Revenue is derived from sales to user departments. The Health Insurance fund accounts for funds to pay health insurance premiums and claims.
3. **Fiduciary Funds:** Fiduciary funds are used to report assets held in trustee or agency capacity for others and cannot be used to support the governments own programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

P The County of Frederick has several private purpose trust funds. These funds are restricted to build a chapel, provide textbooks for indigent students, and to provide scholarships to deserving students.

Fund Financial Statements: (continued)

P Frederick County has six agency funds. These funds include entities for which the County has assumed fiscal agency status: The Clarke, Frederick, Fauquier, Winchester Regional Adult Detention Center and the Winchester Regional Airport.

Notes to the Financial Statements:

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

Government-Wide Financial Analysis:

In accordance with the Governmental Accounting Standards Board (GASB) Statement Number 34, the County is not required to restate prior periods for the purpose of providing comparative information. A comparative analysis of government-wide information will be presented in future years when prior year information is available.

Financial Analysis of the County as a Whole:

Statement of Net Assets: The following table reflects the condensed Statement of Net Assets.

Summary Statement of Net Assets
June 30, 2002

	Governmental Activities	Business-Type Activities	Total	Component Unit
Current and Other Assets	\$ 47,535,183	\$ 21,266,697	\$ 68,801,880	\$ 31,893,600
Capital Assets (net)	79,103,599	10,900,601	90,004,200	38,811,077
Total Assets	<u>\$ 126,638,782</u>	<u>\$ 32,167,298</u>	<u>\$ 158,806,080</u>	<u>\$ 70,704,677</u>
Long-term Liabilities	\$ 93,791,635	\$ 5,875,220	\$ 99,666,855	\$ -
Other Liabilities	5,559,848	232,287	5,792,135	28,127,124
Total Liabilities	<u>\$ 99,351,483</u>	<u>\$ 6,107,507</u>	<u>\$ 105,458,990</u>	<u>\$ 28,127,124</u>
Net Assets:				
Invested in Capital Assets, net of related debt	\$ 480,380	\$ 10,900,601	\$ 11,380,981	\$ 38,811,077
Restricted for Capital Projects	1,742,288	-	1,742,288	1,460,095
Restricted for Landfill Remediation Costs	-	5,875,220	5,875,220	-
Unrestricted	25,064,631	9,283,970	34,348,601	2,306,381
Total Net Assets	<u>\$ 27,287,299</u>	<u>\$ 26,059,791</u>	<u>\$ 53,347,090</u>	<u>\$ 42,577,553</u>

The County’s combined net assets increased to \$53,347,090 from \$38,771,558. This increase can be attributed to the change in net assets at the regional landfill by over \$2 million and the decrease in the education expense by the amount contributed to the debt of the Millbrook High School that is currently under construction.

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

County of Frederick's Net Assets
Summary Statement of Net Assets
For the Fiscal Year Ended June 30, 2002

	Governmental Activities	Business-Type Activities	Total	Component Units
Revenues:				
Program Revenues				
Charges for Services	\$ 3,379,707	\$ 5,264,437	\$ 8,644,144	\$ 2,214,639
Operating Grants & Contributions	9,625,751	-	9,625,751	38,189,888
Capital Grants & Contributions	-	-	-	-
General Revenues				
Real Estate & Personal Property	40,221,258	-	40,221,258	-
Other Taxes	14,545,935	-	14,545,935	-
Payments from Primary Government	-	-	-	29,586,993
Non-restricted Grants	10,482,194	-	10,482,194	-
Fines & Forfeitures	59,492	-	59,492	-
Use of Property	52,992	-	52,992	735,575
Investment Earnings	833,683	469,883	1,303,566	2,250
Miscellaneous	1,015,361	27,852	1,043,213	115,105
Total Revenues	<u>\$ 80,216,373</u>	<u>\$ 5,762,172</u>	<u>\$ 85,978,545</u>	<u>\$ 70,844,450</u>
Expenses:				
General Government	\$ 3,598,120	\$ -	\$ 3,598,120	\$ -
Judicial Administration	1,497,001	-	1,497,001	-
Public Safety	11,423,070	-	11,423,070	-
Public Works	2,234,665	-	2,234,665	-
Health / Welfare	6,375,250	-	6,375,250	-
Education	31,737,953	-	31,737,953	80,377,467
Parks, Recreation & Culture	3,600,216	-	3,600,216	-
Community Development	2,951,509	-	2,951,509	-
Interest on Long-term Debt	4,228,764	-	4,228,764	-
Landfill Operations	-	3,756,465	3,756,465	-
Industrial Development Authority	-	-	-	653,563
Total Expenses	<u>\$ 67,646,548</u>	<u>\$ 3,756,465</u>	<u>\$ 71,403,013</u>	<u>\$ 81,031,030</u>
Change in Net Assets	\$ 12,569,825	\$ 2,005,707	\$ 14,575,532	\$ (10,186,580)
Net Assets, July 1, 2001	14,717,474	24,054,084	38,771,558	52,764,133
Net Assets, June 30, 2002	<u>\$ 27,287,299</u>	<u>\$ 26,059,791</u>	<u>\$ 53,347,090</u>	<u>\$ 42,577,553</u>

Revenues:

- P **Governmental Activities:** For the fiscal year ended June 30, 2002, revenues from governmental activities totaled \$80,216,373. Real estate tax revenues, which account for approximately 51% of the County's property tax revenues, reflect accrued property tax billings and Shawneeland sanitary fees. Personal property taxes equate to approximately 49% of property tax revenue, with over \$10 million reimbursed from the Commonwealth under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA).

Other local taxes include sales tax, utilities tax, gross receipts tax, business license, bank stock taxes, franchise tax, hotel and meals tax, and motor vehicle licenses. This category, without the accrual, increased over last fiscal year by \$342,663. The FY03 amount reflects an accrual of \$416,042 that results in an increase over prior year funding in the amount of \$758,705.

- P **Business-Type Activities:** The Regional Landfill is the only category that is classified as a business-type activity. Fees generated from usage of the landfill are recorded along with interest earnings as revenue. The landfill increased net assets by over \$2 million in FY03. A portion of these funds will be reserved for future development and funds that are required to be placed in a trust fund for future landfill closing costs.
- P **Component Units:** Program revenues would include direct revenues such as charges for services and operating grants. Operating grants include state and federal funding that is primarily comprised of categorical funding.

Expenses:

- P **Governmental Activities:** For the fiscal year ended June 30, 2002, expenses related to governmental activities totaled \$67,646,548. Net assets related to governmental activities increased by \$12,569,825. The expenditures for education reflect an adjustment for unexpended bond proceeds, school board fixed asset activity, and depreciation. All of these adjustments reflect a decrease in this expenditure category.

Financial Analysis of the Fund Financial Statements:

- P **Governmental Funds:** Reported combined ending fund balance is \$26,718,959, a decrease of \$1,179,069 in comparison with the prior year. Approximately 72% (\$19,217,260) of the combined ending fund balance is unreserved, which is available for spending at the government's discretion. The FY03 budget appropriates over \$5 million from fund balance to balance the budget. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to (1) liquidate purchase orders (encumbrances) of the prior period and subsequent years expenditures (\$3,221,603), (2) non-current loans and capital projects (\$3,691,123), (3) debt service (\$573,103), and (4) historical markers and prepaid items (\$15,870).

The County's major funds are the General and Shawneeland Sanitary District Funds.

- The General Fund is the chief operating fund of the County of Frederick. The fund balance of the County's General Fund decreased by \$1,601,659 during the 2001-02 fiscal year. Some key factors were:

Financial Analysis of the Fund Financial Statements: (continued)

- Budget shortfall in property tax revenue in the amount of \$2,104,438.
- Sales tax revenue exceeded projections, resulting in a budget surplus in the “other local tax” category of \$1,372,551.
- Net increase in expenditures in various categories of \$869,772.
- The Shawneeland Sanitary District utilizes special property tax assessments to provide services for residents of the District. Expenditures exceeded revenues by \$74,198 for FY 2002.

P **Proprietary Funds:** The County’s proprietary funds consist of the landfill fund and internal service fund. The landfill fund is operated like a business (enterprise) fund and the internal service funds include the County’s health insurance, central stores, and unemployment funds. The landfill fund reflected an increase in net assets of \$2,005,707, while the internal service fund recognized an increase in net assets in the amount of \$20,283. The landfill fund purchased fixed assets in the amount of \$2,632,783 and posted operating income of \$1,535,824.

General Budgetary Highlights:

Differences between the original budget and the final budget resulted in an increase of \$8,704,657 in additional appropriations. Highlights of the budget amendments are as follows:

- P** \$255,236 to complete the renovation of the Old Frederick County Courthouse.
- P** \$188,142 for the Sheriff’s department for additional personnel and equipment for traffic enforcement.
- P** \$140,000 for storm water improvements.
- P** \$751,031 for carry forward of unused FY01 budgeted school operating funds.
- P** \$165,000 for Geographic Information System (GIS) aerial mapping.
- P** \$3,000,000 for the construction of Warrior Drive.
- P** \$250,000 for the preservation of battlefields.
- P** \$200,000 for economic incentive funds for the H.P. Hood extension.
- P** \$34,655 for the completion of a communications tower on North Mountain.
- P** \$471,851 for outstanding FY01 purchase orders (encumbrances).
- P** \$62,714 for an animal control officer and related equipment.
- P** \$166,000 for the administration of a grant for Fort Collier preservation.
- P** \$64,964 for the administration of a grant for CLEAN, Inc., an office on Youth and Families.
- P** \$25,253 for the Registrar for the addition of a magisterial voting district.
- P** \$31,234 for a hard to serve grant administered by the Department of Social Services.

Capital Assets:

At the end of the Fiscal Year 2002, Governmental Activities had invested \$100,076,602 and the Component Unit School Board had invested \$34,474,409 in capital assets. School Board capital assets are jointly owned by the County (Primary Government) and the Component Unit School Board to the extent of the proportion of general obligation debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. The County and School Board have no infrastructure capital assets, such as roads and bridges, because all such items have been transferred to and are maintained by the Commonwealth of Virginia. The following two schedules reflect the capital assets of the Governmental Activities and Component Unit School Board.

Capital Assets: (continued)

County of Frederick
Governmental Activities
Change in Capital Assets
June 30, 2002

	Balance July 1, 2001	Net Increase/ Decrease	Balance June 30, 2002
Capital Assets not being depreciated:			
Land and Land Improvements	\$ 1,408,159	\$ -	\$ 1,408,159
Construction in Progress	4,481,345	1,302,023	5,783,368
Total Capital Assets not being depreciated	<u>\$ 5,889,504</u>	<u>\$ 1,302,023</u>	<u>\$ 7,191,527</u>
Other Capital Assets:			
Building and Improvements	\$ 13,510,789	\$ 589,097	\$ 14,099,886
School Building & Improvements	71,442,073	10,059,360	81,501,433
Furniture, Equipment & Vehicles	4,260,835	214,448	4,475,283
Total Other Capital Assets	<u>\$ 89,213,697</u>	<u>\$ 10,862,905</u>	<u>\$ 100,076,602</u>
Less: Net Accumulated Depreciation	26,288,852	1,875,678	28,164,530
Net Capital Assets	<u>\$ 68,814,349</u>	<u>\$ 10,289,250</u>	<u>\$ 79,103,599</u>

County of Frederick
Component Unit School Board
Change in Capital Assets
June 30, 2002

	Balance July 1, 2001	Increase/ Decrease	Balance June 30, 2002
Capital Assets not being depreciated:			
Land and Land Improvements	\$ 3,791,136	\$ -	\$ 3,791,136
Construction in Progress	3,151,108	15,378,971	18,530,079
Total Capital Assets not being depreciated	<u>\$ 6,942,244</u>	<u>\$ 15,378,971</u>	<u>\$ 22,321,215</u>
Other Capital Assets:			
Building and Improvements	\$ 104,375,880	\$ 49,336	\$ 104,425,216
School Bldgs. & Improvements Allocated to County	(71,442,073)	(10,059,360)	(81,501,433)
Furniture, Equipment & Vehicles	10,661,305	889,321	11,550,626
Total Other Capital Assets	<u>\$ 43,595,112</u>	<u>\$ (9,120,703)</u>	<u>\$ 34,474,409</u>
Less: Accumulated Depreciation	15,124,225	2,860,322	17,984,547
Net Capital Assets	<u>\$ 35,413,131</u>	<u>\$ 3,397,946</u>	<u>\$ 38,811,077</u>

Long-Term Debt:

On June 30, 2002, the Primary Government has \$93,833,363 in long-term obligations. The following schedule reflects long-term debt transactions for the Primary Government.

	July 1, 2001	Increase	Decrease	June 30, 2002
Lease Revenue Bonds Payable	\$ 6,080,000	\$ 6,425,000	\$ 5,285,000	\$ 7,220,000
General Obligation Bonds:				
Library	4,500,000	-	119,582	4,380,418
School	53,942,647	14,535,000	3,021,390	65,456,257
State Literary Fund Loans:				
School	15,644,068	-	1,083,179	14,560,889
Intergovernmental Loans	1,855,358	-	371,071	1,484,287
Capital Leases	91,578	-	35,210	56,368
Retirement Incentive Obligation	975,689	-	300,545	675,144
Total	<u>\$ 83,089,340</u>	<u>\$ 20,960,000</u>	<u>\$ 10,215,977</u>	<u>\$ 93,833,363</u>

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

Contacting the Finance Department:

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

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

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COUNTY OF FREDERICK, VIRGINIA

Statement of Net Assets

At June 30, 2002

				Component Units	
	Governmental Activities	Business-Type Activities	Total	School Board	Industrial Development Authority
Assets:					
Cash and cash equivalents	\$ 26,672,524	\$ 20,741,129	\$ 47,413,653	\$ 29,169,867	\$ 347,118
Receivables, net	3,661,276	525,568	4,186,844	76,686	960
Due from other governments	912,249	-	912,249	2,298,969	-
Intergovernmental loan	837,871	-	837,871	-	-
Prepaid expenses	950	-	950	-	-
Due from component unit School Board	14,535,000	-	14,535,000	-	-
Due from other funds	915,313	-	915,313	-	-
Capital assets:					
Land and construction in progress	7,191,531	2,186,838	9,378,369	22,321,215	-
Other capital assets, net of accumulated depreciation	71,912,068	8,713,763	80,625,831	16,489,862	-
Capital assets, net	\$ 79,103,599	\$ 10,900,601	\$ 90,004,200	\$ 38,811,077	\$ -
Total assets	\$ 126,638,782	\$ 32,167,298	\$ 158,806,080	\$ 70,356,599	\$ 348,078
Liabilities:					
Accounts payable and accrued expenses	\$ 2,509,810	\$ 151,760	\$ 2,661,570	\$ 11,517,021	\$ -
Claims payable	208,212	-	208,212	671,583	-
Compensated absences	1,538,596	80,527	1,619,123	873,838	-
Deferred revenue	1,207,729	-	1,207,729	529,682	-
Amounts held for others	95,501	-	95,501	-	-
Due to primary government	-	-	-	14,535,000	-
Long-term liabilities:					
Due within one year:					
Bonds, loans and capital leases payable	6,569,718	-	6,569,718	-	-
Early retirement incentive obligation	324,589	-	324,589	-	-
Due in more than one year:					
Bonds, loans and capital leases payable	86,588,501	-	86,588,501	-	-
Early retirement incentive obligation	350,555	-	350,555	-	-
Unamortized bond premiums	611,736	-	611,736	-	-
Unamortized bond defeasance costs	(653,464)	-	(653,464)	-	-
Accrued landfill remediation costs	-	5,875,220	5,875,220	-	-
Total liabilities	\$ 99,351,483	\$ 6,107,507	\$ 105,458,990	\$ 28,127,124	\$ -
Net Assets:					
Invested in capital assets, net of related debt	\$ 480,380	\$ 10,900,601	\$ 11,380,981	\$ 38,811,077	\$ -
Restricted:					
Capital projects	1,742,288	-	1,742,288	1,460,095	-
Landfill remediation costs	-	5,875,220	5,875,220	-	-
Unrestricted	25,064,631	9,283,970	34,348,601	1,958,303	348,078
Total net assets	\$ 27,287,299	\$ 26,059,791	\$ 53,347,090	\$ 42,229,475	\$ 348,078

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

COUNTY OF FREDERICK, VIRGINIA
Statement of Activities
For the Year Ended June 30, 2002

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Operating		Governmental Activities	Primary Government		Component Units
		Charges for Services	Grants and Contributions		Capital Grants and Contributions	Business-Type Activities	
Primary Government							
Governmental activities							
General government	\$ 3,598,120	\$ -	\$ 419,467	\$ -	\$ (3,178,653)	\$ -	\$ (3,178,653)
Judicial administration	1,968,820	772,934	1,144,057	-	(51,829)	-	(51,829)
Public safety	10,951,251	1,672,996	2,218,455	-	(7,059,800)	-	(7,059,800)
Public works	2,234,665	-	11,386	-	(2,223,279)	-	(2,223,279)
Health and welfare	6,375,250	-	3,377,538	-	(2,997,712)	-	(2,997,712)
Education	31,737,953	-	1,969,496	-	(29,768,457)	-	(29,768,457)
Parks, recreation and cultural	3,600,216	927,473	-	-	(2,672,743)	-	(2,672,743)
Community development	2,951,509	6,304	485,352	-	(2,459,853)	-	(2,459,853)
Interest on long-term debt	4,228,764	-	-	-	(4,228,764)	-	(4,228,764)
Total governmental activities	\$ 67,646,548	\$ 3,379,707	\$ 9,625,751	\$ -	\$ (54,641,090)	\$ -	\$ (54,641,090)
Business type activities							
Landfill operations	3,756,465	5,264,437	-	-	-	1,507,972	1,507,972
Total Primary Government	\$ 71,403,013	\$ 8,644,144	\$ 9,625,751	\$ -	\$ (54,641,090)	\$ 1,507,972	\$ (53,133,118)
Component Units							
Frederick County Public Schools	\$ 80,377,467	\$ 2,196,704	\$ 38,189,888	\$ -	\$ -	\$ -	\$ (39,990,875)
Frederick County Industrial Development Authority	653,563	17,935	-	-	-	-	(635,628)
Total Component Units	\$ 81,031,030	\$ 2,214,639	\$ 38,189,888	\$ -	\$ -	\$ -	\$ (40,626,503)
General Revenues							
Taxes:							
General property taxes, real and personal				\$ 40,221,258	\$ -	\$ 40,221,258	\$ -
Other				14,545,935	-	14,545,935	-
Payment from County of Frederick:							
Education				-	-	-	28,836,993
Industrial Development Authority				-	-	-	750,000
Grants and contributions not restricted to specific programs				10,482,194	-	10,482,194	-
Fines and forfeits				59,492	-	59,492	-
Use of property				52,992	-	52,992	735,575
Investment earnings				833,683	469,883	1,303,566	2,250
Miscellaneous				1,015,361	27,852	1,043,213	115,105
Total general revenues				\$ 67,210,915	\$ 497,735	\$ 67,708,650	\$ 30,439,923
Change in net assets				\$ 12,569,825	\$ 2,005,707	\$ 14,575,532	\$ (10,186,580)
Net assets, beginning of year				14,717,474	24,054,084	38,771,558	52,764,133
Net assets, end of year				\$ 27,287,299	\$ 26,059,791	\$ 53,347,090	\$ 42,577,553

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

Basic Financial Statements
– Fund Financial Statements –

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COUNTY OF FREDERICK, VIRGINIA

Balance Sheet
Governmental Funds
At June 30, 2002

	<u>General Fund</u>	<u>Shawneeland Sanitary District Fund</u>	<u>School Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 21,406,556	\$ 599,727	\$ 573,778	\$ 2,475,761	\$ 25,055,822
Property taxes receivable, net	2,134,664	483,329	-	-	2,617,993
Business licenses receivable	416,042	-	-	-	416,042
Accounts receivable	621,043	-	-	2,207	623,250
Due from other governments	775,572	-	-	136,677	912,249
Intergovernmental loan	837,871	-	-	-	837,871
Due from other funds	915,313	-	-	-	915,313
Prepaid items	950	-	-	-	950
Total	<u>\$ 27,108,011</u>	<u>\$ 1,083,056</u>	<u>\$ 573,778</u>	<u>\$ 2,614,645</u>	<u>\$ 31,379,490</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 757,013	\$ 11,773	\$ 675	\$ 57,586	\$ 827,047
Amounts held for others	95,501	-	-	-	95,501
Deferred revenue - business licenses	416,042	-	-	-	416,042
Deferred revenue - prepaid taxes	1,172,135	35,594	-	-	1,207,729
Deferred revenue - property taxes	1,630,883	483,329	-	-	2,114,212
Total	<u>\$ 4,071,574</u>	<u>\$ 530,696</u>	<u>\$ 675</u>	<u>\$ 57,586</u>	<u>\$ 4,660,531</u>
Fund Balance					
Reserved for:					
Prepaid items	\$ 950	\$ -	\$ -	\$ -	\$ 950
Encumbrances	2,406,832	-	-	-	2,406,832
Non-current loans	837,871	-	-	-	837,871
Capital projects	1,004,109	-	-	-	1,004,109
Fire company capital	106,855	-	-	-	106,855
Historical markers	13,319	-	-	-	13,319
Economic development	687	-	-	-	687
Tri-centennial	914	-	-	-	914
Designated:					
Debt service	-	-	573,103	-	573,103
Subsequent year's expenditures	-	-	-	814,771	814,771
Capital projects	-	-	-	1,742,288	1,742,288
Unreserved/undesignated	18,664,900	552,360	-	-	19,217,260
Total fund balance	<u>\$ 23,036,437</u>	<u>\$ 552,360</u>	<u>\$ 573,103</u>	<u>\$ 2,557,059</u>	<u>\$ 26,718,959</u>
Total	<u>\$ 27,108,011</u>	<u>\$ 1,083,056</u>	<u>\$ 573,778</u>	<u>\$ 2,614,645</u>	<u>\$ 31,379,490</u>

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

COUNTY OF FREDERICK, VIRGINIA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
At June 30, 2002

Total fund balances for governmental funds (Exhibit 3)	\$	26,718,959
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Total net assets reported for governmental activities in the statement of net assets is different because:

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

Land	\$	1,408,159
Construction in progress		5,783,372
Buildings and improvements, net of depreciation		11,083,633
Equipment, net of depreciation		1,860,195
School Board fixed assets, net of depreciation		<u>58,968,240</u>
 Total capital assets		 79,103,599

School bond proceeds for which capital assets have not been constructed or acquired. This adjustment is required to properly report actual debt used to construct or acquire capital assets.

14,535,000

Internal service funds are used by the County to charge the cost of health insurance, supplies, gasoline, duplicating and unemployment benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The internal service funds net assets are:

1,396,816

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

2,530,254

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

Accrued interest on debt	\$	(1,667,098)
Bonds, notes and capital leases payable		(93,158,219)
Early retirement incentive obligation		(675,144)
Unamortized bond premium		(611,736)
Unamortized defeasance costs		653,464
Compensated absences		<u>(1,538,596)</u>
 Total		 <u>(96,997,329)</u>

Total net assets of governmental activities (Exhibits 1 and 2)	\$	<u><u>27,287,299</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF FREDERICK, VIRGINIA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2002

	<u>General Fund</u>	<u>Shawneeland Sanitary District Fund</u>	<u>School Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 39,591,759	\$ 460,916	\$ -	\$ -	\$ 40,052,675
Other local taxes	14,129,893	-	-	-	14,129,893
Permits, privilege fees and regulatory licenses	1,181,812	-	-	-	1,181,812
Fines and forfeitures	59,492	-	-	-	59,492
Use of money and property	796,561	16,479	-	34,905	847,945
Charges for services	1,697,512	-	-	500,383	2,197,895
Miscellaneous	199,608	-	-	815,753	1,015,361
Recovered costs	1,816,414	3,110	-	212,385	2,031,909
Intergovernmental:					
Revenue from the Commonwealth	14,956,135	-	1,969,496	1,017,035	17,942,666
Revenue from the Federal Government	2,165,279	-	-	-	2,165,279
Total revenues	<u>\$ 76,594,465</u>	<u>\$ 480,505</u>	<u>\$ 1,969,496</u>	<u>\$ 2,580,461</u>	<u>\$ 81,624,927</u>
Expenditures					
Current:					
General government administration	\$ 3,820,691	\$ -	\$ -	\$ -	\$ 3,820,691
Judicial administration	1,428,459	-	-	1,000,307	2,428,766
Public safety	11,419,185	-	-	-	11,419,185
Public works	2,744,931	-	-	-	2,744,931
Health and welfare	4,747,321	-	-	1,586,986	6,334,307
Education - local community college	45,123	-	-	-	45,123
Education - public school system	55,161,717	-	-	-	55,161,717
Parks, recreation and cultural	3,608,713	-	-	-	3,608,713
Community development	3,051,401	554,703	-	-	3,606,104
Capital projects	-	-	-	1,230,497	1,230,497
Debt service:					
Principal payments	455,337	-	4,475,640	450,000	5,380,977
Interest and fiscal charges	323,100	-	3,075,345	361,276	3,759,721
Total expenditures	<u>\$ 86,805,978</u>	<u>\$ 554,703</u>	<u>\$ 7,550,985</u>	<u>\$ 4,629,066</u>	<u>\$ 99,540,732</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (10,211,513)</u>	<u>\$ (74,198)</u>	<u>\$ (5,581,489)</u>	<u>\$ (2,048,605)</u>	<u>\$ (17,915,805)</u>
Other financing sources (uses)					
Bond proceeds	\$ 14,535,000	\$ -	\$ -	\$ 6,425,000	\$ 20,960,000
Bond premium	479,776	-	-	131,960	611,736
Payment to refunded bonds escrow agent	-	-	-	(4,835,000)	(4,835,000)
Transfers in	-	-	5,770,075	634,847	6,404,922
Transfers out	(6,404,922)	-	-	-	(6,404,922)
Total other financing sources (uses)	<u>\$ 8,609,854</u>	<u>\$ -</u>	<u>\$ 5,770,075</u>	<u>\$ 2,356,807</u>	<u>\$ 16,736,736</u>
Net change in fund balance	\$ (1,601,659)	\$ (74,198)	\$ 188,586	\$ 308,202	\$ (1,179,069)
Fund balance, beginning of year	<u>24,638,096</u>	<u>626,558</u>	<u>384,517</u>	<u>2,248,857</u>	<u>27,898,028</u>
Fund balance, end of year	<u>\$ 23,036,437</u>	<u>\$ 552,360</u>	<u>\$ 573,103</u>	<u>\$ 2,557,059</u>	<u>\$ 26,718,959</u>

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

COUNTY OF FREDERICK, VIRGINIA

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2002**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	(1,179,069)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
		(1,211,266)
Other adjustments relating to fixed assets in the capital projects funds		(264,127)
<p>School Board fixed assets are jointly owned by the County and School Board. The County share of School Board fixed assets is in proportion to the debt owed on such by the County. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship reduced the transfers to the School Board.</p>		
		11,411,124
<p>Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and realizable to pay current obligations. However, in the statement of net assets revenues are reported when earned. This requires adjustments to convert the revenues to the accrual basis.</p>		
		584,625
<p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>		
Debt issued:		
Refunding lease revenue bonds	\$	(6,425,000)
General obligation school bonds		(14,535,000)
Premium on debt:		
Refunding lease revenue bonds		(611,736)
Bond defeasance costs reclassified as deferred cost		653,464
Repayments:		
Lease revenue bonds		5,404,582
General obligation school bonds		3,021,390
State Literary Fund loans		1,083,179
Intergovernmental loans		371,071
Capital leases		35,210
Early retirement incentive obligation		300,545
		(10,702,295)
School bond proceeds for which capital assets have not been constructed or acquired.		14,535,000
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:</p>		
Compensated absences	\$	(155,407)
Amortization of debt premium		-
Amortization of advanced refunding difference		-
Accrued interest on bonds and loans		(469,043)
		(624,450)
Internal service funds are used by the County to charge the costs of health insurance, supplies and unemployment costs to individual funds. The net revenue of internal service funds is reported with governmental activities.		20,283
Change in net assets of governmental activities (Exhibit 2)	\$	12,569,825

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Net Assets
Proprietary Funds
At June 30, 2002

	Business-Type Activities - Enterprise Fund	Governmental Activities
	Landfill Fund	Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	\$ 20,741,129	\$ 1,616,702
Receivables, net	525,568	3,991
Total current assets	<u>\$ 21,266,697</u>	<u>\$ 1,620,693</u>
Noncurrent assets:		
Capital assets:		
Land	\$ 2,186,838	\$ -
Other capital assets, net of accumulated depreciation	8,713,763	-
Total noncurrent assets	<u>\$ 10,900,601</u>	<u>\$ -</u>
Total assets	<u><u>\$ 32,167,298</u></u>	<u><u>\$ 1,620,693</u></u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 151,760	\$ 15,665
Compensated absences	80,527	-
Claims payable	-	208,212
Total current liabilities	<u>\$ 232,287</u>	<u>\$ 223,877</u>
Long-term liabilities:		
Accrued landfill remediation costs	5,875,220	-
Total liabilities	<u>\$ 6,107,507</u>	<u>\$ 223,877</u>
Net Assets:		
Invested in net capital assets	\$ 10,900,601	\$ -
Restricted for landfill remediation costs	5,875,220	-
Unrestricted	9,283,970	1,396,816
Total net assets	<u><u>\$ 26,059,791</u></u>	<u><u>\$ 1,396,816</u></u>

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2002

	Business-Type Activities - Enterprise <u>Landfill Fund</u>	Governmental Activities <u>Internal Service Funds</u>
Operating revenues:		
Charges for services, net	\$ 5,264,437	\$ 2,381,955
Miscellaneous	27,852	-
Total operating revenues	<u>\$ 5,292,289</u>	<u>\$ 2,381,955</u>
Operating expenses:		
Personal services	\$ 619,643	\$ -
Fringe benefits	181,301	2,256,268
Contractual services	714,601	-
Other charges	1,272,091	144,134
Depreciation	968,829	-
Total operating expenses	<u>\$ 3,756,465</u>	<u>\$ 2,400,402</u>
Operating income (loss)	\$ 1,535,824	\$ (18,447)
Nonoperating revenues:		
Investment earnings	469,883	38,730
Change in net assets	\$ 2,005,707	\$ 20,283
Total net assets, beginning of year	24,054,084	1,376,533
Total net assets, end of year	<u>\$ 26,059,791</u>	<u>\$ 1,396,816</u>

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2002

	Business-Type Activities - Enterprise Landfill Fund	Governmental Activities Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 5,420,830	\$ -
Receipts from insured	-	2,242,291
Receipts from services	-	138,914
Other receipts	27,852	-
Payments to employees	(626,948)	-
Payments to suppliers	(1,526,049)	(2,501,471)
Other payments	-	(9,886)
Net cash provided by operating activities	\$ 3,295,685	\$ (130,152)
Cash flows from investing activities		
Investment earnings	469,883	38,730
Cash flows from capital and related financing activities		
Purchases of capital assets	(2,632,783)	-
Net increase (decrease) in cash and cash equivalents	\$ 1,132,785	\$ (91,422)
Cash and cash equivalents, beginning of year	19,608,344	1,708,124
Cash and cash equivalents, end of year	\$ 20,741,129	\$ 1,616,702
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,535,824	\$ (18,447)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	968,829	-
Changes in assets and liabilities:		
Receivables	156,393	(749)
Accounts payable and accrued expenses	(151,712)	(21,715)
Claims payable	-	(89,241)
Increase in accrued landfill costs	786,351	-
Net cash provided by (used in) operating activities	\$ 3,295,685	\$ (130,152)

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Fiduciary Net Assets
At June 30, 2002

	Private Purpose Trust Funds	Agency Funds	Total
Assets:			
Cash and cash equivalents	\$ 21,715	\$ 1,688,081	\$ 1,709,796
Receivables	-	152,676	152,676
Due from other governmental units	-	1,543,528	1,543,528
Total assets	<u>\$ 21,715</u>	<u>\$ 3,384,285</u>	<u>\$ 3,406,000</u>
Liabilities:			
Accounts payable	\$ -	\$ 618,891	\$ 618,891
Amounts held for others	-	1,850,080	1,850,080
Due to other funds	-	915,314	915,314
Total liabilities	<u>\$ -</u>	<u>\$ 3,384,285</u>	<u>\$ 3,384,285</u>
Net Assets	<u>\$ 21,715</u>	<u>\$ -</u>	<u>\$ 21,715</u>

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 At June 30, 2002

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment earnings	\$ 491
Deductions:	
Education	<u>213</u>
Change in net assets	\$ 278
Net assets, beginning of year	<u>21,437</u>
Net assets, end of year	<u><u>\$ 21,715</u></u>

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Activities
Component Units
Year Ended June 30, 2002

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Industrial Development Authority	Totals
School Board						
Education	\$ 78,868,909	\$ 2,196,704	\$ 38,189,888	\$ (38,482,317)	\$ -	\$ (38,482,317)
Depreciation	1,508,558	-	-	(1,508,558)	-	(1,508,558)
Total School Board	\$ 80,377,467	\$ 2,196,704	\$ 38,189,888	\$ (39,990,875)	\$ -	\$ (39,990,875)
Industrial Development Authority						
Community development	653,563	17,935	-	-	(635,628)	(635,628)
Total component units	\$ 81,031,030	\$ 2,214,639	\$ 38,189,888	\$ (39,990,875)	\$ (635,628)	\$ (40,626,503)
General revenues:						
Payment from County				\$ 28,836,993	\$ 750,000	\$ 29,586,993
Use of property				735,575	-	735,575
Interest and investment earnings				-	2,250	2,250
Miscellaneous				114,405	700	115,105
Total general revenues				\$ 29,686,973	\$ 752,950	\$ 30,439,923
Change in net assets				\$ (10,303,902)	\$ 117,322	\$ (10,186,580)
Net assets, beginning of year				52,533,377	230,756	52,764,133
Net assets, end of year				\$ 42,229,475	\$ 348,078	\$ 42,577,553

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

The County of Frederick, located in northwest Virginia and bordered by West Virginia and the counties of Shenandoah, Warren, and Clarke, was founded in 1738. The County has a population of 61,315 and a land area of 427 square miles.

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

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

A. Financial Reporting Entity

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the County prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

- Management's Discussion and Analysis: GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.
- Government-wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2002 (Continued)

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

A. Financial Reporting Entity (Continued)

includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

- Statement of Net Assets: The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.
- Statement of Program Activities: The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
- Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The County and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results for its major funds.

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2002 (Continued)

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

A. Financial Reporting Entity (Continued)

Inclusions in the Reporting Entity:

1. Component Units:

a. Frederick County School Board:

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

b. Frederick County Industrial Development Authority:

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

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

Exclusions from the Reporting Entity:

1. Jointly Governed Organizations:

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

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements

As of June 30, 2002 (Continued)

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

A. Financial Reporting Entity (Continued)

- a. The Handley Regional Library Board provides library services to the Counties of Frederick and Clarke, and the City of Winchester. The participating localities provide annual contributions for operations based on usage of library services. The Library Board is composed of nine members, of which three are appointed by the County, five by the City of Winchester, and one by the County of Clarke. The County made operating grants of \$760,182 to the Library for fiscal 2002, and has no equity interest in the Library. The participating governments have no ongoing financial responsibility to fund the Library to assure its continued operations. The Library has a significant endowment trust.
- b. The Clarke, Fauquier, Frederick, Winchester Jail Board was created in 1987 to construct and operate the Clarke, Fauquier, Frederick, Winchester Regional Adult Detention Center. The Center charges on a per diem basis other localities and the federal government for their prisoners placed in the jail. The fourteen member board consists of four members each from the County of Frederick and City of Winchester, and three from the Counties of Clarke and Fauquier. The County and the other participants have no equity interest in the jail. The County made operating contributions of \$837,043 to the regional jail in fiscal 2002.
- c. The Winchester Regional Airport Authority was created in 1987 to operate and maintain the regional airport. The City of Winchester and the Counties of Clarke, Frederick, Shenandoah and Warren contribute operating and capital funds as necessary to maintain, operate and construct the airport facilities. The Authority Board consists of seven members of which two each are appointed by the County of Frederick and the City of Winchester, and one each from the Counties of Clarke, Shenandoah and Warren. The participating localities do not retain an equity interest in the Authority. The County of Frederick serves as fiscal agent for the Authority, which is reported as an agency fund in the financial statements. The County made operating grants of \$115,190 and capital grants of \$34,645 to the Authority in fiscal 2002.
- d. The Frederick-Winchester Service Authority was created by the County of Frederick and City of Winchester to provide for the administration, planning and design of wastewater facilities. The Authority has nine Board Members of which four each are appointed by the County and City, and one member appointed at-large by the Authority Board. The participating localities do not retain an ongoing financial interest nor are responsible for the financial activities of the Authority. The County made no operating grants to the Authority in fiscal 2002.
- e. The Northwestern Community Services Board was created to provide Mental Health, Mental Retardation and Substance Abuse Services to the residents of the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah and Warren. The Board has fifteen members of which three each are appointed by the City of Winchester and the Counties of Clarke, Frederick, Page and Warren. The participating localities contribute annual operating grants to the Board, but are not required to do so. The participants have no ongoing financial responsibilities to or equity interest in the Board. The County appropriated \$132,126 for an operating grant to the Board in fiscal 2002.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2002 (Continued)

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

A. Financial Reporting Entity (Continued)

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

Handley Regional Library
Picadilly and Braddock Streets
Winchester, Virginia 22604

Winchester Regional Airport
491 Airport Road
Winchester, Virginia 22602

Frederick-Winchester Service Authority
107 North Kent Street
Winchester, Virginia 22604

Clarke, Fauquier, Frederick, Winchester
Regional Adult Detention Center
c/o Frederick County Administrator
Frederick County Administration Bldg.
107 North Kent Street
Winchester, Virginia 22604

Northwestern Community Services Board
209 W. Criser Road
Front Royal, Virginia 22630

2. Other Organizations:

The Frederick County Sanitation Authority was created by the Board of Supervisors to operate the County's water and sewer systems. The County appoints all six members of the Authority's Board of Directors. Other than making appointments to the Authority Board of Directors, the County is not involved with day-to-day management or rate setting processes. All obligations of the Authority are payable solely from and secured by revenues derived from the operation of the water and sewer systems. None of the obligations are issued against the credit of the County nor does the County have any legal or moral obligations to the holders of the bonds or notes. The County has made no contributions to the Authority for operations or capital asset acquisitions during fiscal year 2002. However, the County has made advances to the Authority at below market interest rates in order to provide operating capital. The Authority is excluded from the County's financial statements because it is not accountable to the County.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the County as a whole or major individual funds (within the fund financial statements). The focus is on both the County as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2002 (Continued)

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

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

presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The County generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The County may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Internal service charges are eliminated and the net income or loss from internal service activities are allocated to the various functional expense categories based on the internal charges to each function.

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

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements

As of June 30, 2002 (Continued)

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

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

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

The County's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the County in FY 2002.

1. Governmental Funds:

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

- a. General Fund - The General Fund is the primary operating fund of the County and accounts for all revenues and expenditures applicable to the general operations of the County which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes.
- b. Special Revenue Funds - Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds include the following funds:
 - Division of Court Services Fund - This fund accounts for the operations of the Frederick-Winchester Division of Court Services which provides various services relating to substance abuse care and treatment, and diversionary programs for local felons. Funding is primarily from service fees and State grants.
 - Shawneeland Sanitary District Fund - This fund accounts for special property tax assessments which are used to pay for various services requested by residents of the District. This fund is considered a major fund for financial reporting purposes.
 - Comprehensive Services Act Fund - This fund accounts for the Comprehensive Services Act grant funds which provides assistance primarily for foster care and related services and the prevention of foster care. Services provided include education, housing, health and food. Funding is primarily from State grants and local match appropriations.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements

As of June 30, 2002 (Continued)

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

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

- c. School Debt Service Fund - The School Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related charges for school debt.
- d. Capital Projects Funds - Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. Capital Projects Funds include the following funds:
 - Detox Center Construction Fund - This fund accounts for resources and expenditures for the construction of detox facilities. Primary revenues consist of investment earnings. Funding for additional construction or renovation projects would be provided primarily by the Division of Court Services Fund revenues.
 - Administration Building Renovation Fund - This fund accounts for the renovation and improvements of the County's administration building. Financing is provided by General Fund revenues.
 - Library Building Fund - This fund accounts for the construction of a new regional library building in the County. Financing was provided by general obligation bond proceeds and General Fund revenues.

2. Proprietary Funds:

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

- a. Enterprise or Business Funds - Enterprise or Business Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. The Enterprise Fund consist of the landfill fund.
- b. Internal Service Funds - The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County government. The Internal Service Funds consist of the following funds:
 - Health Insurance Fund - This fund accounts for the health insurance program activities of the County. This fund also includes pass-through premiums and claims from other localities, boards and authorities which elected to participate in the County's health insurance program. The other participants in the program are required to fund any claims which may not be covered by the insurance carrier.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements

As of June 30, 2002 (Continued)

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

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

- Central Stores Fund - This fund accounts for the operations of duplicating, postage, gasoline and office supplies. Revenue is derived from sales to user departments.
- Unemployment Fund - This fund accounts for unemployment obligations of the primary government. Revenue is derived from interfund transfers and investment earnings.

3. Fiduciary Funds (Trust and Agency Funds):

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

a. Private Purpose Trust Funds:

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

b. Agency Funds:

- Special Welfare Fund - This fund accounts for monies provided primarily through private donors for assistance of children in foster care, and needy senior citizens. This fund is also used to account for monies received from other governments and individuals (i.e., social security and child support) to be paid to special welfare recipients.
- Clarke, Fauquier, Frederick, Winchester Regional Adult Detention Center - This fund accounts for operations of the regional jail. The regional jail is self-supporting and the County acts as the jail fiscal agent.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements

As of June 30, 2002 (Continued)

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

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

- Winchester Regional Airport Authority Funds - This fund accounts for operations and construction projects of the regional airport. The airport operation serves the City of Winchester and the Counties of Frederick, Warren, Clarke and Shenandoah. Financing is provided through funds from the Commonwealth of Virginia, the federal government and user charges. The County acts as the Authority fiscal agent.
- Undistributed Local Sales Tax Fund - This fund accounts for monies received from the Commonwealth of Virginia for Frederick County's share of local sales tax. The County disburses part of this money to Middletown and Stephens City based on their school population.
- State Sales Tax Fund - This fund accounts for monies received from purchases by individuals for which sales tax was charged. The County remits this money to the Treasurer of Virginia monthly.
- Employee Cafeteria Plan Fund - This fund accounts for funds received from individuals through payroll withholdings for payment of expenditures allowable under Section 125 of the Internal Revenue Code.
- Northwestern Regional Education Program Fund - This fund accounts for the operation of the Northwestern Regional Education Program. The Program is a regional program utilized by local school districts for certain special education activities.

4. Component Units:

a. Frederick County School Board:

The Frederick County School Board has the following funds:

-- Governmental Funds:

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements

As of June 30, 2002 (Continued)

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

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

- ~ Consolidated Services Fund - This fund accounts for the maintenance of County properties. Financing is provided by appropriations from the County.
- ~ School Textbook Fund - This fund accounts for the purchase of textbooks for the public school system. Funding is provided primarily by State grants and transfers from the School Operating Fund.
- ~ School Capital Projects Fund - This fund accounts for school construction and related expenditures of the public school system. Funding is primarily from investment earnings and appropriations from the County of Frederick. The School Capital Projects Fund is considered a major fund for financial reporting purposes.

-- Internal Service Fund:

- ~ Health Insurance Fund - This fund accounts for the School Board's health insurance program activities. Revenues are primarily from health insurance charges to the school system's operating funds.

b. Industrial Development Authority:

The Industrial Development Authority operates on a governmental fund basis where revenues and expenditures are recognized on the modified accrual basis of accounting as more fully described in Note 1, B. 1.

C. Basis of Accounting

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

The government-wide statements of net assets and statements of activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements

As of June 30, 2002 (Continued)

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

C. Basis of Accounting (Continued)

The statements of net assets, statements of activities, financial statements of the Proprietary Funds, Internal Service Funds, and Fiduciary Funds (except for agency funds) are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

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

D. Budgets and Budgetary Accounting

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

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

Encumbrances:

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements

As of June 30, 2002 (Continued)

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

D. Budgets and Budgetary Accounting (Continued)

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

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

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

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30, for all County and School Board funds.
8. All budget data presented in the accompanying financial statements is the original budget as of June 30, 2002, as adopted, appropriated and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and at the function level for the

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

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

D. Budgets and Budgetary Accounting (Continued)

School Board. State law requires that if budget amendments exceed 1% of the original adopted budget the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. There was one budget amendment during the year that exceeded the 1% or \$500,000 limitations. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

E. Investments:

Investments are reported at fair value.

F. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$2,734,019 at June 30, 2002 and is composed of the following:

General Fund--taxes receivable	\$ 1,065,926
General Fund--street light assessments receivable	11,093
Shawneeland District--taxes receivable	1,573,000
Enterprise Fund--Landfill Fund--accounts receivable	<u>84,000</u>
Total	\$ <u><u>2,734,019</u></u>

G. Prepaid Expenses:

Prepaid expenses are reported on the consumption method.

H. Capital Assets

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

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

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

H. Capital Assets (Continued)

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The County and School Board do not capitalize historical treasures or works of art.

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

Interest on cost of construction funds for the Proprietary Funds is capitalized where applicable. There was no interest capitalized in the year ended June 30, 2002.

VIII. Compensated Absences

The County accrues compensated absences (annual and sick leave benefits) when vested. The current portions of the governmental funds’ compensated absences liabilities are recorded as other liabilities in the governmental funds. The current and noncurrent portions are recorded in the government-wide financial statements.

The component unit School Board accrues compensated absences (annual and sick leave benefits) when vested. The current portion of the compensated absences is recorded in the School Board Governmental Funds as accrued liabilities. The current and noncurrent portions are recorded in the School Board component unit government-wide financial statements.

J. Use of Estimates

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2002 (Continued)

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

K. Long-Term Obligations

The County reports long-term debt of governmental funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

NOTE 2 - CASH AND INVESTMENTS:

Cash and Cash Equivalents:

For purposes of reporting cash flows for proprietary funds, cash and cash equivalents include cash on hand, money market funds, certificates of deposit and investments with maturities of three months or less.

The County maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on average monthly balances. The majority of funds in the County's accounts are invested at all times. The Industrial Development Authority maintains separate cash and investment accounts consisting of interest bearing checking and money market mutual fund accounts.

Deposits:

At year-end the County's and its component units' balances with banks were insured by federal depository insurance, or the equivalent, and/or secured in accordance with the Virginia Security for Public Deposits Act. Under the Virginia Security for Public Deposits Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. The State Treasury Board may make additional assessments against participating financial institutions in the event the pool cannot cover losses. The security for bank balances of deposit consists of U. S. government securities. The funds covered under the Act are considered to be collateralized. The collateral is held in the name of the State Treasury Board rather than the name of the locality. Deposits collateralized under the Act are considered to be insured. The book value of deposits does not differ materially from the bank balances.

Investments:

Statutes authorize the County and Sanitation Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 2 - CASH AND INVESTMENTS: (Continued)

Investments: (Continued)

Commercial Paper Record, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County and/or its component units or their safekeeping agent in the entity's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department (if a bank) or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a broker, dealer, or by a counterparty or safekeeping agent but not in the entity's name.

The following is a summary of investments:

	Category			Non-Categorized	Total	Fair Value
	1	2	3			
Commonwealth of Virginia Local Government Investment Pool ... \$	-	-	-	\$ 16,688,268	\$ 16,688,268	\$ 16,688,268
Money market mutual funds.	-	-	-	10,730,940	10,730,940	10,730,940
US Government securities	9,520,678	-	-	-	9,520,678	9,520,678
Commercial paper.	1,491,151	-	-	-	1,491,151	1,491,151
Corporate bonds	663,767	-	-	-	663,767	663,767
Certificates of deposit	203,950	-	-	-	203,950	203,950
Municipal bonds	600,804	-	-	-	600,804	600,804
Equity in Bond Pool Funds	-	-	-	18,154,633	18,154,633	18,154,633
Total	<u>\$ 12,480,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,573,841</u>	<u>\$ 58,054,191</u>	<u>\$ 58,054,191</u>

The fair value of the external investment pools is the same as the value of the pool shares. Investments in the Local Government Investment Pool that are not SEC registered are monitored by the Treasurer of Virginia and other applicable state agencies. Investments in other external investment pools are all SEC registered or federal securities.

There were no involuntary participations in external investment pools. The County does not sponsor any external investment pools.

The following is a summary of the County's and component units' deposit and investment balances as of June 30, 2002.

	Pooled Cash and Investments	Other	Total
Cash on hand	\$ 1,150	\$ 1,000	\$ 2,150
Petty cash	-	7,115	7,115
Bank deposits	20,359,510	217,468	20,576,978
Investments	57,924,541	129,650	58,054,191
Total	<u>\$ 78,285,201</u>	<u>\$ 355,233</u>	<u>\$ 78,640,434</u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 2 - CASH AND INVESTMENTS: (Continued)

(table continued from previous page)

	<u>Pooled Cash and Investments</u>	<u>Other</u>	<u>Total</u>
Per government-wide financial statements:			
Primary government:			
Governmental activities	\$ 26,667,009	\$ 5,515	\$ 26,672,524
Business-type activities	20,741,129	-	20,741,129
Fiduciary responsibilities	<u>1,709,796</u>	<u>-</u>	<u>1,709,796</u>
Total primary government	\$ 49,117,934	\$ 5,515	\$ 49,123,449
Component units:			
School Board:			
Governmental activities	29,167,267	2,600	29,169,867
Industrial Development Authority:			
Business-type activities	<u>-</u>	<u>347,118</u>	<u>347,118</u>
Total	<u>\$ 78,285,201</u>	<u>\$ 355,233</u>	<u>\$ 78,640,434</u>

NOTE 3 - PROPERTY TAXES:

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

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

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

Property taxes for calendar year 2001 were levied by the County Board of Supervisors on April 11, 2001, on the assessed value listed as of January 1, 2001.

Property taxes for calendar year 2002 were levied by the County Board of Supervisors on April 10, 2002, on the assessed value listed as of January 1, 2002.

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2002 consist of the following:

	Primary Government				Busines s- Type Activities	Component Units		
	Governmental Activities					School Board	Industrial	
	General	Special Revenue	Internal Service	Total			Development Authority	Fiduciary Activities
Property taxes	\$ 3,200,590	\$ 2,056,329	\$ -	\$ 5,256,919	\$ -	\$ -	\$ -	\$ -
Business licenses . . .	416,042	-	-	416,042	-	-	-	-
Utility taxes	236,707	-	-	236,707	-	-	-	-
Meals taxes	119,487	-	-	119,487	-	-	-	-
Lodging taxes	25,783	-	-	25,783	-	-	-	-
Landfill fees	-	-	-	-	609,568	-	-	-
E-911 fees	81,542	-	-	81,542	-	-	-	-
Prisoner fees	-	-	-	-	-	-	-	86,562
Interest	11,341	-	-	11,341	-	-	-	-
Other	157,276	2,207	3,991	163,474	-	76,686	960	66,114
Total	\$ 4,248,768	\$ 2,058,536	\$ 3,991	\$ 6,311,295	\$ 609,568	\$ 76,686	\$ 960	\$ 152,676
Allowance for uncollectibles	<u>(1,077,019)</u>	<u>(1,573,000)</u>	<u>-</u>	<u>(2,650,019)</u>	<u>(84,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 3,171,749</u>	<u>\$ 485,536</u>	<u>\$ 3,991</u>	<u>\$ 3,661,276</u>	<u>\$ 525,568</u>	<u>\$ 76,686</u>	<u>\$ 960</u>	<u>\$ 152,676</u>

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS:

	Governmental Activities				Busines s- Type Activities	Component Units		
	Governmental Activities					School Board	Industrial	
	General	Special Revenue	Internal Service	Total			Development Authority	Fiduciary Activities
Commonwealth of Virginia:								
Local sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 919,546
State sales taxes	-	-	-	-	-	681,179	-	-
Comprehensive Services Act	-	136,677	-	136,677	-	-	-	-
Shared expenses and grants	775,572	-	-	775,572	-	-	-	-
State school funds	-	-	-	-	-	830,091	-	-
Federal pass-through school funds	-	-	-	-	-	787,699	-	-
Jail operations and costs	-	-	-	-	-	-	-	525,344
Airport operations	-	-	-	-	-	-	-	35,725
Federal government:								
Prisoner fees	-	-	-	-	-	-	-	62,913
Total	\$ 775,572	\$ 136,677	\$ -	\$ 912,249	\$ -	\$ 2,298,969	\$ -	\$ 1,543,528

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 6 - INTERFUND BALANCES AND ACTIVITY:

Balances due to/from other funds at June 30, 2002:

Primary Government:

Balances Due To/From Other Funds:

Due to the General Fund for the primary government's share of the local sales taxes from the State Sales Tax Fund (an Agency Fund)	\$ 883,959
Due to the General Fund from the Airport Fund (an Agency Fund) for cash advances	31,354
Total	<u>\$ 915,313</u>

Transfers To/From Other Funds:

Transfers to the School Debt Service Fund to pay school debt service and related costs	\$ 5,770,075
Transfers to the Administration Building Renovation Fund to fund renovation costs	634,847
Total transfers	<u>\$ 6,404,922</u>

Component Unit School Board:

Transfers from the School Operating Fund to the School Cafeteria Fund for food service	\$ 22,000
Transfers from the School Operating Fund to the School Textbook Fund to provide funding for future textbook purchases	250,101
Total transfers	<u>\$ 272,101</u>

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

NOTE 7 - INTERGOVERNMENTAL LOANS:

Frederick County Sanitation Authority

The County has made loans to the Frederick County Sanitation Authority. The loans shall bear interest at the rate of 5% per annum, for a term of twenty years beginning July 1, 1989	\$ 152,492
Interest accrued through June 30, 2002	685,379
Total	<u>\$ 837,871</u>

NOTE 8 - CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2002.

Governmental Activities

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets not being depreciated:				
Land and land improvements	\$ 1,408,159	\$ -	\$ -	\$ 1,408,159
Construction in progress	4,481,345	1,302,023	-	5,783,368
Total capital assets not being depreciated	<u>\$ 5,889,504</u>	<u>\$ 1,302,023</u>	<u>\$ -</u>	<u>\$ 7,191,527</u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 8 - CAPITAL ASSETS: (Continued)

Governmental Activities (table continued from previous page)

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Other capital assets:				
Buildings and improvements	\$ 13,510,789	\$ 589,097	\$ -	\$ 14,099,886
School buildings and improvements *	71,442,073	10,059,360	-	81,501,433
Furniture, equipment and vehicles	4,260,835	608,518	394,070	4,475,283
Total other capital assets	<u>\$ 89,213,697</u>	<u>\$ 11,256,975</u>	<u>\$ 394,070</u>	<u>\$ 100,076,602</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 2,421,196	\$ 326,711	\$ -	\$ 2,747,907
School buildings and improvements *	21,407,720	1,125,473	-	22,533,193
Furniture, equipment and vehicles	2,459,936	817,564	394,070	2,883,430
Total accumulated depreciation	<u>\$ 26,288,852</u>	<u>\$ 2,269,748</u>	<u>\$ 394,070</u>	<u>\$ 28,164,530</u>
Other capital assets, net	<u>\$ 62,924,845</u>	<u>\$ 8,987,227</u>	<u>\$ -</u>	<u>\$ 71,912,072</u>
Net capital assets	<u>\$ 68,814,349</u>	<u>\$ 10,289,250</u>	<u>\$ -</u>	<u>\$ 79,103,599</u>
Depreciation expense was allocated as follows:				
General government administration		\$ 250,772		
Judicial administration		115,954		
Public safety		546,139		
Public works		29,913		
Health and welfare		21,348		
Education		1,125,473		
Parks, recreation and cultural		175,242		
Community development		4,907		
Total depreciation expense		<u>\$ 2,269,748</u>		

Component Unit School Board

	Balance July 1, 2001	Increases	Decrease	Balance June 30, 2002
Capital assets not being depreciated:				
Land and land improvements	\$ 3,791,136	\$ -	\$ -	\$ 3,791,136
Construction in progress	3,151,108	15,378,971	-	18,530,079
Total capital assets not being depreciated	<u>\$ 6,942,244</u>	<u>\$ 15,378,971</u>	<u>\$ -</u>	<u>\$ 22,321,215</u>
Other capital assets:				
Buildings and improvements	\$ 104,375,880	\$ 49,336	\$ -	\$ 104,425,216
School buildings and improvements allocated to County *	(71,442,073)	(10,059,360)	-	(81,501,433)
Furniture, equipment and vehicles	10,661,305	889,321	-	11,550,626
Total other capital assets	<u>\$ 43,595,112</u>	<u>\$ (9,120,703)</u>	<u>\$ -</u>	<u>\$ 34,474,409</u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 8 - CAPITAL ASSETS: (Continued)

Component Unit School Board (table continued from previous page)

	Balance July 1, 2001	Increases	Decrease	Balance June 30, 2002
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 28,984,980	\$ 3,003,037	\$ -	\$ 31,988,017
School buildings and improvements *	(21,407,720)	(1,125,473)	-	(22,533,193)
Furniture, equipment and vehicles	7,546,965	982,758	-	8,529,723
Total accumulated depreciation	<u>\$ 15,124,225</u>	<u>\$ 2,860,322</u>	<u>\$ -</u>	<u>\$ 17,984,547</u>
Other capital assets, net	<u>\$ 28,470,887</u>	<u>\$ (11,981,025)</u>	<u>\$ -</u>	<u>\$ 16,489,862</u>
Net capital assets	<u>\$ 35,413,131</u>	<u>\$ 3,397,946</u>	<u>\$ -</u>	<u>\$ 38,811,077</u>
Depreciation expense allocated to education		<u>\$ 2,860,322</u>		

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

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

Net capital assets	\$ 79,103,599
Long-term debt applicable to capital assets at June 30, 2002	\$ 93,158,219
Less: School bond proceeds received but not expended on capital assets at June 30, 2002	<u>14,535,000</u> <u>78,623,219</u>
Net assets invested in capital assets, less related debt	<u>\$ 480,380</u>

Business Type Activities

Landfill Operations

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets not being depreciated:				
Land and land improvements	\$ 1,072,390	\$ 1,114,449	\$ -	\$ 2,186,839
Construction in progress	240,990	-	240,990	-
Total capital assets not being depreciated	<u>\$ 1,313,380</u>	<u>\$ 1,114,449</u>	<u>\$ 240,990</u>	<u>\$ 2,186,839</u>
Other capital assets:				
Buildings and improvements	\$ 495,003	\$ -	\$ -	\$ 495,003
Landfill improvements	11,593,988	1,735,956	-	13,329,944
Furniture, equipment and vehicles	2,236,064	23,368	-	2,259,432
Total other capital assets	<u>\$ 14,325,055</u>	<u>\$ 1,759,324</u>	<u>\$ -</u>	<u>\$ 16,084,379</u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 8 - CAPITAL ASSETS: (Continued)

Landfill Operations (table continued from previous page)

	Balance <u>July 1, 2001</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2002</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 167,499	\$ 23,750	\$ -	\$ 191,249
Landfill improvements	4,414,183	850,629	-	5,264,812
Furniture, equipment and vehicles	1,820,106	94,450	-	1,914,556
Total accumulated depreciation	<u>\$ 6,401,788</u>	<u>\$ 968,829</u>	<u>\$ -</u>	<u>\$ 7,370,617</u>
Other capital assets, net	<u>\$ 7,923,267</u>	<u>\$ 790,495</u>	<u>\$ -</u>	<u>\$ 8,713,762</u>
Net capital assets	<u>\$ 9,236,647</u>	<u>\$ 1,904,944</u>	<u>\$ 240,990</u>	<u>\$ 10,900,601</u>

NOTE 9 - LONG-TERM OBLIGATIONS:

General Fund revenues are used to pay all long-term general obligation debt, General Fund capital leases and compensated absences. School Fund revenues and appropriations from the General Fund are used to pay its compensated absences. The Division of Court Services Fund revenues are used to pay its compensated absences. Thus, all of the long-term debt obligations are reported as liabilities of the primary government.

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2002.

	Amounts Payable <u>July 1, 2001</u>	<u>Increases</u>	<u>Decreases</u>	Amounts Payable <u>June 30, 2002</u>
Primary Government:				
Lease revenue bonds payable (1)	\$ 6,080,000	\$ 6,425,000	\$ 5,285,000	\$ 7,220,000
General obligation bonds:				
Library	4,500,000	-	119,582	4,380,418
School	53,942,647	14,535,000	3,021,390	65,456,257
State Literary Fund loans:				
School	15,644,068	-	1,083,179	14,560,889
Intergovernmental loans	1,855,358	-	371,071	1,484,287
Capital leases	91,578	-	35,210	56,368
Retirement incentive obligation	<u>975,689</u>	<u>-</u>	<u>300,545</u>	<u>675,144</u>
Total primary government	<u>\$ 83,089,340</u>	<u>\$ 20,960,000</u>	<u>\$ 10,215,977</u>	<u>\$ 93,833,363</u>

(1) Increases include refunding bond proceeds, decreases include refunding (defeasance) payment of \$4,500,000

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

(table continued from previous page)	Amounts Payable			Amounts Payable
	<u>July 1, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2002</u>
Reconciliation to Exhibit 1:				
Long-term liabilities due within one year:				
Bonds, loans and capital leases payable				\$ 6,569,718
Early retirement incentive obligation				324,589
Long-term liabilities due in more than one year:				
Bonds, loans and capital leases payable				86,588,501
Early retirement incentive obligation				<u>350,555</u>
Total long-term debt				<u>\$ 93,833,363</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 6,894,307	\$ 4,358,171
2004	7,290,330	4,119,465
2005	6,878,821	3,763,242
2006	6,847,616	3,435,736
2007	6,405,835	3,115,045
2008-2012	27,914,289	11,136,146
2013-2017	19,738,053	5,282,556
2018-2022	11,449,112	1,460,420
2023	<u>415,000</u>	<u>10,583</u>
Total	<u>\$ 93,833,363</u>	<u>\$ 36,681,364</u>

Note: The above includes all long-term debt, capital leases and early retirement incentive obligation.

Details of Long-Term Indebtedness:

	<u>Amount Outstanding</u>
Lease Revenue Bonds:	
\$7,515,000 Industrial Development Authority bonds, issued December 1, 1994, interest at various rates from 4.7% to 6.5%, maturing in various annual installments, interest payable semiannually, through December 1, 2014	\$ 795,000
\$6,425,000 Industrial Development Authority refunding lease revenue bonds, issued December 1, 2001, interest at various rates from 2% to 5%, maturing in various annual installments, interest payable semiannually, through December 1, 2015	6,425,000
General Obligation Bonds:	
\$4,500,000 general obligation bonds, issued March 1, 2000, interest at 5.39%, maturing in various annual installments, interest payable semiannually, through January 15, 2022	<u>4,380,418</u>
Total lease revenue and general obligation bonds	<u>\$ 11,600,418</u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

<u>General Obligation School Bonds:</u>	<u>Amount Outstanding</u>
\$2,010,000 School Bonds, 1990, issued September 1990, maturing in various annual installments of \$75,000 through \$120,000 through December 2010, interest in various rates	\$ 995,000
\$5,350,000 School Bonds, 1993, issued April 1993, maturing in various installments of \$105,000 through \$280,000 through December 2010, interest at various rates	2,370,000
\$775,132 School Bonds, 1991, issued July 1991, maturing in various installments of \$25,400 to \$59,032 through July 15, 2011, interest at various rates	426,257
\$3,820,000 School Bonds, 1992, issued December, 1992, maturing in various installments of \$115,000 to \$275,000 through June 15, 2013, interest at various rates	1,945,000
\$5,740,000 School Bonds, 1993, issued April 1993, maturing in various installments of \$180,000 to \$515,000 through June 15, 2013, interest at various rates	2,785,000
\$18,175,000 School Bonds, 1993 series B, issued December 1993, due in annual installments ranging from \$1,155,000 to \$465,000, interest payable semiannually at various interest rates . .	8,440,000
\$990,000 School Bonds, 1994, issued May 1994, maturing in various installments of \$85,000 to \$105,000 through July 1, 2003, interest at 6.1% payable semiannually	205,000
\$3,700,000 School Bonds, 1995, issued December, 1995, maturing in installments of \$185,000 through July 15, 2016, interest at 5.10%, payable semiannually	2,590,000
\$1,200,000 School Bonds, 1996 B, issued November 1996, maturity in annual installments of \$60,000 through July 15, 2017, interest at various rates from 5.1% to 5.6%	900,000
\$1,355,000 School Bonds, 1997 A, issued April 1997, maturity in annual installments of \$70,000 and \$65,000 through January 15, 2018, interest at various rates from 5.4% to 6.1% . .	1,075,000
\$3,200,000 School Bonds, 1998 A, issued April 1998, maturity in annual installments of \$160,000 through January 15, 2019, interest at various rates from 4.1% to 5.35%	2,720,000
\$4,650,000 School Bonds, issued April 1999, maturing in annual installments of \$236,000 to \$448,000 through January 2020, interest at 5%	4,180,000
\$4,100,000 School Bonds, issued November 1999, maturing in annual installments of \$205,000 through July 2019, interest at various rates from 5.62% to 6.10%	3,690,000
\$18,600,000 School Bonds, issued April 2001, maturing in annual installments of \$840,000 to \$1,200,000 through July 2021, interest at various rates from 4.1% to 5.35%	18,600,000
\$6,150,000 School Bonds, issued November 15, 2001, maturing in annual installments of \$305,000 to \$310,000 through July 15, 2021, interest at 4.55%	6,150,000
\$8,385,000 School Bonds, issued April 30, 2002, maturing in annual installments of \$415,000 to \$420,000 through July 15, 2022, interest at 4.667%	<u>8,385,000</u>
Total School Bonds	<u>\$ 65,456,257</u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

	<u>Amount Outstanding</u>
<u>State Literary Fund Loans:</u>	
\$1,000,000, issued June 15, 1987, due in annual installments of \$50,000 through June 15, 2007, interest payable annually at 3%	\$ 250,000
\$2,000,000, issued February 15, 1989, due in annual installments of \$100,000, interest payable annually at 4%	700,000
\$540,640, issued February 15, 1989, due in annual installments of \$27,030 through January 15, 2009, interest payable annually at 4%	189,210
\$1,839,424, issued April 6, 1989, due in annual installments of \$92,000 through October 1, 2010, interest at 4%	827,424
\$5,000,000, issued May 30, 1997, due in annual installments of \$250,000 through July 1, 2017, interest at 3%	3,750,000
\$1,500,052, issued May 30, 1997, due in annual installments of \$75,002 through July 1, 2017, interest at 3%	1,125,042
\$2,142,948, issued May 30, 1997, due in annual installments of \$107,147 through July 1, 2017, interest at 3%	1,607,213
\$3,000,000, issued September 2, 1997, due in annual installments of \$150,000 through September 2, 2017, interest at 3%	3,712,000
\$4,640,000, issued September 2, 1997, due in annual installments of \$232,000 through September 2, 2017, interest at 3%	<u>2,400,000</u>
Total State Literary Fund Loans	\$ <u>14,560,889</u>
<u>Intergovernmental Loans:</u>	
\$1,558,500, payable to Winchester City Schools, due in semiannual installments of \$111,321 through June 30, 2005, interest at 0%	\$ 890,572
\$1,039,000, payable to Clarke County Schools, due in semiannual installments of \$74,214 through June 30, 2005, interest at 0%	<u>593,715</u>
Total intergovernmental loans	\$ <u>1,484,287</u>
<u>Capital Leases:</u>	
The County leases various types of equipment under capital lease agreements. Title to the equipment passes to the entity upon completion of payment of the minimum lease payments. There are no restrictions imposed by the agreements.	
The balance of capital leases at June 30, 2002 is	\$ <u>56,368</u>
<u>Early Retirement Incentive Costs:</u>	
The Frederick County School Board adopted the early retirement incentive program. The Board's share of the liability for those employees who elected to participate totaled \$2,540,436. This liability is being amortized over a ten year period.	
The balance of this liability is	\$ <u>675,144</u>
Total long-term debt	\$ <u><u>93,833,363</u></u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Advance Refunding of Debt:

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

Cash flow requirements to service old debt	\$ 6,031,663
Less: Cash flow for the new debt - refunding portion . . .	<u>(5,145,000)</u>
Net savings from refunding	<u>\$ 886,663</u>

At June 30, 2002, \$4,835,000 of bonds outstanding are considered to be defeased.

Federal Arbitrage Regulations:

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

NOTE 10 - CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:

In accordance with GASB Statement 16 "*Accounting for Claims, Judgments and Compensated Absences*," the County and its components units has accrued the liability arising from all outstanding claims, judgments and compensated absences. The liability for future vacation and sick leave benefits is accrued when such benefits meet the following conditions:

The County's policy is to pay employees accrued vacation pay upon termination. Sick pay is also paid to School Board employees upon retirement, which is limited to a maximum of 90 days at the rate of \$10 per day, and to Social Service and General Government personnel which is limited to 25% of amounts unused upon termination up to a maximum of \$2,500.

The amount of vacation and sick pay not currently payable by the governmental funds is recorded in the general long-term obligation account group. The amount of accrued vacation and sick pay for the Enterprise Fund is accrued as incurred.

The balances at June 30, 2002 are:

Primary Government:	
Governmental activities	\$ 1,538,596
Business-type activities	<u>80,527</u>
Total primary government	\$ 1,619,123
Component Unit School Board	<u>873,838</u>
Total	<u>\$ 2,492,961</u>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements

As of June 30, 2002 (Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLAN:

The County and Component Unit School Board participate in the Virginia Retirement System defined benefit pension plan.

Plan Description:

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the State Legislature. Actuarial valuations are performed on an annual basis.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be and has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board non-professional employee contribution rates for the fiscal year ended 2002 were 4.00% and 3.0% of annual covered payroll, respectively.

The School Board's contribution rate for the VRS statewide cost sharing pool for its professional employees averaged 3.66%.

Annual Pension Cost:

For fiscal 2002, the County's annual pension cost of \$659,017 (does not include the employee share assumed by the County which was \$823,772) was equal to the County's required and actual contributions. The required contributions were determined as part of the June 30, 1999 actuarial valuation using the entry age normal actuarial cost method.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLAN: (Continued)

Annual Pension Cost: (Continued)

In fiscal 2002, the County School Board's annual pension cost for the Board's non-professional employees was \$125,385 (does not include the employee share assumed by the Board which was \$226,273) which was equal to the Board's required and actual contributions. The required contributions were determined as a part of the June 30, 1999 actuarial valuation using the entry age normal actuarial cost method.

The School Board professional employees are included in the VRS statewide cost-sharing pool. The Board's required employer and employee contributions to this pool was \$1,660,046 and \$2,264,781, respectively.

The actuarial assumptions are as follows:

	<u>County</u>	<u>Non-Professional School Board</u>
Valuation date	June 30, 1999	June 30, 1999
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, closed	Level percent, closed
Payroll growth rate	4%	4%
Remaining amortization period	30 Years	10 Years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return ¹	8.00%	8.00%
Projected salary increases ¹	4.00% to 6.15%	4.00% to 6.15%
Cost-of-living adjustments	3.5%	3.5%

¹ Includes inflation at 4%

Trend Information:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2000	\$ 687,416	100%	\$ -
June 30, 2001	729,951	100%	-
June 30, 2002	659,017	100%	-
School Board Non-Professional:			
June 30, 2000	\$ 37,045	100%	\$ -
June 30, 2001	23,495	100%	-
June 30, 2002	125,385	100%	-

(1) Employer portion only

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLAN: (Continued)

**REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress:**

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Coverage Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
County:						
June 30, 1999	\$ 23,814,917	\$ 23,488,736	\$ (326,181)	101.4%	\$ 12,959,861	(2.5)%
June 30, 2000	28,357,056	24,552,513	(3,804,543)	115.5%	13,942,401	(27.3)%
June 30, 2001	32,231,816	29,139,503	(3,092,313)	110.6%	14,859,174	(20.8)%
School Board Non-Professional:						
June 30, 1999	\$ 5,045,352	\$ 4,272,915	\$ (772,437)	118.1%	\$ 2,209,796	(35.0)%
June 30, 2000	5,868,956	4,637,047	(1,231,909)	126.6%	2,298,737	(53.6)%
June 30, 2001	6,505,625	5,333,186	(1,172,439)	121.9%	2,667,893	(44.0)%

NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excess of expenditures over appropriations in any of the County or School Board funds for the year ended June 30, 2002.

NOTE 13 - DEFERRED REVENUE:

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Primary Government:		
Deferred property tax revenue:		
Deferred revenue representing billings for business licenses for which asset recognition criteria has not been met. The business license receivables are not available for the funding of current expenditures . . .	\$ -	\$ 416,042
Deferred revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures	-	2,114,212
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	1,207,729	1,207,729
Total primary government	\$ 1,207,729	\$ 3,737,983
Component Unit School Board:		
Prepaid health insurance premiums applicable to the subsequent year . .	529,682	529,682
Total deferred revenue	\$ 1,737,411	\$ 4,267,665

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 14 - COMMITMENTS AND CONTINGENCIES:

Primary Government and Component Unit School Board:

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

The County and School Board have authorized and/or commenced construction on various capital projects. At June 30, 2002 the following significant items were in process:

Primary Government:

- Renovation of the third floor of the County Administration Building - estimated completion cost is approximately \$652,000.
- Construction of Warrior Road - estimated completion cost is approximately \$1,912,000.

Component Unit School Board:

- Construction of Millwood High School - estimated completion cost is \$4,170,000.
- Construction of new middle school - estimated completion cost is \$22,600,000.
- Other school projects - estimated cost at this stage of their development is \$1,460,000.

NOTE 15 - LITIGATION:

At June 30, 2002 there were no matters of litigation involving the County or its component units that would have an adverse material affect on the financial position of the reporting entity.

NOTE 16 - SURETY BONDS:

	<u>Amount</u>
Virginia Department of Risk Management:	
Rebecca Hogan, Clerk of the Circuit Court	\$ 230,000
C. William Orndoff, Jr., Treasurer	750,000
Ellen E. Murphy, Commissioner of Revenue	55,000
Robert T. Williamson, Sheriff	30,000
Above constitutional officers' employees - blanket bond - each loss	500,000

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 16 - SURETY BONDS: (Continued)

(table continued from previous page)	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety:	
All School Board employees - blanket bond	10,000
Virginia Association of Counties Risk Pool:	
All County employees, including members of any duty constituted board, commission, department or entity under the County's control	100,000

NOTE 17 - SELF INSURANCE/RISK MANAGEMENT:

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

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

Employee Health Insurance:

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

Claims liability is reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Incurred but not reported claims have been accrued as a liability based upon prior history and estimates from the insurance carrier. Changes in the estimated claims liability for fiscal years 2000, 2001 and 2002 are listed as follows:

<u>Funds</u>	<u>Estimated Claims Liability Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Estimated Claims Liability End of Fiscal Year</u>
Primary Government:				
Insurance Internal Service Fund				
2000	\$ 187,700	\$ 1,884,506	\$ 1,853,106	\$ 219,100
2001	219,100	2,123,871	2,045,518	297,453
2002	297,453	2,244,009	2,333,250	208,212

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 17 - SELF INSURANCE/RISK MANAGEMENT: (Continued)

(table continued from previous page)

<u>Funds</u>	<u>Estimated Claims Liability Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Estimated Claims Liability End of Fiscal Year</u>
Component Unit School Board:				
School Operating and Health Insurance Funds				
2000	\$ 603,700	\$ 4,589,589	\$ 4,485,625	\$ 707,664
2001	707,664	5,044,215	4,960,167	791,712
2002	791,712	5,602,170	5,728,299	671,583

Unemployment Insurance:

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

Property and Casualty Insurance:

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

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

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

NOTE 18 - ACCRUED LANDFILL RENOVATION COST:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$5,088,869 reported as landfill closure and postclosure care liability at June 30, 2002 represents the

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2002 (Continued)

NOTE 18 - ACCRUED LANDFILL RENOVATION COST: (Continued)

cumulative amount reported to date based on the use of the estimated capacity of the landfill. On October 8, 1993 the County opened the new landfill and initiated closure of the old landfill. The \$5,875,220 reported as the accrued landfill liability and postclosure costs reflects usage on the new landfill from October 5, 1993 to June 30, 2002. The County will recognize the remaining estimated cost of closure and postclosure care as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2002. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

At June 30, 2002, the solid waste landfill capacity used to date was approximately 27% and 6.8% for the construction/demolition debris section of the landfill.

The remaining estimated landfill life approximates 30 years. The remaining estimated postclosure cost remaining to be recognized at June 30, 2002 is \$18,960,000 for the municipal solid waste landfill and \$2,400,000 for the construction/demolition debris landfill.

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS:

Primary Government:

In addition to the pension benefits described in Note 11, the County provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. Individuals employed on or after July 1, 1995, and who retire from County service until full VRS benefits (i.e. 50 years of age and 30 years of continuous service), will receive 100% of their health insurance premium until age 65 when they become eligible for Medicare, at which time the County will provide 100% supplemental insurance benefits. Persons employed prior to July 1, 1995 are only required to be 50 years of age and have 20 years of continuous service to be eligible for these benefits. Currently, eleven retirees are eligible and are receiving these benefits. The County pays all of the health insurance premium for the employees. These costs are financed on a pay-as-you-go basis. During the year, \$27,847 was expended for post-retirement health care by the County.

NOTE 20 - SUBSEQUENT EVENT:

On September 25, 2002 the County authorized the issuance of \$7,097,296 of general obligation school bonds for school construction and renovation projects.

NOTE 21 - ACCOUNTING CHANGES:

During fiscal year 2002 the County adopted Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State*

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2002 (Continued)**

NOTE 21 - ACCOUNTING CHANGES: (Continued)

and Local Government.” This statement was not required to be implemented for the County until fiscal year 2003. The following table shows beginning net assets restated for the effects of implementation of GASB Statement No. 34.

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Fund Balances at June 30, 2001		
Governmental activities:		
Governmental fund types	\$ 27,513,511	\$ 17,980,823
Internal service funds	<u>1,376,533</u>	<u>337,696</u>
Total	\$ 28,890,044	\$ 18,318,519
Adjustments for:		
Capital assets	69,167,868	35,413,131
Long-term liabilities	(84,472,529	(813,756)
)	
Accrued interest payable on long-term liabilities	(1,198,055)	-
Deferred revenue	1,945,629	-
Reclassification of School Debt Service Fund to primary government	<u>384,517</u>	<u>(384,517)</u>
Net assets, restated as of July 1, 2001	\$ <u><u>14,717,474</u></u>	\$ <u><u>52,533,377</u></u>

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– Required Supplementary Information –

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COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 41,696,197	\$ 41,696,197	\$ 39,591,759	\$ (2,104,438)
Other local taxes	12,757,342	12,757,342	14,129,893	1,372,551
Permits, privilege fees and regulatory licenses	916,702	916,702	1,181,812	265,110
Fines and forfeitures	26,227	26,227	59,492	33,265
Use of money and property	929,700	929,700	796,561	(133,139)
Charges for services	2,021,392	2,021,392	1,697,512	(323,880)
Miscellaneous	110,981	133,849	199,608	65,759
Recovered costs	1,305,601	2,942,390	1,816,414	(1,125,976)
Intergovernmental:				
Revenue from the Commonwealth	12,851,941	13,364,270	14,956,135	1,591,865
Revenue from the Federal Government	2,106,471	2,272,471	2,165,279	(107,192)
Total revenues	\$ 74,722,554	\$ 77,060,540	\$ 76,594,465	\$ (466,075)
Expenditures				
Current:				
General Government Administration:				
Board of supervisors	\$ 172,496	\$ 199,044	\$ 194,795	\$ 4,249
County administrator	336,826	369,168	363,971	5,197
Personnel	221,644	241,337	257,853	(16,516)
Independent auditor	42,000	42,000	39,575	2,425
Commissioner of the Revenue	765,427	832,599	791,168	41,431
Board of equalization	8,353	8,353	3,549	4,804
Treasurer	845,297	876,374	751,433	124,941
Finance	462,932	491,609	485,253	6,356
Data processing	344,743	334,345	322,945	11,400
Other	535,237	919,794	466,058	453,736
Elections	37,375	47,643	41,806	5,837
Registrar	91,815	106,713	102,285	4,428
Total general government administration	\$ 3,864,145	\$ 4,468,979	\$ 3,820,691	\$ 648,288
Judicial Administration:				
Circuit court	\$ 48,300	\$ 48,300	\$ 31,280	\$ 17,020
General district court	8,714	8,714	6,353	2,361
Juvenile and domestic relations court	6,870	6,870	5,728	1,142
Clerk of the circuit court	104,749	124,113	120,505	3,608
Law library	6,700	6,700	4,411	2,289
Detox center	31,200	31,200	31,200	-
Juvenile court probation	369,197	396,660	369,099	27,561

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures (Continued)				
Judicial Administration: (Continued)				
Commonwealth attorney	750,120	804,474	792,415	12,059
Victim/witness program	68,334	71,529	67,468	4,061
Total judicial administration	\$ 1,394,184	\$ 1,498,560	\$ 1,428,459	\$ 70,101
Public Safety:				
Sheriff	\$ 5,388,372	\$ 5,945,635	\$ 5,551,183	\$ 394,452
Volunteer fire departments	641,078	642,805	555,598	87,207
Ambulance and rescue service	322,476	322,476	316,440	6,036
Fire and rescue	2,181,191	2,336,378	2,181,605	154,773
Regional jail	841,319	853,355	837,043	16,312
Juvenile detention center	388,249	388,249	412,258	(24,009)
Inspections	579,816	629,571	618,951	10,620
Public safety communications	789,569	1,108,188	945,457	162,731
Other protection	300	300	650	(350)
Total public safety	\$ 11,132,370	\$ 12,226,957	\$ 11,419,185	\$ 807,772
Public Works:				
Road administration, street lights	\$ 49,933	\$ 49,933	\$ 29,993	\$ 19,940
General engineering and administration	157,601	309,160	136,814	172,346
Refuse collection	895,752	902,832	776,440	126,392
Refuse disposal	978,000	978,000	818,878	159,122
Litter control	22,966	26,309	15,112	11,197
General properties	578,723	983,866	786,711	197,155
Dog pound	199,170	211,351	180,983	30,368
Total public works	\$ 2,882,145	\$ 3,461,451	\$ 2,744,931	\$ 716,520
Health and Welfare:				
Health department	\$ 293,503	\$ 293,503	\$ 293,503	\$ -
Northwestern Community Services Board	132,126	132,126	132,126	-
Welfare and social services	3,313,305	3,483,449	3,256,307	227,142
Tax relief for the elderly	200,000	200,000	234,632	(34,632)
Area Agency on Aging	15,000	15,000	15,000	-
Comprehensive Services Act	744,693	815,753	815,753	-
Total health and welfare	\$ 4,698,627	\$ 4,939,831	\$ 4,747,321	\$ 192,510
Education:				
Community college	\$ 45,123	\$ 45,123	\$ 45,123	\$ -
Appropriation to public school system	75,966,215	77,217,257	55,161,717	22,055,540
Total education	\$ 76,011,338	\$ 77,262,380	\$ 55,206,840	\$ 22,055,540

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures (Continued)				
Parks, recreation and cultural:				
Parks and recreation	\$ 3,168,425	\$ 3,395,391	\$ 2,848,531	\$ 546,860
Regional library	760,182	760,182	760,182	-
Total parks, recreation and cultural	<u>\$ 3,928,607</u>	<u>\$ 4,155,573</u>	<u>\$ 3,608,713</u>	<u>\$ 546,860</u>
Community Development:				
Planning and community development	\$ 847,230	\$ 4,222,167	\$ 1,109,427	\$ 3,112,740
Economic Development Commission	536,261	571,951	528,616	43,335
Economic development incentives	350,000	750,000	750,000	-
Zoning board	4,750	4,750	3,620	1,130
Building appeals board	550	550	-	550
NSV Regional Commission	24,414	24,414	24,414	-
Gypsy moth suppression	365,698	366,065	214,476	151,589
Soil and Water Conservation District	163,526	163,046	113,738	49,308
Cooperative extension program	149,937	153,258	147,111	6,147
Tourism program	150,000	160,000	159,999	1
Total community development	<u>\$ 2,592,366</u>	<u>\$ 6,416,201</u>	<u>\$ 3,051,401</u>	<u>\$ 3,364,800</u>
Debt Service:				
Principal	\$ -	\$ 455,351	\$ 455,337	\$ 14
Interest and fiscal charges	-	323,156	323,100	56
Total debt service	<u>\$ -</u>	<u>\$ 778,507</u>	<u>\$ 778,437</u>	<u>\$ 70</u>
Total expenditures	<u>\$ 106,503,782</u>	<u>\$ 115,208,439</u>	<u>\$ 86,805,978</u>	<u>\$ 28,402,461</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (31,781,228)</u>	<u>\$ (38,147,899)</u>	<u>\$ (10,211,513)</u>	<u>\$ 27,936,386</u>
Other Financing Sources (Uses)				
Bond proceeds	\$ 36,200,000	\$ 36,200,000	\$ 14,535,000	\$ (21,665,000)
Bond premium	-	-	479,776	479,776
Transfers in	-	-	-	-
Transfers out	<u>(6,805,595)</u>	<u>(6,444,995)</u>	<u>(6,404,922)</u>	<u>40,073</u>
Total other financing sources (uses)	<u>\$ 29,394,405</u>	<u>\$ 29,755,005</u>	<u>\$ 8,609,854</u>	<u>\$ (21,145,151)</u>
Net change in fund balance	<u>\$ (2,386,823)</u>	<u>\$ (8,392,894)</u>	<u>\$ (1,601,659)</u>	<u>\$ 6,791,235</u>
Fund balance, beginning of year	<u>2,386,823</u>	<u>8,392,894</u>	<u>24,638,096</u>	<u>16,245,202</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,036,437</u></u>	<u><u>\$ 23,036,437</u></u>

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
Shawneeland Sanitary District Fund
Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 503,860	\$ 503,860	\$ 460,916	\$ (42,944)
Use of money and property	25,000	25,000	16,479	(8,521)
Miscellaneous	3,000	3,000	-	(3,000)
Recovered costs	-	-	3,110	3,110
Total revenues	<u>\$ 531,860</u>	<u>\$ 531,860</u>	<u>\$ 480,505</u>	<u>\$ (51,355)</u>
Expenditures				
Current:				
Community Development:				
Community development	\$ 531,860	\$ 820,860	\$ 554,703	\$ 266,157
Net change in fund balance	\$ -	\$ (289,000)	\$ (74,198)	\$ 214,802
Fund balance, beginning of year	<u>-</u>	<u>289,000</u>	<u>626,558</u>	<u>337,558</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 552,360</u></u>	<u><u>\$ 552,360</u></u>

– Other Supplementary Information –

COUNTY OF FREDERICK, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2002

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 695,979	\$ 1,779,782	\$ 2,475,761
Accounts receivable	2,207	-	2,207
Due from other governments	136,677	-	136,677
Total	<u>\$ 834,863</u>	<u>\$ 1,779,782</u>	<u>\$ 2,614,645</u>
Liabilities			
A/P and accrued liabilities	\$ 20,092	\$ 37,494	\$ 57,586
Total	<u>\$ 20,092</u>	<u>\$ 37,494</u>	<u>\$ 57,586</u>
Fund Balance			
Designated:			
Subsequent year's expenditures	\$ 814,771	\$ -	\$ 814,771
Capital projects	-	1,742,288	1,742,288
Unreserved/undesignated	-	-	-
Total fund balance	<u>\$ 814,771</u>	<u>\$ 1,742,288</u>	<u>\$ 2,557,059</u>
Total	<u>\$ 834,863</u>	<u>\$ 1,779,782</u>	<u>\$ 2,614,645</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
At June 30, 2002

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues			
Use of money and property	\$ 18,196	\$ 16,709	\$ 34,905
Charges for services	500,383	-	500,383
Miscellaneous	815,753	-	815,753
Recovered costs	212,385	-	212,385
Intergovernmental:			
Revenue from the Commonwealth	<u>1,017,035</u>	<u>-</u>	<u>1,017,035</u>
Total revenues	\$ <u>2,563,752</u>	\$ <u>16,709</u>	\$ <u>2,580,461</u>
Expenditures			
Current:			
Judicial administration	\$ 1,000,307	\$ -	\$ 1,000,307
Health and welfare	1,586,986	-	1,586,986
Capital projects	-	1,230,497	1,230,497
Debt service:			
Principal payments	-	450,000	450,000
Interest and fiscal charges	<u>-</u>	<u>361,276</u>	<u>361,276</u>
Total expenditures	\$ <u>2,587,293</u>	\$ <u>2,041,773</u>	\$ <u>4,629,066</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(23,541)</u>	\$ <u>(2,025,064)</u>	\$ <u>(2,048,605)</u>
Other financing sources (uses)			
Bond proceeds	\$ -	\$ 6,425,000	\$ 6,425,000
Bond premium	-	131,960	131,960
Payment to refunded bonds escrow agent		(4,835,000)	(4,835,000)
Transfers in	-	634,847	634,847
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	\$ <u>-</u>	\$ <u>2,356,807</u>	\$ <u>2,356,807</u>
Net change in fund balance	\$ (23,541)	\$ 331,743	\$ 308,202
Fund balance, beginning of year	<u>838,312</u>	<u>1,410,545</u>	<u>2,248,857</u>
Fund balance, end of year	\$ <u><u>814,771</u></u>	\$ <u><u>1,742,288</u></u>	\$ <u><u>2,557,059</u></u>

COUNTY OF FREDERICK, VIRGINIA

Combining Balance Sheet
Nonmajor Special Revenue Funds
At June 30, 2002

	Division of Court Services Fund	Comprehensive Services Act Fund	Total
Assets			
Cash and cash equivalents	\$ 695,979	\$ -	\$ 695,979
Accounts receivable	2,207	-	2,207
Due from other governments	-	136,677	136,677
Total	<u>\$ 698,186</u>	<u>\$ 136,677</u>	<u>\$ 834,863</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 20,092	\$ -	\$ 20,092
Fund Balance			
Designated:			
Subsequent year's expenditures	\$ 678,094	\$ 136,677	\$ 814,771
Unreserved/undesignated	-	-	-
Total fund balance	<u>\$ 678,094</u>	<u>\$ 136,677</u>	<u>\$ 814,771</u>
Total	<u>\$ 698,186</u>	<u>\$ 136,677</u>	<u>\$ 834,863</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2002

	Division of Court Services Fund	Comprehensive Services Act Fund	Total
Revenues			
Use of money and property	\$ 18,196	\$ -	\$ 18,196
Charges for services	500,383	-	500,383
Miscellaneous	-	815,753	815,753
Recovered costs	212,385	-	212,385
Intergovernmental:			
Revenue from the Commonwealth	259,586	757,449	1,017,035
Total revenues	\$ 990,550	\$ 1,573,202	\$ 2,563,752
Expenditures			
Current:			
Judicial administration	\$ 1,000,307	\$ -	\$ 1,000,307
Health and welfare	-	1,586,986	1,586,986
Total expenditures	\$ 1,000,307	\$ 1,586,986	\$ 2,587,293
Net change in fund balance	\$ (9,757)	\$ (13,784)	\$ (23,541)
Fund balance, beginning of year	<u>687,851</u>	<u>150,461</u>	<u>838,312</u>
Fund balance, end of year	<u><u>\$ 678,094</u></u>	<u><u>\$ 136,677</u></u>	<u><u>\$ 814,771</u></u>

COUNTY OF FREDERICK, VIRGINIA

Combining Balance Sheet
Nonmajor Capital Projects Funds
At June 30, 2002

	Detox Center Construction Fund	Administration Building Renovation Fund	Library Building Fund	Total
Assets				
Cash and cash equivalents	\$ 39,452	\$ 1,516,233	\$ 224,097	\$ 1,779,782
Liabilities				
A/P and accrued liabilities	\$ -	\$ 32,456	\$ 5,038	\$ 37,494
Fund Balance				
Designated:				
Capital projects	\$ 39,452	\$ 1,483,777	\$ 219,059	\$ 1,742,288
Unreserved/undesignated	-	-	-	-
Total fund balance	\$ 39,452	\$ 1,483,777	\$ 219,059	\$ 1,742,288
Total	\$ 39,452	\$ 1,516,233	\$ 224,097	\$ 1,779,782

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year Ended June 30, 2002

	Detox Center Construction Fund	Administration Building Renovation Fund	Library Building Fund	Total
Revenues				
Use of money and property	\$ 884	\$ 9,901	\$ 5,924	\$ 16,709
Expenditures				
Capital projects	\$ -	\$ 789,337	\$ 441,160	\$ 1,230,497
Debt service:				
Principal	-	450,000	-	450,000
Interest and fiscal charges	-	361,276	-	361,276
Total expenditures	\$ -	\$ 1,600,613	\$ 441,160	\$ 2,041,773
Excess (deficiency) of revenues over expenditures	\$ 884	\$ (1,590,712)	\$ (435,236)	\$ (2,025,064)
Other financing sources (uses)				
Bond proceeds	\$ -	\$ 6,425,000	\$ -	\$ 6,425,000
Bond premium	-	131,960	-	131,960
Payment to refunded bonds escrow agent	-	(4,835,000)	-	(4,835,000)
Transfers in	-	634,847	-	634,847
Total other financing sources (uses)	\$ -	\$ 2,356,807	\$ -	\$ 2,356,807
Net change in fund balance	\$ 884	\$ 766,095	\$ (435,236)	\$ 331,743
Fund balance, beginning of year	38,568	717,682	654,295	1,410,545
Fund balance, end of year	\$ 39,452	\$ 1,483,777	\$ 219,059	\$ 1,742,288

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Net Assets
Internal Service Funds
At June 30, 2002

	<u>Health Insurance Fund</u>	<u>Central Stores Fund</u>	<u>Unemployment Fund</u>	<u>Total Internal Service Funds</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,477,075	\$ 56,219	\$ 83,408	\$ 1,616,702
Accounts receivable	-	3,991	-	3,991
Total current assets	<u>\$ 1,477,075</u>	<u>\$ 60,210</u>	<u>\$ 83,408</u>	<u>\$ 1,620,693</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ -	\$ 12,673	\$ 2,992	\$ 15,665
Claims payable	<u>208,212</u>	<u>-</u>	<u>-</u>	<u>208,212</u>
Total current liabilities	<u>\$ 208,212</u>	<u>\$ 12,673</u>	<u>\$ 2,992</u>	<u>\$ 223,877</u>
NET ASSETS				
Unrestricted	<u>\$ 1,268,863</u>	<u>\$ 47,537</u>	<u>\$ 80,416</u>	<u>\$ 1,396,816</u>
Total net assets	<u>\$ 1,268,863</u>	<u>\$ 47,537</u>	<u>\$ 80,416</u>	<u>\$ 1,396,816</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Internal Service Funds
 Year Ended June 30, 2002

	<u>Health Insurance Fund</u>	<u>Central Stores Fund</u>	<u>Unemployment Fund</u>	<u>Total Internal Service Funds</u>
Operating revenues				
Charges for service	\$ 2,242,292	\$ 139,663	\$ -	\$ 2,381,955
Operating Expenses				
Benefits and related expenses	\$ 2,244,008	\$ -	\$ 12,260	\$ 2,256,268
Services and supplies	-	144,134	-	144,134
Total operating expenses	\$ 2,244,008	\$ 144,134	\$ 12,260	\$ 2,400,402
Operating income (loss)	\$ (1,716)	\$ (4,471)	\$ (12,260)	\$ (18,447)
Nonoperating revenues				
Investment earnings	35,449	1,279	2,002	38,730
Change in net assets	\$ 33,733	\$ (3,192)	\$ (10,258)	\$ 20,283
Net assets, beginning of year	1,235,130	50,729	90,674	1,376,533
Net assets, end of year	\$ 1,268,863	\$ 47,537	\$ 80,416	\$ 1,396,816

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Cash Flows
Internal Service Funds
At June 30, 2002

	<u>Health Insurance Fund</u>	<u>Central Stores Fund</u>	<u>Unemployment Fund</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities				
Receipts from insured	\$ 2,242,291	\$ -	\$ -	\$ 2,242,291
Receipts from services	-	138,914	-	138,914
Payments to suppliers	(2,357,433)	(144,038)	-	(2,501,471)
Other payments	-	-	(9,886)	(9,886)
Net cash provided (used) by operating activities	\$ (115,142)	\$ (5,124)	\$ (9,886)	\$ (130,152)
Cash flows from investing activities				
Investment earnings	35,449	1,279	2,002	38,730
Net increase (decrease) in cash and cash equivalents	\$ (79,693)	\$ (3,845)	\$ (7,884)	\$ (91,422)
Balances, beginning of year	1,556,768	60,064	91,292	1,708,124
Balance, end of year	\$ <u>1,477,075</u>	\$ <u>56,219</u>	\$ <u>83,408</u>	\$ <u>1,616,702</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,716)	\$ (4,471)	\$ (12,260)	\$ (18,447)
Change in assets and liabilities:				
Receivables, net	-	(749)	-	(749)
Accounts payable	(24,185)	96	2,374	(21,715)
Claims payable	(89,241)	-	-	(89,241)
Deferred revenue	-	-	-	-
Net cash provided (used) by operating activities	\$ <u>(115,142)</u>	\$ <u>(5,124)</u>	\$ <u>(9,886)</u>	\$ <u>(130,152)</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Fiduciary Net Assets
At June 30, 2002

	Agency Funds											Total	
	Private Purpose Trust Funds				Clarke, Fauquier, Frederick, Winchester, Undistributed Local, State Sales Tax								Northwestern Regional Education Program Fund
	Laura Bates Trust Fund	Harriet Sides Trust Fund	Olin Larrick Trust Fund	Total	Special Welfare Fund	Winchester Regional Airport Fund	Undistributed Local Sales Tax Fund	State Sales Tax Fund	Employee Cafeteria Plan Fund	Northwestern Regional Education Program Fund			
Assets													
Cash and cash equivalents	\$ 10,365	\$ 9,383	\$ 1,967	\$ 21,715	\$ 10,577	\$ 903,310	\$ 319,301	\$ 570	\$ -	\$ 4,223	\$ 450,100	\$ 1,688,081	
Receivables	-	-	-	-	-	86,562	58,426	-	-	-	7,688	152,676	
Due from other governmental units	-	-	-	-	-	588,257	35,725	-	919,546	-	-	1,543,528	
Total assets	\$ 10,365	\$ 9,383	\$ 1,967	\$ 21,715	\$ 10,577	\$ 1,578,129	\$ 413,452	\$ 570	\$ 919,546	\$ 4,223	\$ 457,788	\$ 3,384,285	
Liabilities													
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,124	\$ 109,028	\$ 174	\$ 35,586	\$ -	\$ 342,979	\$ 618,891	
Amounts held for others	-	-	-	-	10,577	1,447,005	273,070	396	-	4,223	114,809	1,850,080	
Due to other funds	-	-	-	-	-	-	31,354	-	883,960	-	-	915,314	
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ 10,577	\$ 1,578,129	\$ 413,452	\$ 570	\$ 919,546	\$ 4,223	\$ 457,788	\$ 3,384,285	
Net Assets	\$ 10,365	\$ 9,383	\$ 1,967	\$ 21,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

COUNTY OF FREDERICK, VIRGINIA

Private Purpose Trust Funds
Combining Statement of Changes in Fiduciary Net Assets
At June 30, 2002

	Laura Bates Trust Fund	Harriet Sides Trust Fund	Olin Larrick Trust Fund	Total
Additions:				
Investment earnings	\$ 232	\$ 215	\$ 44	\$ 491
Deductions:				
Education	-	213	-	213
Change in net assets	\$ 232	\$ 2	\$ 44	\$ 278
Net assets, beginning of year	<u>10,133</u>	<u>9,381</u>	<u>1,923</u>	<u>21,437</u>
Net assets, end of year	<u><u>\$ 10,365</u></u>	<u><u>\$ 9,383</u></u>	<u><u>\$ 1,967</u></u>	<u><u>\$ 21,715</u></u>

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
 Combining Balance Sheet
 At June 30, 2002

	School Operating Fund	School Cafeteria Fund	Consolidated Maintenance Fund	School Textbook Fund	School Capital Projects Fund	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 6,999,980	\$ 929,851	\$ 479,826	\$ 730,138	\$ 18,002,583	\$ 27,142,378
Accounts receivable	69,129	5,799	-	1,758	-	76,686
Due from other governments	2,194,466	104,503	-	-	-	2,298,969
Total	\$ 9,263,575	\$ 1,040,153	\$ 479,826	\$ 731,896	\$ 18,002,583	\$ 29,518,033
Liabilities						
Accounts payable and accrued liabilities	\$ 9,263,575	\$ 225,021	\$ 17,208	\$ 2,729	\$ 2,007,488	\$ 11,516,021
Deferred revenue	-	-	-	-	-	-
Total	\$ 9,263,575	\$ 225,021	\$ 17,208	\$ 2,729	\$ 2,007,488	\$ 11,516,021
Fund Balance						
Reserved for:						
Encumbrances	\$ -	\$ 50,000	\$ -	\$ 558	\$ -	\$ 50,558
Designated:						
Subsequent year's expenditures	-	765,132	462,618	728,609	-	1,956,359
Capital projects	-	-	-	-	15,995,095	15,995,095
Unreserved/undesignated	-	-	-	-	3,269,648	3,269,648
Total fund balance	\$ -	\$ 815,132	\$ 462,618	\$ 729,167	\$ 19,264,743	\$ 21,271,660
Total	\$ 9,263,575	\$ 1,040,153	\$ 479,826	\$ 731,896	\$ 21,272,231	\$ 32,787,681

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
At June 30, 2002

Total fund balances for governmental funds (Exhibit 26)	\$	21,271,660
<p>Total net assets reported for governmental activities in the statement of net assets is different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:</p>		
Land	\$	3,791,136
Construction in progress		18,530,079
Buildings and improvements, net of depreciation		72,437,199
Equipment, net of depreciation		3,020,903
School Board fixed assets in primary government, net of depreciation		<u>(58,968,240)</u>
Total capital assets		38,811,077
<p>School bond proceeds for which capital assets have not been constructed or acquired. This adjustment is required to properly report actual debt used to construct or acquire capital assets.</p>		
		(14,535,000)
<p>An internal service fund is used by the School Board to charge the cost of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. The internal service net assets are:</p>		
		825,224
<p>Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net assets are compensated absences.</p>		
		<u>(873,838)</u>
Total net assets of governmental activities (Exhibits 1 and 12)	\$	<u><u>45,499,123</u></u>

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2002

	School Operating Fund	School Cafeteria Fund	Consolidated Maintenance Fund	School Textbook Fund	School Capital Projects Fund	Total Governmental Funds
Revenues						
Use of money and property	\$ 234,076	\$ 21,601	\$ 14,505	\$ 13,573	\$ 412,453	\$ 696,208
Charges for services	278,226	1,909,617	-	8,861	-	2,196,704
Miscellaneous	104,284	9,837	70	214	-	114,405
Recovered costs	159,300	-	-	-	-	159,300
Intergovernmental:						
Appropriation from primary government	39,940,593	-	206,348	-	15,014,776	55,161,717
Revenue from the Commonwealth	34,328,930	58,187	-	399,876	-	34,786,993
Revenue from the Federal Government	2,665,435	737,460	-	-	-	3,402,895
Total revenues	\$ 77,710,844	\$ 2,736,702	\$ 220,923	\$ 422,524	\$ 15,427,229	\$ 96,518,222
Expenditures						
Current:						
Education:						
Instruction	\$ 61,171,618	\$ -	\$ -	\$ 274,412	\$ -	\$ 61,446,030
Administration, attendance and health	3,857,650	-	-	-	-	3,857,650
Transportation	4,940,074	-	-	-	-	4,940,074
Facilities operations	7,427,544	-	181,657	-	-	7,609,201
Building improvements	41,857	-	-	-	-	41,857
School food services	-	2,838,733	-	-	-	2,838,733
Capital projects	-	-	-	-	15,378,971	15,378,971
Total expenditures	\$ 77,438,743	\$ 2,838,733	\$ 181,657	\$ 274,412	\$ 15,378,971	\$ 96,112,516
Excess (deficiency) of revenues over expenditures	\$ 272,101	\$ (102,031)	\$ 39,266	\$ 148,112	\$ 48,258	\$ 405,706
Other financing sources (uses)						
Transfers in	\$ -	\$ 22,000	\$ -	\$ 250,101	\$ -	\$ 272,101
Transfers out	(272,101)	-	-	-	-	(272,101)
Total other financing sources (uses)	\$ (272,101)	\$ 22,000	\$ -	\$ 250,101	\$ -	\$ -
Net change in fund balance	\$ -	\$ (80,031)	\$ 39,266	\$ 398,213	\$ 48,258	\$ 405,706
Fund balance, beginning of year	-	895,163	423,352	330,954	15,946,837	17,596,306
Fund balance, end of year	\$ -	\$ 815,132	\$ 462,618	\$ 729,167	\$ 15,995,095	\$ 18,002,012

COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2002**

Net change in fund balances - total governmental funds (Exhibit 28)	\$	405,706
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		14,809,070
School Board fixed assets are jointly owned by the County and School Board. The County share of School Board fixed assets is in proportion to the debt owed on such by the County. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship reduced the transfers to the School Board.		(11,411,124)
School bond proceeds for which capital assets have not been constructed or acquired.		(14,535,000)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:		
Compensated absences		(60,082)
Internal service funds are used by the County to charge the costs of health insurance, supplies and unemployment costs to individual funds. The net revenue of internal service funds is reported with governmental activities.		<u>487,528</u>
Change in net assets of governmental activities (Exhibit 12)	\$	<u><u>(10,303,902)</u></u>

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

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
 Statement of Net Assets
 Internal Service Fund
 At June 30, 2002

	Health Insurance Fund
	<u> </u>
Assets	
Current assets:	
Cash and cash equivalents	\$ <u>2,027,489</u>
 Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	\$ 1,000
Claims payable	671,583
Deferred revenue	<u>529,682</u>
Total current liabilities	\$ 1,202,265
 Net Assets	
Unrestricted	<u>825,224</u>
Total net assets	\$ <u>825,224</u>

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Internal Service Fund
 Year Ended June 30, 2002

	Health Insurance Fund
	<u> </u>
Operating revenues	
Charges for service	\$ 6,170,460
 Operating Expenses	
Benefits and related expenses	\$ <u>5,722,299</u>
Operating income (loss)	\$ 448,161
 Nonoperating revenues	
Investment earnings	<u>39,367</u>
Change in net assets	\$ 487,528
Net assets, beginning of year	<u>337,696</u>
Net assets, end of year	<u><u>\$ 825,224</u></u>

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Combining Statement of Cash Flows
Internal Service Fund
At June 30, 2002

	Health Insurance Fund
Cash flows from operating activities	
Receipts from insured	\$ 6,170,460
Payments to suppliers	(5,778,944)
	\$ 391,516
Cash flows from investing activities	
Interest	39,367
	\$ 430,883
Net increase (decrease) in cash and cash equivalents	\$ 430,883
Balances, beginning of year	1,596,606
	\$ 2,027,489
	\$ 2,027,489
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 448,161
Change in assets and liabilities:	
Accounts payable	977
Claims payable	409,553
Deferred revenue	(467,175)
	\$ 391,516
Net cash provided (used) by operating activities	\$ 391,516

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
School Operating Fund
Budgetary Comparison Schedule
Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Use of money and property	\$ 236,236	\$ 236,236	\$ 234,076	\$ (2,160)
Charges for services	311,907	311,907	278,226	(33,681)
Miscellaneous	65,000	65,000	104,284	39,284
Recovered costs	104,365	104,365	159,300	54,935
Intergovernmental:				
Appropriation from primary government	39,509,867	40,810,909	39,940,593	(870,316)
Revenue from the Commonwealth	35,341,835	35,341,835	34,328,930	(1,012,905)
Revenue from the Federal Government	2,381,768	2,729,703	2,665,435	(64,268)
Total revenues	<u>\$ 77,950,978</u>	<u>\$ 79,599,955</u>	<u>\$ 77,710,844</u>	<u>\$ (1,889,111)</u>
Expenditures				
Current:				
Education:				
Instruction	\$ 62,257,047	\$ 62,381,939	\$ 61,171,618	\$ 1,210,321
Administration, attendance and health	3,603,734	4,026,185	3,857,650	168,535
Transportation	4,921,666	5,166,117	4,940,074	226,043
Facilities operations	6,904,930	7,756,633	7,427,544	329,089
Building improvements	41,500	46,980	41,857	5,123
Total expenditures	<u>\$ 77,728,877</u>	<u>\$ 79,377,854</u>	<u>\$ 77,438,743</u>	<u>\$ 1,939,111</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 222,101</u>	<u>\$ 222,101</u>	<u>\$ 272,101</u>	<u>\$ 50,000</u>
Other financing sources (uses)				
Transfers in	\$ -	\$ -	\$ -	-
Transfers out	(272,101)	(272,101)	(272,101)	-
Total other financing sources (uses)	<u>\$ (272,101)</u>	<u>\$ (272,101)</u>	<u>\$ (272,101)</u>	<u>\$ -</u>
Net change in fund balance	\$ (50,000)	\$ (50,000)	\$ -	\$ 50,000
Fund balance, beginning of year	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

– Statistical Section –

Table 1

COUNTY OF FREDERICK, VIRGINIA
GOVERNMENTAL REVENUES BY SOURCE (1) (2)
 Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permit Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
1993	\$ 22,567,662	\$ 7,384,470	\$ 549,562	\$ 10,317	\$ 998,375	\$ 3,247,853	\$ 273,328	\$ 1,771,496	\$ 26,078,844	\$ 62,881,907
1994	27,337,530	7,774,724	609,696	7,781	912,636	2,595,413	658,654	1,573,439	25,365,695	66,835,568
1995	30,026,712	8,457,794	707,169	18,618	1,417,367	2,741,184	489,500	1,428,559	27,492,229	72,779,132
1996	32,724,914	9,284,972	764,866	18,634	2,127,036	3,071,357	551,909	1,337,011	29,691,186	79,571,885
1997	35,542,217	9,967,981	881,984	45,096	1,817,450	3,338,065	1,344,374	1,409,171	33,650,249	87,996,587
1998	36,309,700	10,646,378	821,361	31,725	1,494,304	3,544,384	885,474	2,956,649	36,876,255	93,566,230
1999	37,961,053	11,402,222	980,745	24,502	1,525,673	3,878,578	537,011	2,530,661	41,982,187	100,822,632
2000	38,389,226	12,323,081	974,484	27,733	1,795,084	4,085,339	2,398,189	1,930,757	48,239,879	110,163,772
2001	39,780,459	13,787,234	1,111,056	31,196	1,941,583	4,139,893	7,108,806	1,851,564	56,899,053	126,650,844
2002	40,052,675	14,129,893	1,181,812	59,492	1,544,153	4,394,599	1,129,766	2,191,209	58,297,833	122,981,432

Notes:

(1) Includes General, Special Revenue, Capital Projects Funds, and Component Unit School Board. Does not include Industrial Development Authority.

(2) Real estate taxes became due in annual semiannual installments beginning in the 1984 fiscal year.

Personal property taxes became due in semiannual installments in the 1992 fiscal year.

Table 2

COUNTY OF FREDERICK, VIRGINIA

GOVERNMENTAL EXPENDITURES BY FUNCTION (1) (2)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	(3) Education	Recreation and Cultural	Community Development	Capital Projects	Debt Service	Total
1993	\$ 2,408,456	\$ 1,533,784	\$ 7,663,575	\$ 1,778,507	\$ 2,013,410	\$ 40,355,948	\$ 1,443,939	\$ 1,860,733	\$ 11,095,707	\$ 4,881,604	\$ 75,035,663
1994	2,079,420	1,622,155	4,342,643	1,705,527	2,429,360	44,683,107	1,829,389	2,157,843	4,968,176	6,140,470	71,958,090
1995	2,711,162	1,705,237	4,824,270	1,853,470	3,073,118	46,206,397	2,090,752	1,817,699	5,339,023	6,508,646	76,129,774
1996	4,104,628	1,370,865	5,487,441	2,130,085	3,413,930	50,253,969	2,213,216	1,601,191	14,011,424	7,027,067	91,613,816
1997	3,648,187	1,384,237	5,868,619	2,211,822	3,516,862	55,163,091	2,472,843	2,032,776	12,628,534	17,448,080	106,375,051
1998	4,361,878	1,394,769	7,276,929	1,937,700	3,975,883	62,209,349	2,782,192	3,609,690	3,878,342	16,477,420	107,904,152
1999	4,972,064	1,516,045	8,191,687	2,109,154	4,956,312	66,266,022	2,734,630	2,505,617	2,308,057	7,973,553	103,533,141
2000	6,656,140	1,701,577	8,087,971	2,300,987	5,472,225	69,769,381	2,988,116	2,112,934	11,188,046	8,261,775	118,539,152
2001	6,296,713	1,862,426	9,247,838	2,568,834	4,892,004	80,541,117	3,155,426	4,660,369	7,622,385	8,805,439	129,652,551
2002	3,820,691	2,428,766	11,419,185	2,744,931	6,334,307	80,778,668	3,608,713	3,606,104	16,609,468	5,380,977	136,731,810

Notes:

- (1) Includes General, Special Revenue, Capital Projects Funds, and Component Unit School Board. Does not include Industrial Development Authority.
- (2) The regional jail became a separate entity in fiscal year 1994. The Sheriff Department budget for Judicial Administration was merged into public safety in fiscal year 1996.
- (3) Does not include appropriation from primary government to School Board.

Table 3

COUNTY OF FREDERICK, VIRGINIA

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections		Total Tax Collections	Percent of Total Tax Collections to Tax Levy		Outstanding Delinquent Taxes		Percent of Delinquent Taxes to Tax Levy
				Tax	Collections		Total Tax Collections	to Tax Levy	Taxes	Taxes	
1993	\$ 23,064,665	\$ 20,736,896	89.91%	\$ 1,263,215	\$ 22,000,111	95.38%	\$ 2,864,912	12.42%			
1994	26,246,253	24,596,201	93.71%	1,042,160	25,638,361	97.68%	3,295,901	12.56%			
1995	29,510,860	27,992,683	94.86%	1,182,130	29,174,813	98.86%	3,809,855	12.91%			
1996	33,366,333	31,507,828	94.43%	1,316,685	32,824,513	98.38%	4,011,031	12.02%			
1997	35,898,083	33,573,361	93.52%	1,959,958	35,533,319	98.98%	4,099,416	11.42%			
1998	37,234,603	34,133,759	91.67%	1,242,591	35,376,350	95.01%	4,270,771	11.47%			
1999	38,295,661	36,484,598	95.27%	1,735,069	38,219,667	99.80%	4,117,773	10.75%			
2000	42,532,680	40,479,322	95.17%	1,224,420	41,703,742	98.05%	3,857,416	9.07%			
2001	46,716,011	45,166,257	96.68%	1,243,875	46,410,132	99.35%	3,368,568	7.21%			
2002	49,692,168	47,788,594	96.17%	1,157,814	48,946,408	98.50%	3,787,091	7.62%			

Notes:

Levies, collections and delinquent amounts due are exclusive of penalties and interest.

Real estate taxes became due in semiannual installments in the 1984 fiscal year.

Personal property taxes became due in semiannual installments in the 1992 fiscal year.

Public Utility taxes became due in semiannual installments in the 1993 fiscal year.

Levies, collections and delinquent amounts do not include Shawneelands Sanitary District.

Levies, collections and delinquent amounts for 1999 through 2002 include amounts reimbursed and/or owed to the County by the Commonwealth of Virginia for personal property taxes.

Source - prior year audit reports and County Treasurer

Table 4

COUNTY OF FREDERICK, VIRGINIA
ASSESSED VALUE OF ALL TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools		Mobile Homes	Public Utility		Total
			Real Estate	Personal Property		Real Estate	Personal Property	
1993	\$ 2,394,824,004	\$ 167,939,991	\$ 71,666,917	\$ 31,367,542	\$ 159,200,698	\$ 334,655	\$ 2,825,333,807	
1994	2,450,174,758	218,079,652	108,823,445	19,345,884	197,930,057	1,122,296	2,995,476,092	
1995	2,545,677,135	295,171,335	137,159,812	18,972,992	152,848,058	911,618	3,150,740,950	
1996	2,645,924,021	313,249,071	156,349,543	24,772,375	163,799,347	1,525,125	3,305,619,482	
1997	2,708,112,775	392,434,457	163,617,271	27,977,702	158,282,200	1,404,079	3,451,828,484	
1998	2,847,707,041	448,951,343	164,129,903	27,322,566	177,085,001	1,446,296	3,666,642,150	
1999	2,957,535,874	488,131,686	171,195,719	27,279,966	186,452,596	1,151,445	3,831,747,286	
2000	3,052,227,934	562,969,701	194,433,899	25,338,868	193,267,067	1,014,175	4,029,251,644	
2001	3,307,251,040	618,705,456	220,973,344	25,936,422	209,475,199	1,058,556	4,383,400,017	
2002	3,512,434,751	662,564,655	231,920,311	27,888,418	208,166,364	1,448,563	4,644,423,062	

Notes: Beginning in fiscal year 1984, the County elected to collect real estate taxes on semiannual installments. Accordingly, assessed values for real property (not including public utility property) through the 1992 fiscal year includes assessments for the second half of the preceding fiscal year and the first half of the current fiscal year. In fiscal year 1993 the County began assessing public utility and personal property on a semiannual basis.

In fiscal year 1992 the County elected to collect personal property on semiannual installments. As a result of this action, the assessed value for personal property, machinery and tools, and mobile home taxes beginning in fiscal year 1992 include assessments for the second half of the prior calendar year and first half of the current calendar year.

All property taxes are assessed at 100% of estimated fair market value.

Source - Commissioner of Revenue

Table 5

COUNTY OF FREDERICK, VIRGINIA

PROPERTY TAX RATES
Last Ten Fiscal Years

Calendar Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes
1993	\$ 0.55	\$ 4.25	\$ 2.00	\$ 0.55
1994	0.55	4.25	2.00	0.55
1995	0.55	4.25	2.00	0.55
1996	0.60	4.25	2.00	0.60
1997	0.59	4.20	2.00	0.59
1998	0.59	4.20	2.00	0.59
1999	0.59	4.20	2.00	0.59
2000	0.64	4.20	2.00	0.64
2001	0.61	4.20	2.00	0.61
2002	0.61	4.20	2.00	0.61

Notes:

Property tax rates are based on per \$100 of assessed value.

There are no overlapping tax rates of other governments.

Table 6

COUNTY OF FREDERICK, VIRGINIA

**RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years**

Fiscal Year	Popu- lation (1)	Assessed Values	Gross Bonded Debt (2)	Less: City of Winchester Share	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
1993	49,698	\$ 2,825,333,807	\$ 43,476,259	\$ 26,514	\$ 43,449,745	0.0154	\$ 874
1994	49,861	2,995,476,092	41,538,688	15,876	41,522,812	0.0139	833
1995	52,200	3,150,740,950	56,038,825	5,238	56,033,587	0.0178	1,073
1996	53,200	3,305,619,482	64,435,131	-	64,435,131	0.0195	1,211
1997	54,200	3,451,828,484	62,150,908	-	62,150,908	0.0180	1,147
1998	54,200	3,666,642,150	61,039,029	-	61,039,029	0.0166	1,126
1999	54,200	3,831,747,286	61,623,577	-	61,623,577	0.0161	1,137
2000	55,800	4,029,251,644	61,956,927	-	61,956,927	0.0154	1,110
2001	59,209	4,383,400,017	82,022,073	-	82,022,073	0.0187	1,385
2002	61,315	4,644,423,062	93,101,851	-	93,101,851	0.0200	1,518

(1) Bureau of Economic Development for years 1993 through 2000, Bureau of the Census for 2001, and Weldon Cooper Center for Public Service for 2002

(2) Includes all general long-term obligation debt of the County and Component Unit School Board. Excludes capital leases, early retirement incentive obligation and liability for compensated absences.

The County does not have any overlapping debt.

Table 7

COUNTY OF FREDERICK, VIRGINIA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO GENERAL EXPENDITURES
Last Ten Fiscal Years**

Fiscal Year	(3) Principal	Interest and and Fiscal Charges	Total Debt Service (1)	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
1993	\$ 2,270,046	\$ 2,283,134	\$ 4,553,180	\$ 75,035,663	6.07%
1994	2,950,704	2,534,905	5,485,609	71,982,392	7.62%
1995	3,014,863	2,383,697	5,398,560	76,129,744	7.09%
1996	3,093,694	2,707,410	5,801,104	91,613,816	6.33%
1997	13,262,223	3,136,725	16,398,948	106,375,051	15.42%
1998	11,949,879	2,978,160	14,928,039	107,904,152	13.83%
1999	4,067,452	2,998,160	7,065,612	103,533,141	6.82%
2000	4,882,001	3,001,174	7,883,175	118,539,152	6.65%
2001	4,884,854	3,294,709	8,179,563	129,652,551	6.31%
2002	5,380,977	3,759,721	9,140,698	136,731,810	6.69%

Notes:

- (1) Does not include capital leases and payments on the VRS early retirement incentive obligation.
- (2) Includes General, Special Revenue and Capital Projects Funds, and Component Unit School Board.
- (3) Excludes refunded debt of \$4,835,000 in fiscal year 2002.

The County has no legal debt margin.

Table 8

COUNTY OF FREDERICK, VIRGINIA

PROPERTY VALUE CONSTRUCTION AND BANK DEPOSITS

Last Ten Fiscal Years

Fiscal Year	Deposits in Thousands (1)	Number of Permits	Commercial Industrial Construction (2)	Number of Permits	Residential Construction (2)	Property Value (3)	
						Commercial/Residential	Nontaxable
1993	\$ 138,623	208	\$ 17,535,698	1,090	\$ 61,416,673	\$ 2,567,786,048	\$ 189,180,400
1994	130,069	163	17,356,528	1,392	49,021,005	2,251,416,594	192,561,600
1995	117,782	221	20,649,207	1,313	47,090,693	2,565,755,241	192,441,300
1996	146,930	193	22,829,732	1,391	47,995,360	2,645,924,021	200,783,000
1997	N/A	200	47,339,911	1,269	53,852,511	2,744,965,556	218,847,900
1998	123,289	171	20,757,146	1,047	51,975,748	2,847,726,208	223,348,500
1999	74,495	221	41,375,548	1,269	66,154,318	2,957,535,874	232,516,600
2000	96,995	192	72,899,520	1,558	68,979,282	3,081,652,197	264,737,561
2001	119,478	177	60,115,925	1,025	82,648,057	3,343,136,257	311,781,722
2002	148,077	201	56,296,826	1,353	113,386,329	3,645,894,766	362,658,372

Sources:

- (1) Tayloe-Murph Institute, University of Virginia, 1991, Bureau of Economic Development 1992-1996, Frederick County Commissioner of Revenue 1998 - 2002
- (2) Frederick County Inspections Department
- (3) Frederick County Commissioner of Revenue

N/A - Not available

Table 9

COUNTY OF FREDERICK, VIRGINIA

DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Calendar Year	Population (1)	Per Capita Income (1)	School Enrollment (2)	Unemployment Rate (3) (4)
1992	48,800	\$18,205	8,642	7.10%
1993	49,698	18,787	8,961	4.92%
1994	49,861	18,752	9,614	4.60%
1995	52,200	20,960	9,632	4.40%
1996	53,200	22,071	9,516	4.20%
1997	54,200	23,030	9,878	3.60%
1998	54,200	24,362	10,521	2.60%
1999	54,200	26,451	10,407	2.10%
2000	55,800	N/A	10,765	1.60%
2001	59,209	N/A	10,778	2.60%
2002	61,315	N/A	11,007	2.70%

Sources:

- (1) Bureau of Economic Development through 2000, Bureau of the Census in 2001, Weldon Cooper Center for Public Service in 2002.
- (2) Frederick County School Board
- (3) Virginia Employment Commission
- (4) Includes City of Winchester beginning in 1994

N/A - Not available

Table 10

COUNTY OF FREDERICK, VIRGINIA

PRINCIPAL REAL PROPERTY TAXPAYERS

At June 30, 2002

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation (1)
Potomac Edison	Utility - electric power	\$ 91,394,269	2.49%
Verizon Virginia	Utility - communications	41,848,158	1.14%
H. P. Hood, Inc.	Dairy Plant	24,173,300	0.66%
A T & T	Utility - communications	22,835,133	0.62%
Washington Gas Light	Utility - natural gas	19,670,641	0.54%
General Electric Co.	Incandescent lamps	14,174,400	0.39%
Kohl Department Stores	Distribution	12,468,800	0.34%
Trex Company	Decking	12,423,400	0.34%
Fort Collier Group	Industrial Park	12,312,400	0.34%
Aquiport Winchester	Pasta food manufacturing	<u>9,997,000</u>	<u>0.27%</u>
Total		<u>\$ 261,297,501</u>	<u>7.13%</u>
Total assessed valuation for all real property - 2002 calendar year assessment		<u>\$ 3,667,795,645</u>	<u>100.00%</u>

(1) Percentage of total assessed valuation is based on 2001 tax year assessed value for real property taxes

Table 11

COUNTY OF FREDERICK, VIRGINIA

MISCELLANEOUS STATISTICS

At June 30, 2002

Form of government	County administrator	
Land area	427 square miles	
Fire protection	Number of volunteer fire stations	11
	Number of volunteer firefighters	350
Police protection	Number of stations	1
	Number of deputies	78
Education	Number of schools	15
	Number of technical schools	1
	Number of regional schools	1
	Number of students	11,007
	Number of teachers	1,717
Parks and recreation	Number of regional parks	2
	Total acreage	415
	Number of community parks	6
	Total acreage	16
	Number of shelters	15
	Number of lakes	2
	Number of baseball/softball fields	11
	Number of playgrounds	3
	Number of tennis courts	10
	Number of basketball courts	4
	Number of golf courses (18 holes)	1
	Number of swimming pools	2
	Number of soccer fields	4
Building permits issued (excluding mobile homes)		1,025
County employees	Full time	440

– Compliance Section –

COUNTY OF FREDERICK, VIRGINIA

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002**

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
PRIMARY GOVERNMENT		
DEPARTMENT OF AGRICULTURE:		
<u>Pass through payments:</u>		
Virginia Department of Social Services:		
Food stamp administration	10.561	\$ 328,092
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Pass through payments:</u>		
Virginia Department of Social Services:		
Family Preservation and Support Services	93.556	\$ 34,537
Temporary Assistance for Needy Families	93.558	216,440
Refugee and Entrant Assistance	93.566	654
Low-income Home Energy Assistance	93.568	8,041
Child Care Assistance	93.575	286,553
Child Care and Development Fund	93.596	78,589
Adoption incentive	93.603	5,277
Foster Care - Title IV-E	93.658	575,471
Adoption Assistance	93.659	45,680
Social Services Block Grant	93.667	191,075
Independent Living	93.669	6,138
Medical Assistance Program	93.778	219,710
Total Department of Health and Human Services		\$ 1,668,165
<u>DEPARTMENT OF THE INTERIOR:</u>		
<u>Direct payments:</u>		
Bureau of Land Management:		
Payment in-lieu of taxes PL - 97-258:		
National Forest Acreage payment (31-USC-6901)	15.000	\$ 9,321
National Park Service:		
American Battlefield Protection Program - GA 2255-99-009	15.926	166,000
Total National Park Service		\$ 175,321
<u>DEPARTMENT OF TRANSPORTATION:</u>		
<u>Pass through payments:</u>		
Virginia Department of Transportation:		
Ground transportation safety	20.600	\$ 21,411
Total Department of Transportation		\$ 21,411

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002 (Continued)**

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
PRIMARY GOVERNMENT (Continued)		
<u>DEPARTMENT OF JUSTICE:</u>		
<u>Pass through payments:</u>		
Department of Criminal Justice Services:		
Juvenile Justice and Delinquency	16.548	\$ 64,964
Victim-Witness	16.575	54,792
Drug Control and System Improvement	16.579	81,693
Total Department of Justice		<u>\$ 201,449</u>
Total Primary Government		<u>\$ 2,394,438</u>
<u>COMPONENT UNIT SCHOOL BOARD:</u>		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass through payments:</u>		
Virginia Department of Agriculture:		
Food distribution	* 10.555	\$ 198,421
Department of Education:		
National School Breakfast Program	* 10.553	77,195
National School Lunch Program	* 10.555	660,265
Forest reserve funds	10.665	2,735
Total Department of Agriculture		<u>\$ 938,616</u>
<u>DEPARTMENT OF EDUCATION:</u>		
<u>Pass through payments:</u>		
Virginia Department of Education:		
Adult Education	84.002	\$ 253,690
Education Consolidation and Improvement Act of 1981:		
Title I:		
Financial Assistance to Meet Special Educational Needs of Disadvantaged Children - Program operated by local education agencies	* 84.010	675,861
Title VI:		
Consolidation of Federal Programs for Elementary and Secondary Education Block Grant	84.151	92,203

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002 (Continued)**

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
<u>COMPONENT UNIT SCHOOL BOARD: (Continued)</u>		
Title VI-B:		
Assistance to States for Education of Handicapped Children - Preschool and School Programs	84.027	1,014,505
Vocational Education:		
Basic grants to states	84.048	131,346
Special Projects:		
Title II - Economic Security	84.164	55,608
Drug-free Schools and Communities	84.186	88,426
Goals 2000	84.276	42,195
Literary Challenge	84.318	76,295
Innovative Education Program Strategies	84.298	43,559
Class Size Reduction	84.340	142,396
Employment Services and Job Training	17.249	46,616
Total Department of Education		<u>\$ 2,662,700</u>
Total Component Unit School Board		<u>\$ 3,601,316</u>
Total Expenditures of Federal Awards		<u>\$ 5,995,754</u>

* Major program

This schedule is prepared on the accrual basis of accounting.

COUNTY OF FREDERICK, VIRGINIA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2002**

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553	National School Breakfast Program
10.555	National School Lunch Program
84.010	Title I

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

COUNTY OF FREDERICK, VIRGINIA

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2002**

There were no findings reported for the year ended June 30, 2001.

ADDITIONAL COMPLIANCE REQUIREMENTS

The following reports on internal control over financial reporting and compliance applicable to each major program, and internal control over compliance in accordance with OMB Circular A-133 are required by the Single Audit Act of 1984 and Commonwealth of Virginia Office of the Auditor of Public Accounts.

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ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional Limited Liability Company

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF FREDERICK, VIRGINIA

We have audited the financial statements of the County of Frederick, Virginia as of and for the year ended June 30, 2002, and have issued our report thereon dated September 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Frederick, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Supervisors, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 26, 2002

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ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional Limited Liability Company

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF FREDERICK, VIRGINIA

Compliance

We have audited the compliance of the County of Frederick, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The County of Frederick, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Frederick, Virginia's management. Our responsibility is to express an opinion on the County of Frederick, Virginia's compliance based on our audit.

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

In our opinion, the County of Frederick, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the County of Frederick, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Frederick, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Supervisors, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Robinson, James, Cox Associate

Charlottesville, Virginia

September 26, 2002