

COMPREHENSIVE ANNUAL



FINANCIAL REPORT

COUNTY OF FREDERICK, VIRGINIA
Fiscal Year Ending June 30, 2007

- Introductory Section -

COUNTY OF FREDERICK, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2007**

Issued by

Cheryl B. Shiffler, Finance Director

Winchester, Virginia

COUNTY OF FREDERICK, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2007

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COUNTY OF FREDERICK, VIRGINIA

**DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2007**

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

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

BOARD OF SOCIAL SERVICES

	Judith Morris, Chairman	
	Kristen Goff, Vice-Chairman	
Lorene Carter		Phillip Roby
Richard Crane	Donald Nesslerodt	Linda Smith

OTHER OFFICIALS

John R. Riley, Jr.	County Administrator
Kris C. Tierney	Assistant County Administrator
Cheryl B. Shiffler	Finance Director
Harvey E. Strawsnyder, Jr.	Engineering and General Services Director
Gary A. DuBrueler	Fire and Rescue Services Director
Paula Nofsinger	Human Resources Director
Charles B. Tyson	Information Services Director
Eric R. Lawrence	Planning and Development Director
Patrick E. Barker.....	Economic Development Director
James M. Doran.....	Parks and Recreation Director
Ellen E. Murphy	Commissioner of the Revenue
C. William Orndoff, Jr.	County Treasurer
Lawrence R. Ambrogi	Commonwealth Attorney
Robert T. Williamson	Sheriff
John Prosser.....	Judge of the Circuit Court
John E. Wetsel, Jr.	Judge of the Circuit Court
David S. Whitacre.....	Judge of the General District Court
Elizabeth Kellas.....	Judge of the Juvenile and Domestic Relations Court
Rebecca Hogan	Clerk of the Circuit Court
Scott Anderson	Court Services Director
Gwen Monroe.....	Social Services Director
David Crabtree.....	Health Department District Administrator
Cynthia Rowles	Frederick County Extension Agent
Richard S. Miller	Central Registrar
Patricia Taylor.....	Superintendent of Schools



John R. Riley, Jr.
County Administrator

540/665-5666

Fax: 540/667-0370

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

December 4, 2007

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, 2007 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

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

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

REPORTING ENTITY

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

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

In 2006, the provisional population of the County was estimated at 71,187 based on the U.S. Census Bureau. The County, which covers 424 square miles and borders the West Virginia line, was established in 1738. Its county administrator form of government was established in 1971.

In the southeastern portion of the county, there are two incorporated towns – Stephens City and Middletown. The per capita income in Winchester-Frederick County was \$31,887 in 2005, the last year for which the information is available, according to the U.S. Census Bureau.

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

LOCAL ECONOMY

Frederick County continues to be faced with the same concerns as surrounding localities. Our neighboring counties in Northern Virginia continue to infiltrate our job market while they attempt to offer solutions for their employee shortages with enticing salaries.

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

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

INITIATIVES

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

General Fund

- Thirteen new positions to be added to the departments of Commissioner of the Revenue, Information Technology, Sheriff, Fire and Rescue, Maintenance, Animal Shelter and Parks and Recreation.
- Sixteen new vehicles for various departments (fourteen for the Sheriff's Office).
- Purchase of check scanners for the Treasurer's Office.
- Purchase of GIS web server and software.
- Funds budgeted for local transportation issues.
- Wireless equipment to connect all county fire stations.
- Bicycle/Pedestrian Trail near Sherando Park.
- Increased funding to Handley Library, Health Department, CLEAN, Inc., Our Health, Inc., Northwestern Community Services, Shenandoah Area Agency on Aging and Lord Fairfax Community College.
- 5% Cost of Living Adjustment included for county employees.

School Funds

- 35.18 new full-time equivalent (fte) positions including 14.68 ftes for the opening of the replacement Gainesboro Elementary School, enrollment growth and compliance needs.
- An average 4.5% increase is included to enhance teacher salary scales and an average 3.5% increase for administrative and support salary scales.
- Significant increase in the mandated Virginia Retirement System contribution rate.
- Significant increase in the utility budget due to expected increases in electricity and heating costs.

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 thirty-seven 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

Since the turn of the twentieth century, the population of Frederick County has skyrocketed 347%, growing from 13,239 people in 1900 to 59,209 in 2000. The 2006 population estimate for Frederick County was 71,187 according to the U.S. Census Bureau. By 2010, it is projected that the population of Frederick County will be approximately 77,864, by 2020 95,648 and 114,539 by 2030.

Frederick County's low tax rate and proximately 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, the 22nd largest school division in Virginia, is composed of eleven elementary schools serving students in grades kindergarten through fifth grade; four middle schools serving grades six through eight; three high schools serving grades nine through twelve; and one

alternative/vocational school. Frederick County participates and is fiscal agent for a regional facility, the Northwestern Regional Educational Program that provides services to some of its special education population. Other support facilities include the administration building, the maintenance and warehousing facility and the transportation facility. The school system also provides building maintenance services for the county government office buildings and the regional library.

In 1998, student enrollment was 10,376. In 2006, student enrollment was 12,605 according to the Virginia Department of Education, which represents an increase of 2,229 students, or 21%, since 1998. Program capabilities for Frederick County Public Schools were projected at 12,982 on June 30, 2007.

EMPLOYMENT TRENDS

Annual statistics showed that Winchester and Frederick County had a total of 53,000 jobs in 2006. According to the Virginia Employment Commission, the average unemployment rate rose to just over 3.2% during that time period, but has since dropped to the annual 2006 unemployment rate of 2.6% compared to 4.6% for the United States.

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 full-time and part-time of 7,987 students for the 2006-2007 school year.

Shenandoah University offers four-year undergraduate and graduate programs with a school enrollment of more than 3,000 students representing 46 states and 42 countries. The university offers more than 80 programs of study at the undergraduate, graduate, doctorate and professional levels at the main campus in Winchester, VA, the Health Professions Building on the campus of the Winchester Medical Center and the Northern Virginia campus in Leesburg, VA. The schools include Harry F. Byrd, Jr. School of Business, Health Professions, Arts and Sciences, Pharmacy and Conservatory. The Institute for Government and Public Service is also located at the university.

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

Cost of Living The cost of living in the Frederick County area is about 110% of the national average. According to the Metropolitan Real Estate Information System, the average selling price of a home in Frederick County in 2006 was \$322,000. By comparison, the northern Virginia region's average home price was over \$539,000.

Crime Frederick County traditionally experiences less crime than the total for the United States. The latest FBI report (2005) lists the crime rate per 100,000 people for the United States at 469.2, while the local rate was 207.4.

Library Services Library service is provided to Frederick County through the Handley Regional Library located in downtown Winchester, the Mary Jane and James L. Bowman Library located in Stephens City and the Clarke County Library located in Berryville. Currently, there are approximately 31,421 active registered library card holders in Frederick County. During the 2007 fiscal year, Frederick County residents checked out 418,151 items from the library system.

Medical Care

Winchester Medical Center is a 411-bed, nonprofit, regional referral hospital offering a full range of inpatient and outpatient diagnostic, medical, surgical and rehabilitative services to residents of the northern Shenandoah Valley. The nearly 275 board certified physicians on the attending staff represent nearly every specialty. The Medical Center anchors a 165-acre campus which includes two physician office buildings, cancer center, pharmacy, outpatient diagnostic center, same-day surgery facility, imaging center with MRI, CT and Mobile PET scanning, adult psychiatric center, 250 seat conference facility, employee child care center, restaurant, parks with walking trails and a 1,600 space parking deck.

Winchester Medical Center is a subsidiary of Valley Health System, a regional “family” of healthcare providers. Other system members are Surgi-Center of Winchester, Winchester Rehabilitation Center, Urgent Care Center, Lynn Care Center, Warren Memorial Hospital in Front Royal, VA, Shenandoah Memorial Hospital in Woodstock, VA, War Memorial Hospital in Berkeley Springs, WV, Valley Home Care, Valley Medical Transport, Valley Pharmacy and Piedmont Medical Laboratory.

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. Additional recreational facilities currently provided are two outdoor swimming pool complexes, 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 joint efforts of the Frederick County Board of Supervisors, Frederick County Parks and Recreation Department and the Frederick County School Board resulted in the co-location of recreational facilities in three elementary schools and one high school. The Community Center at Sherando High School has a fitness room with cardio and resistance training equipment, two racquetball courts and a 2,000 square foot multi-purpose room which includes a kitchen area. The multi-purpose room can be divided into two rooms for the public. The facility opened in 1993. The Community Center at Orchard View Elementary School, which opened in 2000, has a full sized gymnasium which seats approximately 150. The Community Center at Evendale Elementary, which opened in 2006, has a full sized gymnasium seating approximately 300, a 500 square foot multi-purpose room with a kitchen area, a 1,150 square foot aerobics room and two offices. Opening in the fall of 2007, the Community Center at Gainesboro Elementary has a full sized gymnasium seating approximately 300, a 500 square foot multi-purpose room, a 1,150 square foot aerobics room, a cardio equipment room and an office.

An additional amenity located at Sherando Park is a bike path that begins and ends at Sherando High School, wrapping its way through the park and adjoining neighborhoods. A wide path that is 2.45 miles in length, it provides a good surface for both walking and biking.

FINANCIAL INFORMATION

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

SINGLE AUDIT

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

As a part of the County's single audit described earlier, tests are made to determine the adequacy of the internal control structure including that portion related to federal financial assistance programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2007, 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, 2007, have been determined and the amount of these encumbrances is reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances generally are reappropriated as part of the following year's budget.

OTHER INFORMATION

INDEPENDENT AUDIT

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

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the twenty-first 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 year beginning July 1, 2006 and twenty-one 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, 2006

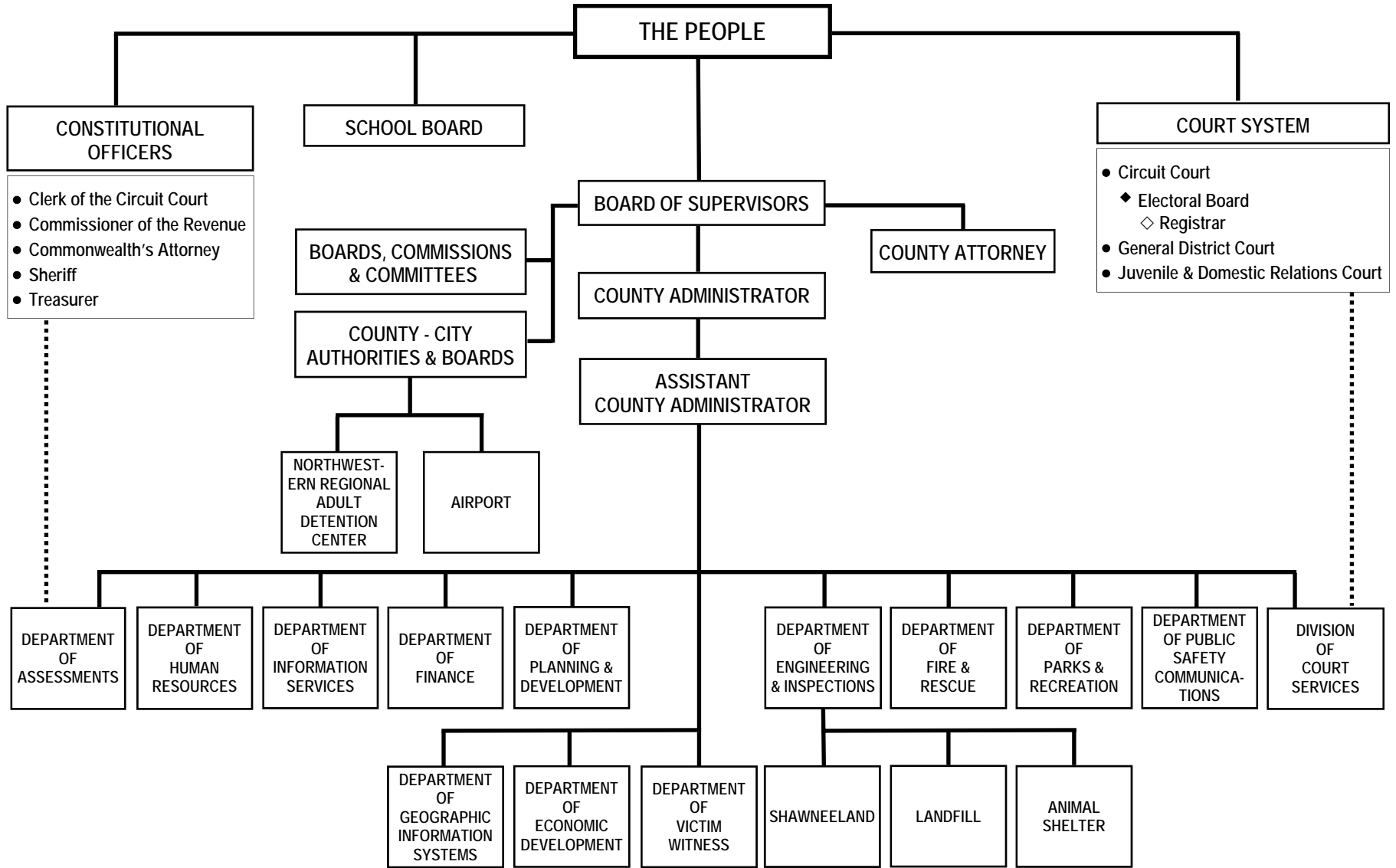
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

FREDERICK COUNTY ORGANIZATIONAL CHART



- Financial Section -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Frederick, Virginia (the "County"), as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Frederick, Virginia's management. Our responsibility is to express 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; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Frederick, Virginia, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2007, on our consideration of the County of Frederick, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Robinson, Jarmer, Cox Associates

Charlottesville, Virginia
November 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights for Fiscal Year 2007:

- On a government-wide basis for governmental activities the County had expenses net of program revenues of \$113.4 million, which was approximately \$9.3 million more than the general revenues of \$104.1 million.
- On a government-wide basis, the general activities total net assets totaled \$50.9 million.
- The fund financial statements reflect unreserved fund balance of \$41.2 million.
- General fund property taxes of \$63.7 million equaled to just over half of the total \$123.1 million in revenues in the governmental funds.
- The net change in fund balance for the general fund of the prior year was approximately \$3.1 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 was changed for the first time in the Fiscal Year Ending 2002 financial statements. The County's current financial statements now present two different statements, with two different approaches and view of the County's finances. The government-wide statements provide information on the overall financial status of the County. This method is more comparable to the method used in private industry. The fund financial statements, which is the method that has been used in the past, focuses on the individual funds of the County government, reporting the operations in more detail than the government-wide statements. When presented in one report, both types of statements will give the user a more broaden basis of comparison and enhance the County's accountability.

Government-wide Statements:

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

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

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

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:

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

Fund Financial Statements:

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

The County has three kinds of funds:

1. **Governmental Funds:** The governmental funds report most of the County's basic services. The governmental funds serve essentially the same function as the governmental activities in the government-wide statements. The governmental fund financial statements focus on near-term cash flows and the amount of spendable resources available at the end of the fiscal year. It provides the reader a short-term view of the financial position. Since the information provides a narrow focus, the government-wide statements will provide additional information. A reconciliation from the fund statements is provided to facilitate this comparison.
2. **Proprietary Funds:** The County of Frederick maintains two types of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise funds report the same functions as the business-type activities in the government-wide financial statements. Internal service funds account for the goods and services provided by one department or agency to other departments or agencies of the County. The County's Central Stores fund accounts for the operations of duplicating, postage and gasoline. Revenue is derived from sales to user departments. The Health Insurance Fund accounts for funds to pay health insurance premiums and claims. The Volunteer Fire and Rescue Fund accounts for length of service stipends to be paid to volunteer fire and rescue personnel. The Maintenance Insurance Fund accounts for maintenance contracts.
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.

Fund Financial Statements: (continued)

- The County of Frederick has several private purpose trust funds. These funds are restricted to build a chapel, provide textbooks for indigent students, and to provide scholarships to deserving students.
- Frederick County has six agency funds. These funds include entities for which the County has assumed fiscal agency status: the Northwestern Regional Jail Authority and the Winchester Regional Airport.

Notes to the Financial Statements:

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

Financial Analysis of the County as a Whole:

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

**Summary Statement of Net Assets
June 30, 2007**

	Governmental Activities		Business-Type Activities		Total		Component Units	
	2007	2006	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 66,010,255	\$ 89,425,581	\$ 29,648,894	\$ 30,795,751	\$ 95,659,149	\$ 120,221,332	\$ 27,821,941	\$ 31,642,549
Capital Assets (net)	144,167,245	130,577,582	17,552,174	13,271,904	161,719,419	143,849,486	77,786,320	62,131,056
Total Assets	<u>\$210,177,500</u>	<u>\$ 220,003,163</u>	<u>\$ 47,201,068</u>	<u>\$ 44,067,655</u>	<u>\$ 257,378,568</u>	<u>\$ 264,070,818</u>	<u>\$105,608,261</u>	<u>\$ 93,773,605</u>
Long-term Liabilities	\$151,346,277	\$ 150,068,660	\$ 9,957,149	\$ 8,801,920	\$ 161,303,426	\$ 158,870,580	\$ 1,570,919	\$ 1,280,046
Other Liabilities	7,897,714	9,709,965	420,898	638,409	8,318,612	10,348,374.00	17,570,289	21,744,476
Total Liabilities	<u>\$159,243,991</u>	<u>\$ 159,778,625</u>	<u>\$ 10,378,047</u>	<u>\$ 9,440,329</u>	<u>\$ 169,622,038</u>	<u>\$ 169,218,954</u>	<u>\$ 19,141,208</u>	<u>\$ 23,024,522</u>
Net Assets:								
Invested in Capital Assets, net of related debt	\$ 24,916,051	\$ 13,474,232	\$ 17,552,174	\$ 13,271,904	\$ 42,468,225	\$ 26,746,136	\$ 77,786,320	\$ 62,131,056
Restricted for Capital Projects	-	-	-	-	-	-	-	2,747,565
Unrestricted	26,017,458	46,750,306	19,270,847	21,355,422	45,288,305	68,105,728	8,680,733	5,870,462
Total Net Assets	<u>\$ 50,933,509</u>	<u>\$ 60,224,538</u>	<u>\$ 36,823,021</u>	<u>\$ 34,627,326</u>	<u>\$ 87,756,530</u>	<u>\$ 94,851,864</u>	<u>\$ 86,467,053</u>	<u>\$ 70,749,083</u>

The County’s combined net assets decreased to \$87,756,530 from \$94,851,864. This net decrease in the amount of \$7,095,334 can be attributed to a decrease in governmental activities in the amount of \$9,291,029 and an increase in business-type activities in the amount of \$2,195,695. Further details of these contributing factors are explained on the next page.

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

County of Frederick's Changes in Net Assets For the Fiscal Year Ended June 30, 2007

	Governmental Activities		Business-Type Activities		Total		Component Units	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenues:								
Program Revenues								
Charges for Services	\$ 6,599,247	\$ 6,744,045	\$ 6,863,415	\$ 6,729,873	\$ 13,462,662	\$ 13,473,918	\$ 3,291,488	\$ 3,011,304
Operating Grants & Contributions	11,547,852	11,277,934	-	-	11,547,852	11,277,934	64,028,772	56,521,470
General Revenues								
Real Estate & Personal Property	59,049,060	68,137,163	-	-	59,049,060	68,137,163	-	-
Other Taxes	26,687,886	26,026,607	-	-	26,687,886	26,026,607	-	-
Payments from Primary Government	-	-	-	-	-	-	76,812,331	68,495,702
Non-restricted Grants	13,613,912	14,585,024	-	-	13,613,912	14,585,024	-	-
Use of Money and Property	3,352,277	1,650,232	1,366,844	1,051,814	4,719,121	2,702,046	1,047,746	1,045,819
Miscellaneous	1,361,632	2,720,753	33,810	22,794	1,395,442	2,743,547	1,620,216	1,030,652
Total Revenues	\$ 122,211,866	\$ 131,141,758	\$ 8,264,069	\$ 7,804,481	\$ 130,475,935	\$ 138,946,239	\$ 146,800,553	\$ 130,104,947
Expenses:								
General Government	\$ 5,217,730	\$ 5,114,673	\$ -	\$ -	\$ 5,217,730	\$ 5,114,673	\$ -	\$ -
Judicial Administration	3,081,145	2,669,148	-	-	3,081,145	2,669,148	-	-
Public Safety	21,222,717	18,266,892	-	-	21,222,717	18,266,892	-	-
Public Works	2,136,910	1,465,731	-	-	2,136,910	1,465,731	-	-
Health / Welfare	8,280,314	7,693,815	-	-	8,280,314	7,693,815	-	-
Education	76,872,596	68,968,848	-	-	76,872,596	68,968,848	130,922,844	105,666,593
Parks, Recreation & Culture	5,506,804	4,832,855	-	-	5,506,804	4,832,855	-	-
Community Development	2,698,126	2,474,162	-	-	2,698,126	2,474,162	-	-
Interest on Long-term Debt	6,486,553	5,609,353	-	-	6,486,553	5,609,353	-	-
Landfill Operations	-	-	6,068,374	5,077,016	6,068,374	5,077,016	-	-
Industrial Development Authority	-	-	-	-	-	-	159,739	7,970
Total Expenses	\$ 131,502,895	\$ 117,095,477	\$ 6,068,374	\$ 5,077,016	\$ 137,571,269	\$ 122,172,493	\$ 131,082,583	\$ 105,674,563
Change in Net Assets	\$ (9,291,029)	\$ 14,046,281	\$ 2,195,695	\$ 2,727,465	\$ (7,095,334)	\$ 16,773,746	\$ 15,717,970	\$ 24,430,384
Net Assets, July 1, 2006, as restated	60,224,538	46,178,257	34,627,326	31,899,861	94,851,864	78,078,118	70,749,083	46,318,699
Net Assets, June 30, 2007	\$ 50,933,509	\$ 60,224,538	\$ 36,823,021	\$ 34,627,326	\$ 87,756,530	\$ 94,851,864	\$ 86,467,053	\$ 70,749,083

Revenues:

- **Governmental Activities:** For the fiscal year ended June 30, 2007, revenues from governmental activities totaled \$122,211,866. Property tax revenues, which include real estate tax revenues and the local paid portion of personal property taxes account for approximately \$59 million of the total revenues received. The amount of personal property taxes paid by the State under the provisions of PPTRA are included in nonrestricted grants.

Other local taxes include sales tax, utilities tax, gross receipts tax, business license, bank stock taxes, franchise tax, hotel and meals tax, and motor vehicle licenses. This category increased over last fiscal year by \$661,279.

- **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 \$2.2 million in FY07. 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.
- **Component Units:** Program revenues would include direct revenues such as charges for services and operating grants. Operating grants include state and federal funding that is primarily comprised of categorical funding.

Expenses:

- **Governmental Activities:** For the fiscal year ended June 30, 2007, expenses related to governmental activities totaled \$131,502,895. Net assets related to governmental activities decreased by \$9.3 million. The expenditures for education reflect an adjustment for unexpended bond proceeds, school board fixed asset activity, and depreciation.

Financial Analysis of the Fund Financial Statements:

- **Governmental Funds:** Reported combined ending fund balance is \$53,043,745, a decrease of \$10,451,809 in comparison with the prior year. A large part of the decrease in fund balance can be attributed to capital project spending of \$14,273,970 with bond funds received in the prior year for the projects. Approximately 77% (\$41,212,142) of the combined ending fund balance is unreserved, which is available for spending at the government's discretion. The FY08 budget appropriates \$6.5 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 (\$1,453,661) of the prior period and subsequent years expenditures, (2) non-current loans and capital projects (\$2,483,677), (3) debt service (\$352,345), (4) historical markers and prepaid items (\$4,281), and (5) employee benefits (\$93,121).

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

-- The General Fund is the chief operating fund of the County of Frederick. The fund balance of the County's General Fund increased by \$3,070,607 during the 2006-07 fiscal year. Some key factors were:

- Unbudgeted revenue for interest on investments of \$1,716,417.
- Unbudgeted Business License tax of \$407,236.
- Unbudgeted Real Estate Property Taxes of \$2,356,584.

-- The Capital Projects Fund accounts for financial resources for the acquisition or construction of major capital facilities. The fund balance of the Capital Projects Fund decreased by \$13,506,263 during the 2006-07 fiscal year. The decrease is attributable to payments for construction contracts related to the construction of a new public safety building.

- **Proprietary Funds:** The County's proprietary funds consist of the landfill fund and internal service funds. The Landfill Fund is operated like a business (enterprise) fund and the internal service funds include the County's Health Insurance, Central Stores, Unemployment, and Volunteer Fire and Rescue Funds. The Landfill Fund reflected an increase in net assets of \$2,195,695, while the Internal Service Funds recognized an increase in net assets in the amount of \$328,768. The Landfill Fund purchased capital assets in the amount of \$5,864,552 and posted operating income of \$828,851. The Internal Service Funds had operating income of \$194,595.

General Budgetary Highlights:

Differences between the original budget and the final budget of the general fund resulted in an increase of \$24,228,384 in additional appropriations. Highlights of the budget amendments are as follows:

- \$17,475,000 in budget amendments for school construction finances with long-term debt.
- \$121,688 in budget amendments for the maintenance expenses at the new Public Safety Building.
- \$284,571 in budget amendments for completion of a sewer line and pump station at Clearbrook Park.
- \$328,650 in carry-forward funds for the Clearbrook Convenience Center completion.
- \$87,663 in budget amendments for the completion of a bike/pedestrian trail along Warrior Drive.
- \$84,298 in budget amendments for the County share of Airport capital projects.
- \$25,320 in budget amendments for June 2007 primary election expenses.
- \$30,000 in budget amendments for an engineering study at Sunnyside.

Capital Assets:

At the end of the Fiscal Year 2007, Governmental Activities had invested \$144,167,245 and the Component Unit School Board had invested \$77,786,320 in capital assets net of depreciation. School Board capital assets are jointly owned by the County (Primary Government) and the Component Unit School Board to the extent of the proportion of general obligation debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. The County and School Board have no infrastructure capital assets, such as roads and bridges, because all such items have been transferred to and are maintained by the Commonwealth of Virginia. The following two schedules reflect the capital assets of the Governmental Activities and Component Unit School Board. Additional information on capital assets can be found in Note 8 in this report.

Capital Assets

	Governmental Activities		Business Activities		Total	
	2007	2006	2007	2006	2007	2006
Capital Assets not being depreciated:						
Land and Land Improvements	\$ 2,239,759	\$ 1,408,159	\$ 2,338,875	\$ 2,338,875	\$ 4,578,634	\$ 3,747,034
Construction in Progress	19,334,641	5,126,649	4,947,478	2,520,131	24,282,119	7,646,780
School Construction in Progress	30,584,227	24,431,655	-	-	30,584,227	24,431,655
Total Capital Assets not being depreciated	\$ 52,158,627	\$ 30,966,463	\$ 7,286,353	\$ 4,859,006	\$ 59,444,980	\$ 35,825,469
Other Capital Assets:						
Building and Improvements	\$ 22,376,383	\$ 21,814,489	\$ 650,222	\$ 650,222	\$ 23,026,605	\$ 22,464,711
Landfill Improvements	-	-	18,350,851	15,293,438	18,350,851	15,293,438
School Building & Improvements	84,964,030	89,378,764	-	-	84,964,030	89,378,764
Furniture, Equipment & Vehicles	8,518,038	8,104,091	4,665,496	4,363,779	13,183,534	12,467,870
Total Other Capital Assets	\$ 115,858,451	\$ 119,297,344	\$23,666,569	\$20,307,439	\$139,525,020	\$ 139,604,783
Less: Accumulated Depreciation	23,849,833	19,686,225	13,400,748	11,894,541	37,250,581	31,580,766
Net Capital Assets	\$ 144,167,245	\$ 130,577,582	\$17,552,174	\$13,271,904	\$161,719,419	\$ 143,849,486

Component Unit School Board Capital Assets

	2007	2006
Capital Assets not being depreciated:		
Land and Land Improvements	\$ 4,756,352	\$ 4,756,352
Construction in Progress	30,602,540	24,449,968
Construction in Progress Allocated to County	(30,584,227)	(24,431,655)
Total Capital Assets not being depreciated	<u>\$ 4,774,665</u>	<u>\$ 4,774,665</u>
Other Capital Assets:		
Building and Improvements	\$183,335,618	\$ 170,894,863
School Buildings and Improvements allocated to County	(84,964,030)	(89,378,764)
Furniture, Equipment & Vehicles	33,160,550	30,719,239
Total Other Capital Assets	<u>\$131,532,138</u>	<u>\$ 112,235,338</u>
Less: Accumulated Depreciation	<u>58,520,483</u>	<u>54,878,947</u>
Net Capital Assets	<u><u>\$ 77,786,320</u></u>	<u><u>\$ 62,131,056</u></u>

Long-Term Obligations:

General Fund revenues are used to pay all long-term general obligation debt, General Fund capital leases, and the School Board Early Retirement Incentive Obligation.

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2007.

	July 1, 2006	Increase	Decrease	June 30, 2007
Lease Revenue Bonds Payable	\$ 26,770,000	\$ -	\$ 510,000	\$ 26,260,000
General Obligation Bonds:				
Library	3,833,087	-	156,020	3,677,067
School	103,582,246	10,200,000	7,378,983	106,403,263
Add deferred amount for issuance premiums	3,603,720	385,200	384,769	3,604,151
Less deferred amount on refunding	(341,192)	-	(64,171)	(277,021)
Total School General Obligation Bonds	<u>\$106,844,774</u>	<u>\$ 10,585,200</u>	<u>\$ 7,699,581</u>	<u>\$ 109,730,393</u>
State Literary Fund Loans:				
School	10,228,173	-	1,083,179	9,144,994
Intergovernmental Loans	313,128	4,957,730	4,895,051	375,807
Capital Leases	46,136	-	36,704	9,432
Compensated Absences	2,346,490	1,820,444	1,642,543	2,524,391
Total	<u><u>\$150,068,660</u></u>	<u><u>\$ 17,363,374</u></u>	<u><u>\$16,023,078</u></u>	<u><u>\$ 151,722,084</u></u>

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

Contacting the Finance Department:

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

Basic Financial Statements:
- Government-wide Financial Statements -

COUNTY OF FREDERICK, VIRGINIA

Statement of Net Assets
At June 30, 2007

	Governmental Activities	Business-Type Activities	Total	Component Units	
				School Board	Industrial Development Authority
Assets:					
Cash and cash equivalents	\$ 49,174,520	\$ 28,987,460	\$ 78,161,980	\$ 24,205,565	\$ 106,203
Receivables, net	6,630,081	661,434	7,291,515	307,869	2,122
Due from other governments	8,902,818	-	8,902,818	3,198,187	-
Intergovernmental loan	875,994	-	875,994	-	-
Prepaid expenses	3,594	-	3,594	-	1,995
Unamortized debt issuance costs	423,248	-	423,248	-	-
Capital assets:					
Land and construction in progress	52,158,627	7,286,353	59,444,980	4,774,665	-
Other capital assets, net of accumulated depreciation	92,008,618	10,265,821	102,274,439	73,011,655	-
Capital assets, net	\$ 144,167,245	\$ 17,552,174	\$ 161,719,419	\$ 77,786,320	\$ -
Total assets	\$ 210,177,500	\$ 47,201,068	\$ 257,378,568	\$ 105,497,941	\$ 110,320
Liabilities:					
Accounts payable and accrued expenses	\$ 961,474	\$ 420,898	\$ 1,382,372	\$ 16,764,253	\$ 103
Accrued interest payable	2,841,140	-	2,841,140	-	-
Claims payable	375,807	-	375,807	805,933	-
Unearned revenue	1,880,506	-	1,880,506	-	-
Amounts held for others	1,838,787	-	1,838,787	-	-
Long-term liabilities:					
Due within one year	11,770,015	88,586	11,858,601	890,292	-
Due in more than one year	139,576,262	9,868,563	149,444,825	680,627	-
Total liabilities	\$ 159,243,991	\$ 10,378,047	\$ 169,622,038	\$ 19,141,105	\$ 103
Net Assets:					
Invested in capital assets, net of related debt	\$ 24,916,051	\$ 17,552,174	\$ 42,468,225	\$ 77,786,320	\$ -
Unrestricted	26,017,458	19,270,847	45,288,305	8,570,516	110,217
Total net assets	\$ 50,933,509	\$ 36,823,021	\$ 87,756,530	\$ 86,356,836	\$ 110,217

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, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	School Board	Industrial Development Authority
Primary Government									
Governmental activities									
General government	\$ 5,217,730	\$ -	\$ 891,498	\$ -	\$ (4,326,232)	\$ -	\$ (4,326,232)	\$ -	\$ -
Judicial administration	3,081,145	1,730,282	673,314	-	(677,549)	-	(677,549)	-	-
Public safety	21,222,717	92,759	3,383,912	-	(17,746,046)	-	(17,746,046)	-	-
Public works	2,136,910	3,269,199	12,300	-	1,144,589	-	1,144,589	-	-
Health and welfare	8,280,314	-	4,588,471	-	(3,691,843)	-	(3,691,843)	-	-
Education	76,872,596	-	1,998,357	-	(74,874,239)	-	(74,874,239)	-	-
Parks, recreation and cultural	5,506,804	1,496,265	-	-	(4,010,539)	-	(4,010,539)	-	-
Community development	2,698,126	10,742	-	-	(2,687,384)	-	(2,687,384)	-	-
Interest on long-term debt	6,486,553	-	-	-	(6,486,553)	-	(6,486,553)	-	-
Total governmental activities	\$ 131,502,895	\$ 6,599,247	\$ 11,547,852	\$ -	\$ (113,355,796)	\$ -	\$ (113,355,796)	\$ -	\$ -
Business type activities									
Landfill operations	6,068,374	6,863,415	-	-	-	795,041	795,041	-	-
Total Primary Government	\$ 137,571,269	\$ 13,462,662	\$ 11,547,852	\$ -	\$ (113,355,796)	\$ 795,041	\$ (112,560,755)	\$ -	\$ -
Component Units									
Frederick County Public Schools	\$ 130,922,844	\$ 3,206,554	\$ 64,028,772	\$ -			\$ (63,687,518)	\$ -	
Frederick County Industrial Development Authority	159,739	84,934	-	-			-	(74,805)	
Total Component Units	\$ 131,082,583	\$ 3,291,488	\$ 64,028,772	\$ -			\$ (63,687,518)	\$ (74,805)	
General Revenues									
Taxes:									
General property taxes, real and personal					\$ 59,049,060	\$ -	\$ 59,049,060	\$ -	\$ -
Local sales and use taxes					10,387,530	-	10,387,530	-	-
Business licenses tax					5,307,237	-	5,307,237	-	-
Consumer utility taxes					3,378,207	-	3,378,207	-	-
Lodging taxes					3,300,415	-	3,300,415	-	-
Motor vehicle licenses tax					1,895,034	-	1,895,034	-	-
Taxes on recordation and wills					2,188,564	-	2,188,564	-	-
Other taxes					230,899	-	230,899	-	-
Payment from County of Frederick:									
Education					-	-	-	76,812,331	-
Grants and contributions not restricted to specific programs					13,613,912	-	13,613,912	-	-
Unrestricted use of money and property					3,352,277	1,366,844	4,719,121	1,041,791	5,955
Miscellaneous					1,361,632	33,810	1,395,442	1,620,216	-
Total general revenues					\$ 104,064,767	\$ 1,400,654	\$ 105,465,421	\$ 79,474,338	\$ 5,955
Change in net assets					\$ (9,291,029)	\$ 2,195,695	\$ (7,095,334)	\$ 15,786,820	\$ (68,850)
Net assets, beginning of year					60,224,538	34,627,326	94,851,864	70,570,016	179,067
Net assets, end of year					\$ 50,933,509	\$ 36,823,021	\$ 87,756,530	\$ 86,356,836	\$ 110,217

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

Basic Financial Statements:
- Fund Financial Statements -

COUNTY OF FREDERICK, VIRGINIA

Balance Sheet
Governmental Funds
At June 30, 2007

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>School Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 37,881,167	\$ 2,757,943	\$ 352,345	\$ 4,784,747	\$ 45,776,202
Property taxes receivable, net	3,233,763	-	-	831,730	4,065,493
Business licenses receivable	1,055,816	-	-	-	1,055,816
Accounts receivable	1,497,026	-	-	2,936	1,499,962
Due from other governments	8,902,818	-	-	-	8,902,818
Intergovernmental loan	875,994	-	-	-	875,994
Prepaid items	3,594	-	-	-	3,594
	<u>53,450,178</u>	<u>2,757,943</u>	<u>352,345</u>	<u>5,619,413</u>	<u>62,179,879</u>
Total	\$ 53,450,178	\$ 2,757,943	\$ 352,345	\$ 5,619,413	\$ 62,179,879
Liabilities					
Accounts payable and accrued liabilities	\$ 793,460	\$ 15,339	\$ -	\$ 103,665	\$ 912,464
Amounts held for others	1,838,787	-	-	-	1,838,787
Deferred revenue - business licenses	1,055,816	-	-	-	1,055,816
Deferred revenue - prepaid taxes	1,853,680	-	-	26,826	1,880,506
Deferred revenue - property taxes	2,660,524	-	-	788,037	3,448,561
	<u>8,202,267</u>	<u>15,339</u>	<u>-</u>	<u>918,528</u>	<u>9,136,134</u>
Total	\$ 8,202,267	\$ 15,339	\$ -	\$ 918,528	\$ 9,136,134
Fund Balance					
Reserved for:					
Prepaid items	\$ 3,594	\$ -	\$ -	\$ -	\$ 3,594
Encumbrances	1,453,661	-	-	-	1,453,661
Non-current loans	875,994	-	-	-	875,994
Capital projects	1,607,683	-	-	-	1,607,683
Employee benefits	93,121	-	-	-	93,121
Historical markers	687	-	-	-	687
Economic development	1,029	-	-	-	1,029
Unreserved:					
Designated:					
Debt service	-	-	352,345	-	352,345
Subsequent year's expenditures:					
Special Revenue Funds	-	-	-	3,968,620	3,968,620
Capital projects	-	2,742,604	-	732,265	3,474,869
Unreserved/undesignated	41,212,142	-	-	-	41,212,142
	<u>45,247,911</u>	<u>2,742,604</u>	<u>352,345</u>	<u>4,700,885</u>	<u>53,043,745</u>
Total fund balance	\$ 45,247,911	\$ 2,742,604	\$ 352,345	\$ 4,700,885	\$ 53,043,745
Total	\$ 53,450,178	\$ 2,757,943	\$ 352,345	\$ 5,619,413	\$ 62,179,879

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, 2007

Total fund balances for governmental funds (Exhibit 3) \$ 53,043,745

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	\$ 2,239,759	
Construction in progress	49,918,868	
Buildings and improvements, net of depreciation	15,891,606	
Equipment, net of depreciation	2,235,776	
School Board capital assets, net of depreciation	<u>73,881,236</u>	
Total capital assets		144,167,245

Debt issuance costs net of amortization 423,248

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: 2,982,311

Some of the County's taxes and business licenses will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore are reported as deferred revenue in the funds. 4,504,377

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

Accrued interest on debt	\$ (2,841,140)	
Bonds, notes and capital leases payable	(145,494,756)	
Unamortized bond premium	(3,604,151)	
Unamortized defeasance costs	277,021	
Compensated absences	<u>(2,524,391)</u>	
Total		<u>(154,187,417)</u>

Total net assets of governmental activities (Exhibits 1 and 2) \$ 50,933,509

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, 2007

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>School Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 63,739,261	\$ -	\$ -	\$ 663,847	\$ 64,403,108
Other local taxes	26,687,886	-	-	-	26,687,886
Permits, privilege fees and regulatory licenses	3,290,254	-	-	-	3,290,254
Fines and forfeitures	227,693	-	-	-	227,693
Use of money and property	2,379,338	667,597	-	171,169	3,218,104
Charges for services	2,347,528	-	-	733,772	3,081,300
Miscellaneous	390,956	-	-	1,013,836	1,404,792
Recovered costs	2,239,984	-	-	326,728	2,566,712
Intergovernmental:					
Revenue from the Commonwealth	18,889,896	-	1,998,357	1,351,513	22,239,766
Revenue from the Federal Government	2,921,998	-	-	-	2,921,998
Total revenues	\$ 123,114,794	\$ 667,597	\$ 1,998,357	\$ 4,260,865	\$ 130,041,613
Expenditures					
Current:					
General government administration	\$ 6,583,607	\$ -	\$ -	\$ -	\$ 6,583,607
Judicial administration	2,102,981	-	-	1,265,290	3,368,271
Public safety	21,011,083	-	-	-	21,011,083
Public works	3,619,922	-	-	-	3,619,922
Health and welfare	6,095,035	-	-	2,168,871	8,263,906
Education - local community college	60,265	-	-	-	60,265
Education - public school system	69,196,158	-	-	-	69,196,158
Parks, recreation and cultural	5,172,402	-	-	-	5,172,402
Community development	2,596,799	-	-	1,139,896	3,736,695
Capital projects	-	14,273,970	-	-	14,273,970
Debt service:					
Principal payments	702,723	-	8,462,163	-	9,164,886
Interest and fiscal charges	422,609	1,111,817	5,093,031	-	6,627,457
Total expenditures	\$ 117,563,584	\$ 15,385,787	\$ 13,555,194	\$ 4,574,057	\$ 151,078,622
Excess (deficiency) of revenues over expenditures	\$ 5,551,210	\$ (14,718,190)	\$ (11,556,837)	\$ (313,192)	\$ (21,037,009)
Other financing sources (uses)					
Long-term debt issued	\$ 10,200,000	\$ -	\$ -	\$ -	\$ 10,200,000
Bond premium	385,200	-	-	-	385,200
Transfers in	-	1,211,927	11,853,876	-	13,065,803
Transfers out	(13,065,803)	-	-	-	(13,065,803)
Total other financing sources (uses)	\$ (2,480,603)	\$ 1,211,927	\$ 11,853,876	\$ -	\$ 10,585,200
Net change in fund balance	\$ 3,070,607	\$ (13,506,263)	\$ 297,039	\$ (313,192)	\$ (10,451,809)
Fund balance, beginning of year	42,177,304	16,248,867	55,306	5,014,077	63,495,554
Fund balance, end of year	\$ 45,247,911	\$ 2,742,604	\$ 352,345	\$ 4,700,885	\$ 53,043,745

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, 2007

Net change in fund balances - total governmental funds (Exhibit 5) \$ (10,451,809)

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.

Capital outlay	\$ 20,329,078	
Depreciation	(5,069,534)	
Net adjustment		15,259,544

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

(7,616,173)

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.

(5,354,048)

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.

Debt issued:		
General obligation school bonds	\$ (10,200,000)	
Premium on debt:		
School bonds	(385,200)	
Repayments:		
Lease revenue bonds	510,000	
General obligation library bonds	156,020	
General obligation school bonds	7,378,983	
State Literary Fund loans	1,083,179	
Capital leases	36,704	
Net adjustment		(1,420,314)

Change in School bond proceeds for which capital assets have not been constructed or acquired.

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	\$ (177,901)	
Amortization of debt premium	384,769	
Amortization of advanced refunding defeasance costs	(64,171)	
Accrued interest on bonds and loans	(179,694)	
Net adjustment		(36,997)

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.

328,768

Change in net assets of governmental activities (Exhibit 2) \$ (9,291,029)

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, 2007

	Business-Type Activities - Enterprise Fund	Governmental Activities
	Landfill Fund	Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	\$ 28,987,460	\$ 3,398,318
Receivables, net	661,434	8,810
Total current assets	<u>\$ 29,648,894</u>	<u>\$ 3,407,128</u>
Noncurrent assets:		
Capital assets:		
Land	\$ 2,338,875	-
Construction in progress	4,947,478	-
Other capital assets, net of accumulated depreciation	10,265,821	-
Total noncurrent assets	<u>\$ 17,552,174</u>	<u>\$ -</u>
Total assets	<u>\$ 47,201,068</u>	<u>\$ 3,407,128</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 420,898	\$ 49,010
Compensated absences, current portion	88,586	-
Claims payable	-	375,807
Total current liabilities	<u>\$ 509,484</u>	<u>\$ 424,817</u>
Long-term liabilities:		
Compensated absences, noncurrent portion	\$ 37,965	-
Accrued landfill remediation costs	9,830,598	-
Total long-term liabilities	<u>\$ 9,868,563</u>	<u>\$ -</u>
Total liabilities	<u>\$ 10,378,047</u>	<u>\$ 424,817</u>
Net Assets:		
Invested in capital assets	\$ 17,552,174	-
Unrestricted	19,270,847	2,982,311
Total net assets	<u>\$ 36,823,021</u>	<u>\$ 2,982,311</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, 2007

	Business-Type Activities - Enterprise <u>Landfill Fund</u>	Governmental Activities <u>Internal Service Funds</u>
Operating revenues:		
Charges for services, net	\$ 6,863,415	\$ 5,566,646
Miscellaneous	33,810	-
Total operating revenues	<u>\$ 6,897,225</u>	<u>\$ 5,566,646</u>
Operating expenses:		
Personal services	\$ 1,020,891	\$ -
Fringe benefits	374,273	4,963,897
Contractual services	994,231	-
Other charges	2,094,697	408,154
Depreciation	1,584,282	-
Total operating expenses	<u>\$ 6,068,374</u>	<u>\$ 5,372,051</u>
Operating income (loss)	\$ 828,851	\$ 194,595
Nonoperating revenues:		
Investment earnings	<u>1,366,844</u>	<u>134,173</u>
Change in net assets	\$ 2,195,695	\$ 328,768
Total net assets, beginning of year	<u>34,627,326</u>	<u>2,653,543</u>
Total net assets, end of year	<u><u>\$ 36,823,021</u></u>	<u><u>\$ 2,982,311</u></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, 2007

	Business-Type Activities - Enterprise Landfill Fund	Governmental Activities Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 7,110,681	\$ -
Receipts from insured	-	5,147,555
Receipts from services	-	415,978
Other receipts	33,810	-
Payments to employees	(1,385,225)	-
Payments to suppliers	(2,161,149)	(5,297,181)
Other payments	-	(2,756)
Net cash provided by (used in) operating activities	<u>\$ 3,598,117</u>	<u>\$ 263,596</u>
Cash flows from investing activities		
Investment earnings	<u>\$ 1,366,844</u>	<u>\$ 131,933</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	<u>\$ (5,864,552)</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (899,591)</u>	<u>\$ 395,529</u>
Cash and cash equivalents, beginning of year	<u>29,887,051</u>	<u>3,002,789</u>
Cash and cash equivalents, end of year	<u><u>\$ 28,987,460</u></u>	<u><u>\$ 3,398,318</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 828,851	\$ 194,595
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,584,282	-
Changes in assets and liabilities:		
Receivables	247,266	(3,113)
Accounts payable and accrued expenses	(217,511)	9,435
Claims payable	9,939	62,679
Increase in accrued landfill costs	<u>1,145,290</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u><u>\$ 3,598,117</u></u>	<u><u>\$ 263,596</u></u>

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Fiduciary Net Assets

At June 30, 2007

	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 23,148	\$ 5,351,839
Receivables	-	271,579
Due from other governmental units	-	2,766,334
	<u> </u>	<u> </u>
Total assets	\$ 23,148	\$ 8,389,752
	<u> </u>	<u> </u>
Liabilities:		
Accounts payable	\$ -	\$ 959,905
Amounts held for others	-	7,429,847
	<u> </u>	<u> </u>
Total liabilities	\$ -	\$ 8,389,752
	<u> </u>	<u> </u>
Net Assets	<u> </u> \$ 23,148	<u> </u> \$ -

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2007

		Private Purpose Trust Funds
Additions:		
Investment earnings	\$	995
Deductions:		
Education		414
Change in net assets	\$	581
Net assets, beginning of year		<u>22,567</u>
Net assets, end of year	\$	<u><u>23,148</u></u>

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, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

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

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

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

A. Financial Reporting Entity

Management's Discussion and Analysis:

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

Government-wide Financial Statements:

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

Statement of Net Assets:

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2007 (Continued)

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

A. Financial Reporting Entity (Continued)

Statement of Program Activities:

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

Budgetary Comparison Schedules:

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

Inclusions in the Reporting Entity:

1. Component Units:

a. Frederick County School Board:

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2007 (Continued)

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

A. Financial Reporting Entity (Continued)

b. Frederick County Industrial Development Authority:

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

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

Exclusions from the Reporting Entity:

1. Jointly Governed Organizations:

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

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

- a. The Handley Regional Library Board provides library services to the Counties of Frederick and Clarke, and the City of Winchester. The participating localities provide annual contributions for operations based on usage of library services. The Library Board is composed of nine members, of which three are appointed by the County, five by the City of Winchester, and one by the County of Clarke. The County made operating grants of \$997,285 to the Library for fiscal 2007, and has no equity interest in the Library. The participating governments have no ongoing financial responsibility to fund the Library to assure its continued operations. The Library has a significant endowment trust.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2007 (Continued)

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

A. Financial Reporting Entity (Continued)

- b. The Northwestern Regional Jail Authority was created in 1987 to construct and operate the Clarke, Fauquier, Frederick, Winchester Regional Adult Detention Center. The Jail Authority charges on a per diem basis other localities and the federal government for their prisoners placed in the jail. The fourteen member board consists of four members each from the County of Frederick and City of Winchester, and three from the Counties of Clarke and Fauquier. The County and the other participants have no equity interest in the jail. The County made operating contributions of \$2,089,130 to the regional jail in fiscal 2007.
- 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 \$48,675 and capital grants of \$128,159 to the Authority in fiscal 2007.
- 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 2007.
- 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 \$197,942 for an operating grant to the Board in fiscal 2007.
- f. The Northwestern Regional Juvenile Detention Center was created by the Counties of Clarke, Frederick, Page, Shenandoah and Warren, and the City of Winchester. Each participant jurisdiction has one representative on the Center's Board of Directors, and the Clarke, Fauquier, Frederick, Winchester Jail Board has one representative on the Board. The City of Winchester serves as the Center's fiscal agent. The participating localities contribute annual operating grants to the Center, but do not retain an ongoing financial interest in the Center. The County of Frederick appropriated \$323,778 in operating grants to the Center in fiscal 2007.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2007 (Continued)

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

A. Financial Reporting Entity (Continued)

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

- Handley Regional Library, Picadilly and Braddock Streets, Winchester, Virginia 22604
- Northwestern Regional Jail Authority, c/o Frederick County Administrator, Frederick County Administration Bldg., 107 North Kent Street, Winchester, Virginia 22604
- Winchester Regional Airport, 491 Airport Road, Winchester, Virginia 22602
- Northwestern Community Services Board, 209 W. Criser Road, Front Royal, Virginia 22630
- Frederick-Winchester Service Authority, 107 North Kent Street, Winchester, Virginia 22604
- Northwestern Regional Juvenile Detention Center, c/o City of Winchester, City Hall, Winchester, Virginia 22604

2. Other Organizations:

The Frederick County Sanitation Authority was created by the Board of Supervisors to operate the County's water and sewer systems. The County appoints all six members of the Authority's Board of Directors. Other than making appointments to the Authority Board of Directors, the County is not involved with day-to-day management or rate setting processes. All obligations of the Authority are payable solely from and secured by revenues derived from the operation of the water and sewer systems. None of the obligations are issued against the credit of the County nor does the County have any legal or moral obligations to the holders of the bonds or notes. The County has made no contributions to the Authority for operations or capital asset acquisitions during fiscal year 2007. 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 present 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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2007 (Continued)

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

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health 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, 2007 (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 2007.

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.
 - 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, 2007 (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. This fund is considered a major fund for financial reporting purposes.
- d. Capital Projects Funds - Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. Capital Projects Funds include the following funds:
 - Detox Center Construction Fund - This fund accounts for resources and expenditures for the construction of detox facilities. Primary revenues consist of investment earnings. Funding for additional construction or renovation projects would be provided primarily by the Division of Court Services Fund revenues.
 - Administration Building Renovation Fund - This fund accounts for the renovation and improvements of the County's administration building. Financing is provided by General Fund revenues.
 - Capital Projects Fund - This fund accounts for all other renovation and improvements made to County buildings. Financing is provided by debt issuance and General Fund revenues. This fund is considered a major fund for financial reporting purposes.

2. Proprietary Funds:

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

- a. Enterprise or Business Funds - Enterprise or Business Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. The Enterprise Fund 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, 2007 (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, and gasoline. Revenue is derived from sales to user departments.
- Unemployment Fund - This fund accounts for unemployment obligations of the primary government. Revenue is derived from interfund transfers and investment earnings.
- Volunteer Fire and Rescue Fund - This fund accounts for length of service stipends to be paid to volunteer fire and rescue personnel. Revenue is derived from transfers from the General Fund.
- Maintenance Insurance Fund - This fund accounts for maintenance contracts. Revenue is derived from transfers from the General Fund.

3. Fiduciary Funds (Trust and Agency Funds):

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

a. Private Purpose Trust Funds:

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

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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2007 (Continued)

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

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

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2007 (Continued)

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

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

~ 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.

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

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the 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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements

As of June 30, 2007 (Continued)

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

C. Basis of Accounting (Continued)

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

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

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

D. Budgets and Budgetary Accounting

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

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

Encumbrances:

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is used as an extension of formal budgetary control in the primary government and component unit School Board. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2007 (Continued)

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

D. Budgets and Budgetary Accounting (Continued)

constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year. These encumbrances are subject to reappropriation by the Board of Supervisors in the succeeding fiscal year.

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings and open-houses are conducted to obtain citizen comments. Also, several work sessions between the Board of Supervisors and School Board were conducted on the School Board budget.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund function and departmental level. The appropriation for each fund, function and department can be revised only by the Board of Supervisors; however, the School Board is authorized to transfer budgeted amounts within the school system's categories. Supplemental appropriations in addition to the appropriated budget were necessary during the year. Supplemental appropriations may not be made without amending the budget.
5. The County legally adopted budgets for the following funds:
General, Division of Court Services, Shawneeland Sanitary District, School Operating, Consolidated 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 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, 2007, as adopted, appropriated and legally amended.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2007 (Continued)**

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

D. Budgets and Budgetary Accounting (Continued)

9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and at the function level for the School Board. State law requires that if budget amendments exceed 1% of the original adopted budget the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. There were no budget amendments during the year that exceeded the 1% or \$500,000 limitations. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

E. Investments

Investments are reported at fair value.

F. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$2,451,623 at June 30, 2007 and is composed of the following:

General Fund--taxes receivable	\$ 1,127,348
General Fund--street light assessments receivable	15,275
Shawneeland District--taxes receivable	1,225,000
Enterprise Fund--Landfill Fund--accounts receivable	84,000
Total	<u>\$ 2,451,623</u>

G. Prepaid Expenses

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

H. Capital Assets

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

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2007 (Continued)

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

H. Capital Assets (Continued)

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

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

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

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

Interest on cost of construction funds for the Proprietary Funds is capitalized where applicable. There was no interest capitalized in the year ended June 30, 2007.

I. Compensated Absences

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

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

The County's policy is to pay employees accrued vacation 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 General, Division of Court Services, and Shawneeland Sanitary District Funds are used to liquidate the County's compensated absences liabilities. The School Operating and School Cafeteria Funds are used to liquidate the School Board's compensated absences liabilities.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2007 (Continued)

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

J. Use of Estimates

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

K. Long-Term Obligations

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

L. Net Assets

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

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

All cash of the primary government and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. Under the 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. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments:

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

Custodial Credit Risk (Investments):

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2007 (Continued)**

NOTE 2 - DEPOSITS AND INVESTMENTS: (Continued)

Custodial Credit Risk (Investments): (Continued)

The County's investments at June 30, 2007 were held by the County or in the County's name by the County's custodial banks.

Credit Risk of Debt Securities:

The County's rated debt investments as of June 30, 2007 were rated by Standard & Poor's Corporation and the ratings are presented below using Standard & Poor's Corporation rating scale. The County does not currently have a policy relating to credit risk.

Locality's Rated Debt Investments' Values			
Rated Debt Investments	Fair Quality Ratings		
	AAA	AAAm	
U.S. Agencies	\$ 2,349,065	\$	-
Local Government Investment Pool	-		6,588,601
Virginia State Non-Arbitrage Fund	-		4,663,123
Money Market Mutual Fund	12,375,484		313
Total	\$ 14,724,549	\$	11,252,037

Interest Rate Risk:

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

Investment Maturities (in years)			
Investment Type	Fair Value	Less Than	
		1 Year	1-5 Years
U.S. Agencies	\$ 2,349,065	\$ -	2,349,065

External Investment Pools:

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

NOTE 3 - PROPERTY TAXES:

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2007 (Continued)**

NOTE 3 - PROPERTY TAXES: (Continued)

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 2006 were levied by the County Board of Supervisors on April 12, 2006, on the assessed value listed as of January 1, 2006.

Property taxes for calendar year 2007 were levied by the County Board of Supervisors on April 11, 2007, on the assessed value listed as of January 1, 2007.

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

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2007 consist of the following:

	Primary Government							
	Governmental Activities				Business- Type Activities	Component Units		
	General	Special Revenue	Internal Service	Total		School Board	Industrial Development Authority	Fiduciary Activities
Property taxes	\$ 4,361,111	\$2,056,730	\$ -	\$ 6,417,841	\$ -	\$ -	\$ -	\$ -
Business licenses	1,210,597	-	-	1,210,597	-	-	-	-
Airport funds	35,418	-	-	35,418	-	-	-	-
Utility taxes	236,820	-	-	236,820	-	-	-	-
Meals taxes	330,960	-	-	330,960	-	-	-	-
Lodging taxes	36,207	-	-	36,207	-	-	-	-
Landfill fees	112,968	-	-	112,968	745,434	-	-	-
Prisoner fees	-	-	-	-	-	-	-	183,400
Interest	535,596	-	-	535,596	-	-	-	-
Street lights	15,275	-	-	15,275	-	-	-	-
Other	54,276	2,936	8,810	66,022	-	307,869	2,122	88,179
Total	\$ 6,929,228	\$2,059,666	\$ 8,810	\$ 8,997,704	\$745,434	\$ 307,869	\$ 2,122	\$271,579
Allowance for uncollectibles	(1,142,623)	(1,225,000)	-	(2,367,623)	(84,000)	-	-	-
Net receivables	\$ 5,786,605	\$ 834,666	\$ 8,810	\$ 6,630,081	\$661,434	\$ 307,869	\$ 2,122	\$271,579

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2007 (Continued)**

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS:

	Governmental Activities				Business- Type Activities	Component Units		
	General	Special Revenue	Internal Service	Total		School Board	Industrial Development Authority	Fiduciary Activities
Commonwealth of Virginia:								
Local sales taxes	\$1,745,521	\$ -	\$ -	\$1,745,521	\$ -	\$ -	\$ -	\$1,769,130
Shared expenses and grants	7,157,297	-	-	7,157,297	-	-	-	-
State school funds	-	-	-	-	-	1,870,341	-	-
Federal pass-through school funds	-	-	-	-	-	1,327,846	-	-
Airport	-	-	-	-	-	-	-	11,644
Jail operations and costs	-	-	-	-	-	-	-	869,513
Federal government:								
Prisoner fees	-	-	-	-	-	-	-	116,047
Total	\$8,902,818	\$ -	\$ -	\$8,902,818	\$ -	\$3,198,187	\$ -	\$2,766,334

NOTE 6 - INTERFUND BALANCES AND ACTIVITY:

Primary Government:

Balances due to/from other funds at June 30, 2007:

There were no interfund obligations in the primary government.

Transfers to/from other funds:

Transfers to the School Debt Service Fund to pay school debt service and related costs	\$ 11,853,876
Transfers to the Capital Projects Fund from the General Fund for various building costs	1,211,927
Total transfers	<u>\$ 13,065,803</u>

Component Unit School Board:

Transfers from the School Operating Fund to the School Textbook Fund to provide funding for future textbook purchases	<u>\$ 517,662</u>
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There were no interfund obligations in the component unit School Board.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2007 (Continued)**

NOTE 7 - INTERGOVERNMENTAL LOANS:

Frederick County Sanitation Authority:

The County has made loans to the Frederick County Sanitation Authority. The loans shall bear interest at the rate of 5% per annum, for a term of 20 years beginning July 1, 1989.	\$ 152,492
Interest accrued through June 30, 2007	<u>723,502</u>
Total	<u><u>\$ 875,994</u></u>

NOTE 8 - CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2007.

Governmental Activities

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets not being depreciated:				
Land and land improvements	\$ 1,408,159	\$ 831,600	\$ -	\$ 2,239,759
Construction in progress	5,126,649	14,414,684	206,692	19,334,641
School construction in progress allocated to County *	24,431,655	18,035,538	11,882,966	30,584,227
Total capital assets not being depreciated	<u>\$ 30,966,463</u>	<u>\$ 33,281,822</u>	<u>\$ 12,089,658</u>	<u>\$ 52,158,627</u>
Other capital assets:				
Buildings and improvements	\$ 21,814,489	\$ 561,894	\$ -	\$ 22,376,383
School buildings and improvements *	89,378,764	4,047,428	8,462,162	84,964,030
Furniture, equipment and vehicles	8,104,091	1,089,306	675,359	8,518,038
Total other capital assets	<u>\$ 119,297,344</u>	<u>\$ 5,698,628</u>	<u>\$ 9,137,521</u>	<u>\$ 115,858,451</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 5,926,242	\$ 558,535	\$ -	\$ 6,484,777
School buildings and improvements *	7,675,075	3,681,446	273,727	11,082,794
Furniture, equipment and vehicles	6,084,908	829,553	632,199	6,282,262
Total accumulated depreciation	<u>\$ 19,686,225</u>	<u>\$ 5,069,534</u>	<u>\$ 905,926</u>	<u>\$ 23,849,833</u>
Other capital assets, net	<u>\$ 99,611,119</u>	<u>\$ 629,094</u>	<u>\$ 8,231,595</u>	<u>\$ 92,008,618</u>
Net capital assets	<u><u>\$ 130,577,582</u></u>	<u><u>\$ 33,910,916</u></u>	<u><u>\$ 20,321,253</u></u>	<u><u>\$ 144,167,245</u></u>
Depreciation expense was allocated as follows:				
General government administration		\$ 281,101		
Judicial administration		140,650		
Public safety		491,946		
Public works		123,142		
Health and welfare		22,761		
Education		3,681,446		
Parks, recreation and cultural		313,824		
Community development		14,664		
Total depreciation expense		<u><u>\$ 5,069,534</u></u>		

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2007 (Continued)**

NOTE 8 - CAPITAL ASSETS: (Continued)

Component Unit School Board

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets not being depreciated:				
Land and land improvements	\$ 4,756,352	\$ -	\$ -	\$ 4,756,352
Construction in progress	24,449,968	18,035,538	11,882,966	30,602,540
Construction in progress allocated to County *	(24,431,655)	(18,035,538)	(11,882,966)	(30,584,227)
Total capital assets not being depreciated	<u>\$ 4,774,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,774,665</u>
Other capital assets:				
Buildings and improvements	\$ 170,894,863	\$ 12,440,755	\$ -	\$ 183,335,618
School buildings and improvements allocated to County *	(89,378,764)	(4,047,428)	(8,462,162)	(84,964,030)
Furniture, equipment and vehicles	30,719,239	2,690,644	249,333	33,160,550
Total other capital assets	<u>\$ 112,235,338</u>	<u>\$ 11,083,971</u>	<u>\$ (8,212,829)</u>	<u>\$ 131,532,138</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 46,695,051	\$ 4,613,811	\$ -	\$ 51,308,862
School buildings and improvements allocated to County *	(7,675,075)	(3,681,446)	(273,727)	(11,082,794)
Furniture, equipment and vehicles	15,858,971	2,435,444	-	18,294,415
Total accumulated depreciation	<u>\$ 54,878,947</u>	<u>\$ 3,367,809</u>	<u>\$ (273,727)</u>	<u>\$ 58,520,483</u>
Other capital assets, net	<u>\$ 57,356,391</u>	<u>\$ 7,716,162</u>	<u>\$ (7,939,102)</u>	<u>\$ 73,011,655</u>
Net capital assets	<u>\$ 62,131,056</u>	<u>\$ 7,716,162</u>	<u>\$ (7,939,102)</u>	<u>\$ 77,786,320</u>
Depreciation expense allocated to education		<u>\$ 3,367,809</u>		

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

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

Net capital assets	\$ 144,167,245
Long-term debt applicable to capital assets at June 30, 2007	119,251,194
Net assets invested in capital assets, less related debt	<u>\$ 24,916,051</u>

Business Type Activities

Landfill Operations

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets not being depreciated:				
Land and land improvements	\$ 2,338,875	\$ -	\$ -	\$ 2,338,875
Construction in progress	2,520,131	4,762,016	2,334,669	4,947,478
Total capital assets not being depreciated	<u>\$ 4,859,006</u>	<u>\$ 4,762,016</u>	<u>\$ 2,334,669</u>	<u>\$ 7,286,353</u>
Other capital assets:				
Buildings and improvements	\$ 650,222	\$ -	\$ -	\$ 650,222
Landfill improvements	15,293,438	3,057,413	-	18,350,851
Furniture, equipment and vehicles	4,363,779	379,792	78,075	4,665,496
Total other capital assets	<u>\$ 20,307,439</u>	<u>\$ 3,437,205</u>	<u>\$ 78,075</u>	<u>\$ 23,666,569</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 301,771	\$ 31,511	\$ -	\$ 333,282
Landfill improvements	9,156,287	1,080,899	-	10,237,186
Furniture, equipment and vehicles	2,436,483	471,872	78,075	2,830,280
Total accumulated depreciation	<u>\$ 11,894,541</u>	<u>\$ 1,584,282</u>	<u>\$ 78,075</u>	<u>\$ 13,400,748</u>
Other capital assets, net	<u>\$ 8,412,898</u>	<u>\$ 1,852,923</u>	<u>\$ -</u>	<u>\$ 10,265,821</u>
Net capital assets	<u>\$ 13,271,904</u>	<u>\$ 6,614,939</u>	<u>\$ 2,334,669</u>	<u>\$ 17,552,174</u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2007 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS:

General Fund revenues are used to pay all long-term general obligation debt, General Fund capital leases, and the School Board Early Retirement Incentive Obligation.

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2007.

	Amounts Payable July 1, 2006	Increases	Decreases	Amounts Payable June 30, 2007	Amounts Due Within One Year
Primary Government:					
Governmental activities:					
Lease revenue bonds payable	\$ 26,770,000	\$ -	\$ 510,000	\$ 26,260,000	\$ 915,000
General obligation bonds:					
Library	3,833,087	-	156,020	3,677,067	164,544
School	103,582,246	10,200,000	7,378,983	106,403,263	7,541,028
Add deferred amount for issuance premiums	3,603,720	385,200	384,769	3,604,151	398,557
Less deferred amount on refunding	(341,192)	-	(64,171)	(277,021)	(58,799)
Total School General obligation bonds	<u>\$ 106,844,774</u>	<u>\$ 10,585,200</u>	<u>\$ 7,699,581</u>	<u>\$ 109,730,393</u>	<u>\$ 7,880,786</u>
State Literary Fund loans:					
School	10,228,173	-	1,083,179	9,144,994	1,033,179
Claims	313,128	4,957,730	4,895,051	375,807	375,807
Capital leases	46,136	-	36,704	9,432	9,432
Compensated absences	2,346,490	1,820,444	1,642,543	2,524,391	1,767,074
Total governmental	<u>\$ 150,381,788</u>	<u>\$ 17,363,374</u>	<u>\$ 16,023,078</u>	<u>\$ 151,722,084</u>	<u>\$ 12,145,822</u>
Reconciliation to Exhibit 1:					
Claims				\$ 375,807	
Long-term liabilities due within one year				11,770,015	
Long-term liabilities due in more than one year				139,576,262	
Total long-term debt				<u>\$ 151,722,084</u>	
	Amounts Payable July 1, 2006	Increases	Decreases	Amounts Payable June 30, 2007	Amounts Due Within One Year
Business-type activities:					
Compensated absences	\$ 116,612	\$ 91,567	\$ 81,628	\$ 126,551	\$ 88,586
Accrued landfill remediation costs	8,685,308	1,145,290	-	9,830,598	-
Total business-type activities	<u>\$ 8,801,920</u>	<u>\$ 1,236,857</u>	<u>\$ 81,628</u>	<u>\$ 9,957,149</u>	<u>\$ 88,586</u>
Reconciliation to Exhibit 1:					
Long-term liabilities due within one year				\$ 88,586	
Long-term liabilities due in more than one year				9,868,563	
Total long-term debt				<u>\$ 9,957,149</u>	

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2007 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

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

Year Ending June 30,	Long-term Debt		Capital Leases	
	Principal	Interest	Principal	Interest
2008	\$ 9,653,751	\$ 6,869,721	\$ 9,432	\$ 10
2009	9,814,905	6,400,737	-	-
2010	9,659,647	5,909,027	-	-
2011	9,451,496	5,433,998	-	-
2012	8,983,188	4,979,387	-	-
2013-2017	40,083,107	18,802,548	-	-
2018-2022	32,413,446	9,950,892	-	-
2023-2027	15,515,784	3,891,356	-	-
2028-2032	5,100,000	1,865,107	-	-
2033-2036	4,810,000	584,250	-	-
Total	<u>\$ 145,485,324</u>	<u>\$ 64,687,023</u>	<u>\$ 9,432</u>	<u>\$ 10</u>

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

The cost of equipment under current capital leases is \$172,000.

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

Amount
Outstanding

Lease Revenue Bonds:

\$6,425,000 Industrial Development Authority refunding lease revenue bonds, issued December 1, 2001, interest at various rates from 2% to 5%, maturing in various annual installments, interest payable semiannually, through December 1, 2015 \$ 4,850,000

\$21,410,000 Industrial Development Authority refunding lease revenue bonds, issued April 15, 2006, interest at various rates from 4.5% to 5.25%, maturing in various annual installments, interest payable semiannually, through December 1, 2036 21,410,000

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 3,677,067

Total lease revenue and general obligation bonds \$ 29,937,067

General Obligation School Bonds:

\$2,010,000 School Bonds, 1990, issued September 1990, maturing in various annual installments of \$75,000 to \$120,000 through December 2010, interest at various rates \$ 470,000

\$5,350,000 School Bonds, 1993, issued April 1993, maturing in various installments of \$105,000 to \$280,000 through December 2010, interest at various rates 1,115,000

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2007 (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness: (continued)	Amount Outstanding
Governmental: (continued)	
<u>General Obligation School Bonds: (continued)</u>	
\$775,132 School Bonds, 1991, issued July 1991, maturing in various installments of \$25,400 to \$49,032 through July 15, 2011, interest at various rates from 4.85% to 6.6%	229,393
\$3,820,000 School Bonds, 1992, issued December 1992, maturing in various installments of \$115,000 to \$275,000 through June 15, 2013, interest at various rates from 5.1% to 8.1%	915,000
\$5,740,000 School Bonds, 1993, issued April 1993, maturing in various installments of \$180,000 to \$515,000 through June 15, 2013, interest at various rates from 5.1% to 5.5%	1,425,000
\$18,175,000 School Bonds, 1993 series B, issued December 1993, due in annual installments ranging from \$1,155,000 to \$465,000, interest at various interest rates from 6.31% to 6.8%	3,205,000
\$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	1,665,000
\$1,200,000 School Bonds, 1996 B, issued November 1996, maturing in annual installments of \$60,000 through July 15, 2017, interest at various rates from 5.1% to 5.6%	600,000
\$1,355,000 School Bonds, 1997 A, issued April 1997, maturing in annual installments of \$70,000 and \$65,000 through January 15, 2018, interest at various rates from 5.4% to 6.1%	725,000
\$3,200,000 School Bonds, 1998 A, issued April 1998, maturing in annual installments of \$160,000 through January 15, 2019, interest at various rates from 4.1% to 5.35%	1,920,000
\$4,650,000 School Bonds, issued April 1999, maturing in annual installments of \$236,000 to \$448,000 through January 2020, interest at 5%	3,005,000
\$4,100,000 School Bonds, issued November 1999, maturing in annual installments of \$205,000 through July 2019, interest at various rates from 5.62% to 6.10%	2,665,000
\$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%	12,600,000
\$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%	4,600,000
\$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%	6,705,000
\$3,315,000 School Bonds, issued November 7, 2002, maturing in annual installments of \$165,000 to \$170,000 through July 15, 2022, interest at 4.77%	2,640,000
\$3,782,296 School Bonds, issued November 7, 2002, maturing in annual installments of \$173,528 to \$215,784 through July 15, 2022, interest at 4.77%	3,078,870
\$12,655,000 School Bonds, issued May 15, 2003, maturing in annual installments of \$630,000 to \$635,000 through July 15, 2023, interest at 3.10% to 5.35%	10,750,000
\$5,980,000 School Bonds, issued November 6, 2003, maturing in annual installments of \$295,000 to \$300,000 through July 15, 2023, interest at 3.10% to 5.35%	5,080,000

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2007 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness: (continued)	Amount
Governmental: (continued)	<u>Outstanding</u>
<u>General Obligation School Bonds:</u> (continued)	
\$8,580,000 School Bonds, issued May 13, 2004, maturing in annual installments of \$425,000 to \$430,000 through July 15, 2024, interest at 5.10%	7,720,000
\$8,550,000 School Bonds, issued October 15, 2004, maturing in annual installments of \$425,000 to \$430,000 through January 15, 2025, interest at 4.10% to 5.60%	7,690,000
\$5,995,000 School Bonds, issued April 13, 2005, maturing in annual installments of \$295,000 to \$300,000 through July 15, 2025, interest at 3.10% to 5.10%	5,695,000
\$5,685,000 School Bonds, issued November 10, 2005, maturing in annual installments of \$280,000 to \$285,000 through July 15, 2025, interest at 4.60% to 5.10%	5,400,000
\$6,305,000 School Bonds, issued April 13, 2006, maturing in annual installments of \$315,000 to \$320,000 through July 15, 2026, interest at 4.10% to 5.10%	6,305,000
\$5,830,000 School Bonds, issued November 9, 2006, maturing in annual installments of \$290,000 to \$295,000 through July 15, 2026, interest at 4.225% to 5.10%	5,830,000
\$4,370,000 School Bonds, issued May 8, 2007, maturing in annual installments of \$215,000 to \$220,000 through July 15, 2026, interest at 5.10%	<u>4,370,000</u>
Total School Bonds	<u>\$106,403,263</u>
<u>State Literary Fund Loans:</u>	
\$2,000,000, issued February 15, 1989, due in annual installments of \$100,000, interest payable annually at 4%	\$ 200,000
\$540,640, issued February 15, 1989, due in annual installments of \$27,030 through January 15, 2009, interest payable annually at 4%	54,060
\$1,839,424, issued April 6, 1989, due in annual installments of \$92,000 through October 1, 2010, interest at 4%	367,424
\$5,000,000, issued May 30, 1997, due in annual installments of \$250,000 through July 1, 2017, interest at 3%	2,500,000
\$1,500,052, issued May 30, 1997, due in annual installments of \$75,002 through July 1, 2017, interest at 3%	750,032
\$2,142,948, issued May 30, 1997, due in annual installments of \$107,147 through July 1, 2017, interest at 3%	1,071,478
\$3,000,000, issued September 2, 1997, due in annual installments of \$150,000 through September 2, 2017, interest at 3%	1,650,000
\$4,640,000, issued September 2, 1997, due in annual installments of \$232,000 through September 2, 2017, interest at 3%	<u>2,552,000</u>
Total State Literary Fund Loans	<u>\$ 9,144,994</u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2007 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness: (continued)	Amount Outstanding
Governmental: (continued)	
<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, 2007 is	\$ 9,432
Claims	\$ 375,807
Compensated absences	\$ 2,524,391
Total governmental long-term obligations	\$ 148,394,954
Add deferred amount for issuance premiums	3,604,151
Less deferred amount on refunding	(277,021)
Net governmental long-term obligations	<u>\$ 151,722,084</u>
Business-type:	
Compensated absences	\$ 126,551
Accrued landfill remediation costs	\$ 9,830,598
Total business-type long-term obligations	<u>\$ 9,957,149</u>

Advance Refunding of Debt:

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

At June 30, 2007, \$4,835,000 of bonds outstanding are considered to be defeased.

Federal Arbitrage Regulations:

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2007 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Component Unit School Board:

The following is a summary of long-term debt transactions of the School Board for the year ended June 30, 2007.

	Amounts Payable July 1, 2006	Increases	Decreases	Amounts Payable June 30, 2007	Amounts Due Within One Year
Claims	\$ 890,533	\$10,520,198	\$10,604,798	\$ 805,933	\$ 805,933
Compensated absences	1,280,046	899,961	609,088	1,570,919	890,292
Compensated absences	<u>\$ 2,170,579</u>	<u>\$11,420,159</u>	<u>\$11,213,886</u>	<u>\$ 2,376,852</u>	<u>\$1,696,225</u>
Reconciliation to Exhibit 1:					
Claims				\$ 805,933	
Long-term liabilities due within one year				890,292	
Long-term liabilities due in more than one year				680,627	
Total long-term debt				<u>\$ 2,376,852</u>	

NOTE 10 - 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.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2007 (Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLAN: (Continued)

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 2007 were 9.58% and 7.74% of annual covered payroll, respectively.

The School Board’s professional employees contributed \$3,390,293, \$3,048,843, and \$2,808,847 to the teacher cost-sharing pool for the fiscal years ended June 30, 2007, 2006, and 2005 respectively. The School Board’s current rate is 9.20% of annual covered payroll.

Annual Pension Cost:

For fiscal 2007, the County’s annual pension cost of \$1,410,951 (does not include the employee share assumed by the County which was \$2,703,381) was equal to the County’s required and actual contributions. The required contributions were determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

In fiscal 2007, the County School Board’s annual pension cost for the Board’s non-professional employees was \$482,758 (does not include the employee share assumed by the Board which was \$339,015) which was equal to the Board’s required and actual contributions. The required contributions were determined as a part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions used for the 2007 contributions are as follows:

	<u>County</u>	<u>Non-Professional School Board</u>
	June 30, 2005	June 30, 2005
Valuation date	June 30, 2005	June 30, 2005
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	21 years	21 years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return (1)	7.50%	7.50%
Projected salary increases: (1)		
Non-LEO	3.50% to 5.73%	3.50% to 5.73%
LEO Employees	3.50% to 4.71%	3.50% to 4.71%
Cost-of-living adjustments	2.50%	2.50%

(1) Includes inflation at 2.50%

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2007 (Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLAN: (Continued)

Annual Pension Cost: (Continued)

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, 2005	\$ 1,504,212	100%	\$ -
June 30, 2006	1,689,890	100%	-
June 30, 2007	1,410,951	100%	-
School Board Non-Professional:			
June 30, 2005	\$ 384,985	100%	\$ -
June 30, 2006	407,096	100%	-
June 30, 2007	482,758	100%	-

(1) Employer portion only

NOTE 11 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excess of expenditures over appropriations in any of the County or School Board funds for the year ended June 30, 2007.

NOTE 12 - DEFERRED REVENUE:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
Deferred property tax revenue:		
Deferred revenue representing billings for business licenses for which asset recognition criteria has not been met. The business license receivables are not available for the funding of current expenditures.	\$ -	\$ 1,055,816
Deferred revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	-	3,448,561
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	<u>1,880,506</u>	<u>1,880,506</u>
Total primary government	<u>\$ 1,880,506</u>	<u>\$ 6,384,883</u>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2007 (Continued)

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

Primary Government and Component Unit School Board:

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

The County and School Board have authorized and/or commenced construction on various capital projects. At June 30, 2007 the following significant items were in process:

Component Unit School Board:

- Evendale Elementary School - estimated completion cost is \$460,371.
- Gainsboro Elementary School - estimated completion cost is \$1,541,323.

NOTE 14 - LITIGATION:

At June 30, 2007 there were no matters of litigation involving the County or its component units that would have an adverse material affect on the financial position of the reporting entity.

NOTE 15 - SURETY BONDS:

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
As of June 30, 2007 (Continued)**

NOTE 16 - SELF INSURANCE/RISK MANAGEMENT:

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

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

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 2005, 2006 and 2007 are listed as follows:

Funds	Estimated Claims Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Estimated Claims Liability End of Fiscal Year
Primary Government:				
Insurance Internal Service Fund				
2005	\$ 280,121	\$ 3,511,906	\$ 3,431,202	\$ 360,825
2006	360,825	3,438,096	3,485,793	313,128
2007	313,128	4,957,730	4,895,051	375,807
Component Unit School Board:				
School Operating and Health Insurance Funds				
2005	\$ 917,400	\$ 9,209,343	\$ 9,256,466	\$ 870,277
2006	870,277	10,285,518	10,265,262	890,533
2007	890,533	10,520,198	10,604,798	805,933

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2007 (Continued)

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

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

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

NOTE 17 - ACCRUED LANDFILL REMEDIATION COST:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$9,830,598 reported as landfill closure and postclosure care liability at June 30, 2007 represents the cumulative amount reported to date based on the use of the estimated capacity of the landfill. On October 8, 1993 the County opened the new landfill and initiated closure of the old landfill. The \$9,830,598 reported as the accrued landfill liability and postclosure costs reflects usage on the new landfill from October 5, 1993 to June 30, 2007. 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 2007. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

At June 30, 2007, the solid waste landfill capacity used to date was approximately 23% and 16% for the construction/demolition debris section of the landfill.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements As of June 30, 2007 (Continued)

NOTE 17 - ACCRUED LANDFILL REMEDIATION COST: (Continued)

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

The remaining estimated landfill life approximates 30 years. The remaining estimated postclosure cost remaining to be recognized at June 30, 2007 is \$19,650,000 for the municipal solid waste landfill and \$3,750,000 for the construction/demolition debris landfill.

NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS:

Primary Government:

In addition to the pension benefits described in Note 10, the County provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. Individuals employed on or after July 1, 1995, and who retire from County service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service), will receive 100% of their health insurance premium until age 65 when they become eligible for Medicare, at which time the County will provide 100% supplemental insurance benefits. Persons employed prior to July 1, 1995 are only required to be 50 years of age and have 20 years of continuous service to be eligible for these benefits. Currently, twelve 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, \$75,708 was expended for post-retirement health care by the County.

- Required Supplementary Information -

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 71,503,000	\$ 71,503,000	\$ 63,739,261	\$ (7,763,739)
Other local taxes	26,897,990	27,194,045	26,687,886	(506,159)
Permits, privilege fees and regulatory licenses	3,231,542	3,231,542	3,290,254	58,712
Fines and forfeitures	264,098	264,098	227,693	(36,405)
Use of money and property	662,921	662,921	2,379,338	1,716,417
Charges for services	2,842,364	2,548,154	2,347,528	(200,626)
Miscellaneous	164,755	221,680	390,956	169,276
Recovered costs	1,862,495	2,136,560	2,239,984	103,424
Intergovernmental:				
Revenue from the Commonwealth	7,848,782	8,167,160	18,889,896	10,722,736
Revenue from the Federal Government	267,593	629,184	2,921,998	2,292,814
Total revenues	\$ 115,545,540	\$ 116,558,344	\$ 123,114,794	\$ 6,556,450
Expenditures				
Current:				
General Government Administration:				
Board of supervisors	\$ 243,132	\$ 254,337	\$ 226,023	\$ 28,314
County administrator	473,754	505,757	485,026	20,731
Personnel	295,106	341,207	324,989	16,218
Independent auditor	51,450	51,450	51,700	(250)
Commissioner of the Revenue	999,186	1,176,579	1,136,557	40,022
Treasurer	980,975	1,027,722	936,145	91,577
Finance	552,875	588,447	574,481	13,966
Information technology	612,512	782,369	527,740	254,629
Geographic information systems	276,872	297,172	292,541	4,631
Other	1,927,314	2,149,964	1,842,788	307,176
Elections	43,943	71,101	55,158	15,943
Registrar	133,625	138,275	130,459	7,816
Total general government administration	\$ 6,590,744	\$ 7,384,380	\$ 6,583,607	\$ 800,773
Judicial Administration:				
Circuit court	\$ 48,300	\$ 48,300	\$ 40,056	\$ 8,244
General district court	8,464	8,464	5,939	2,525
Juvenile and domestic relations court	10,950	10,950	8,288	2,662
Clerk of the circuit court	512,759	689,050	576,592	112,458
Law library	7,200	7,200	6,392	808
Detox center	43,600	43,600	43,600	-
Juvenile court probation	180,453	180,453	192,166	(11,713)

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures (Continued)				
Judicial Administration: (Continued)				
Commonwealth attorney	1,099,680	1,159,266	1,121,367	37,899
Victim/witness program	109,947	116,023	108,581	7,442
Total judicial administration	<u>\$ 2,021,353</u>	<u>\$ 2,263,306</u>	<u>\$ 2,102,981</u>	<u>\$ 160,325</u>
Public Safety:				
Sheriff	\$ 8,599,836	\$ 10,148,342	\$ 9,297,846	\$ 850,496
Volunteer fire departments	738,618	856,333	763,126	93,207
Ambulance and rescue service	386,162	415,978	409,648	6,330
Fire and rescue	5,289,272	5,961,186	5,754,749	206,437
Regional jail	2,181,830	2,181,830	2,089,130	92,700
Juvenile detention center	322,432	322,432	323,778	(1,346)
Inspections	1,525,522	1,627,933	1,436,651	191,282
Public safety communications	1,145,083	1,248,815	935,345	313,470
Other protection	1,200	1,200	810	390
Total public safety	<u>\$ 20,189,955</u>	<u>\$ 22,764,049</u>	<u>\$ 21,011,083</u>	<u>\$ 1,752,966</u>
Public Works:				
Road administration, street lights	\$ 60,815	\$ 60,815	\$ 44,251	\$ 16,564
General engineering and administration	422,026	514,627	447,808	66,819
Refuse collection	1,213,188	1,579,215	1,131,533	447,683
Refuse disposal	926,208	926,208	769,676	156,532
Litter control	-	2,500	1,278	1,222
General properties	924,575	1,054,194	888,657	165,537
Animal shelter	350,883	365,510	336,719	28,791
Total public works	<u>\$ 3,897,695</u>	<u>\$ 4,503,069</u>	<u>\$ 3,619,922</u>	<u>\$ 883,148</u>
Health and Welfare:				
Health department	\$ 332,101	\$ 332,101	\$ 332,101	-
Northwestern Community Services Board	197,942	197,942	197,942	-
Welfare and social services	5,632,692	5,452,965	5,083,397	369,568
Tax relief for the elderly	480,000	480,000	431,595	48,405
Area Agency on Aging	50,000	50,000	50,000	-
Total health and welfare	<u>\$ 6,692,735</u>	<u>\$ 6,513,008</u>	<u>\$ 6,095,035</u>	<u>\$ 417,973</u>
Education:				
Community college	\$ 60,265	\$ 60,265	\$ 60,265	-
Appropriation to public school system	58,968,847	77,267,662	69,196,158	8,071,504
Total education	<u>\$ 59,029,112</u>	<u>\$ 77,327,927</u>	<u>\$ 69,256,423</u>	<u>\$ 8,071,504</u>

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures (Continued)				
Parks, recreation and cultural:				
Parks and recreation	\$ 4,299,260	\$ 4,852,027	\$ 4,174,817	\$ 677,210
Regional library	997,585	997,585	997,585	-
Total parks, recreation and cultural	<u>\$ 5,296,845</u>	<u>\$ 5,849,612</u>	<u>\$ 5,172,402</u>	<u>\$ 677,210</u>
Community Development:				
Planning and community development	\$ 1,100,778	\$ 1,260,375	\$ 1,162,705	\$ 97,670
Economic Development Commission	1,048,831	1,096,329	814,487	281,842
Zoning board	6,350	6,350	3,968	2,382
Building appeals board	550	550	-	550
NSV Regional Commission	25,635	25,635	25,635	-
Gypsy moth suppression	342,590	344,889	130,160	214,729
Soil and Water Conservation District	335,684	335,684	303,554	32,130
Cooperative extension program	180,722	186,019	156,290	29,729
Total community development	<u>\$ 3,041,140</u>	<u>\$ 3,255,831</u>	<u>\$ 2,596,799</u>	<u>\$ 659,032</u>
Debt Service:				
Principal	\$ -	\$ 704,172	\$ 702,723	\$ 1,449
Interest and fiscal charges	-	422,609	422,609	-
Total debt service	<u>\$ -</u>	<u>\$ 1,126,781</u>	<u>\$ 1,125,332</u>	<u>\$ 1,449</u>
Total expenditures	<u>\$ 106,759,579</u>	<u>\$ 130,987,963</u>	<u>\$ 117,563,584</u>	<u>\$ 13,424,380</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 8,785,961</u>	<u>\$ (14,429,619)</u>	<u>\$ 5,551,210</u>	<u>\$ 19,980,829</u>
Other Financing Sources (Uses)				
Long-term debt issued	\$ -	\$ 17,475,000	\$ 10,200,000	\$ (7,275,000)
Bond premium	-	-	385,200	385,200
Transfers out	(13,800,308)	(13,173,028)	(13,065,803)	107,225
Total other financing sources (uses)	<u>\$ (13,800,308)</u>	<u>\$ 4,301,972</u>	<u>\$ (2,480,603)</u>	<u>\$ (6,782,575)</u>
Net change in fund balance	<u>\$ (5,014,347)</u>	<u>\$ (10,127,647)</u>	<u>\$ 3,070,607</u>	<u>\$ 13,198,254</u>
Fund balance, beginning of year	<u>5,014,347</u>	<u>10,127,647</u>	<u>42,177,304</u>	<u>32,049,657</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,247,911</u>	<u>\$ 45,247,911</u>

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

COUNTY OF FREDERICK, VIRGINIA

Required Supplementary Information
Schedule of Funding Progress for the Virginia Retirement System
Last Three Fiscal Years

County

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2006	\$ 47,537,682	\$ 57,816,812	\$ 10,279,130	82.22%	\$ 25,614,884	40.13%
6/30/2005	42,362,505	51,101,499	8,738,994	82.90%	22,140,085	39.47%
6/30/2004	39,166,621	43,610,692	4,444,071	89.81%	20,400,440	21.78%

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2006	\$ 9,668,941	\$ 10,554,457	\$ 885,516	91.61%	\$ 6,112,456	14.49%
6/30/2005	8,671,989	9,573,514	901,525	90.58%	5,961,379	15.12%
6/30/2004	8,000,304	8,671,640	671,336	92.26%	5,502,779	12.20%

- Other Supplementary Information -

COUNTY OF FREDERICK, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2007

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 4,052,482	\$ 732,265	\$ 4,784,747
Property taxes receivable, net	831,730	-	831,730
Accounts receivable	2,936	-	2,936
	<u>4,887,148</u>	<u>732,265</u>	<u>5,619,413</u>
Total	<u>\$ 4,887,148</u>	<u>\$ 732,265</u>	<u>\$ 5,619,413</u>
Liabilities			
A/P and accrued liabilities	\$ 103,665	\$ -	\$ 103,665
Deferred revenue - prepaid taxes	26,826	-	26,826
Deferred revenue - property taxes	788,037	-	788,037
	<u>918,528</u>	<u>-</u>	<u>918,528</u>
Total	<u>\$ 918,528</u>	<u>\$ -</u>	<u>\$ 918,528</u>
Fund Balance			
Unreserved:			
Designated:			
Subsequent year's expenditures	\$ 3,968,620	\$ -	\$ 3,968,620
Capital projects	-	732,265	732,265
	<u>3,968,620</u>	<u>732,265</u>	<u>4,700,885</u>
Total fund balance	<u>\$ 3,968,620</u>	<u>\$ 732,265</u>	<u>\$ 4,700,885</u>
Total	<u>\$ 4,887,148</u>	<u>\$ 732,265</u>	<u>\$ 5,619,413</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues			
Property taxes	\$ 663,847	\$ -	\$ 663,847
Use of money and property	167,331	3,838	171,169
Charges for services	733,772	-	733,772
Miscellaneous	1,013,836	-	1,013,836
Recovered costs	326,728	-	326,728
Intergovernmental:			
Revenue from the Commonwealth	<u>1,351,513</u>	<u>-</u>	<u>1,351,513</u>
Total revenues	<u>\$ 4,257,027</u>	<u>\$ 3,838</u>	<u>\$ 4,260,865</u>
Expenditures			
Current:			
Judicial administration	\$ 1,265,290	\$ -	\$ 1,265,290
Health and welfare	2,168,871	-	2,168,871
Community Development	<u>1,139,896</u>	<u>-</u>	<u>1,139,896</u>
Total expenditures	<u>\$ 4,574,057</u>	<u>\$ -</u>	<u>\$ 4,574,057</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (317,030)</u>	<u>\$ 3,838</u>	<u>\$ (313,192)</u>
Other financing sources (uses)			
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	<u>\$ (317,030)</u>	<u>\$ 3,838</u>	<u>\$ (313,192)</u>
Fund balance, beginning of year	<u>4,285,650</u>	<u>728,427</u>	<u>5,014,077</u>
Fund balance, end of year	<u><u>\$ 3,968,620</u></u>	<u><u>\$ 732,265</u></u>	<u><u>\$ 4,700,885</u></u>

COUNTY OF FREDERICK, VIRGINIA

Combining Balance Sheet
Nonmajor Special Revenue Funds
At June 30, 2007

	Division of Court Services Fund	Comprehensive Services Act Fund	Shawneeland Sanitary District Fund	Total
Assets				
Cash and cash equivalents	\$ 727,172	\$ 201,917	\$ 3,123,393	\$ 4,052,482
Property taxes receivable, net	-	-	831,730	831,730
Receivables	2,936	-	-	2,936
Total	<u>\$ 730,108</u>	<u>\$ 201,917</u>	<u>\$ 3,955,123</u>	<u>\$ 4,887,148</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 16,537	\$ 69,888	\$ 17,240	\$ 103,665
Deferred revenue - prepaid taxes	-	-	26,826	26,826
Deferred revenue - property taxes	-	-	788,037	788,037
Total	<u>\$ 16,537</u>	<u>\$ 69,888</u>	<u>\$ 832,103</u>	<u>\$ 918,528</u>
Fund Balance				
Unreserved				
Designated:				
Subsequent year's expenditures	\$ 713,571	\$ 132,029	\$ 3,123,020	\$ 3,968,620
Total fund balance	<u>\$ 713,571</u>	<u>\$ 132,029</u>	<u>\$ 3,123,020</u>	<u>\$ 3,968,620</u>
Total	<u>\$ 730,108</u>	<u>\$ 201,917</u>	<u>\$ 3,955,123</u>	<u>\$ 4,887,148</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2007

	<u>Division of Court Services Fund</u>	<u>Comprehensive Services Act Fund</u>	<u>Shawneeland Sanitary District Fund</u>	<u>Total</u>
Revenues				
Property taxes	\$ -	\$ -	\$ 663,847	\$ 663,847
Use of money and property	33,384	-	133,947	167,331
Charges for services	733,772	-	-	733,772
Miscellaneous	25	1,013,811	-	1,013,836
Recovered costs	326,141	-	587	326,728
Intergovernmental:				
Revenue from the Commonwealth	301,375	1,050,138	-	1,351,513
Total revenues	\$ 1,394,697	\$ 2,063,949	\$ 798,381	\$ 4,257,027
Expenditures				
Current:				
Judicial administration	\$ 1,265,290	\$ -	\$ -	\$ 1,265,290
Health and welfare	-	2,168,871	-	2,168,871
Community development	-	-	1,139,896	1,139,896
Total expenditures	\$ 1,265,290	\$ 2,168,871	\$ 1,139,896	\$ 4,574,057
Excess (deficiency) of revenues over expenditures	\$ 129,407	\$ (104,922)	\$ (341,515)	\$ (317,030)
Net change in fund balance	\$ 129,407	\$ (104,922)	\$ (341,515)	\$ (317,030)
Fund balance, beginning of year	584,164	236,951	3,464,535	4,285,650
Fund balance, end of year	\$ 713,571	\$ 132,029	\$ 3,123,020	\$ 3,968,620

COUNTY OF FREDERICK, VIRGINIA

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 At June 30, 2007

	Detox Center Construction Fund	Administration Building Renovation Fund	Total
Assets			
Cash and cash equivalents	\$ 44,391	\$ 687,874	\$ 732,265
Liabilities			
A/P and accrued liabilities	\$ -	\$ -	\$ -
Fund Balance			
Designated:			
Capital projects	\$ 44,391	\$ 687,874	\$ 732,265
Total fund balance	\$ 44,391	\$ 687,874	\$ 732,265
Total	\$ 44,391	\$ 687,874	\$ 732,265

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year Ended June 30, 2007

	Detox Center Construction Fund	Administration Building Renovation Fund	Total
Revenues			
Use of money and property	\$ 1,873	\$ 1,965	\$ 3,838
Expenditures			
Capital projects	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over expenditures	\$ 1,873	\$ 1,965	\$ 3,838
Net change in fund balance	\$ 1,873	\$ 1,965	\$ 3,838
Fund balance, beginning of year	42,518	685,909	728,427
Fund balance, end of year	\$ 44,391	\$ 687,874	\$ 732,265

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Net Assets
Internal Service Funds
At June 30, 2007

	<u>Health Insurance Fund</u>	<u>Central Stores Fund</u>	<u>Unemploy- ment Fund</u>	<u>Volunteer Fire and Rescue Fund</u>	<u>Maintenance Insurance Fund</u>	<u>Total Internal Service Funds</u>
Assets						
Current assets:						
Cash and cash equivalents	\$ 2,888,409	\$ 147,849	\$ 66,249	\$ 190,215	\$ 105,596	\$ 3,398,318
Accounts receivable	-	6,570	2,240	-	-	8,810
Total current assets	<u>\$ 2,888,409</u>	<u>\$ 154,419</u>	<u>\$ 68,489</u>	<u>\$ 190,215</u>	<u>\$ 105,596</u>	<u>\$ 3,407,128</u>
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	\$ 640	\$ 38,485	\$ 9,303	\$ -	\$ 582	\$ 49,010
Claims payable	375,807	-	-	-	-	375,807
Total current liabilities	<u>\$ 376,447</u>	<u>\$ 38,485</u>	<u>\$ 9,303</u>	<u>\$ -</u>	<u>\$ 582</u>	<u>\$ 424,817</u>
Net Assets						
Unrestricted	<u>\$ 2,511,962</u>	<u>\$ 115,934</u>	<u>\$ 59,186</u>	<u>\$ 190,215</u>	<u>\$ 105,014</u>	<u>\$ 2,982,311</u>
Total net assets	<u>\$ 2,511,962</u>	<u>\$ 115,934</u>	<u>\$ 59,186</u>	<u>\$ 190,215</u>	<u>\$ 105,014</u>	<u>\$ 2,982,311</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2007

	Health Insurance Fund	Central Stores Fund	Unemploy- ment Fund	Volunteer Fire and Rescue Fund	Maintenance Insurance Fund	Total Internal Service Funds
Operating revenues						
Charges for service	\$ 5,108,449	\$ 419,091	\$ -	\$ -	\$ 39,106	\$ 5,566,646
Operating Expenses						
Benefits and related expenses	\$ 4,895,051	\$ -	\$ 11,946	\$ 56,900	\$ -	\$ 4,963,897
Services and supplies	-	396,269	-	-	11,885	408,154
Total operating expenses	\$ 4,895,051	\$ 396,269	\$ 11,946	\$ 56,900	\$ 11,885	\$ 5,372,051
Operating income (loss)	\$ 213,398	\$ 22,822	\$ (11,946)	\$ (56,900)	\$ 27,221	\$ 194,595
Nonoperating revenues						
Investment earnings	122,057	5,152	2,900	-	4,064	134,173
Change in net assets	\$ 335,455	\$ 27,974	\$ (9,046)	\$ (56,900)	\$ 31,285	\$ 328,768
Net assets, beginning of year	2,176,507	87,960	68,232	247,115	73,729	2,653,543
Net assets, end of year	\$ 2,511,962	\$ 115,934	\$ 59,186	\$ 190,215	\$ 105,014	\$ 2,982,311

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2007

	Health Insurance Fund	Central Stores Fund	Unemploy- ment Fund	Volunteer Fire and Rescue Fund	Maintenance Insurance Fund	Total Internal Service Funds
Cash flows from operating activities						
Receipts from insured	\$ 5,108,449	\$ -	\$ -	\$ -	\$ 39,106	\$ 5,147,555
Receipts from services	-	415,978	-	-	-	415,978
Payments to suppliers	(4,832,311)	(395,690)	-	(56,900)	(12,280)	(5,297,181)
Other payments	-	-	(2,756)	-	-	(2,756)
Net cash provided (used) by operating activities	<u>\$ 276,138</u>	<u>\$ 20,288</u>	<u>\$ (2,756)</u>	<u>\$ (56,900)</u>	<u>\$ 26,826</u>	<u>\$ 263,596</u>
Cash flows from investing activities						
Investment earnings	<u>\$ 122,057</u>	<u>\$ 5,152</u>	<u>\$ 660</u>	<u>\$ -</u>	<u>\$ 4,064</u>	<u>\$ 131,933</u>
Net increase (decrease) in cash and cash equivalents	\$ 398,195	\$ 25,440	\$ (2,096)	\$ (56,900)	\$ 30,890	\$ 395,529
Balances, beginning of year	<u>2,490,214</u>	<u>122,409</u>	<u>68,345</u>	<u>247,115</u>	<u>74,706</u>	<u>3,002,789</u>
Balance, end of year	<u>\$ 2,888,409</u>	<u>\$ 147,849</u>	<u>\$ 66,249</u>	<u>\$ 190,215</u>	<u>\$ 105,596</u>	<u>\$ 3,398,318</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 213,398	\$ 22,822	\$ (11,946)	\$ (56,900)	\$ 27,221	\$ 194,595
Change in assets and liabilities:						
Receivables, net	-	(3,113)	-	-	-	(3,113)
Accounts payable	61	579	9,190	-	(395)	9,435
Claims payable	62,679	-	-	-	-	62,679
Net cash provided (used) by operating activities	<u>\$ 276,138</u>	<u>\$ 20,288</u>	<u>\$ (2,756)</u>	<u>\$ (56,900)</u>	<u>\$ 26,826</u>	<u>\$ 263,596</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds
At June 30, 2007

	Private Purpose Trust Funds			Total
	Laura Bates Trust Fund	Harriet Sides Trust Fund	Olin Larrick Trust Fund	
Assets				
Cash and cash equivalents	\$ 11,663	\$ 9,381	\$ 2,104	\$ 23,148
Receivables	-	-	-	-
Due from other governmental units	-	-	-	-
Total assets	<u>\$ 11,663</u>	<u>\$ 9,381</u>	<u>\$ 2,104</u>	<u>\$ 23,148</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Amounts held for others	-	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Assets	<u>\$ 11,663</u>	<u>\$ 9,381</u>	<u>\$ 2,104</u>	<u>\$ 23,148</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Fiduciary Net Assets
 Agency Funds
 At June 30, 2007

	Special Welfare Fund	Northwestern Regional Jail Authority Fund	Winchester Regional Airport Fund	Undistributed Local Sales Tax Fund	State Sales Tax Fund	Employee Cafeteria Plan Fund	Northwestern Regional Education Program Fund	Total
Assets								
Cash and cash equivalents	\$ 193,270	\$ 3,648,624	\$ 607,058	\$ -	\$ 1,852	\$ 313	\$ 900,722	\$ 5,351,839
Receivables	-	183,400	80,417	-	-	-	7,762	271,579
Due from other governmental units	-	985,560	11,644	1,769,130	-	-	-	2,766,334
Total assets	\$ 193,270	\$ 4,817,584	\$ 699,119	\$ 1,769,130	\$ 1,852	\$ 313	\$ 908,484	\$ 8,389,752
Liabilities								
Accounts payable and accrued liabilities	\$ -	\$ 248,625	\$ 132,729	\$ 23,610	\$ 420	\$ -	\$ 554,521	\$ 959,905
Amounts held for others	193,270	4,568,959	566,390	1,745,520	1,432	313	353,963	7,429,847
Total liabilities	\$ 193,270	\$ 4,817,584	\$ 699,119	\$ 1,769,130	\$ 1,852	\$ 313	\$ 908,484	\$ 8,389,752
Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
At June 30, 2007**

	Laura Bates Trust Fund	Harriet Sides Trust Fund	Olin Larrick Trust Fund	Total
Additions:				
Investment earnings	\$ 492	\$ 414	\$ 89	\$ 995
Deductions:				
Education	-	414		414
Change in net assets	\$ 492	\$ -	\$ 89	\$ 581
Net assets, beginning of year	<u>11,171</u>	<u>9,381</u>	<u>2,015</u>	<u>22,567</u>
Net assets, end of year	<u>\$ 11,663</u>	<u>\$ 9,381</u>	<u>\$ 2,104</u>	<u>\$ 23,148</u>

COUNTY OF FREDERICK, VIRGINIA

Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2007

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash	\$ 97,444	\$ 129,598	\$ 33,772	\$ 193,270
Liabilities:				
Amounts held for others	\$ 97,444	\$ 129,598	\$ 33,772	\$ 193,270
Northwestern Regional Jail Authority Fund:				
Assets:				
Cash	\$ 1,795,947	\$ 14,996,428	\$ 13,143,751	\$ 3,648,624
Receivables	499,189	183,400	499,189	183,400
Due from other governmental units	319,795	985,560	319,795	985,560
Total assets	\$ 2,614,931	\$ 16,165,388	\$ 13,962,735	\$ 4,817,584
Liabilities:				
Accounts payable and accrued liabilities	\$ 222,789	\$ 248,625	\$ 222,789	\$ 248,625
Amounts held for others	2,392,142	15,916,763	13,739,946	4,568,959
Total liabilities	\$ 2,614,931	\$ 16,165,388	\$ 13,962,735	\$ 4,817,584
Winchester Regional Airport Fund:				
Assets:				
Cash	\$ 582,408	\$ 2,513,396	\$ 2,488,746	\$ 607,058
Receivables	182,924	80,417	182,924	80,417
Due from other governmental units	257,580	11,644	257,580	11,644
Total assets	\$ 1,022,912	\$ 2,605,457	\$ 2,929,250	\$ 699,119
Liabilities:				
Accounts payable and accrued liabilities	\$ 563,510	\$ 132,729	\$ 563,510	\$ 132,729
Amounts held for others	459,402	2,472,728	2,365,740	566,390
Total liabilities	\$ 1,022,912	\$ 2,605,457	\$ 2,929,250	\$ 699,119
Undistributed Local Sales Tax Fund:				
Assets:				
Due from other governmental units	\$ 1,704,176	\$ 1,769,130	\$ 1,704,176	\$ 1,769,130
Total assets	\$ 1,704,176	\$ 1,769,130	\$ 1,704,176	\$ 1,769,130

COUNTY OF FREDERICK, VIRGINIA

Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2007 (Continued)

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Undistributed Local Sales Tax Fund: (Continued)				
Liabilities:				
Accounts payable and accrued liabilities	\$ 8,494	\$ 23,610	\$ 8,494	\$ 23,610
Due to other funds	<u>1,695,682</u>	<u>1,745,520</u>	<u>1,695,682</u>	<u>1,745,520</u>
Total liabilities	<u>\$ 1,704,176</u>	<u>\$ 1,769,130</u>	<u>\$ 1,704,176</u>	<u>\$ 1,769,130</u>
State Sales Tax Fund:				
Assets:				
Cash	<u>\$ 638</u>	<u>\$ 1,790</u>	<u>\$ 576</u>	<u>\$ 1,852</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 86	\$ 420	\$ 86	\$ 420
Amounts held for others	<u>552</u>	<u>1,370</u>	<u>490</u>	<u>1,432</u>
Total liabilities	<u>\$ 638</u>	<u>\$ 1,790</u>	<u>\$ 576</u>	<u>\$ 1,852</u>
Employee Cafeteria Plan Fund:				
Assets:				
Cash	<u>\$ 300</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 313</u>
Liabilities:				
Amounts held for others	<u>\$ 300</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 313</u>
Northwestern Regional Jail Authority Fund:				
Assets:				
Cash	\$ 691,412	\$ 4,565,356	\$ 4,356,046	\$ 900,722
Receivables	<u>40,873</u>	<u>7,762</u>	<u>40,873</u>	<u>7,762</u>
Total assets	<u>\$ 732,285</u>	<u>\$ 4,573,118</u>	<u>\$ 4,396,919</u>	<u>\$ 908,484</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 541,040	\$ 554,521	\$ 541,040	\$ 554,521
Amounts held for others	<u>191,245</u>	<u>4,018,597</u>	<u>3,855,879</u>	<u>353,963</u>
Total liabilities	<u>\$ 732,285</u>	<u>\$ 4,573,118</u>	<u>\$ 4,396,919</u>	<u>\$ 908,484</u>

COUNTY OF FREDERICK, VIRGINIA

Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2007 (Continued)

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Total -- All Agency Funds				
Assets:				
Cash	\$ 3,168,149	\$ 22,206,581	\$ 20,022,891	\$ 5,351,839
Receivables	722,986	271,579	722,986	271,579
Due from other governmental units	<u>2,281,551</u>	<u>2,766,334</u>	<u>2,281,551</u>	<u>2,766,334</u>
Total assets	<u>\$ 6,172,686</u>	<u>\$ 25,244,494</u>	<u>\$ 23,027,428</u>	<u>\$ 8,389,752</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,335,919	\$ 959,905	\$ 1,335,919	\$ 959,905
Amounts held for others	3,141,085	22,539,069	19,995,827	5,684,327
Due to other funds	<u>1,695,682</u>	<u>1,745,520</u>	<u>1,695,682</u>	<u>1,745,520</u>
Total liabilities	<u>\$ 6,172,686</u>	<u>\$ 25,244,494</u>	<u>\$ 23,027,428</u>	<u>\$ 8,389,752</u>

COUNTY OF FREDERICK, VIRGINIA

**Revenue and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Special Revenue Funds				
Division of Court Services Fund				
Revenues				
Revenue from use of money and property	\$ 5,400	\$ 5,400	\$ 33,384	\$ 27,984
Charges for services	628,911	628,911	733,772	104,861
Miscellaneous	-	4,613	25	(4,588)
Recovered costs	303,690	303,690	326,141	22,451
Intergovernmental:				
Revenue from the Commonwealth	241,171	246,693	301,375	54,682
Total revenues	<u>\$ 1,179,172</u>	<u>\$ 1,189,307</u>	<u>\$ 1,394,697</u>	<u>\$ 205,390</u>
Expenditures				
Judicial Administration				
Division of Court Services	\$ 556,146	\$ 568,408	\$ 499,394	\$ 69,014
Division of Court Services Administration	174,080	182,223	167,327	14,896
Detox Center	348,966	362,816	315,812	47,004
Community Corrections	216,684	230,329	202,338	27,991
Total expenditures	<u>\$ 1,295,876</u>	<u>\$ 1,343,776</u>	<u>\$ 1,184,871</u>	<u>\$ 158,905</u>
Shawneeland Sanitary District Fund				
Revenues				
Property taxes	\$ 1,304,710	\$ 1,304,710	\$ 663,847	\$ (640,863)
Use of money and property	10,000	10,000	133,947	123,947
Recovered costs	5,000	5,000	587	(4,413)
Total revenues	<u>\$ 1,319,710</u>	<u>\$ 1,319,710</u>	<u>\$ 798,381</u>	<u>\$ (521,329)</u>
Expenditures				
Community Development				
Community development	\$ 1,319,710	\$ 1,359,710	\$ 1,139,896	\$ 219,814
Capital Projects Funds				
General Capital Projects Fund				
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 667,597	\$ 667,597
Expenditures				
Capital projects	\$ -	\$ 17,204,615	\$ 14,273,970	\$ 2,930,645
Interest	-	-	1,111,817	(1,111,817)
Total expenditures	<u>\$ -</u>	<u>\$ 17,204,615</u>	<u>\$ 15,385,787</u>	<u>\$ 1,818,828</u>
Debt Service Funds				
School Debt Service Fund				
Revenues				
Categorical aid:				
Revenue from the Commonwealth	\$ 2,031,405	\$ 2,031,405	\$ 1,998,357	\$ (33,048)
Expenditures				
Principal and interest	\$ 13,937,070	\$ 13,937,070	\$ 13,555,194	\$ 381,876

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

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
 Combining Balance Sheet
 At June 30, 2007

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Consolidated Maintenance Fund</u>	<u>School Textbook Fund</u>	<u>School Capital Projects Fund</u>	<u>School Capital Fund</u>	<u>Total Governmental Funds</u>
Assets							
Cash and cash equivalents	\$ 11,267,551	\$ 1,064,791	\$ 655	\$ 747,301	\$ 4,672,174	\$ 637,738	\$ 18,390,210
Accounts receivable	206,276	7,971	93	1,018	37	-	215,395
Due from other governments	2,971,385	226,802	-	-	-	-	3,198,187
Total	<u>\$ 14,445,212</u>	<u>\$ 1,299,564</u>	<u>\$ 748</u>	<u>\$ 748,319</u>	<u>\$ 4,672,211</u>	<u>\$ 637,738</u>	<u>\$ 21,803,792</u>
Liabilities							
Accounts payable and accrued liabilities	\$ 14,445,212	\$ 393,023	\$ -	\$ 4,964	\$ 1,585,832	\$ 191,367	\$ 16,620,398
Total	<u>\$ 14,445,212</u>	<u>\$ 393,023</u>	<u>\$ -</u>	<u>\$ 4,964</u>	<u>\$ 1,585,832</u>	<u>\$ 191,367</u>	<u>\$ 16,620,398</u>
Fund Balance							
Reserved for:							
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:							
Designated:							
Subsequent year's expenditures	-	906,541	748	743,355	-	-	1,650,644
Capital projects	-	-	-	-	3,086,379	446,371	3,532,750
Unreserved/undesignated	-	-	-	-	-	-	-
Total fund balance	<u>\$ -</u>	<u>\$ 906,541</u>	<u>\$ 748</u>	<u>\$ 743,355</u>	<u>\$ 3,086,379</u>	<u>\$ 446,371</u>	<u>\$ 5,183,394</u>
Total	<u>\$ 14,445,212</u>	<u>\$ 1,299,564</u>	<u>\$ 748</u>	<u>\$ 748,319</u>	<u>\$ 4,672,211</u>	<u>\$ 637,738</u>	<u>\$ 21,803,792</u>

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COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
At June 30, 2007

Total fund balances for governmental funds (Exhibit 28)	\$	5,183,394
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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	\$	4,756,352	
Construction in progress		18,313	
Buildings and improvements, net of depreciation		132,026,756	
Equipment, net of depreciation		14,866,135	
School Board capital assets in primary government, net of depreciation		<u>(73,881,236)</u>	
Total capital assets			77,786,320

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:

4,958,041

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.

(1,570,919)

Total net assets of governmental activities (Exhibit 1)	\$	<u><u>86,356,836</u></u>
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COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2007

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Consolidated Maintenance Fund</u>	<u>School Textbook Fund</u>	<u>School Capital Projects Fund</u>	<u>School Capital Fund</u>	<u>Total Governmental Funds</u>
Revenues							
Use of money and property	\$ 362,766	\$ 43,098	\$ -	\$ 24,276	\$ 397,619	\$ -	\$ 827,759
Charges for services	318,561	2,785,134	41,748	61,111	-	-	3,206,554
Miscellaneous	1,542,190	43,184	-	414	-	34,428	1,620,216
Intergovernmental:							
Appropriation from primary government	57,322,970	-	-	-	10,585,200	1,287,988	69,196,158
Revenue from the Commonwealth	57,888,434	66,675	-	723,992	-	-	58,679,101
Revenue from the Federal Government	4,110,502	1,239,169	-	-	-	-	5,349,671
Total revenues	<u>\$ 121,545,423</u>	<u>\$ 4,177,260</u>	<u>\$ 41,748</u>	<u>\$ 809,793</u>	<u>\$ 10,982,819</u>	<u>\$ 1,322,416</u>	<u>\$ 138,879,459</u>
Expenditures							
Current:							
Education:							
Instruction	\$ 96,503,401	\$ -	\$ -	\$ 889,169	\$ -	\$ 1,571,864	\$ 98,964,434
Administration, attendance and health	6,445,600	-	-	-	-	-	6,445,600
Transportation	7,543,557	-	-	-	-	-	7,543,557
Facilities operations	10,331,275	-	41,748	-	-	-	10,373,023
Building improvements	203,928	-	-	-	-	-	203,928
School food services	-	4,275,096	-	-	-	-	4,275,096
Capital projects	-	-	-	-	18,243,491	-	18,243,491
Total expenditures	<u>\$ 121,027,761</u>	<u>\$ 4,275,096</u>	<u>\$ 41,748</u>	<u>\$ 889,169</u>	<u>\$ 18,243,491</u>	<u>\$ 1,571,864</u>	<u>\$ 146,049,129</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 517,662</u>	<u>\$ (97,836)</u>	<u>\$ -</u>	<u>\$ (79,376)</u>	<u>\$ (7,260,672)</u>	<u>\$ (249,448)</u>	<u>\$ (7,169,670)</u>
Other financing sources (uses)							
Transfers in	\$ -	\$ -	\$ -	\$ 517,662	\$ -	\$ -	\$ 517,662
Transfers out	(517,662)	-	-	-	-	-	(517,662)
Total other financing sources (uses)	<u>\$ (517,662)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 517,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ (97,836)	\$ -	\$ 438,286	\$ (7,260,672)	\$ (249,448)	\$ (7,169,670)
Fund balance, beginning of year	<u>-</u>	<u>1,004,377</u>	<u>748</u>	<u>305,069</u>	<u>10,347,051</u>	<u>695,819</u>	<u>12,353,064</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 906,541</u>	<u>\$ 748</u>	<u>\$ 743,355</u>	<u>\$ 3,086,379</u>	<u>\$ 446,371</u>	<u>\$ 5,183,394</u>

COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2007**

Net change in fund balances - total governmental funds (Exhibit 30) \$ (7,169,670)

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. 13,985,383

School Board capital assets are jointly owned by the County and School Board. The County share of School Board capital assets is in proportion to the debt owed on such by the County. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship reduced the transfers to the School Board. 7,616,173

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 (290,873)

Internal service funds are used by the County to charge the costs of health insurance, supplies and unemployment costs to individual funds. The net revenue of internal service funds is reported with governmental activities. 1,645,807

Change in net assets of governmental activities (Exhibit 2) \$ 15,786,820

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Statement of Net Assets
Internal Service Fund
At June 30, 2007

	Health Insurance Fund
<hr/>	
Assets	
Current assets:	
Cash and cash equivalents	\$ 5,815,355
Receivables, net	92,474
	<hr/>
Total assets	\$ 5,907,829
	<hr/> <hr/>
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	\$ 143,855
Claims payable	805,933
	<hr/>
Total current liabilities	\$ 949,788
	<hr/> <hr/>
Net Assets	
Unrestricted	\$ 4,958,041
	<hr/>
Total net assets	\$ 4,958,041
	<hr/> <hr/>

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, 2007

	Health Insurance Fund
Operating revenues	
Charges for service	\$ 10,615,525
Operating Expenses	
Benefits and related expenses	<u>9,183,750</u>
Operating income (loss)	\$ 1,431,775
Nonoperating revenues	
Investment earnings	<u>214,032</u>
Change in net assets	\$ 1,645,807
Net assets, beginning of year	<u>3,312,234</u>
Net assets, end of year	<u><u>\$ 4,958,041</u></u>

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Combining Statement of Cash Flows
Internal Service Fund
Year Ended June 30, 2007

	Health Insurance Fund
Cash flows from operating activities	
Receipts from insured	\$ 10,660,031
Payments to suppliers	(9,131,947)
Net increase (decrease) in cash and cash equivalents	\$ 1,528,084
 Cash flows from investing activities	
Interest	214,032
Net increase (decrease) in cash and cash equivalents	\$ 1,742,116
 Balances, beginning of year	4,073,239
Balance, end of year	\$ 5,815,355
 Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 1,431,775
Change in assets and liabilities:	
Accounts receivable	44,506
Accounts payable	136,403
Claims payable	(84,600)
Net cash provided (used) by operating activities	\$ 1,528,084

COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board
School Operating Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Use of money and property	\$ 387,547	\$ 387,547	\$ 362,766	\$ (24,781)
Charges for services	305,675	305,675	318,561	12,886
Miscellaneous	369,798	369,798	1,542,190	1,172,392
Intergovernmental:				
Appropriation from primary government	58,303,146	58,504,674	57,322,970	(1,181,704)
Revenue from the Commonwealth	59,472,285	59,472,285	57,888,434	(1,583,851)
Revenue from the Federal Government	4,707,880	4,707,880	4,110,502	(597,378)
Total revenues	<u>\$ 123,546,331</u>	<u>\$ 123,747,859</u>	<u>\$ 121,545,423</u>	<u>\$ (2,202,436)</u>
Expenditures				
Current:				
Education:				
Instruction	\$ 97,318,320	\$ 97,456,435	\$ 96,503,401	\$ 953,034
Administration, attendance and health	6,592,862	6,630,943	6,445,600	185,343
Transportation	8,012,099	8,015,528	7,543,557	471,971
Facilities operations	10,920,504	10,918,956	10,331,275	587,681
Building improvements	184,884	208,335	203,928	4,407
Total expenditures	<u>\$ 123,028,669</u>	<u>\$ 123,230,197</u>	<u>\$ 121,027,761</u>	<u>\$ 2,202,436</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 517,662</u>	<u>\$ 517,662</u>	<u>\$ 517,662</u>	<u>\$ -</u>
Other financing sources (uses)				
Transfers out	<u>\$ (517,662)</u>	<u>\$ (517,662)</u>	<u>\$ (517,662)</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ (517,662)</u>	<u>\$ (517,662)</u>	<u>\$ (517,662)</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Revenue and Expenditure Budgetary Comparison Schedule
Nonmajor and Other Funds
Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
School Cafeteria Fund				
Revenues:				
Revenue from use of money and property	\$ 20,935	\$ 20,935	\$ 43,098	\$ 22,163
Charges for services	2,851,986	2,851,986	2,785,134	(66,852)
Miscellaneous	37,164	37,164	43,184	6,020
Intergovernmental:				
Revenue from the Commonwealth	66,991	66,991	66,675	(316)
Revenue from the Federal Government	1,175,903	1,175,903	1,239,169	63,266
Total revenues	<u>\$ 4,152,979</u>	<u>\$ 4,152,979</u>	<u>\$ 4,177,260</u>	<u>\$ 24,281</u>
Expenditures:				
School food service operations	<u>\$ 5,063,552</u>	<u>\$ 4,365,608</u>	<u>\$ 4,275,096</u>	<u>\$ 90,512</u>
Consolidated Maintenance Fund				
Revenues:				
Charges for services	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 41,748</u>	<u>\$ (258,252)</u>
Expenditures:				
Maintenance operations	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 41,748</u>	<u>\$ 258,252</u>
Total expenditures	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 41,748</u>	<u>\$ 258,252</u>
School Textbook Fund				
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 24,276	\$ 24,276
Charges for services	18,650	18,650	61,111	42,461
Miscellaneous	-	-	414	414
Intergovernmental:				
Revenue from the Commonwealth	778,006	778,006	723,992	(54,014)
Total revenues	<u>\$ 796,656</u>	<u>\$ 796,656</u>	<u>\$ 809,793</u>	<u>\$ 13,137</u>
Expenditures:				
Instruction	<u>\$ 1,485,818</u>	<u>\$ 1,485,818</u>	<u>\$ 889,169</u>	<u>\$ 596,649</u>

COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board
Revenue and Expenditure Budgetary Comparison Schedule
Nonmajor and Other Funds
Year Ended June 30, 2007 (Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
School Capital Projects Fund				
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 397,619	\$ 397,619
Intergovernmental:				
Appropriation from primary government	<u>-</u>	<u>17,475,000</u>	<u>10,585,200</u>	<u>(6,889,800)</u>
Total revenues	<u>\$ -</u>	<u>\$ 17,475,000</u>	<u>\$ 10,982,819</u>	<u>\$ (6,492,181)</u>
Expenditures:				
Capital projects - school construction projects	<u>\$ -</u>	<u>\$ 22,469,587</u>	<u>\$ 18,243,491</u>	<u>\$ 4,226,096</u>
School Capital Fund				
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 34,428	\$ 34,428
Intergovernmental:				
Appropriation from primary government	<u>665,701</u>	<u>1,287,988</u>	<u>1,287,988</u>	<u>-</u>
Total revenues	<u>\$ 665,701</u>	<u>\$ 1,287,988</u>	<u>\$ 1,322,416</u>	<u>\$ 34,428</u>
Expenditures:				
Capital outlay - equipment, etc.	<u>\$ 665,701</u>	<u>1,983,807</u>	<u>\$ 1,571,864</u>	<u>\$ 411,943</u>

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

- Statistical Section -

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.	1 - 4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	5 - 8
Debt Capacity These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	9 - 10
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	11
Operating Information These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.	12 - 15

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

COUNTY OF FREDERICK, VIRGINIA

Table 1

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets, net of related debt	\$ 480,380	\$ (724,865)	\$ (1,144,913)	\$ 13,041,140	\$ 13,474,232	\$ 24,916,051
Restricted	1,742,288	1,055,812	767,224	-	-	-
Unrestricted	25,064,631	25,801,897	28,301,024	33,113,765	46,750,306	26,017,458
Total governmental activities net assets	\$ 27,287,299	\$ 26,132,844	\$ 27,923,335	\$ 46,154,905	\$ 60,224,538	\$ 50,933,509
Business-type activities						
Invested in capital assets, net of related debt	\$ 10,900,601	\$ 10,735,752	\$ 11,258,699	\$ 10,988,036	\$ 13,271,904	\$ 17,552,174
Restricted	5,875,220	-	-	-	-	-
Unrestricted	9,283,970	17,099,382	18,451,203	20,911,825	21,355,422	19,270,847
Total business-type activities net assets	\$ 26,059,791	\$ 27,835,134	\$ 29,709,902	\$ 31,899,861	\$ 34,627,326	\$ 36,823,021
Primary government						
Invested in capital assets, net of related debt	\$ 11,380,981	\$ 10,010,887	\$ 10,113,786	\$ 24,029,176	\$ 26,746,136	\$ 42,468,225
Restricted	7,617,508	1,055,812	767,224	-	-	-
Unrestricted	34,348,601	42,901,279	46,752,227	54,025,590	68,105,728	45,288,305
Total primary government net assets	\$ 53,347,090	\$ 53,967,978	\$ 57,633,237	\$ 78,054,766	\$ 94,851,864	\$ 87,756,530

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

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities:						
General government	\$ 3,598,120	\$ 4,965,883	\$ 4,378,251	\$ 6,206,202	\$ 5,114,673	\$ 5,217,730
Judicial administration	1,968,820	2,107,373	2,157,129	2,505,547	2,669,148	3,081,145
Public safety	10,951,251	12,600,675	13,523,075	15,733,331	18,266,892	21,222,717
Public works	2,234,665	1,927,189	1,963,687	2,139,170	1,465,731	2,136,910
Health and welfare	6,375,250	7,171,401	7,893,895	6,833,696	7,693,815	8,280,314
Education	31,737,953	49,571,044	55,432,325	58,152,208	68,968,848	76,872,596
Parks, recreation and cultural	3,600,216	4,011,890	4,159,533	4,403,978	4,832,855	5,506,804
Community development	2,951,509	2,701,629	3,124,706	1,787,426	2,474,162	2,698,126
Interest on long-term debt	4,228,764	4,704,034	5,025,809	5,504,706	5,609,353	6,486,553
Total governmental activities expenses	\$ 67,646,548	\$ 89,761,118	\$ 97,658,410	\$ 103,266,264	\$ 117,095,477	\$ 131,502,895
Business-type activities:						
Landfill	\$ 3,756,465	\$ 3,817,755	\$ 3,949,354	\$ 4,956,206	\$ 5,077,016	\$ 6,068,374
Total primary government expenses	\$ 71,403,013	\$ 93,578,873	\$ 101,607,764	\$ 108,222,470	\$ 122,172,493	\$ 137,571,269
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	772,934	917,359	992,762	2,021,148	2,044,420	1,730,282
Public safety	1,672,996	2,319,311	3,111,660	81,302	195,858	92,759
Public works	-	-	-	2,752,512	3,165,573	3,269,199
Health and welfare	-	-	-	-	-	-
Education	-	-	-	-	-	-
Parks, recreation and cultural	927,473	936,863	1,023,189	1,108,762	1,338,194	1,496,265
Community development	6,304	13,198	25,905	15,061	-	10,742
Operating grants and contributions	9,625,751	10,272,912	10,204,992	9,970,097	11,277,934	11,547,852
Capital grants and contributions	-	-	-	-	-	-
Total governmental activities program revenues	\$ 13,005,458	\$ 14,459,643	\$ 15,358,508	\$ 15,948,882	\$ 18,021,979	\$ 18,147,099
Business-type activities:						
Charges for services:						
Landfill	\$ 5,264,437	\$ 5,246,518	\$ 5,512,103	\$ 6,467,692	\$ 6,729,873	\$ 6,863,415
Total primary government program revenues	\$ 18,269,895	\$ 19,706,161	\$ 20,870,611	\$ 22,416,574	\$ 24,751,852	\$ 25,010,514
Net (expense) / revenue						
Governmental activities	\$ (54,641,090)	\$ (75,301,475)	\$ (82,299,902)	\$ (87,317,382)	\$ (99,073,498)	\$ (113,355,796)
Business-type activities	1,507,972	1,428,763	1,562,749	1,511,486	1,652,857	795,041
Total primary government net expense	\$ (53,133,118)	\$ (73,872,712)	\$ (80,737,153)	\$ (85,805,896)	\$ (97,420,641)	\$ (112,560,755)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 40,221,258	\$ 44,827,985	\$ 50,311,064	\$ 53,911,011	\$ 68,137,163	\$ 59,049,060
Local sales and use taxes	-	-	6,121,631	8,488,195	9,698,878	10,387,530
Business licenses taxes	-	-	3,218,256	4,160,697	4,877,840	5,307,237
Consumer utility taxes	-	-	3,100,048	3,213,017	3,467,089	3,378,207
Lodging taxes	-	-	2,534,429	2,741,496	2,970,671	3,300,415
Motor vehicle licenses tax	-	-	1,660,154	1,871,393	1,946,216	1,895,034
Taxes on recordation and wills	-	-	1,203,420	2,770,777	2,829,777	2,188,564
Other local taxes	14,545,935	16,327,234	169,621	207,977	236,136	230,899
Unrestricted grants and contributions	10,482,194	11,231,480	13,139,573	12,068,887	14,585,024	13,613,912
Unrestricted revenues from use of money and property	886,675	490,603	271,292	664,258	1,650,232	3,352,277
Miscellaneous	1,074,853	1,269,718	1,136,151	1,241,876	2,720,753	1,361,632
Total governmental activities	\$ 67,210,915	\$ 74,147,020	\$ 82,865,639	\$ 91,339,584	\$ 113,119,779	\$ 104,064,767
Business-type activities:						
Unrestricted revenues from use of money and property						
	\$ 469,883	\$ 324,029	\$ 224,013	\$ 487,814	\$ 1,051,814	\$ 1,366,844
Miscellaneous	27,852	22,551	88,006	80,969	22,794	33,810
Total business-type activities	\$ 497,735	\$ 346,580	\$ 312,019	\$ 568,783	\$ 1,074,608	\$ 1,400,654
Total primary government	\$ 67,708,650	\$ 74,493,600	\$ 83,177,658	\$ 91,908,367	\$ 114,194,387	\$ 105,465,421
Change in Net Assets						
Governmental activities	\$ 12,569,825	\$ (1,154,455)	\$ 565,737	\$ 4,022,202	\$ 14,046,281	\$ (9,291,029)
Business-type activities	2,005,707	1,775,343	1,874,768	2,080,269	2,727,465	2,195,695
Total primary government	\$ 14,575,532	\$ 620,888	\$ 2,440,505	\$ 6,102,471	\$ 16,773,746	\$ (7,095,334)

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

COUNTY OF FREDERICK, VIRGINIA

Table 3

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund										
Reserved	\$ 4,217,967	\$ 5,203,282	\$ 5,229,030	\$ 6,390,074	\$ 4,371,537	\$ 3,208,383	\$ 2,523,383	\$ 3,945,440	\$ 3,436,600	\$ 4,035,769
Unreserved	15,794,241	12,731,253	16,428,487	18,248,022	18,664,900	21,137,136	25,331,822	28,969,699	38,740,704	41,212,142
Total general fund	<u>\$ 20,012,208</u>	<u>\$ 17,934,535</u>	<u>\$ 21,657,517</u>	<u>\$ 24,638,096</u>	<u>\$ 23,036,437</u>	<u>\$ 24,345,519</u>	<u>\$ 27,855,205</u>	<u>\$ 32,915,139</u>	<u>\$ 42,177,304</u>	<u>\$ 45,247,911</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ 3,220,929	\$ -	\$ -	\$ 143,143	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	988,895	943,370	1,130,756	1,464,870	1,367,131	1,515,329	1,486,695	1,677,244	4,285,650	3,968,620
Capital projects funds	762,588	1,075,700	1,176,587	1,410,545	1,742,288	1,055,812	767,224	724,735	16,977,294	3,474,869
Debt service funds	-	-	-	-	573,103	557,163	122,516	214,000	55,306	352,345
Permanent funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 1,751,483</u>	<u>\$ 2,019,070</u>	<u>\$ 5,528,272</u>	<u>\$ 2,875,415</u>	<u>\$ 3,682,522</u>	<u>\$ 3,271,447</u>	<u>\$ 2,376,435</u>	<u>\$ 2,615,979</u>	<u>\$ 21,318,250</u>	<u>\$ 7,795,834</u>

COUNTY OF FREDERICK, VIRGINIA

Table 4

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
General property taxes	\$ 36,309,700	\$ 37,961,053	\$ 38,389,226	\$ 39,780,459	\$ 40,052,675	\$ 44,854,096	\$ 50,096,362	\$ 53,463,481	\$ 61,583,051	\$ 64,403,108
Other local taxes	10,646,378	11,402,222	12,323,081	13,787,234	14,129,893	16,189,296	18,007,559	23,453,552	26,026,607	26,687,886
Permits, privilege fees and regulatory licenses	821,361	980,745	974,484	1,111,056	1,181,812	1,556,839	2,192,360	2,773,787	3,186,465	3,290,254
Fines and forfeitures	31,725	24,502	27,733	31,196	59,492	133,549	240,167	282,828	210,902	227,693
Revenue from use of money and property	1,080,045	1,122,542	1,218,006	1,421,915	847,945	465,999	265,360	629,791	1,571,091	3,218,104
Charges for services	1,666,873	1,873,098	1,936,842	1,978,305	2,197,895	2,496,343	2,720,989	2,922,170	3,346,678	3,081,300
Miscellaneous	660,558	235,510	1,870,639	1,391,651	1,015,361	1,269,718	1,136,151	1,287,741	2,720,753	1,404,792
Recovered costs	2,892,580	2,448,613	1,855,231	1,719,262	2,031,909	2,660,081	2,790,089	2,969,724	3,364,965	2,566,712
Intergovernmental:										
School Board	-	-	138,460	-	-	-	555,098	-	-	-
Commonwealth	4,208,150	6,469,491	10,281,914	13,565,643	17,942,666	18,969,374	20,907,092	19,724,037	22,994,740	22,239,766
Federal	1,968,365	1,600,048	1,624,915	3,862,195	2,165,279	2,535,018	2,437,473	2,314,947	2,868,218	2,921,998
Total revenues	\$ 60,285,735	\$ 64,117,824	\$ 70,640,531	\$ 78,648,916	\$ 81,624,927	\$ 91,130,313	\$ 101,348,700	\$ 109,822,058	\$ 127,873,470	\$ 130,041,613
Expenditures										
General government administration	\$ 4,361,878	\$ 4,972,064	\$ 6,656,140	\$ 6,296,713	\$ 3,820,691	\$ 4,945,481	\$ 4,893,037	\$ 6,152,689	\$ 6,100,985	\$ 6,583,607
Judicial administration	1,394,769	1,516,045	1,701,577	1,862,426	2,428,766	2,368,511	2,446,063	2,753,028	3,083,978	3,368,271
Public safety	7,276,929	8,191,687	8,087,971	9,247,838	11,419,185	12,109,078	13,442,648	15,607,849	18,907,930	21,011,083
Public works	1,937,700	2,109,154	2,300,987	2,568,834	2,744,931	2,627,042	2,738,920	3,290,973	3,205,933	3,619,922
Health and welfare	3,975,883	4,956,312	5,472,225	4,892,004	6,334,307	7,180,976	7,886,336	6,808,832	7,656,236	8,263,906
Education	36,633,440	38,005,110	36,540,951	41,291,307	55,206,840	62,389,908	62,169,905	64,352,365	67,534,934	69,256,423
Parks, recreation and cultural	2,782,192	2,734,630	2,988,116	3,155,426	3,608,713	3,817,096	3,890,243	4,461,985	4,587,827	5,172,402
Community development	3,609,690	2,505,617	2,112,934	4,660,369	3,606,104	3,918,244	4,309,371	3,119,951	2,855,655	3,736,695
Capital projects	289,387	120,240	1,257,801	3,223,544	1,230,497	703,787	-	-	4,737,885	14,273,970
Debt service										
Principal	567,116	732,088	622,851	500,235	5,380,977	6,891,396	7,646,718	8,193,343	9,024,354	9,164,886
Interest and other fiscal charges	433,187	433,187	445,286	622,498	3,759,721	4,371,644	4,889,637	5,346,772	5,735,999	6,627,457
Total expenditures	\$ 63,262,171	\$ 66,276,134	\$ 68,186,839	\$ 78,321,194	\$ 99,540,732	\$ 111,323,163	\$ 114,312,878	\$ 120,087,787	\$ 133,431,716	\$ 151,078,622
Excess of revenues over (under) expenditures	\$ (2,976,436)	\$ (2,158,310)	\$ 2,453,692	\$ 327,722	\$ (17,915,805)	\$ (20,192,850)	\$ (12,964,178)	\$ (10,265,729)	\$ (5,558,246)	\$ (21,037,009)
Other financing sources (uses)										
Transfers in	\$ 249,932	\$ 1,059,503	\$ 659,340	\$ 101,619	\$ 6,404,922	\$ 8,216,157	\$ 9,493,193	\$ 10,597,219	\$ 18,605,245	\$ 13,065,803
Transfers out	(249,932)	(305,910)	(380,848)	(101,619)	(6,404,922)	(8,216,157)	(9,493,193)	(10,597,219)	(18,605,245)	(13,065,803)
Bonds issued	-	-	4,500,000	-	20,960,000	19,752,296	14,560,000	14,545,000	33,522,682	10,200,000
Premium on bonds issued	-	-	-	-	611,736	1,213,767	1,018,852	1,020,207	-	385,200
Payments to refunded bond escrow agent	-	-	-	-	(4,835,000)	-	-	-	-	-
Capital leases	450,111	763,021	-	-	-	124,794	-	-	-	-
Total other financing sources (uses)	\$ 450,111	\$ 1,516,614	\$ 4,778,492	\$ -	\$ 16,736,736	\$ 21,090,857	\$ 15,578,852	\$ 15,565,207	\$ 33,522,682	\$ 10,585,200
Net change in fund balances	\$ (2,526,325)	\$ (641,696)	\$ 7,232,184	\$ 327,722	\$ (1,179,069)	\$ 898,007	\$ 2,614,674	\$ 5,299,478	\$ 27,964,436	\$ (10,451,809)
Debt service as a percentage of noncapital expenditures	1.614%	1.793%	1.622%	1.518%	10.251%	11.336%	12.318%	12.708%	12.955%	13.050%

COUNTY OF FREDERICK, VIRGINIA

Table 5

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Utility		Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
					Real Estate	Personal Property			
1998	\$ 2,847,707,041	\$ 448,951,343	\$ 27,322,566	\$ 164,129,903	\$ 177,085,001	\$ 1,446,296	\$ 3,666,642,150	\$ 3,666,642,150	100.00%
1999	2,957,535,874	488,131,686	27,279,966	171,195,719	186,452,596	1,151,445	3,831,747,286	3,831,747,286	100.00%
2000	3,052,227,934	562,969,701	25,338,868	194,433,899	193,267,067	1,014,175	4,029,251,644	4,029,251,644	100.00%
2001	3,307,251,040	618,705,456	25,936,422	220,973,344	209,475,199	1,058,556	4,383,400,017	4,383,400,017	100.00%
2002	3,512,434,751	662,564,655	27,888,418	231,920,311	208,166,364	1,448,563	4,644,423,062	4,644,423,062	100.00%
2003	3,806,927,513	720,516,577	30,878,859	234,640,199	183,456,775	1,617,850	4,978,037,773	4,978,037,773	100.00%
2004	4,052,354,325	768,711,320	31,843,306	234,968,283	188,465,590	3,510,696	5,279,853,520	5,279,853,520	100.00%
2005	5,390,315,685	831,996,886	31,049,625	245,449,038	174,729,621	2,495,494	6,676,036,349	6,676,036,349	100.00%
2006	6,889,772,707	943,249,786	32,189,875	256,643,746	177,919,118	1,508,096	8,301,283,328	8,301,283,328	100.00%
2007	7,354,880,957	956,028,615	35,063,205	256,751,924	155,747,099	1,024,865	8,759,496,665	8,759,496,665	100.00%

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

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

Property Tax Rates (1)
Last Ten Fiscal Years

<u>Fiscal Years</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Machinery and Tools</u>	<u>Airplanes</u>	<u>Mobile Homes</u>
1998	\$ 0.590	\$ 4.20	\$ 2.00	\$ 0.425	\$ 0.590
1999	0.590	4.20	2.00	0.425	0.590
2000	0.640	4.20	2.00	0.425	0.640
2001	0.610	4.20	2.00	0.425	0.610
2002	0.610	4.20	2.00	0.425	0.610
2003	0.730	4.20	2.00	0.425	0.730
2004	0.730	4.20	2.00	0.425	0.730
2005	0.525	4.20	2.00	0.425	0.525
2006	0.525	4.20	2.00	0.425	0.525
2007	0.525	4.20	2.00	0.425	0.525

(1) Per \$100 of assessed value

Principal Property Taxpayers
 Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2007		Fiscal Year 1998	
		2007 Assessed Valuation	% of Total Assessed Valuation	1998 Assessed Valuation	% of Total Assessed Valuation
Potomac Edison	Utility - electric power	\$ 85,891,931	1.22%	\$ 83,339,951	2.76%
H.P. Hood, Inc.	Dairy Plant	34,969,300	0.49%	29,010,434	0.96%
Verizon VA	Utility - communications	33,978,801	0.48%	-	-
Fort Collier Group	Industrial park	28,591,400	0.40%	10,185,600	0.34%
Home Depot, USA	Distribution	26,910,900	0.38%	-	-
Washington Gas Light	Utility - natural gas	19,188,038	0.27%	16,614,332	0.55%
General Electric Co.	Incandescent lamps	15,400,900	0.22%	14,685,500	0.49%
Walmart	Retail	14,795,300	0.21%	-	-
Kohl's Department Stores	Distribution	13,195,800	0.19%	9,905,100	0.33%
Trex Company	Decking	12,996,300	0.18%	-	-
AT&T	Utility - communications	-	-	21,152,183	0.70%
Hershey Pasta Group	Pasta food manufacturing	-	-	15,840,200	0.52%
Henkel Harris Co.	Furniture manufacturing	-	-	9,043,500	0.30%
Miles, Inc.	Chemical Analysis	-	-	7,356,400	0.24%
		<u>\$ 285,918,670</u>	<u>4.05%</u>	<u>\$ 217,133,200</u>	<u>7.58%</u>

Source: Commissioner of Revenue - 2007 RE BOOK and FY 1998 CAFR

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collection	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 37,234,603	\$ 34,133,759	91.67%	\$ 1,242,591	\$ 35,376,350	95.01%
1999	38,295,661	36,484,598	95.27%	1,735,069	38,219,667	99.80%
2000	42,532,680	40,479,322	95.17%	1,224,420	41,703,742	98.05%
2001	46,716,011	45,166,257	96.68%	1,243,875	46,410,132	99.35%
2002	49,692,168	47,788,594	96.17%	1,157,814	48,946,408	98.50%
2003	56,707,435	53,814,205	94.90%	2,483,603	56,297,808	99.28%
2004	61,994,028	59,044,440	95.24%	2,541,857	61,586,297	99.34%
2005	67,175,489	64,011,850	95.29%	2,736,647	66,748,497	99.36%
2006	73,870,802	69,425,543	93.98%	2,042,434	71,467,977	96.75%
2007	77,747,045	75,112,880	96.61%	3,363,263	78,476,143	100.94%

Notes:

Levies and collection amounts are exclusive of penalties and interest.

Levies and collection amounts do not include Shawneeland Sanitary District.

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

Fiscal Year 2006 and 2007, the collected revenue was provided from the general ledger with the 45 day accrual included.

Source: Commissioner of Revenue, County Treasurer's office and prior audit reports.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/Bonds	Capital Leases			
1998	\$ 42,911,124	\$ 12,154,784	\$ 22,757,304	\$ 974,567	\$ 78,797,779	4002.31%	1,382
1999	37,108,151	17,910,426	29,140,599	689,664	84,848,840	4075.15%	1,463
2000	42,953,251	16,777,247	9,830,399	321,813	69,882,710	3081.55%	1,173
2001	58,442,647	15,644,068	8,911,047	91,578	83,089,340	3462.59%	1,357
2002	69,836,675	14,560,889	9,379,431	56,368	93,833,363	3789.34%	1,491
2003	84,940,591	13,477,710	8,253,769	146,987	106,819,057	4150.71%	1,648
2004	94,145,819	12,394,531	7,077,143	114,846	113,732,339	4097.29%	1,705
2005	102,465,321	11,311,352	6,226,072	81,251	120,083,996	N/A	1,737
2006	107,415,333	10,228,173	26,770,000	46,136	144,459,642	N/A	2,029
2007	110,080,330	9,144,994	26,260,000	9,432	145,494,756	N/A	1,980

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

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

N/A - Not Available

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

Fiscal Year	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
1998	\$ 61,039,029	1.66%	\$ 1,071
1999	61,623,577	1.61%	1,062
2000	61,956,927	1.54%	1,040
2001	82,022,073	1.87%	1,340
2002	93,101,851	2.00%	1,479
2003	106,371,525	2.14%	1,641
2004	113,617,493	2.15%	1,704
2005	120,002,745	1.80%	1,736
2006	144,413,506	1.74%	2,029
2007	145,585,324	1.66%	1,981

- (1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 11
- (2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7
- (3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes capital leases, and compensated absences.

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	County Population (1)	Personal Income (1)(b)	Per Capita Personal Income (1)(b)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
1998	57,010	\$ 1,968,806	\$ 24,500	N/A	10,376	2.50%
1999	58,011	2,082,102	25,537	N/A	10,530	2.00%
2000	59,594	2,267,781	27,233	N/A	10,634	2.00%
2001	61,216	2,399,633	28,129	N/A	10,736	2.80%
2002	62,937	2,476,247	28,371	N/A	10,969	3.40%
2003	64,820	2,573,512	28,891	N/A	11,357	3.50%
2004	66,696	2,775,794	30,336	N/A	11,745	2.80%
2005	69,123	2,999,573	31,887	37	12,211	2.50%
2006	71,187	N/A	N/A	37	12,605	2.60%
2007 (a)	73,500	N/A	N/A	N/A	12,596	2.90%

Notes:

- (a) 2007 figures are estimated
- (b) Includes City of Winchester

Sources:

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

N/A = Not available

Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>Fiscal Year 2007</u>		<u>Employees</u>	<u>Fiscal Year 1998</u>	
	<u>Rank</u>	<u>Total Employment</u>		<u>Rank</u>	<u>Total Employment</u>
Frederick County School Board	1	1000 and over	Frederick County School Board	1	1000 and over
County of Frederick	2	500 to 999	Action Executive Services	2	500 to 999
Shockey Brothers, Inc.	3	250 to 499	Vdo North America LLC	3	500 to 999
Kraft Foods	4	250 to 499	County of Frederick	4	500 to 999
H.P. Hood, Inc.	5	250 to 499	General Electric Company	5	250 to 499
Lord Fairfax Community College	6	250 to 499	Crown, Cork and Seal Company	6	250 to 499
U.S. Dept. of Homeland Defense	7	250 to 499	Lord Fairfax Community College	7	250 to 499
Barber & Ross Company	8	250 to 499	Perry Engineering Company	8	100 to 249
Kohl's Department Stores	9	100 to 249	American Woodmark Corporation	9	100 to 249
World Wide Automotive LLC	10	100 to 249	Miles, Inc.	10	100 to 249

Source: Virginia Employment Commission

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

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government	38	42	42	42	45	47	48	51	54	57
Judicial administration	15	15	16	17	17	18	17	19	19	20
Public safety										
Sheriffs department	78	92	92	92	92	96	100	107	112	118
Juvenile Court Probation		1	1	1	3	3	2	2	2	2
Building Inspections	11	11	11	12	12	12	12	14	17	25
Fire & Rescue	25	27	28	30	41	44	50	68	68	77
Communications	-	9	9	10	11	11	11	11	13	15
Public Works										
Engineering	1	1	1	1	2	3	4	5	6	6
Refuse Collection	-	1	1	1	1	1	1	2	2	2
Litter Control	0.5	0.5	0.5	0.5	0.5	0.5	-	-	-	-
Maintenance	3	3	4	4	4	4	4	5	5	5
Animal Shelter	3	3	3	4	4	4	4	4	5	6
Health and welfare										
Department of social services	33	35	35	38	40	44	46	46	52	57
Parks and Recreation	24	27	27	27	28	29	29	29	30	40
Community development										
Planning	12	12	12	12	14	12	13	13	13	14
EDC	3	3	3	3	3	3	3	3	3	3
Gypsy Moth/Biosolids	-	-	-	-	-	1	1	1	1	1
Soil & Water Conservation	2	2	4	4	4	4	4	3	6	6
Extensions	2	2	2	2	2	2	2	2	2	2
Regional Jail	108	109	116	117	117	122	124	154	154	187
Landfill	12.5	14.5	18.5	18.5	18.5	17.5	18	27	27	31
Division of Court Services	17	18	19	19	20	20	19	21	19	19
Shawneeland Sanitary District	5	5	5	5	5	4	4	5	6	6
Airport	9	9	8	8	9	9	9	9	9	12
Totals	<u>402</u>	<u>442</u>	<u>458</u>	<u>468</u>	<u>493</u>	<u>511</u>	<u>525</u>	<u>601</u>	<u>625</u>	<u>711</u>

Source: Prior Frederick County Annual Budgets

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 (c)
Public Safety										
Sheriffs Department:										
Calls for service answered (a)	36,662	40,647	40,705	40,207	39,920	47,466	50,686	51,774	55,872	N/A
Warrants served (a)	2,622	3,182	3,489	3,497	3,706	3,824	4,114	4,057	4,431	N/A
Criminal arrests (a)	2,239	3,356	2,422	2,402	2,474	2,560	2,726	2,582	3,112	N/A
Citations issued (a)	1,226	1,769	1,972	2,263	4,608	4,679	5,690	6,636	4,098	N/A
Civil papers served (a)	12,612	14,044	14,449	13,100	14,713	16,484	17,237	17,455	18,402	N/A
Fire and Rescue:										
Incident responses (a)	5,616	6,171	6,994	7,435	7,824	7,919	8,256	8,890	8,969	N/A
Building Inspections:										
Permits issued	5,127	5,504	5,497	5,532	6,730	6,671	7,218	9,284	9,771	7,474
Inspections performed	16,609	16,829	16,547	17,350	23,497	21,837	24,361	29,582	34,495	28,625
Public Works										
Road Administration:										
Street signs replaced	300	300	328	315	152	238	135	119	117	165
Engineering:										
Site reviews	126	145	182	191	237	249	241	298	342	370
Land disturbance permits issued	58	62	55	49	50	500	906	1,328	1,245	645
Animal Shelter:										
Dogs/cats adopted/reclaimed	886	805	977	1,042	856	884	784	947	1,003	1,017
Health and Welfare										
Department of Social Services:										
Adult protective service investigations	44	43	53	84	86	100	116	151	147	N/A
Child protective service investigations	316	296	229	234	303	348	422	422	433	N/A
Culture and Recreation										
Parks and Recreation:										
Recreation hall & shelter permits issued	536	527	550	588	593	551	566	597	669	780
Special events & excursions conducted	N/A	86	117	95	71	65	47	38	73	103
After-school program participants	N/A	N/A	N/A	N/A	N/A	N/A	402	416	480	487
Youth sports participants	N/A	N/A	N/A	N/A	N/A	N/A	6,891	7,039	7,742	10,293
Community Development										
Planning:										
Rezoning applications processed	19	15	4	11	12	14	14	17	20	20
Landfill										
Refuse weighed and disposed (tons/year)	135,829	146,952	158,100	167,142	168,084	181,370	196,120	204,348	213,417	197,679
Residential Recycling (tons/year)	1,172	1,040	1,160	1,220	1,091	1,178	1,348	1,316	1,449	1,950
Component Unit - School Board										
Education:										
School enrollment (1)	10,376	10,530	10,634	10,736	10,969	11,357	11,745	12,211	12,605	12,596
Number of instructional personnel (b)	1,032.8	1,102.8	1,102.8	1,141	1,210	1,212	1,290.3	1,354.5	1,419	1,477
Local expenditures per pupil (2)	2,994	3,053	3,054	3,298	3,669	3,793	4,299	4,048	4,599	4,506

Notes:

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

Source: Individual county departments, prior Frederick County Annual Budgets

(1) Virginia Department of Education

(2) Superintendent's Annual School Report, Table 15

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	N/A	N/A	N/A	N/A	7	7	8	8	8	12
Public safety										
Sheriffs department:										
Patrol units	N/A	N/A	N/A	N/A	68	62	69	72	81	73
Other vehicles	N/A	N/A	N/A	N/A	30	36	31	33	34	37
Building inspections:										
Vehicles	N/A	N/A	N/A	N/A	10	11	11	11	15	15
Animal control:										
Vehicles	N/A	N/A	N/A	N/A	3	3	3	3	3	3
Public works										
General maintenance:										
Trucks/vehicles	N/A	N/A	N/A	N/A	1	1	1	1	1	2
Landfill:										
Vehicles	N/A	N/A	N/A	N/A	17	15	15	15	12	11
Sites	9	9	9	9	9	9	9	9	9	9
Health and welfare										
Department of Social Services:										
Vehicles	N/A	N/A	N/A	N/A	6	7	7	7	8	9
Culture and Recreation										
Parks and Recreation:										
Community centers										
Vehicles	N/A	N/A	N/A	N/A	24	26	24	27	26	26
Parks acreage	431	431	431	431	431	431	431	431	639	
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	10	10	10	10	10	10	10	10	16	16
Community Development										
Planning:										
Vehicles	N/A	N/A	N/A	N/A	3	3	3	4	4	5
Component Unit - School Board										
Education:										
Schools (a)	15	15	15	15	15	15	16	17	18	18
School buses	N/A	N/A	133	138	147	157	155	162	182	196

Notes:

(a) Elementary, middle and high schools

Source: Individual county departments, prior Frederick County Annual Budgets

- Compliance Section -

COUNTY OF FREDERICK, VIRGINIA

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007**

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
<u>PRIMARY GOVERNMENT:</u>		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass through payments:</u>		
Virginia Department of Social Services:		
Food stamp administration	10.561	\$ <u>399,861</u>
<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	\$ 66,057
Temporary Assistance for Needy Families	93.558	321,199
Refugee and Entrant Assistance	93.566	1,299
Low-income Home Energy Assistance	93.568	15,323
Child Care Assistance	93.575	208,146
Child Care and Development Fund	93.596	185,515
Child welfare services - State grants	93.645	153
Foster Care - Title IV-E	93.658	534,807
Adoption Assistance	93.659	74,348
Social Services Block Grant	93.667	292,689
Independent Living	93.674	29,592
State children's insurance program	93.767	792
Medical Assistance Program	93.778	352,432
Statewide Fraud Program	93.000	<u>14,746</u>
Total Department of Health and Human Services		\$ <u>2,097,098</u>
<u>DEPARTMENT OF THE INTERIOR:</u>		
<u>Direct payments:</u>		
Bureau of Land Management:		
Payment in-lieu of taxes PL - 97-258:		
National Forest Acreage payment (31-USC-6901)	15.226	\$ <u>5,173</u>

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007 (Continued)**

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
<u>PRIMARY GOVERNMENT: (Continued)</u>		
<u>DEPARTMENT OF JUSTICE:</u>		
<u>Pass through payments:</u>		
Department of Criminal Justice Services:		
Victim-Witness	16.575	\$ <u>533</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>		
<u>Pass through payments:</u>		
Virginia Department of Transportation:		
State and community highway safety	20.600	\$ 9,987
Occupant Protection	20.602	39,701
Alcohol Open Container Requirements	20.607	<u>1,500</u>
Total Department of Transportation		<u>\$ 51,188</u>
<u>DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Pass through payments:</u>		
State Homeland Security Grant Program	97.004	\$ 179,773
Emergency Management Performance Grant	97.042	<u>188,373</u>
Total Federal Emergency Management Agency		<u>\$ 368,146</u>
Total Primary Government		<u><u>\$ 2,921,999</u></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	\$ 279,866
Department of Education:		
National School Breakfast Program	10.553	133,452
National School Lunch Program	10.555	1,105,717
Forest reserve funds	10.665	<u>2,920</u>
Total Department of Agriculture		<u>\$ 1,521,955</u>

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007 (Continued)**

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
<u>COMPONENT UNIT SCHOOL BOARD: (Continued)</u>		
<u>DEPARTMENT OF EDUCATION:</u>		
<u>Pass through payments:</u>		
Virginia Department of Education:		
Adult Education	84.002	\$ 270,963
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	1,052,989
Title III:		
Immigrant Education	84.365	51,636
Title VI:		
Consolidation of Federal Programs for Elementary and Secondary Education Block Grant	84.298	34,526
Title VI-B:		
Assistance to States for Education of Handicapped Children - School Program	84.027	2,171,289
Handicapped Children - Preschool Program	84.173	140,822
Vocational Education:		
Basic grants to states	84.048	136,232
Special Projects:		
Title II - Part A Improving Teacher Quality	84.367	308,551
Drug-free Schools and Communities	84.186	34,197
Fund for the Improvement of Education	84.215	14,100
Literary Challenge	84.318	21,470
Hurricane Education Recovery	84.938	11,628
Total Department of Education		\$ 4,248,403
Total Component Unit School Board		\$ 5,770,358
Total Expenditures of Federal Awards		\$ 8,692,357

COUNTY OF FREDERICK, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Note 1 - General

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

Note 2 - Basis of Accounting

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 2,921,998
Northwestern Regional Education Program	140,822
Total primary government	<u>\$ 3,062,820</u>

Component Unit Public Schools:

School Operating Fund	\$ 4,110,502
School Cafeteria Fund	1,239,169
Total component unit public schools	<u>\$ 5,349,671</u>

Total federal expenditures per basic financial statements	<u>\$ 8,412,491</u>
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Non-cash expenditures - value of donated commodities	<u>\$ 279,866</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 8,692,357</u></u>
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COUNTY OF FREDERICK, VIRGINIA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2007**

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child nutrition cluster
84.002	Adult education
84.027/84.173	Special education cluster
93.558	Temporary assistance for needy families

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

COUNTY OF FREDERICK, VIRGINIA

**Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2007**

There were no items reported.

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.

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Frederick, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the County of Frederick, Virginia's basic financial statements and have issued our report thereon dated November 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

However, we noted other matters that we reported to management of the County of Frederick, Virginia, in a separate letter dated November 30, 2007.

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

Robinson, Jarner, Cox Associates

Charlottesville, Virginia
November 30, 2007

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Compliance

We have audited the compliance of County of Frederick, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. County of Frederick, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Frederick, Virginia's management. Our responsibility is to express an opinion on County of Frederick, Virginia's compliance based on our audit.

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

In our opinion, County of Frederick, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the County of Frederick, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Frederick, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Frederick, Virginia's internal control over compliance.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Robinson, James, Cox Associates

Charlottesville, Virginia
November 30, 2007