

# COMPREHENSIVE ANNUAL

# FINANCIAL REPORT



**COUNTY OF FREDERICK, VIRGINIA**  
**Fiscal Year Ending June 30, 2012**

**- Introductory Section -**

# **COUNTY OF FREDERICK, VIRGINIA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
JUNE 30, 2012**

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Issued by

Cheryl B. Shiffler, Finance Director

Winchester, Virginia

COUNTY OF FREDERICK, VIRGINIA

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2012

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**COUNTY OF FREDERICK, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**FISCAL YEAR ENDED JUNE 30, 2012**

**BOARD OF SUPERVISORS**

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

**COUNTY SCHOOL BOARD**

---

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

**BOARD OF SOCIAL SERVICES**

---

	James Stephens, Chairman Donald Nesslerodt, Vice-Chairman	
Lorene Carter Susan Marsh	Kathleen Pitcock	James Stephens Joanne Leonardis

**OTHER OFFICIALS**

---

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





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

540/665-5666

Fax: 540/667-0370

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

December 14, 2012

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, 2012 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

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

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

## **REPORTING ENTITY**

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

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

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

## **ECONOMIC CONDITIONS AND OUTLOOK**

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

The provisional population of the County was estimated at 79,156 in 2011 based on the U.S. Census Bureau. The per capita income in Winchester-Frederick County was \$37,382 in 2011, the last year for which the information is available, according to the Bureau of Economic Analysis.

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

### **LOCAL ECONOMY**

As the nation continues to recover from its most recent recession, there have been recent indicators that the economy in Frederick County is showing signs of recovery. Sales tax continues to increase at an average rate of eight percent. Other positive indicators include a fairly steady showing in construction-related permits and a slight increase in meals and lodging taxes collection.

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

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

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

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

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

### **FUTURE GOALS**

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

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

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

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## **A PROFILE OF FREDERICK COUNTY**

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### **HISTORY**

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

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

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

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

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

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

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

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

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

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

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

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

**HISTORIC PRESERVATION**

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

Belle Grove and Cedar Creek Battlefield	Hopewell Friends Meeting House
Monte Vista	County Poor House
Springdale House and Mill Complex	Willa Cather’s Birthplace
Willow Shade	Newtown/Stephensburg District
Sunrise	St. Thomas Episcopal Church (Middletown)
Rose Hill	

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

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

**Battlefields:**

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

**Fortifications/Entrenchments:**

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

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

## **PHYSICAL CHARACTERISTICS**

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

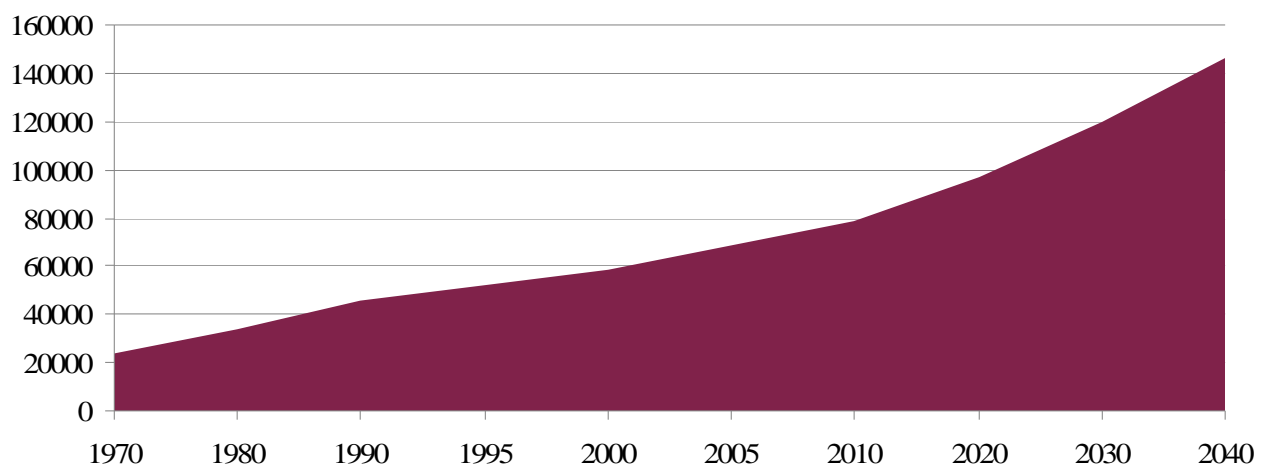
The second area is underlain by limestone-carbonate bedrock and consists of a band that runs north-south through the county between Interstate 81 and Little North Mountain. The terrain here tends to be gently rolling. Outside of the City of Winchester, much of this area is currently used for agriculture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

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

## **POPULATION**

During the twentieth century, the population of Frederick County skyrocketed 347 percent, growing from 13,239 people in 1900 to 59,209 in 2000. Much of the population growth occurred during the 1970's and 1980's and again during the economic/construction boom in the mid 2000's. According to the latest census conducted in 2010, the population for Frederick County was 78,305. By 2020, it is projected that the population of Frederick County will be approximately 97,192, by 2030 119,419, and by 2040 145,938.

**Frederick County Population Counts, 1970-2040**



## **PUBLIC SCHOOL SYSTEM**

The Frederick County Public School System, the 19<sup>th</sup> largest school division in Virginia, is composed of eleven elementary schools serving students in grades kindergarten through fifth grade; four middle schools serving grades six through eight; three high schools serving grades nine through twelve; and one alternative/vocational school. Frederick County participates and is fiscal agent for a regional facility, Northwestern Regional Educational Program that provides services to some of its special education

population. Other support facilities include the administration building, the maintenance and warehousing facility and the transportation facility. The school system also provides building maintenance services for the county government office buildings and the regional library. The new transportation facility is equipped to provide vehicle maintenance services to county agencies as well as the school division.

In the fall of 2002 (fiscal year 2003), student enrollment was 11,029. In the fall of 2011 (fiscal year 2012), student enrollment was 13,029, which represents an increase of 2,000 students, or 18%, since Fiscal Year 2003. The structure of the school division is designed to support the needs of the 13,156 students projected for the school year 2012-2013.

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

FY 2013 marks the end of a three-year period during which temporary state and federal funds were made available to save/create jobs and sustain operations. The loss of those funds combined with an increase in required expenditures, specifically payment increases to the Virginia Retirement System, continues a challenge for the school division in teacher recruitment and retention, professional development, and in meeting No Child Left Behind and state requirements. Frozen net pay for the fourth consecutive year results in a greater challenge of offering a competitive compensation package.

Much attention has been focused on the retirement program provided for educators through the Virginia Retirement System (VRS). For several years, the contributions to the system have been less than recommended by the VRS board. During the same period, an increasing number of employees have entered or neared retirement age. This has created an under-funded situation, which if not corrected, could lead to imbalance. The fiscal solvency of the program would not be an area of concern had the General Assembly not reduced the contribution rates to artificially low levels. The resulting situation is one of not only increased dollars needed, but also increased attention to the benefits of the program. To address the issue, the General Assembly approved a policy change requiring all school division employees who participate in VRS to pay their 5% member contribution beginning in FY 2013. To charge the employees their 5% share, school divisions had to adjust salaries so net pay would not be reduced. At the same time, the General Assembly significantly increased the employer's contribution rate after a two-year discount to save jobs.

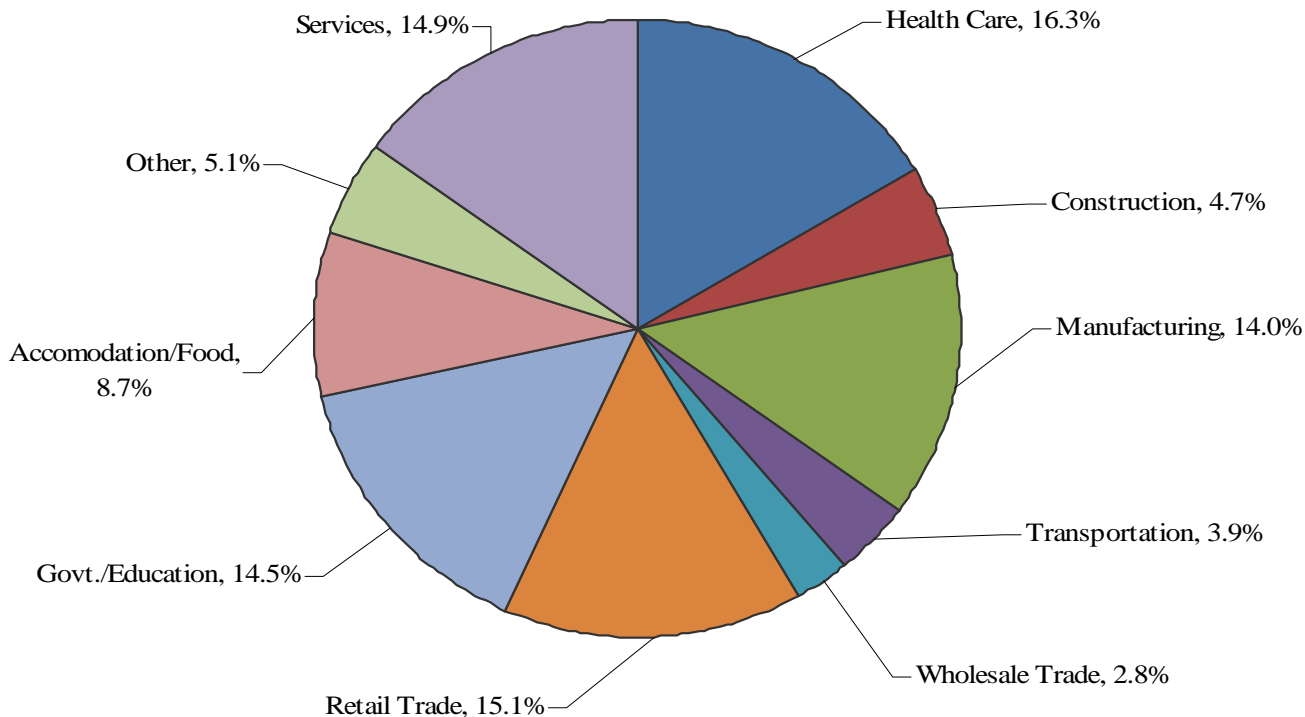
Three years of budget reductions and one-time sources have changed the school division. Federal stimulus funds, one-time federal carry-over amounts and temporary state funds - \$17 million collectively – have been used to save jobs when state and local funds decreased. Artificially low retirement rates in Virginia freed up funds to save jobs. The theory behind the distribution of one-time funds was built on the premise that national and state economic recovery would occur at a faster pace. Since 2009, the school division has downsized by 85 positions. Although funding issues required a reduction of 31.5 positions in FY 2013, there were no involuntary employee separations. Programs have been protected as best possible, but class sizes will increase further. Operational needs such as replacement school buses and technology equipment have been deferred to future years. As we emerge from this period of fiscal uncertainty, priorities the School Board will address include improving class sizes, implementing a full-day kindergarten program, providing salary increases for employees, and providing adequate technology resources to support student learning and operational efficiencies.



**EMPLOYMENT TRENDS**

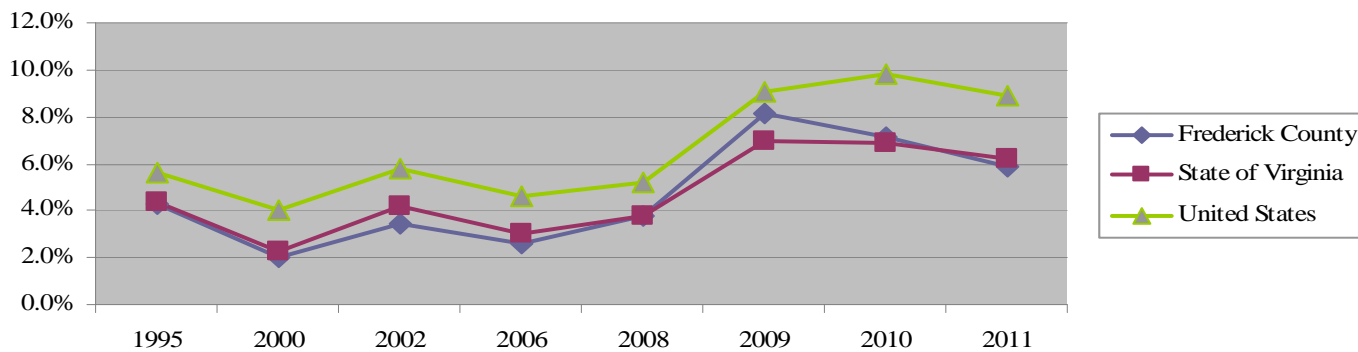
Winchester and Frederick County had a total of 49,882 jobs in 2011 as measured by the Virginia Employment Commission. The largest employment sector was health care which employed 6,960 workers in 2011.

**Employment Trends - Frederick County and Winchester - 2011**



Unemployment rates for Frederick County and Winchester have paralleled those of Virginia. Unemployment rates locally and nationally are in slight decline from record highs in almost twenty years. In the last three years, the Frederick County unemployment rate has decreased 27%, the Virginia unemployment rate has decreased 11%, and the United States unemployment rate has decreased 2%. The unemployment rate for Frederick County for 2010 was 7.1% compared to the 2011 rate of 5.9%.

**Unemployment Rate Comparison**



## QUALITY OF LIFE

Higher Education	<p>Lord Fairfax Community College located in Frederick County, offers two-year programs for an associate degree in Art and Sciences and Applied Science, Career Studies and Certificate Programs. LFCC serves more than 7,600 unduplicated credit students and more than 10,450 individuals in professional development and business and industry courses annually.</p> <p>Shenandoah University offers four-year undergraduate and graduate programs with a school enrollment of 3,000 students. The schools include Harry F. Byrd, Jr. School of Business, Health Professions, Arts and Sciences, Pharmacy and Conservatory. The John Marsh Institute of Public Policy is also located at the university.</p> <p>There are 22 colleges and universities within a 125 mile radius of Frederick County.</p>
Cost of Living	<p>The cost of living in Frederick County area is about 104.3% of the national average. The median single family detached home sold for approximately \$170,500 in 2011. This low cost of living in such a close proximity to Washington, D. C. attributes to the attractiveness of the area to many working families.</p>
Crime	<p>The latest FBI report (data for 2010) gives the crime rate per 100,000 people for the USA as 403.6. The crime rate for Winchester-Frederick County was 166.1 in 2010.</p>
Medical Care	<p>Winchester Medical Center, a 445-bed, non-profit hospital in Winchester, Virginia, is a regional referral center offering a broad spectrum of services that includes diagnostic, medical, surgical, and rehabilitative care. A level II trauma center, Winchester Medical Center is a resource for 400,000 residents in Virginia as well as neighboring West Virginia and Maryland. Early in 2012, Winchester Medical Center completed a three-year campus expansion project. The \$161 million construction project impacted three sides of the 22-year old medical center, enhancing critical care and women's services.</p>
Library Services	<p>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 40,236 active registered library card holders in Frederick County. During the 2012 fiscal year, Frederick County residents borrowed 459,276 items from the library system.</p>
Parks	<p>The County currently owns and operates two district parks. Clearbrook Park, located five miles north of Winchester, consists of approximately 55 acres and Sherando Park, located two miles east of Stephens City, consists of approximately 335 acres. Both district parks currently serve the county's population with both active and passive recreational programs and facilities. Recreational facilities currently provided are two outdoor swimming pool complexes, athletic fields, playgrounds and picnic areas, fishing, paddleboats and volleyball. An additional amenity located at Sherando Park is a bike path that begins and ends at Sherando High School, wrapping its way through the park and adjoining neighborhoods. A wide path that is approximately three miles in length, it provides a good surface for both walking and biking. There are also three neighborhood parks located at Round Hill, Reynolds Store, and Frederick Heights which primarily provide playground equipment for young children.</p>

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

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## **FINANCIAL INFORMATION**

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

### **SINGLE AUDIT**

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

As a part of the County's single audit described earlier, tests are made to determine the adequacy of the internal control structure including that portion related to federal financial assistance programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2012, 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, 2012, 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

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### INDEPENDENT AUDIT

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

### AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the twenty-sixth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the County also received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its fiscal year ending June 30, 2011. This is the sixth year that the County has received this award. In order to receive this award a government unit must publish a document whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

The County also received GFOA's Award for Distinguished Budget Presentation for its fiscal year beginning July 1, 2011 and twenty-six 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.

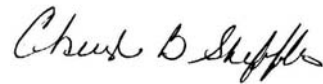
### ACKNOWLEDGMENTS

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, 2011

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



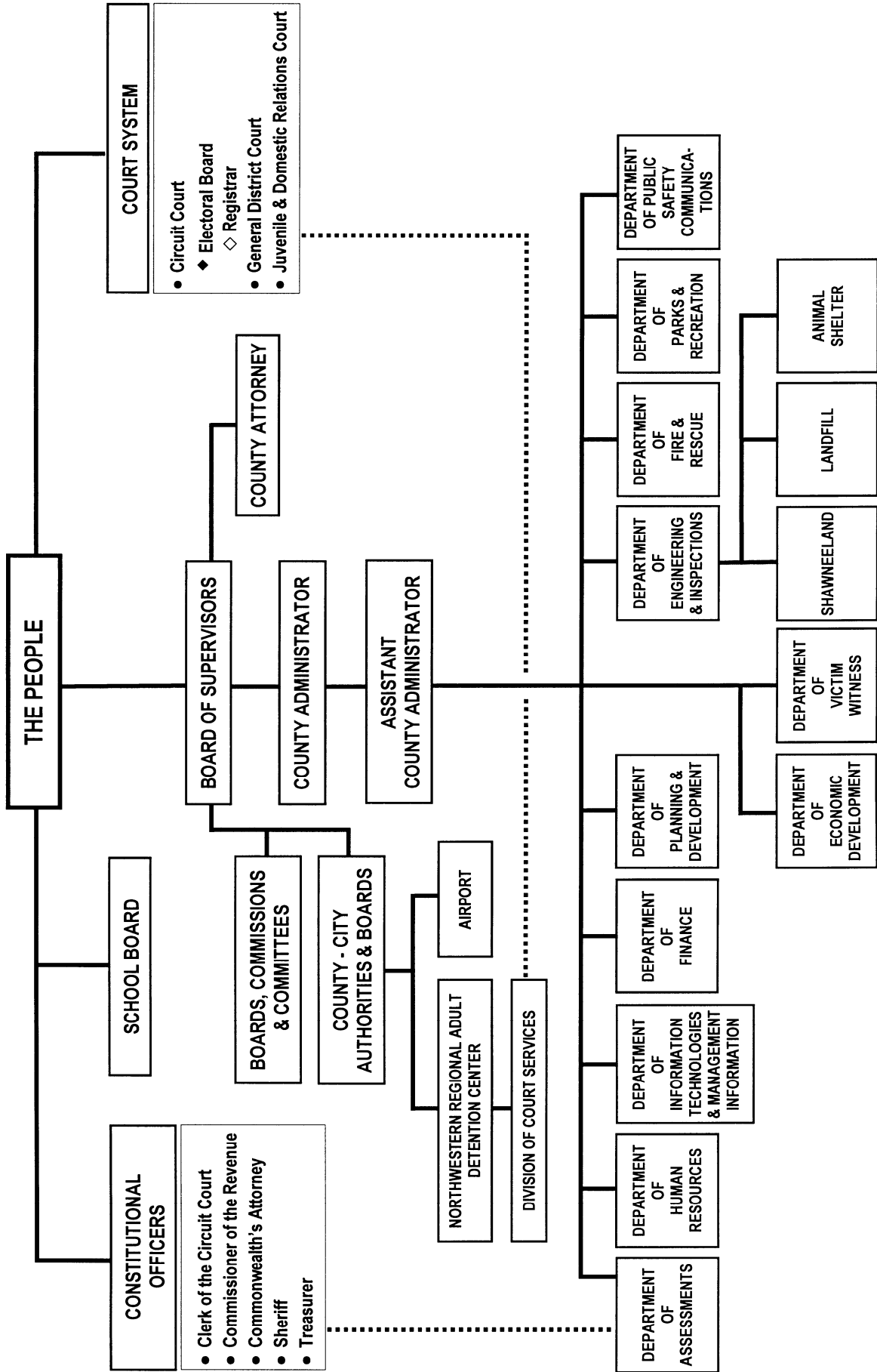
*Linda C. Dandson*

President

*Jeffrey R. Emen*

Executive Director

# FREDERICK COUNTY ORGANIZATIONAL CHART



**- Financial Section -**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Frederick, Virginia (the "County"), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Frederick, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Frederick, Virginia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of the County of Frederick, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an



appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*Robinson, James, Co. Associate*

Charlottesville, Virginia  
December 14, 2012

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

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The following discussion and analysis of the County of Frederick's (the County) financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the County's financial statements, which follow this section.

### **Financial Highlights for Fiscal Year 2012:**

- Government-wide Statements:
  - On a government-wide basis for governmental activities the County had expenses net of program revenues of \$126.5 million, which was approximately \$7.4 million more than the general revenues of \$119.1 million.
  - On a government-wide basis, the governmental activities total net assets totaled \$21.9 million.
  
- Fund Statements:
  - The fund financial statements report combined ending general fund balances of \$39.6 million. Of that amount, \$34.2 million reflects unassigned general fund balance.
  - General fund property taxes of \$74.1 million equaled over half of the total \$130.3 million in revenues in the general fund.
  - The net change in fund balance for the general fund of the prior year was approximately a \$6.2 million increase.

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

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

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

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

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

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

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

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

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

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

## **Fund Financial Statements:**

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

The County has three kinds of funds:

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

**Fund Financial Statements: (continued)**

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

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

**Notes to the Financial Statements:**

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

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

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

**Summary Statement of Net Assets  
June 30, 2012**

	Governmental Activities		Business-Type Activities		Total		Component Units	
	2012	2011	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 71,013,238	\$ 65,631,240	\$ 29,649,490	\$ 30,651,422	\$ 100,662,728	\$ 96,282,662	\$ 35,044,629	\$ 26,124,828
Capital Assets (net)	118,209,518	120,963,616	20,972,668	21,340,265	139,182,186	142,303,881	101,594,834	95,626,223
<b>Total Assets</b>	<b>\$189,222,756</b>	<b>\$ 186,594,856</b>	<b>\$ 50,622,158</b>	<b>\$ 51,991,687</b>	<b>\$ 239,844,914</b>	<b>\$ 238,586,543</b>	<b>\$136,639,463</b>	<b>\$121,751,051</b>
Long-term Liabilities	\$156,829,018	\$ 149,174,289	\$ 11,787,461	\$ 11,667,593	\$ 168,616,479	\$ 160,841,882	\$ 3,975,801	\$ 3,366,467
Other Liabilities	10,468,676	8,128,172	1,024,177	2,205,396	11,492,853	10,333,568.00	18,093,423	16,235,372
<b>Total Liabilities</b>	<b>\$167,297,694</b>	<b>\$ 157,302,461</b>	<b>\$ 12,811,638</b>	<b>\$ 13,872,989</b>	<b>\$ 180,109,332</b>	<b>\$ 171,175,450</b>	<b>\$ 22,069,224</b>	<b>\$ 19,601,839</b>
Net Assets:								
Invested in Capital Assets, net of related debt	\$ (11,377,535)	\$ (9,537,133)	\$ 20,972,668	\$ 21,340,265	\$ 9,595,133	\$ 11,803,132	\$101,594,834	\$ 95,626,223
Restricted for Capital Projects	-	-	-	-	-	-	-	-
Unrestricted	33,302,597	38,829,528	16,837,852	16,778,433	50,140,449	55,607,961	12,975,405	6,522,989
<b>Total Net Assets</b>	<b>\$ 21,925,062</b>	<b>\$ 29,292,395</b>	<b>\$ 37,810,520</b>	<b>\$ 38,118,698</b>	<b>\$ 59,735,582</b>	<b>\$ 67,411,093</b>	<b>\$114,570,239</b>	<b>\$102,149,212</b>

The County’s combined net assets decreased from \$67,411,093 to \$59,735,582. This net decrease in the amount of \$7,675,511 can be attributed to a decrease in governmental activities in the amount of \$7,367,333 and a decrease in business-type activities in the amount of \$308,178. 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, 2012

Governmental Activities	Governmental Activities		Business-Type Activities		Total		Component Units	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>								
<b>Program Revenues</b>								
Charges for Services	\$ 4,110,366	\$ 4,025,756	\$ 5,357,427	\$ 5,268,343	\$ 9,467,793	\$ 9,294,099	\$ 2,949,609	\$ 3,059,346
Operating Grants & Contributions	10,159,864	10,945,448	-	-	10,159,864	10,945,448	72,780,275	68,436,356
Capital Grants & Contributions	93,338	-	-	-	93,338	-	-	-
<b>General Revenues</b>								
Real Estate & Personal Property	76,645,974	73,729,205	-	-	76,645,974	73,729,205	-	-
Other Taxes	26,966,330	25,294,693	-	-	26,966,330	25,294,693	-	-
Payments from Primary Government	-	-	-	-	-	-	72,739,956	68,730,175
Non-restricted Grants	14,631,755	14,689,496	-	-	14,631,755	14,689,496	-	-
Use of Money and Property	265,970	190,074	53,704	93,809	319,674	283,883	483,940	374,505
Miscellaneous	637,532	561,013	184,281	208,967	821,813	769,980	404,349	311,784
<b>Total Revenues</b>	<b>\$ 133,511,129</b>	<b>\$ 129,435,685</b>	<b>\$ 5,595,412</b>	<b>\$ 5,571,119</b>	<b>\$ 139,106,541</b>	<b>\$ 135,006,804</b>	<b>\$ 149,358,129</b>	<b>\$ 140,912,166</b>
<b>Expenses:</b>								
General Government	\$ 7,801,808	\$ 7,327,459	\$ -	\$ -	\$ 7,801,808	\$ 7,327,459	\$ -	\$ -
Judicial Administration	3,332,983	3,193,494	-	-	3,332,983	3,193,494	-	-
Public Safety	25,110,289	24,433,750	-	-	25,110,289	24,433,750	-	-
Public Works	3,270,107	3,727,381	-	-	3,270,107	3,727,381	-	-
Health / Welfare	8,401,557	8,384,653	-	-	8,401,557	8,384,653	-	-
Education	75,830,530	71,756,548	-	-	75,830,530	71,756,548	136,923,638	133,220,922
Parks, Recreation & Culture	5,200,119	5,099,689	-	-	5,200,119	5,099,689	-	-
Community Development	5,665,018	2,920,744	-	-	5,665,018	2,920,744	-	-
Interest on Long-term Debt	6,266,051	4,755,467	-	-	6,266,051	4,755,467	-	-
Landfill Operations	-	-	5,903,590	5,649,468	5,903,590	5,649,468	-	-
Industrial Development Authority	-	-	-	-	-	-	13,464	954,629
<b>Total Expenses</b>	<b>\$ 140,878,462</b>	<b>\$ 131,599,185</b>	<b>\$ 5,903,590</b>	<b>\$ 5,649,468</b>	<b>\$ 146,782,052</b>	<b>\$ 137,248,653</b>	<b>\$ 136,937,102</b>	<b>\$ 134,175,551</b>
<b>Expenses (greater than) less than revenues received</b>	<b>\$ (7,367,333)</b>	<b>\$ (2,163,500)</b>	<b>\$ (308,178)</b>	<b>\$ (78,349)</b>	<b>\$ (7,675,511)</b>	<b>\$ (2,241,849)</b>	<b>\$ 12,421,027</b>	<b>\$ 6,736,615</b>
Net Assets, July 1, 2011	29,292,395	31,455,895	38,118,698	38,197,047	67,411,093	69,652,942	102,149,212	95,412,597
Net Assets, June 30, 2012	\$ 21,925,062	\$ 29,292,395	\$ 37,810,520	\$ 38,118,698	\$ 59,735,582	\$ 67,411,093	\$ 114,570,239	\$ 102,149,212

### Revenues:

□ **Governmental Activities:** For the fiscal year ended June 30, 2012, revenues from governmental activities totaled \$133,511,129, an increase of \$4.1 million over last fiscal year. Property tax revenues, which include real estate tax revenues and the local paid portion of personal property taxes account for approximately \$76.6 million of the total revenues received. Personal property taxes paid by the State under the provisions of PPTRA are included in nonrestricted grants.

Other local taxes include sales tax, utilities tax, gross receipts tax, business license, bank stock taxes, franchise tax, hotel and meals tax, and motor vehicle licenses. This category increased from last fiscal year by \$1.7 million.

□ **Business-Type Activities:** The Regional Landfill is the only category that is classified as a business-type activity. Fees generated from usage of the landfill are recorded along with interest earnings as revenue. The landfill decreased net assets by \$308,178 in FY12.

□ **Component Units:** Component units include the Frederick County Public Schools and the Frederick County Industrial Development Authority. Program revenues would include direct revenues such as charges for services and operating grants. Operating grants include state and federal funding that is primarily comprised of categorical funding.

**Expenses:**

- **Governmental Activities:** For the fiscal year ended June 30, 2012, expenses related to governmental activities totaled \$140,878,462 which includes payments to the component units. Net assets related to governmental activities decreased by \$7.4 million.

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

- **Governmental Funds:** Reported combined ending fund balance is \$49,312,523, an increase of \$2.4 million in comparison with the prior year. The increase was mostly due to the increase in General Fund fund balance at the end of FY 2012. It was the County's goal to replenish general fund balance by the amount used to balance the budget. At year end this goal was met.

Approximately 69% (\$34,175,579) of the combined ending fund balance is unassigned, which is available for spending at the government's discretion. The FY13 budget appropriates \$4.3 million from fund balance to balance the budget. Of the remainder of the fund balance, \$736,632 is nonspendable, \$9,104,348 is restricted, \$4,630,279 is committed and \$665,685 is assigned. Detailed information on fund balance types and amounts can be found in the Notes to Financial Statements - NOTE 1-N of this document.

The County's major funds are the General, Shawneeland Sanitary District, Lake Holiday Sanitary District, School Debt Service, and Capital Projects Funds. Detailed information on fund revenues, expenditures and fund balance during the 2011-12 fiscal year can be found on Exhibit 5 – Statement of Revenues, Expenditures, and Changes in Fund Balances.

- The General Fund is the chief operating fund of the County of Frederick.
- The Shawneeland Sanitary District Fund accounts for special property tax assessments which are used to pay for various services requested by residents of the District.
- The Lake Holiday Sanitary District Fund accounts for special property tax assessments which are used to pay for the repair of the dam and related expenditures.
- The School Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related charges.
- The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

- **Proprietary Funds:** The County's proprietary funds consist of the landfill fund and internal service funds. The Landfill Fund is operated like a business (enterprise) fund and the internal service funds include the County's Health Insurance, Central Stores, Unemployment, and Volunteer Fire and Rescue Funds. The Landfill Fund reflected a decrease in net assets of \$308,178, while the Internal Service Funds recognized a decrease in net assets in the amount of \$208,133. The Landfill Fund purchased capital assets in the amount of \$1,394,172 and posted operating loss of \$361,882. The Internal Service Funds had operating loss of \$322,753.

**General Budgetary Highlights:**

Differences between the original budget appropriations and the final budget appropriations of the general fund resulted in an increase of \$5,932,165 in additional appropriations. Highlights of the budget amendments are as follows:

- \$249,600 in budget amendments for VDEM grant.
- \$150,000 in budget amendments to appropriate proffers for Sherando ballfield.
- \$108,144 in budget amendments for Airport capital.
- \$227,935 in budget amendments for grant carry forwards for the Sheriff's department.
- \$169,556 in budget amendments for phase I of the IT project.
- \$319,636 in budget amendments for laptops for Sheriff's department.

The variance between the final amended budget and actual was \$4,193,733. Significant variances were:

- \$308,822 from general government administration;
- \$481,966 from Sheriff's office;
- \$151,550 from fire & rescue;
- \$223,971 from general property maintenance;
- \$279,839 from welfare and social services;
- \$1,320,640 from education services from schools;
- \$275,437 from parks and recreation;
- \$167,228 from refuse collection.

**Capital Assets:**

At the end of the Fiscal Year 2012, Governmental Activities had invested \$118,209,518 and the Component Unit School Board had invested \$101,594,834 in capital assets net of depreciation. School Board capital assets are jointly owned by the County (Primary Government) and the Component Unit School Board to the extent of the proportion of general obligation debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. The County and School Board have no infrastructure capital assets, such as roads and bridges, because all such items have been transferred to and are maintained by the Commonwealth of Virginia. The following two schedules reflect the capital assets of the Governmental Activities and Component Unit School Board. Additional information on capital assets can be found in Note 8 in this report.

	<b>Capital Assets</b>					
	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital Assets not being depreciated:						
Land and Land Improvements	\$ 2,396,274	\$ 2,396,274	\$ 3,310,126	\$ 3,310,126	\$ 5,706,400	\$ 5,706,400
Construction in Progress	-	-	3,664,570	2,771,396	3,664,570	2,771,396
School Construction in Progress	10,009,431	645,655	-	-	10,009,431	645,655
Total Capital Assets not being depreciated	<u>\$ 12,405,705</u>	<u>\$ 3,041,929</u>	<u>\$ 6,974,696</u>	<u>\$ 6,081,522</u>	<u>\$ 19,380,401</u>	<u>\$ 9,123,451</u>
Other Capital Assets:						
Building and Improvements	\$ 45,018,775	\$ 44,870,200	\$ 2,965,316	\$ 2,965,316	\$ 47,984,091	\$ 47,835,516
Landfill Improvements	-	-	27,702,624	27,273,402	27,702,624	27,273,402
School Building & Improvements	91,413,448	101,099,257	-	-	91,413,448	101,099,257
Furniture, Equipment & Vehicles	9,505,357	9,161,921	4,873,636	4,801,859	14,378,993	13,963,780
Total Other Capital Assets	<u>\$ 145,937,580</u>	<u>\$ 155,131,378</u>	<u>\$ 35,541,576</u>	<u>\$ 35,040,577</u>	<u>\$ 181,479,156</u>	<u>\$ 190,171,955</u>
Less: Accumulated Depreciation	<u>40,133,767</u>	<u>37,209,691</u>	<u>21,543,604</u>	<u>19,781,834</u>	<u>61,677,371</u>	<u>56,991,525</u>
Net Capital Assets	<u><u>\$ 118,209,518</u></u>	<u><u>\$ 120,963,616</u></u>	<u><u>\$ 20,972,668</u></u>	<u><u>\$ 21,340,265</u></u>	<u><u>\$ 139,182,186</u></u>	<u><u>\$ 142,303,881</u></u>

**Component Unit School Board Capital Assets**

	2012	2011
Capital Assets not being depreciated:		
Land and Land Improvements	\$ 8,288,366	\$ 8,288,366
Construction in Progress	10,277,116	645,655
Construction in Progress Allocated to County	(10,009,431)	(645,655)
Total Capital Assets not being depreciated	<u>\$ 8,556,051</u>	<u>\$ 8,288,366</u>
Other Capital Assets:		
Building and Improvements	\$ 226,764,266	\$ 225,436,034
School Buildings and Improvements allocated to County	(91,413,448)	(101,099,257)
Furniture, Equipment & Vehicles	43,799,605	42,511,877
Total Other Capital Assets	<u>\$ 179,150,423</u>	<u>\$ 166,848,654</u>
Less: Accumulated Depreciation	<u>86,111,640</u>	<u>79,510,797</u>
Net Capital Assets	<u><u>\$ 101,594,834</u></u>	<u><u>\$ 95,626,223</u></u>

**Long-Term Obligations:**

General Fund revenues are used to pay lease and general obligation bonds and state literary fund loans. At the end of the fiscal year, the County had bonded debt of \$141.4 million. This entire amount represents debt backed by the full faith and credit of the County.

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2012.

	June 30, 2011	Increase	Decrease	June 30, 2012
Lease Revenue Bonds Payable	\$ 31,635,000	\$ -	\$ 1,060,000	\$ 30,575,000
General Obligation Bonds:				
Library	2,962,961	2,759,400	2,962,961	2,759,400
School	96,755,651	14,975,000	8,060,479	103,670,172
Add deferred amount for issuance premiums	3,134,924	839,305	412,481	3,561,748
Less deferred amount on refunding	(78,542)	-	(33,159)	(45,383)
Total School General Obligation Bonds	<u>\$ 99,812,033</u>	<u>\$ 15,814,305</u>	<u>\$ 8,439,801</u>	<u>\$ 107,186,537</u>
State Literary Fund Loans:				
School	5,266,914	-	814,149	4,452,765
Intergovernmental loans	173,527	-	11,399	162,128
Claims	563,955	6,829,862	6,766,865	626,952
Capital leases	75,651	555,197	234,567	396,281
Other post employment benefits	6,566,000	2,372,000	317,000	8,621,000
Compensated absences	2,682,203	1,871,546	1,877,842	2,675,907
Total	<u><u>\$ 149,968,697</u></u>	<u><u>\$ 30,202,310</u></u>	<u><u>\$ 22,484,584</u></u>	<u><u>\$ 157,455,970</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, 2012

	Governmental Activities	Business-Type Activities	Total	Component Units	
				School Board	Industrial Development Authority
<b>Assets:</b>					
Cash and cash equivalents	\$ 50,269,709	\$ 17,477,087	\$ 67,746,796	\$ 28,920,559	\$ 139,833
Restricted cash	-	11,653,037	11,653,037	-	-
Receivables, net	10,374,960	519,366	10,894,326	263,083	98
Due from other governments	9,281,663	-	9,281,663	5,470,410	-
Intergovernmental loan	734,939	-	734,939	-	-
Prepaid expenses	1,693	-	1,693	-	1,896
Inventory	-	-	-	248,750	-
Unamortized debt issuance costs	350,274	-	350,274	-	-
Capital assets:					
Land and construction in progress	12,405,705	6,974,696	19,380,401	8,556,051	-
Other capital assets, net of accumulated depreciation	105,803,813	13,997,972	119,801,785	93,038,783	-
Capital assets, net	\$ 118,209,518	\$ 20,972,668	\$ 139,182,186	\$ 101,594,834	\$ -
Total assets	\$ 189,222,756	\$ 50,622,158	\$ 239,844,914	\$ 136,497,636	\$ 141,827
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 3,291,307	\$ 1,006,285	\$ 4,297,592	\$ 16,713,421	\$ 60,000
Accrued interest payable	2,558,570	-	2,558,570	-	-
Claims payable	626,952	-	626,952	1,320,002	-
Unearned revenue	2,220,107	17,892	2,237,999	-	-
Amounts held for others	1,771,740	-	1,771,740	-	-
Long-term liabilities:					
Due within one year	13,212,263	94,097	13,306,360	757,661	-
Due in more than one year	143,616,755	11,693,364	155,310,119	3,218,140	-
Total liabilities	\$ 167,297,694	\$ 12,811,638	\$ 180,109,332	\$ 22,009,224	\$ 60,000
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	\$ (11,377,535)	\$ 20,972,668	\$ 9,595,133	\$ 101,594,834	\$ -
Unrestricted	33,302,597	16,837,852	50,140,449	12,893,578	81,827
Total net assets	\$ 21,925,062	\$ 37,810,520	\$ 59,735,582	\$ 114,488,412	\$ 81,827

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, 2012

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
<b>Primary Government</b>									
<b>Governmental activities</b>									
General government administration	\$ 7,801,808	\$ -	\$ 421,022	\$ -	\$ (7,380,786)	\$ -	\$ (7,380,786)	\$ -	\$ -
Judicial administration	3,332,983	1,299,186	1,179,418	-	(854,379)	-	(854,379)	-	-
Public safety	25,110,289	1,064,182	3,318,229	-	(20,727,878)	-	(20,727,878)	-	-
Public works	3,270,107	-	16,902	93,338	(3,159,867)	-	(3,159,867)	-	-
Health and welfare	8,401,557	-	5,087,112	-	(3,314,445)	-	(3,314,445)	-	-
Education	75,830,530	-	-	-	(75,830,530)	-	(75,830,530)	-	-
Parks, recreation and cultural	5,200,119	1,742,905	-	-	(3,457,214)	-	(3,457,214)	-	-
Community development	5,665,018	4,093	-	-	(5,660,925)	-	(5,660,925)	-	-
Interest on long-term debt	6,266,051	-	137,181	-	(6,128,870)	-	(6,128,870)	-	-
Total governmental activities	\$ 140,878,462	\$ 4,110,366	\$ 10,159,864	\$ 93,338	\$ (126,514,894)	\$ -	\$ (126,514,894)	\$ -	\$ -
<b>Business type activities</b>									
Landfill operations	5,903,590	5,357,427	-	-	-	(546,163)	(546,163)	-	-
<b>Total Primary Government</b>	\$ 146,782,052	\$ 9,467,793	\$ 10,159,864	\$ 93,338	\$ (126,514,894)	\$ (546,163)	\$ (127,061,057)	\$ -	\$ -
<b>Component Units</b>									
Frederick County Public Schools	\$ 136,923,638	\$ 2,949,261	\$ 72,780,275	\$ -				\$ (61,194,102)	\$ -
Frederick County Industrial Development Authority	13,464	348	-	-				-	(13,116)
<b>Total Component Units</b>	\$ 136,937,102	\$ 2,949,609	\$ 72,780,275	\$ -				\$ (61,194,102)	\$ (13,116)
<b>General Revenues</b>									
Taxes:									
General property taxes, real and personal					\$ 76,645,974	\$ -	\$ 76,645,974	\$ -	\$ -
Local sales and use taxes					10,516,915	-	10,516,915	-	-
Business licenses tax					5,482,143	-	5,482,143	-	-
Consumer utility taxes					3,022,297	-	3,022,297	-	-
Meals and lodging taxes					4,454,706	-	4,454,706	-	-
Motor vehicle licenses tax					2,165,329	-	2,165,329	-	-
Taxes on recordation and wills					934,185	-	934,185	-	-
Other taxes					390,755	-	390,755	-	-
Payment from County of Frederick:									
Education					-	-	-	72,739,956	-
Grants and contributions not restricted to specific programs					14,631,755	-	14,631,755	-	-
Unrestricted use of money and property					265,970	53,704	319,674	483,918	22
Miscellaneous					637,532	184,281	821,813	404,349	-
Total general revenues					\$ 119,147,561	\$ 237,985	\$ 119,385,546	\$ 73,628,223	\$ 22
Change in net assets					\$ (7,367,333)	\$ (308,178)	\$ (7,675,511)	\$ 12,434,121	\$ (13,094)
Net assets, beginning of year					29,292,395	38,118,698	67,411,093	102,054,291	94,921
Net assets, end of year					\$ 21,925,062	\$ 37,810,520	\$ 59,735,582	\$ 114,488,412	\$ 81,827

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, 2012**

	<u>General Fund</u>	<u>Shawneeland Sanitary District Fund</u>	<u>Lake Holiday Sanitary District Fund</u>	<u>Capital Projects Fund</u>	<u>School Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>							
Cash and cash equivalents	\$ 32,246,656	\$ 2,307,048	\$ 7,363,334	\$ 93,338	\$ 530,986	\$ 932,828	\$ 43,474,190
Property taxes receivable, net	6,001,129	967,442	426,240	-	-	-	7,394,811
Business licenses receivable	943,764	-	-	-	-	-	943,764
Accounts receivable	2,018,194	2,353	2,258	-	-	200	2,023,005
Due from other governments	9,101,009	-	-	-	-	180,654	9,281,663
Intergovernmental loan	734,939	-	-	-	-	-	734,939
Prepaid items	1,693	-	-	-	-	-	1,693
Total assets	<u>\$ 51,047,384</u>	<u>\$ 3,276,843</u>	<u>\$ 7,791,832</u>	<u>\$ 93,338</u>	<u>\$ 530,986</u>	<u>\$ 1,113,682</u>	<u>\$ 63,854,065</u>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ 1,575,116	\$ 16,073	\$ 1,050,012	\$ -	\$ 509,936	\$ 86,163	\$ 3,237,300
Amounts held for others	1,771,740	-	-	-	-	-	1,771,740
Deferred revenue - business licenses	943,764	-	-	-	-	-	943,764
Deferred revenue - prepaid taxes	2,159,346	24,522	22,859	-	-	-	2,206,727
Deferred revenue - property taxes	5,020,809	955,411	405,791	-	-	-	6,382,011
Total liabilities	<u>\$ 11,470,775</u>	<u>\$ 996,006</u>	<u>\$ 1,478,662</u>	<u>\$ -</u>	<u>\$ 509,936</u>	<u>\$ 86,163</u>	<u>\$ 14,541,542</u>
<b>Fund Balance</b>							
Nonspendable	\$ 736,632	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 736,632
Restricted	2,963,356	-	6,047,654	93,338	-	-	9,104,348
Committed	1,698,907	2,280,837	265,516	-	-	385,019	4,630,279
Assigned	2,135	-	-	-	21,050	642,500	665,685
Unassigned	34,175,579	-	-	-	-	-	34,175,579
Total fund balance	<u>\$ 39,576,609</u>	<u>\$ 2,280,837</u>	<u>\$ 6,313,170</u>	<u>\$ 93,338</u>	<u>\$ 21,050</u>	<u>\$ 1,027,519</u>	<u>\$ 49,312,523</u>
Total liabilities and fund balance	<u>\$ 51,047,384</u>	<u>\$ 3,276,843</u>	<u>\$ 7,791,832</u>	<u>\$ 93,338</u>	<u>\$ 530,986</u>	<u>\$ 1,113,682</u>	<u>\$ 63,854,065</u>

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

COUNTY OF FREDERICK, VIRGINIA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
At June 30, 2012

Total fund balances for governmental funds (Exhibit 3)	\$ 49,312,523
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:	
Land and improvements	\$ 2,396,274
Construction in progress	10,009,431
Buildings and improvements, net of depreciation	33,376,901
Equipment, net of depreciation	1,873,361
School Board capital assets, net of depreciation	<u>70,553,551</u>
Total capital assets	118,209,518
Debt issuance costs net of amortization	350,274
Internal service funds are used by the County to charge the cost of health insurance, supplies, gasoline, duplicating and unemployment benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. The internal service funds net assets are:	
	6,114,560
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.	
	7,325,775
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	\$ (2,558,570)
Bonds, notes and capital leases payable	(142,015,746)
Unamortized bond premium	(3,561,748)
Unamortized defeasance costs	45,383
Other post employment benefits	(8,621,000)
Compensated absences	<u>(2,675,907)</u>
Total	<u>(159,387,588)</u>
Total net assets of governmental activities (Exhibits 1 and 2)	<u>\$ 21,925,062</u>

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, 2012

	General Fund	Shawneeland Sanitary District Fund	Lake Holiday Sanitary District Fund	Capital Projects Fund	School Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Property taxes	\$ 74,080,641	\$ 684,825	\$ 990,866	\$ -	\$ -	\$ -	\$ 75,756,332
Other local taxes	26,966,331	-	-	-	-	-	26,966,331
Permits, privilege fees and regulatory licenses	970,384	-	-	-	-	-	970,384
Fines and forfeitures	307,839	-	-	-	-	-	307,839
Use of money and property	231,319	6,015	-	-	-	8,641	245,975
Charges for services	2,176,882	-	-	-	-	655,261	2,832,143
Miscellaneous	551,430	20	-	80,000	-	6,082	637,532
Recovered costs	1,712,606	11,446	-	-	-	100,020	1,824,072
Intergovernmental:							
Revenue from the Commonwealth	20,277,701	-	-	93,338	-	1,328,079	21,699,118
Revenue from the Federal Government	3,048,657	-	-	-	137,181	-	3,185,838
Total revenues	\$ 130,323,790	\$ 702,306	\$ 990,866	\$ 173,338	\$ 137,181	\$ 2,098,083	\$ 134,425,564
<b>Expenditures</b>							
Current:							
General government administration	\$ 7,393,143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,393,143
Judicial administration	2,041,089	-	-	-	-	1,393,671	3,434,760
Public safety	23,615,366	-	-	-	-	-	23,615,366
Public works	3,518,557	-	-	-	-	-	3,518,557
Health and welfare	6,690,167	-	-	-	-	1,443,486	8,133,653
Education - local community college	56,493	-	-	-	-	-	56,493
Education - public school system	56,395,408	-	-	-	985,123	758,836	58,139,367
Parks, recreation and cultural	4,918,972	-	-	-	-	-	4,918,972
Community development	1,680,289	522,104	4,010,352	-	-	-	6,212,745
Capital projects	-	-	-	80,000	-	-	80,000
Debt service:							
Principal payments	4,262,494	-	-	-	8,874,628	-	13,137,122
Interest and fiscal charges	1,230,587	-	403,420	-	4,962,931	-	6,596,938
Total expenditures	\$ 111,802,565	\$ 522,104	\$ 4,413,772	\$ 80,000	\$ 14,822,682	\$ 3,595,993	\$ 135,237,116
<b>Excess (deficiency) of revenues over expenditures</b>	\$ 18,521,225	\$ 180,202	\$ (3,422,906)	\$ 93,338	\$ (14,685,501)	\$ (1,497,910)	\$ (811,552)
<b>Other financing sources (uses)</b>							
Long-term debt issued	\$ 2,759,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,759,400
Bond premium	-	-	-	-	-	-	-
Capital lease issuance	537,050	-	-	-	-	18,147	555,197
Transfers in	-	-	-	-	14,626,151	880,502	15,506,653
Transfers out	(15,601,278)	-	-	-	-	-	(15,601,278)
Total other financing sources (uses)	\$ (12,304,828)	\$ -	\$ -	\$ -	\$ 14,626,151	\$ 898,649	\$ 3,219,972
Net change in fund balance	\$ 6,216,397	\$ 180,202	\$ (3,422,906)	\$ 93,338	\$ (59,350)	\$ (599,261)	\$ 2,408,420
<b>Fund balance, beginning of year</b>	33,360,212	2,100,635	9,736,076	-	80,400	1,626,780	46,904,103
<b>Fund balance, end of year</b>	\$ 39,576,609	\$ 2,280,837	\$ 6,313,170	\$ 93,338	\$ 21,050	\$ 1,027,519	\$ 49,312,523

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, 2012**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	2,408,420
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital outlay	\$	945,512
Depreciation		<u>(4,908,550)</u>
Net adjustment		(3,963,038)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) net assets.</p>		
		(4,776)
<p>School Board capital assets are jointly owned by the County and School Board. The County share of School Board capital assets is in proportion to the debt owed on such by the County. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship increased the transfers to the School Board.</p>		
		1,213,716
<p>Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and realizable to pay current obligations. However, in the statement of net assets revenues are reported when earned. This requires adjustments to convert the revenues to the accrual basis.</p>		
		889,642
<p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>		
Debt issued:		
General obligation bonds	\$	(2,759,400)
General obligation school bonds		(14,975,000)
Capital lease		(555,197)
Premium on debt:		
School bonds		(839,305)
Bond issuance costs:		
Lease revenue bonds		
Repayments:		
Lease revenue bonds	\$	1,060,000
General obligation library bonds		2,962,961
General obligation school bonds		8,060,479
State Literary Fund loans		814,149
Intergovernmental loans		11,399
Capital leases		<u>234,567</u>
Net adjustment		(5,985,347)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:</p>		
Compensated absences	\$	6,296
Other post employment benefits		(2,055,000)
Amortization of debt premium		412,481
Amortization of advanced refunding defeasance costs		(33,159)
Amortization of bond issuance costs		(14,594)
Accrued interest on bonds and loans		<u>(33,841)</u>
Net adjustment		(1,717,817)
<p>Internal service funds are used by the County to charge the costs of health insurance, supplies and unemployment costs to individual funds. The net revenue of internal service funds is reported with governmental activities.</p>		
		<u>(208,133)</u>
Change in net assets of governmental activities (Exhibit 2)	\$	<u><u>(7,367,333)</u></u>

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

## COUNTY OF FREDERICK, VIRGINIA

Statement of Net Assets  
 Proprietary Funds  
 At June 30, 2012

	Business-Type Activities -		Governmental Activities	
	Enterprise Fund		Internal Service Funds	
	Landfill Fund			
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$	17,477,087	\$	6,795,519
Restricted cash - landfill closure		11,653,037		-
Receivables, net		519,366		13,380
Total current assets	\$	<u>29,649,490</u>	\$	<u>6,808,899</u>
Noncurrent assets:				
Capital assets:				
Land and improvements	\$	3,310,126	\$	-
Construction in progress		3,664,570		-
Other capital assets, net of accumulated depreciation		13,997,972		-
Total noncurrent assets	\$	<u>20,972,668</u>	\$	<u>-</u>
Total assets	\$	<u>50,622,158</u>	\$	<u>6,808,899</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$	1,006,285	\$	54,007
Unearned revenue		17,892		13,380
Compensated absences, current portion		94,097		-
Claims payable		-		626,952
Total current liabilities	\$	<u>1,118,274</u>	\$	<u>694,339</u>
Long-term liabilities:				
Compensated absences, noncurrent portion	\$	40,327	\$	-
Accrued landfill remediation costs		11,653,037		-
Total long-term liabilities	\$	<u>11,693,364</u>	\$	<u>-</u>
Total liabilities	\$	<u>12,811,638</u>	\$	<u>694,339</u>
<b>Net Assets:</b>				
Invested in capital assets	\$	20,972,668	\$	-
Unrestricted		16,837,852		6,114,560
Total net assets	\$	<u>37,810,520</u>	\$	<u>6,114,560</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, 2012**

	<b>Business-Type Activities - Enterprise <u>Landfill Fund</u></b>	<b>Governmental Activities <u>Internal Service Funds</u></b>
<b>Operating revenues:</b>		
Charges for services, net	\$ 5,357,427	\$ 7,134,587
Miscellaneous	184,281	-
Total operating revenues	<u>\$ 5,541,708</u>	<u>\$ 7,134,587</u>
<b>Operating expenses:</b>		
Personal services	\$ 1,091,391	\$ -
Fringe benefits	447,780	6,868,035
Contractual services	967,364	-
Other charges	1,635,286	589,305
Depreciation	1,761,769	-
Total operating expenses	<u>\$ 5,903,590</u>	<u>\$ 7,457,340</u>
<b>Operating income (loss)</b>	<b>\$ (361,882)</b>	<b>\$ (322,753)</b>
<b>Nonoperating revenues:</b>		
Investment earnings	<u>53,704</u>	<u>19,995</u>
Income before transfers	\$ (308,178)	\$ (302,758)
<b>Transfers in</b>	<u>-</u>	<u>94,625</u>
<b>Change in net assets</b>	<b>\$ (308,178)</b>	<b>\$ (208,133)</b>
<b>Total net assets, beginning of year</b>	<u>38,118,698</u>	<u>6,322,693</u>
<b>Total net assets, end of year</b>	<u><u>\$ 37,810,520</u></u>	<u><u>\$ 6,114,560</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, 2012**

	<b>Business-Type Activities - Enterprise Landfill Fund</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 5,348,455	\$ -
Receipts from insured	-	6,555,929
Receipts from services	-	578,658
Other receipts	184,281	-
Payments to employees	(1,527,336)	-
Payments to suppliers	(3,687,768)	(7,379,715)
Other payments	-	(15,473)
Net cash provided by (used for) operating activities	<u>\$ 317,632</u>	<u>\$ (260,601)</u>
<b>Cash flows from noncapital financing activities</b>		
Transfers in	\$ -	\$ 94,625
<b>Cash flows from investing activities</b>		
Investment earnings	\$ 53,704	\$ 19,995
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	\$ (1,394,172)	\$ -
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,394,172)</u>	<u>\$ -</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (1,022,836)</b>	<b>\$ (145,981)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>30,152,960</b>	<b>6,941,500</b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 29,130,124</u></b>	<b><u>\$ 6,795,519</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ (361,882)	\$ (322,753)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	1,761,769	-
Changes in assets and liabilities:		
Receivables	(20,904)	(3,941)
Accounts payable and accrued expenses	(1,193,151)	(845)
Deferred revenue	11,932	3,941
Claims payable	11,835	62,997
Increase in accrued landfill costs	108,033	-
Net cash provided by (used for) operating activities	<u>\$ 317,632</u>	<u>\$ (260,601)</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, 2012

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 241,967	\$ 5,170,539
Receivables	-	166,869
Due from other governmental units	-	1,436,742
	<u>                    </u>	<u>                    </u>
Total assets	\$ 241,967	\$ 6,774,150
	<u>                    </u>	<u>                    </u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ -	\$ 919,907
Amounts held for others	-	5,854,243
	<u>                    </u>	<u>                    </u>
Total liabilities	\$ -	\$ 6,774,150
	<u>                    </u>	<u>                    </u>
<b>Net Assets</b>	<b>\$ 241,967</b>	<b>\$ -</b>
	<u>                    </u>	<u>                    </u>

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Changes in Fiduciary Net Assets  
 Fiduciary Funds  
 Year Ended June 30, 2012

	<b>Private Purpose Trust Funds</b>
	<u>                    </u>
<b>Additions:</b>	
Investment earnings	\$ (2,090)
<b>Deductions:</b>	
Education	<u>11,246</u>
Change in net assets	\$ (13,336)
<b>Net assets, beginning of year</b>	<u>255,303</u>
<b>Net assets, end of year</b>	<u><u>\$ 241,967</u></u>

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

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012

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

#### **Narrative Profile**

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

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

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

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

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

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

##### Government-wide Financial Statements:

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

##### Statement of Net Assets:

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

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

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

##### Statement of Activities:

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

##### Budgetary Comparison Schedules:

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

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

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

###### 1. Component Units:

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

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



# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

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

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

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

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

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

##### 1. Jointly Governed Organizations:

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

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

- a. The Handley Regional Library Board provides library services to the Counties of Frederick and Clarke, and the City of Winchester. The participating localities provide annual contributions for operations based on usage of library services. The Library Board is composed of nine members, of which three are appointed by the County, five by the City of Winchester, and one by the County of Clarke. The County made operating grants of \$828,293 to the Library for fiscal 2012, and has no equity interest in the Library. The participating governments have no ongoing financial responsibility to fund the Library to assure its continued operations. The Library has a significant endowment trust.
- b. The Northwestern Regional Jail Authority was created in 1987 to construct and operate the Clarke, Fauquier, Frederick, Winchester Regional Adult Detention Center. The Jail Authority charges on a per diem basis other localities and the federal government for their prisoners placed in the jail. The fourteen member board consists of four members each from the County of Frederick and City of Winchester, and three from the Counties of Clarke and Fauquier. The County and the other participants have no equity interest in the jail. The County made operating contributions of \$3,733,510 to the regional jail in fiscal 2012.

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

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

- c. The Winchester Regional Airport Authority was created in 1987 to operate and maintain the regional airport. The City of Winchester and the Counties of Clarke, Frederick, Shenandoah and Warren contribute operating and capital funds as necessary to maintain, operate and construct the airport facilities. The Authority Board consists of seven members of which two each are appointed by the County of Frederick and the City of Winchester, and one each from the Counties of Clarke, Shenandoah and Warren. The participating localities do not retain an equity interest in the Authority. The County of Frederick serves as fiscal agent for the Authority, which is reported as an agency fund in the financial statements. The County made operating grants of \$16,874 and capital grants of \$112,306 to the Authority in fiscal 2012.
- 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 2012.
- e. The Northwestern Community Services Board was created to provide Mental Health, Mental Retardation and Substance Abuse Services to the residents of the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah and Warren. The Board has fifteen members of which three each are appointed by the City of Winchester and the Counties of Clarke, Frederick, Page and Warren. The participating localities contribute annual operating grants to the Board, but are not required to do so. The participants have no ongoing financial responsibilities to or equity interest in the Board. The County appropriated \$318,263 for an operating grant to the Board in fiscal 2012.
- 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 \$349,616 in operating grants to the Center in fiscal 2012.

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

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

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

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

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

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

The Frederick County Sanitation Authority was created by the Board of Supervisors to operate the County's water and sewer systems. The County appoints all six members of the Authority's Board of Directors. Other than making appointments to the Authority Board of Directors, the County is not involved with day-to-day management or rate setting processes. All obligations of the Authority are payable solely from and secured by revenues derived from the operation of the water and sewer systems. None of the obligations are issued against the credit of the County nor does the County have any legal or moral obligations to the holders of the bonds or notes. The County has made no contributions to the Authority for operations or capital asset acquisitions during fiscal year 2012. However, the County has made advances to the Authority at below market interest rates in order to provide operating capital. The Authority is excluded from the County's financial statements because it is not accountable to the County.

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

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

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

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2012 (Continued)

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

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

and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Internal service charges are eliminated and the net income or loss from internal service activities are allocated to the various functional expense categories based on the internal charges to each function.

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

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

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

The County's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the County in FY 2012.

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

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

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

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

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

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

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

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

#### 2. Proprietary Funds:

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

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

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

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

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

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

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

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

##### b. Agency Funds:

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

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

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

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

#### 4. Component Units:

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

The Frederick County School Board has the following funds:

##### -- Governmental Funds:

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



# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

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

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

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

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

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

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

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

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2012 (Continued)

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

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

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

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

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

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

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

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

##### **Encumbrances:**

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

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

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

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

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

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

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30, for all County and School Board funds.
8. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2012, as adopted, appropriated and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and at the function level for the School Board. State law requires that if budget amendments exceed 1% of the original adopted budget the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. There were no budget amendments during the year that exceeded the 1% limitation. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

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

**E. Cash and Cash Equivalents**

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

**F. Investments**

Investments are reported at fair value.

**G. Allowance for Uncollectible Accounts**

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$2,566,207 at June 30, 2012 and is comprised of the following:

General Fund--taxes receivable	\$ 1,162,681
General Fund--street light assessments receivable	19,526
Shawneeland District--taxes receivable	1,300,000
Enterprise Fund--Landfill Fund--accounts receivable	<u>84,000</u>
Total	<u><u>\$ 2,566,207</u></u>

**H. Prepaid Expenses**

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

**I. Capital Assets**

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

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

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

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

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

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

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

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

Interest on cost of construction funds for the Proprietary Funds is capitalized where applicable. There was no interest capitalized in the year ended June 30, 2012.

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

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

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

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

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

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

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

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

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

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

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

#### **N. Fund Equity**

##### Financial Policies

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

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

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

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

Committed fund balance - Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

#### **N. Fund Equity (Continued)**

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

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

When fund balance resources are available for a specific purpose in more than one classification, it is generally the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes) or other official to which the Board has delegated authority to assign amounts including but limited to the County Administrator and the Director of Finance.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements  
At June 30, 2012 (Continued)

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

**N. Fund Equity (Continued)**

The following is a detail of fund balances at June 30, 2012:

Category	General Fund	Shawneeland Sanitary District Fund	Lake Holiday Sanitary District Fund	Capital Projects Fund	School Debt Service Fund	Other Governmental Funds	Total Primary Government	Component Unit School Board
<b>Nonspendable:</b>								
Prepaid Expenses	\$ 1,693	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,693	\$ -
Inventory	-	-	-	-	-	-	-	248,750
Noncurrent Loans	734,939	-	-	-	-	-	734,939	-
Total Nonspendable	\$ 736,632	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 736,632	\$ 248,750
<b>Restricted:</b>								
Peg grant	\$ 128,354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,354	\$ -
Courthouse ADA Fees	124,085	-	-	-	-	-	124,085	-
Animal Shelter	325,781	-	-	-	-	-	325,781	-
Proffers	2,380,874	-	-	-	-	-	2,380,874	-
Star Fort Fees	4,262	-	-	-	-	-	4,262	-
VDOT - Roads	-	-	-	93,338	-	-	93,338	-
Unexpended Bond Proceeds:								
Lake Holiday Dam Improvements	-	-	6,047,654	-	-	-	6,047,654	-
School Improvements	-	-	-	-	-	-	-	6,700,058
Total Restricted	\$ 2,963,356	\$ -	\$ 6,047,654	\$ 93,338	\$ -	\$ -	\$ 9,104,348	\$ 6,700,058
<b>Committed:</b>								
General government - various	\$ 639,489	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 639,489	\$ -
Education	167,637	-	-	-	-	-	167,637	583,213
Capital Projects	-	-	-	-	-	-	-	3,099,462
School Textbooks	-	-	-	-	-	-	-	1,411,930
Cafeteria	-	-	-	-	-	-	-	1,341,992
Special Grants	-	-	-	-	-	-	-	20,897
Tri Centennial	1,106	-	-	-	-	-	1,106	-
Historical Marker	16,105	-	-	-	-	-	16,105	-
VDOT Revenue Sharing	436,270	-	-	-	-	-	436,270	-
Shawneeland District	-	2,280,837	-	-	-	-	2,280,837	-
Lake Holiday District	-	-	265,516	-	-	-	265,516	-
Court Services	-	-	-	-	-	183,351	183,351	-
Comprehensive Services Act	-	-	-	-	-	201,668	201,668	-
Transportation	438,300	-	-	-	-	-	438,300	-
Total Committed	\$ 1,698,907	\$ 2,280,837	\$ 265,516	\$ -	\$ -	\$ 385,019	\$ 4,630,279	\$ 6,457,494
<b>Assigned:</b>								
Conservation Easement	\$ 2,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,135	\$ -
Debt Service	-	-	-	-	21,050	-	21,050	-
Capital Projects	-	-	-	-	-	642,500	642,500	-
Total Assigned	\$ 2,135	\$ -	\$ -	\$ -	\$ 21,050	\$ 642,500	\$ 665,685	\$ -



# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

### NOTE 2 - DEPOSITS AND INVESTMENTS:

#### Deposits:

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

#### Investments:

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

#### Custodial Credit Risk (Investments):

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

The County's investments at June 30, 2012 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, 2012 were rated by Standard & Poor's Corporation and the ratings are presented below using Standard & Poor's Corporation rating scale. The County does not currently have a policy relating to credit risk.

#### County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings			
	AAA	AAAm	AA	Unrated
Local Government Investment Pool	\$ -	\$ 7,036,252	\$ -	\$ -
U.S. Government Securities	729,888	-	-	-
Money Market Mutual Fund	15,345,233	-	-	-
Total	\$ 16,075,121	\$ 7,036,252	\$ -	\$ -

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

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

Interest Rate Risk:

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

Investment Maturities (in years)		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ 7,036,252	\$ 7,036,252
U.S. Government Securities	729,888	729,888
Commercial Paper	-	-
Money Market Mutual Fund	15,345,233	15,345,233
Total	<u>\$ 23,111,373</u>	<u>\$ 23,111,373</u>

External Investment Pools:

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

**NOTE 3 - PROPERTY TAXES:**

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

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

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

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

Property taxes for calendar year 2012 were levied by the County Board of Supervisors on May 9, 2012, on the assessed value listed as of January 1, 2012.

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

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

**NOTE 4 - RECEIVABLES:**

Receivables at June 30, 2012 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	\$ 7,183,336	\$2,693,682	\$ -	\$ 9,877,018	\$ -	\$ -	\$ -	\$ -
Business licenses	943,764	-	-	943,764	-	-	-	-
Airport funds	832,864	-	-	832,864	-	-	-	70,217
Utility taxes	242,404	-	-	242,404	-	-	-	-
Meals taxes	496,828	-	-	496,828	-	-	-	-
Lodging taxes	60,222	-	-	60,222	-	-	-	-
Landfill fees	-	-	-	-	603,366	-	-	-
Vehicle license tax	138,910	-	-	138,910	-	-	-	-
Prisoner fees	-	-	-	-	-	-	-	70,652
Interest	227,015	4,611	-	231,626	-	-	-	-
Street lights	19,526	-	-	19,526	-	-	-	-
Other	425	200	13,380	14,005	-	214,623	98	26,000
<b>Total</b>	<b>\$10,145,294</b>	<b>\$2,698,493</b>	<b>\$ 13,380</b>	<b>\$12,857,167</b>	<b>\$603,366</b>	<b>\$214,623</b>	<b>\$ 98</b>	<b>\$ 166,869</b>
Allowance for uncollectibles	(1,182,207)	(1,300,000)	-	(2,482,207)	(84,000)	-	-	-
<b>Net receivables</b>	<b>\$ 8,963,087</b>	<b>\$1,398,493</b>	<b>\$ 13,380</b>	<b>\$10,374,960</b>	<b>\$519,366</b>	<b>\$214,623</b>	<b>\$ 98</b>	<b>\$ 166,869</b>

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

**NOTE 5 - DUE FROM OTHER GOVERNMENTS:**

	Governmental Activities				Business- Type Activities	Component Units		
	General	Special Revenue	Internal Service	Total		School Board	Industrial Development Authority	Fiduciary Activities
<b>Commonwealth of Virginia:</b>								
Local sales taxes	\$1,926,331	\$ -	\$ -	\$1,926,331	\$ -	\$ -	\$ -	\$ 35,629
Communication taxes	235,362	-	-	235,362	-	-	-	-
Comprehensive Services Act	-	180,654	-	180,654	-	-	-	-
Shared expenses and grants	296,490	-	-	296,490	-	-	-	-
PPTRA	6,215,370	-	-	6,215,370	-	-	-	-
Public assistance	140,018	-	-	140,018	-	-	-	-
State school funds	-	-	-	-	-	2,870,514	-	-
Federal pass-through school funds	-	-	-	-	-	2,599,896	-	-
Airport	-	-	-	-	-	-	-	20,445
Jail operations and costs	-	-	-	-	-	-	-	724,057
Other	75,710	-	-	75,710	-	-	-	-
<b>Federal government:</b>								
Criminal justice	18,792	-	-	18,792	-	-	-	-
Airport	-	-	-	-	-	-	-	647,430
Public assistance	192,936	-	-	192,936	-	-	-	-
Prisoner fees	-	-	-	-	-	-	-	9,181
<b>Total</b>	<b>\$9,101,009</b>	<b>\$180,654</b>	<b>\$ -</b>	<b>\$9,281,663</b>	<b>\$ -</b>	<b>\$5,470,410</b>	<b>\$ -</b>	<b>\$ 1,436,742</b>

**NOTE 6 - INTERFUND BALANCES AND TRANSFERS:**

**Primary Government:**

Balances due to/from other funds at June 30, 2012:

There were no interfund obligations in the primary government.

Transfers to/from other funds:

Transfers to the School Debt Service Fund to pay school debt service and related costs	\$ 14,626,151
Transfers to the Volunteer Fire and Rescue fund for various costs	79,152
Transfers to the Unemployment fund from General Fund for various costs	15,473
Transfers to the Comprehensive Services fund from the General Fund for various welfare costs	880,502
Total transfers	<u>\$ 15,601,278</u>

**Component Unit School Board:**

Balances due to/from other funds at June 30, 2012:

Due from School Special Grants Fund	<u>\$ 53,990</u>
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Transfers to/from other funds:

Transfers to the School Textbook Fund to pay textbook and related costs	<u>\$ 201,364</u>
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**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (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, 2012	<u>582,447</u>
Total	<u><u>\$ 734,939</u></u>

**NOTE 8 - CAPITAL ASSETS:**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2012.

**Governmental Activities**

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land and land improvements	\$ 2,396,274	\$ -	\$ -	\$ 2,396,274
School construction in progress allocated to County *	645,655	9,363,776	-	10,009,431
Total capital assets not being depreciated	<u>\$ 3,041,929</u>	<u>\$ 9,363,776</u>	<u>\$ -</u>	<u>\$ 12,405,705</u>
Other capital assets:				
Buildings and improvements	\$ 44,870,200	\$ 148,575	\$ -	\$ 45,018,775
School buildings and improvements *	101,099,257	-	9,685,809	91,413,448
Furniture, equipment and vehicles	9,161,921	796,937	453,501	9,505,357
Total other capital assets	<u>\$ 155,131,378</u>	<u>\$ 945,512</u>	<u>\$ 10,139,310</u>	<u>\$ 145,937,580</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 10,466,603	\$ 1,175,271	\$ -	\$ 11,641,874
School buildings and improvements *	19,361,565	3,034,081	1,535,749	20,859,897
Furniture, equipment and vehicles	7,381,523	699,198	448,725	7,631,996
Total accumulated depreciation	<u>\$ 37,209,691</u>	<u>\$ 4,908,550</u>	<u>\$ 1,984,474</u>	<u>\$ 40,133,767</u>
Other capital assets, net	<u>\$ 117,921,687</u>	<u>\$ (3,963,038)</u>	<u>\$ 8,154,836</u>	<u>\$ 105,803,813</u>
Net capital assets	<u>\$ 120,963,616</u>	<u>\$ 5,400,738</u>	<u>\$ 8,154,836</u>	<u>\$ 118,209,518</u>
Depreciation expense was allocated as follows:				
General government administration		\$ 328,702		
Judicial administration		158,397		
Public safety		984,461		
Public works		86,335		
Health and welfare		30,413		
Education		3,034,081		
Parks, recreation and cultural		280,903		
Community development		5,258		
Total depreciation expense		<u>\$ 4,908,550</u>		

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

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

**Component Unit School Board**

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land and land improvements	\$ 8,288,366	\$ -	\$ -	\$ 8,288,366
Construction in progress	645,655	9,631,461	-	10,277,116
Construction in progress allocated to County *	(645,655)	(9,363,776)	-	(10,009,431)
Total capital assets not being depreciated	<u>\$ 8,288,366</u>	<u>\$ 267,685</u>	<u>\$ -</u>	<u>\$ 8,556,051</u>
Other capital assets:				
Buildings and improvements	\$ 225,436,034	\$ 1,328,232	\$ -	\$ 226,764,266
School buildings and improvements allocated to County *	(101,099,257)	-	(9,685,809)	(91,413,448)
Furniture, equipment and vehicles	42,511,877	1,367,131	79,403	43,799,605
Total other capital assets	<u>\$ 166,848,654</u>	<u>\$ 2,695,363</u>	<u>\$ (9,606,406)</u>	<u>\$ 179,150,423</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 71,524,456	\$ 5,563,366	\$ -	\$ 77,087,822
School buildings and improvements allocated to County *	(19,361,565)	(3,034,081)	(1,535,749)	(20,859,897)
Furniture, equipment and vehicles	27,347,906	2,594,512	58,703	29,883,715
Total accumulated depreciation	<u>\$ 79,510,797</u>	<u>\$ 5,123,797</u>	<u>\$ (1,477,046)</u>	<u>\$ 86,111,640</u>
Other capital assets, net	<u>\$ 87,337,857</u>	<u>\$ (2,428,434)</u>	<u>\$ (8,129,360)</u>	<u>\$ 93,038,783</u>
Net capital assets	<u>\$ 95,626,223</u>	<u>\$ (2,160,749)</u>	<u>\$ (8,129,360)</u>	<u>\$ 101,594,834</u>
Depreciation expense allocated to education		<u>\$ 5,123,797</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	\$ 118,209,518
Long-term debt applicable to capital assets at June 30, 2012	136,287,111
Less: School bond proceeds received but not expended on capital assets at June 30, 2012	(6,700,058)
Net assets invested in capital assets, less related debt	<u>\$ (11,377,535)</u>

**Business Type Activities**

**Landfill Operations**

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land and land improvements	\$ 3,310,126	\$ -	\$ -	\$ 3,310,126
Construction in progress	2,771,396	893,174	-	3,664,570
Total capital assets not being depreciated	<u>\$ 6,081,522</u>	<u>\$ 893,174</u>	<u>\$ -</u>	<u>\$ 6,974,696</u>
Other capital assets:				
Buildings and improvements	\$ 2,965,316	\$ -	\$ -	\$ 2,965,316
Landfill improvements	27,273,402	429,222	-	27,702,624
Furniture, equipment and vehicles	4,801,859	71,777	-	4,873,636
Total other capital assets	<u>\$ 35,040,577</u>	<u>\$ 500,999</u>	<u>\$ -</u>	<u>\$ 35,541,576</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 837,976	\$ 147,266	\$ -	\$ 985,242
Landfill improvements	15,298,409	1,262,076	-	16,560,485
Furniture, equipment and vehicles	3,645,449	352,428	-	3,997,877
Total accumulated depreciation	<u>\$ 19,781,834</u>	<u>\$ 1,761,770</u>	<u>\$ -</u>	<u>\$ 21,543,604</u>
Other capital assets, net	<u>\$ 15,258,743</u>	<u>\$ (1,260,771)</u>	<u>\$ -</u>	<u>\$ 13,997,972</u>
Net capital assets	<u>\$ 21,340,265</u>	<u>\$ (367,597)</u>	<u>\$ -</u>	<u>\$ 20,972,668</u>

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

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

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

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2012.

	Balance July 1, 2011	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2012	Amounts Due Within One Year
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
Lease revenue bonds payable	\$ 31,635,000	\$ -	\$ 1,060,000	\$ 30,575,000	\$ 1,400,000
County General obligation bonds:					
Library	2,962,961	2,759,400	2,962,961	2,759,400	214,682
School General obligation bonds:					
School	96,755,651	14,975,000	8,060,479	103,670,172	8,242,606
Add deferred amount for issuance premiums	3,134,924	839,305	412,481	3,561,748	478,145
Less deferred amount on refunding	(78,542)	-	(33,159)	(45,383)	(24,898)
Total School General obligation bonds	<u>\$ 99,812,033</u>	<u>\$ 15,814,305</u>	<u>\$ 8,439,801</u>	<u>\$ 107,186,537</u>	<u>\$ 8,695,853</u>
State Literary Fund loans:					
School	5,266,914	-	814,149	4,452,765	814,149
Intergovernmental loans	173,527	-	11,399	162,128	11,753
Claims	563,955	6,829,862	6,766,865	626,952	626,952
Capital leases	75,651	555,197	234,567	396,281	202,691
Other post employment benefits	6,566,000	2,372,000	317,000	8,621,000	-
Compensated absences	2,682,203	1,871,546	1,877,842	2,675,907	1,873,135
Total governmental activities	<u>\$ 149,738,244</u>	<u>\$ 30,202,310</u>	<u>\$ 22,484,584</u>	<u>\$ 157,455,970</u>	<u>\$ 13,839,215</u>
Reconciliation to Exhibit 1:					
Claims				\$ 626,952	
Long-term liabilities due within one year				13,212,263	
Long-term liabilities due in more than one year				143,616,755	
Total long-term debt				<u>\$ 157,455,970</u>	
	Amounts Payable July 1, 2011	Increases	Decreases	Amounts Payable June 30, 2012	Amounts Due Within One Year
<b>Business-type activities:</b>					
Compensated absences	\$ 122,589	\$ 97,647	\$ 85,812	\$ 134,424	\$ 94,097
Accrued landfill remediation costs	11,545,004	108,033	-	11,653,037	-
Total business-type activities	<u>\$ 11,667,593</u>	<u>\$ 205,680</u>	<u>\$ 85,812</u>	<u>\$ 11,787,461</u>	<u>\$ 94,097</u>
Reconciliation to Exhibit 1:					
Long-term liabilities due within one year				\$ 94,097	
Long-term liabilities due in more than one year				11,693,364	
Total long-term debt				<u>\$ 11,787,461</u>	

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

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

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

<u>Year Ending June 30,</u>	<u>Long-term Debt</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 10,683,190	\$ 6,548,062	\$ 202,691	\$ 19,157
2014	10,467,662	6,021,177	193,590	9,570
2015	10,548,392	5,546,253	-	-
2016	9,884,914	5,080,542	-	-
2017	9,747,254	4,631,812	-	-
2018-2022	44,024,994	16,839,462	-	-
2023-2027	27,588,059	8,424,352	-	-
2028-2032	13,865,000	3,642,680	-	-
2033-2037	4,810,000	584,250	-	-
2038-2040	-	-	-	-
Total	<u>\$ 141,619,465</u>	<u>\$ 57,318,590</u>	<u>\$ 396,281</u>	<u>\$ 28,727</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 \$904,585.

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

Amount  
Outstanding

Lease Revenue Bonds:

\$6,425,000 Industrial Development Authority refunding lease revenue bonds, issued December 1, 2001, interest at various rates from 2% to 5%, maturing in various annual installments, interest payable semiannually, through December 1, 2015	\$ 2,010,000
\$21,410,000 Industrial Development Authority refunding lease revenue bonds, issued April 15, 2006, interest at various rates from 4.5% to 5.25%, maturing in various annual installments, interest payable semiannually, through December 1, 2036	19,320,000
\$9,245,000 Virginia Resources Authority infrastructure revenue bonds, issued April 15, 2011, interest at various rates from 3.971% to 5.271%, maturing in various annual installments, interest payable semiannually, through October 1, 2031	9,245,000

General Obligation Bonds:

\$2,759,400 general obligation refunding bonds, issued April 5, 2012, interest at 2.45%, maturing in various annual installments, interest payable semiannually, through January 15, 2022	<u>2,759,400</u>
Total lease revenue and general obligation bonds	<u>\$ 33,334,400</u>



# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

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

##### Governmental activities: (continued)

Amount  
Outstanding

##### General Obligation School Bonds:

\$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%	115,000
\$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%	180,000
\$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	740,000
\$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%	300,000
\$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%	390,000
\$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%	1,120,000
\$4,650,000 School Bonds, issued April 1999, maturing in annual installments of \$236,000 to \$448,000 through January 2020, interest at 5%	1,840,000
\$4,100,000 School Bonds, issued November 1999, maturing in annual installments of \$205,000 through July 2019, interest at various rates from 5.62% to 6.10%	1,640,000
\$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%	8,400,000
\$6,150,000 School Bonds, issued November 15, 2001, maturing in annual installments of \$305,000 to \$310,000 through July 15, 2021, interest at 4.55%	3,050,000
\$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%	4,605,000
\$3,315,000 School Bonds, issued November 7, 2002, maturing in annual installments of \$165,000 to \$170,000 through July 15, 2022, interest at 4.77%	1,815,000
\$3,782,296 School Bonds, issued November 7, 2002, maturing in annual installments of \$173,528 to \$215,784 through July 15, 2022, interest at 4.77%	2,180,172
\$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%	7,575,000
\$5,980,000 School Bonds, issued November 6, 2003, maturing in annual installments of \$295,000 to \$300,000 through July 15, 2023, interest at 3.10% to 5.35%	3,580,000
\$8,580,000 School Bonds, issued May 13, 2004, maturing in annual installments of \$425,000 to \$430,000 through July 15, 2024, interest at 5.10%	5,570,000
\$8,550,000 School Bonds, issued October 15, 2004, maturing in annual installments of \$425,000 to \$430,000 through January 15, 2025, interest at 4.10% to 5.60%	5,540,000

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements  
At June 30, 2012 (Continued)

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

Details of Long-Term Indebtedness: (continued)	Amount Outstanding
<b>Governmental activities: (continued)</b>	
<u>General Obligation School Bonds: (continued)</u>	
\$5,995,000 School Bonds, issued April 13, 2005, maturing in annual installments of \$295,000 to \$300,000 through July 15, 2025, interest at 3.10% to 5.10%	4,195,000
\$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%	3,975,000
\$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%	4,725,000
\$5,830,000 School Bonds, issued November 9, 2006, maturing in annual installments of \$290,000 to \$295,000 through July 15, 2026, interest at 4.225% to 5.10%	4,355,000
\$4,370,000 School Bonds, issued May 8, 2007, maturing in annual installments of \$215,000 to \$220,000 through July 15, 2026, interest at 5.10%	3,490,000
\$3,800,000 School Bonds, issued November 4, 2007, maturing in annual installments of \$190,000 through July 15, 2027, interest at 5.10%	3,040,000
\$13,450,000 School Bonds, issued April 30, 2008, maturing in annual installments of \$670,000 to \$675,000 through July 15, 2028, interest at 5.10%	11,425,000
\$5,720,000 School Bonds, issued November 25, 2008, maturing in annual installments of \$285,000 to \$290,000 through July 15, 2028, interest at 4.91%	4,850,000
\$7,975,000 School Bonds, issued November 9, 2011, maturing in annual installments of \$395,000 to \$400,000 through July 15, 2031, interest at 2.050% to 5.050%	7,975,000
\$7,000,000 School Bonds, issued December 15, 2011, maturing in annual installments of \$365,000 to \$370,000 through December 1, 2030, interest at 4.25%	7,000,000
Total School Bonds	<u>\$103,670,172</u>
<u>State Literary Fund Loans:</u>	
\$5,000,000, issued May 30, 1997, due in annual installments of \$250,000 through July 1, 2017, interest at 3%	\$ 1,250,000
\$1,500,052, issued May 30, 1997, due in annual installments of \$75,002 through July 1, 2017, interest at 3%	375,022
\$2,142,948, issued May 30, 1997, due in annual installments of \$107,147 through July 1, 2017, interest at 3%	535,743
\$3,000,000, issued September 2, 1997, due in annual installments of \$150,000 through September 2, 2017, interest at 3%	900,000
\$4,640,000, issued September 2, 1997, due in annual installments of \$232,000 through September 2, 2017, interest at 3%	1,392,000
Total State Literary Fund Loans	<u>\$ 4,452,765</u>

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2012 (Continued)

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

<b>Details of Long-Term Indebtedness: (continued)</b>	<b>Amount Outstanding</b>
<b>Governmental activities: (continued)</b>	
<u>Intergovernmental Loans:</u>	
\$723,269, payable to City of Winchester, due in various annual installments through March 2024, interest payable semiannually at various rates.	<u>\$ 162,128</u>
<u>Capital Leases:</u>	
The County leases various types of equipment under capital lease agreements. Title to the equipment passes to the entity upon completion of payment of the minimum lease payments. There are no restrictions imposed by the agreements. The balance of capital leases at June 30, 2012 is	<u>\$ 396,281</u>
Claims	<u>\$ 626,952</u>
Other post employment benefits	<u>\$ 8,621,000</u>
Compensated absences	<u>\$ 2,675,907</u>
Total governmental long-term obligations	\$ 153,939,605
Add deferred amount for issuance premiums	3,561,748
Less deferred amount on refunding	<u>(45,383)</u>
Net governmental long-term obligations	<u><u>\$ 157,455,970</u></u>
<b>Business-type activities:</b>	
Compensated absences	<u>\$ 134,424</u>
Accrued landfill remediation costs	<u>\$ 11,653,037</u>
Total business-type activities long-term obligations	<u><u>\$ 11,787,461</u></u>

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

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

At June 30, 2012, \$4,835,000 of bonds outstanding are considered to be defeased.

### **Current Refunding of Debt:**

On April 5, 2012 the County issued \$2,759,400 general obligation refunding bonds to currently refund \$2,759,400 of general obligation bonds. The refunding resulted in a decrease of total debt service expenditures of \$475,621 and a net present value savings of \$389,422.

### **Federal Arbitrage Regulations:**

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

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

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

**Component Unit School Board:**

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2012.

	Amounts Payable July 1, 2011	Increases	Decreases	Amounts Payable June 30, 2012	Amounts Due Within One Year
Claims	\$ 1,094,918	\$ 14,385,461	\$14,160,377	\$ 1,320,002	\$ 1,320,002
Other post employment benefits	1,496,000	982,000	312,000	2,166,000	-
Compensated absences	1,840,467	685,078	715,744	1,809,801	757,661
Total	<u>\$ 4,431,385</u>	<u>\$ 16,052,539</u>	<u>\$15,188,121</u>	<u>\$ 5,295,803</u>	<u>\$ 2,077,663</u>
Reconciliation to Exhibit 1:					
Claims				\$ 1,320,002	
Long-term liabilities due within one year				757,661	
Long-term liabilities due in more than one year				3,218,140	
Total long-term debt				<u>\$ 5,295,803</u>	

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

**A. Plan Description:**

Name of Plan: Virginia Retirement System (VRS)

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

Administering Entity: Virginia Retirement System (System)

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2012 (Continued)

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

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

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

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

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

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

##### B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School's non-professional employee contribution rates for the fiscal year ended 2012 were 10.34% and 7.44% of annual covered payroll, respectively.

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

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

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

The School Board’s contributions for professional employees were \$4,558,179, \$2,837,995 and \$4,837,958, to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011 and 2010, respectively and these contributions represented 6.33%, 3.93% and 8.81% for 2012, 2011, and from July 2009 - March 2010 and 0% from April - June 2010, respectively, of current covered payroll.

**C. Annual Pension Cost:**

For fiscal year 2012, the County’s annual pension cost of \$3,127,399 (does not include the employee share assumed by the County which was \$1,512,282) was equal to the County’s required and actual contributions.

For fiscal year 2012, the County School Board’s annual pension cost for the Board’s non-professional employees was \$541,178 (does not include the employee share assumed by the Board which was \$363,695) and was equal to the Board’s required and actual contributions.

<u>Three-Year Trend Information for the County and School Board</u>			
<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, 2012	\$ 3,127,399	100%	\$ -
June 30, 2011	3,160,137	100%	-
June 30, 2010	3,166,271	100%	-
School Board Non-Professional:			
June 30, 2012	\$ 541,178	100%	\$ -
June 30, 2011	550,366	100%	-
June 30, 2010	565,712	100%	-

(1) Employer portion only

The FY2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County’s and School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County’s and School Board’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

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

D. Funded Status and Funding Progress:

As of June 30, 2011, the most recent actuarial valuation date, the County's plan was 75.15% funded. The actuarial accrued liability for benefits was \$106,154,791, and the actuarial value of assets was \$79,780,148, resulting in an unfunded actuarial accrued liability (UAAL) of \$26,374,643. The covered payroll (annual payroll of active employees covered by the plan) was \$30,561,457, and ratio of the UAAL to the covered payroll was 86.30%.

As of June 30, 2011, the most recent actuarial valuation date, the County School Board's plan was 85.79% funded. The actuarial accrued liability for benefits was \$17,871,418, and the actuarial value of assets was \$15,332,129, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,539,289. The covered payroll (annual payroll of active employees covered by the plan) was \$7,477,466, and ratio of the UAAL to the covered payroll was 33.96%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

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

The following departments in the General Fund had expenditures in excess of appropriations for the year ended June 30, 2012:

<u>Department</u>	<u>Excess Amount</u>
Independent Auditor	\$ 1,000
Circuit Court	5,816
Law Library	6,125
Ambulance and rescue service	1,377

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

**NOTE 12 – DEFERRED/UNEARNED REVENUE:**

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
<b>Primary Government:</b>		
Deferred property tax revenue:		
Deferred revenue representing billings for business licenses for which asset recognition criteria has not been met. The business license receivables are not available for the funding of current expenditures.	\$ -	\$ 943,764
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.	-	6,382,011
Deferred revenue from central stores internal service fund	13,380	-
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	<u>2,206,727</u>	<u>2,206,727</u>
Total governmental activities	<u>\$ 2,220,107</u>	<u>\$ 9,532,502</u>
	<u>Government-wide Statements</u>	<u>Statement of Net Assets</u>
	<u>Business-type Activities</u>	<u>Enterprise Funds</u>
Deferred revenue from landfill operations	<u>\$ 17,892</u>	<u>\$ 17,892</u>
Total primary government	<u>\$ 2,237,999</u>	<u>\$ 9,550,394</u>

**NOTE 13 - COMMITMENTS AND CONTINGENCIES:**

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

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



**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

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

The County and School Board have authorized and/or commenced construction on various capital projects. At June 30, 2012 the following significant items were in process:

- CCD Landfill area improvements - estimated completion cost is \$676,078.
- Landfill partial capping - estimated completion cost is \$33,902.
- Lake Holiday Dam Spillway - estimated completion cost is \$3,371,906.
- Renaissance Center - estimated completion cost is \$1,519,817.
- Transportation Facility - estimated completion cost is \$6,063,316.
- James Wood High School Renovations - estimated completion cost is \$1,157,758.
- James Wood Middle School Parking Lot - estimated completion cost is \$270,514.

*Encumbrances.* As discussed in Note 10, Budgetary information, Budgetary basis of accounting, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$ <u>807,126</u>
Total	\$ <u><u>807,126</u></u>

**NOTE 14 - LITIGATION:**

At June 30, 2012 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  
At June 30, 2012 (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 2010, 2011 and 2012 are listed as follows:

Funds	Estimated Claims Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Estimated Claims Liability End of Fiscal Year
<b>Primary Government:</b>				
Insurance Internal Service Fund				
2010	\$ 562,301	\$ 6,325,182	\$ 6,252,241	\$ 635,242
2011	635,242	6,209,141	6,280,428	563,955
2012	563,955	6,829,862	6,766,865	626,952
<b>Component Unit School Board:</b>				
School Operating and Health Insurance Funds				
2010	\$ 1,013,151	\$13,792,096	\$ 13,533,070	\$ 1,272,177
2011	1,272,177	13,017,900	13,195,159	1,094,918
2012	1,094,918	14,385,461	14,160,377	1,320,002

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2012 (Continued)

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#### **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 \$11,653,037 reported as landfill closure and postclosure care liability at June 30, 2012 represents the cumulative amount reported to date based on the use of the estimated capacity of the landfill. On October 8, 1993 the County opened the new landfill and initiated closure of the old landfill. The \$11,653,037 reported as the accrued landfill liability and postclosure costs reflects usage on the new landfill from October 5, 1993 to June 30, 2012. 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 2012. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

At June 30, 2012, the solid waste landfill capacity used to date was approximately 25% and 18% for the construction/demolition debris section of the landfill.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2012 (Continued)

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#### **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 to be recognized at June 30, 2012 is \$21,255,000 for the municipal solid waste landfill and \$3,945,000 for the construction/demolition debris landfill.

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

##### **County:**

##### A. Plan Description:

In addition to the pension benefits described in Note 10, the County has a single-employer medical plan that provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. Individuals employed on or after July 1, 1995, and who retire from County service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service), will receive 100% of their health insurance premium until age 65 when they become eligible for Medicare, at which time the County will provide 100% supplemental insurance benefits. Persons employed prior to July 1, 1995 are only required to be 50 years of age and have 20 years of continuous service to be eligible for these benefits. There is no separate, audited GAAP-basis post-employment benefit plan report for the County's medical plan.

##### B. Funding Policy:

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

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

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

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

**County: (Continued)**

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

liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 2,372,000
Interest on net OPEB obligation	263,000
Adjustment to annual required contribution	<u>(263,000)</u>
Annual OPEB cost (expense)	\$ 2,372,000
Contribution made	<u>317,000</u>
Increase in net OPEB obligation	\$ 2,055,000
Net OPEB obligation - beginning of year	<u>6,566,000</u>
Net OPEB obligation - end of year	<u><u>\$ 8,621,000</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 2,372,000	13.4%	\$ 8,621,000
June 30, 2011	\$ 2,025,000	13.7%	\$ 6,566,000
June 30, 2010	\$ 1,888,000	13.9%	\$ 4,818,000

D. Funded Status and Funding Progress:

The funded status of the plan as of July 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 27,264,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	27,264,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	30,561,457
UAAL as a percentage of covered payroll	89%

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

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

**County: (Continued)**

E. Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

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

Interest Assumptions

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2011 was thirty years.

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

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

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

**School Board:**

A. Plan Description:

The School Board Post-Retirement Medical Plan (SBPRMP) is a single-employer medical plan that offers health insurance for retired employees. Retirees can continue the same medical coverage they had (including family coverage) as active employees. Employees must meet retirement eligibility requirements under VRS. Dependents are allowed access to the plan. There is no separate, audited GAAP-basis post-employment benefit plan report for the School Board's Post-Retirement Medical Plan.

B. Funding Policy:

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

C. Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	\$ 983,000
Interest on net OPEB obligation	60,000
Adjustment to annual required contribution	<u>(61,000)</u>
Annual OPEB cost (expense)	\$ 982,000
Contribution made	<u>312,000</u>
Increase in net OPEB obligation	\$ 670,000
Net OPEB obligation - beginning of year	<u>1,496,000</u>
Net OPEB obligation - end of year	<u><u>\$ 2,166,000</u></u>

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

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

**School Board: (Continued)**

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

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 982,000	32%	\$ 2,166,000
June 30, 2011	\$ 857,000	34%	\$ 1,496,000
June 30, 2010	\$ 800,000	35%	\$ 930,000

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

The funded status of the plan as of July 1, 2011 the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 7,137,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	7,137,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	79,283,034
UAAL as a percentage of covered payroll	9%

**E. Actuarial Methods and Assumptions:**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.



COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements  
At June 30, 2012 (Continued)

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

**School Board: (Continued)**

E. Actuarial Methods and Assumptions: (Continued)

Cost Method

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

Interest Assumptions

In the July 1, 2011, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2011 was thirty years.

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

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

A. Plan Description:

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

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Financial Statements  
At June 30, 2012 (Continued)**

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

A. Plan Description: (Continued)

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

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

B. Funding Policy:

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 0.60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011, and 2010 were \$432,055, \$433,282, and \$571,110, respectively and equaled the required contributions for each year.

**- Required Supplementary Information -**

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 80,085,000	\$ 80,085,000	\$ 74,080,641	\$ (6,004,359)
Other local taxes	24,174,004	24,174,004	26,966,331	2,792,327
Permits, privilege fees and regulatory licenses	1,229,649	1,229,649	970,384	(259,265)
Fines and forfeitures	482,849	482,849	307,839	(175,010)
Use of money and property	875,962	888,501	231,319	(657,182)
Charges for services	2,307,751	2,309,714	2,176,882	(132,832)
Miscellaneous	642,069	666,187	551,430	(114,757)
Recovered costs	1,782,842	1,859,651	1,712,606	(147,045)
Intergovernmental:				
Revenue from the Commonwealth	9,936,690	10,012,080	20,277,701	10,265,621
Revenue from the Federal Government	33,122	319,084	3,048,657	2,729,573
Total revenues	\$ 121,549,938	\$ 122,026,719	\$ 130,323,790	\$ 8,297,071
<b>Expenditures</b>				
Current:				
General Government Administration:				
Board of supervisors	\$ 231,143	\$ 277,181	\$ 255,022	\$ 22,159
County administrator	554,065	554,215	549,657	4,558
County attorney	192,614	192,614	192,486	128
Personnel	292,015	291,115	283,422	7,693
Independent auditor	62,500	62,500	63,500	(1,000)
Commissioner of the Revenue	1,105,079	1,110,004	1,019,542	90,462
Board of assessors	203,339	192,564	149,606	42,958
Treasurer	1,084,757	1,106,380	1,039,483	66,897
Finance	673,041	672,143	640,152	31,991
Information technology	777,659	957,531	1,075,314	(117,783)
Management information systems	477,488	507,065	462,702	44,363
Other	1,231,332	1,451,275	1,365,069	86,206
Elections	94,426	177,102	153,877	23,225
Registrar	150,074	150,276	143,311	6,965
Total general government administration	\$ 7,129,532	\$ 7,701,965	\$ 7,393,143	\$ 308,822
Judicial Administration:				
Circuit court	\$ 48,300	\$ 56,300	\$ 62,116	\$ (5,816)
General district court	12,252	15,752	11,591	4,161
Juvenile and domestic relations court	17,250	17,250	11,660	5,590
Clerk of the circuit court	663,212	668,107	631,690	36,417
Law library	7,200	7,200	13,325	(6,125)
Detox center	13,350	-	-	-
Juvenile court probation	171,243	179,743	131,415	48,328

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule  
General Fund (Continued)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Expenditures (Continued)</b>				
Judicial Administration: (Continued)				
Commonwealth attorney	\$ 1,157,305	\$ 1,170,546	\$ 1,066,276	\$ 104,270
Victim/witness program	124,269	124,269	113,016	11,253
Total judicial administration	<u>\$ 2,214,381</u>	<u>\$ 2,239,167</u>	<u>\$ 2,041,089</u>	<u>\$ 198,078</u>
Public Safety:				
Sheriff	\$ 10,075,966	\$ 11,077,917	\$ 10,595,951	\$ 481,966
Volunteer fire departments	609,776	871,313	753,622	117,691
Ambulance and rescue service	391,219	391,219	392,596	(1,377)
Fire and rescue	5,940,110	6,007,767	5,856,217	151,550
Regional jail	3,733,510	3,733,510	3,733,510	-
Juvenile detention center	364,979	364,979	349,616	15,363
Inspections	980,051	979,151	951,723	27,428
Public safety communications	1,075,059	1,103,575	982,131	121,444
Total public safety	<u>\$ 23,170,670</u>	<u>\$ 24,529,431</u>	<u>\$ 23,615,366</u>	<u>\$ 914,065</u>
Public Works:				
Road administration, street lights	\$ 81,312	\$ 81,312	\$ 63,742	\$ 17,570
General engineering and administration	317,681	325,281	316,202	9,079
Refuse collection	1,211,002	1,226,127	1,058,899	167,228
Refuse disposal	401,096	401,096	330,020	71,076
Litter control	13,932	13,932	7,809	6,123
General properties	1,470,120	1,519,230	1,295,259	223,971
Animal shelter	491,750	491,750	446,626	45,124
Total public works	<u>\$ 3,986,893</u>	<u>\$ 4,058,728</u>	<u>\$ 3,518,557</u>	<u>\$ 540,171</u>
Health and Welfare:				
Health department	\$ 301,959	\$ 301,959	\$ 301,959	\$ -
Northwestern Community Services Board	318,263	318,263	318,263	-
Welfare and social services	6,027,533	5,824,324	5,544,485	279,839
Tax relief for the elderly	520,000	520,000	464,530	55,470
Area Agency on Aging	60,930	60,930	60,930	-
Total health and welfare	<u>\$ 7,228,685</u>	<u>\$ 7,025,476</u>	<u>\$ 6,690,167</u>	<u>\$ 335,309</u>
Education:				
Community college	\$ 56,493	\$ 56,493	\$ 56,493	\$ -
Appropriation to public school system	56,637,668	57,716,048	56,395,408	1,320,640
Total education	<u>\$ 56,694,161</u>	<u>\$ 57,772,541</u>	<u>\$ 56,451,901</u>	<u>\$ 1,320,640</u>

**COUNTY OF FREDERICK, VIRGINIA**

**Budgetary Comparison Schedule**  
**General Fund (Continued)**  
**Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Expenditures (Continued)</b>				
Parks, recreation and cultural:				
Parks and recreation	\$ 4,171,638	\$ 4,365,810	\$ 4,090,373	\$ 275,437
Regional library	801,356	884,356	828,599	55,757
Total parks, recreation and cultural	<u>\$ 4,972,994</u>	<u>\$ 5,250,166</u>	<u>\$ 4,918,972</u>	<u>\$ 331,194</u>
Community Development:				
Planning and community development	\$ 1,040,821	\$ 1,040,821	\$ 961,646	\$ 79,175
Economic Development Commission	476,449	481,729	477,181	4,548
Zoning board	6,175	6,175	2,698	3,477
Building appeals board	550	550	-	550
NSV Regional Commission	26,365	26,365	26,365	-
Gypsy moth suppression	30,934	21,761	18,072	3,689
Soil and Water Conservation District	7,650	7,650	7,650	-
Cooperative extension program	193,583	193,583	186,677	6,906
Total community development	<u>\$ 1,782,527</u>	<u>\$ 1,778,634</u>	<u>\$ 1,680,289</u>	<u>\$ 98,345</u>
Debt Service:				
Principal	\$ 1,503,093	\$ 4,262,494	\$ 4,262,494	\$ -
Interest and fiscal charges	1,381,197	1,377,696	1,230,587	147,109
Total debt service	<u>\$ 2,884,290</u>	<u>\$ 5,640,190</u>	<u>\$ 5,493,081</u>	<u>\$ 147,109</u>
Total expenditures	<u>\$ 110,064,133</u>	<u>\$ 115,996,298</u>	<u>\$ 111,802,565</u>	<u>\$ 4,193,733</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 11,485,805</u>	<u>\$ 6,030,421</u>	<u>\$ 18,521,225</u>	<u>\$ 12,490,804</u>
<b>Other Financing Sources (Uses)</b>				
Issuance of Long-term debt	\$ -	\$ 2,759,400	\$ 2,759,400	\$ -
Capital lease issuance	-	-	537,050	537,050
Transfers out	(15,785,805)	(15,787,702)	(15,601,278)	186,424
Total other financing sources (uses)	<u>\$ (15,785,805)</u>	<u>\$ (13,028,302)</u>	<u>\$ (12,304,828)</u>	<u>\$ 723,474</u>
Net change in fund balance	<u>\$ (4,300,000)</u>	<u>\$ (6,997,881)</u>	<u>\$ 6,216,397</u>	<u>\$ 13,214,278</u>
<b>Fund balance, beginning of year</b>	<u>4,300,000</u>	<u>6,997,881</u>	<u>33,360,212</u>	<u>26,362,331</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,576,609</u>	<u>\$ 39,576,609</u>

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

## COUNTY OF FREDERICK, VIRGINIA

**Budgetary Comparison Schedule**  
**Shawneeland Sanitary District Fund**  
**Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Property taxes	\$ 674,020	\$ 674,020	\$ 684,825	\$ 10,805
Use of money and property	16,500	16,500	6,015	(10,485)
Miscellaneous	-	-	20	20
Recovered costs	1,000	1,000	11,446	10,446
Total revenues	<u>\$ 691,520</u>	<u>\$ 691,520</u>	<u>\$ 702,306</u>	<u>\$ 10,786</u>
<b>Expenditures</b>				
Current:				
Community Development:				
Community development	\$ 777,700	\$ 927,700	\$ 522,104	\$ 405,596
Net change in fund balance	\$ (86,180)	\$ (236,180)	\$ 180,202	\$ 416,382
<b>Fund balance, beginning of year</b>	<u>86,180</u>	<u>236,180</u>	<u>2,100,635</u>	<u>1,864,455</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,280,837</u></u>	<u><u>\$ 2,280,837</u></u>

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

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule  
 Lake Holiday Sanitary District Fund  
 Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Property taxes	\$ -	\$ 402,985	\$ 990,866	\$ 587,881
Total revenues	<u>\$ -</u>	<u>\$ 402,985</u>	<u>\$ 990,866</u>	<u>\$ 587,881</u>
<b>Expenditures</b>				
Current:				
Community Development:				
Community development	\$ -	\$ 9,169,899	\$ 4,010,352	\$ 5,159,547
Debt Service:				
Interest and fiscal charges	\$ -	\$ 402,985	\$ 403,420	\$ (435)
Total debt service	<u>\$ -</u>	<u>\$ 402,985</u>	<u>\$ 403,420</u>	<u>\$ (435)</u>
Total expenditures	<u>\$ -</u>	<u>\$ 9,572,884</u>	<u>\$ 4,413,772</u>	<u>\$ 5,159,112</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ (9,169,899)</u>	<u>\$ (3,422,906)</u>	<u>\$ 5,746,993</u>
<b>Other Financing Sources (Uses)</b>				
Long-term debt issued	\$ -	\$ 8,995,000	\$ -	\$ (8,995,000)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 8,995,000</u>	<u>\$ -</u>	<u>\$ (8,995,000)</u>
Net change in fund balance	\$ -	\$ (174,899)	\$ (3,422,906)	\$ (3,248,007)
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>174,899</u>	<u>9,736,076</u>	<u>9,561,177</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,313,170</u></u>	<u><u>\$ 6,313,170</u></u>

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



## COUNTY OF FREDERICK, VIRGINIA

Required Supplementary Information  
 Schedule of Pension and OPEB Funding Progress  
 For the Year Ended June 30, 2012

**VIRGINIA RETIREMENT SYSTEM**

## County

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	\$ 79,780,148	\$ 106,154,791	\$ 26,374,643	75.15%	\$ 30,561,457	86.30%
6/30/2010	74,936,007	99,780,026	24,844,019	75.10%	31,058,541	79.99%
6/30/2009	71,050,795	86,850,695	15,799,900	81.81%	32,339,777	48.86%

## Discretely Presented Component Unit - School Board

## School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	\$ 15,332,129	\$ 17,871,418	\$ 2,539,289	85.79%	\$ 7,477,466	33.96%
6/30/2010	14,574,742	16,609,277	2,034,535	87.75%	7,295,869	27.89%
6/30/2009	13,975,909	14,852,614	876,705	94.10%	7,475,939	11.73%

**OTHER POST-EMPLOYMENT BENEFITS**

## County

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2011	\$ -	\$ 27,264,000	\$ 27,264,000	0.00%	\$ 30,561,457	89%
6/10/2010	-	21,042,000	21,042,000	0.00%	32,339,777	65%
7/1/2007	-	17,272,000	17,272,000	0.00%	N/A	N/A

## Discretely Presented Component Unit - School Board

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2011	\$ -	\$ 7,137,000	\$ 7,137,000	0.00%	\$ 79,283,034	9%
5/11/2010	-	5,744,000	5,744,000	0.00%	80,517,316	7%
7/1/2007	-	9,267,000	9,267,000	0.00%	N/A	N/A

**- Other Supplementary Information -**

## COUNTY OF FREDERICK, VIRGINIA

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**At June 30, 2012**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 290,328	\$ 642,500	\$ 932,828
Accounts receivable	200	-	200
Due from other governments	180,654	-	180,654
Total assets	<u>\$ 471,182</u>	<u>\$ 642,500</u>	<u>\$ 1,113,682</u>
<b>Liabilities</b>			
A/P and accrued liabilities	\$ 86,163	\$ -	\$ 86,163
Total liabilities	<u>\$ 86,163</u>	<u>\$ -</u>	<u>\$ 86,163</u>
<b>Fund Balance</b>			
Committed	\$ 385,019	\$ -	\$ 385,019
Assigned	-	642,500	642,500
Total fund balance	<u>\$ 385,019</u>	<u>\$ 642,500</u>	<u>\$ 1,027,519</u>
Total liabilities and fund balance	<u>\$ 471,182</u>	<u>\$ 642,500</u>	<u>\$ 1,113,682</u>

## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2012**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Revenues</b>			
Use of money and property	\$ 8,641	\$ -	\$ 8,641
Charges for services	655,261	-	655,261
Miscellaneous	6,082	-	6,082
Recovered costs	100,020	-	100,020
Intergovernmental:			
Revenue from the Commonwealth	1,328,079	-	1,328,079
Total revenues	<u>\$ 2,098,083</u>	<u>\$ -</u>	<u>\$ 2,098,083</u>
<b>Expenditures</b>			
Current:			
Judicial administration	\$ 1,393,671	\$ -	\$ 1,393,671
Health and welfare	1,443,486	-	1,443,486
Education	758,836	-	758,836
Total expenditures	<u>\$ 3,595,993</u>	<u>\$ -</u>	<u>\$ 3,595,993</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (1,497,910)</u>	<u>\$ -</u>	<u>\$ (1,497,910)</u>
<b>Other financing sources (uses)</b>			
Transfers in	\$ 880,502	\$ -	\$ 880,502
Capital lease issuance	18,147	-	18,147
Total other financing sources (uses)	<u>\$ 898,649</u>	<u>\$ -</u>	<u>\$ 898,649</u>
Net change in fund balance	\$ (599,261)	\$ -	\$ (599,261)
<b>Fund balance, beginning of year</b>	<u>984,280</u>	<u>642,500</u>	<u>1,626,780</u>
<b>Fund balance, end of year</b>	<u><u>\$ 385,019</u></u>	<u><u>\$ 642,500</u></u>	<u><u>\$ 1,027,519</u></u>

## COUNTY OF FREDERICK, VIRGINIA

**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**At June 30, 2012**

	<b>Division of Court Services Fund</b>	<b>Comprehensive Services Act Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 195,080	\$ 95,248	\$ 290,328
Receivables	200	-	200
Due from other governments	-	180,654	180,654
Total assets	<u>\$ 195,280</u>	<u>\$ 275,902</u>	<u>\$ 471,182</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 11,929	\$ 74,234	\$ 86,163
Total liabilities	<u>\$ 11,929</u>	<u>\$ 74,234</u>	<u>\$ 86,163</u>
<b>Fund Balance</b>			
Committed	\$ 183,351	\$ 201,668	\$ 385,019
Total fund balance	<u>\$ 183,351</u>	<u>\$ 201,668</u>	<u>\$ 385,019</u>
Total liabilities and fund balance	<u>\$ 195,280</u>	<u>\$ 275,902</u>	<u>\$ 471,182</u>

## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2012**

	<b>Division of Court Services Fund</b>	<b>Comprehensive Services Act Fund</b>	<b>Total</b>
<b>Revenues</b>			
Use of money and property	\$ 8,641	\$ -	\$ 8,641
Charges for services	655,261	-	655,261
Miscellaneous	6,082	-	6,082
Recovered costs	100,020	-	100,020
Intergovernmental:			
Revenue from the Commonwealth	233,595	1,094,484	1,328,079
Total revenues	<u>\$ 1,003,599</u>	<u>\$ 1,094,484</u>	<u>\$ 2,098,083</u>
<b>Expenditures</b>			
Current:			
Judicial administration	\$ 1,393,671	\$ -	\$ 1,393,671
Health and welfare	-	1,443,486	1,443,486
Education	-	758,836	758,836
Total expenditures	<u>\$ 1,393,671</u>	<u>\$ 2,202,322</u>	<u>\$ 3,595,993</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (390,072)</u>	<u>\$ (1,107,838)</u>	<u>\$ (1,497,910)</u>
<b>Other financing sources (uses)</b>			
Transfers in	\$ -	\$ 880,502	\$ 880,502
Capital lease issuance	18,147	-	18,147
Total other financing sources (uses)	<u>\$ 18,147</u>	<u>\$ 880,502</u>	<u>\$ 898,649</u>
Net change in fund balance	\$ (371,925)	\$ (227,336)	\$ (599,261)
<b>Fund balance, beginning of year</b>	<u>555,276</u>	<u>429,004</u>	<u>984,280</u>
<b>Fund balance, end of year</b>	<u><u>\$ 183,351</u></u>	<u><u>\$ 201,668</u></u>	<u><u>\$ 385,019</u></u>

COUNTY OF FREDERICK, VIRGINIA

Combining Balance Sheet  
 Nonmajor Capital Projects Funds  
 At June 30, 2012

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

## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**Year Ended June 30, 2012**

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



## COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Net Assets  
Internal Service Funds  
At June 30, 2012

	<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>
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 6,316,925	\$ 198,045	\$ -	\$ 60,051	\$ 220,498	\$ 6,795,519
Accounts receivable	-	13,380	-	-	-	13,380
Total assets	<u>\$ 6,316,925</u>	<u>\$ 211,425</u>	<u>\$ -</u>	<u>\$ 60,051</u>	<u>\$ 220,498</u>	<u>\$ 6,808,899</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 3,679	\$ 46,079	\$ 2,848	\$ -	\$ 1,401	\$ 54,007
Unearned revenue	-	13,380	-	-	-	13,380
Claims payable	626,952	-	-	-	-	626,952
Total liabilities	<u>\$ 630,631</u>	<u>\$ 59,459</u>	<u>\$ 2,848</u>	<u>\$ -</u>	<u>\$ 1,401</u>	<u>\$ 694,339</u>
<b>Net Assets</b>						
Unrestricted	<u>\$ 5,686,294</u>	<u>\$ 151,966</u>	<u>\$ (2,848)</u>	<u>\$ 60,051</u>	<u>\$ 219,097</u>	<u>\$ 6,114,560</u>
Total net assets	<u>\$ 5,686,294</u>	<u>\$ 151,966</u>	<u>\$ (2,848)</u>	<u>\$ 60,051</u>	<u>\$ 219,097</u>	<u>\$ 6,114,560</u>

## COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Internal Service Funds  
 Year Ended June 30, 2012

	<b>Health Insurance Fund</b>	<b>Central Stores Fund</b>	<b>Unemploy- ment Fund</b>	<b>Volunteer Fire and Rescue Fund</b>	<b>Maintenance Insurance Fund</b>	<b>Total Internal Service Funds</b>
<b>Operating revenues</b>						
Charges for services	\$ 6,518,558	\$ 578,658	\$ -	\$ -	\$ 37,371	\$ 7,134,587
<b>Operating Expenses</b>						
Benefits and related expenses	\$ 6,766,865	\$ -	\$ 18,140	\$ 83,030	\$ -	\$ 6,868,035
Services and supplies	-	575,515	-	-	13,790	589,305
Total operating expenses	\$ 6,766,865	\$ 575,515	\$ 18,140	\$ 83,030	\$ 13,790	\$ 7,457,340
Operating income (loss)	\$ (248,307)	\$ 3,143	\$ (18,140)	\$ (83,030)	\$ 23,581	\$ (322,753)
<b>Nonoperating revenues</b>						
Investment earnings	18,928	521	-	-	546	19,995
Income(loss) before transfers	\$ (229,379)	\$ 3,664	\$ (18,140)	\$ (83,030)	\$ 24,127	\$ (302,758)
<b>Transfers in</b>						
	-	-	15,473	79,152	-	94,625
Change in net assets	\$ (229,379)	\$ 3,664	\$ (2,667)	\$ (3,878)	\$ 24,127	\$ (208,133)
Net assets, beginning of year	5,915,673	148,302	(181)	63,929	194,970	6,322,693
Net assets, end of year	\$ 5,686,294	\$ 151,966	\$ (2,848)	\$ 60,051	\$ 219,097	\$ 6,114,560

## COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2012

	<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>
<b>Cash flows from operating activities</b>						
Receipts from insured	\$ 6,518,558	\$ -	\$ -	\$ -	\$ 37,371	\$ 6,555,929
Receipts from services	-	578,658	-	-	-	578,658
Payments to suppliers	(6,704,090)	(577,627)	-	(83,030)	(14,968)	(7,379,715)
Other payments	-	-	(15,473)	-	-	(15,473)
Net cash provided by (used for) operating activities	<u>\$ (185,532)</u>	<u>\$ 1,031</u>	<u>\$ (15,473)</u>	<u>\$ (83,030)</u>	<u>\$ 22,403</u>	<u>\$ (260,601)</u>
<b>Cash flows from noncapital financing activities:</b>						
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,473</u>	<u>\$ 79,152</u>	<u>\$ -</u>	<u>\$ 94,625</u>
<b>Cash flows from investing activities</b>						
Investment earnings	<u>\$ 18,928</u>	<u>\$ 521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 546</u>	<u>\$ 19,995</u>
Net increase (decrease) in cash and cash equivalents	\$ (166,604)	\$ 1,552	\$ -	\$ (3,878)	\$ 22,949	\$ (145,981)
Balances, beginning of year	<u>6,483,529</u>	<u>196,493</u>	<u>-</u>	<u>63,929</u>	<u>197,549</u>	<u>6,941,500</u>
Balances, end of year	<u><u>\$ 6,316,925</u></u>	<u><u>\$ 198,045</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 60,051</u></u>	<u><u>\$ 220,498</u></u>	<u><u>\$ 6,795,519</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by(used or) operating activities:</b>						
Operating income (loss)	\$ (248,307)	\$ 3,143	\$ (18,140)	\$ (83,030)	\$ 23,581	\$ (322,753)
Change in assets and liabilities:						
Receivables, net	-	(3,941)	-	-	-	(3,941)
Accounts payable	(222)	(2,112)	2,667	-	(1,178)	(845)
Deferred revenue	-	3,941	-	-	-	3,941
Claims payable	<u>62,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,997</u>
Net cash provided by (used for) operating activities	<u><u>\$ (185,532)</u></u>	<u><u>\$ 1,031</u></u>	<u><u>\$ (15,473)</u></u>	<u><u>\$ (83,030)</u></u>	<u><u>\$ 22,403</u></u>	<u><u>\$ (260,601)</u></u>

## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Fiduciary Net Assets  
Private Purpose Trust Funds  
At June 30, 2012**

	Private Purpose Trust Funds				
	Laura Bates Trust Fund	Harriet Sides Trust Fund	Olin Larrick Trust Fund	Armstrong Foundation Scholarship Trust Fund	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 12,533	\$ 9,381	\$ 1,919	\$ 218,134	\$ 241,967
Total assets	\$ 12,533	\$ 9,381	\$ 1,919	\$ 218,134	\$ 241,967
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Assets</b>	\$ 12,533	\$ 9,381	\$ 1,919	\$ 218,134	\$ 241,967

## COUNTY OF FREDERICK, VIRGINIA

## Combining Statement of Fiduciary Net Assets

## Agency Funds

At June 30, 2012

	Special Welfare Fund	Northwestern Regional Jail Authority Fund	Winchester Regional Airport Fund	Undistributed Local Sales Tax Fund	State Sales Tax Fund	Employee Cafeteria Plan Fund	Northwestern Regional Education Program Fund	Total
<b>Assets</b>								
Cash and cash equivalents	\$ 93,079	\$ 4,100,479	\$ 318,126	\$ -	\$ 2,132	\$ 25,200	\$ 631,523	\$ 5,170,539
Receivables	-	70,652	70,217	-	-	-	26,000	166,869
Due from other governmentals	-	733,238	667,875	35,629	-	-	-	1,436,742
Total assets	\$ 93,079	\$ 4,904,369	\$ 1,056,218	\$ 35,629	\$ 2,132	\$ 25,200	\$ 657,523	\$ 6,774,150
<b>Liabilities</b>								
Accounts payable and accrued liabilities	\$ -	\$ 333,066	\$ 132,210	\$ 35,629	\$ 95	\$ -	\$ 418,907	\$ 919,907
Amounts held for others	93,079	4,571,303	924,008	-	2,037	25,200	238,616	5,854,243
Total liabilities	\$ 93,079	\$ 4,904,369	\$ 1,056,218	\$ 35,629	\$ 2,132	\$ 25,200	\$ 657,523	\$ 6,774,150
<b>Net Assets</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Changes in Fiduciary Net Assets  
Private Purpose Trust Funds  
Year Ended June 30, 2012

	<u>Laura Bates</u> <u>Trust</u> <u>Fund</u>	<u>Harriet Sides</u> <u>Trust</u> <u>Fund</u>	<u>Olin Larrick</u> <u>Trust</u> <u>Fund</u>	<u>Armstrong</u> <u>Foundation</u> <u>Scholarship</u> <u>Trust</u> <u>Fund</u>	<u>Total</u>
<b>Additions:</b>					
Investment earnings	\$ 36	\$ 27	\$ 5	\$ (2,158)	\$ (2,090)
<b>Deductions:</b>					
Education	-	27	-	11,219	11,246
Change in net assets	\$ 36	\$ -	\$ 5	\$ (13,377)	\$ (13,336)
<b>Net assets, beginning of year</b>	<u>12,497</u>	<u>9,381</u>	<u>1,914</u>	<u>231,511</u>	<u>255,303</u>
<b>Net assets, end of year</b>	<u>\$ 12,533</u>	<u>\$ 9,381</u>	<u>\$ 1,919</u>	<u>\$ 218,134</u>	<u>\$ 241,967</u>

**COUNTY OF FREDERICK, VIRGINIA**

**Agency Funds**  
**Statement of Changes in Assets and Liabilities**  
**Year Ended June 30, 2012**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Special Welfare Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 100,297	\$ 11,983	\$ 19,201	\$ 93,079
Liabilities:				
Amounts held for others	\$ 100,297	\$ 11,983	\$ 19,201	\$ 93,079
<b>Northwestern Regional Jail Authority Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 4,057,708	\$ 16,266,116	\$ 16,223,345	\$ 4,100,479
Receivables	69,893	70,652	69,893	70,652
Due from other governmental units	724,085	733,238	724,085	733,238
Total assets	\$ 4,851,686	\$ 17,070,006	\$ 17,017,323	\$ 4,904,369
Liabilities:				
Accounts payable and accrued liabilities	\$ 265,720	\$ 333,066	\$ 265,720	\$ 333,066
Amounts held for others	4,585,966	16,736,940	16,751,603	4,571,303
Total liabilities	\$ 4,851,686	\$ 17,070,006	\$ 17,017,323	\$ 4,904,369
<b>Winchester Regional Airport Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 486,118	\$ 8,662,152	\$ 8,830,144	\$ 318,126
Receivables	64,815	70,217	64,815	70,217
Due from other governmental units	73,954	667,875	73,954	667,875
Total assets	\$ 624,887	\$ 9,400,244	\$ 8,968,913	\$ 1,056,218
Liabilities:				
Accounts payable and accrued liabilities	\$ 169,532	\$ 132,210	\$ 169,532	\$ 132,210
Amounts held for others	455,355	9,268,034	8,799,381	924,008
Total liabilities	\$ 624,887	\$ 9,400,244	\$ 8,968,913	\$ 1,056,218
<b>Undistributed Local Sales Tax Fund:</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 10,711,435	\$ 10,711,435	\$ -
Due from other governmental units	32,913	35,629	32,913	35,629
Total assets	\$ 32,913	\$ 10,747,064	\$ 10,744,348	\$ 35,629

**COUNTY OF FREDERICK, VIRGINIA**

**Agency Funds**  
**Statement of Changes in Assets and Liabilities**  
**Year Ended June 30, 2012 (Continued)**

	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance End of Year</b>
<b>Undistributed Local Sales Tax Fund: (Continued)</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 32,913	\$ 10,747,064	\$ 10,744,348	\$ 35,629
Total liabilities	\$ 32,913	\$ 10,747,064	\$ 10,744,348	\$ 35,629
<b>State Sales Tax Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 2,152	\$ 919	\$ 939	\$ 2,132
Liabilities:				
Accounts payable and accrued liabilities	\$ 98	\$ 95	\$ 98	\$ 95
Amounts held for others	2,054	824	841	2,037
Total liabilities	\$ 2,152	\$ 919	\$ 939	\$ 2,132
<b>Employee Cafeteria Plan Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 18,086	\$ 8,393	\$ 1,279	\$ 25,200
Liabilities:				
Amounts held for others	\$ 18,086	\$ 8,393	\$ 1,279	\$ 25,200
<b>Northwestern Regional Education Program Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 788,358	\$ 3,945,786	\$ 4,102,621	\$ 631,523
Receivables	19,925	26,000	19,925	26,000
Total assets	\$ 808,283	\$ 3,971,786	\$ 4,122,546	\$ 657,523
Liabilities:				
Accounts payable and accrued liabilities	\$ 477,858	\$ 418,907	\$ 477,858	\$ 418,907
Amounts held for others	330,425	3,552,879	3,644,688	238,616
Total liabilities	\$ 808,283	\$ 3,971,786	\$ 4,122,546	\$ 657,523



COUNTY OF FREDERICK, VIRGINIA

Agency Funds  
 Statement of Changes in Assets and Liabilities  
 Year Ended June 30, 2012 (Continued)

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Total -- All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 5,452,719	\$ 39,606,784	\$ 39,888,964	\$ 5,170,539
Receivables	154,633	166,869	154,633	166,869
Due from other governments	<u>830,952</u>	<u>1,436,742</u>	<u>830,952</u>	<u>1,436,742</u>
Total assets	<u>\$ 6,438,304</u>	<u>\$ 41,210,395</u>	<u>\$ 40,874,549</u>	<u>\$ 6,774,150</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 946,121	\$ 11,631,342	\$ 11,657,556	\$ 919,907
Amounts held for others	<u>5,492,183</u>	<u>29,579,053</u>	<u>29,216,993</u>	<u>5,854,243</u>
Total liabilities	<u>\$ 6,438,304</u>	<u>\$ 41,210,395</u>	<u>\$ 40,874,549</u>	<u>\$ 6,774,150</u>

## COUNTY OF FREDERICK, VIRGINIA

**Revenue and Expenditures Budgetary Comparison Schedule  
For Nonmajor and Other Funds With Legally Adopted Budgets  
Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Special Revenue Funds</b>				
<b>Division of Court Services Fund</b>				
<b>Revenues</b>				
Revenue from use of money and property	\$ 2,602	\$ 2,602	\$ 8,641	\$ 6,039
Charges for services	638,544	638,544	655,261	16,717
Miscellaneous	-	-	6,082	6,082
Recovered costs	160,838	160,838	100,020	(60,818)
Intergovernmental:				
Revenue from the Commonwealth	234,060	234,060	233,595	(465)
Total revenues	<u>\$ 1,036,044</u>	<u>\$ 1,036,044</u>	<u>\$ 1,003,599</u>	<u>\$ (32,445)</u>
<b>Expenditures</b>				
<b>Judicial Administration</b>				
Division of Court Services	\$ 550,158	\$ 559,230	\$ 512,845	\$ 46,385
Division of Court Services Administration	144,552	144,552	139,027	5,525
Detox Center	68,674	78,502	15,647	62,855
Community Corrections	344,200	378,703	708,006	(329,303)
Total expenditures	<u>\$ 1,107,584</u>	<u>\$ 1,160,987</u>	<u>\$ 1,375,525</u>	<u>\$ (214,538)</u>
<b>Capital Projects Funds</b>				
<b>General Capital Projects Fund</b>				
<b>Revenues</b>				
Recovered costs	\$ -	\$ 1,000,000	\$ -	\$ (1,000,000)
Miscellaneous	-	79,583	80,000	417
Intergovernmental:				
Revenue from the Commonwealth	-	1,000,000	93,338	(906,662)
Total revenues	<u>\$ -</u>	<u>\$ 2,079,583</u>	<u>\$ 173,338</u>	<u>\$ (1,906,245)</u>
<b>Expenditures</b>				
Capital projects	\$ -	\$ 2,081,750	\$ 80,000	\$ 2,001,750
Total expenditures	<u>\$ -</u>	<u>\$ 2,081,750</u>	<u>\$ 80,000</u>	<u>\$ 2,001,750</u>
<b>Debt Service Funds</b>				
<b>School Debt Service Fund</b>				
<b>Revenues</b>				
Intergovernmental:				
Categorical aid:				
Revenue from the Federal Government	\$ -	\$ 137,181	\$ 137,181	\$ -
<b>Expenditures</b>				
Principal and interest	\$ 14,696,201	\$ 14,833,382	\$ 13,837,559	\$ 995,823
Total expenditures	<u>\$ 14,696,201</u>	<u>\$ 14,833,382</u>	<u>\$ 13,837,559</u>	<u>\$ 995,823</u>

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

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board

Combining Balance Sheet

At June 30, 2012

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	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Consolidated Maintenance Fund</u>	<u>School Textbook Fund</u>	<u>School Special Grants Fund</u>	<u>School Capital Projects Fund</u>	<u>School Capital Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>								
Cash and cash equivalents	\$ 9,556,337	\$ 1,672,071	\$ 125	\$ 1,722,050	\$ -	\$ 10,609,139	\$ 450,381	\$ 24,010,103
Accounts receivable	202,012	7,803	-	2,180	2,628	-	-	214,623
Due from other governments	5,325,091	42,331	-	-	102,988	-	-	5,470,410
Due from other funds	53,990	-	-	-	-	-	-	53,990
Inventory	80,736	168,014	-	-	-	-	-	248,750
Total assets	<u>\$ 15,218,166</u>	<u>\$ 1,890,219</u>	<u>\$ 125</u>	<u>\$ 1,724,230</u>	<u>\$ 105,616</u>	<u>\$ 10,609,139</u>	<u>\$ 450,381</u>	<u>\$ 29,997,876</u>
<b>Liabilities</b>								
Accounts payable and accrued liabilities	\$ 14,554,217	\$ 380,213	\$ 125	\$ 312,300	\$ 30,729	\$ 1,251,875	\$ 8,125	\$ 16,537,584
Due to other funds	-	-	-	-	53,990	-	-	53,990
Total liabilities	<u>\$ 14,554,217</u>	<u>\$ 380,213</u>	<u>\$ 125</u>	<u>\$ 312,300</u>	<u>\$ 84,719</u>	<u>\$ 1,251,875</u>	<u>\$ 8,125</u>	<u>\$ 16,591,574</u>
<b>Fund Balance</b>								
Nonspendable	\$ 80,736	\$ 168,014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 248,750
Restricted	-	-	-	-	-	6,700,058	-	6,700,058
Committed	583,213	1,341,992	-	1,411,930	20,897	2,657,206	442,256	6,457,494
Total fund balance	<u>\$ 663,949</u>	<u>\$ 1,510,006</u>	<u>\$ -</u>	<u>\$ 1,411,930</u>	<u>\$ 20,897</u>	<u>\$ 9,357,264</u>	<u>\$ 442,256</u>	<u>\$ 13,406,302</u>
Total liabilities and fund balance	<u>\$ 15,218,166</u>	<u>\$ 1,890,219</u>	<u>\$ 125</u>	<u>\$ 1,724,230</u>	<u>\$ 105,616</u>	<u>\$ 10,609,139</u>	<u>\$ 450,381</u>	<u>\$ 29,997,876</u>

## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**At June 30, 2012**

Total fund balances for governmental funds (Exhibit 30)	\$	13,406,302
<p>Total net assets reported for governmental activities in the statement of net assets is different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:</p>		
Land and improvements	\$	8,288,366
Construction in progress		267,685
Buildings and improvements, net of depreciation		149,676,444
Equipment, net of depreciation		13,915,890
School Board capital assets in primary government, net of depreciation		<u>(70,553,551)</u>
Total capital assets		101,594,834
<p>An internal service fund is used by the School Board to charge the cost of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. The internal service net assets are:</p>		
		3,463,077
<p>Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net assets are compensated absences and other post employment benefits.</p>		
		<u>(3,975,801)</u>
Total net assets of governmental activities (Exhibit 1)	\$	<u><u>114,488,412</u></u>

**COUNTY OF FREDERICK, VIRGINIA**  
**Component Unit School Board**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2012**

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Consolidated Maintenance Fund</u>	<u>School Textbook Fund</u>	<u>School Special Grants Fund</u>	<u>School Capital Projects Fund</u>	<u>School Capital Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>								
Use of money and property	\$ 442,106	\$ 4,103	\$ -	\$ 4,827	\$ -	\$ 19,642	\$ -	\$ 470,678
Charges for services	385,855	2,543,223	14,792	5,391	-	-	-	2,949,261
Miscellaneous	238,363	-	-	27	165,959	-	-	404,349
Intergovernmental:								
Appropriation from primary government	56,215,629	-	-	-	41,499	600,000	1,282,239	58,139,367
Revenue from the Commonwealth	60,463,979	94,601	-	324,073	243,672	-	-	61,126,325
Revenue from the Federal Government	8,627,923	2,462,378	-	-	563,649	-	-	11,653,950
Total revenues	<u>\$ 126,373,855</u>	<u>\$ 5,104,305</u>	<u>\$ 14,792</u>	<u>\$ 334,318</u>	<u>\$ 1,014,779</u>	<u>\$ 619,642</u>	<u>\$ 1,282,239</u>	<u>\$ 134,743,930</u>
<b>Expenditures</b>								
Current:								
Education:								
Instruction	\$ 95,347,668	\$ -	\$ -	\$ 828,609	\$ 993,882	\$ -	\$ 1,143,511	\$ 98,313,670
Administration, attendance and health	5,239,701	-	-	-	-	-	-	5,239,701
Transportation	7,826,970	-	-	-	-	-	-	7,826,970
Facilities operations	11,197,759	-	14,792	-	-	-	-	11,212,551
Building improvements	405,066	-	-	-	-	-	-	405,066
Technology	5,491,378	-	-	-	-	-	-	5,491,378
School food services	-	5,142,598	-	-	-	-	-	5,142,598
Capital projects	-	-	-	-	-	9,646,663	-	9,646,663
Total expenditures	<u>\$ 125,508,542</u>	<u>\$ 5,142,598</u>	<u>\$ 14,792</u>	<u>\$ 828,609</u>	<u>\$ 993,882</u>	<u>\$ 9,646,663</u>	<u>\$ 1,143,511</u>	<u>\$ 143,278,597</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 865,313</u>	<u>\$ (38,293)</u>	<u>\$ -</u>	<u>\$ (494,291)</u>	<u>\$ 20,897</u>	<u>\$ (9,027,021)</u>	<u>\$ 138,728</u>	<u>\$ (8,534,667)</u>
<b>Other financing sources (uses)</b>								
Issuance of debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,975,000	\$ -	\$ 14,975,000
Premium on issuance of debt	-	-	-	-	-	839,305	-	839,305
Transfers in	-	-	-	201,364	-	-	-	201,364
Transfers out	(201,364)	-	-	-	-	-	-	(201,364)
Total other financing sources (uses)	<u>\$ (201,364)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,364</u>	<u>\$ -</u>	<u>\$ 15,814,305</u>	<u>\$ -</u>	<u>\$ 15,814,305</u>
Net change in fund balance	\$ 663,949	\$ (38,293)	\$ -	\$ (292,927)	\$ 20,897	\$ 6,787,284	\$ 138,728	\$ 7,279,638
<b>Fund balance, beginning of year</b>	-	1,548,299	-	1,704,857	-	2,569,980	303,528	6,126,664
<b>Fund balance, end of year</b>	<u>\$ 663,949</u>	<u>\$ 1,510,006</u>	<u>\$ -</u>	<u>\$ 1,411,930</u>	<u>\$ 20,897</u>	<u>\$ 9,357,264</u>	<u>\$ 442,256</u>	<u>\$ 13,406,302</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, 2012**

Net change in fund balances - total governmental funds (Exhibit 32)	\$	7,279,638
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital Outlay		12,326,824
Depreciation		(5,123,797)
		7,203,027
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) net assets.</p>		
		(20,700)
<p>School Board capital assets are jointly owned by the County and School Board. The County share of School Board capital assets is in proportion to the debt owed on such by the County. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship reduced the transfers to the School Board.</p>		
		(1,213,716)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:</p>		
Compensated absences		30,666
Other post employment benefits		(670,000)
		(639,334)
<p>Internal service funds are used by the County to charge the costs of health insurance, supplies and unemployment costs to individual funds. The net revenue of internal service funds is reported with governmental activities.</p>		
		(174,794)
Change in net assets of governmental activities (Exhibit 2)	\$	12,434,121

## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board**  
**Statement of Net Assets**  
**Internal Service Fund**  
**At June 30, 2012**

	<b>Health Insurance Fund</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 4,910,456
Receivables, net	48,460
	48,460
Total assets	\$ 4,958,916
	4,958,916
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 175,837
Claims payable	1,320,002
	1,320,002
Total current liabilities	\$ 1,495,839
	1,495,839
<b>Net Assets</b>	
Unrestricted	\$ 3,463,077
	3,463,077
Total net assets	\$ 3,463,077
	3,463,077

## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Fund**  
**Year Ended June 30, 2012**

---

	<b>Health Insurance Fund</b>
<b>Operating revenues</b>	
Charges for services	\$ 14,208,262
<b>Operating Expenses</b>	
Benefits and related expenses	<u>14,396,296</u>
Operating income (loss)	\$ (188,034)
<b>Nonoperating revenues</b>	
Investment earnings	<u>13,240</u>
Change in net assets	\$ (174,794)
<b>Net assets, beginning of year</b>	<u>3,637,871</u>
<b>Net assets, end of year</b>	<u><u>\$ 3,463,077</u></u>



## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board  
Statement of Cash Flows  
Internal Service Fund  
Year Ended June 30, 2012**

	<b>Health Insurance Fund</b>
<b>Cash flows from operating activities</b>	
Receipts from insured	\$ 14,310,624
Payments to suppliers	(14,074,057)
Net cash provided by (used for) operating activities	\$ 236,567
<b>Cash flows from investing activities</b>	
Interest	13,240
Net increase (decrease) in cash and cash equivalents	\$ 249,807
<b>Balances, beginning of year</b>	4,660,649
<b>Balance, end of year</b>	\$ 4,910,456
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (188,034)
Change in assets and liabilities:	
Accounts receivable	102,362
Accounts payable	97,155
Claims payable	225,084
Net cash provided by (used for) operating activities	\$ 236,567

## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board**  
**School Operating Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Use of money and property	\$ 338,376	\$ 338,376	\$ 442,106	\$ 103,730
Charges for services	399,439	399,439	385,855	(13,584)
Miscellaneous	311,571	407,168	238,363	(168,805)
Intergovernmental:				
Appropriation from primary government	56,637,668	56,777,433	56,215,629	(561,804)
Revenue from the Commonwealth	60,800,814	60,642,634	60,463,979	(178,655)
Revenue from the Federal Government	8,751,088	9,944,090	8,627,923	(1,316,167)
Total revenues	<u>\$ 127,238,956</u>	<u>\$ 128,509,140</u>	<u>\$ 126,373,855</u>	<u>\$ (2,135,285)</u>
<b>Expenditures</b>				
Current:				
Education:				
Instruction	\$ 96,222,873	\$ 97,017,798	\$ 95,347,668	\$ 1,670,130
Administration, attendance and health	5,354,627	5,365,936	5,239,701	126,235
Transportation	8,119,251	7,977,741	7,826,970	150,771
Facilities operations	11,936,761	12,023,938	11,197,759	826,179
Building improvements	341,347	401,025	405,066	(4,041)
Technology	5,062,733	5,521,338	5,491,378	29,960
Total expenditures	<u>\$ 127,037,592</u>	<u>\$ 128,307,776</u>	<u>\$ 125,508,542</u>	<u>\$ 2,799,234</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 201,364</u>	<u>\$ 201,364</u>	<u>\$ 865,313</u>	<u>\$ 663,949</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>\$ (201,364)</u>	<u>\$ (201,364)</u>	<u>\$ (201,364)</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ (201,364)</u>	<u>\$ (201,364)</u>	<u>\$ (201,364)</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ 663,949	\$ 663,949
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 663,949</u></u>	<u><u>\$ 663,949</u></u>

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board  
Revenue and Expenditure Budgetary Comparison Schedule  
Nonmajor and Other Funds  
Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>School Cafeteria Fund</b>				
<b>Revenues:</b>				
Revenue from use of money and property	\$ 10,095	\$ 10,095	\$ 4,103	\$ (5,992)
Charges for services	2,710,933	2,710,933	2,543,223	(167,710)
Intergovernmental:				
Revenue from the Commonwealth	84,358	84,358	94,601	10,243
Revenue from the Federal Government	2,095,749	2,095,749	2,462,378	366,629
Total revenues	<u>\$ 4,901,135</u>	<u>\$ 4,901,135</u>	<u>\$ 5,104,305</u>	<u>\$ 203,170</u>
<b>Expenditures:</b>				
School food service operations	<u>\$ 6,224,441</u>	<u>\$ 6,224,441</u>	<u>\$ 5,142,598</u>	<u>\$ 1,081,843</u>
<b>Consolidated Maintenance Fund</b>				
<b>Revenues:</b>				
Charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,792</u>	<u>\$ 14,792</u>
<b>Expenditures:</b>				
Maintenance operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,792</u>	<u>\$ (14,792)</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,792</u>	<u>\$ (14,792)</u>
<b>School Textbook Fund</b>				
<b>Revenues:</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 4,827	\$ 4,827
Charges for services	26,500	26,500	5,391	(21,109)
Miscellaneous	-	-	27	27
Intergovernmental:				
Revenue from the Commonwealth	326,321	326,321	324,073	(2,248)
Total revenues	<u>\$ 352,821</u>	<u>\$ 352,821</u>	<u>\$ 334,318</u>	<u>\$ (18,503)</u>
<b>Expenditures:</b>				
Instruction	<u>\$ 2,007,644</u>	<u>\$ 2,007,644</u>	<u>\$ 828,609</u>	<u>\$ 1,179,035</u>

**COUNTY OF FREDERICK, VIRGINIA**

**Component Unit School Board  
Revenue and Expenditure Budgetary Comparison Schedule  
Nonmajor and Other Funds  
Year Ended June 30, 2012 (Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>School Special Grants Fund</b>				
<b>Revenues:</b>				
Miscellaneous	\$ -	\$ 165,958	\$ 165,959	\$ 1
Intergovernmental:				
Appropriation from primary government	-	41,499	41,499	-
Revenue from the Commonwealth	-	254,709	243,672	(11,037)
Revenue from the Federal Government	\$ -	\$ 1,012,069	\$ 563,649	\$ (448,420)
Total revenues	<u>\$ -</u>	<u>\$ 1,474,235</u>	<u>\$ 1,014,779</u>	<u>\$ (459,456)</u>
<b>Expenditures:</b>				
Instruction	<u>\$ -</u>	<u>\$ 1,474,235</u>	<u>\$ 993,882</u>	<u>\$ 480,353</u>
<b>School Capital Projects Fund</b>				
<b>Revenues:</b>				
Revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,642</u>	<u>\$ 19,642</u>
Intergovernmental:				
Appropriation from primary government	<u>-</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>
Total revenues	<u>\$ -</u>	<u>\$ 600,000</u>	<u>\$ 619,642</u>	<u>\$ 19,642</u>
<b>Expenditures:</b>				
Capital projects - school construction projects	<u>\$ -</u>	<u>\$ 21,673,109</u>	<u>\$ 9,646,663</u>	<u>\$ 12,026,446</u>
<b>School Capital Fund</b>				
<b>Revenues:</b>				
Intergovernmental:				
Appropriation from primary government	<u>\$ 985,123</u>	<u>\$ 1,282,239</u>	<u>\$ 1,282,239</u>	<u>\$ -</u>
Total revenues	<u>\$ 985,123</u>	<u>\$ 1,282,239</u>	<u>\$ 1,282,239</u>	<u>\$ -</u>
<b>Expenditures:</b>				
Capital outlay - equipment, etc.	<u>\$ 1,085,123</u>	<u>\$ 1,585,767</u>	<u>\$ 1,143,511</u>	<u>\$ 442,256</u>
Total expenditures	<u>\$ 1,085,123</u>	<u>\$ 1,585,767</u>	<u>\$ 1,143,511</u>	<u>\$ 442,256</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.

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#### 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.

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#### 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.

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#### Operating Information

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

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*Sources:* Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. 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 Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ (724,865)	\$ (1,144,913)	\$ 13,041,140	\$ 13,474,232	\$ 24,916,051	\$ 1,516,420	\$ (4,421,477)	\$ (8,248,388)	\$ (9,537,133)	\$ (11,377,535)
Restricted	1,055,812	767,224	-	-	-	-	-	-	-	-
Unrestricted	25,801,897	28,301,024	33,113,765	46,750,306	26,017,458	30,796,130	35,227,645	39,704,283	38,829,528	33,302,597
Total governmental activities net assets	\$ 26,132,844	\$ 27,923,335	\$ 46,154,905	\$ 60,224,538	\$ 50,933,509	\$ 32,312,550	\$ 30,806,168	\$ 31,455,895	\$ 29,292,395	\$ 21,925,062
Business-type activities										
Invested in capital assets, net of related debt	\$ 10,735,752	\$ 11,258,699	\$ 10,988,036	\$ 13,271,904	\$ 17,552,174	\$ 17,241,816	\$ 15,875,231	\$ 18,264,393	\$ 21,340,265	\$ 20,972,668
Unrestricted	17,099,382	18,451,203	20,911,825	21,355,422	19,270,847	21,440,407	22,251,992	19,932,654	16,778,433	16,837,852
Total business-type activities net assets	\$ 27,835,134	\$ 29,709,902	\$ 31,899,861	\$ 34,627,326	\$ 36,823,021	\$ 38,682,223	\$ 38,127,223	\$ 38,197,047	\$ 38,118,698	\$ 37,810,520
Primary government										
Invested in capital assets, net of related debt	\$ 10,010,887	\$ 10,113,786	\$ 24,029,176	\$ 26,746,136	\$ 42,468,225	\$ 18,758,236	\$ 11,453,754	\$ 10,016,005	\$ 11,803,132	\$ 9,595,133
Restricted	1,055,812	767,224	-	-	-	-	-	-	-	-
Unrestricted	42,901,279	46,752,227	54,025,590	68,105,728	45,288,305	52,236,537	57,479,637	59,636,937	55,607,961	50,140,449
Total primary government net assets	\$ 53,967,978	\$ 57,633,237	\$ 78,054,766	\$ 94,851,864	\$ 87,756,530	\$ 70,994,773	\$ 68,933,391	\$ 69,652,942	\$ 67,411,093	\$ 59,735,582

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 4,965,883	\$ 4,378,251	\$ 6,206,202	\$ 5,114,673	\$ 5,217,730	\$ 7,531,381	\$ 6,717,739	\$ 6,321,805	\$ 7,327,459	\$ 7,801,808
Judicial administration	2,107,373	2,157,129	2,505,547	2,669,148	3,081,145	3,278,720	3,289,067	3,386,474	3,193,494	3,332,983
Public safety	12,600,675	13,523,075	15,733,331	18,266,892	21,222,717	24,152,999	24,941,153	24,589,993	24,433,750	25,110,289
Public works	1,927,189	1,963,687	2,139,170	1,465,731	2,136,910	2,738,150	3,046,615	3,497,874	3,727,381	3,270,107
Health and welfare	7,171,401	7,893,895	6,833,696	7,693,815	8,280,314	8,621,166	8,855,627	8,174,845	8,384,653	8,401,557
Education	49,571,044	55,432,325	58,152,208	68,968,848	76,872,596	84,407,223	65,637,853	65,309,552	71,756,548	75,830,530
Parks, recreation and cultural	4,011,890	4,159,533	4,403,978	4,832,855	5,506,804	6,141,133	5,741,930	5,256,852	5,099,689	5,200,119
Community development	2,701,629	3,124,706	1,787,426	2,474,162	2,698,126	2,266,985	3,364,222	2,191,518	2,920,744	5,665,018
Interest on long-term debt	4,704,034	5,025,809	5,504,706	5,609,353	6,486,553	6,758,465	6,487,627	6,555,195	4,755,467	6,266,051
<b>Total governmental activities expenses</b>	<b>\$ 89,761,118</b>	<b>\$ 97,658,410</b>	<b>\$ 103,266,264</b>	<b>\$ 117,095,477</b>	<b>\$ 131,502,895</b>	<b>\$ 145,896,222</b>	<b>\$ 128,081,833</b>	<b>\$ 125,284,108</b>	<b>\$ 131,599,185</b>	<b>\$ 140,878,462</b>
<b>Business-type activities:</b>										
Landfill	\$ 3,817,755	\$ 3,949,354	\$ 4,956,206	\$ 5,077,016	\$ 6,068,374	\$ 5,753,899	\$ 6,637,575	\$ 5,433,404	\$ 5,649,468	\$ 5,903,590
Total primary government expenses	\$ 93,578,873	\$ 101,607,764	\$ 108,222,470	\$ 122,172,493	\$ 137,571,269	\$ 151,650,121	\$ 134,719,408	\$ 130,717,512	\$ 137,248,653	\$ 146,782,052
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
Judicial administration	\$ 917,359	\$ 992,762	\$ 2,021,148	\$ 2,044,420	\$ 1,730,282	\$ 1,474,751	\$ 1,650,792	\$ 1,349,061	\$ 1,264,609	\$ 1,299,186
Public safety	2,319,311	3,111,660	81,302	195,858	92,759	1,855,069	1,394,189	1,093,830	1,018,694	1,064,182
Public works	-	-	2,752,512	3,165,573	3,269,199	-	-	-	-	-
Parks, recreation and cultural	936,863	1,023,189	1,108,762	1,338,194	1,496,265	1,649,090	1,682,524	1,656,135	1,739,445	1,742,905
Community development	13,198	25,905	15,061	-	10,742	12,526	6,988	5,367	3,008	4,093
Operating grants and contributions	10,272,912	10,204,992	9,970,097	11,277,934	11,547,852	9,637,413	12,273,169	11,817,662	10,945,448	10,159,864
Capital grants and contributions	-	-	-	-	-	-	-	-	-	93,338
<b>Total governmental activities program revenues</b>	<b>\$ 14,459,643</b>	<b>\$ 15,358,508</b>	<b>\$ 15,948,882</b>	<b>\$ 18,021,979</b>	<b>\$ 18,147,099</b>	<b>\$ 14,628,849</b>	<b>\$ 17,007,662</b>	<b>\$ 15,922,055</b>	<b>\$ 14,971,204</b>	<b>\$ 14,363,568</b>
<b>Business-type activities:</b>										
Charges for services:										
Landfill	\$ 5,246,518	\$ 5,512,103	\$ 6,467,692	\$ 6,729,873	\$ 6,863,415	\$ 6,370,576	\$ 5,487,025	\$ 5,144,925	\$ 5,268,343	\$ 5,357,427
<b>Total business-type activities program revenues</b>	<b>\$ 5,246,518</b>	<b>\$ 5,512,103</b>	<b>\$ 6,467,692</b>	<b>\$ 6,729,873</b>	<b>\$ 6,863,415</b>	<b>\$ 6,386,438</b>	<b>\$ 5,487,025</b>	<b>\$ 5,144,925</b>	<b>\$ 5,268,343</b>	<b>\$ 5,357,427</b>
<b>Total primary government program revenues</b>	<b>\$ 19,706,161</b>	<b>\$ 20,870,611</b>	<b>\$ 22,416,574</b>	<b>\$ 24,751,852</b>	<b>\$ 25,010,514</b>	<b>\$ 21,015,287</b>	<b>\$ 22,494,687</b>	<b>\$ 21,066,980</b>	<b>\$ 20,239,547</b>	<b>\$ 19,720,995</b>
<b>Net (expense) / revenue</b>										
Governmental activities	\$ (75,301,475)	\$ (82,299,902)	\$ (87,317,382)	\$ (99,073,498)	\$ (113,355,796)	\$ (131,267,373)	\$ (111,074,171)	\$ (109,362,053)	\$ (116,627,981)	\$ (126,514,894)
Business-type activities	1,428,763	1,562,749	1,511,486	1,652,857	795,041	632,539	(1,150,550)	(288,479)	(381,125)	(546,163)
<b>Total primary government net expense</b>	<b>\$ (73,872,712)</b>	<b>\$ (80,737,153)</b>	<b>\$ (85,805,896)</b>	<b>\$ (97,420,641)</b>	<b>\$ (112,560,755)</b>	<b>\$ (130,634,834)</b>	<b>\$ (112,224,721)</b>	<b>\$ (109,650,532)</b>	<b>\$ (117,009,106)</b>	<b>\$ (127,061,057)</b>
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental activities:</b>										
Taxes										
Property taxes	\$ 44,827,985	\$ 50,311,064	\$ 53,911,011	\$ 68,137,163	\$ 59,049,060	\$ 66,650,022	\$ 69,116,087	\$ 70,903,832	\$ 73,729,205	\$ 76,645,974
Local sales and use taxes	-	6,121,631	8,488,195	9,698,878	10,387,530	10,959,334	10,145,846	8,794,212	9,711,110	10,516,915
Business licenses taxes	-	3,218,256	4,160,697	4,877,840	5,307,237	5,130,116	4,783,973	4,301,959	5,007,502	5,482,143
Communication taxes	-	-	-	-	-	-	-	1,413,711	-	-
Consumer utility taxes	-	3,100,048	3,213,017	3,467,089	3,378,207	3,166,129	3,079,363	3,075,230	3,080,740	3,022,297
Lodging taxes	-	2,534,429	2,741,496	2,970,671	3,300,415	3,616,084	3,611,669	3,735,236	4,032,296	4,454,706
Motor vehicle licenses tax	-	1,660,154	1,871,393	1,946,216	1,895,034	1,707,280	1,989,921	2,092,226	2,113,938	2,165,329
Taxes on recordation and wills	-	1,203,420	2,770,777	2,829,777	2,188,564	1,699,714	1,189,200	1,094,031	992,281	934,185
Other local taxes	16,327,234	169,621	207,977	236,136	230,899	270,453	306,490	333,133	356,826	390,755
Unrestricted grants and contributions	11,231,480	13,139,573	12,068,887	14,585,024	13,613,912	16,141,414	13,272,212	13,318,446	14,689,496	14,631,755
Unrestricted revenues from use of money and property	490,603	271,292	664,258	1,650,232	3,352,277	2,259,090	1,078,840	416,503	190,074	265,970
Miscellaneous	1,269,718	1,136,151	1,241,876	2,720,753	1,361,632	1,046,778	994,188	533,261	561,013	637,532
<b>Total governmental activities</b>	<b>\$ 74,147,020</b>	<b>\$ 82,865,639</b>	<b>\$ 91,339,584</b>	<b>\$ 113,119,779</b>	<b>\$ 104,064,767</b>	<b>\$ 112,646,414</b>	<b>\$ 109,567,789</b>	<b>\$ 110,011,780</b>	<b>\$ 114,464,481</b>	<b>\$ 119,147,561</b>
<b>Business-type activities:</b>										
Unrestricted revenues from use of money and property	\$ 324,029	\$ 224,013	\$ 487,814	\$ 1,051,814	\$ 1,366,844	\$ 1,187,467	\$ 571,354	\$ 177,850	\$ 93,809	\$ 53,704
Miscellaneous	22,551	88,006	80,969	22,794	33,810	39,196	24,196	180,453	208,967	184,281
<b>Total business-type activities</b>	<b>\$ 346,580</b>	<b>\$ 312,019</b>	<b>\$ 568,783</b>	<b>\$ 1,074,608</b>	<b>\$ 1,400,654</b>	<b>\$ 1,226,663</b>	<b>\$ 595,550</b>	<b>\$ 358,303</b>	<b>\$ 302,776</b>	<b>\$ 237,985</b>
<b>Total primary government</b>	<b>\$ 74,493,600</b>	<b>\$ 83,177,658</b>	<b>\$ 91,908,367</b>	<b>\$ 114,194,387</b>	<b>\$ 105,465,421</b>	<b>\$ 113,873,077</b>	<b>\$ 110,163,339</b>	<b>\$ 110,370,083</b>	<b>\$ 114,767,257</b>	<b>\$ 119,385,546</b>
<b>Change in Net Assets</b>										
Governmental activities	\$ (1,154,455)	\$ 565,737	\$ 4,022,202	\$ 14,046,281	\$ (9,291,029)	\$ (18,620,959)	\$ (1,506,382)	\$ 649,727	\$ (2,163,500)	\$ (7,367,333)
Business-type activities	1,775,343	1,874,768	2,080,269	2,727,465	2,195,695	1,859,202	(555,000)	69,824	(78,349)	(308,178)
<b>Total primary government</b>	<b>\$ 620,888</b>	<b>\$ 2,440,505</b>	<b>\$ 6,102,471</b>	<b>\$ 16,773,746</b>	<b>\$ (7,095,334)</b>	<b>\$ (16,761,757)</b>	<b>\$ (2,061,382)</b>	<b>\$ 719,551</b>	<b>\$ (2,241,849)</b>	<b>\$ (7,675,511)</b>

Note:  
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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved	\$ 3,208,383	\$ 2,523,383	\$ 3,945,440	\$ 3,436,600	\$ 4,035,769	\$ 4,424,640	\$ 4,143,819	\$ 6,678,970	\$ -	\$ -
Unreserved	21,137,136	25,331,822	28,969,699	38,740,704	41,212,142	33,701,529	30,324,674	28,423,952	-	-
Nonspendible	-	-	-	-	-	-	-	-	740,576	736,632
Restricted	-	-	-	-	-	-	-	-	3,022,694	2,963,356
Committed	-	-	-	-	-	-	-	-	1,222,437	1,698,907
Assigned	-	-	-	-	-	-	-	-	1,635	2,135
Unassigned	-	-	-	-	-	-	-	-	28,372,870	34,175,579
Total general fund	\$ 24,345,519	\$ 27,855,205	\$ 32,915,139	\$ 42,177,304	\$ 45,247,911	\$ 38,126,169	\$ 34,468,493	\$ 35,102,922	\$ 33,360,212	\$ 39,576,609
601 All other governmental funds										
Reserved	\$ 143,143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,515,329	1,486,695	1,677,244	4,285,650	3,968,620	3,961,348	3,450,524	3,259,332	-	-
Capital projects funds	1,055,812	767,224	724,735	16,977,294	3,474,869	1,907,844	1,455,932	1,408,958	-	-
Debt service funds	557,163	122,516	214,000	55,306	352,345	30,357	49,800	250,520	-	-
Restricted, reported in:										
Lake Holiday Sanitary District fund	-	-	-	-	-	-	-	-	9,147,684	6,047,654
Capital Projects fund	-	-	-	-	-	-	-	-	-	93,338
Committed, reported in:										
Shawneeland Sanitary District fund	-	-	-	-	-	-	-	-	2,100,635	2,280,837
Lake Holiday Sanitary District fund	-	-	-	-	-	-	-	-	588,392	265,516
Other governmental funds	-	-	-	-	-	-	-	-	984,280	385,019
Assigned, reported in:										
School debt service fund	-	-	-	-	-	-	-	-	80,400	21,050
Other governmental funds	-	-	-	-	-	-	-	-	642,500	642,500
Total all other governmental funds	\$ 3,271,447	\$ 2,376,435	\$ 2,615,979	\$ 21,318,250	\$ 7,795,834	\$ 5,899,549	\$ 4,956,256	\$ 4,918,810	\$ 13,543,891	\$ 9,735,914

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



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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
General property taxes	\$ 44,854,096	\$ 50,096,362	\$ 53,463,481	\$ 61,583,051	\$ 64,403,108	\$ 66,558,555	\$ 69,248,556	\$ 70,515,367	\$ 72,144,912	\$ 75,756,332
Other local taxes	16,189,296	18,007,559	23,453,552	26,026,607	26,687,886	26,549,110	25,106,462	24,839,738	25,294,693	26,966,331
Permits, privilege fees and regulatory licenses	1,556,839	2,192,360	2,773,787	3,186,465	3,290,254	1,771,184	1,308,407	950,143	920,328	970,384
Fines and forfeitures	133,549	240,167	282,828	210,902	227,693	324,259	526,081	328,273	279,102	307,839
Revenue from use of money and property	465,999	265,360	629,791	1,571,091	3,218,104	2,111,954	987,392	370,663	158,943	245,975
Charges for services	2,496,343	2,720,989	2,922,170	3,346,678	3,081,300	2,895,993	2,900,005	2,825,977	2,826,326	2,832,143
Miscellaneous	1,269,718	1,136,151	1,287,741	2,720,753	1,404,792	1,046,778	1,002,536	533,261	547,013	637,532
Recovered costs	2,660,081	2,790,089	2,969,724	3,364,965	2,566,712	3,518,072	2,869,183	1,622,623	1,886,653	1,824,072
Intergovernmental:										
School Board	-	555,098	-	-	-	-	75,199	-	-	-
Commonwealth	18,969,374	20,907,092	19,724,037	22,994,740	22,239,766	22,926,432	21,974,545	19,637,377	21,783,001	21,699,118
Federal	2,535,018	2,437,473	2,314,947	2,868,218	2,921,998	2,852,395	3,495,637	5,498,731	3,851,943	3,185,838
Total revenues	\$ 91,130,313	\$ 101,348,700	\$ 109,822,058	\$ 127,873,470	\$ 130,041,613	\$ 130,554,732	\$ 129,494,003	\$ 127,122,153	\$ 129,692,914	\$ 134,425,564
<b>Expenditures</b>										
General government administration	\$ 4,945,481	\$ 4,893,037	\$ 6,152,689	\$ 6,100,985	\$ 6,583,607	\$ 8,119,131	\$ 7,276,944	\$ 6,687,604	\$ 8,053,735	\$ 7,393,143
Judicial administration	2,368,511	2,446,063	2,753,028	3,083,978	3,368,271	3,675,622	3,526,972	3,403,686	3,247,873	3,434,760
Public safety	12,109,078	13,442,648	15,607,849	18,907,930	21,011,083	24,032,872	23,722,707	22,681,537	22,682,060	23,615,366
Public works	2,627,042	2,738,920	3,290,973	3,205,933	3,619,922	4,503,865	4,159,409	3,768,694	3,944,394	3,518,557
Health and welfare	7,180,976	7,886,336	6,808,832	7,656,236	8,263,906	8,370,164	8,599,559	7,958,998	8,249,546	8,133,653
Education	62,389,908	62,169,905	64,352,365	67,534,934	69,256,423	81,833,398	65,275,369	56,368,057	61,552,236	58,195,860
Parks, recreation and cultural	3,817,096	3,890,243	4,461,985	4,587,827	5,172,402	5,873,039	5,332,794	4,841,120	4,919,987	4,918,972
Community development	3,918,244	4,309,371	3,119,951	2,855,655	3,736,695	3,518,826	3,866,963	2,830,039	3,246,702	6,212,745
Capital projects	703,787	-	-	4,737,885	14,273,970	1,604,431	1,058,050	10,099	3,597	80,000
Debt service										
Principal	6,891,396	7,646,718	8,193,343	9,024,354	9,164,886	9,653,751	10,140,317	10,952,875	10,750,040	13,137,122
Interest and other fiscal charges	4,371,644	4,889,637	5,346,772	5,735,999	6,627,457	7,044,286	7,105,225	6,938,256	5,304,341	6,596,938
Total expenditures	\$ 111,323,163	\$ 114,312,878	\$ 120,087,787	\$ 133,431,716	\$ 151,078,622	\$ 158,229,385	\$ 140,064,309	\$ 126,440,965	\$ 131,954,511	\$ 135,237,116
Excess of revenues over (under) expenditures	\$ (20,192,850)	\$ (12,964,178)	\$ (10,265,729)	\$ (5,558,246)	\$ (21,037,009)	\$ (27,674,653)	\$ (10,570,306)	\$ 681,188	\$ (2,261,597)	\$ (811,552)
<b>Other financing sources (uses)</b>										
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,245,000	\$ 2,759,400
Transfers in	8,216,157	9,493,193	10,597,219	18,605,245	13,065,803	11,792,301	13,904,797	15,653,657	16,328,731	15,506,653
Transfers out	(8,216,157)	(9,493,193)	(10,597,219)	(18,605,245)	(13,065,803)	(11,792,301)	(13,904,797)	(15,737,862)	(16,429,763)	(15,601,278)
Bonds issued	19,752,296	14,560,000	14,545,000	33,522,682	10,200,000	17,497,913	5,720,000	-	-	-
Premium on bonds issued	1,213,767	1,018,852	1,020,207	-	385,200	1,158,713	147,862	-	-	-
Capital leases	124,794	-	-	-	-	-	101,475	-	-	555,197
Total other financing sources (uses)	\$ 21,090,857	\$ 15,578,852	\$ 15,565,207	\$ 33,522,682	\$ 10,585,200	\$ 18,656,626	\$ 5,969,337	\$ (84,205)	\$ 9,143,968	\$ 3,219,972
Net change in fund balances	\$ 898,007	\$ 2,614,674	\$ 5,299,478	\$ 27,964,436	\$ (10,451,809)	\$ (9,018,027)	\$ (4,600,969)	\$ 596,983	\$ 6,882,371	\$ 2,408,420
Debt service as a percentage of noncapital expenditures	11.336%	12.318%	12.708%	12.955%	13.050%	11.933%	14.212%	16.482%	12.202%	14.695%

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			
2003	\$ 3,806,927,513	\$ 720,516,577	\$ 30,878,859	\$ 234,640,199	\$ 183,456,775	\$ 1,617,850	\$ 4,978,037,773	\$ 4,978,037,773	100.00%
2004	4,052,354,325	768,711,320	31,843,306	234,968,283	188,465,590	3,510,696	5,279,853,520	5,279,853,520	100.00%
2005	5,390,315,685	831,996,886	31,049,625	245,449,038	174,729,621	2,495,494	6,676,036,349	6,676,036,349	100.00%
2006	6,889,772,707	943,249,786	32,189,875	256,643,746	177,919,118	1,508,096	8,301,283,328	8,301,283,328	100.00%
2007	7,354,880,957	956,028,615	35,063,205	256,751,924	155,747,099	1,024,865	8,759,496,665	8,759,496,665	100.00%
2008	7,628,047,323	950,660,132	38,049,501	255,318,207	150,502,779	705,449	9,023,283,391	9,023,283,391	100.00%
2009	7,811,319,762	931,328,186	39,192,659	257,046,280	185,732,461	776,669	9,225,396,017	9,225,396,017	100.00%
2010	8,050,510,887	876,964,704	39,530,158	265,744,961	246,737,225	1,091,033	9,480,578,968	9,480,578,968	100.00%
2011	7,835,124,893	959,116,919	40,906,316	265,929,030	257,825,002	966,246	9,359,868,406	9,359,868,406	100.00%
2012	7,636,806,650	942,985,301	41,328,639	248,314,706	367,524,033	2,007,550	9,238,966,879	9,238,966,879	100.00%

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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>
2003	\$ 0.730	\$ 4.20	\$ 2.00	\$ 0.425	\$ 0.730
2004	0.730	4.20	2.00	0.425	0.730
2005	0.525	4.20	2.00	0.425	0.525
2006	0.525	4.20	2.00	0.425	0.525
2007	0.525	4.20	2.00	0.425	0.525
2008	0.525	4.20	2.00	0.425	0.525
2009	0.510	4.86	2.00	0.425	0.510
2010	0.510	4.86	2.00	0.425	0.510
2011	0.545	4.86	2.00	0.001	0.545
2012	0.585	4.86	2.00	0.001	0.585

(1) Per \$100 of assessed value

Principal Property Taxpayers  
 Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2012		Fiscal Year 2003	
		2012 Assessed Valuation (1)	% of Total Assessed Valuation	2003 Assessed Valuation	% of Total Assessed Valuation
Potomac Edison	Utility - electric power	\$ 123,175,720	1.54%	\$ 92,460,492	2.32%
trans Allegheny Interstate	Utility	66,874,438	0.84%	-	-
Verizon VA	Utility - communications	40,950,632	0.51%	37,273,154	0.93%
Fort Collier Group	Industrial park	38,814,600	0.48%	12,312,400	0.31%
HP Hood	Dairy Plant	37,039,300	0.46%	25,816,600	0.65%
Cowperwood FEMA	Offices - government	33,258,500	0.42%	-	-
Equity Ind Winchester	Distribution	31,811,300	0.40%	-	-
Washington Gas Light	Utility - natural gas	22,301,483	0.28%	20,462,404	0.51%
Cole HD	Motorcycle Shop	20,945,000	0.26%	-	-
Elman FBI Assoc	Offices - government	17,672,900	0.22%	-	-
Kohl's Department Stores	Distribution	-	-	12,468,800	0.31%
Trex Company	Decking	-	-	12,423,400	0.31%
AT&T	Utility - communications	-	-	14,648,122	0.37%
Kraft General Foods	Pasta food manufacturing	-	-	11,198,900	0.28%
General Electric Co.	Incandescent lamps	-	-	14,174,400	0.36%
		<u>\$ 432,843,873</u>	<u>5.41%</u>	<u>\$ 253,238,672</u>	<u>6.35%</u>

Source: Commissioner of Revenue - 2012 RE BOOK  
 FY 2003 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
2003	\$ 56,707,435	\$ 53,814,205	94.90%	\$ 2,483,603	\$ 56,297,808	99.28%
2004	61,994,028	59,044,440	95.24%	2,541,857	61,586,297	99.34%
2005	67,175,489	64,011,850	95.29%	2,736,647	66,748,497	99.36%
2006	73,870,802	69,425,543	93.98%	2,042,434	71,467,977	96.75%
2007	77,747,045	75,112,880	96.61%	1,585,010	76,697,890	98.65%
2008	80,536,673	76,110,627	94.50%	1,955,080	78,065,707	96.93%
2009	81,868,016	78,223,920	95.55%	2,570,528	80,794,448	98.69%
2010	83,281,960	79,440,045	95.39%	2,845,376	82,285,421	98.80%
2011	85,272,526	81,702,640	95.81%	2,891,619	84,594,259	99.20%
2012	87,707,565	83,897,163	95.66%	3,105,921	87,003,084	99.20%

Notes:

Levies and collection amounts are exclusive of penalties and interest.

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

Levies and collection amounts for 2003 through 2005 include amounts reimbursed and/or owed to the County by the Commonwealth of Virginia for personal property taxes.

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

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

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Years	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/Bonds	Capital Leases			
2003	\$ 84,940,591	\$ 13,477,710	\$ 8,253,769	\$ 146,987	\$ 106,819,057	4150.71%	\$ 1,648
2004	94,145,819	12,394,531	7,077,143	114,846	113,732,339	4097.29%	1,705
2005	102,465,321	11,311,352	6,226,072	81,251	120,083,996	3886.20%	1,737
2006	107,415,333	10,228,173	26,770,000	46,136	144,459,642	4280.36%	1,994
2007	110,080,330	9,144,994	26,260,000	9,432	145,494,756	4073.37%	1,949
2008	119,624,758	8,111,815	25,345,000	90,059	153,171,632	4084.75%	2,014
2009	117,323,033	7,078,636	24,395,000	155,718	148,952,387	4117.35%	1,923
2010	108,394,535	6,172,487	23,415,000	116,592	138,098,614	3681.03%	1,764
2011	99,718,612	5,266,914	31,808,527	75,651	136,869,704	3445.91%	1,729
2012	106,429,572	4,452,765	30,737,128	396,281	142,015,746	N/A	1,775

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

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

N/A - Not Available

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

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: City of Winchester Share</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2003	\$ 106,371,525	\$ -	\$ 106,371,525	2.14%	\$ 1,641
2004	113,617,493	-	113,617,493	2.15%	1,704
2005	120,002,745	-	120,002,745	1.80%	1,736
2006	144,413,506	-	144,413,506	1.74%	1,993
2007	145,585,324	-	145,585,324	1.66%	1,950
2008	153,081,573	-	153,081,573	1.70%	2,013
2009	148,796,669	-	148,796,669	1.61%	1,921
2010	137,982,022	-	137,982,022	1.46%	1,762
2011	136,620,526	-	136,620,526	1.46%	1,726
2012	141,457,337	-	141,457,337	1.53%	1,768

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

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

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

Demographic and Economic Statistics  
Last Ten Calendar Years

<b>Calendar Year</b>	<b>County Population (1)</b>	<b>Personal Income (4)(b)</b>	<b>Per Capita Personal Income (4)(b)</b>	<b>Median Age (2)</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (5)</b>
2003	64,820	\$ 2,573,512	\$ 29,541	N/A	11,357	3.50%
2004	66,696	2,775,794	31,174	N/A	11,745	2.80%
2005	69,123	3,090,007	32,819	37	12,211	2.50%
2006	72,456	3,374,945	34,948	37	12,605	2.60%
2007	74,670	3,571,851	35,586	36	12,997	2.90%
2008	76,060	3,749,837	36,740	N/A	13,043	4.20%
2009	77,477	3,617,678	34,949	38	13,148	7.70%
2010	78,305	3,751,625	35,809	39	13,060	7.10%
2011	79,156	3,971,941	37,382	N/A	13,137	5.90%
2012 (a)	80,000	N/A	N/A	N/A	13,148	5.30%

Notes:

- (a) 2012 figures are estimated
- (b) Includes City of Winchester

Sources:

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

N/A = Not available



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

<b>Employer</b>	<b>2012</b>		<b>Employees</b>	<b>2003</b>	
	<b>Rank</b>	<b>Total Employment</b>		<b>Rank</b>	<b>Total Employment</b>
Frederick County School Board	1	1000 and over	Frederick County School Board	1	1000 and over
County of Frederick	2	500 to 999	County of Frederick	2	500 to 999
U.S. Dept. of Homeland Defense	3	500 to 999	World Wide Automotive	3	500 to 999
Navy Federal Credit Union	4	500 to 999	GE Lighting	4	250 to 499
Lord Fairfax Community College	5	250 to 499	Action Executive Services	5	250 to 499
Kraft Foods	6	250 to 499	Lord Fairfax Community College	6	250 to 499
H.P. Hood, Inc.	7	250 to 499	American Woodmark Corporation	7	250 to 499
The Home Depot	8	250 to 499	Shockey Brothers, Inc.	8	250 to 499
Trex Company Inc. & Subsid	9	250 to 499	H.P. Hood, Inc.	9	250 to 499
Martin's Food Market	10	250 to 499	Crown, Cork and Seal Company	10	100 to 249

Source: Virginia Employment Commission

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

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	47	48	51	54	57	64	66	65	62	62
Judicial administration	18	17	19	19	20	22	24	22	22	22
Public safety										
Sheriffs department	96	100	107	112	118	123.5	126.5	125.5	125.5	125.5
Juvenile Court Probation	3	2	2	2	2	2	2	2	2	2
Building Inspections	12	12	14	17	25	23	21	18	14	13
Fire & Rescue	44	50	68	68	77	79.5	80.5	76.5	77.5	77.5
Communications	11	11	11	13	15	15	16	14	13	13
Public Works										
Engineering	3	4	5	6	6	7	7	6	5	4
Refuse Collection	1	1	2	2	2	2	2	2	2	2
Litter Control	0.5	-	-	-	-	-	-	-	-	-
Maintenance	4	4	5	5	5	8	10	10	9	9
Animal Shelter	4	4	4	5	6	7	7	7	7	7
Health and welfare										
Department of social services	44	46	46	52	57	57	57	58	57	57
Parks and Recreation	29	29	29	30	40	41	41	38	38	38
Community development										
Planning	12	13	13	13	14	14	13	11	11	11
EDC	3	3	3	3	3	3	3	3	3	3
Gypsy Moth/Biosolids	1	1	1	1	1	1	1	1	-	-
Soil & Water Conservation	4	4	3	6	6	6	6	-	-	-
Extensions	2	2	2	2	2	2	2	2	2	2
Regional Jail	122	124	154	154	187	195	206	194	189	188
Landfill	17.5	18	27	27	31	31	28	26	26	26
Division of Court Services	20	19	21	19	19	20	20	19	15	12
Shawneeland Sanitary District	4	4	5	6	6	6	6	6	6	6
Airport	9	9	9	9	12	13	13	11	11	11
Totals	<u>511</u>	<u>525</u>	<u>601</u>	<u>625</u>	<u>711</u>	<u>742</u>	<u>758</u>	<u>717</u>	<u>697</u>	<u>691</u>

Source: Prior Frederick County Annual Budgets

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 (c)
Public Safety										
Sheriffs Department:										
Calls for service answered (a) (d)	47,466	50,686	51,774	55,872	62,773	67,593	69,852	70,880	70,488	67,820
Warrants served (a) (d)	3,824	4,114	4,061	4,440	4,604	4,806	6,249	6,731	7,207	6,632
Criminal arrests (a) (d)	2,560	2,726	2,588	3,123	3,494	3,766	3,868	3,808	3,886	3,753
Citations issued (a) (d)	4,679	5,690	6,648	4,107	6,222	7,883	8,257	6,207	7,273	5,480
Civil papers served (a) (d)	16,484	17,237	17,460	18,410	19,669	20,962	21,995	20,171	19,388	18,472
Fire and Rescue:										
Incident responses (a) (d)	7,919	8,256	8,890	8,969	9,137	9,229	9,101	9,339	9,857	9,127
Building Inspections:										
Permits issued	6,671	7,218	9,284	9,771	7,474	5,690	3,917	3,639	3,463	3,625
Inspections performed	21,837	24,361	29,582	34,495	28,625	23,307	17,687	14,669	12,463	12,643
Public Works										
Road Administration:										
Street signs replaced	238	135	119	117	165	148	116	176	124	118
Engineering:										
Site reviews	249	241	298	342	339	239	414	285	271	290
Land disturbance permits issued	500	906	1,328	1,245	650	411	320	261	216	247
Animal Shelter:										
Dogs/cats adopted/reclaimed	884	784	947	1,003	1,008	1,367	1,471	1,363	1,400	1,379
Health and Welfare										
Department of Social Services:										
Adult protective service investigations	100	116	151	147	147	132	127	190	214	286
Child protective service investigations	348	422	422	433	433	550	564	443	437	498
Culture and Recreation										
Parks and Recreation:										
Recreation hall & shelter permits issued	551	566	597	669	811	825	1,141	1,256	1,538	1,308
Special events & excursions conducted	65	47	38	73	62	67	63	61	59	57
After-school program participants	N/A	402	416	480	504	460	444	404	442	432
Youth sports participants	N/A	6,891	7,039	7,742	7,848	8,183	8,381	8,567	8,652	8,801
Community Development										
Planning:										
Rezoning applications processed (a)	14	14	17	20	12	16	9	1	1	8
Landfill										
Refuse weighed and disposed (tons/year)	181,370	196,120	204,348	213,417	197,245	179,963	159,794	146,633	146,211	144,152
Residential Recycling (tons/year)	1,178	1,348	1,316	1,449	1,950	2,662	2,484	2,710	6,448	5,289
Component Unit - School Board										
Education:										
School enrollment (1)	11,357	11,745	12,211	12,605	12,997	13,043	13,148	13,060	13,137	13,148
Number of instructional personnel (b)	1,212	1,290.3	1,354.5	1,419	1,477	1,527	1,334	1,441	1,439	1,442
Local expenditures per pupil (2)	3,793	4,299	4,048	4,599	4,642	4,852	4,617	4,574	4,711	4,361

Notes:

- (a) Calendar year
- (b) Full-time equivalent positions
- (c) Budgeted/Estimated
- (d) 2012 figures are through December 1st

Source: Individual county departments, prior Frederick County Annual Budgets

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

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Administration buildings	1	1	1	1	1	2	2	2	2	2
Vehicles	7	8	8	8	12	14	10	10	9	9
Public safety										
Sheriffs department:										
Patrol units	62	69	72	81	73	87	97	86	99	109
Other vehicles	36	31	33	34	37	42	38	41	39	16
Building inspections:										
Vehicles	11	11	11	15	15	14	11	10	10	10
Animal control:										
Vehicles	3	3	3	3	3	3	3	3	4	4
Fire & Rescue:										
Vehicles	N/A	N/A	N/A	N/A	N/A	N/A	20	20	19	20
Public works										
General maintenance:										
Trucks/vehicles	1	1	1	1	2	2	3	3	3	3
Landfill:										
Vehicles	15	15	15	12	11	13	13	12	12	13
Sites	9	9	9	9	9	9	9	9	9	9
Health and welfare										
Department of Social Services:										
Vehicles	7	7	7	8	9	10	10	10	10	12
Culture and Recreation										
Parks and Recreation:										
Community centers	N/A	N/A	N/A	N/A	N/A	6	6	6	6	6
Vehicles	26	24	27	26	26	29	30	28	27	27
Parks acreage	431	431	431	400	400	400	400	400	400	400
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	10	10	10	16	16	6	6	6	6	6
Community Development										
Planning:										
Vehicles	3	3	4	4	5	5	5	4	4	4
Component Unit - School Board										
Education:										
Schools (a)	15	16	17	18	18	18	18	18	18	18
School buses	157	155	162	182	196	194	194	196	209	211

Notes:

(a) Elementary, middle and high schools

Source: Individual county departments, prior Frederick County Annual Budgets

**- Compliance Section -**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Frederick, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Frederick, Virginia's basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### **Compliance and Other Matters**

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

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

*Robinson, Jarmer, Cox Associates*

Charlottesville, Virginia  
December 14, 2012

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

### **Compliance**

We have audited County of Frederick, Virginia's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The County of Frederick, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Frederick, Virginia's management. Our responsibility is to express an opinion on County of Frederick, Virginia's compliance based on our audit.

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

In our opinion, County of Frederick, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### **Internal Control Over Compliance**

Management of County of Frederick, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered County of Frederick, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.



A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

*Robinson, Jarmer, Co. Associates*

Charlottesville, Virginia  
December 14, 2012

**COUNTY OF FREDERICK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expendi- tures
<b><u>PRIMARY GOVERNMENT:</u></b>			
<b><u>DEPARTMENT OF AGRICULTURE:</u></b>			
<u>Pass through payments:</u>			
Virginia Department of Social Services:			
State administrative matching grants for the supplemental nutrition assistance programs	10.561	0010109/0010110/0040109/0040110	\$ <u>550,667</u>
<b><u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u></b>			
<u>Pass through payments:</u>			
Virginia Department of Social Services:			
Temporary Assistance for Needy Families	93.558	0400109/0400110	\$ 488,722
Refugee and Entrant Assistance-State Administered Programs	93.566	0500109/0500110	929
Low-income Home Energy Assistance	93.568	0600409/0600410	17,743
Child Care Cluster:			
Child Care and Development Block Grant	93.575	0770109/0770110	189,220
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	142,885
Chafee Education and Training Vouchers Program	93.599	9160109	3,992
Stephanie Tubbs Jones Child Welfare Services - State grants	93.645	0900109/0900110	877
Foster Care - Title IV-E	93.658	1100109/1100110	276,773
Adoption Assistance	93.659	1120109/1120110	223,123
Social Services Block Grant	93.667	1000109/1000110	238,030
Chafee Foster Care Independence Program	93.674	9150108/915109/9150110	6,662
Children's Health Insurance Program	93.767	0540109/0540110	16,302
Medical Assistance Program	93.778	1200109/1200110	334,548
Total Department of Health and Human Services			\$ <u>1,939,806</u>

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012 (Continued)

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expendi- tures
<b><u>PRIMARY GOVERNMENT: (Continued)</u></b>			
<b><u>DEPARTMENT OF JUSTICE:</u></b>			
<u>Pass through payments:</u>			
Department of Criminal Justice Services:			
Forfeited Assets	16.000	N/A	\$ 17,478
State Criminal Alien Assistance Program	16.606	N/A	23,988
Crime Victim Assistance	16.575	09VAGX0007	75,167
Congressionally Recommended Awards	16.753	2008-DD-BX-0539/2009-D1-BX-0172	274,175
ARRA-Public Safety Partnership and Community Policing Grants	16.710	09EFS60025	28,957
Total Department of Justice			<u>\$ 419,765</u>
<b><u>DEPARTMENT OF TRANSPORTATION:</u></b>			
<u>Pass through payments:</u>			
Virginia Department of Transportation:			
Alcohol Open Container Requirements	20.607	AL0959188	\$ 27,845
Total Department of Transportation			<u>\$ 27,845</u>
<b><u>U.S. ELECTION ASSISTANCE COMMISSION:</u></b>			
<u>Pass through payments:</u>			
Virginia Election Commission:			
Help America Vote Act Requirement Payments	90.401	NA	\$ 2,500
<b><u>DEPARTMENT OF HOMELAND SECURITY:</u></b>			
<u>Pass through payments:</u>			
Virginia Department of Emergency Services:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	NA	\$ 98,430
Total Primary Government			<u>\$ 3,039,013</u>
<b><u>COMPONENT UNIT SCHOOL BOARD:</u></b>			
<b><u>DEPARTMENT OF AGRICULTURE:</u></b>			
<u>Pass through payments:</u>			
Virginia Department of Agriculture:			
Food distribution (Child Nutrition Cluster) (Note 3)	10.555	N/A	\$ 296,511
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	10.555/2009/2010	1,796,705
			<u>\$ 2,093,216</u>
School Breakfast Program (Child Nutrition Cluster)	10.553	10.553/2009/2010	369,160
Schools and Roads - Grants to States	10.665	10.665	4,510
Total Department of Agriculture			<u>\$ 2,466,886</u>

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012 (Continued)

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expendi- tures
<b>COMPONENT UNIT SCHOOL BOARD: (Continued)</b>			
<b>DEPARTMENT OF EDUCATION:</b>			
<u>Pass through payments:</u>			
Virginia Department of Education:			
Adult Education - Basic Grants to States	84.002	V002A080046/VA002A070046/V002A090046	\$ 259,643
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	S010A080046/S010A090046	1,990,874
ARRA-Title I Grants to Local Educational Agencies	84.389	S389A090046	5,061
Title I - State Agency Program for Neglected and Delinquent Children and Youth	84.013	S013A070046/S013A0080046	16,026
English Language Acquisition StateGrants	84.365	T365A080046/S365A090046	55,217
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A070107/H027A080107/H027A090107	3,092,105
ARRA-Special Education - Grants to States	84.391	H391A090107	53,157
Special Education - Preschool Grants	84.173	H173A090112	45,717
ARRA-Special Education - Preschool Grants	84.392	H392A090112	84,218
ARRA-State Fiscal Stabilization Funds - Education			
State Grants	84.394	S394A090047	
Fund for the Improvement of Education	84.215	N/A	304,006
ARRA-Education Jobs Funds	84.410	S410A100047	2,756,306
Career and Technical Education - Basic Grants to States	84.048	V048A080046/VA048A090046	184,494
Improving Teacher Quality State Grants	84.367	S367A080044/S367A090044	335,852
Safe and Drug-free Schools and Communities - State Grants	84.186	Q186A070048/Q186A080048	893
Education Technology State Grants	84.318	S318X070046/S318X080046	3,495
Total Department of Education			\$ 9,187,064
Total Component Unit School Board			\$ 11,653,950
Total Expenditures of Federal Awards			\$ 14,692,963

**COUNTY OF FREDERICK, VIRGINIA**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012**

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Frederick, Virginia under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Frederick, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Frederick, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

Nonmonetary assistance is reported on the schedule at fair market value of the commodities received and disbursed. At June 30, 2012 the School Board had food commodities totaling \$168,014 in inventory.

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 3,048,657
Total primary government	\$ <u>3,048,657</u>

Component Unit Public Schools:

School Operating Fund	\$ 8,627,923
School Cafeteria Fund	2,462,378
School Special Grants Fund	563,649
Total component unit public schools	\$ <u>11,653,950</u>

Total federal expenditures per basic financial statements	\$ <u>14,702,607</u>
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Payments in lieu of taxes	\$ <u>(9,644)</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>14,692,963</u></u>
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COUNTY OF FREDERICK, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173/84.391/84.392	Special Education Cluster
84.410	ARRA-Education Jobs Funds
93.558	Temporary Assistance For Needy Families
Dollar threshold used to distinguish between Type A and Type B programs	\$441,078
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

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

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

**COUNTY OF FREDERICK, VIRGINIA**

**Schedule of Prior Year Findings and Questioned Costs  
Year Ended June 30, 2012**

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There were no items reported.