



FINAL FIGURES PRESENTED FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The FY2017 year end figures were presented to the Finance Committee on September 20, 2017 and reported revenues in excess of expenditures in the amount of \$7,628,973. The actual revenue exceeded projections by \$9,024,482 and the county had unspent budgeted expenditures in the amount of \$9,047,665. At this time, these numbers are unaudited and staff anticipates any changes to be minimal.

The FY2016 year end figures were presented to the Finance Committee on September 20, 2017 and reported revenues in excess of expenditures in the amount of \$7,628,973.

The majority of the budgeted revenue surplus was realized in property taxes (real estate, personal property, machinery and tools, etc.), recovered costs, and permits & fees. The largest variance from budget to actual is in real estate tax in the amount of \$2.3 million, which falls in the property taxes category. This was a result of the budget not being increased for the June 2017 collection based on new assessed values.

Another significant variance is in recovered costs, which include proffers collected in the amount of \$1.2 million. Proffers cannot be budgeted or used for General Fund operating costs, which results in this category always showing a variance.

For the fourth year in a row, the permits & fees category does not reflect a budget deficit. The budget variance in permits & fees is driven by the building permit variance of \$820,914. Building permits exceeded 200% of the budget. The contributing factor

is very conservative budgeting in building permits. The county ended the fiscal year with over \$9.0 million in unspent, budgeted expenditures. \$2.1 million of the unspent expenditures represent purchase orders which remained outstanding at year end for both the County and the Schools. This amount was re-appropriated in FY 2018. A breakdown of the remaining unspent funds by category include the following:

- School: \$1.3 million
- Salaries/Fringes: \$1.9 million
- Capital Contingency Carry Forward: \$1.1 million

Some of the factors that contributed to the savings in the operating category include the following:

- Unspent grant funds
- Unspent professional services
- Additional funds received from the State/Federal for Social Services; and turnover and vacancies

The charts on the following page provide a breakdown of revenues and expenditures for FY2017.

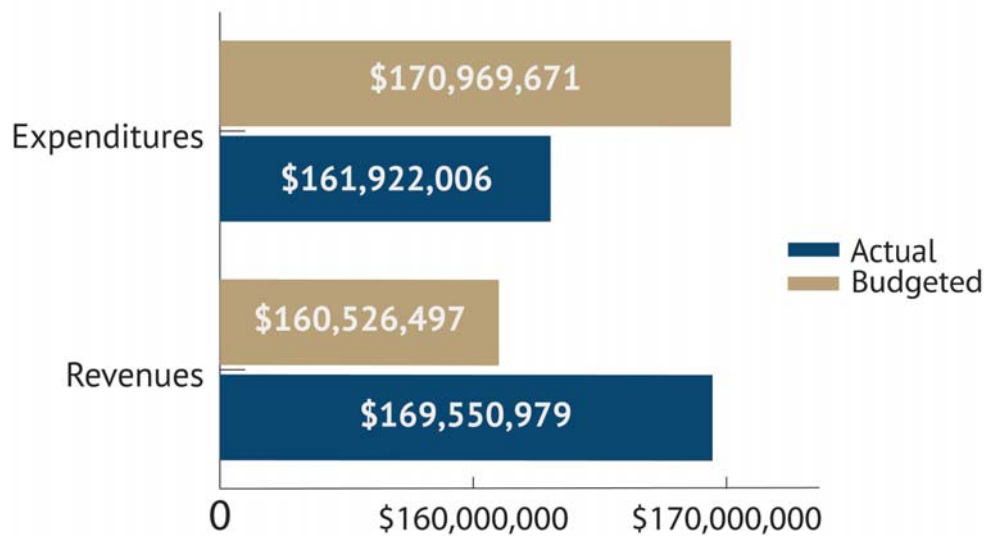
The County ended the fiscal year with \$9.0 million in unspent, budgeted expenditures.

FY 2017 Revenues

	FY16 ACTUAL	FY17 AMENDED BUDGET	FY17 ACTUAL	FY17 VARIANCE
Property Taxes	104,029,379	109,067,433	112,671,029	3,603,596
Other Local Taxes	33,733,043	34,831,980	35,820,353	988,373
Permits / Fees	2,264,101	1,283,923	2,422,501	1,138,578
Fines / Forfeitures	285,390	324,197	468,331	144,134
Revenue from Use of Prop.	199,252	162,976	297,082	134,106
Charges for Services	2,694,962	2,710,296	2,780,201	69,905
Miscellaneous	215,760	220,438	1,056,315	835,877
Recovered Costs	3,566,501	1,649,566	3,412,858	1,763,292
State / Fed	10,238,319	10,275,688	10,622,309	346,621
TOTAL	157,226,707	160,526,497	169,550,979	9,024,482

Snapshot

FY2017 Year End



FY 2017 Expenditures

	FY16 ACTUAL	FY17 AMENDED BUDGET	FY17 ACTUAL	FY17 VARIANCE
Administration	10,797,524	11,514,423	11,468,539	45,884
Judicial	2,283,308	2,677,014	2,502,772	174,242
Public Safety	31,056,396	35,656,299	32,727,564	2,928,735
Public Works	4,318,992	5,262,058	4,587,590	674,468
Health / Welfare	8,005,073	8,806,059	8,502,037	304,022
Community College	56,000	78,819	78,819	0
Parks, Rec. & Cultural	6,085,794	7,246,763	6,110,878	1,135,885
Community Development	2,168,019	2,460,531	2,386,464	74,067
Transfers	95,368,917	97,267,705	93,557,343	3,710,362
TOTAL	160,140,023	170,969,671	161,922,006	9,047,665

FY2017 PURCHASING CARD REBATE RECEIVED

Frederick County uses a VISA Purchasing Card Program as part of its streamlining effort to improve procurement efficiency. P-Card is short for Purchasing Card. A P-Card is a VISA credit card that can be accepted and processed by any merchant who accepts VISA. It is the goal of the County to pay ALL vendors with a P-Card, regardless of the purchase amount or type of service/materials purchased.

This is a profitable, efficient, and progressive opportunity for both the County and our vendors. Vendors can improve cash flow when they receive payment in a matter of days and have the ability to invest money back into the business quicker. The vendor may be able to reduce or eliminate new account set up, invoice processing, billing, and collection. Frederick County and other customers are more likely to spend with suppliers that have simple payment processes and can accommodate their need for payment options.

The County recognizes several benefits, such as a shorter procurement cycle time, reduced process costs, and the rebate received. According to the National Association of Purchasing Card Professionals (NAPCP), the average process costs for a traditional procure-to-pay (P2P) process is \$90 versus a P-Card P2P process cost of \$20 – a savings of \$70 per purchase! The purchasing card program reduces the volume of accounts payable transactions and the associated administrative costs by eliminating vendor invoices and consolidating multiple vendor payments into one monthly payment to the charge card vendor. Savings are also realized from the elimination of 1099 reporting requirements; no check printing, stuffing, and mailing; and no individual vendor payment entry.

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Frederick County received a \$156,281 rebate for fiscal year 2017 p-card spending. The county is able to earn a higher rebate percentage by participating under the umbrella of Commonwealth of Virginia's (COV) purchase card program. While the county's p-card program is its own, the spend is pooled with all state agencies, institutions of higher learning, and other participating political subdivisions to earn a larger rebate percentage based on the combined dollars spent. The total spend for the COV's program was \$828,496,818 for fiscal year 2017 which resulted in a rebate for the County that was approximately 30 basis points greater than having a standalone program. There are 135 political subdivisions that participate in the COV p-card program and Frederick County is number seven in spend volume.

Snapshot

FY 2017 County P-card Stats:

- Card Spend: \$9,589,939*
- Number of Transactions: 14,046*
- Average transaction: \$683*
- Active cards: 402*

OVERALL GENERAL FUND PERFORMANCE: FY2018, FIRST QUARTER

The General Fund is the chief operating fund for the County and includes multiple programs, services, and activities for the citizens of Frederick County. The FY2018 appropriated budget for revenues and expenses (including transfers to other funds) is \$171,849,936 and \$185,311,921 respectively. The appropriated budget includes the original adopted budget plus any budget amendments after the start of the fiscal year.

September 30, 2017 is the end of the first quarter of fiscal year (FY) 2018. With 25% of the year complete, the General Fund revenues are at 9% of appropriated revenue, which is very typical for this time of year due to the cyclical receipts of most revenues. The County's largest revenue source is property taxes that are due in December and June each year. Actual expenditures are at 25% of yearly appropriated expenditures, which is right on track.

General Fund Revenues

The total General Fund revenue collected through September 30, 2017 shows a net increase of \$25,638 when compared to the same time last year.

Property Taxes are taxes collected for property housed in the County, including real estate, personal property, and machinery and tools tax. Total property taxes increased \$444,090 or 9.5% for the first quarter of FY2018 compared to FY2017. The increase includes \$266,044 in real estate and \$199,420 in personal property. Increases in property taxes received can be due to the timing of payments, increased personal property purchases above any sales of personal property, supplemental improvements to real property, and changes in real estate values due to reassessment. The most recent real estate reassessment was effective January 1, 2017. The most comparable quarters each year are the second and fourth due to tax collection due dates.

Other Local Taxes include local sales and use tax, communications sales tax, utility taxes, business licenses, auto rental tax, motor vehicle licenses fees, recordation taxes, meals tax, lodging tax, street lights, and Star Fort fees. The total net decrease of \$220,310 through September was significantly impacted by a decrease in utility taxes which is due to the timing of the deposit, and a decrease in meals and lodging tax which is affected by the assessment, filing date, and timing of deposits.











Business license revenue decreased as a direct result of the change in process by the Commissioner of the Revenue. Billing earlier results in receipt of the revenue earlier. Business license revenue that would have previously been received in the first quarter of FY2018 was actually received in late FY2017. Further review of business license revenue for the calendar years 2017 and 2018 shows the current year revenue as higher.

Partially offsetting the decreases above was the local 1% share of the 5.3% state sales tax. Collections increased \$29,336.05, or 2.7 %, through the first quarter of FY2018 compared to the prior year.

Permits and Privilege Fees mainly include dog licenses and various building related permits. These permit collections fluctuate with the economy and housing industry. The total permits have decreased \$126,388 year-

Snapshot

Year Over Year Revenue Collection

- Property Taxes 
- Other Local Taxes 
- Permits & Privilege Fees 
- Use of Money & Property 
- Charges for Services 
- Recovered Costs 
- Proffers 
- State Revenue 
- Federal Revenue 
- Miscellaneous 

Increases in property taxes received can be due to the timing of payments, increased personal property purchases above any sales of personal property, supplemental improvements to real property, and changes in real estate values due to reassessment.

to-date, the largest being building permits that are down \$141,636 compared to the same time last fiscal year. There were a greater number of commercial building permits issued last year for the same time period. Commercial permits generally have higher values than home building permits. Another factor is that a rush of home building permits were issued in the last quarter of FY2017 which caused a brief lull in the first quarter of FY2018.

Revenue from the Use of Money and Property includes investment income and rental income. The Federal Reserve has raised the Federal Funds Rate three times since September 2016. It was increased by 25 basis points in December 2016, in March 2017, and in June 2017. This has allowed the County to earn significantly more interest than the previous year, resulting in the majority of the \$182,721 net increase for FY2018.

Charges for Services are fees collected from the public for services rendered, recreation admission/user fees, court costs, etc. There is a nominal decrease of \$35,111 when comparing year-to-date collections.

Miscellaneous revenues are monies collected that do not fall under any specific category. This category is also showing a minimal first quarter decrease in the amount of \$14,353.

Recovered Costs are monies received as reimbursements for joint jurisdiction programs. The category has decreased by \$236,960 when compared to last year. This decrease is mainly due to the timing of reimbursements that were received in September last year, but not until October this year.

A Proffer is an offer by a landowner during the rezoning process to perform an act or donate money, a product, or services to justify the propriety of a proposed rezoning. Proffers cannot be budgeted and are generally designated for specific uses.

Intergovernmental revenues are monies received from the **State of Virginia** and the **Federal government** that are designated for specific purposes. These revenues can be somewhat inconsistent year to year depending on various grant availability and funding cycles. The \$199,856 increase from the Commonwealth primarily consists of the timing of the receipt of Four-for-Life funds, and an increase in social services public assistance grants.

General Fund Expenditures

The total FY2018 expenditures, including transfers, have increased \$5.5 million year-to-date compared to FY2017 for the same period. The largest portion of the increase is due to transfers, which realized a net increase of \$3.5 million and includes \$542,176 decrease in transfers to the school operating, county debt service decreased \$233,831 due to the timing of the billing for the payment of Roundhill fire station, and a contingency increase of \$4.3 million for the Board of Supervisors capital reserve.

General fund expenditures make up the remaining increase in the amount of \$1.9 million and includes \$428,491 for the Children's Services Act transfer due to increased expenditures, and \$544,254 in salaries and fringes for the Sheriff and Fire & Rescue resulting from staff turnover, position reclassifications, and the addition of seven deputies and sixteen firefighters in November 2016.

A comparative statement of general fund revenues and expenditures is provided on the following page.

Snapshot

Year Over Year Expenditures

- General Administration ⬆
- Judicial Administration ⬆
- Public Safety ⬆
- Public Works ⬆
- Health & Welfare ⬆
- Community College ⬇
- Parks & Rec ⬇
- Community Development ⬆

Increases in general fund expenditures include \$428,491 for the Children's Services Act transfer due to increased expenditures, and \$544,254 in salaries and fringes for the Sheriff's Office and Fire & Rescue.

Comparative Statement of Revenues and Expenditures

REVENUES:		FY18	FY17	YTD
	Appropriated	9/30/17 Actual	9/30/16 Actual	Actual Variance
General Property Taxes	117,080,093	5,091,796	4,647,706	444,090
Other local taxes	35,717,875	3,638,034	3,858,345	(220,310)
Permits & Privilege fees	2,004,806	519,496	645,884	(126,388)
Revenue from use of money and property	192,068	294,440	111,718	182,722
Charges for Services	3,076,558	630,445	665,556	(35,111)
Miscellaneous	583,898	132,352	146,705	(14,353)
Recovered Costs	1,559,454	154,637	391,598	(236,961)
Proffers		318,612	484,986	(166,374)
Intergovernmental:				
Commonwealth	10,601,384	4,867,069	4,667,212	199,856
Federal	1,033,800	4,943	6,475	(1,532)
Transfers	.	0	0	0
TOTAL REVENUES	171,849,936	15,651,825	15,626,186	25,639

EXPENDITURES:

General Administration	12,121,194	4,471,911	3,691,724	780,187
Judicial Administration	2,676,988	618,975	586,825	32,149
Public Safety	40,378,086	9,178,012	8,257,209	920,803
Public Works	5,798,782	1,095,472	1,058,997	36,475
Health and Welfare	9,421,300	2,099,434	1,953,486	145,948
Community College	76,320	19,080	19,705	(625)
Parks, Recreation, Culture	7,691,220	1,697,147	1,706,525	(9,378)
Community Development	2,028,049	331,877	311,504	20,373
TOTAL EXPENDITURES	80,191,940	19,511,907	17,585,975	1,925,931

OTHER FINANCING SOURCES (USES):

Transfer to School Operating	78,305,886	1,032,256	1,574,432	(542,177)
Transfer to School Operating Capital	3,088,287	0	0	0
Transfer to School Debt Service	15,972,475	0	0	0
Transfer to County Debt Service	2,253,648	1,225,350	1,459,181	(233,831)
Reserves and Contingencies	5,499,687	4,323,620	0	4,323,620
Operational Transfers	0	91,523	86,753	4,770
TOTAL OPERATING TRANSFERS TO / FROM	105,119,982	6,672,749	3,120,367	3,552,382

Excess (deficiency) of revenues & other sources over expenditures & other uses

(13,461,986)	(10,532,830)	(5,080,156)	5,452,674
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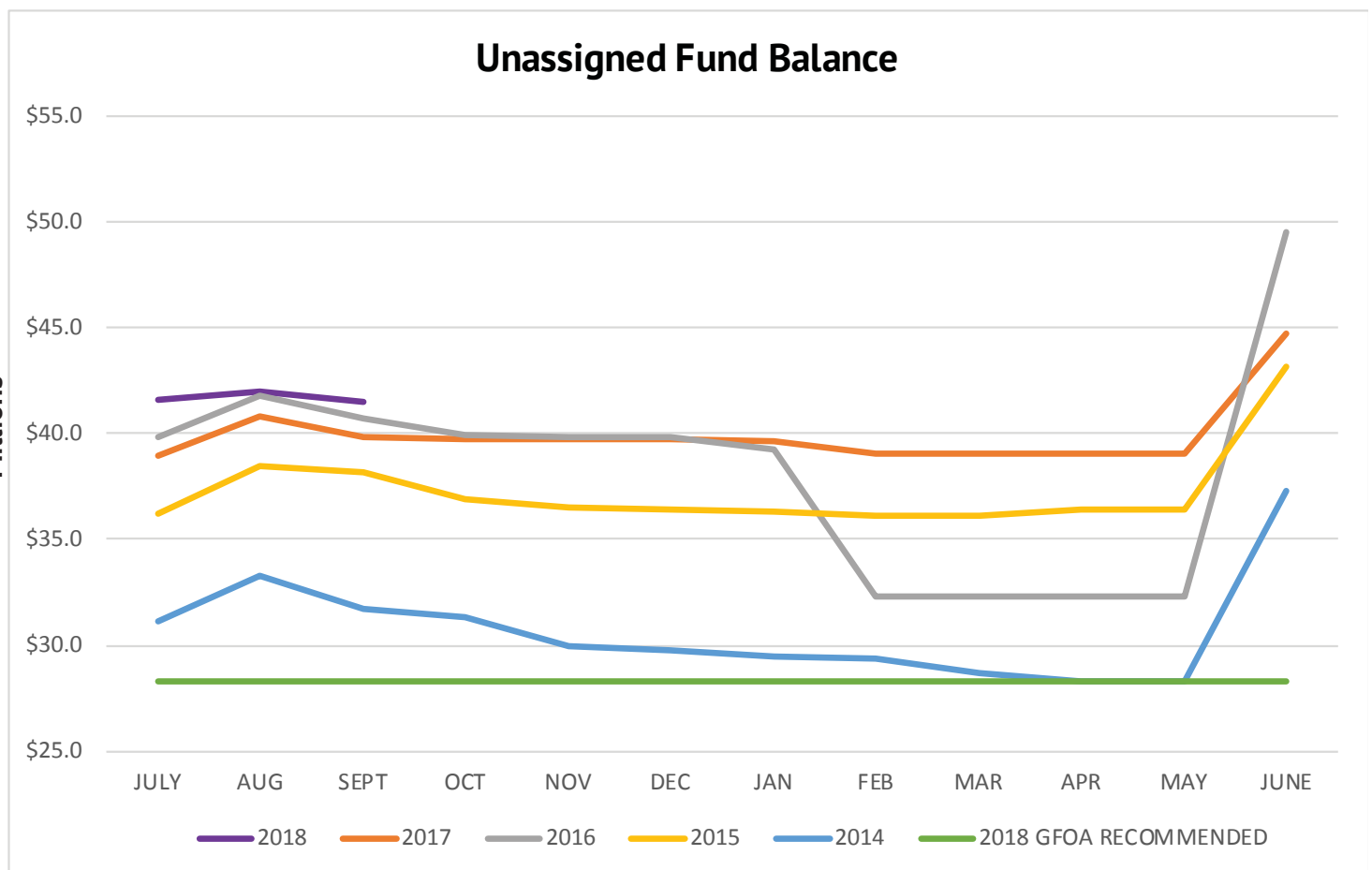
UNASSIGNED FUND BALANCE

Fund Balance is the excess dollars of what the County owns (assets) and what the County owes (liabilities). There are several reasons that fund balance is important. It is a critical factor in financial planning and budgeting. It provides funds for unforeseen expenses or emergencies. Fund balance reduces the need for short-term borrowing for operations and cash flows. Cash flow becomes a critical component since half of the largest revenue source is collected at the end of the budget year with the June 5th tax collection.

The Government Finance Officers Association (GFOA) recommends that unassigned fund balance be maintained at no less than two months of regular operating revenues or regular operating expenditures and states that it “is essential that governments maintain adequate levels of fund balance to mitigate current and future risks and to ensure stable tax rates.” For Frederick County’s general fund, that equates to approximately \$28.3 million or 16.7% of the total general fund operating budget for FY2018. Currently, the County’s fund balance is above the recommendation at 24% (\$41.5 million).

The County monitors unassigned general fund balance monthly. Over the years, fund balance has been used to balance the General Fund budget. The General Fund fund balance was reduced by \$2.5 million to balance the FY 2018 budget (57% schools, 43% county general fund). This represents a decrease of \$1.1 million compared to the fund balance funding used to balance the FY2017 budget. Fund balance has been regularly used to balance the budgets in the past. At year-end those funds have been routinely returned to unassigned fund balance as a result of unbudgeted revenues or unspent expenditures. Management and the Board of Supervisors remains committed to retaining a healthy fund balance.

The chart below shows a five-year history of the County’s unassigned fund balance.



FREDERICK COUNTY FINANCE COMMITTEE

SUMMARY OF ACTION ITEMS—FY 2018, FIRST QUARTER

The Finance Committee generally meets at 8:00 a.m. on the third Wednesday of each month in the First Floor Conference Room in the County Administration Complex. The committee is comprised of three board members and three citizen members. The Treasurer and the Commissioner of the Revenue serve as non-voting liaisons. The primary function of the committee is to review matters of a financial nature including proposed changes to fiscal/procurement policies and the review and recommendation for matters of a financial nature coming forward to the Board including, but not limited to, supplemental appropriations, transfers and contracts.

The following were the meeting dates for the first quarter of fiscal year 2018:

- July 19, 2017
- August 16, 2017
- September 20, 2017

The following are General Fund supplemental appropriation requests which required local funds:

- \$190,889 to carry forward unspent FY2017 funds for the Sheriff;
- \$70,600 to carry forward unspent FY2017 funds for Public Works;
- \$1,144,788 to carry forward unspent FY2017 capital contingency funds;
- \$728,278 to carry forward unspent FY2017 funds for Parks & Recreation;
- \$29,234 to carry forward unspent FY2017 funds for Fire & Rescue;
- \$7,580 to carry forward unspent FY2017 funds for Public Safety Communications;
- \$209,674 for the county share of the FY2018 Airport capital budget; and
- \$285,004 to carry forward unspent FY2017 grant funds for the Schools.

The following are General Fund supplemental appropriation requests which required no local funds:

- \$200 for donations received by the Sheriff;
- \$25,177 for reimbursements received by the Sheriff;
- \$8,176 to refund a developer for duplicated proffer payments;
- \$65,000 proffer funds for the design and engineering of the Abrams Creek Trail Phase I; and
- \$60,000 for donations received by the Animal Shelter for a building addition site plans and expansion of the spay/neuter program.

The committee also held discussions on the following topics:

- Workman's compensation and accident/injury coverage for volunteer fire & rescue personnel;
- Real property tax relief for senior citizens and disabled persons;
- Horizon Goodwill Industries and Shenandoah Valley Community Residences real property tax exemption requests;
- Airplane tax rate;
- Annual review of the Finance/Audit Committee charter;
- Pro Forma Analysis and FY2019 budget recommendations for the Frederick County Regional Landfill;
- Committee/Commission compensation;
- FY17 yearend financial information for County and Schools; and
- Updated debt service information reflecting the \$27 million for the 12th elementary school.

All Finance Committee Agendas and Reports can be found online, www.fcva.us/fincomm.

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