



FREDERICK COUNTY VIRGINIA

Financial Newsletter Winter 2018

FISCAL YEAR 2017 FINANCIAL REPORTS

Frederick County issues two annual financial reports: the Comprehensive Annual Financial Report (CAFR) and the Popular Annual Financial Report (PAFR). Both reports can be found online at www.fcva.us/financials.

The purpose of the CAFR is to provide citizens, investors, grantor agencies, and other interested parties with reliable financial information about the County. The CAFR provides reliable, audited financial information about the County and all organizations which have significant operational or financial relationships with the County. It contains material disclosures, schedules and notes.

The Code of Virginia requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with United States generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board.

The purpose of the PAFR is to summarize and simplify the presentation of information contained in the CAFR. The PAFR is intended to be a supplement to the CAFR, not a replacement. Since the PAFR is presented in a simple and easy-to-understand format, it does not conform to GAAP. The PAFR is not audited and excludes many material disclosures, financial statements, schedules, and notes to the financial statements found in the County's CAFR.

The PAFR is presented to better inform the public about the County's financial condition, without excessive detail or the use of technical accounting terms. This report represents the ongoing commitment of County officials to keep Frederick County citizens informed about County finances, and to be accountable for the receipt and expenditure of public funds.

We hope that you find these reports interesting and informative. As you review the documents, please feel free to share any questions, concerns or recommendations that you may have. We value your input and look forward to the opportunity to address any comments that you may have.



COUNTY OF FREDERICK, VA
JUNE 2017



PAFR POPULAR ANNUAL FINANCIAL REPORT

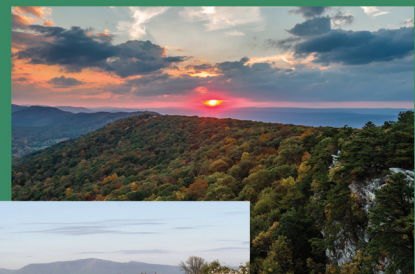


The purpose of this report is to summarize and simplify the presentation of information contained in the audited Frederick County 2017 Comprehensive Annual Financial Report (CAFR). The County's financial statements are prepared using the financial reporting model prescribed by the Governmental Accounting Standards Board (GASB) and are independently audited in accordance with auditing standards generally accepted in the United States of America by the accounting firm of Robinson, Farmer, Cox Associates of Charlottesville, VA. We encourage you to read the CAFR, which is comprised of detailed financial statements, notes, schedules and reports.

The CAFR, in its entirety, is available in the Frederick County Finance Department and online at www.fcva.us/CAFR.

WWW.FCVA.US/PAFR

COMPREHENSIVE ANNUAL



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COUNTY OF FREDERICK, VIRGINIA
Fiscal Year Ended June 30, 2017

WWW.FCVA.US/CAFR

OVERALL GENERAL FUND PERFORMANCE

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 FY 2018 appropriated budget for revenues and expenses (including transfers to other funds) is \$172,209,964 and \$189,350,309 respectively. The appropriated budget includes the original adopted budget plus any budget amendments after the start of the fiscal year.

Frederick County's overall General Fund revenue comparison through December 31, 2017 has increased \$4.8 million compared to the previous year. The largest revenue source is property taxes that are due in December and June each year. Actual expenditures are at 49% of yearly appropriated expenditures, which is right on track.

GENERAL FUND REVENUES

The total General Fund revenue collected through December 31, 2017 shows a net increase of \$4.8 million 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 collected increased \$4.8 million or 10% through the second quarter of FY 2018 compared to FY 2017. The increase includes \$2.8 million in real estate and \$1.8 million personal property. Increases in property taxes 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 increase of \$109,040 through December was impacted by an increase in local sales and use tax, business licenses, motor vehicle licenses fees, and meals tax combined with decreases in utility taxes, recordation taxes, and lodging tax.

Local sales taxes consist of the portion of the state sales tax that is remitted to the locality. The state sales tax is 5.3% with the state returning 1% back to the locality. Collections increased \$130,006, or 3%, through the second quarter of FY 2018 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 \$29,485 year-to-date, the largest being building permits that are down \$111,715 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 FY 2017 which caused a lull in the first two quarters of FY 2018.

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 ⬇

The total General Fund revenue collected through December 31, 2017 shows a net increase of \$4.8 million when compared to the same time last year.

Revenue from the Use of Money and Property includes investment income and rental income. The Federal Reserve raised the Federal Funds Rate once more in December 2017 by 25 basis points. This was the third increase for 2017. This has allowed the County to continue to earn more interest than the previous year, resulting in the majority of the \$239,504 net increase for FY 2018.

Charges for Services are fees collected from the public for services rendered, recreation admission/user fees, court costs, etc. There is a decrease of \$45,922 when comparing year-to-date collections.

Miscellaneous revenues are monies collected that do not fall under any specific category. This category is reflects a second quarter decrease in the amount of \$445,175 which is a result of a \$500,000 Animal Shelter donation in the previous year.

Recovered Costs are monies received as reimbursements for joint jurisdiction programs. The category has decreased by \$89,208 when compared to last year. This decrease is mainly due to the timing of reimbursements that were received in December last year, but not until January 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 is designated for specific purposes. This revenue can be somewhat inconsistent year to year depending on various grant availability and funding cycles. The \$424,410 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 FY 2018 expenditures, including transfers, have increased \$12 million year to date compared to FY 2017 for the same period. The largest portion of the increase is due to transfers, which realized a net increase of \$6.3 million and includes \$1.9 million increase in transfers to the school operating and \$4.3 million for the Board of Supervisors capital reserve.

General fund expenditures make up the remaining increase in the amount of \$5.7 million and includes \$428,491 for the Children's Services Act transfer due to increased expenditures, and \$1.2 million in salaries and fringes for the Sheriff and Fire & Rescue resulting from staff turnover, position reclassifications, and additional positions. Additionally, the contributions to the Volunteer Fire Departments and the Ambulance and Rescue Services increased \$347,799 and includes \$200,136 in proffer funds to Stephens City Fire and Rescue for construction of an Ancillary Building. The local contribution to the Jail increased \$70,907 over the previous year. Community Development reflects \$2 million increase in transfers to the Economic Development Authority for EDA incentives.

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 \$1.2 million in salaries and fringes for the Sheriff's Office and Fire & Rescue and \$70,907 in the local contribution to the NRADC.

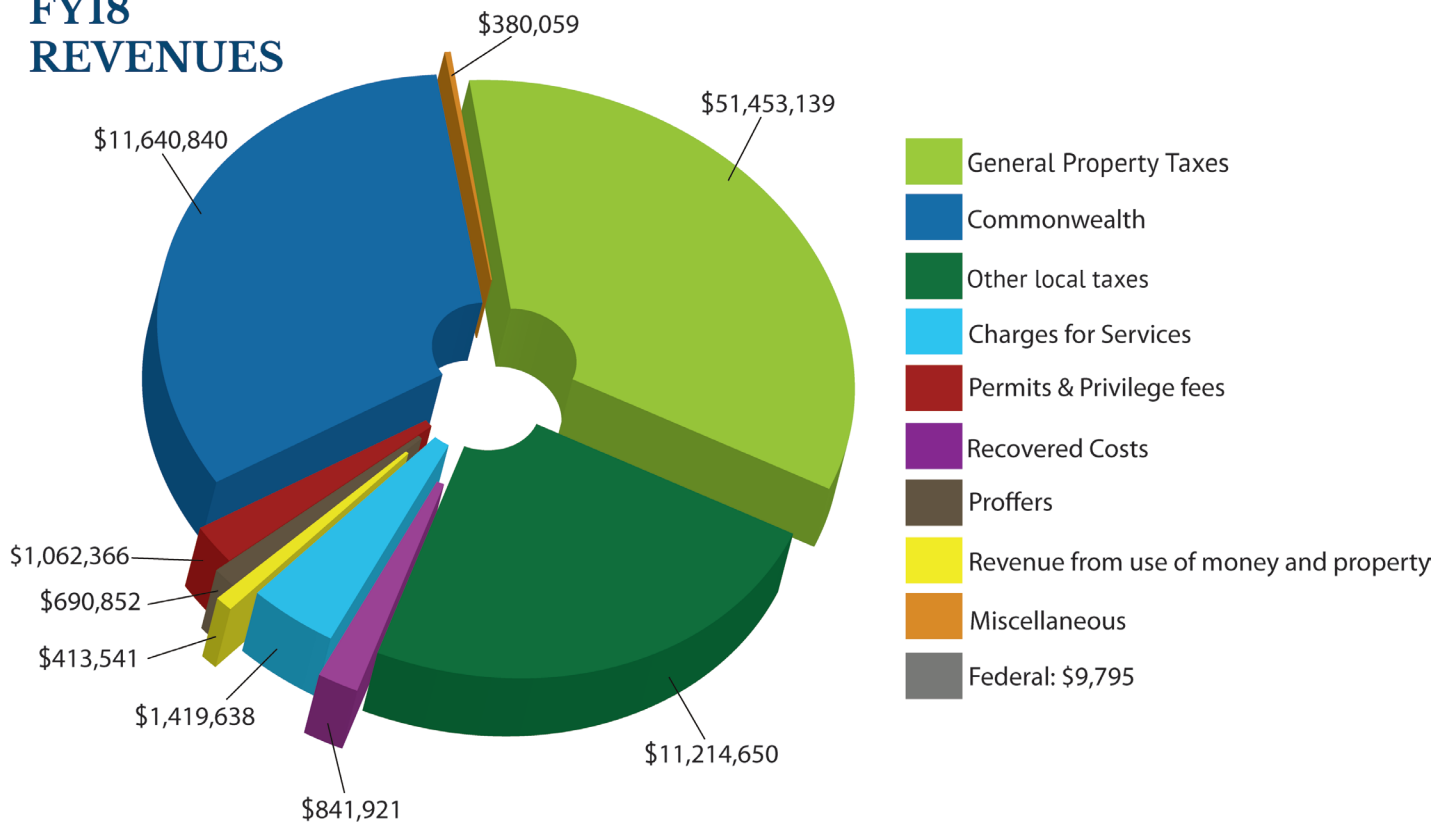
COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

ENDING DECEMBER 31, 2017

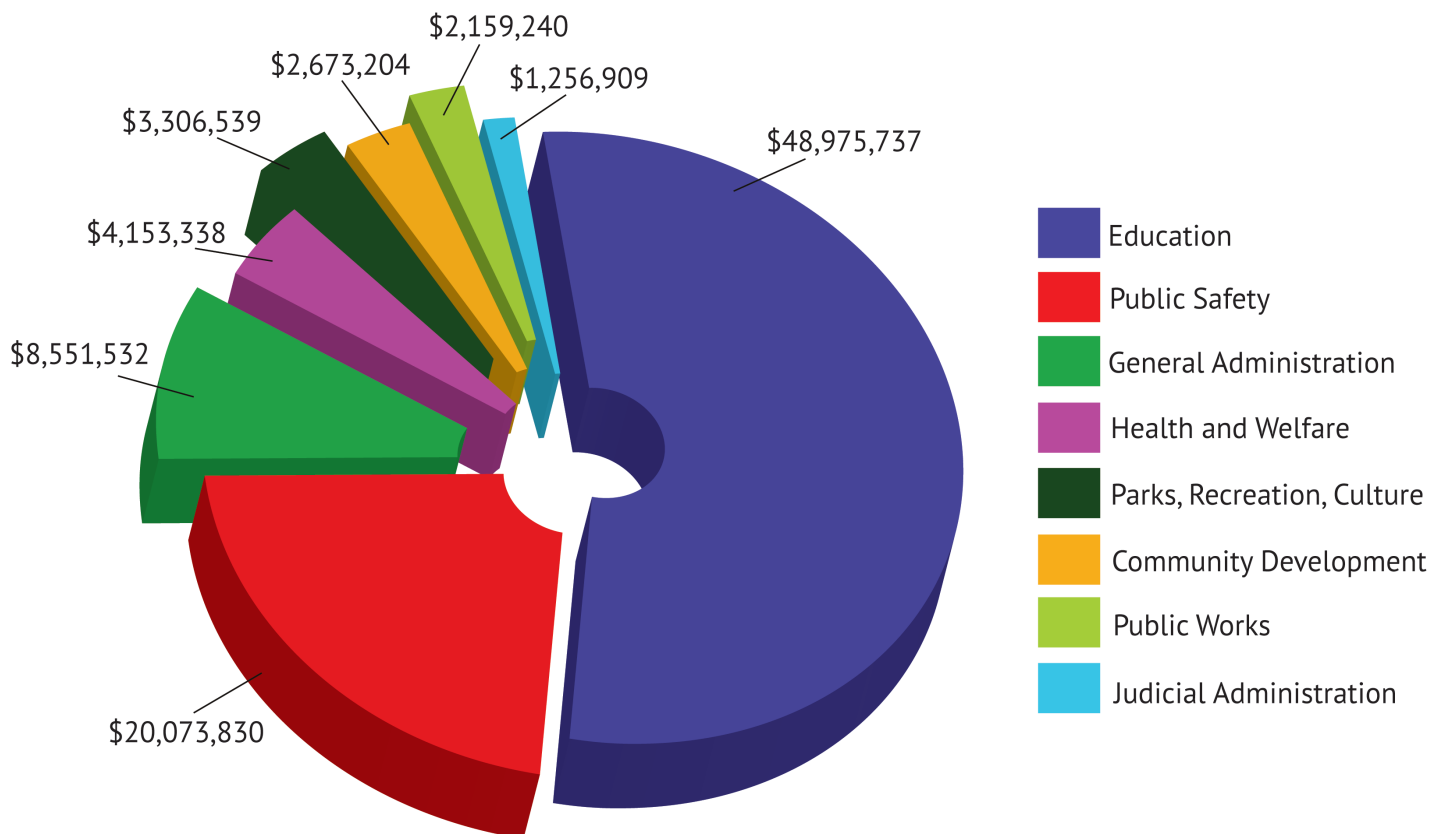
REVENUES:		FY18	FY17	YTD
	Appropriated	12/31/2017 Actual	12/31/2016 Actual	Actual Variance
General Property Taxes	117,080,093	51,453,139	46,606,162	4,846,977
Other local taxes	35,717,875	11,214,650	11,105,610	109,040
Permits & Privilege fees	2,004,806	1,062,366	1,091,851	(29,485)
Revenue from use of money and property	203,241	413,541	174,037	239,504
Charges for Services	3,076,558	1,419,638	1,465,561	(45,923)
Miscellaneous	588,252	380,059	825,234	(445,175)
Recovered Costs	1,559,454	841,921	931,129	(89,208)
Proffers		690,852	939,248	(248,395)
Intergovernmental:				
Commonwealth	10,941,384	11,640,840	11,216,429	424,410
Federal	1,038,300	9,795	25,541	(15,746)
Transfers	-	-	-	-
TOTAL REVENUES	172,209,964	79,126,801	74,380,801	4,746,000
EXPENDITURES:				
General Administration	12,135,526	7,026,273	5,992,486	1,033,787
Judicial Administration	2,709,882	1,256,909	1,260,852	(3,943)
Public Safety	40,683,517	20,073,830	17,686,583	2,387,247
Public Works	6,794,106	2,159,240	2,274,223	(114,983)
Health and Welfare	9,520,883	4,153,338	3,903,002	250,336
Community College	76,320	38,160	39,410	(1,250)
Parks, Recreation, Culture	7,707,012	3,306,539	3,173,361	133,178
Community Development	4,028,049	2,673,204	641,609	2,031,595
TOTAL EXPENDITURES	83,655,294	40,687,492	34,971,525	5,715,967
OTHER FINANCING SOURCES (USES):				
Transfer to School Operating	79,588,154	40,951,339	39,093,519	1,857,820
Transfer to School Operating Capital	3,088,287	0	0	-
Transfer to School Debt Service	15,972,475	7,986,238	7,986,238	-
Transfer to County Debt Service	2,253,648	1,525,259	1,492,546	32,714
Reserves and Contingencies	4,792,451	4,323,620	0	4,323,620
Operational Transfers	-	70,180	(35,216)	105,396
TOTAL OPERATING TRANSFERS TO / FROM	105,695,015	54,856,636	48,537,086	6,319,549
Excess (deficiency) of revenues & other sources over expenditures & other uses	(17,140,345)	(16,417,327)	(9,127,810)	(7,289,517)

*Fund balance funding is not reflected in revenues.

FY18 REVENUES



FY18 EXPENDITURES



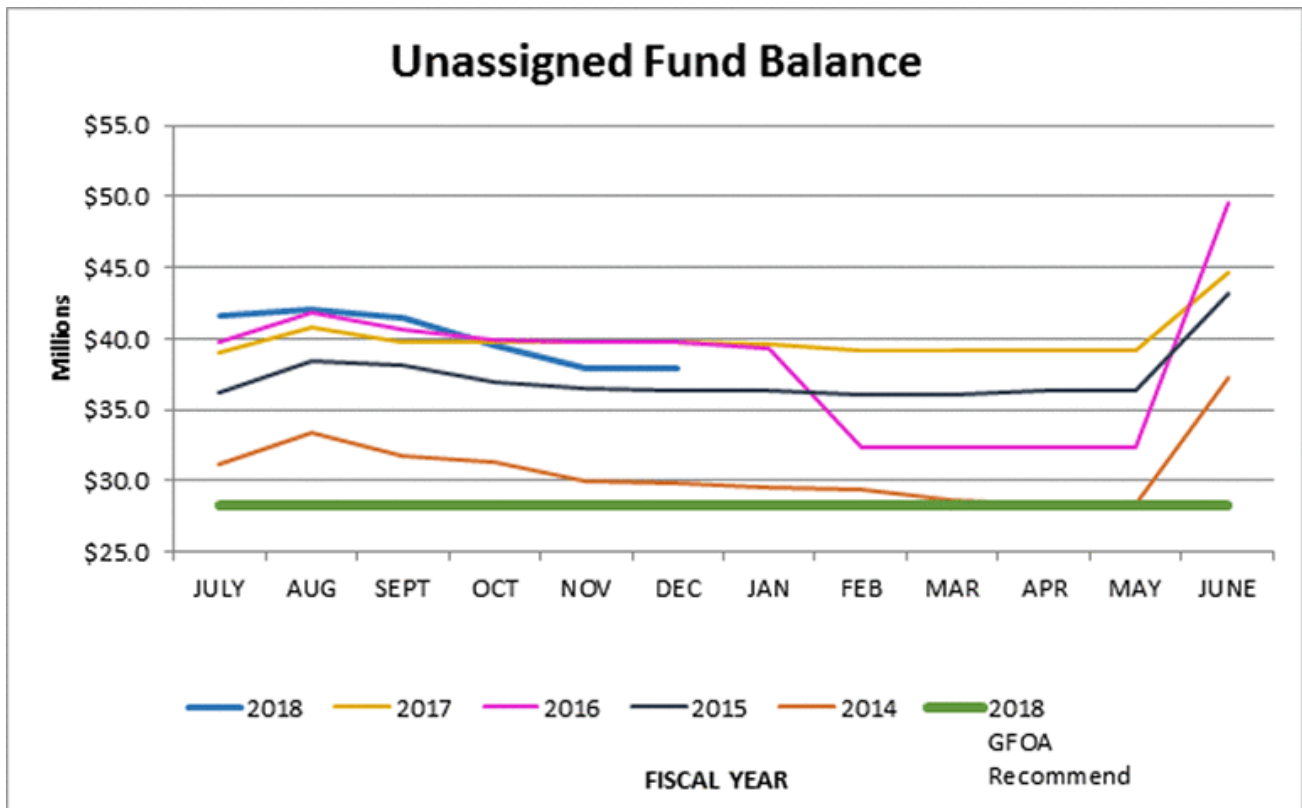
UNASSIGNED FUND BALANCE

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 \$28.0 million or 16.7% of the total general fund operating budget for FY 2018. Currently, the County’s fund balance is above the recommendation at 23% (\$37.9 million). Quarter 2 shows a current year decrease in fund balance of approximately \$3.6 million. This is attributed to supplemental appropriations approved throughout the fiscal year, which include \$2.0 million for an economic development incentive for Navy Federal Credit Union, and \$1.3 million to carry forward unspent school operating funds from the prior year for unspent grant funds and school buses.

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 FY 2017 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 QTR 2

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 second quarter of fiscal year 2018:

- October 18, 2017
- November 15, 2017 – canceled
- December 20, 2017

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

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

- \$11,466 for a part-time to full-time Data Collector for the Commissioner of the Revenue;
- \$266,508 for three full-time Sheriff's Deputy positions and associated equipment;
- \$1,000,000 for the completion of the Stephenson convenience site; and
- \$18,896 to return unspent VJCCCA funds to the state.

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

- \$11,173 for proceeds from the Sheriff's sale;
- \$4,500 for reimbursement from the Treasury Department for the Sheriff's department;
- \$11,441 for unbudgeted Aid-To-Localities funds received for Fire & Rescue;
- \$7,083 for auto claim reimbursements for the Sheriff's department; and
- \$36,207 for State – ICAC reimbursement for the Sheriff's department.

The committee also held discussions on the following topics:

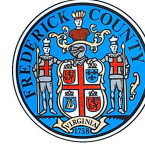
- Parks and Recreation application for a VDOT Transportation Alternatives grant for the development of Phase I of the Abrams Creek Trail;
- The airplane tax rate; and
- FY 2019 budget calendar and priorities.

The Frederick County Finance Committee

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The Treasurer and the Commissioner of the Revenue serve as non-voting liaisons.

The public is encouraged to attend.



MEETING NOTICE

107 N. Kent Street | Winchester, VA | 22601
540 | 665 | 5600
www.fcva.us



DISTINGUISHED BUDGET AWARD 31ST YEAR

Frederick County has received the Distinguished Budget Presentation Award for the fiscal year 2018 budget from the Government Finance Officers Association of the United States and Canada (GFOA) for the thirty-first consecutive year. This is the highest form of recognition in governmental budgeting and represents a significant achievement and reflects the commitment of the governing body and staff to meeting the highest principles.

In order to receive the budget award, an entity has to satisfy nationally recognized guidelines for effective budget presentation. The guidelines are designed to assess how well a budget serves as a policy document, a financial plan, an operations guide and a communications device. Budget documents must be rated “pro-

ficient” in all four categories and the fourteen mandatory criteria within those categories to receive the award. Award recipients have pioneered efforts to improve the quality of budgeting and provide an excellent example for other governments.

The FY 2018 budget document is available at: www.fcva.us/budget2018.

The formation of the FY 2019 budget is currently underway. The Board of Supervisors and the Finance Committee are currently holding work sessions as the County Administrator and staff prepare a proposed budget for July 1, 2018–June 30, 2019. The budget calendar, including all tentative work session dates, can be found on the Proposed 2019 Budget webpage at: www.fcva.us/budget2019. Additionally, there is a place to submit any budget related questions and the answer will be posted directly to the page.

Frederick County has received the Distinguished Budget Presentation Award for the fiscal year 2018 budget from the Government Finance Officers Association of the United States and Canada (GFOA) for the thirty-first consecutive year.

Connect with Us

Keep up to date on all information about Frederick County Government by visiting our website: www.fcva.us and through our various Social Media Outlets. Visit www.fcva.us/news for information on all departmental outlets.

