



FINAL FIGURES PRESENTED FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The FY 2018 year end figures were presented to the Finance Committee on September 19, 2018 and reported expenditures in excess of revenues in the amount of \$3.8 million. The actual revenue exceeded projections by \$7.1 million and the county had unspent budgeted expenditures in the amount of \$6.9 million. At this time, these numbers are unaudited and staff anticipates any changes to be minimal.

The majority of the budgeted revenue surplus was realized in property taxes (real estate, personal property, machinery and tools, etc.), recovered costs, and other local taxes. The largest variance from budget to actual is in real estate tax in the amount of \$1.2 million, which falls in the property taxes category. This was partially a result of a 1¢ increase in the real estate tax rate that was effective January 1, 2018 and collected in June 2018. Another significant variance is in recovered costs, which include proffers collected in the amount of \$1.1 million. Proffers cannot be budgeted or used for General Fund operating costs, which results in this category always showing a variance. Other local taxes included \$0.6 million collected for utility taxes over projections due to conservative budgeting.

The county ended the fiscal year with \$6.9 million in unspent, budgeted expenditures. \$1.5 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 2019.

A breakdown of the remaining unspent funds by category include the following:

- Schools—\$1 million
- Salaries/Fringes—\$2 million
- Public Works Projects Carry Forward—\$0.5 million

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

- Workers Compensation savings;

- Staff turnover and vacancies; and
- Unspent professional services.

The charts on the following page provide a breakdown of revenues and expenditures for FY2018.

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Snapshot

FY2018 YEAR END

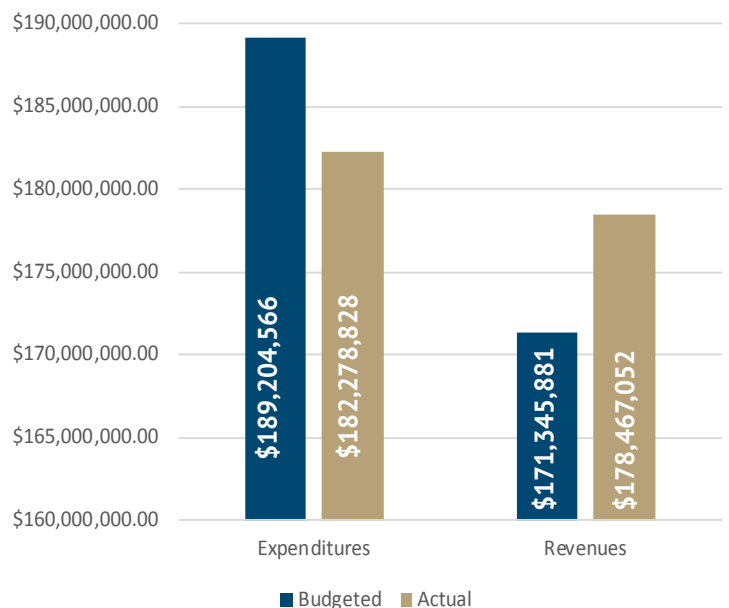
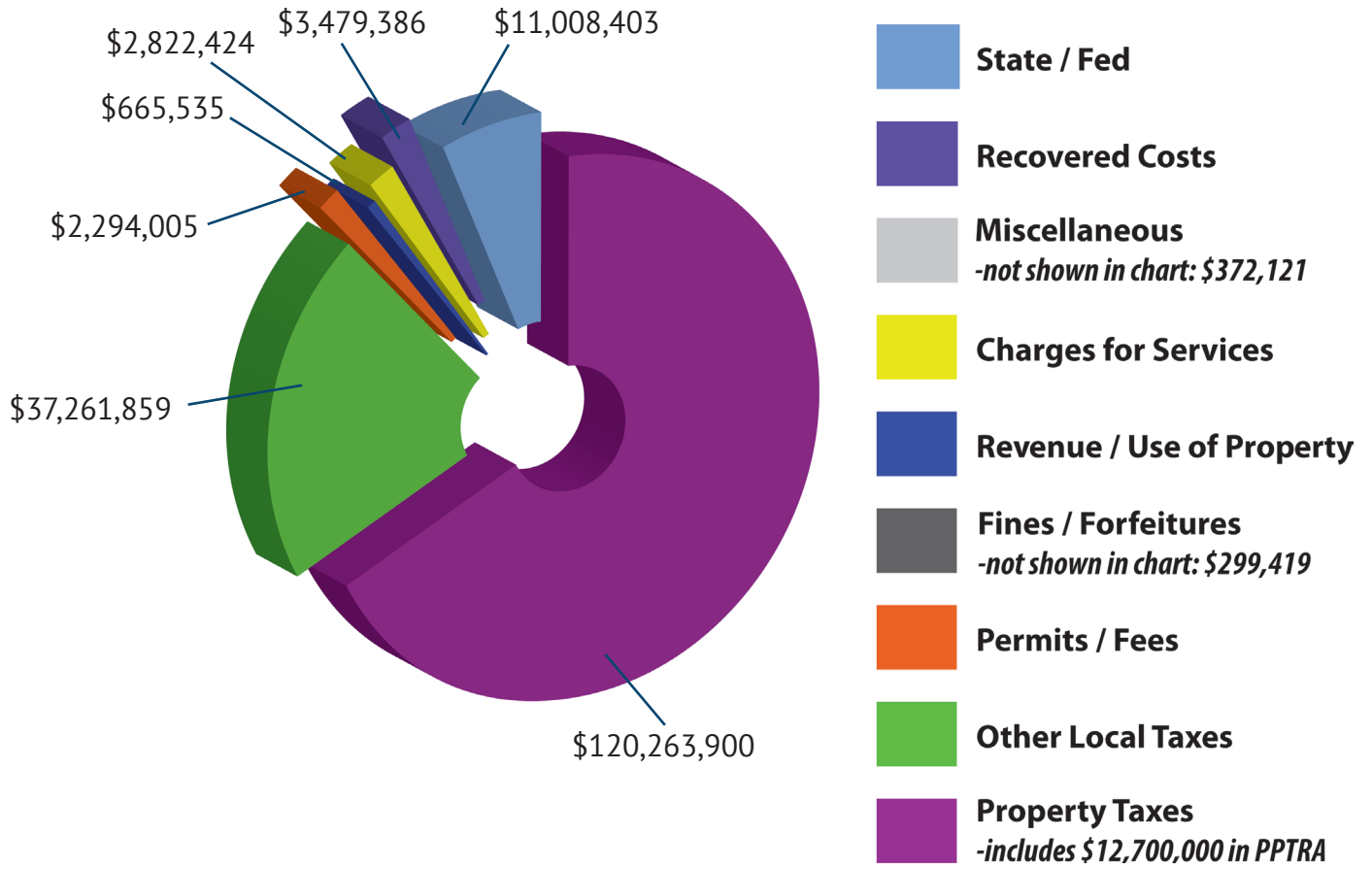


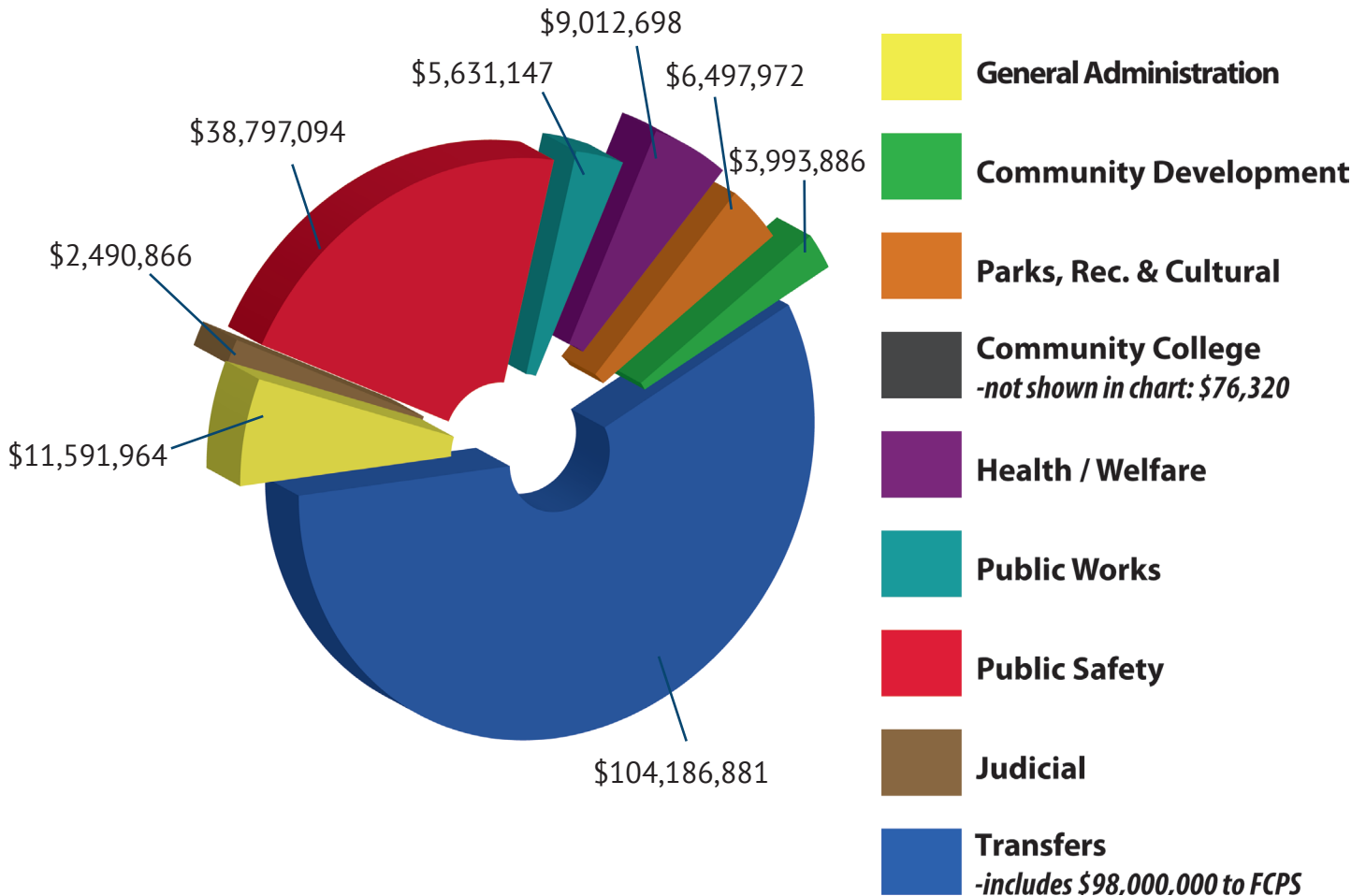
Photo: The Frederick County Public Works Department operates a state-of-the-art Subtitle D sanitary landfill, a regional effort with the City of Winchester and Clarke County.

FY2018 YEAR END REVENUE AND EXPENDITURES

FY2018 YEAR END REVENUE



FY2018 YEAR END EXPENDITURES



FY2018 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, ability to make online purchases, 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. An additional benefit to the County is the ability to identify the employee who makes each purchase.

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Frederick County received a \$205,315 rebate for fiscal year 2018 p-card spend, an increase of \$49k over 2017. 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 \$885,573,405 for fiscal year 2018 which resulted in a rebate for the County that was approximately 50 basis points greater than a having standalone program. There are 165 political subdivisions that participate in the COV p-card program and Frederick County is number five in spend volume.

Snapshot

FY 2018 County P-card Stats:

- Card Spend: \$14,202,748*
- Number of Transactions: 13,703*
- Average transaction: \$1,059*
- Active cards: 404*

Year to Date OVERALL GENERAL FUND PERFORMANCE Ending September 30, 2018

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 2019 appropriated budget for revenues and expenses (including transfers to other funds) is \$179,885,918 and \$185,020,720 respectively. The appropriated budget includes the original adopted budget plus any budget amendments after the start of the fiscal year.

September 30, 2018 is the end of the first quarter of fiscal year (FY) 2019. 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 12% of yearly appropriated expenditures.

General Fund Revenues

The total General Fund revenue collected through September 30, 2018 shows a net increase of \$808,554 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 \$164,983 or 3.2% for the first quarter of FY 2019 compared to FY 2018. The increase includes \$33,331 in real estate and \$118,551 in 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 decrease of \$29,640 through September was impacted by decreases in utility taxes and business licenses, offset by increases in local sales tax and recordation taxes.

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 a minimal increase of \$14,819 when compared to last year. Contributing to the rise was an increase in building permits combined with decreases in development review fees and mechanical permits.

The Use of Money and Property includes investment income and rental income. The Federal Reserve has continued raising the Federal Funds rate 25 basis points per quarter. The current rate of 2.25% was set in September 2018. The Fed has indicated it will continue this pattern of rate increases. There has been a recent pushback from the Executive branch, which has caused some uncertainty in the market. Rising rates and uncertainty often lead to shorter term investments. This has allowed the County to earn more interest than the previous year, resulting in the majority of the \$174,288 net increase for FY 2019.

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 

Property Taxes are taxes collected for property housed in the County, including real estate, personal property, and machinery and tools tax.

Charges for Services are fees collected from the public for services rendered, recreation admission/user fees, court costs, etc. There is a slight increase of \$88,501 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 \$23,001.

Recovered Costs are monies received as reimbursements for joint jurisdiction programs. The category has increased by \$80,840 when compared to last year. This increase is mainly due to the timing of reimbursements that were not received until October last year, but in September 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 \$200,871 increase from the Commonwealth primarily consists of an increase in recordation taxes, the timing of the Victim Witness grant, and a Wireless 911 grant.

General Fund Expenditures

The total FY 2019 expenditures, including transfers, have decreased \$4.2 million year to date compared to FY 2018 for the same period. The largest portion of the decrease is due to transfers, which realized a total decrease of \$5.3 million and includes \$1.0 million decrease in transfers to county debt service due to the timing of payments, transfers to the school operating fund decreased \$489,393, which was offset by a \$503,416 increase to the school operating capital fund, and a contingency decrease of \$4.3 million for the Board of Supervisors capital reserve.

General fund expenditures have increased \$1.1 million year to date and includes \$163,585 for IT firewall support, switch and smartnet contract, and core data network switch replacement. Additionally, the purchase of five vehicles for a cost of \$139,549 that include Inspections, Fire and Rescue and Engineering. The Stephenson Compactor Site also impacted the increase in the amount of \$179,217.

A comparative statement of general fund revenues and expenditure is provided.

Snapshot

Year Over Year Expenditures

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

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Year to Date

COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES Ending September 30, 2018

REVENUES:

| | FY19 9/30/18 | FY18 9/30/17 | YTD Actual Variance | |
|---|--------------------|-------------------|---------------------------|----------------|
| | Appropriated | Actual | Actual | |
| General Property Taxes | 123,179,515 | 5,256,779 | 5,091,796 | 164,983 |
| Other local taxes | 36,959,731 | 3,608,394 | 3,638,034 | (29,640) |
| Permits & Privilege fees | 1,838,386 | 534,315 | 519,496 | 14,819 |
| Revenue from use of money and property | 526,810 | 468,728 | 294,440 | 174,288 |
| Charges for Services | 3,061,899 | 718,947 | 630,445 | 88,502 |
| Miscellaneous | 530,579 | 155,353 | 132,352 | 23,001 |
| Recovered Costs | 1,618,949 | 235,477 | 154,637 | 80,840 |
| Proffers | 0 | 351,276 | 318,612 | 32,664 |
| Intergovernmental: | | | | |
| Commonwealth | 12,170,049 | 5,067,940 | 4,867,069 | 200,871 |
| Federal | 0 | 7,168 | 4,943 | 2,225 |
| Insurance Recoveries | 0 | 3,104 | 0 | 3,104 |
| Transfers | 0 | 52,896 | 0 | 52,896 |
| TOTAL REVENUES | 179,885,919 | 16,460,378 | 15,651,825 | 808,554 |

EXPENDITURES:

| | | | | |
|----------------------------|-------------------|-------------------|-------------------|------------------|
| General Administration | 12,875,792 | 4,789,871 | 4,471,911 | 317,960 |
| Judicial Administration | 2,924,158 | 733,662 | 618,975 | 114,687 |
| Public Safety | 38,702,859 | 9,384,201 | 9,178,012 | 206,190 |
| Public Works | 6,244,841 | 1,370,548 | 1,095,472 | 275,077 |
| Health and Welfare | 9,787,663 | 2,111,179 | 2,099,434 | 11,746 |
| Education | 81,080 | 20,270 | 19,080 | 1,190 |
| Parks, Recreation, Culture | 8,484,930 | 1,788,377 | 1,697,147 | 91,230 |
| Community Development | 2,184,008 | 379,940 | 331,877 | 48,063 |
| TOTAL EXPENDITURES | 81,285,331 | 20,578,049 | 19,511,907 | 1,066,142 |

OTHER FINANCING SOURCES (USES):

| | | | | |
|--|--------------------|------------------|------------------|--------------------|
| Transfer to School Operating | 82,917,536 | 542,862 | 1,032,256 | (489,393) |
| Transfer to School Operating Capital | 2,803,416 | 503,416 | 0 | 503,416 |
| Transfer to School Debt Service | 14,535,820 | 0 | 0 | 0 |
| Transfer to County Debt Service | 2,252,302 | 196,887 | 1,225,350 | (1,028,463) |
| Operational Transfers | 0 | 120,943 | 91,523 | 29,420 |
| Reserves & Contingencies | 1,226,314 | 0 | 4,323,620 | (4,323,620) |
| TOTAL OPERATING TRANSFERS TO/FROM | 103,735,389 | 1,364,109 | 6,672,749 | (5,308,640) |

Excess (deficiency) of revenues & other
sources over expenditures

& other uses (5,134,801) (5,481,779) (10,532,830) 5,051,051

*Fund balance funding is not reflected in revenues.

FY 2019 UNASSIGNED FUND BALANCE

As of September 30, 2018

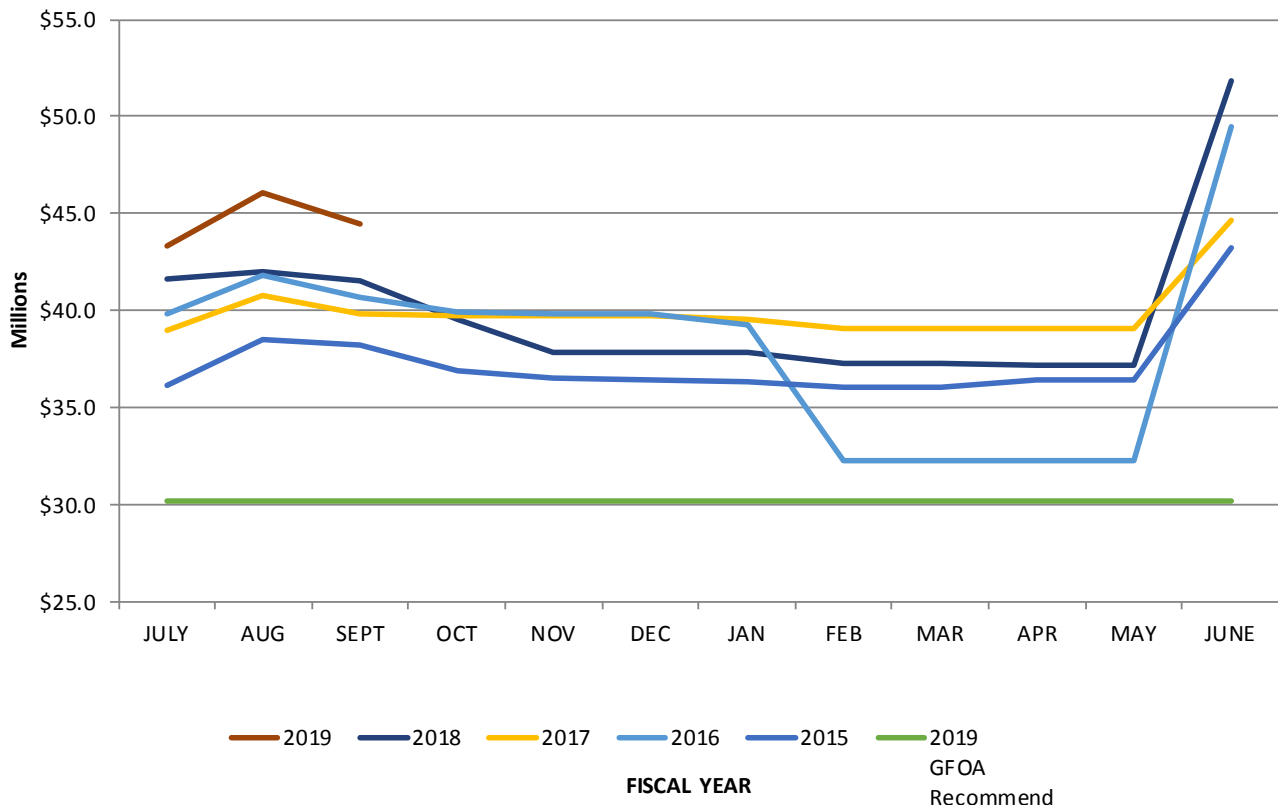
Fund Balance is the excess dollars of what the County owns (assets) and what the County owes (liabilities). There are several reasons that fund balance is important. It is a critical factor in financial planning and budgeting. It provides funds for unforeseen expenses or emergencies. Fund balance reduces 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 \$30.2 million or 16.7% of the total general fund revenues budgeted for FY 2019. Currently, the County’s fund balance is above the recommendation at 24.5% (\$44.5 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 \$2.0 million to balance the FY 2019 budget (57% schools, 43% county general fund). This represents a decrease of \$5.9 million compared to the fund balance funding used to balance the FY 2018 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.

Unassigned Fund Balance



FREDERICK COUNTY FINANCE COMMITTEE

SUMMARY OF ACTION ITEMS—FY 2019, FIRST QUARTER

The Finance Committee generally meets at 8 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 2019:

- July 18, 2018
- August 15, 2018
- September 19, 2018

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

- \$59,066 to carry forward unspent funds to complete the Capital Impact Study and Model;
- \$538,090 to carry forward unspent funds for incomplete Public Works projects;
- \$175,000 for an armored SWAT vehicle for the Sheriff's Department;
- \$31,044 to carry forward unspent funds for incomplete building maintenance projects; and
- \$503,416 to carry forward unspent School Operating funds for grants, security equipment, and a school bus

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

- \$9,868 for reimbursements received by the Sheriff;
- \$24,543 for Sheriff auto insurance claims;
- \$653,397 to carry forward unspent funds for incomplete Parks projects;
- \$13,915 for an auto insurance claim for Fire & Rescue;
- \$23,000 for Sheriff's grants;
- \$1,150 for Sheriff's donations;
- \$14,167 for a lightening strike insurance reimbursement at a communications tower;
- \$41,600 in proffer funds for utility infrastructure at NW Sherando Park; and
- \$2,550 for a donation for park benches

The committee also held discussions on the following topics:

- Additional training officers for Fire & Rescue;
- EMS training options;
- School categorical funding - operating budget presented by major classifications;
- Annual review of the Finance/Audit Committee charter; and
- FY18 yearend financial information for County and Schools.

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

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