



# FISCAL YEAR 2018 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](http://www.fcva.us/financials). Historically, both reports have received awards for excellence in financial reporting from the Government Finance Officers Association (GFOA).

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 you may have.

**POPULAR ANNUAL FINANCIAL REPORT**  
FISCAL YEAR ENDED JUNE 30, 2018  
Frederick County, Virginia

We face a steady influx of facts, figures and statistics in today's busy world. Sorting through this information, deciding what is important, and then putting that information to good use can be a difficult task. In an effort to provide you with easily accessible, reliable information, we are pleased to present the Frederick County, Virginia Popular Annual Financial Report (PAFR) for the fiscal year July 1, 2017 through June 30, 2018.

The PAFR is presented in a simple and easy to understand format, 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. It is intended to be a supplement to the 2018 Comprehensive Annual Financial Report (CAFR), not a replacement. It does not conform to accounting principles generally accepted in the United States of America.

GAAP and focuses solely on Governmental Activities. Financial information related to the County Schools, Landfill, Adult Detention Center, Regional Airport, Showgrounds and Court Services are not included.

Although the PAFR is not audited and excludes many material disclosures, financial statements, schedules and notes to the financial statements, figures are extracted from the County's 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, Ferret, 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](http://www.fcva.us/cafr).

**Award for Outstanding Achievement in Popular Annual Financial Reporting**  
Presented to  
County of Frederick Virginia  
For the fiscal year ended June 30, 2017  
Charlotte P. Bennett  
Governmental Finance Officers Association

78.1% of housing units are owner occupied  
57,819 labor force  
15.5% employed in health & human services  
44,410 housing units  
424 square miles

Frederick County (GA) US Census Bureau, B2014

Connect with Us  
Keep up to date on all information from the Finance Department at [www.fcva.us/finance](http://www.fcva.us/finance) and about all-things Frederick County Government through our various Social Media Outlets listed at [www.fcva.us/news](http://www.fcva.us/news)

[www.fcva.us/pafr](http://www.fcva.us/pafr)

**COMPREHENSIVE ANNUAL Financial Report**  
Frederick County, Virginia  
*Life at the Top*  
Fiscal Year Ending June 30, 2018

[www.fcva.us/cafr](http://www.fcva.us/cafr)

# Year to Date OVERALL GENERAL FUND PERFORMANCE FY 2019, SECOND 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 FY 2019 appropriated budget for revenues and expenses (including transfers to other funds) is \$180,176,369 and \$185,699,641 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, 2018 has increased \$2.9 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, 2018 shows a net increase of \$2.9 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 \$2 million or 4% through the second quarter of FY 2019 compared to FY 2018. The increase includes \$1.3 million in real estate and \$0.9 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, 2019; however, taxes on the new values will not be collected until June 2019. 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 \$93,444 through December was impacted by an increase in local sales and use tax, recordation taxes, and meals tax combined with decreases in utility taxes, communications sales tax, business licenses, and motor vehicle license fees.

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 \$168,532, or 3.6%, through the second quarter of FY 2019 compared to the prior year.

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**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 minimal decrease of \$32,152 when compared to last year. Contributing to the decrease was a decrease in development review fees combined with an increase in building permits.

## 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 ⬇️

**Revenue from the Use of Money and Property** includes investment income and rental income which has increased \$386,589 for FY 2019. The Federal Reserve raised the target Federal Funds rate to 2.5% at its December 2018 meeting. The Fed also signaled that it would slow the rate hike forecast for 2019. Steady economic growth and a strong labor market were cited as the reason for the change. The County should expect interest earnings to remain steady for 2019.

**Charges for Services** are fees collected from the public for services rendered, recreation admission/user fees, court costs, etc. There is an increase of \$73,740 when comparing year-to-date collections. Miscellaneous revenues are monies collected that do not fall under any specific category. This category reflects a second quarter decrease in the amount of \$76,760.

**Recovered Costs** are monies received as reimbursements for joint jurisdiction programs. The category has increased by \$212,092 when compared to last year. This increase is mainly due to a larger purchasing card rebate, a greater amount collected for EMS transport expense recovery, and timing of the receipt of Millwood Station's debt service payment.

**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 capital 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 \$134,075 increase from the Commonwealth primarily consists of combining a decrease in social services public assistance grants with an increase in recordation taxes, wireless 911 grant, and a return of unspent funds from the VA Department of Health.

## General Fund Expenditures

The total FY 2019 expenditures, including transfers, have decreased \$4.8 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 net decrease of \$3.8 million primarily due to the \$4.3 million transfer for the Board of Supervisors capital reserve fund in FY 2018 that was zero in FY 2019.

General fund expenditures make up the remaining decrease in the amount of \$1 million which is a mainly a combination of a \$2 million decrease in economic development incentives and increases of \$0.4 million in both general administration and public works. The increases include \$164 thousand for firewall support and switch replacement, \$84 thousand for three trucks (2 Inspections, 1 Engineering), and \$193 thousand for the Stephenson Compactor site.

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

## Snapshot Year Over Year Expenditures

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

*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.*

**COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES**  
Ending December 31, 2018

REVENUES:	FY19	FY18	YTD	Variance
	12/31/2018	12/31/2017	Actual	
	Appropriated	Actual	Actual	
General Property Taxes	123,179,515	53,478,453	51,453,139	2,025,314
Other local taxes	36,959,731	11,308,093	11,214,650	93,444
Permits & Privilege fees	1,838,386	1,030,214	1,062,366	(32,152)
Revenue from use of money and property	526,810	800,130	413,541	386,589
Charges for Services	3,061,899	1,493,378	1,419,638	73,740
Miscellaneous	530,579	303,299	380,059	(76,760)
Recovered Costs	1,618,949	1,054,013	841,921	212,092
Proffers		711,462	690,852	20,610
Intergovernmental:				
Commonwealth	12,460,500	11,774,915	11,640,840	134,075
Federal	-	8,502	9,795	(1,293)
Insurance Recoveries	-	3,104	-	3,104
Transfers	-	52,896	-	-
<b>TOTAL REVENUES</b>	<b>180,176,369</b>	<b>82,018,459</b>	<b>79,126,801</b>	<b>2,891,658</b>

EXPENDITURES:				
General Administration ^	12,945,879	7,398,211	7,026,273	371,938
Judicial Administration	2,924,158	1,381,748	1,256,909	124,839
Public Safety	38,840,793	19,920,106	20,073,830	(153,724)
Public Works	6,251,106	2,526,560	2,159,240	367,321
Health and Welfare	10,200,498	4,179,281	4,153,338	25,943
Community College *	81,080	40,540	38,160	2,380
Parks, Recreation, Culture	8,659,115	3,479,474	3,306,539	172,935
Community Development	2,184,008	748,509	2,673,204	(1,924,695)
<b>TOTAL EXPENDITURES</b>	<b>82,086,636</b>	<b>39,674,429</b>	<b>40,687,492</b>	<b>(1,013,063)</b>

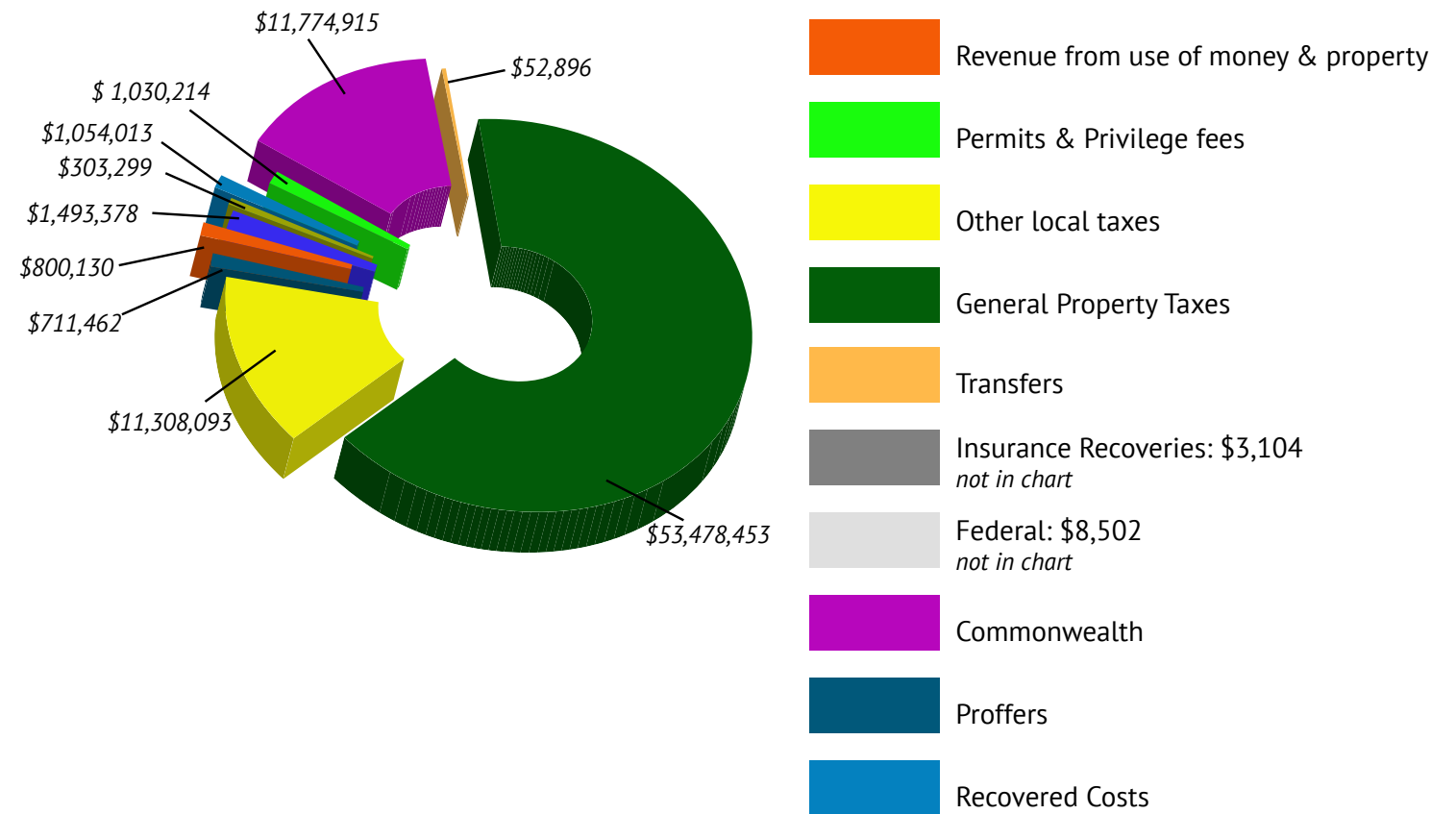
OTHER FINANCING SOURCES (USES):				
Transfer to School Operating *	82,917,536	41,730,199	40,951,339	778,861
Transfer to School Operating Capital *	2,803,416	503,416	0	503,416
Transfer to School Debt Service *	14,535,820	7,267,910	7,986,238	(718,328)
Transfer to County Debt Service ^	2,252,302	1,552,312	1,525,259	27,053
Reserves and Contingencies ^	1,103,939	0	4,323,620	(4,323,620)
Operational Transfers ^	0	43,748	70,180	(26,432)
<b>TOTAL OPERATING TRANSFERS TO / FROM</b>	<b>103,613,014</b>	<b>51,097,586</b>	<b>54,856,636</b>	<b>(3,759,050)</b>

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

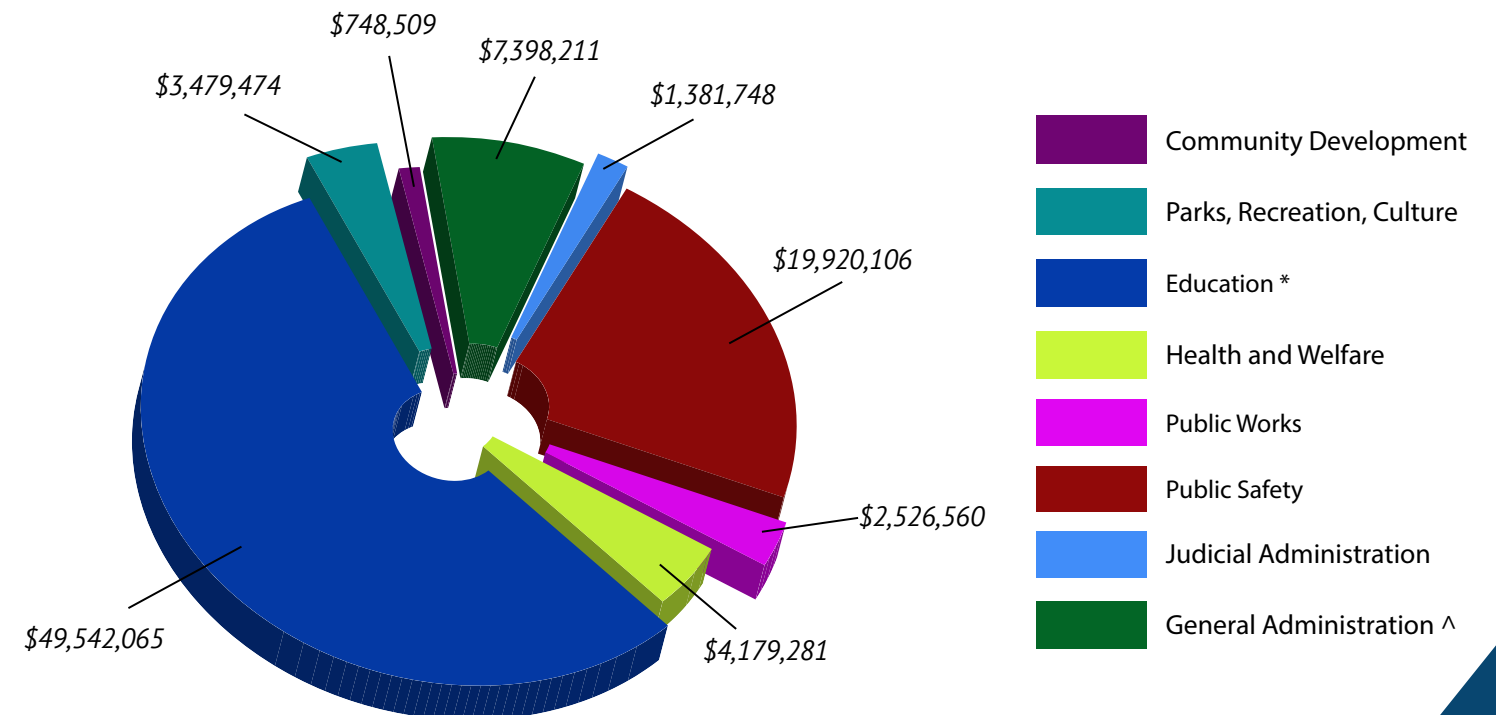
	(5,523,282)	(8,753,556)	(16,417,327)
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*Fund balance funding is not reflected in revenues.*

**FY 2019 REVENUES YEAR TO DATE**



**FY 2019 EXPENDITURES YEAR TO DATE**



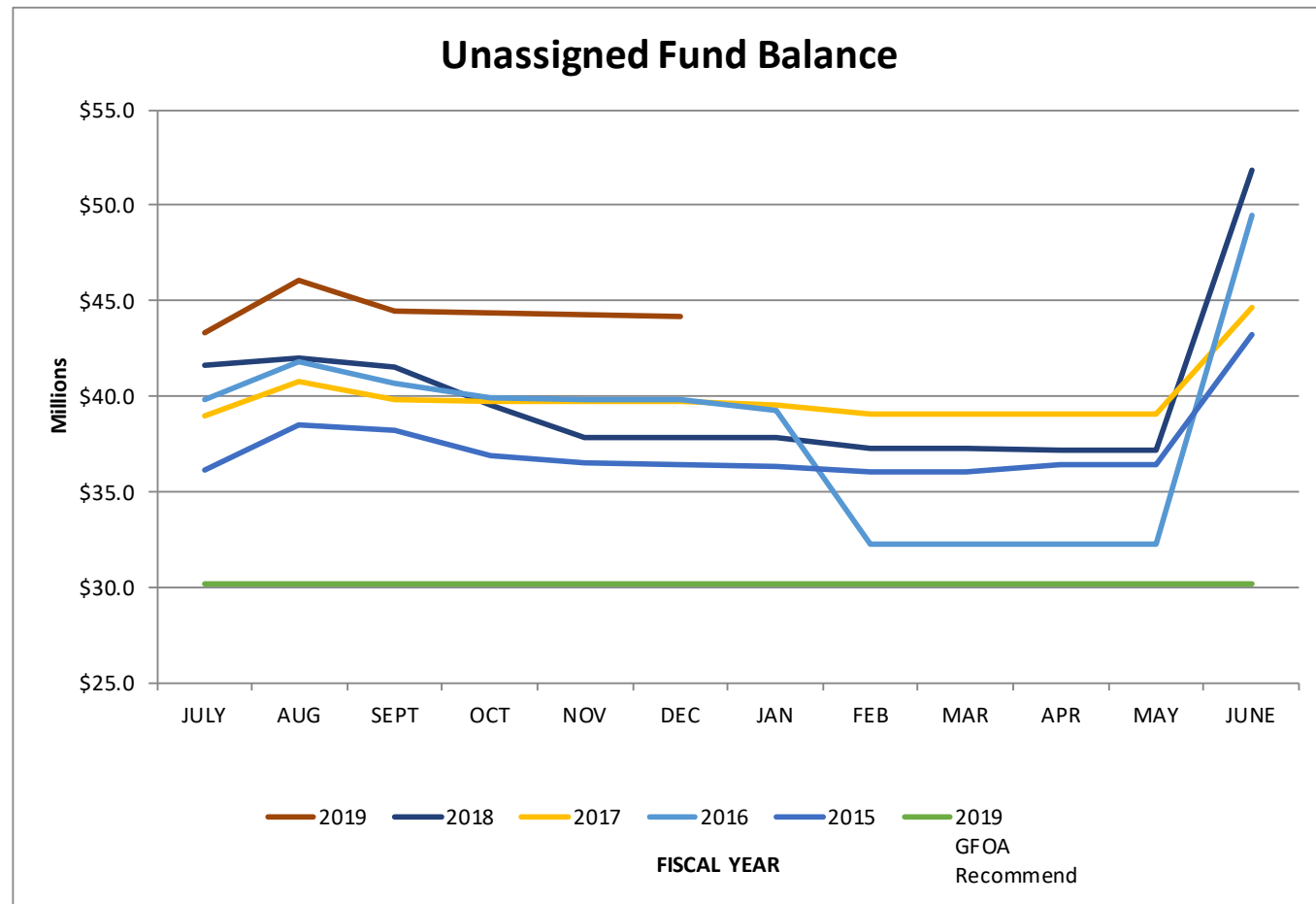
## FY 2019 UNASSIGNED FUND BALANCE As of December 31, 2018

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 operating budget for FY 2019. As of December 31st, the County’s fund balance is above the recommendation at 24% (\$44.2 million). Quarter 2 fund balance has remained steady with a minimal \$214 thousand reduction during the quarter primarily due to Commissioner of the Revenue refunds and funding for an armored van for the Sheriff’s department.

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 million to balance the FY 2019 budget. This represents a decrease of \$0.5 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.



## FREDERICK COUNTY FINANCE COMMITTEE SUMMARY OF ACTION ITEMS—FY 2019, SECOND 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 second quarter of fiscal year 2019:

- October 17, 2018
- November 21, 2018 – canceled
- December 19, 2018

All Finance Committee Agendas and Reports can be found online, [www.fcva.us/fincomm](http://www.fcva.us/fincomm).

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

- \$1,264,000 to implement Phase II Safety & Security upgrades at Frederick County Public Schools.

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

- \$174,185 for a restroom at Sherando Park from proffer funds;
- \$290,451 in state/federal funds for Medicaid expansion;
- \$2,000 for a Secure Your Load grant from DEQ;
- \$3,405 for an insurance claim for stolen equipment from a compactor convenience site;
- \$10,000 for spaying and neutering shelter pets from reserved donations;
- \$4,592 for the Sheriff from the sale of salvage and surplus in excess of budgeted revenue;
- \$203 donation to the Sheriff for the K9;
- \$4,500 reimbursement from the Secret Service for the Sheriff for the purchase of evidence collection and storage equipment;
- \$28,850 for recovered costs for the Sheriff to perform traffic control for independent events;
- \$45,535 for electronic agenda software from reserved PEG funds; and
- \$41,450 to return unspent FY 2018 VJCCA funds to the state.

The committee also held discussions on the following topics:

- FY 2020 budget calendar and priorities;
- The creation of the School Maintenance Equipment Fund to set aside funds for grounds maintenance equipment replacement;
- A transfer of \$42,000 from contingency funds for the Sheriff to purchase radio equipment; and
- A transfer of \$11,251 from contingency funds to hire an IT GIS Technician.

Frederick County has received the Distinguished Budget Presentation Award for the fiscal year 2019 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 “proficient” 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.



*Jennifer L. Place, Budget Analyst / Risk Manager, and Cheryl Shiffler, Director of Finance, were recognized at a recent Board of Supervisors Meeting*

The FY 2019 budget document is available at: [www.fcva.us/budget2019](http://www.fcva.us/budget2019).

The formation of the FY 2020 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, 2019–June 30, 2020. The budget calendar, including all tentative work session dates, can be found on the Proposed 2020 Budget webpage at: [www.fcva.us/budget2020](http://www.fcva.us/budget2020). Additionally, there is a place to submit any budget related questions and the answer will be posted directly to the page.

