

# COMPREHENSIVE ANNUAL



# FINANCIAL REPORT

**COUNTY OF FREDERICK, VIRGINIA**  
**Fiscal Year Ending June 30, 2014**

**- Introductory Section -**

# **COUNTY OF FREDERICK, VIRGINIA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
JUNE 30, 2014**

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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, 2014**

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**COUNTY OF FREDERICK, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**FISCAL YEAR ENDED JUNE 30, 2014**

**BOARD OF SUPERVISORS**

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	Richard C. Shickle, Chairman Charles S. DeHaven, Jr., Vice-Chairman	
Robert Wells Robert A. Hess	Gene E. Fisher	Christopher E. Collins Gary A. Lofton

**COUNTY SCHOOL BOARD**

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	Stuart A. Wolk, Chairman Benjamin F. Waterman, Vice-Chairman	
Jody S. Wall Frank E. Wright	Peggy Clark	Dr. John Lamanna Michael A. Lake

**BOARD OF SOCIAL SERVICES**

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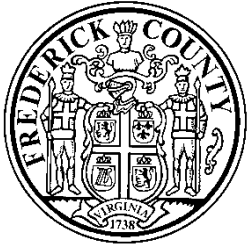
	James Stephens, Chairman Joanne Leonardis, Vice-Chair	
Frank Heisey Susan Marsh	Kathleen Pitcock	Karen Kimble Linda Martenson

**OTHER OFFICIALS**

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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
Ross P. Spicer.....	Commonwealth Attorney
Roderick B. Williams .....	County Attorney
Robert T. Williamson .....	Sheriff
Clifford L. Athey, Jr. ....	Judge of the Circuit Court
David S. Whitacre.....	Judge of the General District Court
Elizabeth K. Burton .....	Judge of the Juvenile and Domestic Relations Court
Rebecca Hogan .....	Clerk of the Circuit Court
Philip S. Braxton .....	Court Services Director
Tamara Green .....	Social Services Director
Charles Devine .....	Health Department District Director
Mark E. Sutphin.....	Frederick County Extension Agent
Richard S. Miller .....	Central Registrar
Dr. David T. Sovine.....	Superintendent of Schools





COUNTY of FREDERICK

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

540/665-5666  
Fax: 540/667-0370  
E-mail: jriley@fcva.us

December 17, 2014

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, 2014 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 81,207 in 2013 based on the U.S. Census Bureau. The per capita income in Winchester-Frederick County was \$40,394 in 2013, 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 is 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 revenue continues to increase at an average rate of 8%. 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**

***Insuring 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
Hillandale 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**

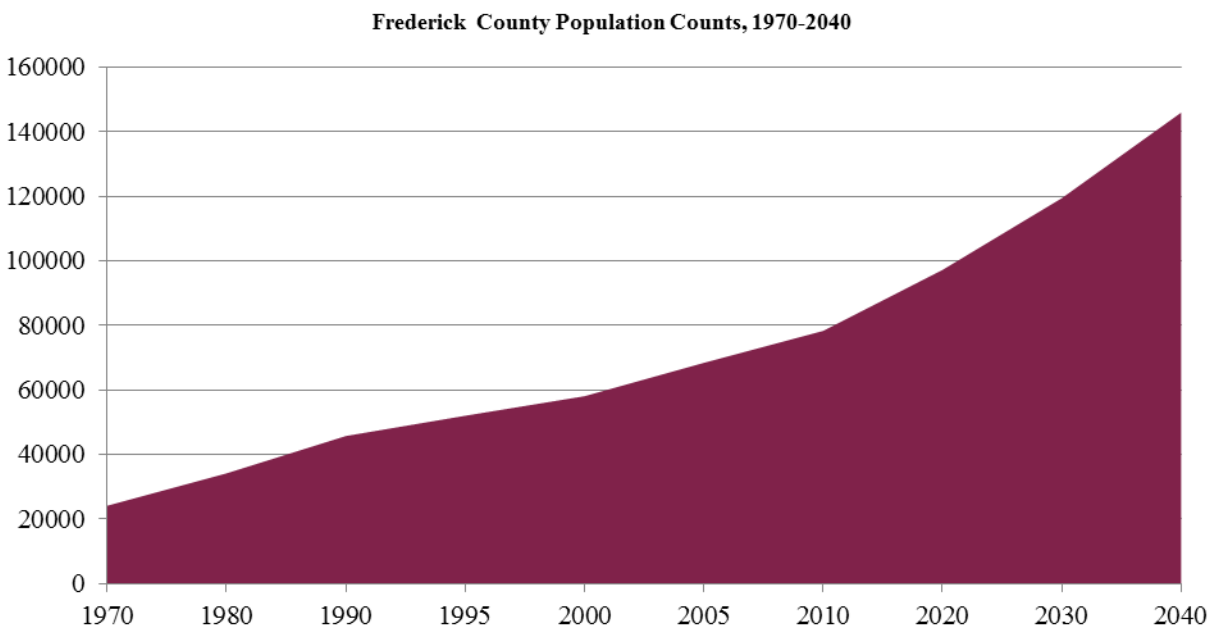
The county can be viewed in terms of three physical areas. The eastern portion of the county contains a band running north-south along the length of the county, which is underlain by Martinsburg shale. This area consists of broad, relatively level ridges separated by steep stream valleys. The soils tend 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 97,189, by 2030 119,420, and by 2040 145,939.



## **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 2004 (fiscal year 2005), student enrollment was 11,745. In the fall of 2013 (fiscal year 2014), student enrollment was 13,163, which represents an increase of 1,418 students, or 12%, since Fiscal Year 2005. The structure of the school division is designed to support the needs of the 13,150 students projected for the school year 2014-2015.

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.

The school board's primary budget priorities for FY 2015 include implementing full-day kindergarten program, improving employee salaries to assure competitiveness in a fiscally responsible manner, providing for staffing appropriate to program needs in excess of Standards of Quality/Standards of Accreditation, and addressing replacement cycles for technology, school buses, and operations. Available additional funds from the County allowed for the first budget priority of implementing full-day kindergarten to be met. After addressing increased costs to continue current programs and services including increased payments to the Virginia Retirement System (VRS), funding was not sufficient enough to address salaries, class sizes, and replacement cycles for technology and buses.

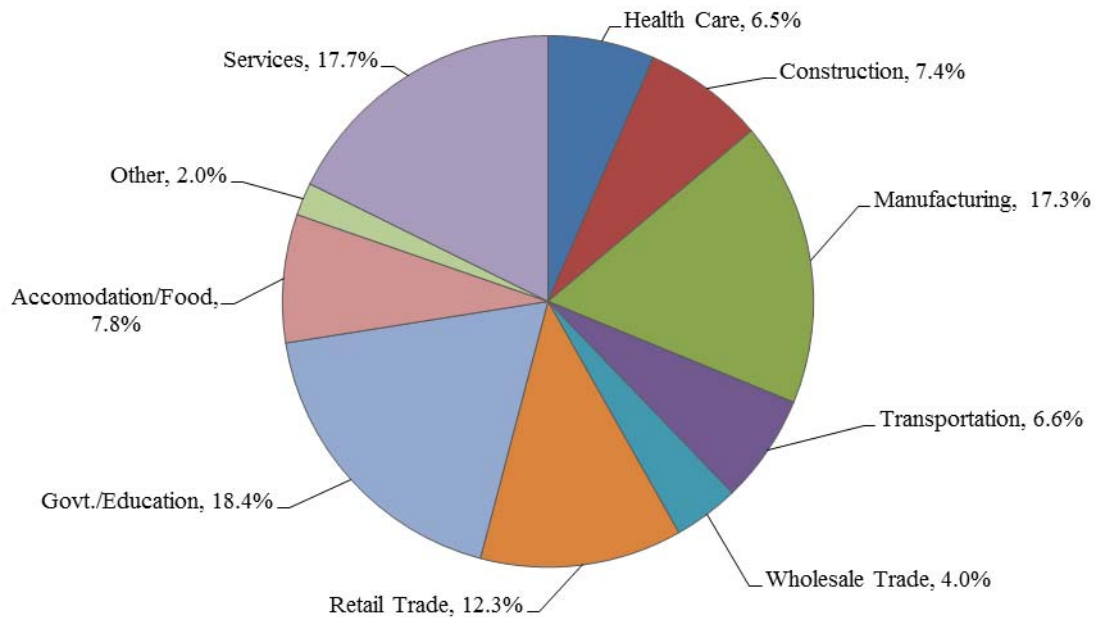
Improvements to salary scales, class sizes, technology, replacement buses/vehicles, student learning, and operational efficiencies are future budget priorities. These priorities will continue to compete with a significant payment increase to the Virginia Retirement System (VRS) – the retirement program provided for educators. 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 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 or discounted the rate for two years to save jobs during the Great Recession. The resulting situation is one of not only increased dollars needed to fund the plan, but also increased attention to the benefits of the program. To help correct the underfunded plan, the General Assembly approved a policy change requiring all school division employees who participate in VRS to pay their 5% member contribution and will be offering a hybrid plan (defined benefit and defined contribution plan) for new hires as of January 1, 2014. Further, the employer's contribution rate will increase every two years for the next six years (at minimum) to help support the imbalance.



## **EMPLOYMENT TRENDS**

Frederick County had a total of 26,864 jobs in the first quarter of 2014 as measured by the Virginia Employment Commission. The largest employment sector was manufacturing which employed 4,610 workers in the first quarter of 2013.

### **Employment Trends - Frederick County - Quarter 1 - 2014**



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 by 1.3%, the Virginia unemployment rate has decreased by 1.1%, and the United States unemployment rate has decreased by 1.5%. The unemployment rate for Frederick County for 2013 was 5.0% compared to the 2012 rate of 5.6%.

## **QUALITY OF LIFE**

### **Higher Education**

Lord Fairfax Community College is a comprehensive, public institution with campuses located in Frederick County, Fauquier County, and Page County and offers more than 75 associate degree and certificate programs in a wide variety of disciplines, in addition to providing access to bachelor's, master's and doctoral degree programs offered on site by a four-year institution. LFCC also serves the business community by offering workforce preparation programs for employees and employers. LFCC serves more than 7,600 unduplicated credit students and more than 10,450 individuals in professional development and business and industry courses annually.

Shenandoah University offers 42 undergraduate and 24 graduate programs with a school enrollment of 4,003 students. The schools include Eleanor Wade Custer School of Nursing, Bernard J. Dunn School of Pharmacy, Harry F. Byrd, Jr. School of Business, School of Health Professions, College of Arts and Sciences, School of Education & Human Development and Shenandoah Conservatory.

There are 22 colleges and universities within a 125 mile radius of Frederick County.

Cost of Living	The cost of living in Frederick County area is about 102.3% of the national average. The median single family detached home sold for approximately \$209,000 in 2013. 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.
Crime	The latest FBI report (data for 2012) gives the crime rate per 100,000 people for the USA as 386.9. The crime rate for Winchester-Frederick County was 188.2 in 2012.
Medical Care	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, WMC is a resource for 400,000 residents in Virginia as well as neighboring West Virginia and Maryland. In 2012, WMC 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. WMC is rated among the top five hospitals in Virginia by U.S. News & World Report.
Library Services	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 38,876 active registered library card holders in Frederick County. During the period of July 1, 2013 through June 30, 2014, Frederick County residents borrowed 514,493 items from the library system.
Parks	<p>Frederick County currently owns and operates two district parks, Cleabrook Park, located in the Stonewall district and Sherando Park, located in the Opequon district. Both parks provide county residents active and passive recreation facilities including multi-use trails, an outdoor swimming pool, ball fields, playgrounds, picnic areas, fishing, and volleyball. In addition, Sherando Park has soccer fields, an eighteen-hole disc golf course, and mountain bike trails.</p> <p>2014 marks an addition to the Frederick County park system with the creation of Rose Hill Park in the Back Creek district. Through a long term agreement with the Museum of the Shenandoah Valley (MSV), Frederick County residents will enjoy year round access to recreational amenities including a one mile trail, playground, picnic shelter, and open play fields once constructed. The partnership approach creating Rose Hill Park represents a cost-effective means of satisfying a long standing Capital Improvement need and will be the first significant increase in Frederick Count Parks and Recreation park land since 1975.</p> <p>There are three neighborhood parks in the County. These are located at Round Hill and Reynolds Store in the Gainesboro district and Frederick Heights in the Redbud district. These parks have playground equipment.</p> <p>Frederick County residents enjoy five community centers located inside of four Frederick County Public School elementary schools and Sherando High School. Two centers boast fitness equipment while four centers have full court gymnasiums.</p> <p>Frederick County Parks and Recreation also provide approximately 200 recreation programs throughout the year. Programs include before and after school, youth sports, adult sports, fitness, general interest, trips, and senior programs. The department also provides two signature special events. Walking in a Winter Wonderland is a month long celebration of lights at Cleabrook Park and the 4th of July Celebration is held at Sherando Park.</p>

## **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, 2014, 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, 2014, 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, 2013. This was the twenty-eighth 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, 2013. This is the eighth 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, 2013 and twenty-eight 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



Government Finance Officers Association

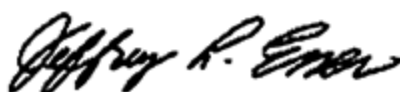
**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**County of Frederick  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**



Executive Director/CEO

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graph TD
    THEPEOPLE[THE PEOPLE] --> CONSTITUTIONAL[CONSTITUTIONAL OFFICERS]
    THEPEOPLE --> SCHOOL[SCHOOL BOARD]
    THEPEOPLE --> BOARDSUP[BOARD OF SUPERVISORS]
    THEPEOPLE --> COURTSY[COURT SYSTEM]

    CONSTITUTIONAL --> CONOFF[• Clerk of the Circuit Court  
• Commissioner of the Revenue  
• Commonwealth's Attorney  
• Sheriff  
• Treasurer]
    CONOFF -.-> DIVCS[DIVISION OF COURT SERVICES]

    BOARDSUP --> COUNTYATT[COUNTY ATTORNEY]
    BOARDSUP --> COUNTYADM[COUNTY ADMINISTRATOR]
    BOARDSUP --> ASADM[ASSISTANT COUNTY ADMINISTRATOR]
    BOARDSUP --> BOARDS[BOARDS, COMMISSIONS & COMMITTEES]
    BOARDSUP --> CCA[COUNTY - CITY AUTHORITIES & BOARDS]

    CCA --> NRC[NORTHWESTERN REGIONAL ADULT DETENTION CENTER]
    CCA --> AIRPORT[AIRPORT]

    DIVCS -.-> DEPTASSE[DEPARTMENT OF ASSESSMENTS]
    DIVCS -.-> DEPTHR[DEPARTMENT OF HUMAN RESOURCES]
    DIVCS -.-> DEPTITM[DEPARTMENT OF INFORMATION TECHNOLOGIES & MANAGEMENT INFORMATION]
    DIVCS -.-> DEPTFIN[DEPARTMENT OF FINANCE]
    DIVCS -.-> DEPTPLD[DEPARTMENT OF PLANNING & DEVELOPMENT]
    DIVCS -.-> DEPTENG[DEPARTMENT OF ENGINEERING & INSPECTIONS]
    DIVCS -.-> DEPTFIR[DEPARTMENT OF FIRE & RESCUE]
    DIVCS -.-> DEPTPRK[DEPARTMENT OF PARKS & RECREATION]
    DIVCS -.-> DEPTPSA[DEPARTMENT OF PUBLIC SAFETY COMMUNICATIONS]

    DEPTPSA --> SHAWNEELAND[SHAWNEELAND]
    DEPTPSA --> LANDFILL[LANDFILL]
    DEPTPSA --> ANIMAL[ANIMAL SHELTER]

    DEPTPSA -.-> DEPTVICT[DEPARTMENT OF VICTIM WITNESS]
    DEPTVICT -.-> DEPTED[DEPARTMENT OF ECONOMIC DEVELOPMENT]
  
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The organizational chart for the County of San Diego is structured as follows:

- THE PEOPLE**
  - CONSTITUTIONAL OFFICERS**
    - Clerk of the Circuit Court
    - Commissioner of the Revenue
    - Commonwealth's Attorney
    - Sheriff
    - Treasurer
  - SCHOOL BOARD**
  - BOARD OF SUPERVISORS**
    - COUNTY ATTORNEY**
    - COUNTY ADMINISTRATOR**
    - ASSISTANT COUNTY ADMINISTRATOR**
    - BOARDS, COMMISSIONS & COMMITTEES**
    - COUNTY - CITY AUTHORITIES & BOARDS**
      - NORTHWESTERN REGIONAL ADULT DETENTION CENTER**
      - AIRPORT**
  - COURT SYSTEM**
    - Circuit Court
    - ◆ Electoral Board
    - ◇ Registrar
    - General District Court
    - Juvenile & Domestic Relations Court
- DIVISION OF COURT SERVICES** (connected to Constitutional Officers and Board of Supervisors)
  - DEPARTMENT OF ASSESSMENTS**
  - DEPARTMENT OF HUMAN RESOURCES**
  - DEPARTMENT OF INFORMATION TECHNOLOGIES & MANAGEMENT INFORMATION**
  - DEPARTMENT OF FINANCE**
  - DEPARTMENT OF PLANNING & DEVELOPMENT**
  - DEPARTMENT OF ENGINEERING & INSPECTIONS**
  - DEPARTMENT OF FIRE & RESCUE**
  - DEPARTMENT OF PARKS & RECREATION**
  - DEPARTMENT OF PUBLIC SAFETY COMMUNICATIONS**
    - SHAWNEELAND**
    - LANDFILL**
    - ANIMAL SHELTER**
  - DEPARTMENT OF VICTIM WITNESS**
    - DEPARTMENT OF ECONOMIC DEVELOPMENT**

**- 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**

### **Report on the Financial Statements**

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 remaining fund information of County of Frederick, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## ***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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12, budgetary comparison information, and schedule 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 required supplementary information 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 information 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Frederick, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

The combining and individual fund financial statements and schedules 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Other Information (continued)*

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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Frederick, Virginia's internal control over financial reporting and compliance.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
December 17, 2014

## **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, 2014. 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 2014:**

#### □ Government-wide Statements:

- On a government-wide basis for governmental activities the County had expenses net of program revenues of \$120.6 million, which was approximately \$7.5 million less than the general revenues of \$128.1 million.
- On a government-wide basis, the governmental activities total net position totaled \$32.2 million.

#### □ Fund Statements:

- The fund financial statements report combined ending general fund balance of \$51.9 million. Of that amount, \$43.5 million reflects unassigned general fund balance.
- General fund property taxes of \$81.6 million equaled over half of the total \$143.5 million in revenues in the general fund.
- The net change in fund balance for the general fund of the prior year was approximately a \$6.1 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 Position and the Statement of Activities, report the County's net position and changes in it. The County's net position can be thought of as the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, which is one way to measure the County's financial position. Over time, increases and decreases in net position can be one indicator that the County's financial health is improving or deteriorating.

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

The Statement of Net Position presents information on all the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources. As discussed earlier, the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is reported as net position. Net position is 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 Position as a financial indicator.

The Statement of Activities provides information on how the net position changed during the year. Since the government-wide financial statements use the accrual method of accounting, changes in net position 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 Position 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 Position:** The following table reflects a comparative condensed Statement of Net Position. In fiscal year 2013 the County implemented GASB 63 and 65, which changed the statement of net assets to the statement of net position and created two additional categories; deferred inflows of resources and deferred outflows of resources.

**Summary Statement of Net Position  
June 30, 2014**

	Governmental Activities		Business-type Activities		Total		Component Units	
	2014	2013	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 117,299,729	\$ 101,372,235	\$ 31,947,400	\$ 30,080,948	\$ 149,247,129	\$ 131,453,183	\$ 33,834,109	\$ 29,174,883
Capital Assets (net)	115,284,381	115,536,710	18,566,343	19,976,018	133,850,724	135,512,728	112,685,514	107,887,096
Total Assets	\$ 232,584,110	\$ 216,908,945	\$ 50,513,743	\$ 50,056,966	\$ 283,097,853	\$ 266,965,911	\$ 146,519,623	\$ 137,061,979
Deferred Outflows of Resources	\$ 5,186	\$ 20,485	\$ -	\$ -	\$ 5,186	\$ -	\$ -	\$ -
Long-term Liabilities	\$ 154,100,401	\$ 152,996,922	\$ 12,117,447	\$ 11,951,465	\$ 166,217,848	\$ 164,948,387	\$ 6,265,111	\$ 5,074,019
Other Liabilities	5,673,250	6,097,630	477,282	728,211	6,150,532	6,825,841	20,029,593	19,663,723
Total Liabilities	\$ 159,773,651	\$ 159,094,552	\$ 12,594,729	\$ 12,679,676	\$ 172,368,380	\$ 171,774,228	\$ 26,294,704	\$ 24,737,742
Deferred Inflows of Resources	\$ 40,587,751	\$ 33,111,991	\$ -	\$ -	\$ 40,587,751	\$ 33,111,991	\$ -	\$ -
Net Position:								
Invested in Capital Assets	\$ (9,979,970)	\$ (12,339,920)	\$ 18,566,343	\$ 19,976,018	\$ 8,586,373	\$ 7,636,098	\$ 112,685,514	\$ 107,887,096
Unrestricted	42,207,864	37,062,807	19,352,671	17,401,272	61,560,535	54,464,079	7,539,405	4,437,141
Total Net Position	\$ 32,227,894	\$ 24,722,887	\$ 37,919,014	\$ 37,377,290	\$ 70,146,908	\$ 62,100,177	\$ 120,224,919	\$ 112,324,237

## Financial Analysis of the County as a Whole: (continued)

The County's combined net position increased from \$62,100,177 to \$70,146,908. This net increase in the amount of \$8,046,731 can be attributed to an increase in governmental activities in the amount of \$7,505,007 and an increase in business-type activities in the amount of \$541,724. Further details of these contributing factors are explained in the following chart.

County of Frederick's Changes in Net Position  
For the Fiscal Year Ended June 30, 2014

	Governmental Activities		Business-type Activities		Total		Component Units	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>								
Program Revenues								
Charges for Services	\$ 5,192,914	\$ 4,279,007	\$ 5,814,664	\$ 5,583,325	\$ 11,007,578	\$ 9,862,332	\$ 2,638,552	\$ 2,685,417
Operating Grants & Contributions	10,689,416	9,506,452	-	-	10,689,416	9,506,452	74,471,052	74,768,920
Capital Grants & Contributions	62,342	728,636	-	-	62,342	728,636	-	-
General Revenues								
Real Estate & Personal Property	83,061,334	80,982,283	-	-	83,061,334	80,982,283	-	-
Other Taxes	29,900,456	28,449,248	-	-	29,900,456	28,449,248	-	-
Payments from Primary Government	-	-	-	-	-	-	72,803,368	65,840,596
Non-restricted Grants	14,692,678	14,653,046	-	-	14,692,678	14,653,046	-	-
Use of Money and Property	176,297	468,591	70,827	60,856	247,124	529,447	395,553	486,839
Miscellaneous	291,589	686,893	124,177	199,307	415,766	886,200	409,804	595,858
<b>Total Revenues</b>	<b>\$ 144,067,026</b>	<b>\$ 139,754,156</b>	<b>\$ 6,009,668</b>	<b>\$ 5,843,488</b>	<b>\$ 150,076,694</b>	<b>\$ 145,597,644</b>	<b>\$ 150,718,329</b>	<b>\$ 144,377,630</b>
<b>Expenses:</b>								
General Government	\$ 7,157,081	\$ 10,139,003	\$ -	\$ -	\$ 7,157,081	\$ 10,139,003	\$ -	\$ -
Judicial Administration	2,782,695	2,530,440	-	-	2,782,695	2,530,440	-	-
Public Safety	29,646,975	26,625,865	-	-	29,646,975	26,625,865	-	-
Public Works	3,452,073	3,636,503	-	-	3,452,073	3,636,503	-	-
Health / Welfare	7,802,908	7,665,498	-	-	7,802,908	7,665,498	-	-
Education	73,378,881	68,200,872	-	-	73,378,881	68,200,872	140,785,270	144,936,085
Parks, Recreation & Culture	5,356,991	5,239,630	-	-	5,356,991	5,239,630	-	-
Community Development	2,149,900	6,829,576	-	-	2,149,900	6,829,576	-	-
Interest on Long-term Debt	4,834,515	5,738,670	-	-	4,834,515	5,738,670	-	-
Landfill Operations	-	-	5,467,944	6,276,718	5,467,944	6,276,718	-	-
Industrial Development Authority	-	-	-	-	-	-	2,032,377	564,831
<b>Total Expenses</b>	<b>\$ 136,562,019</b>	<b>\$ 136,606,057</b>	<b>\$ 5,467,944</b>	<b>\$ 6,276,718</b>	<b>\$ 142,029,963</b>	<b>\$ 142,882,775</b>	<b>\$ 142,817,647</b>	<b>\$ 145,500,916</b>
<b>Expenses (greater than) less than revenues received</b>	<b>\$ 7,505,007</b>	<b>\$ 3,148,099</b>	<b>\$ 541,724</b>	<b>\$ (433,230)</b>	<b>\$ 8,046,731</b>	<b>\$ 2,714,869</b>	<b>\$ 7,900,682</b>	<b>\$ (1,123,286)</b>
Net Position, beginning of year	24,722,887	21,574,788	37,377,290	37,810,520	62,100,177	59,385,308	112,324,237	113,447,523
Net Position, end of year	<u>\$ 32,227,894</u>	<u>\$ 24,722,887</u>	<u>\$ 37,919,014</u>	<u>\$ 37,377,290</u>	<u>\$ 70,146,908</u>	<u>\$ 62,100,177</u>	<u>\$ 120,224,919</u>	<u>\$ 112,324,237</u>

## Revenues:

- **Governmental Activities:** For the fiscal year ended June 30, 2014, revenues from governmental activities totaled \$144,067,026, an increase of \$4.3 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 \$83.1 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 \$1.5 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 increased net position by \$541,724 in FY 2014.
- **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, 2014, expenses related to governmental activities totaled \$136,562,019 which includes payments to the component units. Net position related to governmental activities increased by \$7.5 million.

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

- **Governmental Funds:** Reported combined ending fund balance is \$59,728,587, an increase of \$7.9 million in comparison with the prior year. The increase was mostly a combination of a \$6.1 million increase in General Fund fund balance and a \$0.9 million increase in the School Debt Service Fund fund balance at the end of FY 2014. It was the County's goal to replenish General Fund fund balance by the amount used to balance the budget. At year end this goal was met. The increase in the School Debt Service Fund fund balance is due to a one-time credit received on VPSA debt during the year.

Approximately 73% (\$43,513,213) of the combined ending fund balance is unassigned, which is available for spending at the government's discretion. The FY 2015 budget appropriates \$4.3 million from fund balance to balance the budget. Of the remainder of the fund balance, \$737,911 is nonspendable, \$6,522,185 is restricted, \$7,385,247 is committed and \$1,570,031 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 2013-14 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 Development Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major development projects.
- **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 an increase in net position of \$541,724, while the Internal Service Funds recognized an increase in net position in the amount of \$1,407,495. The Landfill Fund purchased capital assets in the amount of \$402,722 and posted operating income of \$470,897. The Internal Service Funds had operating income of \$1,382,012.

### **General Budgetary Highlights:**

Differences between the original budget appropriations and the final budget appropriations of the general fund resulted in an increase of \$9,039,055 in additional appropriations. Highlights of the budget amendments are as follows:

- \$499,004 in budget amendments for airport capital.
- \$403,648 in budget amendments for the design of Round Hill fire station.
- \$200,000 in budget amendments for a new 911 phone system.
- \$518,089 in budget amendments for tax refunds.
- \$634,506 in budget amendments for fire and rescue staffing and overtime.
- \$1,975,000 in budget amendments for economic development incentives.
- \$287,500 in budget amendments for the Gainesboro convenience site.
- \$725,783 in budget amendments for capital purchases delayed in previous years.
- \$358,861 in budget amendments for a commissioner of the revenue refund to Kraft.

The actual budget was \$5,113,059 less than the final amended budget. Details can be found in Exhibit 12. Significant variances were:

- \$829,217 from general government administration;
- \$494,671 from Sheriff's office;
- \$306,306 from fire & rescue;
- \$288,885 from regional jail;
- \$327,705 from welfare and social services;
- \$760,981 from education services for schools;
- \$379,984 from parks and recreation;
- \$396,362 from economic development.



## **Capital Assets:**

At the end of the Fiscal Year 2014, Governmental Activities had invested \$115,284,381 and the Component Unit School Board had invested \$112,685,514 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	
	2014	2013	2014	2013	2014	2013
Capital Assets not being depreciated:						
Land and Land Improvements	\$ 2,395,824	\$ 2,395,824	\$ 3,310,126	\$ 3,310,126	\$ 5,705,950	\$ 5,705,950
Construction in Progress	54,426	228,864	392,722	-	447,148	228,864
School Construction in Progress	1,966,677	1,270,141	-	-	1,966,677	1,270,141
Total Capital Assets not being depreciated	\$ 4,416,927	\$ 3,894,829	\$ 3,702,848	\$ 3,310,126	\$ 8,119,775	\$ 7,204,955
Other Capital Assets:						
Building and Improvements	\$ 45,427,686	\$ 44,992,446	\$ 2,965,316	\$ 2,965,316	\$ 48,393,002	\$ 47,957,762
Landfill Improvements	-	-	32,103,391	32,103,391	32,103,391	32,103,391
School Building & Improvements	97,872,366	99,922,217	-	-	97,872,366	99,922,217
Furniture, Equipment & Vehicles	10,666,423	9,644,747	4,910,654	4,908,954	15,577,077	14,553,701
Total Other Capital Assets	\$ 153,966,475	\$ 154,559,410	\$ 39,979,361	\$ 39,977,661	\$ 193,945,836	\$ 194,537,071
Less: Accumulated Depreciation	43,099,021	42,917,529	25,115,866	23,311,769	68,214,887	66,229,298
Net Capital Assets	<u>\$ 115,284,381</u>	<u>\$ 115,536,710</u>	<u>\$ 18,566,343</u>	<u>\$ 19,976,018</u>	<u>\$ 133,850,724</u>	<u>\$ 135,512,728</u>

<b>Component Unit School Board Capital Assets</b>		
	2014	2013
Capital Assets not being depreciated:		
Land and Land Improvements	\$ 10,371,499	\$ 8,288,366
Construction in Progress	4,691,309	3,261,272
Construction in Progress Allocated to County	(1,966,677)	(1,270,141)
Total Capital Assets not being depreciated	<u>\$ 13,096,131</u>	<u>\$ 10,279,497</u>
Other Capital Assets:		
Building and Improvements	\$ 251,996,657	\$ 244,346,680
School Buildings and Improvements allocated to County	(97,872,366)	(99,922,217)
Furniture, Equipment & Vehicles	47,755,487	46,193,299
Total Other Capital Assets	<u>\$ 201,879,778</u>	<u>\$ 190,617,762</u>
Less: Accumulated Depreciation	<u>102,290,395</u>	<u>93,010,163</u>
Net Capital Assets	<u>\$ 112,685,514</u>	<u>\$ 107,887,096</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 \$130.9 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, 2014.

	<u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2014</u>
Lease Revenue Bonds Payable	\$ 29,175,000	\$ -	\$ 1,400,000	\$ 27,460,000
General Obligation Bonds:				
Library	2,544,718	-	214,682	2,318,307
School	99,862,566	4,435,000	8,242,606	101,112,810
Add deferred amount for issuance premiums	3,492,698	409,095	478,145	3,755,795
Total School General Obligation Bonds	<u>\$ 103,355,264</u>	<u>\$ 4,844,095</u>	<u>\$ 8,720,751</u>	<u>\$ 104,868,605</u>
State Literary Fund Loans:				
School	3,638,616	-	814,149	2,824,467
Intergovernmental loans	150,375	-	11,753	138,029
Claims	747,397	8,036,969	7,916,524	748,052
Capital leases	271,481	96,644	221,444	173,662
Other post employment benefits	10,776,000	2,545,000	390,000	12,873,000
Compensated absences	3,085,468	2,282,696	1,873,135	3,444,331
Total	<u>\$ 153,744,319</u>	<u>\$ 17,805,404</u>	<u>\$ 21,562,438</u>	<u>\$ 154,848,453</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 Position  
At June 30, 2014

	Governmental Activities	Business-type Activities	Total	Component Units	
				School Board	Economic Development Authority
<b>Assets:</b>					
Cash and cash equivalents	\$ 58,847,338	\$ 19,486,055	\$ 78,333,393	\$ 27,274,612	\$ 203,899
Restricted cash	-	11,938,536	11,938,536	-	-
Receivables, net	48,015,378	522,809	48,538,187	426,817	-
Advance to primary government	-	-	-	-	925,000
Due from other governments	9,699,102	-	9,699,102	4,488,264	-
Intergovernmental loan	734,939	-	734,939	-	-
Prepaid expenses	2,972	-	2,972	-	-
Inventory	-	-	-	515,517	-
Capital assets:					
Land and construction in progress	4,416,927	3,702,848	8,119,775	13,096,131	-
Other capital assets, net of accumulated depreciation	110,867,454	14,863,495	125,730,949	99,589,383	-
Capital assets, net	\$ 115,284,381	\$ 18,566,343	\$ 133,850,724	\$ 112,685,514	\$ -
Total assets	\$ 232,584,110	\$ 50,513,743	\$ 283,097,853	\$ 145,390,724	\$ 1,128,899
<b>Deferred Outflows of Resources:</b>					
Deferred charge on refunding	\$ 5,186	\$ -	\$ 5,186	\$ -	\$ -
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 1,332,983	\$ 476,933	\$ 1,809,916	\$ 18,652,048	\$ -
Accrued interest payable	2,249,020	-	2,249,020	-	-
Claims payable	748,052	-	748,052	1,377,545	-
Advance from component unit	925,000	-	925,000	-	-
Unearned revenue	-	349	349	-	-
Amounts held for others	418,195	-	418,195	-	-
Long-term liabilities:					
Due within one year	14,031,935	125,238	14,157,173	885,776	300,000
Due in more than one year	140,068,466	11,992,209	152,060,675	4,454,335	625,000
Total liabilities	\$ 159,773,651	\$ 12,594,729	\$ 172,368,380	\$ 25,369,704	\$ 925,000
<b>Deferred Inflows of Resources:</b>					
Unearned revenue - taxes	\$ 40,587,751	\$ -	\$ 40,587,751	\$ -	\$ -
<b>Net Position:</b>					
Net investment in capital assets	\$ (9,979,970)	\$ 18,566,343	\$ 8,586,373	\$ 112,685,514	\$ -
Unrestricted	42,207,864	19,352,671	61,560,535	7,335,506	203,899
Total net position	\$ 32,227,894	\$ 37,919,014	\$ 70,146,908	\$ 120,021,020	\$ 203,899

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, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
<b>Primary Government</b>									
<b>Governmental activities</b>									
General government administration	\$ 7,157,081	\$ -	\$ 424,018	\$ -	\$ (6,733,063)	\$ -	\$ (6,733,063)	\$ -	\$ -
Judicial administration	2,782,695	1,068,279	983,756	-	(730,660)	-	(730,660)	-	-
Public safety	29,646,975	2,434,950	3,324,023	-	(23,888,002)	-	(23,888,002)	-	-
Public works	3,452,073	-	15,502	-	(3,436,571)	-	(3,436,571)	-	-
Health and welfare	7,802,908	-	4,766,037	-	(3,036,871)	-	(3,036,871)	-	-
Education	73,378,881	-	-	-	(73,378,881)	-	(73,378,881)	-	-
Parks, recreation and cultural	5,356,991	1,687,485	-	-	(3,669,506)	-	(3,669,506)	-	-
Community development	2,149,900	2,200	900,000	62,342	(1,185,358)	-	(1,185,358)	-	-
Interest on long-term debt	4,834,515	-	276,080	-	(4,558,435)	-	(4,558,435)	-	-
Total governmental activities	\$ 136,562,019	\$ 5,192,914	\$ 10,689,416	\$ 62,342	\$ (120,617,347)	\$ -	\$ (120,617,347)	\$ -	\$ -
<b>Business-type activities</b>									
Landfill operations	5,467,944	5,814,664	-	-	-	346,720	346,720	-	-
<b>Total Primary Government</b>	\$ 142,029,963	\$ 11,007,578	\$ 10,689,416	\$ 62,342	\$ (120,617,347)	\$ 346,720	\$ (120,270,627)	\$ -	\$ -
<b>Component Units</b>									
Frederick County Public Schools	\$ 140,785,270	\$ 2,566,352	\$ 74,471,052	\$ -				\$ (63,747,866)	\$ -
Frederick County Economic Development Authority	2,032,377	72,200	-	-				-	(1,960,177)
<b>Total Component Units</b>	\$ 142,817,647	\$ 2,638,552	\$ 74,471,052	\$ -				\$ (63,747,866)	\$ (1,960,177)
<b>General Revenues</b>									
Taxes:									
General property taxes, real and personal					\$ 83,061,334	\$ -	\$ 83,061,334	\$ -	\$ -
Local sales and use taxes					12,081,490	-	12,081,490	-	-
Business licenses tax					5,993,996	-	5,993,996	-	-
Consumer utility taxes					3,137,815	-	3,137,815	-	-
Meals and lodging taxes					4,786,114	-	4,786,114	-	-
Motor vehicle licenses tax					2,257,014	-	2,257,014	-	-
Taxes on recordation and wills					1,154,855	-	1,154,855	-	-
Other taxes					489,172	-	489,172	-	-
Payment from County of Frederick:									
Education					-	-	-	70,778,368	-
Economic development					-	-	-	-	2,025,000
Grants and contributions not restricted to specific programs					14,692,678	-	14,692,678	-	-
Unrestricted use of money and property					176,297	70,827	247,124	395,534	19
Miscellaneous					291,589	124,177	415,766	409,804	-
Total general revenues					\$ 128,122,354	\$ 195,004	\$ 128,317,358	\$ 71,583,706	\$ 2,025,019
Change in net position					\$ 7,505,007	\$ 541,724	\$ 8,046,731	\$ 7,835,840	\$ 64,842
Net position, beginning of year					24,722,887	37,377,290	62,100,177	112,185,180	139,057
Net position, end of year					\$ 32,227,894	\$ 37,919,014	\$ 70,146,908	\$ 120,021,020	\$ 203,899

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, 2014

	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>Assets</b>							
Cash and cash equivalents	\$ 43,233,443	\$ 2,327,795	\$ 2,563,656	\$ 581,413	\$ 923,436	\$ 1,840,815	\$ 51,470,558
Property taxes receivable, net	42,968,163	1,367,766	1,575,362	-	-	-	45,911,291
Business licenses receivable	1,020,060	-	-	-	-	-	1,020,060
Accounts receivable	1,072,216	4,443	4,688	-	-	2,680	1,084,027
Due from other governments	9,510,393	-	-	-	-	188,709	9,699,102
Intergovernmental loan	734,939	-	-	-	-	-	734,939
Prepaid items	2,972	-	-	-	-	-	2,972
Total assets	<u>\$ 98,542,186</u>	<u>\$ 3,700,004</u>	<u>\$ 4,143,706</u>	<u>\$ 581,413</u>	<u>\$ 923,436</u>	<u>\$ 2,032,204</u>	<u>\$ 109,922,949</u>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ 748,053	\$ 7,846	\$ 184,234	\$ 46,729	\$ 699	\$ 340,464	\$ 1,328,025
Amounts held for others	418,195	-	-	-	-	-	418,195
Total liabilities	<u>\$ 1,166,248</u>	<u>\$ 7,846</u>	<u>\$ 184,234</u>	<u>\$ 46,729</u>	<u>\$ 699</u>	<u>\$ 340,464</u>	<u>\$ 1,746,220</u>
<b>Deferred Inflows of Resources</b>							
Unavailable revenue - business licenses	\$ 1,020,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,020,060
Unavailable revenue - prepaid taxes	2,889,821	25,020	18,656	-	-	-	2,933,497
Unavailable revenue - property taxes	41,605,803	1,349,996	1,538,786	-	-	-	44,494,585
Total deferred inflows of resources	<u>\$ 45,515,684</u>	<u>\$ 1,375,016</u>	<u>\$ 1,557,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,448,142</u>
<b>Fund Balance</b>							
Nonspendable	\$ 737,911	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 737,911
Restricted	5,987,501	-	-	534,684	-	-	6,522,185
Committed	1,616,849	2,317,142	2,402,030	-	-	1,049,226	7,385,247
Assigned	4,780	-	-	-	922,737	642,514	1,570,031
Unassigned	43,513,213	-	-	-	-	-	43,513,213
Total fund balance	<u>\$ 51,860,254</u>	<u>\$ 2,317,142</u>	<u>\$ 2,402,030</u>	<u>\$ 534,684</u>	<u>\$ 922,737</u>	<u>\$ 1,691,740</u>	<u>\$ 59,728,587</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 98,542,186</u>	<u>\$ 3,700,004</u>	<u>\$ 4,143,706</u>	<u>\$ 581,413</u>	<u>\$ 923,436</u>	<u>\$ 2,032,204</u>	<u>\$ 109,922,949</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 Position**  
**At June 30, 2014**

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Total fund balances for governmental funds (Exhibit 3)	\$ 59,728,587
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Total net position reported for governmental activities in the statement of net position 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	\$ 2,395,824
Construction in progress	2,021,103
Buildings and improvements, net of depreciation	31,512,813
Equipment, net of depreciation	2,914,491
School Board capital assets, net of depreciation	<u>76,440,150</u>

Total capital assets	115,284,381
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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 Position. The internal service funds net position are:

6,623,770

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 unavailable revenue in the funds.

7,860,391

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 position are as follows:

Accrued interest payable	\$ (2,249,020)
Long term commitments to IDA	(925,000)
Bonds, notes and capital leases	(134,027,275)
Unamortized bond premium	(3,755,795)
Deferred charge on refunding	5,186
Net OPEB obligation	(12,873,000)
Compensated absences	<u>(3,444,331)</u>

Total	<u>(157,269,235)</u>
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Total net position of governmental activities (Exhibits 1 and 2)	\$ <u>32,227,894</u>
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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, 2014**

	<b>General Fund</b>	<b>Shawneeland Sanitary District Fund</b>	<b>Lake Holiday Sanitary District Fund</b>	<b>Capital Projects Fund</b>	<b>School Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>							
Property taxes	\$ 81,551,677	\$ 728,826	\$ 967,963	\$ -	\$ -	\$ -	\$ 83,248,466
Other local taxes	29,900,456	-	-	-	-	-	29,900,456
Permits, privilege fees and regulatory licenses	1,329,532	-	-	-	-	-	1,329,532
Fines and forfeitures	368,396	-	-	-	-	-	368,396
Use of money and property	155,718	4,723	-	-	-	1,841	162,282
Charges for services	2,099,936	-	-	-	-	1,395,050	3,494,986
Miscellaneous	291,589	-	-	-	-	-	291,589
Recovered costs	3,533,122	3,238	-	4,700	-	114,249	3,655,309
Intergovernmental:							
Revenue from the Commonwealth	21,713,004	-	-	37,342	-	810,135	22,560,481
Revenue from the Federal Government	2,541,792	-	-	-	276,080	66,083	2,883,955
Total revenues	<u>\$ 143,485,222</u>	<u>\$ 736,787</u>	<u>\$ 967,963</u>	<u>\$ 42,042</u>	<u>\$ 276,080</u>	<u>\$ 2,387,358</u>	<u>\$ 147,895,452</u>
<b>Expenditures</b>							
Current:							
General government administration	\$ 8,539,102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,539,102
Judicial administration	2,200,348	-	-	-	-	512,592	2,712,940
Public safety	28,288,145	-	-	-	-	579,886	28,868,031
Public works	4,201,203	-	-	-	-	-	4,201,203
Health and welfare	6,628,245	-	-	-	-	1,039,543	7,667,788
Education - local community college	56,493	-	-	-	-	-	56,493
Education - public school system	71,243,057	-	-	-	1,045,748	666,318	72,955,123
Parks, recreation and cultural	5,000,983	-	-	-	-	-	5,000,983
Community development	3,389,332	522,685	44,613	-	-	-	3,956,630
Capital projects	-	-	-	131,947	-	-	131,947
Debt service:							
Principal payments	1,403,757	-	550,000	-	8,978,905	-	10,932,662
Interest and fiscal charges	963,814	-	527,326	-	3,975,000	-	5,466,140
Total expenditures	<u>\$ 131,914,479</u>	<u>\$ 522,685</u>	<u>\$ 1,121,939</u>	<u>\$ 131,947</u>	<u>\$ 13,999,653</u>	<u>\$ 2,798,339</u>	<u>\$ 150,489,042</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ 11,570,743</u>	<u>\$ 214,102</u>	<u>\$ (153,976)</u>	<u>\$ (89,905)</u>	<u>\$ (13,723,573)</u>	<u>\$ (410,981)</u>	<u>\$ (2,593,590)</u>
<b>Other financing sources (uses)</b>							
Issuance of long-term debt	\$ 9,415,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,415,000
Bond premium	744,930	-	-	-	-	-	744,930
Issuance of capital lease	310,788	-	-	-	-	-	310,788
Transfers in	-	-	-	422,696	14,626,151	880,502	15,929,349
Transfers out	(15,940,817)	-	-	-	-	-	(15,940,817)
Total other financing sources (uses)	<u>\$ (5,470,099)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,696</u>	<u>\$ 14,626,151</u>	<u>\$ 880,502</u>	<u>\$ 10,459,250</u>
Net change in fund balance	<u>\$ 6,100,644</u>	<u>\$ 214,102</u>	<u>\$ (153,976)</u>	<u>\$ 332,791</u>	<u>\$ 902,578</u>	<u>\$ 469,521</u>	<u>\$ 7,865,660</u>
<b>Fund balance, beginning of year</b>	<u>45,759,610</u>	<u>2,103,040</u>	<u>2,556,006</u>	<u>201,893</u>	<u>20,159</u>	<u>1,222,219</u>	<u>51,862,927</u>
<b>Fund balance, end of year</b>	<u>\$ 51,860,254</u>	<u>\$ 2,317,142</u>	<u>\$ 2,402,030</u>	<u>\$ 534,684</u>	<u>\$ 922,737</u>	<u>\$ 1,691,740</u>	<u>\$ 59,728,587</u>

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, 2014**

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 7,865,660
<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	\$ 2,280,529
Depreciation	<u>(4,561,716)</u>
Net adjustment	(2,281,187)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) net position.	(147,897)
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.	2,176,755
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 position revenues are reported when earned. This requires adjustments to convert the revenues to the accrual basis.	(187,132)
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 position, 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 position.	
Debt issued:	
General obligation school bonds	\$ (9,415,000)
Capital leases	(310,788)
Premium on debt:	
General obligation school bonds	(744,930)
Repayments:	
Lease revenue bonds	1,715,000
General obligation library bonds	226,411
General obligation school bonds	8,164,756
State Literary Fund loans	814,149
Intergovernmental loans	12,346
Capital leases	<u>408,607</u>
Net adjustment	870,551
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:	
Compensated absences	\$ (358,863)
Net OPEB obligation	(2,097,000)
Long term commitments to IDA	(375,000)
Amortization of debt premium	481,833
Amortization of advanced refunding defeasance costs	(15,299)
Accrued interest payable	<u>165,091</u>
Net adjustment	(2,199,238)
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.	<u>1,407,495</u>
Change in net position of governmental activities (Exhibit 2)	\$ <u><u>7,505,007</u></u>
The accompanying notes to financial statements are an integral part of this statement.	

## COUNTY OF FREDERICK, VIRGINIA

Statement of Net Position  
Proprietary Funds  
At June 30, 2014

	<b>Business-type Activities - Enterprise Fund Landfill Fund</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 19,486,055	\$ 7,376,780
Restricted cash - landfill closure	11,938,536	-
Receivables, net	522,809	-
Total current assets	\$ 31,947,400	\$ 7,376,780
Noncurrent assets:		
Capital assets:		
Land and improvements	\$ 3,310,126	\$ -
Construction in progress	392,722	-
Other capital assets, net of accumulated depreciation	14,863,495	-
Total noncurrent assets	\$ 18,566,343	\$ -
Total assets	\$ 50,513,743	\$ 7,376,780
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 476,933	\$ 4,958
Unearned revenue	349	-
Compensated absences, current portion	125,238	-
Claims payable	-	748,052
Total current liabilities	\$ 602,520	\$ 753,010
Long-term liabilities:		
Compensated absences, noncurrent portion	\$ 53,673	\$ -
Accrued landfill remediation costs	11,938,536	-
Total long-term liabilities	\$ 11,992,209	\$ -
Total liabilities	\$ 12,594,729	\$ 753,010
<b>Net Position:</b>		
Investment in capital assets	\$ 18,566,343	\$ -
Unrestricted	19,352,671	6,623,770
Total net position	\$ 37,919,014	\$ 6,623,770

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

## COUNTY OF FREDERICK, VIRGINIA

**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2014**

	<b>Business-type Activities - Enterprise Landfill Fund</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Operating revenues:</b>		
Charges for services, net	\$ 5,814,664	\$ 9,202,496
Miscellaneous	124,177	-
Total operating revenues	\$ 5,938,841	\$ 9,202,496
<b>Operating expenses:</b>		
Personal services	\$ 1,123,739	\$ -
Fringe benefits	458,367	7,433,681
Contractual services	918,004	-
Other charges	1,163,737	386,803
Depreciation	1,804,097	-
Total operating expenses	\$ 5,467,944	\$ 7,820,484
<b>Operating income (loss)</b>	\$ 470,897	\$ 1,382,012
<b>Nonoperating revenues:</b>		
Investment income	70,827	14,015
Income before transfers	\$ 541,724	\$ 1,396,027
<b>Transfers in</b>	-	11,468
<b>Change in net position</b>	\$ 541,724	\$ 1,407,495
<b>Total net position, beginning of year</b>	37,377,290	5,216,275
<b>Total net position, end of year</b>	\$ 37,919,014	\$ 6,623,770

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, 2014

	Business-type Activities - Enterprise Landfill Fund	Governmental Activities Internal Service Funds
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 6,033,358	\$ -
Receipts from insured	-	8,807,152
Receipts from services	-	395,344
Other receipts	124,177	-
Payments to employees	(1,562,924)	-
Payments to suppliers	(2,177,815)	(7,855,472)
Other payments	-	(11,468)
Net cash provided by (used for) operating activities	\$ 2,416,796	\$ 1,335,556
<b>Cash flows from noncapital financing activities</b>		
Transfers in	\$ -	\$ 11,468
<b>Cash flows from investing activities</b>		
Investment income	\$ 70,827	\$ 14,015
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	\$ (402,722)	\$ -
Net cash provided by (used for) capital and related financing activities	\$ (402,722)	\$ -
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 2,084,901	\$ 1,361,039
<b>Cash and cash equivalents, beginning of year</b>	29,339,690	6,015,741
<b>Cash and cash equivalents, end of year</b>	\$ 31,424,591	\$ 7,376,780
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ 470,897	\$ 1,382,012
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	1,804,097	-
Loss on disposal of capital assets	8,300	-
Changes in assets and liabilities:		
Receivables	218,449	4,504
Accounts payable and accrued expenses	(251,174)	(47,111)
Unearned revenue	245	(4,504)
Claims payable	19,182	655
Increase in accrued landfill costs	146,800	-
Net cash provided by (used for) operating activities	\$ 2,416,796	\$ 1,335,556

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

## COUNTY OF FREDERICK, VIRGINIA

**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**At June 30, 2014**

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 284,263	\$ 5,229,846
Receivables	-	255,258
Due from other governmental units	-	792,910
Total assets	\$ 284,263	\$ 6,278,014
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 7,500	\$ 990,779
Amounts held for others	-	5,287,235
Total liabilities	\$ 7,500	\$ 6,278,014
<b>Net Position</b>	\$ 276,763	\$ -

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

## COUNTY OF FREDERICK, VIRGINIA

**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2014**

	<b>Private Purpose Trust Funds</b>
<b>Additions:</b>	
Investment earnings	\$ 2,462
Miscellaneous	<u>32,469</u>
Total additions	\$ 34,931
<b>Deductions:</b>	
Education	<u>10,308</u>
Change in net position	\$ 24,623
<b>Net position, beginning of year</b>	<u>252,140</u>
<b>Net position, end of year</b>	<u><u>\$ 276,763</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, 2014

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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 deferred outflows/inflows of resources, 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 Position:**

The Statement of Net Position 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 Position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.



## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (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, 2014 (Continued)

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

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

###### **b. Frederick County Economic Development Authority:**

The Frederick County Economic 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 \$826,050 to the Library for fiscal 2014, 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 \$4,467,002 to the regional jail in fiscal 2014.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (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 \$126,996 and capital grants of \$430,599 to the Authority in fiscal 2014.
- 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 2014.
- 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 2014.
- 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 \$395,276 in operating grants to the Center in fiscal 2014.

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, 2014 (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 2014. 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 Position, 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 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, 2014 (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'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 2014.

##### **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, 2014 (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.
  - EMS Revenue Recovery Fund - This fund accounts for and reports EMS Revenue Recovery charges, which are used to fund expenditures for fire and rescue services. Funding is primarily from charges for services.
- 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:

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2014 (Continued)

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

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

- Detox Center Construction Fund - This fund accounts for and reports 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.
- 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, 2014 (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 Fund:

- Endowment Trust Fund - This fund accounts for funds provided by private donors, the corpus of which is non-expendable. Investment earnings on fund assets must be used in accordance with the stipulations of the donors.

###### 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.
- 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.



## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (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): (Continued)

###### b. Agency Funds: (Continued)

-- 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 and reports 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.

~ 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.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

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

###### 4. Component Units: (Continued)

###### a. Frederick County School Board: (Continued)

###### -- Governmental Funds: (Continued)

~ 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 Funds:

~ 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.

~ Consolidated Services Fund - This fund accounts for and reports the maintenance of County properties. Revenues are primarily from maintenance 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 position 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 activities are either included on the Statement of Net Position or on the Statement of Fiduciary Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

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

The Statement of Net Position, 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 reported as unavailable. 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 will be liquidated with general revenues. 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, 2014 (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, Lake Holiday 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, and School Capital Projects funds. However, appropriations were made for all funds that incurred expenditures during the year.

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, 2014, 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, 2014 (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 \$2,812,374 at June 30, 2014 and is comprised of the following:

General Fund--taxes receivable	\$ 1,410,712
General Fund--street light assessments receivable	17,662
Shawneeland District--taxes receivable	1,300,000
Enterprise Fund--Landfill Fund--accounts receivable	<u>84,000</u>
Total	<u><u>\$ 2,812,374</u></u>

##### **H. Prepaid Items**

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, 2014 (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 and improvements	10 to 20 years
Furniture, equipment, and vehicles	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, 2014.

#### **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, 2014 (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 Position**

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

##### **N. Net Position Flow Assumption**

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

##### **O. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is the deferred amount on refunding reported in the government-wide statement of net position.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

##### **O. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, amounts prepaid on the 2<sup>nd</sup> half installments and the 2<sup>nd</sup> half installment is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> amounts prepaid on the 2<sup>nd</sup> half installments and the 2<sup>nd</sup> half installments are reported as deferred inflows of resources.

##### **P. 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. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.



## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

##### **P. 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, 2014 (Continued)

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

#### P. Fund Equity (Continued)

The following is a detail of fund balances at June 30, 2014:

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	\$ 2,972	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,972	\$ -
Inventory	-	-	-	-	-	-	-	210,365
Noncurrent Loans	734,939	-	-	-	-	-	734,939	-
Total Nonspendable	<u>\$ 737,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 737,911</u>	<u>\$ 210,365</u>
<b>Restricted:</b>								
Peg grant	\$ 244,254	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,254	\$ -
Courthouse ADA Fees	222,146	-	-	-	-	-	222,146	-
Animal Shelter	335,530	-	-	-	-	-	335,530	-
Proffers	5,185,571	-	-	-	-	-	5,185,571	-
Star Fort Fees	-	-	-	-	-	-	-	-
VDOT - Roads	-	-	-	534,684	-	-	534,684	-
Unexpended Bond Proceeds:								
School Improvements	-	-	-	-	-	-	-	4,098,234
Total Restricted	<u>\$ 5,987,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,522,185</u>	<u>\$ 4,098,234</u>
<b>Committed:</b>								
General government - various	\$ 503,848	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 503,848	\$ -
Education	109,448	-	-	-	-	-	109,448	858,814
Capital Projects	-	-	-	-	-	-	-	988,442
School Textbooks	-	-	-	-	-	-	-	1,421,027
Cafeteria	-	-	-	-	-	-	-	1,158,446
Special Grants	-	-	-	-	-	-	-	12,470
Tri Centennial	1,110	-	-	-	-	-	1,110	-
Historical Marker	16,173	-	-	-	-	-	16,173	-
VDOT Revenue Sharing	436,270	-	-	-	-	-	436,270	-
Shawneeland District	-	2,317,142	-	-	-	-	2,317,142	-
Lake Holiday District	-	-	2,402,030	-	-	-	2,402,030	-
Court Services	-	-	-	-	-	277,310	277,310	-
Comprehensive Services Act	-	-	-	-	-	345,264	345,264	-
E.D.C Incentive Funds	550,000	-	-	-	-	-	550,000	-
EMS Revenue Recovery	-	-	-	-	-	426,652	426,652	-
Total Committed	<u>\$ 1,616,849</u>	<u>\$ 2,317,142</u>	<u>\$ 2,402,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,049,226</u>	<u>\$ 7,385,247</u>	<u>\$ 4,439,199</u>
<b>Assigned:</b>								
Conservation Easement	\$ 4,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,780	\$ -
Debt Service	-	-	-	-	922,737	-	922,737	-
Capital Projects	-	-	-	-	-	642,514	642,514	-
Total Assigned	<u>\$ 4,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 922,737</u>	<u>\$ 642,514</u>	<u>\$ 1,570,031</u>	<u>\$ -</u>
<b>Unassigned</b>	<u>\$ 43,513,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,513,213</u>	<u>\$ -</u>
<b>Total Fund Balance</b>	<u>\$ 51,860,254</u>	<u>\$ 2,317,142</u>	<u>\$ 2,402,030</u>	<u>\$ 534,684</u>	<u>\$ 922,737</u>	<u>\$ 1,691,740</u>	<u>\$ 59,728,587</u>	<u>\$ 8,747,798</u>

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

##### **Q. Economic Incentive Grants Payable**

Economic incentive grants payable are recorded when, in management's opinion, failure by the grantee to meet the performance criteria is unlikely. Refunds of these incentives are reflected as revenues when collection is determined to be likely.

The County issued economic development incentive grants to the Industrial Development Authority of Frederick County, Virginia in the amount of \$375,000 in fiscal year 2014. The County had \$925,000 in grants payable due to the Industrial Development Authority of Frederick County, Virginia at June 30, 2014. These funds will be paid in various amounts beginning in fiscal year 2015 through fiscal year 2020.

#### **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, 2014 were held by the County or in the County's name by the County's custodial banks.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

##### Credit Risk of Debt Securities:

The County's rated debt investments as of June 30, 2014 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	\$ -	\$ 7,054,965	\$ -	\$ -
U.S. Government Securities	728,794	-	-	-
Money Market Mutual Fund	18,749,530	-	-	-
Total	<u>\$ 19,478,324</u>	<u>\$ 7,054,965</u>	<u>\$ -</u>	<u>\$ -</u>

##### Interest Rate Risk:

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

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 7,054,965	\$ 7,054,965
U.S. Government Securities	728,794	728,794
Money Market Mutual Fund	18,749,530	18,749,530
Total	<u>\$ 26,533,289</u>	<u>\$ 26,533,289</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.

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2014 (Continued)

### **NOTE 3 - PROPERTY TAXES: (Continued)**

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 2013 were levied by the County Board of Supervisors on April 9, 2013, on the assessed value listed as of January 1, 2013.

Property taxes for calendar year 2014 were levied by the County Board of Supervisors on April 9, 2014, on the assessed value listed as of January 1, 2014.

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 unavailable revenues.

### **NOTE 4 - RECEIVABLES:**

Receivables at June 30, 2014 consist of the following:

	Primary Government					Component Units		
	Governmental Activities				Business- type Activities	Industrial		
	General	Special Revenue	Internal Service	Total		School Board	Development Authority	Fiduciary Activities
Property taxes	\$ 44,378,875	\$ 4,243,128	\$ -	\$ 48,622,003	\$ -	\$ -	\$ -	\$ -
Business licenses	1,020,060	-	-	1,020,060	-	-	-	-
Airport funds	-	-	-	-	-	-	-	61,184
Utility taxes	245,776	-	-	245,776	-	-	-	-
Meals taxes	464,647	-	-	464,647	-	-	-	-
Lodging taxes	69,635	-	-	69,635	-	-	-	-
Landfill fees	-	-	-	-	606,809	-	-	-
Prisoner fees	-	-	-	-	-	-	-	168,074
Penalties and Interest	219,913	9,131	-	229,044	-	-	-	-
Street lights	17,662	-	-	17,662	-	-	-	-
Other	72,245	2,680	-	74,925	-	426,817	-	26,000
Total	\$ 46,488,813	\$ 4,254,939	\$ -	\$ 50,743,752	\$ 606,809	\$ 426,817	\$ -	\$ 255,258
Allowance for uncollectibles	(1,428,374)	(1,300,000)	-	(2,728,374)	(84,000)	-	-	-
Net receivables	\$ 45,060,439	\$ 2,954,939	\$ -	\$ 48,015,378	\$ 522,809	\$ 426,817	\$ -	\$ 255,258

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2014 (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	\$ 2,143,826	\$ -	\$ -	\$ 2,143,826	\$ -	\$ -	\$ -	\$ 41,788
Communication taxes	228,878	-	-	228,878	-	-	-	-
Comprehensive Services Act	-	188,709	-	188,709	-	-	-	-
Shared expenses and grants	310,756	-	-	310,756	-	-	-	-
PPTRA	6,215,370	-	-	6,215,370	-	-	-	-
Public assistance	152,202	-	-	152,202	-	-	-	-
State school funds	-	-	-	-	-	3,034,552	-	-
Federal pass-through school funds	-	-	-	-	-	1,453,712	-	-
Airport	-	-	-	-	-	-	-	-
Jail operations and costs	-	-	-	-	-	-	-	751,122
E-911	152,998	-	-	152,998	-	-	-	-
Other	33,815	-	-	33,815	-	-	-	-
<b>Federal government:</b>								
Criminal justice	18,383	-	-	18,383	-	-	-	-
Airport	-	-	-	-	-	-	-	-
Public assistance	254,165	-	-	254,165	-	-	-	-
Prisoner fees	-	-	-	-	-	-	-	-
<b>Total</b>	<u>\$ 9,510,393</u>	<u>\$ 188,709</u>	<u>\$ -</u>	<u>\$ 9,699,102</u>	<u>\$ -</u>	<u>\$ 4,488,264</u>	<u>\$ -</u>	<u>\$ 792,910</u>

### NOTE 6 - INTERFUND BALANCES AND TRANSFERS:

#### **Primary Government:**

Balances due to/from other funds at June 30, 2014:

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 Capital Projects Fund for various costs	422,696
Transfers to the Unemployment fund from General Fund for various costs	11,468
Transfers to the Comprehensive Services fund from the General Fund for various welfare costs	880,502
Total transfers	<u>\$ 15,940,817</u>

#### **Component Unit School Board:**

Balances due to/from other funds at June 30, 2014:

There were no interfund obligations in the component unit school board.

Transfers to/from other funds:

Transfers to the School Textbook Fund to pay textbook and related costs	\$ 421,508
Transfers to the Consolidated Services Fund to pay maintenance and related costs	4,289
Total transfers	<u>\$ 425,797</u>

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2014 (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, 2014 582,447

Total \$ 734,939

### NOTE 8 - CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2014.

#### **Governmental Activities**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land and land improvements	\$ 2,395,824	\$ -	\$ -	\$ 2,395,824
Construction in progress	228,864	385,834	560,272	54,426
School construction in progress allocated to County *	1,270,141	7,625,590	6,929,054	1,966,677
Total capital assets not being depreciated	<u>\$ 3,894,829</u>	<u>\$ 8,011,424</u>	<u>\$ 7,489,326</u>	<u>\$ 4,416,927</u>
Other capital assets:				
Buildings and improvements	\$ 44,992,446	\$ 440,620	\$ 5,380	\$ 45,427,686
School buildings and improvements *	99,922,217	-	2,049,851	97,872,366
Furniture, equipment and vehicles	9,644,747	2,014,347	992,671	10,666,423
Total other capital assets	<u>\$ 154,559,410</u>	<u>\$ 2,454,967</u>	<u>\$ 3,047,902</u>	<u>\$ 153,966,475</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 12,733,237	\$ 1,187,016	\$ 5,380	\$ 13,914,873
School buildings and improvements *	22,418,266	2,544,020	3,530,070	21,432,216
Furniture, equipment and vehicles	7,766,026	830,680	844,774	7,751,932
Total accumulated depreciation	<u>\$ 42,917,529</u>	<u>\$ 4,561,716</u>	<u>\$ 4,380,224</u>	<u>\$ 43,099,021</u>
Other capital assets, net	<u>\$ 111,641,881</u>	<u>\$ (2,106,749)</u>	<u>\$ (1,332,322)</u>	<u>\$ 110,867,454</u>
Net capital assets	<u>\$ 115,536,710</u>	<u>\$ 5,904,675</u>	<u>\$ 6,157,004</u>	<u>\$ 115,284,381</u>
Depreciation expense was allocated as follows:				
General government administration		\$ 391,766		
Judicial administration		157,146		
Public safety		1,005,891		
Public works		116,376		
Health and welfare		50,629		
Education		2,544,020		
Parks, recreation and cultural		291,241		
Community development		4,647		
Total depreciation expense		<u>\$ 4,561,716</u>		

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2014 (Continued)

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

#### Component Unit School Board

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land and land improvements	\$ 8,288,366	\$ 2,083,133	\$ -	\$ 10,371,499
Construction in progress	3,261,272	8,387,342	6,957,305	4,691,309
Construction in progress allocated to County *	(1,270,141)	(7,625,590)	(6,929,054)	(1,966,677)
Total capital assets not being depreciated	\$ 10,279,497	\$ 2,844,885	\$ 28,251	\$ 13,096,131
Other capital assets:				
Buildings and improvements	\$ 244,346,680	\$ 7,649,977	\$ -	\$ 251,996,657
School buildings and improvements allocated to County *	(99,922,217)	-	(2,049,851)	(97,872,366)
Furniture, equipment and vehicles	46,193,299	1,579,809	17,621	47,755,487
Total other capital assets	\$ 190,617,762	\$ 9,229,786	\$ (2,032,230)	\$ 201,879,778
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 82,970,282	\$ 5,958,411	\$ -	\$ 88,928,693
School buildings and improvements allocated to County *	(22,418,266)	(2,544,020)	(3,530,070)	(21,432,216)
Furniture, equipment and vehicles	32,458,147	2,353,392	17,621	34,793,918
Total accumulated depreciation	\$ 93,010,163	\$ 5,767,783	\$ (3,512,449)	\$ 102,290,395
Other capital assets, net	\$ 97,607,599	\$ 3,462,003	\$ 1,480,219	\$ 99,589,383
Net capital assets	\$ 107,887,096	\$ 6,306,888	\$ 1,508,470	\$ 112,685,514
Depreciation expense allocated to education		\$ 5,767,783		

\* 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 position net investment in capital assets:

Net capital assets	\$ 115,284,381
Long-term debt applicable to capital assets at June 30, 2014	129,362,585
Less: School bond proceeds received but not expended on capital assets at June 30, 2014	(4,098,234)
Net investment in capital assets	\$ (9,979,970)

#### Business Type Activities

##### Landfill Operations

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land and land improvements	\$ 3,310,126	\$ -	\$ -	\$ 3,310,126
Construction in progress	-	392,722	-	392,722
Total capital assets not being depreciated	\$ 3,310,126	\$ 392,722	\$ -	\$ 3,702,848
Other capital assets:				
Buildings and improvements	\$ 2,965,316	\$ -	\$ -	\$ 2,965,316
Landfill improvements	32,103,391	-	-	32,103,391
Furniture, equipment and vehicles	4,908,954	10,000	8,300	4,910,654
Total other capital assets	\$ 39,977,661	\$ 10,000	\$ 8,300	\$ 39,979,361
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 1,126,008	\$ 137,517	\$ -	\$ 1,263,525
Landfill improvements	18,007,550	1,405,482	-	19,413,032
Furniture, equipment and vehicles	4,178,211	261,098	-	4,439,309
Total accumulated depreciation	\$ 23,311,769	\$ 1,804,097	\$ -	\$ 25,115,866
Other capital assets, net	\$ 16,665,892	\$ (1,794,097)	\$ 8,300	\$ 14,863,495
Net capital assets	\$ 19,976,018	\$ (1,401,375)	\$ 8,300	\$ 18,566,343



# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2014 (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 postemployment benefit obligations for the County. The School Operating Fund is used to liquidate the net other postemployment benefit obligations for the School Board.

The following is a summary of long-term obligations transactions of the County for the year ended June 30, 2014.

	Balance July 1, 2013	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2014	Amounts Due Within One Year
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
Lease revenue bonds	\$ 29,175,000	\$ -	\$ 1,715,000	\$ 27,460,000	\$ 1,551,250
County General obligation bonds:					
Library	2,544,718	-	226,411	2,318,307	238,781
School General obligation bonds:					
School	99,862,566	9,415,000	8,164,756	101,112,810	8,422,722
Add deferred amount for issuance premiums	3,492,698	744,930	481,833	3,755,795	508,222
Total School General obligation bonds	\$ 103,355,264	\$ 10,159,930	\$ 8,646,589	\$ 104,868,605	\$ 8,930,944
State Literary Fund loans:					
School	3,638,616	-	814,149	2,824,467	814,149
Intergovernmental loans	150,375	-	12,346	138,029	12,739
Claims	747,397	7,426,859	7,426,204	748,052	748,052
Capital leases	271,481	310,788	408,607	173,662	73,040
Net OPEB obligation	10,776,000	2,582,000	485,000	12,873,000	-
Compensated absences	3,085,468	2,518,691	2,159,828	3,444,331	2,411,032
Total governmental activities	\$ 153,744,319	\$ 22,998,268	\$ 21,894,134	\$ 154,848,453	\$ 14,779,987
Reconciliation to Exhibit 1:					
Claims				\$ 748,052	
Long-term liabilities due within one year				14,031,935	
Long-term liabilities due in more than one year				140,068,466	
Total long-term obligations				\$ 154,848,453	
<b>Business-type activities:</b>					
Compensated absences	\$ 159,729	\$ 130,992	\$ 111,810	\$ 178,911	\$ 125,238
Accrued landfill remediation costs	11,791,736	146,800	-	11,938,536	-
Total business-type activities	\$ 11,951,465	\$ 277,792	\$ 111,810	\$ 12,117,447	\$ 125,238
Reconciliation to Exhibit 1:					
Long-term liabilities due within one year				\$ 125,238	
Long-term liabilities due in more than one year				11,992,209	
Total long-term obligations				\$ 12,117,447	

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2014 (Continued)

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

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

Year Ending June 30,	General Obligation Bonds		Literary Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 8,661,503	\$ 4,720,097	\$ 814,149	\$ 84,734	\$ 73,040	\$ 1,620
2016	8,887,671	4,320,644	814,149	60,310	75,247	1,165
2017	8,719,713	3,896,361	814,169	35,885	20,502	516
2018	8,677,680	3,480,468	382,000	11,460	4,873	25
2019	8,631,620	3,069,991	-	-	-	-
2020-2024	36,982,930	9,726,722	-	-	-	-
2025-2029	17,505,000	3,796,239	-	-	-	-
2030-2034	5,150,000	836,086	-	-	-	-
2035-2039	215,000	3,816	-	-	-	-
2040-2044	-	-	-	-	-	-
Total	<u>\$ 103,431,117</u>	<u>\$ 33,850,424</u>	<u>\$ 2,824,467</u>	<u>\$ 192,389</u>	<u>\$ 173,662</u>	<u>\$ 3,326</u>

Year Ending June 30,	Lease Revenue Bonds		Intergovernmental Loans	
	Principal	Interest	Principal	Interest
2015	\$ 1,551,250	\$ 1,259,339	\$ 12,739	\$ 5,041
2016	877,500	1,207,318	13,094	4,586
2017	911,250	1,172,320	13,726	4,113
2018	951,250	1,135,974	14,119	3,614
2019	991,250	1,098,032	79,056	9,786
2020-2024	5,638,750	4,819,646	5,295	118
2025-2029	7,118,750	3,357,774	-	-
2030-2034	6,905,000	1,521,723	-	-
2035-2039	2,515,000	180,500	-	-
Total	<u>\$ 27,460,000</u>	<u>\$ 15,752,626</u>	<u>\$ 138,029</u>	<u>\$ 27,258</u>

The cost of equipment under current capital leases is \$1,312,017.

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2014 (Continued)

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

<b>Details of Long-Term Indebtedness: Governmental activities:</b>	<b>Amount Outstanding</b>
<u>Lease Revenue Bonds:</u>	
\$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	\$ 705,000
\$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	18,355,000
\$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	<u>8,400,000</u>
Total lease revenue bonds	<u>\$ 27,460,000</u>
<u>General Obligation Bonds:</u>	
\$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>\$ 2,318,307</u>
<u>General Obligation School Bonds:</u>	
\$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	\$ 370,000
\$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%	180,000
\$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%	260,000
\$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%	800,000
\$4,650,000 School Bonds, issued April 1999, maturing in annual installments of \$236,000 to \$448,000 through January 2020, interest at 5%	1,380,000
\$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%	1,230,000
\$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%	6,720,000
\$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%	2,440,000
\$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%	3,765,000

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2014 (Continued)

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

<b>Details of Long-Term Indebtedness: (continued)</b>	<b>Amount Outstanding</b>
<b>Governmental activities: (continued)</b>	
<b><u>General Obligation School Bonds: (continued)</u></b>	
\$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%	1,485,000
\$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%	1,812,810
\$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%	6,305,000
\$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%	2,980,000
\$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%	4,710,000
\$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%	4,680,000
\$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%	3,595,000
\$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%	3,405,000
\$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%	4,095,000
\$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%	3,770,000
\$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%	3,050,000
\$3,800,000 School Bonds, issued November 4, 2007, maturing in annual installments of \$190,000 through July 15, 2027, interest at 5.10%	2,660,000
\$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%	10,075,000
\$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%	4,275,000
\$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%	7,175,000
\$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%	6,270,000
\$4,435,000 School Bonds, issued October 29, 2012, maturing in annual installments of \$220,000 to \$225,000 through July 15, 2032, interest at 2.05% to 5.05%	4,210,000
\$5,025,000 School Bonds, issued November 5, 2013, maturing in annual installments of \$250,000 to \$255,000 through July 15, 2033, interest at 2.30% to 5.05%	5,025,000
\$4,390,000 School Bonds, issued April 24, 2014, maturing in annual installments of \$215,000 to \$220,000 through July 15, 2034, interest at 2.67% to 5.05%	4,390,000
Total School Bonds	<u>\$101,112,810</u>

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2014 (Continued)

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

<b>Details of Long-Term Indebtedness: (continued)</b>	<b>Amount Outstanding</b>
<b>Governmental activities: (continued)</b>	
<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%	\$ 750,000
\$1,500,052, issued May 30, 1997, due in annual installments of \$75,002 through July 1, 2017, interest at 3%	225,018
\$2,142,948, issued May 30, 1997, due in annual installments of \$107,147 through July 1, 2017, interest at 3%	321,449
\$3,000,000, issued September 2, 1997, due in annual installments of \$150,000 through September 2, 2017, interest at 3%	600,000
\$4,640,000, issued September 2, 1997, due in annual installments of \$232,000 through September 2, 2017, interest at 3%	928,000
Total State Literary Fund Loans	<u>\$ 2,824,467</u>
<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>\$ 138,029</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, 2014 is	<u>\$ 173,662</u>
Claims	<u>\$ 748,052</u>
Net OPEB obligation	<u>\$ 12,873,000</u>
Compensated absences	<u>\$ 3,444,331</u>
Total governmental long-term obligations	\$ 151,092,658
Add deferred amount for issuance premiums	<u>3,755,795</u>
Net governmental activities long-term obligations	<u><u>\$ 154,848,453</u></u>
<b>Business-type activities:</b>	
Compensated absences	<u>\$ 178,911</u>
Landfill remediation costs	<u>\$ 11,938,536</u>
Total business-type activities long-term obligations	<u><u>\$ 12,117,447</u></u>

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

##### **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, 2014, \$4,835,000 of bonds outstanding are considered to be defeased.

##### **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.

##### **Component Unit School Board:**

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2014.

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Amounts Due Within One Year
Claims	\$ 1,377,032	\$ 14,327,847	\$ 14,327,334	\$ 1,377,545	\$ 1,377,545
Net OPEB obligation	2,857,000	713,000	320,000	3,250,000	-
Compensated absences	1,667,019	1,245,922	822,830	2,090,111	885,776
Total	<u>\$ 5,901,051</u>	<u>\$ 16,286,769</u>	<u>\$ 15,470,164</u>	<u>\$ 6,717,656</u>	<u>\$ 2,263,321</u>
Reconciliation to Exhibit 1:					
Claims				\$ 1,377,545	
Long-term liabilities due within one year				885,776	
Long-term liabilities due in more than one year				4,454,335	
Total long-term obligations				<u>\$ 6,717,656</u>	

#### **NOTE 10 - PENSION PLAN:**

##### **A. Plan Description:**

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

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

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

<b>VRS - PLAN 1</b>
---------------------

- 1. Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

- 4. Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- 5. Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

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

<b>VRS - PLAN 1 (Continued)</b>
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6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.



## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

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

<b>VRS - PLAN 1 (Continued)</b>
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- 14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

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

<b>VRS - PLAN 2</b>
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- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

- 4. Retirement Contributions** - Same as VRS Plan 1 - Refer to Section 4.
- 5. Creditable Service** - Same as VRS Plan 1 - Refer to Section 5.
- 6. Vesting** - Same as VRS Plan 1 - Refer to Section 6.
- 7. Calculating the Benefit** - Same as VRS Plan 1 - Refer to Section 7.
- 8. Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- 9. Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

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

<b>VRS - PLAN 2 (Continued)</b>
---------------------------------

**10. Normal Retirement Age** - Normal Social Security retirement age.

**11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

**12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

**13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

**14. Eligibility** - Same as VRS Plan 1 - Refer to Section 14.

**15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1 - Refer to Section 15.

**16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**17. Purchase of Prior Service** - Same as VRS Plan 1 - Refer to Section 17.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

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

<b>HYBRID RETIREMENT PLAN</b>
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1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
  - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
  - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
  - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
  - State employees\*
  - School division employees
  - Political subdivision employees\*
  - Judges appointed or elected to an original term on or after January 1, 2014
  - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014
3. **\*Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
  - Members of the State Police Officers’ Retirement System (SPORS)
  - Members of the Virginia Law Officers’ Retirement System (VaLORS)
  - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

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

<b>HYBRID RETIREMENT PLAN (Continued)</b>
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- 4. Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

**5. Creditable Service**

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

**6. Vesting**

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

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

<b>HYBRID RETIREMENT PLAN (Continued)</b>
---

##### **6. Vesting (Continued)**

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

##### **7. Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1 - Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

- 8. Average Final Compensation** - Same as VRS Plan 2 - Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

- 9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

##### **10. Normal Retirement Age**

Defined Benefit Component - Same as VRS Plan 2 - Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

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

<b>HYBRID RETIREMENT PLAN (Continued)</b>
---

##### **11. Earliest Unreduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

##### **12. Earliest Reduced Retirement Eligibility**

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

##### **13. Cost-of-Living Adjustment (COLA) in Retirement**

Defined Benefit Component - Same as VRS Plan 2 - Refer to Section 13.

Defined Contribution Component - Not Applicable.

##### **14. Eligibility** - Same as VRS Plan 1 and VRS Plan 2 - Refer to Section 14.

##### **15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1 and VRS Plan 2 - Refer to Section 15.

##### **16. Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

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

<b>HYBRID RETIREMENT PLAN (Continued)</b>
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##### **17. Purchase of Prior Service**

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2 - Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report 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/2013-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 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its 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 Board's contribution rates for the fiscal year ended 2014 were 12.93% and 9.52% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$8,829,333, \$8,093,054, and \$4,558,179, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

##### **C. Annual Pension Cost:**

For fiscal year 2014, County's annual pension cost of \$4,192,769 was equal to the County's required and actual contributions.

For fiscal year 2014, School Board's annual pension cost of \$711,540 was equal to the School Board's required and actual contributions.



## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

##### **C. Annual Pension Cost: (Continued)**

Three-Year Trend Information for the County and School Board			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2014	\$ 4,192,769	100%	\$ -
June 30, 2013	4,125,663	100%	-
June 30, 2012	3,127,399	100%	-
School Board Non-Professional:			
June 30, 2014	\$ 711,540	100%	\$ -
June 30, 2013	702,078	100%	-
June 30, 2012	541,178	100%	-

(1) Employer portion only

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan 1 employees and 2.25% for Plan 2 employees. 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 payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

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

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 76.51% funded. The actuarial accrued liability for benefits was \$115,989,690, and the actuarial value of assets was \$88,739,512, resulting in an unfunded actuarial accrued liability (UAAL) of \$27,250,178. The covered payroll (annual payroll of active employees covered by the plan) was \$31,493,616 and ratio of the UAAL to the covered payroll was 86.53%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 88.69% funded. The actuarial accrued liability for benefits was \$18,903,166, and the actuarial value of assets was \$16,764,955, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,138,211. The covered payroll (annual payroll of active employees covered by the plan) was \$7,476,520 and ratio of the UAAL to the covered payroll was 28.60%.

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.

# COUNTY OF FREDERICK, VIRGINIA

## Notes to Financial Statements At June 30, 2014 (Continued)

### **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, 2014:

<u>Department</u>	<u>Excess Amount</u>
Tax relief for the elderly	\$ 17,134

### **NOTE 12 - UNAVAILABLE/UNEARNED REVENUE:**

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
<b>Primary Government:</b>		
Unavailable property tax revenue:		
Unavailable 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.	\$ -	\$ 1,020,060
Unavailable 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.	37,654,254	44,494,585
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	<u>2,933,497</u>	<u>2,933,497</u>
Total governmental activities	<u>\$ 40,587,751</u>	<u>\$ 48,448,142</u>
	<u>Government-wide Statements</u>	<u>Statement of Net Position</u>
	<u>Business-type Activities</u>	<u>Enterprise Funds</u>
Unearned revenue from landfill operations	<u>\$ 349</u>	<u>\$ 349</u>
Total primary government	<u>\$ 40,588,100</u>	<u>\$ 48,448,491</u>

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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#### **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.

The County and School Board have authorized and/or commenced construction on various capital projects. At June 30, 2014 the following significant items were in process:

- Drainage Improvements Project - estimated completion cost is \$1,033,037.
- Transportation Facility - estimated completion cost is \$5,000.
- R. E. Aylor Chiller - estimated completion cost is \$22,520.
- Landfill Gas Expansion - estimated completion cost is \$7,370.

*Encumbrances.* As discussed in Note 1, 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>613,296</u>
Total	\$ <u><u>613,296</u></u>

#### **NOTE 14 - LITIGATION:**

At June 30, 2014 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.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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#### **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

#### **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 2012, 2013 and 2014 are listed as follows:

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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#### **NOTE 16 - SELF INSURANCE/RISK MANAGEMENT:** (Continued)

##### Employee Health Insurance: (Continued)

<u>Funds</u>	<u>Estimated Claims Liability Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Estimated Claims Liability End of Fiscal Year</u>
<b>Primary Government:</b>				
Insurance Internal Service Fund				
2012	\$ 563,955	\$ 6,829,862	\$ 6,766,865	\$ 626,952
2013	626,952	8,036,969	7,916,524	747,397
2014	747,397	7,426,859	7,426,204	748,052
<b>Component Unit School Board:</b>				
School Operating and Health Insurance Funds				
2012	\$ 1,094,918	\$ 14,385,461	\$ 14,160,377	\$ 1,320,002
2013	1,320,002	14,802,279	14,745,249	1,377,032
2014	1,377,032	14,327,847	14,327,334	1,377,545

##### 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 Risk Management Program 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 Risk Management Program 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.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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#### **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 \$11,938,536 reported as landfill closure and postclosure care liability at June 30, 2014 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 \$11,938,536 reported as the accrued landfill liability and postclosure costs reflects usage on the new landfill from October 5, 1993 to June 30, 2014. 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 2014. Actual cost may not be higher due to inflation, changes in technology, or changes in regulations.

At June 30, 2014, the solid waste landfill capacity used to date was approximately 25% and 18% for the construction/demolition debris section of the landfill.

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, 2014 is \$21,255,000 for the municipal solid waste landfill and \$3,945,000 for the construction/demolition debris landfill.

#### **NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:**

##### **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 postemployment benefit plan report for the County's medical plan.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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#### **NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:** (Continued)

##### **County:** (Continued)

##### **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 postemployment 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 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	\$ 2,876,000
Interest on net OPEB obligation	(671,000)
Adjustment to annual required contribution	<u>377,000</u>
Annual OPEB cost (expense)	\$ 2,582,000
Contribution made	<u>485,000</u>
Increase in net OPEB obligation	\$ 2,097,000
Net OPEB obligation - beginning of year	<u>10,776,000</u>
Net OPEB obligation - end of year	<u><u>\$ 12,873,000</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 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, 2014	\$ 2,582,000	18.8%	\$ 12,873,000
June 30, 2013	\$ 2,545,000	15.3%	\$ 10,776,000
June 30, 2012	\$ 2,372,000	13.4%	\$ 8,621,000

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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#### **NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:** (Continued)

##### **County:** (Continued)

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

The funded status of the plan as of July 1, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 27,572,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	27,572,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	32,304,393
UAAL as a percentage of covered payroll	85%

##### **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.



## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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#### **NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:** (Continued)

##### **County:** (Continued)

##### **E. Actuarial Methods and Assumptions:** (Continued)

###### Interest Assumptions

In the July 1, 2013, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.5 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 8.0 percent initially, reduced by decrements to an ultimate rate of 4.20 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, 2013 was thirty years.

	<u>Unfunded</u>
Discount rate	3.50%
Payroll growth	0.00%

##### **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 postemployment 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.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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#### **NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:** (Continued)

##### **School Board:** (Continued)

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

The School Board's annual other postemployment 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	\$ 725,000
Interest on net OPEB obligation	114,000
Adjustment to annual required contribution	<u>(126,000)</u>
Annual OPEB cost (expense)	\$ 713,000
Contribution made	<u>320,000</u>
Increase in net OPEB obligation	\$ 393,000
Net OPEB obligation - beginning of year	<u>2,857,000</u>
Net OPEB obligation - end of year	<u><u>\$ 3,250,000</u></u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 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, 2014	\$ 713,000	45%	\$ 3,250,000
June 30, 2013	\$ 1,049,000	34%	\$ 2,857,000
June 30, 2012	\$ 982,000	32%	\$ 2,166,000

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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#### **NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:** (Continued)

##### **School Board:** (Continued)

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

The funded status of the plan as of July 1, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 6,065,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	6,065,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	83,197,429
UAAL as a percentage of covered payroll	7%

##### **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.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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#### **NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:** (Continued)

##### **School Board:** (Continued)

##### **E. Actuarial Methods and Assumptions:** (Continued)

###### Interest Assumptions

In the July 1, 2013, 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, 2013 was thirty years.

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

#### **NOTE 19 - VRS HEALTH INSURANCE CREDIT - OTHER POSTEMPLOYMENT BENEFITS:**

##### **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.

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.

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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#### **NOTE 19 - VRS HEALTH INSURANCE CREDIT - OTHER POSTEMPLOYMENT BENEFITS:** (Continued)

##### **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 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2014, 2013, and 2012 were \$840,528, \$770,197, and \$432,055, respectively and equaled the required contributions for each year.

#### **NOTE 20 - FUTURE ACCOUNTING AND REPORTING CHANGES:**

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014 (fiscal year ended June 30, 2015). The County has not determined the impact of this pronouncement on its financial statements.

**- Required Supplementary Information -**

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 87,168,379	\$ 87,168,379	\$ 81,551,677	\$ (5,616,702)
Other local taxes	27,129,460	27,129,460	29,900,456	2,770,996
Permits, privilege fees and regulatory licenses	956,610	971,610	1,329,532	357,922
Fines and forfeitures	280,000	280,000	368,396	88,396
Use of money and property	131,120	171,452	155,718	(15,734)
Charges for services	2,309,230	2,312,630	2,099,936	(212,694)
Miscellaneous	231,295	266,395	291,589	25,194
Recovered costs	916,702	971,622	3,533,122	2,561,500
Intergovernmental:				
Revenue from the Commonwealth	9,577,611	10,999,929	21,713,004	10,713,075
Revenue from the Federal Government	24,000	26,398	2,541,792	2,515,394
Total revenues	\$ 128,724,407	\$ 130,297,875	\$ 143,485,222	\$ 13,187,347
<b>Expenditures</b>				
Current:				
General Government Administration:				
Board of supervisors	\$ 245,957	\$ 259,582	\$ 236,873	\$ 22,709
County administrator	594,848	616,574	608,992	7,582
County attorney	216,275	231,982	228,949	3,033
Personnel	305,347	321,689	311,106	10,583
Independent auditor	66,000	66,000	63,500	2,500
Commissioner of the Revenue	1,104,063	1,176,321	1,164,960	11,361
Board of assessors	247,913	228,699	153,089	75,610
Treasurer	1,132,426	1,162,636	1,099,543	63,093
Finance	704,592	723,805	719,538	4,267
Information technology	1,137,438	1,511,356	1,392,951	118,405
Management information systems	496,033	515,942	488,936	27,006
Other	2,264,030	2,290,864	1,840,548	450,316
Elections	106,037	106,137	83,279	22,858
Registrar	155,607	156,732	146,838	9,894
Total general government administration	\$ 8,776,566	\$ 9,368,319	\$ 8,539,102	\$ 829,217
Judicial Administration:				
Circuit court	\$ 60,300	\$ 60,300	\$ 56,590	\$ 3,710
General district court	16,293	16,293	11,498	4,795
Juvenile and domestic relations court	19,717	19,717	13,558	6,159
Clerk of the circuit court	685,998	696,707	640,686	56,021
Law library	12,000	12,000	10,748	1,252
Juvenile court probation	138,760	145,417	121,288	24,129

**COUNTY OF FREDERICK, VIRGINIA**

**Budgetary Comparison Schedule  
General Fund (Continued)  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Expenditures (Continued)</b>				
Judicial Administration: (Continued)				
Commonwealth attorney	\$ 1,201,338	\$ 1,356,004	\$ 1,243,437	\$ 112,567
Victim/witness program	129,106	130,828	102,543	28,285
Total judicial administration	<u>\$ 2,263,512</u>	<u>\$ 2,437,266</u>	<u>\$ 2,200,348</u>	<u>\$ 236,918</u>
Public Safety:				
Sheriff	\$ 10,449,268	\$ 12,183,482	\$ 11,688,811	\$ 494,671
Volunteer fire departments	701,431	1,031,265	878,192	153,073
Ambulance and rescue service	391,219	806,793	737,392	69,401
Fire and rescue	6,335,034	7,685,407	7,379,101	306,306
Regional jail	4,755,887	4,755,887	4,467,002	288,885
Juvenile detention center	395,456	395,456	395,276	180
Inspections	1,023,851	1,132,932	1,084,947	47,985
Public safety communications	1,589,129	1,840,803	1,657,424	183,379
Total public safety	<u>\$ 25,641,275</u>	<u>\$ 29,832,025</u>	<u>\$ 28,288,145</u>	<u>\$ 1,543,880</u>
Public Works:				
Road administration, street lights	\$ 63,495	\$ 63,495	\$ 49,373	\$ 14,122
General engineering and administration	332,746	352,679	338,549	14,130
Refuse collection	1,152,314	1,631,754	1,500,737	131,017
Refuse disposal	375,000	375,000	328,772	46,228
Litter control	12,172	12,172	6,351	5,821
General properties	1,497,095	1,564,001	1,449,129	114,872
Animal shelter	507,993	567,446	528,292	39,154
Total public works	<u>\$ 3,940,815</u>	<u>\$ 4,566,547</u>	<u>\$ 4,201,203</u>	<u>\$ 365,344</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	5,773,980	5,777,664	5,449,959	327,705
Tax relief for the elderly	480,000	480,000	497,134	(17,134)
Area Agency on Aging	60,930	60,930	60,930	-
Total health and welfare	<u>\$ 6,935,132</u>	<u>\$ 6,938,816</u>	<u>\$ 6,628,245</u>	<u>\$ 310,571</u>
Education:				
Community college	\$ 56,493	\$ 56,493	\$ 56,493	\$ -
Appropriation to public school system	70,887,251	72,004,038	71,243,057	760,981
Total education	<u>\$ 70,943,744</u>	<u>\$ 72,060,531</u>	<u>\$ 71,299,550</u>	<u>\$ 760,981</u>



**COUNTY OF FREDERICK, VIRGINIA**

**Budgetary Comparison Schedule  
General Fund (Continued)  
Year Ended June 30, 2014**

	<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	\$ 4,306,091	\$ 4,554,611	\$ 4,174,933	\$ 379,678
Regional library	801,356	826,356	826,050	306
Total parks, recreation and cultural	<u>\$ 5,107,447</u>	<u>\$ 5,380,967</u>	<u>\$ 5,000,983</u>	<u>\$ 379,984</u>
Community Development:				
Planning and community development	\$ 1,056,711	\$ 1,086,872	\$ 1,009,299	\$ 77,573
Economic Development Commission	491,648	2,521,707	2,125,345	396,362
Zoning board	6,175	6,175	2,859	3,316
Building appeals board	550	550	-	550
NSV Regional Commission	43,622	43,622	43,622	-
Soil and Water Conservation District	7,650	7,650	7,650	-
Cooperative extension program	211,991	214,846	200,557	14,289
Total community development	<u>\$ 1,818,347</u>	<u>\$ 3,881,422</u>	<u>\$ 3,389,332</u>	<u>\$ 492,090</u>
Debt Service:				
Principal	\$ 1,403,757	\$ 1,403,757	\$ 1,403,757	\$ -
Interest and fiscal charges	1,157,888	1,157,888	963,814	194,074
Total debt service	<u>\$ 2,561,645</u>	<u>\$ 2,561,645</u>	<u>\$ 2,367,571</u>	<u>\$ 194,074</u>
Total expenditures	<u>\$ 127,988,483</u>	<u>\$ 137,027,538</u>	<u>\$ 131,914,479</u>	<u>\$ 5,113,059</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 735,924</u>	<u>\$ (6,729,663)</u>	<u>\$ 11,570,743</u>	<u>\$ 18,300,406</u>
<b>Other Financing Sources (Uses)</b>				
Issuance of Long-term debt	\$ 9,415,000	\$ 9,415,000	\$ 9,415,000	\$ -
Bond premium	744,930	744,930	744,930	-
Issuance of Capital lease	310,788	310,788	310,788	-
Transfers out	(15,506,653)	(15,929,349)	(15,940,817)	(11,468)
Total other financing sources (uses)	<u>\$ (5,035,935)</u>	<u>\$ (5,458,631)</u>	<u>\$ (5,470,099)</u>	<u>\$ (11,468)</u>
Net change in fund balance	<u>\$ (4,300,011)</u>	<u>\$ (12,188,294)</u>	<u>\$ 6,100,644</u>	<u>\$ 18,288,938</u>
<b>Fund balance, beginning of year</b>	<u>4,300,011</u>	<u>12,188,294</u>	<u>45,759,610</u>	<u>33,571,316</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,860,254</u>	<u>\$ 51,860,254</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Property taxes	\$ 655,470	\$ 655,470	\$ 728,826	\$ 73,356
Use of money and property	8,000	8,000	4,723	(3,277)
Recovered costs	<u>1,000</u>	<u>1,000</u>	<u>3,238</u>	<u>2,238</u>
Total revenues	<u>\$ 664,470</u>	<u>\$ 664,470</u>	<u>\$ 736,787</u>	<u>\$ 72,317</u>
<b>Expenditures</b>				
Current:				
Community Development	\$ <u>849,552</u>	\$ <u>894,545</u>	\$ <u>522,685</u>	\$ <u>371,860</u>
Net change in fund balance	\$ (185,082)	\$ (230,075)	\$ 214,102	\$ 444,177
<b>Fund balance, beginning of year</b>	<u>185,082</u>	<u>230,075</u>	<u>2,103,040</u>	<u>1,872,965</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,317,142</u>	<u>\$ 2,317,142</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, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 773,099	\$ 773,099	\$ 967,963	\$ 194,864
Total revenues	\$ 773,099	\$ 773,099	\$ 967,963	\$ 194,864
<b>Expenditures</b>				
Current:				
Community Development	\$ -	\$ 13,272	\$ 44,613	\$ (31,341)
Debt Service:				
Principal	\$ 550,000	\$ 550,000	\$ 550,000	\$ -
Interest and fiscal charges	570,326	570,326	527,326	43,000
Total debt service	\$ 1,120,326	\$ 1,120,326	\$ 1,077,326	\$ 43,000
Total expenditures	\$ 1,120,326	\$ 1,133,598	\$ 1,121,939	\$ 11,659
Net change in fund balance	\$ (347,227)	\$ (360,499)	\$ (153,976)	\$ 206,523
<b>Fund balance, beginning of year</b>	<u>347,227</u>	<u>360,499</u>	<u>2,556,006</u>	<u>2,195,507</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,402,030</u>	<u>\$ 2,402,030</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

Schedule of Pension and OPEB Funding Progress  
For the Year Ended June 30, 2014VIRGINIA RETIREMENT SYSTEM

## County

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 88,739,512	\$ 115,989,690	\$ 27,250,178	76.51%	\$ 31,493,616	86.53%
6/30/2012	82,710,375	112,410,781	29,700,406	73.58%	30,272,787	98.11%
6/30/2011	79,780,148	106,154,791	26,374,643	75.15%	30,561,457	86.30%

## Discretely Presented Component Unit - School Board

## School Board Non-Professionals:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 16,764,955	\$ 18,903,166	\$ 2,138,211	88.69%	\$ 7,476,520	28.60%
6/30/2012	15,802,611	18,720,755	2,918,144	84.41%	7,244,728	40.28%
6/30/2011	15,332,129	17,871,418	2,539,289	85.79%	7,477,466	33.96%

OTHER POST EMPLOYMENT BENEFITS

## County

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2013	\$ -	\$ 27,572,000	\$ 27,572,000	0.00%	\$ 32,304,393	85%
7/1/2012	-	29,308,000	29,308,000	0.00%	31,907,682	92%
7/1/2011	-	27,264,000	27,264,000	0.00%	30,561,457	89%

## Discretely Presented Component Unit - School Board

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2013	\$ -	\$ 6,065,000	\$ 6,065,000	0.00%	\$ 83,197,429	7%
7/1/2012	-	7,795,000	7,795,000	0.00%	81,139,815	10%
7/1/2011	-	7,137,000	7,137,000	0.00%	79,283,034	9%

**- Other Supplementary Information -**  
**Combining and Individual Fund Financial Statements and Schedules**

## COUNTY OF FREDERICK, VIRGINIA

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**At June 30, 2014**

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	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,198,301	\$ 642,514	\$ 1,840,815
Accounts receivable	2,680	-	2,680
Due from other governments	188,709	-	188,709
Total assets	\$ <u>1,389,690</u>	\$ <u>642,514</u>	\$ <u>2,032,204</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 340,464	\$ -	\$ 340,464
Total liabilities	\$ <u>340,464</u>	\$ -	\$ <u>340,464</u>
<b>Fund Balance</b>			
Committed	\$ 1,049,226	\$ -	\$ 1,049,226
Assigned	<u>-</u>	<u>642,514</u>	<u>642,514</u>
Total fund balance	\$ <u>1,049,226</u>	\$ <u>642,514</u>	\$ <u>1,691,740</u>
Total liabilities and fund balance	\$ <u>1,389,690</u>	\$ <u>642,514</u>	\$ <u>2,032,204</u>

## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2014**

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Revenues</b>			
Use of money and property	\$ 1,841	\$ -	\$ 1,841
Charges for services	1,395,050	-	1,395,050
Recovered costs	114,249	-	114,249
Intergovernmental:			
Revenue from the Commonwealth	810,135	-	810,135
Revenue from the Federal Government	66,083	-	66,083
Total revenues	\$ 2,387,358	\$ -	\$ 2,387,358
<b>Expenditures</b>			
Current:			
Judicial administration	\$ 512,592	\$ -	\$ 512,592
Public safety	579,886	-	579,886
Health and welfare	1,039,543	-	1,039,543
Education	666,318	-	666,318
Total expenditures	\$ 2,798,339	\$ -	\$ 2,798,339
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ (410,981)	\$ -	\$ (410,981)
<b>Other financing sources (uses)</b>			
Transfers in	\$ 880,502	\$ -	\$ 880,502
Total other financing sources (uses)	\$ 880,502	\$ -	\$ 880,502
Net change in fund balance	\$ 469,521	\$ -	\$ 469,521
<b>Fund balance, beginning of year</b>	579,705	642,514	1,222,219
<b>Fund balance, end of year</b>	\$ 1,049,226	\$ 642,514	\$ 1,691,740

## COUNTY OF FREDERICK, VIRGINIA

Combining Balance Sheet  
Nonmajor Special Revenue Funds  
At June 30, 2014

	Division of Court Services Fund	Comprehensive Services Act Fund	EMS Revenue Recovery Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 282,997	\$ 277,906	\$ 637,398	\$ 1,198,301
Receivables	2,680	-	-	2,680
Due from other governments	-	188,709	-	188,709
Total assets	<u>\$ 285,677</u>	<u>\$ 466,615</u>	<u>\$ 637,398</u>	<u>\$ 1,389,690</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 8,367	\$ 121,351	\$ 210,746	\$ 340,464
Total liabilities	<u>\$ 8,367</u>	<u>\$ 121,351</u>	<u>\$ 210,746</u>	<u>\$ 340,464</u>
<b>Fund Balance</b>				
Committed	\$ 277,310	\$ 345,264	\$ 426,652	\$ 1,049,226
Total fund balance	<u>\$ 277,310</u>	<u>\$ 345,264</u>	<u>\$ 426,652</u>	<u>\$ 1,049,226</u>
Total liabilities and fund balance	<u>\$ 285,677</u>	<u>\$ 466,615</u>	<u>\$ 637,398</u>	<u>\$ 1,389,690</u>



## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2014**

	<b>Division of Court Services Fund</b>	<b>Comprehensive Services Act Fund</b>	<b>EMS Revenue Recovery Fund</b>	<b>Total</b>
<b>Revenues</b>				
Use of money and property	\$ 1,841	\$ -	\$ -	\$ 1,841
Charges for services	388,512	-	1,006,538	1,395,050
Recovered costs	114,249	-	-	114,249
Intergovernmental:				
Revenue from the Commonwealth	-	810,135	-	810,135
Revenue from the Federal Government	-	66,083	-	66,083
Total revenues	\$ 504,602	\$ 876,218	\$ 1,006,538	\$ 2,387,358
<b>Expenditures</b>				
Current:				
Judicial administration	\$ 512,592	\$ -	\$ -	\$ 512,592
Public safety	-	-	579,886	579,886
Health and welfare	-	1,039,543	-	1,039,543
Education	-	666,318	-	666,318
Total expenditures	\$ 512,592	\$ 1,705,861	\$ 579,886	\$ 2,798,339
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ (7,990)	\$ (829,643)	\$ 426,652	\$ (410,981)
<b>Other financing sources (uses)</b>				
Transfers in	\$ -	\$ 880,502	\$ -	\$ 880,502
Total other financing sources (uses)	\$ -	\$ 880,502	\$ -	\$ 880,502
Net change in fund balance	\$ (7,990)	\$ 50,859	\$ 426,652	\$ 469,521
<b>Fund balance, beginning of year</b>	285,300	294,405	-	579,705
<b>Fund balance, end of year</b>	\$ 277,310	\$ 345,264	\$ 426,652	\$ 1,049,226

## COUNTY OF FREDERICK, VIRGINIA

**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**At June 30, 2014**

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	<b>Detox Center Construction Fund</b>	<b>Administration Building Renovation Fund</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash and cash equivalents	\$           -	\$       642,514	\$       642,514
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$           -	\$               -	\$               -
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Fund Balance</b>			
Assigned	\$           -	\$       642,514	\$       642,514
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balance	\$           -	\$       642,514	\$       642,514
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balance	\$           -	\$       642,514	\$       642,514
	<u>                    </u>	<u>                    </u>	<u>                    </u>

## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**Year Ended June 30, 2014**

	<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>Other financing sources (uses)</b>			
Transfers out	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -
<b>Fund balance, beginning of year</b>	-	642,514	642,514
<b>Fund balance, end of year</b>	\$ -	\$ 642,514	\$ 642,514

## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Net Position**  
**Internal Service Funds**  
**At June 30, 2014**

	<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>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 6,874,018	\$ 181,328	\$ -	\$ 58,197	\$ 263,237	\$ 7,376,780
Total assets	<u>\$ 6,874,018</u>	<u>\$ 181,328</u>	<u>\$ -</u>	<u>\$ 58,197</u>	<u>\$ 263,237</u>	<u>\$ 7,376,780</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 3,007	\$ 1,022	\$ 347	\$ -	\$ 582	\$ 4,958
Claims payable	<u>748,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>748,052</u>
Total liabilities	<u>\$ 751,059</u>	<u>\$ 1,022</u>	<u>\$ 347</u>	<u>\$ -</u>	<u>\$ 582</u>	<u>\$ 753,010</u>
<b>Net Position</b>						
Unrestricted	<u>\$ 6,122,959</u>	<u>\$ 180,306</u>	<u>\$ (347)</u>	<u>\$ 58,197</u>	<u>\$ 262,655</u>	<u>\$ 6,623,770</u>
Total net position	<u>\$ 6,122,959</u>	<u>\$ 180,306</u>	<u>\$ (347)</u>	<u>\$ 58,197</u>	<u>\$ 262,655</u>	<u>\$ 6,623,770</u>

## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**Year Ended June 30, 2014**

	<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	\$ 8,777,326	\$ 395,344	\$ -	\$ -	\$ 29,826	\$ 9,202,496
<b>Operating Expenses</b>						
Benefits and related expenses	\$ 7,426,204	\$ -	\$ 6,523	\$ 954	\$ -	\$ 7,433,681
Services and supplies	-	376,434	-	-	10,369	386,803
Total operating expenses	\$ 7,426,204	\$ 376,434	\$ 6,523	\$ 954	\$ 10,369	\$ 7,820,484
Operating income (loss)	\$ 1,351,122	\$ 18,910	\$ (6,523)	\$ (954)	\$ 19,457	\$ 1,382,012
<b>Nonoperating revenues</b>						
Investment income	13,090	387	-	-	538	14,015
Income(loss) before transfers	\$ 1,364,212	\$ 19,297	\$ (6,523)	\$ (954)	\$ 19,995	\$ 1,396,027
<b>Transfers in</b>	-	-	11,468	-	-	11,468
Change in net position	\$ 1,364,212	\$ 19,297	\$ 4,945	\$ (954)	\$ 19,995	\$ 1,407,495
Net position, beginning of year	4,758,747	161,009	(5,292)	59,151	242,660	5,216,275
Net position, end of year	\$ 6,122,959	\$ 180,306	\$ (347)	\$ 58,197	\$ 262,655	\$ 6,623,770

## COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended June 30, 2014**

	<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>Cash flows from operating activities</b>						
Receipts from insured	\$ 8,777,326	\$ -	\$ -	\$ -	\$ 29,826	\$ 8,807,152
Receipts from services	-	395,344	-	-	-	395,344
Payments to suppliers	(7,427,429)	(416,376)	-	(954)	(10,713)	(7,855,472)
Other payments	-	-	(11,468)	-	-	(11,468)
Net cash provided by (used for) operating activities	\$ 1,349,897	\$ (21,032)	\$ (11,468)	\$ (954)	\$ 19,113	\$ 1,335,556
<b>Cash flows from noncapital financing activities:</b>						
Transfers in	\$ -	\$ -	\$ 11,468	\$ -	\$ -	\$ 11,468
<b>Cash flows from investing activities</b>						
Investment income	\$ 13,090	\$ 387	\$ -	\$ -	\$ 538	\$ 14,015
Net increase (decrease) in cash and cash equivalents	\$ 1,362,987	\$ (20,645)	\$ -	\$ (954)	\$ 19,651	\$ 1,361,039
Balances, beginning of year	5,511,031	201,973	-	59,151	243,586	6,015,741
Balances, end of year	\$ 6,874,018	\$ 181,328	\$ -	\$ 58,197	\$ 263,237	\$ 7,376,780
<b>Reconciliation of operating income (loss) to net cash provided by(used or) operating activities:</b>						
Operating income (loss)	\$ 1,351,122	\$ 18,910	\$ (6,523)	\$ (954)	\$ 19,457	\$ 1,382,012
Change in assets and liabilities:						
Receivables, net	-	4,504	-	-	-	4,504
Accounts payable	(1,880)	(39,942)	(4,945)	-	(344)	(47,111)
Unearned revenue	-	(4,504)	-	-	-	(4,504)
Claims payable	655	-	-	-	-	655
Net cash provided by (used for) operating activities	\$ 1,349,897	\$ (21,032)	\$ (11,468)	\$ (954)	\$ 19,113	\$ 1,335,556

## COUNTY OF FREDERICK, VIRGINIA

Statement of Fiduciary Net Position  
Private Purpose Trust Fund  
At June 30, 2014

---

	<b>Endowment Trust Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>284,263</u>
Total assets	\$ <u><u>284,263</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ <u>7,500</u>
Total liabilities	\$ <u>7,500</u>
<b>Net Position</b>	\$ <u><u>276,763</u></u>

## COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Fiduciary Net Position  
 Agency Funds  
 At June 30, 2014

	Special Welfare Fund	Northwestern Regional Jail Authority Fund	Winchester Regional Airport Fund	Undistributed Local Sales Tax Fund	State Sales Tax Fund	Northwestern Regional Education Program Fund	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 89,542	\$ 4,365,299	\$ 91,443	\$ -	\$ 2,259	\$ 681,303	\$ 5,229,846
Receivables	-	168,074	61,184	-	-	26,000	255,258
Due from other governmental units	-	751,122	-	41,788	-	-	792,910
Total assets	<u>\$ 89,542</u>	<u>\$ 5,284,495</u>	<u>\$ 152,627</u>	<u>\$ 41,788</u>	<u>\$ 2,259</u>	<u>\$ 707,303</u>	<u>\$ 6,278,014</u>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ -	\$ 448,839	\$ 26,363	\$ 41,788	\$ 156	\$ 473,633	\$ 990,779
Amounts held for others	89,542	4,835,656	126,264	-	2,103	233,670	5,287,235
Total liabilities	<u>\$ 89,542</u>	<u>\$ 5,284,495</u>	<u>\$ 152,627</u>	<u>\$ 41,788</u>	<u>\$ 2,259</u>	<u>\$ 707,303</u>	<u>\$ 6,278,014</u>
<b>Net Position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



## COUNTY OF FREDERICK, VIRGINIA

**Statement of Changes in Fiduciary Net Position**  
**Private Purpose Trust Fund**  
**Year Ended June 30, 2014**

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	<b>Endowment Trust Fund</b>
	<hr/>
<b>Additions:</b>	
Investment earnings	\$ 2,462
Miscellaneous	<hr/> 32,469
Total additions	\$ 34,931
 <b>Deductions:</b>	
Education	<hr/> 10,308
Change in net position	\$ 24,623
 <b>Net position, beginning of year</b>	 <hr/> 252,140
<b>Net position, end of year</b>	 \$ 276,763 <hr/> <hr/>

**COUNTY OF FREDERICK, VIRGINIA**

**Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2014**

	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance End of Year</b>
<b>Special Welfare Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 87,768	\$ 56,701	\$ 54,927	\$ 89,542
Liabilities:				
Amounts held for others	\$ 87,768	\$ 56,701	\$ 54,927	\$ 89,542
<b>Northwestern Regional Jail Authority Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 3,712,067	\$ 18,158,755	\$ 17,505,523	\$ 4,365,299
Receivables	77,272	168,074	77,272	168,074
Due from other governmental units	722,981	751,122	722,981	751,122
Total assets	\$ 4,512,320	\$ 19,077,951	\$ 18,305,776	\$ 5,284,495
Liabilities:				
Accounts payable and accrued liabilities	\$ 496,183	\$ 448,839	\$ 496,183	\$ 448,839
Amounts held for others	4,016,137	18,629,112	17,809,593	4,835,656
Total liabilities	\$ 4,512,320	\$ 19,077,951	\$ 18,305,776	\$ 5,284,495
<b>Winchester Regional Airport Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 144,999	\$ 2,989,653	\$ 3,043,209	\$ 91,443
Receivables	52,665	61,184	52,665	61,184
Due from other governmental units	-	-	-	-
Total assets	\$ 197,664	\$ 3,050,837	\$ 3,095,874	\$ 152,627
Liabilities:				
Accounts payable and accrued liabilities	\$ 62,479	\$ 26,363	\$ 62,479	\$ 26,363
Amounts held for others	135,185	3,024,474	3,033,395	126,264
Total liabilities	\$ 197,664	\$ 3,050,837	\$ 3,095,874	\$ 152,627
<b>Undistributed Local Sales Tax Fund:</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 12,316,985	\$ 12,316,985	\$ -
Due from other governmental units	37,140	41,788	37,140	41,788
Total assets	\$ 37,140	\$ 12,358,773	\$ 12,354,125	\$ 41,788

**COUNTY OF FREDERICK, VIRGINIA**

**Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2014 (Continued)**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Undistributed Local Sales Tax Fund: (Continued)</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 37,140	\$ 12,358,773	\$ 12,354,125	\$ 41,788
<b>State Sales Tax Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 2,194	\$ 1,121	\$ 1,056	\$ 2,259
Liabilities:				
Accounts payable and accrued liabilities	\$ 169	\$ 156	\$ 169	\$ 156
Amounts held for others	2,025	965	887	2,103
Total liabilities	\$ 2,194	\$ 1,121	\$ 1,056	\$ 2,259
<b>Northwestern Regional Education Program Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 516,740	\$ 4,481,503	\$ 4,316,940	\$ 681,303
Receivables	26,000	26,000	26,000	26,000
Total assets	\$ 542,740	\$ 4,507,503	\$ 4,342,940	\$ 707,303
Liabilities:				
Accounts payable and accrued liabilities	\$ 488,221	\$ 473,633	\$ 488,221	\$ 473,633
Amounts held for others	54,519	4,033,870	3,854,719	233,670
Total liabilities	\$ 542,740	\$ 4,507,503	\$ 4,342,940	\$ 707,303
<b>Total -- All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 4,463,768	\$ 38,004,718	\$ 37,238,640	\$ 5,229,846
Receivables	155,937	255,258	155,937	255,258
Due from other governments	760,121	792,910	760,121	792,910
Total assets	\$ 5,379,826	\$ 39,052,886	\$ 38,154,698	\$ 6,278,014
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,084,192	\$ 13,307,764	\$ 13,401,177	\$ 990,779
Amounts held for others	4,295,634	25,745,122	24,753,521	5,287,235
Total liabilities	\$ 5,379,826	\$ 39,052,886	\$ 38,154,698	\$ 6,278,014

## COUNTY OF FREDERICK, VIRGINIA

**Revenue and Expenditures Budgetary Comparison Schedule  
For Nonmajor and Other Funds With Legally Adopted Budgets  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Special Revenue Funds</b>				
<b>Division of Court Services Fund</b>				
<b>Revenues</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 1,841	\$ 1,841
Charges for services	458,590	458,590	388,512	(70,078)
Recovered costs	141,899	141,899	114,249	(27,650)
Total revenues	<u>\$ 600,489</u>	<u>\$ 600,489</u>	<u>\$ 504,602</u>	<u>\$ (95,887)</u>
<b>Expenditures</b>				
<b>Judicial Administration</b>				
Division of Court Services	\$ 600,489	\$ 600,489	\$ 512,592	\$ 87,897
Total expenditures	<u>\$ 600,489</u>	<u>\$ 600,489</u>	<u>\$ 512,592</u>	<u>\$ 87,897</u>
<b>EMS Revenue Recovery Fund</b>				
<b>Revenues</b>				
Charges for services	\$ -	\$ 850,000	\$ 1,006,538	\$ 156,538
Total revenues	<u>\$ -</u>	<u>\$ 850,000</u>	<u>\$ 1,006,538</u>	<u>\$ 156,538</u>
<b>Expenditures</b>				
<b>Public Safety</b>				
EMS Revenue Recovery Fund	\$ -	\$ 850,000	\$ 579,886	\$ 270,114
Total expenditures	<u>\$ -</u>	<u>\$ 850,000</u>	<u>\$ 579,886</u>	<u>\$ 270,114</u>
<b>Capital Projects Funds</b>				
<b>Capital Projects Fund</b>				
<b>Revenues</b>				
Recovered costs	\$ -	\$ -	\$ 4,700	\$ 4,700
Intergovernmental:				
Revenue from the Commonwealth	-	-	37,342	37,342
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,042</u>	<u>\$ 42,042</u>
<b>Expenditures</b>				
Capital projects	\$ -	\$ 558,225	\$ 131,947	\$ 426,278
Total expenditures	<u>\$ -</u>	<u>\$ 558,225</u>	<u>\$ 131,947</u>	<u>\$ 426,278</u>
<b>Debt Service Funds</b>				
<b>School Debt Service Fund</b>				
<b>Revenues</b>				
Intergovernmental:				
Categorical aid:				
Revenue from the Federal Government	\$ 297,500	\$ 297,500	\$ 276,080	\$ (21,420)
<b>Expenditures</b>				
Principal and interest	\$ 14,954,701	\$ 14,954,701	\$ 13,999,653	\$ 955,048
Total expenditures	<u>\$ 14,954,701</u>	<u>\$ 14,954,701</u>	<u>\$ 13,999,653</u>	<u>\$ 955,048</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, 2014

	<u>School Operating Fund</u>	<u>School Cafeteria 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	\$ 10,884,709	\$ 1,426,087	\$ 1,421,553	\$ 13,399	\$ 6,024,032	\$ 1,142,055	\$ 20,911,835
Accounts receivable	167,993	2,671	197	-	-	-	170,861
Due from other governments	4,365,888	122,376	-	-	-	-	4,488,264
Inventory	-	210,365	-	-	-	-	210,365
Total assets	<u>\$ 15,418,590</u>	<u>\$ 1,761,499</u>	<u>\$ 1,421,750</u>	<u>\$ 13,399</u>	<u>\$ 6,024,032</u>	<u>\$ 1,142,055</u>	<u>\$ 25,781,325</u>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	<u>\$ 15,418,590</u>	<u>\$ 392,688</u>	<u>\$ 723</u>	<u>\$ 929</u>	<u>\$ 937,356</u>	<u>\$ 283,241</u>	<u>\$ 17,033,527</u>
Total liabilities	<u>\$ 15,418,590</u>	<u>\$ 392,688</u>	<u>\$ 723</u>	<u>\$ 929</u>	<u>\$ 937,356</u>	<u>\$ 283,241</u>	<u>\$ 17,033,527</u>
<b>Fund Balance</b>							
Nonspendable	\$ -	\$ 210,365	\$ -	\$ -	\$ -	\$ -	\$ 210,365
Restricted	-	-	-	-	4,098,234	-	4,098,234
Committed	-	1,158,446	1,421,027	12,470	988,442	858,814	4,439,199
Total fund balance	<u>\$ -</u>	<u>\$ 1,368,811</u>	<u>\$ 1,421,027</u>	<u>\$ 12,470</u>	<u>\$ 5,086,676</u>	<u>\$ 858,814</u>	<u>\$ 8,747,798</u>
Total liabilities and fund balance	<u>\$ 15,418,590</u>	<u>\$ 1,761,499</u>	<u>\$ 1,421,750</u>	<u>\$ 13,399</u>	<u>\$ 6,024,032</u>	<u>\$ 1,142,055</u>	<u>\$ 25,781,325</u>

## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**At June 30, 2014**

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Total fund balances for governmental funds (Exhibit 30)	\$ 8,747,798
Total net position reported for governmental activities in the statement of net position 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	\$ 10,371,499
Construction in progress	2,724,632
Buildings and improvements, net of depreciation	163,067,964
Equipment, net of depreciation	12,961,569
School Board capital assets in primary government, net of depreciation	<u>(76,440,150)</u>
Total capital assets	112,685,514
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 position. The internal service funds net position are:	
	3,927,819
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 position are compensated absences and net OPEB obligation.	
	<u>(5,340,111)</u>
Total net position of governmental activities (Exhibit 1)	<u><u>\$ 120,021,020</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, 2014

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	School Special Grants Fund	School Capital Projects Fund	School Capital Fund	Total Governmental Funds
<b>Revenues</b>							
Use of money and property	\$ 373,092	\$ 2,484	\$ 2,803	\$ -	\$ 5,380	\$ -	\$ 383,759
Charges for services	358,725	2,205,018	2,609	-	-	-	2,566,352
Miscellaneous	373,733	35,561	-	510	-	-	409,804
Intergovernmental:							
Appropriation from primary government	60,948,562	-	-	-	10,159,930	1,846,631	72,955,123
Revenue from the Commonwealth	66,544,732	91,725	745,103	-	-	-	67,381,560
Revenue from the Federal Government	4,428,561	2,626,891	-	34,040	-	-	7,089,492
Total revenues	\$ 133,027,405	\$ 4,961,679	\$ 750,515	\$ 34,550	\$ 10,165,310	\$ 1,846,631	\$ 150,786,090
<b>Expenditures</b>							
Current:							
Education:							
Instruction	\$ 101,004,999	\$ -	\$ 906,097	\$ 53,192	\$ -	\$ 1,136,445	\$ 103,100,733
Administration, attendance and health	5,648,325	-	-	-	-	-	5,648,325
Transportation	8,275,542	-	-	-	-	-	8,275,542
Facilities operations	11,862,433	-	-	-	-	-	11,862,433
Building improvements	171,708	-	-	-	-	-	171,708
Technology	5,638,601	-	-	-	-	-	5,638,601
School food services	-	4,795,471	-	-	-	-	4,795,471
Capital projects	-	-	-	-	8,818,583	-	8,818,583
Total expenditures	\$ 132,601,608	\$ 4,795,471	\$ 906,097	\$ 53,192	\$ 8,818,583	\$ 1,136,445	\$ 148,311,396
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ 425,797	\$ 166,208	\$ (155,582)	\$ (18,642)	\$ 1,346,727	\$ 710,186	\$ 2,474,694
<b>Other financing sources (uses)</b>							
Transfers in	\$ -	\$ -	\$ 421,508	\$ -	\$ -	\$ -	\$ 421,508
Transfers out	(425,797)	-	-	-	-	-	(425,797)
Total other financing sources (uses)	\$ (425,797)	\$ -	\$ 421,508	\$ -	\$ -	\$ -	\$ (4,289)
Net change in fund balance	\$ -	\$ 166,208	\$ 265,926	\$ (18,642)	\$ 1,346,727	\$ 710,186	\$ 2,470,405
<b>Fund balance, beginning of year</b>	-	1,202,603	1,155,101	31,112	3,739,949	148,628	6,277,393
<b>Fund balance, end of year</b>	\$ -	\$ 1,368,811	\$ 1,421,027	\$ 12,470	\$ 5,086,676	\$ 858,814	\$ 8,747,798

## 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, 2014**

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Net change in fund balances - total governmental funds (Exhibit 32)	\$	2,470,405
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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.

Capital Outlay	\$ 12,742,956	
Depreciation	<u>(5,767,783)</u>	6,975,173

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.

(2,176,755)

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:

Compensated absences	\$ (423,092)	
Net OPEB obligation	<u>(393,000)</u>	(816,092)

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.

		<u>1,383,109</u>
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>7,835,840</u></u>



## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board**  
**Statement of Net Position**  
**Internal Service Funds**  
**At June 30, 2014**

	<b>Health Insurance Fund</b>	<b>Consolidated Services Fund</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 6,154,743	\$ 208,034	\$ 6,362,777
Receivables, net	243,055	12,901	255,956
Inventory	-	305,152	305,152
Total assets	<u>\$ 6,397,798</u>	<u>\$ 526,087</u>	<u>\$ 6,923,885</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,397,586	\$ 220,935	\$ 1,618,521
Claims payable	<u>1,377,545</u>	<u>-</u>	<u>1,377,545</u>
Total current liabilities	<u>\$ 2,775,131</u>	<u>\$ 220,935</u>	<u>\$ 2,996,066</u>
<b>Net Position</b>			
Unrestricted	<u>\$ 3,622,667</u>	<u>\$ 305,152</u>	<u>\$ 3,927,819</u>
Total net position	<u>\$ 3,622,667</u>	<u>\$ 305,152</u>	<u>\$ 3,927,819</u>

## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**Year Ended June 30, 2014**

	<b>Health Insurance Fund</b>	<b>Consolidated Services Fund</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services	\$ 15,626,249	\$ 2,966,776	\$ 18,593,025
<b>Operating Expenses</b>			
Benefits and related expenses	\$ 14,327,847	\$ -	\$ 14,327,847
Facilities operations	-	2,898,133	2,898,133
Total operating expenses	\$ 14,327,847	\$ 2,898,133	\$ 17,225,980
Operating income (loss)	\$ 1,298,402	\$ 68,643	\$ 1,367,045
<b>Nonoperating revenues</b>			
Investment income	11,775	-	11,775
Income(loss) before transfers	\$ 1,310,177	\$ 68,643	\$ 1,378,820
<b>Transfers in</b>	-	4,289	4,289
Change in net position	\$ 1,310,177	\$ 72,932	\$ 1,383,109
<b>Net position, beginning of year</b>	2,312,490	232,220	2,544,710
<b>Net position, end of year</b>	\$ 3,622,667	\$ 305,152	\$ 3,927,819

## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board**  
**Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended June 30, 2014**

	<b>Health Insurance Fund</b>	<b>Consolidated Services Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Receipts from insured	\$ 15,506,228	\$ -	\$ 15,506,228
Receipts from services		2,965,599	2,965,599
Payments to suppliers	(14,189,890)	(2,888,893)	(17,078,783)
Net cash provided by (used for) operating activities	\$ 1,316,338	\$ 76,706	\$ 1,393,044
<b>Cash flows from noncapital financing activities:</b>			
Transfers in	\$ -	\$ 4,289	\$ 4,289
<b>Cash flows from investing activities</b>			
Investment income	11,775	-	11,775
Net increase (decrease) in cash and cash equivalents	\$ 1,328,113	\$ 80,995	\$ 1,409,108
<b>Balances, beginning of year</b>	4,826,630	127,039	4,953,669
<b>Balance, end of year</b>	\$ 6,154,743	\$ 208,034	\$ 6,362,777
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ 1,298,402	\$ 68,643	\$ 1,367,045
Change in assets and liabilities:			
Receivables, net	(120,021)	(1,177)	(121,198)
Inventory	-	(72,932)	(72,932)
Accounts payable	137,444	82,172	219,616
Claims payable	513	-	513
Net cash provided by (used for) operating activities	\$ 1,316,338	\$ 76,706	\$ 1,393,044

## COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board  
School Operating Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Use of money and property	\$ 442,076	\$ 442,076	\$ 373,092	\$ (68,984)
Charges for services	412,250	412,250	358,725	(53,525)
Miscellaneous	450,885	450,885	373,733	(77,152)
Intergovernmental:				
Appropriation from primary government	60,727,321	61,043,225	60,948,562	(94,663)
Revenue from the Commonwealth	67,262,558	67,262,558	66,544,732	(717,826)
Revenue from the Federal Government	4,704,953	4,704,953	4,428,561	(276,392)
Total revenues	<u>\$ 134,000,043</u>	<u>\$ 134,315,947</u>	<u>\$ 133,027,405</u>	<u>\$ (1,288,542)</u>
<b>Expenditures</b>				
Current:				
Education:				
Instruction	\$ 101,465,069	\$ 101,496,721	\$ 101,004,999	\$ 491,722
Administration, attendance and health	5,869,054	5,840,251	5,648,325	191,926
Transportation	8,247,090	8,295,572	8,275,542	20,030
Facilities operations	12,411,165	12,385,895	11,862,433	523,462
Building improvements	200,411	184,280	171,708	12,572
Technology	5,385,746	5,691,720	5,638,601	53,119
Total expenditures	<u>\$ 133,578,535</u>	<u>\$ 133,894,439</u>	<u>\$ 132,601,608</u>	<u>\$ 1,292,831</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ 421,508</u>	<u>\$ 421,508</u>	<u>\$ 425,797</u>	<u>\$ 4,289</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>\$ (421,508)</u>	<u>\$ (421,508)</u>	<u>\$ (425,797)</u>	<u>\$ (4,289)</u>
Total other financing sources (uses)	<u>\$ (421,508)</u>	<u>\$ (421,508)</u>	<u>\$ (425,797)</u>	<u>\$ (4,289)</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
<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>\$ -</u></u>	<u><u>\$ -</u></u>

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board  
Revenue and Expenditure Budgetary Comparison Schedule  
Nonmajor and Other Funds  
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>School Cafeteria Fund</b>				
<b>Revenues:</b>				
Revenue from use of money and property	\$ 3,448	\$ 3,448	\$ 2,484	\$ (964)
Charges for services	2,488,155	2,488,155	2,205,018	(283,137)
Miscellaneous	-	-	35,561	35,561
Intergovernmental:				
Revenue from the Commonwealth	101,463	101,463	91,725	(9,738)
Revenue from the Federal Government	2,415,921	2,415,921	2,626,891	210,970
Total revenues	<u>\$ 5,008,987</u>	<u>\$ 5,008,987</u>	<u>\$ 4,961,679</u>	<u>\$ (47,308)</u>
<b>Expenditures:</b>				
School food service operations	<u>\$ 6,124,927</u>	<u>\$ 6,124,927</u>	<u>\$ 4,795,471</u>	<u>\$ 1,329,456</u>
<b>School Textbook Fund</b>				
<b>Revenues:</b>				
Revenue from use of money and property	\$ 5,000	\$ 5,000	\$ 2,803	\$ (2,197)
Charges for services	6,500	6,500	2,609	(3,891)
Intergovernmental:				
Revenue from the Commonwealth	749,021	749,021	745,103	(3,918)
Total revenues	<u>\$ 760,521</u>	<u>\$ 760,521</u>	<u>\$ 750,515</u>	<u>\$ (10,006)</u>
<b>Expenditures:</b>				
Instruction	<u>\$ 2,158,429</u>	<u>\$ 2,158,429</u>	<u>\$ 906,097</u>	<u>\$ 1,252,332</u>

**COUNTY OF FREDERICK, VIRGINIA**

**Component Unit School Board  
Revenue and Expenditure Budgetary Comparison Schedule  
Nonmajor and Other Funds  
Year Ended June 30, 2014 (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	\$ -	\$ 510	\$ 510	\$ -
Intergovernmental:				
Revenue from the Federal Government	\$ -	\$ 37,072	\$ 34,040	\$ (3,032)
Total revenues	<u>\$ -</u>	<u>\$ 37,582</u>	<u>\$ 34,550</u>	<u>\$ (3,032)</u>
<b>Expenditures:</b>				
Instruction	<u>\$ -</u>	<u>\$ 68,695</u>	<u>\$ 53,192</u>	<u>\$ 15,503</u>
<b>School Capital Projects Fund</b>				
<b>Revenues:</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 5,380	\$ 5,380
Intergovernmental:				
Appropriation from primary government	-	50,190,577	10,159,930	(40,030,647)
Total revenues	<u>\$ -</u>	<u>\$ 50,190,577</u>	<u>\$ 10,165,310</u>	<u>\$ (40,025,267)</u>
<b>Expenditures:</b>				
Capital projects - school construction projects	<u>\$ -</u>	<u>\$ 58,799,606</u>	<u>\$ 8,818,583</u>	<u>\$ 49,981,023</u>
<b>School Capital Fund</b>				
<b>Revenues:</b>				
Intergovernmental:				
Appropriation from primary government	<u>\$ 1,082,640</u>	<u>\$ 1,883,523</u>	<u>\$ 1,846,631</u>	<u>\$ (36,892)</u>
<b>Expenditures:</b>				
Capital outlay - equipment, etc.	<u>\$ 1,182,640</u>	<u>\$ 2,111,194</u>	<u>\$ 1,136,445</u>	<u>\$ 974,749</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.

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#### 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 Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

		FISCAL YEAR									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities											
Investment in capital assets	\$	13,041,140	\$ 13,474,232	\$ 24,916,051	\$ 1,516,420	\$ (4,421,477)	\$ (8,248,388)	\$ (9,537,133)	\$ (11,377,535)	\$ (12,319,435)	\$ (9,979,970)
Unrestricted		33,113,765	46,750,306	26,017,458	30,796,130	35,227,645	39,704,283	38,829,528	33,302,597	37,042,322	42,207,864
Total governmental activities net position	\$	<u>46,154,905</u>	<u>60,224,538</u>	<u>50,933,509</u>	<u>32,312,550</u>	<u>30,806,168</u>	<u>31,455,895</u>	<u>29,292,395</u>	<u>21,925,062</u>	<u>24,722,887</u>	<u>32,227,894</u>
Business-type activities											
Investment in capital assets	\$	10,988,036	\$ 13,271,904	\$ 17,552,174	\$ 17,241,816	\$ 15,875,231	\$ 18,264,393	\$ 21,340,265	\$ 20,972,668	\$ 19,976,018	\$ 18,566,343
Unrestricted		20,911,825	21,355,422	19,270,847	21,440,407	22,251,992	19,932,654	16,778,433	16,837,852	17,401,272	19,352,671
Total business-type activities net position	\$	<u>31,899,861</u>	<u>34,627,326</u>	<u>36,823,021</u>	<u>38,682,223</u>	<u>38,127,223</u>	<u>38,197,047</u>	<u>38,118,698</u>	<u>37,810,520</u>	<u>37,377,290</u>	<u>37,919,014</u>
Primary government											
Investment in capital assets	\$	24,029,176	\$ 26,746,136	\$ 42,468,225	\$ 18,758,236	\$ 11,453,754	\$ 10,016,005	\$ 11,803,132	\$ 9,595,133	\$ 7,656,583	\$ 8,586,373
Unrestricted		54,025,590	68,105,728	45,288,305	52,236,537	57,479,637	59,636,937	55,607,961	50,140,449	54,443,594	61,560,535
Total primary government net position	\$	<u>78,054,766</u>	<u>94,851,864</u>	<u>87,756,530</u>	<u>70,994,773</u>	<u>68,933,391</u>	<u>69,652,942</u>	<u>67,411,093</u>	<u>59,735,582</u>	<u>62,100,177</u>	<u>70,146,908</u>

NOTE: In FY 2013 the County implemented GASB 63 and 65, which changed the statement of net assets to the statement of net position.



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

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental activities:										
General government	\$ 6,206,202	\$ 5,114,673	\$ 5,217,730	\$ 7,531,381	\$ 6,717,739	\$ 6,321,805	\$ 7,327,459	\$ 7,801,808	\$ 10,139,003	\$ 7,157,081
Judicial administration	2,505,547	2,669,148	3,081,145	3,278,720	3,289,067	3,386,474	3,193,494	3,332,983	2,530,440	2,782,695
Public safety	15,733,331	18,266,892	21,222,717	24,152,999	24,941,153	24,589,993	24,433,750	25,110,289	26,625,865	29,646,975
Public works	2,139,170	1,465,731	2,136,910	2,738,150	3,046,615	3,497,874	3,727,381	3,270,107	3,636,503	3,452,073
Health and welfare	6,833,696	7,693,815	8,280,314	8,621,166	8,855,627	8,174,845	8,384,653	8,401,557	7,665,498	7,802,908
Education	58,152,208	68,968,848	76,872,596	84,407,223	65,637,853	65,309,552	71,756,548	75,830,530	68,200,872	73,378,881
Parks, recreation and cultural	4,403,978	4,832,855	5,506,804	6,141,133	5,741,930	5,256,852	5,099,689	5,200,119	5,239,630	5,356,991
Community development	1,787,426	2,474,162	2,698,126	2,266,985	3,364,222	2,191,518	2,920,744	5,665,018	6,829,576	2,149,900
Interest on long-term debt	5,504,706	5,609,353	6,486,553	6,758,465	6,487,627	6,555,195	4,755,467	6,266,051	5,738,670	4,834,515
Total governmental activities expenses	\$ 103,266,264	\$ 117,095,477	\$ 131,502,895	\$ 145,896,222	\$ 128,081,833	\$ 125,284,108	\$ 131,599,185	\$ 140,878,462	\$ 136,606,057	\$ 136,562,019
Business-type activities:										
Landfill	\$ 4,956,206	\$ 5,077,016	\$ 6,068,374	\$ 5,753,899	\$ 6,637,575	\$ 5,433,404	\$ 5,649,468	\$ 5,903,590	\$ 6,276,718	\$ 5,467,944
Total primary government expenses	\$ 108,222,470	\$ 122,172,493	\$ 137,571,269	\$ 151,650,121	\$ 134,719,408	\$ 130,717,512	\$ 137,248,653	\$ 146,782,052	\$ 142,882,775	\$ 142,029,963
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Judicial administration	\$ 2,021,148	\$ 2,044,420	\$ 1,730,282	\$ 1,474,751	\$ 1,650,792	\$ 1,349,061	\$ 1,264,609	\$ 1,299,186	\$ 1,248,497	\$ 1,068,279
Public safety	81,302	195,858	92,759	1,855,069	1,394,189	1,093,830	1,018,694	1,064,182	1,320,996	2,434,950
Public works	2,752,512	3,165,573	3,269,199	-	-	-	-	-	-	-
Parks, recreation and cultural	1,108,762	1,338,194	1,496,265	1,649,090	1,682,524	1,656,135	1,739,445	1,742,905	1,706,969	1,687,485
Community development	15,061	-	10,742	12,526	6,988	5,367	3,008	4,093	2,545	2,200
Operating grants and contributions	9,970,097	11,277,934	11,547,852	9,637,413	12,273,169	11,817,662	10,945,448	10,159,864	9,506,452	10,689,416
Capital grants and contributions	-	-	-	-	-	-	-	93,338	728,636	62,343
Total governmental activities program revenues	\$ 15,948,882	\$ 18,021,979	\$ 18,147,099	\$ 14,628,849	\$ 17,007,662	\$ 15,922,055	\$ 14,971,204	\$ 14,363,568	\$ 14,514,095	\$ 15,944,673
Business-type activities:										
Charges for services:										
Landfill	\$ 6,467,692	\$ 6,729,873	\$ 6,863,415	\$ 6,370,576	\$ 5,487,025	\$ 5,144,925	\$ 5,268,343	\$ 5,357,427	\$ 5,583,325	\$ 5,814,664
Capital grants and contributions	-	-	-	15,862	-	-	-	-	-	-
Total business-type activities program revenues	\$ 6,467,692	\$ 6,729,873	\$ 6,863,415	\$ 6,386,438	\$ 5,487,025	\$ 5,144,925	\$ 5,268,343	\$ 5,357,427	\$ 5,583,325	\$ 5,814,664
Total primary government program revenues	\$ 22,416,574	\$ 24,751,852	\$ 25,010,514	\$ 21,015,287	\$ 22,494,687	\$ 21,066,980	\$ 20,239,547	\$ 19,720,995	\$ 20,097,420	\$ 21,759,337
Net (expense) / revenue										
Governmental activities	\$ (87,317,382)	\$ (99,073,498)	\$ (113,355,796)	\$ (131,267,373)	\$ (111,074,171)	\$ (109,362,053)	\$ (116,627,981)	\$ (126,514,894)	\$ (122,091,962)	\$ (120,617,347)
Business-type activities	1,511,486	1,652,857	795,041	632,539	(1,150,550)	(288,479)	(381,125)	(546,163)	(693,393)	346,720
Total primary government net expense	\$ (85,805,896)	\$ (97,420,641)	\$ (112,560,755)	\$ (130,634,834)	\$ (112,224,721)	\$ (109,650,532)	\$ (117,009,106)	\$ (127,061,057)	\$ (122,785,355)	\$ (120,270,627)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 53,911,011	\$ 68,137,163	\$ 59,049,060	\$ 66,650,022	\$ 69,116,087	\$ 70,903,832	\$ 73,729,205	\$ 76,645,974	\$ 80,982,283	\$ 83,061,334
Local sales and use taxes	8,488,195	9,698,878	10,387,530	10,959,334	10,145,846	8,794,212	9,711,110	10,516,915	11,039,186	12,081,490
Business licenses taxes	4,160,697	4,877,840	5,307,237	5,130,116	4,783,973	4,301,959	5,007,502	5,482,143	5,937,867	5,993,996
Communication taxes	-	-	-	-	-	-	-	-	-	-
Consumer utility taxes	3,213,017	3,467,089	3,378,207	3,166,129	3,079,363	3,075,230	3,080,740	3,022,297	3,062,954	3,137,815
Meals and lodging taxes	2,741,496	2,970,671	3,300,415	3,616,084	3,611,669	3,735,236	4,032,296	4,454,706	4,592,244	4,786,114
Motor vehicle licenses tax	1,871,393	1,946,216	1,895,034	1,707,280	1,989,921	2,092,226	2,113,938	2,165,329	2,167,580	2,257,014
Taxes on recordation and wills	2,770,777	2,829,777	2,188,564	1,699,714	1,189,200	1,094,031	992,281	934,185	1,254,738	1,154,855
Other local taxes	207,977	236,136	230,899	270,453	306,490	333,133	356,826	390,755	394,679	489,172
Unrestricted grants and contributions	12,068,887	14,585,024	13,613,912	16,141,414	13,272,212	13,318,446	14,689,496	14,631,755	14,653,046	14,692,678
Unrestricted revenues from use of money and property	664,258	1,650,232	3,352,277	2,259,090	1,078,840	416,503	190,074	265,970	468,591	176,297
Miscellaneous	1,241,876	2,720,753	1,361,632	1,046,778	994,188	533,261	561,013	637,532	686,893	291,589
Total governmental activities	\$ 91,339,584	\$ 113,119,779	\$ 104,064,767	\$ 112,646,414	\$ 109,567,789	\$ 110,011,780	\$ 114,464,481	\$ 119,147,561	\$ 125,240,061	\$ 128,122,354
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 487,814	\$ 1,051,814	\$ 1,366,844	\$ 1,187,467	\$ 571,354	\$ 177,850	\$ 93,809	\$ 53,704	\$ 60,856	\$ 70,827
Miscellaneous	80,969	22,794	33,810	39,196	24,196	180,453	208,967	184,281	199,307	124,177
Total business-type activities	\$ 568,783	\$ 1,074,608	\$ 1,400,654	\$ 1,226,663	\$ 595,550	\$ 358,303	\$ 302,776	\$ 237,985	\$ 260,163	\$ 195,004
Total primary government	\$ 91,908,367	\$ 114,194,387	\$ 105,465,421	\$ 113,873,077	\$ 110,163,339	\$ 110,370,083	\$ 114,767,257	\$ 119,385,546	\$ 125,500,224	\$ 128,317,358
<b>Change in Net Position</b>										
Governmental activities	\$ 4,022,202	\$ 14,046,281	\$ (9,291,029)	\$ (18,620,959)	\$ (1,506,382)	\$ 649,727	\$ (2,163,500)	\$ (7,367,333)	\$ 3,148,099	\$ 7,505,007
Business-type activities	2,080,269	2,727,465	2,195,695	1,859,202	(555,000)	69,824	(78,349)	(308,178)	(433,230)	541,724
Total primary government	\$ 6,102,471	\$ 16,773,746	\$ (7,095,334)	\$ (16,761,757)	\$ (2,061,382)	\$ 719,551	\$ (2,241,849)	\$ (7,675,511)	\$ 2,714,869	\$ 8,046,731

NOTE: In FY 2013 the County implemented GASB 63 and 65, which changed the statement of net assets to the statement of net position.

COUNTY OF FREDERICK, VIRGINIA

Table 3

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

		FISCAL YEAR									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund											
Reserved	\$	3,945,440	\$ 3,436,600	\$ 4,035,769	\$ 4,424,640	\$ 4,143,819	\$ 6,678,970	\$ -	\$ -	\$ -	\$ -
Unreserved		28,969,699	38,740,704	41,212,142	33,701,529	30,324,674	28,423,952	-	-	-	-
Nonspendable		-	-	-	-	-	-	740,576	736,632	739,911	737,911
Restricted		-	-	-	-	-	-	3,022,694	2,963,356	3,504,341	5,987,501
Committed		-	-	-	-	-	-	1,222,437	1,698,907	3,385,779	1,616,849
Assigned		-	-	-	-	-	-	1,635	2,135	2,135	4,780
Unassigned		-	-	-	-	-	-	28,372,870	34,175,579	38,127,444	43,513,213
Total general fund	\$	<u>32,915,139</u>	<u>\$ 42,177,304</u>	<u>\$ 45,247,911</u>	<u>\$ 38,126,169</u>	<u>\$ 34,468,493</u>	<u>\$ 35,102,922</u>	<u>\$ 33,360,212</u>	<u>\$ 39,576,609</u>	<u>\$ 45,759,610</u>	<u>\$ 51,860,254</u>
All other governmental funds											
Unreserved, reported in:											
Special revenue funds	\$	1,677,244	\$ 4,285,650	\$ 3,968,620	\$ 3,961,348	\$ 3,450,524	\$ 3,259,332	\$ -	\$ -	\$ -	\$ -
Capital projects funds		724,735	16,977,294	3,474,869	1,907,844	1,455,932	1,408,958	-	-	-	-
Debt service funds		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	961,104	-
Capital Projects fund		-	-	-	-	-	-	-	93,338	201,893	534,684
Committed, reported in:											
Shawneeland Sanitary District fund		-	-	-	-	-	-	2,100,635	2,280,837	2,103,040	2,317,142
Lake Holiday Sanitary District fund		-	-	-	-	-	-	588,392	265,516	1,594,902	2,402,030
Other governmental funds		-	-	-	-	-	-	984,280	385,019	579,705	1,049,226
Assigned, reported in:											
School debt service fund		-	-	-	-	-	-	80,400	21,050	20,159	922,737
Other governmental funds		-	-	-	-	-	-	642,500	642,500	642,514	642,514
Total all other governmental funds	\$	<u>2,615,979</u>	<u>\$ 21,318,250</u>	<u>\$ 7,795,834</u>	<u>\$ 5,899,549</u>	<u>\$ 4,956,256</u>	<u>\$ 4,918,810</u>	<u>\$ 13,543,891</u>	<u>\$ 9,735,914</u>	<u>\$ 6,103,317</u>	<u>\$ 7,868,333</u>

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.

COUNTY OF FREDERICK, VIRGINIA

Table 4

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

		FISCAL YEAR									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>											
General property taxes	\$	53,463,481	\$ 61,583,051	\$ 64,403,108	\$ 66,558,555	\$ 69,248,556	\$ 70,515,367	\$ 72,144,912	\$ 75,756,332	\$ 80,260,535	\$ 83,248,466
Other local taxes		23,453,552	26,026,607	26,687,886	26,549,110	25,106,462	24,839,738	25,294,693	26,966,331	28,449,248	29,900,456
Permits, privilege fees and regulatory licenses		2,773,787	3,186,465	3,290,254	1,771,184	1,308,407	950,143	920,328	970,384	1,214,052	1,329,532
Fines and forfeitures		282,828	210,902	227,693	324,259	526,081	328,273	279,102	307,839	387,848	368,396
Revenue from use of money and property		629,791	1,571,091	3,218,104	2,111,954	987,392	370,663	158,943	245,975	456,138	162,282
Charges for services		2,922,170	3,346,678	3,081,300	2,895,993	2,900,005	2,825,977	2,826,326	2,832,143	2,677,107	3,494,986
Miscellaneous		1,287,741	2,720,753	1,404,792	1,046,778	1,002,536	533,261	547,013	637,532	686,893	291,589
Recovered costs		2,969,724	3,364,965	2,566,712	3,518,072	2,869,183	1,622,623	1,886,653	1,824,072	3,234,072	3,655,309
Intergovernmental:											
School Board		-	-	-	-	75,199	-	-	-	-	-
Commonwealth		19,724,037	22,994,740	22,239,766	22,926,432	21,974,545	19,637,377	21,783,001	21,699,118	21,805,277	22,560,481
Federal		2,314,947	2,868,218	2,921,998	2,852,395	3,495,637	5,498,731	3,851,943	3,185,838	3,082,857	2,883,955
Total revenues	\$	109,822,058	\$ 127,873,470	\$ 130,041,613	\$ 130,554,732	\$ 129,494,003	\$ 127,122,153	\$ 129,692,914	\$ 134,425,564	\$ 142,254,027	\$ 147,895,452
<b>Expenditures</b>											
General government administration	\$	6,152,689	\$ 6,100,985	\$ 6,583,607	\$ 8,119,131	\$ 7,276,944	\$ 6,687,604	\$ 8,053,735	\$ 7,393,143	\$ 9,152,531	\$ 8,539,102
Judicial administration		2,753,028	3,083,978	3,368,271	3,675,622	3,526,972	3,403,686	3,247,873	3,434,760	2,653,882	2,712,940
Public safety		15,607,849	18,907,930	21,011,083	24,032,872	23,722,707	22,681,537	22,682,060	23,615,366	25,245,584	28,868,031
Public works		3,290,973	3,205,933	3,619,922	4,503,865	4,159,409	3,768,694	3,944,394	3,518,557	3,627,132	4,201,203
Health and welfare		6,808,832	7,656,236	8,263,906	8,370,164	8,599,559	7,958,998	8,249,546	8,133,653	7,419,397	7,667,788
Education		64,352,365	67,534,934	69,256,423	81,833,398	65,275,369	56,368,057	61,552,236	58,195,860	61,567,887	73,011,616
Parks, recreation and cultural		4,461,985	4,587,827	5,172,402	5,873,039	5,332,794	4,841,120	4,919,987	4,918,972	4,888,472	5,000,983
Community development		3,119,951	2,855,655	3,736,695	3,518,826	3,866,963	2,830,039	3,246,702	6,212,745	6,651,931	3,956,630
Capital projects		-	4,737,885	14,273,970	1,604,431	1,058,050	10,099	3,597	80,000	1,557,990	131,947
Debt service											
Principal		8,193,343	9,024,354	9,164,886	9,653,751	10,140,317	10,952,875	10,750,040	13,137,122	10,683,190	10,932,662
Interest and other fiscal charges		5,346,772	5,735,999	6,627,457	7,044,286	7,105,225	6,938,256	5,304,341	6,596,938	6,336,376	5,466,140
Total expenditures	\$	120,087,787	\$ 133,431,716	\$ 151,078,622	\$ 158,229,385	\$ 140,064,309	\$ 126,440,965	\$ 131,954,511	\$ 135,237,116	\$ 139,784,372	\$ 150,489,042
Excess of revenues over (under) expenditures	\$	(10,265,729)	\$ (5,558,246)	\$ (21,037,009)	\$ (27,674,653)	\$ (10,570,306)	\$ 681,188	\$ (2,261,597)	\$ (811,552)	\$ 2,469,655	\$ (2,593,590)
<b>Other financing sources (uses)</b>											
Long-term debt issued	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,245,000	\$ 2,759,400	\$ -	\$ 9,415,000
Transfers in		10,597,219	18,605,245	13,065,803	11,792,301	13,904,797	15,653,657	16,328,731	15,506,653	15,507,250	15,929,349
Transfers out		(10,597,219)	(18,605,245)	(13,065,803)	(11,792,301)	(13,904,797)	(15,737,862)	(16,429,763)	(15,601,278)	(15,523,145)	(15,940,817)
Bonds issued		14,545,000	33,522,682	10,200,000	17,497,913	5,720,000	-	-	-	-	-
Premium on bonds issued		1,020,207	-	385,200	1,158,713	147,862	-	-	-	-	744,930
Capital leases		-	-	-	-	101,475	-	-	555,197	96,644	310,788
Total other financing sources (uses)	\$	15,565,207	\$ 33,522,682	\$ 10,585,200	\$ 18,656,626	\$ 5,969,337	\$ (84,205)	\$ 9,143,968	\$ 3,219,972	\$ 80,749	\$ 10,459,250
Net change in fund balances	\$	5,299,478	\$ 27,964,436	\$ (10,451,809)	\$ (9,018,027)	\$ (4,600,969)	\$ 596,983	\$ 6,882,371	\$ 2,408,420	\$ 2,550,404	\$ 7,865,660
<b>Debt service as a percentage of noncapital expenditures</b>											
		11.406%	11.599%	12.078%	10.803%	12.443%	14.180%	12.202%	14.695%	12.262%	11.065%

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	Total Direct Tax Rate (1)	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
					Real Estate	Personal Property				
2005	\$ 5,390,315,685	\$ 831,996,886	\$ 31,049,625	\$ 245,449,038	\$ 174,729,621	\$ 2,495,494	\$ 6,676,036,349	\$ 1.039	\$ 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	0.989	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	0.970	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	0.954	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	0.991	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	0.955	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	1.029	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	1.060	9,238,966,879	100.00%
2013	7,696,001,768	975,644,445	41,657,064	255,121,648	378,304,245	2,172,968	9,348,902,138	1.071	9,348,902,138	100.00%
2014	7,816,092,895	1,006,173,855	41,946,196	282,244,524	342,658,871	2,194,437	9,491,310,778	1.081	9,491,310,778	100.00%

(1) The total direct tax rate is calculated using the weighted average method

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

<b>Fiscal Years</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Airplanes</b>	<b>Mobile Homes</b>	<b>Total Direct Tax Rate (2)</b>
2005	\$ 0.525	\$ 4.20	\$ 2.00	\$ 0.425	\$ 0.525	\$ 1.039
2006	0.525	4.20	2.00	0.425	0.525	0.989
2007	0.525	4.20	2.00	0.425	0.525	0.970
2008	0.525	4.20	2.00	0.425	0.525	0.954
2009	0.510	4.86	2.00	0.425	0.510	0.991
2010	0.510	4.86	2.00	0.425	0.510	0.955
2011	0.545	4.86	2.00	0.001	0.545	1.029
2012	0.585	4.86	2.00	0.001	0.585	1.060
2013	0.585	4.86	2.00	0.001	0.585	1.071
2014	0.585	4.86	2.00	0.001	0.585	1.081

(1) Per \$100 of assessed value

(2) The total direct tax rate is calculated using the weighted average method

Principal Property Taxpayers  
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2014		Fiscal Year 2005	
		2014 Assessed Valuation	% of Total Assessed Valuation	2005 Assessed Valuation	% of Total Assessed Valuation
Trans Allegheny Interstate	Utility	\$ 122,050,579	0.54%	\$ -	0.00%
Shenandoah Valley Elec Coop	Utility	43,008,889	0.53%	-	0.00%
Rappahannock Elec	Utility	42,741,797	0.49%	-	0.00%
Fort Collier Group	Industrial Park	39,366,400	0.43%	12,312,400	0.29%
Verizon Virginia	Utility	34,756,929	0.42%	33,859,421	0.80%
Cooperwood Fema LLC	Federal Govt	33,970,500	0.42%	-	0.00%
The Village At Orchard Ridge	Retirement Community	33,299,300	0.39%	-	0.00%
H P Hood Inc	Dairy Plant	31,210,100	0.39%	31,872,800	0.75%
EIP Winchester	Distribution	31,086,100	0.28%	-	0.00%
Washington Gas light	Utility	22,251,817	0.00%	18,137,531	0.43%
Potomac Edison	Utility	-	0.00%	83,187,476	1.96%
Kohl's Department Stores	Distribution	-	0.00%	12,468,800	0.29%
Trex Company	Decking	-	0.00%	12,423,400	0.29%
AT&T	Utility - communications	-	0.00%	13,147,258	0.31%
Home Depot, USA	Distribution	-	0.00%	24,781,900	0.58%
General Electric Co.	Incandescent lamps	-	0.00%	14,174,400	0.33%
		<u>\$ 433,742,411</u>	<u>5.42%</u>	<u>\$ 256,365,386</u>	<u>6.42%</u>

Source: Commissioner of Revenue - 2013 RE BOOK, 2013 PUBLIC SERVICE RE TOTAL,  
FY 2005 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
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	87,707,865	83,897,163	95.66%	3,105,921	87,003,084	99.20%
2013	92,011,553	88,322,360	95.99%	3,419,695	91,742,055	99.71%
2014	94,684,254	90,853,421	95.95%	3,408,052	94,261,473	99.55%

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 2008 through 2014 include amounts reimbursed to the County by the Commonwealth of Virginia for personal property taxes.

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			
2005	\$ 105,875,895	\$ 11,311,352	\$ 6,226,072	\$ 81,251	\$ 123,494,570	3996.58%	\$ 1,787
2006	111,019,053	10,228,173	26,770,000	46,136	148,063,362	4387.13%	2,043
2007	113,684,481	9,144,994	26,260,000	9,432	149,098,907	4174.28%	1,997
2008	123,989,065	8,111,815	25,345,000	90,059	157,535,939	4216.12%	2,071
2009	121,374,558	7,078,636	24,395,000	155,718	153,003,912	4146.80%	1,975
2010	111,972,056	6,172,487	23,415,000	116,592	141,676,135	3734.83%	1,809
2011	102,853,536	5,266,914	31,808,527	75,651	140,004,628	3460.97%	1,769
2012	109,991,320	4,452,765	30,737,128	396,281	145,577,494	3419.14%	1,813
2013	105,899,982	3,638,616	29,325,375	271,481	139,135,454	3173.60%	1,713
2014	107,186,912	2,824,467	27,598,029	173,662	137,783,070	N/A	1,660

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>
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	145,019,085	-	145,019,085	1.57%	1,806
2013	138,713,598	-	138,713,598	1.48%	1,708
2014	137,471,379	-	137,471,379	1.45%	1,656

- (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 (1)(2)(c)</b>	<b>School Enrollment (3)</b>	<b>Unemploy- ment Rate (5)</b>
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	3,736,515	36,610	N/A	13,043	4.20%
2009	77,477	3,689,688	35,645	38	13,148	7.80%
2010	78,305	3,793,374	36,208	39.1	13,060	7.30%
2011	79,156	4,045,238	38,128	39.3	13,137	6.30%
2012	80,317	4,257,720	39,710	39.7	13,148	5.60%
2013	81,207	4,384,159	40,394	N/A	13,163	5.00%
2014 (a)	83,000	N/A	N/A	N/A	13,144	4.70%

## Notes:

- (a) 2014 figures are estimated
- (b) Includes City of Winchester
- (c) 2010 to current figures from U.S. Census Bureau

## 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>2014</b>		<b>Employees</b>	<b>2005</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
Navy Federal Credit Union	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
County of Frederick	4	500 to 999	Action Executive Services	4	250 to 499
Lord Fairfax Community College	5	500 to 999	American Woodmark Corporation	5	250 to 499
Axiom Staffing Group	6	250 to 499	H.P. Hood, Inc.	6	250 to 499
Kraft Foods	7	250 to 499	Lord Fairfax Community College	7	250 to 499
H.P. Hood, Inc.	8	250 to 499	GE Lighting	8	250 to 499
The Home Depot	9	250 to 499	Shockey Brothers, Inc.	9	250 to 499
Kohls Department Stores	10	250 to 499	Glaize And Brothers	10	100 to 249

Source: Virginia Employment Commission

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

Function	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	51	54	57	64	66	65	62	63	63	64
Judicial administration	19	19	20	22	24	22	22	22	21	22
Public safety										
Sheriffs department	107	112	118	123.5	126.5	125.5	125.5	125.5	126.5	127.5
Juvenile Court Probation	2	2	2	2	2	2	2	2	2	2
Building Inspections	14	17	25	23	21	18	14	13	13	13
Fire & Rescue	68	68	77	79.5	80.5	76.5	77.5	77.5	77.5	79.5
Communications	11	13	15	15	16	14	13	13	13	16
Public Works										
Engineering	5	6	6	7	7	6	5	4	4	4
Refuse Collection	2	2	2	2	2	2	2	2	2	2
Maintenance	5	5	5	8	10	10	9	9	9	9
Animal Shelter	4	5	6	7	7	7	7	7	7	7
Health and welfare										
Department of social services	46	52	57	57	57	58	57	57	57	57
Parks and Recreation	29	30	40	41	41	38	38	38	38	38
Community development										
Planning	13	13	14	14	13	11	11	11	11	11
EDC	3	3	3	3	3	3	3	3	3	3
Gypsy Moth/Biosolids	1	1	1	1	1	1	-	-	-	-
Soil & Water Conservation	3	6	6	6	6	-	-	-	-	-
Extensions	2	2	2	2	2	2	2	2	2	2
Regional Jail	154	154	187	195	206	194	189	188	192	197
Landfill	27	27	31	31	28	26	26	26	26	27
Division of Court Services	21	19	19	20	20	19	15	12	7	7
Shawneeland Sanitary District	5	6	6	6	6	6	6	6	6	6
Airport	9	9	12	13	13	11	11	11	11	11
Totals	601	625	711	742	758	717	697	692	691	705

Source: Prior Frederick County Annual Budgets

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 (c)
Public Safety										
Sheriffs Department:										
Calls for service answered (a) (d)	51,774	55,872	62,773	67,593	69,852	70,880	70,488	74,251	78,995	67,939
Warrants served (a) (d)	4,061	4,440	4,604	4,806	6,249	6,731	7,207	7,045	7,593	7,160
Criminal arrests (a) (d)	2,588	3,123	3,494	3,766	3,868	3,808	3,886	4,057	4,065	3,800
Citations issued (a) (d)	6,648	4,107	6,222	7,883	8,257	6,207	7,273	5,994	6,373	6,075
Civil papers served (a) (d)	17,460	18,410	19,669	20,962	21,995	20,171	19,388	19,764	19,125	17,421
Fire and Rescue:										
Incident responses (a) (d)	8,890	8,969	9,137	9,229	9,101	9,339	9,857	10,053	9,472	9,176
Building Inspections:										
Permits issued	9,284	9,771	7,474	5,690	3,917	3,639	3,463	3,625	3,608	4,214
Inspections performed	29,582	34,495	28,625	23,307	17,687	14,669	12,463	12,643	13,957	12,951
Public Works										
Road Administration:										
Street signs installed/repared	119	117	165	148	116	176	124	118	190	112
Engineering:										
Site reviews	298	342	339	239	414	285	271	290	442	514
Land disturbance permits issued	1,328	1,245	650	411	320	261	216	247	347	369
Animal Shelter:										
Dogs/cats adopted/reclaimed	947	1,003	1,008	1,367	1,471	1,363	1,400	1,379	1,306	1,201
Health and Welfare										
Department of Social Services:										
Adult protective service investigations	151	147	147	132	127	190	214	286	275	290
Child protective service investigations	422	433	433	550	564	443	437	498	515	470
Culture and Recreation										
Parks and Recreation:										
Recreation hall & shelter permits issued	597	669	811	825	1,141	1,256	1,538	1,308	1,213	1,174
Special events & excursions conducted	38	73	62	67	63	61	59	57	54	57
After-school program participants	416	480	504	460	444	404	442	432	390	407
Youth sports participants	7,039	7,742	7,848	8,183	8,381	8,567	8,652	8,801	8,541	8,646
Community Development										
Planning:										
Rezoning applications processed (a)	17	20	12	16	9	1	1	9	6	5
Landfill										
Refuse weighed and disposed (tons/year)	204,348	213,417	197,245	179,963	159,794	146,633	146,211	144,153	144,984	149,659
Residential Recycling (tons/year)	1,316	1,449	1,950	2,662	2,484	2,710	6,448	5,289	6,313	5,514
Component Unit - School Board										
Education:										
School enrollment (1)	12,211	12,605	12,997	13,043	13,148	13,060	13,137	13,148	13,163	13,144
Number of instructional personnel (b)	1,354.5	1,419	1,477	1,527	1,334	1,441	1,439	1,442	1,424	1,434
Local expenditures per pupil (2)	4,048	4,599	4,642	4,852	4,617	4,574	4,711	4,469	4,876	4,847

## Notes:

- (a) Calendar year
- (b) Full-time equivalent positions
- (c) Budgeted/Estimated
- (d) 2014 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Administration buildings	1	1	1	2	2	2	2	2	2	2
Vehicles	8	8	12	14	10	10	9	15	13	12
Public safety										
Sheriffs department:										
Patrol units	72	81	73	87	97	86	99	86	76	73
Other vehicles	33	34	37	42	38	41	39	39	43	58
Building inspections:										
Vehicles	11	15	15	14	11	10	10	10	10	10
Animal control:										
Vehicles	3	3	3	3	3	3	4	4	3	4
Fire & Rescue:										
Vehicles	N/A	N/A	N/A	N/A	20	20	19	20	25	25
Public works										
General maintenance:										
Trucks/vehicles	1	1	2	2	3	3	3	3	3	3
Other Public Works Vehicles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	20	21	21
Landfill:										
Vehicles	15	12	11	13	13	12	12	13	10	13
Sites	11	11	11	11	11	11	11	11	11	11
Health and welfare										
Department of Social Services:										
Vehicles	7	8	9	10	10	10	10	12	11	11
Culture and Recreation										
Parks and Recreation:										
Community centers	N/A	N/A	N/A	6	6	6	6	6	6	6
Vehicles	27	26	26	29	30	28	27	27	26	24
Parks acreage	431	400	400	400	400	400	400	400	400	400
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	10	16	16	6	6	6	6	6	6	6
Community Development										
Planning:										
Vehicles	4	4	5	5	5	4	4	4	4	4
Component Unit - School Board										
Education:										
Schools (a)	17	18	18	18	18	18	18	18	18	18
School buses	162	182	196	194	194	196	209	211	212	203

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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## **Independent Auditors' 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, in accordance with the 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, 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 County of Frederick, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County of Frederick, Virginia's basic financial statements, and have issued our report thereon dated December 17, 2014.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered County of Frederick, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Frederick, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Frederick, Virginia's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether County of Frederick, Virginia's financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
December 17, 2014

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## **Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133**

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

### **Report on Compliance for Each Major Federal Program**

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 County of Frederick Virginia's major federal programs for the year ended June 30, 2014. County of Frederick, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of County of Frederick, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of County of Frederick, Virginia's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, County of Frederick, Virginia complied, in all material respects, with the types of 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, 2014.

## Report on Internal Control over Compliance

Management of County of Frederick, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Frederick, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 County of Frederick, Virginia'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
December 17, 2014

**COUNTY OF FREDERICK, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

<b>Federal Grantor/Pass - Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Identifying Number</b>	<b>Federal Expendi- tures</b>
<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 Program	10.561	0010109/0010110/0040109/0040110	\$ 546,833
<b><u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u></b>			
<u>Pass through payments:</u>			
Virginia Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 19,768
Temporary Assistance for Needy Families	93.558	0400109/0400110	335,420
Refugee and Entrant Assistance-State Administered Programs	93.566	0500109/0500110	4,520
Low-income Home Energy Assistance	93.568	0600409/0600410	24,577
Child Care Mandatory and Matching Funds of the Child			
Care and Development Fund	93.596	0760109/0760110	46,438
Chafee Education and Training Vouchers Program	93.599	9160109	1,516
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	2,271
Foster Care - Title IV-E	93.658	1100109/1100110	335,598
Adoption Assistance	93.659	1120109/1120110	262,393
Social Services Block Grant	93.667	1000109/1000110	299,264
Chafee Foster Care Independence Program	93.674	9150108/915109/9150110	2,781
Children's Health Insurance Program	93.767	0540109/0540110	16,907
Medical Assistance Program	93.778	1200109/1200110	487,231
Total Department of Health and Human Services			\$ 1,838,684
<b><u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></b>			
<u>Pass through payments:</u>			
Department of Housing and Community Development:			
Community Development Block Grants-State's Program and			
Non-Entitlement Grants in Hawaii	14.228	12PG14DD1	\$ 25,000
Total Department of Housing and Urban Development			\$ 25,000
<b><u>DEPARTMENT OF JUSTICE:</u></b>			
<u>Pass through payments:</u>			
Department of Criminal Justice Services:			
Forfeited Assets	16.000	N/A	\$ 21,694
State Criminal Alien Assistance Program	16.606	N/A	18,814
Crime Victim Assistance	16.575	13VAGX0007	50,112
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011DJBX2153	33,679
Total Department of Justice			\$ 124,299
<b><u>DEPARTMENT OF TRANSPORTATION:</u></b>			
<u>Pass through payments:</u>			
Virginia Department of Transportation:			
Alcohol Open Container Requirements	20.607	154AL1454247/154AL1353038	\$ 22,468
Total Department of Transportation			\$ 22,468
<b><u>DEPARTMENT OF HOMELAND SECURITY:</u></b>			
<u>Pass through payments:</u>			
Virginia Department of Emergency Services:			
State Homeland Security Program	97.073	N/A	\$ 24,600
Emergency Management Performance Grants	97.042	N/A	206
Homeland Security Grant Program	97.067	N/A	12,551
Disaster Grants-Public Assistance(Presidentially Declared Disasters)	97.036	SREIM31319365201	813
Total Department of Homeland Security			\$ 38,170
Total Primary Government			\$ 2,595,454
<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	\$ 351,520
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	2013IN109941	1,929,103
School Breakfast Program (Child Nutrition Cluster)	10.553	2013IN109941	346,268
Schools and Roads - Grants to States	10.665	10.665	4,317
Total Department of Agriculture			\$ 2,631,208

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014 (Continued)

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expendi- tures
<b><u>COMPONENT UNIT SCHOOL BOARD: (Continued)</u></b>			
<b><u>DEPARTMENT OF EDUCATION:</u></b>			
<u>Pass through payments:</u>			
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A120046/S010A130046	\$ 1,303,675
Title I - State Agency Program for Neglected and Delinquent Children and Youth	84.013	S013A120046/S013A130046	93,092
English Language Acquisition State Grants	84.365	T365A120046/S365A130046	50,387
Mathematics and Science Partnerships	84.366	N/A	3,100
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A120107/H027A130107	2,493,573
Special Education - Preschool Grants	84.173	H173A130112	41,161
Fund for the Improvement of Education	84.215	N/A	34,040
Advance Placement Grant	84.330	S330B130008	945
Career and Technical Education - Basic Grants to States	84.048	V048A130046	155,542
Improving Teacher Quality State Grants	84.367	S367A110044/S367A120044	282,767
Total Department of Education			\$ 4,458,282
Total Component Unit School Board			\$ 7,089,490
Total Expenditures of Federal Awards			\$ 9,684,944

## COUNTY OF FREDERICK, VIRGINIA

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

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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, 2014. 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 position, 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, 2014 the School Board had food commodities totaling \$210,365 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	\$ 2,541,792
School Debt Service Fund	276,080
Other Governmental Funds	<u>66,083</u>
Total primary government	\$ <u>2,883,955</u>

Component Unit School Board:

School Operating Fund	\$ 4,428,561
School Cafeteria Fund	2,626,891
School Special Grants Fund	<u>34,040</u>
Total component unit school board	\$ <u>7,089,492</u>

Total federal expenditures per basic financial statements	\$ <u>9,973,447</u>
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Payments in lieu of taxes	\$ <u>(12,423)</u>
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Federal subsidy	\$ <u>(276,080)</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>9,684,944</u></u>
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**COUNTY OF FREDERICK, VIRGINIA**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
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 weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
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>
84.010	Title I Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster
93.658	Foster Care - Title IV-E

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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  
Year Ended June 30, 2014**

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There were no items reported.