

ANNUAL COMPREHENSIVE Financial Report

Fiscal Year Ending June 30, 2021

Frederick County, Virginia

COUNTY OF FREDERICK, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2021**

Issued by

Cheryl B. Shiffler, Finance Director

Winchester, Virginia

- Introductory Section -

COUNTY OF FREDERICK, VIRGINIA

Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Table of Contents	i-iv
Directory of Principal Officials	v
Letter of Transmittal.....	vi-xv
GFOA Certificate of Achievement.....	xvi
Organizational Chart	xvii
FINANCIAL SECTION	
Independent Auditors' Report.....	1-3
Management's Discussion and Analysis.....	4-12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position..... Exhibit 1	14
Statement of Activities..... Exhibit 2	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds..... Exhibit 3	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position..... Exhibit 4	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds..... Exhibit 5	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... Exhibit 6	20
Statement of Net Position - Proprietary Funds..... Exhibit 7	21
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds..... Exhibit 8	22
Statement of Cash Flows - Proprietary Funds..... Exhibit 9	23
Statement of Fiduciary Net Position - Fiduciary Funds..... Exhibit 10	24
Statement of Changes in Fiduciary Net Position - Fiduciary Funds..... Exhibit 11	25
Notes to Financial Statements	26-102
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund..... Exhibit 12	104-106
Budgetary Comparison Schedule - Shawneeland Sanitary District Fund..... Exhibit 13	107
Budgetary Comparison Schedule - Lake Holiday Sanitary District Fund..... Exhibit 14	108
Budgetary Comparison Schedule - CARES/ARP Act Fund..... Exhibit 15	109

COUNTY OF FREDERICK, VIRGINIA

Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

TABLE OF CONTENTS (Continued)

	<u>Page</u>
FINANCIAL SECTION (Continued)	
Required Supplementary Information: (Continued)	
Schedule of Employer's Proportionate Share of the Net Pension Liability	Exhibit 16 110
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Component Unit School Board (nonprofessional)	Exhibit 17 111
Schedule of Employer Contributions – Pension Plans	Exhibit 18 112
Notes to Required Supplementary Information – Pension Plans	Exhibit 19 113
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Primary Government	Exhibit 20 114
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Component Unit School Board	Exhibit 21 115
Notes to Required Supplementary Information - County and Component Unit School Board OPEB	Exhibit 22 116
Schedule of Frederick County School Board's Share of Net OPEB Liability - Teacher Employee Health Insurance Credit (HIC) Plan	Exhibit 23 117
Schedule of Employer Contributions - Teacher Employee Health Insurance Credit (HIC) Plan	Exhibit 24 118
Notes to Required Supplementary Information - Teacher Employee Health Insurance Credit (HIC) Plan	Exhibit 25 119
Schedule of County and School Board's Share of Net OPEB Liability - Group Life Insurance (GLI) Plan	Exhibit 26 120
Schedule of Employer Contributions - Group Life Insurance (GLI) Plan	Exhibit 27 121
Notes to Required Supplementary Information - Group Life Insurance (GLI) Plan	Exhibit 28 122
Schedule of Changes in the School Board's Net OPEB Liability and and Related Ratios - Health Insurance Credit (HIC) Plan	Exhibit 29 123
Schedule of Contributions - Health Insurance Credit (HIC) Plan	Exhibit 30 124
Notes to Required Supplementary Information - Health Insurance Credit (HIC) Plan	Exhibit 31 125
Other Supplementary Information:	
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	Exhibit 32 127
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	Exhibit 33 128
Combining Statement of Net Position - Internal Service Funds	Exhibit 34 129

COUNTY OF FREDERICK, VIRGINIA

Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

TABLE OF CONTENTS (Continued)

	<u>Page</u>
FINANCIAL SECTION (Continued)	
Other Supplementary Information: (Continued)	
Combining and Individual Fund Financial Statements and Schedules: (Continued)	
Combining Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Funds.....	Exhibit 35 130
Combining Statement of Cash Flows - Internal Service Funds.....	Exhibit 36 131
Statement of Fiduciary Net Position - Private Purpose Trust Fund.....	Exhibit 37 132
Combining Statement of Fiduciary Net Position - Custodial Funds.....	Exhibit 38 133
Statement of Changes in Fiduciary Net Position - Private Purpose Trust Fund.....	Exhibit 39 134
Combining Statement of Changes in Assets and Liabilities - Custodial Funds.....	Exhibit 40 135
Revenue and Expenditures Budgetary Comparison Schedule for Nonmajor and Other Funds with Legally Adopted Budgets	Exhibit 41 136
Component Unit School Board - Combining Balance Sheet.....	Exhibit 42 137
Component Unit School Board - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	Exhibit 43 138
Component Unit School Board - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	Exhibit 44 139
Component Unit School Board - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	Exhibit 45 140
Component Unit School Board - Statement of Net Position - Internal Service Funds	Exhibit 46 141
Component Unit School Board - Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Funds	Exhibit 47 142
Component Unit School Board - Statement of Cash Flows - Internal Service Funds.....	Exhibit 48 143
Component Unit School Board - School Operating Fund - Budgetary Comparison Schedule	Exhibit 49 144
Component Unit School Board - Revenue and Expenditure Budgetary Comparison Schedule - Other Funds	Exhibit 50 145
Component Unit Economic Development Authority - Statement of Net Position	Exhibit 51 146
Component Unit Economic Development Authority-Statement of Revenues, Expenses, and Changes in Net Position.....	Exhibit 52 147
Component Unit Economic Development Authority-Statement of Cash Flows	Exhibit 53 148

COUNTY OF FREDERICK, VIRGINIA

Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

TABLE OF CONTENTS (Continued)

	<u>Page</u>
STATISTICAL SECTION	
Financial Trends:	
Net Position by Component - Last Ten Fiscal Years.....	Table 1 150
Changes in Net Position - Last Ten Fiscal Years	Table 2 151
Fund Balances of Governmental Funds - Last Ten Fiscal Years.....	Table 3 152
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years.....	Table 4 153
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	Table 5 154
Property Tax Rates - Last Ten Fiscal Years	Table 6 155
Principal Property Taxpayers - Current Year and the Period Nine Years Prior	Table 7 156
Property Tax Levies and Collections - Last Ten Fiscal Years.....	Table 8 157
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	Table 9 158
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Last Ten Fiscal Years	Table 10 159
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Calendar Years	Table 11 160
Largest Employers - Frederick County - Current Year and Nine Years Ago.....	Table 12 161
Full-time Equivalent County Government Employees by Function - Last Ten Fiscal Years	Table 13 162
Operating Indicators by Function - Last Ten Fiscal Years	Table 14 163
Capital Asset Statistics by Function - Last Ten Fiscal Years	Table 15 164
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	166-167
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	168-169
Schedule of Expenditures of Federal Awards.....	170-171
Notes to Schedule of Expenditures of Federal Awards	172-173
Schedule of Findings and Questioned Costs	174
Summary Schedule of Prior Audit Findings.....	175

COUNTY OF FREDERICK, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS FISCAL YEAR ENDED JUNE 30, 2021

BOARD OF SUPERVISORS

J. Douglas McCarthy	Charles S. DeHaven, Jr., Chairman	Judith McCann Slaughter
Dave Stegmaier	Robert W. Wells, Vice Chairman	Shawn L. Graber
	Blaine P. Dunn	

COUNTY SCHOOL BOARD

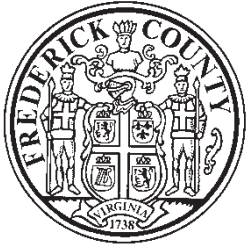
	Jay W. Foreman, Chairman	
	Shontyá C. Washington, Vice Chairman	
Brandon H. Monk		Brian J. Hester
Frank E. Wright	Michael A. Lake	Bradley A. Comstock

BOARD OF SOCIAL SERVICES

	Gail Rush, Chairman	
	Lisa Carper, Vice-Chairman	
Sharen Gromling		John Lamana
Kermit Gaither	Kelly Luckett	Alan L. Morrison

OTHER OFFICIALS

Kris C. Tierney	County Administrator
Jay E. Tibbs	Deputy County Administrator
Cheryl B. Shiffler.....	Finance Director
Joe C. Wilder	Engineering and General Services Director
Steven Majchrzak	Fire and Rescue Services Director
Michael J. Marciano, Jr.	Human Resources Director
Allen S. Varner	Information Technologies Director
Charles B. Tyson.....	Management Information Systems Director
Wyatt Pearson.....	Planning and Development Director
Patrick E. Barker.....	Economic Development Director
Jason Robertson	Parks and Recreation Director
Tamara Perez	Public Safety Communications Director
Seth T. Thatcher.....	Commissioner of the Revenue
C. William Orndoff, Jr.	County Treasurer
Ross P. Spicer	Commonwealth Attorney
Roderick B. Williams	County Attorney
Leonard W. Millholland	Sheriff
Bruce D. Albertson	Chief Judge of the Circuit Court
Ian R.D. Williams	Chief Judge of the General District Court
Hugh David O'Donnell.....	Chief Judge of the Juvenile and Domestic Relations Court
Rebecca Hogan	Clerk of the Circuit Court
Patricia Lowery.....	Court Services Director
Tamara Green	Social Services Director
Chris Petsko	Health Department District Administrator
Mark E. Sutphin.....	Frederick County Extension Agent
Richard M. Venskoske.....	Voter Registrar
Dr. David T. Sovine.....	Superintendent of Schools



COUNTY of FREDERICK

Cheryl B. Shiffler
Finance Director

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December 29, 2021

Board of Supervisors
County of Frederick
Winchester, Virginia

To the Board Members:

The annual comprehensive financial report of the County of Frederick, Virginia for the fiscal year ended June 30, 2021 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 annual comprehensive 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

The County's Annual Comprehensive Financial Report (ACFR) includes all organizations which have significant operational or financial relationships with the County. Organizations which are included in the ACFR as component units of the County are the Frederick County School Board and the Frederick County Economic Development Authority. The organizations are included 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 ACFR. 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 (Frederick Water) 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 and is not 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

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 area is served by the Winchester Regional Airport, a 376-acre, all-weather general aviation airport. It is designated as a Business Class Airport by the Virginia Department of Aviation and is the official airport of the Virginia Inland Port Authority.

LOCAL ECONOMY

The County's recent economic success, mixture of rural and urban settings, recognized quality of life, proximity to Northern Virginia, and diverse career opportunities are also attracting new residents to the area. The U.S. Census Bureau estimates Frederick County's current population to be 89,313, and forecasts increases to 94,023 by 2025 (5.3% increase), 108,067 by 2035 (21.0% increase), and 121,259 by 2045 (35.8% increase). The per capita income in Winchester-Frederick County was \$52,317 in 2019, the last year for which the information is available, according to the Bureau of Economic Analysis. The housing industry has responded to residential demand with 730 new residential permits issued in FY 2019-2020.

Over the last three years, (2018-2020), \$326 million in capital investment and 787 new jobs have been announced, placing Frederick County among the top 10% of localities in the Commonwealth. Companies attribute recent growth announcements to the County's quality workforce, business friendly environment, east coast location with proximity to major markets, and extensive transportation network.

Frederick County's business landscape is diverse, and includes small and large manufacturers, home-grown businesses, chain and boutique retailers and restaurants, farms and agri-businesses, and back-end operations like customer service centers and research and development. According to the Virginia Employment Commission, nearly 2,000 businesses employ over 36,000 people.

Well-known employers continue to invest in Frederick County: Amazon, American Woodmark, CareerBuilder, Navy Federal Credit Union, Winchester Metals, and 84 Lumber, are but a few. Over the next decade, nearly 54,000 career opportunities will be available in Frederick County because of new job growth and the departure of existing workers. The sectors anticipated to see the greatest employment demand include: manufacturing, transportation and warehousing, retail, accommodation and food services, construction, educational services, finance and insurance, and health care.

In 2021, Trex Company, one for the County's largest employers, started production at its expanded facility, as part of the company's \$200 million expansion program. Trex maintains its headquarters, multiple logistics operations, and Trex University in the County. Evolve Manufacturing invested \$1.25 million to enlarge its plant in Frederick County, creating 84 jobs. The expansion adds a second production line, tripled its facility space and increased production for its major customers, including Home Depot, according to a news release. Monoflo International completed a multi-million-dollar expansion with the construction of a new mold storage building. The new space will free up the areas that were previously used to store molds when not in use, creating more manufacturing floor space for new machines and robotics, increasing overall production capacity and decreasing lead times. The Winchester Regional Airport Authority formalized a partnership with TMG Construction Corporation for construction of up to 32 aircraft hangars and associated development at the Airport. The hangars will be operated and managed by a condominium association, providing general aviation users with long-term stability, value, and amenities not found at other airports in the region.

Frederick County is committed to fostering positive relationships with new and established businesses, maintaining reasonable tax rates, utilizing wise land-use planning, and striving for the best and highest use of available resources. It is a goal to build upon the business-friendly approach residents and businesses are accustomed to, creating an environment where they can thrive. The diversity and success of businesses contributed to Frederick County's strong economic rebound to the coronavirus pandemic. Economic and workforce development agencies, non-profits, businesses, and community partners continue to work together to address challenges brought about by the pandemic and otherwise to ensure Frederick County remains a vibrant, fiscally sound community.

A PROFILE OF FREDERICK COUNTY

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 Stephens 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 over 12,000 acres of battlefields lands that maintain high historic character and are enhanced by several fortifications and entrenchments. A partnership involving Winchester and Frederick County government, the Shenandoah Valley Battlefields Foundation, the Kernstown Battlefield Association, the Cedar Creek Battlefield Foundation, the North-South Skirmish, and others is underway to protect local battlefield sites and create a battlefield park network. Such a network will provide substantial economic and educational benefits.

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	Crumley-Lynn-Lodge House
Fort Collier	Fort Colvin
Millbank	Frederick County Poor Farm
High Banks	Homespun
Hopewell Friends Meeting House	Long Meadow
Middletown Historic District	Monte Vista
Newtown-Stephensburg Historic District	Old Stone Church
Opequon Historic District	Opequon Presbyterian Church
Rose Hill Farm	Springdale Mill Complex
Sunrise	Valley Mill Farm
Willow Shade	Willa Cather's Birthplace
St. Thomas Chapel	Thorndale Farm
Cleridge	John Hite House
Old Forge Farm	Springdale

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	

Fortifications/Entrenchments:

Star Fort	Fort Collier
Parkins Mill Battery	Carysbrook Redoubt
Nineteenth Corps Line	Zig-Zag Trenches
Hillandale Earthworks	1864-65 Winter Line

PHYSICAL CHARACTERISTICS

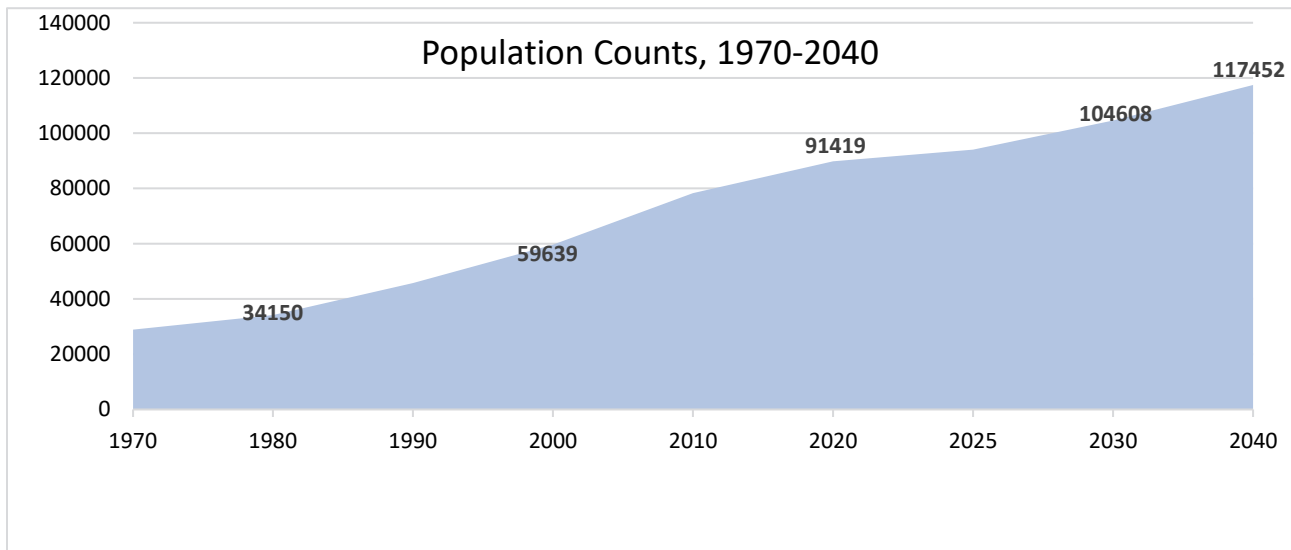
The county can be viewed in terms of three physical areas. The eastern portion of the county contains a band running north-south along the length of the county, which is underlain by Martinsburg shale. This area consists of broad, relatively level ridges separated by steep stream valleys. The soils tend 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 sewered 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 drain fields.

POPULATION

According to the latest census conducted in 2010, the population figure for Frederick County was 78,305. 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. The current population estimate (2020) is 91,419. By 2030, it is projected that the population of Frederick County will be approximately 104,608 and by 2040 the population is expected to reach 117,452.



PUBLIC SCHOOL SYSTEM

Frederick County Public Schools (FCPS), the 21st largest school division in Virginia, is composed of twelve 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. FCPS also serves 72 prekindergarten students at four elementary schools. Other support facilities include the administration building, the maintenance and warehousing facility and the transportation facility. The school division also provides building maintenance services for the county government office buildings and the regional library. The transportation facility provides vehicle maintenance services and fuel to county agencies as well as the school division.

In the fall of 2020 (school year 2020-2021), student enrollment was 13,403 representing a decrease of 477 students compared to a year earlier. The decrease in student enrollment is due to the COVID-19 pandemic. Prior to the pandemic, FCPS student enrollment grew by 677 or 5 percent in five years to a peak of 13,880 students in school year 2019-2020. Student enrollment is expected to grow above the pre-pandemic peak as in-person instruction returns in school year 2021-2022. The structure of the school division is designed to support the needs of the 14,137 students projected for the school year 2021-2022. Growth in the Frederick County community brings challenges to the school system. Those challenges include additional space, class sizes, textbooks, instructional materials, teaching staff, and custodial staff. Frederick County will continue to require the construction of additional space to address student capacity for the foreseeable future.

EMPLOYMENT TRENDS

Frederick County had a total of 35,782 jobs in the fourth quarter of 2020 as measured by JobsEQ®. The largest employment sector was manufacturing which employed 6,048 workers in the fourth quarter of 2020. Of individuals aged 25 to 64 in Frederick County, 28.8% have a bachelor's degree or higher which compares with 33.5% in the nation.

Unemployment rates for Frederick County have paralleled those of Virginia. Unemployment rates have rallied back to pre-COVID-19 conditions. As of May 2021, Frederick County's unemployment rate was 4.0% compared to 4.1% in January 2021. Virginia's rate was 5.1% in May 2021 compared to 5.7% in January 2021. The United States unemployment rate was 6.2% in May 2021 compared to 6.8% in January 2021.

Industry	# of Employees	%
Manufacturing	6,048	16.9%
Transportation and Warehousing	4,197	11.7%
Retail Trade	3,615	10.1%
Education Services	3,071	8.6%
Construction	2,881	8.1%
Finance and Insurance	2,306	6.4%
Public Administration	2,106	5.9%
Accommodation and Food Services	2,009	5.6%
Admin, Support, & Waste Management & Remediation Services	1,933	5.4%
Health Care and Social Assistance	1,683	4.7%
Other Services (except Public Administration)	1,338	3.7%
Wholesale Trade	1,139	3.2%
Professional, Scientific, and Technical Services	1,068	3.0%
Management of Companies and Enterprises	567	1.6%
Agricultural, Forestry, Fishing and Hunting	431	1.2%
Arts, Entertainment, and Recreation	389	1.1%
Real Estate and Rental and Leasing	338	0.9%
Utilities	288	0.8%
Information	208	0.6%
Mining, Quarrying, and Oil and Gas Extraction	96	0.3%
Unclassified	71	0.2%

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 more than 200 academic programs of study and has a school enrollment of approximately 4,000 students. The schools include Eleanor Wade Custer School of Nursing and Respiratory Care, Bernard J. Dunn School of Pharmacy, Harry F. Byrd, Jr. School of Business, School of Health Professions, College of Arts and Sciences, Division of Applied Technology, 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 is about 97.4% of the national average. According to MRIS, the median sold price of housing was \$313,925 in May 2021. 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 2019) gives the crime rate per 100,000 people for the USA as 366.7. The crime rate for the Winchester-Frederick County area was 160.8 in 2019, up from 135.5 in 2018.

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 35,766 active registered library card holders in Frederick County. During the period of July 1, 2020 through June 30, 2021, Frederick County residents had the following usage: traditional book and AV checkouts = 319,761; electronic (ebooks, audiobooks, music, and magazines) checkouts = 73,436 for a total of 393,197 checkouts.

Medical Care

Valley Health Winchester Medical Center, a 495-bed, not-for-profit hospital in Winchester, Virginia, is a regional referral center offering a broad spectrum of services that include diagnostic, medical, surgical, and rehabilitative care. A level II trauma center, Winchester Medical Center is a resource for 500,000 residents in Virginia as well as neighboring West Virginia and Maryland. A Magnet-designated hospital, Winchester Medical Center is also an Advanced Primary Stroke Center, Chest Pain Center, Level 4 Epilepsy Center, and a Level III Neonatal Intensive Care Unit (NICU).

Parks

Frederick County currently owns and operates two district parks, Clearbrook 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, playgrounds, picnic areas, fishing, and volleyball. In addition, Sherando Park has soccer, softball, and baseball fields, an eighteen-hole disc golf course, and approximately five miles of mountain bike trails. The Northwest portion of Sherando Park was recently developed and offers an outdoor fitness area, bike park, restrooms, and a paved parking area. An outdoor fitness area was added to Clearbrook Park and opened for use in the Spring of 2021.

Frederick County opened a new softball/baseball complex at Stonewall Park during the summer of 2020. This park provides five athletic fields of various sizes to be used for a combination of youth and adult athletic programs. Opening for the Spring 2020 season will be the addition of two new sand volleyball courts at Clearbrook Park. This is an on-going partnership with the Blue Ridge Volleyball Association.

There are two neighborhood parks in the County. These are located at Reynolds Store in the Gainesboro district and Frederick Heights in the Redbud district. A pickleball court was installed at Frederick Heights in the spring of 2020 and has been received with much enthusiasm. Parks and Recreation is currently in the design process for a 25-acre active park on Old Charlestown Road. Funding for Phase I of the Abrams Creek trail corridor has been secured via a grant and is currently in the design phase with construction anticipated to begin in FY 2022.

Frederick County residents enjoy five community centers located inside four Frederick County Public School elementary schools and Sherando High School. Two centers boast fitness equipment while four centers have full court gymnasiums.

Frederick County Parks and Recreation provides approximately 180 recreation programs throughout the year. Programs include basicREC, youth sports, adult sports, fitness, general interest, trips, and senior programs. The department provides three signature special events: Walking in a Winter Wonderland is a month-long celebration of lights at Clearbrook Park, the 4th of July Celebration held at Sherando Park, and the Battlefield Half Marathon, the only distance race in the immediate area.

In 2020, the Bowman Library Trail opened for use providing the community with an additional half-mile paved walking trail. An amphitheater will be installed at this same location with construction to begin in the late summer of 2021.

In aligning with the departments' wellness initiatives, Frederick County residents may continue to enjoy the weight rooms located at Sherando and Greenwood Mill Community Centers free of charge along with participating in lap swimming at either pool at no cost.

FINANCIAL INFORMATION

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 to 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 well as by independent internal auditors who report to the Audit Committee.

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, 2021, 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, 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, 2021, 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

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 annual comprehensive financial report for the fiscal year ended June 30, 2020. This was the thirty-fifth 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 annual comprehensive 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.

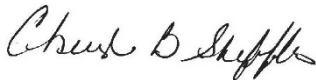
In addition, the County also received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its fiscal year ending June 30, 2020. This is the fifteenth year that the County has received this award. In order to receive this award a government unit must publish a document whose 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, 2020 and thirty-four prior fiscal year annual budgets. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

ACKNOWLEDGMENTS

The preparation of the annual comprehensive 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.

A handwritten signature in cursive script, reading "Cheryl B. Shiffler".

Cheryl B. Shiffler
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**County of Frederick
Virginia**

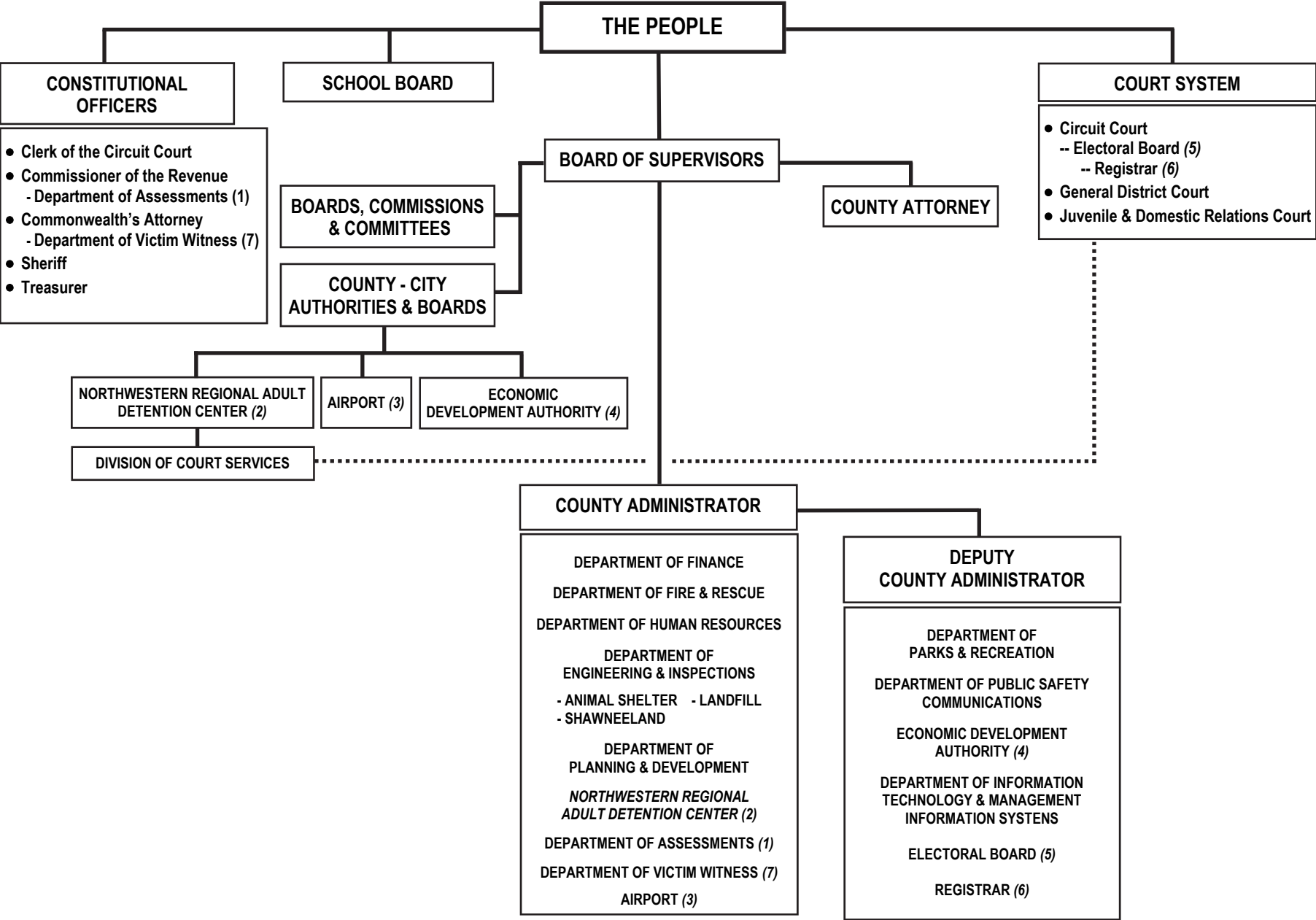
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrell

Executive Director/CEO

FREDERICK COUNTY ORGANIZATIONAL CHART



- Financial Section -



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, 2021, 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 did not audit the financial statements of the School Activity Funds, which represent 6.06 percent, 0.94 percent, and 0.76 percent, respectively, of the governmental fund assets, governmental activities assets, and revenues of the discretely presented component unit – school board. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School Activities Fund, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, 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, 2021, 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.

Change in Accounting Principle

As described in Note 23 to the financial statements, in 2021, the County adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 23 to the financial statements, in 2021, the County restated beginning balances to reflect the requirements of GASB Statement No. 84. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-12, 104-109, and 110-125 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 and other auditors 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.

Supplementary and 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, 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.

Supplementary and 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 29, 2021, 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 solely 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 the effectiveness of County of Frederick, Virginia's 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 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021. 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 2021:

□ Government-wide Statements:

- On a government-wide basis for governmental activities the County had expenses net of program revenues of \$167.7 million, which was approximately \$24.3 million more than the general revenues of \$192.0 million. (Exhibit 2)
- On a government-wide basis, the governmental activities total net position totaled \$43.1 million, total assets were \$375.6 million, total liabilities equaled \$291.7 million, deferred outflows totaled \$27.9 million, and deferred inflows were \$68.7 million. (Exhibit 1)

□ Fund Statements:

- The fund financial statements report combined ending general fund balance of \$82.4 million. Of that amount, \$71.0 million reflects unassigned general fund balance. (Exhibit 3)
- General fund property taxes of \$129.6 million equaled 61% of the total \$211.4 million in revenues in the general fund. (Exhibit 5)
- The net change in fund balance for the general fund over the prior year was approximately a \$13.7 million increase. (Exhibit 5)

Using the Annual Comprehensive 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 Economic 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 government's 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 custodial funds (see Note 1.B.3.b). 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.

In fiscal year 2015 the County implemented GASB 68, which requires the county to report retirement plan liabilities on their financial statements. The standards require the net pension liabilities of cost-sharing plans to be apportioned to each of the participating local governing bodies. The County started reporting net liabilities for pension plans for fiscal year 2015 using fiscal year 2014 actuarial valuation data. Detailed information on pension liabilities can be found in the Notes to Financial Statements - NOTE 9 of this document.

In fiscal year 2018 the County implemented GASB 75, which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). In addition, the County implemented GASB 85, which addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the restatement of net position.

In fiscal year 2019 the County implemented GASB 88, which clarified which liabilities governments should include when disclosing information related to debt. No restatement was required as a result of this implementation.

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

Summary Statement of Net Position June 30, 2021

	Governmental Activities		Business-Type Activities		Total		Component Units	
	2021	2020	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 218,420,936	\$ 183,534,538	\$ 38,786,755	\$ 38,504,402	\$ 257,207,691	\$ 222,038,940	\$ 54,026,685	\$ 56,007,111
Capital Assets (net)	157,225,880	141,420,795	22,606,718	21,090,176	179,832,598	162,510,971	174,989,462	158,373,800
Total Assets	\$ 375,646,816	\$ 324,955,333	\$ 61,393,473	\$ 59,594,578	\$ 437,040,289	\$ 384,549,911	\$ 229,016,147	\$ 214,380,911
Deferred Outflows of Resources	\$ 27,923,050	\$ 17,739,934	\$ 1,210,284	\$ 764,016	\$ 29,133,334	\$ 18,503,950	\$ 46,162,634	\$ 37,375,512
Long-term Liabilities	\$ 273,867,650	\$ 247,182,485	\$ 18,599,112	\$ 17,444,553	\$ 292,466,762	\$ 264,627,038	\$ 194,831,403	\$ 179,012,356
Other Liabilities	17,879,353	12,599,721	893,649	902,983	18,773,002	13,502,704	19,987,444	19,946,283
Total Liabilities	\$ 291,747,003	\$ 259,782,206	\$ 19,492,761	\$ 18,347,536	\$ 311,239,764	\$ 278,129,742	\$ 214,818,847	\$ 198,958,639
Deferred Inflows of Resources	\$ 68,707,791	\$ 64,085,956	\$ 158,384	\$ 249,337	\$ 68,866,175	\$ 64,335,293	\$ 12,901,469	\$ 15,961,877
Net Position:								
Invested in Capital Assets	\$ (5,464,015)	\$ (3,320,879)	\$ 22,606,718	\$ 21,090,176	\$ 17,142,703	\$ 17,769,297	\$ 174,989,462	\$ 158,373,800
Restricted for Capital Projects	-	-	-	-	-	-	-	-
Unrestricted	48,579,087	22,147,984	20,345,894	20,671,545	68,924,981	42,819,529	(127,530,997)	(121,537,893)
Total Net Position	\$ 43,115,072	\$ 18,827,105	\$ 42,952,612	\$ 41,761,721	\$ 86,067,684	\$ 60,588,826	\$ 47,458,465	\$ 36,835,907

The County's combined net position increased from \$60,588,826 to \$86,067,684. This net increase in the amount of \$25,478,858 can be attributed to the increase in governmental activities in the amount of \$24.3 million combined with an increase in business-type activities in the amount of \$1.2 million. 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, 2021

	Governmental Activities		Business-Type Activities		Total		Component Units	
	2021	2020	2021	2020	2021	2020	2021	2020
Governmental Activities								
Revenues:								
Program Revenues								
Charges for Services	\$ 7,484,928	\$ 7,137,046	\$ 8,755,529	\$ 8,043,060	\$ 16,240,457	\$ 15,180,106	\$ 161,560	\$ 2,032,554
Operating Grants & Contributions	24,891,681	18,221,384	-	-	24,891,681	18,221,384	98,001,152	91,818,608
Capital Grants & Contributions	2,518,374	6,276,035	-	-	2,518,374	6,276,035	-	-
General Revenues								
Real Estate & Personal Property	130,693,950	122,954,976	-	-	130,693,950	122,954,976	-	-
Other Taxes	43,632,400	39,526,349	-	-	43,632,400	39,526,349	-	-
Payments from Primary Government	-	-	-	-	-	-	97,911,382	92,529,177
Non-restricted Grants	14,124,911	14,608,559	-	-	14,124,911	14,608,559	-	-
Use of Money and Property	3,213,183	1,281,680	54,004	386,770	3,267,187	1,668,450	418,443	1,017,475
Miscellaneous	438,314	156,935	217,957	208,590	656,271	365,525	1,873,566	490,737
Transfers	(36,059)	-	36,059	-	-	-	-	-
Total Revenues	\$ 226,961,682	\$ 210,162,964	\$ 9,063,549	\$ 8,638,420	\$ 236,025,231	\$ 218,801,384	\$ 198,366,103	\$ 187,888,551
Expenses:								
General Government	\$ 9,434,528	\$ 10,746,422	\$ -	\$ -	\$ 9,434,528	\$ 10,746,422	\$ -	\$ -
Judicial Administration	3,854,016	3,819,194	-	-	3,854,016	3,819,194	-	-
Public Safety	49,042,230	45,615,796	-	-	49,042,230	45,615,796	-	-
Public Works	5,469,741	5,166,140	-	-	5,469,741	5,166,140	-	-
Health / Welfare	14,483,940	13,845,519	-	-	14,483,940	13,845,519	-	-
Education	99,894,443	94,945,194	-	-	99,894,443	94,945,194	189,989,179	187,483,159
Parks, Recreation & Culture	6,834,007	7,605,319	-	-	6,834,007	7,605,319	-	-
Community Development	7,864,902	7,821,297	-	-	7,864,902	7,821,297	-	-
Interest on Long-term Debt	5,795,908	5,858,332	-	-	5,795,908	5,858,332	-	-
Landfill Operations	-	-	7,872,658	7,954,852	7,872,658	7,954,852	-	-
Economic Development Authority	-	-	-	-	-	-	1,374,743	654,436
Total Expenses	\$ 202,673,715	\$ 195,423,213	\$ 7,872,658	\$ 7,954,852	\$ 210,546,373	\$ 203,378,065	\$ 191,363,922	\$ 188,137,595
Expenses (greater than) less than revenues received	\$ 24,287,967	\$ 14,739,751	\$ 1,190,891	\$ 683,568	\$ 25,478,858	\$ 15,423,319	\$ 7,002,181	\$ (249,044)
Net Position, beginning of year, as restated	18,827,105	4,087,354	41,761,721	41,078,153	60,588,826	45,165,507	40,456,284	38,529,064
Net Position, end of year	\$ 43,115,072	\$ 18,827,105	\$ 42,952,612	\$ 41,761,721	\$ 86,067,684	\$ 60,588,826	\$ 47,458,465	\$ 38,280,020

Revenues:

- **Governmental Activities:** For the fiscal year ended June 30, 2021, revenues from governmental activities totaled \$227.0 million, an increase of \$16.8 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 \$130.7 million of the total revenues received, an increase of \$7.7 million. 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 \$4.1 million.

Operating grants and contributions increased \$6.7 million primarily due to COVID-19 expenses that were reimbursed by CARES Coronavirus Relief Funds.

- **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 \$1.2 million in FY21.
- **Component Units:** Component units include the Frederick County Public Schools and the Frederick County Economic 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, 2021, expenses related to governmental activities totaled \$202,673,715 which includes payments to the component units. Net position related to governmental activities increased by \$7,250,502, primarily due to an increase of \$3.4 million in public safety expenses, combined with a \$4.9 million increase in education expenses. Both increases were mainly due to COVID-19 expenses that were ultimately reimbursed by CARES Coronavirus Relief Funds.

Financial Analysis of the Fund Financial Statements:

Governmental Funds: Reported combined ending fund balance is \$107,006,838, an increase of \$20.3 million in comparison with the prior year (Exhibit 5). The increase was mostly a combination of a \$13.7 million increase in General Fund fund balance and a \$6.6 million increase in the Capital Projects Fund fund balance at the end of FY 2021. The General Fund fund balance increase is due to revenues exceeding budget projections, combined with revenues exceeding expenditures and transfers. General fund experienced a \$9.0 million increase in Property tax revenue primarily due to a reassessment and increased values of automobiles due to the shortage in supply, combined with \$4.7 million from CARES Coronavirus Relief Funds. The increase in the Capital Projects Fund fund balance is primarily attributed to the collection of revenue sharing costs for road construction from the Virginia Department of Transportation. Detailed fund balance information can be found on Exhibit 3 – Balance Sheet.

Approximately 66% (\$70,997,467) of the combined ending fund balance is unassigned, which is available for spending at the government's discretion. Of the remainder of the fund balance, \$1,621 is nonspendable, \$9,529,320 is restricted, \$26,275,144 is committed, and \$203,286 is assigned (Exhibit 3). Detailed information on fund balance types and amounts can be found in the Notes to Financial Statements - NOTE 1-Q of this document.

Financial Analysis of the Fund Financial Statements: (continued)

The County's major funds are the General, Shawneeland Sanitary District, Lake Holiday Sanitary District, CARES/ARP Act, School Debt Service, and Capital Projects Funds. Detailed information on fund revenues, expenditures and fund balance during the 2020-21 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 CARES/ARP Act Fund accounts for funds received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 and the American Rescue Act of 2021.
 - 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 Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital 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 \$1,190,891, while the Internal Service Funds recognized an increase in net position in the amount of \$3,724,105 (Exhibit 8). The Landfill Fund purchased capital assets in the amount of \$4,294,072 and posted operating income of \$1,100,828 (Exhibit 9). The Internal Service Funds had operating income of \$3,655,086 (Exhibit 9). The increase in the Internal Service Fund is attributed to the County's self-funded health insurance plan.

General Budgetary Highlights:

Differences between the original budget appropriations and the final budget appropriations of the general fund resulted in an increase of \$19,227,925 in additional appropriations (Exhibit 12). Highlights of the budget amendments are as follows:

- \$695,241 budget amendment to carry forward outstanding encumbrances from the prior year.
- \$168,999 budget amendment to carry forward unspent Fire Company Capital funds.
- \$414,376 budget amendment for the County portion of the Airport Capital fund.
- \$539,148 budget amendment using proffers for the Clearbrook fire station building addition.
- \$250,000 budget amendment to carry forward unspent funds for Albin Convenience Center.
- \$152,890 budget amendment to carry forward unspent funds for Old Charlestown Road Park project.
- \$13,004,306 budget amendment to transfer excess unassigned fund balance to capital.
- \$174,800 budget amendment for an armored vehicle for the Sheriff's department.
- \$129,476 in total budget amendments for various refunds of taxes and fees per the Commissioner of the Revenue.
- \$919,729 in budget amendment to reimburse the General Fund for COVID-19 expenses.

General Budgetary Highlights: (continued)

The actual expenditures were \$15,367,740 less than the final amended budget. Details can be found in Exhibit 12. Significant variances were:

- \$1,897,306 from general government administration. Contributing factors were a credit adjustment for overcharges to workers compensation, airport capital carry forward, a reduction in tourism, and staff vacancies in the Treasurer's office;
- \$433,238 from judicial administration primarily from staff vacancies in the Circuit Court Clerk's and Commonwealth Attorney's offices;
- \$1,045,564 from fire & rescue mainly attributed to \$438,000 in unspent funds in staff vacancies and uniforms and \$300,000 in outstanding purchase orders that were carried forward to FY 2022;
- \$1,400,583 from the Sheriff's department from \$260,000 savings in personnel costs, \$175,000 in unspent funds for various supplies that were carried forward to the new fiscal year, and \$527,000 in outstanding purchase orders, which will carry forward to FY 2022;
- \$733,280 from public works which can be attributed to \$110,000 which will be carried forward to FY 2022 for the Albin convenience site project, and \$369,000 unspent for county office buildings maintenance due to COVID-19 and the resulting supply shortages;
- \$5,782,998 from education for public schools that includes \$1.0 million in outstanding encumbrances, and \$4.7 million unspent in school operating that was ultimately carried forward to FY 2022 for restricted grant funds, nineteen school buses, and various capital projects; and
- \$1,219,183 from the Department of Social Services primarily as a result staff vacancies and a reduced caseload for foster care and adult services.
- \$1,714,047 from the parks and recreation department due to canceled programs as a result of COVID-19.

Capital Assets:

At the end of the Fiscal Year 2021, Governmental Activities had invested \$157,225,880 and the Component Unit School Board had invested \$174,989,462 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.

Capital Assets: (continued)

Capital Assets						
	Governmental Activities		Business Activities		Total	
	2021	2020	2021	2020	2021	2020
Capital Assets not being depreciated:						
Land and Land Improvements	\$ 3,279,933	\$ 3,279,933	\$ 3,548,234	\$ 3,520,496	\$ 6,828,167	\$ 6,800,429
Construction in Progress	17,886	981,494	466,070	6,362,968	483,956	7,344,462
School Construction in Progress	48,384,454	36,815,893	-	-	48,384,454	36,815,893
Total Capital Assets not being depreciated	\$ 51,682,273	\$ 41,077,320	\$ 4,014,304	\$ 9,883,464	\$ 55,696,577	\$ 50,960,784
Other Capital Assets:						
Building and Improvements	\$ 60,096,783	\$ 58,977,396	\$ 2,999,716	\$ 2,999,716	\$ 63,096,499	\$ 61,977,112
Landfill Improvements	-	-	46,695,138	36,641,935	46,695,138	36,641,935
School Building & Improvements	83,717,961	78,177,944	-	-	83,717,961	78,177,944
Furniture, Equipment & Vehicles	21,986,025	20,596,446	7,266,921	7,156,892	29,252,946	27,753,338
Total Other Capital Assets	\$ 165,800,769	\$ 157,751,786	\$ 56,961,775	\$ 46,798,543	\$ 222,762,544	\$ 204,550,329
Less: Accumulated Depreciation	60,257,162	57,408,311	38,369,361	35,591,831	98,626,523	93,000,142
Net Capital Assets	\$ 157,225,880	\$ 141,420,795	\$ 22,606,718	\$ 21,090,176	\$ 179,832,598	\$ 162,510,971

Component Unit School Board Capital Assets

	2021	2020
Capital Assets not being depreciated:		
Land and Land Improvements	\$ 12,287,858	\$ 12,287,858
Construction in Progress	53,778,766	44,191,118
Construction in Progress Allocated to County	(48,384,454)	(36,815,893)
Total Capital Assets not being depreciated	\$ 17,682,170	\$ 19,663,083
Other Capital Assets:		
Building and Improvements	\$ 335,471,158	\$ 306,626,767
School Buildings and Improvements allocated to County	(83,717,961)	(78,177,944)
Furniture, Equipment & Vehicles	52,688,267	48,125,509
Total Other Capital Assets	\$ 304,441,464	\$ 276,574,332
Less: Accumulated Depreciation	147,134,172	137,863,615
Net Capital Assets	\$ 174,989,462	\$ 158,373,800

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 \$181.5 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, 2021. Additional details on long-term obligations are presented in Note 8 to the financial statements.

Long-Term Obligations: (continued)

	June 30, 2020	Increase	Decrease	June 30, 2021
Lease Revenue Bonds	\$ 20,596,250	\$ -	\$ 1,040,000	\$ 19,556,250
Premium on lease revenue bonds	1,062,628	-	120,377	942,251
Total lease revenue bonds	\$ 21,658,878	\$ -	\$ 1,160,377	\$ 20,498,501
Local financing lease	6,505,000	-	280,000	6,225,000
Premium on financing lease	471,127	-	54,583	416,544
Total local financing lease	\$ 6,976,127	\$ -	\$ 334,583	\$ 6,641,544
General Obligation Bonds:				
Library	675,074	-	328,561	346,513
School	135,356,268	20,325,000	12,078,540	143,602,728
Add deferred amount for issuance premiums	8,411,845	3,167,157	1,148,997	10,430,005
Total General Obligation Bonds	\$ 144,443,187	\$ 23,492,157	\$ 13,556,098	\$ 154,379,246
State Literary Fund Loans:				
School	-	-	-	-
Intergovernmental loans	1,480,526	-	96,692	1,383,834
Claims	1,230,279	11,685,509	11,839,588	1,076,200
Capital leases	440,181	-	213,550	226,631
Net Pension liability	14,436,259	15,429,861	6,727,942	23,138,178
Net OPEB liability	53,051,519	11,016,962	1,334,132	62,734,349
Compensated absences	4,695,808	3,456,625	3,287,066	4,865,367
Total	<u>\$ 248,412,764</u>	<u>\$ 65,081,114</u>	<u>\$ 38,550,028</u>	<u>\$ 274,943,850</u>

Contacting the Finance Department:

This Annual Comprehensive Financial Report (ACFR) 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, 2021

	Governmental Activities	Business-type Activities	Total	Component Units	
				School Board	Economic Development Authority
Assets:					
Cash and cash equivalents	\$ 130,530,078	\$ 23,602,424	\$ 154,132,502	\$ 46,942,198	\$ 1,593,697
Restricted cash	-	14,344,656	14,344,656	-	-
Receivables, net	73,624,947	839,675	74,464,622	91,006	2,734
Note receivable	2,588,117	-	2,588,117	-	-
Internal balances	-	-	-	-	-
Due from other governments	11,676,173	-	11,676,173	4,384,151	-
Prepaid expenses	1,621	-	1,621	-	-
Inventory	-	-	-	1,012,899	-
Capital assets:					
Land and construction in progress	51,682,273	4,014,304	55,696,577	17,682,170	-
Other capital assets, net of accumulated depreciation	105,543,607	18,592,414	124,136,021	157,307,292	-
Capital assets, net	\$ 157,225,880	\$ 22,606,718	\$ 179,832,598	\$ 174,989,462	\$ -
Total assets	\$ 375,646,816	\$ 61,393,473	\$ 437,040,289	\$ 227,419,716	\$ 1,596,431
Deferred Outflows of Resources:					
Deferred charge on refunding	\$ 560,181	\$ -	\$ 560,181	\$ -	\$ -
OPEB deferrals	14,369,494	724,612	15,094,106	4,080,243	-
Pension deferrals	12,993,375	485,672	13,479,047	42,082,391	-
Total deferred outflows of resources	\$ 27,923,050	\$ 1,210,284	\$ 29,133,334	\$ 46,162,634	\$ -
Liabilities:					
Accounts payable and accrued expenses	\$ 3,870,686	\$ 887,661	\$ 4,758,347	\$ 18,530,816	\$ 31,264
Accrued interest payable	2,908,238	-	2,908,238	-	-
Claims payable	1,076,200	-	1,076,200	1,425,364	-
Unearned revenue	8,997,944	5,988	9,003,932	-	-
Amounts held for others	1,026,285	-	1,026,285	-	-
Long-term liabilities:					
Due within one year	19,902,704	139,530	20,042,234	2,035,835	30,312
Due in more than one year	253,964,946	18,459,582	272,424,528	192,752,265	12,991
Total liabilities	\$ 291,747,003	\$ 19,492,761	\$ 311,239,764	\$ 214,744,280	\$ 74,567
Deferred Inflows of Resources:					
Deferred revenue - taxes	\$ 65,549,259	\$ -	\$ 65,549,259	\$ -	\$ -
Items related to measurement of net OPEB liability	2,969,151	150,453	3,119,604	1,752,235	-
Items related to measurement of net pension liability	189,381	7,931	197,312	11,149,234	-
Total deferred inflows of resources	\$ 68,707,791	\$ 158,384	\$ 68,866,175	\$ 12,901,469	\$ -
Net Position:					
Net investment in capital assets	\$ (5,464,015)	\$ 22,606,718	\$ 17,142,703	\$ 174,989,462	\$ -
Unrestricted	48,579,087	20,345,894	68,924,981	(129,052,861)	1,521,864
Total net position	\$ 43,115,072	\$ 42,952,612	\$ 86,067,684	\$ 45,936,601	\$ 1,521,864

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Activities

Year Ended June 30, 2021

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
Primary Government									
Governmental activities									
General government administration	\$ 9,434,528	\$ -	\$ 454,743	\$ -	\$ (8,979,785)	\$ -	\$ (8,979,785)	\$ -	\$ -
Judicial administration	3,854,016	994,272	1,403,897	-	(1,455,847)	-	(1,455,847)	-	-
Public safety	49,042,230	4,584,850	9,391,154	-	(35,066,226)	-	(35,066,226)	-	-
Public works	5,469,741	-	14,931	-	(5,454,810)	-	(5,454,810)	-	-
Health and welfare	14,483,940	-	7,521,500	-	(6,962,440)	-	(6,962,440)	-	-
Education	99,894,443	-	3,561,152	-	(96,333,291)	-	(96,333,291)	-	-
Parks, recreation and cultural	6,834,007	1,905,544	69,352	-	(4,859,111)	-	(4,859,111)	-	-
Community development	7,864,902	262	1,870,555	2,518,374	(3,475,711)	-	(3,475,711)	-	-
Interest on long-term debt	5,795,908	-	604,397	-	(5,191,511)	-	(5,191,511)	-	-
Total governmental activities	\$ 202,673,715	\$ 7,484,928	\$ 24,891,681	\$ 2,518,374	\$ (167,778,732)	\$ -	\$ (167,778,732)	\$ -	\$ -
Business-type activities									
Landfill operations	7,872,658	8,755,529	-	-	-	882,871	882,871	-	-
Total Primary Government	\$ 210,546,373	\$ 16,240,457	\$ 24,891,681	\$ 2,518,374	\$ (167,778,732)	\$ 882,871	\$ (166,895,861)	\$ -	\$ -
Component Units									
Frederick County School Board	\$ 189,989,179	\$ 152,987	\$ 98,001,152	\$ -				\$ (91,835,040)	\$ -
Frederick County Economic Development Authority	1,374,743	8,573	-	-				-	(1,366,170)
Total Component Units	\$ 191,363,922	\$ 161,560	\$ 98,001,152	\$ -				\$ (91,835,040)	\$ (1,366,170)
General Revenues									
Taxes:									
General property taxes, real and personal					\$ 130,693,950	\$ -	\$ 130,693,950	\$ -	\$ -
Local sales and use taxes					18,640,707	-	18,640,707	-	-
Business licenses tax					8,491,750	-	8,491,750	-	-
Consumer utility taxes					3,862,261	-	3,862,261	-	-
Meals and lodging taxes					6,516,380	-	6,516,380	-	-
Motor vehicle licenses tax					3,185,703	-	3,185,703	-	-
Taxes on recordation and wills					2,903,174	-	2,903,174	-	-
Other taxes					32,425	-	32,425	-	-
Payment from County of Frederick:									
Education					-	-	-	96,475,604	-
Economic development					-	-	-	-	1,435,778
Grants and contributions not restricted to specific programs					14,124,911	-	14,124,911	-	-
Unrestricted use of money and property					3,213,183	54,004	3,267,187	418,300	143
Miscellaneous					438,314	217,957	656,271	1,865,566	8,000
Transfers					(36,059)	36,059	-	-	-
Total general revenues and transfers					\$ 192,066,699	\$ 308,020	\$ 192,374,719	\$ 98,759,470	\$ 1,443,921
Change in net position					\$ 24,287,967	\$ 1,190,891	\$ 25,478,858	\$ 6,924,430	\$ 77,751
Net position, beginning of year, as restated					18,827,105	41,761,721	60,588,826	39,012,171	1,444,113
Net position, end of year					\$ 43,115,072	\$ 42,952,612	\$ 86,067,684	\$ 45,936,601	\$ 1,521,864

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, 2021

	General Fund	Shawneeland Sanitary District Fund	Lake Holiday Sanitary District Fund	CARES/ ARP ACT Fund	Capital Projects Fund	School Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 77,083,834	\$ 1,703,747	\$ 3,625,931	\$ 8,973,944	\$ 19,061,657	\$ 198,506	\$ 339,853	\$ 110,987,472
Property taxes receivable, net	67,667,104	1,195,839	1,408,318	-	-	-	-	70,271,261
Business licenses receivable	1,309,296	-	-	-	-	-	-	1,309,296
Accounts receivable	1,998,023	9,380	6,452	22,486	-	-	8,049	2,044,390
Due from other governments	11,091,942	-	-	-	216,416	-	367,815	11,676,173
Due from other funds	34,140	-	-	-	-	-	-	34,140
Prepaid items	1,621	-	-	-	-	-	-	1,621
Total assets	\$ 159,185,960	\$ 2,908,966	\$ 5,040,701	\$ 8,996,430	\$ 19,278,073	\$ 198,506	\$ 715,717	\$ 196,324,353
Liabilities								
Accounts payable and accrued liabilities	\$ 3,012,485	\$ 69,811	\$ -	\$ -	\$ 134,694	\$ -	\$ 647,430	\$ 3,864,420
Due to other funds	-	-	-	-	-	-	34,140	34,140
Amounts held for others	1,026,285	-	-	-	-	-	-	1,026,285
Unearned revenue	-	-	-	8,996,430	1,514	-	-	8,997,944
Total liabilities	\$ 4,038,770	\$ 69,811	\$ -	\$ 8,996,430	\$ 136,208	\$ -	\$ 681,570	\$ 13,922,789
Deferred Inflows of Resources								
Unavailable revenue - business licenses	\$ 1,309,296	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,309,296
Unavailable revenue - prepaid taxes	5,818,923	24,564	21,268	-	-	-	-	5,864,755
Unavailable revenue - property taxes	65,650,959	1,179,972	1,389,744	-	-	-	-	68,220,675
Total deferred inflows of resources	\$ 72,779,178	\$ 1,204,536	\$ 1,411,012	\$ -	\$ -	\$ -	\$ -	\$ 75,394,726
Fund Balance								
Nonspendable	\$ 1,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,621
Restricted	7,583,353	-	-	-	1,945,967	-	-	9,529,320
Committed	3,762,020	1,634,619	3,629,689	-	17,195,898	-	52,918	26,275,144
Assigned	4,780	-	-	-	-	198,506	-	203,286
Unassigned	71,016,238	-	-	-	-	-	(18,771)	70,997,467
Total fund balance	\$ 82,368,012	\$ 1,634,619	\$ 3,629,689	\$ -	\$ 19,141,865	\$ 198,506	\$ 34,147	\$ 107,006,838
Total liabilities, deferred inflows of resources and fund balance	\$ 159,185,960	\$ 2,908,966	\$ 5,040,701	\$ 8,996,430	\$ 19,278,073	\$ 198,506	\$ 715,717	\$ 196,324,353

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, 2021

Total fund balances for governmental funds (Exhibit 3)	\$	107,006,838
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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	\$	3,279,933	
Construction in progress		48,402,340	
Buildings and improvements, net of depreciation		36,623,869	
Equipment, net of depreciation		6,348,143	
School Board capital assets, net of depreciation		62,571,595	
 Total capital assets			 157,225,880

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:	18,460,140
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - property taxes and business licenses	\$	9,845,467	
Long-term note receivable		2,588,117	
Deferred inflows related to measurement of net OPEB liability		(2,969,151)	
Deferred inflows related to measurement of net pension liability		(189,381)	
Total			9,275,052

Pension deferrals - Deferred Outflows	12,993,375
OPEB deferrals - Deferred Outflows	14,369,494

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	\$	(2,908,238)	
Bonds, notes and capital leases		(171,340,956)	
Unamortized bond premium		(11,788,800)	
Deferred charge on refunding		560,181	
Net OPEB liability		(62,734,349)	
Net pension liability		(23,138,178)	
Compensated absences		(4,865,367)	
Total			(276,215,707)

Total net position of governmental activities (Exhibits 1 and 2)	\$	43,115,072
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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, 2021

	General Fund	Shawneeland Sanitary District Fund	Lake Holiday Sanitary District Fund	CARES/ ARP ACT Fund	Capital Projects Fund	School Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Property taxes	\$ 129,586,450	\$ 874,415	\$ 895,172	\$ -	\$ -	\$ -	\$ -	\$ 131,356,037
Other local taxes	43,632,400	-	-	-	-	-	-	43,632,400
Permits, privilege fees and regulatory licenses	2,424,417	-	-	-	-	-	-	2,424,417
Fines and forfeitures	199,394	-	-	-	-	-	-	199,394
Use of money and property	3,125,173	3,154	-	9,099	37,810	-	1,361	3,176,597
Charges for services	2,411,670	-	-	-	-	-	2,449,447	4,861,117
Miscellaneous	438,314	-	-	-	-	-	-	438,314
Recovered costs	4,071,208	3,912	-	-	-	-	45,693	4,120,813
Intergovernmental:								
Revenue from the Commonwealth	21,118,336	-	-	-	2,518,374	322,760	1,759,196	25,718,666
Revenue from the Federal Government	4,404,069	-	-	11,093,142	-	281,637	37,452	15,816,300
Total revenues	\$ 211,411,431	\$ 881,481	\$ 895,172	\$ 11,102,241	\$ 2,556,184	\$ 604,397	\$ 4,293,149	\$ 231,744,055
Expenditures								
Current:								
General government administration	\$ 12,304,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,304,107
Judicial administration	2,942,811	-	-	-	-	-	468,394	3,411,205
Public safety	42,930,250	-	-	793,447	-	-	2,105,207	45,828,904
Public works	6,031,603	-	-	-	-	-	-	6,031,603
Health and welfare	10,125,046	-	-	-	-	-	3,567,183	13,692,229
Education - local community college	81,308	-	-	-	-	-	-	81,308
Education - public school system	87,933,236	-	-	3,561,152	25,386,842	-	-	116,881,230
Parks, recreation and cultural	6,244,228	-	-	-	-	-	-	6,244,228
Community development	2,161,568	920,478	-	1,870,555	-	-	-	4,952,601
Capital projects	-	-	-	-	4,570,405	-	-	4,570,405
Debt service:								
Principal payments	1,325,254	-	420,000	-	-	12,078,539	-	13,823,793
Interest and fiscal charges	947,307	-	320,483	-	82,293	5,745,172	-	7,095,255
Total expenditures	\$ 173,026,718	\$ 920,478	\$ 740,483	\$ 6,225,154	\$ 30,039,540	\$ 17,823,711	\$ 6,140,784	\$ 234,916,868
Excess (deficiency) of revenues over (under) expenditures	\$ 38,384,713	\$ (38,997)	\$ 154,689	\$ 4,877,087	\$ (27,483,356)	\$ (17,219,314)	\$ (1,847,635)	\$ (3,172,813)
Other financing sources (uses)								
Issuance of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ 20,325,000	\$ -	\$ -	\$ 20,325,000
Bond premium	-	-	-	-	3,167,157	-	-	3,167,157
Transfers in	7,224,663	179	-	-	13,004,306	17,085,531	1,750,183	39,064,862
Transfers out	(31,871,601)	-	-	(4,882,452)	(2,379,301)	-	-	(39,133,354)
Total other financing sources (uses)	\$ (24,646,938)	\$ 179	\$ -	\$ (4,882,452)	\$ 34,117,162	\$ 17,085,531	\$ 1,750,183	\$ 23,423,665
Net change in fund balance	\$ 13,737,775	\$ (38,818)	\$ 154,689	\$ (5,365)	\$ 6,633,806	\$ (133,783)	\$ (97,452)	\$ 20,250,852
Fund balance, beginning of year	68,630,237	1,673,437	3,475,000	5,365	12,508,059	332,289	131,599	86,755,986
Fund balance, end of year	\$ 82,368,012	\$ 1,634,619	\$ 3,629,689	\$ -	\$ 19,141,865	\$ 198,506	\$ 34,147	\$ 107,006,838

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, 2021**

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 20,250,852
<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	\$ 2,640,871
Depreciation	<u>(7,047,276)</u>
Net adjustment	(4,406,405)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) net position.	(194,136)
<p>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 or a year to year basis. The net transfer resulting from this relationship increased the transfers to the School Board.</p>	
	20,405,626
<p>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.</p>	
Property taxes and business licenses	\$ (662,087)
Payments on note receivable	(102,229)
(Increase) decrease in deferred inflows related to the measurement of the net OPEB liability	586,074
(Increase) decrease in deferred inflows related to the measurement of the net pension liability	<u>1,175,481</u>
Total	997,239
<p>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.</p>	
Debt issued:	
General obligation school bonds	\$ (20,325,000)
Premium on debt:	
General obligation school bonds	(3,167,157)
Repayments:	
Lease revenue bonds	1,040,000
Local financing lease	280,000
General obligation library bonds	328,561
General obligation school bonds	12,078,540
Intergovernmental loans	96,692
Capital leases	<u>213,550</u>
Net adjustment	(9,454,814)
<p>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:</p>	
Compensated absences	\$ (169,559)
Net OPEB liability	(9,682,830)
Amortization of debt premium	1,323,957
Amortization of advanced refunding defeasance costs	(37,345)
Decrease (increase) in net pension liability	(8,701,919)
(Decrease) increase in deferred outflows related to pensions	5,044,105
(Decrease) increase in deferred outflows related to OPEB	5,176,356
Accrued interest payable	<u>12,735</u>
Net adjustment	(7,034,500)
<p>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.</p>	
	<u>3,724,105</u>
Change in net position of governmental activities (Exhibit 2)	\$ <u>24,287,967</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, 2021

	Business-type Activities - Enterprise Fund	Governmental Activities
	Landfill Fund	Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	\$ 23,602,424	\$ 19,542,606
Restricted cash - landfill closure	14,344,656	-
Receivables, net	839,675	-
Due from other funds	-	-
Total current assets	\$ 38,786,755	\$ 19,542,606
Noncurrent assets:		
Capital assets:		
Land and improvements	\$ 3,548,234	\$ -
Construction in progress	466,070	-
Other capital assets, net of accumulated depreciation	18,592,414	-
Total noncurrent assets	\$ 22,606,718	\$ -
Total assets	\$ 61,393,473	\$ 19,542,606
Deferred Outflows of Resources:		
Pension deferrals	\$ 485,672	\$ -
OPEB deferrals	724,612	-
Total deferred outflows of resources	\$ 1,210,284	\$ -
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 887,661	\$ 6,266
Unearned revenue	5,988	-
Compensated absences, current portion	139,530	-
Claims payable	-	1,076,200
Total current liabilities	\$ 1,033,179	\$ 1,082,466
Long-term liabilities:		
Compensated absences, noncurrent portion	\$ 59,798	\$ -
Net pension liability	886,864	-
Net OPEB liability	3,168,264	-
Accrued landfill remediation costs	14,344,656	-
Total long-term liabilities	\$ 18,459,582	\$ -
Total liabilities	\$ 19,492,761	\$ 1,082,466
Deferred Inflows of Resources:		
Items related to measurement of net pension liability	\$ 7,931	\$ -
Items related to measurement of net OPEB liability	150,453	-
Total deferred inflows of resources	\$ 158,384	\$ -
Net Position:		
Investment in capital assets	\$ 22,606,718	\$ -
Unrestricted	20,345,894	18,460,140
Total net position	\$ 42,952,612	\$ 18,460,140

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, 2021

	Business-type Activities - Enterprise Fund Landfill Fund	Governmental Activities Internal Service Funds
Operating revenues:		
Charges for services, net	\$ 8,755,529	\$ 15,536,270
Miscellaneous	217,957	-
Total operating revenues	\$ 8,973,486	\$ 15,536,270
Operating expenses:		
Personal services	\$ 1,456,357	\$ -
Fringe benefits	994,847	11,872,046
Contractual services	1,468,059	-
Other charges	1,175,865	9,138
Depreciation	2,777,530	-
Total operating expenses	\$ 7,872,658	\$ 11,881,184
Operating income (loss)	\$ 1,100,828	\$ 3,655,086
Nonoperating revenues:		
Investment income	54,004	36,586
Income before transfers	\$ 1,154,832	\$ 3,691,672
Transfers:		
Transfers in	\$ 36,059	\$ 32,433
Total transfers	\$ 36,059	\$ 32,433
Change in net position	\$ 1,190,891	\$ 3,724,105
Total net position, beginning of year	41,761,721	14,736,035
Total net position, end of year	\$ 42,952,612	\$ 18,460,140

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, 2021

	Business-type Activities - Enterprise Fund Landfill Fund	Governmental Activities Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 8,542,442	\$ -
Receipts from insured	-	15,523,389
Receipts from services	-	12,881
Other receipts	225,746	-
Payments to employees	(2,166,345)	-
Payments to suppliers	(2,322,693)	(12,001,719)
Other payments	-	(32,433)
Net cash provided by (used for) operating activities	\$ 4,279,150	\$ 3,502,118
Cash flows from noncapital financing activities		
Transfers in	\$ -	\$ 32,433
Cash flows from investing activities		
Investment income	\$ 54,004	\$ 36,586
Cash flows from capital and related financing activities		
Purchases of capital assets	\$ (4,294,072)	\$ -
Net cash provided by (used for) capital and related financing activities	\$ (4,258,013)	\$ -
Net increase (decrease) in cash and cash equivalents	\$ 75,141	\$ 3,571,137
Cash and cash equivalents, beginning of year	37,871,939	15,971,469
Cash and cash equivalents, end of year	\$ 37,947,080	\$ 19,542,606
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,100,828	\$ 3,655,086
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	2,777,530	-
Changes in assets, deferred outflows, deferred inflows and liabilities:		
Receivables	(215,001)	-
Due from other funds	7,789	-
Deferred outflows of resources - pension	(182,973)	-
Deferred outflows of resources - OPEB	(263,295)	-
Accounts payable and accrued expenses	(11,248)	1,111
Unearned revenue	1,914	-
Net pension liability	324,770	-
Net OPEB liability	493,901	-
Deferred inflows of resources - pension	(62,088)	-
Deferred inflows of resources - OPEB	(28,865)	-
Claims payable and compensated absences	3,409	(154,079)
Increase in accrued landfill costs	332,479	-
Net cash provided by (used for) operating activities	\$ 4,279,150	\$ 3,502,118

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, 2021

	Private Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 631,270	\$ 13,488,615
Receivables	716	372,502
Due from other governmental units	-	1,420,988
Total assets	\$ <u>631,986</u>	\$ <u>15,282,105</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 884	\$ 2,151,234
Amounts held for others	-	-
Total liabilities	\$ <u>884</u>	\$ <u>2,151,234</u>
Net Position:		
Restricted	\$ <u><u>631,102</u></u>	\$ <u><u>13,130,871</u></u>

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, 2021

	Private Purpose Trust Funds	Custodial Funds
Additions:		
Investment earnings	\$ 1,235	\$ 22,207
Miscellaneous	160,424	49,912,976
Total additions	\$ 161,659	\$ 49,935,183
Deductions:		
Education	\$ 113,436	-
Recipient payments	-	452,331
Administrative expenses	-	31,478,306
Employee disbursements	-	190,754
Total deductions	\$ 113,436	\$ 32,121,391
Change in net position	\$ 48,223	\$ 17,813,792
Net position, beginning of year, as restated	582,879	(4,682,921)
Net position, end of year	\$ 631,102	\$ 13,130,871

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021

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 86,484 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:

Financial statements are required to 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 (governmental 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.

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).

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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

A. Financial Reporting Entity (Continued)

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. 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.

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. The Authority does not issue separate financial statements.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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

A. Financial Reporting Entity (Continued)

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 \$1,218,200 to the Library for fiscal 2021 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 \$5,520,958 to the regional jail in fiscal 2021.
- 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 \$92,991 and capital grants of \$149,503 to the Authority in fiscal 2021.
- 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 2021.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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

A. Financial Reporting Entity (Continued)

- 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 \$416,507 for an operating grant to the Board in fiscal 2021.
- 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 \$552,244 in operating grants to the Center in fiscal 2021.

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 22601
- Winchester Regional Airport, 491 Airport Road, Winchester, Virginia 22602
- Northwestern Community Services Board, 209 W. Criser Road, Front Royal, Virginia 22630
- Frederick-Winchester Service Authority, 107 North Kent Street, Winchester, Virginia 22601
- 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 2021. 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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

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 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 custodial). 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 2021.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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

B. Government-wide and Fund Financial Statements

1. Governmental Funds:

Governmental Funds account for and report 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:

- 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.
 - CARES/ARP Act Fund - This fund accounts for and reports CARES Act funds received from the Federal Government, which are used to fund expenditures related to COVID-19. The CARES/ARP Act Fund is considered a major fund for financial reporting purposes.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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

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

1. Governmental Funds: (Continued)

- 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 fund:
 - Capital Projects Fund - This fund accounts for and reports all other renovation and improvements made to County buildings. This fund also accounts for debt proceeds issued for School Capital Projects. 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 Funds - Enterprise 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, 2021 (Continued)

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

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

3. Fiduciary Funds (Trust and Custodial Funds):

Fiduciary Funds (Trust and Custodial 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 Custodial Funds. Private purpose trust funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Custodial funds also utilize the accrual basis of accounting. The Private Purpose Trust and Custodial 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. Custodial 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.
- Employee Cafeteria Plan Fund - This fund accounts for funds received from individuals through payroll withholdings for payment of expenditures allowable under Section 125 of the Internal Revenue Code.
- 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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

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

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 Activity Fund - Frederick County Public Schools School Activity Funds account for all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, etc., and from any and all school sponsored activities of the Schools that involve school personnel, students, or property.
- ~ 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.
- ~ School Capital Fund - This fund accounts for and reports the purchase of capital items that are not provided for in the School Operating Fund. Funding is primarily from 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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

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

4. Component Units: (Continued)

b. Economic Development Authority:

The Economic 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.

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 fund 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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

D. Budgets and Budgetary Accounting (Continued)

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.

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 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, EMS Revenue Recovery, 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, 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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

D. Budgets and Budgetary Accounting (Continued)

8. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2021, 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.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

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 \$3,905,305 at June 30, 2021 and is comprised of the following:

General Fund--taxes receivable	\$ 1,701,568
General Fund--street light assessments receivable	11,696
Shawneeland District--taxes receivable	1,880,628
Lake Holiday District--taxes receivable	227,413
Enterprise Fund--Landfill Fund--accounts receivable	84,000
Total	<u><u>\$ 3,905,305</u></u>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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

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. The County uses the consumption method to record prepaid items.

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

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 acquisition 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, 2021.

J. Compensated Absences

The County and Component Unit School Board accrue compensated absences (paid time off, 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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

J. Compensated Absences (Continued)

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 paid time off upon termination/retirement. The maximum amount of hours employees are permitted to accumulate is based on years of service. The County also has an individual disability account that is paid out at \$3 per hour up to a maximum of \$6,000. Sick leave is also paid to School Board employees upon retirement, which is limited to a maximum of 150 days at the rate of \$10.71 per hour, and to Social Service personnel which is limited to 25% of amounts unused upon termination up to a maximum of \$5,000. 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.

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 obligations at face value. The face value of the debt is believed to approximate fair value.

M. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that does not meet the definition of the two preceding categories.

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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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

N. 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 has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB asset/liability(ies) and/or contributions to the pension and OPEB plan(s) made during the current year and subsequent to the net pension asset/liability and net OPEB asset/liability measurement date. For more detailed information on these items, reference the related notes.

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 multiple items that qualify 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, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB asset/liability(ies) are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Retirement Plan and the additions to/deductions from the County's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, and Teacher HIC Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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

Q. 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.

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.

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. 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, 2021 (Continued)

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

Q. Fund Equity (Continued)

The following is a detail of fund balances at June 30, 2021:

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
Nonspendable:								
Prepaid Expenditures	\$ 1,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,621	\$ -
Inventory	-	-	-	-	-	-	-	574,207
Total Nonspendable	\$ 1,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,621	\$ 574,207
Restricted:								
Peg grant	\$ 530,887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 530,887	\$ -
Courthouse ADA Fees	513,311	-	-	-	-	-	513,311	-
Animal Shelter	1,242,526	-	-	-	-	-	1,242,526	-
Proffers	5,296,629	-	-	-	-	-	5,296,629	335,155
VDOT - Roads	-	-	-	1,945,967	-	-	1,945,967	-
Unexpended Bond Proceeds:								
School Improvements	-	-	-	-	-	-	-	11,500,313
Total Restricted	\$ 7,583,353	\$ -	\$ -	\$ 1,945,967	\$ -	\$ -	\$ 9,529,320	\$ 11,835,468
Committed:								
General government - various	\$ 1,979,131	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,979,131	\$ -
Education	1,064,170	-	-	-	-	-	1,064,170	2,052,618
Capital Projects	-	-	-	17,195,898	-	-	17,195,898	151,535
School Textbooks	-	-	-	-	-	-	-	1,277,941
School Activities	-	-	-	-	-	-	-	2,137,356
Cafeteria	-	-	-	-	-	-	-	1,133,382
E-Summons	195,803	-	-	-	-	-	195,803	-
Sheriff	1,000	-	-	-	-	-	1,000	-
VDOT Revenue Sharing	436,270	-	-	-	-	-	436,270	-
Parks and Recreation	85,646	-	-	-	-	-	85,646	-
Shawneeland District	-	1,634,619	-	-	-	-	1,634,619	-
Lake Holiday District	-	-	3,629,689	-	-	-	3,629,689	-
Court Services	-	-	-	-	-	52,918	52,918	-
Total Committed	\$ 3,762,020	\$ 1,634,619	\$ 3,629,689	\$ 17,195,898	\$ -	\$ 52,918	\$ 26,275,144	\$ 6,752,832
Assigned:								
Conservation Easement	\$ 4,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,780	\$ -
Debt Service	-	-	-	-	198,506	-	198,506	-
Total Assigned	\$ 4,780	\$ -	\$ -	\$ -	\$ 198,506	\$ -	\$ 203,286	\$ -
Unassigned	\$ 71,016,238	\$ -	\$ -	\$ -	\$ -	\$ (18,771)	\$ 70,997,467	\$ -
Total Fund Balance	\$ 82,368,012	\$ 1,634,619	\$ 3,629,689	\$ 19,141,865	\$ 198,506	\$ 34,147	\$ 107,006,838	\$ 19,162,507

R. 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

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 local governments and other public bodies 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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), 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, 2021 were held by the County or in the County's name by the County's custodial banks.

Credit Risk of Debt Securities:

The County's rated debt investments as of June 30, 2021 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	\$ -	\$ 7,553,309	\$ -	\$ -
Money Market Fund	729,895	-	-	-
SNAP	-	15,692,796	-	-
Total	\$ 729,895	\$ 23,246,105	\$ -	\$ -

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (Continued)

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	\$ 7,553,309	\$ 7,553,309
SNAP	15,692,796	15,692,796
Total	<u>\$ 23,976,000</u>	<u>\$ 23,976,000</u>

External Investment Pools:

The fair value of the positions in the Local Government Investment Pools (LGIP and SNAP) are the same as the value of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

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.

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 2020 were levied by the County Board of Supervisors on April 8, 2020, on the assessed value listed as of January 1, 2020.

Property taxes for calendar year 2021 were levied by the County Board of Supervisors on April 14, 2021, on the assessed value listed as of January 1, 2021.

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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2021 consist of the following:

	Primary Government				Component Units		
	Governmental Activities						
	General	Special Revenue	Total	Business-type Activities	School Board	Economic Development Authority	Fiduciary Activities
Property taxes	\$ 69,368,672	\$ 4,712,198	\$74,080,870	\$ -	\$ -	\$ -	\$ -
Business licenses	1,309,296	-	1,309,296	-	-	-	-
Airport funds	-	-	-	-	-	-	79,533
Utility taxes	400,163	-	400,163	-	-	-	-
Meals taxes	715,427	-	715,427	-	-	-	-
Lodging taxes	140,342	-	140,342	-	-	-	-
Landfill fees	-	-	-	923,675	-	-	-
Prisoner fees	-	-	-	-	-	-	292,969
Penalties and Interest	308,799	15,832	324,631	-	-	-	-
Street lights	11,696	-	11,696	-	-	-	-
Other	433,292	30,535	463,827	-	34,133	2,734	716
Total	\$ 72,687,687	\$ 4,758,565	\$77,446,252	\$ 923,675	\$ 34,133	\$ 2,734	\$ 373,218
Allowance for uncollectibles	(1,713,264)	(2,108,041)	(3,821,305)	(84,000)	-	-	-
Net receivables	\$ 70,974,423	\$ 2,650,524	\$73,624,947	\$ 839,675	\$ 34,133	\$ 2,734	\$ 373,218

NOTE 5 - DUE FROM OTHER GOVERNMENTS:

	Governmental Activities						Component Units		
	General	Special Revenue	Capital Projects	Debt Service	Internal Service	Total	School Board	Economic Development Authority	Fiduciary Activities
Commonwealth of Virginia:									
Local sales taxes	\$ 3,515,822	\$ -	\$ -	\$ -	\$ -	\$ 3,515,822	\$ -	\$ -	\$ -
Communication taxes	155,055	-	-	-	-	155,055	-	-	-
Comprehensive Services Act	-	367,815	-	-	-	367,815	-	-	-
Shared expenses and grants	347,527	-	-	-	-	347,527	-	-	-
PPTRA	6,215,370	-	-	-	-	6,215,370	-	-	-
VDOT	-	-	216,416	-	-	216,416	-	-	-
Public assistance	210,051	-	-	-	-	210,051	-	-	-
State school funds	-	-	-	-	-	-	2,598,294	-	-
Federal pass-through school funds	-	-	-	-	-	-	1,785,857	-	-
Airport	127,249	-	-	-	-	127,249	-	-	537,885
Jail operations and costs	-	-	-	-	-	-	-	-	883,103
E-911	23,958	-	-	-	-	23,958	-	-	-
Other	31,360	-	-	-	-	31,360	-	-	-
Federal government:									
Airport	-	-	-	-	-	-	-	-	-
Victim witness	-	-	-	-	-	-	-	-	-
Public assistance	387,557	-	-	-	-	387,557	-	-	-
Other	77,993	-	-	-	-	77,993	-	-	-
Total	\$ 11,091,942	\$ 367,815	\$ 216,416	\$ -	\$ -	\$ 11,676,173	\$ 4,384,151	\$ -	\$ 1,420,988

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 6 - INTERFUND BALANCES AND TRANSFERS:

Primary Government:

	Due From	Due To
Balances due to/from other funds at June 30, 2021:		
General Fund	\$ 34,140	\$ -
Comprehensive Services Act Fund	-	34,140
Total	<u>\$ 34,140</u>	<u>\$ 34,140</u>

Transfers to/from other funds:

Transfers to the School Debt Service Fund to pay school debt service and related costs	\$ 17,085,531
Transfers to the Unemployment fund from General Fund for various costs	32,433
Transfers to the Capital Projects fund from General Fund for future capital	13,004,306
Transfers to the General Fund from Capital Projects for various costs	2,379,301
Transfers to various Funds from CARES ACT for various costs	4,882,452
Transfers to the Comprehensive Services fund from the General Fund for various welfare costs	1,749,331
Total transfers	<u>\$ 39,133,354</u>

Component Unit School Board:

Balances due to/from other funds at June 30, 2021:

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	\$ 1,097,364
Transfers to the Cafeteria Fund to pay food service costs	1,272,802
Total transfers	<u>\$ 2,370,166</u>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 7 - CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2021.

Governmental Activities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land and land improvements	\$ 3,279,933	\$ -	\$ -	\$ 3,279,933
Construction in progress	981,494	504,607	1,468,215	17,886
School construction in progress allocated to County *	36,815,893	35,684,067	24,115,506	48,384,454
Total capital assets not being depreciated	<u>\$ 41,077,320</u>	<u>\$ 36,188,674</u>	<u>\$ 25,583,721</u>	<u>\$ 51,682,273</u>
Other capital assets:				
Buildings and improvements	\$ 58,977,396	\$ 1,452,512	\$ 333,125	\$ 60,096,783
School buildings and improvements *	78,177,944	24,115,506	18,575,489	83,717,961
Furniture, equipment and vehicles	20,596,446	2,151,967	762,388	21,986,025
Total other capital assets	<u>\$ 157,751,786</u>	<u>\$ 27,719,985</u>	<u>\$ 19,671,002</u>	<u>\$ 165,800,769</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 22,086,221	\$ 1,617,107	\$ 230,414	\$ 23,472,914
School buildings and improvements *	21,105,883	3,337,531	3,297,048	21,146,366
Furniture, equipment and vehicles	14,216,207	2,092,638	670,963	15,637,882
Total accumulated depreciation	<u>\$ 57,408,311</u>	<u>\$ 7,047,276</u>	<u>\$ 4,198,425</u>	<u>\$ 60,257,162</u>
Other capital assets, net	<u>\$ 100,343,475</u>	<u>\$ 20,672,709</u>	<u>\$ 15,472,577</u>	<u>\$ 105,543,607</u>
Net capital assets	<u>\$ 141,420,795</u>	<u>\$ 56,861,383</u>	<u>\$ 41,056,298</u>	<u>\$ 157,225,880</u>
Depreciation expense was allocated as follows:				
General government administration		\$ 478,502		
Judicial administration		248,347		
Public safety		2,268,597		
Public works		327,467		
Health and welfare		18,392		
Education		3,337,531		
Parks, recreation and cultural		361,511		
Community development		6,929		
Total depreciation expense		<u>\$ 7,047,276</u>		

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 7 - CAPITAL ASSETS: (Continued)

Component Unit School Board

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land and land improvements	\$ 12,287,858		\$ -	\$ 12,287,858
Construction in progress	44,191,118	35,684,067	26,096,419	53,778,766
Construction in progress allocated to County *	(36,815,893)	(35,684,067)	(24,115,506)	(48,384,454)
Total capital assets not being depreciated	\$ 19,663,083	\$ -	\$ 1,980,913	\$ 17,682,170
Other capital assets:				
Buildings and improvements	\$ 306,626,767	\$ 28,949,016	\$ 104,625	\$ 335,471,158
School buildings and improvements allocated to County *	(78,177,944)	(24,115,506)	(18,575,489)	(83,717,961)
Furniture, equipment and vehicles	48,125,509	4,881,372	318,614	52,688,267
Total other capital assets	\$ 276,574,332	\$ 9,714,882	\$ (18,152,250)	\$ 304,441,464
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 128,861,297	\$ 7,253,138	\$ 1,744	\$ 136,112,691
School buildings and improvements allocated to County *	(21,105,883)	(3,337,531)	(3,297,048)	(21,146,366)
Furniture, equipment and vehicles	30,108,201	2,378,260	318,614	32,167,847
Total accumulated depreciation	\$ 137,863,615	\$ 6,293,867	\$ (2,976,690)	\$ 147,134,172
Other capital assets, net	\$ 138,710,717	\$ 3,421,015	\$ (15,175,560)	\$ 157,307,292
Net capital assets	\$ 158,373,800	\$ 3,421,015	\$ (13,194,647)	\$ 174,989,462
Depreciation expense allocated to education		\$ 6,293,867		

* 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	\$ 157,225,880
Long-term debt applicable to capital assets at June 30, 2020	174,190,208
Less: Bond proceeds received but not expended on capital assets at June 30, 2020	(11,500,313)
Net investment in capital assets	\$ (5,464,015)

Business-type Activities

Landfill Operations

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land and land improvements	\$ 3,520,496	\$ 27,738	\$ -	\$ 3,548,234
Construction in progress	6,362,968	3,819,694	9,716,592	466,070
Total capital assets not being depreciated	\$ 9,883,464	\$ 3,847,432	\$ 9,716,592	\$ 4,014,304
Other capital assets:				
Buildings and improvements	\$ 2,999,716	\$ -	\$ -	\$ 2,999,716
Landfill improvements	36,641,935	10,053,203	-	46,695,138
Furniture, equipment and vehicles	7,156,892	110,029	-	7,266,921
Total other capital assets	\$ 46,798,543	\$ 10,163,232	\$ -	\$ 56,961,775
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 2,049,942	\$ 125,236	\$ -	\$ 2,175,178
Landfill improvements	28,187,870	2,074,345	-	30,262,215
Furniture, equipment and vehicles	5,354,019	577,949	-	5,931,968
Total accumulated depreciation	\$ 35,591,831	\$ 2,777,530	\$ -	\$ 38,369,361
Other capital assets, net	\$ 11,206,712	\$ 7,385,702	\$ -	\$ 18,592,414
Net capital assets	\$ 21,090,176	\$ 11,233,134	\$ 9,716,592	\$ 22,606,718

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 8 - 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, 2021.

	Balance July 1, 2020	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2021	Amounts Due Within One Year
Primary Government:					
Governmental activities:					
Direct Borrowings and Direct Placements:					
Lease revenue bonds	\$ 20,596,250	\$ -	\$ 1,040,000	\$ 19,556,250	\$ 1,095,000
Premium on lease revenue bonds	1,062,628	-	120,377	942,251	114,072
Total lease revenue bonds	\$ 21,658,878	\$ -	\$ 1,160,377	\$ 20,498,501	\$ 1,209,072
Local financing leases	6,505,000	-	280,000	6,225,000	295,000
Premium on financing leases	471,127	-	54,583	416,544	51,870
Total local financing lease	\$ 6,976,127	\$ -	\$ 334,583	\$ 6,641,544	\$ 346,870
County General obligation bonds:					
Library	675,074	-	328,561	346,513	346,513
School General obligation bonds:					
School	135,356,268	20,325,000	12,078,540	143,602,728	13,016,944
Add deferred amount for issuance premiums	8,411,845	3,167,157	1,148,997	10,430,005	1,364,287
Total School General obligation bonds	\$ 143,768,113	\$ 23,492,157	\$ 13,227,537	\$ 154,032,733	\$ 14,381,231
Intergovernmental loans	1,480,526	-	96,692	1,383,834	99,555
Claims	1,230,279	11,685,509	11,839,588	1,076,200	1,076,200
Capital leases	440,181	-	213,550	226,631	113,706
Net Pension liability	14,436,259	15,429,861	6,727,942	23,138,178	-
Net OPEB liability:					
Net Medical Insurance OPEB liability	50,789,973	10,247,486	691,304	60,346,155	-
Net VRS Group Life Insurance OPEB liability	2,261,546	769,476	642,828	2,388,194	-
Total net OPEB liability	\$ 53,051,519	\$ 11,016,962	\$ 1,334,132	\$ 62,734,349	\$ -
Compensated absences	4,695,808	3,456,625	3,287,066	4,865,367	3,405,757
Total governmental activities	\$ 248,412,764	\$ 65,081,114	\$ 38,550,028	\$ 274,943,850	\$ 20,978,904
Reconciliation to Exhibit 1:					
Claims				\$ 1,076,200	
Long-term liabilities due within one year				19,902,704	
Long-term liabilities due in more than one year				253,964,946	
Total long-term obligations				\$ 274,943,850	
	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Amounts Due Within One Year
Business-type activities:					
Compensated absences	\$ 195,919	\$ 140,552	\$ 137,143	199,328	\$ 139,530
Net Pension liability	562,094	582,646	257,876	886,864	-
Net OPEB liability:					
Net Medical Insurance OPEB liability	2,588,290	522,219	35,229	3,075,280	-
Net VRS Group Life Insurance OPEB liability	86,073	31,940	25,029	92,984	-
Total net OPEB liability	\$ 2,674,363	\$ 554,159	\$ 60,258	\$ 3,168,264	\$ -
Landfill remediation costs	14,012,177	332,479	-	14,344,656	-
Total business-type activities	\$ 17,444,553	\$ 1,609,836	\$ 455,277	\$ 18,599,112	\$ 139,530
Reconciliation to Exhibit 1:					
Long-term liabilities due within one year				\$ 139,530	
Long-term liabilities due in more than one year				18,459,582	
Total long-term obligations				\$ 18,599,112	

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2021 (Continued)**

NOTE 8 - LONG-TERM OBLIGATIONS: (Continued)

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

Governmental Activities:

Year Ending June 30,	Direct Borrowings and Direct Placements		Capital Leases	
	General Obligation Bonds			
	Principal	Interest	Principal	Interest
2022	\$ 13,363,457	\$ 5,858,439	\$ 113,706	\$ 6,385
2023	12,330,784	5,242,302	112,925	2,921
2024	11,510,000	4,684,635	-	-
2025	10,580,000	4,169,673	-	-
2026	9,725,000	3,704,176	-	-
2027-2031	40,145,000	12,786,499	-	-
2032-2036	30,285,000	4,643,401	-	-
2037-2041	15,565,000	935,355	-	-
2042-2046	445,000	4,561	-	-
Total	<u>\$ 143,949,241</u>	<u>\$42,029,041</u>	<u>\$ 226,631</u>	<u>\$ 9,306</u>

Year Ending June 30,	Direct Borrowings and Direct Placements		Intergovernmental Loans		Direct Borrowings and Direct Placements	
	Lease Revenue Bonds				Local Financing Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 1,095,000	\$ 895,014	\$ 99,555	\$ 32,863	\$ 295,000	\$ 258,554
2023	1,150,000	838,747	102,815	30,869	310,000	243,425
2024	1,207,500	778,374	90,393	20,815	325,000	227,528
2025	1,273,750	714,756	87,480	23,731	345,000	210,734
2026	1,337,500	647,835	89,910	24,587	360,000	193,044
2027-2031	7,750,000	2,206,436	482,355	88,797	2,065,000	696,393
2032-2036	5,742,500	657,599	431,326	26,760	2,525,000	246,947
2037-2041	-	-	-	-	-	-
Total	<u>\$ 19,556,250</u>	<u>\$ 6,738,761</u>	<u>\$ 1,383,834</u>	<u>\$ 248,422</u>	<u>\$ 6,225,000</u>	<u>\$2,076,625</u>

The cost of equipment under current capital leases is \$948,946.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness:

	<u>Amount Outstanding</u>
Governmental Activities:	
<u>Lease Revenue Bonds:</u>	
\$17,160,000 Virginia Resources Authority infrastructure and state moral obligation refunding revenue bonds, issued May 28, 2015, interest at various rates from 3.017% to 5.125%, maturing in various annual installments, interest payable semiannually, through October 1, 2035	\$ 13,765,000
\$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>5,791,250</u>
Total lease revenue bonds	<u>\$ 19,556,250</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>\$ 346,513</u>
<u>Local Financing Leases:</u>	
\$5,010,000 Virginia Resources Authority local lease acquisition financing lease, issued August 12, 2014, interest ranging from 3.649% to 5.125%, maturing in various annual installments, interest payable semiannually, through October 1, 2035	\$ 4,160,000
\$2,605,000 Virginia Resources Authority local lease acquisition financing lease, issued August 12, 2015, interest ranging from 2.839% to 5.125%, maturing in various annual installments, interest payable semiannually, through October 1, 2035	<u>2,065,000</u>
Total local financing leases	<u>\$ 6,225,000</u>
<u>General Obligation School Bonds:</u>	
\$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%	\$ 840,000
\$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%	305,000
\$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%	830,000
\$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%	330,000
\$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%	427,728
\$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%	1,890,000

COUNTY OF FREDERICK, VIRGINIA**Notes to Financial Statements
At June 30, 2021 (Continued)**

NOTE 8 - LONG-TERM OBLIGATIONS: (Continued)**Details of Long-Term Indebtedness: (continued)**

Governmental Activities: (continued)	<u>Amount Outstanding</u>
<u>General Obligation School Bonds: (continued)</u>	
\$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%	\$ 885,000
\$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%	1,700,000
\$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%	1,700,000
\$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%	1,495,000
\$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%	1,410,000
\$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%	1,890,000
\$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%	1,740,000
\$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%	1,510,000
\$3,800,000 School Bonds, issued November 4, 2007, maturing in annual installments of \$190,000 through July 15, 2027, interest at 5.10%	1,330,000
\$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%	5,360,000
\$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%	2,280,000
\$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%	4,375,000
\$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%	3,700,000
\$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%	2,640,000
\$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%	3,255,000
\$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%	3,070,000
\$13,375,000 School Bonds, issued November 4, 2014, maturing in annual installments of \$665,000 to \$670,000 through July 15, 2034, interest at 2.05% to 5.05%	9,360,000

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness: (continued)

Governmental Activities: (continued)	<u>Amount Outstanding</u>
<u>General Obligation School Bonds: (continued)</u>	
\$18,535,000 School Bonds, issued October 27, 2015, maturing in annual installments of \$925,000 to \$930,000 through July 15, 2035, interest at 2.05% to 5.05%	\$ 13,885,000
\$8,100,000 School Bonds, issued April 26, 2016, maturing in annual installments of \$405,000 through July 15, 2036, interest at 2.05% to 5.05%	6,480,000
\$6,320,000 School Bonds, issued May 1, 2018, maturing in annual installments of \$315,000 to \$320,000 through July 15, 2038, interest at 3.05% to 5.05%	5,680,000
\$3,720,000 School Bonds, issued November 6, 2018, maturing in annual installments of \$185,000 to \$190,000 through July 15, 2040, interest at 3.55% to 5.05%	3,340,000
\$10,035,000 School Bonds, issued November 6, 2018, maturing in annual installments of \$500,000 to \$515,000 through July 15, 2038, interest at 3.675% to 5.05%	9,025,000
\$4,100,000 School Bonds, issued May 21, 2019, maturing in annual installments of \$205,000 through July 15, 2039, interest at 3.05% to 5.05%	3,895,000
\$7,220,000 School Bonds, issued May 21, 2019, maturing in annual installments of \$360,000 to \$365,000 through July 15, 2039, interest at 2.05% to 5.05%	6,855,000
\$14,245,000 School Bonds, issued October 22, 2019, maturing in annual installments of \$710,000 to \$715,000 through July 15, 2039, interest at 2.925% to 5.05%	13,530,000
\$810,000 School Bonds, issued October 22, 2019, maturing in annual installments of \$40,000 to \$45,000 through July 15, 2039, interest at 2.80% to 5.05%	765,000
\$7,500,000 School Bonds, issued April 16, 2020, maturing in annual installments of \$375,000 through July 15, 2040, interest at 2.90%	7,500,000
\$11,260,000 School Bonds, issued October 20, 2020, maturing in annual installments of \$560,000 to \$565,000 through July 15, 2040, interest ranging from 2.05% to 5.05%	11,260,000
\$5,055,000 School Bonds, issued April 20, 2021, maturing in annual installments of \$250,000 to \$255,000 through July 15, 2041, interest ranging from 2.05% to 5.05%	5,055,000
\$3,140,000 School Bonds, issued April 20, 2021, maturing in annual installments of \$155,000 to \$160,000 through July 15, 2041, interest ranging from 2.05% to 5.05%	3,140,000
\$870,000 School Bonds, issued April 20, 2021, maturing in annual installments of \$40,000 to \$45,000 through July 15, 2041, interest ranging from 2.05% to 5.05%	870,000
Total General Obligation School Bonds	<u>\$143,602,728</u>
<u>Intergovernmental Loans:</u>	
Loan payable to City of Winchester, due in various annual installments through March 2035, interest payable semiannually at various rates.	<u>\$ 1,383,834</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, 2020 is	<u>\$ 226,631</u>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness: (continued)

	Amount Outstanding
Governmental activities:	
Claims	\$ 1,076,200
Net pension liability	\$ 23,138,178
Net OPEB liability	\$ 62,734,349
Compensated absences	\$ 4,865,367
Total governmental long-term obligations	\$ 263,155,050
Add deferred amount for issuance premiums	11,788,800
Net governmental activities long-term obligations	<u>\$ 274,943,850</u>
Business-type activities:	
Compensated absences	\$ 199,328
Net pension liability	\$ 886,864
Net OPEB liability	\$ 3,168,264
Landfill remediation costs	\$ 14,344,656
Total business-type activities long-term obligations	<u>\$ 18,599,112</u>

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, 2021.

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Amounts Due Within One Year
Claims	\$ 1,792,154	\$ 22,534,784	\$ 22,901,574	\$ 1,425,364	\$ 1,425,364
Net OPEB liability					
Net Medical Insurance OPEB liability	7,312,622	1,286,116	407,186	8,191,552	-
Net VRS Group Life Insurance OPEB liability	8,495,142	2,264,641	2,184,968	8,574,815	-
Net VRS Health Insurance Credit OPEB liability	14,478,877	2,490,849	2,251,117	14,718,609	-
Total net OPEB liability	<u>\$ 30,286,641</u>	<u>\$ 6,041,606</u>	<u>\$ 4,843,271</u>	<u>\$ 31,484,976</u>	<u>\$ -</u>
Net Pension liability	145,572,994	60,143,549	45,321,754	160,394,789	-
Compensated absences	3,152,721	1,962,519	2,206,905	2,908,335	2,035,835
Total	<u>\$ 180,804,510</u>	<u>\$ 90,682,458</u>	<u>\$ 75,273,504</u>	<u>\$ 196,213,464</u>	<u>\$ 3,461,199</u>
Reconciliation to Exhibit 1:					
Claims				\$ 1,425,364	
Long-term liabilities due within one year				2,035,835	
Long-term liabilities due in more than one year				192,752,265	
Total long-term obligations				<u>\$ 196,213,464</u>	

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 9 - PENSION PLANS:

All full-time, salaried permanent employees of the County and (nonprofessional) employees of the public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through County of Frederick and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the 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, 2021 (Continued)

NOTE 9 - PENSION PLANS: (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The County's contractually required contribution rate for the year ended June 30, 2021 was 13.01% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$4,007,198 and \$3,433,143 for the years ended June 30, 2021 and June 30, 2020, respectively.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 9 - PENSION PLANS: (Continued)

Net Pension Liability

At June 30, 2021, the County reported a liability of \$24,025,043 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Creditable compensation as of June 30, 2020 and 2019 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2020 and 2019, the County's proportion was 67.25% and 65.94%, respectively.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the County of Frederick's Retirement Plan and the Frederick County Public Schools Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non-10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; 110% of rates; females 125% of rates.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 9 - PENSION PLANS: (Continued)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased from 7.00% to 6.75%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County of Frederick's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 9 - PENSION PLANS: (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates:

All Others (Non-10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF FREDERICK, VIRGINIA**Notes to Financial Statements
At June 30, 2021 (Continued)****NOTE 9 - PENSION PLANS: (Continued)*****Long-Term Expected Rate of Return***

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 9 - PENSION PLANS: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2020, the rate contributed by the employer for the Frederick County Retirement Plan, Frederick County Public Schools Retirement Plan, and the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
County's proportionate share of the Frederick County Retirement Plan			
Net Pension Liability (Asset)	\$ 42,522,377	\$ 24,025,042	\$ 8,830,803

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the County recognized pension expense of \$6,603,040. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

COUNTY OF FREDERICK, VIRGINIA**Notes to Financial Statements
At June 30, 2021 (Continued)****NOTE 9 - PENSION PLANS: (Continued)*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
(Continued)***

At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,790,520	\$ 94,220
Change in assumptions	2,093,895	103,092
Changes in proportion and differences between employer contributions and proportionate share of contributions	321,603	-
Net difference between projected and actual earnings on pension plan investments	3,265,831	-
Employer contributions subsequent to the measurement date	4,007,198	-
Total	<u>\$ 13,479,047</u>	<u>\$ 197,312</u>

\$4,007,198 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government
2022	\$ 2,299,782
2023	3,125,738
2024	2,485,559
2025	1,363,458
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 9 - PENSION PLANS: (Continued)

Component Unit School Board (Nonprofessional)

Plan Description

Additional information related to the plan description, plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	226
Inactive members:	
Vested inactive members	51
Non-vested inactive members	185
Inactive members active elsewhere in VRS	72
Total inactive members	308
Active members	423
Total covered employees	957

Contributions

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2021 was 5.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$488,525 and \$480,523 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability/Asset

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Component Unit School Board's (nonprofessional) net pension liability/asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2021 (Continued)

NOTE 9 - PENSION PLANS: (Continued)

Component Unit School Board (Nonprofessional) (Continued)

Changes in Net Pension Liability/Asset

	Component School Board (Nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 27,181,926	\$ 27,491,455	\$ (309,529)
Changes for the year:			
Service cost	\$ 877,348	\$ -	\$ 877,348
Interest	1,790,392	-	1,790,392
Changes of assumptions	-	-	-
Differences between expected and actual experience	(39,949)	-	(39,949)
Contributions - employer	-	489,723	(489,723)
Contributions - employee	-	460,470	(460,470)
Net investment income	-	526,323	(526,323)
Benefit payments, including refunds of employee contributions	(1,315,193)	(1,315,193)	-
Administrative expenses	-	(17,800)	17,800
Other changes	-	(623)	623
Net changes	\$ 1,312,598	\$ 142,900	\$ 1,169,698
Balances at June 30, 2020	\$ 28,494,524	\$ 27,634,355	\$ 860,169

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/asset of the Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the Component Unit School Board's (nonprofessional) net pension liability/asset would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	(5.75%)	(6.75%)	(7.75%)
Component Unit School Board (Nonprofessional)			
Net Pension Liability (Asset)	\$ 3,823,091	\$ 860,169	\$ (1,646,344)

COUNTY OF FREDERICK, VIRGINIA**Notes to Financial Statements
At June 30, 2021 (Continued)****NOTE 9 - PENSION PLANS: (Continued)****Component Unit School Board (Nonprofessional) (Continued)*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2021, the Component Unit School Board (nonprofessional) recognized pension expense of \$955,441. At June 30, 2021, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 92,361	\$ 24,643
Change in assumptions	176,884	-
Net difference between projected and actual earnings on pension plan investments	826,922	-
Employer contributions subsequent to the measurement date	488,525	-
Total	<u>\$ 1,584,692</u>	<u>\$ 24,643</u>

\$488,525 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (Nonprofessional)</u>
2022	\$ 281,793
2023	248,504
2024	277,946
2025	263,281
Thereafter	-

Component Unit School Board (Professional)***Plan Description***

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description is included in the first section of this note.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 9 - PENSION PLANS: (Continued)

Component Unit School Board (Professional) (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$15,464,228 and \$14,567,304 for the years ended June 30, 2021 and June 30, 2020, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the school division reported a liability of \$159,534,620 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was 1.0963% as compared to 1.1061% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$19,014,863. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (Professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 9,351,188
Change in assumptions	10,890,238	-
Net difference between projected and actual earnings on pension plan investments	12,134,375	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,008,858	1,773,403
Employer contributions subsequent to the measurement date	15,464,228	-
Total	<u>\$ 40,497,699</u>	<u>\$ 11,124,591</u>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 9 - PENSION PLANS: (Continued)

Component Unit School Board (Professional) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$15,464,228 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (Professional)</u>
2022	\$ 300,348
2023	4,209,861
2024	5,580,986
2025	4,058,830
Thereafter	(241,145)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 9 - PENSION PLANS: (Continued)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019.. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased from 7.00% to 6.75%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	51,001,855
Plan Fiduciary Net Position		36,449,229
Employer's Net Pension Liability (Asset)	\$	14,552,626
Plan Fiduciary Net position as a Percentage of the Total Pension Liability		71.47%

COUNTY OF FREDERICK, VIRGINIA**Notes to Financial Statements
At June 30, 2021 (Continued)****NOTE 9 - PENSION PLANS: (Continued)****Component Unit School Board (Professional) (Continued)*****Net Pension Liability (Continued)***

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 234,073,116	\$ 159,534,620	\$ 97,881,860

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Primary Government and Component Unit School Board***Aggregate Pension Information***

	VRS Pension Plans:			
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net Pension Liability (Asset)</u>	<u>Pension Expense</u>
Primary Government				
Primary Government	\$ 13,479,047	\$ 197,312	\$ 24,025,042	\$ 6,603,040
Totals	<u>\$ 13,479,047</u>	<u>\$ 197,312</u>	<u>\$ 24,025,042</u>	<u>\$ 6,603,040</u>
Component Unit School Board				
School Board Nonprofessional	\$ 1,584,692	\$ 24,643	\$ 860,169	\$ 955,441
School Board Professional	40,497,699	11,124,591	159,534,620	19,014,863
Totals	<u>\$ 42,082,391</u>	<u>\$ 11,149,234</u>	<u>\$ 160,394,789</u>	<u>\$ 19,970,304</u>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 10 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no expenditures in excess of appropriations for the year ended June 30, 2021.

NOTE 11 - UNAVAILABLE/DEFERRED REVENUE:

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Primary Government:		
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.	\$ -	\$ 1,309,296
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.	-	8,536,171
2nd half assessments due in December 2021	59,684,504	59,684,504
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	5,864,755	5,864,755
Total governmental activities	<u>\$ 65,549,259</u>	<u>\$ 75,394,726</u>
	Government-wide Statements	Statement of Net Position
	Business-type Activities	Enterprise Funds
Unearned revenue from landfill operations	<u>\$ 5,988</u>	<u>\$ 5,988</u>

NOTE 12 - 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 12 - COMMITMENTS AND CONTINGENCIES: (Continued)

Primary Government and Component Unit School Board: (Continued)

The County and School Board have authorized and/or commenced construction on various capital projects. At June 30, 2021, the following significant items were in process:

- Landfill New Cell 3A – estimated completion cost is \$2,986,821
- Orchard View Elementary School – estimated completion cost is \$200,583
- Aylor Middle School – estimated completion cost is \$3,450,534
- 12th Elementary School – estimated completion cost is \$247,187
- James Wood Middle School Roof – estimated completion cost is \$209,529

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	\$ 3,043,301
Total	\$ 3,043,301

NOTE 13 - LITIGATION:

At June 30, 2021, 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.

NOTE 14 - 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 the Revenue	3,000
Leonard W. Millholland, 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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 15 - 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 2019, 2020 and 2021 are listed as follows:

Funds	Estimated Claims Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Estimated Claims Liability End of Fiscal Year
Primary Government:				
Insurance Internal Service Fund				
2019	\$ 973,490	11,781,033	11,644,223	1,110,300
2020	1,110,300	12,729,873	12,609,894	1,230,279
2021	1,230,279	11,685,509	11,839,588	1,076,200
Component Unit School Board:				
School Operating and Health Insurance Funds				
2019	\$ 2,035,080	16,829,899	16,918,505	1,946,474
2020	1,946,474	18,393,911	18,548,231	1,792,154
2021	1,792,154	22,534,784	22,901,574	1,425,364

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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 15 - SELF INSURANCE/RISK MANAGEMENT: (Continued)

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.

NOTE 16 - 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 \$14,344,656 reported as landfill closure and postclosure care liability at June 30, 2021 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 \$14,344,656 reported as the accrued landfill liability and postclosure costs reflects usage on the new landfill from October 5, 1993 to June 30, 2021. 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 2021. Actual cost may not be higher due to inflation, changes in technology, or changes in regulations.

At June 30, 2021, the solid waste landfill capacity used to date was approximately 21% and 19% 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, 2021 is \$4,871,942 for the municipal solid waste landfill and \$2,699,840 for the construction/demolition debris landfill.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 17 - HEALTH INSURANCE – PAY-AS-YOU-GO (OPEB PLAN):

County

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. Persons employed on or after July 1, 2012 will not, upon retirement, be provided with healthcare coverage at the expense of the County, regardless of the employee's retirement conditions. There is no separate, audited GAAP-basis postemployment benefit plan report for the County's medical plan.

Benefits Provided

Two medical plans are offered for employees, Key Care 200 and Key Care 300. Retirees under age 65 participate in the Key Care 300 plan. Both include a three-tier prescription drug plan for retail and mail order drug. When participant is eligible for Medicare, a Medicare Carve out program is offered.

Plan Membership

At June 30, 2020 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	\$	384
Total retirees with coverage		<u>120</u>
Total	\$	<u><u>504</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board.

Total OPEB Liability

The County's total OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Ranging from 3.50% to 5.35% per year
Discount Rate	2.45%

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 17 - HEALTH INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (Continued)

County (Continued)

Actuarial Assumptions (Continued)

Mortality rates for Active employees and healthy retirees were based on a RP 2000 Combined Healthy Table fully generational using scale AA while mortality rates for disabled retirees were based on a RP 2000 Combined Disabled Table fully generational using AA.

The date of the most recent actuarial experience study for which significant assumptions were based is July 1, 2019.

Discount Rate

The final equivalent single discount rate used for this year's valuation is 2.45% as of the end of the fiscal year with the expectation that the County will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

		<u>Primary Government Total OPEB Liability</u>
Balances at June 30, 2019	\$	53,378,263
Changes for the year:		
Service cost		1,468,325
Interest		1,653,352
Difference between expected and actual experience		(384,495)
Changes in assumptions		8,032,523
Benefit payments		(726,533)
Net changes		<u>10,043,172</u>
Balances at June 30, 2020	\$	<u><u>63,421,435</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current discount rate:

	<u>1% Decrease (1.45%)</u>	<u>Rate Current Discount Rate (2.45%)</u>	<u>1% Increase (3.45%)</u>
\$	78,320,981	\$ 63,421,435	\$ 52,083,925

COUNTY OF FREDERICK, VIRGINIA**Notes to Financial Statements
At June 30, 2021 (Continued)****NOTE 17 - HEALTH INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (Continued)****County (Continued)*****Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the County was calculated using healthcare cost trend rates that are one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost		
1% Decrease (3.00%)	Trend (4.00%)	1% Increase (5.00%)
\$ 50,384,064	\$ 63,421,435	\$ 81,262,128

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the County recognized OPEB expense in the amount of \$4,856,223. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,407,343	\$ 599,112
Changes in assumptions	12,033,207	2,446,399
Total	<u>\$ 14,440,550</u>	<u>\$ 3,045,511</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 1,734,546
2023	1,734,546
2024	1,734,543
2025	2,495,149
2026	2,603,677
Thereafter	1,092,578

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 17 - HEALTH INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (Continued)

School Board:

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.

Benefits Provided

Postemployment benefits are provided to eligible retirees include Health insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. Pre-Medicare retirees may continue to remain in one of the three options for Medical and Prescription Drug coverage to active participants, Keycare 300, Keycare 30, and Lumenos HSA plan. Once the participant is Medicare eligible, they are no longer eligible to remain in the plan. 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.

Plan Membership

At June 30, 2020 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	\$ 1,794
Total retirees with coverage	<u>47</u>
Total	<u>\$ 1,841</u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of February 1, 2020.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Ranging from 3.50% to 5.35% per year depending on years of service for general salary inflations as of July 1, 2016 and June 30, 2017 respectively
Discount Rate	2.45%

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 17 - HEALTH INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (Continued)

School Board (Continued)

Actuarial Assumptions (Continued)

Mortality rates for Active employees and healthy retirees were based on a RP 2000 Combined Healthy Table fully generational using scale AA while mortality rates for disabled retirees were based on a RP 2000 Combined Disabled Table fully generational using AA.

The date of the most recent actuarial experience study for which significant assumptions were based is February 1, 2020.

Discount Rate

The final equivalent single discount rate used for this year's valuation is 2.45% as of the end of the fiscal year with the expectation that the School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

		<u>Primary Government Total OPEB Liability</u>
Balances at June 30, 2019	\$	7,312,622
Changes for the year:		
Service cost		620,613
Interest		222,699
Difference between expected and actual experience		11,901
Changes in assumptions		430,903
Benefit payments		(407,186)
Net changes		<u>878,930</u>
Balances at June 30, 2020	\$	<u><u>8,191,552</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current discount rate:

Rate		
<u>1% Decrease (1.45%)</u>	<u>Current Discount Rate (2.45%)</u>	<u>1% Increase (3.45%)</u>
\$ 8,798,753	\$ 8,191,552	\$ 7,605,969

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2021 (Continued)

NOTE 17 - HEALTH INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (Continued)

School Board (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School Board was calculated using healthcare cost trend rates that are one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost		
1% Decrease (3.00%)	Trend (4.00%)	1% Increase (5.00%)
\$ 7,150,177	\$ 8,191,552	\$ 9,429,252

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the School Board recognized OPEB expense in the amount of \$714,908. At June 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,351	\$ 459,768
Changes in assumptions	369,345	380,106
Total	<u>\$ 391,696</u>	<u>\$ 839,874</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30	
2022	\$ (128,404)
2023	(128,404)
2024	(128,404)
2025	(63,402)
2026	(62,820)
Thereafter	63,256

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 18 - TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) PLAN was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$1,167,632 and \$1,150,520 for the years ended June 30, 2021 and June 30, 2020, respectively.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2021 (Continued)

NOTE 18 - TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):
(Continued)

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

At June 30, 2021, the school division reported a liability of \$14,266,715 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC was 1.0936% as compared to 1.10602% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC OPEB expense of \$1,161,327. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 190,526
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	63,224	-
Change in assumptions	282,033	77,949
Change in proportion	200,138	255,835
Employer contributions subsequent to the measurement date	1,167,632	-
Total	<u>\$ 1,713,027</u>	<u>\$ 524,310</u>

\$1,167,632 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2022	\$ (7,024)
2023	(758)
2024	(2,858)
2025	15,844
2026	34,211
Thereafter	(18,330)

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 18 - TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): **(Continued)**

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation:	
Teacher employees	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 18 - TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): **(Continued)**

Actuarial Assumptions (Continued)

Mortality Rates – Teachers (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,448,676
Plan Fiduciary Net Position		144,160
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,304,516</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		9.95%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2021 (Continued)

NOTE 18 - TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):
(Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 18 - TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): **(Continued)**

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 15,970,100	\$ 14,266,715	\$ 12,818,961

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 19 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

Plan Description (Continued)

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$167,973 and \$159,110 for the years ended June 30, 2021 and June 30, 2020, respectively, for the County; \$53,152 and \$51,122 for the years ended June 30, 2021 and June 30, 2020, respectively, for the School Board (nonprofessional); and \$523,008 and \$498,753 for the years ended June 30, 2021 and June 30, 2020, respectively, for the School Board (professional).

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2021, the entity reported a liability of \$2,481,178, \$797,203, and \$7,777,612 for the County, School Board Nonprofessional, and School Board Professional, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.15165%, 0.04780%, and 0.46610% as compared to 0.14615%, 0.04803%, and 0.47402% at June 30, 2019 for the County, School Board Nonprofessional, and School Board Professional, respectively.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$133,763, \$34,504, and \$297,900 for the County, School Board Nonprofessional, and School Board Professional, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government		
Differences between expected and actual experience	\$ 159,145	\$ 22,285
Net difference between projected and actual earnings on GLI OPEB program investments	74,532	-
Change in assumptions	124,088	51,808
Changes in proportion	127,818	-
Employer contributions subsequent to the measurement date	167,973	-
Total Primary Government	\$ 653,556	\$ 74,093
Component Unit School Board (nonprofessional)		
Differences between expected and actual experience	\$ 51,133	\$ 7,159
Net difference between projected and actual earnings on GLI OPEB program investments	23,947	-
Change in assumptions	39,869	16,646
Changes in proportion	16,907	3,318
Employer contributions subsequent to the measurement date	53,152	-
Total Component Unit School Board (nonprofessional)	\$ 185,008	\$ 27,123

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2021 (Continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

Component Unit School Board (professional)

Differences between expected and actual experience	\$	498,862	\$	69,857
Net difference between projected and actual earnings on GLI OPEB program investments		233,633		-
Change in assumptions		388,970		162,401
Changes in proportion		100,075		128,670
Employer contributions subsequent to the measurement date		523,008		-
Total Component Unit School Board (professional)	\$	1,744,548	\$	360,928

\$167,973, \$53,152 and \$523,008 for the County, School Board Nonprofessional, and School Board Professional, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2022	\$ 76,520	\$ 16,111	\$ 118,455
2023	97,565	22,874	184,434
2024	108,217	29,046	250,707
2025	97,661	29,321	256,844
2026	28,701	7,076	50,220
Thereafter	2,826	305	(48)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased from 7.00% to 6.75%

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased from 7.00% to 6.75%

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
Employers' Net GLI OPEB Liability (Asset)	\$	1,668,835
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The follow presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
County's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 3,261,699	\$ 2,481,178	\$ 1,847,322
School Board (nonprofessional)'s proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 1,047,985	\$ 797,203	\$ 593,545
School Board (professional)'s proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 10,224,268	\$ 7,777,612	\$ 5,790,698

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 20 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 20 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (Continued)

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>-</u>
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>-</u>
Active members	423
Total covered employees	<u><u>423</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The School Board Nonprofessional's contractually required employer contribution rate for the year ended June 30, 2021 was 0.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the HIC Plan were \$45,964 and \$0 for the years ended June 30, 2021 and June 30, 2020, respectively.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 20 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (Continued)

Net HIC OPEB Liability

The School Board Nonprofessional's net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 20 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2021 (Continued)

NOTE 20 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (Continued)

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	\$ -	\$ -	\$ -
Interest	-	-	-
Benefit changes	451,894	-	451,894
Differences between expected and actual experience	-	-	-
Assumption changes	-	-	-
Contributions - employer	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	-	-
Other changes	-	-	-
Net changes	\$ 451,894	\$ -	\$ 451,894
Balances at June 30, 2020	\$ 451,894	\$ -	\$ 451,894

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2021 (Continued)

NOTE 20 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (Continued)

Sensitivity of the School Board Nonprofessional's HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the School Board Nonprofessional's HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the School Board Nonprofessional's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School Board's				
Net HIC OPEB Liability	\$	501,208	\$ 451,894	\$ 409,567

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2021, the School Board recognized HIC Plan OPEB expense of \$451,894. At June 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to the School Board Nonprofessional's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on HIC OPEB plan investments	-	-
Change in assumptions	-	-
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date	45,964	-
Total	\$ 45,964	\$ -

\$45,964 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board Nonprofessional's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2022	\$ -
2023	-
2024	-
2025	-
2026	-
Thereafter	-

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 20 - HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (Continued)

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 21 - SUMMARY OF NET OPEB LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES:

	VRS OPEB Plans:			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
Primary Government				
Group Life Insurance Program (Note 20):				
County	\$ 653,556	\$ 74,093	\$ 2,481,178	\$ 133,763
County Stand-Alone Plan (Note 18)	14,440,550	3,045,511	63,421,435	4,856,223
Totals	<u>\$ 15,094,106</u>	<u>\$ 3,119,604</u>	<u>\$ 65,902,613</u>	<u>\$ 4,989,986</u>
Component Unit School Board				
Group Life Insurance Program (Note 20):				
School Board Nonprofessional	\$ 185,008	\$ 27,123	\$ 797,203	\$ 34,504
School Board Professional	1,744,548	360,928	7,777,612	297,900
Health Insurance Credit Program (Note 21)	45,964	-	451,894	451,894
Teacher Health Insurance Credit Program (Note 19)	1,713,027	524,310	14,266,715	1,161,327
School Stand-Alone Plan (Note 18)	391,696	839,874	8,191,552	714,908
Totals	<u>\$ 4,080,243</u>	<u>\$ 1,752,235</u>	<u>\$ 31,484,976</u>	<u>\$ 2,660,533</u>

NOTE 22 - FAIR VALUE MEASUREMENTS:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 22 - FAIR VALUE MEASUREMENTS: (Continued)

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The County has the following recurring fair value measurements as of June 30, 2021:

Investment	6/30/2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Fund	\$ 729,897	\$ 729,897	\$ -	\$ -
	<u>\$ 729,897</u>	<u>\$ 729,897</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 23 – ADOPTION OF ACCOUNTING PRINCIPLES:

The County implemented provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The implementation of this Statement resulted in the following restatement of net position:

	Custodial Funds								
	Special Welfare Fund	Northwestern Regional Jail Authority Fund	Winchester Regional Airport Authority Fund	Undistributed Local Sales Tax Fund	State Sales Tax Fund	Employee Cafeteria Plan Fund	Northwestern Regional Education Program Fund	Total Custodial	Component Unit School
Net Postion, beginning of year, as previously reported	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	36,835,907
Implementation of GASB 84	191,931	9,400,583	284,653	(15,124,884)	2,019	35,234	527,543	(4,682,921)	2,176,264
Net Postion, beginning of year, as restated	\$ 191,931	\$ 9,400,583	\$ 284,653	\$ (15,124,884)	\$ 2,019	\$ 35,234	\$ 527,543	\$ (4,682,921)	\$ 39,012,171

NOTE 24 - UPCOMING PRONOUNCEMENTS:

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 25 - DONOR RESTRICTED ENDOWMENTS:

The County is the beneficiary of various trusts created by donors, the assets of which are in possession of the County. The County has legally enforceable rights and claims to such assets, including the right to income there from. Net realized and unrealized gains and losses related to these interests are reported as changes in net position reserved for the explicit purposes of donor stipulations. The carrying value of the County's interests in these restrictions at June 30, 2021 is as follows:

Nonexpendable principal	\$	238,326
Accumulated earnings		<u>392,776</u>
Total	\$	<u>631,102</u>

The net appreciation on nonexpendable trust principal has been reflected in the net position as net position for the private purpose trust fund. The County does not have a formal policy for spending the investment income but follows the wishes of the donor. Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), adopted in the Commonwealth of Virginia, the Authority is subject to guidelines, which provide rules on spending from endowment funds, and permits the release of restrictions on the use and management of these funds.

NOTE 26 - COVID-19 PANDEMIC:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the County, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the County is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF). Each locality received its CRF allocations based on population. The County received total CRF funding of \$15,733,032. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. The County reported unspent CRF funds as of June 30 of \$322,429.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On June 25, 2021, the County received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$8,674,002 from the initial allocation are reported as unearned revenue as of June 30.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2021 (Continued)

NOTE 26 - COVID-19 PANDEMIC: (Continued)

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

- Required Supplementary Information -

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 122,915,918	\$ 122,965,918	\$ 129,586,450	\$ 6,620,532
Other local taxes	38,455,976	38,455,976	43,632,400	5,176,424
Permits, privilege fees and regulatory licenses	2,266,235	2,266,235	2,424,417	158,182
Fines and forfeitures	342,000	342,000	199,394	(142,606)
Use of money and property	1,375,439	1,398,324	3,125,173	1,726,849
Charges for services	3,498,694	3,498,694	2,411,670	(1,087,024)
Miscellaneous	181,754	446,457	438,314	(8,143)
Recovered costs	1,910,958	2,939,618	4,071,208	1,131,590
Intergovernmental:				
Revenue from the Commonwealth	26,375,257	26,520,003	21,118,336	(5,401,667)
Revenue from the Federal Government	-	174,516	4,404,069	4,229,553
Total revenues	\$ 197,322,231	\$ 199,007,741	\$ 211,411,431	\$ 12,403,690
Expenditures				
Current:				
General Government Administration:				
Board of supervisors	\$ 344,339	\$ 341,036	\$ 315,348	\$ 25,688
County administrator	832,997	824,402	817,154	7,248
County attorney	483,735	483,735	441,950	41,785
Personnel	672,934	763,275	673,150	90,125
Independent auditor	66,000	66,000	63,500	2,500
Commissioner of the Revenue	1,575,734	1,602,471	1,579,240	23,231
Board of assessors	473,789	501,952	400,936	101,016
Treasurer	1,749,271	1,893,394	1,661,565	231,829
Finance	1,088,808	1,088,804	1,076,254	12,550
Information technology	2,091,510	2,556,844	2,382,642	174,202
Management information systems	689,562	692,762	673,300	19,462
Other	4,840,619	2,753,585	1,685,197	1,068,388
Elections	188,732	356,778	274,261	82,517
Registrar	210,143	276,375	259,610	16,765
Total general government administration	\$ 15,308,173	\$ 14,201,413	\$ 12,304,107	\$ 1,897,306
Judicial Administration:				
Circuit court	\$ 79,500	\$ 79,500	\$ 77,394	\$ 2,106
General district court	25,110	25,110	12,762	12,348
Juvenile and domestic relations court	26,660	26,660	16,952	9,708
Clerk of the circuit court	895,960	907,046	813,440	93,606
Law library	15,000	15,000	9,771	5,229
Juvenile court probation	156,701	209,192	153,075	56,117

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (Continued)				
Judicial Administration: (Continued)				
Commonwealth attorney	\$ 1,837,429	\$ 1,889,639	\$ 1,685,069	\$ 204,570
Victim/witness program	223,682	223,902	174,348	49,554
Total judicial administration	\$ 3,260,042	\$ 3,376,049	\$ 2,942,811	\$ 433,238
Public Safety:				
Sheriff	\$ 16,170,321	\$ 18,455,145	\$ 17,054,562	\$ 1,400,583
Volunteer fire departments	985,419	1,927,847	1,289,968	637,879
Ambulance and rescue service	411,150	417,543	387,793	29,750
Fire and rescue	15,656,870	16,249,406	15,203,842	1,045,564
Regional jail	5,520,958	5,520,958	5,520,958	-
Juvenile detention center	561,212	561,212	552,244	8,968
Inspections	1,497,059	1,501,519	1,319,245	182,274
Public safety communications	1,780,816	1,914,548	1,601,638	312,910
Total public safety	\$ 42,583,805	\$ 46,548,178	\$ 42,930,250	\$ 3,617,928
Public Works:				
Road administration, street lights	\$ 50,612	\$ 50,612	\$ 42,100	\$ 8,512
General engineering and administration	431,588	499,383	496,849	2,534
Refuse collection	1,703,410	2,148,866	1,925,181	223,685
Refuse disposal	651,360	651,360	675,127	(23,767)
Litter control	30,334	30,334	10,782	19,552
General properties	2,107,124	2,530,243	2,123,605	406,638
Animal shelter	796,401	854,185	757,959	96,226
Total public works	\$ 5,770,829	\$ 6,764,983	\$ 6,031,603	\$ 733,380
Health and Welfare:				
Health department	\$ 436,439	\$ 436,439	\$ 436,439	\$ -
Northwestern Community Services Board	416,507	416,507	416,507	-
Welfare and social services	9,487,687	9,555,212	8,336,029	1,219,183
Tax relief for the elderly	800,000	800,000	873,071	(73,071)
Area Agency on Aging	63,000	63,000	63,000	-
Total health and welfare	\$ 11,203,633	\$ 11,271,158	\$ 10,125,046	\$ 1,146,112
Education:				
Community college	\$ 81,308	\$ 81,308	\$ 81,308	\$ -
Appropriation to public school system	92,023,834	93,716,234	87,933,236	5,782,998
Total education	\$ 92,105,142	\$ 93,797,542	\$ 88,014,544	\$ 5,782,998

COUNTY OF FREDERICK, VIRGINIA

**Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures (Continued)				
Parks, recreation and cultural:				
Parks and recreation	\$ 6,247,281	\$ 6,740,075	\$ 5,026,028	\$ 1,714,047
Regional library	1,218,200	1,218,200	1,218,200	-
Total parks, recreation and cultural	<u>\$ 7,465,481</u>	<u>\$ 7,958,275</u>	<u>\$ 6,244,228</u>	<u>\$ 1,714,047</u>
Community Development:				
Planning and community development	\$ 1,248,472	\$ 1,250,298	\$ 1,189,352	\$ 60,946
Economic Development Commission	614,301	614,301	614,301	-
Zoning board	7,821	8,821	6,937	1,884
Building appeals board	561	561	77	484
NSV Regional Commission	74,348	74,348	74,348	-
Soil and Water Conservation District	11,250	11,250	11,250	-
Cooperative extension program	276,971	277,270	265,303	11,967
Total community development	<u>\$ 2,233,724</u>	<u>\$ 2,236,849</u>	<u>\$ 2,161,568</u>	<u>\$ 75,281</u>
Debt Service:				
Principal	\$ 1,325,254	\$ 1,325,254	\$ 1,325,254	\$ -
Interest and fiscal charges	947,190	947,190	947,307	(117)
Total debt service	<u>\$ 2,272,444</u>	<u>\$ 2,272,444</u>	<u>\$ 2,272,561</u>	<u>\$ (117)</u>
Total expenditures	<u>\$ 182,203,273</u>	<u>\$ 188,426,891</u>	<u>\$ 173,026,718</u>	<u>\$ 15,400,173</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 15,118,958</u>	<u>\$ 10,580,850</u>	<u>\$ 38,384,713</u>	<u>\$ 27,803,863</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 146,871	\$ 7,224,663	\$ 7,077,792
Transfers out	(18,834,862)	(31,839,168)	(31,871,601)	(32,433)
Total other financing sources (uses)	<u>\$ (18,834,862)</u>	<u>\$ (31,692,297)</u>	<u>\$ (24,646,938)</u>	<u>\$ 7,045,359</u>
Net change in fund balance	<u>\$ (3,715,904)</u>	<u>\$ (21,111,447)</u>	<u>\$ 13,737,775</u>	<u>\$ 34,849,222</u>
Fund balance, beginning of year	<u>3,715,904</u>	<u>21,111,447</u>	<u>68,630,237</u>	<u>47,518,790</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 82,368,012</u></u>	<u><u>\$ 82,368,012</u></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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 803,880	\$ 803,880	\$ 874,415	\$ 70,535
Use of money and property	8,000	8,000	3,154	(4,846)
Miscellaneous	-	-	-	-
Recovered costs	<u>1,000</u>	<u>1,179</u>	<u>3,912</u>	<u>2,733</u>
Total revenues	\$ <u>812,880</u>	\$ <u>813,059</u>	\$ <u>881,481</u>	\$ <u>68,422</u>
Expenditures				
Current:				
Community Development	\$ <u>1,146,023</u>	\$ <u>1,146,202</u>	\$ <u>920,478</u>	\$ <u>225,724</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(333,143)</u>	\$ <u>(333,143)</u>	\$ <u>(38,997)</u>	\$ <u>294,146</u>
Other Financing Sources (Uses)				
Transfers in	\$ <u>-</u>	\$ <u>-</u>	\$ <u>179</u>	\$ <u>179</u>
Net change in fund balance	\$ (333,143)	\$ (333,143)	\$ (38,818)	\$ 294,325
Fund balance, beginning of year	<u>333,143</u>	<u>333,143</u>	<u>1,673,437</u>	<u>1,340,294</u>
Fund balance, end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,634,619</u></u>	\$ <u><u>1,634,619</u></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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 779,998	\$ 779,998	\$ 895,172	\$ 115,174
Total revenues	\$ 779,998	\$ 779,998	\$ 895,172	\$ 115,174
Expenditures				
Current:				
Community Development	\$ 41,340	\$ 41,340	\$ -	\$ 41,340
Debt Service:				
Principal	\$ 420,000	\$ 420,000	\$ 420,000	\$ -
Interest and fiscal charges	318,658	318,658	320,483	(1,825)
Total debt service	\$ 738,658	\$ 738,658	\$ 740,483	\$ (1,825)
Total expenditures	\$ 779,998	\$ 779,998	\$ 740,483	\$ 39,515
Net change in fund balance	\$ -	\$ -	\$ 154,689	\$ 154,689
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>3,475,000</u>	<u>3,475,000</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,629,689</u>	<u>\$ 3,629,689</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
CARES/ARP ACT Fund
Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Use of money and property	\$ -	\$ -	\$ 9,099	\$ 9,099
Intergovernmental:				
Revenue from the Federal Government	<u>-</u>	<u>15,606,556</u>	<u>11,093,142</u>	<u>(4,513,414)</u>
Total revenues	<u>\$ -</u>	<u>\$ 15,606,556</u>	<u>\$ 11,102,241</u>	<u>\$ (4,504,315)</u>
Expenditures				
Current:				
Public Safety	\$ -	\$ 10,176,258	\$ 793,447	\$ 9,382,811
Education		3,561,152	3,561,152	-
Community Development:		<u>1,869,146</u>	<u>1,870,555</u>	<u>(1,409)</u>
Total expenditures	<u>\$ -</u>	<u>\$ 15,606,556</u>	<u>\$ 6,225,154</u>	<u>\$ 9,381,402</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,877,087</u>	<u>\$ 4,877,087</u>
Other Financing Sources (Uses)				
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,882,452)</u>	<u>\$ (4,882,452)</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,882,452)</u>	<u>\$ (4,882,452)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,365)</u>	<u>\$ (5,365)</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>5,365</u>	<u>5,365</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></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 Employer's Proportionate Share of the Net Pension Liability
For the Measurement Dates of June 30, 2014 through June 30, 2020

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - County of Frederick Retirement Plan					
2020	67.2526%	\$ 24,025,042	\$ 30,557,450	78.62%	81.77%
2019	65.9410%	14,998,353	28,277,168	53.04%	87.34%
2018	65.0911%	10,753,170	26,852,773	40.04%	89.88%
2017	64.3410%	9,487,461	24,614,534	38.54%	90.22%
2016	64.9200%	15,159,093	23,781,621	63.74%	88.00%
2015	64.1119%	10,062,275	22,011,588	45.71%	88.00%
2014	64.2415%	9,114,278	20,817,989	43.78%	89.00%
Component Unit School Board (professional)					
2020	1.0963%	\$ 159,534,620	\$ 95,876,678	166.40%	71.47%
2019	1.1061%	145,572,994	92,769,549	156.92%	73.51%
2018	1.0902%	128,205,000	88,520,955	144.83%	74.81%
2017	1.0842%	133,333,000	85,337,127	156.24%	72.92%
2016	1.1032%	154,596,000	83,545,029	185.05%	70.68%
2015	1.0707%	134,757,000	79,240,978	170.06%	70.68%
2014	1.0399%	125,663,000	75,723,265	165.95%	75.00%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

COUNTY OF FREDERICK, VIRGINIA

Schedule of Changes in Net Pension Liability(Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 877,348	\$ 851,100	\$ 865,925	\$ 890,311	\$ 895,679	\$ 907,457	\$ 900,416
Interest	1,790,392	1,692,051	1,616,669	1,553,215	1,466,113	1,382,144	1,292,100
Differences between expected and actual experience	(39,949)	364,011	(214,164)	(113,298)	(76,365)	(109,100)	-
Changes in assumptions	-	697,130	-	(304,975)	-	-	-
Benefit payments, including refunds of employee contributions	(1,315,193)	(1,189,056)	(1,194,035)	(1,043,501)	(1,038,720)	(923,171)	(889,176)
Net change in total pension liability	\$ 1,312,598	\$ 2,415,236	\$ 1,074,395	\$ 981,752	\$ 1,246,707	\$ 1,257,330	\$ 1,303,340
Total pension liability - beginning	<u>27,181,926</u>	<u>24,766,690</u>	<u>23,692,295</u>	<u>22,710,543</u>	<u>21,463,836</u>	<u>20,206,506</u>	<u>18,903,166</u>
Total pension liability - ending (a)	<u>\$ 28,494,524</u>	<u>\$ 27,181,926</u>	<u>\$ 24,766,690</u>	<u>\$ 23,692,295</u>	<u>\$ 22,710,543</u>	<u>\$ 21,463,836</u>	<u>\$ 20,206,506</u>
Plan fiduciary net position							
Contributions - employer	\$ 489,723	\$ 449,392	\$ 488,250	\$ 487,563	\$ 638,515	\$ 619,812	\$ 739,310
Contributions - employee	460,470	421,888	412,055	416,129	403,915	394,323	388,036
Net investment income	526,323	1,740,976	1,810,706	2,688,328	385,945	950,171	2,794,997
Benefit payments, including refunds of employee contributions	(1,315,193)	(1,189,056)	(1,194,035)	(1,043,501)	(1,038,720)	(923,171)	(889,176)
Administrative expense	(17,800)	(17,073)	(15,547)	(15,326)	(13,287)	(12,709)	(14,741)
Other	(623)	(1,097)	(1,619)	(2,403)	(161)	(202)	148
Net change in plan fiduciary net position	\$ 142,900	\$ 1,405,030	\$ 1,499,810	\$ 2,530,790	\$ 376,207	\$ 1,028,224	\$ 3,018,574
Plan fiduciary net position - beginning	<u>27,491,455</u>	<u>26,086,425</u>	<u>24,586,615</u>	<u>22,055,825</u>	<u>21,679,618</u>	<u>20,651,394</u>	<u>17,632,820</u>
Plan fiduciary net position - ending (b)	<u>\$ 27,634,355</u>	<u>\$ 27,491,455</u>	<u>\$ 26,086,425</u>	<u>\$ 24,586,615</u>	<u>\$ 22,055,825</u>	<u>\$ 21,679,618</u>	<u>\$ 20,651,394</u>
School Division's net pension liability(asset) - ending (a) - (b)	\$ 860,169	\$ (309,529)	\$ (1,319,735)	\$ (894,320)	\$ 654,718	\$ (215,782)	\$ (444,888)
Plan fiduciary net position as a percentage of the total pension liability	96.98%	101.14%	105.33%	103.77%	97.12%	101.01%	102.20%
Covered payroll	\$ 9,812,681	\$ 9,366,325	\$ 8,835,602	\$ 8,515,910	\$ 8,345,354	\$ 7,965,421	\$ 7,474,164
School Division's net pension liability as a percentage of covered payroll	8.77%	-3.30%	-14.94%	-10.50%	7.85%	-2.71%	-5.95%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

COUNTY OF FREDERICK, VIRGINIA

Schedule of Employer Contributions - Pension
Years Ended June 30, 2015 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2021	\$ 4,007,198	\$ 4,007,198	\$ -	\$ 31,620,138	12.67%
2020	3,433,143	3,433,143	-	30,557,450	11.24%
2019	3,173,090	3,173,090	-	28,277,168	11.22%
2018	2,825,083	2,825,083	-	26,852,773	10.52%
2017	2,643,601	2,643,601	-	24,614,534	10.74%
2016	2,889,467	2,889,467	-	23,781,621	12.15%
2015	2,674,408	2,674,408	-	22,011,588	12.15%
Component Unit School Board (nonprofessional)					
2021	\$ 488,525	\$ 488,525	\$ -	\$ 9,784,278	4.99%
2020	480,523	480,523	-	9,812,681	4.90%
2019	467,447	467,447	-	9,366,325	4.99%
2018	488,848	488,848	-	8,835,602	5.53%
2017	510,949	510,949	-	8,515,910	6.00%
2016	652,607	652,607	-	8,345,354	7.82%
2015	633,671	633,671	-	7,965,421	7.96%
Component Unit School Board (professional)					
2021	\$ 15,464,228	\$ 15,464,228	\$ -	\$ 96,498,552	16.03%
2020	14,567,304	14,567,304	-	95,876,678	15.19%
2019	14,175,476	14,175,476	-	92,769,549	15.28%
2018	14,341,367	14,341,367	-	88,520,955	16.20%
2017	12,510,423	12,510,423	-	85,337,127	14.66%
2016	11,746,431	11,746,431	-	83,545,029	14.06%
2015	11,211,939	11,211,939	-	79,240,978	14.15%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

COUNTY OF FREDERICK, VIRGINIA

Notes to Required Supplementary Information - Pension
Year Ended June 30, 2021

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019, valuations were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7% to 6.75%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7% to 6.75%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7% to 6.75%

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2017 through June 30, 2020

	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 1,468,325	\$ 1,176,153	\$ 1,146,894	\$ 1,107,254
Interest	1,653,352	1,464,877	1,398,548	1,217,753
Changes in assumptions	8,032,523	7,207,463	(288,025)	(5,324,224)
Differences between expected and actual experience	(384,495)	3,370,281	(471,706)	-
Benefit payments	(726,533)	(735,118)	(385,063)	(470,007)
Net change in total OPEB liability	\$ 10,043,172	\$ 12,483,656	\$ 1,400,648	\$ (3,469,224)
Total OPEB liability - beginning	53,378,263	40,894,607	39,493,959	42,963,183
Total OPEB liability - ending	\$ 63,421,435	\$ 53,378,263	\$ 40,894,607	\$ 39,493,959
Covered-employee payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A
County's total OPEB liability (asset) as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 For the Measurement Dates of June 30, 2017 through June 30, 2020

	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 620,613	\$ 558,586	\$ 540,722	\$ 578,000
Interest	222,699	268,397	250,797	200,000
Changes in assumptions	430,903	(238,894)	(25,319)	(455,000)
Differences between expected and actual experience	11,901	(643,676)	21,261	-
Benefit payments	(407,186)	(234,972)	(359,280)	(321,000)
Net change in total OPEB liability	\$ 878,930	\$ (290,559)	\$ 428,181	\$ 2,000
Total OPEB liability - beginning	7,312,622	7,603,181	7,175,000	7,173,000
Total OPEB liability - ending	<u>\$ 8,191,552</u>	<u>\$ 7,312,622</u>	<u>\$ 7,603,181</u>	<u>\$ 7,175,000</u>
Covered-employee payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A
School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - County and Component Unit School Board OPEB
Year Ended June 30, 2021

County:

Valuation Date: 7/1/2019
Measurement Date: 6/30/2020

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.45%
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.30% in 2017 and gradually declines to 3.8% by the year 2098
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP 2000 Total Combined Healthy Table fully generational using scale AA. The mortality rates for disabled retirees and calculated using the RP 2000 Combined Disabled Table fully generational using scale AA.

Component Unit School Board

Valuation Date: 2/1/2020
Measurement Date: 6/30/2020

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.45%
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.30% in 2017 and gradually declines to 3.9% by the year 2098
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP 2000 Total Combined Healthy Table fully generational using scale AA. The mortality rates for disabled retirees and calculated using the RP 2000 Combined Disabled Table fully generational using scale AA.

Schedule of Frederick County School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2020	1.0936%	\$ 14,266,715	\$ 95,876,678	14.88%	9.95%
2019	1.1060%	14,478,877	92,769,549	15.61%	8.97%
2018	1.0900%	13,839,000	88,151,703	15.70%	8.08%
2017	1.0837%	13,748,000	85,523,561	16.08%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 1,167,632	\$ 1,167,632	\$ -	\$ 96,498,552	1.21%
2020	1,150,520	1,150,520	-	95,876,678	1.20%
2019	1,113,235	1,113,235	-	92,769,549	1.20%
2018	1,084,266	1,084,266	-	88,151,703	1.23%
2017	949,312	949,312	-	85,523,561	1.11%
2016	891,575	891,575	-	84,110,824	1.06%
2015	843,790	843,790	-	79,602,809	1.06%
2014	844,092	844,092	-	76,044,293	1.11%
2013	809,255	809,255	-	72,905,838	1.11%
2012	432,084	432,084	-	72,013,973	0.60%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
Year Ended June 30, 2021

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of County and School Board's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

Date	Employer's Proportion of the Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
(1)	(2)	(3)	(4)	(5)	(6)
Primary Government					
2020	0.15165%	\$ 2,481,178	\$ 30,598,093	8.11%	52.64%
2019	0.14615%	2,347,619	28,650,726	8.19%	52.00%
2018	0.14122%	2,144,748	26,852,773	7.99%	51.22%
2017	0.13694%	2,060,839	25,259,830	8.16%	48.86%
Component Unit School Board (nonprofessional)					
2020	0.04780%	\$ 797,203	\$ 9,831,083	8.11%	52.64%
2019	0.04803%	781,575	9,415,010	8.30%	52.00%
2018	0.04647%	706,000	8,835,602	7.99%	51.22%
2017	0.04652%	700,000	8,580,980	8.16%	48.86%
Component Unit School Board (professional)					
2020	0.46610%	\$ 7,777,612	\$ 95,914,006	8.11%	52.64%
2019	0.47402%	7,713,567	92,922,748	8.30%	52.00%
2018	0.46554%	7,071,000	88,520,955	7.99%	51.22%
2017	0.46462%	6,992,000	85,700,063	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 Years Ended June 30, 2017 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2021	\$ 167,973	\$ 167,973	\$ -	\$ 31,106,362	0.54%
2020	159,110	159,110	-	30,598,093	0.52%
2019	148,984	148,984	-	28,650,726	0.52%
2018	139,634	139,634	-	26,852,773	0.52%
2017	131,351	131,351	-	25,259,830	0.52%
Component Unit School Board (nonprofessional)					
2021	\$ 53,152	\$ 53,152	\$ -	\$ 9,842,904	0.54%
2020	51,122	51,122	-	9,831,083	0.52%
2019	48,958	48,958	-	9,415,010	0.52%
2018	45,945	45,945	-	8,835,602	0.52%
2017	44,621	44,621	-	8,580,980	0.52%
Component Unit School Board (professional)					
2021	\$ 523,008	\$ 523,008	\$ -	\$ 96,853,363	0.54%
2020	498,753	498,753	-	95,914,006	0.52%
2019	483,198	483,198	-	92,922,748	0.52%
2018	460,309	460,309	-	88,520,955	0.52%
2017	445,640	445,640	-	85,700,063	0.52%

Schedule is intended to show information for 10 years. Information prior to the 2017 is not available.
 However, additional years will be included as they become available.

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 Year Ended June 30, 2021

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased from 7% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased from 7.00% to 6.75%

Schedule of Changes in the School Board's Net OPEB Liability and Related Ratios
 Health Insurance Credit (HIC) Plan
 For the Measurement Date of June 30, 2020

	2020
Total HIC OPEB Liability	
Service cost	\$ -
Interest	-
Changes in benefit terms	451,894
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	-
Net change in total HIC OPEB liability	\$ 451,894
Total HIC OPEB Liability - beginning	-
Total HIC OPEB Liability - ending (a)	\$ 451,894
 Plan fiduciary net position	
Contributions - employer	\$ -
Net investment income	-
Benefit payments	-
Administrator charges	-
Other	-
Net change in plan fiduciary net position	\$ -
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	\$ -
 School Board's net HIC OPEB liability - ending (a) - (b)	\$ 451,894
 Plan fiduciary net position as a percentage of the total HIC OPEB liability	 0.00%
 Covered payroll	 \$ 9,685,868
 School Board's net HIC OPEB liability as a percentage of covered payroll	 4.67%

Schedule is intended to show information for 10 years. Information prior to the 2020 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2020 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 45,964	\$ 45,964	\$ -	\$ 9,779,662	0.47%
2020	-	-	-	9,685,868	0.00%

Schedule is intended to show information for 10 years. Information prior to 2020 is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
 Health Insurance Credit (HIC) Plan
 For the Year Ended June 30, 2021

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

COUNTY OF FREDERICK, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2021

	Division of Court Services Fund	Comprehensive Services Act Fund	EMS Revenue Recovery Fund	Total
Assets				
Cash and cash equivalents	\$ 63,121	\$ -	\$ 276,732	\$ 339,853
Receivables	4,693	-	3,356	8,049
Due from other governments	-	367,815	-	367,815
Due from other funds	-	-	-	-
Total assets	<u>\$ 67,814</u>	<u>\$ 367,815</u>	<u>\$ 280,088</u>	<u>\$ 715,717</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 14,896	\$ 343,711	\$ 288,823	\$ 647,430
Unearned revenue	-	-	-	-
Due to other funds	-	34,140	-	34,140
Total liabilities	<u>\$ 14,896</u>	<u>\$ 377,851</u>	<u>\$ 288,823</u>	<u>\$ 681,570</u>
Fund Balance				
Committed	\$ 52,918	\$ -	\$ -	\$ 52,918
Unassigned	-	(10,036)	(8,735)	(18,771)
			-	
Total fund balance	<u>\$ 52,918</u>	<u>\$ (10,036)</u>	<u>\$ (8,735)</u>	<u>\$ 34,147</u>
Total liabilities and fund balance	<u>\$ 67,814</u>	<u>\$ 367,815</u>	<u>\$ 280,088</u>	<u>\$ 715,717</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2021

	Division of Court Services Fund	Comprehensive Services Act Fund	EMS Revenue Recovery Fund	Total
Revenues				
Use of money and property	\$ 1,361	\$ -	\$ -	\$ 1,361
Charges for services	344,238	-	2,105,209	2,449,447
Miscellaneous	-	-	-	-
Recovered costs	45,693	-	-	45,693
Intergovernmental:				
Revenue from the Commonwealth	-	1,759,196	-	1,759,196
Revenue from the Federal Government	-	37,452	-	37,452
Total revenues	<u>\$ 391,292</u>	<u>\$ 1,796,648</u>	<u>\$ 2,105,209</u>	<u>\$ 4,293,149</u>
Expenditures				
Current:				
Judicial administration	\$ 468,394	\$ -	\$ -	\$ 468,394
Public safety	-	-	2,105,207	2,105,207
Health and welfare	-	3,567,183	-	3,567,183
Total expenditures	<u>\$ 468,394</u>	<u>\$ 3,567,183</u>	<u>\$ 2,105,207</u>	<u>\$ 6,140,784</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (77,102)</u>	<u>\$ (1,770,535)</u>	<u>\$ 2</u>	<u>\$ (1,847,635)</u>
Other financing sources (uses)				
Transfers in	\$ 852	\$ 1,749,331	\$ -	\$ 1,750,183
Total other financing sources (uses)	<u>\$ 852</u>	<u>\$ 1,749,331</u>	<u>\$ -</u>	<u>\$ 1,750,183</u>
Net change in fund balance	\$ (76,250)	\$ (21,204)	\$ 2	\$ (97,452)
Fund balance, beginning of year	<u>129,168</u>	<u>11,168</u>	<u>(8,737)</u>	<u>131,599</u>
Fund balance, end of year	<u><u>\$ 52,918</u></u>	<u><u>\$ (10,036)</u></u>	<u><u>\$ (8,735)</u></u>	<u><u>\$ 34,147</u></u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Net Position
Internal Service Funds
At June 30, 2021

	<u>Health Insurance Fund</u>	<u>Central Stores Fund</u>	<u>Unemploy- ment Fund</u>	<u>Volunteer Fire and Rescue Fund</u>	<u>Maintenance Insurance Fund</u>	<u>Total Internal Service Funds</u>
Assets						
Current assets:						
Cash and cash equivalents	\$ 19,011,913	\$ 232,825	\$ -	\$ -	\$ 297,868	\$ 19,542,606
Total assets	<u>\$ 19,011,913</u>	<u>\$ 232,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,868</u>	<u>\$ 19,542,606</u>
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	\$ 4,880	\$ 1,361	\$ 25	\$ -	\$ -	\$ 6,266
Claims payable	<u>1,076,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,076,200</u>
Total liabilities	<u>\$ 1,081,080</u>	<u>\$ 1,361</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,082,466</u>
Net Position						
Unrestricted	<u>\$ 17,930,833</u>	<u>\$ 231,464</u>	<u>\$ (25)</u>	<u>\$ -</u>	<u>\$ 297,868</u>	<u>\$ 18,460,140</u>
Total net position	<u>\$ 17,930,833</u>	<u>\$ 231,464</u>	<u>\$ (25)</u>	<u>\$ -</u>	<u>\$ 297,868</u>	<u>\$ 18,460,140</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2021

	Health Insurance Fund	Central Stores Fund	Unemploy- ment Fund	Volunteer Fire and Rescue Fund	Maintenance Insurance Fund	Total Internal Service Funds
Operating revenues						
Charges for services	\$ 15,512,401	\$ 12,881	\$ -	\$ -	\$ 10,988	\$ 15,536,270
Operating Expenses						
Benefits and related expenses	\$ 11,839,588	\$ -	\$ 32,458	\$ -	\$ -	\$ 11,872,046
Services and supplies	-	4,594	-	-	4,544	9,138
Total operating expenses	\$ 11,839,588	\$ 4,594	\$ 32,458	\$ -	\$ 4,544	\$ 11,881,184
Operating income (loss)	\$ 3,672,813	\$ 8,287	\$ (32,458)	\$ -	\$ 6,444	\$ 3,655,086
Nonoperating revenues						
Investment income	35,532	468	-	-	586	36,586
Income(loss) before transfers	\$ 3,708,345	\$ 8,755	\$ (32,458)	\$ -	\$ 7,030	\$ 3,691,672
Transfers in	-	-	32,433	-	-	32,433
Change in net position	\$ 3,708,345	\$ 8,755	\$ (25)	\$ -	\$ 7,030	\$ 3,724,105
Net position, beginning of year	14,222,488	222,709	-	-	290,838	14,736,035
Net position, end of year	\$ 17,930,833	\$ 231,464	\$ (25)	\$ -	\$ 297,868	\$ 18,460,140

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2021

	Health Insurance Fund	Central Stores Fund	Unemploy- ment Fund	Volunteer Fire and Rescue Fund	Maintenance Insurance Fund	Total Internal Service Funds
Cash flows from operating activities						
Receipts from insured	\$ 15,512,401	\$ -	\$ -	\$ -	\$ 10,988	\$ 15,523,389
Receipts from services	-	12,881	-	-	-	12,881
Payments to suppliers	(11,993,732)	(3,233)	-	-	(4,754)	(12,001,719)
Other payments	-	-	(32,433)	-	-	(32,433)
Net cash provided by (used for) operating activities	\$ 3,518,669	\$ 9,648	\$ (32,433)	\$ -	\$ 6,234	\$ 3,502,118
Cash flows from noncapital financing activities:						
Transfers in	\$ -	\$ -	\$ 32,433	\$ -	\$ -	\$ 32,433
Net cash provided by (used for) noncapital financing activities	\$ -	\$ -	\$ 32,433	\$ -	\$ -	\$ 32,433
Cash flows from investing activities						
Investment income	\$ 35,532	\$ 468	\$ -	\$ -	\$ 586	\$ 36,586
Net increase (decrease) in cash and cash equivalents	\$ 3,554,201	\$ 10,116	\$ -	\$ -	\$ 6,820	\$ 3,571,137
Balances, beginning of year	15,457,712	222,709	-	-	291,048	15,971,469
Balances, end of year	\$ 19,011,913	\$ 232,825	\$ -	\$ -	\$ 297,868	\$ 19,542,606
Reconciliation of operating income (loss) to net cash provided by(used for) operating activities:						
Operating income (loss)	\$ 3,672,813	\$ 8,287	\$ (32,458)	\$ -	\$ 6,444	\$ 3,655,086
Change in assets and liabilities:						
Accounts payable	(65)	1,361	25	-	(210)	1,111
Claims payable	(154,079)	-	-	-	-	(154,079)
Net cash provided by (used for) operating activities	\$ 3,518,669	\$ 9,648	\$ (32,433)	\$ -	\$ 6,234	\$ 3,502,118

COUNTY OF FREDERICK, VIRGINIA

Statement of Fiduciary Net Position
Private Purpose Trust Fund
At June 30, 2021

	Endowment Trust Fund
Assets	
Cash and cash equivalents	\$ 631,270
Receivables	<u>716</u>
Total assets	<u>\$ 631,986</u>
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 884</u>
Total liabilities	<u>\$ 884</u>
Net Position:	
Restricted	<u>\$ 631,102</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Fiduciary Net Position
Custodial Funds
At June 30, 2021

	Special Welfare Fund	Northwestern Regional Jail Authority Fund	Winchester Regional Airport Authority Fund	Undistributed Local Sales Tax Fund	State Sales Tax Fund	Employee Cafeteria Plan Fund	Northwestern Regional Education Program Fund	Total
Assets								
Cash and cash equivalents	\$ 189,949	\$ 8,460,647	\$ 309,695	\$ 3,581,543	\$ 2,019	\$ 58,538	\$ 886,224	\$ 13,488,615
Receivables	-	292,969	79,533	-	-	-	-	372,502
Due from other governmental units	-	883,103	537,885	-	-	-	-	1,420,988
Total assets	<u>\$ 189,949</u>	<u>\$ 9,636,719</u>	<u>\$ 927,113</u>	<u>\$ 3,581,543</u>	<u>\$ 2,019</u>	<u>\$ 58,538</u>	<u>\$ 886,224</u>	<u>\$ 15,282,105</u>
Liabilities								
Accounts payable and accrued liabilities	\$ -	\$ 1,010,776	\$ 757,745	\$ 65,720	\$ -	\$ -	\$ 316,993	\$ 2,151,234
Amounts held for others	-	-	-	-	-	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ 1,010,776</u>	<u>\$ 757,745</u>	<u>\$ 65,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,993</u>	<u>\$ 2,151,234</u>
Net Position								
Restricted for:								
Employees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,538	\$ -	\$ 58,538
Other Governments	-	8,625,943	169,368	3,515,823	2,019	-	569,231	12,882,384
Individuals and organizations	<u>189,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,949</u>
Total net position	<u>\$ 189,949</u>	<u>\$ 8,625,943</u>	<u>\$ 169,368</u>	<u>\$ 3,515,823</u>	<u>\$ 2,019</u>	<u>\$ 58,538</u>	<u>\$ 569,231</u>	<u>\$ 13,130,871</u>

COUNTY OF FREDERICK, VIRGINIA

Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
Year Ended June 30, 2021

	Endowment Trust Fund
Additions:	
Investment earnings	\$ 1,235
Miscellaneous	<u>160,424</u>
Total additions	\$ 161,659
Deductions:	
Education	<u>113,436</u>
Change in net position	\$ 48,223
Net position, beginning of year	<u>582,879</u>
Net position, end of year	<u><u>\$ 631,102</u></u>

COUNTY OF FREDERICK, VIRGINIA
Combining Statement of Changes in Assets and Liabilities
Custodial Funds
Year Ended June 30, 2021

	Special Welfare Fund	Northwestern Regional Jail Authority Fund	Winchester Regional Airport Authority Fund	Undistributed Local Sales Tax Fund	State Sales Tax Fund	Employee Cafeteria Plan Fund	Northwestern Regional Education Program Fund	Total
Additions:								
Contributions								
Private contributions	\$ 101,513	\$ 1,096,552	\$ 1,952,293	\$ -	\$ -	\$ -	\$ -	\$ 3,150,358
Government contributions	-	21,161,872	1,230,482	18,989,158	-	-	5,167,048	46,548,560
Employee contributions	-	-	-	-	-	214,058	-	214,058
Total contributions	\$ 101,513	\$ 22,258,424	\$ 3,182,775	\$ 18,989,158	\$ -	\$ 214,058	\$ 5,167,048	\$ 49,912,976
Investment earnings:								
Interest	\$ 385	\$ 20,309	\$ -	\$ -	\$ -	\$ -	\$ 1,513	\$ 22,207
Total investment earnings	\$ 385	\$ 20,309	\$ -	\$ -	\$ -	\$ -	\$ 1,513	\$ 22,207
Total additions	\$ 101,898	\$ 22,278,733	\$ 3,182,775	\$ 18,989,158	\$ -	\$ 214,058	\$ 5,168,561	\$ 49,935,183
Deductions:								
Recipient payments	\$ 103,880	\$ -	\$ -	\$ 348,451	\$ -	\$ -	\$ -	\$ 452,331
Administrative expenses	-	23,053,373	3,298,060	-	-	-	5,126,873	31,478,306
Employee disbursements	-	-	-	-	-	190,754	-	190,754
Total deductions	\$ 103,880	\$ 23,053,373	\$ 3,298,060	\$ 348,451	\$ -	\$ 190,754	\$ 5,126,873	\$ 32,121,391
Net increase (decrease) in fiduciary net position	\$ (1,982)	\$ (774,640)	\$ (115,285)	\$ 18,640,707	\$ -	\$ 23,304	\$ 41,688	\$ 17,813,792
Net position - beginning, as restated	191,931	9,400,583	284,653	(15,124,884)	2,019	35,234	527,543	(4,682,921)
Net position - ending	\$ 189,949	\$ 8,625,943	\$ 169,368	\$ 3,515,823	\$ 2,019	\$ 58,538	\$ 569,231	\$ 13,130,871

COUNTY OF FREDERICK, VIRGINIA

**Revenue and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Special Revenue Funds				
Division of Court Services Fund				
Revenues				
Revenue from use of money and property	\$ 7,100	\$ 7,100	\$ 1,361	\$ (5,739)
Charges for services	388,000	388,000	344,238	(43,762)
Recovered costs	88,424	89,276	45,693	(43,583)
Total revenues	<u>\$ 483,524</u>	<u>\$ 484,376</u>	<u>\$ 391,292</u>	<u>\$ (93,084)</u>
Expenditures				
Judicial Administration				
Division of Court Services	\$ 591,881	\$ 592,734	\$ 468,394	\$ 124,340
Total expenditures	<u>\$ 591,881</u>	<u>\$ 592,734</u>	<u>\$ 468,394</u>	<u>\$ 124,340</u>
EMS Revenue Recovery Fund				
Revenues				
Charges for services	\$ 1,867,217	\$ 2,142,217	\$ 2,105,209	\$ (37,008)
Total revenues	<u>\$ 1,867,217</u>	<u>\$ 2,142,217</u>	<u>\$ 2,105,209</u>	<u>\$ (37,008)</u>
Expenditures				
Public Safety				
EMS Revenue Recovery Fund	\$ 1,867,217	\$ 2,189,316	\$ 2,105,207	\$ 84,109
Total expenditures	<u>\$ 1,867,217</u>	<u>\$ 2,189,316</u>	<u>\$ 2,105,207</u>	<u>\$ 84,109</u>
Capital Projects Funds				
Capital Projects Fund				
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 37,810	\$ 37,810
Recovered costs	-	719,816	-	(719,816)
Intergovernmental:				
Revenue from the Commonwealth	-	4,508,950	2,518,374	(1,990,576)
Total revenues	<u>\$ -</u>	<u>\$ 5,228,766</u>	<u>\$ 2,556,184</u>	<u>\$ (2,672,582)</u>
Expenditures				
Capital projects	\$ -	\$ 8,771,444	\$ 4,570,405	\$ 4,201,039
Total expenditures	<u>\$ -</u>	<u>\$ 8,771,444</u>	<u>\$ 4,570,405</u>	<u>\$ 4,201,039</u>
Debt Service Funds				
School Debt Service Fund				
Revenues				
Intergovernmental:				
Categorical aid:				
Revenue from the Commonwealth	\$ 298,770	\$ 298,770	\$ 322,760	\$ 23,990
Revenue from the Federal Government	275,872	275,872	281,637	5,765
Total revenues	<u>\$ 574,642</u>	<u>\$ 574,642</u>	<u>\$ 604,397</u>	<u>\$ 29,755</u>
Expenditures				
Principal and interest	\$ 17,957,232	\$ 17,957,232	\$ 17,823,711	\$ 133,521
Total expenditures	<u>\$ 17,957,232</u>	<u>\$ 17,957,232</u>	<u>\$ 17,823,711</u>	<u>\$ 133,521</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, 2021**

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	School Activities Fund	School Capital Projects Fund	School Capital Fund	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 6,845,676	\$ 1,297,064	\$ 1,277,941	\$ 2,137,356	\$ 16,007,523	\$ 2,708,477	\$ 30,274,037
Accounts receivable	32,791	1,342	-	-	-	-	34,133
Due from other governments	3,992,225	391,926	-	-	-	-	4,384,151
Inventory	-	574,207	-	-	-	-	574,207
Total assets	<u>\$ 10,870,692</u>	<u>\$ 2,264,539</u>	<u>\$ 1,277,941</u>	<u>\$ 2,137,356</u>	<u>\$ 16,007,523</u>	<u>\$ 2,708,477</u>	<u>\$ 35,266,528</u>
Liabilities							
Accounts payable and accrued liabilities	\$ 10,870,692	\$ 556,950	\$ -	\$ -	\$ 4,020,520	\$ 655,859	\$ 16,104,021
Total liabilities	<u>\$ 10,870,692</u>	<u>\$ 556,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,020,520</u>	<u>\$ 655,859</u>	<u>\$ 16,104,021</u>
Fund Balance							
Nonspendable	\$ -	\$ 574,207	\$ -	\$ -	\$ -	\$ -	\$ 574,207
Restricted	-	-	-	-	11,835,468	-	11,835,468
Committed	-	1,133,382	1,277,941	2,137,356	151,535	2,052,618	6,752,832
Total fund balance	<u>\$ -</u>	<u>\$ 1,707,589</u>	<u>\$ 1,277,941</u>	<u>\$ 2,137,356</u>	<u>\$ 11,987,003</u>	<u>\$ 2,052,618</u>	<u>\$ 19,162,507</u>
Total liabilities and fund balance	<u>\$ 10,870,692</u>	<u>\$ 2,264,539</u>	<u>\$ 1,277,941</u>	<u>\$ 2,137,356</u>	<u>\$ 16,007,523</u>	<u>\$ 2,708,477</u>	<u>\$ 35,266,528</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, 2021

Total fund balances for governmental funds (Exhibit 30)	\$ 19,162,507
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	\$ 12,287,858
Construction in progress	5,394,312
Buildings and improvements, net of depreciation	199,358,467
Equipment, net of depreciation	20,520,420
School Board capital assets in primary government, net of depreciation	<u>(62,571,595)</u>
Total capital assets	174,989,462
Pension deferrals - Deferred outflows	42,082,391
OPEB deferrals - Deferred outflows	4,080,243
Other long-term assets are not available to pay for current-period expenditures and, therefor, are deferred in the funds. This includes deferred inflows related to measurement of net pension and OPEB liabilities.	
Items related to measurement of net OPEB liability	(1,752,235)
Items related to measurement of net pension liability	(11,149,234)
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:	
	13,311,567
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.	
Compensated absences	\$ (2,908,335)
Net OPEB liability	(31,484,976)
Net Pension liability	<u>(160,394,789)</u>
Total	<u>(194,788,100)</u>
Total net position of governmental activities (Exhibit 1)	<u>\$ 45,936,601</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, 2021

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	School Activities Fund	School Capital Projects Fund	School Capital Fund	Total Governmental Funds
Revenues							
Use of money and property	\$ 360,679	\$ 1,128	\$ 2,457	\$ -	\$ 22,662	\$ -	\$ 386,926
Charges for services	134,907	18,080	-	-	-	-	152,987
Miscellaneous	197,947	8,747	-	1,641,909	-	16,963	1,865,566
Intergovernmental:							
Appropriation from primary government	87,778,488	-	-	-	23,409,864	5,692,878	116,881,230
Revenue from the Commonwealth	85,409,907	70,489	829,246	-	-	-	86,309,642
Revenue from the Federal Government	8,201,659	3,489,851	-	-	-	-	11,691,510
Total revenues	<u>\$ 182,083,587</u>	<u>\$ 3,588,295</u>	<u>\$ 831,703</u>	<u>\$ 1,641,909</u>	<u>\$ 23,432,526</u>	<u>\$ 5,709,841</u>	<u>\$ 217,287,861</u>
Expenditures							
Current:							
Education:							
Instruction	\$ 130,892,443	\$ -	\$ 1,557,304	\$ 1,680,817	\$ -	\$ 4,915,420	\$ 139,045,984
Administration, attendance and health	7,665,008	-	-	-	-	-	7,665,008
Transportation	9,256,122	-	-	-	-	-	9,256,122
Facilities operations	17,277,440	-	-	-	-	-	17,277,440
Building improvements	1,149,871	-	-	-	-	-	1,149,871
Technology	13,472,537	-	-	-	-	-	13,472,537
School food services	-	4,731,413	-	-	-	-	4,731,413
Capital projects	-	-	-	-	32,826,800	-	32,826,800
Total expenditures	<u>\$ 179,713,421</u>	<u>\$ 4,731,413</u>	<u>\$ 1,557,304</u>	<u>\$ 1,680,817</u>	<u>\$ 32,826,800</u>	<u>\$ 4,915,420</u>	<u>\$ 225,425,175</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,370,166</u>	<u>\$ (1,143,118)</u>	<u>\$ (725,601)</u>	<u>\$ (38,908)</u>	<u>\$ (9,394,274)</u>	<u>\$ 794,421</u>	<u>\$ (8,137,314)</u>
Other financing sources (uses)							
Transfers in	\$ -	\$ 1,272,802	\$ 1,097,364	\$ -	\$ -	\$ -	\$ 2,370,166
Transfers out	(2,370,166)	-	-	-	-	-	(2,370,166)
Total other financing sources (uses)	<u>\$ (2,370,166)</u>	<u>\$ 1,272,802</u>	<u>\$ 1,097,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ 129,684	\$ 371,763	\$ (38,908)	\$ (9,394,274)	\$ 794,421	\$ (8,137,314)
Fund balance, beginning of year, as restated	<u>-</u>	<u>1,577,905</u>	<u>906,178</u>	<u>2,176,264</u>	<u>21,381,277</u>	<u>1,258,197</u>	<u>27,299,821</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 1,707,589</u>	<u>\$ 1,277,941</u>	<u>\$ 2,137,356</u>	<u>\$ 11,987,003</u>	<u>\$ 2,052,618</u>	<u>\$ 19,162,507</u>

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, 2021

Net change in fund balances - total governmental funds (Exhibit 32)	\$	(8,137,314)
<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 capital outlays exceeded depreciation in the current period.</p>		
Capital Outlay	\$	43,418,036
Depreciation		(6,293,867)
		37,124,169
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) net position.</p>		
		(102,881)
<p>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.</p>		
		(20,405,626)
<p>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.</p>		
(Increase) decrease in deferred inflows related to the measurement of the net OPEB liability		193,412
(Increase) decrease in deferred inflows related to the measurement of the net pension liability		2,866,996
<p>Some expenses reported in the statement of activities do not require the usage of current financial resources and, therefore are not reported as expenditures in governmental funds</p>		
Compensated absences	\$	244,386
Decrease (increase) in net pension liability		(14,821,795)
Increase (decrease) in net pension asset		(309,529)
Decrease (increase) in deferred outflows related to pensions		8,244,506
Decrease (increase) in deferred outflows related to OPEB		542,616
Increase (decrease) in net OPEB liability		(1,198,335)
		(7,298,151)
<p>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.</p>		
		2,683,825
Change in net position of governmental activities (Exhibit 2)	\$	6,924,430

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Statement of Net Position
Internal Service Funds
At June 30, 2021

	Health Insurance Fund	Consolidated Services Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 16,438,177	\$ 229,984	\$ 16,668,161
Receivables, net	51,451	5,422	56,873
Inventory	-	438,692	438,692
Total assets	\$ <u>16,489,628</u>	\$ <u>674,098</u>	\$ <u>17,163,726</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	\$ 2,258,201	\$ 168,594	\$ 2,426,795
Claims payable	<u>1,425,364</u>	<u>-</u>	<u>1,425,364</u>
Total liabilities	\$ <u>3,683,565</u>	\$ <u>168,594</u>	\$ <u>3,852,159</u>
Net Position			
Unrestricted	\$ <u>12,806,063</u>	\$ <u>505,504</u>	\$ <u>13,311,567</u>
Total net position	\$ <u>12,806,063</u>	\$ <u>505,504</u>	\$ <u>13,311,567</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, 2021

	Health Insurance Fund	Consolidated Services Fund	Total
Operating revenues			
Charges for services	\$ 21,829,980	\$ 2,553,181	\$ 24,383,161
Operating Expenses			
Benefits and related expenses	\$ 19,218,010	\$ -	\$ 19,218,010
Facilities operations	-	2,512,700	2,512,700
Total operating expenses	\$ 19,218,010	\$ 2,512,700	\$ 21,730,710
Operating income (loss)	\$ 2,611,970	\$ 40,481	\$ 2,652,451
Nonoperating revenues			
Investment income	31,374	-	31,374
Income(loss) before transfers	\$ 2,643,344	\$ 40,481	\$ 2,683,825
Change in net position	\$ 2,643,344	\$ 40,481	\$ 2,683,825
Net position, beginning of year	10,162,719	465,023	10,627,742
Net position, end of year	\$ 12,806,063	\$ 505,504	\$ 13,311,567

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2021

	Health Insurance Fund	Consolidated Services Fund	Total
Cash flows from operating activities			
Receipts from insured	\$ 21,810,840	\$ -	\$ 21,810,840
Receipts from services		2,555,146	2,555,146
Payments to suppliers	(19,177,097)	(2,498,895)	(21,675,992)
Net cash provided by (used for) operating activities	\$ 2,633,743	\$ 56,251	\$ 2,689,994
Cash flows from investing activities			
Investment income	31,374	-	31,374
Net increase (decrease) in cash and cash equivalents	\$ 2,665,117	\$ 56,251	\$ 2,721,368
Balances, beginning of year	13,773,060	173,733	13,946,793
Balance, end of year	\$ 16,438,177	\$ 229,984	\$ 16,668,161
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 2,611,970	\$ 40,481	\$ 2,652,451
Change in assets and liabilities:			
Receivables, net	(19,140)	1,965	(17,175)
Inventory	-	(40,432)	(40,432)
Accounts payable	407,703	54,237	461,940
Claims payable	(366,790)	-	(366,790)
Net cash provided by (used for) operating activities	\$ 2,633,743	\$ 56,251	\$ 2,689,994

COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board
School Operating Fund
Budgetary Comparison Schedule
Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Use of money and property	\$ 416,576	\$ 416,576	\$ 360,679	\$ (55,897)
Charges for services	178,750	178,750	134,907	(43,843)
Miscellaneous	485,000	485,000	197,947	(287,053)
Intergovernmental:				
Appropriation from primary government	88,307,934	93,561,486	87,778,488	(5,782,998)
Revenue from the Commonwealth	86,932,369	86,932,369	85,409,907	(1,522,462)
Revenue from the Federal Government	5,439,792	7,875,092	8,201,659	326,567
Total revenues	<u>\$ 181,760,421</u>	<u>\$ 189,449,273</u>	<u>\$ 182,083,587</u>	<u>\$ (7,365,686)</u>
Expenditures				
Current:				
Education:				
Instruction	\$ 137,635,441	\$ 134,888,479	\$ 130,892,443	\$ 3,996,036
Administration, attendance and health	7,691,588	7,775,337	7,665,008	110,329
Transportation	10,689,528	10,148,406	9,256,122	892,284
Facilities operations	15,746,640	18,655,765	17,277,440	1,378,325
Building improvements	432,279	1,499,065	1,149,871	349,194
Technology	8,437,581	14,112,028	13,472,537	639,491
Total expenditures	<u>\$ 180,633,057</u>	<u>\$ 187,079,080</u>	<u>\$ 179,713,421</u>	<u>\$ 7,365,659</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,127,364</u>	<u>\$ 2,370,193</u>	<u>\$ 2,370,166</u>	<u>\$ (27)</u>
Other financing sources (uses)				
Transfers out	\$ (1,127,364)	\$ (2,370,193)	\$ (2,370,166)	\$ 27
Total other financing sources (uses)	<u>\$ (1,127,364)</u>	<u>\$ (2,370,193)</u>	<u>\$ (2,370,166)</u>	<u>\$ 27</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<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
Other Funds
Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
School Cafeteria Fund				
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 1,128	\$ 1,128
Charges for services	2,818,776	2,818,776	18,080	(2,800,696)
Miscellaneous	-	-	8,747	8,747
Intergovernmental:				
Revenue from the Commonwealth	115,090	115,090	70,489	(44,601)
Revenue from the Federal Government	3,042,650	3,042,650	3,489,851	447,201
Total revenues	<u>\$ 5,976,516</u>	<u>\$ 5,976,516</u>	<u>\$ 3,588,295</u>	<u>\$ (2,388,221)</u>
Expenditures:				
School food service operations	<u>\$ 7,581,744</u>	<u>\$ 7,581,744</u>	<u>\$ 4,731,413</u>	<u>\$ 2,850,331</u>
School Textbook Fund				
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 2,457	\$ 2,457
Charges for services	26,500	26,500	-	(26,500)
Intergovernmental:				
Revenue from the Commonwealth	883,240	883,240	829,246	(53,994)
Total revenues	<u>\$ 909,740</u>	<u>\$ 909,740</u>	<u>\$ 831,703</u>	<u>\$ (78,037)</u>
Expenditures:				
Instruction	<u>\$ 2,871,240</u>	<u>\$ 2,871,240</u>	<u>\$ 1,557,304</u>	<u>\$ 1,313,936</u>

COUNTY OF FREDERICK, VIRGINIA

Component Unit Economic Development Authority
Statement of Net Position
At June 30, 2021

	Economic Development Authority
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,593,697
Receivables, net	<u>2,734</u>
Total assets	<u><u>\$ 1,596,431</u></u>
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	\$ 31,264
Compensated absences - current portion	<u>30,312</u>
Total current liabilities	<u><u>\$ 61,576</u></u>
Noncurrent liabilities:	
Compensated absences - noncurrent portion	\$ <u>12,991</u>
Total noncurrent liabilities	<u><u>\$ 12,991</u></u>
Total liabilities	<u><u>\$ 74,567</u></u>
Net Position	
Unrestricted	\$ <u>1,521,864</u>
Total net position	<u><u>\$ 1,521,864</u></u>

COUNTY OF FREDERICK, VIRGINIA

Component Unit Economic Development Authority
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021

	Total
Operating revenues	
Charges for services	\$ 8,573
Operating Expenses	
EDC operations	\$ 534,709
CARES grants	821,117
Other operating expenses	18,917
Total operating expenses	\$ 1,374,743
Operating income (loss)	\$ (1,366,170)
Nonoperating revenues	
Contribution from Frederick County	\$ 1,435,778
Contribution from other localities	8,000
Investment income	143
Total nonoperating revenues	\$ 1,443,921
Income(loss) before transfers	\$ 77,751
Change in net position	\$ 77,751
Net position, beginning of year	1,444,113
Net position, end of year	\$ 1,521,864

COUNTY OF FREDERICK, VIRGINIA

Component Unit Economic Development Authority
Statement of Cash Flows
Year Ended June 30, 2021

	Total
Cash flows from operating activities	
Receipts from services	\$ 9,062
Payments to suppliers	<u>(1,966,810)</u>
Net cash provided by (used for) operating activities	\$ <u>(1,957,748)</u>
Cash flows from noncapital financing activities:	
Contribution from Frederick County and other localities	\$ <u>1,443,778</u>
Cash flows from investing activities	
Investment income	<u>143</u>
Net increase (decrease) in cash and cash equivalents	\$ (513,827)
Balances, beginning of year	<u>2,107,524</u>
Balance, end of year	\$ <u><u>1,593,697</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (1,366,170)
Change in assets and liabilities:	
Receivables, net	489
Accounts payable	5,005
Grants payable	(600,000)
Compensated absences payable	<u>2,928</u>
Net cash provided by (used for) operating activities	\$ <u><u>(1,957,748)</u></u>

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.

1 - 4

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.

5 - 8

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.

9 - 10

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.

11

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.

12 - 15

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

COUNTY OF FREDERICK, VIRGINIA

Table 1

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

	FISCAL YEAR									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Investment in capital assets	\$ (11,377,535)	\$ (12,319,435)	\$ (9,979,970)	\$ (5,692,121)	\$ (12,315,518)	\$ (10,248,279)	\$ (7,344,979)	\$ (5,511,757)	\$ (3,320,879)	\$ (5,464,015)
Unrestricted	33,302,597	37,042,322	42,207,864	29,069,103	31,414,325	46,283,748	19,667,788	9,599,111	22,147,984	48,579,087
Total governmental activities net position	<u>\$ 21,925,062</u>	<u>\$ 24,722,887</u>	<u>\$ 32,227,894</u>	<u>\$ 23,376,982</u>	<u>\$ 19,098,807</u>	<u>\$ 36,035,469</u>	<u>\$ 12,322,809</u>	<u>\$ 4,087,354</u>	<u>\$ 18,827,105</u>	<u>\$ 43,115,072</u>
Business-type activities										
Investment in capital assets	\$ 20,972,668	\$ 19,976,018	\$ 18,566,343	\$ 18,080,994	\$ 17,673,891	\$ 17,926,107	\$ 16,245,725	\$ 18,800,591	\$ 21,090,176	\$ 22,606,718
Unrestricted	16,837,852	17,401,272	19,352,671	19,716,962	21,105,451	22,107,878	23,093,798	22,277,562	20,671,545	20,345,894
Total business-type activities net position	<u>\$ 37,810,520</u>	<u>\$ 37,377,290</u>	<u>\$ 37,919,014</u>	<u>\$ 37,797,956</u>	<u>\$ 38,779,342</u>	<u>\$ 40,033,985</u>	<u>\$ 39,339,523</u>	<u>\$ 41,078,153</u>	<u>\$ 41,761,721</u>	<u>\$ 42,952,612</u>
Primary government										
Investment in capital assets	\$ 9,595,133	\$ 7,656,583	\$ 8,586,373	\$ 12,388,873	\$ 5,358,373	\$ 7,677,828	\$ 8,900,746	\$ 13,288,834	\$ 17,769,297	\$ 17,142,703
Unrestricted	50,140,449	54,443,594	61,560,535	48,786,065	52,519,776	68,391,626	42,761,586	31,876,673	42,819,529	68,924,981
Total primary government net position	<u>\$ 59,735,582</u>	<u>\$ 62,100,177</u>	<u>\$ 70,146,908</u>	<u>\$ 61,174,938</u>	<u>\$ 57,878,149</u>	<u>\$ 76,069,454</u>	<u>\$ 51,662,332</u>	<u>\$ 45,165,507</u>	<u>\$ 60,588,826</u>	<u>\$ 86,067,684</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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	\$ 7,801,808	\$ 10,139,003	\$ 7,157,081	\$ 7,015,989	\$ 7,666,894	\$ 8,719,721	\$ 7,432,517	\$ 9,632,173	\$ 10,746,422	\$ 9,434,528
Judicial administration	3,332,983	2,530,440	2,782,695	2,738,600	2,966,129	3,355,287	2,945,219	3,344,836	3,819,194	3,854,016
Public safety	25,110,289	26,625,865	29,646,975	31,136,570	33,892,629	35,632,221	37,494,242	40,222,149	45,615,796	49,042,230
Public works	3,270,107	3,636,503	3,452,073	3,516,016	3,818,488	3,878,797	4,411,774	4,684,177	5,166,140	5,469,741
Health and welfare	8,401,557	7,665,498	7,802,908	8,833,438	9,970,270	12,169,453	12,132,958	12,899,295	13,845,519	14,483,940
Education	75,830,530	68,200,872	73,378,881	81,034,383	92,621,668	79,160,438	100,860,131	116,544,002	94,945,194	99,894,443
Parks, recreation and cultural	5,200,119	5,239,630	5,356,991	5,715,929	5,954,027	6,322,529	6,540,653	6,835,163	7,605,319	6,834,007
Community development	5,665,018	6,829,576	2,149,900	2,349,910	3,055,294	3,232,921	4,707,000	(1,089,126)	7,821,297	7,864,902
Interest on long-term debt	6,266,051	5,738,670	4,834,515	6,263,236	6,190,516	5,734,878	5,297,014	5,560,360	5,858,332	5,795,908
Total governmental activities expenses	\$ 140,878,462	\$ 136,606,057	\$ 136,562,019	\$ 148,604,071	\$ 166,135,915	\$ 158,206,245	\$ 181,821,508	\$ 198,633,029	\$ 195,423,213	\$ 202,673,715
Business-type activities:										
Landfill	\$ 5,903,590	\$ 6,276,718	\$ 5,467,944	\$ 5,793,622	\$ 6,004,630	\$ 6,198,622	\$ 6,544,878	\$ 7,449,915	\$ 7,954,852	\$ 7,872,658
Total primary government expenses	\$ 146,782,052	\$ 142,882,775	\$ 142,029,963	\$ 154,397,693	\$ 172,140,545	\$ 164,404,867	\$ 188,366,386	\$ 206,082,944	\$ 203,378,065	\$ 210,546,373
Program Revenues										
Governmental activities:										
Charges for services:										
Judicial administration	\$ 1,299,186	\$ 1,248,497	\$ 1,068,279	\$ 1,198,099	\$ 1,162,107	\$ 1,340,711	\$ 1,141,080	\$ 1,107,782	\$ 965,528	\$ 994,272
Public safety	1,064,182	1,320,996	2,434,950	3,798,702	3,965,539	4,198,189	4,401,046	4,179,816	4,247,423	4,584,850
Parks, recreation and cultural	1,742,905	1,706,969	1,687,485	1,869,043	2,178,694	2,230,911	2,305,564	2,540,807	1,923,665	1,905,544
Community development	4,093	2,545	2,200	2,676	967	640	985	360	430	262
Operating grants and contributions	10,159,864	9,506,452	10,689,416	10,578,239	11,361,659	11,956,010	12,269,289	13,286,047	18,221,384	24,891,681
Capital grants and contributions	93,338	728,636	62,343	309,857	1,677,555	2,504,668	218,816	253,984	6,276,035	2,518,374
Total governmental activities program revenues	\$ 14,363,568	\$ 14,514,095	\$ 15,944,673	\$ 17,756,616	\$ 20,346,521	\$ 22,231,129	\$ 20,336,780	\$ 21,368,796	\$ 31,634,465	\$ 34,894,983
Business-type activities:										
Charges for services:										
Landfill	\$ 5,357,427	\$ 5,583,325	\$ 5,814,664	\$ 5,845,040	\$ 6,554,987	\$ 7,076,899	\$ 7,498,806	\$ 8,404,829	\$ 8,043,060	\$ 8,755,529
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ 5,357,427	\$ 5,583,325	\$ 5,814,664	\$ 5,845,040	\$ 6,554,987	\$ 7,076,899	\$ 7,498,806	\$ 8,404,829	\$ 8,043,060	\$ 8,755,529
Total primary government program revenues	\$ 19,720,995	\$ 20,097,420	\$ 21,759,337	\$ 23,601,656	\$ 26,901,508	\$ 29,308,028	\$ 27,835,586	\$ 29,773,625	\$ 39,677,525	\$ 43,650,512
Net (expense) / revenue										
Governmental activities	\$ (126,514,894)	\$ (122,091,962)	\$ (120,617,347)	\$ (130,847,455)	\$ (145,789,394)	\$ (135,975,116)	\$ (161,484,728)	\$ (177,264,233)	\$ (163,788,748)	\$ (167,778,732)
Business-type activities	(546,163)	(693,393)	346,720	51,418	550,357	878,277	953,928	954,914	88,208	882,871
Total primary government net expense	\$ (127,061,057)	\$ (122,785,355)	\$ (120,270,627)	\$ (130,796,037)	\$ (145,239,037)	\$ (135,096,839)	\$ (160,530,800)	\$ (176,309,319)	\$ (163,700,540)	\$ (166,895,861)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 76,645,974	\$ 80,982,283	\$ 83,061,334	\$ 87,359,533	\$ 93,993,770	\$ 102,416,263	\$ 109,780,458	\$ 115,716,083	\$ 122,954,976	\$ 130,693,950
Local sales and use taxes	10,516,915	11,039,186	12,081,490	12,190,553	12,941,843	13,613,239	14,060,202	14,344,226	16,037,305	18,640,707
Business licenses taxes	5,482,143	5,937,867	5,993,996	6,426,613	6,571,015	6,986,765	7,121,489	7,563,051	8,589,974	8,491,750
Consumer utility taxes	3,022,297	3,062,954	3,137,815	3,184,821	3,307,711	3,598,024	3,764,949	3,739,978	3,773,932	3,862,261
Meals and lodging taxes	4,454,706	4,592,244	4,786,114	5,006,480	5,230,863	5,672,541	6,006,378	6,094,860	5,826,993	6,516,380
Motor vehicle licenses tax	2,165,329	2,167,580	2,257,014	2,320,258	2,312,410	2,456,832	2,564,935	2,600,084	2,665,730	3,185,703
Taxes on recordation and wills	934,185	1,254,738	1,154,855	1,216,677	1,450,726	1,638,399	1,813,793	1,782,444	2,068,695	2,903,174
Other local taxes	390,755	394,679	489,172	524,034	506,895	459,877	586,699	509,733	563,720	32,425
Unrestricted grants and contributions	14,631,755	14,653,046	14,692,678	14,679,280	14,706,414	14,730,944	14,655,560	14,668,011	14,608,559	14,124,911
Unrestricted revenues from use of money and property	265,970	468,591	176,297	221,094	232,173	358,948	891,692	1,638,199	1,281,680	3,213,183
Miscellaneous	637,532	686,893	291,589	231,310	257,399	979,946	391,882	372,109	156,935	438,314
Transfers	-	-	-	-	-	-	-	-	-	(36,059)
Total governmental activities	\$ 119,147,561	\$ 125,240,061	\$ 128,122,354	\$ 133,360,653	\$ 141,511,219	\$ 152,911,778	\$ 161,638,037	\$ 169,028,778	\$ 178,528,499	\$ 192,066,699
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 53,704	\$ 60,856	\$ 70,827	\$ 73,699	\$ 87,082	\$ 139,894	\$ 331,776	\$ 747,314	\$ 386,770	\$ 54,004
Miscellaneous	184,281	199,307	124,177	250,063	343,947	236,472	197,013	36,402	208,590	217,957
Transfers	-	-	-	-	-	-	-	-	-	36,059
Total business-type activities	\$ 237,985	\$ 260,163	\$ 195,004	\$ 323,762	\$ 431,029	\$ 376,366	\$ 528,789	\$ 783,716	\$ 595,360	\$ 308,020
Total primary government	\$ 119,385,546	\$ 125,500,224	\$ 128,317,358	\$ 133,684,415	\$ 141,942,248	\$ 153,288,144	\$ 162,166,826	\$ 169,812,494	\$ 179,123,859	\$ 192,374,719
Change in Net Position										
Governmental activities	\$ (7,367,333)	\$ 3,148,099	\$ 7,505,007	\$ 2,513,198	\$ (4,278,175)	\$ 16,936,662	\$ 153,309	\$ (8,235,455)	\$ 14,739,751	\$ 24,287,967
Business-type activities	(308,178)	(433,230)	541,724	375,180	981,386	1,254,643	1,482,717	1,738,630	683,568	1,190,891
Total primary government	\$ (7,675,511)	\$ 2,714,869	\$ 8,046,731	\$ 2,888,378	\$ (3,296,789)	\$ 18,191,305	\$ 1,636,026	\$ (6,496,825)	\$ 15,423,319	\$ 25,478,858

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General fund										
Nonspendable	\$ 736,632	\$ 739,911	\$ 737,911	\$ 738,854	\$ 739,051	\$ 657,896	\$ 662,781	\$ 659,028	\$ 4,069	\$ 1,621
Restricted	2,963,356	3,504,341	5,987,501	5,878,352	4,505,016	6,221,962	7,321,262	8,506,149	10,031,731	7,583,353
Committed	1,698,907	3,385,779	1,616,849	2,540,730	2,690,991	2,881,170	2,392,072	9,362,607	2,749,731	3,762,020
Assigned	2,135	2,135	4,780	4,780	4,780	4,780	4,780	4,780	4,780	4,780
Unassigned	34,175,579	38,127,444	43,513,213	48,376,225	46,690,210	52,415,969	47,952,681	45,331,680	55,839,926	71,016,238
Total general fund	<u>\$ 39,576,609</u>	<u>\$ 45,759,610</u>	<u>\$ 51,860,254</u>	<u>\$ 57,538,941</u>	<u>\$ 54,630,048</u>	<u>\$ 62,181,777</u>	<u>\$ 58,333,576</u>	<u>\$ 63,864,244</u>	<u>\$ 68,630,237</u>	<u>\$ 82,368,012</u>
All other governmental funds										
Unassigned, reported in:										
Other governmental funds	\$ -	\$ -	\$ -	\$ -	\$ (3,708)	\$ -	\$ (21,130)	\$ -	\$ -	\$ (18,771)
Restricted, reported in:										
Lake Holiday Sanitary District fund	6,047,654	961,104	-	-	-	-	-	-	-	-
Capital Projects fund	93,338	201,893	534,684	2,561,245	968,963	1,127,627	873,624	4,136,972	3,997,998	1,945,967
Committed, reported in:										
Shawneeland Sanitary District fund	2,280,837	2,103,040	2,317,142	1,976,210	2,088,781	2,022,979	1,951,862	1,679,161	1,673,437	1,634,619
Lake Holiday Sanitary District fund	265,516	1,594,902	2,402,030	2,588,576	2,771,093	2,978,895	3,155,880	3,326,742	3,475,000	3,629,689
Capital Projects fund	-	-	-	-	-	1,265,534	5,645,343	5,741,000	8,510,061	17,195,898
Other governmental funds	385,019	579,705	1,049,226	895,867	589,157	577,656	297,315	261,225	145,701	52,918
Assigned, reported in:										
School debt service fund	21,050	20,159	922,737	287,525	113,880	30,470	20,824	31,896	332,289	198,506
Other governmental funds	642,500	642,514	642,514	-	-	-	-	-	(8,737)	-
Total all other governmental funds	<u>\$ 9,735,914</u>	<u>\$ 6,103,317</u>	<u>\$ 7,868,333</u>	<u>\$ 8,309,423</u>	<u>\$ 6,528,166</u>	<u>\$ 8,003,161</u>	<u>\$ 11,923,718</u>	<u>\$ 15,176,996</u>	<u>\$ 18,125,749</u>	<u>\$ 24,638,826</u>

COUNTY OF FREDERICK, VIRGINIA

Table 4

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

	FISCAL YEAR									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
General property taxes	\$ 75,756,332	\$ 80,260,535	\$ 83,248,466	\$ 86,999,291	\$ 94,062,966	\$ 101,655,465	\$ 109,224,212	\$ 115,333,617	\$ 122,298,369	\$ 131,356,037
Other local taxes	26,966,331	28,449,248	29,900,456	30,869,436	32,321,463	34,425,677	35,918,445	36,634,376	39,526,349	43,632,400
Permits, privilege fees and regulatory licenses	970,384	1,214,052	1,329,532	1,856,416	2,264,101	2,422,501	2,294,004	2,188,705	2,285,194	2,424,417
Fines and forfeitures	307,839	387,848	368,396	409,180	285,390	468,331	299,419	313,896	248,111	199,394
Revenue from use of money and property	245,975	456,138	162,282	203,122	207,355	310,240	755,569	1,405,286	1,115,495	3,176,597
Charges for services	2,832,143	2,677,107	3,494,986	4,602,924	4,757,816	4,879,619	5,255,252	5,326,164	4,603,741	4,861,117
Miscellaneous	637,532	686,893	291,589	231,310	257,399	979,946	391,882	372,109	156,935	438,314
Recovered costs	1,824,072	3,234,072	3,655,309	3,529,345	6,245,761	6,520,603	3,823,911	7,955,154	13,888,159	4,120,813
Intergovernmental:										
Commonwealth	21,699,118	21,805,277	22,560,481	22,160,625	24,057,732	25,075,183	22,888,382	23,837,076	30,092,052	25,718,666
Federal	3,185,838	3,082,857	2,883,955	3,406,751	3,687,896	4,116,439	4,255,283	4,370,966	9,013,926	15,816,300
Total revenues	\$ 134,425,564	\$ 142,254,027	\$ 147,895,452	\$ 154,268,400	\$ 168,147,879	\$ 180,854,004	\$ 185,106,359	\$ 197,737,349	\$ 223,228,331	\$ 231,744,055
Expenditures										
General government administration	\$ 7,393,143	\$ 9,152,531	\$ 8,539,102	\$ 8,420,539	\$ 9,374,654	\$ 9,606,162	\$ 9,906,318	\$ 11,060,111	\$ 13,652,684	\$ 12,304,107
Judicial administration	3,434,760	2,653,882	2,712,940	2,802,698	2,950,037	3,232,528	3,127,517	3,496,716	3,454,816	3,411,205
Public safety	23,615,366	25,245,584	28,868,031	30,713,957	32,767,871	34,231,876	40,974,676	41,067,469	47,647,993	45,828,904
Public works	3,518,557	3,627,132	4,201,203	3,866,489	4,318,993	4,587,590	5,678,157	5,432,118	6,291,241	6,031,603
Health and welfare	8,133,653	7,419,397	7,667,788	8,689,960	9,873,956	11,915,283	12,107,460	12,906,354	13,510,278	13,692,229
Education	58,195,860	61,567,887	73,011,616	82,486,009	108,736,711	74,376,901	89,077,680	112,919,393	113,050,249	116,962,538
Parks, recreation and cultural	4,918,972	4,888,472	5,000,983	5,425,382	6,085,796	6,110,877	6,497,972	7,346,862	7,625,553	6,244,228
Community development	6,212,745	6,651,931	3,956,630	3,984,172	3,919,778	3,247,083	4,901,410	3,273,451	3,041,444	4,952,601
Capital projects	80,000	1,557,990	131,947	5,095,050	10,353,916	5,119,655	1,255,468	1,459,828	12,281,617	4,570,405
Debt service										
Principal	13,137,122	10,683,190	10,932,662	11,039,642	11,376,522	12,321,614	12,310,236	11,939,301	12,867,406	13,823,793
Bond issuance costs	-	-	-	286,623	260,203	-	-	-	-	-
Interest and other fiscal charges	6,596,938	6,336,376	5,466,140	6,201,717	6,493,706	7,069,872	6,455,304	6,117,595	6,718,766	7,095,255
Total expenditures	\$ 135,237,116	\$ 139,784,372	\$ 150,489,042	\$ 169,012,238	\$ 206,512,143	\$ 171,819,441	\$ 192,292,198	\$ 217,019,198	\$ 240,142,047	\$ 234,916,868
Excess of revenues over (under) expenditures	\$ (811,552)	\$ 2,469,655	\$ (2,593,590)	\$ (14,743,838)	\$ (38,364,264)	\$ 9,034,563	\$ (7,185,839)	\$ (19,281,849)	\$ (16,913,716)	\$ (3,172,813)
Other financing sources (uses)										
Long-term debt issued	\$ 2,759,400	\$ -	\$ 9,415,000	\$ 30,535,000	\$ 30,959,225	\$ -	\$ 6,320,000	\$ 25,075,000	\$ 22,555,000	\$ 20,325,000
Transfers in	15,506,653	15,507,250	15,929,349	642,514	16,081,076	18,887,040	21,997,858	16,324,165	33,337,148	39,064,862
Transfers out	(15,601,278)	(15,523,145)	(15,940,817)	(16,523,184)	(16,100,440)	(18,894,879)	(22,005,425)	(16,279,070)	(33,338,601)	(39,133,354)
Bonds issued	-	-	-	-	-	-	-	-	-	-
Premium on bonds issued	-	-	744,930	3,383,395	2,734,253	-	446,107	2,496,409	2,074,915	3,167,157
Payments to bond escrow agent	-	-	-	(18,624,252)	-	-	-	-	-	-
Capital leases	555,197	96,644	310,788	-	-	-	499,655	449,291	-	-
Total other financing sources (uses)	\$ 3,219,972	\$ 80,749	\$ 10,459,250	\$ (586,527)	\$ 33,674,114	\$ (7,839)	\$ 7,258,195	\$ 28,065,795	\$ 24,628,462	\$ 23,423,665
Net change in fund balances	\$ 2,408,420	\$ 2,550,404	\$ 7,865,660	\$ (15,330,365)	\$ (4,690,150)	\$ 9,026,724	\$ 72,356	\$ 8,783,946	\$ 7,714,746	\$ 20,250,852
Debt service as a percentage of noncapital expenditures	14.695%	12.262%	11.065%	10.500%	8.947%	11.411%	10.087%	8.476%	8.321%	9.006%

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				
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%
2015	8,149,289,029	1,058,707,753	41,614,492	315,615,959	367,409,534	2,751,089	9,935,387,856	1.065	9,935,387,856	100.00%
2016	8,531,313,390	1,119,825,165	41,363,812	336,670,936	438,123,088	2,567,006	10,469,863,397	1.102	10,469,863,397	100.00%
2017	9,113,604,193	1,069,481,659	41,640,270	372,087,261	411,242,029	2,239,737	11,010,295,149	1.062	11,010,295,149	100.00%
2018	9,712,087,084	1,267,398,404	42,252,296	394,297,574	446,856,822	1,972,840	11,864,865,020	1.111	11,864,865,020	100.00%
2019	10,245,922,812	1,303,950,734	40,648,192	399,905,501	425,870,977	1,678,857	12,417,977,073	1.102	12,417,977,073	100.00%
2020	11,045,742,031	1,388,113,329	41,571,613	427,162,771	444,856,732	1,582,726	13,349,029,202	1.097	13,349,029,202	100.00%
2021	11,453,180,102	1,485,183,613	40,204,589	410,711,083	420,275,891	1,353,609	13,810,908,887	1.109	13,810,908,887	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

Fiscal Years	Real Estate	Personal Property	Machinery and Tools	Airplanes	Mobile Homes	Total Direct Tax Rate (2)
2012	0.585	4.86	2.00	0.010	0.585	1.060
2013	0.585	4.86	2.00	0.010	0.585	1.071
2014	0.585	4.86	2.00	0.010	0.585	1.081
2015	0.560	4.86	2.00	0.010	0.560	1.065
2016	0.600	4.86	2.00	0.010	0.600	1.102
2017	0.600	4.86	2.00	0.010	0.600	1.062
2018	0.610	4.86	2.00	0.010 / 0.500 ⁽³⁾	0.610	1.111
2019	0.610	4.86	2.00	0.010	0.610	1.102
2020	0.610	4.86	2.00	0.010	0.610	1.097
2021	0.610	4.86	2.00	0.010	0.610	1.109

(1) Per \$100 of assessed value

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

COUNTY OF FREDERICK, VIRGINIA

Table 7

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2021		Fiscal Year 2012	
		2021 Assessed Valuation	% of Total Assessed Valuation	2012 Assessed Valuation	% of Total Assessed Valuation
Trans Allegheny Interstate	Utility	\$ 154,088,211	1.30%	\$ 66,874,438	0.84%
The Village At Orchard Ridge	Senior Living	77,672,400	0.65%		
Navy Federal CU	Call Center	77,567,900	0.65%		
Shenandoah Valley Electric	Utility	63,020,287	0.53%		
GPT BTS (Amazon)	Distribution	60,222,800	0.51%		
H P Hood	Distribution	56,877,600	0.48%	36,979,500	0.46%
SE Va Interstate 81	Distribution	55,341,700	0.47%		
Fort Collier Group	Industrial Park	53,649,200	0.45%	38,814,600	0.48%
Lex Winchester	Distribution	44,343,100	0.37%		
Rappahannock Electric	Utility	44,314,960	0.37%		
Potomac Edison	Utility			123,175,720	1.54%
Cooperwood Fema LLC	Federal Govt			33,258,500	0.42%
EIP Winchester	Distribution			31,811,300	0.40%
Verizon Virginia	Utility			40,950,632	0.51%
Washington Gas light	Utility			22,301,483	0.28%
Cole HD	Motorcycle Shop			20,945,000	0.26%
Elman FBI Assoc	Offices - government			17,672,900	0.22%
		<u>\$ 687,098,158</u>	<u>5.98%</u>	<u>\$ 432,784,073</u>	<u>5.35%</u>

Source: Commissioner of Revenue - 2021 RE BOOK, 2021 PUBLIC SERVICE RE TOTAL,
FY 2012 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
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%
2015	98,410,918	94,596,091	96.12%	3,658,298	98,254,389	99.84%
2016	104,471,709	99,974,927	95.70%	3,554,892	103,529,819	99.10%
2017	112,614,704	108,204,936	96.08%	4,269,020	112,473,956	99.88%
2018	120,412,650	115,516,086	95.93%	3,899,428	119,415,514	99.17%
2019	126,341,027	121,256,920	95.98%	4,577,200	125,834,120	99.60%
2020	133,781,642	128,332,002	95.93%	4,706,232	133,038,234	99.44%
2021	141,915,596	135,754,997	95.66%	5,096,256	140,851,253	99.25%

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 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			
2012	109,991,320	4,452,765	30,737,128	396,281	145,577,494	3220.70%	1,814
2013	105,899,982	3,638,616	29,325,375	271,481	139,135,454	3064.78%	1,707
2014	107,186,912	2,824,467	27,598,029	173,662	137,783,070	2891.01%	1,665
2015	113,047,911	2,010,318	32,635,162	98,992	147,792,383	2920.64%	1,770
2016	131,959,470	1,196,169	35,991,665	23,692	169,170,996	3201.81%	1,998
2017	120,780,491	382,000	34,594,966	3,135	155,760,592	2806.40%	1,801
2018	116,075,154	-	33,151,889	405,372	149,632,415	2537.57%	1,694
2019	132,256,379	-	31,659,045	646,153	164,561,577	2679.46%	1,843
2020	144,443,187	-	30,115,531	440,181	174,998,899	2686.06%	1,914
2021	154,379,246	-	28,523,879	226,631	183,129,756	2693.08%	1,969

Note: Details regarding the County's outstanding debt can be found in note 8 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

Fiscal Year	Gross Bonded Debt	Less: City of Winchester Share	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2012	145,019,085	-	145,019,085	1.57%	1,807
2013	138,713,598	-	138,713,598	1.48%	1,702
2014	137,471,379	-	137,471,379	1.45%	1,662
2015	147,568,101	-	147,568,101	1.49%	1,767
2016	167,304,991	-	167,304,991	1.60%	1,976
2017	154,001,626	-	154,001,626	1.40%	1,780
2018	147,560,518	-	147,560,518	1.24%	1,670
2019	162,340,329	-	162,340,329	1.31%	1,818
2020	173,078,192	-	173,078,192	1.30%	1,893
2021	181,519,291	-	181,519,291	1.31%	1,952

- (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, and local financing lease.

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	County Population (1)	Personal Income (3)(b)	Per Capita Personal Income (3)(b)	Median Age (1)	School Enrollment (2)	Unemploy- ment Rate (4)
2012	80,241	4,520,061	42,117	39.8	13,148	5.80%
2013	81,486	4,539,824	41,711	39.9	13,163	5.30%
2014	82,730	4,765,922	43,288	40	13,075	4.70%
2015	83,513	5,060,273	45,631	40.1	13,181	4.00%
2016	84,668	5,283,602	47,070	40.3	13,203	3.50%
2017	86,499	5,550,202	48,509	40.5	13,338	3.20%
2018	88,355	5,896,682	50,774	40.6	13,525	2.60%
2019	89,313	6,141,595	52,317	40.7	13,627	2.40%
2020	91,419	6,515,073	54,832	41.5	13,880	4.70%
2021 (a)	93,000	6,800,000	55,000	N/A	13,403	3.10%

Notes:

- (a) 2021 figures are estimated
- (b) Includes City of Winchester

Sources:

- (1) U.S. Census Bureau
- (2) Virginia Department of Education Fall Membership Report as of September 30th of the respective year
- (3) Bureau of Economic Analysis
- (4) LAUS Unit and Bureau of Labor Statistics

N/A = Not available

Largest Employers -- Frederick County
Current Year and Nine Years Ago

Employer	2021		Employees	2012	
	Rank	Total Employment		Rank	Total Employment
Frederick County School Board	1	1000 and over	Frederick County School Board	1	1000 and over
Navy Federal Credit Union	2	1000 and over	County of Frederick	2	500 to 999
Amazon Fulfillment Center	3	1000 and over	U.S. Department of Homeland Defense	3	500 to 999
U.S. Department of Homeland Defense	4	1000 and over	Navy Federal Credit Union	4	500 to 999
Trex Company	5	1000 and over	Lord Fairfax Community College	5	250 to 499
County of Frederick	6	500 to 999	Kraft Foods	6	250 to 499
The Home Depot	7	500 to 999	H.P. Hood, Inc.	7	250 to 499
H.P. Hood, Inc.	8	500 to 999	The Home Depot	8	250 to 499
Martin's Food Market	9	250 to 499	Trex Company Inc. & Subsid	9	250 to 499
Fisher Scientific Company	10	250 to 499	Martin's Food Market	10	250 to 499

Source: Virginia Employment Commission

COUNTY OF FREDERICK, VIRGINIA

Table 13

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

Function	FISCAL YEAR									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government	63	63	65	64	65	71	73	76	79	81
Judicial administration	22	21	22	22	22	24	25	27	27	28
Public safety										
Sheriffs department	125.5	126.5	126.5	126.5	133.5	139.5	140.5	144.5	153.5	155.5
Juvenile Court Probation	2	2	2	2	2	2	2	2	2	1
Building Inspections	13	13	13	13	14	14	15	15	15	16
Fire & Rescue	77.5	77.5	79.5	79.5	95.5	105.5	117.5	132.5	140.5	148.5
Communications	13	13	16	16	16	16	16	16	17	17
Public Works										
Engineering	4	4	4	4	4	4	4	4	4	5
Refuse Collection	2	2	2	2	2	2	2	3	3	3
Maintenance	9	9	9	9	9	9	9	9	9	10
Animal Shelter	7	7	7	7	7	7	7	8	8	8
Health and welfare										
Department of social services	57	57	57	58	66	67	72	73	82	83
Parks and Recreation	38	38	38	38	39	40	41	41	41	42
Community development										
Planning	11	11	11	11	11	11	11	11	11	11
EDC	3	3	3	3	-	-	-	-	-	-
Extensions	2	2	2	2	2	2	2	2	2	2
Regional Jail	188	192	197	203	204	208	208	208	209	209
Landfill	26	26	27	23	27	27	27	27	28	28
Division of Court Services	12	7	7	7	8	9	8	6	6	6
Shawneeland Sanitary District	6	6	6	6	6	7	7	7	7	7
Airport	11	11	11	11	11	11	11	11	11	11
EMS Revenue Recovery	-	-	-	1	1	1	2	2	2	2
EDA	-	-	-	-	3	3	3	3	3	3
Totals	692	691	705	708	748	780	803	828	860	877

Source: Prior Frederick County Annual Budgets

Operating Indicators by Function
Last Ten Fiscal Years

Function	FISCAL YEAR									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public Safety										
Sheriffs Department:										
Calls for service answered	74,251	78,995	73,501	67,761	74,431	76,517	74,751	77,238	89,403	80,983
Warrants served	7,045	7,593	7,574	7,452	7,149	7,586	7,880	7,148	7,049	7,728
Criminal arrests	4,057	4,065	4,137	3,339	3,587	3,745	3,432	3,324	3,416	3,801
Citations issued	5,994	6,373	6,609	4,930	8,849	8,775	6,201	5,956	6,062	4,358
Civil papers served	19,764	19,125	18,770	18,416	17,495	17,298	15,821	17,577	15,639	16,536
Fire and Rescue:										
Incident responses	10,053	9,472	10,017	10,245	10,533	10,581	11,074	11,142	10,810	11,803
Building Inspections:										
Permits issued	3,625	3,608	4,214	4,992	6,311	6,712	6,789	6,997	7,319	8,024
Inspections performed	12,643	13,957	12,951	15,630	17,662	18,070	17,995	18,483	20,123	29,911
Public Works										
Engineering:										
Site reviews	290	442	514	634	626	664	660	768	1,113	1,526
Land disturbance permits issued	247	347	369	503	601	683	687	700	639	779
Animal Shelter:										
Dogs/cats adopted/reclaimed	1,379	1,306	1,201	1,107	1,100	1,252	1,334	1,477	1,125	943
Health and Welfare										
Department of Social Services:										
Adult protective service investigations	286	275	290	344	355	413	407	451	411	504
Child protective service investigations	498	515	470	736	628	509	621	550	548	515
Culture and Recreation										
Parks and Recreation:										
Recreation hall & shelter permits issued	1,308	1,213	1,174	1,078	1,178	1,198	1,276	2,062	1,582	1,585
Special events & excursions conducted	57	54	57	58	58	61	61	64	50	55
After-school program participants	432	390	407	453	532	550	612	686	533	715
Youth sports participants	8,801	8,541	8,646	8,577	8,461	8,628	8,732	8,803	6,600	5,400
Community Development										
Planning:										
Rezoning applications processed	9	6	5	12	12	5	4	7	2	4
Road Administration:										
Street signs installed/repaired (b)	118	190	112	28	34	113	130	98	103	63
Landfill										
Refuse weighed and disposed (tons/year)	144,153	144,984	149,659	157,568	162,326	167,617	185,810	189,646	185,870	228,990
Residential Recycling (tons/year)	5,289	6,313	5,514	4,774	4,974	3,092	3,093	3,139	3,143	3,237
Component Unit - School Board										
Education:										
School enrollment (1)	13,137	13,163	13,144	13,181	13,203	13,338	13,525	13,627	13,880	13,403
Number of instructional personnel (a)	1,442	1,424	1,434	1,467	1,490	1,500	1,532	1,568	1,604	1,644
Local expenditures per pupil (2)	4,469	4,876	4,847	5,246	5,607	5,858	6,253	6,506	6,463	6,877

Notes:

(a) Full-time equivalent positions

(b) 2016 program revamped and moved from Public Works to Planning

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government										
Administration buildings	2	2	2	2	2	2	2	2	2	2
Vehicles	15	13	12	10	9	9	9	10	9	10
Public safety										
Sheriffs department:										
Patrol units	86	76	73	96	104	107	92	77	95	96
Other vehicles	39	43	58	25	49	53	75	99	60	91
Building inspections:										
Vehicles	10	10	10	12	10	11	11	11	11	11
Animal control:										
Vehicles	4	3	4	4	4	4	4	4	4	4
Fire & Rescue:										
Vehicles	20	25	25	27	23	23	25	29	29	32
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	4	3	3	3	3	3
Other Public Works Vehicles	20	21	21	23	23	22	23	24	24	25
Landfill:										
Vehicles	13	10	13	11	11	10	11	12	13	12
Sites	11	11	11	11	11	11	11	11	11	
Health and welfare										
Department of Social Services:										
Vehicles	12	11	11	12	11	12	12	12	12	12
Culture and Recreation										
Parks and Recreation:										
Community centers	5	5	5	5	5	5	5	5	5	5
Vehicles	27	26	24	26	24	25	29	28	28	29
Parks acreage	400	400	400	400	433.5	433.5	433.5	440	457	447
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	6	6	6	6	6	6	6	6	6	6
Community Development										
Planning:										
Vehicles	4	4	4	4	4	4	4	4	4	4
Component Unit - School Board										
Education:										
Schools (a)	18	18	18	18	18	18	18	18	18	19
School buses	211	212	203	203	207	216	233	234	249	256
Vehicles	N/A	N/A	N/A	136	137	128	141	133	140	151

Notes:

(a) Elementary, middle and high schools

Source: Individual county departments, prior Frederick County Annual Budgets

- Compliance Section -

**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***

**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, 2021, 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 29, 2021. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit – Frederick County School Activity Funds, as described in our report on the County of Frederick, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors..

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) as a basis for designing 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 financial statements. 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 29, 2021

**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

**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 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, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance 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, 2021.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Charlottesville, Virginia
December 29, 2021

COUNTY OF FREDERICK, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing	Pass-through Identifying Number	Passed-through to Subrecipients	Federal Expendi- tures
<u>PRIMARY GOVERNMENT:</u>				
<u>DEPARTMENT OF AGRICULTURE:</u>				
<u>Pass through payments:</u>				
Virginia Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010117/0010118/0040117/0040118	\$ -	\$ 1,182,322
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
<u>Direct payments:</u>				
COVID-19-Provider Relief Fund	93.498	N/A	\$ -	\$ 81,056
<u>Pass through payments:</u>				
Virginia Department of Social Services:				
MaryLee Allen Promoting Safe and Stable Families Program	93.556	0950116/0950117	\$ -	\$ 33,080
Temporary Assistance for Needy Families	93.558	0400117/0400118	-	306,530
Refugee and Entrant Assistance-State Replacement Designee Administered Programs	93.566	0500117/0500118	-	444
Low-income Home Energy Assistance	93.568	0600417/0600418	-	40,326
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Child Care and Development Fund Cluster)	93.596	0760117/0760118	-	68,225
Chafee Education and Training Vouchers Program (ETV)	93.599	9160117	-	14,100
Adoption and Legal Guardianship Incentive Payments	93.603	1130115/1130116	-	3,000
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116/0900117	-	263
Foster Care - Title IV-E	93.658	1100117/1100118	-	534,049
Adoption Assistance	93.659	1120117/1120118	-	561,475
Social Services Block Grant	93.667	1000117/1000118	-	440,955
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150117/9150118	-	16,599
Children's Health Insurance Program	93.767	0540117/0540118	-	10,669
Medical Assistance Program (Medicaid Cluster)	93.778	1200117/1200118	-	883,028
Total Department of Health and Human Services			\$ -	\$ 2,993,799
<u>DEPARTMENT OF JUSTICE:</u>				
<u>Pass through payments:</u>				
Department of Criminal Justice Services:				
Forfeited Assets	16.000	Not available	\$ -	\$ 8,909
Edward Byrne Memorial Justice Assistance Grant Program	16.738	17A6069AD13	-	4,977
Crime Victim Assistance	16.575	18V9261VW16 & 15S9261VW14	-	208,224
Total Department of Justice			\$ -	\$ 222,110
<u>DEPARTMENT OF TRANSPORTATION:</u>				
<u>Pass through payments:</u>				
Virginia Department of Transportation:				
State and Community Highway Safety (Highway Safety Cluster)	20.600	FSC1858098 & SC1757260 & 18X9204020VA17	\$ -	\$ 9,434
Alcohol Open Container Requirements	20.607	154AL1757267 & 15AL1858093	-	6,429
Total Department of Transportation			\$ -	\$ 15,863
<u>DEPARTMENT OF TREASURY:</u>				
<u>Direct payments:</u>				
Equitable Sharing	21.016	N/A	\$ -	\$ 10,999
<u>Pass through payments:</u>				
Virginia Department of Accounts:				
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	597,287	11,018,841
Total Department of Treasury			\$ 597,287	\$ 11,029,840
<u>ELECTION ASSISTANCE COMMISSION:</u>				
<u>Pass through payments:</u>				
Virginia Election Commission:				
COVID-19 HAVA Election Security Grants	90.404	Not available	\$ -	\$ 74,301
<u>DEPARTMENT OF HOMELAND SECURITY:</u>				
<u>Pass through payments:</u>				
Virginia Department of Emergency Services:				
COVID-19-Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	Not available	\$ -	\$ 71,290
Emergency Management Performance Grants	97.042	Not available	-	8,482
Total Department of Homeland Security			\$ -	\$ 79,772
Total Primary Government			\$ 597,287	\$ 15,598,007

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021 (Continued)

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing	Pass-through Identifying Number	Passed-through to Subrecipients	Federal Expendi- tures
<u>COMPONENT UNIT SCHOOL BOARD:</u>				
<u>DEPARTMENT OF AGRICULTURE:</u>				
<u>Pass through payments:</u>				
Virginia Department of Agriculture:				
Food distribution (Child Nutrition Cluster) (Note 3)	10.555	Not available	\$ -	\$ 424,266
Department of Education:				
COVID-19-National School Lunch Program (Child Nutrition Cluster)	10.555	2016IN109941	-	209,083
National School Lunch Program (Child Nutrition Cluster)	10.555	2016IN109941	-	1,851,496
Total 10.555			\$ -	\$ 2,484,845
COVID-19-School Breakfast Program (Child Nutrition Cluster)	10.553	2016IN109941	\$ -	\$ 85,441
School Breakfast Program (Child Nutrition Cluster)	10.553	2016IN109941	-	919,566
Total 10.553			\$ -	\$ 1,005,007
Total Child Nutrition Cluster			\$ -	\$ 3,489,852
Schools and Roads - Grants to States (Forest Service Schools and Roads Cluster)	10.665	10.665	\$ -	\$ 2,762
Total Department of Agriculture			\$ -	\$ 3,492,614
<u>DEPARTMENT OF EDUCATION:</u>				
<u>Pass through payments:</u>				
Virginia Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A140046/S010A150046	\$ -	\$ 1,364,441
Title I - State Agency Program for Neglected and Delinquent Children and Youth	84.013	S013A140046/S013A150046	-	667
English Language Acquisition State Grants	84.365	T365A140046/S365A150046	-	46,337
Special Education - Grants to States (Special Education Cluster)	84.027	H027A140107/H027A150107	\$ -	\$ 3,037,429
Special Education - Preschool Grants (Special Education Cluster)	84.173	H173A150112	-	49,211
Total Special Education Cluster			\$ -	\$ 3,086,640
Education for Homeless Children and Youth	84.196	Not available	-	13,353
Career and Technical Education - Basic Grants to States	84.048	V048A150046	-	189,244
Student Support and Academic Enrichment Program	84.424		-	42,715
Supporting Effective Instruction State Grant	84.367	S367A140044/S367A150044	-	307,422
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200008	-	665,464
Total Department of Education			\$ -	\$ 5,716,283
Department of Health and Human Services:				
<u>Pass through payments:</u>				
Virginia Department of Education:				
Temporary Assistance for Needy Families	93.558	Not available	\$ -	\$ 47,313
Department of Treasury:				
<u>Pass through payments:</u>				
Virginia Department of Education:				
COVID-19-Coronavirus Relief Fund	21.019	SLT0218	\$ -	\$ 2,435,300
Total Component Unit School Board			\$ -	\$ 11,691,510
Total Expenditures of Federal Awards			\$ 597,287	\$ 27,289,517

COUNTY OF FREDERICK, VIRGINIA

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Frederick, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 the Uniform Guidance, 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, 2021 the School Board had food commodities totaling \$574,207 in inventory.

Note 4 - De Minimis Cost Rate

The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 5 - Loan Balances

The County has no loans or loan guarantees which are subject to reporting requirements for the current year.

COUNTY OF FREDERICK, VIRGINIA**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021 (Continued)**

Note 6 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Primary government:	
General Fund	\$ 4,404,069
School Debt Service Fund	281,637
CARES/ARP Act Fund	11,093,142
Other Governmental Funds	37,452
Total primary government	<u>\$ 15,816,300</u>
Component Unit School Board:	
School Operating Fund	\$ 8,201,659
School Cafeteria Fund	3,489,851
Total component unit school board	<u>\$ 11,691,510</u>
Total federal expenditures per basic financial statements	<u>\$ 27,507,810</u>
Payments in lieu of taxes	<u>\$ (17,712)</u>
Provider Relief Funds reported on prior year SEFA	<u>\$ 81,056</u>
Federal subsidy	<u>\$ (281,637)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 27,289,517</u></u>

Note 7 - Provider Relief Funds

For fiscal years ended (FYE) on or before June 29, 2021, no Provider Relief Fund (PRF) expenditures (including lost revenue) should have been reported on the SEFA. Due to guidance available when the FYE 2020 report was issued, the entity reported \$81,056 of PRF expenditures on the FYE 2020 SEFA with no significant impact on the SEFA. Based on current guidance from the Department of Health and Human Services (HHS), PRF expenditures (including lost revenue) are to be reported on the SEFA based upon PRF reports submitted through the Health Resources and Services Administration (HRSA) reporting portal. Therefore, the amount of PRF expenditures included on the FYE June 30, 2021 SEFA is based upon the PRF reporting portal guidelines for Period 1, as specified by HHS.

COUNTY OF FREDERICK, VIRGINIA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

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 2 CFR Section 200.516(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19- Coronavirus Relief Fund
10.553/10.555	Child Nutrition Cluster
84.425D	Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs	\$818,686
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Auditee qualified as low-risk auditee?	Yes
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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

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021**

There were no items reported.