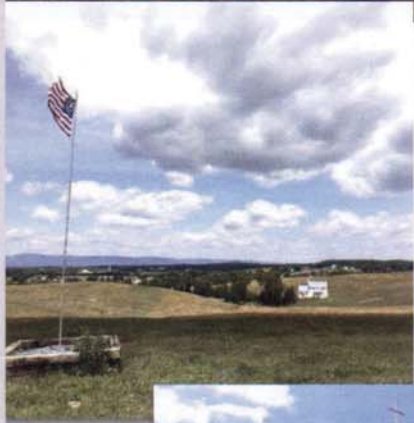


COMPREHENSIVE ANNUAL



FINANCIAL REPORT

COUNTY OF FREDERICK, VIRGINIA
Fiscal Year Ending June 30, 2016

- Introductory Section -

COUNTY OF FREDERICK, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2016**

Issued by

Cheryl B. Shiffler, Finance Director

Winchester, Virginia

COUNTY OF FREDERICK, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Title Page	i
Table of Contents	iii-vi
Directory of Principal Officials	vii
Letter of Transmittal	ix-xix
GFOA Certificate of Achievement	xxi
Organizational Chart	xxiii
 FINANCIAL SECTION	
Independent Auditors' Report.....	1-3
Management's Discussion and Analysis	5-12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	Exhibit 1 15
Statement of Activities.....	Exhibit 2 16
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	Exhibit 3 18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	Exhibit 4 19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	Exhibit 5 20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit 6 21
Statement of Net Position - Proprietary Funds	Exhibit 7 22
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	Exhibit 8 23
Statement of Cash Flows - Proprietary Funds	Exhibit 9 24
Statement of Fiduciary Net Position - Fiduciary Funds.....	Exhibit 10 25
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	Exhibit 11 26
Notes to Financial Statements.....	27-94

COUNTY OF FREDERICK, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS (Continued)

	<u>Page</u>
FINANCIAL SECTION (Continued)	
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund.....	Exhibit 12 97-99
Budgetary Comparison Schedule - Shawneeland Sanitary District Fund.....	Exhibit 13 100
Budgetary Comparison Schedule - Lake Holiday Sanitary District Fund.....	Exhibit 14 101
Schedule of Employer’s Proportionate Share of the Net Pension Liability.....	Exhibit 15 102
Schedule of Components of and Changes in Net Pension Liability (Asset) and Related Ratios - Component Unit School Board (nonprofessional).....	Exhibit 16 103
Schedule of Employer Contributions.....	Exhibit 17 104
Notes to Required Supplementary Information	Exhibit 18 105
Schedule of OPEB Funding Progress	Exhibit 19 106
Other Supplementary Information:	
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds.....	Exhibit 20 109
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	Exhibit 21 110
Combining Statement of Net Position - Internal Service Funds.....	Exhibit 22 111
Combining Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Funds	Exhibit 23 112
Combining Statement of Cash Flows - Internal Service Funds.....	Exhibit 24 113
Statement of Fiduciary Net Position - Private Purpose Trust Fund.....	Exhibit 25 114
Combining Statement of Fiduciary Net Position - Agency Funds	Exhibit 26 115
Statement of Changes in Fiduciary Net Position - Private Purpose Trust Fund.	Exhibit 27 116
Combining Statement of Changes in Assets and Liabilities - Agency Funds	Exhibit 28 117-118
Revenue and Expenditures Budgetary Comparison Schedule for Nonmajor and Other Funds with Legally Adopted Budgets.....	Exhibit 29 119
Component Unit School Board - Combining Balance Sheet.....	Exhibit 30 120
Component Unit School Board - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	Exhibit 31 121
Component Unit School Board - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	Exhibit 32 122

COUNTY OF FREDERICK, VIRGINIA

**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016**

TABLE OF CONTENTS (Continued)

	<u>Page</u>
FINANCIAL SECTION (Continued)	
Other Supplementary Information: (Continued)	
Combining and Individual Fund Financial Statements and Schedules: (Continued)	
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 33 123
Component Unit School Board - Statement of Net Position - Internal Service Funds	Exhibit 34 124
Component Unit School Board - Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Funds	Exhibit 35 125
Component Unit School Board - Statement of Cash Flows - Internal Service Funds	Exhibit 36 126
Component Unit School Board - School Operating Fund - Budgetary Comparison Schedule	Exhibit 37 127
Component Unit School Board - Revenue and Expenditure Budgetary Comparison Schedule - Other Funds	Exhibit 38 128
STATISTICAL SECTION	
Financial Trends:	
Net Position by Component - Last Ten Fiscal Years.....	Table 1 131
Changes in Net Position - Last Ten Fiscal Years.....	Table 2 132
Fund Balances of Governmental Funds - Last Ten Fiscal Years.....	Table 3 133
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years.....	Table 4 134
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	Table 5 135
Property Tax Rates - Last Ten Fiscal Years	Table 6 136
Principal Property Taxpayers - Current Year and the Period Nine Years Prior	Table 7 137
Property Tax Levies and Collections - Last Ten Fiscal Years.....	Table 8 138
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	Table 9 139
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Last Ten Fiscal Years.....	Table 10 140
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Calendar Years	Table 11 141

COUNTY OF FREDERICK, VIRGINIA

**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016**

TABLE OF CONTENTS (Continued)

	<u>Page</u>
STATISTICAL SECTION (Continued)	
Operating Information:	
Largest Employers - Frederick County - Current Year and Nine Years Ago.....	Table 12 142
Full-time Equivalent County Government Employees by Function - Last Ten Fiscal Years	Table 13 143
Operating Indicators by Function - Last Ten Fiscal Years	Table 14 144
Capital Asset Statistics by Function - Last Ten Fiscal Years	Table 15 145
 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>	149-150
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	151-152
Schedule of Expenditures of Federal Awards.....	153-154
Notes to Schedule of Expenditures of Federal Awards	155
Schedule of Findings and Questioned Costs.....	156
Summary Schedule of Prior Audit Findings.....	157

COUNTY OF FREDERICK, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2016

BOARD OF SUPERVISORS

Charles S. DeHaven, Jr., Chairman Gene E. Fisher, Vice-Chairman		
Robert W. Wells Robert A. Hess	Blaine P. Dunn	Judith McCann Slaughter Gary A. Lofton

COUNTY SCHOOL BOARD

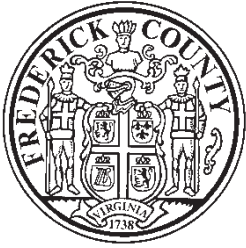
Dr. John Lamanna, Chairman Michael A. Lake, Vice-Chairman		
Kali C. Klubertanz Frank E. Wright	Mary Margaret “Peggy” Clark	Seth T. Thatcher Jay W. Foreman

BOARD OF SOCIAL SERVICES

Joanne Leonardis, Chairman M. Frank Heisey, Vice-Chairman		
Lisa Carper Patricia Riley	Gail Rush	Karen Kimble Linda Martenson

OTHER OFFICIALS

Brenda G. Garton	County Administrator
Kris C. Tierney	Assistant County Administrator
Cheryl B. Shiffler	Finance Director
Harvey E. Strawsnyder, Jr.	Engineering and General Services Director
Dennis D. Linaburg	Fire and Rescue Services Director
Rebecca A. Merriner.....	Human Resources Director
Allen S. Varner	Information Technologies Director
Charles B. Tyson	Management Information Systems Director
Michael T. Ruddy	Planning and Development Director
Patrick E. Barker.....	Economic Development Director
Jason Robertson.....	Parks and Recreation Director
LeeAnna Pyles.....	Public Safety Communications Director
Ellen E. Murphy	Commissioner of the Revenue
C. William Orndoff, Jr.	County Treasurer
Ross P. Spicer.....	Commonwealth Attorney
Roderick B. Williams	County Attorney
Robert T. Williamson	Sheriff
Clifford L. Athey, Jr.	Judge of the Circuit Court
W. Dale Houff	Judge of the General District Court
Elizabeth K. Burton	Judge of the Juvenile and Domestic Relations Court
Rebecca Hogan	Clerk of the Circuit Court
Andrea Cosans.....	Court Services Director
Tamara Green	Social Services Director
David Crabtree.....	Health Department District Administrator
Mark E. Sutphin.....	Frederick County Extension Agent
Richard S. Miller	Central Registrar
Dr. David T. Sovine.....	Superintendent of Schools



COUNTY of FREDERICK

Brenda G. Garton
County Administrator

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

November 28, 2016

Board of Supervisors
County of Frederick
Winchester, Virginia

To the Board Members:

The comprehensive annual financial report of the County of Frederick, Virginia for the fiscal year ended June 30, 2016 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes the transmittal letter, the County's organization chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The County is required to undergo an annual single audit in conformity with the provision of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditor's report on the internal control structure and compliance with applicable laws and regulations are included in the compliance section of this report. This report includes all funds of the County.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditors' Report and provides a narrative introduction, overview, and analysis of the basic financial statements. Management's Discussion and Analysis complements this letter of transmittal and should be read in conjunction with it.

REPORTING ENTITY

The County's Comprehensive Annual Financial Report (CAFR) includes all organizations which have significant operational or financial relationships with the County. Organizations which are included in the CAFR as component units of the County are the Frederick County School Board and the Frederick County Economic Development Authority. The organizations are presented as discretely presented component units of the County to emphasize that they are legally separate from the County.

Organizations which are regional governments or other multi-governmental arrangements that are governed by representation from each participant, and for which the participants do not retain an ongoing financial responsibility, are considered to be jointly governed organizations. These organizations are not included in the CAFR. The organizations which have not been included are the Handley Regional Library Board, the Northwestern Regional Jail Authority, the Winchester Regional Airport Authority, the Frederick-Winchester Service Authority and the Northwestern Community Services Board.

The Frederick County Sanitation Authority was created by the Board of Supervisors to operate the County's water and sewer systems. The Board of Supervisors appoints all six members of the Authority Board of Directors. However, other than appointing the Board of Directors, the County does not participate 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 provisional population of the County was estimated at 83,199 in 2015 based on the U.S. Census Bureau. The per capita income in Winchester-Frederick County was \$42,701 in 2014, the last year for which the information is available, according to the Bureau of Economic Analysis.

The area is served by the Winchester Regional Airport, a 376-acre, all-weather general aviation airport. It is the only general aviation airport in the state manned and open for service 24 hours a day that has a U.S. customs service on call 24 hours a day. It is the official airport of the Virginia Inland Port Authority.

LOCAL ECONOMY

Growth in Frederick County has remained fairly steady over the last three years. Housing permits reached an all-time high in FY 2004-2005 in Frederick County with 2,004 residential permits issued during that fiscal year. Housing construction decreased significantly to an all-time low of 762 in FY 2011-2012. A come-back has occurred since then with the current FY 2015-2016 number of 1,220 residential permits being issued. Other positive indicators include increases in meals and lodging taxes collection, business licenses, and personal property tax collection.

Frederick County currently experiences a comparably low tax rate and continues to offer the citizens quality education, responsive public safety and a high level of government services. The combination of low tax rates and high quality of life makes the county appealing to neighboring residents.

The ability to maintain an affordable tax rate requires a tax base that encourages industrial development to offset residential costs, while continuing to preserve our history and recognizing the rights and needs of the citizens. Frederick County has been successful in the past in balancing the needs of the citizens and strives to continue to offer quality and affordability to its residents in the future.

VISION STATEMENT & CORE VALUES

Insuring the quality of life of all Frederick County citizens by preserving the past and planning for the future through sound fiscal management.

- A government that is accountable and dedicated to providing responsible stewardship for county funds and to insure the citizens receive the best services possible for the funds expended.
- A government concerned with long range planning that protects our rural heritage and directs its future growth through planned infrastructure.
- A government concerned with expanding commercial and industrial tax base in order to insure a viable and thriving economy.
- A government that looks to the future and implements plans to insure that the quality of life for future generations is preserved.
- A government that emphasizes a quality education through a cooperative effort with the school board.
- A government that recognizes the importance of maintaining a highly trained public safety program to provide efficient services and protection to county citizens.
- A government that promotes the spirit of cooperation with its regional local government partners.
- A government unit based on honesty, trust, integrity, and respect that understands the importance of clear communication and a willingness to listen.

FUTURE GOALS

In order for Frederick County to provide the highest quality of services to all citizens, the following long-term and short-term goals have been established:

- Preserve and enhance natural resources.
Strategy: Implement plans that concentrate on preserving historic sites and natural resources.
- Provide adequate public utility infrastructure to support the present and future needs of the county.
Strategy: Work with county utility agencies to include monitoring demand of service and the availability of services to all areas.
- Establish and implement policies that maintain a high quality of life for citizens at the least possible cost.
Strategy: Continue to provide and improve services to county residents such as recreational activities, refuse collection sites and enhanced public safety.
- Maintain a fund balance that assures a positive cash flow and complies with financial policies.
Strategy: Monitor fund balance on a regular basis.
- Promote economic development to improve the current residential/business tax ratio.
Strategy: Promote economic development incentives to attract businesses/industries to the Frederick County area.
- Keep abreast of any potential significant changes to cyclical revenue sources.
Strategy: Monitor monthly county revenue sources such as sales tax, Development Revenue Fees, and building permits.
- Improve and maintain the momentum of Geographic Information System (G.I.S.) growth and development in Frederick County.
Strategy: Provide improved, easy-to-use format for citizens and develop in-house training programs.
- Continue to upgrade the county's web site for increased accessibility for county residents.
Strategy: Improve county department web pages with the accessibility of applications, registration forms and payment options for county citizens. Develop online tutorials to assist taxpayers.
- Employee retention and recruitment.
Strategy: Monitor local market salaries to provide salary scales that allow for competitiveness.

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 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
Frederick County Courthouse	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

Six battlefields of great national importance are located in Frederick County and Winchester.

Battlefields:

First and Second Battles of Winchester	Third Battle of Winchester
First and Second Battles of Kernstown	Cedar Creek
Stephenson's Depot	Rutherford's Farm

Fortifications/Entrenchments:

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

There are over 12,000 acres of land in battlefields that maintain high historic character. Without a concentrated and effective effort, most battlefield sites in Winchester and Frederick County will be lost to development during the next twenty years because of their location. Significant efforts are underway on the part of the City and County government, the Kernstown Battlefield Association, the Cedar Creek Battlefield Foundation and others to protect local battlefield sites and create a battlefield park network. A battlefield park network in Frederick County and Winchester will provide substantial economic and educational benefits.

PHYSICAL CHARACTERISTICS

The county can be viewed in terms of three physical areas. The eastern portion of the county contains a band running north-south along the length of the county, which is underlain by Martinsburg shale. This area consists of broad, relatively level ridges separated by steep stream valleys. The soils tend to be dense and not well suited for intensive agriculture or septic drainfields. Much of the land is used either as pasture land or is developed for residential or urban uses. Much of the sewered suburban development in the county is in this area.

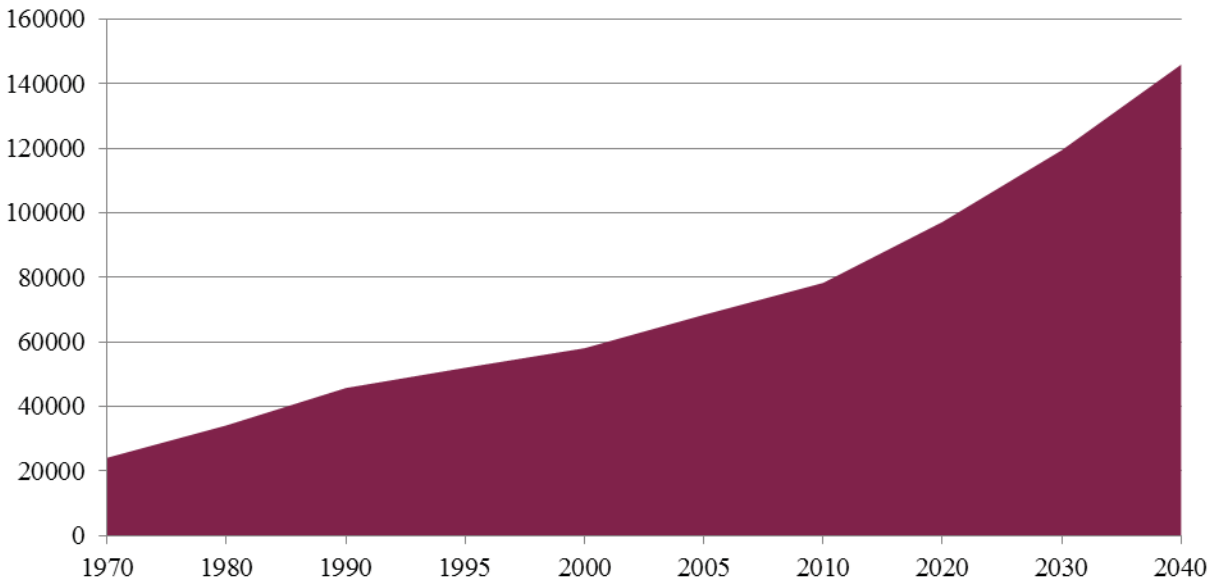
The second area is underlain by limestone-carbonate bedrock and consists of a band that runs north-south through the county between Interstate 81 and Little North Mountain. The terrain here tends to be gently rolling. Outside of the City of Winchester, much of this area is currently used for agriculture 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 drainfields.

POPULATION

During the twentieth century, the population of Frederick County skyrocketed 347 percent, growing from 13,239 people in 1900 to 59,209 in 2000. Much of the population growth occurred during the 1970's and 1980's and again during the economic/construction boom in the mid 2000's. By 2020, it is projected that the population of Frederick County will be approximately 97,192, by 2030 119,419, and by 2040 145,938.

Frederick County Population Counts, 1970-2040



PUBLIC SCHOOL SYSTEM

The Frederick County Public School System, the 22nd largest school division in Virginia, is composed of eleven elementary schools serving students in grades kindergarten through fifth grade; four middle schools serving grades six through eight; three high schools serving grades nine through twelve; and one alternative/vocational school. Frederick County participates in and is fiscal agent for a regional facility, Northwestern Regional Educational Program that provides services to some of its special education population. Other support facilities include the administration building, the maintenance and warehousing facility and the transportation facility. The new transportation facility is equipped to provide vehicle maintenance services to county agencies as well as the school division.

In the fall of 2006 (fiscal year 2007), student enrollment was 12,605. In the fall of 2015 (fiscal year 2016), student enrollment was 13,203, which represents an increase of 598 students, or 4.7%, since fiscal year 2007. The structure of the school division is designed to support the needs of the 13,116 students projected for the school year 2016-2017.

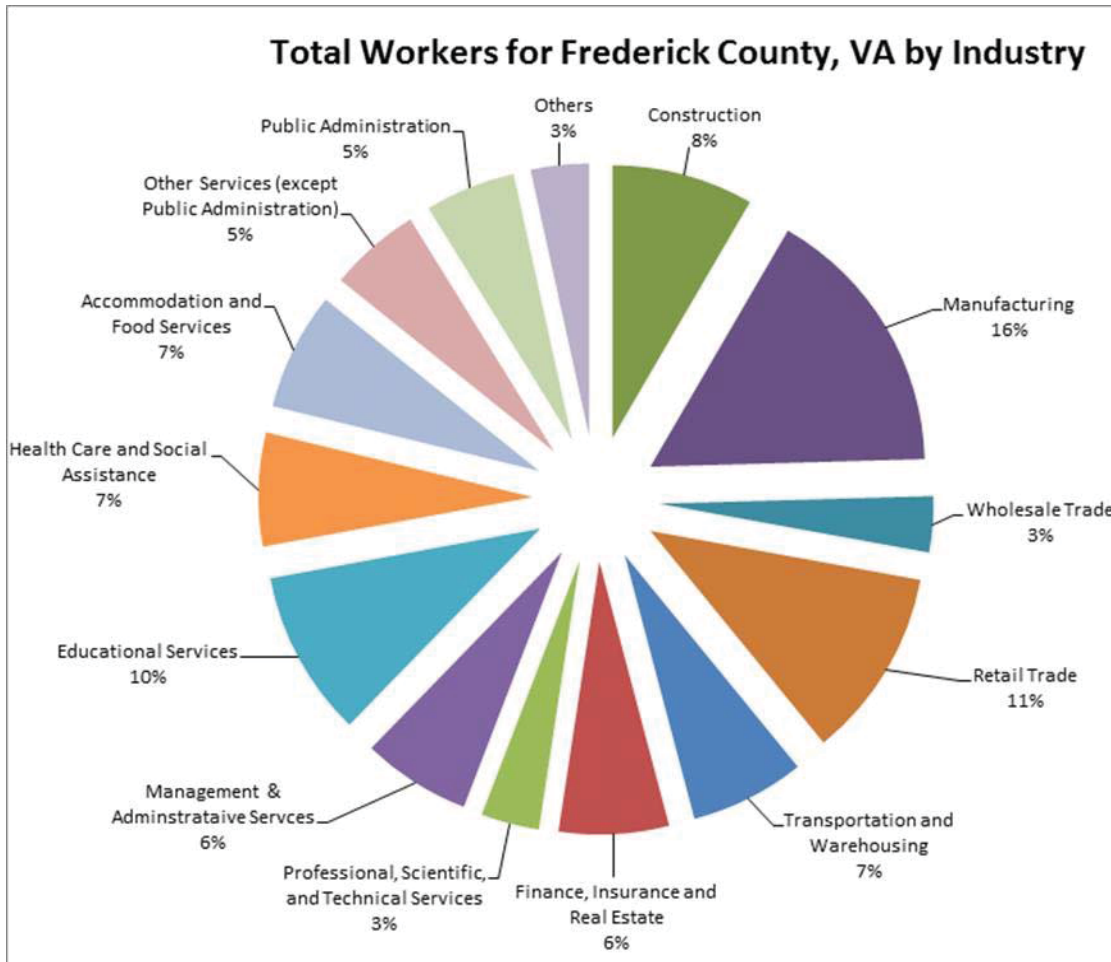
The growth in the Frederick County community brings challenges to the school system. Those challenges include increased space needs, class-sizes, textbooks, instructional materials, teaching staff and custodial staff. Athletic, band, choral, vocational and selective arts are under pressure as well with an increased school population. Frederick County will continue to require the construction of additional student capacity for the foreseeable future.

The school board's primary budget priorities for FY 2017 include instructional initiatives to address increased accountability and improve student achievement, compensation packages that enable the recruitment and retention of high quality staff, operational funding to preserve assets such as facilities, replacement school buses, safety and environmental enhancements, and aging infrastructure/systems, professional development designed to support operational efficiencies and evidence-based instructional practices, and the opening of the replacement Frederick County Middle School with seamless transition. Available additional funds from the state and county allowed the school division to make progress toward the School Board's budget goals. Instructional initiatives focused on increased special education staff, expansion of instructional coaches to assist elementary classroom teachers, and greater student achievement. Salary schedules were adjusted by two percent without a step movement for all employees. Further, additional operational funding to open the replacement Frederick County Middle School was provided to increase bus routes and address part-time labor moving costs.

Improvements to replacement buses/vehicles, student learning through a preschool program, staff development, and operational efficiencies are future budget priorities. These priorities will compete for local dollars while state dollars have been diverted to other cost drivers such as Medicaid and debt service at the state level. Further, these priorities will continue to compete with significant payment increases to the Virginia Retirement System (VRS) – the retirement program provided for educators. For several years, the contributions to the system have been less than recommended by the VRS board. During the same time period, an increasing number of employees have entered or neared retirement age. This created an under-funded situation, which if not corrected, could lead to imbalance. The fiscal solvency of the program would not be an area of concern had the General Assembly not reduced the contribution rates to artificially low levels or discounted the rate for two years to save jobs during the Great Recession. The resulting situation is one of not only increased dollars needed to fund the plan, but also increased attention to the benefits of the program. To help correct the underfunded plan, the General Assembly approved a policy change requiring all school division employees who participate in VRS to pay their 5% member contribution and a hybrid plan (defined benefit and defined contribution plan) for all new hires effective January 1, 2014. Further, the employer's contribution rate is mandated to increase every two years until the employer contribution rate is equal to the VRS board certified rate.

EMPLOYMENT TRENDS

Frederick County had a total of 31,873 jobs in the first quarter of 2016 as measured by the Virginia Employment Commission. The largest employment sector was manufacturing which employed 5,121 workers in the first quarter of 2016. Of individuals aged 25 to 64 in Frederick County, 19.3% have a bachelor's degree or higher which compares with 19.7% in the nation.



Unemployment rates for Frederick County and Winchester have paralleled those of Virginia. Unemployment rates locally and nationally are in slight decline from record highs in almost twenty years. In the last three years, the Frederick County unemployment rate has decreased by 1.3%, the Virginia unemployment rate has decreased by 1.5%, and the United States unemployment rate has decreased by 2.1%. The unemployment rate for Frederick County in June 2016 was 3.4% compared to the June 2015 rate of 4.4%.

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 over ninety 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, School of Education & Human Development and Shenandoah Conservatory.

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

Cost of Living

The cost of living in Frederick County area is about 98.7% of the national average. The median sold price of housing was \$246,250 as of April 2015. 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 2014) gives the crime rate per 100,000 people for the USA as 365.5. The crime rate for the Winchester-Frederick County area was 176.2 in 2014.

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 34,851 active registered library card holders in Frederick County. During the period of July 1, 2015 through June 30, 2016, Frederick County residents had the following usage during FY 2016: traditional checkouts = 471,957; electronic checkouts = 84,755; for a total of 556,712 checkouts.

Medical Care

Winchester Medical Center, a 445-bed, non-profit hospital in Winchester, Virginia, is a regional referral center offering a broad spectrum of services that includes diagnostic, medical, surgical, and rehabilitative care. A level II trauma center, Winchester Medical Center is a resource for 400,000 residents in Virginia as well as neighboring West Virginia and Maryland. In 2012, Winchester Medical Center completed a \$161 million campus expansion project which expanded emergency services, added intensive care unit beds, and provided an intimate healing environment for families and newborns using the Newborn Intensive Care Unit. Winchester Medical Center is rated among the top five hospitals in Virginia by U.S. News & World Report.

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, ball fields, playgrounds, picnic areas, fishing, and volleyball. In addition, Sherando Park has soccer fields, an eighteen-hole disc golf course, and mountain bike trails.

Frederick County will be opening Rose Hill Park in the summer of 2016. The park will have a one mile trail, picnic shelter, and restrooms. Rose Hill Park is a partnership between Frederick County and the Museum of the Shenandoah Valley representing a cost-effective means of satisfying a long standing Capital Improvement need and will be the first significant increase in Frederick County Parks and Recreation park land since 1975.

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. These parks have playground equipment. Frederick County also has an undeveloped 25 acre ball field complex adjacent to the Snowden Bridge community.

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

Frederick County Parks and Recreation provides approximately 180 recreation programs throughout the year. Programs include before and after school child care, 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 our immediate area.

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, 2016, 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, 2016, 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 comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the twenty-ninth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the County also received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its fiscal year ending June 30, 2015. This is the ninth 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, 2015 and twenty-nine prior fiscal year annual budgets. In order to qualify for the Distinguished Budget Presentation Award, the County's budget was judged to be proficient in twenty-seven categories including policy documentation, financial planning and organization.

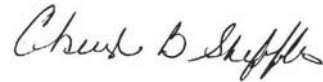
ACKNOWLEDGMENTS

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated services of the entire staff of the finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the Frederick County Board of Supervisors and the Finance Committee, preparation of this report would not have been possible.



Brenda G. Garton
County Administrator



Cheryl B. Shiffler
Finance Director



Government Finance Officers Association

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

Presented to

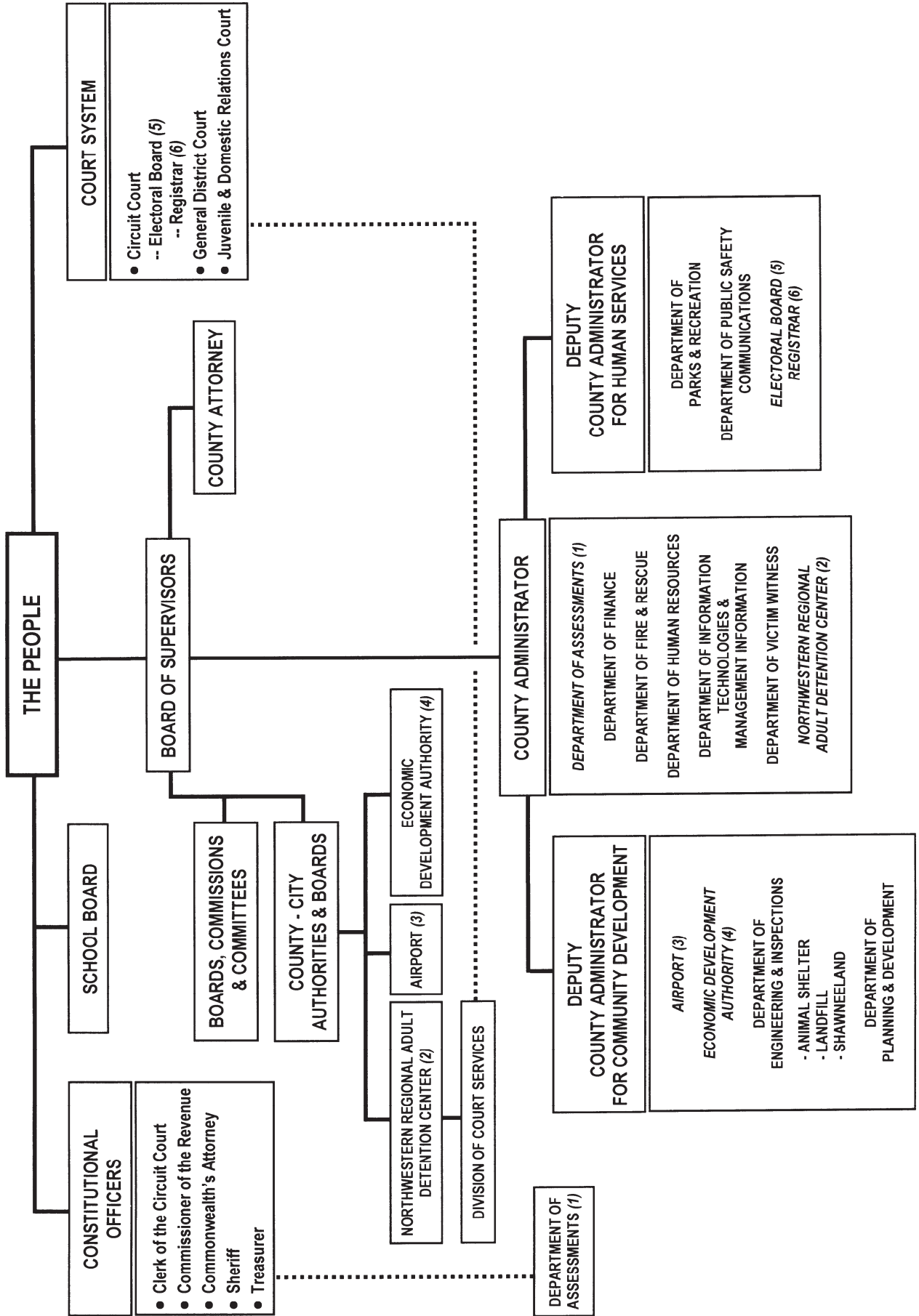
**County of Frederick
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

FREDERICK COUNTY ORGANIZATIONAL CHART



- Financial Section -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the remaining fund information of County of Frederick, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Frederick, Virginia, as of June 30, 2016, 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 1 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants. 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 5-12, 97-101, and 102-106 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Frederick, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) 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.

Other Information (continued)

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

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 November 28, 2016, on our consideration of the County of Frederick, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Frederick, Virginia's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

November 28, 2016

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, 2016. 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 2016:

□ Government-wide Statements:

- On a government-wide basis for governmental activities the County had expenses net of program revenues of \$145.8 million, which was approximately \$4.3 million more than the general revenues of \$141.5 million. (Exhibit 2)
- On a government-wide basis, the governmental activities total net position totaled \$19.1 million. (Exhibit 1)

□ Fund Statements:

- The fund financial statements report combined ending general fund balance of \$54.6 million. Of that amount, \$46.7 million reflects unassigned general fund balance. (Exhibit 3)
- General fund property taxes of \$91.3 million equaled over half of the total \$157.2 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 \$2.9 million decrease. (Exhibit 5)

Using the Comprehensive Annual Financial Report:

The County's current financial statements are presented in two different statements, with two different approaches and view of the County's finances. The government-wide statements provide information on the overall financial status of the County. This method is more comparable to the method used in private industry. The fund financial statements focus on the individual funds of the County government, reporting the operations in more detail than the government-wide statements. When presented in one report, both types of statements will give the user a more broaden basis of comparison and enhance the County's accountability.

Government-wide Statements:

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. These statements are designed to provide a broad overview of the County's finances and include all assets and liabilities using the accrual method of accounting. All of the year's revenue and expenses are taken into account regardless of when cash is received or paid.

Government-wide Statements: (continued)

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.

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.

Fund Financial Statements: (continued)

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.

Enterprise Funds report the same functions as the business-type activities in the government-wide financial statements. Internal Service Funds account for the goods and services provided by one department or agency to other departments or agencies of the County. The County's Central Stores fund accounts for the operations of duplicating, postage and gasoline. Revenue is derived from sales to user departments. The Health Insurance Fund accounts for funds to pay health insurance premiums and claims. The Volunteer Fire and Rescue Fund accounts for length of service stipends to be paid to volunteer fire and rescue personnel. The Maintenance Insurance Fund accounts for maintenance contracts.

3. **Fiduciary Funds:** Fiduciary funds are used to report assets held in trustee or agency capacity for others and cannot be used to support the governments own programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.
 - The County of Frederick has several private purpose trust funds. These funds are restricted to build a chapel, provide textbooks for indigent students, and to provide scholarships to deserving students.
 - Frederick County has seven agency funds. These funds include entities for which the County has assumed fiscal agency status: the Northwestern Regional Jail Authority and the Winchester Regional Airport.

Notes to the Financial Statements:

Notes to the financial statements provide additional information and are an integral part of the statements and should be read in conjunction with the financial statements, the transmittal letter, and the management's discussion and analysis.

Financial Analysis of the County as a Whole:

Statement of Net Position: The following table reflects a comparative condensed Statement of Net Position. In fiscal year 2013 the County implemented GASB 63 and 65, which changed the statement of net assets to the statement of net position and created two additional categories; deferred inflows of resources and deferred outflows of resources.

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 10 of this document.

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

Summary Statement of Net Position June 30, 2016

	Governmental Activities		Business-Type Activities		Total		Component Units	
	2016	2015	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 134,146,317	\$ 128,329,770	\$ 34,696,645	\$ 32,798,181	\$ 168,842,962	\$ 161,127,951	\$ 45,801,623	\$ 41,283,820
Capital Assets (net)	139,215,178	119,053,873	17,673,891	18,080,994	156,889,069	137,134,867	127,663,847	116,945,658
Total Assets	\$ 273,361,495	\$ 247,383,643	\$ 52,370,536	\$ 50,879,175	\$ 325,732,031	\$ 298,262,818	\$ 173,465,470	\$ 158,229,478
Deferred Outflows of Resources	\$ 3,512,846	\$ 3,344,399	\$ 123,529	\$ 114,262	\$ 3,636,375	\$ 3,458,661	\$ 16,745,038	\$ 12,938,610
Long-term Liabilities	\$ 199,554,716	\$ 175,080,352	\$ 13,129,433	\$ 12,810,374	\$ 212,684,149	\$ 187,890,726	\$ 141,459,822	\$ 132,637,399
Other Liabilities	10,218,733	6,004,392	504,600	208,845	10,723,333	6,213,237	27,542,641	23,886,129
Total Liabilities	\$ 209,773,449	\$ 181,084,744	\$ 13,634,033	\$ 13,019,219	\$ 223,407,482	\$ 194,103,963	\$ 169,002,463	\$ 156,523,528
Deferred Inflows of Resources	\$ 48,002,085	\$ 46,266,316	\$ 80,690	\$ 176,262	\$ 48,082,775	\$ 46,442,578	\$ 10,717,924	\$ 19,892,300
Net Position:								
Invested in Capital Assets	\$ (12,315,518)	\$ (5,692,121)	\$ 17,673,891	\$ 18,080,994	\$ 5,358,373	\$ 12,388,873	\$ 127,663,847	\$ 116,945,658
Unrestricted	31,414,325	29,069,103	21,105,451	19,716,962	52,519,776	48,786,065	(117,173,726)	(122,193,398)
Total Net Position	\$ 19,098,807	\$ 23,376,982	\$ 38,779,342	\$ 37,797,956	\$ 57,878,149	\$ 61,174,938	\$ 10,490,121	\$ (5,247,740)

The County's combined net position decreased from \$61,174,938 to \$57,878,149. This net decrease in the amount of \$3,296,789 can be attributed to a decrease in governmental activities in the amount of \$4,278,175 and an increase in business-type activities in the amount of \$981,386. 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, 2016

	Governmental Activities		Business-Type Activities		Total		Component Units	
	2016	2015	2016	2015	2016	2015	2016	2015
Governmental Activities								
Revenues:								
Program Revenues								
Charges for Services	\$ 7,307,307	\$ 6,868,520	\$ 6,554,987	\$ 5,845,040	\$ 13,862,294	\$ 12,713,560	\$ 2,699,866	\$ 2,687,242
Operating Grants & Contributions	11,361,659	10,578,239	-	-	11,361,659	10,578,239	79,301,414	76,603,354
Capital Grants & Contributions	1,677,555	309,857	-	-	1,677,555	309,857	-	-
General Revenues								
Real Estate & Personal Property	93,993,770	87,359,533	-	-	93,993,770	87,359,533	-	-
Other Taxes	32,321,463	30,869,436	-	-	32,321,463	30,869,436	-	-
Payments from Primary Government	-	-	-	-	-	-	90,289,316	79,485,278
Non-restricted Grants	14,706,414	14,679,280	-	-	14,706,414	14,679,280	-	-
Use of Money and Property	232,173	221,094	87,082	73,699	319,255	294,793	437,672	396,647
Miscellaneous	257,399	231,310	343,947	250,063	601,346	481,373	775,159	470,526
Total Revenues	\$ 161,857,740	\$ 151,117,269	\$ 6,986,016	\$ 6,168,802	\$ 168,843,756	\$ 157,286,071	\$ 173,503,427	\$ 159,643,047
Expenses:								
General Government	\$ 7,666,894	\$ 7,015,989	\$ -	\$ -	\$ 7,666,894	\$ 7,015,989	\$ -	\$ -
Judicial Administration	2,966,129	2,738,600	-	-	2,966,129	2,738,600	-	-
Public Safety	33,892,629	31,136,570	-	-	33,892,629	31,136,570	-	-
Public Works	3,818,488	3,516,016	-	-	3,818,488	3,516,016	-	-
Health / Welfare	9,970,270	8,833,438	-	-	9,970,270	8,833,438	-	-
Education	92,621,668	81,034,383	-	-	92,621,668	81,034,383	157,765,566	150,337,947
Parks, Recreation & Culture	5,954,027	5,715,929	-	-	5,954,027	5,715,929	-	-
Community Development	3,055,294	2,349,910	-	-	3,055,294	2,349,910	-	-
Interest on Long-term Debt	6,190,516	6,263,236	-	-	6,190,516	6,263,236	-	-
Landfill Operations	-	-	6,004,630	5,793,622	6,004,630	5,793,622	-	-
Economic Development Authority	-	-	-	-	-	-	-	1,207,723
Total Expenses	\$ 166,135,915	\$ 148,604,071	\$ 6,004,630	\$ 5,793,622	\$ 172,140,545	\$ 154,397,693	\$ 157,765,566	\$ 151,545,670
Expenses (greater than) less than revenues received	\$ (4,278,175)	\$ 2,513,198	\$ 981,386	\$ 375,180	\$ (3,296,789)	\$ 2,888,378	\$ 15,737,861	\$ 8,097,377
Net Position, beginning of year	23,376,982	20,863,784	37,797,956	37,422,776	61,174,938	58,286,560	(5,247,740)	(13,345,117)
Net Position, end of year	\$ 19,098,807	\$ 23,376,982	\$ 38,779,342	\$ 37,797,956	\$ 57,878,149	\$ 61,174,938	\$ 10,490,121	\$ (5,247,740)

Revenues:

- **Governmental Activities:** For the fiscal year ended June 30, 2016, revenues from governmental activities totaled \$161,857,740, an increase of \$10.7 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 \$94.0 million of the total revenues received, an increase of \$6.6 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 \$1.5 million.

- **Business-Type Activities:** The Regional Landfill is the only category that is classified as a business-type activity. Fees generated from usage of the landfill are recorded along with interest earnings as revenue. The landfill increased net position by \$981,386 in FY16.
- **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, 2016, expenses related to governmental activities totaled \$166,136,915 which includes payments to the component units. Net position related to governmental activities decreased by \$4.3 million which is mainly attributed to an \$11.6 million dollar increase in education expenses offset by a \$6.6 million increase in real estate and personal property taxes.

Financial Analysis of the Fund Financial Statements:

- **Governmental Funds:** Reported combined ending fund balance is \$61,158,214, a decrease of \$4.7 million in comparison with the prior year (Exhibit 5). The decrease was mostly a combination of a \$2.9 million decrease in General Fund fund balance and a \$1.6 million decrease in the Capital Projects Fund fund balance at the end of FY 2016. Detailed information can be found on Exhibit 3 – Balance Sheet. The County originally budgeted the use of \$7.3 million in fund balance funding to balance the FY 2016 budget. At the end of the year, this amount was reduced by over half as a result of unspent expenditures and an unbudgeted June 2016 real estate tax increase.

Approximately 76% (\$46,686,502) of the combined ending fund balance is unassigned, which is available for spending at the government's discretion. The FY17 budget appropriates \$3.6 million from General Fund fund balance to balance the General Fund budget. Of the remainder of the fund balance, \$739,051 is nonspendable, \$5,473,979 is restricted, \$8,140,022 is committed and \$118,660 is assigned (Exhibit 3). Detailed information on fund balance types and amounts can be found in the Notes to Financial Statements - NOTE 1-N of this document.

The County's major funds are the General, Shawneeland Sanitary District, Lake Holiday Sanitary District, School Debt Service, and Capital Projects Funds. Detailed information on fund revenues, expenditures and fund balance during the 2015-16 fiscal year can be found on Exhibit 5 – Statement of Revenues, Expenditures, and Changes in Fund Balances.

Financial Analysis of the Fund Financial Statements: (continued)

- The General Fund is the chief operating fund of the County of Frederick.
 - The Shawneeland Sanitary District Fund accounts for special property tax assessments which are used to pay for various services requested by residents of the District.
 - The Lake Holiday Sanitary District Fund accounts for special property tax assessments which are used to pay for the repair of the dam and related expenditures.
 - The School Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related charges.
 - The 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 \$981,386, while the Internal Service Funds recognized an increase in net position in the amount of \$1,00,290 (Exhibit 8). The Landfill Fund purchased capital assets in the amount of \$1,567,333 and posted operating income of \$894,304 (Exhibit 9). The Internal Service Funds had operating income of \$956,108 (Exhibit 9).

General Budgetary Highlights:

Differences between the original budget appropriations and the final budget appropriations of the general fund resulted in an increase of \$14,546,984 in additional appropriations (Exhibit 12). Highlights of the budget amendments are as follows:

- \$3,200,000 in budget amendments for school construction.
- \$901,753 in budget amendments for Commissioner of the Revenue tax refunds.
- \$7,000,000 in budget amendments for county and school capital.
- \$234,675 in budget amendments for social services state and federal funds.
- \$289,000 in budget amendments for Rose Hill Park.
- \$43,243 in budget amendments for additional staff in County Clerk's department.
- \$63,818 in budget amendments for airport capital.
- \$64,000 in budget amendments for Sheriff's department uniforms.
- \$38,614 in budget amendments for March 2016 primary election.

The actual budget was \$7,166,451 less than the final amended budget. Details can be found in Exhibit 12. Significant variances were:

- \$741,736 from general government administration;
- \$961,783 from Sheriff's office;
- \$1,195,252 from fire & rescue;
- \$904,195 from public works;
- \$427,490 from welfare and social services;
- \$1,579,515 from education for public schools; and
- \$462,883 from parks and recreation.

Capital Assets:

At the end of the Fiscal Year 2016, Governmental Activities had invested \$139,215,178 and the Component Unit School Board had invested \$127,663,847 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						
	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital Assets not being depreciated:						
Land and Land Improvements	\$ 2,627,578	\$ 2,395,824	\$ 3,310,126	\$ 3,310,126	\$ 5,937,704	\$ 5,705,950
Construction in Progress	5,318,656	3,289,678	522,664	207,830	5,841,320	3,497,508
School Construction in Progress	39,756,796	11,551,934	-	-	39,756,796	11,551,934
Total Capital Assets not being depreciated	<u>\$ 47,703,030</u>	<u>\$ 17,237,436</u>	<u>\$ 3,832,790</u>	<u>\$ 3,517,956</u>	<u>\$ 51,535,820</u>	<u>\$ 20,755,392</u>
Other Capital Assets:						
Building and Improvements	\$ 48,532,537	\$ 45,458,436	\$ 2,999,716	\$ 2,999,716	\$ 51,532,253	\$ 48,458,152
Landfill Improvements	-	-	33,612,034	33,365,585	33,612,034	33,365,585
School Building & Improvements	78,727,448	88,847,440	-	-	78,727,448	88,847,440
Furniture, Equipment & Vehicles	12,044,773	11,480,350	5,053,687	5,016,356	17,098,460	16,496,706
Total Other Capital Assets	<u>\$ 139,304,758</u>	<u>\$ 145,786,226</u>	<u>\$ 41,665,437</u>	<u>\$ 41,381,657</u>	<u>\$ 180,970,195</u>	<u>\$ 187,167,883</u>
Less: Accumulated Depreciation	47,792,610	43,969,789	27,824,336	26,818,619	75,616,946	70,788,408
Net Capital Assets	<u>\$ 139,215,178</u>	<u>\$ 119,053,873</u>	<u>\$ 17,673,891</u>	<u>\$ 18,080,994</u>	<u>\$ 156,889,069</u>	<u>\$ 137,134,867</u>

Component Unit School Board Capital Assets

	2016	2015
Capital Assets not being depreciated:		
Land and Land Improvements	\$ 10,371,499	\$ 10,371,499
Construction in Progress	50,592,151	16,723,728
Construction in Progress Allocated to County	(39,756,796)	(11,551,934)
Total Capital Assets not being depreciated	<u>\$ 21,206,854</u>	<u>\$ 15,543,293</u>
Other Capital Assets:		
Building and Improvements	\$ 252,719,063	\$ 252,516,569
School Buildings and Improvements allocated to County	(78,727,448)	(88,847,440)
Furniture, Equipment & Vehicles	50,112,679	49,186,255
Total Other Capital Assets	<u>\$ 224,104,294</u>	<u>\$ 212,855,384</u>
Less: Accumulated Depreciation	117,647,301	111,453,019
Net Capital Assets	<u>\$ 127,663,847</u>	<u>\$ 116,945,658</u>

Long-Term Obligations:

General Fund revenues are used to pay lease and general obligation bonds and state literary fund loans. At the end of the fiscal year, the County had bonded debt of \$167.3 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, 2016.

	<u>June 30, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2016</u>
Lease Revenue Bonds	\$ 25,228,750	\$ -	\$ 897,500	\$ 24,331,250
Premium on lease revenue bonds	1,727,671	-	133,071	1,594,600
Total lease revenue bonds	<u>\$ 26,956,421</u>	<u>\$ -</u>	<u>\$ 1,030,571</u>	<u>\$ 25,925,850</u>
Local financing lease	5,010,000	2,605,000	105,000	7,510,000
Premium on financing lease	543,451	229,062	59,011	713,502
Total local financing lease	<u>\$ 5,553,451</u>	<u>\$ 2,834,062</u>	<u>\$ 164,011</u>	<u>\$ 8,223,502</u>
General Obligation Bonds:				
Library	2,079,526	-	251,828	1,827,698
School	106,065,088	26,635,000	9,305,843	123,394,245
Add deferred amount for issuance premiums	4,903,297	2,505,191	670,961	6,737,527
Total General Obligation Bonds	<u>\$ 113,047,911</u>	<u>\$ 29,140,191</u>	<u>\$ 10,228,632</u>	<u>\$ 131,959,470</u>
State Literary Fund Loans:				
School	2,010,318	-	814,149	1,196,169
Intergovernmental loans	125,290	1,719,225	2,202	1,842,313
Claims	703,371	8,710,850	8,641,830	772,391
Capital leases	98,992	-	75,300	23,692
Net Pension liability	8,728,682	7,923,302	7,019,612	9,632,372
Net OPEB obligation	14,918,000	2,660,000	586,000	16,992,000
Compensated absences	3,641,287	2,666,962	2,548,901	3,759,348
Total	<u><u>\$ 175,783,723</u></u>	<u><u>\$ 55,654,592</u></u>	<u><u>\$ 31,111,208</u></u>	<u><u>\$ 200,327,107</u></u>

Additional details on long-term obligations are presented in Note 9 to the financial statements.

Contacting the Finance Department:

This Comprehensive Annual Financial Report (CAFR) is designed to provide our investors, citizens, taxpayers, and readers with a general overview of the County's finances and to demonstrate accountability. Questions concerning this report should be directed to Cheryl Shiffler, Finance Director, Frederick County Finance Department, 107 North Kent Street, Winchester, Virginia, 22601, telephone (540) 665-5610.

**Basic Financial Statements:
- Government-wide Financial Statements -**

COUNTY OF FREDERICK, VIRGINIA

Statement of Net Position
At June 30, 2016

	Governmental Activities	Business-type Activities	Total	Component Units	
				School Board	Economic Development Authority
Assets:					
Cash and cash equivalents	\$ 65,025,692	\$ 21,536,139	\$ 86,561,831	\$ 39,169,540	\$ 909,063
Restricted cash	-	12,516,508	12,516,508	-	-
Receivables, net	53,371,660	643,998	54,015,658	197,328	-
Note receivable	3,060,972	-	3,060,972	-	-
Advance to primary government	-	-	-	-	500,000
Due from other governments	11,948,942	-	11,948,942	4,229,278	-
Intergovernmental loan	734,939	-	734,939	-	-
Prepaid expenses	4,112	-	4,112	-	29,167
Inventory	-	-	-	551,465	-
Net Pension asset	-	-	-	215,782	-
Capital assets:					
Land and construction in progress	47,703,030	3,832,790	51,535,820	21,206,854	-
Other capital assets, net of accumulated depreciation	91,512,148	13,841,101	105,353,249	106,456,993	-
Capital assets, net	\$ 139,215,178	\$ 17,673,891	\$ 156,889,069	\$ 127,663,847	\$ -
Total assets	\$ 273,361,495	\$ 52,370,536	\$ 325,732,031	\$ 172,027,240	\$ 1,438,230
Deferred Outflows of Resources:					
Deferred charge on refunding	\$ 746,908	\$ -	\$ 746,908	\$ -	\$ -
Pension deferrals	2,765,938	123,529	2,889,467	16,745,038	-
Total deferred outflows of resources	\$ 3,512,846	\$ 123,529	\$ 3,636,375	\$ 16,745,038	\$ -
Liabilities:					
Accounts payable and accrued expenses	\$ 3,172,666	\$ 504,363	\$ 3,677,029	\$ 25,583,087	\$ 13,789
Accrued interest payable	2,863,848	-	2,863,848	-	-
Claims payable	772,391	-	772,391	1,945,765	-
Advance from component unit	500,000	-	500,000	-	-
Unearned revenue	-	237	237	-	-
Amounts held for others	2,909,828	-	2,909,828	-	-
Long-term liabilities:					
Net pension liability	9,632,372	429,903	10,062,275	134,757,000	-
Due within one year	16,045,083	128,115	16,173,198	1,444,626	520,350
Due in more than one year	173,877,261	12,571,415	186,448,676	4,529,125	208,721
Total liabilities	\$ 209,773,449	\$ 13,634,033	\$ 223,407,482	\$ 168,259,603	\$ 742,860
Deferred Inflows of Resources:					
Deferred revenue - taxes	\$ 46,023,224	\$ -	\$ 46,023,224	\$ -	\$ -
Items related to measurement of net pension liability	1,978,861	80,690	2,059,551	10,717,924	-
Total deferred inflows of resources	\$ 48,002,085	\$ 80,690	\$ 48,082,775	\$ 10,717,924	\$ -
Net Position:					
Net investment in capital assets	\$ (12,315,518)	\$ 17,673,891	\$ 5,358,373	\$ 127,663,847	\$ -
Unrestricted	31,414,325	21,105,451	52,519,776	(117,869,096)	695,370
Total net position	\$ 19,098,807	\$ 38,779,342	\$ 57,878,149	\$ 9,794,751	\$ 695,370

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	-	Primary Government			Component Units			
						Governmental Activities	Business-type Activities	School Board	Economic Development Authority			
Primary Government												
Governmental activities												
General government administration	\$ 7,666,894	\$ -	468,657	-	-\$	(7,198,237)	\$ -	-\$	(7,198,237)	\$ -	-\$	-
Judicial administration	2,966,129	1,162,107	1,107,114	-	-	(696,908)	-	-	(696,908)	-	-	-
Public safety	33,892,629	3,965,539	3,264,772	-	-	(26,662,318)	-	-	(26,662,318)	-	-	-
Public works	3,818,488	-	15,687	-	-	(3,802,801)	-	-	(3,802,801)	-	-	-
Health and welfare	9,970,270	-	6,151,895	-	-	(3,818,375)	-	-	(3,818,375)	-	-	-
Education	92,621,668	-	-	-	-	(92,621,668)	-	-	(92,621,668)	-	-	-
Parks, recreation and cultural	5,954,027	2,178,694	-	-	-	(3,775,333)	-	-	(3,775,333)	-	-	-
Community development	3,055,294	967	-	1,677,555	-	(1,376,772)	-	-	(1,376,772)	-	-	-
Interest on long-term debt	6,190,516	-	353,534	-	-	(5,836,982)	-	-	(5,836,982)	-	-	-
Total governmental activities	\$ 166,135,915	\$ 7,307,307	\$ 11,361,659	\$ 1,677,555	\$ -	\$ (145,789,394)	\$ -	-\$	\$ (145,789,394)	\$ -	-\$	-
Business-type activities												
Landfill operations	6,004,630	6,554,987	-	-	-	-	550,357	-	550,357	-	-	-
Total Primary Government	\$ 172,140,545	\$ 13,862,294	\$ 11,361,659	\$ 1,677,555	\$ -	\$ (145,789,394)	\$ 550,357	-\$	\$ (145,239,037)	\$ -	-\$	-
Component Units												
Frederick County Public Schools	\$ 156,848,721	\$ 2,546,381	\$ 79,301,414	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (75,000,926)	\$ -	\$ -	-\$ (763,360)
Frederick County Economic Development Authority	916,845	153,485	-	-	-	-	-	-	-	-	-	-\$ (763,360)
Total Component Units	\$ 157,765,566	\$ 2,699,866	\$ 79,301,414	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (75,000,926)	\$ -	\$ -	-\$ (763,360)
General Revenues												
Taxes:												
General property taxes, real and personal					\$	93,993,770	\$ -	-\$	93,993,770	\$ -	-\$	-
Local sales and use taxes						12,941,843	-	-	12,941,843	-	-	-
Business licenses tax						6,571,015	-	-	6,571,015	-	-	-
Consumer utility taxes						3,307,711	-	-	3,307,711	-	-	-
Meals and lodging taxes						5,230,863	-	-	5,230,863	-	-	-
Motor vehicle licenses tax						2,312,410	-	-	2,312,410	-	-	-
Taxes on recordation and wills						1,450,726	-	-	1,450,726	-	-	-
Other taxes						506,895	-	-	506,895	-	-	-
Payment from County of Frederick:												
Education						-	-	-	-	89,416,368	-	-
Economic development						-	-	-	-	-	-	872,948
Grants and contributions not restricted to specific programs						14,706,414	-	-	14,706,414	-	-	-
Unrestricted use of money and property						232,173	87,082	-	319,255	437,650	22	-
Miscellaneous						257,399	343,947	-	601,346	400,159	375,000	-
Total general revenues					\$	141,511,219	\$ 431,029	\$ -	\$ 141,942,248	\$ 90,254,177	\$ -	\$ 1,247,970
Change in net position					\$	(4,278,175)	\$ 981,386	\$ -	\$ (3,296,789)	\$ 15,253,251	\$ -	\$ 484,610
Net position, beginning of year						23,376,982	37,797,956	-	61,174,938	(5,458,500)	-	210,760
Net position, end of year					\$	19,098,807	\$ 38,779,342	\$ -	\$ 57,878,149	\$ 9,794,751	\$ -	\$ 695,370

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, 2016

	<u>General Fund</u>	<u>Shawneeland Sanitary District Fund</u>	<u>Lake Holiday Sanitary District Fund</u>	<u>Capital Projects Fund</u>	<u>School Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Cash and cash equivalents	\$ 48,755,031	\$ 2,096,966	\$ 2,783,313	\$ 495,684	\$ 113,880	\$ 1,098,866	\$ 55,343,740
Property taxes receivable, net	48,456,876	1,691,468	1,056,852	-	-	-	51,205,196
Business licenses receivable	972,291	-	-	-	-	-	972,291
Accounts receivable	1,179,107	9,370	3,206	-	-	2,490	1,194,173
Due from other governments	9,687,498	-	-	1,913,328	-	348,116	11,948,942
Intergovernmental loan	734,939	-	-	-	-	-	734,939
Due from other funds	478,661	-	-	-	-	-	478,661
Prepaid items	4,112	-	-	-	-	-	4,112
Total assets	<u>\$ 110,268,515</u>	<u>\$ 3,797,804</u>	<u>\$ 3,843,371</u>	<u>\$ 2,409,012</u>	<u>\$ 113,880</u>	<u>\$ 1,449,472</u>	<u>\$ 121,882,054</u>
Liabilities							
Accounts payable and accrued liabilities	\$ 1,315,692	\$ 19,587	\$ -	\$ 1,440,049	\$ -	\$ 385,362	\$ 3,160,690
Due to other funds	-	-	-	-	-	478,661	478,661
Amounts held for others	2,909,828	-	-	-	-	-	2,909,828
Total liabilities	<u>\$ 4,225,520</u>	<u>\$ 19,587</u>	<u>\$ -</u>	<u>\$ 1,440,049</u>	<u>\$ -</u>	<u>\$ 864,023</u>	<u>\$ 6,549,179</u>
Deferred Inflows of Resources							
Unavailable revenue - business licenses	\$ 972,291	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 972,291
Unavailable revenue - prepaid taxes	3,470,366	26,003	34,069	-	-	-	3,530,438
Unavailable revenue - property taxes	46,970,290	1,663,433	1,038,209	-	-	-	49,671,932
Total deferred inflows of resources	<u>\$ 51,412,947</u>	<u>\$ 1,689,436</u>	<u>\$ 1,072,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,174,661</u>
Fund Balance							
Nonspendable	\$ 739,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 739,051
Restricted	4,505,016	-	-	968,963	-	-	5,473,979
Committed	2,690,991	2,088,781	2,771,093	-	-	589,157	8,140,022
Assigned	4,780	-	-	-	113,880	-	118,660
Unassigned	46,690,210	-	-	-	-	(3,708)	46,686,502
Total fund balance	<u>\$ 54,630,048</u>	<u>\$ 2,088,781</u>	<u>\$ 2,771,093</u>	<u>\$ 968,963</u>	<u>\$ 113,880</u>	<u>\$ 585,449</u>	<u>\$ 61,158,214</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 110,268,515</u>	<u>\$ 3,797,804</u>	<u>\$ 3,843,371</u>	<u>\$ 2,409,012</u>	<u>\$ 113,880</u>	<u>\$ 1,449,472</u>	<u>\$ 121,882,054</u>

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

COUNTY OF FREDERICK, VIRGINIA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2016

Total fund balances for governmental funds (Exhibit 3)	\$	61,158,214
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land and improvements	\$	2,627,578
Construction in progress		45,075,452
Buildings and improvements, net of depreciation		32,172,468
Equipment, net of depreciation		3,122,980
School Board capital assets, net of depreciation		<u>56,216,700</u>
Total capital assets		139,215,178
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:		
		8,897,585
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	\$	8,151,437
Long-term note receivable		3,060,972
Items related to measurement of net pension liability		<u>(1,978,861)</u>
Total		9,233,548
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		
		2,765,938
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	\$	(2,863,848)
Long term commitments to IDA		(500,000)
Bonds, notes and capital leases		(160,125,367)
Unamortized bond premium		(9,045,629)
Deferred charge on refunding		746,908
Net OPEB obligation		(16,992,000)
Net pension liability		(9,632,372)
Compensated absences		<u>(3,759,348)</u>
Total		<u>(202,171,656)</u>
Total net position of governmental activities (Exhibits 1 and 2)	\$	<u><u>19,098,807</u></u>

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, 2016

	<u>General Fund</u>	<u>Shawneeland Sanitary District Fund</u>	<u>Lake Holiday Sanitary District Fund</u>	<u>Capital Projects Fund</u>	<u>School Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues							
Property taxes	\$ 91,287,479	\$ 756,528	\$ 2,018,959	\$ -	\$ -	\$ -	\$ 94,062,966
Other local taxes	32,321,463	-	-	-	-	-	32,321,463
Permits, privilege fees and regulatory licenses	2,264,101	-	-	-	-	-	2,264,101
Fines and forfeitures	285,390	-	-	-	-	-	285,390
Use of money and property	199,253	5,255	715	-	-	2,132	207,355
Charges for services	2,694,962	-	-	-	-	2,062,854	4,757,816
Miscellaneous	215,771	-	-	41,628	-	-	257,399
Recovered costs	3,566,501	2,146	-	2,555,969	-	121,145	6,245,761
Intergovernmental:							
Revenue from the Commonwealth	21,062,833	-	-	1,677,555	76,264	1,241,080	24,057,732
Revenue from the Federal Government	3,338,481	-	-	-	277,270	72,145	3,687,896
Total revenues	\$ 157,236,234	\$ 763,929	\$ 2,019,674	\$ 4,275,152	\$ 353,534	\$ 3,499,356	\$ 168,147,879
Expenditures							
Current:							
General government administration	\$ 9,374,654	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,374,654
Judicial administration	2,397,297	-	-	-	-	552,740	2,950,037
Public safety	30,942,409	-	-	-	-	1,825,462	32,767,871
Public works	4,318,993	-	-	-	-	-	4,318,993
Health and welfare	8,005,073	-	-	-	-	1,868,883	9,873,956
Education - local community college	56,000	-	-	-	-	-	56,000
Education - public school system	78,716,304	-	-	28,951,183	-	1,013,224	108,680,711
Parks, recreation and cultural	6,085,796	-	-	-	-	-	6,085,796
Community development	2,168,019	651,358	1,100,401	-	-	-	3,919,778
Capital projects	-	-	-	10,353,916	-	-	10,353,916
Debt service:							
Principal payments	914,030	-	342,500	-	10,119,992	-	11,376,522
Bond issuance costs	-	-	-	260,203	-	-	260,203
Interest and fiscal charges	1,066,112	-	394,256	-	5,033,338	-	6,493,706
Total expenditures	\$ 144,044,687	\$ 651,358	\$ 1,837,157	\$ 39,565,302	\$ 15,153,330	\$ 5,260,309	\$ 206,512,143
Excess (deficiency) of revenues over (under) expenditures	\$ 13,191,547	\$ 112,571	\$ 182,517	\$ (35,290,150)	\$ (14,799,796)	\$ (1,760,953)	\$ (38,364,264)
Other financing sources (uses)							
Issuance of long-term debt	\$ -	\$ -	\$ -	\$ 30,959,225	\$ -	\$ -	\$ 30,959,225
Bond premium	-	-	-	2,734,253	-	-	2,734,253
Transfers in	-	-	-	4,390	14,626,151	1,450,535	16,081,076
Transfers out	(16,100,440)	-	-	-	-	-	(16,100,440)
Total other financing sources (uses)	\$ (16,100,440)	\$ -	\$ -	\$ 33,697,868	\$ 14,626,151	\$ 1,450,535	\$ 33,674,114
Net change in fund balance	\$ (2,908,893)	\$ 112,571	\$ 182,517	\$ (1,592,282)	\$ (173,645)	\$ (310,418)	\$ (4,690,150)
Fund balance, beginning of year	<u>57,538,941</u>	<u>1,976,210</u>	<u>2,588,576</u>	<u>2,561,245</u>	<u>287,525</u>	<u>895,867</u>	<u>65,848,364</u>
Fund balance, end of year	<u>\$ 54,630,048</u>	<u>\$ 2,088,781</u>	<u>\$ 2,771,093</u>	<u>\$ 968,963</u>	<u>\$ 113,880</u>	<u>\$ 585,449</u>	<u>\$ 61,158,214</u>

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

COUNTY OF FREDERICK, VIRGINIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

Net change in fund balances - total governmental funds (Exhibit 5)	\$	(4,690,150)
<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	\$	6,527,253
Depreciation		<u>(5,630,290)</u>
Net adjustment		896,963
<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 increased the transfers to the School Board.</p>		
		19,264,342
<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	\$	(69,196)
Issuance of note receivable		1,820,555
(Increase) decrease in deferred inflows related to the measurement of the net pension liability		<u>2,109,282</u>
Total		3,860,641
<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:		
Intergovernmental loans	\$	(1,719,225)
General obligation school bonds		(26,635,000)
Local financing lease		(2,605,000)
Premium on debt:		
General obligation school bonds		(2,505,191)
Intergovernmental loans		(229,062)
Repayments:		
Lease revenue bonds		897,500
Local financing lease		105,000
General obligation library bonds		251,828
General obligation school bonds		9,305,843
State Literary Fund loans		814,149
Intergovernmental loans		2,202
Capital leases		<u>75,300</u>
Net adjustment		(22,241,656)
<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	\$	(118,061)
Net OPEB obligation		(2,074,000)
Amortization of debt premium		863,043
Amortization of advanced refunding defeasance costs		(37,345)
Decrease (increase) in net pension liability		(903,690)
(Decrease) increase in deferred outflows related to pension payments subsequent to the measurement date		205,792
Accrued interest payable		<u>(304,344)</u>
Net adjustment		(2,368,605)
<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>1,000,290</u>
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>(4,278,175)</u></u>

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Net Position
Proprietary Funds
At June 30, 2016

	Business-type Activities - Enterprise Fund	Governmental Activities
	Landfill Fund	Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	\$ 21,536,139	\$ 9,681,952
Restricted cash - landfill closure	12,516,508	-
Receivables, net	643,998	-
Total current assets	<u>\$ 34,696,645</u>	<u>\$ 9,681,952</u>
Noncurrent assets:		
Capital assets:		
Land and improvements	\$ 3,310,126	\$ -
Construction in progress	522,664	-
Other capital assets, net of accumulated depreciation	13,841,101	-
Total noncurrent assets	<u>\$ 17,673,891</u>	<u>\$ -</u>
Total assets	<u>\$ 52,370,536</u>	<u>\$ 9,681,952</u>
Deferred Outflows of Resources:		
Pension contributions subsequent to measurement date	<u>\$ 123,529</u>	<u>\$ -</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 504,363	\$ 11,976
Unearned revenue	237	-
Compensated absences, current portion	128,115	-
Claims payable	-	772,391
Total current liabilities	<u>\$ 632,715</u>	<u>\$ 784,367</u>
Long-term liabilities:		
Compensated absences, noncurrent portion	\$ 54,907	\$ -
Net pension liability	429,903	-
Accrued landfill remediation costs	12,516,508	-
Total long-term liabilities	<u>\$ 13,001,318</u>	<u>\$ -</u>
Total liabilities	<u>\$ 13,634,033</u>	<u>\$ 784,367</u>
Deferred Inflows of Resources:		
Items related to measurement of net pension liability	<u>\$ 80,690</u>	<u>\$ -</u>
Net Position:		
Investment in capital assets	\$ 17,673,891	\$ -
Unrestricted	21,105,451	8,897,585
Total net position	<u>\$ 38,779,342</u>	<u>\$ 8,897,585</u>

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, 2016

	Business-type Activities - Enterprise <u>Landfill Fund</u>	Governmental Activities <u>Internal Service Funds</u>
Operating revenues:		
Charges for services, net	\$ 6,554,987	\$ 9,626,279
Miscellaneous	343,947	-
Total operating revenues	<u>\$ 6,898,934</u>	<u>\$ 9,626,279</u>
Operating expenses:		
Personal services	\$ 1,287,858	\$ -
Fringe benefits	474,491	8,655,445
Contractual services	990,928	-
Other charges	1,276,917	14,726
Depreciation	1,974,436	-
Total operating expenses	<u>\$ 6,004,630</u>	<u>\$ 8,670,171</u>
Operating income (loss)	<u>\$ 894,304</u>	<u>\$ 956,108</u>
Nonoperating revenues:		
Investment income	<u>87,082</u>	<u>24,818</u>
Income before transfers	\$ 981,386	\$ 980,926
Transfers in	<u>-</u>	<u>19,364</u>
Change in net position	<u>\$ 981,386</u>	<u>\$ 1,000,290</u>
Total net position, beginning of year	<u>37,797,956</u>	<u>7,897,295</u>
Total net position, end of year	<u><u>\$ 38,779,342</u></u>	<u><u>\$ 8,897,585</u></u>

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, 2016

	Business-type Activities - Enterprise Landfill Fund	Governmental Activities Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 6,484,375	\$ -
Receipts from insured	-	9,615,551
Receipts from services	-	10,728
Other receipts	343,947	-
Payments to employees	(1,831,221)	-
Payments to suppliers	(1,689,160)	(8,587,288)
Other payments	-	(19,364)
Net cash provided by (used for) operating activities	<u>\$ 3,307,941</u>	<u>\$ 1,019,627</u>
Cash flows from noncapital financing activities		
Transfers in	<u>\$ -</u>	<u>\$ 19,364</u>
Cash flows from investing activities		
Investment income	<u>\$ 87,082</u>	<u>\$ 24,818</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	<u>\$ (1,567,333)</u>	<u>\$ -</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,567,333)</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 1,827,690</u>	<u>\$ 1,063,809</u>
Cash and cash equivalents, beginning of year	<u>32,224,957</u>	<u>8,618,143</u>
Cash and cash equivalents, end of year	<u><u>\$ 34,052,647</u></u>	<u><u>\$ 9,681,952</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 894,304	\$ 956,108
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	1,974,436	-
Changes in assets and liabilities:		
Receivables	(70,774)	6,830
Deferred outflows of resources	(9,267)	-
Accounts payable and accrued expenses	295,593	(5,501)
Unearned revenue	162	(6,830)
Net pension liability	44,307	-
Deferred inflows of resources	(95,572)	-
Claims payable and compensated absences	(8,340)	69,020
Increase in accrued landfill costs	283,092	-
Net cash provided by (used for) operating activities	<u><u>\$ 3,307,941</u></u>	<u><u>\$ 1,019,627</u></u>

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, 2016

	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 274,859	\$ 6,746,470
Receivables	-	266,245
Due from other governmental units	-	854,144
	<u> </u>	<u> </u>
Total assets	\$ 274,859	\$ 7,866,859
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,097	\$ 1,240,244
Amounts held for others	-	6,626,615
	<u> </u>	<u> </u>
Total liabilities	\$ 1,097	\$ 7,866,859
Net Position	<u> </u>	<u> </u>
	\$ 273,762	\$ -

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, 2016

	Private Purpose Trust Funds
	<u> </u>
Additions:	
Investment earnings	\$ 755
Miscellaneous	57,259
	<u> </u>
Total additions	\$ 58,014
Deductions:	
Education	35,426
	<u> </u>
Change in net position	\$ 22,588
Net position, beginning of year	<u> 251,174</u>
Net position, end of year	<u><u> 273,762</u></u>

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016

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 83,199 and a land area of 427 square miles.

The County is governed under the County Administrator - Board of Supervisors form of government. Frederick County engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, human service programs, landfill operations, planning, community development and recreation, cultural, and historic activities.

The financial statements of the County of Frederick, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

Management's Discussion and Analysis:

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to the analysis the private sector provides in their annual reports.

Government-wide Financial Statements:

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also deferred outflows/inflows of resources, capital assets, and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position:

The Statement of Net Position is designed to display the financial position of the primary government (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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

A. Financial Reporting Entity (Continued)

Statement of Activities:

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary Comparison Schedules:

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The County and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the reporting model, governments will continue to provide budgetary comparison information in their annual reports, including a requirement to include the government's original budget with the comparison of final budget and actual results for its major funds.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The County has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

Inclusions in the Reporting Entity:

1. Component Units:

a. Frederick County School Board:

The Frederick County School Board is elected to four year terms by the County voters. The School Board may hold property and issue debt subject to approval by the Board of Supervisors. The School Board provides public primary and secondary education services to the County residents. The primary funding sources of the School Board are state and federal grants, and appropriations from the County, which are significant since the School Board does not have separate taxing authority. The County also approves the School Board budget. The School Board does not issue separate financial statements.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

A. Financial Reporting Entity (Continued)

b. Frederick County Economic Development Authority:

The Frederick County Economic Development Authority was created by the Board of Supervisors to administer the issuance of industrial development revenue bonds. The Authority may also acquire property and issue debt in its own name and may also enter into lease/purchase arrangements with the County. The County appoints all six of the members of the Authority's Board of Directors. The County Administrator serves as the Secretary/Treasurer of the Authority. The County may significantly influence the fiscal affairs of the Authority and, accordingly, is included in the County's financial statements.

A copy of the Authority's audit report may be obtained from the Economic Development Authority, c/o Frederick County Administrator, County Administration Building, 107 North Kent Street, Winchester, Virginia 22604.

Exclusions from the Reporting Entity:

1. Jointly Governed Organizations:

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

The financial activities of the following organizations are excluded from the accompanying financial statements for the reasons indicated:

- a. The Handley Regional Library Board provides library services to the Counties of Frederick and Clarke, and the City of Winchester. The participating localities provide annual contributions for operations based on usage of library services. The Library Board is composed of nine members, of which three are appointed by the County, five by the City of Winchester, and one by the County of Clarke. The County made operating grants of \$862,665 to the Library for fiscal 2016, 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 \$5,103,298 to the regional jail in fiscal 2016.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

A. Financial Reporting Entity (Continued)

- c. The Winchester Regional Airport Authority was created in 1987 to operate and maintain the regional airport. The City of Winchester and the Counties of Clarke, Frederick, Shenandoah and Warren contribute operating and capital funds as necessary to maintain, operate and construct the airport facilities. The Authority Board consists of seven members of which two each are appointed by the County of Frederick and the City of Winchester, and one each from the Counties of Clarke, Shenandoah and Warren. The participating localities do not retain an equity interest in the Authority. The County of Frederick serves as fiscal agent for the Authority, which is reported as an agency fund in the financial statements. The County made operating grants of \$138,095 and capital grants of \$89,972 to the Authority in fiscal 2016.
- 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 2016.
- e. The Northwestern Community Services Board was created to provide Mental Health, Mental Retardation and Substance Abuse Services to the residents of the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah and Warren. The Board has fifteen members of which three each are appointed by the City of Winchester and the Counties of Clarke, Frederick, Page and Warren. The participating localities contribute annual operating grants to the Board, but are not required to do so. The participants have no ongoing financial responsibilities to or equity interest in the Board. The County appropriated \$318,000 for an operating grant to the Board in fiscal 2016.
- 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 \$404,335 in operating grants to the Center in fiscal 2016.

Financial information for the jointly governed organizations may be obtained as follows:

- Handley Regional Library, Picadilly and Braddock Streets, Winchester, Virginia 22604
- Northwestern Regional Jail Authority, c/o Frederick County Administrator, Frederick County Administration Bldg., 107 North Kent Street, Winchester, Virginia 22604
- Winchester Regional Airport, 491 Airport Road, Winchester, Virginia 22602

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

A. Financial Reporting Entity (Continued)

- Northwestern Community Services Board, 209 W. Criser Road, Front Royal, Virginia 22630
- Frederick-Winchester Service Authority, 107 North Kent Street, Winchester, Virginia 22604
- Northwestern Regional Juvenile Detention Center, c/o City of Winchester, City Hall, Winchester, Virginia 22604

2. Other Organizations:

The Frederick County Sanitation Authority was created by the Board of Supervisors to operate the County's water and sewer systems. The County appoints all six members of the Authority's Board of Directors. Other than making appointments to the Authority Board of Directors, the County is not involved with day-to-day management or rate setting processes. All obligations of the Authority are payable solely from and secured by revenues derived from the operation of the water and sewer systems. None of the obligations are issued against the credit of the County nor does the County have any legal or moral obligations to the holders of the bonds or notes. The County has made no contributions to the Authority for operations or capital asset acquisitions during fiscal year 2016. However, the County has made advances to the Authority at below market interest rates in order to provide operating capital. The Authority is excluded from the County's financial statements because it is not accountable to the County.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. The focus is on both the County as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category), and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

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

and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Internal service charges are eliminated and the net income or loss from internal service activities are allocated to the various functional expense categories based on the internal charges to each function.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

Proprietary fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings and other revenues not directly derived from the providing of services.

The County's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the County in FY 2016.

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:

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

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

- a. General Fund - The General Fund is the primary operating fund of the County and accounts for and reports all revenues and expenditures applicable to the general operations of the County which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes.
- b. Special Revenue Funds - Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special Revenue Funds include the following funds:
 - Division of Court Services Fund - This fund accounts for and reports the operations of the Frederick-Winchester Division of Court Services which provides various services relating to substance abuse care and treatment, and diversionary programs for local felons. Funding is primarily from service fees and state grants.
 - Shawneeland Sanitary District Fund - This fund accounts for and reports special property tax assessments which are used to pay for various services requested by residents of the District. The Shawneeland Sanitary District Fund is considered a major fund for financial reporting purposes.
 - Lake Holiday Sanitary District Fund - This fund accounts for and reports special property tax assessments which are used to pay for the repair of the dam and related debt service expenditures for the District. The Lake Holiday Sanitary District Fund is considered a major fund for financial reporting purposes.
 - Comprehensive Services Act Fund - This fund accounts for and reports the Comprehensive Services Act grant funds which provides assistance primarily for foster care and related services and the prevention of foster care. Services provided include education, housing, health and food. Funding is primarily from state grants and local match appropriations.
 - EMS Revenue Recovery Fund - This fund accounts for and reports EMS Revenue Recovery charges, which are used to fund expenditures for fire and rescue services. Funding is primarily from charges for services.
- c. School Debt Service Fund - The School Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for the payment of, general long-term debt principal, interest and related charges for school debt. This fund is considered a major fund for financial reporting purposes.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

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

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, 2016 (Continued)

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

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

3. Fiduciary Funds (Trust and Agency Funds):

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Agency Funds. Private purpose trust funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency funds also utilize the accrual basis of accounting but have no measurement focus. The Private Purpose Trust and Agency Funds consist of the following:

a. Private Purpose Trust Fund:

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

b. Agency Funds:

-- Special Welfare Fund - This fund accounts for monies provided primarily through private donors for assistance of children in foster care, and needy senior citizens. This fund is also used to account for monies received from other governments and individuals (i.e., social security and child support) to be paid to special welfare recipients.

-- Northwestern Regional Jail Authority Fund - This fund accounts for operations of the regional jail. The regional jail is self-supporting and the County acts as the jail fiscal agent.

-- Winchester Regional Airport Authority Fund - This fund accounts for operations and construction projects of the regional airport. The airport operation serves the City of Winchester and the Counties of Frederick, Warren, Clarke and Shenandoah. Financing is provided through funds from the Commonwealth of Virginia, the federal government and user charges. The County acts as the Authority fiscal agent.

-- Undistributed Local Sales Tax Fund - This fund accounts for monies received from the Commonwealth of Virginia for Frederick County's share of local sales tax. The County disburses part of this money to Middletown and Stephens City based on their school population.

-- State Sales Tax Fund - This fund accounts for monies received from purchases by individuals for which sales tax was charged. The County remits this money to the Treasurer of Virginia monthly.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

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

3. Fiduciary Funds (Trust and Agency Funds): (Continued)

b. Agency Funds: (Continued)

-- Northwestern Regional Education Program Fund - This fund accounts for the operation of the Northwestern Regional Education Program. The Program is a regional program utilized by local school districts for certain special education activities.

4. Component Units:

a. Frederick County School Board:

The Frederick County School Board has the following funds:

-- Governmental Funds:

~ School Operating Fund - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Frederick and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

~ School Cafeteria Fund - This fund accounts for and reports the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales, and state and federal grants. The School Cafeteria Fund is considered a major fund for financial reporting purposes.

~ School Textbook Fund - This fund accounts for and reports the purchase of textbooks for the public school system. Funding is provided primarily by state grants and transfers from the School Operating Fund. The School Textbook Fund is considered a major fund for financial reporting purposes.

~ School Special Grants Fund - This fund accounts for and reports special grants that the School Board is the fiscal agent for. The School Special Grants Fund is considered a major fund for financial statement purposes.

~ School Capital Projects Fund - This fund accounts for and reports school construction and related expenditures of the public school system. Funding is primarily from investment earnings and appropriations from the County of Frederick. The School Capital Projects Fund is considered a major fund for financial reporting purposes.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

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

4. Component Units: (Continued)

a. Frederick County School Board: (Continued)

-- Governmental Funds: (Continued)

~ School Capital Fund - This fund accounts for and reports 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.

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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

C. Basis of Accounting (Continued)

The Statement of Net Position, Statement of Activities, financial statements of the Proprietary Funds, Internal Service Funds, Fiduciary Funds, and Agency Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, Debt Service, and Capital Projects (for the primary government and component unit School Board) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are reported as unavailable. Interest income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

D. Budgets and Budgetary Accounting

The Board of Supervisors annually adopts budgets for the various funds of the primary government and component unit School Board. All appropriations are legally controlled at the 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.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Encumbrances:

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to commit an applicable portion of an appropriation, is used as an extension of formal budgetary control in the primary government and component unit School Board. Encumbrances outstanding at year-end are reported as committed fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year. These encumbrances will be liquidated with general revenues. These encumbrances are subject to reappropriation by the Board of Supervisors in the succeeding fiscal year.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

D. Budgets and Budgetary Accounting (Continued)

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings and open-houses are conducted to obtain citizen comments. Also, several work sessions between the Board of Supervisors and School Board were conducted on the School Board budget.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund, function and department can be revised only by the Board of Supervisors; however, the School Board is authorized to transfer budgeted amounts within the school system's categories. Supplemental appropriations in addition to the appropriated budget were necessary during the year. Supplemental appropriations may not be made without amending the budget.
5. The County legally adopted budgets for the following funds:
General, Division of Court Services, Shawneeland Sanitary District, Lake Holiday Sanitary District, School Operating, School Cafeteria, School Textbook, School Debt Service, and School Capital Fund.

The County may adopt budgets for other funds, such as the Proprietary, Internal Service, Trust and Agency Funds, for use as a management control device over such funds. Budgets were not adopted for the Comprehensive Services Act, and School Capital Projects funds. However, appropriations were made for all funds that incurred expenditures during the year.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30, for all County and School Board funds.
8. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2016, as adopted, appropriated and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and at the function level for the School Board. State law requires that if budget amendments exceed 1% of the original adopted budget the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. There were no budget amendments during the year that exceeded the 1% limitation. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

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

E. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

F. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

G. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$2,783,237 at June 30, 2016 and is comprised of the following:

General Fund--taxes receivable	\$ 1,541,184
General Fund--street light assessments receivable	17,771
Shawneeland District--taxes receivable	1,073,760
Lake Holiday District--taxes receivable	66,522
Enterprise Fund--Landfill Fund--accounts receivable	84,000
Total	<u><u>\$ 2,783,237</u></u>

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

I. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the primary government and Component Unit School Board, and as assets in the government-wide financial statements to the extent the County's and School Board's capitalization threshold of \$5,000 is met. The County and Component Unit School Board do not have any infrastructure in their capital assets since roads, streets, bridges and similar assets within their boundaries are property of the Commonwealth of Virginia. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	10 to 40 years
Furniture and other equipment	3 to 20 years

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

I. Capital Assets (Continued)

To the extent the County's capitalization threshold of \$5,000 is met, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	10 to 20 years
Furniture, equipment, and vehicles	5 to 10 years
Landfill improvements	15 years

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at 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, 2016.

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.

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*", the County and its component units have accrued the liability arising from all outstanding compensated absences. The liability for future vacation and sick leave benefits is accrued when such benefits meet the following conditions:

The County's policy is to pay employees accrued 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

L. Long-Term Obligations

The County reports long-term obligations at face value. The face value of the debt is believed to approximate fair value.

M. Net Position

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

N. Net Position Flow Assumption

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

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category. One item is the deferred amount on refunding reported in the government-wide statement of net position. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, contributions made to the pension plan during the year and subsequent to the net pension liability measurement date as well as other items related to net pension liability will be recognized as a deduction of the net pension liability next fiscal year. For more detailed information on this item, reference the pension note.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

O. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of 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, amounts prepaid on the 2nd half installments and the 2nd half installments levied during the fiscal year but due after June 30th are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

P. 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.

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.

Under GASB 54, fund balances are required to be reported according to the following classifications:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

Q. Fund Equity (Continued)

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, 2016 (Continued)

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

Q. Fund Equity (Continued)

The following is a detail of fund balances at June 30, 2016:

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	\$ 4,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,112	\$ -
Inventory	-	-	-	-	-	-	-	272,504
Noncurrent Loans	734,939	-	-	-	-	-	734,939	-
Total Nonspendable	\$ 739,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 739,051	\$ 272,504
Restricted:								
Peg grant	\$ 209,198	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 209,198	\$ -
Courthouse ADA Fees	312,513	-	-	-	-	-	312,513	-
Animal Shelter	335,530	-	-	-	-	-	335,530	-
Proffers	3,647,775	-	-	-	-	-	3,647,775	-
VDOT - Roads	-	-	-	968,963	-	-	968,963	-
Unexpended Bond Proceeds:								
School Improvements	-	-	-	-	-	-	-	6,106,170
Total Restricted	\$ 4,505,016	\$ -	\$ -	\$ 968,963	\$ -	\$ -	\$ 5,473,979	\$ 6,106,170
Committed:								
General government - various	\$ 1,219,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,219,965	\$ -
Education	903,813	-	-	-	-	-	903,813	4,099,482
Capital Projects	-	-	-	-	-	-	-	512,253
School Textbooks	-	-	-	-	-	-	-	1,714,833
Cafeteria	-	-	-	-	-	-	-	1,670,343
E-Summons	103,764	-	-	-	-	-	103,764	-
Tri Centennial	1,116	-	-	-	-	-	1,116	-
Historical Marker	16,253	-	-	-	-	-	16,253	-
VDOT Revenue Sharing	436,270	-	-	-	-	-	436,270	-
Parks and Recreation	9,810	-	-	-	-	-	9,810	-
Shawneeland District	-	2,088,781	-	-	-	-	2,088,781	-
Lake Holiday District	-	-	2,771,093	-	-	-	2,771,093	-
Court Services	-	-	-	-	-	354,102	354,102	-
EMS Revenue Recovery	-	-	-	-	-	235,055	235,055	-
Total Committed	\$ 2,690,991	\$ 2,088,781	\$ 2,771,093	\$ -	\$ -	\$ 589,157	\$ 8,140,022	\$ 7,996,911
Assigned:								
Conservation Easement	\$ 4,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,780	\$ -
Debt Service	-	-	-	-	113,880	-	113,880	-
Total Assigned	\$ 4,780	\$ -	\$ -	\$ -	\$ 113,880	\$ -	\$ 118,660	\$ -
Unassigned								
	\$ 46,690,210	\$ -	\$ -	\$ -	\$ -	\$ (3,708)	\$ 46,686,502	\$ -
Total Fund Balance	\$ 54,630,048	\$ 2,088,781	\$ 2,771,093	\$ 968,963	\$ 113,880	\$ 585,449	\$ 61,158,214	\$ 14,375,585

R. Adoption of New Accounting Standards:

Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the County to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 20.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

R. Adoption of New Accounting Standards: (Continued)

Governmental Accounting Standards Board Statement No. 79, Certain External Investment Pools and Pool Participants

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as result of the implementation of Statement No. 79. All required disclosures are located in Note 2.

S. Economic Incentive Grants Payable

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

The County issued economic development incentive grants to the Economic Development Authority of Frederick County, Virginia in the amount of \$700,000 in fiscal year 2016. The County had \$500,000 in grants payable due to the Economic Development Authority of Frederick County, Virginia at June 30, 2016. These funds will be paid in various amounts beginning in fiscal year 2017 through fiscal year 2020.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (Continued)

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, 2016 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, 2016 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.

Rated Debt Investments	County's Rated Debt Investments' Values			
	Fair Quality Ratings			
	AAA	AAAm	AA	Unrated
Local Government Investment Pool	\$ -	\$ 7,085,674	\$ -	\$ -
U.S. Government Securities	729,895	-	-	-
Money Market Mutual Fund (SNAP)	10,572,776	-	-	-
Total	<u>\$ 11,302,671</u>	<u>\$ 7,085,674</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk:

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

Investment Type	Investment Maturities (in years)	
	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 7,085,674	\$ 7,085,674
U.S. Government Securities	729,895	729,895
Money Market Mutual Fund (SNAP)	10,572,776	10,572,776
Total	<u>\$ 18,388,345</u>	<u>\$ 18,388,345</u>

External Investment Pools:

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB 79. There are no withdrawal limitations or restrictions imposed on participants.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

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 2015 were levied by the County Board of Supervisors on April 8, 2015, on the assessed value listed as of January 1, 2015.

Property taxes for calendar year 2016 were levied by the County Board of Supervisors on April 13, 2016, on the assessed value listed as of January 1, 2016.

Property taxes levied in the current and prior year have been recorded as receivables as of the date the County has the legal right to receive payments thereon. The receivables collected during the fiscal year and during the first 45 days of the succeeding fiscal year are recognized as revenues in the current fiscal year. Taxes receivable as of the end of the year (June 30) and not collected until the succeeding year are reported as unavailable revenues.

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2016 consist of the following:

	Primary Government							
	Governmental Activities				Business- type Activities	Component Units		
	General	Special Revenue	Internal Service	Total		School Board	Economic Development Authority	Fiduciary Activities
Property taxes	\$ 49,998,060	\$ 3,888,602	\$ -	\$ 53,886,662	\$ -	\$ -	\$ -	\$ -
Business licenses	972,291	-	-	972,291	-	-	-	-
Airport funds	-	-	-	-	-	-	-	128,872
Utility taxes	359,212	-	-	359,212	-	-	-	-
Meals taxes	503,219	-	-	503,219	-	-	-	-
Lodging taxes	65,589	-	-	65,589	-	-	-	-
Landfill fees	-	-	-	-	727,998	-	-	-
Prisoner fees	-	-	-	-	-	-	-	132,851
Penalties and Interest	230,948	12,576	-	243,524	-	-	-	-
Street lights	17,771	-	-	17,771	-	-	-	-
Other	20,139	2,490	-	22,629	-	197,328	-	4,522
Total	\$ 52,167,229	\$ 3,903,668	\$ -	\$ 56,070,897	\$ 727,998	\$ 197,328	\$ -	\$ 266,245
Allowance for uncollectibles	(1,558,955)	(1,140,282)	-	(2,699,237)	(84,000)	-	-	-
Net receivables	\$ 50,608,274	\$ 2,763,386	\$ -	\$ 53,371,660	\$ 643,998	\$ 197,328	\$ -	\$ 266,245

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 5 - DUE FROM OTHER GOVERNMENTS:

	Governmental Activities				Component Units		
	General	Special Revenue	Capital Projects	Total	School Board	Economic Development Authority	Fiduciary Activities
Commonwealth of Virginia:							
Local sales taxes	\$ 2,250,047	\$ -	\$ -	\$ 2,250,047	\$ -	\$ -	\$ 44,866
Communication taxes	213,414	-	-	213,414	-	-	-
Comprehensive Services Act	-	348,116	-	348,116	-	-	-
Shared expenses and grants	332,474	-	-	332,474	-	-	-
PPTRA	6,215,370	-	-	6,215,370	-	-	-
VDOT	-	-	1,913,328	1,913,328	-	-	-
Public assistance	174,450	-	-	174,450	-	-	-
State school funds	-	-	-	-	2,849,883	-	-
Federal pass-through school funds	-	-	-	-	1,379,395	-	-
Airport	76,490	-	-	76,490	-	-	4,577
Jail operations and costs	-	-	-	-	-	-	804,701
Other	41,639	-	-	41,639	-	-	-
Federal government:							
Victim witness	73,418	-	-	73,418	-	-	-
Public assistance	310,196	-	-	310,196	-	-	-
Total	\$ 9,687,498	\$ 348,116	\$ 1,913,328	\$ 11,948,942	\$ 4,229,278	\$ -	\$ 854,144

NOTE 6 - INTERFUND BALANCES AND TRANSFERS:

Primary Government:

Balances due to/from other funds at June 30, 2016:

Comprehensive Services fund due to the General Fund \$ 478,661

Transfers to/from other funds:

Transfers to the School Debt Service Fund to pay school debt service and related costs \$ 14,626,151

Transfers to the Capital Projects Fund for road development 4,390

Transfers to the Unemployment fund from General Fund for various costs 19,364

Transfers to the Comprehensive Services fund from the General Fund for various welfare costs 1,450,535

Total transfers \$ 16,100,440

Component Unit School Board:

Balances due to/from other funds at June 30, 2016:

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 \$ 469,739

Transfers to the Cafeteria Fund to pay food service costs 5,873

Total transfers \$ 475,612

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 7 - INTERGOVERNMENTAL LOANS:

Frederick County Sanitation Authority:

The County has made loans to the Frederick County Sanitation Authority. The loans shall bear interest at the rate of 5% per annum, for a term of 20 years beginning July 1, 1987.	\$ 152,492
Interest accrued through June 30, 2016	<u>582,447</u>
Total	<u><u>\$ 734,939</u></u>

NOTE 8 - CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2016.

Governmental Activities

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land and land improvements	\$ 2,395,824	\$ 231,754	\$ -	\$ 2,627,578
Construction in progress	3,289,678	2,028,978	-	5,318,656
School construction in progress allocated to County *	11,551,934	28,204,862	-	39,756,796
Total capital assets not being depreciated	<u>\$ 17,237,436</u>	<u>\$ 30,465,594</u>	<u>\$ -</u>	<u>\$ 47,703,030</u>
Other capital assets:				
Buildings and improvements	\$ 45,458,436	\$ 3,095,001	\$ 20,900	\$ 48,532,537
School buildings and improvements *	88,847,440	-	10,119,992	78,727,448
Furniture, equipment and vehicles	11,480,350	1,171,520	607,097	12,044,773
Total other capital assets	<u>\$ 145,786,226</u>	<u>\$ 4,266,521</u>	<u>\$ 10,747,989</u>	<u>\$ 139,304,758</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 15,106,282	\$ 1,274,687	\$ 20,900	\$ 16,360,069
School buildings and improvements *	20,540,921	3,149,299	1,179,472	22,510,748
Furniture, equipment and vehicles	8,322,586	1,206,304	607,097	8,921,793
Total accumulated depreciation	<u>\$ 43,969,789</u>	<u>\$ 5,630,290</u>	<u>\$ 1,807,469</u>	<u>\$ 47,792,610</u>
Other capital assets, net	<u>\$ 101,816,437</u>	<u>\$ (1,363,769)</u>	<u>\$ 8,940,520</u>	<u>\$ 91,512,148</u>
Net capital assets	<u><u>\$ 119,053,873</u></u>	<u><u>\$ 29,101,825</u></u>	<u><u>\$ 8,940,520</u></u>	<u><u>\$ 139,215,178</u></u>
Depreciation expense was allocated as follows:				
General government administration		\$ 456,800		
Judicial administration		211,131		
Public safety		1,310,220		
Public works		151,206		
Health and welfare		40,396		
Education		3,149,299		
Parks, recreation and cultural		306,592		
Community development		4,646		
Total depreciation expense		<u><u>\$ 5,630,290</u></u>		

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

NOTE 8 - CAPITAL ASSETS: (Continued)

Component Unit School Board

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land and land improvements	\$ 10,371,499	\$ -	\$ -	\$ 10,371,499
Construction in progress	16,723,728	33,868,423	-	50,592,151
Construction in progress allocated to County *	(11,551,934)	(28,204,862)	-	(39,756,796)
Total capital assets not being depreciated	<u>\$ 15,543,293</u>	<u>\$ 5,663,561</u>	<u>\$ -</u>	<u>\$ 21,206,854</u>
Other capital assets:				
Buildings and improvements	\$ 252,516,569	\$ 202,494	\$ -	\$ 252,719,063
School buildings and improvements allocated to County *	(88,847,440)	-	(10,119,992)	(78,727,448)
Furniture, equipment and vehicles	49,186,255	926,424	-	50,112,679
Total other capital assets	<u>\$ 212,855,384</u>	<u>\$ 1,128,918</u>	<u>\$ (10,119,992)</u>	<u>\$ 224,104,294</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 94,917,238	\$ 5,979,309	\$ -	\$ 100,896,547
School buildings and improvements allocated to County *	(20,540,921)	(3,149,299)	(1,179,472)	(22,510,748)
Furniture, equipment and vehicles	37,076,702	2,184,800	-	39,261,502
Total accumulated depreciation	<u>\$ 111,453,019</u>	<u>\$ 5,014,810</u>	<u>\$ (1,179,472)</u>	<u>\$ 117,647,301</u>
Other capital assets, net	<u>\$ 101,402,365</u>	<u>\$ (3,885,892)</u>	<u>\$ (8,940,520)</u>	<u>\$ 106,456,993</u>
Net capital assets	<u>\$ 116,945,658</u>	<u>\$ 1,777,669</u>	<u>\$ (8,940,520)</u>	<u>\$ 127,663,847</u>
Depreciation expense allocated to education		<u>\$ 5,014,810</u>		

* 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	\$ 139,215,178
Long-term debt applicable to capital assets at June 30, 2016	157,636,866
Less: Bond proceeds received but not expended on capital assets at June 30, 2016	(6,106,170)
Net investment in capital assets	<u>\$ (12,315,518)</u>

Business Type Activities

Landfill Operations

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land and land improvements	\$ 3,310,126	\$ -	\$ -	\$ 3,310,126
Construction in progress	207,830	522,664	207,830	522,664
Total capital assets not being depreciated	<u>\$ 3,517,956</u>	<u>\$ 522,664</u>	<u>\$ 207,830</u>	<u>\$ 3,832,790</u>
Other capital assets:				
Buildings and improvements	\$ 2,999,716	\$ -	\$ -	\$ 2,999,716
Landfill improvements	33,365,585	246,449	-	33,612,034
Furniture, equipment and vehicles	5,016,356	1,006,050	968,719	5,053,687
Total other capital assets	<u>\$ 41,381,657</u>	<u>\$ 1,252,499</u>	<u>\$ 968,719</u>	<u>\$ 41,665,437</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 1,402,762	\$ 139,236	\$ -	\$ 1,541,998
Landfill improvements	20,898,673	1,470,935	-	22,369,608
Furniture, equipment and vehicles	4,517,184	364,265	968,719	3,912,730
Total accumulated depreciation	<u>\$ 26,818,619</u>	<u>\$ 1,974,436</u>	<u>\$ 968,719</u>	<u>\$ 27,824,336</u>
Other capital assets, net	<u>\$ 14,563,038</u>	<u>\$ (721,937)</u>	<u>\$ -</u>	<u>\$ 13,841,101</u>
Net capital assets	<u>\$ 18,080,994</u>	<u>\$ (199,273)</u>	<u>\$ 207,830</u>	<u>\$ 17,673,891</u>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS:

General Fund revenues are used to pay all long-term general obligations and General Fund capital leases. General Fund revenues are used to liquidate the net other postemployment benefit obligations for the County. The School Operating Fund is used to liquidate the net other postemployment benefit obligations for the School Board.

The following is a summary of long-term obligations transactions of the County for the year ended June 30, 2016.

	Balance July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2016	Amounts Due Within One Year
Primary Government:					
Governmental activities:					
Lease revenue bonds	\$ 25,228,750	\$ -	\$ 897,500	\$ 24,331,250	\$ 871,250
Premium on lease revenue bonds	1,727,671	-	133,071	1,594,600	140,177
Total lease revenue bonds	<u>\$ 26,956,421</u>	<u>\$ -</u>	<u>\$ 1,030,571</u>	<u>\$ 25,925,850</u>	<u>\$ 1,011,427</u>
Local financing leases	5,010,000	2,605,000	105,000	7,510,000	235,000
Premium on financing leases	543,451	229,062	59,011	713,502	63,790
Total local financing lease	<u>\$ 5,553,451</u>	<u>\$ 2,834,062</u>	<u>\$ 164,011</u>	<u>\$ 8,223,502</u>	<u>\$ 298,790</u>
County General obligation bonds:					
Library	2,079,526	-	251,828	1,827,698	265,586
School General obligation bonds:					
School	106,065,088	26,635,000	9,305,843	123,394,245	10,049,127
Add deferred amount for issuance premiums	4,903,297	2,505,191	670,961	6,737,527	864,266
Total School General obligation bonds	<u>\$ 110,968,385</u>	<u>\$ 29,140,191</u>	<u>\$ 9,976,804</u>	<u>\$ 130,131,772</u>	<u>\$ 10,913,393</u>
State Literary Fund loans:					
School	2,010,318	-	814,149	1,196,169	814,169
Intergovernmental loans	125,290	1,719,225	2,202	1,842,313	86,482
Claims	703,371	8,710,850	8,641,830	772,391	772,391
Capital leases	98,992	-	75,300	23,692	23,692
Net Pension liability	8,728,682	7,923,302	7,019,612	9,632,372	-
Net OPEB obligation	14,918,000	2,660,000	586,000	16,992,000	-
Compensated absences	3,641,287	2,666,962	2,548,901	3,759,348	2,631,544
Total governmental activities	<u>\$ 175,783,723</u>	<u>\$ 55,654,592</u>	<u>\$ 31,111,208</u>	<u>\$ 200,327,107</u>	<u>\$ 16,817,474</u>
Reconciliation to Exhibit 1:					
Claims				\$ 772,391	
Net Pension liability				9,632,372	
Long-term liabilities due within one year				16,045,083	
Long-term liabilities due in more than one year				173,877,261	
Total long-term obligations				<u>\$ 200,327,107</u>	
	Balance			Balance	Amounts
	July 1, 2015	Increases	Decreases	June 30, 2016	Due Within
					One Year
Business-type activities:					
Compensated absences	\$ 191,362	\$ 125,613	\$ 133,953	\$ 183,022	\$ 128,115
Net Pension liability	385,596	353,625	309,318	429,903	-
Landfill remediation costs	12,233,416	283,092	-	12,516,508	-
Total business-type activities	<u>\$ 12,810,374</u>	<u>\$ 762,330</u>	<u>\$ 443,271</u>	<u>\$ 13,129,433</u>	<u>\$ 128,115</u>
Reconciliation to Exhibit 1:					
Net Pension liability				\$ 429,903	
Long-term liabilities due within one year				128,115	
Long-term liabilities due in more than one year				12,571,415	
Total long-term obligations				<u>\$ 13,129,433</u>	

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

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

Year Ending June 30,	General Obligation Bonds		Literary Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 10,314,713	\$ 5,555,220	\$ 814,169	\$ 35,885	\$ 23,692	\$ 541
2018	10,682,680	4,994,264	382,000	11,460	-	-
2019	10,636,620	4,482,535	-	-	-	-
2020	10,491,587	3,976,308	-	-	-	-
2021	10,062,101	3,491,494	-	-	-	-
2022-2026	39,304,242	11,407,118	-	-	-	-
2027-2031	21,560,000	5,002,586	-	-	-	-
2032-2036	11,765,000	907,510	-	-	-	-
2037-2041	405,000	-	-	-	-	-
2042-2046	-	-	-	-	-	-
Total	\$ 125,221,943	\$ 39,817,035	\$ 1,196,169	\$ 47,345	\$ 23,692	\$ 541

Year Ending June 30,	Lease Revenue Bonds		Intergovernmental Loans		Local Financing Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 871,250	\$ 1,107,135	\$ 86,482	\$ 4,113	\$ 235,000	\$ 317,797
2018	911,250	1,069,630	89,306	3,614	245,000	308,172
2019	956,250	1,028,319	91,430	3,096	255,000	297,109
2020	996,250	987,278	94,569	2,550	270,000	284,606
2021	1,040,000	944,358	96,692	-	280,000	272,037
2022-2026	6,063,750	3,874,726	470,153	4,258	1,635,000	1,133,285
2027-2031	7,750,000	2,206,436	482,355	-	2,065,000	696,393
2032-2036	5,742,500	657,599	431,326	-	2,525,000	246,947
Total	\$ 24,331,250	\$ 11,875,481	\$ 1,842,313	\$ 17,631	\$7,510,000	\$3,556,346

The cost of equipment under current capital leases is \$96,644.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness:	Amount Outstanding
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	\$ 16,605,000
\$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>7,726,250</u>
Total lease revenue bonds	<u>\$ 24,331,250</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>\$ 1,827,698</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	\$ 5,010,000
\$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>2,500,000</u>
Total lease revenue bonds	<u>\$ 7,510,000</u>
<u>General Obligation School Bonds:</u>	
\$1,200,000 School Bonds, 1996 B, issued November 1996, maturing in annual installments of \$60,000 through July 15, 2017, interest at various rates from 5.1% to 5.6%	\$ 60,000
\$1,355,000 School Bonds, 1997 A, issued April 1997, maturing in annual installments of \$70,000 and \$65,000 through January 15, 2018, interest at various rates from 5.4% to 6.1%	130,000
\$3,200,000 School Bonds, 1998 A, issued April 1998, maturing in annual installments of \$160,000 through January 15, 2019, interest at various rates from 4.1% to 5.35%	480,000
\$4,650,000 School Bonds, issued April 1999, maturing in annual installments of \$236,000 to \$448,000 through January 2020, interest at 5%	920,000
\$4,100,000 School Bonds, issued November 1999, maturing in annual installments of \$205,000 through July 2019, interest at various rates from 5.62% to 6.10%	820,000
\$18,600,000 School Bonds, issued April 2001, maturing in annual installments of \$840,000 to \$1,200,000 through July 2021, interest at various rates from 4.1% to 5.35%	5,040,000
\$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%	1,830,000
\$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%	2,925,000

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness: (continued)	<u>Amount Outstanding</u>
Governmental activities: (continued)	
<u>General Obligation School Bonds: (continued)</u>	
\$3,315,000 School Bonds, issued November 7, 2002, maturing in annual installments of \$165,000 to \$170,000 through July 15, 2022, interest at 4.77%	1,155,000
\$3,782,296 School Bonds, issued November 7, 2002, maturing in annual installments of \$173,528 to \$215,784 through July 15, 2022, interest at 4.77%	1,434,245
\$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%	5,040,000
\$5,980,000 School Bonds, issued November 6, 2003, maturing in annual installments of \$295,000 to \$300,000 through July 15, 2023, interest at 3.10% to 5.35%	2,380,000
\$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%	3,850,000
\$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%	3,825,000
\$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%	2,995,000
\$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%	2,835,000
\$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%	3,465,000
\$5,830,000 School Bonds, issued November 9, 2006, maturing in annual installments of \$290,000 to \$295,000 through July 15, 2026, interest at 4.225% to 5.10%	3,190,000
\$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%	2,610,000
\$3,800,000 School Bonds, issued November 4, 2007, maturing in annual installments of \$190,000 through July 15, 2027, interest at 5.10%	2,280,000
\$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%	8,725,000
\$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%	3,705,000
\$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%	6,375,000
\$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%	5,540,000
\$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%	3,760,000
\$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%	4,515,000
\$4,390,000 School Bonds, issued April 24, 2014, maturing in annual installments of \$215,000 to \$220,000 through July 15, 2034, interest at 2.67% to 5.05%	4,170,000
\$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%	12,705,000
\$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%	18,535,000
\$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%	<u>8,100,000</u>
Total General Obligation School Bonds	<u>\$123,394,245</u>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness: (continued)	<u>Amount Outstanding</u>
Governmental activities: (continued)	
<u>State Literary Fund Loans:</u>	
\$5,000,000, issued May 30, 1997, due in annual installments of \$250,000 through July 1, 2017, interest at 3%	\$ 250,000
\$1,500,052, issued May 30, 1997, due in annual installments of \$75,002 through July 1, 2017, interest at 3%	75,014
\$2,142,948, issued May 30, 1997, due in annual installments of \$107,147 through July 1, 2017, interest at 3%	107,155
\$3,000,000, issued September 2, 1997, due in annual installments of \$150,000 through September 2, 2017, interest at 3%	300,000
\$4,640,000, issued September 2, 1997, due in annual installments of \$232,000 through September 2, 2017, interest at 3%	<u>464,000</u>
Total State Literary Fund Loans	<u>\$ 1,196,169</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>\$ 1,842,313</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, 2016 is	<u>\$ 23,692</u>
Claims	<u>\$ 772,391</u>
Net pension liability	<u>\$ 9,632,372</u>
Net OPEB obligation	<u>\$ 16,992,000</u>
Compensated absences	<u>\$ 3,759,348</u>
Total governmental long-term obligations	\$ 191,281,478
Add deferred amount for issuance premiums	<u>9,045,629</u>
Net governmental activities long-term obligations	<u><u>\$ 200,327,107</u></u>
Business-type activities:	
Compensated absences	<u>\$ 183,022</u>
Net pension liability	<u>\$ 429,903</u>
Landfill remediation costs	<u>\$ 12,516,508</u>
Total business-type activities long-term obligations	<u><u>\$ 13,129,433</u></u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

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, 2016.

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
Claims	\$ 1,470,871	\$ 18,598,159	\$ 18,123,265	\$ 1,945,765	\$ 1,945,765
Net OPEB obligation	3,659,000	483,000	232,000	3,910,000	-
Net Pension liability	125,663,000	33,864,000	24,770,000	134,757,000	-
Compensated absences	2,157,997	1,004,799	1,099,045	2,063,751	1,444,626
Total	\$ 132,950,868	\$ 53,949,958	\$ 44,224,310	\$ 142,676,516	\$ 3,390,391

Reconciliation to Exhibit 1:

Claims	\$ 1,945,765
Net pension liability	134,757,000
Long-term liabilities due within one year	1,444,626
Long-term liabilities due in more than one year	4,529,125
Total long-term obligations	\$ 142,676,516

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 10 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of the public school divisions are automatically covered by 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 Frederick County and the participating entities report their proportionate information on the basis of a cost-sharing plan.

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).

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.

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. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.) <u>Defined Contributions Component:</u> (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-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, 2016 (Continued)

NOTE 10 - PENSION PLAN: (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 options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required contribution rate for the year ended June 30, 2016 was 12.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$2,889,467 and \$2,674,408 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

At June 30, 2016, the County reported a liability of \$10,062,275 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. 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. Pension contributions as of June 30, 2015 and 2014 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2015 and 2014, the County's proportion was 64.11% and 64.30%, respectively.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

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, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
 - Decrease in rates of disability retirement
 - Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the County of Frederick’s Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 10 - PENSION PLAN: (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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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. Through the fiscal year ending June 30, 2018, 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. From July 1, 2018 on, participating employers are assumed 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the Frederick County Retirement Plan Net Pension Liability (Asset)	\$ 22,407,408	\$ 10,062,275	\$ (93,518)

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

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

For the year ended June 30, 2016, the County recognized pension expense of \$1,417,552. 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, 2016, 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	\$ -	\$ 201,637
Change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	19,756
Net difference between projected and actual earnings on pension plan investments	-	1,838,159
Employer contributions subsequent to the measurement date	<u>2,889,467</u>	<u>-</u>
Total	<u>\$ 2,889,467</u>	<u>\$ 2,059,552</u>

\$2,889,467 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, 2017. 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>Primary Government</u>
2017	\$ (784,871)
2018	(784,871)
2019	(784,870)
2020	295,060
Thereafter	-

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 10 - PENSION PLAN: (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, 2014 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	174
Inactive members:	
Vested inactive members	37
Non-vested inactive members	183
Inactive members active elsewhere in VRS	<u>54</u>
Total inactive members	274
Active members	<u>396</u>
Total covered employees	<u><u>844</u></u>

Contributions

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 7.82% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$652,607 and \$633,671 for the years ended June 30, 2016 and June 30, 2015, respectively.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Net Pension Liability/Asset

The Component Unit School Board's (nonprofessional) net pension liability/asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Changes in Net Pension Liability/Asset

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a) - (b)
Balances at June 30, 2014	\$ 20,206,506	\$ 20,651,394	\$ (444,888)
Changes for the year:			
Service cost	\$ 907,457	\$ -	\$ 907,457
Interest	1,382,144	-	1,382,144
Differences between expected and actual experience	(109,100)	-	(109,100)
Contributions - employer	-	619,812	(619,812)
Contributions - employee	-	394,323	(394,323)
Net investment income	-	950,171	(950,171)
Benefit payments, including refunds of employee contributions	(923,171)	(923,171)	-
Administrative expenses	-	(12,709)	12,709
Other changes	-	(202)	202
Net changes	<u>\$ 1,257,330</u>	<u>\$ 1,028,224</u>	<u>\$ 229,106</u>
Balances at June 30, 2015	<u>\$ 21,463,836</u>	<u>\$ 21,679,618</u>	<u>\$ (215,782)</u>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$ 2,415,025	\$ (215,782)	\$ (2,423,015)

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

For the year ended June 30, 2016, the Component Unit School Board (nonprofessional) recognized pension expense of \$230,401. At June 30, 2016, 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)	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 76,726
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	533,198
Employer contributions subsequent to the measurement date	<u>652,607</u>	<u>-</u>
Total	<u>\$ 652,607</u>	<u>\$ 609,924</u>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

\$652,607 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, 2017. 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>
2017	\$ (243,317)
2018	(243,317)
2019	(222,921)
2020	99,631
Thereafter	-

Component Unit School Board (professional)

Plan Description

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

Contributions

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$11,746,431 and \$11,211,939 for the years ended June 30, 2016 and June 30, 2015, respectively.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2016, the school division reported a liability of \$134,757,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 1.07066% as compared to 1.03985% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$10,868,000. 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, 2016, 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	\$ -	\$ 1,856,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	8,252,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,346,000	-
Employer contributions subsequent to the measurement date	11,746,431	-
Total	\$ 16,092,431	\$ 10,108,000

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 10 - PENSION PLAN: (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)

\$11,746,431 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, 2017. 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>
2017	\$ (2,655,000)
2018	(2,655,000)
2019	(2,655,000)
2020	2,033,000
Thereafter	170,000

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 197,204,000	\$ 134,757,000	\$ 83,350,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-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, 2016 (Continued)**

NOTE 11 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no expenditures in excess of appropriations for the year ended June 30, 2016.

NOTE 12 - UNAVAILABLE/DEFERRED REVENUE:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
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.	\$ -	\$ 972,291
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.	-	7,179,146
2nd half assessments due in December 2016	42,492,786	42,492,786
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	3,530,438	3,530,438
Total governmental activities	<u>\$ 46,023,224</u>	<u>\$ 54,174,661</u>
	<u>Government-wide Statements</u>	<u>Statement of Net Position</u>
	<u>Business-type Activities</u>	<u>Enterprise Funds</u>
Unearned revenue from landfill operations	\$ 237	\$ 237
Total primary government	<u>\$ 46,023,461</u>	<u>\$ 54,174,898</u>

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

Primary Government and Component Unit School Board:

Federal programs in which the County and School Board participate were audited in accordance with the provisions of 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, 2016 (Continued)**

NOTE 13 - 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, 2016 the following significant items were in process:

- Round Hill Fire Station - estimated completion cost is \$151,395.
- Frederick Middle School - estimated completion cost is \$1,519,444.
- Snowden Bridge Boulevard Road Project - estimated completion cost is \$4,016,013.
- Partial Closure of Area 1 of Landfill – estimated completion cost is \$1,603,106.

Encumbrances. As discussed in Note 1, Budgetary information, Budgetary basis of accounting, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$ <u>2,123,778</u>
Total	\$ <u><u>2,123,778</u></u>

NOTE 14 - LITIGATION:

At June 30, 2016 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 15 - SURETY BONDS:

	<u>Amount</u>
Virginia Department of Risk Management:	
Rebecca Hogan, Clerk of the Circuit Court	\$ 230,000
C. William Orndoff, Jr., Treasurer	750,000
Ellen E. Murphy, Commissioner of Revenue	3,000
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, 2016 (Continued)**

NOTE 16 - SELF INSURANCE/RISK MANAGEMENT:

The County administers employee health and unemployment insurance programs. These insurance activities have been accounted for in Internal Service Funds, the Health Insurance and Unemployment Funds.

The County and its component units have had no reductions in insurance coverages from the prior year. There have been no settlements in excess of insurance coverages for the past three years, other than the payment of deductibles which are immaterial.

Employee Health Insurance:

The County and School Board have contracted with private carriers to administer this activity. The County's Health Insurance Fund recognizes revenue from other fund charges and from other localities and agencies which participate in the County program. The interfund charges are reported as fund expenditures in the funds that have employees participating in the program. The Health Insurance Fund expenses represent premium payments to the private carrier. The premium payments are based on the number insured and benefits.

Claims liability is reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Incurred but not reported claims have been accrued as a liability based upon prior history and estimates from the insurance carrier. Changes in the estimated claims liability for fiscal years 2014, 2015 and 2016 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				
2014	\$ 747,397	\$ 7,426,859	\$ 7,426,204	\$ 748,052
2015	748,052	7,706,399	7,751,080	703,371
2016	703,371	8,710,850	8,641,830	772,391
Component Unit School Board:				
School Operating and Health Insurance Funds				
2014	\$ 1,377,032	\$ 14,327,847	\$ 14,327,334	\$ 1,377,545
2015	1,377,545	16,185,834	16,092,508	1,470,871
2016	1,470,871	18,598,159	18,123,265	1,945,765

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

Unemployment Insurance:

The County is fully self-insured for unemployment claims. The Virginia Employment Commission bills the County for all unemployment claims. The liability for billed but unpaid claims has been accrued in the Unemployment Fund. No liability has been recorded for estimated unreported claims. The amount of estimated unreported claims is not expected to be significant.

Property and Casualty Insurance:

The County contracts with the Virginia Association of Counties Risk Management Program to provide coverages for property damage, employee crime and dishonesty, and general liability. In the event of a loss deficit and depletion of all assets and available insurance of the Pool, the Pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The property coverages are for specific amounts based on values assigned to the insured properties. Liability coverages are for \$5,000,000.

The County also contracts with the Virginia Association of Counties Risk Management Program for its workers compensation coverages. This Pool also has similar provisions as the Virginia Association of Counties Municipal Liability Pool for assumptions of a loss deficit by the members.

The School Board contracts with private insurers for property and liability coverages. Property coverages are for specific property values and liability coverages are \$3,000,000.

NOTE 17 - ACCRUED LANDFILL REMEDIATION COST:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$12,516,508 reported as landfill closure and postclosure care liability at June 30, 2016 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 \$12,516,508 reported as the accrued landfill liability and postclosure costs reflects usage on the new landfill from October 5, 1993 to June 30, 2016. 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 2016. Actual cost may not be higher due to inflation, changes in technology, or changes in regulations.

At June 30, 2016, the solid waste landfill capacity used to date was approximately 21% and 19% for the construction/demolition debris section of the landfill.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

NOTE 17 - ACCRUED LANDFILL REMEDIATION COST: (Continued)

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, 2016 is \$4,871,942 for the municipal solid waste landfill and \$2,699,840 for the construction/demolition debris landfill.

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:

County:

A. Plan Description:

In addition to the pension benefits described in Note 10, the County has a single-employer medical plan that provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. Individuals employed on or after July 1, 1995, and who retire from County service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service), will receive 100% of their health insurance premium until age 65 when they become eligible for Medicare, at which time the County will provide 100% supplemental insurance benefits. Persons employed prior to July 1, 1995 are only required to be 50 years of age and have 20 years of continuous service to be eligible for these benefits. 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.

B. Funding Policy:

The County establishes employer contribution rates for plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For participating retirees the County pays 100% of the monthly premium. Surviving spouses are not allowed access to the plan.

C. Annual OPEB Cost and Net OPEB Obligation:

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

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

County: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Annual required contribution	\$ 3,122,000
Interest on net OPEB obligation	522,000
Adjustment to annual required contribution	<u>(984,000)</u>
Annual OPEB cost (expense)	\$ 2,660,000
Contribution made	<u>586,000</u>
Increase in net OPEB obligation	\$ 2,074,000
Net OPEB obligation - beginning of year	<u>14,918,000</u>
Net OPEB obligation - end of year	<u><u>\$ 16,992,000</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 2,660,000	22.0%	\$ 16,992,000
June 30, 2015	\$ 2,623,000	22.0%	\$ 14,918,000
June 30, 2014	\$ 2,582,000	18.8%	\$ 12,873,000

D. Funded Status and Funding Progress:

The funded status of the plan as of July 1, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 28,870,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	28,870,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	36,323,170
UAAL as a percentage of covered payroll	79%

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

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

County: (Continued)

E. Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Interest Assumptions

In the July 1, 2015, the most recent actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a general inflation rate of 6.2% and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 4.20 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2015 was 22 years.

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

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

School Board:

A. Plan Description:

The School Board Post-Retirement Medical Plan (SBPRMP) is a single-employer medical plan that offers health insurance for retired employees. Retirees can continue the same medical coverage they had (including family coverage) as active employees. Employees must meet retirement eligibility requirements under VRS. Dependents are allowed access to the plan. There is no separate, audited GAAP-basis postemployment benefit plan report for the School Board's Post-Retirement Medical Plan.

B. Funding Policy:

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. Retirees pay 100% of the monthly premium. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

C. Annual OPEB Cost and Net OPEB Obligation:

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation:

Annual required contribution	\$ 511,000
Interest on net OPEB obligation	146,000
Adjustment to annual required contribution	<u>(174,000)</u>
Annual OPEB cost (expense)	\$ 483,000
Contribution made	<u>232,000</u>
Increase in net OPEB obligation	\$ 251,000
Net OPEB obligation - beginning of year	<u>3,659,000</u>
Net OPEB obligation - end of year	<u><u>\$ 3,910,000</u></u>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

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

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 483,000	48%	\$ 3,910,000
June 30, 2015	\$ 759,000	46%	\$ 3,659,000
June 30, 2014	\$ 713,000	45%	\$ 3,250,000

D. Funded Status and Funding Progress:

The funded status of the plan as of July 1, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 4,293,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	4,293,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	91,863,873
UAAL as a percentage of covered payroll	5%

E. Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

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

School Board: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

Cost Method

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Interest Assumptions

In the July 1, 2015, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a general inflation rate of 2.3% and an annual healthcare cost trend rate of 5.0 percent initially, reduced by decrements to an ultimate rate of 3.9 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2015 was 23 years.

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

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

A. Plan Description:

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2016 (Continued)

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

A. Plan Description: (Continued)

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 10.

B. Funding Policy:

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were \$885,577, \$839,954, and \$840,528, respectively and equaled the required contributions for each year.

NOTE 20 - 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

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.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2016 (Continued)**

NOTE 20 - FAIR VALUE MEASUREMENTS: (Continued)

The County has the following recurring fair value measurements as of June 30, 2016:

Investment	6/30/2016	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)
U.S. Government Securities	\$ 729,895	\$ 729,895	\$ -	\$ -
	<u>\$ 729,895</u>	<u>\$ 729,895</u>	<u>\$ -</u>	<u>\$ -</u>

- Required Supplementary Information -

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 87,866,174	\$ 87,866,174	\$ 91,287,479	\$ 3,421,305
Other local taxes	30,599,849	30,599,849	32,321,463	1,721,614
Permits, privilege fees and regulatory licenses	1,636,682	1,663,682	2,264,101	600,419
Fines and forfeitures	355,000	355,000	285,390	(69,610)
Use of money and property	152,466	160,420	199,253	38,833
Charges for services	2,478,226	2,478,226	2,694,962	216,736
Miscellaneous	174,528	249,390	215,771	(33,619)
Recovered costs	1,317,191	1,323,724	3,566,501	2,242,777
Intergovernmental:				
Revenue from the Commonwealth	19,779,931	20,104,779	21,062,833	958,054
Revenue from the Federal Government	3,153,597	3,185,058	3,338,481	153,423
Total revenues	\$ 147,513,644	\$ 147,986,302	\$ 157,236,234	\$ 9,249,932
Expenditures				
Current:				
General Government Administration:				
Board of supervisors	\$ 263,362	\$ 270,931	\$ 241,179	\$ 29,752
County administrator	728,144	784,116	775,948	8,168
County attorney	251,135	278,915	274,657	4,258
Personnel	325,378	406,283	382,064	24,219
Independent auditor	66,000	66,000	63,500	2,500
Commissioner of the Revenue	1,285,256	1,293,950	1,267,616	26,334
Board of assessors	207,677	315,422	236,908	78,514
Treasurer	1,287,345	1,352,205	1,232,118	120,087
Finance	803,348	821,166	792,559	28,607
Information technology	1,289,882	1,304,071	1,118,381	185,690
Management information systems	400,748	558,071	525,003	33,068
Other	1,174,800	2,314,216	2,169,495	144,721
Elections	110,304	177,817	135,925	41,892
Registrar	168,815	173,227	159,301	13,926
Total general government administration	\$ 8,362,194	\$ 10,116,390	\$ 9,374,654	\$ 741,736
Judicial Administration:				
Circuit court	\$ 61,300	\$ 61,300	\$ 64,767	\$ (3,467)
General district court	18,518	28,885	19,276	9,609
Juvenile and domestic relations court	23,950	23,950	15,332	8,618
Clerk of the circuit court	744,828	801,791	712,308	89,483
Law library	12,000	12,000	11,025	975
Juvenile court probation	146,835	147,977	113,988	33,989

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures (Continued)				
Judicial Administration: (Continued)				
Commonwealth attorney	\$ 1,326,068	\$ 1,389,473	\$ 1,325,951	\$ 63,522
Victim/witness program	127,812	143,297	134,650	8,647
Total judicial administration	<u>\$ 2,461,311</u>	<u>\$ 2,608,673</u>	<u>\$ 2,397,297</u>	<u>\$ 211,376</u>
Public Safety:				
Sheriff	\$ 11,644,336	\$ 13,298,943	\$ 12,337,160	\$ 961,783
Volunteer fire departments	895,305	1,393,465	1,190,868	202,597
Ambulance and rescue service	395,200	401,859	401,859	-
Fire and rescue	9,829,760	10,285,566	9,090,314	1,195,252
Regional jail	5,103,298	5,103,298	5,103,298	-
Juvenile detention center	410,260	410,260	404,335	5,925
Inspections	1,151,981	1,250,288	1,183,066	67,222
Public safety communications	1,417,842	1,436,848	1,231,509	205,339
Total public safety	<u>\$ 30,847,982</u>	<u>\$ 33,580,527</u>	<u>\$ 30,942,409</u>	<u>\$ 2,638,118</u>
Public Works:				
Road administration, street lights	\$ 71,700	\$ 71,700	\$ 51,961	\$ 19,739
General engineering and administration	368,937	414,237	409,373	4,864
Refuse collection	1,227,816	1,262,626	1,197,578	65,048
Refuse disposal	423,360	423,360	399,710	23,650
Litter control	25,821	25,821	23,127	2,694
General properties	2,016,705	2,333,606	1,639,307	694,299
Animal shelter	621,381	691,838	597,937	93,901
Total public works	<u>\$ 4,755,720</u>	<u>\$ 5,223,188</u>	<u>\$ 4,318,993</u>	<u>\$ 904,195</u>
Health and Welfare:				
Health department	\$ 301,000	\$ 301,000	\$ 301,000	\$ -
Northwestern Community Services Board	318,000	318,000	318,000	-
Welfare and social services	6,978,956	7,223,956	6,796,466	427,490
Tax relief for the elderly	520,000	520,000	529,607	(9,607)
Area Agency on Aging	60,000	60,000	60,000	-
Total health and welfare	<u>\$ 8,177,956</u>	<u>\$ 8,422,956</u>	<u>\$ 8,005,073</u>	<u>\$ 417,883</u>
Education:				
Community college	\$ 56,000	\$ 56,000	\$ 56,000	\$ -
Appropriation to public school system	72,076,068	80,295,819	78,716,304	1,579,515
Total education	<u>\$ 72,132,068</u>	<u>\$ 80,351,819</u>	<u>\$ 78,772,304</u>	<u>\$ 1,579,515</u>

COUNTY OF FREDERICK, VIRGINIA

**Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2016**

	<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	\$ 5,029,726	\$ 5,686,014	\$ 5,223,131	\$ 462,883
Regional library	862,665	862,665	862,665	-
Total parks, recreation and cultural	<u>\$ 5,892,391</u>	<u>\$ 6,548,679</u>	<u>\$ 6,085,796</u>	<u>\$ 462,883</u>
Community Development:				
Planning and community development	\$ 1,107,148	\$ 1,125,286	\$ 1,022,402	\$ 102,884
Economic Development Commission	572,948	875,489	872,948	2,541
Zoning board	6,368	6,368	4,840	1,528
Building appeals board	550	550	-	550
NSV Regional Commission	44,085	45,301	45,301	-
Soil and Water Conservation District	7,000	7,000	7,000	-
Cooperative extension program	234,788	237,267	215,528	21,739
Total community development	<u>\$ 1,972,887</u>	<u>\$ 2,297,261</u>	<u>\$ 2,168,019</u>	<u>\$ 129,242</u>
Debt Service:				
Principal	\$ 914,030	\$ 914,030	\$ 914,030	-
Interest and fiscal charges	1,147,615	1,147,615	1,066,112	81,503
Total debt service	<u>\$ 2,061,645</u>	<u>\$ 2,061,645</u>	<u>\$ 1,980,142</u>	<u>\$ 81,503</u>
Total expenditures	<u>\$ 136,664,154</u>	<u>\$ 151,211,138</u>	<u>\$ 144,044,687</u>	<u>\$ 7,166,451</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 10,849,490</u>	<u>\$ (3,224,836)</u>	<u>\$ 13,191,547</u>	<u>\$ 16,416,383</u>
Other Financing Sources (Uses)				
Transfers out	<u>\$ (18,149,487)</u>	<u>\$ (18,384,971)</u>	<u>\$ (16,100,440)</u>	<u>\$ 2,284,531</u>
Total other financing sources (uses)	<u>\$ (18,149,487)</u>	<u>\$ (18,384,971)</u>	<u>\$ (16,100,440)</u>	<u>\$ 2,284,531</u>
Net change in fund balance	\$ (7,299,997)	\$ (21,609,807)	\$ (2,908,893)	\$ 18,700,914
Fund balance, beginning of year	<u>7,299,997</u>	<u>21,609,807</u>	<u>57,538,941</u>	<u>35,929,134</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,630,048</u>	<u>\$ 54,630,048</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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 699,900	\$ 699,900	\$ 756,528	\$ 56,628
Use of money and property	8,000	8,000	5,255	(2,745)
Recovered costs	1,000	1,000	2,146	1,146
Total revenues	<u>\$ 708,900</u>	<u>\$ 708,900</u>	<u>\$ 763,929</u>	<u>\$ 55,029</u>
Expenditures				
Current:				
Community Development	\$ 811,027	\$ 811,026	\$ 651,358	\$ 159,668
Net change in fund balance	\$ (102,127)	\$ (102,126)	\$ 112,571	\$ 214,697
Fund balance, beginning of year	<u>102,127</u>	<u>102,126</u>	<u>1,976,210</u>	<u>1,874,084</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,088,781</u>	<u>\$ 2,088,781</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 800,570	\$ 2,060,570	\$ 2,018,959	\$ (41,611)
Use of money and property	-	-	715	715
Total revenues	<u>\$ 800,570</u>	<u>\$ 2,060,570</u>	<u>\$ 2,019,674</u>	<u>\$ (40,896)</u>
Expenditures				
Current:				
Community Development	\$ 61,340	\$ 1,321,340	\$ 1,100,401	\$ 220,939
Debt Service:				
Principal	\$ 342,500	\$ 342,500	\$ 342,500	-
Interest and fiscal charges	396,730	396,730	394,256	2,474
Total debt service	<u>\$ 739,230</u>	<u>\$ 739,230</u>	<u>\$ 736,756</u>	<u>\$ 2,474</u>
Total expenditures	<u>\$ 800,570</u>	<u>\$ 2,060,570</u>	<u>\$ 1,837,157</u>	<u>\$ 223,413</u>
Net change in fund balance	\$ -	\$ -	\$ 182,517	\$ 182,517
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>2,588,576</u>	<u>2,588,576</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,771,093</u></u>	<u><u>\$ 2,771,093</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
June 30, 2016

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					
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)					
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 Components of and Changes in Net Pension Liability(Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 907,457	\$ 900,416
Interest	1,382,144	1,292,100
Changes of benefit terms	-	-
Differences between expected and actual experience	(109,100)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(923,171)</u>	<u>(889,176)</u>
Net change in total pension liability	\$ 1,257,330	\$ 1,303,340
Total pension liability - beginning	<u>20,206,506</u>	<u>18,903,166</u>
Total pension liability - ending (a)	<u>\$ 21,463,836</u>	<u>\$ 20,206,506</u>
Plan fiduciary net position		
Contributions - employer	\$ 619,812	\$ 739,310
Contributions - employee	394,323	388,036
Net investment income	950,171	2,794,997
Benefit payments, including refunds of employee contributions	(923,171)	(889,176)
Administrative expense	(12,709)	(14,741)
Other	<u>(202)</u>	<u>148</u>
Net change in plan fiduciary net position	\$ 1,028,224	\$ 3,018,574
Plan fiduciary net position - beginning	<u>20,651,394</u>	<u>17,632,820</u>
Plan fiduciary net position - ending (b)	<u>\$ 21,679,618</u>	<u>\$ 20,651,394</u>
School Division's net pension liability(asset) - ending (a) - (b)	\$ (215,782)	\$ (444,888)
Plan fiduciary net position as a percentage of the total pension liability	101.01%	102.20%
Covered payroll	\$ 7,965,421	\$ 7,474,164
School Division's net pension liability as a percentage of covered payroll	-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
For the Year Ended June 30, 2016

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					
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)					
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)					
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
June 30, 2016**

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

COUNTY OF FREDERICK, VIRGINIA

Schedule of OPEB Funding Progress
For the Year Ended June 30, 2016

County

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll (6)	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2015	\$ -	\$ 28,870,000	\$ 28,870,000	0.00%	\$ 36,323,170	79%
7/1/2014	-	29,201,000	29,201,000	0.00%	34,133,016	86%
7/1/2013	-	27,572,000	27,572,000	0.00%	32,304,393	85%

Discretely Presented Component Unit - School Board

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll (6)	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2015	\$ -	\$ 4,293,000	\$ 4,293,000	0.00%	\$ 91,863,873	5%
7/1/2014	-	6,439,000	6,439,000	0.00%	87,206,399	7%
7/1/2013	-	6,065,000	6,065,000	0.00%	83,197,429	7%

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

COUNTY OF FREDERICK, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2016

	<u>Division of Court Services Fund</u>	<u>Comprehensive Services Act Fund</u>	<u>EMS Revenue Recovery Fund</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 361,189	\$ 283,053	\$ 454,624	\$ 1,098,866
Receivables	2,490	-	-	2,490
Due from other governments	-	348,116	-	348,116
Total assets	<u>\$ 363,679</u>	<u>\$ 631,169</u>	<u>\$ 454,624</u>	<u>\$ 1,449,472</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 9,577	\$ 156,216	\$ 219,569	\$ 385,362
Due to other funds	-	478,661	-	478,661
Total liabilities	<u>\$ 9,577</u>	<u>\$ 634,877</u>	<u>\$ 219,569</u>	<u>\$ 864,023</u>
Fund Balance				
Committed	\$ 354,102	-	\$ 235,055	\$ 589,157
Unassigned	-	(3,708)	-	(3,708)
Total fund balance	<u>\$ 354,102</u>	<u>\$ (3,708)</u>	<u>\$ 235,055</u>	<u>\$ 585,449</u>
Total liabilities and fund balance	<u>\$ 363,679</u>	<u>\$ 631,169</u>	<u>\$ 454,624</u>	<u>\$ 1,449,472</u>

COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016**

	<u>Division of Court Services Fund</u>	<u>Comprehensive Services Act Fund</u>	<u>EMS Revenue Recovery Fund</u>	<u>Total</u>
Revenues				
Use of money and property	\$ 2,132	\$ -	\$ -	\$ 2,132
Charges for services	470,156	-	1,592,698	2,062,854
Recovered costs	121,145	-	-	121,145
Intergovernmental:				
Revenue from the Commonwealth	-	1,241,080	-	1,241,080
Revenue from the Federal Government	-	72,145	-	72,145
Total revenues	<u>\$ 593,433</u>	<u>\$ 1,313,225</u>	<u>\$ 1,592,698</u>	<u>\$ 3,499,356</u>
Expenditures				
Current:				
Judicial administration	\$ 552,740	\$ -	\$ -	\$ 552,740
Public safety	-	-	1,825,462	1,825,462
Health and welfare	-	1,868,883	-	1,868,883
Education	-	1,013,224	-	1,013,224
Total expenditures	<u>\$ 552,740</u>	<u>\$ 2,882,107</u>	<u>\$ 1,825,462</u>	<u>\$ 5,260,309</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 40,693</u>	<u>\$ (1,568,882)</u>	<u>\$ (232,764)</u>	<u>\$ (1,760,953)</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ 1,450,535</u>	<u>\$ -</u>	<u>\$ 1,450,535</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 1,450,535</u>	<u>\$ -</u>	<u>\$ 1,450,535</u>
Net change in fund balance	\$ 40,693	\$ (118,347)	\$ (232,764)	\$ (310,418)
Fund balance, beginning of year	<u>313,409</u>	<u>114,639</u>	<u>467,819</u>	<u>895,867</u>
Fund balance, end of year	<u><u>\$ 354,102</u></u>	<u><u>\$ (3,708)</u></u>	<u><u>\$ 235,055</u></u>	<u><u>\$ 585,449</u></u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Net Position
Internal Service Funds
At June 30, 2016

	Health Insurance Fund	Central Stores Fund	Unemploy- ment Fund	Volunteer Fire and Rescue Fund	Maintenance Insurance Fund	Total Internal Service Funds
Assets						
Current assets:						
Cash and cash equivalents	\$ 9,146,356	\$ 188,604	\$ -	\$ 56,100	\$ 290,892	\$ 9,681,952
Total assets	<u>\$ 9,146,356</u>	<u>\$ 188,604</u>	<u>\$ -</u>	<u>\$ 56,100</u>	<u>\$ 290,892</u>	<u>\$ 9,681,952</u>
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	\$ 10,044	\$ 854	\$ -	\$ -	\$ 1,078	\$ 11,976
Claims payable	<u>772,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>772,391</u>
Total liabilities	<u>\$ 782,435</u>	<u>\$ 854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,078</u>	<u>\$ 784,367</u>
Net Position						
Unrestricted	<u>\$ 8,363,921</u>	<u>\$ 187,750</u>	<u>\$ -</u>	<u>\$ 56,100</u>	<u>\$ 289,814</u>	<u>\$ 8,897,585</u>
Total net position	<u>\$ 8,363,921</u>	<u>\$ 187,750</u>	<u>\$ -</u>	<u>\$ 56,100</u>	<u>\$ 289,814</u>	<u>\$ 8,897,585</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2016

	<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>
Operating revenues						
Charges for services	\$ 9,605,768	\$ 10,728	\$ -	\$ -	\$ 9,783	\$ 9,626,279
Operating Expenses						
Benefits and related expenses	\$ 8,641,830	\$ -	\$ 12,567	\$ 1,048	\$ -	\$ 8,655,445
Services and supplies	-	7,250	-	-	7,476	14,726
Total operating expenses	\$ 8,641,830	\$ 7,250	\$ 12,567	\$ 1,048	\$ 7,476	\$ 8,670,171
Operating income (loss)	\$ 963,938	\$ 3,478	\$ (12,567)	\$ (1,048)	\$ 2,307	\$ 956,108
Nonoperating revenues						
Investment income	23,548	504	-	-	766	24,818
Income(loss) before transfers	\$ 987,486	\$ 3,982	\$ (12,567)	\$ (1,048)	\$ 3,073	\$ 980,926
Transfers in	-	-	19,364	-	-	19,364
Change in net position	\$ 987,486	\$ 3,982	\$ 6,797	\$ (1,048)	\$ 3,073	\$ 1,000,290
Net position, beginning of year	7,376,435	183,768	(6,797)	57,148	286,741	7,897,295
Net position, end of year	\$ 8,363,921	\$ 187,750	\$ -	\$ 56,100	\$ 289,814	\$ 8,897,585

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2016

	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	\$ 9,605,768	\$ -	\$ -	\$ -	\$ 9,783	\$ 9,615,551
Receipts from services	-	10,728	-	-	-	10,728
Payments to suppliers	(8,571,771)	(7,092)	-	(1,048)	(7,377)	(8,587,288)
Other payments	-	-	(19,364)	-	-	(19,364)
Net cash provided by (used for) operating activities	<u>\$ 1,033,997</u>	<u>\$ 3,636</u>	<u>\$ (19,364)</u>	<u>\$ (1,048)</u>	<u>\$ 2,406</u>	<u>\$ 1,019,627</u>
Cash flows from noncapital financing activities:						
Transfers in	\$ -	\$ -	\$ 19,364	\$ -	\$ -	\$ 19,364
Cash flows from investing activities						
Investment income	<u>\$ 23,548</u>	<u>\$ 504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 766</u>	<u>\$ 24,818</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,057,545	\$ 4,140	\$ -	\$ (1,048)	\$ 3,172	\$ 1,063,809
Balances, beginning of year	<u>8,088,811</u>	<u>184,464</u>	<u>-</u>	<u>57,148</u>	<u>287,720</u>	<u>8,618,143</u>
Balances, end of year	<u><u>\$ 9,146,356</u></u>	<u><u>\$ 188,604</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 56,100</u></u>	<u><u>\$ 290,892</u></u>	<u><u>\$ 9,681,952</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 963,938	\$ 3,478	\$ (12,567)	\$ (1,048)	\$ 2,307	\$ 956,108
Change in assets and liabilities:						
Receivables, net	6,830	-	-	-	-	6,830
Accounts payable	1,039	158	(6,797)	-	99	(5,501)
Unearned revenue	(6,830)	-	-	-	-	(6,830)
Claims payable	69,020	-	-	-	-	69,020
Net cash provided by (used for) operating activities	<u><u>\$ 1,033,997</u></u>	<u><u>\$ 3,636</u></u>	<u><u>\$ (19,364)</u></u>	<u><u>\$ (1,048)</u></u>	<u><u>\$ 2,406</u></u>	<u><u>\$ 1,019,627</u></u>

COUNTY OF FREDERICK, VIRGINIA

Statement of Fiduciary Net Position
 Private Purpose Trust Fund
 At June 30, 2016

	Endowment Trust Fund
Assets	
Cash and cash equivalents	\$ 274,859
Total assets	<u>\$ 274,859</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,097
Total liabilities	<u>\$ 1,097</u>
Net Position	<u>\$ 273,762</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Fiduciary Net Position
Agency Funds
At June 30, 2016

	Special Welfare Fund	Northwestern Regional Jail Authority Fund	Winchester Regional Airport Fund	Undistributed Local Sales Tax Fund	State Sales Tax Fund	Northwestern Regional Education Program Fund	Total
Assets							
Cash and cash equivalents	\$ 105,547	\$ 5,752,179	\$ 6,053	\$ -	\$ 2,193	\$ 880,498	\$ 6,746,470
Receivables	-	132,851	128,872	-	-	4,522	266,245
Due from other governmental units	-	804,701	4,577	44,866	-	-	854,144
Total assets	<u>\$ 105,547</u>	<u>\$ 6,689,731</u>	<u>\$ 139,502</u>	<u>\$ 44,866</u>	<u>\$ 2,193</u>	<u>\$ 885,020</u>	<u>\$ 7,866,859</u>
Liabilities							
Accounts payable and accrued liabilities	\$ -	\$ 540,108	\$ 125,031	\$ 44,866	\$ 151	\$ 530,088	\$ 1,240,244
Amounts held for others	105,547	6,149,623	14,471	-	2,042	354,932	6,626,615
Total liabilities	<u>\$ 105,547</u>	<u>\$ 6,689,731</u>	<u>\$ 139,502</u>	<u>\$ 44,866</u>	<u>\$ 2,193</u>	<u>\$ 885,020</u>	<u>\$ 7,866,859</u>

COUNTY OF FREDERICK, VIRGINIA

Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
Year Ended June 30, 2016

		Endowment Trust Fund
		<hr/>
Additions:		
Investment earnings	\$	755
Miscellaneous		57,259
		<hr/>
Total additions	\$	58,014
 Deductions:		
Education		35,426
		<hr/>
Change in net position	\$	22,588
 Net position, beginning of year		
		<hr/>
		251,174
 Net position, end of year		
		<hr/>
		\$ 273,762
		<hr/> <hr/>

COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2016**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 105,116	\$ 115,223	\$ 114,792	\$ 105,547
Liabilities:				
Amounts held for others	\$ 105,116	\$ 115,223	\$ 114,792	\$ 105,547
Northwestern Regional Jail Authority Fund:				
Assets:				
Cash and cash equivalents	\$ 4,766,779	\$ 20,334,121	\$ 19,348,721	\$ 5,752,179
Receivables	195,549	132,851	195,549	132,851
Due from other governmental units	802,579	804,701	802,579	804,701
Total assets	\$ 5,764,907	\$ 21,271,673	\$ 20,346,849	\$ 6,689,731
Liabilities:				
Accounts payable and accrued liabilities	\$ 387,033	\$ 540,108	\$ 387,033	\$ 540,108
Amounts held for others	5,377,874	20,731,565	19,959,816	6,149,623
Total liabilities	\$ 5,764,907	\$ 21,271,673	\$ 20,346,849	\$ 6,689,731
Winchester Regional Airport Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 4,067,497	\$ 4,061,444	\$ 6,053
Receivables	46,112	128,872	46,112	128,872
Due from other governmental units	562,291	4,577	562,291	4,577
Total assets	\$ 608,403	\$ 4,200,946	\$ 4,669,847	\$ 139,502
Liabilities:				
Accounts payable and accrued liabilities	\$ 619,107	\$ 125,031	\$ 619,107	\$ 125,031
Amounts held for others	(10,704)	4,075,915	4,050,740	14,471
Total liabilities	\$ 608,403	\$ 4,200,946	\$ 4,669,847	\$ 139,502
Undistributed Local Sales Tax Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 13,199,901	\$ 13,199,901	\$ -
Due from other governmental units	43,455	44,866	43,455	44,866
Total assets	\$ 43,455	\$ 13,244,767	\$ 13,243,356	\$ 44,866

COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2016 (Continued)**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Undistributed Local Sales Tax Fund: (Continued)				
Liabilities:				
Accounts payable and accrued liabilities	\$ 43,455	\$ 13,244,767	\$ 13,243,356	\$ 44,866
State Sales Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 2,244	\$ 1,451	\$ 1,502	\$ 2,193
Liabilities:				
Accounts payable and accrued liabilities	\$ 142	\$ 151	\$ 142	\$ 151
Amounts held for others	2,102	1,300	1,360	2,042
Total liabilities	\$ 2,244	\$ 1,451	\$ 1,502	\$ 2,193
Northwestern Regional Education Program Fund:				
Assets:				
Cash and cash equivalents	\$ 747,818	\$ 4,736,885	\$ 4,604,205	\$ 880,498
Receivables	6,459	4,522	6,459	4,522
Total assets	\$ 754,277	\$ 4,741,407	\$ 4,610,664	\$ 885,020
Liabilities:				
Accounts payable and accrued liabilities	\$ 497,542	\$ 530,088	\$ 497,542	\$ 530,088
Amounts held for others	256,735	4,211,319	4,113,122	354,932
Total liabilities	\$ 754,277	\$ 4,741,407	\$ 4,610,664	\$ 885,020
Total -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 5,621,957	\$ 42,455,078	\$ 41,330,565	\$ 6,746,470
Receivables	248,120	266,245	248,120	266,245
Due from other governmental units	1,408,325	854,144	1,408,325	854,144
Total assets	\$ 7,278,402	\$ 43,575,467	\$ 42,987,010	\$ 7,866,859
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,547,279	\$ 14,440,145	\$ 14,747,180	\$ 1,240,244
Amounts held for others	5,731,123	29,135,322	28,239,830	6,626,615
Total liabilities	\$ 7,278,402	\$ 43,575,467	\$ 42,987,010	\$ 7,866,859

COUNTY OF FREDERICK, VIRGINIA

**Revenue and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2016**

	<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	\$ -	\$ -	\$ 2,132	\$ 2,132
Charges for services	466,243	466,243	470,156	3,913
Recovered costs	141,939	141,939	121,145	(20,794)
Total revenues	<u>\$ 608,182</u>	<u>\$ 608,182</u>	<u>\$ 593,433</u>	<u>\$ (14,749)</u>
Expenditures				
Judicial Administration				
Division of Court Services	\$ 620,640	\$ 620,639	\$ 552,740	\$ 67,899
Total expenditures	<u>\$ 620,640</u>	<u>\$ 620,639</u>	<u>\$ 552,740</u>	<u>\$ 67,899</u>
EMS Revenue Recovery Fund				
Revenues				
Charges for services	\$ 1,501,000	\$ 1,592,698	\$ 1,592,698	\$ -
Total revenues	<u>\$ 1,501,000</u>	<u>\$ 1,592,698</u>	<u>\$ 1,592,698</u>	<u>\$ -</u>
Expenditures				
Public Safety				
EMS Revenue Recovery Fund	\$ 1,501,000	\$ 1,825,465	\$ 1,825,462	\$ 3
Total expenditures	<u>\$ 1,501,000</u>	<u>\$ 1,825,465</u>	<u>\$ 1,825,462</u>	<u>\$ 3</u>
Capital Projects Funds				
Capital Projects Fund				
Revenues				
Recovered costs	\$ -	\$ 3,934,937	\$ 2,555,969	\$ (1,378,968)
Miscellaneous	-	-	41,628	41,628
Intergovernmental: Revenue from the Commonwealth	-	3,925,355	1,677,555	(2,247,800)
Total revenues	<u>\$ -</u>	<u>\$ 7,860,292</u>	<u>\$ 4,275,152</u>	<u>\$ (3,585,140)</u>
Expenditures				
Capital projects	\$ -	\$ -	\$ 28,951,183	\$ (28,951,183)
Capital projects	-	10,992,507	10,353,916	638,591
Bond issuance costs	-	-	260,203	(260,203)
Total expenditures	<u>\$ -</u>	<u>\$ 10,992,507</u>	<u>\$ 39,565,302</u>	<u>\$ (28,572,795)</u>
Debt Service Funds				
School Debt Service Fund				
Revenues				
Intergovernmental: Categorical aid: Revenue from the Commonwealth	\$ 61,261	\$ 61,261	\$ 76,264	\$ 15,003
Revenue from the Federal Government	275,782	275,782	277,270	1,488
Total revenues	<u>\$ 337,043</u>	<u>\$ 337,043</u>	<u>\$ 353,534</u>	<u>\$ 16,491</u>
Expenditures				
Principal and interest	\$ 15,236,485	\$ 15,236,485	\$ 15,153,330	\$ 83,155
Total expenditures	<u>\$ 15,236,485</u>	<u>\$ 15,236,485</u>	<u>\$ 15,153,330</u>	<u>\$ 83,155</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, 2016

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	School Special Grants Fund	School Capital Projects Fund	School Capital Fund	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 12,882,174	\$ 2,045,518	\$ 1,718,989	\$ -	\$ 12,765,650	\$ 4,144,616	\$ 33,556,947
Accounts receivable	121,165	12,818	158	-	-	-	134,141
Due from other governments	4,190,538	38,740	-	-	-	-	4,229,278
Inventory	-	272,504	-	-	-	-	272,504
Total assets	\$ 17,193,877	\$ 2,369,580	\$ 1,719,147	\$ -	\$ 12,765,650	\$ 4,144,616	\$ 38,192,870
Liabilities							
Accounts payable and accrued liabilities	\$ 17,193,877	\$ 426,733	\$ 4,314	\$ -	\$ 6,147,227	\$ 45,134	\$ 23,817,285
Total liabilities	\$ 17,193,877	\$ 426,733	\$ 4,314	\$ -	\$ 6,147,227	\$ 45,134	\$ 23,817,285
Fund Balance							
Nonspendable	\$ -	\$ 272,504	\$ -	\$ -	\$ -	\$ -	\$ 272,504
Restricted	-	-	-	-	6,106,170	-	6,106,170
Committed	-	1,670,343	1,714,833	-	512,253	4,099,482	7,996,911
Total fund balance	\$ -	\$ 1,942,847	\$ 1,714,833	\$ -	\$ 6,618,423	\$ 4,099,482	\$ 14,375,585
Total liabilities and fund balance	\$ 17,193,877	\$ 2,369,580	\$ 1,719,147	\$ -	\$ 12,765,650	\$ 4,144,616	\$ 38,192,870

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 At June 30, 2016

Total fund balances for governmental funds (Exhibit 30)	\$	14,375,585
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land and improvements	\$	10,371,499
Construction in progress		10,835,355
Buildings and improvements, net of depreciation		151,822,516
Equipment, net of depreciation		10,851,177
School Board capital assets in primary government, net of depreciation		<u>(56,216,700)</u>
Total capital assets		127,663,847
The net pension asset is not an available resource and, therefore, is not reported in the funds.		215,782
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.		12,399,038
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. This includes items related to measurement of net pension liability.		(10,717,924)
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:		2,243,174
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	\$	(2,063,751)
Net OPEB obligation		(3,910,000)
Change in proportion of net pension liability		4,346,000
Net Pension liability		<u>(134,757,000)</u>
Total		<u>(136,384,751)</u>
Total net position of governmental activities (Exhibit 1)	\$	<u><u>9,794,751</u></u>

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2016

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	School Special Grants Fund	School Capital Projects Fund	School Capital Fund	Total Governmental Funds
Revenues							
Use of money and property	\$ 375,195	\$ 4,085	\$ 3,882	\$ -	\$ 39,093	\$ -	\$ 422,255
Charges for services	223,586	2,321,263	1,532	-	-	-	2,546,381
Miscellaneous	400,159	-	-	-	-	-	400,159
Intergovernmental:							
Appropriation from primary government	72,214,780	-	-	-	32,151,183	4,314,747	108,680,710
Revenue from the Commonwealth	69,264,017	89,227	788,171	-	-	-	70,141,415
Revenue from the Federal Government	4,277,024	2,817,975	-	-	-	-	7,094,999
Total revenues	\$ 146,754,761	\$ 5,232,550	\$ 793,585	\$ -	\$ 32,190,276	\$ 4,314,747	\$ 189,285,919
Expenditures							
Current:							
Education:							
Instruction	\$ 112,379,492	\$ -	\$ 625,991	\$ 3,402	\$ -	\$ 863,222	\$ 113,872,107
Administration, attendance and health	6,296,947	-	-	-	-	-	6,296,947
Transportation	8,122,430	-	-	-	-	-	8,122,430
Facilities operations	12,271,610	-	-	-	-	-	12,271,610
Building improvements	135,298	-	-	-	-	-	135,298
Technology	7,073,372	-	-	-	-	-	7,073,372
School food services	-	4,855,036	-	-	-	-	4,855,036
Capital projects	-	-	-	-	33,868,423	-	33,868,423
Total expenditures	\$ 146,279,149	\$ 4,855,036	\$ 625,991	\$ 3,402	\$ 33,868,423	\$ 863,222	\$ 186,495,223
Excess (deficiency) of revenues over (under) expenditures	\$ 475,612	\$ 377,514	\$ 167,594	\$ (3,402)	\$ (1,678,147)	\$ 3,451,525	\$ 2,790,696
Other financing sources (uses)							
Transfers in	\$ -	\$ 5,873	\$ 469,739	\$ -	\$ -	\$ -	\$ 475,612
Transfers out	(475,612)	-	-	-	-	-	(475,612)
Total other financing sources (uses)	\$ (475,612)	\$ 5,873	\$ 469,739	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ 383,387	\$ 637,333	\$ (3,402)	\$ (1,678,147)	\$ 3,451,525	\$ 2,790,696
Fund balance, beginning of year	-	1,559,460	1,077,500	3,402	8,296,570	647,957	11,584,889
Fund balance, end of year	-	1,942,847	1,714,833	-	6,618,423	4,099,482	14,375,585

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, 2016

Net change in fund balances - total governmental funds (Exhibit 32) \$ 2,790,696

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	\$ 34,997,341	
Depreciation	<u>(5,014,810)</u>	29,982,531

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. (19,264,342)

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. This includes the change in deferred inflows related to the measurement of the net pension liability/asset. 9,174,376

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

Compensated absences	\$ 94,246	
Decrease (increase) in net pension liability/asset	(9,094,000)	
Increase (decrease) in net pension asset	(229,106)	
Decrease (increase) in deferred outflows related to pension payments subsequent to the measurement date and other pension items.	3,806,428	
Net OPEB obligation	<u>(251,000)</u>	(5,673,432)

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. (1,756,578)

Change in net position of governmental activities (Exhibit 2) \$ 15,253,251

COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board
Statement of Net Position
Internal Service Funds
At June 30, 2016**

	Health Insurance Fund	Consolidated Services Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,390,453	\$ 222,140	\$ 5,612,593
Receivables, net	46,753	16,434	63,187
Inventory	-	278,961	278,961
Total assets	<u>\$ 5,437,206</u>	<u>\$ 517,535</u>	<u>\$ 5,954,741</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,612,579	\$ 153,223	\$ 1,765,802
Claims payable	<u>1,945,765</u>	<u>-</u>	<u>1,945,765</u>
Total current liabilities	<u>\$ 3,558,344</u>	<u>\$ 153,223</u>	<u>\$ 3,711,567</u>
Net Position			
Unrestricted	<u>\$ 1,878,862</u>	<u>\$ 364,312</u>	<u>\$ 2,243,174</u>
Total net position	<u>\$ 1,878,862</u>	<u>\$ 364,312</u>	<u>\$ 2,243,174</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, 2016

	<u>Health Insurance Fund</u>	<u>Consolidated Services Fund</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 16,346,950	\$ 2,553,757	\$ 18,900,707
Operating Expenses			
Benefits and related expenses	\$ 18,123,265	\$ -	\$ 18,123,265
Facilities operations	-	2,549,415	2,549,415
Total operating expenses	\$ 18,123,265	\$ 2,549,415	\$ 20,672,680
Operating income (loss)	\$ (1,776,315)	\$ 4,342	\$ (1,771,973)
Nonoperating revenues			
Investment income	15,395	-	15,395
Change in net position	\$ (1,760,920)	\$ 4,342	\$ (1,756,578)
Net position, beginning of year	<u>3,639,782</u>	<u>359,970</u>	<u>3,999,752</u>
Net position, end of year	<u>\$ 1,878,862</u>	<u>\$ 364,312</u>	<u>\$ 2,243,174</u>

COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board
Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2016**

	Health Insurance Fund	Consolidated Services Fund	Total
Cash flows from operating activities			
Receipts from insured	\$ 16,353,453	\$ -	\$ 16,353,453
Receipts from services		2,549,264	2,549,264
Payments to suppliers	(18,036,059)	(2,577,515)	(20,613,574)
Net cash provided by (used for) operating activities	\$ (1,682,606)	\$ (28,251)	\$ (1,710,857)
Cash flows from investing activities			
Investment income	15,395	-	15,395
Net increase (decrease) in cash and cash equivalents	\$ (1,667,211)	\$ (28,251)	\$ (1,695,462)
Balances, beginning of year	<u>7,057,664</u>	<u>250,391</u>	<u>7,308,055</u>
Balance, end of year	<u>\$ 5,390,453</u>	<u>\$ 222,140</u>	<u>\$ 5,612,593</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (1,776,315)	\$ 4,342	\$ (1,771,973)
Change in assets and liabilities:			
Receivables, net	6,503	(4,493)	2,010
Inventory	-	(22,100)	(22,100)
Accounts payable	(387,688)	(6,000)	(393,688)
Claims payable	474,894	-	474,894
Net cash provided by (used for) operating activities	<u>\$ (1,682,606)</u>	<u>\$ (28,251)</u>	<u>\$ (1,710,857)</u>

COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board
School Operating Fund
Budgetary Comparison Schedule
Year Ended June 30, 2016**

	<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	\$ 356,576	\$ 356,576	\$ 375,195	\$ 18,619
Charges for services	248,750	248,750	223,586	(25,164)
Miscellaneous	450,979	481,998	400,159	(81,839)
Intergovernmental:				
Appropriation from primary government	72,076,068	72,781,072	72,214,780	(566,292)
Revenue from the Commonwealth	70,040,965	69,825,620	69,264,017	(561,603)
Revenue from the Federal Government	4,855,589	5,039,915	4,277,024	(762,891)
Total revenues	<u>\$ 148,028,927</u>	<u>\$ 148,733,931</u>	<u>\$ 146,754,761</u>	<u>\$ (1,979,170)</u>
Expenditures				
Current:				
Education:				
Instruction	\$ 113,461,369	\$ 112,663,599	\$ 112,379,492	\$ 284,107
Administration, attendance and health	6,387,424	6,386,251	6,296,947	89,304
Transportation	8,698,744	8,249,665	8,122,430	127,235
Facilities operations	12,842,221	13,247,601	12,271,610	975,991
Building improvements	204,412	203,021	135,298	67,723
Technology	5,965,018	7,508,182	7,073,372	434,810
Total expenditures	<u>\$ 147,559,188</u>	<u>\$ 148,258,319</u>	<u>\$ 146,279,149</u>	<u>\$ 1,979,170</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 469,739</u>	<u>\$ 475,612</u>	<u>\$ 475,612</u>	<u>\$ -</u>
Other financing sources (uses)				
Transfers out	<u>\$ (469,739)</u>	<u>\$ (475,612)</u>	<u>\$ (475,612)</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ (469,739)</u>	<u>\$ (475,612)</u>	<u>\$ (475,612)</u>	<u>\$ -</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, 2016

	<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	\$ 2,484	\$ 2,484	\$ 4,085	\$ 1,601
Charges for services	2,512,312	2,513,312	2,321,263	(192,049)
Intergovernmental:				
Revenue from the Commonwealth	89,184	89,184	89,227	43
Revenue from the Federal Government	2,514,855	2,514,855	2,817,975	303,120
Total revenues	<u>\$ 5,118,835</u>	<u>\$ 5,119,835</u>	<u>\$ 5,232,550</u>	<u>\$ 112,715</u>
Expenditures:				
School food service operations	<u>\$ 6,626,934</u>	<u>\$ 6,626,934</u>	<u>\$ 4,855,036</u>	<u>\$ 1,771,898</u>
School Textbook Fund				
Revenues:				
Revenue from use of money and property	\$ 5,000	\$ 5,000	\$ 3,882	\$ (1,118)
Charges for services	6,500	6,500	1,532	(4,968)
Intergovernmental:				
Revenue from the Commonwealth	793,340	793,340	788,171	(5,169)
Total revenues	<u>\$ 804,840</u>	<u>\$ 804,840</u>	<u>\$ 793,585</u>	<u>\$ (11,255)</u>
Expenditures:				
Instruction	<u>\$ 1,900,544</u>	<u>\$ 1,900,544</u>	<u>\$ 625,991</u>	<u>\$ 1,274,553</u>
School Special Grants Fund				
Revenues:				
Miscellaneous	\$ -	\$ 3,402	\$ -	\$ (3,402)
Total revenues	<u>\$ -</u>	<u>\$ 3,402</u>	<u>\$ -</u>	<u>\$ (3,402)</u>
Expenditures:				
Instruction	<u>\$ -</u>	<u>\$ 3,402</u>	<u>\$ 3,402</u>	<u>\$ -</u>
School Capital Projects Fund				
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 39,093	\$ 39,093
Intergovernmental:				
Appropriation from primary government	\$ -	\$ 7,757,842	\$ 32,151,183	\$ 24,393,341
Total revenues	<u>\$ -</u>	<u>\$ 7,757,842</u>	<u>\$ 32,190,276</u>	<u>\$ 24,432,434</u>
Expenditures:				
Capital projects - school construction projects	<u>\$ -</u>	<u>\$ 41,257,179</u>	<u>\$ 33,868,423</u>	<u>\$ 7,388,756</u>
School Capital Fund				
Revenues:				
Intergovernmental:				
Appropriation from primary government	<u>\$ -</u>	<u>\$ 4,314,747</u>	<u>\$ 4,314,747</u>	<u>\$ -</u>
Expenditures:				
Capital outlay - equipment, etc.	<u>\$ 500,000</u>	<u>\$ 4,981,039</u>	<u>\$ 863,222</u>	<u>\$ 4,117,817</u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

- Statistical Section -

<u>Contents</u>	<u>Tables</u>
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. The County implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

COUNTY OF FREDERICK, VIRGINIA

Table 1

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

	FISCAL YEAR									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Investment in capital assets	\$ 24,916,051	\$ 1,516,420	\$ (4,421,477)	\$ (8,248,388)	\$ (9,537,133)	\$ (11,377,535)	\$ (12,319,435)	\$ (9,979,970)	\$ (5,692,121)	\$ (12,315,518)
Unrestricted	26,017,458	30,796,130	35,227,645	39,704,283	38,829,528	33,302,597	37,042,322	42,207,864	29,069,103	31,414,325
Total governmental activities net position	\$ 50,933,509	\$ 32,312,550	\$ 30,806,168	\$ 31,455,895	\$ 29,292,395	\$ 21,925,062	\$ 24,722,887	\$ 32,227,894	\$ 23,376,982	\$ 19,098,807
Business-type activities										
Investment in capital assets	\$ 17,552,174	\$ 17,241,816	\$ 15,875,231	\$ 18,264,393	\$ 21,340,265	\$ 20,972,668	\$ 19,976,018	\$ 18,566,343	\$ 18,080,994	\$ 17,673,891
Unrestricted	19,270,847	21,440,407	22,251,992	19,932,654	16,778,433	16,837,852	17,401,272	19,352,671	19,716,962	21,105,451
Total business-type activities net position	\$ 36,823,021	\$ 38,682,223	\$ 38,127,223	\$ 38,197,047	\$ 38,118,698	\$ 37,810,520	\$ 37,377,290	\$ 37,919,014	\$ 37,797,956	\$ 38,779,342
Primary government										
Investment in capital assets	\$ 42,468,225	\$ 18,758,236	\$ 11,453,754	\$ 10,016,005	\$ 11,803,132	\$ 9,595,133	\$ 7,656,583	\$ 8,586,373	\$ 12,388,873	\$ 5,358,373
Unrestricted	45,288,305	52,236,537	57,479,637	59,636,937	55,607,961	50,140,449	54,443,594	61,560,535	48,786,065	52,519,776
Total primary government net position	\$ 87,756,530	\$ 70,994,773	\$ 68,933,391	\$ 69,652,942	\$ 67,411,093	\$ 59,735,582	\$ 62,100,177	\$ 70,146,908	\$ 61,174,938	\$ 57,878,149

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 5,217,730	\$ 7,531,381	\$ 6,717,739	\$ 6,321,805	\$ 7,327,459	\$ 7,801,808	\$ 10,139,003	\$ 7,157,081	\$ 7,015,989	\$ 7,666,894
Judicial administration	3,081,145	3,278,720	3,289,067	3,386,474	3,193,494	3,332,983	2,530,440	2,782,695	2,738,600	2,966,129
Public safety	21,222,717	24,152,999	24,941,153	24,589,993	24,433,750	25,110,289	26,625,865	29,646,975	31,136,570	33,892,629
Public works	2,136,910	2,738,150	3,046,615	3,497,874	3,727,381	3,270,107	3,636,503	3,452,073	3,516,016	3,818,488
Health and welfare	8,280,314	8,621,166	8,855,627	8,174,845	8,384,653	8,401,557	7,665,498	7,802,908	8,833,438	9,970,270
Education	76,872,596	84,407,223	65,637,853	65,309,552	71,756,548	75,830,530	68,200,872	73,378,881	81,034,383	92,621,668
Parks, recreation and cultural	5,506,804	6,141,133	5,741,930	5,256,852	5,099,689	5,200,119	5,239,630	5,356,991	5,715,929	5,954,027
Community development	2,698,126	2,266,985	3,364,222	2,191,518	2,920,744	5,665,018	6,829,576	2,149,900	2,349,910	3,055,294
Interest on long-term debt	6,486,553	6,758,465	6,487,627	6,555,195	4,755,467	6,266,051	5,738,670	4,834,515	6,263,236	6,190,516
Total governmental activities expenses	\$ 131,502,895	\$ 145,896,222	\$ 128,081,833	\$ 125,284,108	\$ 131,599,185	\$ 140,878,462	\$ 136,606,057	\$ 136,562,019	\$ 148,604,071	\$ 166,135,915
Business-type activities:										
Landfill	\$ 6,068,374	\$ 5,753,899	\$ 6,637,575	\$ 5,433,404	\$ 5,649,468	\$ 5,903,590	\$ 6,276,718	\$ 5,467,944	\$ 5,793,622	\$ 6,004,630
Total primary government expenses	\$ 137,571,269	\$ 151,650,121	\$ 134,719,408	\$ 130,717,512	\$ 137,248,653	\$ 146,782,052	\$ 142,882,775	\$ 142,029,963	\$ 154,397,693	\$ 172,140,545
Program Revenues										
Governmental activities:										
Charges for services:										
Judicial administration	\$ 1,730,282	\$ 1,474,751	\$ 1,650,792	\$ 1,349,061	\$ 1,264,609	\$ 1,299,186	\$ 1,248,497	\$ 1,068,279	\$ 1,198,099	\$ 1,162,107
Public safety	92,759	1,855,069	1,394,189	1,093,830	1,018,694	1,064,182	1,320,996	2,434,950	3,798,702	3,965,539
Public works	3,269,199	-	-	-	-	-	-	-	-	-
Parks, recreation and cultural	1,496,265	1,649,090	1,682,524	1,656,135	1,739,445	1,742,905	1,706,969	1,687,485	1,869,043	2,178,694
Community development	10,742	12,526	6,988	5,367	3,008	4,093	2,545	2,200	2,676	967
Operating grants and contributions	11,547,852	9,637,413	12,273,169	11,817,662	10,945,448	10,159,864	9,506,452	10,689,416	10,578,239	11,361,659
Capital grants and contributions	-	-	-	-	-	-	93,338	728,636	62,343	309,857
Total governmental activities program revenues	\$ 18,147,099	\$ 14,628,849	\$ 17,007,662	\$ 15,922,055	\$ 14,971,204	\$ 14,363,568	\$ 14,514,095	\$ 15,944,673	\$ 17,756,616	\$ 20,346,521
Business-type activities:										
Charges for services:										
Landfill	\$ 6,863,415	\$ 6,370,576	\$ 5,487,025	\$ 5,144,925	\$ 5,268,343	\$ 5,357,427	\$ 5,583,325	\$ 5,814,664	\$ 5,845,040	\$ 6,554,987
Capital grants and contributions	-	15,862	-	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ 6,863,415	\$ 6,386,438	\$ 5,487,025	\$ 5,144,925	\$ 5,268,343	\$ 5,357,427	\$ 5,583,325	\$ 5,814,664	\$ 5,845,040	\$ 6,554,987
Total primary government program revenues	\$ 25,010,514	\$ 21,015,287	\$ 22,494,687	\$ 21,066,980	\$ 20,239,547	\$ 19,720,995	\$ 20,097,420	\$ 21,759,337	\$ 23,601,656	\$ 26,901,508
Net (expense) / revenue										
Governmental activities	\$ (113,355,796)	\$ (131,267,373)	\$ (111,074,171)	\$ (109,362,053)	\$ (116,627,981)	\$ (126,514,894)	\$ (122,091,962)	\$ (120,617,347)	\$ (130,847,455)	\$ (145,789,394)
Business-type activities	795,041	632,539	(1,150,550)	(288,479)	(381,125)	(546,163)	(693,393)	346,720	51,418	550,357
Total primary government net expense	\$ (112,560,755)	\$ (130,634,834)	\$ (112,224,721)	\$ (109,650,532)	\$ (117,009,106)	\$ (127,061,057)	\$ (122,785,355)	\$ (120,270,627)	\$ (130,796,037)	\$ (145,239,037)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 59,049,060	\$ 66,650,022	\$ 69,116,087	\$ 70,903,832	\$ 73,729,205	\$ 76,645,974	\$ 80,982,283	\$ 83,061,334	\$ 87,359,533	\$ 93,993,770
Local sales and use taxes	10,387,530	10,959,334	10,145,846	8,794,212	9,711,110	10,516,915	11,039,186	12,081,490	12,190,553	12,941,843
Business licenses taxes	5,307,237	5,130,116	4,783,973	4,301,959	5,007,502	5,482,143	5,937,867	5,993,996	6,426,613	6,571,015
Communication taxes	-	-	-	1,413,711	-	-	-	-	-	-
Consumer utility taxes	3,378,207	3,166,129	3,079,363	3,075,230	3,080,740	3,022,297	3,062,954	3,137,815	3,184,821	3,307,711
Meals and lodging taxes	3,300,415	3,616,084	3,611,669	3,735,236	4,032,296	4,454,706	4,592,244	4,786,114	5,006,480	5,230,863
Motor vehicle licenses tax	1,895,034	1,707,280	1,989,921	2,092,226	2,113,938	2,165,329	2,167,580	2,257,014	2,320,258	2,312,410
Taxes on recordation and wills	2,188,564	1,699,714	1,189,200	1,094,031	992,281	934,185	1,254,738	1,154,855	1,216,677	1,450,726
Other local taxes	230,899	270,453	306,490	333,133	356,826	390,755	394,679	489,172	524,034	506,895
Unrestricted grants and contributions	13,613,912	16,141,414	13,272,212	13,318,446	14,689,496	14,631,755	14,653,046	14,692,678	14,679,280	14,706,414
Unrestricted revenues from use of money and property	3,352,277	2,259,090	1,078,840	416,503	190,074	265,970	468,591	176,297	221,094	232,173
Miscellaneous	1,361,632	1,046,778	994,188	533,261	561,013	637,532	686,893	291,589	231,310	257,399
Total governmental activities	\$ 104,064,767	\$ 112,646,414	\$ 109,567,789	\$ 110,011,780	\$ 114,464,481	\$ 119,147,561	\$ 125,240,061	\$ 128,122,354	\$ 133,360,653	\$ 141,511,219
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 1,366,844	\$ 1,187,467	\$ 571,354	\$ 177,850	\$ 93,809	\$ 53,704	\$ 60,856	\$ 70,827	\$ 73,699	\$ 87,082
Miscellaneous	33,810	39,196	24,196	180,453	208,967	184,281	199,307	124,177	250,063	343,947
Total business-type activities	\$ 1,400,654	\$ 1,226,663	\$ 595,550	\$ 358,303	\$ 302,776	\$ 237,985	\$ 260,163	\$ 195,004	\$ 323,762	\$ 431,029
Total primary government	\$ 105,465,421	\$ 113,873,077	\$ 110,163,339	\$ 110,370,083	\$ 114,767,257	\$ 119,385,546	\$ 125,500,224	\$ 128,317,358	\$ 133,684,415	\$ 141,942,248
Change in Net Position										
Governmental activities	\$ (9,291,029)	\$ (18,620,959)	\$ (1,506,382)	\$ 649,727	\$ (2,163,500)	\$ (7,367,333)	\$ 3,148,099	\$ 7,505,007	\$ 2,513,198	\$ (4,278,175)
Business-type activities	2,195,695	1,859,202	(555,000)	69,824	(78,349)	(308,178)	(433,230)	541,724	375,180	981,386
Total primary government	\$ (7,095,334)	\$ (16,761,757)	\$ (2,061,382)	\$ 719,551	\$ (2,241,849)	\$ (7,675,511)	\$ 2,714,869	\$ 8,046,731	\$ 2,888,378	\$ (3,296,789)

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund	\$ 4,035,769	\$ 4,424,640	\$ 4,143,819	\$ 6,678,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	41,212,142	33,701,529	30,324,674	28,423,952	-	-	-	-	-	-
Unreserved	-	-	-	-	740,576	736,632	739,911	737,911	738,854	739,051
Nonspendable	-	-	-	-	3,022,694	2,963,356	3,504,341	5,987,501	5,878,352	4,505,016
Restricted	-	-	-	-	1,222,437	1,698,907	3,385,779	1,616,849	2,540,730	2,690,991
Committed	-	-	-	-	1,635	2,135	2,135	4,780	4,780	4,780
Assigned	-	-	-	-	28,372,870	34,175,579	38,127,444	43,513,213	48,376,225	46,690,210
Unassigned	-	-	-	-	33,360,212	39,576,609	45,759,610	51,860,254	57,538,941	54,630,048
Total general fund	\$ 45,247,911	\$ 38,126,169	\$ 34,468,493	\$ 35,102,922	\$ 33,360,212	\$ 39,576,609	\$ 45,759,610	\$ 51,860,254	\$ 57,538,941	\$ 54,630,048
All other governmental funds										
Unreserved, reported in:										
Special revenue funds	\$ 3,968,620	\$ 3,961,348	\$ 3,450,524	\$ 3,259,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects funds	3,474,869	1,907,844	1,455,932	1,408,958	-	-	-	-	-	-
Debt service funds	352,345	30,357	49,800	250,520	-	-	-	-	-	-
Unassigned, reported in:										
Other governmental funds	-	-	-	-	-	-	-	-	-	(3,708)
Restricted, reported in:										
Lake Holiday Sanitary District fund	-	-	-	-	9,147,684	6,047,654	961,104	-	-	-
Capital Projects fund	-	-	-	-	-	93,338	201,893	534,684	2,561,245	968,963
Committed, reported in:										
Shawneelands Sanitary District fund	-	-	-	-	2,100,635	2,280,837	2,103,040	2,317,142	1,976,210	2,088,781
Lake Holiday Sanitary District fund	-	-	-	-	588,392	265,516	1,594,902	2,402,030	2,588,576	2,771,093
Other governmental funds	-	-	-	-	984,280	385,019	579,705	1,049,226	895,867	589,157
Assigned, reported in:										
School debt service fund	-	-	-	-	80,400	21,050	20,159	922,737	287,525	113,880
Other governmental funds	-	-	-	-	642,500	642,500	642,514	642,514	-	-
Total all other governmental funds	\$ 7,795,834	\$ 5,899,549	\$ 4,956,256	\$ 4,918,810	\$ 13,543,891	\$ 9,735,914	\$ 6,103,317	\$ 7,868,333	\$ 8,309,423	\$ 6,528,166

NOTE: The county implemented GASB 54 in 2011 which required fund balances to be reported under new classifications. Fund balance classification definitions can be found in the Notes to the Financial Statements, NOTE 1-N.

Table 4

COUNTY OF FREDERICK, VIRGINIA

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

	FISCAL YEAR									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
General property taxes	\$ 64,403,108	\$ 66,558,555	\$ 69,248,556	\$ 70,515,367	\$ 72,144,912	\$ 75,756,332	\$ 80,260,535	\$ 83,248,466	\$ 86,999,291	\$ 94,062,966
Other local taxes	26,687,886	26,549,110	25,106,462	24,839,738	25,294,693	26,966,331	28,449,248	29,900,456	30,869,436	32,321,463
Permits, privilege fees and regulatory licenses	3,290,254	1,771,184	1,308,407	950,143	920,328	970,384	1,214,052	1,329,532	1,856,416	2,264,101
Fines and forfeitures	227,693	324,259	526,081	328,273	279,102	307,839	387,848	368,396	409,180	285,390
Revenue from use of money and property	3,218,104	2,111,954	987,392	370,663	158,943	245,975	456,138	162,282	203,122	207,355
Charges for services	3,081,300	2,895,993	2,900,005	2,825,977	2,826,326	2,832,143	2,677,107	3,494,986	4,602,924	4,757,816
Miscellaneous	1,404,792	1,046,778	1,002,536	533,261	547,013	637,532	686,893	291,589	231,310	257,399
Recovered costs	2,566,712	3,518,072	2,869,183	1,622,623	1,886,653	1,824,072	3,234,072	3,655,309	3,529,345	6,245,761
Intergovernmental:										
School Board	-	-	75,199	-	-	-	-	-	-	-
Commonwealth	22,239,766	22,926,432	21,974,545	19,637,377	21,783,001	21,699,118	21,805,277	22,560,625	22,160,625	24,057,732
Federal	2,921,998	2,852,395	3,495,637	5,498,731	3,851,943	3,185,838	3,082,857	2,883,955	3,406,751	3,687,896
Total revenues	\$ 130,041,613	\$ 130,554,732	\$ 129,494,003	\$ 127,122,153	\$ 129,692,914	\$ 134,425,564	\$ 142,254,027	\$ 147,895,452	\$ 154,268,400	\$ 168,147,879
Expenditures										
General government administration	\$ 6,583,607	\$ 8,119,131	\$ 7,276,944	\$ 6,687,604	\$ 8,053,735	\$ 7,393,143	\$ 9,152,531	\$ 8,539,102	\$ 8,420,539	\$ 9,374,654
Judicial administration	3,368,271	3,675,622	3,526,972	3,403,686	3,247,873	3,434,760	2,653,882	2,712,940	2,802,698	2,950,037
Public safety	21,011,083	24,032,872	23,722,707	22,681,537	22,682,060	23,615,366	25,245,584	28,868,031	30,713,957	32,767,871
Public works	3,619,922	4,503,865	4,159,409	3,768,694	3,944,394	3,518,557	3,627,132	4,201,203	3,866,489	4,318,993
Health and welfare	8,263,906	8,370,164	8,599,559	7,958,998	8,249,546	8,133,653	7,419,397	7,667,788	8,689,960	9,873,956
Education	69,256,423	81,833,398	65,275,369	56,368,057	61,552,236	58,195,860	61,567,887	73,011,616	82,486,009	108,736,711
Parks, recreation and cultural	5,172,402	5,873,039	5,332,794	4,841,120	4,919,987	4,918,972	4,888,472	5,000,983	5,425,382	6,085,796
Community development	3,736,695	3,518,826	3,866,963	2,830,039	3,246,702	6,212,745	6,651,931	3,956,630	3,984,172	3,919,778
Capital projects	14,273,970	1,604,431	1,058,050	10,099	3,597	80,000	1,557,990	131,947	5,095,050	10,353,916
Debt service										
Principal	9,164,886	9,653,751	10,140,317	10,952,875	10,750,040	13,137,122	10,683,190	10,932,662	11,039,642	11,376,522
Bond issuance costs	-	-	-	-	-	-	-	-	286,623	260,203
Interest and other fiscal charges	6,627,457	7,044,286	7,105,225	6,938,256	5,304,341	6,596,938	6,336,376	5,466,140	6,201,717	6,493,706
Total expenditures	\$ 151,078,622	\$ 158,229,385	\$ 140,064,309	\$ 126,440,965	\$ 131,954,511	\$ 135,237,116	\$ 139,784,372	\$ 150,489,042	\$ 169,012,238	\$ 206,512,143
Excess of revenues over (under) expenditures	\$ (21,037,009)	\$ (27,674,653)	\$ (10,570,306)	\$ 681,188	\$ (2,261,597)	\$ (811,552)	\$ 2,469,655	\$ (2,593,590)	\$ (14,743,838)	\$ (38,364,264)
Other financing sources (uses)										
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ 9,245,000	\$ 2,759,400	\$ -	\$ 9,415,000	\$ 30,535,000	\$ 30,959,225
Transfers in	13,065,803	11,792,301	13,904,797	15,653,657	16,328,731	15,506,653	15,507,250	15,929,349	642,514	16,081,076
Transfers out	(13,065,803)	(11,792,301)	(13,904,797)	(15,737,862)	(16,429,763)	(15,601,278)	(15,523,145)	(15,940,817)	(16,523,184)	(16,100,440)
Bonds issued	10,200,000	17,497,913	5,720,000	-	-	-	-	-	-	-
Premium on bonds issued	385,200	1,158,713	147,862	-	-	-	-	744,930	3,383,395	2,734,253
Payments to bond escrow agent	-	-	-	-	-	-	-	-	(18,624,252)	-
Capital leases	-	-	101,475	-	-	555,197	96,644	310,788	-	-
Total other financing sources (uses)	\$ 10,585,200	\$ 18,656,626	\$ 5,969,337	\$ (84,205)	\$ 9,143,968	\$ 3,219,972	\$ 80,749	\$ 10,459,250	\$ (586,527)	\$ 33,674,114
Net change in fund balances	\$ (10,451,809)	\$ (9,018,027)	\$ (4,600,969)	\$ 596,983	\$ 6,882,371	\$ 2,408,420	\$ 2,550,404	\$ 7,865,660	\$ (15,330,365)	\$ (4,690,150)
Debt service as a percentage of noncapital expenditures	12.078%	10.803%	12.443%	14.180%	12.202%	14.695%	12.262%	11.065%	10.656%	9.066%

Table 5

COUNTY OF FREDERICK, VIRGINIA

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				Real Estate	Personal Property				
2007	\$ 7,354,880,957	\$ 956,028,615	\$ 35,063,205	\$ 256,751,924	\$ 155,747,099	\$ 1,024,865	\$ 8,759,496,665	0.970	\$ 8,759,496,665	100.00%	
2008	7,628,047,323	950,660,132	38,049,501	255,318,207	150,502,779	705,449	9,023,283,391	0.954	9,023,283,391	100.00%	
2009	7,811,319,762	931,328,186	39,192,659	257,046,280	185,732,461	776,669	9,225,396,017	0.991	9,225,396,017	100.00%	
2010	8,050,510,887	876,964,704	39,530,158	265,744,961	246,737,225	1,091,033	9,480,578,968	0.955	9,480,578,968	100.00%	
2011	7,835,124,893	959,116,919	40,906,316	265,929,030	257,825,002	966,246	9,359,868,406	1.029	9,359,868,406	100.00%	
2012	7,636,806,650	942,985,301	41,328,639	248,314,706	367,524,033	2,007,550	9,238,966,879	1.060	9,238,966,879	100.00%	
2013	7,696,001,768	975,644,445	41,657,064	255,121,648	378,304,245	2,172,968	9,348,902,138	1.071	9,348,902,138	100.00%	
2014	7,816,092,895	1,006,173,855	41,946,196	282,244,524	342,658,871	2,194,437	9,491,310,778	1.081	9,491,310,778	100.00%	
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%	

(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

<u>Fiscal Years</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Machinery and Tools</u>	<u>Airplanes</u>	<u>Mobile Homes</u>	<u>Total Direct Tax Rate (2)</u>
2007	\$ 0.525	\$ 4.20	\$ 2.00	\$ 0.425	\$ 0.525	\$ 0.970
2008	0.525	4.20	2.00	0.425	0.525	0.954
2009	0.510	4.86	2.00	0.425	0.510	0.991
2010	0.510	4.86	2.00	0.425	0.510	0.955
2011	0.545	4.86	2.00	0.001	0.545	1.029
2012	0.585	4.86	2.00	0.001	0.585	1.060
2013	0.585	4.86	2.00	0.001	0.585	1.071
2014	0.585	4.86	2.00	0.001	0.585	1.081
2015	0.560	4.86	2.00	0.001	0.560	1.065
2016	0.600	4.86	2.00	0.001	0.600	1.102

(1) Per \$100 of assessed value

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

Principal Property Taxpayers
 Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2016		Fiscal Year 2007	
		2016 Assessed Valuation	% of Total Assessed Valuation	2007 Assessed Valuation	% of Total Assessed Valuation
Trans Allegheny Interstate	Utility	\$ 157,867,705	1.76%	\$ -	0.00%
H P Hood Inc	Dairy Plant	53,352,400	0.59%	34,969,300	0.47%
The Village At Orchard Ridge	Senior Living	50,800,600	0.57%	-	0.00%
Shenandoah Valley Electric	Utility	49,600,782	0.55%	-	0.00%
Rappahannock Electric	Utility	42,136,800	0.47%	-	0.00%
Fort Collier Group	Industrial Park	41,584,800	0.46%	28,591,400	0.38%
Potomac Edison	Utility	40,304,055	0.45%	85,891,931	1.14%
Cooperwood Fema LLC	Federal Govt	33,411,300	0.37%	-	0.00%
EIP Winchester	Distribution	31,848,600	0.36%	-	0.00%
Virginia Electric Power	Utility	27,051,765	0.30%	-	0.00%
Verizon Virginia	Utility	-	0.00%	33,978,801	0.45%
Home Depot, USA	Distribution	-	0.00%	26,910,900	0.36%
Washington Gas light	Utility	-	0.00%	19,188,038	0.26%
General Electric Co.	Incandescent lamps	-	0.00%	15,400,900	0.21%
Walmart	Retail	-	0.00%	14,795,300	0.20%
Kohl's Department Stores	Distribution	-	0.00%	13,195,800	0.18%
Trex Company	Decking	-	0.00%	12,996,300	0.17%
		<u>\$ 527,958,807</u>	<u>6.20%</u>	<u>\$ 285,918,670</u>	<u>4.05%</u>

Source: Commissioner of Revenue - 2016 RE BOOK, 2016 PUBLIC SERVICE RE TOTAL, FY 2007 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
2007	\$ 77,747,045	\$ 75,112,880	96.61%	\$ 1,585,010	\$ 76,697,890	98.65%
2008	80,536,673	76,110,627	94.50%	1,955,080	78,065,707	96.93%
2009	81,868,016	78,223,920	95.55%	2,570,528	80,794,448	98.69%
2010	83,281,960	79,440,045	95.39%	2,845,376	82,285,421	98.80%
2011	85,272,526	81,702,640	95.81%	2,891,619	84,594,259	99.20%
2012	87,707,865	83,897,163	95.66%	3,105,921	87,003,084	99.20%
2013	92,011,553	88,322,360	95.99%	3,419,695	91,742,055	99.71%
2014	94,684,254	90,853,421	95.95%	3,408,052	94,261,473	99.55%
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%

Notes:

Levies and collection amounts are exclusive of penalties and interest.

Levies and collection amounts do not include Shawneeland Sanitary District, Lake Holiday Sanitary District or Star Fort.

Levies and collection amounts for 2008 through 2016 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			
2007	\$ 113,684,481	\$ 9,144,994	\$ 26,260,000	\$ 9,432	\$ 149,098,907	4034.11%	\$ 1,997
2008	123,989,065	8,111,815	25,345,000	90,059	157,535,939	4055.60%	2,071
2009	121,374,558	7,078,636	24,395,000	155,718	153,003,912	3952.16%	1,975
2010	111,972,056	6,172,487	23,415,000	116,592	141,676,135	3531.07%	1,809
2011	102,853,536	5,266,914	31,808,527	75,651	140,004,628	3283.55%	1,769
2012	109,991,320	4,452,765	30,737,128	396,281	145,577,494	3245.72%	1,813
2013	105,899,982	3,638,616	29,325,375	271,481	139,135,454	3079.47%	1,713
2014	107,186,912	2,824,467	27,598,029	173,662	137,783,070	2935.47%	1,673
2015	113,047,911	2,010,318	32,635,162	98,992	147,792,383	N/A	1,776
2016	131,959,470	1,196,169	35,991,665	23,692	169,170,996	N/A	2,014

Note: Details regarding the County's outstanding debt can be found in note 9 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)
2007	\$ 145,585,324	\$ -	\$ 145,585,324	1.66%	\$ 1,950
2008	153,081,573	-	153,081,573	1.70%	2,013
2009	148,796,669	-	148,796,669	1.61%	1,921
2010	137,982,022	-	137,982,022	1.46%	1,762
2011	136,620,526	-	136,620,526	1.46%	1,726
2012	145,019,085	-	145,019,085	1.57%	1,806
2013	138,713,598	-	138,713,598	1.48%	1,708
2014	137,471,379	-	137,471,379	1.45%	1,669
2015	147,568,101	-	147,568,101	1.49%	1,774
2016	167,304,991	-	167,304,991	1.60%	1,992

(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 (4)(b)	Per Capita Personal Income (4)(b)	Median Age (1)(2)(c)	School Enrollment (3)	Unemployment Rate (5)
2007	74,670	\$ 3,695,958	\$ 36,823	36	12,997	3.00%
2008	76,060	3,884,409	38,059	N/A	13,043	4.20%
2009	77,477	3,871,403	37,400	38	13,148	7.50%
2010	78,305	4,012,273	38,294	39.1	13,060	7.50%
2011	79,156	4,263,815	40,128	39.4	13,137	6.50%
2012	80,317	4,485,220	41,786	39.8	13,148	5.80%
2013	81,207	4,518,168	41,545	39.9	13,163	5.30%
2014	82,377	4,693,724	42,701	40	13,075	4.70%
2015	83,199	N/A	N/A	40.2	13,181	4.00%
2016 (a)	84,000	N/A	N/A	N/A	13,203	3.40%

Notes:

- (a) 2016 figures are estimated
- (b) Includes City of Winchester
- (c) 2010 to current figures from U.S. Census Bureau

Sources:

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

N/A = Not available

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

<u>Employer</u>	<u>2016</u>		<u>Employees</u>	<u>2007</u>	
	<u>Rank</u>	<u>Total Employment</u>		<u>Rank</u>	<u>Total Employment</u>
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
U.S. Dept. of Homeland Defense	3	500 to 999	Shockey Brothers, Inc.	3	250 to 499
County of Frederick	4	500 to 999	Kraft Foods	4	250 to 499
H.P. Hood, Inc.	5	500 to 999	H.P. Hood, Inc.	5	250 to 499
Trex Company Inc. & Subsid	6	500 to 999	Lord Fairfax Community College	6	250 to 499
Lord Fairfax Community College	7	500 to 999	U.S. Department of Homeland Defense	7	250 to 499
The Home Depot	8	250 to 499	Barber & Ross Company	8	250 to 499
Axiom Staffing	9	250 to 499	Kohl's Department Stores	9	100 to 249
Kraft Heinz Company	10	250 to 499	World Wide Automotive LLC	10	100 to 249

Source: Virginia Employment Commission

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

Function	FISCAL YEAR									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	57	64	66	65	62	63	63	65	64	65
Judicial administration	20	22	24	22	22	22	21	22	22	22
Public safety										
Sheriffs department	118	123.5	126.5	125.5	125.5	125.5	126.5	126.5	126.5	133.5
Juvenile Court Probation	2	2	2	2	2	2	2	2	2	2
Building Inspections	25	23	21	18	14	13	13	13	13	14
Fire & Rescue	77	79.5	80.5	76.5	77.5	77.5	77.5	79.5	79.5	95.5
Communications	15	15	16	14	13	13	13	16	16	16
Public Works										
Engineering	6	7	7	6	5	4	4	4	4	4
Refuse Collection	2	2	2	2	2	2	2	2	2	2
Maintenance	5	8	10	10	9	9	9	9	9	9
Animal Shelter	6	7	7	7	7	7	7	7	7	7
Health and welfare										
Department of social services	57	57	57	58	57	57	57	57	58	66
Parks and Recreation	40	41	41	38	38	38	38	38	38	39
Community development										
Planning	14	14	13	11	11	11	11	11	11	11
EDC	3	3	3	3	3	3	3	3	3	-
Gypsy Moth/Biosolids	1	1	1	1	-	-	-	-	-	-
Soil & Water Conservation	6	6	6	-	-	-	-	-	-	-
Extensions	2	2	2	2	2	2	2	2	2	2
Regional Jail	187	195	206	194	189	188	192	197	203	204
Landfill	31	31	28	26	26	26	26	27	23	27
Division of Court Services	19	20	20	19	15	12	7	7	7	8
Shawneeland Sanitary District	6	6	6	6	6	6	6	6	6	6
Airport	12	13	13	11	11	11	11	11	11	11
EMS Revenue Recovery	-	-	-	-	-	-	-	-	1	1
EDA	-	-	-	-	-	-	-	-	-	3
Totals	<u>711</u>	<u>742</u>	<u>758</u>	<u>717</u>	<u>697</u>	<u>692</u>	<u>691</u>	<u>705</u>	<u>708</u>	<u>748</u>

Source: Prior Frederick County Annual Budgets

Operating Indicators by Function
Last Ten Fiscal Years

Function	FISCAL YEAR									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 (c)
Public Safety										
Sheriffs Department:										
Calls for service answered (a) (d)	62,773	67,593	69,852	70,880	70,488	74,251	78,995	73,501	67,761	62,276
Warrants served (a) (d)	4,604	4,806	6,249	6,731	7,207	7,045	7,593	7,574	7,452	5,714
Criminal arrests (a) (d)	3,494	3,766	3,868	3,808	3,886	4,057	4,065	4,137	3,339	3,025
Citations issued (a) (d)	6,222	7,883	8,257	6,207	7,273	5,994	6,373	6,609	4,930	7,384
Civil papers served (a) (d)	19,669	20,962	21,995	20,171	19,388	19,764	19,125	18,770	18,416	14,735
Fire and Rescue:										
Incident responses (a) (d)	9,137	9,229	9,101	9,339	9,857	10,053	9,472	10,017	10,245	8,675
Building Inspections:										
Permits issued	7,474	5,690	3,917	3,639	3,463	3,625	3,608	4,214	4,992	6,311
Inspections performed	28,625	23,307	17,687	14,669	12,463	12,643	13,957	12,951	15,630	17,662
Public Works										
Engineering:										
Site reviews	339	239	414	285	271	290	442	514	634	626
Land disturbance permits issued	650	411	320	261	216	247	347	369	503	601
Animal Shelter:										
Dogs/cats adopted/reclaimed	1,008	1,367	1,471	1,363	1,400	1,379	1,306	1,201	1,107	1,100
Health and Welfare										
Department of Social Services:										
Adult protective service investigations	147	132	127	190	214	286	275	290	344	355
Child protective service investigations	433	550	564	443	437	498	515	470	736	656
Culture and Recreation										
Parks and Recreation:										
Recreation hall & shelter permits issued	811	825	1,141	1,256	1,538	1,308	1,213	1,174	1,078	1,178
Special events & excursions conducted	62	67	63	61	59	57	54	57	58	58
After-school program participants	504	460	444	404	442	432	390	407	453	532
Youth sports participants	7,848	8,183	8,381	8,567	8,652	8,801	8,541	8,646	8,577	8,461
Community Development										
Planning:										
Rezoning applications processed (a)	12	16	9	1	1	9	6	5	12	12
Road Administration:										
Street signs installed/repared (e)	165	148	116	176	124	118	190	112	28	34
Landfill										
Refuse weighed and disposed (tons/year)	197,245	179,963	159,794	146,633	146,211	144,153	144,984	149,659	157,568	162,326
Residential Recycling (tons/year)	1,950	2,662	2,484	2,710	6,448	5,289	6,313	5,514	4,774	4,974
Component Unit - School Board										
Education:										
School enrollment (1)	12,997	13,043	13,148	13,060	13,137	13,148	13,163	13,075	13,181	13,203
Number of instructional personnel (b)	1,477	1,527	1,334	1,441	1,439	1,442	1,424	1,434	1,467	1,490
Local expenditures per pupil (2)	4,642	4,852	4,617	4,574	4,711	4,469	4,876	4,847	5,246	5,609

Notes:

- (a) Calendar year
- (b) Full-time equivalent positions
- (c) Budgeted/Estimated
- (d) 2016 figures are through October 31st.
- (e) 2015 program revamped and moved from Public Works to Planning

Source: Individual county departments, prior Frederick

- (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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Administration buildings	1	2	2	2	2	2	2	2	2	2
Vehicles	12	14	10	10	9	15	13	12	10	9
Public safety										
Sheriffs department:										
Patrol units	73	87	97	86	99	86	76	73	96	104
Other vehicles	37	42	38	41	39	39	43	58	25	49
Building inspections:										
Vehicles	15	14	11	10	10	10	10	10	12	10
Animal control:										
Vehicles	3	3	3	3	4	4	3	4	4	4
Fire & Rescue:										
Vehicles	N/A	N/A	20	20	19	20	25	25	27	23
Public works										
General maintenance:										
Trucks/vehicles	2	2	3	3	3	3	3	3	3	3
Other Public Works Vehicles	N/A	N/A	N/A	N/A	N/A	20	21	21	23	23
Landfill:										
Vehicles	11	13	13	12	12	13	10	13	11	11
Sites	11	11	11	11	11	11	11	11	11	11
Health and welfare										
Department of Social Services:										
Vehicles	9	10	10	10	10	12	11	11	12	11
Culture and Recreation										
Parks and Recreation:										
Community centers	N/A	6	6	6	6	6	6	6	6	6
Vehicles	26	29	30	28	27	27	26	24	26	24
Parks acreage	400	400	400	400	400	400	400	400	400	433.5
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	16	6	6	6	6	6	6	6	6	6
Community Development										
Planning:										
Vehicles	5	5	5	4	4	4	4	4	4	4
Component Unit - School Board										
Education:										
Schools (a)	18	18	18	18	18	18	18	18	18	18
School buses	196	194	194	196	209	211	212	203	203	207
Vehicles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	136	137

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, 2016, 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 November 28, 2016.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Frederick, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
November 28, 2016

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, 2016. 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, 2016.

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.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

November 28, 2016

COUNTY OF FREDERICK, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	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	10.561	0010109/0010110/0040109/0040110	\$ 630,053
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass through payments:</u>			
Virginia Department of Social Services: Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 29,477
Temporary Assistance for Needy Families	93.558	0400109/0400110	325,361
Refugee and Entrant Assistance-State Administered Programs	93.566	0500109/0500110	537
Low-income Home Energy Assistance	93.568	0600409/0600410	27,161
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	50,465
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	2,224
Foster Care - Title IV-E	93.658	1100109/1100110	508,191
Adoption Assistance	93.659	1120109/1120110	368,695
Social Services Block Grant	93.667	1000109/1000110	409,806
Chafee Foster Care Independence Program	93.674	9150108/915109/9150110	3,187
Children's Health Insurance Program	93.767	0540109/0540110	27,076
Medical Assistance Program	93.778	1200109/1200110	804,509
Total Department of Health and Human Services			\$ 2,556,689
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Pass through payments:</u>			
Department of Criminal Justice Services: Forfeited Assets	16.000	N/A	\$ 10,613
State Criminal Alien Assistance Program	16.606	Not available	12,581
Crime Victim Assistance	16.575	15VAGX0007	92,774
Total Department of Justice			\$ 115,968
<u>DEPARTMENT OF TREASURY:</u>			
<u>Pass through payments:</u>			
Virginia Office of Virginia Attorney General: Sherriff grant	21.000	Not available	\$ 30,000
Total Department of Transportation			\$ 30,000
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Virginia Department of Transportation: Alcohol Open Container Requirements	20.607	154AL1454247/154AL1353038	\$ 28,768
Total Department of Transportation			\$ 28,768
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Pass through payments:</u>			
Virginia Department of Emergency Services: Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	Not available	\$ 23,781
Emergency Management Performance Grants	97.042	Not available	14,839
Total Department of Homeland Security			\$ 38,620
Total Primary Government			\$ 3,400,098
<u>COMPONENT UNIT SCHOOL BOARD:</u>			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Virginia Department of Agriculture: Summer Food Service Program for Children (Child Nutrition Cluster) (Note 3)	10.559	Not available	\$ 3,273
Food distribution (Child Nutrition Cluster) (Note 3)	10.555	Not available	\$ 345,644
Department of Education: National School Lunch Program (Child Nutrition Cluster)	10.555	2016IN109941	2,029,791
			\$ 2,375,435
School Breakfast Program (Child Nutrition Cluster)	10.553	2016IN109941	439,267
Total Child Nutrition Cluster			\$ 2,817,975
Schools and Roads - Grants to States	10.665	10.665	3,654
Total Department of Agriculture			\$ 2,821,629

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016 (Continued)

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expendi- tures
<u>COMPONENT UNIT SCHOOL BOARD: (Continued)</u>			
<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	\$ 1,386,189
Title I - State Agency Program for Neglected and Delinquent Children and Youth	84.013	S013A140046/S013A150046	8,159
English Language Acquisition State Grants	84.365	T365A140046/S365A150046	70,816
Special Education - State Personnel Development	84.323	Not available	2,858
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A140107/H027A150107	2,387,535
Special Education - Preschool Grants	84.173	H173A150112	41,226
Advance Placement Program	84.330	S330B150008	1,476
Career and Technical Education - Basic Grants to States	84.048	V048A150046	149,108
Supporting Effective Instruction State Grant	84.367	S367A140044/S367A150044	226,003
Total Department of Education			\$ 4,273,370
Total Component Unit School Board			\$ 7,094,999
Total Expenditures of Federal Awards			\$ 10,495,097

COUNTY OF FREDERICK, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Frederick, Virginia under programs of the federal government for the year ended June 30, 2016. 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, 2016 the School Board had food commodities totaling \$272,504 in inventory.

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	\$ 3,338,481
School Debt Service Fund	277,270
Other Governmental Funds	<u>72,145</u>
Total primary government	\$ <u>3,687,896</u>
Component Unit School Board:	
School Operating Fund	\$ 4,277,024
School Cafeteria Fund	<u>2,817,975</u>
Total component unit school board	\$ <u>7,094,999</u>
Total federal expenditures per basic financial statements	\$ <u>10,782,895</u>
Payments in lieu of taxes	\$ <u>(10,528)</u>
Federal subsidy	\$ <u>(277,270)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>10,495,097</u></u>

COUNTY OF FREDERICK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

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>
84.027/84.173	Special Education Cluster
93.778	Medical Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

COUNTY OF FREDERICK, VIRGINIA

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016**

There were no items reported.