

COMPREHENSIVE ANNUAL Financial Report

Frederick County, Virginia
Life at the Top

Fiscal Year Ending June 30, 2018



- Introductory Section -

COUNTY OF FREDERICK, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2018**

Issued by

Cheryl B. Shiffler, Finance Director

Winchester, Virginia

COUNTY OF FREDERICK, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

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COUNTY OF FREDERICK, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2018

BOARD OF SUPERVISORS

Charles S. DeHaven, Jr., Chairman		
Gary A. Lofton, Vice-Chairman		
Robert W. Wells		Judith McCann Slaughter
J. Douglas McCarthy	Blaine P. Dunn	Shannon Trout

COUNTY SCHOOL BOARD

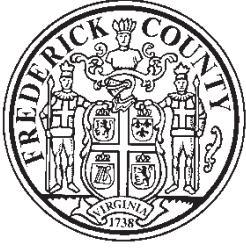
Dr. John Lamanna, Chairman		
Seth T. Thatcher, Vice-Chairman		
Kali C. Klubertanz		Michael A. Lake
Frank E. Wright	Shontá C. Washington	Jay W. Foreman

BOARD OF SOCIAL SERVICES

Gail Rush, Chairman		
Lisa Carper, Vice-Chairman		
Patricia Riley		Karen Kimble
Ryan Shaw	Susan Brinkmeier	Alan L. Morrison

OTHER OFFICIALS

Kris C. Tierney	County Administrator
Jay E. Tibbs	Deputy County Administrator
Cheryl B. Shiffler	Finance Director
Joe C. Wilder	Engineering and General Services Director
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
Leonard W. Millholland	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
Chris Petsko.....	Health Department District Administrator
Mark E. Sutphin.....	Frederick County Extension Agent
Richard S. Miller	Voter Registrar
Dr. David T. Sovine.....	Superintendent of Schools



COUNTY of FREDERICK

Kris C. Tierney
County Administrator

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E-mail: ktierney@fcva.us

December 20, 2018

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, 2018 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 (Frederick Water) was created by the Board of Supervisors to operate the County's water and sewer systems. The Board of Supervisors appoints all six members of the Authority Board of Directors. However, other than appointing the Board of Directors, the County does not participate and is not involved in the day-to-day management operations, nor is the Authority financially accountable to the County. The Authority was included as a part of the reporting entity prior to the 2000 fiscal year primarily due to the significance of outstanding advances owed to the County. However, based on further review and evaluation of the Authority and County relationships, the Authority is no longer considered to be a component unit of the County.

ECONOMIC CONDITIONS AND OUTLOOK

Frederick County, at the tip of the Northern Shenandoah Valley, is 72 miles northwest of Washington, D.C., and in the northernmost corner of the state of Virginia. The County, which covers 424 square miles and borders the West Virginia line, was established in 1738. Its county administrator form of government was established in 1971. In the southeastern portion of the county, there are two incorporated towns – Stephens City and Middletown.

The area is served by the Winchester Regional Airport, a 376-acre, all-weather general aviation airport. It is 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

The County's recent economic success, mixture of rural and urban settings, recognized quality of life, proximity to Northern Virginia, and diverse career opportunities are also attracting new residents to the area. The U.S. Census Bureau estimates Frederick County's current population to be 86,484, and forecasts increases to 94,023 by 2025 (9.5% increase), 108,067 by 2035 (14.9% increase), and 121,259 by 2045 (12.2% increase). The per capita income in Winchester-Frederick County was \$48,509 in 2017, the last year for which the information is available, according to the Bureau of Economic Analysis. The housing industry has responded to residential demand, with 1,432 new residential permits issued in FY 2017-2018. This is a significant rebound from an all-time-low of 762 permits in FY 2011-2012, and well under Frederick County's all-time-high of 2,004 permits in FY 2004-2005.

Over the last three years, (2015-2017), \$628 million in capital investment and 3,856 new jobs have been announced, placing Frederick County among the top 10% of localities in the Commonwealth. Companies attribute recent growth announcements to the County's quality workforce, business friendly environment, east coast location with proximity to major markets, and extensive transportation network.

Frederick County's business landscape is diverse, including small and large manufacturers, home-grown businesses, chain and boutique retailers and restaurants, farms and agri-businesses, and back-end operations like customer service centers and research and development. According to the Virginia Employment Commission, more than 1,900 businesses employ 31,700 people.

Frederick County is committed to fostering positive relationships with new and established businesses, maintaining reasonable tax rates, practicing wise land-use planning, and striving for the best and highest use of available resources. It is a goal to build upon the business-friendly environment residents and businesses are accustomed to, creating an environment where they can thrive.

Well-known employers continue to invest in Frederick County; Amazon, American Woodmark, Fiat Chrysler, Navy Federal Credit Union, Winchester Metals, and 84 Lumber, are but a few. Over the next decade, nearly 23,000 career opportunities will be available because of new job growth and the exiting of existing workers (jobseq.com). Retail, manufacturing, accommodation and food services, educational services, transportation and warehousing, healthcare, and construction industries are projected to have the greatest demand.

Navy Federal Credit Union is investing \$100 million and creating 1,400 new jobs in an expansion of its Winchester operations center in Frederick County. The project will nearly double Navy Federal's workforce employee-count and physical square footage in the County. The FBI chose Frederick County for a Central Records Complex (CRC) and is expected to be completed in 2020. The CRC estimated project cost is \$135 million and will provide work space for approximately 446 employees.

Frederick County currently retains a comparably low real estate 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 structure that encourages commercial and 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.

A PROFILE OF FREDERICK COUNTY

HISTORY

English ownership of Frederick County was originally by the Virginia Company but was taken over by the Crown in 1624. By the 1650's, various traders, trappers and explorers were coming to the Shenandoah Valley. Some of the earliest settlers were Quakers who built the Hopewell Friends Meeting House which still stands near Clearbrook in Frederick County. These settlers were attracted by the fertile soils and the abundant forest and water resources.

Frederick County was created from western Orange County by the House of Burgesses on December 21, 1738 and was named after the Prince of Wales. James Wood, County Surveyor for Orange County, platted a town at the county seat, which he named Winchester, after his birthplace. Eventually, eleven other counties would be created from the 3,824 square miles included in the original Frederick County.

County government in Virginia was originally by self-perpetuating courts. Frederick County's Court was proclaimed and organized in 1743. It first met at the surveying office of its clerk, James Wood, at the site on which he later built his estate, Glen Burnie.

George Washington was associated with Winchester and Frederick County between the years of 1748 and 1765. Early during those years, he maintained a surveying office in Winchester. During the French and Indian War, he was given a Commission and later made Commander in Chief of the colonial forces with headquarters in Winchester. Washington held his first elective offices representing Frederick County, having been elected to the House of Burgesses in 1758 and 1761.

During the late eighteenth and early nineteenth centuries, life in the current Frederick County area centered around small family farms. During this period, wheat production became the center of the local economy, along with cattle production. In 1820, there were fifty flour mills in Frederick County along with numerous sawmills, tanneries and other business activities.

Economic life was centered around Winchester and other local towns including Stephens City, Middletown, Kernstown, Gainesboro and Gore. There were a large number and diversity of craftsmen and merchants in these towns. The strongest influence on the local economy was the Great Wagon Road, which later became Route 11 and which carried settlers and travelers from Philadelphia, south through the Valley and to the west. Activity associated with this road made Winchester one of the largest towns in western Virginia.

Frederick County played a significant part in the Civil War. The northern Shenandoah Valley supplied food, livestock, horses and soldiers to the southern cause. The Valley was also important because of its strategic location in relation to Washington, D. C. The town of Winchester changed hands in the war about 70 times, an average of once every three weeks for four years.

Major local battles include the First Battle of Kernstown in March of 1862, during which General Stonewall Jackson suffered his only tactical defeat during the Valley Campaign but did succeed in keeping Union troops in the Valley from leaving to reinforce McClellan on the peninsula. In May of 1862, Jackson's army defeated the Union troops at the First Battle of Winchester. In the Second Battle of Winchester in 1863, confederate troops successfully attacked and defeated Union troops occupying forts on the western side of Winchester. Union troops were again defeated at the Second Battle of Kernstown in 1864. At the Third Battle of Winchester, General Philip Sheridan's Union troops successfully attacked confederate troops at Winchester. With the high number of losses on both sides, a new war of attrition was to begin in the Valley from which the southern forces would never recover.

The Civil War period brought much destruction and economic hardship to Frederick County, due to the county's strategic location in the Valley. Many farms, mills and dwellings were damaged or destroyed, and the county's economic productivity was greatly reduced. The Reconstruction period was characterized by a slow economic recovery from damages suffered, and by the 1880's economic stability gradually returned. After the war, old economic activities resumed and new activities began. New businesses included a tannery, dairying, farm machinery and shipping.

There was a tremendous building boom in the county during the period of 1880-1900. New communities were also formed as a consequence of newer, more advanced transportation systems including the automobile and the railroad. Among the communities that experienced growth during this period were Meadow Mills, Hayfield, Gore, Mountain Falls, Mount Williams, Gravel Springs, Gainesboro, Albin, Brucetown, White Hall and Armel.

Industrial activity slowly resumed after the Civil War. According to one source, by 1890, Frederick County had 37 mills, eight woolen factories and mills, a steam elevator, two iron foundries, four glove factories, a boot and shoe factory, ten broom factories, four tanneries, a large paper mill, three newspapers, a book bindery, eight cigar factories, three marble yards and two furniture factories.

In the early twentieth century, there was rapid industrial growth in Frederick County. There was a phenomenal rise in apple production, with apples replacing wheat as the primary cash crop. Many new facilities were developed relating to apple production and processing. Later in the twentieth century, the local economy had diversified to include a range of different industrial activities. Activities continue to be based on the accessibility of the area and on north-south travel along the route that was once the Great Wagon Road and is now Route 11 and Interstate 81.

HISTORIC PRESERVATION

There are over 12,000 acres of 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.

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	

PHYSICAL CHARACTERISTICS

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

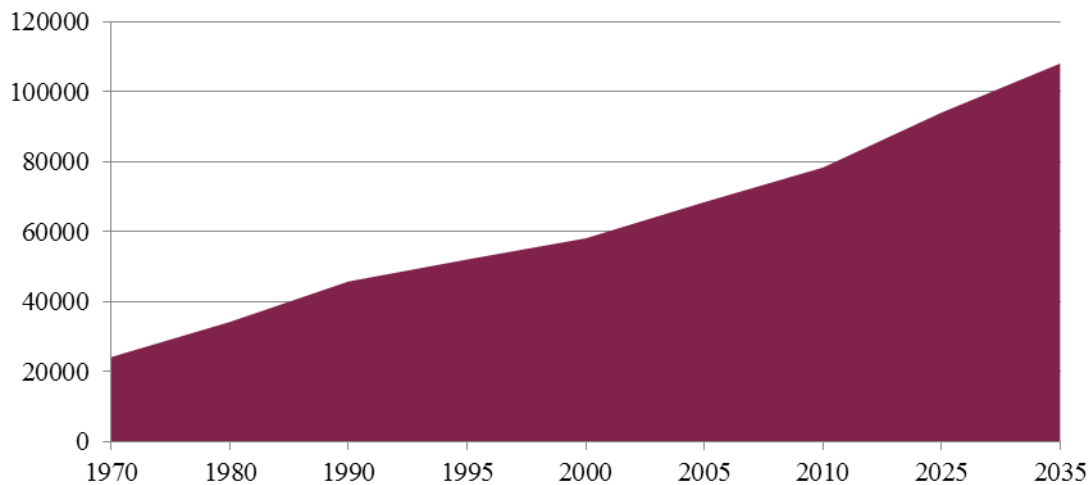
The second area is underlain by limestone-carbonate bedrock and consists of a band that runs north-south through the county between Interstate 81 and Little North Mountain. The terrain here tends to be gently rolling. Outside of the City of Winchester, much of this area is currently used for agriculture and contains the bulk of prime agriculture soil in the county. Most of the orchards in the county are located in this area. Soils in this area tend to be well suited for septic drainfields, except where the soils are thin.

The third area is the large western Valley and Ridge area that is underlain by a variety of shale, sandstone and limestone formations. This area consists of alternating valleys and ridges that run north-south through the county. Most of the area is forested. The ridges tend to be very steep, and the highest elevations in the county are in this area. Soils are varied, although most tend not to be well suited for septic drain fields.

POPULATION

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 2025, it is projected that the population of Frederick County will be approximately 94,023, by 2035 the population is expected to reach 108,067.

Frederick County Population Counts, 1970-2035



PUBLIC SCHOOL SYSTEM

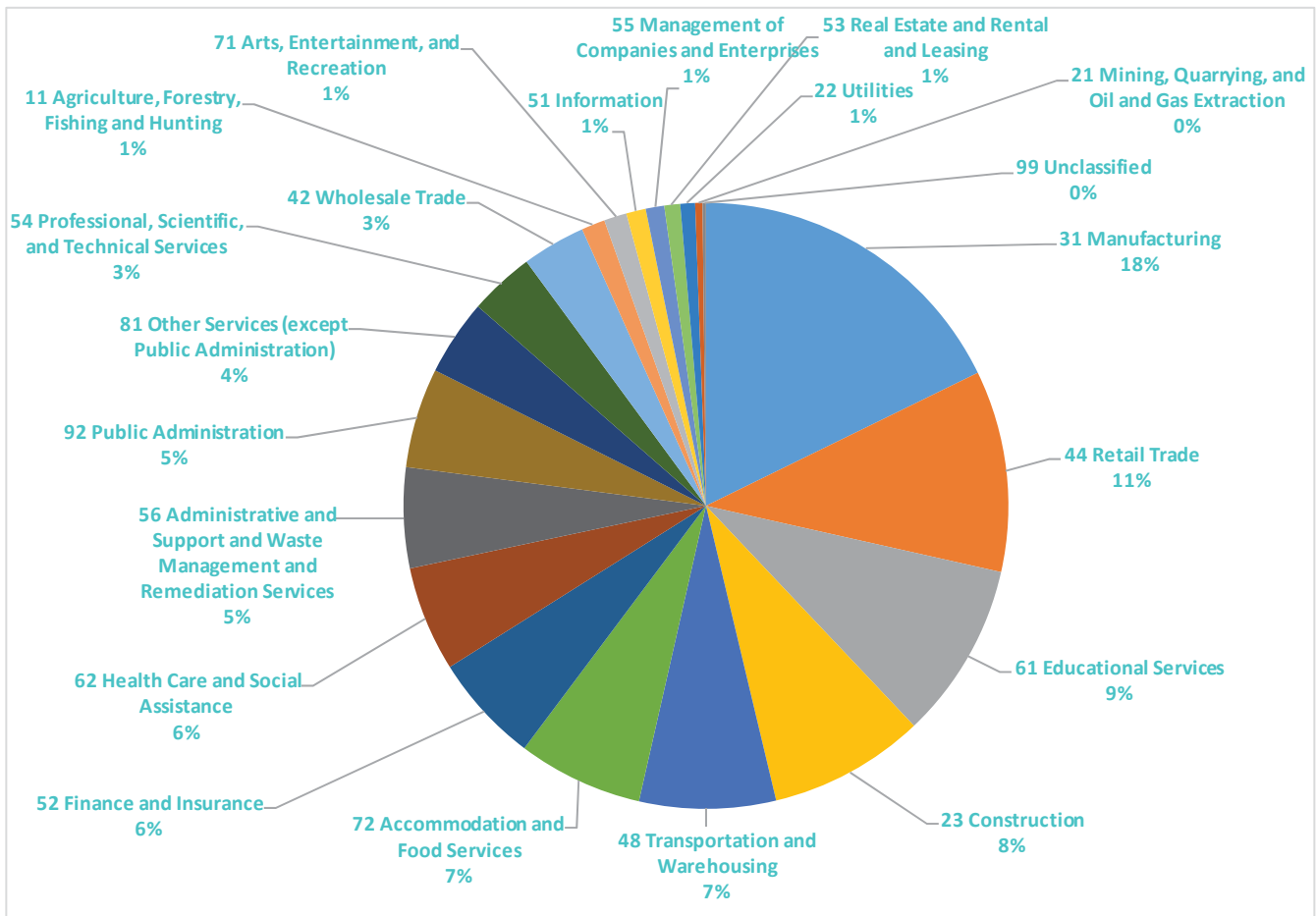
The Frederick County Public School System, the 22nd largest school division in Virginia, is composed of eleven elementary schools serving students in grades kindergarten through fifth grade; four middle schools serving grades six through eight; three high schools serving grades nine through twelve; and one alternative/vocational school. Frederick County participates 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 transportation facility provides vehicle maintenance services to county agencies as well as the school division.

In the fall of 2017 (fiscal year 2018), student enrollment was 13,444 representing an increase of 539 students, or 4% in ten years. The structure of the school division is designed to support the needs of the 13,705 students projected for the school year 2018-2019. 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 space to address student capacity for the foreseeable future.

EMPLOYMENT TRENDS

Frederick County had a total of 34,014 jobs in the first quarter of 2018 as measured by JobsEQ®. The largest employment sector was manufacturing which employed 6,045 workers in the first quarter of 2018. Of individuals aged 25 to 64 in Frederick County, 30.6% have a bachelor's degree or higher which compares with 31.8% in the nation.

Total Workers for Frederick County, Virginia by Industry



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 0.9%, the Virginia unemployment rate has decreased by 0.7%, and the United States unemployment rate has decreased by 0.9%. The unemployment rate for Frederick County in June 2018 was 2.8% compared to the June 2017 rate of 3.3%.

QUALITY OF LIFE

Higher Education

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

Shenandoah University offers more than 100 academic programs of study and has a school enrollment of approximately 4,000 students. The schools include Eleanor Wade Custer School of Nursing and Respiratory Care, Bernard J. Dunn School of Pharmacy, Harry F. Byrd, Jr. School of Business, School of Health Professions, College of Arts and Sciences, 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 98.2% of the national average. The median home selling price in June 2018 was \$277,583 according to BrightMLS©. 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 2016) gives the crime rate per 100,000 people for the USA as 386.3. The crime rate for the Winchester-Frederick County area was 138.7 in 2016, down from 173.6 in 2015.

Library Services

Library service is provided to Frederick County through the Handley Regional Library located in downtown Winchester, the Mary Jane and James L. Bowman Library located in Stephens City, and the Clarke County Library located in Berryville. Currently, there are 38,974 active registered library card holders in Frederick County. During the period of July 1, 2017 through June 30, 2018, Frederick County residents had the following usage: traditional checkouts = 463,265; electronic checkouts = 42,207 for a total of 505,472 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. Since its move in 1990 to the current 100-acre site, Winchester Medical Center has added two medical office buildings, a diagnostic center, employee child care center, and a state-of-the-art Wellness & Fitness Center. In 2012, the new North Tower was opened with an expanded Emergency Department and new homes for an expanded adult Intensive Care Unit and the region's only Level III Neonatal Intensive Care Unit. A Magnet-designated hospital, Winchester Medical Center is also an Advanced Primary Stroke Center, Chest Pain Center, and Level 4 Epilepsy Center.

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 opened Rose Hill Park in the summer of 2016. Rose Hill Park is a partnership between Frederick County and the Museum of the Shenandoah Valley.

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. Parking and a walking trail will be installed at the Frederick Heights Park in 2018. 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, 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, 2018, 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, 2018, 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, 2017. This was the thirty-second 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, 2017. This is the twelfth 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, 2017 and thirty-one prior fiscal year annual budgets. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

ACKNOWLEDGMENTS

The preparation of the 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.



Kris C. Tierney
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, 2017

Christopher P. Morrill

Executive Director/CEO

- 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, 2018, 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, 2018, 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 22 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and 85 Omnibus 2017. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 22 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. 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, 125-129, and 130-143 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Frederick, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 December 20, 2018, on our consideration of the County of Frederick, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Frederick, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Frederick, Virginia's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
December 20, 2018

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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, 2018. 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 2018:

- Government-wide Statements:
 - On a government-wide basis for governmental activities the County had expenses net of program revenues of \$161.5 million, which was approximately \$0.1 million less than the general revenues of \$161.6 million. (Exhibit 2)
 - On a government-wide basis, the governmental activities total net position totaled \$12.3 million. (Exhibit 1)
- Fund Statements:
 - The fund financial statements report combined ending general fund balance of \$58.3 million. Of that amount, \$48.0 million reflects unassigned general fund balance. (Exhibit 3)
 - General fund property taxes of \$107.5 million equaled 60% of the total \$178.5 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 \$3.8 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.

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.

Government-wide Statements: (continued)

The Statement of Activities provides information on how the net position changed during the year. Since the government-wide financial statements use the accrual method of accounting, changes in net position are recognized when an event occurs, regardless of the timing of cash. This will result in revenues and expenses being reported in this statement for some items that will not impact cash flow until a later time in another fiscal period.

The Statement of Net Position and the Statement of Activities are divided into the following types of activities:

- **Governmental Funds:** These activities are supported primarily by property taxes and report the County's basic services such as general administration, public safety, parks and recreation, and community development.
- **Business-Type Activities:** These activities charge fees to customers to help cover the costs of the service. The County's landfill fund is a business-type activity.
- **Component Units:** The Frederick County Public Schools and Economic Development Authority are component units of the County. Component units are legally separate but are reported since the County is financially accountable and provide funding for them.

Fund Financial Statements:

Fund financial statements are the traditional governmental financial statements. They focus on the County's most significant funds instead of the County as a whole. The County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The County has three kinds of funds:

1. **Governmental Funds:** The governmental funds report most of the County's basic services. The governmental funds serve essentially the same function as the governmental activities in the government-wide statements. The governmental fund financial statements focus on near-term cash flows and the amount of spendable resources available at the end of the fiscal year. It provides the reader a short-term view of the financial position. Since the information provides a narrow focus, the government-wide statements will provide additional information. A reconciliation from the fund statements is provided to facilitate this comparison.
2. **Proprietary Funds:** The County of Frederick maintains two types of proprietary funds: Enterprise Funds and Internal Service Funds. Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long and short-term financial information.

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

3. **Fiduciary Funds:** Fiduciary funds are used to report assets held in trustee or agency capacity for others and cannot be used to support the government's own programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.
 - The County of Frederick has several private purpose trust funds. These funds are restricted to build a chapel, provide textbooks for indigent students, and to provide scholarships to deserving students.
 - Frederick County has seven 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.

In fiscal year 2018 the County implemented GASB 75, which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). In addition, the County implemented GASB 85, which addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the restatement of net position. Detailed information can be found in Notes to Financial Statements – NOTE 22 of this document.

**Summary Statement of Net Position
June 30, 2018**

	Governmental Activities		Business-Type Activities		Total		Component Units	
	2018	2017	2018	2017	2018	2016	2018	2017
Current and Other Assets	\$ 151,672,427	\$ 145,970,589	\$ 39,503,950	\$ 35,717,598	\$ 191,176,377	\$ 181,688,187	\$ 43,994,404	\$ 35,514,083
Capital Assets (net)	125,131,784	133,784,907	16,245,725	17,926,107	141,377,509	151,711,014	140,168,584	131,519,473
Total Assets	\$ 276,804,211	\$ 279,755,496	\$ 55,749,675	\$ 53,643,705	\$ 332,553,886	\$ 333,399,201	\$ 184,162,988	\$ 167,033,556
Deferred Outflows of Resources	\$ 4,485,009	\$ 6,329,613	\$ 146,088	\$ 247,369	\$ 4,631,097	\$ 6,576,982	\$ 23,439,735	\$ 29,342,147
Long-term Liabilities	\$ 202,541,631	\$ 193,380,900	\$ 15,678,846	\$ 13,614,641	\$ 218,220,477	\$ 206,995,541	\$ 166,206,944	\$ 162,076,880
Other Liabilities	6,316,907	6,412,832	516,829	242,448	6,833,736	6,655,280	23,344,129	23,643,829
Total Liabilities	\$ 208,858,538	\$ 199,793,732	\$ 16,195,675	\$ 13,857,089	\$ 225,054,213	\$ 213,650,821	\$ 189,551,073	\$ 185,720,709
Deferred Inflows of Resources	\$ 60,107,873	\$ 50,255,908	\$ 360,565	\$ -	\$ 60,468,438	\$ 50,255,908	\$ 18,771,474	\$ 5,107,057
Net Position:								
Invested in Capital Assets	\$ (7,344,979)	\$ (10,248,279)	\$ 16,245,725	\$ 17,926,107	\$ 8,900,746	\$ 7,677,828	\$ 140,168,584	\$ 131,519,473
Restricted for Capital Projects	-	-	-	-	-	-	-	-
Unrestricted	19,667,788	46,283,748	23,093,798	22,107,878	42,761,586	68,391,626	(140,888,408)	(125,971,536)
Total Net Position	\$ 12,322,809	\$ 36,035,469	\$ 39,339,523	\$ 40,033,985	\$ 51,662,332	\$ 76,069,454	\$ (719,824)	\$ 5,547,937

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

The County's combined net position decreased from \$76,069,454 to \$51,662,332. This net decrease in the amount of \$24,407,122 can be attributed to the \$26 million restatement of net position due to the implementation of GASB 75 (see NOTE 22), combined with an increase in governmental activities in the amount of \$153,309 and a decrease in business-type activities in the amount of \$1,482,717. 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, 2018

Governmental Activities	Governmental Activities		Business-Type Activities		Total		Component Units	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues:								
Program Revenues								
Charges for Services	\$ 7,848,675	\$ 7,770,451	\$ 7,498,806	\$ 7,076,899	\$ 15,347,481	\$ 14,847,350	\$ 2,533,591	\$ 3,420,122
Operating Grants & Contributions	12,269,289	11,956,010	-	-	12,269,289	11,956,010	85,929,283	81,239,636
Capital Grants & Contributions	218,816	2,504,668	-	-	218,816	2,504,668	-	-
General Revenues								
Real Estate & Personal Property	109,780,458	102,416,263	-	-	109,780,458	102,416,263	-	-
Other Taxes	35,918,445	34,425,677	-	-	35,918,445	34,425,677	-	-
Payments from Primary Government	-	-	-	-	-	-	100,933,958	77,100,763
Non-restricted Grants	14,655,560	14,730,944	-	-	14,655,560	14,730,944	-	-
Use of Money and Property	891,692	358,948	331,776	139,894	1,223,468	498,842	525,925	429,628
Miscellaneous	391,882	979,946	197,013	236,472	588,895	1,216,418	440,855	426,794
Total Revenues	\$ 181,974,817	\$ 175,142,907	\$ 8,027,595	\$ 7,453,265	\$ 190,002,412	\$ 182,596,172	\$ 190,363,612	\$ 162,616,943
Expenses:								
General Government	\$ 7,432,517	\$ 8,719,721	\$ -	\$ -	\$ 7,432,517	\$ 8,719,721	\$ -	\$ -
Judicial Administration	2,945,219	3,355,287	-	-	2,945,219	3,355,287	-	-
Public Safety	37,494,242	35,632,221	-	-	37,494,242	35,632,221	-	-
Public Works	4,411,774	3,878,797	-	-	4,411,774	3,878,797	-	-
Health / Welfare	12,132,958	12,169,453	-	-	12,132,958	12,169,453	-	-
Education	100,860,131	79,160,438	-	-	100,860,131	79,160,438	167,469,780	165,632,348
Parks, Recreation & Culture	6,540,653	6,322,529	-	-	6,540,653	6,322,529	-	-
Community Development	4,707,000	3,232,921	-	-	4,707,000	3,232,921	-	-
Interest on Long-term Debt	5,297,014	5,734,878	-	-	5,297,014	5,734,878	-	-
Landfill Operations	-	-	6,544,878	6,198,622	6,544,878	6,198,622	-	-
Economic Development Authority	-	-	-	-	-	-	4,583,593	1,926,779
Total Expenses	\$ 181,821,508	\$ 158,206,245	\$ 6,544,878	\$ 6,198,622	\$ 188,366,386	\$ 164,404,867	\$ 172,053,373	\$ 167,559,127
Expenses (greater than) less than revenues received	\$ 153,309	\$ 16,936,662	\$ 1,482,717	\$ 1,254,643	\$ 1,636,026	\$ 18,191,305	\$ 18,310,239	\$ (4,942,184)
Net Position, beginning of year *	12,169,500	19,098,807	37,856,806	38,779,342	50,026,306	57,878,149	(19,030,063)	10,490,121
Net Position, end of year	\$ 12,322,809	\$ 36,035,469	\$ 39,339,523	\$ 40,033,985	\$ 51,662,332	\$ 76,069,454	\$ (719,824)	\$ 5,547,937

* 2018 restated due to the implementation of GASB 75 - see Note 22

Revenues:

- **Governmental Activities:** For the fiscal year ended June 30, 2018, revenues from governmental activities totaled \$181,974,817, an increase of \$6.8 million over last fiscal year. Property tax revenues, which include real estate tax revenues and the local paid portion of personal property taxes, account for approximately \$109.8 million of the total revenues received, an increase of \$7.4 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 \$1.4 million in FY18.
- **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, 2018, expenses related to governmental activities totaled \$181,821,508 which includes payments to the component units. Net position related to governmental activities increased minimally by \$153,309.

Financial Analysis of the Fund Financial Statements:

Governmental Funds: Reported combined ending fund balance is \$70,257,294, a minimal increase of \$72,356 in comparison with the prior year (Exhibit 5). The increase was mostly a combination of a \$3.8 million decrease in General Fund fund balance and a \$4.1 million increase in the Capital Projects Fund fund balance at the end of FY 2018. Detailed fund balance information can be found on Exhibit 3 – Balance Sheet.

Approximately 68% (\$47,931,551) of the combined ending fund balance is unassigned, which is available for spending at the government's discretion. The FY19 budget appropriates \$1.9 million from General Fund fund balance to balance the General Fund budget. Of the remainder of the fund balance, \$662,781 is nonspendable, \$8,194,886 is restricted, \$13,442,472 is committed and \$25,604 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 2017-18 fiscal year can be found on Exhibit 5 – Statement of Revenues, Expenditures, and Changes in Fund Balances.

- The General Fund is the chief operating fund of the County of Frederick.
 - The Shawneeland Sanitary District Fund accounts for special property tax assessments which are used to pay for various services requested by residents of the District.
 - The Lake Holiday Sanitary District Fund accounts for special property tax assessments which are used to pay for the repair of the dam and related expenditures.
 - The School Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related charges.
 - The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital projects.
- **Proprietary Funds:** The County's proprietary funds consist of the Landfill Fund and Internal Service Funds. The Landfill Fund is operated like a business (enterprise) fund and the internal service funds include the County's Health Insurance, Central Stores, Unemployment, and Volunteer Fire and Rescue Funds. The Landfill Fund reflected an increase in net position of \$1,482,717, while the Internal Service Funds recognized an increase in net position in the amount of \$2,299,944 (Exhibit 8). The Landfill Fund purchased capital assets in the amount of \$513,311 and posted operating income of \$1,150,941 (Exhibit 9). The Internal Service Funds had operating income of \$2,156,254 (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 \$9,595,652 in additional appropriations (Exhibit 12). Highlights of the budget amendments are as follows:

- \$2,000,000 budget amendment for economic development incentives for Navy Federal Credit Union.
- \$209,674 in a budget amendment for airport capital. The airport capital budget is not finalized until after the County's budget adoption. This is due to the schedule of input from the FAA that is required.
- \$1,144,788 in a budget amendment to carry forward unspent capital contingency funds from the prior year.
- \$1,303,505 budget amendment to carry forward outstanding encumbrances from the prior year.
- \$214,105 in a budget amendment to carry forward proffer funds to construct an ancillary building at the Stephens City fire department.
- \$148,624 budget amendment for two full-time Family Services Specialists in the Department of Social Services.
- \$197,000 budget amendment for the design and installation of parking and a trail at Frederick Heights Park using proffer funds.
- \$124,280 budget amendment to carry forward unspent forfeited assets funds.
- \$128,440 budget amendment to carry forward unspent funds for Sheriff body cameras.
- \$612,300 in a budget amendment to carry forward unspent funds for the construction of Northwest Sherando Park.
- \$219,688 budget amendment to carry forward unspent Fire Company Capital funds.
- \$266,507 budget amendment for three full time Sheriff's Deputies and associated equipment.
- \$330,537 in a budget amendment for the Clearbrook Convenience Site.
- \$392,120 in a reverse budget amendment for the replacement of Fire & Rescue Self Contained Breathing Apparatus (SCBA). The final cost was less than originally budgeted.
- \$220,000 in a reverse budget amendment for a budget reduction in the Department of Social Services due to less than anticipated expenses.

The actual budget was \$6,887,066 less than the final amended budget. Details can be found in Exhibit 12. Significant variances were:

- \$828,522 from general government administration. A contributing factor was a \$192,000 savings in Workers' Comp;
- \$415,633 from Sheriff's office mainly attributed to salaries and fringes due to turnover and vacancies;
- \$808,890 from fire & rescue mainly attributed to \$374,000 savings in salaries and fringes due to turnover and vacancies, and \$220,000 in outstanding purchase orders that were carried forward to FY 2019;
- \$1,221,694 from public works which can be attributed \$450,000 carried forward to FY 2019 for convenience sites, \$128,000 unspent for courthouse operating, and \$170,000 in outstanding purchase orders that were carried forward to FY 2019;
- \$1,046,279 from education for public schools that includes \$543,000 in outstanding encumbrances, and \$503,416 unspent in school operating that was ultimately carried forward to FY 2019 for restricted grant funds, a school bus, and security equipment; and
- \$1,318,341 from parks and recreation primarily as a result of unspent funds for the Abrams Creek and Sherando Park projects.

Capital Assets:

At the end of the Fiscal Year 2018, Governmental Activities had invested \$125,131,784 and the Component Unit School Board had invested \$140,168,584 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	
	2018	2017	2018	2017	2018	2017
Capital Assets not being depreciated:						
Land and Land Improvements	\$ 2,627,578	\$ 2,627,578	\$ 3,310,126	\$ 3,310,126	\$ 5,937,704	\$ 5,937,704
Construction in Progress	3,715,888	-	-	-	3,715,888	-
School Construction in Progress	3,074,966	45,189,104	-	-	3,074,966	45,189,104
Total Capital Assets not being depreciated	\$ 9,418,432	\$ 47,816,682	\$ 3,310,126	\$ 3,310,126	\$ 12,728,558	\$ 51,126,808
Other Capital Assets:						
Building and Improvements	\$ 54,597,496	\$ 54,438,351	\$ 2,999,716	\$ 2,999,716	\$ 57,597,212	\$ 57,438,067
Landfill Improvements	-	-	35,779,090	35,779,090	35,779,090	35,779,090
School Building & Improvements	99,714,211	67,864,152	-	-	99,714,211	67,864,152
Furniture, Equipment & Vehicles	14,922,967	13,041,958	5,440,721	5,069,256	20,363,688	18,111,214
Total Other Capital Assets	\$169,234,674	\$135,344,461	\$ 44,219,527	\$ 43,848,062	\$213,454,201	\$179,192,523
Less: Accumulated Depreciation	53,521,322	49,376,236	31,283,928	29,232,081	84,805,250	78,608,317
Net Capital Assets	\$125,131,784	\$133,784,907	\$ 16,245,725	\$ 17,926,107	\$141,377,509	\$151,711,014

Component Unit School Board Capital Assets

	2018	2017
Capital Assets not being depreciated:		
Land and Land Improvements	\$ 10,982,635	\$ 10,357,999
Construction in Progress	8,285,221	56,891,990
Construction in Progress Allocated to County	(3,074,966)	(45,189,104)
Total Capital Assets not being depreciated	\$ 16,192,890	\$ 22,060,885
Other Capital Assets:		
Building and Improvements	\$ 304,925,744	\$ 252,410,730
School Buildings and Improvements allocated to County	(99,714,211)	(67,864,152)
Furniture, Equipment & Vehicles	38,028,247	42,617,732
Total Other Capital Assets	\$ 243,239,780	\$ 227,164,310
Less: Accumulated Depreciation	119,264,086	117,705,722
Net Capital Assets	\$ 140,168,584	\$ 131,519,473

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 \$147.6 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, 2018. Additional details on long-term obligations are presented in Note 9 to the financial statements.

	<u>June 30, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2018</u>
Lease Revenue Bonds	\$ 23,460,000	\$ -	\$ 911,250	\$ 22,548,750
Premium on lease revenue bonds	1,454,423	-	135,669	1,318,754
Total lease revenue bonds	<u>\$ 24,914,423</u>	<u>\$ -</u>	<u>\$ 1,046,919</u>	<u>\$ 23,867,504</u>
Local financing lease	7,275,000	-	245,000	7,030,000
Premium on financing lease	649,712	-	61,852	587,860
Total local financing lease	<u>\$ 7,924,712</u>	<u>\$ -</u>	<u>\$ 306,852</u>	<u>\$ 7,617,860</u>
General Obligation Bonds:				
Library	1,562,112	-	280,097	1,282,015
School	113,345,118	6,320,000	10,402,583	109,262,535
Add deferred amount for issuance premiums	5,873,261	446,107	788,764	5,530,604
Total General Obligation Bonds	<u>\$ 120,780,491</u>	<u>\$ 6,766,107</u>	<u>\$ 11,471,444</u>	<u>\$ 116,075,154</u>
State Literary Fund Loans:				
School	382,000	-	382,000	-
Intergovernmental loans	1,755,831	-	89,306	1,666,525
Claims	834,797	9,768,351	9,629,658	973,490
Capital leases	3,135	499,655	97,418	405,372
Net Pension liability	14,511,019	9,161,386	14,566,276	9,106,129
Net OPEB obligation *	43,099,096	2,328,984	5,871,161	39,556,919
Compensated absences	4,000,289	3,046,081	2,800,202	4,246,168
Total	<u>\$ 218,205,793</u>	<u>\$ 31,570,564</u>	<u>\$ 46,261,236</u>	<u>\$ 203,515,121</u>

* 2017 restated due to the implementation of GASB 75 - see Note 22

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 -**

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COUNTY OF FREDERICK, VIRGINIA

Statement of Net Position
At June 30, 2018

	Governmental Activities		Business-type Activities		Total		Component Units	
							School Board	Economic Development Authority
Assets:								
Cash and cash equivalents	\$ 75,952,779	\$ 25,652,720	\$ 101,605,499	\$ 35,700,633	\$ 3,089,865			
Restricted cash	-	13,126,482	13,126,482	-	-			
Receivables, net	61,464,252	724,748	62,189,000	134,665	-			
Note receivable	2,884,122	-	2,884,122	-	-			
Due from other governments	10,708,493	-	10,708,493	3,574,701	-			
Intergovernmental loan	657,083	-	657,083	-	-			
Prepaid expenses	5,698	-	5,698	-	-			
Inventory	-	-	-	600,220	-			
Net Pension asset	-	-	-	894,320	-			
Capital assets:								
Land and construction in progress	9,418,432	3,310,126	12,728,558	16,192,890	-			
Other capital assets, net of accumulated depreciation	115,713,352	12,935,599	128,648,951	123,975,694	-			
Capital assets, net	\$ 125,131,784	\$ 16,245,725	\$ 141,377,509	\$ 140,168,584	\$ -			
Total assets	\$ 276,804,211	\$ 55,749,675	\$ 332,553,886	\$ 181,073,123	\$ 3,089,865			
Deferred Outflows of Resources:								
Deferred charge on refunding	\$ 672,217	\$ -	\$ 672,217	\$ -	\$ -			
OPEB deferrals	214,179	3,336	217,515	1,590,520	-			
Pension deferrals	3,598,613	142,752	3,741,365	21,849,215	-			
Total deferred outflows of resources	\$ 4,485,009	\$ 146,088	\$ 4,631,097	\$ 23,439,735	\$ -			
Liabilities:								
Accounts payable and accrued expenses	\$ 2,237,520	\$ 503,115	\$ 2,740,635	\$ 21,293,028	\$ 16,021			
Accrued interest payable	2,350,391	-	2,350,391	-	-			
Claims payable	973,490	-	973,490	2,035,080	-			
Unearned revenue	-	13,714	13,714	-	-			
Amounts held for others	755,506	-	755,506	-	-			
Long-term liabilities:								
Net pension liability	9,106,129	381,332	9,487,461	133,333,000	-			
Net OPEB liability	39,556,919	1,997,879	41,554,798	28,615,000	-			
Due within one year	15,972,700	121,207	16,093,907	1,644,938	825,000			
Due in more than one year	137,905,883	13,178,428	151,084,311	704,973	1,084,033			
Total liabilities	\$ 208,858,538	\$ 16,195,675	\$ 225,054,213	\$ 187,626,019	\$ 1,925,054			
Deferred Inflows of Resources:								
Deferred revenue - taxes	\$ 53,005,633	\$ -	\$ 53,005,633	\$ -	\$ -			
Items related to measurement of net OPEB liability	4,562,180	230,495	4,792,675	1,686,000	-			
Items related to measurement of net pension liability	2,540,060	130,070	2,670,130	17,085,474	-			
Total deferred inflows of resources	\$ 60,107,873	\$ 360,565	\$ 60,468,438	\$ 18,771,474	\$ -			
Net Position:								
Net investment in capital assets	\$ (7,344,979)	\$ 16,245,725	\$ 8,900,746	\$ 140,168,584	\$ -			
Unrestricted	19,667,788	23,093,798	42,761,586	(142,053,219)	1,164,811			
Total net position	\$ 12,322,809	\$ 39,339,523	\$ 51,662,332	\$ (1,884,635)	\$ 1,164,811			

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Activities
Year Ended June 30, 2018

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	Total	School Board	Economic Development Authority	
Primary Government										
Governmental activities	\$ 7,432,517	\$ -	\$ 449,957	\$ -	\$ (6,982,560)	\$ -	\$ (6,982,560)	\$ -	\$ -	\$ -
Judicial administration	2,945,219	1,141,080	1,016,310	-	(787,829)	-	(787,829)	-	-	-
Public safety	37,494,242	4,401,046	3,549,977	-	(29,543,219)	-	(29,543,219)	-	-	-
Public works	4,411,774	-	14,774	-	(4,397,000)	-	(4,397,000)	-	-	-
Health and welfare	12,132,958	-	6,822,078	-	(5,310,880)	-	(5,310,880)	-	-	-
Education	100,860,131	-	-	-	(100,860,131)	-	(100,860,131)	-	-	-
Parks, recreation and cultural	6,540,653	2,305,564	10,985	-	(4,224,104)	-	(4,224,104)	-	-	-
Community development	4,707,000	985	-	218,816	(4,487,199)	-	(4,487,199)	-	-	-
Interest on long-term debt	5,297,014	-	405,208	-	(4,891,806)	-	(4,891,806)	-	-	-
Total governmental activities	\$ 181,821,508	\$ 7,848,675	\$ 12,269,289	\$ 218,816	\$ (161,484,728)	\$ -	\$ (161,484,728)	\$ -	\$ -	\$ -
Business-type activities										
Landfill operations	6,544,878	7,498,806	-	-	-	953,928	953,928	-	-	-
Total Primary Government	\$ 188,366,386	\$ 15,347,481	\$ 12,269,289	\$ 218,816	\$ (161,484,728)	\$ 953,928	\$ (160,530,800)	\$ -	\$ -	\$ -
Component Units										
Frederick County School Board	\$ 167,469,780	\$ 2,468,183	\$ 83,929,283	\$ -	\$ -	\$ -	\$ (81,072,314)	\$ -	\$ -	\$ -
Frederick County Economic Development Authority	4,583,593	65,408	2,000,000	-	-	-	-	-	-	(2,518,185)
Total Component Units	\$ 172,053,373	\$ 2,533,591	\$ 85,929,283	\$ -	\$ -	\$ -	\$ (81,072,314)	\$ -	\$ -	\$ (2,518,185)

General Revenues

Taxes:										
General property taxes, real and personal	\$ 109,780,458	\$ -	\$ 109,780,458	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sales and use taxes	14,060,202	-	14,060,202	-	-	-	-	-	-	-
Business licenses tax	7,121,489	-	7,121,489	-	-	-	-	-	-	-
Consumer utility taxes	3,764,949	-	3,764,949	-	-	-	-	-	-	-
Meals and lodging taxes	6,006,378	-	6,006,378	-	-	-	-	-	-	-
Motor vehicle licenses tax	2,564,935	-	2,564,935	-	-	-	-	-	-	-
Taxes on recordation and wills	1,813,793	-	1,813,793	-	-	-	-	-	-	-
Other taxes	586,699	-	586,699	-	-	-	-	-	-	-
Payment from County of Frederick:										
Education	-	-	-	-	-	-	98,351,188	-	-	2,582,770
Economic development	-	-	-	-	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	14,655,560	-	14,655,560	-	-	-	-	-	-	-
Unrestricted use of money and property	891,692	331,776	331,776	1,223,468	524,538	1,387	524,538	1,387	1,387	1,387
Miscellaneous	391,882	197,013	197,013	588,895	440,855	-	440,855	-	-	-
Total general revenues	\$ 161,638,037	\$ 528,789	\$ 162,166,826	\$ 99,316,581	\$ 2,584,157	\$ 1,636,026	\$ 18,244,267	\$ 1,098,839	\$ 1,164,811	\$ 1,164,811
Change in net position	\$ 153,309	\$ 1,482,717	\$ 1,636,026	\$ 50,026,306	\$ 51,662,332	\$ 1,636,026	\$ 18,244,267	\$ 1,098,839	\$ 1,164,811	\$ 1,164,811
Net position, beginning of year, as restated	12,169,500	37,856,806	50,026,306	39,339,523	51,662,332	50,026,306	(20,128,902)	1,098,839	1,164,811	1,164,811
Net position, end of year	\$ 12,322,809	\$ 39,339,523	\$ 51,662,332	\$ 89,365,829	\$ 103,324,664	\$ 51,662,332	\$ 1,164,811	\$ 1,098,839	\$ 1,164,811	\$ 1,164,811

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

**Basic Financial Statements:
- Fund Financial Statements -**

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COUNTY OF FREDERICK, VIRGINIA

Balance Sheet
Governmental Funds
At June 30, 2018

	General Fund	Shawneeland Sanitary District Fund	Lake Holiday Sanitary District Fund	Capital Projects Fund	School Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 50,436,432	\$ 2,002,652	\$ 3,168,831	\$ 6,480,451	\$ 20,824	\$ 761,194	\$ 62,870,384
Property taxes receivable, net	55,918,447	1,756,796	1,230,679	-	-	-	58,905,922
Business licenses receivable	1,086,867	-	-	-	-	-	1,086,867
Accounts receivable	1,461,436	2,963	1,780	-	-	5,284	1,471,463
Due from other governments	10,284,114	-	-	173,510	-	250,869	10,708,493
Intergovernmental loan	657,083	-	-	-	-	-	657,083
Prepaid items	5,698	-	-	-	-	-	5,698
Total assets	<u>\$ 119,850,077</u>	<u>\$ 3,762,411</u>	<u>\$ 4,401,290</u>	<u>\$ 6,653,961</u>	<u>\$ 20,824</u>	<u>\$ 1,017,347</u>	<u>\$ 135,705,910</u>
Liabilities							
Accounts payable and accrued liabilities	\$ 1,302,036	\$ 40,804	\$ -	\$ 134,994	\$ -	\$ 741,162	\$ 2,218,996
Amounts held for others	755,506	-	-	-	-	-	755,506
Total liabilities	<u>\$ 2,057,542</u>	<u>\$ 40,804</u>	<u>\$ -</u>	<u>\$ 134,994</u>	<u>\$ -</u>	<u>\$ 741,162</u>	<u>\$ 2,974,502</u>
Deferred Inflows of Resources							
Unavailable revenue - business licenses	\$ 1,086,867	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,086,867
Unavailable revenue - prepaid taxes	4,098,652	26,337	26,278	-	-	-	4,151,267
Unavailable revenue - property taxes	54,273,440	1,743,408	1,219,132	-	-	-	57,235,980
Total deferred inflows of resources	<u>\$ 59,458,959</u>	<u>\$ 1,769,745</u>	<u>\$ 1,245,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,474,114</u>
Fund Balance							
Nonspendable	\$ 662,781	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 662,781
Restricted	7,321,262	-	-	873,624	-	-	8,194,886
Committed	2,392,072	1,951,862	3,155,880	5,645,343	-	297,315	13,442,472
Assigned	4,780	-	-	-	20,824	-	25,604
Unassigned	47,952,681	-	-	-	-	(21,130)	47,931,551
Total fund balance	<u>\$ 58,333,576</u>	<u>\$ 1,951,862</u>	<u>\$ 3,155,880</u>	<u>\$ 6,518,967</u>	<u>\$ 20,824</u>	<u>\$ 276,185</u>	<u>\$ 70,257,294</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 119,850,077</u>	<u>\$ 3,762,411</u>	<u>\$ 4,401,290</u>	<u>\$ 6,653,961</u>	<u>\$ 20,824</u>	<u>\$ 1,017,347</u>	<u>\$ 135,705,910</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, 2018**

Total fund balances for governmental funds (Exhibit 3)	\$	70,257,294
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		6,790,854
Buildings and improvements, net of depreciation		35,519,838
Equipment, net of depreciation		3,860,972
School Board capital assets, net of depreciation		<u>76,332,542</u>
Total capital assets		125,131,784
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:		
		12,090,381
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes and business licenses	\$	9,468,481
Long-term note receivable		2,884,122
Deferred inflows related to measurement of net OPEB liability		(4,562,180)
Deferred inflows related to measurement of net pension liability		<u>(2,540,060)</u>
Total		5,250,363
Pension deferrals - Deferred Outflows		3,598,613
OPEB deferrals - Deferred Outflows		214,179
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	\$	(2,350,391)
Bonds, notes and capital leases		(142,195,197)
Unamortized bond premium		(7,437,218)
Deferred charge on refunding		672,217
Net OPEB liability		(39,556,919)
Net pension liability		(9,106,129)
Compensated absences		<u>(4,246,168)</u>
Total		<u>(204,219,805)</u>
Total net position of governmental activities (Exhibits 1 and 2)	\$	<u><u>12,322,809</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, 2018

	General Fund	Shawneeland Sanitary District Fund	Lake Holiday Sanitary District Fund	Capital Projects Fund	School Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Property taxes	\$ 107,522,001	\$ 761,644	\$ 940,567	\$ -	\$ -	\$ -	\$ 109,224,212
Other local taxes	35,918,445	-	-	-	-	-	35,918,445
Permits, privilege fees and regulatory licenses	2,294,004	-	-	-	-	-	2,294,004
Fines and forfeitures	299,419	-	-	-	-	-	299,419
Use of money and property	665,536	22,255	1,120	61,810	-	4,848	755,569
Charges for services	2,822,424	-	-	-	-	2,432,828	5,255,252
Miscellaneous	372,128	17,451	2,303	-	-	-	391,882
Recovered costs	3,431,929	3,092	1,508	287,187	-	100,195	3,823,911
Intergovernmental:							
Revenue from the Commonwealth	21,203,596	-	-	218,816	127,343	1,338,627	22,888,382
Revenue from the Federal Government	3,937,571	-	-	-	277,865	39,847	4,255,283
Total revenues	<u>\$ 178,467,053</u>	<u>\$ 804,442</u>	<u>\$ 945,498</u>	<u>\$ 567,813</u>	<u>\$ 405,208</u>	<u>\$ 3,916,345</u>	<u>\$ 185,106,359</u>
Expenditures							
Current:							
General government administration	\$ 9,906,318	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,906,318
Judicial administration	2,604,293	-	-	-	-	523,224	3,127,517
Public safety	38,683,668	-	-	-	-	2,291,008	40,974,676
Public works	5,678,157	-	-	-	-	-	5,678,157
Health and welfare	9,011,927	-	-	-	-	3,095,533	12,107,460
Education - local community college	76,320	-	-	-	-	-	76,320
Education - public school system	81,630,162	-	-	6,753,720	617,478	-	89,001,360
Parks, recreation and cultural	6,497,972	-	-	-	-	-	6,497,972
Community development	3,993,886	875,559	31,965	-	-	-	4,901,410
Capital projects	-	-	-	1,255,468	-	-	1,255,468
Debt service:							
Principal payments	1,154,403	-	371,250	-	10,784,583	-	12,310,236
Interest and fiscal charges	1,092,351	-	365,298	12,387	4,985,268	-	6,455,304
Total expenditures	<u>\$ 160,329,457</u>	<u>\$ 875,559</u>	<u>\$ 768,513</u>	<u>\$ 8,021,575</u>	<u>\$ 16,387,329</u>	<u>\$ 5,909,765</u>	<u>\$ 192,292,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 18,137,596</u>	<u>\$ (71,117)</u>	<u>\$ 176,985</u>	<u>\$ (7,453,762)</u>	<u>\$ (15,982,121)</u>	<u>\$ (1,993,420)</u>	<u>\$ (7,185,839)</u>
Other financing sources (uses)							
Issuance of long-term debt	\$ -	\$ -	\$ -	6,320,000	\$ -	\$ -	\$ 6,320,000
Bond premium	-	-	-	446,107	-	-	446,107
Issuance of capital lease	-	-	-	499,655	-	-	499,655
Payment to bond escrow agent	-	-	-	-	-	-	-
Transfers in	9,814	-	-	4,323,620	15,972,475	1,691,949	21,997,858
Transfers out	(21,995,611)	-	-	(9,814)	-	-	(22,005,425)
Total other financing sources (uses)	<u>\$ (21,985,797)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,579,568</u>	<u>\$ 15,972,475</u>	<u>\$ 1,691,949</u>	<u>\$ 7,258,195</u>
Net change in fund balance	<u>\$ (3,848,201)</u>	<u>\$ (71,117)</u>	<u>\$ 176,985</u>	<u>\$ 4,125,806</u>	<u>\$ (9,646)</u>	<u>\$ (301,471)</u>	<u>\$ 72,356</u>
Fund balance, beginning of year	<u>62,181,777</u>	<u>2,022,979</u>	<u>2,978,895</u>	<u>2,393,161</u>	<u>30,470</u>	<u>577,656</u>	<u>70,184,938</u>
Fund balance, end of year	<u>\$ 58,333,576</u>	<u>\$ 1,951,862</u>	<u>\$ 3,155,880</u>	<u>\$ 6,518,967</u>	<u>\$ 20,824</u>	<u>\$ 276,185</u>	<u>\$ 70,257,294</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, 2018**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	72,356
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay	\$	6,255,622
Depreciation		(5,558,917)
Net adjustment		696,705
<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>		
		(9,349,828)
<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	\$	556,246
Payments on note receivable		(89,859)
(Increase) decrease in deferred inflows related to the measurement of the net OPEB liability		(4,562,180)
(Increase) decrease in deferred inflows related to the measurement of the net pension liability		(2,396,028)
Total		(6,491,821)
<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:		
Capital lease	\$	(499,655)
General obligation school bonds		(6,320,000)
Premium on debt:		
General obligation school bonds		(446,107)
Bond issuance costs:		
Lease revenue bonds		
Repayments:		
Lease revenue bonds	\$	911,250
Local financing lease		245,000
General obligation library bonds		280,097
General obligation school bonds		10,402,583
State Literary Fund loans		382,000
Intergovernmental loans		89,306
Capital leases		97,418
Net adjustment		5,141,892
<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	\$	(245,879)
Net OPEB liability		3,542,177
Amortization of debt premium		986,285
Amortization of advanced refunding defeasance costs		(37,346)
Decrease (increase) in net pension liability		5,404,890
(Decrease) increase in deferred outflows related to pensions		(2,165,469)
(Decrease) increase in deferred outflows related to OPEB		90,052
Accrued interest payable		209,351
Net adjustment		7,784,061
<p>Internal service funds are used by the County to charge the costs of health insurance, supplies and unemployment costs to individual funds. The net revenue of internal service funds is reported with governmental activities.</p>		
		2,299,944
Change in net position of governmental activities (Exhibit 2)	\$	153,309

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, 2018

	Business-type Activities -	
	Enterprise Fund Landfill Fund	Governmental Activities Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	\$ 25,652,720	\$ 13,082,395
Restricted cash - landfill closure	13,126,482	-
Receivables, net	724,748	-
Total current assets	<u>\$ 39,503,950</u>	<u>\$ 13,082,395</u>
Noncurrent assets:		
Capital assets:		
Land and improvements	\$ 3,310,126	\$ -
Other capital assets, net of accumulated depreciation	12,935,599	-
Total noncurrent assets	<u>\$ 16,245,725</u>	<u>\$ -</u>
Total assets	<u>\$ 55,749,675</u>	<u>\$ 13,082,395</u>
Deferred Outflows of Resources:		
Pension deferrals	\$ 142,752	\$ -
OPEB deferrals	3,336	-
Total deferred outflows of resources	<u>\$ 146,088</u>	<u>\$ -</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 503,115	\$ 18,524
Unearned revenue	13,714	-
Compensated absences, current portion	121,207	-
Claims payable	-	973,490
Total current liabilities	<u>\$ 638,036</u>	<u>\$ 992,014</u>
Long-term liabilities:		
Compensated absences, noncurrent portion	\$ 51,946	\$ -
Net pension liability	381,332	-
Net OPEB liability	1,997,879	-
Accrued landfill remediation costs	13,126,482	-
Total long-term liabilities	<u>\$ 15,557,639</u>	<u>\$ -</u>
Total liabilities	<u>\$ 16,195,675</u>	<u>\$ 992,014</u>
Deferred Inflows of Resources:		
Items related to measurement of net pension liability	\$ 130,070	\$ -
Items related to measurement of net OPEB liability	230,495	-
Total deferred inflows of resources	<u>\$ 360,565</u>	<u>\$ -</u>
Net Position:		
Investment in capital assets	\$ 16,245,725	\$ -
Unrestricted	23,093,798	12,090,381
Total net position	<u>\$ 39,339,523</u>	<u>\$ 12,090,381</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, 2018

	Business-type Activities - Enterprise Fund Landfill Fund	Governmental Activities Internal Service Funds
Operating revenues:		
Charges for services, net	\$ 7,498,806	\$ 11,801,941
Miscellaneous	197,013	-
Total operating revenues	<u>\$ 7,695,819</u>	<u>\$ 11,801,941</u>
Operating expenses:		
Personal services	\$ 1,298,408	\$ -
Fringe benefits	575,808	9,638,293
Contractual services	1,370,498	-
Other charges	1,106,471	7,394
Depreciation	2,193,693	-
Total operating expenses	<u>\$ 6,544,878</u>	<u>\$ 9,645,687</u>
Operating income (loss)	<u>\$ 1,150,941</u>	<u>\$ 2,156,254</u>
Nonoperating revenues:		
Investment income	331,776	136,123
Income before transfers	\$ 1,482,717	\$ 2,292,377
Transfers in	<u>-</u>	<u>7,567</u>
Change in net position	<u>\$ 1,482,717</u>	<u>\$ 2,299,944</u>
Total net position, beginning of year, as restated	<u>37,856,806</u>	<u>9,790,437</u>
Total net position, end of year	<u><u>\$ 39,339,523</u></u>	<u><u>\$ 12,090,381</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, 2018

	Business-type Activities - Enterprise Fund Landfill Fund	Governmental Activities Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 7,500,543	\$ -
Receipts from insured	-	12,464,525
Receipts from services	-	10,938
Other receipts	197,013	-
Payments to employees	(1,843,868)	-
Payments to suppliers	(1,889,723)	(9,484,816)
Other payments	-	(7,567)
Net cash provided by (used for) operating activities	<u>\$ 3,963,965</u>	<u>\$ 2,983,080</u>
Cash flows from noncapital financing activities		
Transfers in	<u>\$ -</u>	<u>\$ 7,567</u>
Cash flows from investing activities		
Investment income	<u>\$ 331,776</u>	<u>\$ 136,123</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	<u>\$ (513,311)</u>	<u>\$ -</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (513,311)</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 3,782,430</u>	<u>\$ 3,126,770</u>
Cash and cash equivalents, beginning of year	<u>34,996,772</u>	<u>9,955,625</u>
Cash and cash equivalents, end of year	<u><u>\$ 38,779,202</u></u>	<u><u>\$ 13,082,395</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,150,941	\$ 2,156,254
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	2,193,693	-
Changes in assets, deferred outflows, deferred inflows and liabilities:		
Receivables	(3,922)	673,522
Deferred outflows of resources - pension	111,045	-
Deferred outflows of resources - OPEB	1,862	-
Accounts payable and accrued expenses	268,722	14,611
Unearned revenue	5,659	-
Net pension liability	(266,742)	-
Net OPEB liability	(184,498)	-
Deferred inflows of resources - pension	123,642	-
Deferred inflows of resources - OPEB	230,495	-
Claims payable and compensated absences	14,544	138,693
Increase in accrued landfill costs	318,524	-
Net cash provided by (used for) operating activities	<u><u>\$ 3,963,965</u></u>	<u><u>\$ 2,983,080</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, 2018

	Private Purpose Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ 377,000	\$ 9,129,225
Receivables	2,581	173,115
Due from other governmental units	-	841,141
Total assets	<u>\$ 379,581</u>	<u>\$ 10,143,481</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,504	\$ 1,573,708
Amounts held for others	-	8,569,773
Total liabilities	<u>\$ 1,504</u>	<u>\$ 10,143,481</u>
Net Position	<u><u>\$ 378,077</u></u>	<u><u>\$ -</u></u>

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2018

		Private Purpose Trust Funds
<hr/>		
Additions:		
Investment earnings	\$	4,349
Miscellaneous		96,952
		<hr/>
Total additions	\$	101,301
 Deductions:		
Education		39,781
		<hr/>
Change in net position	\$	61,520
 Net position, beginning of year		<hr/> 316,557
 Net position, end of year	\$	<hr/> <hr/> 378,077

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

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COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

The County of Frederick, located in northwest Virginia and bordered by West Virginia and the counties of Shenandoah, Warren, and Clarke, was founded in 1738. The County has a population of 86,484 and a land area of 427 square miles.

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

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

A. Financial Reporting Entity

Management's Discussion and Analysis:

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, 2018 (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 GASB 34 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, 2018 (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 22601.

Exclusions from the Reporting Entity:

1. Jointly Governed Organizations:

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

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

- a. The Handley Regional Library Board provides library services to the Counties of Frederick and Clarke, and the City of Winchester. The participating localities provide annual contributions for operations based on usage of library services. The Library Board is composed of nine members, of which three are appointed by the County, five by the City of Winchester, and one by the County of Clarke. The County made operating grants of \$1,087,901 to the Library for fiscal 2018, 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 \$5,394,459 to the regional jail in fiscal 2018.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (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 \$129,897 and capital grants of \$176,409 to the Authority in fiscal 2018.
- 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 2018.
- 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 \$343,440 for an operating grant to the Board in fiscal 2018.
- 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 \$377,784 in operating grants to the Center in fiscal 2018.

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

- Handley Regional Library, Picadilly and Braddock Streets, Winchester, Virginia 22604
- Northwestern Regional Jail Authority, c/o Frederick County Administrator, Frederick County Administration Bldg., 107 North Kent Street, Winchester, Virginia 22601
- Winchester Regional Airport, 491 Airport Road, Winchester, Virginia 22602

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (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 22601
- Northwestern Regional Juvenile Detention Center, c/o City of Winchester, City Hall, Winchester, Virginia 22604

2. Other Organizations:

The Frederick County Sanitation Authority was created by the Board of Supervisors to operate the County's water and sewer systems. The County appoints all six members of the Authority's Board of Directors. Other than making appointments to the Authority Board of Directors, the County is not involved with day-to-day management or rate setting processes. All obligations of the Authority are payable solely from and secured by revenues derived from the operation of the water and sewer systems. None of the obligations are issued against the credit of the County nor does the County have any legal or moral obligations to the holders of the bonds or notes. The County has made no contributions to the Authority for operations or capital asset acquisitions during fiscal year 2018. 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, 2018 (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 2018.

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, 2018 (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, 2018 (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, 2018 (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.

-- Employee Cafeteria Plan Fund - This fund accounts for funds received from individuals through payroll withholdings for payment of expenditures allowable under Section 125 of the Internal Revenue Code.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (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 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, 2018 (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, 2018 (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, 2018 (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, 2018, 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, 2018 (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 \$2,533,680 at June 30, 2018 and is comprised of the following:

General Fund--taxes receivable	\$ 1,246,765
General Fund--street light assessments receivable	13,098
Shawneeland District--taxes receivable	1,093,518
Lake Holiday District--taxes receivable	96,299
Enterprise Fund--Landfill Fund--accounts receivable	84,000
Total	<u>\$ 2,533,680</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. The County uses the consumption method to record prepaid items.

I. Capital Assets

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

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (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, 2018.

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:

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

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

J. Compensated Absences (Continued)

The County's policy is to pay employees accrued paid time off upon termination/retirement. The maximum amount of hours employees are permitted to accumulate is based on years of service. The County also has an individual disability account that is paid out at \$3 per hour up to a maximum of \$6,000. Sick leave is also paid to School Board employees upon retirement, which is limited to a maximum of 150 days at the rate of \$10.71 per hour, and to Social Service personnel which is limited to 25% of amounts unused upon termination up to a maximum of \$5,000. The General, Division of Court Services, and Shawneeland Sanitary District Funds are used to liquidate the County's compensated absences liabilities. The School Operating and School Cafeteria Funds are used to liquidate the School Board's compensated absences liabilities.

K. Use of Estimates

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

L. Long-Term Obligations

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

M. Net Position

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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB asset/liability(ies) are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

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

Q. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

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

R. Fund Equity (Continued)

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

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

Restricted fund balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance - Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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, 2018 (Continued)

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

R. Fund Equity (Continued)

The following is a detail of fund balances at June 30, 2018:

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	\$ 5,698	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,698	\$ -
Inventory	-	-	-	-	-	-	-	232,432
Noncurrent Loans	657,083	-	-	-	-	-	657,083	-
Total Nonspendable	\$ 662,781	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 662,781	\$ 232,432
Restricted:								
Peg grant	\$ 377,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 377,100	\$ -
Courthouse ADA Fees	408,676	-	-	-	-	-	408,676	-
Animal Shelter	1,226,179	-	-	-	-	-	1,226,179	-
Proffers	5,309,307	-	-	-	-	-	5,309,307	385,650
VDOT - Roads	-	-	-	873,624	-	-	873,624	-
Unexpended Bond Proceeds: School Improvements	-	-	-	-	-	-	-	6,473,358
Total Restricted	\$ 7,321,262	\$ -	\$ -	\$ 873,624	\$ -	\$ -	\$ 8,194,886	\$ 6,859,008
Committed:								
General government - various	\$ 1,213,216	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,213,216	\$ -
Education	542,862	-	-	-	-	-	542,862	1,397,187
Capital Projects	-	-	-	5,645,343	-	-	5,645,343	18,306
School Textbooks	-	-	-	-	-	-	-	2,911,443
Cafeteria	-	-	-	-	-	-	-	2,408,001
E-Summons	163,430	-	-	-	-	-	163,430	-
Sheriff	1,000	-	-	-	-	-	1,000	-
Tri Centennial	1,135	-	-	-	-	-	1,135	-
Historical Marker	16,527	-	-	-	-	-	16,527	-
VDOT Revenue Sharing	436,270	-	-	-	-	-	436,270	-
Parks and Recreation	17,632	-	-	-	-	-	17,632	-
Shawneeland District	-	1,951,862	-	-	-	-	1,951,862	-
Lake Holiday District	-	-	3,155,880	-	-	-	3,155,880	-
Court Services	-	-	-	-	-	297,315	297,315	-
Comprehensive Services Act	-	-	-	-	-	-	-	-
EMS Revenue Recovery	-	-	-	-	-	-	-	-
Total Committed	\$ 2,392,072	\$ 1,951,862	\$ 3,155,880	\$ 5,645,343	\$ -	\$ 297,315	\$ 13,442,472	\$ 6,734,937
Assigned:								
Conservation Easement	\$ 4,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,780	\$ -
Debt Service	-	-	-	-	20,824	-	20,824	-
Total Assigned	\$ 4,780	\$ -	\$ -	\$ -	\$ 20,824	\$ -	\$ 25,604	\$ -
Unassigned								
	\$ 47,952,681	\$ -	\$ -	\$ -	\$ -	\$ (21,130)	\$ 47,931,551	\$ -
Total Fund Balance	\$ 58,333,576	\$ 1,951,862	\$ 3,155,880	\$ 6,518,967	\$ 20,824	\$ 276,185	\$ 70,257,294	\$ 13,826,377

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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

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

Custodial Credit Risk (Investments):

Under County policy, all securities purchased for the County shall be held by the Treasurer or by the Treasurer's designated custodian. If held by a custodian, the securities must be in the County's name in the custodian's nominee name and identifiable on the custodian's books as belonging to the County. Further, if held by a custodian, the custodian must be a third party, not a counter party (buyer or seller) to the transaction.

The County's investments at June 30, 2018 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, 2018 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	\$ -	\$ 7,245,285	\$ -	\$ -
U.S. Government Securities	731,274	-	-	-
Money Market Mutual Fund (SNAP)	-	6,772,022	-	-
Total	\$ 731,274	\$ 14,017,307	\$ -	\$ -

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (Continued)

Interest Rate Risk:

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

Investment Maturities (in years)		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ 7,245,285	\$ 7,245,285
U.S. Government Securities	731,274	731,274
Money Market Mutual Fund (SNAP)	6,772,022	6,772,022
Total	\$ 14,748,581	\$ 14,748,581

External Investment Pools:

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

NOTE 3 - PROPERTY TAXES:

Real property taxes are assessed on property values as of January 1, and attach as an enforceable lien on property as of the date levied by the Board of Supervisors. Personal property taxes are assessed on a prorated basis for the period the property is located in the County and also attach as an enforceable lien on the property.

Real estate and personal property taxes are due in two installments, the first on June 5 and the second on December 5.

A ten percent penalty is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes beginning on their due date.

Property taxes for calendar year 2017 were levied by the County Board of Supervisors on April 12, 2017, on the assessed value listed as of January 1, 2017.

Property taxes for calendar year 2018 were levied by the County Board of Supervisors on April 11, 2018, on the assessed value listed as of January 1, 2018.

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2018 consist of the following:

	Primary Government						
	Governmental Activities			Business- type Activities	Component Units		
	General	Special Revenue	Total		School Board	Economic Development Authority	Fiduciary Activities
Property taxes	\$ 57,165,212	\$ 4,177,292	\$ 61,342,504	\$ -	\$ -	\$ -	\$ -
Business licenses	1,086,867	-	1,086,867	-	-	-	-
Airport funds	-	-	-	-	-	-	45,928
Utility taxes	368,310	-	368,310	-	-	-	-
Meals taxes	651,994	-	651,994	-	-	-	-
Lodging taxes	114,836	-	114,836	-	-	-	-
Landfill fees	-	-	-	808,748	-	-	-
Prisoner fees	-	-	-	-	-	-	127,187
Penalties and Interest	225,521	4,743	230,264	-	-	-	-
Street lights	13,098	-	13,098	-	-	-	-
Other	100,775	5,284	106,059	-	75,578	-	-
Total	\$ 59,726,613	\$ 4,187,319	\$ 63,913,932	\$ 808,748	\$ 75,578	\$ -	\$ 173,115
Allowance for uncollectibles	(1,259,863)	(1,189,817)	(2,449,680)	(84,000)	-	-	-
Net receivables	\$ 58,466,750	\$ 2,997,502	\$ 61,464,252	\$ 724,748	\$ 75,578	\$ -	\$ 173,115

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (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	\$ 2,610,590	\$ -	\$ -	\$ 2,610,590	\$ -	\$ -	\$ 49,342
Communication taxes	198,257	-	-	198,257	-	-	-
Comprehensive Services Act	-	250,869	-	250,869	-	-	-
Shared expenses and grants	333,562	-	-	333,562	-	-	-
PPTRA	6,215,370	-	-	6,215,370	-	-	-
VDOT	-	-	173,510	173,510	-	-	-
Public assistance	193,917	-	-	193,917	-	-	-
State school funds	-	-	-	-	2,060,137	-	-
Federal pass-through school funds	-	-	-	-	1,514,564	-	-
Airport	326,345	-	-	326,345	-	-	-
Jail operations and costs	-	-	-	-	-	-	791,799
Other	16,050	-	-	16,050	-	-	-
Federal government:							
Airport	-	-	-	-	-	-	-
Victim witness	-	-	-	-	-	-	-
Public assistance	359,152	-	-	359,152	-	-	-
Other	30,871	-	-	30,871	-	-	-
Total	\$ 10,284,114	\$ 250,869	\$ 173,510	\$ 10,708,493	\$ 3,574,701	\$ -	\$ 841,141

NOTE 6 - INTERFUND BALANCES AND TRANSFERS:

Primary Government:

Balances due to/from other funds at June 30, 2018:

There were no interfund obligations in the primary government.

Transfers to/from other funds:

Transfers to the School Debt Service Fund to pay school debt service and related costs	\$ 15,972,475
Transfers to the General Fund for unspent proffers	9,814
Transfers to the Capital Projects Fund for various capital projects	4,323,620
Transfers to the Unemployment fund from General Fund for various costs	7,567
Transfers to the Comprehensive Services fund from the General Fund for various welfare costs	1,691,949
Total transfers	\$ 22,005,425

Component Unit School Board:

Balances due to/from other funds at June 30, 2018:

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	\$ 570,512
Transfers to the Cafeteria Fund to pay food service costs	19,522
Total transfers	\$ 590,034

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (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, 2018	<u>504,591</u>
Total	<u><u>\$ 657,083</u></u>

NOTE 8 - CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2018.

Governmental Activities

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land and land improvements	\$ 2,627,578	\$ -	\$ -	\$ 2,627,578
Construction in progress	-	3,715,888	-	3,715,888
School construction in progress allocated to County *	45,189,104	893,231	43,007,369	3,074,966
Total capital assets not being depreciated	<u>\$ 47,816,682</u>	<u>\$ 4,609,119</u>	<u>\$ 43,007,369</u>	<u>\$ 9,418,432</u>
Other capital assets:				
Buildings and improvements	\$ 54,438,351	\$ 159,145	\$ -	\$ 54,597,496
School buildings and improvements *	67,864,152	43,007,369	11,157,310	99,714,211
Furniture, equipment and vehicles	13,041,958	2,380,589	499,580	14,922,967
Total other capital assets	<u>\$ 135,344,461</u>	<u>\$ 45,547,103</u>	<u>\$ 11,656,890</u>	<u>\$ 169,234,674</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 17,656,391	\$ 1,421,267	\$ -	\$ 19,077,658
School buildings and improvements *	21,863,297	2,432,623	914,251	23,381,669
Furniture, equipment and vehicles	9,856,548	1,705,027	499,580	11,061,995
Total accumulated depreciation	<u>\$ 49,376,236</u>	<u>\$ 5,558,917</u>	<u>\$ 1,413,831</u>	<u>\$ 53,521,322</u>
Other capital assets, net	<u>\$ 85,968,225</u>	<u>\$ 39,988,186</u>	<u>\$ 10,243,059</u>	<u>\$ 115,713,352</u>
Net capital assets	<u><u>\$ 133,784,907</u></u>	<u><u>\$ 44,597,305</u></u>	<u><u>\$ 53,250,428</u></u>	<u><u>\$ 125,131,784</u></u>
Depreciation expense was allocated as follows:				
General government administration		\$ 643,069		
Judicial administration		206,831		
Public safety		1,714,554		
Public works		190,780		
Health and welfare		38,171		
Education		2,432,623		
Parks, recreation and cultural		332,247		
Community development		642		
Total depreciation expense		<u><u>\$ 5,558,917</u></u>		

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 8 - CAPITAL ASSETS: (Continued)

Component Unit School Board

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land and land improvements	\$ 10,357,999	\$ 648,636	\$ 24,000	\$ 10,982,635
Construction in progress	56,891,990	893,231	49,500,000	8,285,221
Construction in progress allocated to County *	(45,189,104)	(893,231)	(43,007,369)	(3,074,966)
Total capital assets not being depreciated	\$ 22,060,885	\$ 648,636	\$ 6,516,631	\$ 16,192,890
Other capital assets:				
Buildings and improvements	\$ 258,606,045	\$ 50,883,914	\$ 4,564,215	\$ 304,925,744
School buildings and improvements allocated to County *	(67,864,152)	(43,007,369)	(11,157,310)	(99,714,211)
Furniture, equipment and vehicles	36,422,417	2,021,719	415,889	38,028,247
Total other capital assets	\$ 227,164,310	\$ 9,898,264	\$ (6,177,206)	\$ 243,239,780
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 113,558,908	\$ 6,060,507	\$ 4,468,411	\$ 115,151,004
School buildings and improvements allocated to County *	(21,863,297)	(2,432,623)	(914,251)	(23,381,669)
Furniture, equipment and vehicles	26,010,111	1,820,228	335,588	27,494,751
Total accumulated depreciation	\$ 117,705,722	\$ 5,448,112	\$ 3,889,748	\$ 119,264,086
Other capital assets, net	\$ 109,458,588	\$ 4,450,152	\$ (10,066,954)	\$ 123,975,694
Net capital assets	\$ 131,519,473	\$ 5,098,788	\$ (3,550,323)	\$ 140,168,584
Depreciation expense allocated to education		\$ 5,448,112		

* 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	\$ 125,131,784
Long-term debt applicable to capital assets at June 30, 2018	138,950,121
Less: Bond proceeds received but not expended on capital assets at June 30, 2018	(6,473,358)
Net investment in capital assets	\$ (7,344,979)

Business-type Activities

Landfill Operations

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land and land improvements	\$ 3,310,126	\$ -	\$ -	\$ 3,310,126
Construction in progress	-	-	-	-
Total capital assets not being depreciated	\$ 3,310,126	\$ -	\$ -	\$ 3,310,126
Other capital assets:				
Buildings and improvements	\$ 2,999,716	\$ -	\$ -	\$ 2,999,716
Landfill improvements	35,779,090	-	-	35,779,090
Furniture, equipment and vehicles	5,069,256	513,311	141,846	5,440,721
Total other capital assets	\$ 43,848,062	\$ 513,311	\$ 141,846	\$ 44,219,527
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 1,674,234	\$ 125,236	\$ -	\$ 1,799,470
Landfill improvements	23,898,751	1,434,665	-	25,333,416
Furniture, equipment and vehicles	3,659,096	633,792	141,846	4,151,042
Total accumulated depreciation	\$ 29,232,081	\$ 2,193,693	\$ 141,846	\$ 31,283,928
Other capital assets, net	\$ 14,615,981	\$ (1,680,382)	\$ -	\$ 12,935,599
Net capital assets	\$ 17,926,107	\$ (1,680,382)	\$ -	\$ 16,245,725

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (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, 2018.

	Balance July 1, 2017, as restated	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2018	Amounts Due Within One Year
Primary Government:					
Governmental activities:					
Lease revenue bonds	\$ 23,460,000	\$ -	\$ 911,250	\$ 22,548,750	\$ 956,250
Premium on lease revenue bonds	1,454,423	-	135,669	1,318,754	130,543
Total lease revenue bonds	\$ 24,914,423	\$ -	\$ 1,046,919	\$ 23,867,504	\$ 1,086,793
Local financing leases	7,275,000	-	245,000	7,030,000	255,000
Premium on financing leases	649,712	-	61,852	587,860	59,621
Total local financing lease	\$ 7,924,712	\$ -	\$ 306,852	\$ 7,617,860	\$ 314,621
County General obligation bonds:					
Library	1,562,112	-	280,097	1,282,015	295,401
School General obligation bonds:					
School	113,345,118	6,320,000	10,402,583	109,262,535	10,341,220
Add deferred amount for issuance premiums	5,873,261	446,107	788,764	5,530,604	753,563
Total School General obligation bonds	\$ 119,218,379	\$ 6,766,107	\$ 11,191,347	\$ 114,793,139	\$ 11,094,783
State Literary Fund loans:					
School	382,000	-	382,000	-	-
Intergovernmental loans	1,755,831	-	89,306	1,666,525	91,430
Claims	834,797	9,768,351	9,629,658	973,490	973,490
Capital leases	3,135	499,655	97,418	405,372	117,354
Net Pension liability	14,511,019	9,161,386	14,566,276	9,106,129	-
Net OPEB liability:					
Net Medical Insurance OPEB liability	40,879,916	2,212,267	5,513,270	37,578,913	-
Net VRS Group Life Insurance OPEB liability	2,219,180	116,717	357,891	1,978,006	-
Total net OPEB liability	\$ 43,099,096	\$ 2,328,984	\$ 5,871,161	\$ 39,556,919	\$ -
Compensated absences	4,000,289	3,046,081	2,800,202	4,246,168	2,972,318
Total governmental activities	<u>\$ 218,205,793</u>	<u>\$ 31,570,564</u>	<u>\$ 46,261,236</u>	<u>\$ 203,515,121</u>	<u>\$ 16,946,190</u>
Reconciliation to Exhibit 1:					
Claims				\$ 973,490	
Net Pension liability				9,106,129	
Net OPEB liability				39,556,919	
Long-term liabilities due within one year				15,972,700	
Long-term liabilities due in more than one year				137,905,883	
Total long-term obligations				<u>\$ 203,515,121</u>	
	Balance July 1, 2017 as restated	Increases	Decreases	Balance June 30, 2018	Amounts Due Within One Year
Business-type activities:					
Compensated absences	\$ 158,609	\$ 125,570	\$ 111,026	\$ 173,153	\$ 121,207
Net Pension liability	648,079	383,646	650,393	381,332	-
Net OPEB liability:					
Net Medical Insurance OPEB liability	2,083,267	112,741	280,962	1,915,046	-
Net VRS Group Life Insurance OPEB liability	99,110	4,888	21,165	82,833	-
Total net OPEB liability	\$ 2,182,377	\$ 117,629	\$ 302,127	\$ 1,997,879	\$ -
Landfill remediation costs	12,807,958	318,524	-	13,126,482	-
Total business-type activities	<u>\$ 15,797,023</u>	<u>\$ 945,369</u>	<u>\$ 1,063,546</u>	<u>\$ 15,678,846</u>	<u>\$ 121,207</u>
Reconciliation to Exhibit 1:					
Net Pension liability				\$ 381,332	
Net OPEB liability				1,997,879	
Long-term liabilities due within one year				121,207	
Long-term liabilities due in more than one year				13,178,428	
Total long-term obligations				<u>\$ 15,678,846</u>	

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

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

Governmental Activities:

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2019	\$ 10,636,621	\$ 4,673,093	\$ 117,354	\$ 17,090
2020	10,811,587	4,236,200	120,628	11,778
2021	10,382,101	3,749,753	125,799	6,606
2022	10,398,457	3,275,054	23,403	1,213
2023	8,910,784	2,819,279	18,188	299
2024-2028	32,450,000	9,098,380	-	-
2029-2033	18,660,000	3,531,500	-	-
2034-2038	7,980,000	495,991	-	-
2039-2043	315,000	5,591	-	-
Total	<u>\$ 110,544,550</u>	<u>\$ 31,884,841</u>	<u>\$ 405,372</u>	<u>\$ 36,986</u>

Year Ending June 30,	Lease Revenue Bonds		Intergovernmental Loans		Local Financing Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 956,250	\$ 1,028,319	\$ 91,430	\$ 38,549	\$ 255,000	\$ 297,109
2020	996,250	987,278	94,569	36,704	270,000	284,606
2021	1,040,000	944,358	96,692	34,798	280,000	272,037
2022	1,095,000	895,014	99,555	32,863	295,000	258,554
2023	1,150,000	838,747	102,815	30,869	310,000	243,425
2024-2028	6,708,750	3,230,412	454,893	122,642	1,805,000	963,459
2029-2033	7,117,500	1,527,775	505,440	64,893	2,245,000	519,759
2034-2038	3,485,000	246,813	221,131	8,156	1,570,000	91,428
Total	<u>\$ 22,548,750</u>	<u>\$ 9,698,716</u>	<u>\$ 1,666,525</u>	<u>\$ 369,474</u>	<u>\$7,030,000</u>	<u>\$2,930,377</u>

The cost of equipment under current capital leases is \$499,655.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness:	<u>Amount Outstanding</u>
Governmental Activities:	
<u>Lease Revenue Bonds:</u>	
\$17,160,000 Virginia Resources Authority infrastructure and state moral obligation refunding revenue bonds, issued May 28, 2015, interest at various rates from 3.017% to 5.125%, maturing in various annual installments, interest payable semiannually, through October 1, 2035	\$ 15,550,000
\$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>6,998,750</u>
Total lease revenue bonds	<u>\$ 22,548,750</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>\$ 1,282,015</u>
<u>Local Financing Leases:</u>	
\$5,010,000 Virginia Resources Authority local lease acquisition financing lease, issued August 12, 2014, interest ranging from 3.649% to 5.125%, maturing in various annual installments, interest payable semiannually, through October 1, 2035	\$ 4,695,000
\$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>2,335,000</u>
Total local financing leases	<u>\$ 7,030,000</u>
<u>General Obligation School Bonds:</u>	
\$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%	\$ -
\$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%	160,000
\$4,650,000 School Bonds, issued April 1999, maturing in annual installments of \$236,000 to \$448,000 through January 2020, interest at 5%	410,000
\$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%	460,000
\$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%	3,360,000
\$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%	1,220,000
\$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%	2,085,000

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness: (continued)	Amount Outstanding
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%	825,000
\$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%	1,042,535
\$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%	3,780,000
\$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%	1,780,000
\$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%	2,990,000
\$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%	2,975,000
\$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%	2,395,000
\$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%	2,265,000
\$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%	2,835,000
\$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%	2,610,000
\$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%	2,170,000
\$3,800,000 School Bonds, issued November 4, 2007, maturing in annual installments of \$190,000 through July 15, 2027, interest at 5.10%	1,900,000
\$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%	7,375,000
\$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%	3,135,000
\$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%	5,575,000
\$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%	4,810,000
\$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%	3,310,000

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness: (continued)	Amount Outstanding
Governmental Activities: (continued)	
<u>General Obligation School Bonds: (continued)</u>	
\$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%	4,005,000
\$4,390,000 School Bonds, issued April 24, 2014, maturing in annual installments of \$215,000 to \$220,000 through July 15, 2034, interest at 2.67% to 5.05%	3,730,000
\$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%	11,370,000
\$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%	16,675,000
\$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%	7,695,000
\$315,000 to \$320,000 through July 15, 2038, interest at 3.05% to 5.05%	6,320,000
	<hr/>
Total General Obligation School Bonds	\$109,262,535
	<hr/>
<u>Intergovernmental Loans:</u>	
Loan payable to City of Winchester, due in various annual installments through March 2035, interest payable semiannually at various rates.	\$ 1,666,525
	<hr/>
<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, 2018 is	\$ 405,372
	<hr/>
Claims	\$ 973,490
	<hr/>
Net pension liability	\$ 9,106,129
	<hr/>
Net OPEB liability	\$ 39,556,919
	<hr/>
Compensated absences	\$ 4,246,168
	<hr/>
Total governmental long-term obligations	\$196,077,903
Add deferred amount for issuance premiums	7,437,218
	<hr/>
Net governmental activities long-term obligations	\$203,515,121
	<hr/> <hr/>
Business-type activities:	
Compensated absences	\$ 173,153
	<hr/>
Net pension liability	\$ 381,332
	<hr/>
Net OPEB liability	\$ 1,997,879
	<hr/>
Landfill remediation costs	\$ 13,126,482
	<hr/>
Total business-type activities long-term obligations	\$ 15,678,846
	<hr/> <hr/>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (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, 2017.

	Balance July 1, 2017 as restated	Increases	Decreases	Balance June 30, 2018	Amounts Due Within One Year
Claims	\$ 1,883,094	\$ 19,205,740	\$ 19,053,754	\$ 2,035,080	\$ 2,035,080
Net OPEB liability					
Net Medical Insurance OPEB liability	7,173,000	778,000	776,000	7,175,000	-
Net VRS Group Life Insurance OPEB liability	9,016,000	73,000	1,397,000	7,692,000	-
Net VRS Health Insurance Credit OPEB liability	13,991,000	1,086,000	1,329,000	13,748,000	-
Total net OPEB liability	<u>\$ 30,180,000</u>	<u>\$ 1,937,000</u>	<u>\$ 3,502,000</u>	<u>\$ 28,615,000</u>	<u>\$ -</u>
Net Pension liability	155,250,718	23,225,000	45,142,718	133,333,000	-
Compensated absences	2,149,762	1,704,982	1,504,833	2,349,911	1,644,938
Total	<u>\$ 189,463,574</u>	<u>\$ 46,072,722</u>	<u>\$ 69,203,305</u>	<u>\$ 166,332,991</u>	<u>\$ 3,680,018</u>
Reconciliation to Exhibit 1:					
Claims				\$ 2,035,080	
Net pension liability				133,333,000	
Net OPEB liability				28,615,000	
Long-term liabilities due within one year				1,644,938	
Long-term liabilities due in more than one year				704,973	
Total long-term obligations				<u>\$ 166,332,991</u>	

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (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 a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report, participate in the VRS plan through 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, 2018 (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, and they have not taken a refund.</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, 2018 (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. 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.</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, 2018 (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, 2018 (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, 2018 (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: (Cont.)</u> 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, 2018 (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, 2018 (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: Age 60 with at least five years (60 months) of creditable service.</p>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2018 (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, 2018 (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, 2018 (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>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>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. 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. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018 (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, 2018 was 10.74% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$2,825,083 and \$2,643,601 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

At June 30, 2018, the County reported a liability of \$9,487,461 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. 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, 2017 and 2016 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2017 and 2016, the County's proportion was 64.34% and 64.92%, respectively.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (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, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

Actuarial Assumptions – General Employees (Continued)

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County of Frederick’s Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

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

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (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>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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, 2019, 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, 2019 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.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

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)	\$ 23,407,622	\$ 9,487,461	\$ (1,955,544)

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

For the year ended June 30, 2018, the County recognized pension expense of \$1,982,854. 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, 2018, 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	\$ 916,282	\$ 698,259
Change in assumptions	-	655,375
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	40,045
Net difference between projected and actual earnings on pension plan investments	-	1,276,451
Employer contributions subsequent to the measurement date	2,825,083	-
Total	\$ 3,741,365	\$ 2,670,130

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

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

\$2,825,083 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, 2019. 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>
2019	\$ (846,181)
2020	222,831
2021	(88,934)
2022	(1,041,563)
Thereafter	-

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, 2016 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	197
Inactive members:	
Vested inactive members	40
Non-vested inactive members	153
Inactive members active elsewhere in VRS	67
Total inactive members	260
Active members	400
Total covered employees	<u>857</u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Contributions

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2018 was 6.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$488,848 and \$510,949 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability/Asset

The Component Unit School Board's (nonprofessional) net pension liability/asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016	\$ 22,710,543	\$ 22,055,825	\$ 654,718
Changes for the year:			
Service cost	\$ 890,311	\$ -	\$ 890,311
Interest	1,553,215	-	1,553,215
Changes of assumptions	(304,975)	-	(304,975)
Differences between expected and actual experience	(113,298)	-	(113,298)
Contributions - employer	-	487,563	(487,563)
Contributions - employee	-	416,129	(416,129)
Net investment income	-	2,688,328	(2,688,328)
Benefit payments, including refunds of employee contributions	(1,043,501)	(1,043,501)	-
Administrative expenses	-	(15,326)	15,326
Other changes	-	(2,403)	2,403
Net changes	\$ 981,752	\$ 2,530,790	\$ (1,549,038)
Balances at June 30, 2017	\$ 23,692,295	\$ 24,586,615	\$ (894,320)

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (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		
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$ 1,913,066	\$ (894,320)	\$ (3,257,440)

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

For the year ended June 30, 2018, the Component Unit School Board (nonprofessional) recognized pension expense of \$95,717. At June 30, 2018, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 118,045
Change in assumptions	-	201,943
Net difference between projected and actual earnings on pension plan investments	-	352,486
Employer contributions subsequent to the measurement date	488,848	-
Total	<u>\$ 488,848</u>	<u>\$ 672,474</u>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2018 (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)

\$488,848 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, 2019. 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>
2019	\$ (390,619)
2020	(48,141)
2021	(3,728)
2022	(229,986)
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

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$14,341,367 and \$12,510,423 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (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, 2018, the school division reported a liability of \$133,333,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 1.0842% as compared to 1.10315% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$11,197,000. 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, 2018, 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)	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 9,441,000
Change in assumptions	1,946,000	-
Net difference between projected and actual earnings on pension plan investments	-	4,844,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,073,000	2,128,000
Employer contributions subsequent to the measurement date	<u>14,341,367</u>	<u>-</u>
Total	<u>\$ 21,360,367</u>	<u>\$ 16,413,000</u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (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)

\$14,341,367 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, 2019. 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>
2019	\$ (3,877,000)
2020	872,000
2021	(1,007,000)
2022	(4,625,000)
Thereafter	(757,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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, 2018 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	45,417,520
Plan Fiduciary Net Position		33,119,545
Employer's Net Pension Liability (Asset)	\$	<u>12,297,975</u>
Plan Fiduciary Net position as a Percentage of the Total Pension Liability		72.92%

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability (Continued)

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

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:

	<u>Rate</u>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 199,110,000	\$ 133,333,000	\$ 78,921,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 11 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no expenditures in excess of appropriations for the year ended June 30, 2018.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

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.	\$ -	\$ 1,086,867
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	-	8,381,614
2nd half assessments due in December 2017	48,854,366	48,854,366
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	4,151,267	4,151,267
Total governmental activities	<u>\$ 53,005,633</u>	<u>\$ 62,474,114</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	\$ 13,714	\$ 13,714
Total primary government	<u>\$ 53,019,347</u>	<u>\$ 62,487,828</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.

The County and School Board have authorized and/or commenced construction on various capital projects. At June 30, 2018, the following significant items were in process:

- Stephenson Convenience Site - estimated completion cost is \$336,704.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 13 - COMMITMENTS AND CONTINGENCIES: (Continued)

Primary Government and Component Unit School Board: (Continued)

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>1,756,078</u>
Total	\$ <u><u>1,756,078</u></u>

NOTE 14 - LITIGATION:

At June 30, 2018, 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 the Revenue	3,000
Leonard W. Millholland, Sheriff	30,000
Above constitutional officers' employees - blanket bond - each loss	500,000
Virginia Association of Counties Risk Pool:	
All School Board employees - blanket bond	250,000
Virginia Association of Counties Risk Pool:	
All County employees, including members of any duty constituted board, commission, department or entity under the County's control	250,000

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.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

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

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 2016, 2017 and 2018 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				
2016	\$ 703,371	\$ 8,710,850	\$ 8,641,830	\$ 772,391
2017	772,391	9,490,998	9,428,592	834,797
2018	834,797	9,768,351	9,629,658	973,490
Component Unit School Board:				
School Operating and Health Insurance Funds				
2016	\$ 1,470,871	\$ 18,598,159	\$ 18,123,265	\$ 1,945,765
2017	1,945,765	17,258,907	17,321,578	1,883,094
2018	1,883,094	19,205,740	19,053,754	2,035,080

Unemployment Insurance:

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

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

Property and Casualty Insurance:

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

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

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

NOTE 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 \$13,126,482 reported as landfill closure and postclosure care liability at June 30, 2018 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 \$13,126,402 reported as the accrued landfill liability and postclosure costs reflects usage on the new landfill from October 5, 1993 to June 30, 2018. 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 2018. Actual cost may not be higher due to inflation, changes in technology, or changes in regulations.

At June 30, 2018, the solid waste landfill capacity used to date was approximately 21% and 19% for the construction/demolition debris section of the landfill.

The County has demonstrated financial assurance requirements for closure, postclosure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

The remaining estimated landfill life approximates 30 years. The remaining estimated postclosure cost to be recognized at June 30, 2018 is \$4,871,942 for the municipal solid waste landfill and \$2,699,840 for the construction/demolition debris landfill.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 18 - HEALTH INSURANCE – PAY-AS-YOU-GO (OPEB PLAN):

County

Plan Description

In addition to the pension benefits described in Note 10, the County has a single-employer medical plan that provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. Individuals employed on or after July 1, 1995, and who retire from County service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service), will receive 100% of their health insurance premium until age 65 when they become eligible for Medicare, at which time the County will provide 100% supplemental insurance benefits. Persons employed prior to July 1, 1995 are only required to be 50 years of age and have 20 years of continuous service to be eligible for these benefits. Persons employed on or after July 1, 2012 will not, upon retirement, be provided with healthcare coverage at the expense of the County, regardless of the employee's retirement conditions. There is no separate, audited GAAP-basis postemployment benefit plan report for the County's medical plan.

Benefits Provided

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

Plan Membership

At June 30, 2017 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	\$	429
Total retirees with coverage		<u>104</u>
Total	\$	<u><u>533</u></u>

Contributions

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

Total OPEB Liability

The County's total OPEB liability was measured as of June 30, 2017. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 18 - HEALTH INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (Continued)

County (Continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.2% per year as of July 1, 2016 and June 30, 2017
Salary Increases	Ranging from 3.50% to 5.35% per year depending on years of service for general salary inflations as of July 1, 2016 and June 30, 2017 respectively
Discount Rate	2.85% for accounting and funding disclosures as of July 1, 2016 and 3.58% as of June 30, 2017
Investment Rate of Return	3.58% as of July 1, 2016 and June 30, 2017

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

The date of the most recent actuarial experience study for which significant assumptions were based is July 1, 2017.

Discount Rate

The final equivalent single discount rate used for this year’s valuation is 3.58% as of the end of the fiscal year with the expectation that the County will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

	<u>Primary Government Total OPEB Liability</u>
Balances at June 30, 2016	\$ 42,963,183
Changes for the year:	
Service cost	1,107,254
Interest	1,217,753
Difference between expected and actual experience	-
Changes in assumptions	(5,324,224)
Benefit payments	(470,007)
Net changes	<u>(3,469,224)</u>
Balances at June 30, 2017	<u>\$ 39,493,959</u>

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 18 - HEALTH INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (Continued)

County (Continued)

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current discount rate:

Rate		
1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
\$ 47,446,315	\$ 39,493,959	\$ 33,236,632

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

The following presents the total OPEB liability of the County was calculated using healthcare cost trend rates that are one percentage point lower (4.30% decreasing to 2.80% after 2097) or one percentage point higher (6.30% decreasing to 4.80% after 2097) than the current healthcare cost trend rates:

Rates		
1% Decrease (4.30% decreasing to 2.80% after 2097)	Healthcare Cost Trend (5.30% decreasing to 3.80% after 2097)	1% Increase (6.30% decreasing to 4.80% after 2097)
\$ 32,521,426	\$ 39,493,959	\$ 48,672,828

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

For the year ended June 30, 2018, the County recognized OPEB expense in the amount of \$1,564,404. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 4,563,621
Total	\$ -	\$ 4,563,621

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 18 - HEALTH INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (Continued)

County (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

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

Year Ended June 30

2019	\$	(760,603)
2020		(760,603)
2021		(760,603)
2022		(760,603)
2023		(760,603)
Thereafter		(760,606)

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

School Board:

Plan Description

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

Benefits Provided

Postemployment benefits are provided to eligible retirees include Health insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. Pre-Medicare retirees may continue to remain in one of the three options for Medical and Prescription Drug coverage to active participants, Keycare 300, Keycare 30, and Lumenos HSA plan. Once the participant is Medicare eligible they are no longer eligible to remain in the plan. Retirees pay 100% of the monthly premium. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 18 - HEALTH INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (Continued)

School Board (Continued)

Plan Membership

At June 30, 2017 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	\$	1,699
Total retirees with coverage		<u>58</u>
Total	\$	<u><u>1,757</u></u>

Contributions

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

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2017. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.3% per year as of July 1, 2016 and June 30, 2017
Salary Increases	Ranging from 3.50% to 5.35% per year depending on years of service for general salary inflations as of July 1, 2016 and June 30, 2017 respectively
Discount Rate	2.85% for accounting and funding disclosures as of July 1, 2016 and 3.58% as of June 30, 2017
Investment Rate of Return	3.58% as of July 1, 2016 and June 30, 2017

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

The date of the most recent actuarial experience study for which significant assumptions were based is July 1, 2017.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 18 - HEALTH INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (Continued)

School Board (Continued)

Discount Rate

The final equivalent single discount rate used for this year’s valuation is 3.58% as of the end of the fiscal year with the expectation that the School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

	<u>Primary Government Total OPEB Liability</u>
Balances at June 30, 2016	\$ 7,173,000
Changes for the year:	
Service cost	578,000
Interest	200,000
Difference between expected and actual experience	-
Changes in assumptions	(455,000)
Benefit payments	<u>(321,000)</u>
Net changes	<u>2,000</u>
Balances at June 30, 2017	<u><u>\$ 7,175,000</u></u>

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current discount rate:

Rate		
<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
\$ 7,788,000	\$ 7,175,000	\$ 6,604,000

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 18 - HEALTH INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (Continued)

School Board (Continued)

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

The following presents the total OPEB liability of the School Board was calculated using healthcare cost trend rates that are one percentage point lower (4.30% decreasing to 2.80% after 2097) or one percentage point higher (6.30% decreasing to 4.80% after 2097) than the current healthcare cost trend rates:

Rates		
1% Decrease (4.30% decreasing to 2.80% after 2097)	Healthcare Cost Trend (5.30% decreasing to 3.80% after 2097)	1% Increase (6.30% decreasing to 4.80% after 2097)
\$ 6,276,000	\$ 7,175,000	\$ 8,247,000

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

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of \$713,000. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 390,000
Total	\$ -	\$ 390,000

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

Year Ended June 30	
2019	\$ (65,000)
2020	(65,000)
2021	(65,000)
2022	(65,000)
2023	(65,000)
Thereafter	(65,000)

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 19 - TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):

Plan Description

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

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• At Retirement – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.• Disability Retirement – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:<ul style="list-style-type: none">○ \$4.00 per month, multiplied by twice the amount of service credit, or○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none">• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 19 - TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$1,084,266 and \$949,312 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2018, the school division reported a liability of \$13,748,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 1.08367% as compared to 1.10308% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$1,086,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 19 - TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (Continued)

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB (Continued)

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 25,000
Change in assumptions	-	141,000
Change in proportion	-	214,000
Employer contributions subsequent to the measurement date	<u>1,084,266</u>	<u>-</u>
Total	<u>\$ 1,084,266</u>	<u>\$ 380,000</u>

\$1,084,266 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (60,000)
2020	(60,000)
2021	(60,000)
2022	(60,000)
2023	(53,000)
Thereafter	(87,000)

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 19 - TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 OPEB liabilities.

Mortality Rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 19 - TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Teachers (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
		<u> </u>
Total Teacher Employee HIC OPEB Liability	\$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u><u>1,268,611</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		 7.04%

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 19 - TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	<u>15.00%</u>	9.53%	<u>1.43%</u>
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 19 - TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (Continued)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

The follow presents the school division's proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 15,344,000	\$ 13,748,000	\$ 12,391,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018 (Continued)**

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none">• Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• Accidental Death Benefit - The accidental death benefit is double the natural death benefit.• Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$134,515 and \$131,351 for the years ended June 30, 2018 and June 30, 2017, respectively, for the County; \$45,945 and \$44,621 for the years ended June 30, 2018 and June 30, 2017, respectively, for the School Board (nonprofessional); and \$460,309 and \$445,640 for the years ended June 30, 2018 and June 30, 2017, respectively, for the School Board (professional).

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the entity reported a liability of \$2,060,839, \$700,000, and \$6,992,000 for the County, School Board Nonprofessional, and School Board Professional, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.13694%, 0.04652%, and 0.46462% as compared to 0.13251%, 0.04666%, and 0.46869% at June 30, 2016 for the County, School Board Nonprofessional, and School Board Professional, respectively.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$38,605, \$6,000, and \$67,000 for the County, School Board Nonprofessional, and School Board Professional, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government		
Differences between expected and actual experience	\$ -	\$ 45,039
Net difference between projected and actual earnings on GLI OPEB program investments	-	77,853
Change in assumptions	-	106,162
Changes in proportion	83,000	-
Employer contributions subsequent to the measurement date	134,515	-
Total Primary Government	\$ 217,515	\$ 229,054
Component Unit School Board (nonprofessional)		
Differences between expected and actual experience	\$ -	\$ 16,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	26,000
Change in assumptions	-	36,000
Employer contributions subsequent to the measurement date	45,945	-
Total Component Unit School Board (nonprofessional)	\$ 45,945	\$ 78,000

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

Component Unit School Board (professional)

Differences between expected and actual experience	\$	-	\$	155,000
Net difference between projected and actual earnings on GLI OPEB program investments		-		263,000
Change in assumptions		-		360,000
Changes in proportion		-		60,000
Employer contributions subsequent to the measurement date			460,309	-
Total Component Unit School Board (professional)	\$	<u>460,309</u>	\$	<u>838,000</u>

\$134,515, \$45,945 and \$460,309 for the County, School Board Nonprofessional, and School Board Professional, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>	<u>Component Unit School Board (professional)</u>
2019	\$ (31,527)	\$ (16,000)	\$ (171,000)
2020	(31,527)	(16,000)	(171,000)
2021	(31,527)	(16,000)	(171,000)
2022	(31,527)	(16,000)	(171,000)
2023	(12,225)	(9,000)	(106,000)
Thereafter	(7,721)	(5,000)	(48,000)

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 OPEB liabilities.

Mortality Rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality Rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
		<hr/>
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	<hr/> <hr/> 1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

NET GLI OPEB Liability (Continued)

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

Long-Term Expected Rate of Return

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

<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>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The follow presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 2,665,004	\$ 2,060,839	\$ 1,570,564
School Board(nonprofessional)'s proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 905,000	\$ 700,000	\$ 533,000
School Board(professional)'s proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 9,043,000	\$ 6,992,000	\$ 5,329,000

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 20 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 21 - 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.

The County has the following recurring fair value measurements as of June 30, 2017:

Investment	6/30/2018	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	\$ 731,274	\$ 731,274	\$ -	\$ -
	\$ 731,274	\$ 731,274	\$ -	\$ -

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 22 - ADOPTION OF ACCOUNTING PRINCIPLES:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Business-type Activities Landfill Fund	Component Unit School Board
Net position, beginning of year, as previously reported	\$ 36,035,469	\$ 40,033,985	\$ 4,449,098
Implementation of GASB 75:			
Net Health Insurance OPEB	(21,770,916)	(2,083,267)	(3,001,000)
Net VRS Group Life Insurance OPEB	(2,095,053)	(93,912)	(8,535,000)
Net VRS Health Insurance Credit OPEB	-	-	(13,042,000)
Net position, beginning of year, as restated	<u>\$ 12,169,500</u>	<u>\$ 37,856,806</u>	<u>\$ (20,128,902)</u>

NOTE 23 – UPCOMING PRONOUNCEMENTS:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2018 (Continued)

NOTE 23 – UPCOMING PRONOUNCEMENTS: (Continued)

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2018 (Continued)**

NOTE 24 – DONOR RESTRICTED ENDOWMENTS:

The County is the beneficiary of various trusts created by donors, the assets of which are in possession of the County. The County has legally enforceable rights and claims to such assets, including the right to income there from. Net realized and unrealized gains and losses related to these interests are reported as changes in net position reserved for the explicit purposes of donor stipulations. The carrying value of the County's interests in these restrictions at June 30, 2018 is as follows:

Nonexpendable principal	\$ 238,326
Accumulated earnings	<u>139,751</u>
Total	\$ <u><u>378,077</u></u>

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

- Required Supplementary Information -

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COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 104,338,195	\$ 104,390,195	\$ 107,522,001	\$ 3,131,806
Other local taxes	34,417,875	34,417,875	35,918,445	1,500,570
Permits, privilege fees and regulatory licenses	2,004,806	2,004,806	2,294,004	289,198
Fines and forfeitures	415,400	415,400	299,419	(115,981)
Use of money and property	192,068	203,241	665,536	462,295
Charges for services	3,076,558	3,076,558	2,822,424	(254,134)
Miscellaneous	163,317	273,373	372,128	98,755
Recovered costs	1,559,454	1,628,130	3,431,929	1,803,799
Intergovernmental:				
Revenue from the Commonwealth	24,489,396	24,887,390	21,203,596	(3,683,794)
Revenue from the Federal Government	1,033,800	48,913	3,937,571	3,888,658
Total revenues	\$ 171,690,869	\$ 171,345,881	\$ 178,467,053	\$ 7,121,172
Expenditures				
Current:				
General Government Administration:				
Board of supervisors	\$ 296,310	\$ 354,006	\$ 251,905	\$ 102,101
County administrator	833,471	846,031	810,024	36,007
County attorney	379,788	387,837	384,459	3,378
Personnel	552,481	562,573	516,169	46,404
Independent auditor	66,000	66,000	63,500	2,500
Commissioner of the Revenue	1,355,543	1,397,274	1,382,280	14,994
Board of assessors	381,020	384,513	373,465	11,048
Treasurer	1,383,967	1,464,133	1,418,324	45,809
Finance	852,201	869,540	829,674	39,866
Information technology	1,599,944	1,579,248	1,522,837	56,411
Management information systems	602,045	587,372	575,308	12,064
Other	2,674,811	1,873,412	1,474,896	398,516
Elections	117,153	162,493	119,166	43,327
Registrar	183,844	200,408	184,311	16,097
Total general government administration	\$ 11,278,578	\$ 10,734,840	\$ 9,906,318	\$ 828,522
Judicial Administration:				
Circuit court	\$ 71,500	\$ 71,500	\$ 68,305	\$ 3,195
General district court	21,545	21,545	17,793	3,752
Juvenile and domestic relations court	24,909	24,909	20,763	4,146
Clerk of the circuit court	810,804	825,418	740,660	84,758
Law library	12,000	12,000	12,374	(374)
Juvenile court probation	159,211	178,107	113,427	64,680

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2018

	<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	\$ 1,473,728	\$ 1,558,402	\$ 1,453,553	\$ 104,849
Victim/witness program	199,466	206,994	177,418	29,576
Total judicial administration	<u>\$ 2,773,163</u>	<u>\$ 2,898,875</u>	<u>\$ 2,604,293</u>	<u>\$ 294,582</u>
Public Safety:				
Sheriff	\$ 13,457,790	\$ 14,565,786	\$ 14,150,153	\$ 415,633
Volunteer fire departments	938,095	1,385,857	1,201,534	184,323
Ambulance and rescue service	395,200	400,462	400,462	-
Fire and rescue	14,738,189	14,708,338	13,899,448	808,890
Regional jail	5,394,459	5,394,459	5,394,459	-
Juvenile detention center	276,240	276,240	273,000	3,240
Inspections	1,304,075	1,382,694	1,238,157	144,537
Public safety communications	1,473,158	2,334,020	2,126,455	207,565
Total public safety	<u>\$ 37,977,206</u>	<u>\$ 40,447,856</u>	<u>\$ 38,683,668</u>	<u>\$ 1,764,188</u>
Public Works:				
Road administration, street lights	\$ 56,660	\$ 56,660	\$ 44,813	\$ 11,847
General engineering and administration	400,681	434,349	362,852	71,497
Refuse collection	1,393,371	2,958,558	2,332,462	626,096
Refuse disposal	589,464	589,464	534,281	55,183
Litter control	30,317	30,317	17,961	12,356
General properties	2,009,867	2,114,013	1,704,642	409,371
Animal shelter	647,538	716,490	681,146	35,344
Total public works	<u>\$ 5,127,898</u>	<u>\$ 6,899,851</u>	<u>\$ 5,678,157</u>	<u>\$ 1,221,694</u>
Health and Welfare:				
Health department	\$ 398,774	\$ 398,774	\$ 398,774	\$ -
Northwestern Community Services Board	377,784	377,784	377,784	-
Welfare and social services	7,893,118	7,921,325	7,512,126	409,199
Tax relief for the elderly	540,000	540,000	660,243	(120,243)
Area Agency on Aging	63,000	63,000	63,000	-
Total health and welfare	<u>\$ 9,272,676</u>	<u>\$ 9,300,883</u>	<u>\$ 9,011,927</u>	<u>\$ 288,956</u>
Education:				
Community college	\$ 76,320	\$ 76,320	\$ 76,320	\$ -
Appropriation to public school system	80,361,917	82,676,441	81,630,162	1,046,279
Total education	<u>\$ 80,438,237</u>	<u>\$ 82,752,761</u>	<u>\$ 81,706,482</u>	<u>\$ 1,046,279</u>

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Expenditures (Continued)				
Parks, recreation and cultural:				
Parks and recreation	\$ 5,407,646	\$ 6,728,412	\$ 5,410,071	\$ 1,318,341
Regional library	1,087,901	1,087,901	1,087,901	-
Total parks, recreation and cultural	<u>\$ 6,495,547</u>	<u>\$ 7,816,313</u>	<u>\$ 6,497,972</u>	<u>\$ 1,318,341</u>
Community Development:				
Planning and community development	\$ 1,098,000	\$ 1,202,552	\$ 1,109,323	\$ 93,229
Economic Development Commission	582,770	2,582,770	2,582,770	-
Zoning board	6,013	6,313	6,001	312
Building appeals board	561	561	-	561
NSV Regional Commission	58,359	58,359	58,359	-
Soil and Water Conservation District	7,000	7,000	7,000	-
Cooperative extension program	251,215	253,941	230,433	23,508
Total community development	<u>\$ 2,003,918</u>	<u>\$ 4,111,496</u>	<u>\$ 3,993,886</u>	<u>\$ 117,610</u>
Debt Service:				
Principal	\$ 1,154,403	\$ 1,154,403	\$ 1,154,403	-
Interest and fiscal charges	1,099,245	1,099,245	1,092,351	6,894
Total debt service	<u>\$ 2,253,648</u>	<u>\$ 2,253,648</u>	<u>\$ 2,246,754</u>	<u>\$ 6,894</u>
Total expenditures	<u>\$ 157,620,871</u>	<u>\$ 167,216,523</u>	<u>\$ 160,329,457</u>	<u>\$ 6,887,066</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 14,069,998</u>	<u>\$ 4,129,358</u>	<u>\$ 18,137,596</u>	<u>\$ 14,008,238</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 9,814	\$ 9,814
Transfers out	(21,988,044)	(21,988,044)	(21,995,611)	(7,567)
Total other financing sources (uses)	<u>\$ (21,988,044)</u>	<u>\$ (21,988,044)</u>	<u>\$ (21,985,797)</u>	<u>\$ 2,247</u>
Net change in fund balance	\$ (7,918,046)	\$ (17,858,686)	\$ (3,848,201)	\$ 14,010,485
Fund balance, beginning of year	<u>7,918,046</u>	<u>17,858,686</u>	<u>62,181,777</u>	<u>44,323,091</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,333,576</u>	<u>\$ 58,333,576</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 688,180	\$ 688,180	\$ 761,644	\$ 73,464
Use of money and property	8,000	8,000	22,255	14,255
Miscellaneous	-	13,693	17,451	3,758
Recovered costs	1,000	1,000	3,092	2,092
Total revenues	<u>\$ 697,180</u>	<u>\$ 710,873</u>	<u>\$ 804,442</u>	<u>\$ 93,569</u>
Expenditures				
Current:				
Community Development	\$ 957,660	\$ 971,353	\$ 875,559	\$ 95,794
Net change in fund balance	\$ (260,480)	\$ (260,480)	\$ (71,117)	\$ 189,363
Fund balance, beginning of year	<u>260,480</u>	<u>260,480</u>	<u>2,022,979</u>	<u>1,762,499</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,951,862</u></u>	<u><u>\$ 1,951,862</u></u>

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

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
Lake Holiday Sanitary District Fund
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 779,998	\$ 779,998	\$ 940,567	\$ 160,569
Use of money and property	-	-	1,120	1,120
Miscellaneous	-	-	2,303	2,303
Recovered costs	-	-	1,508	1,508
Total revenues	<u>\$ 779,998</u>	<u>\$ 779,998</u>	<u>\$ 945,498</u>	<u>\$ 165,500</u>
Expenditures				
Current:				
Community Development	\$ 41,340	\$ 41,340	\$ 31,965	\$ 9,375
Debt Service:				
Principal	\$ 371,250	\$ 371,250	\$ 371,250	\$ -
Interest and fiscal charges	367,408	367,408	365,298	2,110
Total debt service	<u>\$ 738,658</u>	<u>\$ 738,658</u>	<u>\$ 736,548</u>	<u>\$ 2,110</u>
Total expenditures	<u>\$ 779,998</u>	<u>\$ 779,998</u>	<u>\$ 768,513</u>	<u>\$ 11,485</u>
Net change in fund balance	\$ -	\$ -	\$ 176,985	\$ 176,985
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>2,978,895</u>	<u>2,978,895</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,155,880</u>	<u>\$ 3,155,880</u>

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

COUNTY OF FREDERICK, VIRGINIA

**Schedule of Employer's Proportionate Share of the Net Pension Liability
For the Years Ended June 30, 2015 through June 30, 2018**

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					
2017	64.3410%	\$ 9,487,461	\$ 24,614,534	38.54%	90.22%
2016	64.9200%	15,159,093	23,781,621	63.74%	88.00%
2015	64.1119%	10,062,275	22,011,588	45.71%	88.00%
2014	64.2415%	9,114,278	20,817,989	43.78%	89.00%
Component Unit School Board (professional)					
2017	1.0842%	\$ 133,333,000	\$ 85,337,127	156.24%	72.92%
2016	1.1032%	154,596,000	83,545,029	185.05%	70.68%
2015	1.0707%	134,757,000	79,240,978	170.06%	70.68%
2014	1.0399%	125,663,000	75,723,265	165.95%	75.00%

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

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

COUNTY OF FREDERICK, VIRGINIA

Schedule of Changes in Net Pension Liability(Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 890,311	\$ 895,679	\$ 907,457	\$ 900,416
Interest	1,553,215	1,466,113	1,382,144	1,292,100
Differences between expected and actual experience	(113,298)	(76,365)	(109,100)	-
Changes in assumptions	(304,975)	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,043,501)</u>	<u>(1,038,720)</u>	<u>(923,171)</u>	<u>(889,176)</u>
Net change in total pension liability	\$ 981,752	\$ 1,246,707	\$ 1,257,330	\$ 1,303,340
Total pension liability - beginning	<u>22,710,543</u>	<u>21,463,836</u>	<u>20,206,506</u>	<u>18,903,166</u>
Total pension liability - ending (a)	<u>\$ 23,692,295</u>	<u>\$ 22,710,543</u>	<u>\$ 21,463,836</u>	<u>\$ 20,206,506</u>
Plan fiduciary net position				
Contributions - employer	\$ 487,563	\$ 638,515	\$ 619,812	\$ 739,310
Contributions - employee	416,129	403,915	394,323	388,036
Net investment income	2,688,328	385,945	950,171	2,794,997
Benefit payments, including refunds of employee contributions	(1,043,501)	(1,038,720)	(923,171)	(889,176)
Administrative expense	(15,326)	(13,287)	(12,709)	(14,741)
Other	<u>(2,403)</u>	<u>(161)</u>	<u>(202)</u>	<u>148</u>
Net change in plan fiduciary net position	\$ 2,530,790	\$ 376,207	\$ 1,028,224	\$ 3,018,574
Plan fiduciary net position - beginning	<u>22,055,825</u>	<u>21,679,618</u>	<u>20,651,394</u>	<u>17,632,820</u>
Plan fiduciary net position - ending (b)	<u>\$ 24,586,615</u>	<u>\$ 22,055,825</u>	<u>\$ 21,679,618</u>	<u>\$ 20,651,394</u>
School Division's net pension liability(asset) - ending (a) - (b)	\$ (894,320)	\$ 654,718	\$ (215,782)	\$ (444,888)
Plan fiduciary net position as a percentage of the total pension liability	103.77%	97.12%	101.01%	102.20%
Covered payroll	\$ 8,515,910	\$ 8,345,354	\$ 7,965,421	\$ 7,474,164
School Division's net pension liability as a percentage of covered payroll	-10.50%	7.85%	-2.71%	-5.95%

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

COUNTY OF FREDERICK, VIRGINIA

Schedule of Employer Contributions
For the Years Ended June 30, 2015 through June 30, 2018

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					
2018	\$ 2,825,083	\$ 2,825,083	\$ -	\$ 26,852,773	10.52%
2017	2,643,601	2,643,601	-	24,614,534	10.74%
2016	2,889,467	2,889,467	-	23,781,621	12.15%
2015	2,674,408	2,674,408	-	22,011,588	12.15%
Component Unit School Board (nonprofessional)					
2018	\$ 488,848	\$ 488,848	\$ -	\$ 8,835,602	5.53%
2017	510,949	510,949	-	8,515,910	6.00%
2016	652,607	652,607	-	8,345,354	7.82%
2015	633,671	633,671	-	7,965,421	7.96%
Component Unit School Board (professional)					
2018	\$ 14,341,367	\$ 14,341,367	\$ -	\$ 88,520,955	16.20%
2017	12,510,423	12,510,423	-	85,337,127	14.66%
2016	11,746,431	11,746,431	-	83,545,029	14.06%
2015	11,211,939	11,211,939	-	79,240,978	14.15%

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Required Supplementary Information
June 30, 2018

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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement)	Updated to a more current mortality table - RP-2014
Retirement Rates	Lowered rates at older ages and changed final
Withdrawal Rates	Adjusted rates to better fit experience at each year
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement)	Updated to a more current mortality table - RP-2014
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Mortality Rates (pre-retirement, post-retirement)	Updated to a more current mortality table - RP-2014
Retirement Rates	Lowered rates at older ages and changed final
Withdrawal Rates	Adjusted rates to better fit experience at each year
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement)	Updated to a more current mortality table - RP-2014
Retirement Rates	Increased age 50 rates, and lowered rates at older
Withdrawal Rates	Adjusted rates to better fit experience at each year
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement)	Updated to a more current mortality table - RP-2014
Retirement Rates	Lowered rates at older ages and changed final
Withdrawal Rates	Adjusted rates to better fit experience at each year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Primary Government
 For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 1,107,254
Interest	1,217,753
Changes in assumptions	(5,324,224)
Benefit payments	(470,007)
Net change in total OPEB liability	<u>\$ (3,469,224)</u>
Total OPEB liability - beginning	<u>42,963,183</u>
Total OPEB liability - ending	<u><u>\$ 39,493,959</u></u>
Covered payroll	\$ N/A
County's total OPEB liability (asset) as a percentage of covered payroll	N/A

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

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 578,000
Interest	200,000
Changes in assumptions	(455,000)
Benefit payments	(321,000)
Net change in total OPEB liability	<u>\$ 2,000</u>
Total OPEB liability - beginning	<u>7,173,000</u>
Total OPEB liability - ending	<u><u>7,175,000</u></u>
Covered payroll	\$ N/A
School Board's total OPEB liability (asset) as a percentage of covered payroll	N/A

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

Notes to Required Supplementary Information - County and Component Unit School Board OPEB
For the Year Ended June 30, 2018

County:

Valuation Date: 6/30/2017
Measurement Date: 6/30/2017

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.85% per year as of June 30, 2017; 3.58% per year as of June 30, 2018
Inflation	2.2% per year as of June 30, 2017; 2.2% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.30% in 2017 and gradually declines to 3.8% by the year 2098
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP 2000 Total Combined Healthy Table fully generational using scale AA. The mortality rates for disabled retirees and calculated using the RP 2000 Combined Disabled Table fully generational using scale AA.

Component Unit School Board

Valuation Date: 6/30/2017
Measurement Date: 6/30/2017

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.85% per year as of June 30, 2017; 3.58% per year as of June 30, 2018
Inflation	2.2% per year as of June 30, 2017; 2.2% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.30% in 2017 and gradually declines to 3.9% by the year 2098
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP 2000 Total Combined Healthy Table fully generational using scale AA. The mortality rates for disabled retirees and calculated using the RP 2000 Combined Disabled Table fully generational using scale AA.

Schedule of Frederick County School Board's Share of Net OPEB Liability
 Teacher Health Insurance Credit Program (HIC)
 For the Year Ended June 30, 2018

Date	Employer's Proportion of the Net HIC OPEB Liability (Asset)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
(1)	(2)	(3)	(4)	(5)	(6)
2017	1.0837%	\$ 13,748,000	\$ 85,523,561	16.08%	7.04%

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

Schedule of Employer Contributions
 Teacher Health Insurance Credit Program (HIC)
 For the Years Ended June 30, 2009 through June 30, 2018

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2018	\$ 1,084,266	\$ 1,084,266	\$ -	\$ 88,151,703	1.23%
2017	949,312	949,312	-	85,523,561	1.11%
2016	891,575	891,575	-	84,110,824	1.06%
2015	843,790	843,790	-	79,602,809	1.06%
2014	844,092	844,092	-	76,044,293	1.11%
2013	809,255	809,255	-	72,905,838	1.11%
2012	432,084	432,084	-	72,013,973	0.60%
2011	433,342	433,342	-	72,223,609	0.60%
2010	571,130	571,130	-	73,143,538	0.78%
2009	812,033	812,033	-	75,188,194	1.08%

Notes to Required Supplementary Information
 Teacher Health Insurance Credit Program (HIC)
 For the Year Ended June 30, 2018

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

Schedule of County and School Board's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2017	0.13694%	\$ 2,060,839	\$ 25,259,830	8.16%	48.86%
Component Unit School Board (nonprofessional)					
2017	0.04652%	\$ 700,000	\$ 8,580,980	8.16%	48.86%
Component Unit School Board (professional)					
2017	0.46462%	\$ 6,992,000	\$ 85,700,063	8.16%	48.86%

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

Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2017 through June 30, 2018

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					
2018	\$ 134,515	\$ 134,515	\$ -	\$ 26,852,773	0.50%
2017	131,351	131,351	-	25,259,830	0.52%
Component Unit School Board (nonprofessional)					
2018	\$ 45,945	\$ 45,945	\$ -	\$ 8,835,602	0.52%
2017	44,621	44,621	-	8,580,980	0.52%
Component Unit School Board (professional)					
2018	\$ 460,309	\$ 460,309	\$ -	\$ 88,520,955	0.52%
2017	445,640	445,640	-	85,700,063	0.52%

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

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

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COUNTY OF FREDERICK, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2018

	Division of Court Services Fund	Comprehensive Services Act Fund	EMS Revenue Recovery Fund	Total
Assets				
Cash and cash equivalents	\$ 298,437	\$ 44,616	\$ 418,141	\$ 761,194
Receivables	2,280	-	3,004	5,284
Due from other governments	-	250,869	-	250,869
Total assets	<u>\$ 300,717</u>	<u>\$ 295,485</u>	<u>\$ 421,145</u>	<u>\$ 1,017,347</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 3,402	\$ 316,615	\$ 421,145	\$ 741,162
Total liabilities	<u>\$ 3,402</u>	<u>\$ 316,615</u>	<u>\$ 421,145</u>	<u>\$ 741,162</u>
Fund Balance				
Committed	\$ 297,315	\$ -	\$ -	\$ 297,315
Unassigned	-	(21,130)	-	(21,130)
Total fund balance	<u>\$ 297,315</u>	<u>\$ (21,130)</u>	<u>\$ -</u>	<u>\$ 276,185</u>
Total liabilities and fund balance	<u>\$ 300,717</u>	<u>\$ 295,485</u>	<u>\$ 421,145</u>	<u>\$ 1,017,347</u>

COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018**

	Division of Court Services Fund	Comprehensive Services Act Fund	EMS Revenue Recovery Fund	Total
Revenues				
Use of money and property	\$ 4,848	\$ -	\$ -	\$ 4,848
Charges for services	406,257	-	2,026,571	2,432,828
Recovered costs	100,195	-	-	100,195
Intergovernmental:				
Revenue from the Commonwealth	-	1,338,627	-	1,338,627
Revenue from the Federal Government	-	39,847	-	39,847
Total revenues	\$ 511,300	\$ 1,378,474	\$ 2,026,571	\$ 3,916,345
Expenditures				
Current:				
Judicial administration	\$ 523,224	\$ -	\$ -	\$ 523,224
Public safety	-	-	2,291,008	2,291,008
Health and welfare	-	3,095,533	-	3,095,533
Total expenditures	\$ 523,224	\$ 3,095,533	\$ 2,291,008	\$ 5,909,765
Excess (deficiency) of revenues over (under) expenditures	\$ (11,924)	\$ (1,717,059)	\$ (264,437)	\$ (1,993,420)
Other financing sources (uses)				
Transfers in	\$ -	\$ 1,691,949	\$ -	\$ 1,691,949
Total other financing sources (uses)	\$ -	\$ 1,691,949	\$ -	\$ 1,691,949
Net change in fund balance	\$ (11,924)	\$ (25,110)	\$ (264,437)	\$ (301,471)
Fund balance, beginning of year	309,239	3,980	264,437	577,656
Fund balance, end of year	\$ 297,315	\$ (21,130)	\$ -	\$ 276,185

COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Net Position
Internal Service Funds
At June 30, 2018**

	<u>Health Insurance Fund</u>	<u>Central Stores Fund</u>	<u>Unemploy- ment Fund</u>	<u>Volunteer Fire and Rescue Fund</u>	<u>Maintenance Insurance Fund</u>	<u>Total Internal Service Funds</u>
Assets						
Current assets:						
Cash and cash equivalents	\$ 12,539,344	\$ 194,324	\$ -	\$ 53,964	\$ 294,763	\$ 13,082,395
Total assets	<u>\$ 12,539,344</u>	<u>\$ 194,324</u>	<u>\$ -</u>	<u>\$ 53,964</u>	<u>\$ 294,763</u>	<u>\$ 13,082,395</u>
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	\$ 18,157	\$ -	\$ -	\$ -	\$ 367	\$ 18,524
Claims payable	<u>973,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>973,490</u>
Total liabilities	<u>\$ 991,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367</u>	<u>\$ 992,014</u>
Net Position						
Unrestricted	<u>\$ 11,547,697</u>	<u>\$ 194,324</u>	<u>\$ -</u>	<u>\$ 53,964</u>	<u>\$ 294,396</u>	<u>\$ 12,090,381</u>
Total net position	<u>\$ 11,547,697</u>	<u>\$ 194,324</u>	<u>\$ -</u>	<u>\$ 53,964</u>	<u>\$ 294,396</u>	<u>\$ 12,090,381</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2018

	Health Insurance Fund	Central Stores Fund	Unemploy- ment Fund	Volunteer Fire and Rescue Fund	Maintenance Insurance Fund	Total Internal Service Funds
Operating revenues						
Charges for services	\$ 11,784,726	\$ 10,938	\$ -	\$ -	\$ 6,277	\$ 11,801,941
Operating Expenses						
Benefits and related expenses	\$ 9,629,658	\$ -	\$ 7,567	\$ 1,068	\$ -	\$ 9,638,293
Services and supplies	-	3,348	-	-	4,046	7,394
Total operating expenses	\$ 9,629,658	\$ 3,348	\$ 7,567	\$ 1,068	\$ 4,046	\$ 9,645,687
Operating income (loss)	\$ 2,155,068	\$ 7,590	\$ (7,567)	\$ (1,068)	\$ 2,231	\$ 2,156,254
Nonoperating revenues						
Investment income	130,490	2,240	-	-	3,393	136,123
Income(loss) before transfers	\$ 2,285,558	\$ 9,830	\$ (7,567)	\$ (1,068)	\$ 5,624	\$ 2,292,377
Transfers in						
	-	-	7,567	-	-	7,567
Change in net position	\$ 2,285,558	\$ 9,830	\$ -	\$ (1,068)	\$ 5,624	\$ 2,299,944
Net position, beginning of year	9,262,139	184,494	-	55,032	288,772	9,790,437
Net position, end of year	\$ 11,547,697	\$ 194,324	\$ -	\$ 53,964	\$ 294,396	\$ 12,090,381

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2018

	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	\$ 12,458,248	\$ -	\$ -	\$ -	\$ 6,277	\$ 12,464,525
Receipts from services	-	10,938	-	-	-	10,938
Payments to suppliers	(9,476,353)	(3,555)	-	(1,068)	(3,840)	(9,484,816)
Other payments	-	-	(7,567)	-	-	(7,567)
Net cash provided by (used for) operating activities	<u>\$ 2,981,895</u>	<u>\$ 7,383</u>	<u>\$ (7,567)</u>	<u>\$ (1,068)</u>	<u>\$ 2,437</u>	<u>\$ 2,983,080</u>
Cash flows from noncapital financing activities:						
Transfers in	\$ -	\$ -	\$ 7,567	\$ -	\$ -	\$ 7,567
Cash flows from investing activities						
Investment income	\$ 130,490	\$ 2,240	\$ -	\$ -	\$ 3,393	\$ 136,123
Net increase (decrease) in cash and cash equivalents	\$ 3,112,385	\$ 9,623	\$ -	\$ (1,068)	\$ 5,830	\$ 3,126,770
Balances, beginning of year	9,426,959	184,701	-	55,032	288,933	9,955,625
Balances, end of year	<u>\$ 12,539,344</u>	<u>\$ 194,324</u>	<u>\$ -</u>	<u>\$ 53,964</u>	<u>\$ 294,763</u>	<u>\$ 13,082,395</u>
Reconciliation of operating income (loss) to net cash provided by(used for) operating activities:						
Operating income (loss)	\$ 2,155,068	\$ 7,590	\$ (7,567)	\$ (1,068)	\$ 2,231	\$ 2,156,254
Change in assets and liabilities:						
Receivables, net	673,522	-	-	-	-	673,522
Accounts payable	14,612	(207)	-	-	206	14,611
Claims payable	138,693	-	-	-	-	138,693
Net cash provided by (used for) operating activities	<u>\$ 2,981,895</u>	<u>\$ 7,383</u>	<u>\$ (7,567)</u>	<u>\$ (1,068)</u>	<u>\$ 2,437</u>	<u>\$ 2,983,080</u>

COUNTY OF FREDERICK, VIRGINIA

Statement of Fiduciary Net Position
 Private Purpose Trust Fund
 At June 30, 2018

	Endowment Trust Fund
	<u> </u>
Assets	
Cash and cash equivalents	\$ 377,000
Receivables	<u>2,581</u>
Total assets	<u>\$ 379,581</u>
 Liabilities	
Accounts payable and accrued liabilities	\$ <u>1,504</u>
Total liabilities	<u>\$ 1,504</u>
 Net Position	 <u>\$ 378,077</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Fiduciary Net Position
 Agency Funds
 At June 30, 2018

	Northwestern		Winchester		Undistributed		Employee		Northwestern		
	Special	Regional	Regional	Airport	Local	State	Cafeteria	Regional	Regional	Total	
	Welfare	Jail	Authority	Authority	Sales Tax	Sales Tax	Plan	Education	Education		
	Fund	Authority	Fund	Fund	Fund	Fund	Fund	Program	Program	Fund	Fund
		Fund									
Assets											
Cash and cash equivalents	\$ 112,453	\$ 7,836,287	\$ 78,860	\$ -	\$ -	\$ 2,408	\$ 3,234	\$ 1,095,983	\$ 1,095,983	\$ 9,129,225	
Receivables	-	127,187	45,928	-	-	-	-	-	-	173,115	
Due from other governmental units	-	791,799	-	-	49,342	-	-	-	-	841,141	
Total assets	\$ 112,453	\$ 8,755,273	\$ 124,788	\$ 124,788	\$ 49,342	\$ 2,408	\$ 3,234	\$ 1,095,983	\$ 1,095,983	\$ 10,143,481	
Liabilities											
Accounts payable and accrued liabilities	\$ -	\$ 454,213	\$ 476,264	\$ -	\$ 49,342	\$ 574	\$ -	\$ 593,315	\$ 593,315	\$ 1,573,708	
Amounts held for others	112,453	8,301,060	(351,476)	-	-	1,834	3,234	502,668	502,668	8,569,773	
Total liabilities	\$ 112,453	\$ 8,755,273	\$ 124,788	\$ 124,788	\$ 49,342	\$ 2,408	\$ 3,234	\$ 1,095,983	\$ 1,095,983	\$ 10,143,481	

COUNTY OF FREDERICK, VIRGINIA

Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
Year Ended June 30, 2018

		Endowment Trust Fund
		<hr/>
Additions:		
Investment earnings	\$	4,349
Miscellaneous		96,952
		<hr/>
Total additions	\$	101,301
 Deductions:		
Education		39,781
		<hr/>
Change in net position	\$	61,520
Net position, beginning of year		<hr/> 316,557
Net position, end of year	\$	<hr/> <hr/> 378,077

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2018

	<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	\$ 105,458	\$ 133,521	\$ 126,526	\$ 112,453
Liabilities:				
Amounts held for others	\$ 105,458	\$ 133,521	\$ 126,526	\$ 112,453
Northwestern Regional Jail Authority Fund:				
Assets:				
Cash and cash equivalents	\$ 6,502,214	\$ 21,577,453	\$ 20,243,380	\$ 7,836,287
Receivables	167,853	127,187	167,853	127,187
Due from other governmental units	811,064	791,799	811,064	791,799
Total assets	<u>\$ 7,481,131</u>	<u>\$ 22,496,439</u>	<u>\$ 21,222,297</u>	<u>\$ 8,755,273</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 456,628	\$ 454,213	\$ 456,628	\$ 454,213
Amounts held for others	7,024,503	22,042,226	20,765,669	8,301,060
Total liabilities	<u>\$ 7,481,131</u>	<u>\$ 22,496,439</u>	<u>\$ 21,222,297</u>	<u>\$ 8,755,273</u>
Winchester Regional Airport Authority Fund:				
Assets:				
Cash and cash equivalents	\$ 8,021	\$ 4,146,909	\$ 4,076,070	\$ 78,860
Receivables	57,577	45,928	57,577	45,928
Due from other governmental units	228,549	-	228,549	-
Total assets	<u>\$ 294,147</u>	<u>\$ 4,192,837</u>	<u>\$ 4,362,196</u>	<u>\$ 124,788</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 311,472	\$ 476,264	\$ 311,472	\$ 476,264
Amounts held for others	(17,325)	3,716,573	4,050,724	(351,476)
Total liabilities	<u>\$ 294,147</u>	<u>\$ 4,192,837</u>	<u>\$ 4,362,196</u>	<u>\$ 124,788</u>
Undistributed Local Sales Tax Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 14,325,948	\$ 14,325,948	\$ -
Due from other governmental units	48,992	49,342	48,992	49,342
Total assets	<u>\$ 48,992</u>	<u>\$ 14,375,290</u>	<u>\$ 14,374,940</u>	<u>\$ 49,342</u>

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2018 (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	\$ 48,992	\$ 14,375,290	\$ 14,374,940	\$ 49,342
State Sales Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 2,172	\$ 614	\$ 378	\$ 2,408
Liabilities:				
Accounts payable and accrued liabilities	\$ 130	\$ 574	\$ 130	\$ 574
Amounts held for others	2,042	40	248	1,834
Total liabilities	\$ 2,172	\$ 614	\$ 378	\$ 2,408
Employee Cafeteria Plan Fund:				
Assets:				
Cash and cash equivalents	\$ 3,234	\$ -	\$ -	\$ 3,234
Liabilities:				
Amounts held for others	\$ 3,234	\$ -	\$ -	\$ 3,234
Northwestern Regional Education Program Fund:				
Assets:				
Cash and cash equivalents	\$ 910,498	\$ 4,908,408	\$ 4,722,923	\$ 1,095,983
Total assets	\$ 910,498	\$ 4,908,408	\$ 4,722,923	\$ 1,095,983
Liabilities:				
Accounts payable and accrued liabilities	\$ 532,245	\$ 593,315	\$ 532,245	\$ 593,315
Amounts held for others	378,253	4,315,093	4,190,678	502,668
Total liabilities	\$ 910,498	\$ 4,908,408	\$ 4,722,923	\$ 1,095,983
Total -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 7,531,597	\$ 45,092,853	\$ 43,495,225	\$ 9,129,225
Receivables	225,430	173,115	225,430	173,115
Due from other governmental units	1,088,605	841,141	1,088,605	841,141
Total assets	\$ 8,845,632	\$ 46,107,109	\$ 44,809,260	\$ 10,143,481
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,349,467	\$ 15,899,656	\$ 15,675,415	\$ 1,573,708
Amounts held for others	7,496,165	30,207,453	29,133,845	8,569,773
Total liabilities	\$ 8,845,632	\$ 46,107,109	\$ 44,809,260	\$ 10,143,481

COUNTY OF FREDERICK, VIRGINIA

**Revenue and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2018**

	<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	\$ 1,950	\$ 1,950	\$ 4,848	\$ 2,898
Charges for services	491,757	491,757	406,257	(85,500)
Recovered costs	157,739	157,739	100,195	(57,544)
Total revenues	<u>\$ 651,446</u>	<u>\$ 651,446</u>	<u>\$ 511,300</u>	<u>\$ (140,146)</u>
Expenditures				
Judicial Administration				
Division of Court Services	\$ 651,446	\$ 651,446	\$ 523,224	\$ 128,222
Total expenditures	<u>\$ 651,446</u>	<u>\$ 651,446</u>	<u>\$ 523,224</u>	<u>\$ 128,222</u>
EMS Revenue Recovery Fund				
Revenues				
Charges for services	\$ 1,593,084	\$ 2,026,571	\$ 2,026,571	\$ -
Total revenues	<u>\$ 1,593,084</u>	<u>\$ 2,026,571</u>	<u>\$ 2,026,571</u>	<u>\$ -</u>
Expenditures				
Public Safety				
EMS Revenue Recovery Fund	\$ 1,593,084	\$ 2,291,008	\$ 2,291,008	\$ -
Total expenditures	<u>\$ 1,593,084</u>	<u>\$ 2,291,008</u>	<u>\$ 2,291,008</u>	<u>\$ -</u>
Capital Projects Funds				
Capital Projects Fund				
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 61,810	\$ 61,810
Recovered costs	-	5,852,147	287,187	(5,564,960)
Intergovernmental:				
Revenue from the Commonwealth	-	6,594,713	218,816	(6,375,897)
Total revenues	<u>\$ -</u>	<u>\$ 12,446,860</u>	<u>\$ 567,813</u>	<u>\$ (11,879,047)</u>
Expenditures				
Capital projects	\$ -	\$ 111,225	\$ 5,621	\$ 105,604
Capital projects	-	13,190,789	1,249,847	11,940,942
Total expenditures	<u>\$ -</u>	<u>\$ 13,302,014</u>	<u>\$ 1,255,468</u>	<u>\$ 12,046,546</u>
Debt Service Funds				
School Debt Service Fund				
Revenues				
Intergovernmental:				
Categorical aid:				
Revenue from the Commonwealth	\$ 127,343	\$ 127,343	\$ 127,343	\$ -
Revenue from the Federal Government	275,782	275,782	277,865	2,083
Total revenues	<u>\$ 403,125</u>	<u>\$ 403,125</u>	<u>\$ 405,208</u>	<u>\$ 2,083</u>
Expenditures				
Education	\$ -	\$ -	\$ 617,478	\$ (617,478)
Principal and interest	16,396,229	16,396,229	15,769,851	626,378
Total expenditures	<u>\$ 16,396,229</u>	<u>\$ 16,396,229</u>	<u>\$ 16,387,329</u>	<u>\$ 8,900</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, 2018

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	School Capital Projects Fund	School Capital Fund	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 14,183,678	\$ 2,917,079	\$ 2,917,359	\$ 6,977,817	\$ 1,657,142	\$ 28,653,075
Accounts receivable	56,098	19,480	-	-	-	75,578
Due from other governments	3,492,488	82,213	-	-	-	3,574,701
Inventory	-	232,432	-	-	-	232,432
Total assets	\$ 17,732,264	\$ 3,251,204	\$ 2,917,359	\$ 6,977,817	\$ 1,657,142	\$ 32,535,786
Liabilities						
Accounts payable and accrued liabilities	\$ 17,732,264	\$ 610,771	\$ 5,916	\$ 100,503	\$ 259,955	\$ 18,709,409
Total liabilities	\$ 17,732,264	\$ 610,771	\$ 5,916	\$ 100,503	\$ 259,955	\$ 18,709,409
Fund Balance						
Nonspendable	\$ -	\$ 232,432	\$ -	\$ -	\$ -	\$ 232,432
Restricted	-	-	-	6,859,008	-	6,859,008
Committed	-	2,408,001	2,911,443	18,306	1,397,187	6,734,937
Total fund balance	\$ -	\$ 2,640,433	\$ 2,911,443	\$ 6,877,314	\$ 1,397,187	\$ 13,826,377
Total liabilities and fund balance	\$ 17,732,264	\$ 3,251,204	\$ 2,917,359	\$ 6,977,817	\$ 1,657,142	\$ 32,535,786

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2018

Total fund balances for governmental funds (Exhibit 30)	\$	13,826,377
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	\$	10,982,635
Construction in progress		5,210,255
Buildings and improvements, net of depreciation		189,774,740
Equipment, net of depreciation		10,533,496
School Board capital assets in primary government, net of depreciation		<u>(76,332,542)</u>
Total capital assets		140,168,584
The net pension asset is not an available resource and, therefore, is not reported in the funds.		894,320
Pension deferrals - Deferred outflows		21,849,215
OPEB deferrals - Deferred outflows		1,590,520
Other long-term assets are not available to pay for current-period expenditures and, therefor, are deferred in the funds. This includes deferred inflows related to measurement of net pension and OPEB liabilities.		
Items related to measurement of net OPEB liability		(1,686,000)
Items related to measurement of net pension liability		(17,085,474)
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:		
		2,855,734
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	\$	(2,349,911)
Net OPEB liability		(28,615,000)
Net Pension liability		<u>(133,333,000)</u>
Total		<u>(164,297,911)</u>
Total net position of governmental activities (Exhibit 1)	\$	<u><u>(1,884,635)</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, 2018

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	School Capital Projects Fund	School Capital Fund	Total Governmental Funds
Revenues						
Use of money and property	\$ 365,791	\$ 27,981	\$ 32,635	\$ 23,680	\$ -	\$ 450,087
Charges for services	195,950	2,270,262	1,971	-	-	2,468,183
Miscellaneous	435,584	5,271	-	-	-	440,855
Intergovernmental:						
Appropriation from primary government	79,159,353	-	-	6,753,720	3,088,287	89,001,360
Revenue from the Commonwealth	74,566,843	103,208	895,167	-	-	75,565,218
Revenue from the Federal Government	5,335,895	3,028,170	-	-	-	8,364,065
Total revenues	\$ 160,059,416	\$ 5,434,892	\$ 929,773	\$ 6,777,400	\$ 3,088,287	\$ 176,289,768
Expenditures						
Current:						
Education:						
Instruction	\$ 122,333,279	\$ -	\$ 1,275,589	\$ -	\$ 2,911,163	\$ 126,520,031
Administration, attendance and health	6,432,670	-	-	-	-	6,432,670
Transportation	6,753,614	-	-	-	-	6,753,614
Facilities operations	16,536,849	-	-	-	-	16,536,849
Building improvements	213,697	-	-	-	-	213,697
Technology	7,199,273	-	-	-	-	7,199,273
School food services	-	5,228,976	-	-	-	5,228,976
Capital projects	-	-	-	993,738	-	993,738
Total expenditures	\$ 159,469,382	\$ 5,228,976	\$ 1,275,589	\$ 993,738	\$ 2,911,163	\$ 169,878,848
Excess (deficiency) of revenues over (under) expenditures	\$ 590,034	\$ 205,916	\$ (345,816)	\$ 5,783,662	\$ 177,124	\$ 6,410,920
Other financing sources (uses)						
Transfers in	\$ -	\$ 19,522	\$ 570,512	\$ -	\$ -	\$ 590,034
Transfers out	(590,034)	-	-	-	-	(590,034)
Total other financing sources (uses)	\$ (590,034)	\$ 19,522	\$ 570,512	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ 225,438	\$ 224,696	\$ 5,783,662	\$ 177,124	\$ 6,410,920
Fund balance, beginning of year	-	2,414,995	2,686,747	1,093,652	1,220,063	7,415,457
Fund balance, end of year	-	2,640,433	2,911,443	6,877,314	1,397,187	13,826,377

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, 2018

Net change in fund balances - total governmental funds (Exhibit 32)	\$	6,410,920
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	\$	4,947,500	
Depreciation		(5,448,112)	(500,612)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) net position.		(200,105)
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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.

		9,349,828
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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.

(Increase) decrease in deferred inflows related to the measurement of the net OPEB liability		(1,686,000)
(Increase) decrease in deferred inflows related to the measurement of the net pension liability		(11,978,417)

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	\$	(200,149)	
Decrease (increase) in net pension liability/asset		21,917,718	
Increase (decrease) in net pension asset		894,320	
Decrease (increase) in deferred outflows related to pensions		(7,492,932)	
Decrease (increase) in deferred outflows related to OPEB		160,520	
Increase (decrease) in net OPEB liability		1,565,000	16,844,477

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.

		4,176
Change in net position of governmental activities (Exhibit 2)	\$	18,244,267

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Statement of Net Position
Internal Service Funds
At June 30, 2018

	Health Insurance Fund	Consolidated Services Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,862,747	\$ 184,811	\$ 7,047,558
Receivables, net	43,169	15,918	59,087
Inventory	-	367,788	367,788
Total assets	<u>\$ 6,905,916</u>	<u>\$ 568,517</u>	<u>\$ 7,474,433</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	\$ 2,394,284	\$ 189,335	\$ 2,583,619
Claims payable	2,035,080	-	2,035,080
Total current liabilities	<u>\$ 4,429,364</u>	<u>\$ 189,335</u>	<u>\$ 4,618,699</u>
Net Position			
Unrestricted	<u>\$ 2,476,552</u>	<u>\$ 379,182</u>	<u>\$ 2,855,734</u>
Total net position	<u>\$ 2,476,552</u>	<u>\$ 379,182</u>	<u>\$ 2,855,734</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, 2018

	Health Insurance Fund	Consolidated Services Fund	Total
Operating revenues			
Charges for services	\$ 19,315,698	\$ 2,909,987	\$ 22,225,685
Operating Expenses			
Benefits and related expenses	\$ 19,431,557	\$ -	\$ 19,431,557
Facilities operations	-	2,864,403	2,864,403
Total operating expenses	\$ 19,431,557	\$ 2,864,403	\$ 22,295,960
Operating income (loss)	\$ (115,859)	\$ 45,584	\$ (70,275)
Nonoperating revenues			
Investment income	74,451	-	74,451
Change in net position	\$ (41,408)	\$ 45,584	\$ 4,176
Net position, beginning of year	2,517,960	333,598	2,851,558
Net position, end of year	\$ 2,476,552	\$ 379,182	\$ 2,855,734

COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board
Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2018**

	Health Insurance Fund	Consolidated Services Fund	Total
Cash flows from operating activities			
Receipts from insured	\$ 19,315,992	\$ -	\$ 19,315,992
Receipts from services		2,905,242	2,905,242
Payments to suppliers	(18,813,074)	(2,882,640)	(21,695,714)
Net cash provided by (used for) operating activities	\$ 502,918	\$ 22,602	\$ 525,520
Cash flows from investing activities			
Investment income	74,451	-	74,451
Net increase (decrease) in cash and cash equivalents	\$ 577,369	\$ 22,602	\$ 599,971
Balances, beginning of year	<u>6,285,378</u>	<u>162,209</u>	<u>6,447,587</u>
Balance, end of year	<u>\$ 6,862,747</u>	<u>\$ 184,811</u>	<u>\$ 7,047,558</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (115,859)	\$ 45,584	\$ (70,275)
Change in assets and liabilities:			
Receivables, net	294	(4,745)	(4,451)
Inventory	-	(59,288)	(59,288)
Accounts payable	466,497	41,051	507,548
Claims payable	151,986	-	151,986
Net cash provided by (used for) operating activities	<u>\$ 502,918</u>	<u>\$ 22,602</u>	<u>\$ 525,520</u>

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
School Operating Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	<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	\$ 360,576	\$ 360,576	\$ 365,791	\$ 5,215
Charges for services	203,750	192,566	195,950	3,384
Miscellaneous	403,390	477,881	435,584	(42,297)
Intergovernmental:				
Appropriation from primary government	77,891,108	80,205,632	79,159,353	(1,046,279)
Revenue from the Commonwealth	75,982,926	75,588,967	74,566,843	(1,022,124)
Revenue from the Federal Government	5,037,745	5,970,895	5,335,895	(635,000)
Total revenues	<u>\$ 159,879,495</u>	<u>\$ 162,796,517</u>	<u>\$ 160,059,416</u>	<u>\$ (2,737,101)</u>
Expenditures				
Current:				
Education:				
Instruction	\$ 122,768,773	\$ 124,547,659	\$ 122,333,279	\$ 2,214,380
Administration, attendance and health	6,697,550	6,531,852	6,432,670	99,182
Transportation	6,736,403	6,948,727	6,753,614	195,113
Facilities operations	16,577,252	17,230,133	16,536,849	693,284
Building improvements	220,065	213,605	213,697	(92)
Technology	6,301,940	6,734,507	7,199,273	(464,766)
Total expenditures	<u>\$ 159,301,983</u>	<u>\$ 162,206,483</u>	<u>\$ 159,469,382</u>	<u>\$ 2,737,101</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 577,512</u>	<u>\$ 590,034</u>	<u>\$ 590,034</u>	<u>\$ -</u>
Other financing sources (uses)				
Transfers out	<u>\$ (577,512)</u>	<u>\$ (590,034)</u>	<u>\$ (590,034)</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ (577,512)</u>	<u>\$ (590,034)</u>	<u>\$ (590,034)</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>

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Revenue and Expenditure Budgetary Comparison Schedule
Other Funds
Year Ended June 30, 2018

	<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	\$ -	\$ -	\$ 27,981	\$ 27,981
Charges for services	2,576,308	2,576,308	2,270,262	(306,046)
Miscellaneous	-	-	5,271	5,271
Intergovernmental:				
Revenue from the Commonwealth	98,609	98,609	103,208	4,599
Revenue from the Federal Government	2,594,232	2,594,232	3,028,170	433,938
Total revenues	<u>\$ 5,269,149</u>	<u>\$ 5,269,149</u>	<u>\$ 5,434,892</u>	<u>\$ 165,743</u>
Expenditures:				
School food service operations	<u>\$ 7,552,580</u>	<u>\$ 7,552,658</u>	<u>\$ 5,228,976</u>	<u>\$ 2,323,682</u>
School Textbook Fund				
Revenues:				
Revenue from use of money and property	\$ 5,000	\$ 5,000	\$ 32,635	\$ 27,635
Charges for services	6,500	6,500	1,971	(4,529)
Intergovernmental:				
Revenue from the Commonwealth	896,478	896,478	895,167	(1,311)
Total revenues	<u>\$ 907,978</u>	<u>\$ 907,978</u>	<u>\$ 929,773</u>	<u>\$ 21,795</u>
Expenditures:				
Instruction	<u>\$ 3,937,383</u>	<u>\$ 3,937,383</u>	<u>\$ 1,275,589</u>	<u>\$ 2,661,794</u>
School Capital Projects Fund				
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 23,680	\$ 23,680
Intergovernmental:				
Appropriation from primary government	\$ -	\$ 27,000,000	\$ 6,753,720	\$ (20,246,280)
Total revenues	<u>\$ -</u>	<u>\$ 27,000,000</u>	<u>\$ 6,777,400</u>	<u>\$ (20,222,600)</u>
Expenditures:				
Capital projects - school construction projects	<u>\$ -</u>	<u>\$ 28,770,056</u>	<u>\$ 993,738</u>	<u>\$ 27,776,318</u>
School Capital Fund				
Revenues:				
Intergovernmental:				
Appropriation from primary government	<u>\$ 3,088,287</u>	<u>\$ 3,088,287</u>	<u>\$ 3,088,287</u>	<u>\$ -</u>
Expenditures:				
Instruction	<u>\$ 3,738,287</u>	<u>\$ 4,472,654</u>	<u>\$ 2,911,163</u>	<u>\$ 1,561,491</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.

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COUNTY OF FREDERICK, VIRGINIA

Table 1

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

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Investment in capital assets	\$ (4,421,477)	\$ (8,248,388)	\$ (9,537,133)	\$ (11,377,535)	\$ (12,319,435)	\$ (9,979,970)	\$ (5,692,121)	\$ (12,315,518)	\$ (10,248,279)	\$ (7,344,979)
Unrestricted	35,227,645	39,704,283	38,829,528	33,302,597	37,042,322	42,207,864	29,069,103	31,414,325	46,283,748	19,667,788
Total governmental activities net position	\$ 30,806,168	\$ 31,455,895	\$ 29,292,395	\$ 21,925,062	\$ 24,722,887	\$ 32,227,894	\$ 23,376,982	\$ 19,098,807	\$ 36,035,469	\$ 12,322,809
Business-type activities										
Investment in capital assets	\$ 15,875,231	\$ 18,264,393	\$ 21,340,265	\$ 20,972,668	\$ 19,976,018	\$ 18,566,343	\$ 18,080,994	\$ 17,673,891	\$ 17,926,107	\$ 16,245,725
Unrestricted	22,251,992	19,932,654	16,778,433	16,837,852	17,401,272	19,352,671	19,716,962	21,105,451	22,107,878	23,093,798
Total business-type activities net position	\$ 38,127,223	\$ 38,197,047	\$ 38,118,698	\$ 37,810,520	\$ 37,377,290	\$ 37,919,014	\$ 37,797,956	\$ 38,779,342	\$ 40,033,985	\$ 39,339,523
Primary government										
Investment in capital assets	\$ 11,453,754	\$ 10,016,005	\$ 11,803,132	\$ 9,595,133	\$ 7,656,583	\$ 8,586,373	\$ 12,388,873	\$ 5,358,373	\$ 7,677,828	\$ 8,900,746
Unrestricted	57,479,637	59,636,937	55,607,961	50,140,449	54,443,594	61,560,535	48,786,065	52,519,776	68,391,626	42,761,586
Total primary government net position	\$ 68,933,391	\$ 69,652,942	\$ 67,411,093	\$ 59,735,582	\$ 62,100,177	\$ 70,146,908	\$ 61,174,938	\$ 57,878,149	\$ 76,069,454	\$ 51,662,332

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 6,717,739	\$ 6,321,805	\$ 7,327,459	\$ 7,801,808	\$ 10,139,003	\$ 7,157,081	\$ 7,015,989	\$ 7,666,894	\$ 8,719,721	\$ 7,432,517
Judicial administration	3,289,067	3,386,474	3,193,494	3,332,983	2,530,440	2,782,695	2,738,600	2,966,129	3,355,287	2,945,219
Public safety	24,941,153	24,589,993	24,433,750	25,110,289	26,625,865	29,646,975	31,136,570	33,892,629	35,632,221	37,494,242
Public works	3,046,615	3,497,874	3,727,381	3,270,107	3,636,503	3,452,073	3,516,016	3,818,488	3,878,797	4,411,774
Health and welfare	8,855,627	8,174,845	8,384,653	8,401,557	7,665,498	7,802,908	8,833,438	9,970,270	12,169,453	12,132,958
Education	65,637,853	65,309,552	71,756,548	75,830,530	68,200,872	73,378,881	81,034,383	92,621,668	79,160,438	100,860,131
Parks, recreation and cultural	5,741,930	5,256,852	5,099,689	5,200,119	5,239,630	5,356,991	5,715,929	5,954,027	6,322,529	6,540,653
Community development	3,364,222	2,191,518	2,920,744	5,665,018	6,829,576	2,149,900	2,349,910	3,055,294	3,232,921	4,707,000
Interest on long-term debt	6,487,627	6,555,195	4,755,467	6,266,051	5,738,670	4,834,515	6,263,236	6,190,516	5,734,878	5,297,014
Total governmental activities expenses	\$ 128,081,833	\$ 125,284,108	\$ 131,599,185	\$ 140,878,462	\$ 136,606,057	\$ 136,562,019	\$ 148,604,071	\$ 166,135,915	\$ 158,206,245	\$ 181,821,508
Business-type activities:										
Landfill	\$ 6,637,575	\$ 5,433,404	\$ 5,649,468	\$ 5,903,590	\$ 6,276,718	\$ 5,467,944	\$ 5,793,622	\$ 6,004,630	\$ 6,198,622	\$ 6,544,878
Total primary government expenses	\$ 134,719,408	\$ 130,717,512	\$ 137,248,653	\$ 146,782,052	\$ 142,882,775	\$ 142,029,963	\$ 154,397,693	\$ 172,140,545	\$ 164,404,867	\$ 188,366,386
Program Revenues										
Governmental activities:										
Charges for services:										
Judicial administration	\$ 1,650,792	\$ 1,349,061	\$ 1,264,609	\$ 1,299,186	\$ 1,248,497	\$ 1,068,279	\$ 1,198,099	\$ 1,162,107	\$ 1,340,711	\$ 1,141,080
Public safety	1,394,189	1,093,830	1,018,694	1,064,182	1,320,996	2,434,950	3,798,702	3,965,539	4,198,189	4,401,046
Parks, recreation and cultural	1,682,524	1,656,135	1,739,445	1,742,905	1,706,969	1,687,485	1,869,043	2,178,694	2,230,911	2,305,564
Community development	6,988	5,367	3,008	4,093	2,545	2,200	2,676	967	640	985
Operating grants and contributions	12,273,169	11,817,662	10,945,448	10,159,864	9,506,452	10,689,416	10,578,239	11,361,659	11,956,010	12,269,289
Capital grants and contributions	-	-	-	93,338	728,636	62,343	309,857	1,677,555	2,504,668	218,816
Total governmental activities program revenues	\$ 17,007,662	\$ 15,922,055	\$ 14,971,204	\$ 14,363,568	\$ 14,514,095	\$ 15,944,673	\$ 17,756,616	\$ 20,346,521	\$ 22,231,129	\$ 20,336,780
Business-type activities:										
Charges for services:										
Landfill	\$ 5,487,025	\$ 5,144,925	\$ 5,268,343	\$ 5,357,427	\$ 5,583,325	\$ 5,814,664	\$ 5,845,040	\$ 6,554,987	\$ 7,076,899	\$ 7,498,806
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ 5,487,025	\$ 5,144,925	\$ 5,268,343	\$ 5,357,427	\$ 5,583,325	\$ 5,814,664	\$ 5,845,040	\$ 6,554,987	\$ 7,076,899	\$ 7,498,806
Total primary government program revenues	\$ 22,494,687	\$ 21,066,980	\$ 20,239,547	\$ 19,720,995	\$ 20,097,420	\$ 21,759,337	\$ 23,601,656	\$ 26,901,508	\$ 29,308,028	\$ 27,835,586
Net (expense) / revenue										
Governmental activities	\$ (111,074,171)	\$ (109,362,053)	\$ (116,627,981)	\$ (126,514,894)	\$ (122,091,962)	\$ (120,617,347)	\$ (130,847,455)	\$ (145,789,394)	\$ (135,975,116)	\$ (161,484,728)
Business-type activities	(1,150,550)	(288,479)	(381,125)	(546,163)	(693,393)	346,720	51,418	550,357	878,277	953,928
Total primary government net expense	\$ (112,224,721)	\$ (109,650,532)	\$ (117,009,106)	\$ (127,061,057)	\$ (122,785,355)	\$ (120,270,627)	\$ (130,796,037)	\$ (145,239,037)	\$ (135,096,839)	\$ (160,530,800)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 69,116,087	\$ 70,903,832	\$ 73,729,205	\$ 76,645,974	\$ 80,982,283	\$ 83,061,334	\$ 87,359,533	\$ 93,993,770	\$ 102,416,263	\$ 109,780,458
Local sales and use taxes	10,145,846	8,794,212	9,711,110	10,516,915	11,039,186	12,081,490	12,190,553	12,941,843	13,613,239	14,060,202
Business licenses taxes	4,783,973	4,301,959	5,007,502	5,482,143	5,937,867	5,993,996	6,426,613	6,571,015	6,986,765	7,121,489
Communication taxes	-	1,413,711	-	-	-	-	-	-	-	-
Consumer utility taxes	3,079,363	3,075,230	3,080,740	3,022,297	3,062,954	3,137,815	3,184,821	3,307,711	3,598,024	3,764,949
Meals and lodging taxes	3,611,669	3,735,236	4,032,296	4,454,706	4,592,244	4,786,114	5,006,480	5,230,863	5,672,541	6,006,378
Motor vehicle licenses tax	1,989,921	2,092,226	2,113,938	2,165,329	2,167,580	2,257,014	2,320,258	2,312,410	2,456,832	2,564,935
Taxes on recordation and wills	1,189,200	1,094,031	992,281	934,185	1,254,738	1,154,855	1,216,677	1,450,726	1,638,399	1,813,793
Other local taxes	306,490	333,133	356,826	390,755	394,679	489,172	524,034	506,895	459,877	586,699
Unrestricted grants and contributions	13,272,212	13,318,446	14,689,496	14,631,755	14,653,046	14,692,678	14,679,280	14,706,414	14,730,944	14,655,560
Unrestricted revenues from use of money and property	1,078,840	416,503	190,074	265,970	468,591	176,297	221,094	232,173	358,948	891,692
Miscellaneous	994,188	533,261	561,013	637,532	686,893	291,589	231,310	257,399	979,946	391,882
Total governmental activities	\$ 109,567,789	\$ 110,011,780	\$ 114,464,481	\$ 119,147,561	\$ 125,240,061	\$ 128,122,354	\$ 133,360,653	\$ 141,511,219	\$ 152,911,778	\$ 161,638,037
Business-type activities:										
Unrestricted revenues from use of money and property										
Miscellaneous	\$ 571,354	\$ 177,850	\$ 93,809	\$ 53,704	\$ 60,856	\$ 70,827	\$ 73,699	\$ 87,082	\$ 139,894	\$ 331,776
Miscellaneous	24,196	180,453	208,967	184,281	199,307	124,177	250,063	343,947	236,472	197,013
Total business-type activities	\$ 595,550	\$ 358,303	\$ 302,776	\$ 237,985	\$ 260,163	\$ 195,004	\$ 323,762	\$ 431,029	\$ 376,366	\$ 528,789
Total primary government	\$ 110,163,339	\$ 110,370,083	\$ 114,767,257	\$ 119,385,546	\$ 125,500,224	\$ 128,317,358	\$ 133,684,415	\$ 141,942,248	\$ 153,288,144	\$ 162,166,826
Change in Net Position										
Governmental activities	\$ (1,506,382)	\$ 649,727	\$ (2,163,500)	\$ (7,367,333)	\$ 3,148,099	\$ 7,505,007	\$ 2,513,198	\$ (4,278,175)	\$ 16,936,662	\$ 153,309
Business-type activities	(555,000)	69,824	(78,349)	(308,178)	(433,230)	541,724	375,180	981,386	1,254,643	1,482,717
Total primary government	\$ (2,061,382)	\$ 719,551	\$ (2,241,849)	\$ (7,675,511)	\$ 2,714,869	\$ 8,046,731	\$ 2,888,378	\$ (3,296,789)	\$ 18,191,305	\$ 1,636,026

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund	\$ 4,143,819	\$ 6,678,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	30,324,674	28,423,952	-	-	-	-	-	-	-	-
Unreserved	-	-	740,576	736,632	739,911	737,911	738,854	739,051	657,896	662,781
Nonspendable	-	-	3,022,694	2,963,356	3,504,341	5,987,501	5,878,352	4,505,016	6,221,962	7,321,262
Restricted	-	-	1,222,437	1,698,907	3,385,779	1,616,849	2,540,730	2,690,991	2,881,170	2,392,072
Committed	-	-	1,635	2,135	2,135	4,780	4,780	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	52,415,969	47,952,681
Unassigned	-	-	33,360,212	39,576,609	45,759,610	51,860,254	57,538,941	54,630,048	62,181,777	58,333,576
Total general fund	\$ 34,468,493	\$ 35,102,922	\$ 33,360,212	\$ 39,576,609	\$ 45,759,610	\$ 51,860,254	\$ 57,538,941	\$ 54,630,048	\$ 62,181,777	\$ 58,333,576
All other governmental funds										
Unreserved, reported in:										
Special revenue funds	\$ 3,450,524	\$ 3,259,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects funds	1,455,932	1,408,958	-	-	-	-	-	-	-	-
Debt service funds	49,800	250,520	-	-	-	-	-	-	-	-
Unassigned, reported in:										
Other governmental funds	-	-	-	-	-	-	-	(3,708)	-	(21,130)
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	1,127,627	873,624
Committed, reported in:										
Shawmeeland Sanitary District fund	-	-	2,100,635	2,280,837	2,103,040	2,317,142	1,976,210	2,088,781	2,022,979	1,951,862
Lake Holiday Sanitary District fund	-	-	588,392	265,516	1,594,902	2,402,030	2,588,576	2,771,093	2,978,895	3,155,880
Capital Projects fund	-	-	-	-	-	-	-	-	1,265,534	5,645,343
Other governmental funds	-	-	984,280	385,019	579,705	1,049,226	895,867	589,157	577,656	297,315
Assigned, reported in:										
School debt service fund	-	-	80,400	21,050	20,159	922,737	287,525	113,880	30,470	20,824
Other governmental funds	-	-	642,500	642,500	642,514	642,514	-	-	-	-
Total all other governmental funds	\$ 4,956,256	\$ 4,918,810	\$ 13,543,891	\$ 9,735,914	\$ 6,103,317	\$ 7,868,333	\$ 8,309,423	\$ 6,528,166	\$ 8,003,161	\$ 11,923,718

NOTE: The county implemented GASB 54 in 2011 which required fund balances to be reported under new classifications.

COUNTY OF FREDERICK, VIRGINIA

Table 4

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

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
General property taxes	\$ 69,248,556	\$ 70,515,367	\$ 72,144,912	\$ 75,750,332	\$ 80,260,535	\$ 83,248,466	\$ 86,999,291	\$ 94,062,966	\$ 101,655,465	\$ 109,224,212
Other local taxes	25,106,462	24,839,738	25,294,693	26,966,331	28,449,248	29,900,456	30,869,436	32,321,463	34,425,677	35,918,445
Permits, privilege fees and regulatory licenses	1,308,407	950,143	920,328	970,384	1,214,052	1,329,532	1,856,416	2,064,101	2,422,501	2,294,004
Fines and forfeitures	526,081	328,273	279,102	307,839	387,848	368,396	409,180	285,390	468,331	299,419
Revenue from use of money and property	987,392	370,663	158,943	245,975	456,138	162,282	203,122	207,355	310,240	755,569
Charges for services	2,900,005	2,825,977	2,826,326	2,832,143	2,677,107	3,494,986	4,602,924	4,757,816	4,879,619	5,255,252
Miscellaneous	1,002,536	533,261	547,013	637,532	686,893	291,589	231,310	257,399	979,946	391,882
Recovered costs	2,869,183	1,622,623	1,886,653	1,824,072	3,234,072	3,655,309	3,529,345	6,245,761	6,520,603	3,823,911
Intergovernmental:										
School Board	75,199	-	-	-	-	-	-	-	-	-
Commonwealth	21,974,545	19,637,377	21,783,001	21,699,118	21,805,277	22,560,481	22,160,625	24,057,732	25,075,183	22,888,382
Federal	3,495,637	5,498,731	3,851,943	3,185,838	3,082,857	2,883,955	3,406,751	3,687,896	4,116,439	4,255,283
Total revenues	\$ 129,494,003	\$ 127,122,153	\$ 129,692,914	\$ 134,425,564	\$ 142,254,027	\$ 147,895,452	\$ 154,268,400	\$ 168,147,879	\$ 180,854,004	\$ 185,106,359
Expenditures										
General government administration	\$ 7,276,944	\$ 6,687,604	\$ 8,053,735	\$ 7,393,143	\$ 9,152,531	\$ 8,539,102	\$ 8,420,539	\$ 9,374,654	\$ 9,606,162	\$ 9,906,318
Judicial administration	3,526,972	3,403,686	3,247,873	3,434,760	2,653,882	2,712,940	2,802,698	2,950,037	3,232,528	3,127,517
Public safety	23,722,707	22,681,537	22,682,060	23,615,366	25,245,584	28,868,031	30,713,957	32,767,871	34,231,876	40,974,676
Public works	4,159,409	3,768,694	3,944,394	3,518,557	3,627,132	4,201,203	3,866,489	4,318,993	4,587,590	5,678,157
Health and welfare	8,599,559	7,958,998	8,249,546	8,133,653	7,419,397	7,667,788	8,689,960	9,873,956	11,915,283	12,107,460
Education	65,275,369	56,368,057	61,552,236	58,195,860	61,567,887	73,011,616	82,486,009	108,736,711	74,376,901	89,077,680
Parks, recreation and cultural	5,332,794	4,841,120	4,919,987	4,918,972	4,888,472	5,000,983	5,425,382	6,085,796	6,110,877	6,497,972
Community development	3,866,963	2,830,039	3,246,702	6,212,745	6,651,931	3,956,630	3,984,172	3,919,778	3,247,083	4,901,410
Capital projects	1,058,050	10,099	3,597	80,000	1,557,990	131,947	5,095,050	10,353,916	5,119,655	1,255,468
Debt service										
Principal	10,140,317	10,952,875	10,750,040	13,137,122	10,683,190	10,932,662	11,039,642	11,376,522	12,321,614	12,310,236
Bond issuance costs	-	-	-	-	-	-	286,623	260,203	-	-
Interest and other fiscal charges	7,105,225	6,938,256	5,304,341	6,596,938	6,336,376	5,466,140	6,201,717	6,493,706	7,069,872	6,455,304
Total expenditures	\$ 140,064,309	\$ 126,440,965	\$ 131,954,511	\$ 135,237,116	\$ 139,784,372	\$ 150,489,042	\$ 169,012,238	\$ 206,512,143	\$ 171,819,441	\$ 192,292,198
Excess of revenues over (under) expenditures	\$ (10,570,306)	\$ 681,188	\$ (2,261,597)	\$ (811,552)	\$ 2,469,655	\$ (2,593,590)	\$ (14,743,838)	\$ (38,364,264)	\$ 9,034,563	\$ (7,185,839)
Other financing sources (uses)										
Long-term debt issued	\$ -	\$ -	\$ 9,245,000	\$ 2,759,400	\$ -	\$ 9,415,000	\$ 30,535,000	\$ 30,959,225	\$ -	\$ 6,320,000
Transfers in	13,904,797	15,653,657	16,328,731	15,506,653	15,507,250	15,929,349	642,514	16,081,076	18,887,040	21,997,858
Transfers out	(13,904,797)	(15,737,862)	(16,429,763)	(15,601,278)	(15,523,145)	(15,940,817)	(16,523,184)	(16,100,440)	(18,894,879)	(22,005,425)
Bonds issued	5,720,000	-	-	-	-	-	-	-	-	-
Premium on bonds issued	147,862	-	-	-	-	744,930	3,383,395	2,734,253	-	446,107
Payments to bond escrow agent	-	-	-	-	-	-	(18,624,252)	-	-	-
Capital leases	101,475	-	-	555,197	96,644	310,788	-	-	-	499,655
Total other financing sources (uses)	\$ 5,969,337	\$ (84,205)	\$ 9,143,968	\$ 3,219,972	\$ 80,749	\$ 10,459,250	\$ (586,527)	\$ 33,674,114	\$ (7,839)	\$ 7,258,195
Net change in fund balances	\$ (4,600,969)	\$ 596,983	\$ 6,882,371	\$ 2,408,420	\$ 2,550,404	\$ 7,865,660	\$ (15,330,365)	\$ (4,690,150)	\$ 9,026,724	\$ 7,356
Debt service as a percentage of noncapital expenditures	12.443%	14.180%	12.202%	14.695%	12.262%	11.065%	10.500%	8.947%	11.411%	10.087%

COUNTY OF FREDERICK, VIRGINIA

Table 5

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate		Personal Property	Mobile Homes	Machinery and Tools	Public Utility		Total Taxable Assessed Value	Total Direct Tax Rate (1)	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Estate	Real Estate				Real Estate	Personal Property				
2009	7,811,319,762	185,732,461	931,328,186	39,192,659	257,046,280	776,669	776,669	9,225,396,017	0.991	9,225,396,017	100.00%
2010	8,050,510,887	246,737,225	876,964,704	39,530,158	265,744,961	1,091,033	1,091,033	9,480,578,968	0.955	9,480,578,968	100.00%
2011	7,835,124,893	257,825,002	959,116,919	40,906,316	265,929,030	966,246	966,246	9,359,868,406	1.029	9,359,868,406	100.00%
2012	7,636,806,650	367,524,033	942,985,301	41,328,639	248,314,706	2,007,550	2,007,550	9,238,966,879	1.060	9,238,966,879	100.00%
2013	7,696,001,768	378,304,245	975,644,445	41,657,064	255,121,648	2,172,968	2,172,968	9,348,902,138	1.071	9,348,902,138	100.00%
2014	7,816,092,895	342,658,871	1,006,173,855	41,946,196	282,244,524	2,194,437	2,194,437	9,491,310,778	1.081	9,491,310,778	100.00%
2015	8,149,289,029	367,409,534	1,058,707,753	41,614,492	315,615,959	2,751,089	2,751,089	9,935,387,856	1.065	9,935,387,856	100.00%
2016	8,531,313,390	438,123,088	1,119,825,165	41,363,812	336,670,936	2,567,006	2,567,006	10,469,863,397	1.102	10,469,863,397	100.00%
2017	9,113,604,193	411,242,029	1,069,481,659	41,640,270	372,087,261	2,239,737	2,239,737	11,010,295,149	1.062	11,010,295,149	100.00%
2018	9,712,087,084	446,856,822	1,267,398,404	42,252,296	394,297,574	1,972,840	1,972,840	11,864,865,020	1.111	11,864,865,020	100.00%

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

Notes: The County collects real estate and personal property taxes on semiannual installments. Accordingly, assessed values for real property, personal property, machinery and tools, and mobile home taxes include assessments for the second half of the prior calendar year and first half of the current calendar year.

Source: Commissioner of Revenue - based on book values only - abatements not included

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property	Machinery and Tools	Airplanes	Mobile Homes	Total Direct Tax Rate (2)
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	0.010	0.545	1.029
2012	0.585	4.86	2.00	0.010	0.585	1.060
2013	0.585	4.86	2.00	0.010	0.585	1.071
2014	0.585	4.86	2.00	0.010	0.585	1.081
2015	0.560	4.86	2.00	0.010	0.560	1.065
2016	0.600	4.86	2.00	0.010	0.600	1.102
2017	0.600	4.86	2.00	0.010	0.600	1.062
2018	0.610	4.86	2.00	0.010 / 0.500 ⁽³⁾	0.610	1.111

(1) Per \$100 of assessed value

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

(3) \$0.010 applied to aircraft having a registered empty gross weight equal to or greater than 20,000 pounds that are not owned or operated by scheduled air carriers recognized under federal law. \$0.500 applied to all other aircraft.

Principal Property Taxpayers
 Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2018		Fiscal Year 2009	
		2018 Assessed Valuation	% of Total Assessed Valuation	2009 Assessed Valuation	% of Total Assessed Valuation
Trans Allegheny Interstate	Utility	\$ 164,759,284	1.62%		
The Village At Orchard Ridge	Senior Living	72,253,900	0.71%		
Shenandoah Valley Electric	Utility	55,465,498	0.55%		
H P Hood Inc	Dairy Plant	54,924,300	0.54%	34,969,300	0.44%
GPT BTS (Amazon)	Distribution	51,605,200	0.51%		
Navy Federal CU	Call Center	44,236,500	0.44%		
Fort Collier Group	Industrial Park	44,187,800	0.43%	29,572,200	0.37%
Potomac Edison	Utility	41,990,314	0.41%	75,184,497	0.94%
Rappahannock Electric	Utility	40,010,998	0.39%		
Cooperwood Fema LLC	Federal Govt	32,676,800	0.32%	13,641,500	0.17%
EIP Winchester	Distribution			26,913,800	0.34%
Verizon Virginia	Utility			29,750,652	0.37%
Washington Gas light	Utility			13,846,562	0.17%
Walmart	Retail			15,255,300	0.19%
Kohl's Department Stores	Distribution			13,195,800	0.17%
Trex Company	Decking			19,454,100	0.24%
		<u>\$ 602,110,594</u>	<u>6.32%</u>	<u>\$ 271,783,711</u>	<u>3.49%</u>

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
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%
2017	112,614,704	108,204,936	96.08%	4,269,020	112,473,956	99.88%
2018	120,412,650	115,516,086	95.93%	3,899,428	119,415,514	99.17%

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 2009 through 2018 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			
2009	121,374,558	7,078,636	24,395,000	155,718	153,003,912	3912.50%	1,975
2010	111,972,056	6,172,487	23,415,000	116,592	141,676,135	3500.24%	1,803
2011	102,853,536	5,266,914	31,808,527	75,651	140,004,628	3254.36%	1,760
2012	109,991,320	4,452,765	30,737,128	396,281	145,577,494	3220.70%	1,814
2013	105,899,982	3,638,616	29,325,375	271,481	139,135,454	3064.78%	1,707
2014	107,186,912	2,824,467	27,598,029	173,662	137,783,070	2891.01%	1,665
2015	113,047,911	2,010,318	32,635,162	98,992	147,792,383	2920.64%	1,770
2016	131,959,470	1,196,169	35,991,665	23,692	169,170,996	3201.81%	1,998
2017	120,780,491	382,000	34,594,966	3,135	155,760,592	2806.40%	1,801
2018	116,075,154	-	33,151,889	405,372	149,632,415	N/A	1,700

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)
2009	148,796,669	-	148,796,669	1.61%	1,921
2010	137,982,022	-	137,982,022	1.46%	1,756
2011	136,620,526	-	136,620,526	1.46%	1,718
2012	145,019,085	-	145,019,085	1.57%	1,807
2013	138,713,598	-	138,713,598	1.48%	1,702
2014	137,471,379	-	137,471,379	1.45%	1,661
2015	147,568,101	-	147,568,101	1.49%	1,767
2016	167,304,991	-	167,304,991	1.60%	1,976
2017	154,001,626	-	154,001,626	1.40%	1,781
2018	147,560,518	-	147,560,518	1.24%	1,677

(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)
2009	77,477	3,910,640	37,779	38	13,148	7.50%
2010	78,573	4,047,617	38,641	39.1	13,060	7.50%
2011	79,528	4,302,060	40,498	39.4	13,137	6.50%
2012	80,259	4,520,061	42,117	39.8	13,148	5.80%
2013	81,501	4,539,824	41,711	39.9	13,163	5.30%
2014	82,740	4,765,922	43,288	40	13,075	4.70%
2015	83,512	5,060,273	45,631	40.1	13,181	4.00%
2016	84,684	5,283,602	47,070	40.3	13,203	3.50%
2017	86,484	5,550,202	48,509	40.5	13,338	3.20%
2018 (a)	88,000	N/A	49,900	N/A	13,577	2.66%

Notes:

- (a) 2018 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

Employer	2018		Employees	2009	
	Rank	Total Employment		Rank	Total Employment
Frederick County School Board	1	1000 and over	Frederick County School Board	1	1000 and over
Navy Federal Credit Union	2	1000 and over	County of Frederick	2	500 to 999
U.S. Dept. of Homeland Defense	3	1000 and over	U.S. Department of Homeland Defense	3	250 to 499
County of Frederick	4	500 to 999	Shockey Brothers, Inc.	4	250 to 499
Trex Company Inc. & Subsid	5	500 to 999	H.P. Hood, Inc.	5	250 to 499
H.P. Hood, Inc	6	500 to 999	Lord Fairfax Community College	6	250 to 499
Lord Fairfax Community College	7	500 to 999	Kraft Foods	7	250 to 499
The Home Depot	8	500 to 999	Navy Federal Credit Union	8	250 to 499
Axiom Staffing Group	9	250 to 499	The Home Depot	9	250 to 499
Metromont Corporation	10	250 to 499	Westminster Canterbury	10	250 to 499

Source: Virginia Employment Commission

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

Function	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	66	65	62	63	63	65	64	65	71	73
Judicial administration	24	22	22	22	21	22	22	22	24	25
Public safety										
Sheriffs department	126.5	125.5	125.5	125.5	126.5	126.5	126.5	133.5	139.5	140.5
Juvenile Court Probation	2	2	2	2	2	2	2	2	2	2
Building Inspections	21	18	14	13	13	13	13	14	14	15
Fire & Rescue	80.5	76.5	77.5	77.5	77.5	79.5	79.5	95.5	105.5	117.5
Communications	16	14	13	13	13	16	16	16	16	16
Public Works										
Engineering	7	6	5	4	4	4	4	4	4	4
Refuse Collection	2	2	2	2	2	2	2	2	2	2
Maintenance	10	10	9	9	9	9	9	9	9	9
Animal Shelter	7	7	7	7	7	7	7	7	7	7
Health and welfare										
Department of social services	57	58	57	57	57	57	58	66	67	72
Parks and Recreation	41	38	38	38	38	38	38	39	40	41
Community development										
Planning	13	11	11	11	11	11	11	11	11	11
EDC	3	3	3	3	3	3	3	-	-	-
Gypsy Moth/Biosolids	1	1	-	-	-	-	-	-	-	-
Soil & Water Conservation	6	-	-	-	-	-	-	-	-	-
Extensions	2	2	2	2	2	2	2	2	2	2
Regional Jail	206	194	189	188	192	197	203	204	208	208
Landfill	28	26	26	26	26	27	23	27	27	27
Division of Court Services	20	19	15	12	7	7	7	8	9	8
Shawneeland Sanitary District	6	6	6	6	6	6	6	6	7	7
Airport	13	11	11	11	11	11	11	11	11	11
EMS Revenue Recovery	-	-	-	-	-	-	1	1	1	2
EDA	-	-	-	-	-	-	-	3	3	3
Totals	<u>758</u>	<u>717</u>	<u>697</u>	<u>692</u>	<u>691</u>	<u>705</u>	<u>708</u>	<u>748</u>	<u>780</u>	<u>803</u>

Source: Prior Frederick County Annual Budgets

Operating Indicators by Function
Last Ten Fiscal Years

Function	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Sheriffs Department:										
Calls for service answered	69,852	70,880	70,488	74,251	78,995	73,501	67,761	74,431	76,517	74,751
Warrants served	6,249	6,731	7,207	7,045	7,593	7,574	7,452	7,149	7,586	7,880
Criminal arrests	3,868	3,808	3,886	4,057	4,065	4,137	3,339	3,587	3,745	3,432
Citations issued	8,257	6,207	7,273	5,994	6,373	6,609	4,930	8,849	8,775	6,201
Civil papers served	21,995	20,171	19,388	19,764	19,125	18,770	18,416	17,495	17,298	15,821
Fire and Rescue:										
Incident responses	9,101	9,339	9,857	10,053	9,472	10,017	10,245	10,533	10,581	11,074
Building Inspections:										
Permits issued	3,917	3,639	3,463	3,625	3,608	4,214	4,992	6,311	6,712	6,789
Inspections performed	17,687	14,669	12,463	12,643	13,957	12,951	15,630	17,662	18,070	17,995
Public Works										
Engineering:										
Site reviews	414	285	271	290	442	514	634	626	664	660
Land disturbance permits issued	320	261	216	247	347	369	503	601	683	687
Animal Shelter:										
Dogs/cats adopted/reclaimed	1,471	1,363	1,400	1,379	1,306	1,201	1,107	1,100	1,252	1,334
Health and Welfare										
Department of Social Services:										
Adult protective service investigations	127	190	214	286	275	290	344	355	413	407
Child protective service investigations	564	443	437	498	515	470	736	628	509	621
Culture and Recreation										
Parks and Recreation:										
Recreation hall & shelter permits issued	1,141	1,256	1,538	1,308	1,213	1,174	1,078	1,178	1,198	1,276
Special events & excursions conducted	63	61	59	57	54	57	58	58	61	61
After-school program participants	444	404	442	432	390	407	453	532	550	612
Youth sports participants	8,381	8,567	8,652	8,801	8,541	8,646	8,577	8,461	8,628	8,732
Community Development										
Planning:										
Rezoning applications processed	9	1	1	9	6	5	12	12	5	4
Road Administration:										
Street signs installed/repaired (b)	116	176	124	118	190	112	28	34	113	130
Landfill										
Refuse weighed and disposed (tons/year)	159,794	146,633	146,211	144,153	144,984	149,659	157,568	162,326	167,617	185,810
Residential Recycling (tons/year)	2,484	2,710	6,448	5,289	6,313	5,514	4,774	4,974	3,092	3,093
Component Unit - School Board										
Education:										
School enrollment (1)	13,148	13,060	13,137	13,148	13,163	13,075	13,181	13,203	13,338	13,577
Number of instructional personnel (a)	1,334	1,441	1,439	1,442	1,424	1,434	1,467	1,490	1,500	1,532
Local expenditures per pupil (2)	4,617	4,574	4,711	4,469	4,876	4,847	5,246	5,607	5,858	6,253

Notes:

- (a) Full-time equivalent positions
- (b) 2016 program revamped and moved from Public Works to Planning

Source: Individual county departments, prior Frederick County Annual Budgets

- (1) Virginia Department of Education Fall Membership Report as of September 30th of the respective year
- (2) Superintendent's Annual School Report, Table 15

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Administration buildings	2	2	2	2	2	2	2	2	2	2
Vehicles	10	10	9	15	13	12	10	9	9	9
Public safety										
Sheriffs department:										
Patrol units	97	86	99	86	76	73	96	104	107	92
Other vehicles	38	41	39	39	43	58	25	49	53	75
Building inspections:										
Vehicles	11	10	10	10	10	10	12	10	11	11
Animal control:										
Vehicles	3	3	4	4	3	4	4	4	4	4
Fire & Rescue:										
Vehicles	20	20	19	20	25	25	27	23	23	25
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	3	3	3	4	3	3
Other Public Works Vehicles	N/A	N/A	N/A	20	21	21	23	23	22	23
Landfill:										
Vehicles	13	12	12	13	10	13	11	11	10	11
Sites	11	11	11	11	11	11	11	11	11	
Health and welfare										
Department of Social Services:										
Vehicles	10	10	10	12	11	11	12	11	12	12
Culture and Recreation										
Parks and Recreation:										
Community centers	5	5	5	5	5	5	5	5	5	5
Vehicles	30	28	27	27	26	24	26	24	25	29
Parks acreage	400	400	400	400	400	400	400	433.5	433.5	433.5
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	6	6	6	6	6	6	6	6	6	6
Community Development										
Planning:										
Vehicles	5	4	4	4	4	4	4	4	4	4
Component Unit - School Board										
Education:										
Schools (a)	18	18	18	18	18	18	18	18	18	18
School buses	194	196	209	211	212	203	203	207	216	233
Vehicles	N/A	N/A	N/A	N/A	N/A	N/A	136	137	128	141

Notes:

(a) Elementary, middle and high schools

Source: Individual county departments, prior Frederick County Annual Budgets

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- Compliance Section -

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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**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, 2018, and the related notes to the financial statements, which collectively comprise the County of Frederick, Virginia's basic financial statements, and have issued our report thereon dated December 20, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
December 20, 2018

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, 2018. 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, 2018.

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

December 20, 2018

COUNTY OF FREDERICK, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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	0010117/0010118/0040117/0040118	\$ 847,607
<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	0950116/0950117	\$ 26,858
Temporary Assistance for Needy Families	93.558	0400117/0400118	359,897
Refugee and Entrant Assistance-State Administered Programs	93.566	0500117/0500118	2,119
Low-income Home Energy Assistance	93.568	0600417/0600418	36,502
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/0760118	54,021
Chafee Education and Training Vouchers Program (ETV)	93.599	9160117	3,971
Adoption and Legal Guardianship Incentive Payments	93.603	1130115/1130116	3,084
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116/0900117	901
Foster Care - Title IV-E	93.658	1100117/1100118	544,778
Adoption Assistance	93.659	1120117/1120118	406,125
Social Services Block Grant	93.667	1000117/1000118	450,554
Chafee Foster Care Independence Program	93.674	9150117/9150118	7,964
Children's Health Insurance Program	93.767	0540117/0540118	34,792
Medical Assistance Program	93.778	1200117/1200118	867,091
Total Department of Health and Human Services			\$ 2,798,657
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Pass through payments:</u>			
Department of Criminal Justice Services:			
Forfeited Assets	16.000	N/A	\$ 3,372
Edward Byrne Memorial Justice Assistance Grant Program	16.738	17A6069AD13	18,000
Crime Victim Assistance	16.575	18V9261VW16 & 15S9261VW14	113,768
Total Department of Justice			\$ 135,140
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Virginia Department of Transportation:			
State and Community Highway Safety	20.600	FSC1858098 & SC1757260 & 18X9204020VA17	\$ 9,321
Alcohol Open Container Requirements	20.607	154AL1757267 & 15AL1858093	17,576
Total Department of Transportation			\$ 26,897
<u>DEPARTMENT OF TREASURY:</u>			
<u>Direct payments:</u>			
Equitable Sharing	21.016	N/A	\$ 27,014
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Pass through payments:</u>			
Virginia Department of Emergency Services:			
Emergency Management Performance Grants	97.042	Not available	\$ 28,995
Disaster Grants-Public Assistance(Presidentially Declared Disasters)	97.036	4262DRVAP00000001	98,346
Total Department of Homeland Security			\$ 127,341
Total Primary Government			\$ 3,962,656
<u>COMPONENT UNIT SCHOOL BOARD:</u>			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Virginia Department of Agriculture:			
Food distribution (Child Nutrition Cluster) (Note 3)	10.555	Not available	\$ 372,998
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	2016IN109941	2,098,945
			\$ 2,471,943
School Breakfast Program (Child Nutrition Cluster)	10.553	2016IN109941	556,227
Total Child Nutrition Cluster			\$ 3,028,170
Schools and Roads - Grants to States	10.665	10.665	\$ 3,375
Total Department of Agriculture			\$ 3,031,545

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018 (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	\$ 1,638,625
Title I - State Agency Program for Neglected and Delinquent Children and Youth	84.013	S013A140046/S013A150046	6,145
English Language Acquisition State Grants	84.365	T365A140046/S365A150046	47,161
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A140107/H027A150107	\$ 2,489,130
Special Education - Preschool Grants	84.173	H173A150112	44,593
Total Special Education Cluster			\$ 2,533,723
Career and Technical Education - Basic Grants to States	84.048	V048A150046	148,637
Supporting Effective Instruction State Grant	84.367	S367A140044/S367A150044	242,586
Preschool Development Grants	84.419	S419B150010	715,643
Total Department of Education			\$ 5,332,520
Total Component Unit School Board			\$ 8,364,065
Total Expenditures of Federal Awards			\$ 12,326,721

COUNTY OF FREDERICK, VIRGINIA

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Frederick, Virginia under programs of the federal government for the year ended June 30, 2018. 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, 2018 the School Board had food commodities totaling \$232,432 in inventory.

Note 4 - De Minimis Cost Rate

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

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - Loan Balances

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

Note 7 - 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	\$ 3,937,571
School Debt Service Fund	277,865
Other Governmental Funds	39,847
Total primary government	<u>\$ 4,255,283</u>
Component Unit School Board:	
School Operating Fund	\$ 5,335,895
School Cafeteria Fund	3,028,170
Total component unit school board	<u>\$ 8,364,065</u>
Total federal expenditures per basic financial statements	<u>\$ 12,619,348</u>
Payments in lieu of taxes	<u>\$ (14,762)</u>
Federal subsidy	<u>\$ (277,865)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 12,326,721</u></u>

COUNTY OF FREDERICK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

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>
10.553/10.555	Child Nutrition Cluster
93.658	Foster Care - Title IV-E

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, 2018**

There were no items reported.

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