



Life at the Top

COMPREHENSIVE ANNUAL Financial Report

Frederick County, Virginia

Fiscal Year Ending June 30, 2019

- Introductory Section -

COUNTY OF FREDERICK, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2019**

Issued by

Cheryl B. Shiffler, Finance Director

Winchester, Virginia

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COUNTY OF FREDERICK, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2019

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COUNTY OF FREDERICK, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2019

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

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

BOARD OF SOCIAL SERVICES

| | | |
|----------------------------|------------------|------------------|
| Gail Rush, Chairman | | |
| Lisa Carper, Vice-Chairman | | |
| Patricia Riley | | |
| Ryan Shaw | Susan Brinkmeier | Karen Kimble |
| | | 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 |
| Michael J. Marciano, Jr. | 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 |
| Bruce D. Albertson..... | Chief Judge of the Circuit Court |
| Ian R.D. Williams | Chief Judge of the General District Court |
| Hugh David O'Donnell | Chief Judge of the Juvenile and Domestic Relations Court |
| Rebecca Hogan..... | Clerk of the Circuit Court |
| 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 |

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COUNTY of FREDERICK

Kris C. Tierney
County Administrator

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

December 19, 2019

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, 2019 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 included as discretely presented component units of the County to emphasize that they are legally separate from the County.

Organizations which are regional governments or other multi-governmental arrangements that are governed by representation from each participant, and for which the participants do not retain an ongoing financial responsibility, are considered to be jointly governed organizations. These organizations are not included in the 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 88,355, and forecasts increases to 94,023 by 2025 (6.4% increase), 108,067 by 2035 (22.3% increase), and 121,259 by 2045 (37.2% increase). The per capita income in Winchester-Frederick County was \$50,802 in 2018, 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 711 new residential permits issued in FY 2018-2019.

Over the last three years, (2016-2018), \$437 million in capital investment and 3,325 new jobs have been announced, placing Frederick County among the top 10% of localities in the Commonwealth. Companies attribute recent growth announcements to the County's quality workforce, business friendly environment, east coast location with proximity to major markets, and extensive transportation network.

Frederick County's business landscape is diverse, and includes small and large manufacturers, home-grown businesses, chain and boutique retailers and restaurants, farms and agri-businesses, and back-end operations like customer service centers and research and development. According to the Virginia Employment Commission, more than 1,900 businesses employ over 31,570 people.

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

Well-known employers continue to invest in Frederick County: Amazon, American Woodmark, Fiat Chrysler, Navy Federal Credit Union, FBI, Winchester Metals, and 84 Lumber, are but a few. Over the next decade, nearly 47,300 career opportunities will be available in Frederick County because of new job growth and the exiting of existing workers. Retail, manufacturing, accommodation and food services, educational services, transportation and warehousing, healthcare, and construction 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 operations center in Frederick County. The project will nearly double Navy Federal's workforce employee-count and physical square footage in the County.

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.

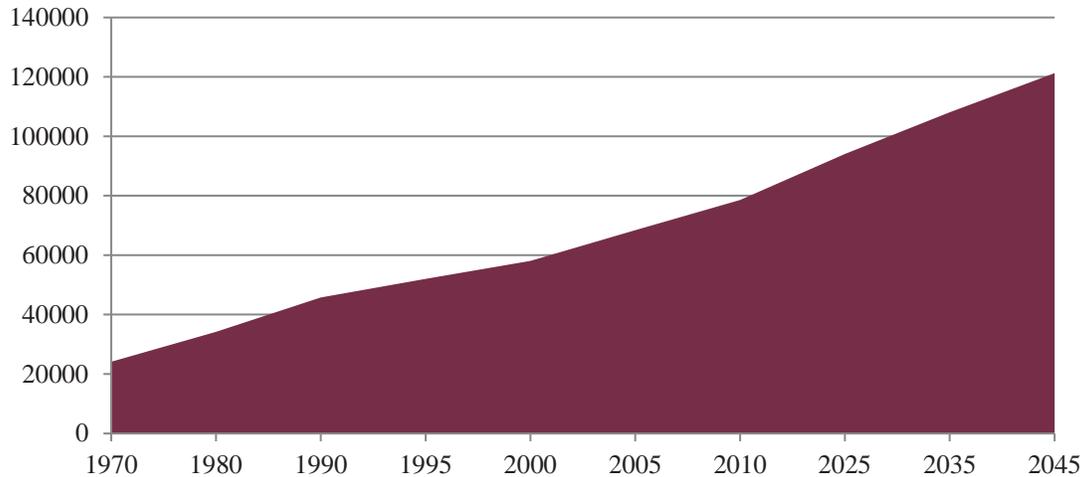
The second area is underlain by limestone-carbonate bedrock and consists of a band that runs north-south through the county between Interstate 81 and Little North Mountain. The terrain here tends to be gently rolling. Outside of the City of Winchester, much of this area is currently used for agriculture 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 2045 the population is expected to reach 121,259.

Frederick County Population Counts, 1970-2045



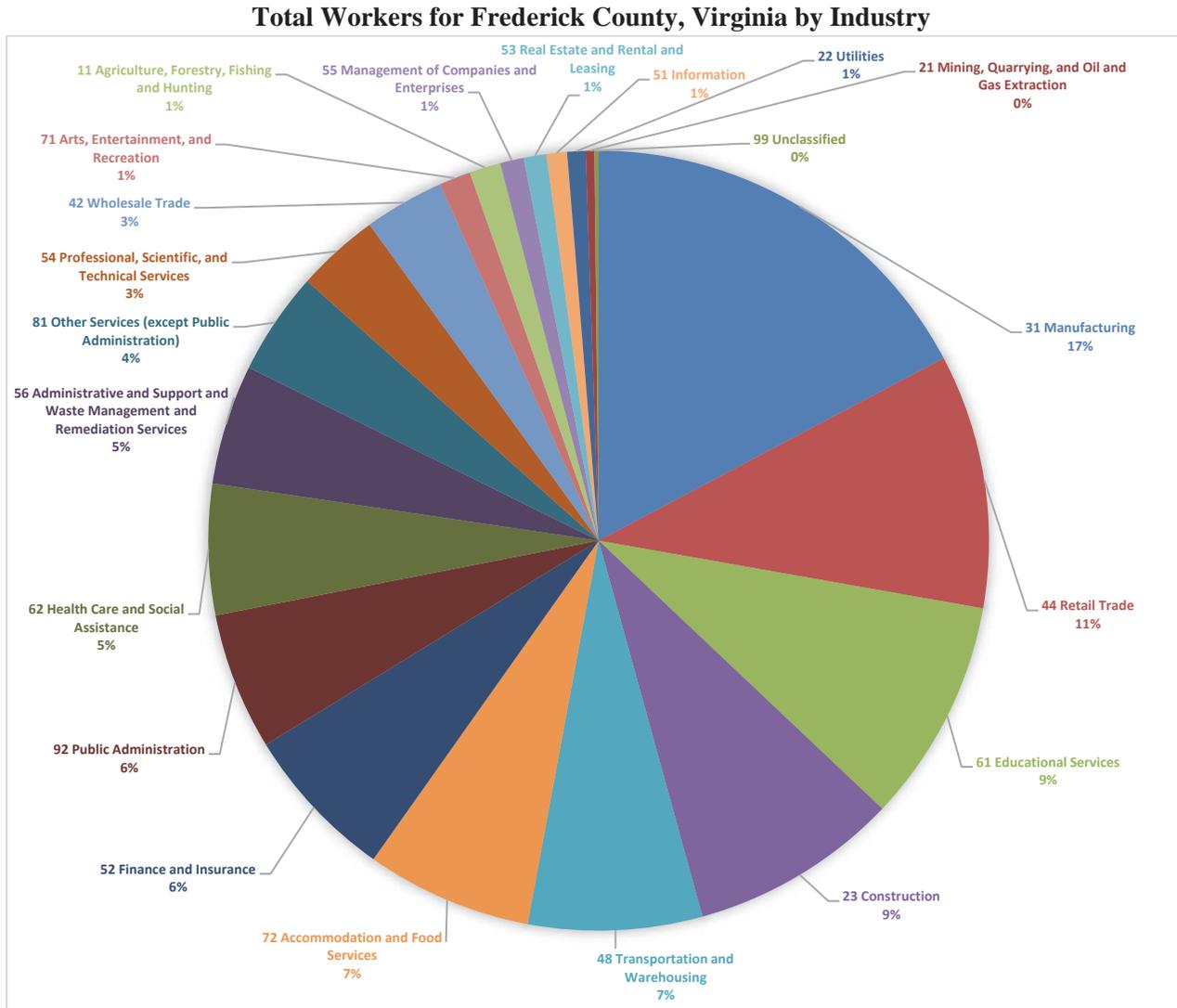
PUBLIC SCHOOL SYSTEM

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. FCPS also serves 54 prekindergarten students at three elementary schools. Other support facilities include the administration building, the maintenance and warehousing facility and the transportation facility. The school system also provides building maintenance services for the county government office buildings and the regional library. The transportation facility provides vehicle maintenance services to county agencies as well as the school division.

In the fall of 2018 (fiscal year 2019), student enrollment was 13,627 representing an increase of 567 students, or 4% in ten years. The structure of the school division is designed to support the needs of the 13,880 students projected for the school year 2019-2020. Growth in the Frederick County community brings challenges to the school system. Those challenges include additional space, class-sizes, textbooks, instructional materials, teaching staff and custodial staff. 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 34,349 jobs in the first quarter of 2019 as measured by JobsEQ®. The largest employment sector was manufacturing which employed 5,925 workers in the first quarter of 2019. Of individuals aged 25 to 64 in Frederick County, 29.1% have a bachelor’s degree or higher which compares with 32.3% in the nation.



Unemployment rates for Frederick County and Winchester have paralleled those of Virginia. Unemployment rates locally and nationally are in slight decline from record highs in almost twenty years. In the last three years, the Frederick County unemployment rate has decreased by 0.8%, the Virginia unemployment rate has decreased by 1.1%, and the United States unemployment rate has decreased by 1.0%. The unemployment rate for Frederick County in June 2019 was 2.5% compared to the June 2018 rate of 2.8%.

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 2019 was \$267,500 according to Realtor.com. 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 2018) gives the violent crime rate per 100,000 people for the USA as 368.9. The crime rate for the Winchester-Frederick County area was 135.3 in 2018, down from 203.5 in 2017.

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 32,570 active registered library card holders in Frederick County. During the period of July 1, 2018 through June 30, 2019, Frederick County residents had the following usage: traditional book and AV checkouts = 460,355; electronic checkouts = 96,928 for a total of 557,283 checkouts.

Medical Care

Winchester Medical Center, a 495-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 childcare center, a state-of-the-art Wellness & Fitness Center, and a surgical 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. The Northwest portion of Sherando Park is currently being developed to include a parking area, outdoor fitness equipment, and restrooms. 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. Renovations to Frederick Heights Park concluded in 2018 and include a paved parking area, half-mile walking trail, refurbished half basketball court, and picnic area. Frederick County also has an undeveloped 25-acre ball field complex adjacent to the Snowden Bridge community, the Parks department will be seeking design documents in FY 2020. In addition, future funding for Phase I of the Abrams Creek trail corridor has been secured via a grant and construction will begin in 2021.

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.

New in 2019, the Parks department partnered with the Blue Ridge Volleyball Association to construct three sand volleyball courts at Clearbrook Park. In aligning with the departments' wellness initiatives, Frederick County residents may now enjoy the weight rooms located at Sherando and Greenwood Mill Community Centers free of charge along with participating in lap swimming at either pool at no cost.

FINANCIAL INFORMATION

Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reliable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

SINGLE AUDIT

As a recipient of federal and state financial assistance, the County also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the County, as well as by independent internal auditors who report to the Audit Committee.

As a part of the County's single audit described earlier, tests are made to determine the adequacy of the internal control structure including that portion related to federal financial assistance programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2019, 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, 2019, 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, 2018. This was the thirty-third 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, 2018. This is the thirteenth 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, 2018 and thirty-two 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

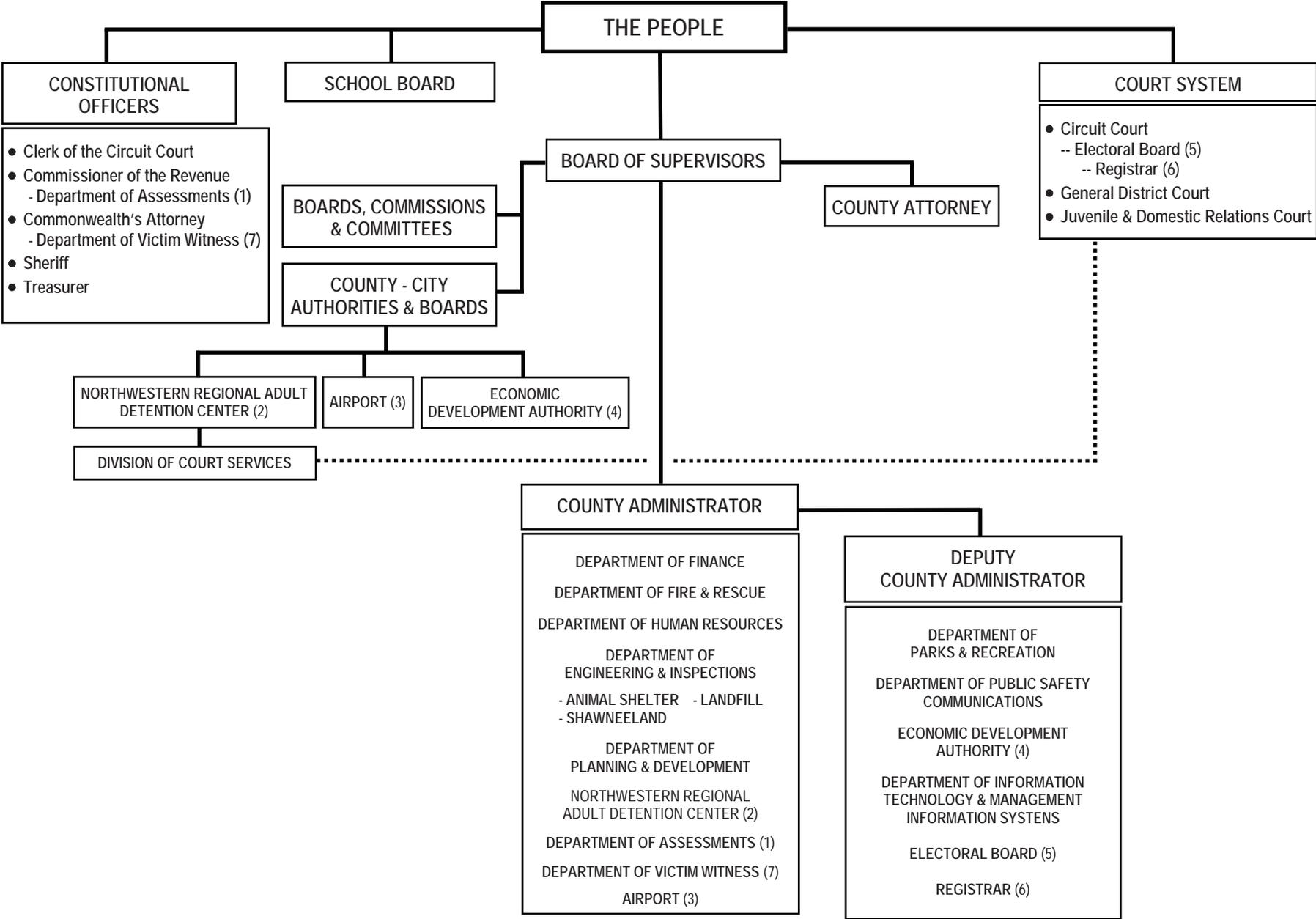
June 30, 2018

Christopher P. Morill

Executive Director/CEO

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FREDERICK COUNTY ORGANIZATIONAL CHART



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- Financial Section -

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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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 23 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Borrowing Direct Placements*. 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 5-13, 118-122, and 123-136 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 19, 2019, 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 19, 2019

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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, 2019. 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 2019:

- Government-wide Statements:
 - On a government-wide basis for governmental activities the County had expenses net of program revenues of \$177.3 million, which was approximately \$8.3 million more than the general revenues of \$169.0 million. (Exhibit 2)
 - On a government-wide basis, the governmental activities total net position totaled \$4.1 million, total assets were \$290.2 million, total liabilities equaled \$229.4 million, deferred outflows totaled \$6.1 million, and deferred inflows were \$62.7 million. (Exhibit 1)

- Fund Statements:
 - The fund financial statements report combined ending general fund balance of \$63.9 million. Of that amount, \$45.3 million reflects unassigned general fund balance. (Exhibit 3)
 - General fund property taxes of \$113.6 million equaled 61% of the total \$186.5 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 \$5.5 million increase. (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.

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 (see Note 1.B.3.b). These funds include entities for which the County has assumed fiscal agency status: the Northwestern Regional Jail Authority and the Winchester Regional Airport.

Notes to the Financial Statements:

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

Financial Analysis of the County as a Whole:

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

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

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

Summary Statement of Net Position
June 30, 2019

| | Governmental Activities | | Business-Type Activities | | Total | | Component Units | |
|---------------------------------|-------------------------|----------------|--------------------------|---------------|----------------|----------------|-----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and Other Assets | \$ 168,096,152 | \$ 151,672,427 | \$ 39,421,974 | \$ 39,503,950 | \$ 207,518,126 | \$ 191,176,377 | \$ 67,711,055 | \$ 43,994,404 |
| Capital Assets (net) | 122,094,826 | 125,131,784 | 18,800,591 | 16,245,725 | 140,895,417 | 141,377,509 | 152,793,728 | 140,168,584 |
| Total Assets | \$ 290,190,978 | \$ 276,804,211 | \$ 58,222,565 | \$ 55,749,675 | \$ 348,413,543 | \$ 332,553,886 | \$ 220,504,783 | \$ 184,162,988 |
| Deferred Outflows of Resources | \$ 6,059,482 | \$ 4,485,009 | \$ 209,651 | \$ 146,088 | \$ 6,269,133 | \$ 4,631,097 | \$ 22,200,538 | \$ 23,439,735 |
| Long-term Liabilities | \$ 220,182,738 | \$ 202,541,631 | \$ 16,221,852 | \$ 15,678,846 | \$ 236,404,590 | \$ 218,220,477 | \$ 161,018,370 | \$ 166,206,944 |
| Other Liabilities | 9,233,797 | 6,316,907 | 800,715 | 516,829 | 10,034,512 | 6,833,736 | 25,818,692 | 23,344,129 |
| Total Liabilities | \$ 229,416,535 | \$ 208,858,538 | \$ 17,022,567 | \$ 16,195,675 | \$ 246,439,102 | \$ 225,054,213 | \$ 186,837,062 | \$ 189,551,073 |
| Deferred Inflows of Resources | \$ 62,746,571 | \$ 60,107,873 | \$ 331,496 | \$ 360,565 | \$ 63,078,067 | \$ 60,468,438 | \$ 17,339,195 | \$ 18,771,474 |
| Net Position: | | | | | | | | |
| Invested in Capital Assets | \$ (5,511,757) | \$ (7,344,979) | \$ 18,800,591 | \$ 16,245,725 | \$ 13,288,834 | \$ 8,900,746 | \$ 152,493,728 | \$ 140,168,584 |
| Restricted for Capital Projects | - | - | - | - | - | - | - | - |
| Unrestricted | 9,599,111 | 19,667,788 | 22,277,562 | 23,093,798 | 31,876,673 | 42,761,586 | (114,261,664) | (140,888,408) |
| Total Net Position | \$ 4,087,354 | \$ 12,322,809 | \$ 41,078,153 | \$ 39,339,523 | \$ 45,165,507 | \$ 51,662,332 | \$ 38,232,064 | \$ (719,824) |

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

The County's combined net position decreased from \$51,662,332 to \$45,165,507. This net decrease in the amount of \$6,496,825 can be attributed to the decrease in governmental activities in the amount of \$8.2 million combined with an increase in business-type activities in the amount of \$1.7 million. Further details of these contributing factors are explained in the following chart.

**County of Frederick's Changes in Net Position
For the Fiscal Year Ended June 30, 2019**

| Governmental Activities | Governmental Activities | | Business-Type Activities | | Total | | Component Units | |
|--|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues: | | | | | | | | |
| Program Revenues | | | | | | | | |
| Charges for Services | \$ 7,828,765 | \$ 7,848,675 | \$ 8,404,829 | \$ 7,498,806 | \$ 16,233,594 | \$ 15,347,481 | \$ 2,660,912 | \$ 2,533,591 |
| Operating Grants & Contributions | 13,286,047 | 12,269,289 | - | - | 13,286,047 | 12,269,289 | 87,762,594 | 85,929,283 |
| Capital Grants & Contributions | 253,984 | 218,816 | - | - | 253,984 | 218,816 | - | - |
| General Revenues | | | | | | | | |
| Real Estate & Personal Property | 115,716,083 | 109,780,458 | - | - | 115,716,083 | 109,780,458 | - | - |
| Other Taxes | 36,634,376 | 35,918,445 | - | - | 36,634,376 | 35,918,445 | - | - |
| Payments from Primary Government | - | - | - | - | - | - | 114,720,038 | 100,933,958 |
| Non-restricted Grants | 14,668,011 | 14,655,560 | - | - | 14,668,011 | 14,655,560 | - | - |
| Use of Money and Property | 1,638,199 | 891,692 | 747,314 | 331,776 | 2,385,513 | 1,223,468 | 1,020,500 | 525,925 |
| Miscellaneous | 372,109 | 391,882 | 36,402 | 197,013 | 408,511 | 588,895 | 425,721 | 440,855 |
| Total Revenues | \$ 190,397,574 | \$ 181,974,817 | \$ 9,188,545 | \$ 8,027,595 | \$ 199,586,119 | \$ 190,002,412 | \$ 206,589,765 | \$ 190,363,612 |
| Expenses: | | | | | | | | |
| General Government | \$ 9,632,173 | \$ 7,432,517 | \$ - | \$ - | \$ 9,632,173 | \$ 7,432,517 | \$ - | \$ - |
| Judicial Administration | 3,344,836 | 2,945,219 | - | - | 3,344,836 | 2,945,219 | - | - |
| Public Safety | 40,222,149 | 37,494,242 | - | - | 40,222,149 | 37,494,242 | - | - |
| Public Works | 4,684,177 | 4,411,774 | - | - | 4,684,177 | 4,411,774 | - | - |
| Health / Welfare | 12,899,295 | 12,132,958 | - | - | 12,899,295 | 12,132,958 | - | - |
| Education | 116,544,002 | 100,860,131 | - | - | 116,544,002 | 100,860,131 | 166,739,227 | 167,469,780 |
| Parks, Recreation & Culture | 6,835,163 | 6,540,653 | - | - | 6,835,163 | 6,540,653 | - | - |
| Community Development | (1,089,126) | 4,707,000 | - | - | (1,089,126) | 4,707,000 | - | - |
| Interest on Long-term Debt | 5,560,360 | 5,297,014 | - | - | 5,560,360 | 5,297,014 | - | - |
| Landfill Operations | - | - | 7,449,915 | 6,544,878 | 7,449,915 | 6,544,878 | - | - |
| Economic Development Authority | - | - | - | - | - | - | 601,650 | 4,583,593 |
| Total Expenses | \$ 198,633,029 | \$ 181,821,508 | \$ 7,449,915 | \$ 6,544,878 | \$ 206,082,944 | \$ 188,366,386 | \$ 167,340,877 | \$ 172,053,373 |
| Expenses (greater than) less than revenues received | \$ (8,235,455) | \$ 153,309 | \$ 1,738,630 | \$ 1,482,717 | \$ (6,496,825) | \$ 1,636,026 | \$ 39,248,888 | \$ 18,310,239 |
| Net Position, beginning of year * | 12,322,809 | 12,169,500 | 39,339,523 | 37,856,806 | 51,662,332 | 50,026,306 | (719,824) | (19,030,063) |
| Net Position, end of year | \$ 4,087,354 | \$ 12,322,809 | \$ 41,078,153 | \$ 39,339,523 | \$ 45,165,507 | \$ 51,662,332 | \$ 38,529,064 | \$ (719,824) |

* 2018 restated due to the implementation of GASB 75

Revenues:

- **Governmental Activities:** For the fiscal year ended June 30, 2019, revenues from governmental activities totaled \$190.4 million, an increase of \$8.4 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 \$115.7 million of the total revenues received, an increase of \$5.9 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 \$0.7 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 \$1.7 million in FY19.

Revenues: (continued)

- **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, 2019, expenses related to governmental activities totaled \$198,633,029 which includes payments to the component units. Net position related to governmental activities decreased by \$8,235,455, primarily due to \$15.7 million increase in education expenses as a result of a net increase in school general obligation bonds, offset by increased general revenue in the amount of \$7.4 million.

Financial Analysis of the Fund Financial Statements:

Governmental Funds: Reported combined ending fund balance is \$79,041,240, an increase of \$8.8 million in comparison with the prior year (Exhibit 5). The increase was mostly a combination of a \$5.5 million increase in General Fund fund balance and a \$3.6 million increase in the Capital Projects Fund fund balance at the end of FY 2019. The General Fund fund balance increase is due to revenues exceeding budget projections combined with revenues exceeding expenditures and transfers. The increase in the Capital Projects Fund fund balance is primarily attributed to the collection of recovered costs. Detailed fund balance information can be found on Exhibit 3 – Balance Sheet.

Approximately 57% (\$45,331,680) of the combined ending fund balance is unassigned, which is available for spending at the government's discretion. The FY20 budget appropriates \$7 million from General Fund fund balance to transfer to the County Capital Fund. Of the remainder of the fund balance, \$659,028 is nonspendable, \$12,643,121 is restricted, \$20,370,735 is committed, and \$36,676 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 2018-19 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.

Financial Analysis of the Fund Financial Statements: (continued)

- **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 \$1,738,630, while the Internal Service Funds recognized an increase in net position in the amount of \$1,182,556 (Exhibit 8). The Landfill Fund purchased capital assets in the amount of \$4,883,389 and posted operating income of \$99,316 (Exhibit 9). The Internal Service Funds had operating income of \$994,738 (Exhibit 9). The increase in the Internal Service Fund is attributed to the County's self-funded health insurance plan.

General Budgetary Highlights:

Differences between the original budget appropriations and the final budget appropriations of the general fund resulted in an increase of \$7,330,865 in additional appropriations (Exhibit 12). Highlights of the budget amendments are as follows:

- \$245,737 in a budget amendment for airport capital for legal fees incurred in prior years. The airport capital budget it not finalized until after the County's budget adoption. This is due to the schedule of input from the FAA that is required.
- \$1,213,216 budget amendment to carry forward outstanding encumbrances from the prior year.
- \$653,397 in a budget amendment to carry forward unspent funds for the construction of Northwest Sherando Park.
- \$224,818 budget amendment to carry forward unspent Fire Company Capital funds.
- \$385,342 in a budget amendment for the Stephenson Convenience Site.
- \$316,538 budget amendment to carry forward unspent, restricted school grant funds.
- \$186,879 budget amendment to re-appropriated unspent prior year school operating funds for a school bus and security equipment.
- \$290,451 budget amendment for anticipated state and federal revenue associated with Medicaid expansion.
- \$210,575 in total budget amendments for various refunds of taxes and fees per the Commissioner of the Revenue.
- \$127,600 budget amendment for the purchase of an armored van for the Sheriff's Department.
- \$270,870 budget amendment of the purchase of nine Sheriff's cruisers.
- \$340,500 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 \$6,424,402 less than the final amended budget. Details can be found in Exhibit 12. Significant variances were:

- \$736,924 from general government administration. A contributing factor was a credit adjustment for overcharges to workers compensation;
- \$100,154 from volunteer fire departments which can be attributed to unspent capital funds which were carried forward to FY 2020;
- \$768,357 from fire & rescue mainly attributed to \$350,000 in unspent funds in overtime and uniforms, and \$144,000 in outstanding purchase orders that were carried forward to FY 2020;
- \$718,953 from public works which can be attributed \$337,000 carried forward to FY 2020 for ongoing refuse projects and increases in recycling hauling rates, and \$187,000 unspent for county office buildings maintenance;

General Budgetary Highlights: (continued)

- \$1,657,565 from education for public schools that includes \$225,545 in outstanding encumbrances, and \$1,388,520 unspent in school operating that was ultimately carried forward to FY 2020 for restricted grant funds and ten school buses; and
- \$1,560,035 from parks and recreation primarily as a result of unspent funds for the Abrams Creek and Sherando Park projects, and a parking lot at Clearbrook Park. Of this amount, \$492,000 were outstanding encumbrances that were carried forward to FY 2020.

Capital Assets:

At the end of the Fiscal Year 2019, 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 | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Capital Assets not being depreciated: | | | | | | |
| Land and Land Improvements | \$ 2,627,578 | \$ 2,627,578 | \$ 3,520,496 | \$ 3,310,126 | \$ 6,148,074 | \$ 5,937,704 |
| Construction in Progress | 2,246,733 | 3,715,888 | 2,748,085 | - | 4,994,818 | 3,715,888 |
| School Construction in Progress | 7,964,374 | 3,074,966 | - | - | 7,964,374 | 3,074,966 |
| Total Capital Assets not being depreciated | <u>\$ 12,838,685</u> | <u>\$ 9,418,432</u> | <u>\$ 6,268,581</u> | <u>\$ 3,310,126</u> | <u>\$ 19,107,266</u> | <u>\$ 12,728,558</u> |
| Other Capital Assets: | | | | | | |
| Building and Improvements | \$ 54,933,665 | \$ 54,597,496 | \$ 2,999,716 | \$ 2,999,716 | \$ 57,933,381 | \$ 57,597,212 |
| Landfill Improvements | - | - | 36,641,935 | 35,779,090 | 36,641,935 | 35,779,090 |
| School Building & Improvements | 89,372,991 | 99,714,211 | - | - | 89,372,991 | 99,714,211 |
| Furniture, Equipment & Vehicles | 19,556,155 | 14,922,967 | 6,222,748 | 5,440,721 | 25,778,903 | 20,363,688 |
| Total Other Capital Assets | <u>\$ 163,862,811</u> | <u>\$ 169,234,674</u> | <u>\$ 45,864,399</u> | <u>\$ 44,219,527</u> | <u>\$ 209,727,210</u> | <u>\$ 213,454,201</u> |
| Less: Accumulated Depreciation | <u>54,606,670</u> | <u>53,521,322</u> | <u>33,332,389</u> | <u>31,283,928</u> | <u>87,939,059</u> | <u>84,805,250</u> |
| Net Capital Assets | <u>\$ 122,094,826</u> | <u>\$ 125,131,784</u> | <u>\$ 18,800,591</u> | <u>\$ 16,245,725</u> | <u>\$ 140,895,417</u> | <u>\$ 141,377,509</u> |

| | Component Unit School Board Capital Assets | |
|---|---|-----------------------|
| | 2019 | 2018 |
| Capital Assets not being depreciated: | | |
| Land and Land Improvements | \$ 12,287,858 | \$ 10,982,635 |
| Construction in Progress | 16,331,245 | 8,285,221 |
| Construction in Progress Allocated to County | (7,964,374) | (3,074,966) |
| Total Capital Assets not being depreciated | <u>\$ 20,654,729</u> | <u>\$ 16,192,890</u> |
| Other Capital Assets: | | |
| Building and Improvements | \$ 304,858,162 | \$ 298,818,152 |
| School Buildings and Improvements allocated to County | (89,372,991) | (99,714,211) |
| Furniture, Equipment & Vehicles | 46,370,949 | 44,135,839 |
| Total Other Capital Assets | <u>\$ 261,856,120</u> | <u>\$ 243,239,780</u> |
| Less: Accumulated Depreciation | <u>129,714,121</u> | <u>119,264,086</u> |
| Net Capital Assets | <u>\$ 152,796,728</u> | <u>\$ 140,168,584</u> |

Long-Term Obligations:

General Fund revenues are used to pay lease and general obligation bonds and state literary fund loans. At the end of the fiscal year, the County had bonded debt of \$162.3 million. This entire amount represents debt backed by the full faith and credit of the County.

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2019. Additional details on long-term obligations are presented in Note 9 to the financial statements.

| | <u>June 30, 2018</u> | <u>Increase</u> | <u>Decrease</u> | <u>June 30, 2019</u> |
|---|-----------------------|----------------------|----------------------|-----------------------|
| Lease Revenue Bonds | \$ 22,548,750 | \$ - | \$ 956,250 | \$ 21,592,500 |
| Premium on lease revenue bonds | 1,318,754 | - | 130,543 | 1,188,211 |
| Total lease revenue bonds | <u>\$ 23,867,504</u> | <u>\$ -</u> | <u>\$ 1,086,793</u> | <u>\$ 22,780,711</u> |
| Local financing lease | 7,030,000 | - | 255,000 | 6,775,000 |
| Premium on financing lease | 587,860 | - | 59,621 | 528,239 |
| Total local financing lease | <u>\$ 7,617,860</u> | <u>\$ -</u> | <u>\$ 314,621</u> | <u>\$ 7,303,239</u> |
| General Obligation Bonds: | | | | |
| Library | 1,282,015 | - | 295,401 | 986,614 |
| School | 109,262,535 | 25,075,000 | 10,341,220 | 123,996,315 |
| Add deferred amount for issuance premiums | 5,530,604 | 2,496,409 | 753,563 | 7,273,450 |
| Total General Obligation Bonds | <u>\$ 116,075,154</u> | <u>\$ 27,571,409</u> | <u>\$ 11,390,184</u> | <u>\$ 132,256,379</u> |
| State Literary Fund Loans: | | | | |
| School | - | - | - | - |
| Intergovernmental loans | 1,666,525 | - | 91,430 | 1,575,095 |
| Claims | 973,490 | 11,781,033 | 11,644,223 | 1,110,300 |
| Capital leases | 405,372 | 449,291 | 208,510 | 646,153 |
| Net Pension liability | 9,106,129 | 11,569,911 | 10,317,129 | 10,358,911 |
| Net OPEB obligation | 39,556,919 | 2,915,193 | 1,494,355 | 40,977,757 |
| Compensated absences | 4,246,168 | 3,010,643 | 2,972,318 | 4,284,493 |
| Total | <u>\$ 203,515,121</u> | <u>\$ 57,297,480</u> | <u>\$ 39,519,563</u> | <u>\$ 221,293,038</u> |

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.

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

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COUNTY OF FREDERICK, VIRGINIA

Statement of Net Position
At June 30, 2019

| | Component Units | | | | |
|--|----------------------------|-----------------------------|----------------|-----------------|--------------------------------------|
| | Governmental Activities | Business-type Activities | Total | School Board | Economic Development Authority |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 87,931,211 | \$ 25,053,455 | \$ 112,984,666 | \$ 58,852,244 | \$ 2,524,694 |
| Restricted cash | - | 13,590,046 | 13,590,046 | - | - |
| Receivables, net | 66,355,997 | 778,473 | 67,134,470 | 120,304 | 2,734 |
| Note receivable | 2,789,590 | - | 2,789,590 | - | - |
| Due from other governments | 10,360,326 | - | 10,360,326 | 4,197,916 | - |
| Intergovernmental loan | 657,083 | - | 657,083 | - | - |
| Prepaid expenses | 1,945 | - | 1,945 | - | - |
| Inventory | - | - | - | 693,428 | - |
| Net Pension asset | - | - | - | 1,319,735 | - |
| Capital assets: | | | | | |
| Land and construction in progress | 12,838,685 | 6,268,581 | 19,107,266 | 20,654,729 | - |
| Other capital assets, net of accumulated depreciation | 109,256,141 | 12,532,010 | 121,788,151 | 132,138,999 | - |
| Capital assets, net | \$ 122,094,826 | \$ 18,800,591 | \$ 140,895,417 | \$ 152,793,728 | \$ - |
| Total assets | \$ 290,190,978 | \$ 58,222,565 | \$ 348,413,543 | \$ 217,977,355 | \$ 2,527,428 |
| Deferred Outflows of Resources: | | | | | |
| Deferred charge on refunding | \$ 634,871 | \$ - | \$ 634,871 | \$ - | \$ - |
| OPEB deferrals | 346,563 | 13,316 | 359,879 | 2,127,615 | - |
| Pension deferrals | 5,078,048 | 196,335 | 5,274,383 | 20,072,923 | - |
| Total deferred outflows of resources | \$ 6,059,482 | \$ 209,651 | \$ 6,269,133 | \$ 22,200,538 | \$ - |
| Liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 4,517,659 | \$ 794,702 | \$ 5,312,361 | \$ 23,852,229 | \$ 19,989 |
| Accrued interest payable | 2,699,537 | - | 2,699,537 | - | - |
| Claims payable | 1,110,300 | - | 1,110,300 | 1,946,474 | - |
| Unearned revenue | - | 6,013 | 6,013 | - | - |
| Amounts held for others | 906,301 | - | 906,301 | - | - |
| Long-term liabilities: | | | | | |
| Due within one year | 17,193,550 | 123,164 | 17,316,714 | 1,688,110 | 672,822 |
| Due in more than one year | 202,989,188 | 16,098,688 | 219,087,876 | 158,147,657 | 509,781 |
| Total liabilities | \$ 229,416,535 | \$ 17,022,567 | \$ 246,439,102 | \$ 185,634,470 | \$ 1,202,592 |
| Deferred Inflows of Resources: | | | | | |
| Deferred revenue - taxes | \$ 56,607,178 | \$ - | \$ 56,607,178 | \$ - | \$ - |
| Items related to measurement of net OPEB liability | 4,428,855 | 223,238 | 4,652,093 | 1,493,702 | - |
| Items related to measurement of net pension liability | 1,710,538 | 108,258 | 1,818,796 | 15,845,493 | - |
| Total deferred inflows of resources | \$ 62,746,571 | \$ 331,496 | \$ 63,078,067 | \$ 17,339,195 | \$ - |
| Net Position: | | | | | |
| Net investment in capital assets | \$ (5,511,757) | \$ 18,800,591 | \$ 13,288,834 | \$ 152,793,728 | \$ - |
| Unrestricted | 9,599,111 | 22,277,562 | 31,876,673 | (115,589,500) | 1,324,836 |
| Total net position | \$ 4,087,354 | \$ 41,078,153 | \$ 45,165,507 | \$ 37,204,228 | \$ 1,324,836 |

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Activities
Year Ended June 30, 2019

| 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 | | | | | | | | | |
| General government administration | \$ 9,632,173 | \$ - | \$ 452,830 | \$ - | \$ (9,179,343) | \$ - | \$ (9,179,343) | \$ - | \$ - |
| Judicial administration | 3,344,836 | 1,107,782 | 1,005,042 | - | (1,232,012) | - | (1,232,012) | - | - |
| Public safety | 40,222,149 | 4,179,816 | 3,916,114 | - | (32,126,219) | - | (32,126,219) | - | - |
| Public works | 4,684,177 | - | 18,330 | - | (4,665,847) | - | (4,665,847) | - | - |
| Health and welfare | 12,899,295 | - | 7,432,722 | - | (5,466,573) | - | (5,466,573) | - | - |
| Education | 116,544,002 | - | - | - | (116,544,002) | - | (116,544,002) | - | - |
| Parks, recreation and cultural | 6,835,163 | 2,540,807 | 24,792 | - | (4,269,564) | - | (4,269,564) | - | - |
| Community development | (1,089,126) | 360 | - | 253,984 | 1,343,470 | - | 1,343,470 | - | - |
| Interest on long-term debt | 5,560,360 | - | 436,217 | - | (5,124,143) | - | (5,124,143) | - | - |
| Total governmental activities | \$ 198,633,029 | \$ 7,828,765 | \$ 13,286,047 | \$ 253,984 | \$ (177,264,233) | \$ - | \$ (177,264,233) | \$ - | \$ - |
| Business-type activities | | | | | | | | | |
| Landfill operations | 7,449,915 | 8,404,829 | - | - | - | 954,914 | 954,914 | - | - |
| Total Primary Government | \$ 206,082,944 | \$ 16,233,594 | \$ 13,286,047 | \$ 253,984 | \$ (177,264,233) | \$ 954,914 | \$ (176,309,319) | \$ - | \$ - |
| Component Units | | | | | | | | | |
| Frederick County School Board | \$ 166,739,227 | \$ 2,481,552 | \$ 87,762,594 | \$ - | - | - | - | \$ (76,495,081) | \$ - |
| Frederick County Economic Development Authority | 601,650 | 179,360 | - | - | - | - | - | - | (422,290) |
| Total Component Units | \$ 167,340,877 | \$ 2,660,912 | \$ 87,762,594 | \$ - | - | - | - | \$ (76,495,081) | \$ (422,290) |
| General Revenues | | | | | | | | | |
| Taxes: | | | | | | | | | |
| General property taxes, real and personal | | | | | \$ 115,716,083 | \$ - | \$ 115,716,083 | \$ - | \$ - |
| Local sales and use taxes | | | | | 14,344,226 | - | 14,344,226 | - | - |
| Business licenses tax | | | | | 7,563,051 | - | 7,563,051 | - | - |
| Consumer utility taxes | | | | | 3,739,978 | - | 3,739,978 | - | - |
| Meals and lodging taxes | | | | | 6,094,860 | - | 6,094,860 | - | - |
| Motor vehicle licenses tax | | | | | 2,600,084 | - | 2,600,084 | - | - |
| Taxes on recordation and wills | | | | | 1,782,444 | - | 1,782,444 | - | - |
| Other taxes | | | | | 509,733 | - | 509,733 | - | - |
| Payment from County of Frederick: | | | | | | | | | |
| Education | | | | | - | - | - | 114,148,756 | - |
| Economic development | | | | | - | - | - | - | 571,282 |
| Grants and contributions not restricted to specific programs | | | | | 14,668,011 | - | 14,668,011 | - | - |
| Unrestricted use of money and property | | | | | 1,638,199 | 747,314 | 2,385,513 | 1,009,467 | 11,033 |
| Miscellaneous | | | | | 372,109 | 36,402 | 408,511 | 425,721 | - |
| Total general revenues | | | | | \$ 169,028,778 | \$ 783,716 | \$ 169,812,494 | \$ 115,583,944 | \$ 582,315 |
| Change in net position | | | | | \$ (8,235,455) | \$ 1,738,630 | \$ (6,496,825) | \$ 39,088,863 | \$ 160,025 |
| Net position, beginning of year | | | | | 12,322,809 | 39,339,523 | 51,662,332 | (1,884,635) | 1,164,811 |
| Net position, end of year | | | | | \$ 4,087,354 | \$ 41,078,153 | \$ 45,165,507 | \$ 37,204,228 | \$ 1,324,836 |

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

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

COUNTY OF FREDERICK, VIRGINIA

Balance Sheet
Governmental Funds
At June 30, 2019

| | 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 | \$ 57,255,194 | \$ 1,764,091 | \$ 3,326,056 | \$ 10,547,178 | \$ 31,896 | \$ 611,622 | \$ 73,536,037 |
| Property taxes receivable, net | 59,874,904 | 1,841,439 | 1,435,951 | - | - | - | 63,152,294 |
| Business licenses receivable | 1,210,440 | - | - | - | - | - | 1,210,440 |
| Accounts receivable | 1,926,399 | 8,082 | 22,859 | 26,887 | - | 9,036 | 1,993,263 |
| Due from other governments | 10,017,173 | - | - | - | - | 343,153 | 10,360,326 |
| Intergovernmental loan | 657,083 | - | - | - | - | - | 657,083 |
| Prepaid items | 1,945 | - | - | - | - | - | 1,945 |
| Total assets | <u>\$ 130,943,138</u> | <u>\$ 3,613,612</u> | <u>\$ 4,784,866</u> | <u>\$ 10,574,065</u> | <u>\$ 31,896</u> | <u>\$ 963,811</u> | <u>\$ 150,911,388</u> |
| Liabilities | | | | | | | |
| Accounts payable and accrued liabilities | \$ 3,028,917 | \$ 78,126 | \$ - | \$ 696,093 | \$ - | \$ 702,586 | \$ 4,505,722 |
| Amounts held for others | 906,301 | - | - | - | - | - | 906,301 |
| Total liabilities | <u>\$ 3,935,218</u> | <u>\$ 78,126</u> | <u>\$ -</u> | <u>\$ 696,093</u> | <u>\$ -</u> | <u>\$ 702,586</u> | <u>\$ 5,412,023</u> |
| Deferred Inflows of Resources | | | | | | | |
| Unavailable revenue - business licenses | \$ 1,210,440 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,210,440 |
| Unavailable revenue - prepaid taxes | 3,810,704 | 28,731 | 22,173 | - | - | - | 3,861,608 |
| Unavailable revenue - property taxes | 58,122,532 | 1,827,594 | 1,435,951 | - | - | - | 61,386,077 |
| Total deferred inflows of resources | <u>\$ 63,143,676</u> | <u>\$ 1,856,325</u> | <u>\$ 1,458,124</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 66,458,125</u> |
| Fund Balance | | | | | | | |
| Nonspendable | \$ 659,028 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 659,028 |
| Restricted | 8,506,149 | - | - | 4,136,972 | - | - | 12,643,121 |
| Committed | 9,362,607 | 1,679,161 | 3,326,742 | 5,741,000 | - | 261,225 | 20,370,735 |
| Assigned | 4,780 | - | - | - | 31,896 | - | 36,676 |
| Unassigned | 45,331,680 | - | - | - | - | - | 45,331,680 |
| Total fund balance | <u>\$ 63,864,244</u> | <u>\$ 1,679,161</u> | <u>\$ 3,326,742</u> | <u>\$ 9,877,972</u> | <u>\$ 31,896</u> | <u>\$ 261,225</u> | <u>\$ 79,041,240</u> |
| Total liabilities, deferred inflows of resources and fund balance | <u>\$ 130,943,138</u> | <u>\$ 3,613,612</u> | <u>\$ 4,784,866</u> | <u>\$ 10,574,065</u> | <u>\$ 31,896</u> | <u>\$ 963,811</u> | <u>\$ 150,911,388</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, 2019

| | | |
|--|----|------------|
| Total fund balances for governmental funds (Exhibit 3) | \$ | 79,041,240 |
|--|----|------------|

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 | | 10,211,107 | |
| Buildings and improvements, net of depreciation | | 34,424,916 | |
| Equipment, net of depreciation | | 7,012,700 | |
| School Board capital assets, net of depreciation | | <u>67,818,525</u> | |
| Total capital assets | | | 122,094,826 |

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:

13,272,937

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 | \$ | 9,850,947 | |
| Long-term note receivable | | 2,789,590 | |
| Deferred inflows related to measurement of net OPEB liability | | (4,428,855) | |
| Deferred inflows related to measurement of net pension liability | | <u>(1,710,538)</u> | |
| Total | | | 6,501,144 |

Pension deferrals - Deferred Outflows

5,078,048

OPEB deferrals - Deferred Outflows

346,563

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 | \$ | (2,699,537) | |
| Bonds, notes and capital leases | | (155,571,677) | |
| Unamortized bond premium | | (8,989,900) | |
| Deferred charge on refunding | | 634,871 | |
| Net OPEB liability | | (40,977,757) | |
| Net pension liability | | (10,358,911) | |
| Compensated absences | | <u>(4,284,493)</u> | |
| Total | | | <u>(222,247,404)</u> |

| | | |
|--|----|------------------|
| Total net position of governmental activities (Exhibits 1 and 2) | \$ | <u>4,087,354</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, 2019

| | 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 | \$ 113,629,440 | \$ 780,574 | \$ 923,603 | \$ - | \$ - | \$ - | \$ 115,333,617 |
| Other local taxes | 36,634,376 | - | - | - | - | - | 36,634,376 |
| Permits, privilege fees and regulatory licenses | 2,188,705 | - | - | - | - | - | 2,188,705 |
| Fines and forfeitures | 313,896 | - | - | - | - | - | 313,896 |
| Use of money and property | 1,272,035 | 30,343 | 1,088 | 95,658 | - | 6,162 | 1,405,286 |
| Charges for services | 3,003,141 | - | - | - | - | 2,323,023 | 5,326,164 |
| Miscellaneous | 363,934 | 412 | 7,763 | - | - | - | 372,109 |
| Recovered costs | 3,422,092 | 3,221 | 3,515 | 4,469,191 | - | 57,135 | 7,955,154 |
| Intergovernmental: | | | | | | | |
| Revenue from the Commonwealth | 21,652,162 | - | - | 253,984 | 157,162 | 1,773,768 | 23,837,076 |
| Revenue from the Federal Government | 4,025,596 | - | - | - | 279,055 | 66,315 | 4,370,966 |
| Total revenues | <u>\$ 186,505,377</u> | <u>\$ 814,550</u> | <u>\$ 935,969</u> | <u>\$ 4,818,833</u> | <u>\$ 436,217</u> | <u>\$ 4,226,403</u> | <u>\$ 197,737,349</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General government administration | \$ 11,060,111 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,060,111 |
| Judicial administration | 2,962,088 | - | - | - | - | 534,628 | 3,496,716 |
| Public safety | 39,152,979 | - | - | - | - | 1,914,490 | 41,067,469 |
| Public works | 5,432,118 | - | - | - | - | - | 5,432,118 |
| Health and welfare | 9,422,160 | - | - | - | - | 3,484,194 | 12,906,354 |
| Education - local community college | 81,080 | - | - | - | - | - | 81,080 |
| Education - public school system | 85,327,387 | - | - | 27,510,926 | - | - | 112,838,313 |
| Parks, recreation and cultural | 7,346,862 | - | - | - | - | - | 7,346,862 |
| Community development | 2,155,810 | 1,087,251 | 30,390 | - | - | - | 3,273,451 |
| Capital projects | - | - | - | 1,459,828 | - | - | 1,459,828 |
| Debt service: | | | | | | | |
| Principal payments | 1,211,831 | - | 386,250 | - | 10,341,220 | - | 11,939,301 |
| Interest and fiscal charges | 1,045,400 | - | 348,467 | 60,483 | 4,663,245 | - | 6,117,595 |
| Total expenditures | <u>\$ 165,197,826</u> | <u>\$ 1,087,251</u> | <u>\$ 765,107</u> | <u>\$ 29,031,237</u> | <u>\$ 15,004,465</u> | <u>\$ 5,933,312</u> | <u>\$ 217,019,198</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 21,307,551</u> | <u>\$ (272,701)</u> | <u>\$ 170,862</u> | <u>\$ (24,212,404)</u> | <u>\$ (14,568,248)</u> | <u>\$ (1,706,909)</u> | <u>\$ (19,281,849)</u> |
| Other financing sources (uses) | | | | | | | |
| Issuance of long-term debt | \$ - | \$ - | \$ - | \$ 25,075,000 | \$ - | \$ - | \$ 25,075,000 |
| Bond premium | - | - | - | 2,496,409 | - | - | 2,496,409 |
| Issuance of capital lease | 449,291 | - | - | - | - | - | 449,291 |
| Transfers in | 52,896 | - | - | - | 14,579,320 | 1,691,949 | 16,324,165 |
| Transfers out | (16,279,070) | - | - | - | - | - | (16,279,070) |
| Total other financing sources (uses) | <u>\$ (15,776,883)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 27,571,409</u> | <u>\$ 14,579,320</u> | <u>\$ 1,691,949</u> | <u>\$ 28,065,795</u> |
| Net change in fund balance | <u>\$ 5,530,668</u> | <u>\$ (272,701)</u> | <u>\$ 170,862</u> | <u>\$ 3,359,005</u> | <u>\$ 11,072</u> | <u>\$ (14,960)</u> | <u>\$ 8,783,946</u> |
| Fund balance, beginning 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> |
| Fund balance, end of year | <u>\$ 63,864,244</u> | <u>\$ 1,679,161</u> | <u>\$ 3,326,742</u> | <u>\$ 9,877,972</u> | <u>\$ 31,896</u> | <u>\$ 261,225</u> | <u>\$ 79,041,240</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, 2019**

| | | |
|--|----|--------------|
| Net change in fund balances - total governmental funds (Exhibit 5) | \$ | 8,783,946 |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p> | | |
| Capital outlay | \$ | 3,979,101 |
| Depreciation | | (5,696,169) |
| Net adjustment | | (1,717,068) |
| <p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) net position.</p> | | |
| | | (9,448) |
| <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> | | |
| | | (1,310,442) |
| <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 | \$ | 382,466 |
| Payments on note receivable | | (94,532) |
| (Increase) decrease in deferred inflows related to the measurement of the net OPEB liability | | 133,325 |
| (Increase) decrease in deferred inflows related to the measurement of the net pension liability | | 829,522 |
| Total | | 1,250,781 |
| <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 | \$ | (449,291) |
| General obligation school bonds | | (25,075,000) |
| Premium on debt: | | |
| General obligation school bonds | | (2,496,409) |
| Repayments: | | |
| Lease revenue bonds | \$ | 956,250 |
| Local financing lease | | 255,000 |
| General obligation library bonds | | 295,401 |
| General obligation school bonds | | 10,341,220 |
| Intergovernmental loans | | 91,430 |
| Capital leases | | 208,510 |
| Net adjustment | | (15,872,889) |
| <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 | \$ | (38,325) |
| Net OPEB liability | | (1,420,838) |
| Amortization of debt premium | | 943,727 |
| Amortization of advanced refunding defeasance costs | | (37,346) |
| Decrease (increase) in net pension liability | | (1,252,782) |
| (Decrease) increase in deferred outflows related to pensions | | 1,479,435 |
| (Decrease) increase in deferred outflows related to OPEB | | 132,384 |
| Accrued interest payable | | (349,146) |
| Net adjustment | | (542,891) |
| <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> | | |
| | | 1,182,556 |
| Change in net position of governmental activities (Exhibit 2) | \$ | (8,235,455) |
| <p>The accompanying notes to financial statements are an integral part of this statement.</p> | | |

COUNTY OF FREDERICK, VIRGINIA

Statement of Net Position
 Proprietary Funds
 At June 30, 2019

| | Business-type Activities - Enterprise Fund | Governmental Activities Internal Service Funds |
|---|--|---|
| | Landfill Fund | |
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 25,053,455 | \$ 14,395,174 |
| Restricted cash - landfill closure | 13,590,046 | - |
| Receivables, net | 778,473 | - |
| Total current assets | <u>\$ 39,421,974</u> | <u>\$ 14,395,174</u> |
| Noncurrent assets: | | |
| Capital assets: | | |
| Land and improvements | \$ 3,520,496 | \$ - |
| Construction in progress | 2,748,085 | - |
| Other capital assets, net of accumulated depreciation | 12,532,010 | - |
| Total noncurrent assets | <u>\$ 18,800,591</u> | <u>\$ -</u> |
| Total assets | <u>\$ 58,222,565</u> | <u>\$ 14,395,174</u> |
| Deferred Outflows of Resources: | | |
| Pension deferrals | \$ 196,335 | \$ - |
| OPEB deferrals | 13,316 | - |
| Total deferred outflows of resources | <u>\$ 209,651</u> | <u>\$ -</u> |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 794,702 | \$ 11,937 |
| Unearned revenue | 6,013 | - |
| Compensated absences, current portion | 123,164 | - |
| Claims payable | - | 1,110,300 |
| Total current liabilities | <u>\$ 923,879</u> | <u>\$ 1,122,237</u> |
| Long-term liabilities: | | |
| Compensated absences, noncurrent portion | \$ 52,785 | \$ - |
| Net pension liability | 394,259 | - |
| Net OPEB liability | 2,061,598 | - |
| Accrued landfill remediation costs | 13,590,046 | - |
| Total long-term liabilities | <u>\$ 16,098,688</u> | <u>\$ -</u> |
| Total liabilities | <u>\$ 17,022,567</u> | <u>\$ 1,122,237</u> |
| Deferred Inflows of Resources: | | |
| Items related to measurement of net pension liability | \$ 108,258 | \$ - |
| Items related to measurement of net OPEB liability | 223,238 | - |
| Total deferred inflows of resources | <u>\$ 331,496</u> | <u>\$ -</u> |
| Net Position: | | |
| Investment in capital assets | \$ 18,800,591 | \$ - |
| Unrestricted | 22,277,562 | 13,272,937 |
| Total net position | <u>\$ 41,078,153</u> | <u>\$ 13,272,937</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, 2019

| | Business-type Activities - Enterprise Fund Landfill Fund | Governmental Activities Internal Service Funds |
|--|---|---|
| Operating revenues: | | |
| Charges for services, net | \$ 8,404,829 | \$ 12,660,100 |
| Miscellaneous | 36,402 | - |
| Total operating revenues | <u>\$ 8,441,231</u> | <u>\$ 12,660,100</u> |
| Operating expenses: | | |
| Personal services | \$ 1,407,670 | \$ - |
| Fringe benefits | 633,040 | 11,659,611 |
| Contractual services | 1,834,054 | - |
| Other charges | 1,246,628 | 5,751 |
| Depreciation | 2,328,523 | - |
| Total operating expenses | <u>\$ 7,449,915</u> | <u>\$ 11,665,362</u> |
| Operating income (loss) | <u>\$ 991,316</u> | <u>\$ 994,738</u> |
| Nonoperating revenues: | | |
| Investment income | 747,314 | 232,913 |
| Income before transfers | <u>\$ 1,738,630</u> | <u>\$ 1,227,651</u> |
| Transfers: | | |
| Transfers in | \$ - | \$ 7,801 |
| Transfers out | - | (52,896) |
| Total transfers | <u>\$ -</u> | <u>\$ (45,095)</u> |
| Change in net position | <u>\$ 1,738,630</u> | <u>\$ 1,182,556</u> |
| Total net position, beginning of year | <u>39,339,523</u> | <u>12,090,381</u> |
| Total net position, end of year | <u><u>\$ 41,078,153</u></u> | <u><u>\$ 13,272,937</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, 2019

| | Business-type Activities - Enterprise Fund Landfill Fund | Governmental Activities Internal Service Funds |
|---|---|---|
| Cash flows from operating activities | | |
| Receipts from customers | \$ 8,343,403 | \$ - |
| Receipts from insured | - | 12,647,774 |
| Receipts from services | - | 12,326 |
| Other receipts | 36,402 | - |
| Payments to employees | (2,053,900) | - |
| Payments to suppliers | (2,325,531) | (11,527,338) |
| Other payments | - | (7,801) |
| Net cash provided by (used for) operating activities | <u>\$ 4,000,374</u> | <u>\$ 1,124,961</u> |
| Cash flows from noncapital financing activities | | |
| Transfers in | \$ - | \$ 7,801 |
| Transfers out | - | (52,896) |
| Cash flows from investing activities | | |
| Investment income | \$ 747,314 | \$ 232,913 |
| Cash flows from capital and related financing activities | | |
| Purchases of capital assets | \$ (4,883,389) | \$ - |
| Net cash provided by (used for) capital and related financing activities | <u>\$ (4,883,389)</u> | <u>\$ -</u> |
| Net increase (decrease) in cash and cash equivalents | <u>\$ (135,701)</u> | <u>\$ 1,312,779</u> |
| Cash and cash equivalents, beginning of year | <u>38,779,202</u> | <u>13,082,395</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 38,643,501</u></u> | <u><u>\$ 14,395,174</u></u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | |
| Operating income (loss) | \$ 991,316 | \$ 994,738 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation expense | 2,328,523 | - |
| Changes in assets, deferred outflows, deferred inflows and liabilities: | | |
| Receivables | (53,725) | - |
| Deferred outflows of resources - pension | (53,583) | - |
| Deferred outflows of resources - OPEB | (9,980) | - |
| Accounts payable and accrued expenses | 291,587 | (6,587) |
| Unearned revenue | (7,701) | - |
| Net pension liability | 12,927 | - |
| Net OPEB liability | 63,719 | - |
| Deferred inflows of resources - pension | (21,812) | - |
| Deferred inflows of resources - OPEB | (7,257) | - |
| Claims payable and compensated absences | 2,796 | 136,810 |
| Increase in accrued landfill costs | 463,564 | - |
| Net cash provided by (used for) operating activities | <u><u>\$ 4,000,374</u></u> | <u><u>\$ 1,124,961</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, 2019

| | Private Purpose Trust Funds | Agency Funds |
|--|--|--|
| | <u> </u> | <u> </u> |
| Assets: | | |
| Cash and cash equivalents | \$ 435,685 | \$ 8,942,211 |
| Receivables | 9,797 | 374,971 |
| Due from other governmental units | - | 871,744 |
| | <u> </u> | <u> </u> |
| Total assets | \$ 445,482 | \$ 10,188,926 |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 534 | \$ 1,657,649 |
| Amounts held for others | - | 8,531,277 |
| | <u> </u> | <u> </u> |
| Total liabilities | \$ 534 | \$ 10,188,926 |
| Net Position | <u> </u> <u> </u> | <u> </u> <u> </u> |
| | \$ 444,948 | \$ - |

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, 2019

| | | Private Purpose Trust Funds |
|--|----|--|
| | | |
| Additions: | | |
| Investment earnings | \$ | 7,385 |
| Miscellaneous | | 118,283 |
| Total additions | \$ | 125,668 |
| Deductions: | | |
| Education | | 58,797 |
| Change in net position | \$ | 66,871 |
| Net position, beginning of year | | 378,077 |
| Net position, end of year | \$ | 444,948 |

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019

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:

It's required 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, 2019 (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. 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, 2019 (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. The Authority does not issue separate financial statements.

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 \$1,153,332 to the Library for fiscal 2019 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 \$5,191,910 to the regional jail in fiscal 2019.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (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 \$120,215 and capital grants of \$261,764 to the Authority in fiscal 2019.
- 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 2019.
- 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 \$396,673 for an operating grant to the Board in fiscal 2019.
- 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 \$353,362 in operating grants to the Center in fiscal 2019.

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, 2019 (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, 2019 (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 2019.

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, 2019 (Continued)

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

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

1. Governmental Funds: (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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

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

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

1. Governmental Funds: (Continued)

- c. School Debt Service Fund - The School Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for the payment of, general long-term debt principal, interest and related charges for school debt. This fund is considered a major fund for financial reporting purposes.
- d. Capital Projects Funds - Capital Projects Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. Capital Projects Funds include the following fund:
 - Capital Projects Fund - This fund accounts for and reports all other renovation and improvements made to County buildings. This fund also accounts for debt proceeds issued for School Capital Projects. Financing is provided by debt issuance and General Fund revenues. This fund is considered a major fund for financial reporting purposes.

2. Proprietary Funds:

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise and Internal Service Funds.

- a. Enterprise Funds - Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. The Enterprise Fund consists of the Landfill Fund.
- b. Internal Service Funds - The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County government. The Internal Service Funds consist of the following funds:
 - Health Insurance Fund - This fund accounts for the health insurance program activities of the County. This fund also includes pass-through premiums and claims from other localities, boards and authorities which elected to participate in the County's health insurance program. The other participants in the program are required to fund any claims which may not be covered by the insurance carrier.
 - Central Stores Fund - This fund accounts for the operations of duplicating, postage, and gasoline. Revenue is derived from sales to user departments.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

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

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

2. Proprietary Funds: (Continued)

- 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.

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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (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)

- Undistributed Local Sales Tax Fund - This fund accounts for monies received from the Commonwealth of Virginia for Frederick County's share of local sales tax. The County disburses part of this money to Middletown and Stephens City based on their school population.
- State Sales Tax Fund - This fund accounts for monies received from purchases by individuals for which sales tax was charged. The County remits this money to the Treasurer of Virginia monthly.
- Employee Cafeteria Plan Fund - This fund accounts for funds received from individuals through payroll withholdings for payment of expenditures allowable under Section 125 of the Internal Revenue Code.
- Northwestern Regional Education Program Fund - This fund accounts for the operation of the Northwestern Regional Education Program. The Program is a regional program utilized by local school districts for certain special education activities.

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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (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 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.

~ 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

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

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net position and statement of activities, all proprietary funds, and private purpose trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Position or on the Statement of Fiduciary Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

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

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

D. Budgets and Budgetary Accounting

The Board of Supervisors annually adopts budgets for the various funds of the primary government and component unit School Board. All appropriations are legally controlled at the fund level for the primary government funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

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

D. Budgets and Budgetary Accounting (Continued)

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

Encumbrances:

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

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

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

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

D. Budgets and Budgetary Accounting (Continued)

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, 2019, as adopted, appropriated and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and at the function level for the School Board. State law requires that if budget amendments exceed 1% of the original adopted budget the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. There were no budget amendments during the year that exceeded the 1% limitation. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

E. Cash and Cash Equivalents

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 \$2,644,073 at June 30, 2019 and is comprised of the following:

| | |
|---|---------------------|
| General Fund--taxes receivable | \$ 1,314,263 |
| General Fund--street light assessments receivable | 11,633 |
| Shawneeland District--taxes receivable | 1,118,863 |
| Lake Holiday District--taxes receivable | 115,314 |
| Enterprise Fund--Landfill Fund--accounts receivable | 84,000 |
| Total | <u>\$ 2,644,073</u> |

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

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

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The County uses the consumption method to record prepaid items.

I. Capital Assets

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

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

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

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

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at acquisition value on the date donated. The County maintains various historic treasures and works of art that are of significance to the history of the County. However, the County does not capitalize historic treasures or works of art because the collection is held for reasons other than financial gain; the collection is protected, kept unencumbered, cared for, and preserved; and the collection is subject to a County policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Interest on cost of construction funds for the Proprietary Funds is capitalized where applicable. There was no interest capitalized in the year ended June 30, 2019.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

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

J. Compensated Absences (Continued)

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.

The County and its component units have accrued the liability arising from all outstanding compensated absences. The liability for future vacation and sick leave benefits is accrued when such benefits meet the following conditions:

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

K. Use of Estimates

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

L. Long-Term Obligations

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

M. Net Position

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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

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

N. Net Position Flow Assumption

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

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

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

P. Pensions

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

Q. Other Postemployment Benefits (OPEB)

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

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.

Fund balances are required to be reported according to the following classifications:

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

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

R. Fund Equity (Continued)

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

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

Assigned fund balance - Amounts that are constrained by the County's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When fund balance resources are available for a specific purpose in more than one classification, it is generally the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes) or other official to which the Board has delegated authority to assign amounts including but limited to the County Administrator and the Director of Finance.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

R. Fund Equity (Continued)

The following is a detail of fund balances at June 30, 2019:

| Category | General Fund | Shawneeland Sanitary District Fund | Lake Holiday Sanitary District Fund | Capital Projects Fund | School Debt Service Fund | Other Governmental Funds | Total Primary Government | Component Unit School Board |
|------------------------------|---------------|------------------------------------|-------------------------------------|-----------------------|--------------------------|--------------------------|--------------------------|-----------------------------|
| Nonspendable: | | | | | | | | |
| Prepaid Expenditures | \$ 1,945 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,945 | \$ - |
| Inventory | - | - | - | - | - | - | - | 279,516 |
| Noncurrent Loans | 657,083 | - | - | - | - | - | 657,083 | - |
| Total Nonspendable | \$ 659,028 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 659,028 | \$ 279,516 |
| Restricted: | | | | | | | | |
| Peg grant | \$ 427,752 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 427,752 | \$ - |
| Courthouse ADA Fees | 453,621 | - | - | - | - | - | 453,621 | - |
| Animal Shelter | 1,196,179 | - | - | - | - | - | 1,196,179 | - |
| Proffers | 6,428,597 | - | - | - | - | - | 6,428,597 | 385,650 |
| VDOT - Roads | - | - | - | 4,136,972 | - | - | 4,136,972 | - |
| Unexpended Bond Proceeds: | | | | | | | | |
| School Improvements | - | - | - | - | - | - | - | 26,658,950 |
| Total Restricted | \$ 8,506,149 | \$ - | \$ - | \$ 4,136,972 | \$ - | \$ - | \$ 12,643,121 | \$ 27,044,600 |
| Committed: | | | | | | | | |
| General government - various | \$ 1,739,097 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,739,097 | \$ - |
| Education | 225,545 | - | - | - | - | - | 225,545 | 1,881,848 |
| Capital Projects | 6,757,640 | - | - | 5,741,000 | - | - | 12,498,640 | - |
| School Textbooks | - | - | - | - | - | - | - | 1,932,046 |
| Cafeteria | - | - | - | - | - | - | - | 1,505,304 |
| E-Summons | 167,905 | - | - | - | - | - | 167,905 | - |
| Sheriff | 1,000 | - | - | - | - | - | 1,000 | - |
| Tri Centennial | 1,155 | - | - | - | - | - | 1,155 | - |
| Historical Marker | 16,821 | - | - | - | - | - | 16,821 | - |
| VDOT Revenue Sharing | 436,270 | - | - | - | - | - | 436,270 | - |
| Parks and Recreation | 17,174 | - | - | - | - | - | 17,174 | - |
| Shawneeland District | - | 1,679,161 | - | - | - | - | 1,679,161 | - |
| Lake Holiday District | - | - | 3,326,742 | - | - | - | 3,326,742 | - |
| Court Services | - | - | - | - | - | 261,225 | 261,225 | - |
| Total Committed | \$ 9,362,607 | \$ 1,679,161 | \$ 3,326,742 | \$ 5,741,000 | \$ - | \$ 261,225 | \$ 20,370,735 | \$ 5,319,198 |
| Assigned: | | | | | | | | |
| Conservation Easement | \$ 4,780 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,780 | \$ - |
| Debt Service | - | - | - | - | 31,896 | - | 31,896 | - |
| Total Assigned | \$ 4,780 | \$ - | \$ - | \$ - | \$ 31,896 | \$ - | \$ 36,676 | \$ - |
| Unassigned | | | | | | | | |
| | \$ 45,331,680 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 45,331,680 | \$ (1,897,122) |
| Total Fund Balance | \$ 63,864,244 | \$ 1,679,161 | \$ 3,326,742 | \$ 9,877,972 | \$ 31,896 | \$ 261,225 | \$ 79,041,240 | \$ 30,746,192 |

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, 2019 (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, 2019 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, 2019 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 | \$ - | \$ 7,420,857 | \$ - | \$ - |
| U.S. Government Securities | 732,362 | - | - | - |
| Money Market Mutual Fund (SNAP) | - | 27,074,820 | - | - |
| Total | \$ 732,362 | \$ 34,495,677 | \$ - | \$ - |

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (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 | \$ 7,420,857 | \$ 7,420,857 |
| U.S. Government Securities | 732,362 | 732,362 |
| Money Market Mutual Fund (SNAP) | 27,074,820 | 27,074,820 |
| Total | \$ 35,228,039 | \$ 35,228,039 |

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 2018 were levied by the County Board of Supervisors on March 28, 2018, on the assessed value listed as of January 1, 2018.

Property taxes for calendar year 2019 were levied by the County Board of Supervisors on April 10, 2019, on the assessed value listed as of January 1, 2019.

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, 2019 (Continued)**

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2019 consist of the following:

| | <u>Primary Government</u> | | | | | <u>Component Units</u> | | |
|------------------------------|--------------------------------|----------------------------|-----------------------------|---------------------|--|-------------------------|----------------------------------|---------------------------------|
| | <u>Governmental Activities</u> | | | | <u>Business- type Activities</u> | <u>Economic</u> | | <u>Fiduciary Activities</u> |
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total</u> | | <u>School Board</u> | <u>Development Authority</u> | |
| Property taxes | \$ 61,189,167 | \$ 4,511,567 | \$ - | \$65,700,734 | \$ - | \$ - | \$ - | \$ - |
| Business licenses | 1,210,440 | - | - | 1,210,440 | - | - | - | - |
| Airport funds | - | - | - | - | - | - | - | 65,066 |
| Utility taxes | 330,878 | - | - | 330,878 | - | - | - | - |
| Meals taxes | 637,269 | - | - | 637,269 | - | - | - | - |
| Lodging taxes | 102,207 | - | - | 102,207 | - | - | - | - |
| Landfill fees | - | - | - | - | 831,155 | - | - | - |
| Prisoner fees | - | - | - | - | - | - | - | 309,905 |
| Penalties and Interest | 294,306 | 6,106 | - | 300,412 | - | - | - | - |
| Street lights | 11,633 | - | - | 11,633 | - | - | - | - |
| Other | 561,739 | 33,871 | 26,887 | 622,497 | 30,918 | 63,180 | - | 9,797 |
| Total | \$ 64,337,639 | \$ 4,551,544 | \$ 26,887 | \$68,916,070 | \$ 862,073 | \$ 63,180 | \$ - | \$ 384,768 |
| Allowance for uncollectibles | (1,325,896) | (1,234,177) | - | (2,560,073) | (84,000) | - | - | - |
| Net receivables | <u>\$ 63,011,743</u> | <u>\$ 3,317,367</u> | <u>\$ 26,887</u> | <u>\$66,355,997</u> | <u>\$ 778,073</u> | <u>\$ 63,180</u> | <u>\$ -</u> | <u>\$ 384,768</u> |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 5 - DUE FROM OTHER GOVERNMENTS:

| | <u>Governmental Activities</u> | | | <u>Component Units</u> | | |
|-----------------------------------|--------------------------------|------------------------|----------------------|------------------------|---------------------------------------|-----------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Total</u> | <u>School Board</u> | <u>Economic Development Authority</u> | <u>Fiduciary Activities</u> |
| Commonwealth of Virginia: | | | | | | |
| Local sales taxes | \$ 2,605,566 | \$ - | \$ 2,605,566 | \$ - | \$ - | \$ 49,712 |
| Communication taxes | 182,807 | - | 182,807 | - | - | - |
| Comprehensive Services Act | - | 343,153 | 343,153 | - | - | - |
| Shared expenses and grants | 336,547 | - | 336,547 | - | - | - |
| PPTRA | 6,215,370 | - | 6,215,370 | - | - | - |
| VDOT | - | - | - | - | - | - |
| Public assistance | 211,251 | - | 211,251 | - | - | - |
| State school funds | - | - | - | 2,074,418 | - | - |
| Federal pass-through school funds | - | - | - | 2,123,498 | - | - |
| Airport | - | - | - | - | - | - |
| Jail operations and costs | - | - | - | - | - | 822,032 |
| E-911 | 22,011 | - | 22,011 | - | - | - |
| Other | 59,472 | - | 59,472 | - | - | - |
| Federal government: | | | | | | |
| Airport | - | - | - | - | - | - |
| Victim witness | - | - | - | - | - | - |
| Public assistance | 383,250 | - | 383,250 | - | - | - |
| Other | 899 | - | 899 | - | - | - |
| Total | \$ 10,017,173 | \$ 343,153 | \$ 10,360,326 | \$ 4,197,916 | \$ - | \$ 871,744 |

NOTE 6 - INTERFUND BALANCES AND TRANSFERS:

Primary Government:

Balances due to/from other funds at June 30, 2019:

There were no interfund obligations in the primary government.

Transfers to/from other funds:

| | |
|--|----------------------|
| Transfers to the School Debt Service Fund to pay school debt service and related costs | \$ 14,579,320 |
| Transfers to the Unemployment fund from General Fund for various costs | 7,801 |
| Transfers to the Comprehensive Services fund from the General Fund for various welfare costs | <u>1,691,949</u> |
| Total transfers | <u>\$ 16,279,070</u> |

Component Unit School Board:

Balances due to/from other funds at June 30, 2019:

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 | \$ 536,298 |
| Transfers to the Cafeteria Fund to pay food service costs | 19,411 |
| Total transfers | <u>\$ 555,709</u> |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (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, 2019 | <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, 2019.

Governmental Activities

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|------------------------------|----------------------------|----------------------------|------------------------------|
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 2,627,578 | \$ - | \$ - | \$ 2,627,578 |
| Construction in progress | 3,715,888 | 1,363,393 | 2,832,548 | 2,246,733 |
| School construction in progress allocated to County * | 3,074,966 | 4,889,408 | - | 7,964,374 |
| Total capital assets not being depreciated | <u>\$ 9,418,432</u> | <u>\$ 6,252,801</u> | <u>\$ 2,832,548</u> | <u>\$ 12,838,685</u> |
| Other capital assets: | | | | |
| Buildings and improvements | \$ 54,597,496 | \$ 336,169 | \$ - | \$ 54,933,665 |
| School buildings and improvements * | 99,714,211 | - | 10,341,220 | 89,372,991 |
| Furniture, equipment and vehicles | 14,922,967 | 5,112,087 | 478,899 | 19,556,155 |
| Total other capital assets | <u>\$ 169,234,674</u> | <u>\$ 5,448,256</u> | <u>\$ 10,820,119</u> | <u>\$ 163,862,811</u> |
| Less: Accumulated depreciation for: | | | | |
| Buildings and improvements | \$ 19,077,658 | \$ 1,431,091 | \$ - | \$ 20,508,749 |
| School buildings and improvements * | 23,381,669 | 2,314,167 | 4,141,370 | 21,554,466 |
| Furniture, equipment and vehicles | 11,061,995 | 1,950,911 | 469,451 | 12,543,455 |
| Total accumulated depreciation | <u>\$ 53,521,322</u> | <u>\$ 5,696,169</u> | <u>\$ 4,610,821</u> | <u>\$ 54,606,670</u> |
| Other capital assets, net | <u>\$ 115,713,352</u> | <u>\$ (247,913)</u> | <u>\$ 6,209,298</u> | <u>\$ 109,256,141</u> |
| Net capital assets | <u><u>\$ 125,131,784</u></u> | <u><u>\$ 6,004,888</u></u> | <u><u>\$ 9,041,846</u></u> | <u><u>\$ 122,094,826</u></u> |
| Depreciation expense was allocated as follows: | | | | |
| General government administration | | \$ 472,206 | | |
| Judicial administration | | 206,831 | | |
| Public safety | | 2,142,096 | | |
| Public works | | 170,117 | | |
| Health and welfare | | 26,993 | | |
| Education | | 2,314,167 | | |
| Parks, recreation and cultural | | 356,826 | | |
| Community development | | 6,933 | | |
| Total depreciation expense | | <u><u>\$ 5,696,169</u></u> | | |

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

NOTE 8 - CAPITAL ASSETS: (Continued)

Component Unit School Board

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|---------------------------------|---------------------|-----------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 10,982,635 | \$ 1,305,223 | \$ - | \$ 12,287,858 |
| Construction in progress | 8,285,221 | 8,391,702 | 345,678 | 16,331,245 |
| Construction in progress allocated to County * | (3,074,966) | (4,889,408) | - | (7,964,374) |
| Total capital assets not being depreciated | <u>\$ 16,192,890</u> | <u>\$ 4,807,517</u> | <u>\$ 345,678</u> | <u>\$ 20,654,729</u> |
| Other capital assets: | | | | |
| Buildings and improvements | \$ 298,818,152 | \$ 6,037,010 | | \$ 304,855,162 |
| School buildings and improvements allocated to County * | (99,714,211) | - | (10,341,220) | (89,372,991) |
| Furniture, equipment and vehicles | 44,135,839 | 2,583,650 | 348,540 | 46,370,949 |
| Total other capital assets | <u>\$ 243,239,780</u> | <u>\$ 8,620,660</u> | <u>\$ (9,992,680)</u> | <u>\$ 261,853,120</u> |
| Less: Accumulated depreciation for: | | | | |
| Buildings and improvements | \$ 115,151,004 | \$ 6,934,969 | \$ - | \$ 122,085,973 |
| School buildings and improvements allocated to County * | (23,381,669) | (2,314,167) | (4,141,370) | (21,554,466) |
| Furniture, equipment and vehicles | 27,494,751 | 1,902,585 | 214,722 | 29,182,614 |
| Total accumulated depreciation | <u>\$ 119,264,086</u> | <u>\$ 6,523,387</u> | <u>\$ (3,926,648)</u> | <u>\$ 129,714,121</u> |
| Other capital assets, net | <u>\$ 123,975,694</u> | <u>\$ 2,097,273</u> | <u>\$ (6,066,032)</u> | <u>\$ 132,138,999</u> |
| Net capital assets | <u>\$ 140,168,584</u> | <u>\$ 6,904,790</u> | <u>\$ (5,720,354)</u> | <u>\$ 152,793,728</u> |
| Depreciation expense allocated to education | | <u>\$ 6,523,387</u> | | |

* School Board capital assets are jointly owned by the County (primary government) and the component unit School Board. The County share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system.

Reconciliation of primary government net position net investment in capital assets:

| | |
|--|-----------------------|
| Net capital assets | \$ 122,094,826 |
| Long-term debt applicable to capital assets at June 30, 2019 | 154,265,533 |
| Less: Bond proceeds received but not expended on capital assets at June 30, 2019 | (26,658,950) |
| Net investment in capital assets | <u>\$ (5,511,757)</u> |

Business-type Activities

Landfill Operations

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 |
|--|---------------------------------|---------------------|-------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 3,310,126 | \$ 210,370 | \$ - | \$ 3,520,496 |
| Construction in progress | - | 2,748,085 | - | 2,748,085 |
| Total capital assets not being depreciated | <u>\$ 3,310,126</u> | <u>\$ 2,958,455</u> | <u>\$ -</u> | <u>\$ 6,268,581</u> |
| Other capital assets: | | | | |
| Buildings and improvements | \$ 2,999,716 | \$ - | \$ - | \$ 2,999,716 |
| Landfill improvements | 35,779,090 | 862,845 | - | 36,641,935 |
| Furniture, equipment and vehicles | 5,440,721 | 1,062,089 | 280,062 | 6,222,748 |
| Total other capital assets | <u>\$ 44,219,527</u> | <u>\$ 1,924,934</u> | <u>\$ 280,062</u> | <u>\$ 45,864,399</u> |
| Less: Accumulated depreciation for: | | | | |
| Buildings and improvements | \$ 1,799,470 | \$ 125,236 | \$ - | \$ 1,924,706 |
| Landfill improvements | 25,333,416 | 1,445,296 | - | 26,778,712 |
| Furniture, equipment and vehicles | 4,151,042 | 757,991 | 280,062 | 4,628,971 |
| Total accumulated depreciation | <u>\$ 31,283,928</u> | <u>\$ 2,328,523</u> | <u>\$ 280,062</u> | <u>\$ 33,332,389</u> |
| Other capital assets, net | <u>\$ 12,935,599</u> | <u>\$ (403,589)</u> | <u>\$ -</u> | <u>\$ 12,532,010</u> |
| Net capital assets | <u>\$ 16,245,725</u> | <u>\$ 2,554,866</u> | <u>\$ -</u> | <u>\$ 18,800,591</u> |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (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, 2019.

| | Balance Balance July 1, 2018 | Issuances/ Increases | Retirements/ Decreases | Balance June 30, 2019 | Amounts Due Within One Year |
|---|--|-------------------------|---------------------------|--------------------------|-----------------------------------|
| Primary Government: | | | | | |
| Governmental activities: | | | | | |
| Direct Borrowings and Placements: | | | | | |
| Lease revenue bonds | \$ 22,548,750 | \$ - | \$ 956,250 | \$ 21,592,500 | \$ 996,250 |
| Premium on lease revenue bonds | 1,318,754 | - | 130,543 | 1,188,211 | 125,583 |
| Total lease revenue bonds | <u>\$ 23,867,504</u> | <u>\$ -</u> | <u>\$ 1,086,793</u> | <u>\$ 22,780,711</u> | <u>\$ 1,121,833</u> |
| Local financing leases | 7,030,000 | - | 255,000 | 6,775,000 | 270,000 |
| Premium on financing leases | 587,860 | - | 59,621 | 528,239 | 57,112 |
| Total local financing lease | <u>\$ 7,617,860</u> | <u>\$ -</u> | <u>\$ 314,621</u> | <u>\$ 7,303,239</u> | <u>\$ 327,112</u> |
| County General obligation bonds: | | | | | |
| Library | 1,282,015 | - | 295,401 | 986,614 | 311,540 |
| School General obligation bonds: | | | | | |
| School | 109,262,535 | 25,075,000 | 10,341,220 | 123,996,315 | 11,195,047 |
| Add deferred amount for issuance premiums | 5,530,604 | 2,496,409 | 753,563 | 7,273,450 | 936,520 |
| Total School General obligation bonds | <u>\$ 114,793,139</u> | <u>\$ 27,571,409</u> | <u>\$ 11,094,783</u> | <u>\$ 131,269,765</u> | <u>\$ 12,131,567</u> |
| Intergovernmental loans | 1,666,525 | - | 91,430 | 1,575,095 | 94,569 |
| Claims | 973,490 | 11,781,033 | 11,644,223 | 1,110,300 | 1,110,300 |
| Capital leases | 405,372 | 449,291 | 208,510 | 646,153 | 207,784 |
| Net Pension liability | 9,106,129 | 11,569,911 | 10,317,129 | 10,358,911 | - |
| Net OPEB liability: | | | | | |
| Net Medical Insurance OPEB liability | 37,578,913 | 2,422,014 | 1,089,283 | 38,911,644 | - |
| Net VRS Group Life Insurance OPEB liability | 1,978,006 | 493,179 | 405,072 | 2,066,113 | - |
| Total net OPEB liability | <u>\$ 39,556,919</u> | <u>\$ 2,915,193</u> | <u>\$ 1,494,355</u> | <u>\$ 40,977,757</u> | <u>\$ -</u> |
| Compensated absences | 4,246,168 | 3,010,643 | 2,972,318 | 4,284,493 | 2,999,145 |
| Total governmental activities | <u>\$ 203,515,121</u> | <u>\$ 57,297,480</u> | <u>\$ 39,519,563</u> | <u>\$ 221,293,038</u> | <u>\$ 18,303,850</u> |
| Reconciliation to Exhibit 1: | | | | | |
| Claims | | | | \$ 1,110,300 | |
| Long-term liabilities due within one year | | | | 17,193,550 | |
| Long-term liabilities due in more than one year | | | | 202,989,188 | |
| Total long-term obligations | | | | <u>\$ 221,293,038</u> | |
| | Balance July 1, 2018 as restated | Increases | Decreases | Balance June 30, 2019 | Amounts Due Within One Year |
| Business-type activities: | | | | | |
| Compensated absences | \$ 173,153 | \$ 124,003 | \$ 121,207 | 175,949 | \$ 123,164 |
| Net Pension liability | 381,332 | 435,020 | 422,093 | 394,259 | - |
| Net OPEB liability: | | | | | |
| Net Medical Insurance OPEB liability | 1,915,046 | 123,428 | 55,511 | 1,982,963 | - |
| Net VRS Group Life Insurance OPEB liability | 82,833 | 19,993 | 24,191 | 78,635 | - |
| Total net OPEB liability | <u>\$ 1,997,879</u> | <u>\$ 143,421</u> | <u>\$ 79,702</u> | <u>\$ 2,061,598</u> | <u>\$ -</u> |
| Landfill remediation costs | 13,126,482 | 463,564 | - | 13,590,046 | - |
| Total business-type activities | <u>\$ 15,678,846</u> | <u>\$ 1,166,008</u> | <u>\$ 623,002</u> | <u>\$ 16,221,852</u> | <u>\$ 123,164</u> |
| Reconciliation to Exhibit 1: | | | | | |
| Long-term liabilities due within one year | | | | \$ 123,164 | |
| Long-term liabilities due in more than one year | | | | 16,098,688 | |
| Total long-term obligations | | | | <u>\$ 16,221,852</u> | |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (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, | Direct Borrowings and Placements | | Capital Leases | |
|-------------------------|-------------------------------------|---------------------|-------------------|------------------|
| | General Obligation Bonds | | Principal | Interest |
| | Principal | Interest | | |
| 2020 | \$ 11,506,587 | \$ 5,337,768 | \$ 207,784 | \$ 21,841 |
| 2021 | 11,647,101 | 4,804,527 | 213,622 | 14,258 |
| 2022 | 11,663,457 | 4,265,945 | 113,706 | 6,385 |
| 2023 | 10,175,784 | 3,746,287 | 111,041 | 2,921 |
| 2024 | 9,355,000 | 3,289,385 | | |
| 2025-2029 | 35,340,000 | 11,149,213 | - | - |
| 2030-2034 | 22,960,000 | 4,483,384 | - | - |
| 2035-2039 | 11,770,000 | 900,547 | - | - |
| 2040-2044 | 565,000 | 8,969 | - | - |
| Total | <u>\$ 124,982,929</u> | <u>\$37,986,025</u> | <u>\$ 646,153</u> | <u>\$ 45,405</u> |

| Year Ending June 30, | Direct Borrowings and Placements | | Intergovernmental Loans | | Direct Borrowings and Placements | |
|-------------------------|-------------------------------------|---------------------|-------------------------|-------------------|-------------------------------------|--------------------|
| | Lease Revenue Bonds | | Principal | Interest | Local Financing Leases | |
| | Principal | Interest | | | Principal | Interest |
| 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 | 1,207,500 | 778,374 | 90,393 | 20,815 | 325,000 | 227,528 |
| 2025-2029 | 7,048,750 | 2,895,255 | 460,485 | 111,628 | 1,890,000 | 875,475 |
| 2030-2034 | 6,685,000 | 1,217,564 | 518,805 | 52,510 | 2,335,000 | 430,482 |
| 2035-2039 | 2,370,000 | 113,806 | 111,780 | 2,739 | 1,070,000 | 41,163 |
| Total | <u>\$ 21,592,500</u> | <u>\$ 8,670,396</u> | <u>\$ 1,575,094</u> | <u>\$ 322,926</u> | <u>\$ 6,775,000</u> | <u>\$2,633,270</u> |

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

| Details of Long-Term Indebtedness: Governmental Activities: | <u>Amount Outstanding</u> |
|--|--------------------------------------|
| <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 | \$ 14,980,000 |
| \$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>6,612,500</u> |
| Total lease revenue bonds | <u>\$ 21,592,500</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>\$ 986,614</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 | \$ 4,525,000 |
| \$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>2,250,000</u> |
| Total local financing leases | <u>\$ 6,775,000</u> |
| <u>General Obligation School Bonds:</u> | |
| \$4,650,000 School Bonds, issued April 1999, maturing in annual installments of \$236,000 to \$448,000 through January 2020, interest at 5% | \$ 230,000 |
| \$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% | 205,000 |
| \$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% | 2,520,000 |
| \$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% | 915,000 |
| \$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% | 1,665,000 |

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness: (continued) **Governmental Activities: (continued)**

Amount Outstanding

General Obligation School Bonds: (continued)

| | |
|---|------------|
| \$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% | \$ 660,000 |
| \$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% | 841,315 |
| \$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% | 3,150,000 |
| \$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% | 1,480,000 |
| \$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% | 2,560,000 |
| \$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% | 2,550,000 |
| \$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% | 2,095,000 |
| \$5,685,000 School Bonds, issued November 10, 2005, maturing in annual installments of \$280,000 to \$285,000 through July 15, 2025, interest at 4.60% to 5.10% | 1,980,000 |
| \$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% | 2,520,000 |
| \$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% | 2,320,000 |
| \$4,370,000 School Bonds, issued May 8, 2007, maturing in annual installments of \$215,000 to \$220,000 through July 15, 2026, interest at 5.10% | 1,950,000 |
| \$3,800,000 School Bonds, issued November 4, 2007, maturing in annual installments of \$190,000 through July 15, 2027, interest at 5.10% | 1,710,000 |
| \$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% | 6,700,000 |
| \$5,720,000 School Bonds, issued November 25, 2008, maturing in annual installments of \$285,000 to \$290,000 through July 15, 2028, interest at 4.91% | 2,850,000 |
| \$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% | 5,175,000 |
| \$7,000,000 School Bonds, issued December 15, 2011, maturing in annual installments of \$365,000 to \$370,000 through December 1, 2030, interest at 4.25% | 4,440,000 |
| \$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% | 3,085,000 |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

| Details of Long-Term Indebtedness: (continued) | <u>Amount Outstanding</u> |
|---|--------------------------------------|
| Governmental Activities: (continued) | |
| <u>General Obligation School Bonds: (continued)</u> | |
| \$5,025,000 School Bonds, issued November 5, 2013, maturing in annual installments of \$250,000 to \$255,000 through July 15, 2033, interest at 2.30% to 5.05% | \$ 3,755,000 |
| \$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% | 3,510,000 |
| \$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% | 10,700,000 |
| \$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% | 15,745,000 |
| \$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% | 7,290,000 |
| \$6,320,000 School Bonds, issued May 1, 2018, maturing in annual installments of \$315,000 to \$320,000 through July 15, 2038, interest at 3.05% to 5.05% | 6,320,000 |
| \$3,720,000 School Bonds, issued November 6, 2018, maturing in annual installments of \$185,000 to \$190,000 through July 15, 2040, interest at 3.55% to 5.05% | 3,720,000 |
| \$10,035,000 School Bonds, issued November 6, 2018, maturing in annual installments of \$500,000 to \$515,000 through July 15, 2038, interest at 3.675% to 5.05% | 10,035,000 |
| \$4,100,000 School Bonds, issued May 21, 2019, maturing in annual installments of \$205,000 through July 15, 2039, interest at 3.05% to 5.05% | 4,100,000 |
| \$7,220,000 School Bonds, issued May 21, 2019, maturing in annual installments of \$360,000 to \$365,000 through July 15, 2039, interest at 2.05% to 5.05% | <u>7,220,000</u> |
| Total General Obligation School Bonds | <u>\$123,996,315</u> |
| <u>Intergovernmental Loans:</u> | |
| Loan payable to City of Winchester, due in various annual installments through March 2035, interest payable semiannually at various rates. | <u>\$ 1,575,095</u> |
| <u>Capital Leases:</u> | |
| The County leases various types of equipment under capital lease agreements. Title to the equipment passes to the entity upon completion of payment of the minimum lease payments. There are no restrictions imposed by the agreements. | |
| The balance of capital leases at June 30, 2019 is | <u>\$ 646,153</u> |
| Claims | <u>\$ 1,110,300</u> |
| Net pension liability | <u>\$ 10,358,911</u> |
| Net OPEB liability | <u>\$ 40,977,757</u> |
| Compensated absences | <u>\$ 4,284,493</u> |
| Total governmental long-term obligations | \$212,303,138 |
| Add deferred amount for issuance premiums | <u>8,989,900</u> |
| Net governmental activities long-term obligations | <u><u>\$221,293,038</u></u> |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness: (continued)

Business-type activities:

| | Amount Outstanding |
|--|-------------------------------|
| Compensated absences | \$ 175,949 |
| Net pension liability | \$ 394,259 |
| Net OPEB liability | \$ 2,061,598 |
| Landfill remediation costs | \$ 13,590,046 |
| Total business-type activities long-term obligations | <u>\$ 16,221,852</u> |

Federal Arbitrage Regulations:

The County is in compliance with federal arbitrage regulations. Any arbitrage amounts that may be required to be paid are not material to the financial statements.

Component Unit School Board:

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2019.

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 | Amounts Due Within One Year |
|---|---------------------------------|----------------------|----------------------|----------------------------------|--|
| Claims | \$ 2,035,080 | \$ 16,829,899 | \$ 16,918,505 | \$ 1,946,474 | \$ 1,946,474 |
| Net OPEB liability | | | | | |
| Net Medical Insurance OPEB liability | 7,175,000 | 812,780 | 384,599 | 7,603,181 | - |
| Net VRS Group Life Insurance OPEB liability | 7,692,000 | 1,355,000 | 1,270,000 | 7,777,000 | - |
| Net VRS Health Insurance Credit OPEB liability | 13,748,000 | 1,557,000 | 1,466,000 | 13,839,000 | - |
| Total net OPEB liability | <u>\$ 28,615,000</u> | <u>\$ 3,724,780</u> | <u>\$ 3,120,599</u> | <u>\$ 29,219,181</u> | <u>\$ -</u> |
| Net Pension liability | 133,333,000 | 31,332,000 | 36,460,000 | 128,205,000 | - |
| Compensated absences | 2,349,911 | 1,706,613 | 1,644,938 | 2,411,586 | 1,688,110 |
| Total | <u>\$ 166,332,991</u> | <u>\$ 53,593,292</u> | <u>\$ 58,144,042</u> | <u>\$ 161,782,241</u> | <u>\$ 3,634,584</u> |
| Reconciliation to Exhibit 1: | | | | | |
| Claims | | | | \$ 1,946,474 | |
| Long-term liabilities due within one year | | | | 1,688,110 | |
| Long-term liabilities due in more than one year | | | | 158,147,657 | |
| Total long-term obligations | | | | <u>\$ 161,782,241</u> | |

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

NOTE 10 - PENSION PLANS:

All full-time, salaried permanent employees of the County/City/Town 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 Name of County/City and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

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

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

NOTE 10 - PENSION PLANS: (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2019 was 11.33% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$3,173,090 and \$2,825,083 for the years ended June 30, 2019 and June 30, 2018, respectively.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

Net Pension Liability

At June 30, 2019, the County reported a liability of \$10,753,170 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. 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, 2018 and 2017 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2018 and 2017, the County's proportion was 65.09% and 64.34%, respectively.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the County of Frederick's Retirement Plan and the Frederick County Public Schools Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

| | |
|---------------------------------------|---|
| 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.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

Actuarial Assumptions – General Employees (Continued)

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.

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, 2019 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 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, 2017, 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, 2018.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (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, 2019 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

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

The actuarial assumptions used in the June 30, 2017 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, 2019 (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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

Discount Rate: (Continued)

June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. 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, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the County's proportionate share of the net pension liability using the discount rate of 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) | \$ 25,908,283 | \$ 10,753,170 | \$ (1,708,366) |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

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

For the year ended June 30, 2019, the County recognized pension expense of \$2,056,119. 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, 2019, 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 | \$ 2,011,481 | \$ 478,830 |
| Change in assumptions | - | 471,280 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 89,812 | 42,739 |
| Net difference between projected and actual earnings on pension plan investments | - | 825,947 |
| Employer contributions subsequent to the measurement date | <u>3,173,090</u> | <u>-</u> |
| Total | <u>\$ 5,274,383</u> | <u>\$ 1,818,796</u> |

\$3,173,090 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, 2020. 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> |
|----------------------------------|--------------------------------------|
| 2020 | \$ 572,424 |
| 2021 | 223,688 |
| 2022 | (669,784) |
| 2023 | 156,169 |
| Thereafter | - |

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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, 2017 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 | 203 |
| Inactive members: | |
| Vested inactive members | 43 |
| Non-vested inactive members | 153 |
| Inactive members active elsewhere in VRS | <u>69</u> |
| Total inactive members | 265 |
| Active members | <u>402</u> |
| Total covered employees | <u><u>870</u></u> |

Contributions

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2019 was 5.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$467,447 and \$488,848 for the years ended June 30, 2019 and June 30, 2018, respectively.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

NOTE 10 - PENSION PLAN: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Net Pension Liability/Asset

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Component Unit School Board's (nonprofessional) net pension liability/asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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, 2017 | \$ 23,692,295 | \$ 24,586,615 | \$ (894,320) |
| Changes for the year: | | | |
| Service cost | \$ 865,925 | \$ - | \$ 865,925 |
| Interest | 1,616,669 | - | 1,616,669 |
| Changes of assumptions | - | - | - |
| Differences between expected and actual experience | (214,164) | - | (214,164) |
| Contributions - employer | - | 488,250 | (488,250) |
| Contributions - employee | - | 412,055 | (412,055) |
| Net investment income | - | 1,810,706 | (1,810,706) |
| Benefit payments, including refunds of employee contributions | (1,194,035) | (1,194,035) | - |
| Administrative expenses | - | (15,547) | 15,547 |
| Other changes | - | (1,619) | 1,619 |
| Net changes | \$ 1,074,395 | \$ 1,499,810 | \$ (425,415) |
| Balances at June 30, 2019 | \$ 24,766,690 | \$ 26,086,425 | \$ (1,319,735) |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (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) | \$ 1,568,631 | \$ (1,319,735) | \$ (3,757,723) |

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

For the year ended June 30, 2019, the Component Unit School Board (nonprofessional) recognized pension expense of (\$109,146). At June 30, 2019, 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 | \$ - | \$ 183,350 |
| Change in assumptions | - | 98,911 |
| Net difference between projected and actual earnings on pension plan investments | - | 218,232 |
| Employer contributions subsequent to the measurement date | <u>467,447</u> | <u>-</u> |
| Total | <u>\$ 467,447</u> | <u>\$ 500,493</u> |

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (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)

\$467,447 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, 2020. 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> |
|---------------------------|--|
| 2020 | \$ (144,191) |
| 2021 | (86,107) |
| 2022 | (250,091) |
| 2023 | (20,104) |
| 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, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$14,175,476 and \$14,341,367 for the years ended June 30, 2019 and June 30, 2018, respectively.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (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, 2019, the school division reported a liability of \$128,205,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 1.0902% as compared to 1.0842% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$9,489,000. 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, 2019, 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 | \$ - | \$ 10,962,000 |
| Change in assumptions | 1,530,000 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 2,719,000 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 3,900,000 | 1,664,000 |
| Employer contributions subsequent to the measurement date | <u>14,175,476</u> | <u>-</u> |
| Total | <u>\$ 19,605,476</u> | <u>\$ 15,345,000</u> |

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (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)

\$14,175,476 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, 2020. 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> |
|---------------------------|---|
| 2020 | \$ (123,000) |
| 2021 | (2,010,000) |
| 2022 | (5,643,000) |
| 2023 | (1,753,000) |
| Thereafter | (386,000) |

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

| | |
|---------------------------------------|---|
| 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, 2019 (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, 2017 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, 2019 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

Component Unit School Board (professional) (Continued)

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, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | | |
|---|----|---|
| | | Teacher Employee Retirement Plan |
| Total Pension Liability | \$ | <u>46,679,555</u> |
| Plan Fiduciary Net Position | | <u>34,919,563</u> |
| Employer's Net Pension Liability (Asset) | \$ | <u><u>11,759,992</u></u> |
| Plan Fiduciary Net position as a Percentage of the Total Pension Liability | | 74.81% |

Net Pension Liability

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

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

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

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

| | | | |
|--|----------------|----------------|----------------|
| | Rate | | |
| | <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) | \$ 195,836,000 | \$ 128,205,000 | \$ 72,225,000 |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 10 - PENSION PLAN: (Continued)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2018 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.

Primary Government and Component Unit School Board

Aggregate Pension Information

| | VRS Pension Plans: | | | |
|------------------------------------|------------------------------|-----------------------------|--|----------------------------|
| | Deferred Outflows | Deferred Inflows | Net Pension Liability (Asset) | Pension Expense |
| Primary Government | | | | |
| Primary Government | \$ 5,274,383 | \$ 1,818,796 | \$ 10,753,170 | \$ 2,056,119 |
| Totals | <u>\$ 5,274,383</u> | <u>\$ 1,818,796</u> | <u>\$ 10,753,170</u> | <u>\$ 2,056,119</u> |
| Component Unit School Board | | | | |
| School Board Nonprofessional | \$ 467,447 | \$ 500,493 | \$ (1,319,735) | \$ (109,146) |
| School Board Professional | <u>19,605,476</u> | <u>15,345,000</u> | <u>128,205,000</u> | <u>9,489,000</u> |
| Totals | <u>\$ 20,072,923</u> | <u>\$ 15,845,493</u> | <u>\$ 126,885,265</u> | <u>\$ 9,379,854</u> |

NOTE 11 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no expenditures in excess of appropriations for the year ended June 30, 2019.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (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. | \$ - | \$ 1,210,440 |
| 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. | - | 8,640,507 |
| 2nd half assessments due in December 2019 | 52,745,570 | 52,745,570 |
| Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year. | <u>3,861,608</u> | <u>3,861,608</u> |
| Total governmental activities | <u>\$ 56,607,178</u> | <u>\$ 66,458,125</u> |
| | <u>Government-wide Statements</u> | <u>Statement of Net Position</u> |
| | <u>Business-type Activities</u> | <u>Enterprise Funds</u> |
| Unearned revenue from landfill operations | <u>\$ 6,013</u> | <u>\$ 6,013</u> |

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

Primary Government and Component Unit School Board:

Federal programs in which the County and School Board participate were audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 13 - COMMITMENTS AND CONTINGENCIES: (Continued)

Primary Government and Component Unit School Board: (Continued)

The County and School Board have authorized and/or commenced construction on various capital projects. At June 30, 2019, the following significant items were in process:

- Stephenson Convenience Site - estimated completion cost is \$68,789
- Sherando Park Recreation Access – estimated completion cost is \$162,528
- Clearbrook Parking Lot – estimated completion cost is \$120,890
- Aylor Middle School – estimated completion cost is \$4,694,714
- 12th Elementary School – estimated completion cost is \$15,240,333

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>1,964,642</u> |
| Total | \$ <u><u>1,964,642</u></u> |

NOTE 14 - LITIGATION:

At June 30, 2019, 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 |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 16 - SELF INSURANCE/RISK MANAGEMENT:

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

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

Employee Health Insurance:

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

Claims liability is reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Incurred but not reported claims have been accrued as a liability based upon prior history and estimates from the insurance carrier. Changes in the estimated claims liability for fiscal years 2017, 2018 and 2019 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 | | | | |
| 2017 | \$ 772,391 | 9,490,998 | 9,428,592 | 834,797 |
| 2018 | 834,797 | 9,768,351 | 9,629,658 | 973,490 |
| 2019 | 973,490 | 11,781,033 | 11,644,223 | 1,110,300 |
| Component Unit School Board: | | | | |
| School Operating and Health Insurance Funds | | | | |
| 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 |
| 2019 | 2,035,080 | 16,829,899 | 16,918,505 | 1,946,474 |

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

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

Unemployment Insurance:

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

Property and Casualty Insurance:

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

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

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

NOTE 17 - ACCRUED LANDFILL REMEDIATION COST:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$13,590,046 reported as landfill closure and postclosure care liability at June 30, 2019 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 \$13,590,046 reported as the accrued landfill liability and postclosure costs reflects usage on the new landfill from October 5, 1993 to June 30, 2019. 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 2019. Actual cost may not be higher due to inflation, changes in technology, or changes in regulations.

At June 30, 2019, the solid waste landfill capacity used to date was approximately 21% and 19% for the construction/demolition debris section of the landfill.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 17 - ACCRUED LANDFILL REMEDIATION COST: (Continued)

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

The remaining estimated landfill life approximates 30 years. The remaining estimated postclosure cost to be recognized at June 30, 2019 is \$4,871,942 for the municipal solid waste landfill and \$2,699,840 for the construction/demolition debris landfill.

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, 2018 (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> |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

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

County (Continued)

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, 2018. 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 | 2.20% |
| 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 | 3.62% |
| | |

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 3.62% 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.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

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

County (Continued)

Changes in Total OPEB Liability

| | <u>Primary Government Total OPEB Liability</u> |
|---|---|
| Balances at June 30, 2017 | \$ 39,493,959 |
| Changes for the year: | |
| Service cost | 1,146,894 |
| Interest | 1,398,548 |
| Difference between expected and actual experience | (471,706) |
| Changes in assumptions | (288,025) |
| Benefit payments | <u>(385,063)</u> |
| Net changes | 1,400,648 |
| Balances at June 30, 2018 | <u>\$ 40,894,607</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 (2.62%) or one percentage point higher (4.62%) than the current discount rate:

| Rate | | |
|---------------------------------------|---|---------------------------------------|
| <u>1% Decrease (2.62%)</u> | <u>Current Discount Rate (3.62%)</u> | <u>1% Increase (4.62%)</u> |
| \$ 48,992,834 | \$ 40,894,607 | \$ 34,503,909 |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

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

County (Continued)

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

The following presents the total OPEB liability of the County was calculated using healthcare cost trend rates that are one percentage point lower (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 | | |
|---|---|---|
| Healthcare Cost | | |
| 1% Decrease (4.30% decreasing to 2.80% after 2097) | Trend (5.30% decreasing to 3.80% after 2097) | 1% Increase (6.30% decreasing to 4.80% after 2097) |
| \$ 33,469,014 | \$ 40,894,607 | \$ 50,683,340 |

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

For the year ended June 30, 2019, the County recognized OPEB expense in the amount of \$1,676,306. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 404,319 |
| Changes in assumptions | - | 4,049,897 |
| Total | <u>\$ -</u> | <u>\$ 4,454,216</u> |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (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:

| <u>Year Ended June 30</u> | |
|---------------------------|--------------|
| 2020 | \$ (869,136) |
| 2021 | (869,136) |
| 2022 | (869,136) |
| 2023 | (869,136) |
| 2024 | (869,139) |
| Thereafter | (108,533) |

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, 2019 (Continued)**

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

School Board (Continued)

Plan Membership

At June 30, 2018 (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, 2018. The total OPEB liability was determined by an actuarial valuation as of June 30, 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 | 2.30% |
| 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 | 3.62% |
| Investment Rate of Return | 3.62% |

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 June 30, 2017.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (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 3.62% 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, 2017 | \$ 7,175,000 |
| Changes for the year: | |
| Service cost | 540,722 |
| Interest | 250,797 |
| Difference between expected and actual experience | 21,261 |
| Changes in assumptions | (25,319) |
| Benefit payments | <u>(359,280)</u> |
| Net changes | <u>428,181</u> |
| Balances at June 30, 2018 | <u><u>\$ 7,603,181</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 (2.62%) or one percentage point higher (4.62%) than the current discount rate:

| Rate | | |
|---------------------------------------|---|---------------------------------------|
| <u>1% Decrease (2.62%)</u> | <u>Current Discount Rate (3.62%)</u> | <u>1% Increase (4.62%)</u> |
| \$ 8,244,113 | \$ 7,603,181 | \$ 7,005,724 |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (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 | | |
|---|---|---|
| Healthcare Cost | | |
| 1% Decrease (4.30% decreasing to 2.90% after 2097) | Trend (5.30% decreasing to 3.90% after 2097) | 1% Increase (6.30% decreasing to 4.90% after 2097) |
| \$ 6,610,030 | \$ 7,603,181 | \$ 8,791,851 |

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

For the year ended June 30, 2019, the School Board recognized OPEB expense in the amount of \$725,939. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 18,224 | \$ - |
| Changes in assumptions | - | 346,702 |
| Total | <u>\$ 18,224</u> | <u>\$ 346,702</u> |

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

| Year Ended June 30 | |
|---------------------------|-------------|
| 2020 | \$ (65,580) |
| 2021 | (65,580) |
| 2022 | (65,580) |
| 2023 | (65,580) |
| 2024 | (65,580) |
| Thereafter | (578) |

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

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

Plan Description

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. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC 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 HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

Eligible Employees

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

Benefit Amounts

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Program Notes

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (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, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$1,113,235 and \$1,084,266 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$13,839,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was 1.08999% as compared to 1.08367% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$1,107,000. Since there was a change in proportionate share between June 30, 2017 and June 30, 2018, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

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

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

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 69,000 |
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | - | 10,000 |
| Change in assumptions | - | 121,000 |
| Change in proportion | 70,000 | 182,000 |
| Employer contributions subsequent to the measurement date | <u>1,113,235</u> | <u>-</u> |
| Total | <u>\$ 1,183,235</u> | <u>\$ 382,000</u> |

\$1,113,235 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

| | |
|------------|-------------|
| 2020 | \$ (57,000) |
| 2021 | (57,000) |
| 2022 | (57,000) |
| 2023 | (51,000) |
| 2024 | (53,000) |
| Thereafter | (37,000) |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (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 HIC Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

| | |
|--|---|
| 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, 2019 (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, 2017 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 HIC 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, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

| | | Teacher Employee HIC OPEB Plan |
|---|----|---|
| | | <u> </u> |
| Total Teacher Employee HIC OPEB Liability | \$ | 1,381,313 |
| Plan Fiduciary Net Position | | 111,639 |
| Teacher Employee net HIC OPEB Liability (Asset) | \$ | <u><u>1,269,674</u></u> |
| | | |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | | 8.08% |

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, 2019 (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 | 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, 2019 (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 ended June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 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 | \$ 15,457,000 | \$ 13,839,000 | \$ 12,463,000 |

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019 (Continued)

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

Plan Description

The Group Life Insurance (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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI 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 GLI Program OPEB.

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

Eligible Employees

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

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

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

Contributions

The contribution requirements for the GLI 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 GLI 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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$148,984 and \$139,634 for the years ended June 30, 2019 and June 30, 2018, respectively, for the County; \$48,958 and \$45,945 for the years ended June 30, 2019 and June 30, 2018, respectively, for the School Board (nonprofessional); and \$483,198 and \$460,309 for the years ended June 30, 2019 and June 30, 2018, respectively, for the School Board (professional).

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

At June 30, 2019, the entity reported a liability of \$2,144,748, \$706,000, and \$7,071,000 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, 2018 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 GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.13604%, 0.04647%, and 0.46554% as compared to 0.13694%, 0.04652%, and 0.46462% at June 30, 2017 for the County, School Board Nonprofessional, and School Board Professional, respectively.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$37,753, \$4,000, and \$41,000 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (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 GLI Program OPEB (Continued)

At June 30, 2019, 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 |
|--|---|--|
| | <u> </u> | <u> </u> |
| Primary Government | | |
| Differences between expected and actual experience | \$ 104,797 | \$ 39,055 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 69,647 |
| Change in assumptions | - | 89,175 |
| Changes in proportion | 106,098 | - |
| Employer contributions subsequent to the measurement date | 148,984 | - |
| Total Primary Government | <u>\$ 359,879</u> | <u>\$ 197,877</u> |
| Component Unit School Board (nonprofessional) | | |
| Differences between expected and actual experience | \$ 35,000 | \$ 13,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 23,000 |
| Change in assumptions | - | 29,000 |
| Employer contributions subsequent to the measurement date | 48,958 | - |
| Total Component Unit School Board (nonprofessional) | <u>\$ 83,958</u> | <u>\$ 65,000</u> |
| Component Unit School Board (professional) | | |
| Differences between expected and actual experience | \$ 346,000 | \$ 126,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 230,000 |
| Change in assumptions | - | 295,000 |
| Changes in proportion | 13,000 | 49,000 |
| Employer contributions subsequent to the measurement date | 483,198 | - |
| Total Component Unit School Board (professional) | <u>\$ 842,198</u> | <u>\$ 700,000</u> |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (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 GLI Program OPEB (Continued)

\$148,984, \$48,958 and \$483,198 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, 2020. 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> |
|---------------------------|-------------------------------|--|---|
| 2020 | \$ (9,113) | \$ (10,000) | \$ (112,000) |
| 2021 | (9,113) | (10,000) | (112,000) |
| 2022 | (9,113) | (10,000) | (112,000) |
| 2023 | 11,065 | (4,000) | (47,000) |
| 2024 | 19,527 | 2,000 | 18,000 |
| Thereafter | 9,764 | 2,000 | 24,000 |

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

| | |
|--|---|
| 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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

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

Actuarial Assumptions (Continued)

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.

The actuarial assumptions used in the June 30, 2017 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% |

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

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

Actuarial Assumptions (Continued)

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, 2017 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, 2019 (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, 2017 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, 2019 (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, 2017 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, 2019 (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, 2017 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, 2019 (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, 2017 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, 2019 (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, 2017 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.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

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

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2017 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% |

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

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

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

The actuarial assumptions used in the June 30, 2017 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 GLI Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

| | | |
|--|----|--|
| | | Group Life Insurance OPEB Program |
| | | <hr/> |
| Total GLI OPEB Liability | \$ | 3,113,508 |
| Plan Fiduciary Net Position | | 1,594,773 |
| Employers' Net GLI OPEB Liability (Asset) | \$ | <hr/> <hr/> 1,518,735 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | | 51.22% |

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

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

Long-Term Expected Rate of Return

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

| <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 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 ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

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

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

The follow presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 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 | Current Discount | 1% Increase |
| | (6.00%) | (7.00%) | (8.00%) |
| County's proportionate share of the Group Life Insurance Program | | | |
| Net OPEB Liability | \$ 2,802,818 | \$ 2,144,748 | \$ 1,610,351 |
| School Board(nonprofessional)'s proportionate share of the Group Life Insurance Program | | | |
| Net OPEB Liability | \$ 922,000 | \$ 706,000 | \$ 530,000 |
| School Board(professional)'s proportionate share of the Group Life Insurance Program | | | |
| Net OPEB Liability | \$ 9,240,000 | \$ 7,071,000 | \$ 5,309,000 |

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019 (Continued)**

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

| | VRS OPEB Plans: | | | |
|---|-------------------------------------|------------------------------------|--------------------------------------|--------------------------------|
| | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> | <u>Net OPEB Liability</u> | <u>OPEB Expense</u> |
| Primary Government | | | | |
| Group Life Insurance Program (Note 20): | | | | |
| County | \$ 359,879 | \$ 197,877 | \$ 2,144,748 | \$ 37,753 |
| County Stand-Alone Plan (Note 18) | - | 4,454,216 | 40,894,607 | 1,676,306 |
| Totals | <u>\$ 359,879</u> | <u>\$ 4,652,093</u> | <u>\$ 43,039,355</u> | <u>\$ 1,714,059</u> |
| Component Unit School Board | | | | |
| Group Life Insurance Program (Note 20): | | | | |
| School Board Nonprofessional | \$ 83,958 | \$ 65,000 | \$ 706,000 | \$ 4,000 |
| School Board Professional | 842,198 | 700,000 | 7,071,000 | 41,000 |
| Teacher Health Insurance Credit Program (Note 19) | 1,183,235 | 382,000 | 13,839,000 | 1,107,000 |
| School Stand-Alone Plan (Note 18) | 18,224 | 346,702 | 7,603,181 | 725,939 |
| Totals | <u>\$ 2,127,615</u> | <u>\$ 1,493,702</u> | <u>\$ 29,219,181</u> | <u>\$ 1,877,939</u> |

NOTE 22 - FAIR VALUE MEASUREMENTS:

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

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

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

COUNTY OF FREDERICK, VIRGINIA

**Notes to Financial Statements
At June 30, 2019 (Continued)**

NOTE 22 - FAIR VALUE MEASUREMENTS: (Continued)

The County has the following recurring fair value measurements as of June 30, 2019:

| Investment | 6/30/2019 | 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 | \$ 732,362 | \$ 732,362 | \$ - | \$ - |
| | \$ 732,362 | \$ 732,362 | \$ - | \$ - |

NOTE 23 - ADOPTION OF ACCOUNTING PRINCIPLES:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

NOTE 24 – UPCOMING PRONOUNCEMENTS:

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.

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.

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

NOTE 24 – UPCOMING PRONOUNCEMENTS: (Continued)

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.

NOTE 25 – DONOR RESTRICTED ENDOWMENTS:

The County is the beneficiary of various trusts created by donors, the assets of which are in possession of the County. The County has legally enforceable rights and claims to such assets, including the right to income there from. Net realized and unrealized gains and losses related to these interests are reported as changes in net position reserved for the explicit purposes of donor stipulations. The carrying value of the County's interests in these restrictions at June 30, 2019 is as follows:

| | |
|-------------------------|-------------------|
| Nonexpendable principal | \$ 238,326 |
| Accumulated earnings | <u>206,622</u> |
| Total | <u>\$ 444,948</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 -

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|--------------------|-----------------|----------------|---|
| Revenues | | | | |
| Property taxes | \$ 110,437,617 | \$ 110,437,617 | \$ 113,629,440 | \$ 3,191,823 |
| Other local taxes | 35,709,731 | 35,709,731 | 36,634,376 | 924,645 |
| Permits, privilege fees and regulatory licenses | 1,838,386 | 1,838,386 | 2,188,705 | 350,319 |
| Fines and forfeitures | 323,270 | 323,270 | 313,896 | (9,374) |
| Use of money and property | 526,810 | 541,644 | 1,272,035 | 730,391 |
| Charges for services | 3,061,899 | 3,090,299 | 3,003,141 | (87,158) |
| Miscellaneous | 180,090 | 331,860 | 363,934 | 32,074 |
| Recovered costs | 1,618,949 | 1,678,836 | 3,422,092 | 1,743,256 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth | 25,806,476 | 26,361,256 | 21,652,162 | (4,709,094) |
| Revenue from the Federal Government | - | 56,826 | 4,025,596 | 3,968,770 |
| Total revenues | \$ 179,503,228 | \$ 180,369,725 | \$ 186,505,377 | \$ 6,135,652 |
| Expenditures | | | | |
| Current: | | | | |
| General Government Administration: | | | | |
| Board of supervisors | \$ 302,266 | \$ 291,710 | \$ 249,785 | \$ 41,925 |
| County administrator | 775,646 | 806,270 | 792,046 | 14,224 |
| County attorney | 389,583 | 419,867 | 415,969 | 3,898 |
| Personnel | 606,499 | 607,387 | 578,047 | 29,340 |
| Independent auditor | 66,000 | 66,000 | 63,500 | 2,500 |
| Commissioner of the Revenue | 1,459,479 | 1,526,483 | 1,520,416 | 6,067 |
| Board of assessors | 462,481 | 468,495 | 413,805 | 54,690 |
| Treasurer | 1,564,489 | 1,585,868 | 1,552,203 | 33,665 |
| Finance | 841,891 | 910,706 | 898,817 | 11,889 |
| Information technology | 1,948,818 | 2,120,740 | 2,080,875 | 39,865 |
| Management information systems | 616,774 | 618,390 | 617,725 | 665 |
| Other | 2,748,487 | 2,031,639 | 1,583,405 | 448,234 |
| Elections | 131,316 | 129,585 | 88,968 | 40,617 |
| Registrar | 203,488 | 213,895 | 204,550 | 9,345 |
| Total general government administration | \$ 12,117,217 | \$ 11,797,035 | \$ 11,060,111 | \$ 736,924 |
| Judicial Administration: | | | | |
| Circuit court | \$ 71,500 | \$ 71,500 | \$ 74,911 | \$ (3,411) |
| General district court | 23,324 | 23,324 | 17,388 | 5,936 |
| Juvenile and domestic relations court | 25,358 | 25,358 | 21,350 | 4,008 |
| Clerk of the circuit court | 813,192 | 804,278 | 761,865 | 42,413 |
| Law library | 12,000 | 12,000 | 14,893 | (2,893) |
| Juvenile court probation | 157,675 | 232,997 | 191,311 | 41,686 |

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2019

| | <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 | \$ 1,675,558 | \$ 1,773,220 | \$ 1,694,077 | \$ 79,143 |
| Victim/witness program | 206,381 | 205,192 | 186,293 | 18,899 |
| Total judicial administration | <u>\$ 2,984,988</u> | <u>\$ 3,147,869</u> | <u>\$ 2,962,088</u> | <u>\$ 185,781</u> |
| Public Safety: | | | | |
| Sheriff | \$ 13,774,643 | \$ 16,165,548 | \$ 16,133,326 | \$ 32,222 |
| Volunteer fire departments | 958,319 | 1,203,465 | 1,103,311 | 100,154 |
| Ambulance and rescue service | 406,412 | 504,222 | 504,222 | - |
| Fire and rescue | 13,790,734 | 13,827,374 | 13,059,017 | 768,357 |
| Regional jail | 5,191,910 | 5,191,910 | 5,191,910 | - |
| Juvenile detention center | 348,513 | 353,363 | 353,362 | 1 |
| Inspections | 1,305,890 | 1,420,614 | 1,376,295 | 44,319 |
| Public safety communications | 1,521,060 | 1,533,220 | 1,431,536 | 101,684 |
| Total public safety | <u>\$ 37,297,481</u> | <u>\$ 40,199,716</u> | <u>\$ 39,152,979</u> | <u>\$ 1,046,737</u> |
| Public Works: | | | | |
| Road administration, street lights | \$ 56,660 | \$ 56,660 | \$ 38,697 | \$ 17,963 |
| General engineering and administration | 392,159 | 439,294 | 433,291 | 6,003 |
| Refuse collection | 1,667,104 | 2,080,692 | 1,716,575 | 364,117 |
| Refuse disposal | 674,400 | 674,400 | 614,476 | 59,924 |
| Litter control | 31,226 | 33,226 | 20,657 | 12,569 |
| General properties | 2,017,951 | 2,057,832 | 1,870,360 | 187,472 |
| Animal shelter | 736,693 | 808,967 | 738,062 | 70,905 |
| Total public works | <u>\$ 5,576,193</u> | <u>\$ 6,151,071</u> | <u>\$ 5,432,118</u> | <u>\$ 718,953</u> |
| Health and Welfare: | | | | |
| Health department | \$ 416,243 | \$ 416,243 | \$ 416,243 | \$ - |
| Northwestern Community Services Board | 396,673 | 396,673 | 396,673 | - |
| Welfare and social services | 8,271,747 | 8,367,059 | 7,815,009 | 552,050 |
| Tax relief for the elderly | 640,000 | 640,000 | 731,235 | (91,235) |
| Area Agency on Aging | 63,000 | 63,000 | 63,000 | - |
| Total health and welfare | <u>\$ 9,787,663</u> | <u>\$ 9,882,975</u> | <u>\$ 9,422,160</u> | <u>\$ 460,815</u> |
| Education: | | | | |
| Community college | \$ 81,080 | \$ 81,080 | \$ 81,080 | \$ - |
| Appropriation to public school system | 84,674,674 | 86,984,952 | 85,327,387 | 1,657,565 |
| Total education | <u>\$ 84,755,754</u> | <u>\$ 87,066,032</u> | <u>\$ 85,408,467</u> | <u>\$ 1,657,565</u> |

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2019

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|------------------------|---|
| Expenditures (Continued) | | | | |
| Parks, recreation and cultural: | | | | |
| Parks and recreation | \$ 6,303,132 | \$ 7,753,565 | \$ 6,193,530 | \$ 1,560,035 |
| Regional library | 1,153,332 | 1,153,332 | 1,153,332 | - |
| Total parks, recreation and cultural | <u>\$ 7,456,464</u> | <u>\$ 8,906,897</u> | <u>\$ 7,346,862</u> | <u>\$ 1,560,035</u> |
| Community Development: | | | | |
| Planning and community development | \$ 1,146,841 | \$ 1,288,806 | \$ 1,255,278 | \$ 33,528 |
| Economic Development Commission | 571,282 | 571,282 | 571,282 | - |
| Zoning board | 7,821 | 7,821 | 2,933 | 4,888 |
| Building appeals board | 561 | 561 | - | 561 |
| NSV Regional Commission | 70,351 | 70,351 | 70,351 | - |
| Soil and Water Conservation District | 7,000 | 7,000 | 7,000 | - |
| Cooperative extension program | 259,445 | 267,580 | 248,966 | 18,614 |
| Total community development | <u>\$ 2,063,301</u> | <u>\$ 2,213,401</u> | <u>\$ 2,155,810</u> | <u>\$ 57,591</u> |
| Debt Service: | | | | |
| Principal | \$ 1,211,831 | \$ 1,211,831 | \$ 1,211,831 | - |
| Interest and fiscal charges | 1,040,471 | 1,045,401 | 1,045,400 | 1 |
| Total debt service | <u>\$ 2,252,302</u> | <u>\$ 2,257,232</u> | <u>\$ 2,257,231</u> | <u>\$ 1</u> |
| Total expenditures | <u>\$ 164,291,363</u> | <u>\$ 171,622,228</u> | <u>\$ 165,197,826</u> | <u>\$ 6,424,402</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 15,211,865</u> | <u>\$ 8,747,497</u> | <u>\$ 21,307,551</u> | <u>\$ 12,560,054</u> |
| Other Financing Sources (Uses) | | | | |
| Issuance of Capital lease | \$ - | \$ - | \$ 449,291 | \$ 449,291 |
| Transfers in | - | - | 52,896 | 52,896 |
| Transfers out | (17,176,848) | (16,257,074) | (16,279,070) | (21,996) |
| Total other financing sources (uses) | <u>\$ (17,176,848)</u> | <u>\$ (16,257,074)</u> | <u>\$ (15,776,883)</u> | <u>\$ 480,191</u> |
| Net change in fund balance | \$ (1,964,983) | \$ (7,509,577) | \$ 5,530,668 | \$ 13,040,245 |
| Fund balance, beginning of year | <u>1,964,983</u> | <u>7,509,577</u> | <u>58,333,576</u> | <u>50,823,999</u> |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 63,864,244</u> | <u>\$ 63,864,244</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, 2019**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance With Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Property taxes | \$ 688,180 | \$ 688,180 | \$ 780,574 | \$ 92,394 |
| Use of money and property | 8,000 | 8,000 | 30,343 | 22,343 |
| Miscellaneous | - | 13,693 | 412 | (13,281) |
| Recovered costs | 1,000 | 1,000 | 3,221 | 2,221 |
| Total revenues | <u>\$ 697,180</u> | <u>\$ 710,873</u> | <u>\$ 814,550</u> | <u>\$ 103,677</u> |
| Expenditures | | | | |
| Current: | | | | |
| Community Development | \$ 957,660 | \$ 971,353 | \$ 1,087,251 | \$ (115,898) |
| Net change in fund balance | \$ (260,480) | \$ (260,480) | \$ (272,701) | \$ (12,221) |
| Fund balance, beginning of year | <u>260,480</u> | <u>260,480</u> | <u>1,951,862</u> | <u>1,691,382</u> |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,679,161</u> | <u>\$ 1,679,161</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, 2019**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance With Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|----------------------------|---|
| Revenues | | | | |
| Property taxes | \$ 779,998 | \$ 779,998 | \$ 923,603 | \$ 143,605 |
| Use of money and property | - | - | 1,088 | 1,088 |
| Miscellaneous | - | - | 7,763 | 7,763 |
| Recovered costs | - | - | 3,515 | 3,515 |
| Total revenues | <u>\$ 779,998</u> | <u>\$ 779,998</u> | <u>\$ 935,969</u> | <u>\$ 155,971</u> |
| Expenditures | | | | |
| Current: | | | | |
| Community Development | \$ 41,340 | \$ 41,340 | \$ 30,390 | \$ 10,950 |
| Debt Service: | | | | |
| Principal | \$ 386,250 | \$ 386,250 | \$ 386,250 | \$ - |
| Interest and fiscal charges | 352,408 | 352,408 | 348,467 | 3,941 |
| Total debt service | <u>\$ 738,658</u> | <u>\$ 738,658</u> | <u>\$ 734,717</u> | <u>\$ 3,941</u> |
| Total expenditures | <u>\$ 779,998</u> | <u>\$ 779,998</u> | <u>\$ 765,107</u> | <u>\$ 14,891</u> |
| Net change in fund balance | \$ - | \$ - | \$ 170,862 | \$ 170,862 |
| Fund balance, beginning of year | <u>-</u> | <u>-</u> | <u>3,155,880</u> | <u>3,155,880</u> |
| Fund balance, end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 3,326,742</u></u> | <u><u>\$ 3,326,742</u></u> |

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

COUNTY OF FREDERICK, VIRGINIA

**Schedule of Employer's Proportionate Share of the Net Pension Liability
For the Measurement Dates of June 30, 2014 through June 30, 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 | | | | | |
| 2018 | 65.0911% | \$ 10,753,170 | \$ 26,852,773 | 40.04% | 89.88% |
| 2017 | 64.3410% | 9,487,461 | 24,614,534 | 38.54% | 90.22% |
| 2016 | 64.9200% | 15,159,093 | 23,781,621 | 63.74% | 88.00% |
| 2015 | 64.1119% | 10,062,275 | 22,011,588 | 45.71% | 88.00% |
| 2014 | 64.2415% | 9,114,278 | 20,817,989 | 43.78% | 89.00% |
| Component Unit School Board (professional) | | | | | |
| 2018 | 1.0902% | \$ 128,205,000 | \$ 88,520,955 | 144.83% | 74.81% |
| 2017 | 1.0842% | 133,333,000 | 85,337,127 | 156.24% | 72.92% |
| 2016 | 1.1032% | 154,596,000 | 83,545,029 | 185.05% | 70.68% |
| 2015 | 1.0707% | 134,757,000 | 79,240,978 | 170.06% | 70.68% |
| 2014 | 1.0399% | 125,663,000 | 75,723,265 | 165.95% | 75.00% |

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

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

COUNTY OF FREDERICK, VIRGINIA

Schedule of Changes in Net Pension Liability(Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2018

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | | |
| Service cost | \$ 865,925 | \$ 890,311 | \$ 895,679 | \$ 907,457 | \$ 900,416 |
| Interest | 1,616,669 | 1,553,215 | 1,466,113 | 1,382,144 | 1,292,100 |
| Differences between expected and actual experience | (214,164) | (113,298) | (76,365) | (109,100) | - |
| Changes in assumptions | - | (304,975) | - | - | - |
| Benefit payments, including refunds of employee contributions | <u>(1,194,035)</u> | <u>(1,043,501)</u> | <u>(1,038,720)</u> | <u>(923,171)</u> | <u>(889,176)</u> |
| Net change in total pension liability | \$ 1,074,395 | \$ 981,752 | \$ 1,246,707 | \$ 1,257,330 | \$ 1,303,340 |
| Total pension liability - beginning | <u>23,692,295</u> | <u>22,710,543</u> | <u>21,463,836</u> | <u>20,206,506</u> | <u>18,903,166</u> |
| Total pension liability - ending (a) | <u>\$ 24,766,690</u> | <u>\$ 23,692,295</u> | <u>\$ 22,710,543</u> | <u>\$ 21,463,836</u> | <u>\$ 20,206,506</u> |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 488,250 | \$ 487,563 | \$ 638,515 | \$ 619,812 | \$ 739,310 |
| Contributions - employee | 412,055 | 416,129 | 403,915 | 394,323 | 388,036 |
| Net investment income | 1,810,706 | 2,688,328 | 385,945 | 950,171 | 2,794,997 |
| Benefit payments, including refunds of employee contributions | (1,194,035) | (1,043,501) | (1,038,720) | (923,171) | (889,176) |
| Administrative expense | (15,547) | (15,326) | (13,287) | (12,709) | (14,741) |
| Other | <u>(1,619)</u> | <u>(2,403)</u> | <u>(161)</u> | <u>(202)</u> | <u>148</u> |
| Net change in plan fiduciary net position | \$ 1,499,810 | \$ 2,530,790 | \$ 376,207 | \$ 1,028,224 | \$ 3,018,574 |
| Plan fiduciary net position - beginning | <u>24,586,615</u> | <u>22,055,825</u> | <u>21,679,618</u> | <u>20,651,394</u> | <u>17,632,820</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 26,086,425</u> | <u>\$ 24,586,615</u> | <u>\$ 22,055,825</u> | <u>\$ 21,679,618</u> | <u>\$ 20,651,394</u> |
| School Division's net pension liability(asset) - ending (a) - (b) | \$ (1,319,735) | \$ (894,320) | \$ 654,718 | \$ (215,782) | \$ (444,888) |
| Plan fiduciary net position as a percentage of the total pension liability | 105.33% | 103.77% | 97.12% | 101.01% | 102.20% |
| Covered payroll | \$ 8,835,602 | \$ 8,515,910 | \$ 8,345,354 | \$ 7,965,421 | \$ 7,474,164 |
| School Division's net pension liability as a percentage of covered payroll | -14.94% | -10.50% | 7.85% | -2.71% | -5.95% |

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

COUNTY OF FREDERICK, VIRGINIA

**Schedule of Employer Contributions - Pension
For the Years Ended June 30, 2015 through June 30, 2019**

| <u>Date</u> | <u>Contractually Required Contribution (1)</u> | <u>Contributions in Relation to Contractually Required Contribution (2)</u> | <u>Contribution Deficiency (Excess) (3)</u> | <u>Employer's Covered Payroll (4)</u> | <u>Contributions as a % of Covered Payroll (5)</u> |
|--|--|---|---|---|--|
| Primary Government | | | | | |
| 2019 | \$ 3,173,090 | \$ 3,173,090 | \$ - | \$ 28,277,168 | 11.22% |
| 2018 | 2,825,083 | 2,825,083 | - | 26,852,773 | 10.52% |
| 2017 | 2,643,601 | 2,643,601 | - | 24,614,534 | 10.74% |
| 2016 | 2,889,467 | 2,889,467 | - | 23,781,621 | 12.15% |
| 2015 | 2,674,408 | 2,674,408 | - | 22,011,588 | 12.15% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2019 | \$ 467,447 | \$ 467,447 | \$ - | \$ 9,366,325 | 4.99% |
| 2018 | 488,848 | 488,848 | - | 8,835,602 | 5.53% |
| 2017 | 510,949 | 510,949 | - | 8,515,910 | 6.00% |
| 2016 | 652,607 | 652,607 | - | 8,345,354 | 7.82% |
| 2015 | 633,671 | 633,671 | - | 7,965,421 | 7.96% |
| Component Unit School Board (professional) | | | | | |
| 2019 | \$ 14,175,476 | \$ 14,175,476 | \$ - | \$ 92,769,549 | 15.28% |
| 2018 | 14,341,367 | 14,341,367 | - | 88,520,955 | 16.20% |
| 2017 | 12,510,423 | 12,510,423 | - | 85,337,127 | 14.66% |
| 2016 | 11,746,431 | 11,746,431 | - | 83,545,029 | 14.06% |
| 2015 | 11,211,939 | 11,211,939 | - | 79,240,978 | 14.15% |

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Required Supplementary Information - Pension
June 30, 2019

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:

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 Measurement Dates of June 30, 2017 through June 30, 2018

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------------|-----------------------------|
| Total OPEB liability | | |
| Service cost | \$ 1,146,894 | \$ 1,107,254 |
| Interest | 1,398,548 | 1,217,753 |
| Changes in assumptions | (288,025) | (5,324,224) |
| Differences between expected and actual experience | (471,706) | - |
| Benefit payments | (385,063) | (470,007) |
| Net change in total OPEB liability | <u>\$ 1,400,648</u> | <u>\$ (3,469,224)</u> |
| Total OPEB liability - beginning | <u>39,493,959</u> | <u>42,963,183</u> |
| Total OPEB liability - ending | <u><u>\$ 40,894,607</u></u> | <u><u>\$ 39,493,959</u></u> |
| | | |
| Covered payroll | \$ N/A | \$ N/A |
| | | |
| County's total OPEB liability (asset) as a percentage of covered payroll | N/A | N/A |

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

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 For the Measurement Dates of June 30, 2017 through June 30, 2018

| | <u>2018</u> | <u>2017</u> |
|---|----------------------------|----------------------------|
| Total OPEB liability | | |
| Service cost | \$ 540,722 | \$ 578,000 |
| Interest | 250,797 | 200,000 |
| Changes in assumptions | (25,319) | (455,000) |
| Differences between expected and actual experience | 21,261 | - |
| Benefit payments | <u>(359,280)</u> | <u>(321,000)</u> |
| Net change in total OPEB liability | \$ 428,181 | \$ 2,000 |
| Total OPEB liability - beginning | <u>7,175,000</u> | <u>7,173,000</u> |
| Total OPEB liability - ending | <u><u>\$ 7,603,181</u></u> | <u><u>\$ 7,175,000</u></u> |
| | | |
| Covered payroll | \$ N/A | \$ N/A |
| | | |
| School Board's total OPEB liability (asset) as a percentage of covered payroll | N/A | N/A |

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

Notes to Required Supplementary Information - County and Component Unit School Board OPEB
For the Year Ended June 30, 2019

County:

Valuation Date: 7/1/2017
Measurement Date: 6/30/2018

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 | 3.62% |
| Inflation | 2.20% |
| 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: 6/30/2018

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 | 3.62% |
| Inflation | 2.20% |
| Healthcare Trend Rate | The healthcare trend rate assumption starts at 5.30% in 2017 and gradually declines to 3.9% by the year 2098 |
| Salary Increase Rates | The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service |
| Retirement Age | The average age at retirement is 62 |
| Mortality Rates | The mortality rates for active and healthy retirees was calculated using the RP 2000 Total Combined Healthy Table fully generational using scale AA. The mortality rates for disabled retirees and calculated using the RP 2000 Combined Disabled Table fully generational using scale AA. |

Schedule of Frederick County School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2017 through June 30, 2018

| Date (1) | Employer's Proportion of the Net HIC OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6) |
|---------------------------|--|---|---|--|--|
| 2018 | 1.0900% | \$ 13,839,000 | \$ 88,151,703 | 15.70% | 8.08% |
| 2017 | 1.0837% | 13,748,000 | 85,523,561 | 16.08% | 7.04% |

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

Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Years Ended June 30, 2010 through June 30, 2019

| 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) |
|-------------|--|---|---|---|--|
| 2019 | \$ 1,113,235 | \$ 1,113,235 | \$ - | \$ 92,769,549 | 1.20% |
| 2018 | 1,084,266 | 1,084,266 | - | 88,151,703 | 1.23% |
| 2017 | 949,312 | 949,312 | - | 85,523,561 | 1.11% |
| 2016 | 891,575 | 891,575 | - | 84,110,824 | 1.06% |
| 2015 | 843,790 | 843,790 | - | 79,602,809 | 1.06% |
| 2014 | 844,092 | 844,092 | - | 76,044,293 | 1.11% |
| 2013 | 809,255 | 809,255 | - | 72,905,838 | 1.11% |
| 2012 | 432,084 | 432,084 | - | 72,013,973 | 0.60% |
| 2011 | 433,342 | 433,342 | - | 72,223,609 | 0.60% |
| 2010 | 571,130 | 571,130 | - | 73,143,538 | 0.78% |

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

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Year Ended June 30, 2019

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 Measurement Dates of June 30, 2017 through 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 | | | | | |
| 2018 | 0.13604% | \$ 2,144,748 | \$ 26,852,773 | 7.99% | 51.22% |
| 2017 | 0.13694% | 2,060,839 | 25,259,830 | 8.16% | 48.86% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2018 | 0.04647% | \$ 706,000 | \$ 8,835,602 | 7.99% | 51.22% |
| 2017 | 0.04652% | 700,000 | 8,580,980 | 8.16% | 48.86% |
| Component Unit School Board (professional) | | | | | |
| 2018 | 0.46554% | \$ 7,071,000 | \$ 88,520,955 | 7.99% | 51.22% |
| 2017 | 0.46462% | 6,992,000 | 85,700,063 | 8.16% | 48.86% |

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

Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2017 through June 30, 2019

| <u>Date</u> | <u>Contractually Required Contribution (1)</u> | <u>Contributions in Relation to Contractually Required Contribution (2)</u> | <u>Contribution Deficiency (Excess) (3)</u> | <u>Employer's Covered Payroll (4)</u> | <u>Contributions as a % of Covered Payroll (5)</u> |
|--|--|---|---|---|--|
| Primary Government | | | | | |
| 2019 | \$ 148,984 | \$ 148,984 | \$ - | \$ 28,650,726 | 0.52% |
| 2018 | 139,634 | 139,634 | - | 26,852,773 | 0.52% |
| 2017 | 131,351 | 131,351 | - | 25,259,830 | 0.52% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2019 | \$ 48,958 | \$ 48,958 | \$ - | \$ 9,415,010 | 0.52% |
| 2018 | 45,945 | 45,945 | - | 8,835,602 | 0.52% |
| 2017 | 44,621 | 44,621 | - | 8,580,980 | 0.52% |
| Component Unit School Board (professional) | | | | | |
| 2019 | \$ 483,198 | \$ 483,198 | \$ - | \$ 92,922,748 | 0.52% |
| 2018 | 460,309 | 460,309 | - | 88,520,955 | 0.52% |
| 2017 | 445,640 | 445,640 | - | 85,700,063 | 0.52% |

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

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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, 2019 (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% |

**- 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, 2019

| | Division of Court Services Fund | Comprehensive Services Act Fund | EMS Revenue Recovery Fund | Total |
|--|--|--|--|-------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 239,621 | \$ 91,411 | \$ 280,590 | \$ 611,622 |
| Receivables | 4,233 | 1,447 | 3,356 | 9,036 |
| Due from other governments | - | 343,153 | - | 343,153 |
| Total assets | <u>\$ 243,854</u> | <u>\$ 436,011</u> | <u>\$ 283,946</u> | <u>\$ 963,811</u> |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 14,978 | \$ 409,303 | \$ 278,305 | \$ 702,586 |
| Total liabilities | <u>\$ 14,978</u> | <u>\$ 409,303</u> | <u>\$ 278,305</u> | <u>\$ 702,586</u> |
| Fund Balance | | | | |
| Committed | \$ 228,876 | \$ 26,708 | \$ 5,641 | \$ 261,225 |
| Unassigned | - | - | - | - |
| Total fund balance | <u>\$ 228,876</u> | <u>\$ 26,708</u> | <u>\$ 5,641</u> | <u>\$ 261,225</u> |
| Total liabilities and fund balance | <u>\$ 243,854</u> | <u>\$ 436,011</u> | <u>\$ 283,946</u> | <u>\$ 963,811</u> |

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2019

| | Division of Court Services Fund | Comprehensive Services Act Fund | EMS Revenue Recovery Fund | Total |
|--|--|--|--|-----------------------|
| Revenues | | | | |
| Use of money and property | \$ 6,162 | \$ - | \$ - | \$ 6,162 |
| Charges for services | 402,892 | - | 1,920,131 | 2,323,023 |
| Recovered costs | 57,135 | - | - | 57,135 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth | - | 1,773,768 | - | 1,773,768 |
| Revenue from the Federal Government | - | 66,315 | - | 66,315 |
| Total revenues | \$ 466,189 | \$ 1,840,083 | \$ 1,920,131 | \$ 4,226,403 |
| Expenditures | | | | |
| Current: | | | | |
| Judicial administration | \$ 534,628 | \$ - | \$ - | \$ 534,628 |
| Public safety | - | - | 1,914,490 | 1,914,490 |
| Health and welfare | - | 3,484,194 | - | 3,484,194 |
| Total expenditures | \$ 534,628 | \$ 3,484,194 | \$ 1,914,490 | \$ 5,933,312 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (68,439) | \$ (1,644,111) | \$ 5,641 | \$ (1,706,909) |
| 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 | \$ (68,439) | \$ 47,838 | \$ 5,641 | \$ (14,960) |
| Fund balance, beginning of year | 297,315 | (21,130) | - | 276,185 |
| Fund balance, end of year | \$ 228,876 | \$ 26,708 | \$ 5,641 | \$ 261,225 |

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Net Position
Internal Service Funds
At June 30, 2019

| | Health Insurance Fund | Central Stores Fund | Unemploy- ment Fund | Volunteer Fire and Rescue Fund | Maintenance Insurance Fund | Total Internal Service Funds |
|--|--------------------------------------|------------------------------------|------------------------------------|---|---|---|
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 13,890,506 | \$ 208,972 | \$ - | \$ - | \$ 295,696 | \$ 14,395,174 |
| Total assets | <u>\$ 13,890,506</u> | <u>\$ 208,972</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 295,696</u> | <u>\$ 14,395,174</u> |
| Liabilities | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued expenses | \$ 11,322 | \$ - | \$ - | \$ - | \$ 615 | \$ 11,937 |
| Claims payable | 1,110,300 | - | - | - | - | 1,110,300 |
| Total liabilities | <u>\$ 1,121,622</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 615</u> | <u>\$ 1,122,237</u> |
| Net Position | | | | | | |
| Unrestricted | \$ 12,768,884 | \$ 208,972 | \$ - | \$ - | \$ 295,081 | \$ 13,272,937 |
| Total net position | <u>\$ 12,768,884</u> | <u>\$ 208,972</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 295,081</u> | <u>\$ 13,272,937</u> |

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Revenues, Expenses, and Changes in Net Position
 Internal Service Funds
 Year Ended June 30, 2019

| | <u>Health Insurance Fund</u> | <u>Central Stores Fund</u> | <u>Unemploy- ment Fund</u> | <u>Volunteer Fire and Rescue Fund</u> | <u>Maintenance Insurance Fund</u> | <u>Total Internal Service Funds</u> |
|---------------------------------|--------------------------------------|------------------------------------|------------------------------------|---|---|---|
| Operating revenues | | | | | | |
| Charges for services | \$ 12,647,774 | \$ 12,326 | \$ - | \$ - | \$ - | \$ 12,660,100 |
| Operating Expenses | | | | | | |
| Benefits and related expenses | \$ 11,650,742 | \$ - | \$ 7,801 | \$ 1,068 | \$ - | \$ 11,659,611 |
| Services and supplies | - | 1,243 | - | - | 4,508 | 5,751 |
| Total operating expenses | \$ 11,650,742 | \$ 1,243 | \$ 7,801 | \$ 1,068 | \$ 4,508 | \$ 11,665,362 |
| Operating income (loss) | \$ 997,032 | \$ 11,083 | \$ (7,801) | \$ (1,068) | \$ (4,508) | \$ 994,738 |
| Nonoperating revenues | | | | | | |
| Investment income | 224,155 | 3,565 | - | - | 5,193 | 232,913 |
| Income(loss) before transfers | \$ 1,221,187 | \$ 14,648 | \$ (7,801) | \$ (1,068) | \$ 685 | \$ 1,227,651 |
| Transfers in | - | - | 7,801 | - | - | 7,801 |
| Transfers out | - | - | - | (52,896) | - | (52,896) |
| Change in net position | \$ 1,221,187 | \$ 14,648 | \$ - | \$ (53,964) | \$ 685 | \$ 1,182,556 |
| Net position, beginning of year | 11,547,697 | 194,324 | - | 53,964 | 294,396 | 12,090,381 |
| Net position, end of year | \$ 12,768,884 | \$ 208,972 | \$ - | \$ - | \$ 295,081 | \$ 13,272,937 |

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2019

| | 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 | \$ 12,647,774 | \$ - | \$ - | \$ - | \$ - | \$ 12,647,774 |
| Receipts from services | - | 12,326 | - | - | - | 12,326 |
| Payments to suppliers | (11,520,767) | (1,243) | - | (1,068) | (4,260) | (11,527,338) |
| Other payments | - | - | (7,801) | - | - | (7,801) |
| Net cash provided by (used for) operating activities | <u>\$ 1,127,007</u> | <u>\$ 11,083</u> | <u>\$ (7,801)</u> | <u>\$ (1,068)</u> | <u>\$ (4,260)</u> | <u>\$ 1,124,961</u> |
| Cash flows from noncapital financing activities: | | | | | | |
| Transfers in | \$ - | \$ - | \$ 7,801 | \$ - | \$ - | \$ 7,801 |
| Transfers out | - | - | - | (52,896) | - | (52,896) |
| Net cash provided by (used for) noncapital financing activities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,801</u> | <u>\$ (52,896)</u> | <u>\$ -</u> | <u>\$ (45,095)</u> |
| Cash flows from investing activities | | | | | | |
| Investment income | \$ 224,155 | \$ 3,565 | \$ - | \$ - | \$ 5,193 | \$ 232,913 |
| Net increase (decrease) in cash and cash equivalents | \$ 1,351,162 | \$ 14,648 | \$ - | \$ (53,964) | \$ 933 | \$ 1,312,779 |
| Balances, beginning of year | 12,539,344 | 194,324 | - | 53,964 | 294,763 | 13,082,395 |
| Balances, end of year | <u>\$ 13,890,506</u> | <u>\$ 208,972</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 295,696</u> | <u>\$ 14,395,174</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | | | |
| Operating income (loss) | \$ 997,032 | \$ 11,083 | \$ (7,801) | \$ (1,068) | \$ (4,508) | \$ 994,738 |
| Change in assets and liabilities: | | | | | | |
| Accounts payable | (6,835) | - | - | - | 248 | (6,587) |
| Claims payable | 136,810 | - | - | - | - | 136,810 |
| Net cash provided by (used for) operating activities | <u>\$ 1,127,007</u> | <u>\$ 11,083</u> | <u>\$ (7,801)</u> | <u>\$ (1,068)</u> | <u>\$ (4,260)</u> | <u>\$ 1,124,961</u> |

COUNTY OF FREDERICK, VIRGINIA

Statement of Fiduciary Net Position
Private Purpose Trust Fund
At June 30, 2019

| | Endowment Trust Fund |
|---|-------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 435,685 |
| Receivables | 9,797 |
| | <hr/> |
| Total assets | \$ 445,482 |
| | <hr/> <hr/> |
| Liabilities | |
| Accounts payable and accrued liabilities | \$ 534 |
| | <hr/> |
| Total liabilities | \$ 534 |
| | <hr/> |
| Net Position | \$ 444,948 |
| | <hr/> <hr/> |

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Fiduciary Net Position
 Agency Funds
 At June 30, 2019

| | Special Welfare Fund | Northwestern Regional Jail Authority Fund | Winchester Regional Airport Authority Fund | Undistributed Local Sales Tax Fund | State Sales Tax Fund | Employee Cafeteria Plan Fund | Northwestern Regional Education Program Fund | Total |
|---|----------------------------|---|--|---|----------------------------|---------------------------------------|--|----------------------|
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 126,059 | \$ 7,912,774 | \$ 63,700 | \$ - | \$ 2,034 | \$ 3,234 | \$ 834,410 | \$ 8,942,211 |
| Receivables | - | 309,905 | 65,066 | - | - | - | - | 374,971 |
| Due from other governmental units | - | 822,032 | - | 49,712 | - | - | - | 871,744 |
| Total assets | <u>\$ 126,059</u> | <u>\$ 9,044,711</u> | <u>\$ 128,766</u> | <u>\$ 49,712</u> | <u>\$ 2,034</u> | <u>\$ 3,234</u> | <u>\$ 834,410</u> | <u>\$ 10,188,926</u> |
| Liabilities | | | | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 895,689 | \$ 84,966 | \$ 49,712 | \$ 12 | \$ - | \$ 627,270 | \$ 1,657,649 |
| Amounts held for others | 126,059 | 8,149,022 | 43,800 | - | 2,022 | 3,234 | 207,140 | 8,531,277 |
| Total liabilities | <u>\$ 126,059</u> | <u>\$ 9,044,711</u> | <u>\$ 128,766</u> | <u>\$ 49,712</u> | <u>\$ 2,034</u> | <u>\$ 3,234</u> | <u>\$ 834,410</u> | <u>\$ 10,188,926</u> |

COUNTY OF FREDERICK, VIRGINIA

Statement of Changes in Fiduciary Net Position
 Private Purpose Trust Fund
 Year Ended June 30, 2019

| | Endowment Trust Fund |
|--|-------------------------------------|
| Additions: | |
| Investment earnings | \$ 7,385 |
| Miscellaneous | <u>118,283</u> |
| Total additions | \$ 125,668 |
| Deductions: | |
| Education | <u>58,797</u> |
| Change in net position | \$ 66,871 |
| Net position, beginning of year | <u>378,077</u> |
| Net position, end of year | <u><u>\$ 444,948</u></u> |

COUNTY OF FREDERICK, VIRGINIA

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2019

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|--|---------------------------------|---------------|---------------|---------------------------|
| Special Welfare Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 112,453 | \$ 132,357 | \$ 118,751 | \$ 126,059 |
| Liabilities: | | | | |
| Amounts held for others | \$ 112,453 | \$ 132,357 | \$ 118,751 | \$ 126,059 |
| Northwestern Regional Jail Authority Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 7,836,287 | \$ 21,491,083 | \$ 21,414,596 | \$ 7,912,774 |
| Receivables | 127,187 | 309,905 | 127,187 | 309,905 |
| Due from other governmental units | 791,799 | 822,032 | 791,799 | 822,032 |
| Total assets | \$ 8,755,273 | \$ 22,623,020 | \$ 22,333,582 | \$ 9,044,711 |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 454,213 | \$ 895,689 | \$ 454,213 | \$ 895,689 |
| Amounts held for others | 8,301,060 | 21,727,331 | 21,879,369 | 8,149,022 |
| Total liabilities | \$ 8,755,273 | \$ 22,623,020 | \$ 22,333,582 | \$ 9,044,711 |
| Winchester Regional Airport Authority Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 78,860 | \$ 2,173,261 | \$ 2,188,421 | \$ 63,700 |
| Receivables | 45,928 | 65,066 | 45,928 | 65,066 |
| Due from other governmental units | - | - | - | - |
| Total assets | \$ 124,788 | \$ 2,238,327 | \$ 2,234,349 | \$ 128,766 |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 476,264 | \$ 84,966 | \$ 476,264 | \$ 84,966 |
| Amounts held for others | (351,476) | 2,153,361 | 1,758,085 | 43,800 |
| Total liabilities | \$ 124,788 | \$ 2,238,327 | \$ 2,234,349 | \$ 128,766 |
| Undistributed Local Sales Tax Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ - | \$ 14,617,917 | \$ 14,617,917 | \$ - |
| Due from other governmental units | 49,342 | 49,712 | 49,342 | 49,712 |
| Total assets | \$ 49,342 | \$ 14,667,629 | \$ 14,667,259 | \$ 49,712 |

COUNTY OF FREDERICK, VIRGINIA

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2019 (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 | \$ 49,342 | \$ 14,667,629 | \$ 14,667,259 | \$ 49,712 |
| State Sales Tax Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 2,408 | \$ 997 | \$ 1,371 | \$ 2,034 |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 574 | \$ 12 | \$ 574 | \$ 12 |
| Amounts held for others | 1,834 | 985 | 797 | 2,022 |
| Total liabilities | \$ 2,408 | \$ 997 | \$ 1,371 | \$ 2,034 |
| 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 | \$ 1,095,983 | \$ 4,851,925 | \$ 5,113,498 | \$ 834,410 |
| Total assets | \$ 1,095,983 | \$ 4,851,925 | \$ 5,113,498 | \$ 834,410 |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 593,315 | \$ 627,270 | \$ 593,315 | \$ 627,270 |
| Amounts held for others | 627,083 | 4,224,655 | 4,520,183 | 331,555 |
| Total liabilities | \$ 1,220,398 | \$ 4,851,925 | \$ 5,113,498 | \$ 958,825 |
| Total -- All Agency Funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 9,129,225 | \$ 43,267,540 | \$ 43,454,554 | \$ 8,942,211 |
| Receivables | 173,115 | 374,971 | 173,115 | 374,971 |
| Due from other governmental units | 841,141 | 871,744 | 841,141 | 871,744 |
| Total assets | \$ 10,143,481 | \$ 44,514,255 | \$ 44,468,810 | \$ 10,188,926 |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 1,573,708 | \$ 16,275,566 | \$ 16,191,625 | \$ 1,657,649 |
| Amounts held for others | 8,694,188 | 28,238,689 | 28,277,185 | 8,655,692 |
| Total liabilities | \$ 10,267,896 | \$ 44,514,255 | \$ 44,468,810 | \$ 10,313,341 |

COUNTY OF FREDERICK, VIRGINIA

Revenue and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2019

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| Special Revenue Funds | | | | |
| Division of Court Services Fund | | | | |
| Revenues | | | | |
| Revenue from use of money and property | \$ 2,800 | \$ 2,800 | \$ 6,162 | \$ 3,362 |
| Charges for services | 399,330 | 399,330 | 402,892 | 3,562 |
| Recovered costs | 149,504 | 149,504 | 57,135 | (92,369) |
| Total revenues | <u>\$ 551,634</u> | <u>\$ 551,634</u> | <u>\$ 466,189</u> | <u>\$ (85,445)</u> |
| Expenditures | | | | |
| Judicial Administration | | | | |
| Division of Court Services | \$ 562,348 | \$ 562,348 | \$ 534,625 | \$ 27,723 |
| Total expenditures | <u>\$ 562,348</u> | <u>\$ 562,348</u> | <u>\$ 534,625</u> | <u>\$ 27,723</u> |
| EMS Revenue Recovery Fund | | | | |
| Revenues | | | | |
| Charges for services | \$ 1,522,400 | \$ 1,980,544 | \$ 1,920,131 | \$ (60,413) |
| Total revenues | <u>\$ 1,522,400</u> | <u>\$ 1,980,544</u> | <u>\$ 1,920,131</u> | <u>\$ (60,413)</u> |
| Expenditures | | | | |
| Public Safety | | | | |
| EMS Revenue Recovery Fund | \$ 1,522,400 | \$ 1,980,544 | \$ 1,941,490 | \$ 39,054 |
| Total expenditures | <u>\$ 1,522,400</u> | <u>\$ 1,980,544</u> | <u>\$ 1,941,490</u> | <u>\$ 39,054</u> |
| Capital Projects Funds | | | | |
| Capital Projects Fund | | | | |
| Revenues | | | | |
| Revenue from use of money and property | \$ - | \$ - | \$ 95,658 | \$ 95,658 |
| Recovered costs | - | 10,268,698 | 4,469,191 | (5,799,507) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth | - | 11,027,481 | 253,984 | (10,773,497) |
| Total revenues | <u>\$ -</u> | <u>\$ 21,296,179</u> | <u>\$ 4,818,833</u> | <u>\$ (16,477,346)</u> |
| Expenditures | | | | |
| Capital projects | \$ - | \$ 21,765,436 | \$ 1,459,828 | \$ 20,305,608 |
| Total expenditures | <u>\$ -</u> | <u>\$ 21,765,436</u> | <u>\$ 1,459,828</u> | <u>\$ 20,305,608</u> |
| Debt Service Funds | | | | |
| School Debt Service Fund | | | | |
| Revenues | | | | |
| Intergovernmental: | | | | |
| Categorical aid: | | | | |
| Revenue from the Commonwealth | \$ 142,880 | \$ 142,880 | \$ 157,162 | \$ 14,282 |
| Revenue from the Federal Government | 275,782 | 275,782 | 279,055 | 3,273 |
| Total revenues | <u>\$ 418,662</u> | <u>\$ 418,662</u> | <u>\$ 436,217</u> | <u>\$ 17,555</u> |
| Expenditures | | | | |
| Principal and interest | \$ 14,966,405 | \$ 15,009,905 | \$ 15,004,463 | \$ 5,442 |
| Total expenditures | <u>\$ 14,966,405</u> | <u>\$ 15,009,905</u> | <u>\$ 15,004,463</u> | <u>\$ 5,442</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, 2019

| | <u>School Operating Fund</u> | <u>School Cafeteria Fund</u> | <u>School Textbook Fund</u> | <u>School Capital Projects Fund</u> | <u>School Capital Fund</u> | <u>Total Governmental Funds</u> |
|--|--------------------------------------|--------------------------------------|-------------------------------------|---|------------------------------------|---|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 14,734,027 | \$ 1,934,658 | \$ 1,933,048 | \$ 26,376,591 | \$ 2,215,400 | \$ 47,193,724 |
| Accounts receivable | 57,904 | 5,276 | - | - | - | 63,180 |
| Due from other governments | 4,197,916 | - | - | - | - | 4,197,916 |
| Inventory | - | 279,516 | - | - | - | 279,516 |
| Total assets | <u>\$ 18,989,847</u> | <u>\$ 2,219,450</u> | <u>\$ 1,933,048</u> | <u>\$ 26,376,591</u> | <u>\$ 2,215,400</u> | <u>\$ 51,734,336</u> |
| Liabilities | | | | | | |
| Accounts payable and accrued liabilities | \$ 18,989,847 | \$ 434,630 | \$ 1,002 | \$ 1,229,113 | \$ 333,552 | \$ 20,988,144 |
| Total liabilities | <u>\$ 18,989,847</u> | <u>\$ 434,630</u> | <u>\$ 1,002</u> | <u>\$ 1,229,113</u> | <u>\$ 333,552</u> | <u>\$ 20,988,144</u> |
| Fund Balance | | | | | | |
| Nonspendable | \$ - | \$ 279,516 | \$ - | \$ - | \$ - | \$ 279,516 |
| Restricted | - | - | - | 27,044,600 | - | 27,044,600 |
| Committed | - | 1,505,304 | 1,932,046 | - | 1,881,848 | 5,319,198 |
| Unassigned | - | - | - | (1,897,122) | - | (1,897,122) |
| Total fund balance | <u>\$ -</u> | <u>\$ 1,784,820</u> | <u>\$ 1,932,046</u> | <u>\$ 25,147,478</u> | <u>\$ 1,881,848</u> | <u>\$ 30,746,192</u> |
| Total liabilities and fund balance | <u>\$ 18,989,847</u> | <u>\$ 2,219,450</u> | <u>\$ 1,933,048</u> | <u>\$ 26,376,591</u> | <u>\$ 2,215,400</u> | <u>\$ 51,734,336</u> |

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 At June 30, 2019

Total fund balances for governmental funds (Exhibit 30) \$ 30,746,192

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

| | | |
|--|---------------------|-------------|
| Land and improvements | \$ 12,287,858 | |
| Construction in progress | 8,366,871 | |
| Buildings and improvements, net of depreciation | 182,769,189 | |
| Equipment, net of depreciation | 17,188,335 | |
| School Board capital assets in primary government, net of depreciation | <u>(67,818,525)</u> | |
| Total capital assets | | 152,793,728 |

The net pension asset is not an available resource and, therefore, is not reported in the funds. 1,319,735

Pension deferrals - Deferred outflows 20,072,923
 OPEB deferrals - Deferred outflows 2,127,615

Other long-term assets are not available to pay for current-period expenditures and, therefore, 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 | (1,493,702) |
| Items related to measurement of net pension liability | (15,845,493) |

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: 7,318,997

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 | \$ (2,411,586) | |
| Net OPEB liability | (29,219,181) | |
| Net Pension liability | <u>(128,205,000)</u> | |
| Total | | <u>(159,835,767)</u> |

Total net position of governmental activities (Exhibit 1) \$ 37,204,228

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2019

| | 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 | \$ 391,782 | \$ 27,552 | \$ 39,065 | \$ 397,568 | \$ - | \$ 855,967 |
| Charges for services | 173,811 | 2,306,189 | 1,552 | - | - | 2,481,552 |
| Miscellaneous | 347,088 | 65,683 | - | 12,950 | - | 425,721 |
| Intergovernmental: | | | | | | |
| Appropriation from primary government | 81,763,388 | - | - | 27,510,926 | 3,564,000 | 112,838,314 |
| Revenue from the Commonwealth | 78,496,838 | 107,190 | 825,960 | - | - | 79,429,988 |
| Revenue from the Federal Government | 5,224,807 | 3,107,799 | - | - | - | 8,332,606 |
| Total revenues | <u>\$ 166,397,714</u> | <u>\$ 5,614,413</u> | <u>\$ 866,577</u> | <u>\$ 27,921,444</u> | <u>\$ 3,564,000</u> | <u>\$ 204,364,148</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Education: | | | | | | |
| Instruction | \$ 125,686,927 | \$ - | \$ 2,382,272 | \$ - | \$ 3,079,339 | \$ 131,148,538 |
| Administration, attendance and health | 7,337,859 | - | - | - | - | 7,337,859 |
| Transportation | 9,713,535 | - | - | - | - | 9,713,535 |
| Facilities operations | 15,008,623 | - | - | - | - | 15,008,623 |
| Building improvements | 350,935 | - | - | - | - | 350,935 |
| Technology | 7,744,126 | - | - | - | - | 7,744,126 |
| School food services | - | 6,489,437 | - | - | - | 6,489,437 |
| Capital projects | - | - | - | 9,651,280 | - | 9,651,280 |
| Total expenditures | <u>\$ 165,842,005</u> | <u>\$ 6,489,437</u> | <u>\$ 2,382,272</u> | <u>\$ 9,651,280</u> | <u>\$ 3,079,339</u> | <u>\$ 187,444,333</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 555,709</u> | <u>\$ (875,024)</u> | <u>\$ (1,515,695)</u> | <u>\$ 18,270,164</u> | <u>\$ 484,661</u> | <u>\$ 16,919,815</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | \$ - | \$ 19,411 | \$ 536,298 | \$ - | \$ - | \$ 555,709 |
| Transfers out | (555,709) | - | - | - | - | (555,709) |
| Total other financing sources (uses) | <u>\$ (555,709)</u> | <u>\$ 19,411</u> | <u>\$ 536,298</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net change in fund balance | \$ - | \$ (855,613) | \$ (979,397) | \$ 18,270,164 | \$ 484,661 | \$ 16,919,815 |
| Fund balance, beginning of year | <u>-</u> | <u>2,640,433</u> | <u>2,911,443</u> | <u>6,877,314</u> | <u>1,397,187</u> | <u>13,826,377</u> |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ 1,784,820</u> | <u>\$ 1,932,046</u> | <u>\$ 25,147,478</u> | <u>\$ 1,881,848</u> | <u>\$ 30,746,192</u> |

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2019

| | | |
|--|----|-------------|
| Net change in fund balances - total governmental funds (Exhibit 32) | \$ | 16,919,815 |
| <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 | \$ | 17,971,907 |
| Depreciation | | (6,523,387) |
| | | 11,448,520 |
| <p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) net position.</p> | | |
| | | (133,818) |
| <p>School Board capital assets are jointly owned by the County and School Board. The County share of School Board capital assets is in proportion to the debt owed on such by the County. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship reduced the transfers to the School Board.</p> | | |
| | | 1,310,442 |
| <p>Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and realizable to pay current obligations. However, in the statement of net position revenues are reported when earned. This requires adjustments to convert the revenues to the accrual basis.</p> | | |
| (Increase) decrease in deferred inflows related to the measurement of the net OPEB liability | | 192,298 |
| (Increase) decrease in deferred inflows related to the measurement of the net pension liability | | 1,239,981 |
| <p>Some expenses reported in the statement of activities do not require the usage of current financial resources and, therefore are not reported as expenditures in governmental funds</p> | | |
| Compensated absences | \$ | (61,675) |
| Decrease (increase) in net pension liability/asset | | 5,128,000 |
| Increase (decrease) in net pension asset | | 425,415 |
| Decrease (increase) in deferred outflows related to pensions | | (1,776,292) |
| Decrease (increase) in deferred outflows related to OPEB | | 537,095 |
| Increase (decrease) in net OPEB liability | | (604,181) |
| | | 3,648,362 |
| <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> | | |
| | | 4,463,263 |
| Change in net position of governmental activities (Exhibit 2) | \$ | 39,088,863 |

COUNTY OF FREDERICK, VIRGINIA

**Component Unit School Board
Statement of Net Position
Internal Service Funds
At June 30, 2019**

| | Health Insurance Fund | Consolidated Services Fund | Total |
|---------------------------------------|--------------------------------------|---|----------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 11,494,887 | \$ 163,633 | \$ 11,658,520 |
| Receivables, net | 39,640 | 17,484 | 57,124 |
| Inventory | - | 413,912 | 413,912 |
| Total assets | <u>\$ 11,534,527</u> | <u>\$ 595,029</u> | <u>\$ 12,129,556</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | \$ 2,695,379 | \$ 168,706 | \$ 2,864,085 |
| Claims payable | <u>1,946,474</u> | <u>-</u> | <u>1,946,474</u> |
| Total current liabilities | <u>\$ 4,641,853</u> | <u>\$ 168,706</u> | <u>\$ 4,810,559</u> |
| Net Position | | | |
| Unrestricted | <u>\$ 6,892,674</u> | <u>\$ 426,323</u> | <u>\$ 7,318,997</u> |
| Total net position | <u>\$ 6,892,674</u> | <u>\$ 426,323</u> | <u>\$ 7,318,997</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, 2019

| | Health Insurance Fund | Consolidated Services Fund | Total |
|--|--------------------------------------|---|---------------------|
| Operating revenues | | | |
| Charges for services | \$ 21,181,127 | \$ 3,064,599 | \$ 24,245,726 |
| Operating Expenses | | | |
| Benefits and related expenses | \$ 16,918,505 | \$ - | \$ 16,918,505 |
| Facilities operations | - | 3,017,458 | 3,017,458 |
| Total operating expenses | \$ 16,918,505 | \$ 3,017,458 | \$ 19,935,963 |
| Operating income (loss) | \$ 4,262,622 | \$ 47,141 | \$ 4,309,763 |
| Nonoperating revenues | | | |
| Investment income | 153,500 | - | 153,500 |
| Income(loss) before transfers | \$ 4,416,122 | \$ 47,141 | \$ 4,463,263 |
| Change in net position | \$ 4,416,122 | \$ 47,141 | \$ 4,463,263 |
| Net position, beginning of year | <u>2,476,552</u> | <u>379,182</u> | <u>2,855,734</u> |
| Net position, end of year | <u>\$ 6,892,674</u> | <u>\$ 426,323</u> | <u>\$ 7,318,997</u> |

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2019

| | Health Insurance Fund | Consolidated Services Fund | Total |
|---|--------------------------------------|---|----------------------|
| Cash flows from operating activities | | | |
| Receipts from insured | \$ 21,184,656 | \$ - | \$ 21,184,656 |
| Receipts from services | | 3,063,033 | 3,063,033 |
| Payments to suppliers | (16,706,016) | (3,084,211) | (19,790,227) |
| Net cash provided by (used for) operating activities | \$ 4,478,640 | \$ (21,178) | \$ 4,457,462 |
| Cash flows from investing activities | | | |
| Investment income | 153,500 | - | 153,500 |
| Net increase (decrease) in cash and cash equivalents | \$ 4,632,140 | \$ (21,178) | \$ 4,610,962 |
| Balances, beginning of year | <u>6,862,747</u> | <u>184,811</u> | <u>7,047,558</u> |
| Balance, end of year | <u>\$ 11,494,887</u> | <u>\$ 163,633</u> | <u>\$ 11,658,520</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Operating income (loss) | \$ 4,262,622 | \$ 47,141 | \$ 4,309,763 |
| Change in assets and liabilities: | | | |
| Receivables, net | 3,529 | (1,566) | 1,963 |
| Inventory | - | (46,124) | (46,124) |
| Accounts payable | 301,095 | (20,629) | 280,466 |
| Claims payable | (88,606) | - | (88,606) |
| Net cash provided by (used for) operating activities | <u>\$ 4,478,640</u> | <u>\$ (21,178)</u> | <u>\$ 4,457,462</u> |

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
School Operating Fund
Budgetary Comparison Schedule
Year Ended June 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|-----------------------|---|
| Revenues | | | | |
| Use of money and property | \$ 360,576 | \$ 360,576 | \$ 391,782 | \$ 31,206 |
| Charges for services | 178,750 | 178,750 | 173,811 | (4,939) |
| Miscellaneous | 448,000 | 414,569 | 347,088 | (67,481) |
| Intergovernmental: | | | | |
| Appropriation from primary government | 82,374,674 | 83,377,453 | 81,763,388 | (1,614,065) |
| Revenue from the Commonwealth | 79,523,124 | 79,090,857 | 78,496,838 | (594,019) |
| Revenue from the Federal Government | 5,570,556 | 6,036,254 | 5,224,807 | (811,447) |
| Total revenues | <u>\$ 168,455,680</u> | <u>\$ 169,458,459</u> | <u>\$ 166,397,714</u> | <u>\$ (3,060,745)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Education: | | | | |
| Instruction | \$ 128,247,704 | \$ 128,027,055 | \$ 125,686,927 | \$ 2,340,128 |
| Administration, attendance and health | 7,580,713 | 7,472,919 | 7,337,859 | 135,060 |
| Transportation | 9,404,148 | 9,764,397 | 9,713,535 | 50,862 |
| Facilities operations | 14,989,146 | 15,373,082 | 15,008,623 | 364,459 |
| Building improvements | 369,174 | 365,492 | 350,935 | 14,557 |
| Technology | 7,321,497 | 7,899,805 | 7,744,126 | 155,679 |
| Total expenditures | <u>\$ 167,912,382</u> | <u>\$ 168,902,750</u> | <u>\$ 165,842,005</u> | <u>\$ 3,060,745</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 543,298</u> | <u>\$ 555,709</u> | <u>\$ 555,709</u> | <u>\$ -</u> |
| Other financing sources (uses) | | | | |
| Transfers out | \$ (543,298) | \$ (555,709) | \$ (555,709) | \$ - |
| Total other financing sources (uses) | <u>\$ (543,298)</u> | <u>\$ (555,709)</u> | <u>\$ (555,709)</u> | <u>\$ -</u> |
| Net change in fund balance | \$ - | \$ - | \$ - | \$ - |
| Fund balance, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

COUNTY OF FREDERICK, VIRGINIA
 Component Unit School Board
 Revenue and Expenditure Budgetary Comparison Schedule
 Other Funds
 Year Ended June 30, 2019

| | <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 | \$ 9,587 | \$ 9,587 | \$ 27,552 | \$ 17,965 |
| Charges for services | 2,401,416 | 2,401,416 | 2,306,189 | (95,227) |
| Miscellaneous | 71,315 | 71,315 | 65,683 | (5,632) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth | 93,857 | 93,857 | 107,190 | 13,333 |
| Revenue from the Federal Government | 2,741,337 | 2,741,337 | 3,107,799 | 366,462 |
| Total revenues | <u>\$ 5,317,512</u> | <u>\$ 5,317,512</u> | <u>\$ 5,614,413</u> | <u>\$ 296,901</u> |
| Expenditures: | | | | |
| School food service operations | <u>\$ 7,552,580</u> | <u>\$ 7,552,658</u> | <u>\$ 6,489,437</u> | <u>\$ 1,063,221</u> |
| School Textbook Fund | | | | |
| Revenues: | | | | |
| Revenue from use of money and property | \$ - | \$ - | \$ 39,065 | \$ 39,065 |
| Charges for services | 11,500 | 11,500 | 1,552 | (9,948) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth | 839,530 | 839,530 | 825,960 | (13,570) |
| Total revenues | <u>\$ 851,030</u> | <u>\$ 851,030</u> | <u>\$ 866,577</u> | <u>\$ 15,547</u> |
| Expenditures: | | | | |
| Instruction | <u>\$ 4,261,037</u> | <u>\$ 4,261,037</u> | <u>\$ 2,382,272</u> | <u>\$ 1,878,765</u> |
| School Capital Projects Fund | | | | |
| Revenues: | | | | |
| Revenue from use of money and property | \$ - | \$ - | \$ 397,568 | \$ 397,568 |
| Miscellaneous | - | - | 12,950 | 12,950 |
| Intergovernmental: | | | | |
| Appropriation from primary government | <u>\$ -</u> | <u>\$ 45,500,000</u> | <u>\$ 27,510,926</u> | <u>\$ (17,989,074)</u> |
| Total revenues | <u>\$ -</u> | <u>\$ 45,500,000</u> | <u>\$ 27,921,444</u> | <u>\$ (17,578,556)</u> |
| Expenditures: | | | | |
| Capital projects - school construction projects | <u>\$ -</u> | <u>\$ 47,212,065</u> | <u>\$ 9,651,280</u> | <u>\$ 37,560,785</u> |
| School Capital Fund | | | | |
| Revenues: | | | | |
| Intergovernmental: | | | | |
| Appropriation from primary government | <u>\$ 2,300,000</u> | <u>\$ 3,564,000</u> | <u>\$ 3,564,000</u> | <u>\$ -</u> |
| Expenditures: | | | | |
| Instruction | <u>\$ 330,000</u> | <u>\$ 4,961,186</u> | <u>\$ 3,079,339</u> | <u>\$ 1,881,847</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 Economic Development Authority
Statement of Net Position
At June 30, 2019

| | Economic Development Authority |
|---|---|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 2,524,694 |
| Receivables, net | 2,734 |
| | 2,734 |
| Total assets | \$ 2,527,428 |
| | 2,527,428 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable and accrued expenses | \$ 19,989 |
| Compensated absences - current portion | 22,822 |
| Grants payable - current portion | 650,000 |
| | 650,000 |
| Total current liabilities | \$ 692,811 |
| | 692,811 |
| Noncurrent liabilities: | |
| Compensated absences - noncurrent portion | \$ 9,781 |
| Grants payable - noncurrent portion | 500,000 |
| | 500,000 |
| Total noncurrent liabilities | \$ 509,781 |
| | 509,781 |
| Total liabilities | \$ 1,202,592 |
| | 1,202,592 |
| Net Position | |
| Unrestricted | \$ 1,324,836 |
| | 1,324,836 |
| Total net position | \$ 1,324,836 |
| | 1,324,836 |

COUNTY OF FREDERICK, VIRGINIA

Component Unit Economic Development Authority
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2019

| | | Total |
|--|----|-----------------------------|
| Operating revenues | | <u> </u> |
| Charges for services | \$ | 179,360 |
| Operating Expenses | | |
| EDC operations | \$ | 574,181 |
| Other operating expenses | | <u>27,469</u> |
| Total operating expenses | \$ | <u>601,650</u> |
| Operating income (loss) | \$ | (422,290) |
| Nonoperating revenues | | |
| Contribution from Frederick County | \$ | 571,282 |
| Investment income | | <u>11,033</u> |
| Total nonoperating revenues | \$ | <u>582,315</u> |
| Income(loss) before transfers | \$ | 160,025 |
| Change in net position | \$ | 160,025 |
| Net position, beginning of year | | <u>1,164,811</u> |
| Net position, end of year | \$ | <u><u>1,324,836</u></u> |

COUNTY OF FREDERICK, VIRGINIA

Component Unit Economic Development Authority
Statement of Cash Flows
Year Ended June 30, 2019

| | Total |
|---|----------------|
| Cash flows from operating activities | |
| Receipts from services | \$ 176,626 |
| Payments to suppliers | (1,324,112) |
| | (1,147,486) |
| Net cash provided by (used for) operating activities | \$ (1,147,486) |
| Cash flows from noncapital financing activities: | |
| Contribution from Frederick County | \$ 571,282 |
| | 571,282 |
| Cash flows from investing activities | |
| Investment income | 11,033 |
| | 11,033 |
| Net increase (decrease) in cash and cash equivalents | \$ (565,171) |
| Balances, beginning of year | 3,089,865 |
| Balance, end of year | \$ 2,524,694 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | |
| Operating income (loss) | \$ (422,290) |
| Change in assets and liabilities: | |
| Receivables, net | (2,734) |
| Accounts payable | 3,968 |
| Grants payable | (725,000) |
| Compensated absences payable | (1,430) |
| | (1,430) |
| Net cash provided by (used for) operating activities | \$ (1,147,486) |

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- 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.

Table 1

COUNTY OF FREDERICK, VIRGINIA

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

| | FISCAL YEAR | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Governmental activities | | | | | | | | | | |
| Investment in capital assets | \$ (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) | \$ (5,511,757) |
| Unrestricted | <u>39,704,283</u> | <u>38,829,528</u> | <u>33,302,597</u> | <u>37,042,322</u> | <u>42,207,864</u> | <u>29,069,103</u> | <u>31,414,325</u> | <u>46,283,748</u> | <u>19,667,788</u> | <u>9,599,111</u> |
| Total governmental activities net position | <u>\$ 31,455,895</u> | <u>\$ 29,292,395</u> | <u>\$ 21,925,062</u> | <u>\$ 24,722,887</u> | <u>\$ 32,227,894</u> | <u>\$ 23,376,982</u> | <u>\$ 19,098,807</u> | <u>\$ 36,035,469</u> | <u>\$ 12,322,809</u> | <u>\$ 4,087,354</u> |
| Business-type activities | | | | | | | | | | |
| Investment in capital assets | \$ 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 | \$ 18,800,591 |
| Unrestricted | <u>19,932,654</u> | <u>16,778,433</u> | <u>16,837,852</u> | <u>17,401,272</u> | <u>19,352,671</u> | <u>19,716,962</u> | <u>21,105,451</u> | <u>22,107,878</u> | <u>23,093,798</u> | <u>22,277,562</u> |
| Total business-type activities net position | <u>\$ 38,197,047</u> | <u>\$ 38,118,698</u> | <u>\$ 37,810,520</u> | <u>\$ 37,377,290</u> | <u>\$ 37,919,014</u> | <u>\$ 37,797,956</u> | <u>\$ 38,779,342</u> | <u>\$ 40,033,985</u> | <u>\$ 39,339,523</u> | <u>\$ 41,078,153</u> |
| Primary government | | | | | | | | | | |
| Investment in capital assets | \$ 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 | \$ 13,288,834 |
| Unrestricted | <u>59,636,937</u> | <u>55,607,961</u> | <u>50,140,449</u> | <u>54,443,594</u> | <u>61,560,535</u> | <u>48,786,065</u> | <u>52,519,776</u> | <u>68,391,626</u> | <u>42,761,586</u> | <u>31,876,673</u> |
| Total primary government net position | <u>\$ 69,652,942</u> | <u>\$ 67,411,093</u> | <u>\$ 59,735,582</u> | <u>\$ 62,100,177</u> | <u>\$ 70,146,908</u> | <u>\$ 61,174,938</u> | <u>\$ 57,878,149</u> | <u>\$ 76,069,454</u> | <u>\$ 51,662,332</u> | <u>\$ 45,165,507</u> |

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

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

| | FISCAL YEAR | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 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 | \$ 9,632,173 |
| Judicial administration | 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 | 3,344,836 |
| Public safety | 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 | 40,222,149 |
| Public works | 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 | 4,684,177 |
| Health and welfare | 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 | 12,899,295 |
| Education | 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 | 116,544,002 |
| Parks, recreation and cultural | 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 | 6,835,163 |
| Community development | 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 | (1,089,126) |
| Interest on long-term debt | 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 | 5,560,360 |
| Total governmental activities expenses | \$ 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 | \$ 198,633,029 |
| Business-type activities: | | | | | | | | | | |
| Landfill | \$ 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 | \$ 7,449,915 |
| Total primary government expenses | \$ 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 | \$ 206,082,944 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Judicial administration | \$ 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 | \$ 1,107,782 |
| Public safety | 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 | 4,179,816 |
| Parks, recreation and cultural | 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 | 2,540,807 |
| Community development | 5,367 | 3,008 | 4,093 | 2,545 | 2,200 | 2,676 | 967 | 640 | 985 | 360 |
| Operating grants and contributions | 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 | 13,286,047 |
| Capital grants and contributions | - | - | 93,338 | 728,636 | 62,343 | 309,857 | 1,677,555 | 2,504,668 | 218,816 | 253,984 |
| Total governmental activities program revenues | \$ 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 | \$ 21,368,796 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Landfill | \$ 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 | \$ 8,404,829 |
| Capital grants and contributions | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities program revenues | \$ 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 | \$ 8,404,829 |
| Total primary government program revenues | \$ 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 | \$ 29,773,625 |
| Net (expense) / revenue | | | | | | | | | | |
| Governmental activities | \$ (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) | \$ (177,264,233) |
| Business-type activities | (288,479) | (381,125) | (546,163) | (693,393) | 346,720 | 51,418 | 550,357 | 878,277 | 953,928 | 954,914 |
| Total primary government net expense | \$ (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) | \$ (176,309,319) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 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 | \$ 115,716,083 |
| Local sales and use taxes | 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 | 14,344,226 |
| Business licenses taxes | 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 | 7,563,051 |
| Communication taxes | 1,413,711 | - | - | - | - | - | - | - | - | - |
| Consumer utility taxes | 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 | 3,739,978 |
| Meals and lodging taxes | 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 | 6,094,860 |
| Motor vehicle licenses tax | 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 | 2,600,084 |
| Taxes on recordation and wills | 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 | 1,782,444 |
| Other local taxes | 333,133 | 356,826 | 390,755 | 394,679 | 489,172 | 524,034 | 506,895 | 459,877 | 586,699 | 509,733 |
| Unrestricted grants and contributions | 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 | 14,668,011 |
| Unrestricted revenues from use of money and property | 416,503 | 190,074 | 265,970 | 468,591 | 176,297 | 221,094 | 232,173 | 358,948 | 891,692 | 1,638,199 |
| Miscellaneous | 533,261 | 561,013 | 637,532 | 686,893 | 291,589 | 231,310 | 257,399 | 979,946 | 391,882 | 372,109 |
| Total governmental activities | \$ 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 | \$ 169,028,778 |
| Business-type activities: | | | | | | | | | | |
| Unrestricted revenues from use of money and property | \$ 177,850 | \$ 93,809 | \$ 53,704 | \$ 60,856 | \$ 70,827 | \$ 73,699 | \$ 87,082 | \$ 139,894 | \$ 331,776 | \$ 747,314 |
| Miscellaneous | 180,453 | 208,967 | 184,281 | 199,307 | 124,177 | 250,063 | 343,947 | 236,472 | 197,013 | 36,402 |
| Total business-type activities | \$ 358,303 | \$ 302,776 | \$ 237,985 | \$ 260,163 | \$ 195,004 | \$ 323,762 | \$ 431,029 | \$ 376,366 | \$ 528,789 | \$ 783,716 |
| Total primary government | \$ 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 | \$ 169,812,494 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 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 | \$ (8,235,455) |
| Business-type activities | 69,824 | (78,349) | (308,178) | (433,230) | 541,724 | 375,180 | 981,386 | 1,254,643 | 1,482,717 | 1,738,630 |
| Total primary government | \$ 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 | \$ (6,496,825) |

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 | | | | | | | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| General fund | | | | | | | | | | |
| Reserved | \$ 6,678,970 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 28,423,952 | - | - | - | - | - | - | - | - | - |
| Nonspendible | - | 740,576 | 736,632 | 739,911 | 737,911 | 738,854 | 739,051 | 657,896 | 662,781 | 659,028 |
| Restricted | - | 3,022,694 | 2,963,356 | 3,504,341 | 5,987,501 | 5,878,352 | 4,505,016 | 6,221,962 | 7,321,262 | 8,506,149 |
| Committed | - | 1,222,437 | 1,698,907 | 3,385,779 | 1,616,849 | 2,540,730 | 2,690,991 | 2,881,170 | 2,392,072 | 9,362,607 |
| Assigned | - | 1,635 | 2,135 | 2,135 | 4,780 | 4,780 | 4,780 | 4,780 | 4,780 | 4,780 |
| Unassigned | - | 28,372,870 | 34,175,579 | 38,127,444 | 43,513,213 | 48,376,225 | 46,690,210 | 52,415,969 | 47,952,681 | 45,331,680 |
| Total general fund | \$ 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 | \$ 63,864,244 |
| All other governmental funds | | | | | | | | | | |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | \$ 3,259,332 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Capital projects funds | 1,408,958 | - | - | - | - | - | - | - | - | - |
| Debt service funds | 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 | 4,136,972 |
| Committed, reported in: | | | | | | | | | | |
| Shawneeland 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 | 1,679,161 |
| 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 | 3,326,742 |
| Capital Projects fund | - | - | - | - | - | - | - | 1,265,534 | 5,645,343 | 5,741,000 |
| Other governmental funds | - | 984,280 | 385,019 | 579,705 | 1,049,226 | 895,867 | 589,157 | 577,656 | 297,315 | 261,225 |
| Assigned, reported in: | | | | | | | | | | |
| School debt service fund | - | 80,400 | 21,050 | 20,159 | 922,737 | 287,525 | 113,880 | 30,470 | 20,824 | 31,896 |
| Other governmental funds | - | 642,500 | 642,500 | 642,514 | 642,514 | - | - | - | - | - |
| Total all other governmental funds | \$ 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 | \$ 15,176,996 |

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

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

| | FISCAL YEAR | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|----------------|----------------|-----------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Revenues | | | | | | | | | | |
| General property taxes | \$ 70,515,367 | \$ 72,144,912 | \$ 75,756,332 | \$ 80,260,535 | \$ 83,248,466 | \$ 86,999,291 | \$ 94,062,966 | \$ 101,655,465 | \$ 109,224,212 | \$ 115,333,617 |
| Other local taxes | 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 | 36,634,376 |
| Permits, privilege fees and regulatory licenses | 950,143 | 920,328 | 970,384 | 1,214,052 | 1,329,532 | 1,856,416 | 2,264,101 | 2,422,501 | 2,294,004 | 2,188,705 |
| Fines and forfeitures | 328,273 | 279,102 | 307,839 | 387,848 | 368,396 | 409,180 | 285,390 | 468,331 | 299,419 | 313,896 |
| Revenue from use of money and property | 370,663 | 158,943 | 245,975 | 456,138 | 162,282 | 203,122 | 207,355 | 310,240 | 755,569 | 1,405,286 |
| Charges for services | 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 | 5,326,164 |
| Miscellaneous | 533,261 | 547,013 | 637,532 | 686,893 | 291,589 | 231,310 | 257,399 | 979,946 | 391,882 | 372,109 |
| Recovered costs | 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 | 7,955,154 |
| Intergovernmental: | | | | | | | | | | |
| Commonwealth | 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 | 23,837,076 |
| Federal | 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 | 4,370,966 |
| Total revenues | \$ 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 | \$ 197,737,349 |
| Expenditures | | | | | | | | | | |
| General government administration | \$ 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 | \$ 11,060,111 |
| Judicial administration | 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 | 3,496,716 |
| Public safety | 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 | 41,067,469 |
| Public works | 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 | 5,432,118 |
| Health and welfare | 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 | 12,906,354 |
| Education | 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 | 112,919,393 |
| Parks, recreation and cultural | 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 | 7,346,862 |
| Community development | 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 | 3,273,451 |
| Capital projects | 10,099 | 3,597 | 80,000 | 1,557,990 | 131,947 | 5,095,050 | 10,353,916 | 5,119,655 | 1,255,468 | 1,459,828 |
| Debt service | | | | | | | | | | |
| Principal | 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 | 11,939,301 |
| Bond issuance costs | - | - | - | - | - | 286,623 | 260,203 | - | - | - |
| Interest and other fiscal charges | 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 | 6,117,595 |
| Total expenditures | \$ 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 | \$ 217,019,198 |
| Excess of revenues over (under) expenditures | \$ 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) | \$ (19,281,849) |
| 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 | \$ 25,075,000 |
| Transfers in | 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 | 16,324,165 |
| Transfers out | (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) | (16,279,070) |
| Bonds issued | - | - | - | - | - | - | - | - | - | - |
| Premium on bonds issued | - | - | - | - | 744,930 | 3,383,395 | 2,734,253 | - | 446,107 | 2,496,409 |
| Payments to bond escrow agent | - | - | - | - | - | (18,624,252) | - | - | - | - |
| Capital leases | - | - | 555,197 | 96,644 | 310,788 | - | - | - | 499,655 | 449,291 |
| Total other financing sources (uses) | \$ (84,205) | \$ 9,143,968 | \$ 3,219,972 | \$ 80,749 | \$ 10,459,250 | \$ (586,527) | \$ 33,674,114 | \$ (7,839) | \$ 7,258,195 | \$ 28,065,795 |
| Net change in fund balances | \$ 596,983 | \$ 6,882,371 | \$ 2,408,420 | \$ 2,550,404 | \$ 7,865,660 | \$ (15,330,365) | \$ (4,690,150) | \$ 9,026,724 | \$ 72,356 | \$ 8,783,946 |
| Debt service as a percentage of noncapital expenditures | 14.180% | 12.202% | 14.695% | 12.262% | 11.065% | 10.500% | 8.947% | 11.411% | 10.087% | 8.476% |

COUNTY OF FREDERICK, VIRGINIA

Table 5

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

| Fiscal Year | Real Estate | Personal Property | Mobile Homes | Machinery and Tools | Public Utility | | Total Taxable Assessed Value | Total Direct Tax Rate (1) | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|-------------|----------------|-------------------|--------------|---------------------|----------------|-------------------|------------------------------|---------------------------|--------------------------------|--|
| | | | | | Real Estate | Personal Property | | | | |
| 2010 | 8,050,510,887 | 876,964,704 | 39,530,158 | 265,744,961 | 246,737,225 | 1,091,033 | 9,480,578,968 | 0.955 | 9,480,578,968 | 100.00% |
| 2011 | 7,835,124,893 | 959,116,919 | 40,906,316 | 265,929,030 | 257,825,002 | 966,246 | 9,359,868,406 | 1.029 | 9,359,868,406 | 100.00% |
| 2012 | 7,636,806,650 | 942,985,301 | 41,328,639 | 248,314,706 | 367,524,033 | 2,007,550 | 9,238,966,879 | 1.060 | 9,238,966,879 | 100.00% |
| 2013 | 7,696,001,768 | 975,644,445 | 41,657,064 | 255,121,648 | 378,304,245 | 2,172,968 | 9,348,902,138 | 1.071 | 9,348,902,138 | 100.00% |
| 2014 | 7,816,092,895 | 1,006,173,855 | 41,946,196 | 282,244,524 | 342,658,871 | 2,194,437 | 9,491,310,778 | 1.081 | 9,491,310,778 | 100.00% |
| 2015 | 8,149,289,029 | 1,058,707,753 | 41,614,492 | 315,615,959 | 367,409,534 | 2,751,089 | 9,935,387,856 | 1.065 | 9,935,387,856 | 100.00% |
| 2016 | 8,531,313,390 | 1,119,825,165 | 41,363,812 | 336,670,936 | 438,123,088 | 2,567,006 | 10,469,863,397 | 1.102 | 10,469,863,397 | 100.00% |
| 2017 | 9,113,604,193 | 1,069,481,659 | 41,640,270 | 372,087,261 | 411,242,029 | 2,239,737 | 11,010,295,149 | 1.062 | 11,010,295,149 | 100.00% |
| 2018 | 9,712,087,084 | 1,267,398,404 | 42,252,296 | 394,297,574 | 446,856,822 | 1,972,840 | 11,864,865,020 | 1.111 | 11,864,865,020 | 100.00% |
| 2019 | 10,245,922,812 | 1,303,950,734 | 40,648,192 | 399,905,501 | 425,870,977 | 1,678,857 | 12,417,977,073 | 1.102 | 12,417,977,073 | 100.00% |

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

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

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

Property Tax Rates (1)
Last Ten Fiscal Years

| <u>Fiscal Years</u> | <u>Real Estate</u> | <u>Personal Property</u> | <u>Machinery and Tools</u> | <u>Airplanes</u> | <u>Mobile Homes</u> | <u>Total Direct Tax Rate (2)</u> |
|---------------------|--------------------|--------------------------|----------------------------|------------------------------|---------------------|----------------------------------|
| 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 |
| 2019 | 0.610 | 4.86 | 2.00 | 0.010 | 0.610 | 1.102 |

(1) Per \$100 of assessed value

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

COUNTY OF FREDERICK, VIRGINIA

Table 7

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

| <u>Taxpayer</u> | <u>Type Business</u> | <u>Fiscal Year 2019</u> | | <u>Fiscal Year 2010</u> | |
|------------------------------|--------------------------|--|--|--|--|
| | | <u>2019 Assessed Valuation</u> | <u>% of Total Assessed Valuation</u> | <u>2010 Assessed Valuation</u> | <u>% of Total Assessed Valuation</u> |
| Trans Allegheny Interstate | Utility | \$ 153,130,604 | 1.43% | \$ | |
| The Village At Orchard Ridge | Senior Living | 75,306,400 | 0.71% | | |
| Navy Federal CU | Call Center | 59,381,300 | 0.56% | | |
| GPT BTS (Amazon) | Dairy Plant | 56,838,200 | 0.53% | 36,979,500 | 0.45% |
| H P Hood | Distribution | 55,165,500 | 0.52% | | |
| Shenandoah Valley Electric | Utility | 53,831,322 | 0.50% | | |
| Fort Collier Group | Industrial Park | 45,530,300 | 0.43% | 34,984,800 | 0.42% |
| Potomac Edison | Utility | 42,212,343 | 0.40% | 89,310,422 | 1.08% |
| Rappahannock Electric | Utility | 37,922,290 | 0.36% | | |
| Cooperwood Fema LLC | Federal Govt | 32,348,900 | 0.30% | 33,059,200 | 0.40% |
| EIP Winchester | Distribution | | | 28,373,000 | 0.34% |
| Verizon Virginia | Utility | | | 30,851,883 | 0.37% |
| Washington Gas light | Utility | | | 17,101,859 | 0.21% |
| Walmart | Retail | | | 21,671,100 | 0.26% |
| Kohl's Department Stores | Distribution | | | 15,932,300 | 0.19% |
| Elman FBI Assoc | Offices - government | | | 17,737,100 | 0.21% |
| | | <u>\$ 611,667,159</u> | <u>5.73%</u> | <u>\$ 326,001,164</u> | <u>4.19%</u> |

Source: Commissioner of Revenue - 2019 RE BOOK, 2019 PUBLIC SERVICE RE TOTAL,
FY 2010 CAFR

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COUNTY OF FREDERICK, VIRGINIA

Table 8

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 |
| 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% |
| 2019 | 126,341,027 | 121,256,920 | 95.98% | 4,577,200 | 125,834,120 | 99.60% |

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 2010 through 2019 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 | | | |
| 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% | 1,761 |
| 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 | 2529.06% | 1,694 |
| 2019 | 132,256,379 | - | 31,659,045 | 646,153 | 164,561,577 | N/A | 1,828 |

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) |
|--------------------|--------------------------|---------------------------------------|----------------------------|---|---------------------------------------|
| 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% | 1,662 |
| 2015 | 147,568,101 | - | 147,568,101 | 1.49% | 1,767 |
| 2016 | 167,304,991 | - | 167,304,991 | 1.60% | 1,976 |
| 2017 | 154,001,626 | - | 154,001,626 | 1.40% | 1,780 |
| 2018 | 147,560,518 | - | 147,560,518 | 1.24% | 1,670 |
| 2019 | 162,340,329 | - | 162,340,329 | 1.31% | 1,804 |

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 11

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, and local financing lease.

Demographic and Economic Statistics
Last Ten Calendar Years

| Calendar Year | County Population (1) | Personal Income (3)(b) | Per Capita Personal Income (3)(b) | Median Age (1) | School Enrollment (2) | Unemployment Rate (4) |
|----------------------|------------------------------|-------------------------------|--|-----------------------|------------------------------|------------------------------|
| 2010 | 78,564 | 4,047,617 | 38,641 | 39.1 | 13,060 | 7.50% |
| 2011 | 79,518 | 4,302,060 | 40,498 | 39.4 | 13,137 | 6.50% |
| 2012 | 80,241 | 4,520,061 | 42,117 | 39.8 | 13,148 | 5.80% |
| 2013 | 81,486 | 4,539,824 | 41,711 | 39.9 | 13,163 | 5.30% |
| 2014 | 82,730 | 4,765,922 | 43,288 | 40 | 13,075 | 4.70% |
| 2015 | 83,513 | 5,060,273 | 45,631 | 40.1 | 13,181 | 4.00% |
| 2016 | 84,668 | 5,283,602 | 47,070 | 40.3 | 13,203 | 3.50% |
| 2017 | 86,499 | 5,550,202 | 48,509 | 40.5 | 13,338 | 3.20% |
| 2018 | 88,355 | 5,916,516 | 50,802 | 40.6 | 13,525 | 2.60% |
| 2019 (a) | 90,000 | N/A | 52,000 | N/A | 13,627 | 2.40% |

Notes:

- (a) 2019 figures are estimated
- (b) Includes City of Winchester

Sources:

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

N/A = Not available

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

| Employer | 2019 | | Employees | 2010 | |
|--------------------------------|-------------|-------------------------|-------------------------------------|-------------|-------------------------|
| | 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 | 500 to 999 |
| Amazon Fulfillment Services | 4 | 1000 and over | Kraft Foods | 4 | 250 to 499 |
| County of Frederick | 5 | 500 to 999 | Lord Fairfax Community College | 5 | 250 to 499 |
| Trex Company | 6 | 500 to 999 | H.P. Hood, Inc. | 6 | 250 to 499 |
| H.P. Hood, Inc. | 7 | 500 to 999 | Navy Federal Credit Union | 7 | 250 to 499 |
| The Home Depot | 8 | 500 to 999 | The Home Depot | 8 | 250 to 499 |
| Lord Fairfax Community College | 9 | 250 to 499 | Shockey Brothers, Inc. | 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 | | | | | | | | | |
|-------------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| General government | 65 | 62 | 63 | 63 | 65 | 64 | 65 | 71 | 73 | 76 |
| Judicial administration | 22 | 22 | 22 | 21 | 22 | 22 | 22 | 24 | 25 | 27 |
| Public safety | | | | | | | | | | |
| Sheriffs department | 125.5 | 125.5 | 125.5 | 126.5 | 126.5 | 126.5 | 133.5 | 139.5 | 140.5 | 144.5 |
| Juvenile Court Probation | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Building Inspections | 18 | 14 | 13 | 13 | 13 | 13 | 14 | 14 | 15 | 15 |
| Fire & Rescue | 76.5 | 77.5 | 77.5 | 77.5 | 79.5 | 79.5 | 95.5 | 105.5 | 117.5 | 132.5 |
| Communications | 14 | 13 | 13 | 13 | 16 | 16 | 16 | 16 | 16 | 16 |
| Public Works | | | | | | | | | | |
| Engineering | 6 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Refuse Collection | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 |
| Maintenance | 10 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Animal Shelter | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 8 |
| Health and welfare | | | | | | | | | | |
| Department of social services | 58 | 57 | 57 | 57 | 57 | 58 | 66 | 67 | 72 | 73 |
| Parks and Recreation | 38 | 38 | 38 | 38 | 38 | 38 | 39 | 40 | 41 | 41 |
| Community development | | | | | | | | | | |
| Planning | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| EDC | 3 | 3 | 3 | 3 | 3 | 3 | - | - | - | - |
| Gypsy Moth/Biosolids | 1 | - | - | - | - | - | - | - | - | - |
| Extensions | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Regional Jail | 194 | 189 | 188 | 192 | 197 | 203 | 204 | 208 | 208 | 208 |
| Landfill | 26 | 26 | 26 | 26 | 27 | 23 | 27 | 27 | 27 | 27 |
| Division of Court Services | 19 | 15 | 12 | 7 | 7 | 7 | 8 | 9 | 8 | 6 |
| Shawneeland Sanitary District | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 7 |
| Airport | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| EMS Revenue Recovery | - | - | - | - | - | 1 | 1 | 1 | 2 | 2 |
| EDA | - | - | - | - | - | - | 3 | 3 | 3 | 3 |
| Totals | <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> | <u>828</u> |

Source: Prior Frederick County Annual Budgets

Operating Indicators by Function
Last Ten Fiscal Years

| Function | FISCAL YEAR | | | | | | | | | |
|--|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Public Safety | | | | | | | | | | |
| Sheriffs Department: | | | | | | | | | | |
| Calls for service answered | 70,880 | 70,488 | 74,251 | 78,995 | 73,501 | 67,761 | 74,431 | 76,517 | 74,751 | 77,238 |
| Warrants served | 6,731 | 7,207 | 7,045 | 7,593 | 7,574 | 7,452 | 7,149 | 7,586 | 7,880 | 7,148 |
| Criminal arrests | 3,808 | 3,886 | 4,057 | 4,065 | 4,137 | 3,339 | 3,587 | 3,745 | 3,432 | 3,324 |
| Citations issued | 6,207 | 7,273 | 5,994 | 6,373 | 6,609 | 4,930 | 8,849 | 8,775 | 6,201 | 5,956 |
| Civil papers served | 20,171 | 19,388 | 19,764 | 19,125 | 18,770 | 18,416 | 17,495 | 17,298 | 15,821 | 17,577 |
| Fire and Rescue: | | | | | | | | | | |
| Incident responses | 9,339 | 9,857 | 10,053 | 9,472 | 10,017 | 10,245 | 10,533 | 10,581 | 11,074 | 11,157 |
| Building Inspections: | | | | | | | | | | |
| Permits issued | 3,639 | 3,463 | 3,625 | 3,608 | 4,214 | 4,992 | 6,311 | 6,712 | 6,789 | 6,997 |
| Inspections performed | 14,669 | 12,463 | 12,643 | 13,957 | 12,951 | 15,630 | 17,662 | 18,070 | 17,995 | 18,483 |
| Public Works | | | | | | | | | | |
| Engineering: | | | | | | | | | | |
| Site reviews | 285 | 271 | 290 | 442 | 514 | 634 | 626 | 664 | 660 | 768 |
| Land disturbance permits issued | 261 | 216 | 247 | 347 | 369 | 503 | 601 | 683 | 687 | 700 |
| Animal Shelter: | | | | | | | | | | |
| Dogs/cats adopted/reclaimed | 1,363 | 1,400 | 1,379 | 1,306 | 1,201 | 1,107 | 1,100 | 1,252 | 1,334 | 1,624 |
| Health and Welfare | | | | | | | | | | |
| Department of Social Services: | | | | | | | | | | |
| Adult protective service investigations | 190 | 214 | 286 | 275 | 290 | 344 | 355 | 413 | 407 | 451 |
| Child protective service investigations | 443 | 437 | 498 | 515 | 470 | 736 | 628 | 509 | 621 | 550 |
| Culture and Recreation | | | | | | | | | | |
| Parks and Recreation: | | | | | | | | | | |
| Recreation hall & shelter permits issued | 1,256 | 1,538 | 1,308 | 1,213 | 1,174 | 1,078 | 1,178 | 1,198 | 1,276 | 2,062 |
| Special events & excursions conducted | 61 | 59 | 57 | 54 | 57 | 58 | 58 | 61 | 61 | 64 |
| After-school program participants | 404 | 442 | 432 | 390 | 407 | 453 | 532 | 550 | 612 | 686 |
| Youth sports participants | 8,567 | 8,652 | 8,801 | 8,541 | 8,646 | 8,577 | 8,461 | 8,628 | 8,732 | 8,803 |
| Community Development | | | | | | | | | | |
| Planning: | | | | | | | | | | |
| Rezoning applications processed | 1 | 1 | 9 | 6 | 5 | 12 | 12 | 5 | 4 | 7 |
| Road Administration: | | | | | | | | | | |
| Street signs installed/repared (b) | 176 | 124 | 118 | 190 | 112 | 28 | 34 | 113 | 130 | 98 |
| Landfill | | | | | | | | | | |
| Refuse weighed and disposed (tons/year) | 146,633 | 146,211 | 144,153 | 144,984 | 149,659 | 157,568 | 162,326 | 167,617 | 185,810 | 189,646 |
| Residential Recycling (tons/year) | 2,710 | 6,448 | 5,289 | 6,313 | 5,514 | 4,774 | 4,974 | 3,092 | 3,093 | 3,139 |
| Component Unit - School Board | | | | | | | | | | |
| Education: | | | | | | | | | | |
| School enrollment (1) | 13,060 | 13,145 | 13,137 | 13,163 | 13,144 | 13,181 | 13,203 | 13,338 | 13,525 | 13,627 |
| Number of instructional personnel (a) | 1,441 | 1,439 | 1,442 | 1,424 | 1,434 | 1,467 | 1,490 | 1,500 | 1,532 | 1,568 |
| Local expenditures per pupil (2) | 4,574 | 4,711 | 4,469 | 4,876 | 4,847 | 5,246 | 5,607 | 5,858 | 6,253 | 6,506 |

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. 2019 is estimated.

Capital Asset Statistics by Function
Last Ten Fiscal Years

| Function | FISCAL YEAR | | | | | | | | | |
|--------------------------------|-------------|------|------|------|------|------|-------|-------|-------|------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| General government | | | | | | | | | | |
| Administration buildings | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Vehicles | 10 | 9 | 15 | 13 | 12 | 10 | 9 | 9 | 9 | 10 |
| Public safety | | | | | | | | | | |
| Sheriffs department: | | | | | | | | | | |
| Patrol units | 86 | 99 | 86 | 76 | 73 | 96 | 104 | 107 | 92 | 77 |
| Other vehicles | 41 | 39 | 39 | 43 | 58 | 25 | 49 | 53 | 75 | 99 |
| Building inspections: | | | | | | | | | | |
| Vehicles | 10 | 10 | 10 | 10 | 10 | 12 | 10 | 11 | 11 | 11 |
| Animal control: | | | | | | | | | | |
| Vehicles | 3 | 4 | 4 | 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| Fire & Rescue: | | | | | | | | | | |
| Vehicles | 20 | 19 | 20 | 25 | 25 | 27 | 23 | 23 | 25 | 29 |
| Public works | | | | | | | | | | |
| General maintenance: | | | | | | | | | | |
| Trucks/vehicles | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 3 | 3 | 3 |
| Other Public Works Vehicles | N/A | N/A | 20 | 21 | 21 | 23 | 23 | 22 | 23 | 24 |
| Landfill: | | | | | | | | | | |
| Vehicles | 12 | 12 | 13 | 10 | 13 | 11 | 11 | 10 | 11 | 12 |
| Sites | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Health and welfare | | | | | | | | | | |
| Department of Social Services: | | | | | | | | | | |
| Vehicles | 10 | 10 | 12 | 11 | 11 | 12 | 11 | 12 | 12 | 12 |
| Culture and Recreation | | | | | | | | | | |
| Parks and Recreation: | | | | | | | | | | |
| Community centers | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Vehicles | 28 | 27 | 27 | 26 | 24 | 26 | 24 | 25 | 29 | 28 |
| Parks acreage | 400 | 400 | 400 | 400 | 400 | 400 | 433.5 | 433.5 | 433.5 | 440 |
| Swimming pools | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Tennis courts | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Community Development | | | | | | | | | | |
| Planning: | | | | | | | | | | |
| Vehicles | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Component Unit - School Board | | | | | | | | | | |
| Education: | | | | | | | | | | |
| Schools (a) | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| School buses | 196 | 209 | 211 | 212 | 203 | 203 | 207 | 216 | 233 | 234 |
| Vehicles | N/A | N/A | N/A | N/A | N/A | 136 | 137 | 128 | 141 | 133 |

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, 2019, 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 19, 2019.

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 19, 2019



**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, 2019. 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, 2019.

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 19, 2019

COUNTY OF FREDERICK, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

| 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 (SNAP Cluster) | 10.561 | 0010117/0010118/0040117/0040118 | \$ 886,823 |
| <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 | \$ 25,847 |
| Temporary Assistance for Needy Families (TANF Cluster) | 93.558 | 0400117/0400118 | 360,725 |
| Refugee and Entrant Assistance-State Administered Programs | 93.566 | 0500117/0500118 | 237 |
| Low-income Home Energy Assistance | 93.568 | 0600417/0600418 | 46,821 |
| Child Care and Development Fund Cluster: | | | |
| Child Care and Development Block Grant | 93.575 | 0770109/0770110 | \$ (600) |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760117/0760118 | 64,414 |
| Total Child Care and Development Fund Cluster | | | \$ 63,814 |
| Chafee Education and Training Vouchers Program (ETV) | 93.599 | 9160117 | 7,757 |
| Adoption and Legal Guardianship Incentive Payments | 93.603 | 1130115/1130116 | 2,940 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900116/0900117 | 304 |
| Foster Care - Title IV-E | 93.658 | 1100117/1100118 | 492,153 |
| Adoption Assistance | 93.659 | 1120117/1120118 | 439,204 |
| Social Services Block Grant | 93.667 | 1000117/1000118 | 440,516 |
| Chafee Foster Care Independence Program | 93.674 | 9150117/9150118 | 6,652 |
| Children's Health Insurance Program | 93.767 | 0540117/0540118 | 21,824 |
| Medical Assistance Program (Medicaid Cluster) | 93.778 | 1200117/1200118 | 996,932 |
| Total Department of Health and Human Services | | | \$ 2,905,726 |
| <u>DEPARTMENT OF JUSTICE:</u> | | | |
| <u>Pass through payments:</u> | | | |
| Department of Criminal Justice Services: | | | |
| Forfeited Assets | 16.000 | N/A | \$ 981 |
| State Criminal Alien Assistance Program | 16.606 | Not available | 25,345 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 17A6069AD13 | 35,399 |
| Crime Victim Assistance | 16.575 | 18V9261VW16 & 15S9261VW14 | 137,878 |
| Total Department of Justice | | | \$ 199,603 |
| <u>DEPARTMENT OF TRANSPORTATION:</u> | | | |
| <u>Pass through payments:</u> | | | |
| Virginia Department of Transportation: | | | |
| State and Community Highway Safety | 20.600 | FSC1858098 & SC1757260 & 18X9204020VA17 | \$ 10,760 |
| Alcohol Open Container Requirements | 20.607 | 154AL1757267 & 15AL1858093 | 16,279 |
| Total Department of Transportation | | | \$ 27,039 |
| <u>DEPARTMENT OF TREASURY:</u> | | | |
| <u>Direct payments:</u> | | | |
| Equitable Sharing | 21.016 | N/A | \$ 56,826 |
| Total Primary Government | | | \$ 4,076,017 |
| <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 | \$ 394,852 |
| Department of Education: | | | |
| National School Lunch Program (Child Nutrition Cluster) | 10.555 | 2016IN109941 | 2,124,078 |
| | | | \$ 2,518,930 |
| School Breakfast Program (Child Nutrition Cluster) | 10.553 | 2016IN109941 | 588,869 |
| Total Child Nutrition Cluster | | | \$ 3,107,799 |
| Schools and Roads - Grants to States | 10.665 | 10.665 | \$ 3,178 |
| Total Department of Agriculture | | | \$ 3,110,977 |

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2019 (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 | \$ 1,460,175 |
| Title I - State Agency Program for Neglected and Delinquent Children and Youth | 84.013 | S013A140046/S013A150046 | 878 |
| English Language Acquisition State Grants | 84.365 | T365A140046/S365A150046 | 91,763 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | H027A140107/H027A150107 | \$ 2,461,888 |
| Special Education - Preschool Grants | 84.173 | H173A150112 | 46,964 |
| Total Special Education Cluster | | | \$ 2,508,852 |
| Career and Technical Education - Basic Grants to States | 84.048 | V048A150046 | 163,987 |
| Student Support and Academic Enrichment Program | 84.424 | | 81,519 |
| Supporting Effective Instruction State Grant | 84.367 | S367A140044/S367A150044 | 241,091 |
| Preschool Development Grants | 84.419 | S419B150010 | 673,364 |
| Total Department of Education | | | \$ 5,221,629 |
| Total Component Unit School Board | | | \$ 8,332,606 |
| Total Expenditures of Federal Awards | | | \$ 12,408,623 |

COUNTY OF FREDERICK, VIRGINIA

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

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, 2019. 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, 2019 the School Board had food commodities totaling \$279,516 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 | \$ 4,025,596 |
| School Debt Service Fund | 279,055 |
| Other Governmental Funds | <u>66,315</u> |
| Total primary government | \$ <u>4,370,966</u> |
| Component Unit School Board: | |
| School Operating Fund | \$ 5,224,807 |
| School Cafeteria Fund | <u>3,107,799</u> |
| Total component unit school board | \$ <u>8,332,606</u> |
| Total federal expenditures per basic financial statements | \$ <u>12,703,572</u> |
| Payments in lieu of taxes | <u>\$ (15,894)</u> |
| Federal subsidy | <u>\$ (279,055)</u> |
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | <u>\$ <u>12,408,623</u></u> |

COUNTY OF FREDERICK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

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

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

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

COUNTY OF FREDERICK, VIRGINIA

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019**

There were no items reported.

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