

COMPREHENSIVE ANNUAL



FINANCIAL REPORT

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

- Introductory Section -

COUNTY OF FREDERICK, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2014**

Issued by

Cheryl B. Shiffler, Finance Director

Winchester, Virginia

COUNTY OF FREDERICK, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014

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

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

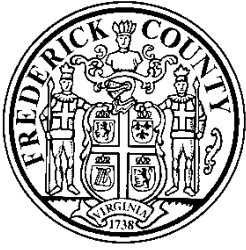
| | | |
|-------------------------------------|-------------|------------------|
| Stuart A. Wolk, Chairman | | |
| Benjamin F. Waterman, Vice-Chairman | | |
| Jody S. Wall | | Dr. John Lamanna |
| Frank E. Wright | Peggy Clark | Michael A. Lake |

BOARD OF SOCIAL SERVICES

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

OTHER OFFICIALS

| | |
|---------------------------------|--|
| John R. Riley, Jr. | County Administrator |
| Kris C. Tierney | Assistant County Administrator |
| Cheryl B. Shiffler | Finance Director |
| Harvey E. Strawsnyder, Jr. | Engineering and General Services Director |
| Dennis D. Linaburg | Fire and Rescue Services Director |
| Paula Nofsinger | Human Resources Director |
| Walter T. Banks | Information Technologies Director |
| Charles B. Tyson | Management Information Systems Director |
| Eric R. Lawrence | Planning and Development Director |
| Patrick E. Barker..... | Economic Development Director |
| Jason Robertson..... | Parks and Recreation Director |
| LeeAnna Pyles..... | Public Safety Communications Director |
| Ellen E. Murphy | Commissioner of the Revenue |
| C. William Orndoff, Jr. | County Treasurer |
| Ross P. Spicer..... | Commonwealth Attorney |
| Roderick B. Williams | County Attorney |
| Robert T. Williamson | Sheriff |
| Clifford L. Athey, Jr. | Judge of the Circuit Court |
| David S. Whitacre..... | Judge of the General District Court |
| Elizabeth K. Burton | Judge of the Juvenile and Domestic Relations Court |
| Rebecca Hogan | Clerk of the Circuit Court |
| Philip S. Braxton | Court Services Director |
| Tamara Green | Social Services Director |
| Charles Devine | Health Department District Director |
| Mark E. Sutphin..... | Frederick County Extension Agent |
| Richard S. Miller | Central Registrar |
| Dr. David T. Sovine..... | Superintendent of Schools |



COUNTY of FREDERICK

John R. Riley, Jr.
County Administrator

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

December 17, 2014

Board of Supervisors
County of Frederick
Winchester, Virginia

To the Board Members:

The comprehensive annual financial report of the County of Frederick, Virginia for the fiscal year ended June 30, 2014 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

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

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

REPORTING ENTITY

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

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

The provisional population of the County was estimated at 81,207 in 2013 based on the U.S. Census Bureau. The per capita income in Winchester-Frederick County was \$40,394 in 2013, the last year for which the information is available, according to the Bureau of Economic Analysis.

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

LOCAL ECONOMY

As the nation continues to recover from its most recent recession, there have been recent indicators that the economy in Frederick County is showing signs of recovery. Sales tax revenue continues to increase at an average rate of 8%. Other positive indicators include a fairly steady showing in construction-related permits and a slight increase in meals and lodging taxes collection.

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

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

VISION STATEMENT & CORE VALUES

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

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

FUTURE GOALS

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

- Preserve and enhance natural resources.
Strategy: Implement plans that concentrate on preserving historic sites and natural resources.
- Provide adequate public utility infrastructure to support the present and future needs of the county.
Strategy: Work with county utility agencies to include monitoring demand of service and the availability of services to all areas.
- Establish and implement policies that maintain a high quality of life for citizens at the least possible cost.
Strategy: Continue to provide and improve services to county residents such as recreational activities, refuse collection sites and enhanced public safety.
- Maintain a fund balance that assures a positive cash flow.
Strategy: Monitor fund balance on a regular basis.

- Promote economic development to improve the current residential/business tax ratio.
Strategy: Promote economic development incentives to attract businesses/industries to the Frederick County area.
- Enhance and perfect the public safety element within the county.
Strategy: Improve fire and rescue volunteer program and support continued public safety training.
- Keep abreast of any potential significant changes to cyclical revenue sources.
Strategy: Monitor monthly county revenue sources such as sales tax, Development Revenue Fees, and building permits.
- Improve and maintain the momentum of Geographic Information System (G.I.S.) growth and development in Frederick County.
Strategy: Provide improved, easy-to-use format for citizens and develop in-house training programs.
- Continue to upgrade the county's web site for increased accessibility for county residents.
Strategy: Improve county department web pages with the accessibility of applications, registration forms and payment options for county citizens.
- Improve quality security at county facilities.
Strategy: Update lighting, key access and entrance doors for increased safety.
- Maintain and improve the planning process in order to manage growth and development in Frederick County.
Strategy: Modify the Comprehensive Policy Plan format and review process.
- Prepare coordinated plans for community facilities.
Strategy: Improve the quality and accuracy of the five-year Capital Improvements Plan for major capital facilities to include increased coordination and cooperation between various county departments.

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

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

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

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

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

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

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

HISTORIC PRESERVATION

There are quite a few historic sites in Frederick County. The following sites are listed on both the Virginia Landmarks Register and the National Register of Historic Places:

| | |
|---|--|
| Belle Grove and Cedar Creek Battlefield | Hopewell Friends Meeting House |
| Monte Vista | County Poor House |
| Springdale House and Mill Complex | Willa Cather’s Birthplace |
| Willow Shade | Newtown/Stephensburg District |
| Sunrise | St. Thomas Episcopal Church (Middletown) |
| Rose Hill | |

In addition to these, there are approximately 50 sites in the county that have been preliminarily reviewed by the Virginia Department of Historic Resources and deemed most likely eligible for inclusion on the State and National Registers.

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

Battlefields:

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

Fortifications/Entrenchments:

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

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

PHYSICAL CHARACTERISTICS

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

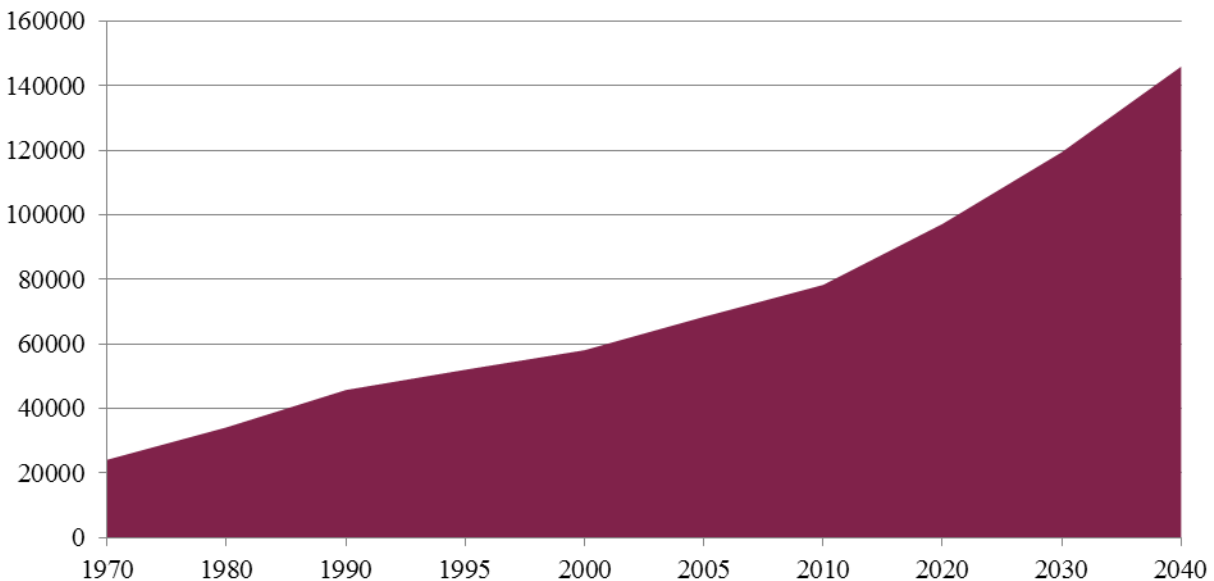
The second area is underlain by limestone-carbonate bedrock and consists of a band that runs north-south through the county between Interstate 81 and Little North Mountain. The terrain here tends to be gently rolling. Outside of the City of Winchester, much of this area is currently used for agriculture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

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

POPULATION

During the twentieth century, the population of Frederick County skyrocketed 347 percent, growing from 13,239 people in 1900 to 59,209 in 2000. Much of the population growth occurred during the 1970's and 1980's and again during the economic/construction boom in the mid 2000's. According to the latest census conducted in 2010, the population for Frederick County was 78,305. By 2020, it is projected that the population of Frederick County will be approximately 97,189, by 2030 119,420, and by 2040 145,939.

Frederick County Population Counts, 1970-2040



PUBLIC SCHOOL SYSTEM

The Frederick County Public School System, the 19th largest school division in Virginia, is composed of eleven elementary schools serving students in grades kindergarten through fifth grade; four middle schools serving grades six through eight; three high schools serving grades nine through twelve; and one alternative/vocational school. Frederick County participates and is fiscal agent for a regional facility, Northwestern Regional Educational Program that provides services to some of its special education population. Other support facilities include the administration building, the maintenance and warehousing facility and the transportation facility. The school system also provides building maintenance services for the county government office buildings and the regional library. The new transportation facility is equipped to provide vehicle maintenance services to county agencies as well as the school division.

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

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

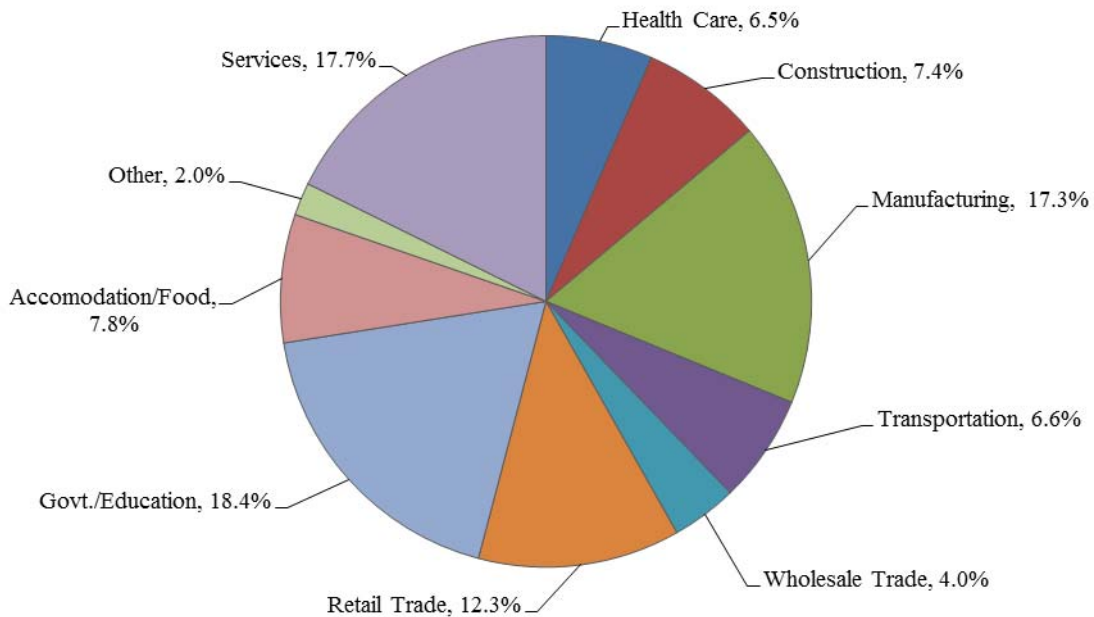
The school board's primary budget priorities for FY 2015 include implementing full-day kindergarten program, improving employee salaries to assure competitiveness in a fiscally responsible manner, providing for staffing appropriate to program needs in excess of Standards of Quality/Standards of Accreditation,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

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

EMPLOYMENT TRENDS

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

Employment Trends - Frederick County - Quarter 1 - 2014



Unemployment rates for Frederick County and Winchester have paralleled those of Virginia. Unemployment rates locally and nationally are in slight decline from record highs in almost twenty years. In the last three years, the Frederick County unemployment rate has decreased by 1.3%, the Virginia unemployment rate has decreased by 1.1%, and the United States unemployment rate has decreased by 1.5%. The unemployment rate for Frederick County for 2013 was 5.0% compared to the 2012 rate of 5.6%.

QUALITY OF LIFE

Higher Education

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

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

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

| | |
|------------------|---|
| Cost of Living | The cost of living in Frederick County area is about 102.3% of the national average. The median single family detached home sold for approximately \$209,000 in 2013. This low cost of living in such a close proximity to Washington, D. C. attributes to the attractiveness of the area to many working families. |
| Crime | The latest FBI report (data for 2012) gives the crime rate per 100,000 people for the USA as 386.9. The crime rate for Winchester-Frederick County was 188.2 in 2012. |
| Medical Care | Winchester Medical Center, a 445-bed, non-profit hospital in Winchester, Virginia, is a regional referral center offering a broad spectrum of services that includes diagnostic, medical, surgical, and rehabilitative care. A level II trauma center, WMC is a resource for 400,000 residents in Virginia as well as neighboring West Virginia and Maryland. In 2012, WMC completed a three-year campus expansion project. The \$161 million construction project impacted three sides of the 22-year old medical center, enhancing critical care and women’s services. WMC is rated among the top five hospitals in Virginia by U.S. News & World Report. |
| Library Services | Library service is provided to Frederick County through the Handley Regional Library located in downtown Winchester, the Mary Jane and James L. Bowman Library located in Stephens City, and the Clarke County Library located in Berryville. Currently, there are 38,876 active registered library card holders in Frederick County. During the period of July 1, 2013 through June 30, 2014, Frederick County residents borrowed 514,493 items from the library system. |
| Parks | <p>Frederick County currently owns and operates two district parks, Cleabrook Park, located in the Stonewall district and Sherando Park, located in the Opequon district. Both parks provide county residents active and passive recreation facilities including multi-use trails, an outdoor swimming pool, ball fields, playgrounds, picnic areas, fishing, and volleyball. In addition, Sherando Park has soccer fields, an eighteen-hole disc golf course, and mountain bike trails.</p> <p>2014 marks an addition to the Frederick County park system with the creation of Rose Hill Park in the Back Creek district. Through a long term agreement with the Museum of the Shenandoah Valley (MSV), Frederick County residents will enjoy year round access to recreational amenities including a one mile trail, playground, picnic shelter, and open play fields once constructed. The partnership approach creating Rose Hill Park represents a cost-effective means of satisfying a long standing Capital Improvement need and will be the first significant increase in Frederick Count Parks and Recreation park land since 1975.</p> <p>There are three neighborhood parks in the County. These are located at Round Hill and Reynolds Store in the Gainesboro district and Frederick Heights in the Redbud district. These parks have playground equipment.</p> <p>Frederick County residents enjoy five community centers located inside of four Frederick County Public School elementary schools and Sherando High School. Two centers boast fitness equipment while four centers have full court gymnasiums.</p> <p>Frederick County Parks and Recreation also provide approximately 200 recreation programs throughout the year. Programs include before and after school, youth sports, adult sports, fitness, general interest, trips, and senior programs. The department also provides two signature special events. Walking in a Winter Wonderland is a month long celebration of lights at Cleabrook Park and the 4th of July Celebration is held at Sherando Park.</p> |

FINANCIAL INFORMATION

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

SINGLE AUDIT

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

As a part of the County's single audit described earlier, tests are made to determine the adequacy of the internal control structure including that portion related to federal financial assistance programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2014, are included in the Compliance Section.

BUDGETING CONTROLS

In addition, the County maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County's governing body. Activities of the general fund and special revenue funds, and the funds of the component unit School Board are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity within an individual fund. Open encumbrance amounts, as of June 30, 2014, have been determined and the amount of these encumbrances is reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances generally are reappropriated as part of the following year's budget.

OTHER INFORMATION

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates was selected by the Board of Supervisors. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and the related requirements of OMB Circular A-133. The auditor's report on the financial statements and schedules is included in the financial section.

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the twenty-eighth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the County also received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its fiscal year ending June 30, 2013. This is the eighth year that the County has received this award. In order to receive this award a government unit must publish a document whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

The County also received GFOA's Award for Distinguished Budget Presentation for its fiscal year beginning July 1, 2013 and twenty-eight prior fiscal year annual budgets. In order to qualify for the Distinguished Budget Presentation Award, the County's budget was judged to be proficient in several categories including policy documentation, financial planning and organization.

ACKNOWLEDGMENTS

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

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



John R. Riley, Jr.
County Administrator



Cheryl B. Shiffler
Finance Director



Government Finance Officers Association

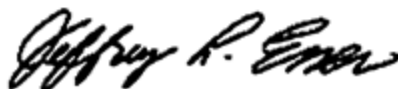
Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**County of Frederick
Virginia**

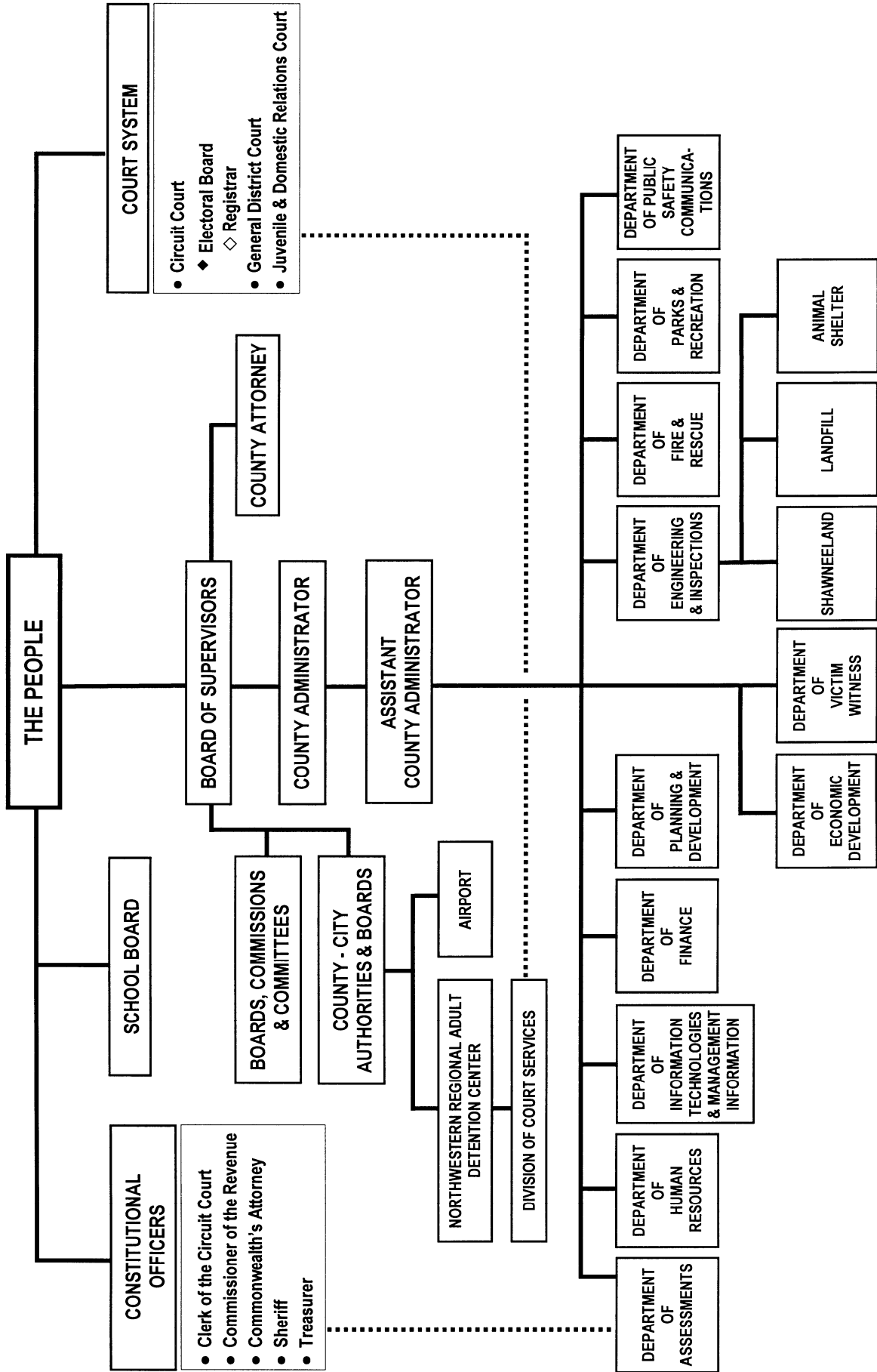
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013



Executive Director/CEO

FREDERICK COUNTY ORGANIZATIONAL CHART



- Financial Section -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the remaining fund information of County of Frederick, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Frederick, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12, budgetary comparison information, and schedule of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Frederick, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Information (continued)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of the County of Frederick, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Frederick, Virginia's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
December 17, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the County of Frederick's (the County) financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the County's financial statements, which follow this section.

Financial Highlights for Fiscal Year 2014:

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

- Fund Statements:
 - The fund financial statements report combined ending general fund balance of \$51.9 million. Of that amount, \$43.5 million reflects unassigned general fund balance.
 - General fund property taxes of \$81.6 million equaled over half of the total \$143.5 million in revenues in the general fund.
 - The net change in fund balance for the general fund of the prior year was approximately a \$6.1 million increase.

Using the Comprehensive Annual Financial Report:

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

Government-wide Statements:

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

The two government-wide statements, the Statement of Net Position and the Statement of Activities, report the County's net position and changes in it. The County's net position can be thought of as the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, which is one way to measure the County's financial position. Over time, increases and decreases in net position can be one indicator that the County's financial health is improving or deteriorating.

Government-wide Statements: (continued)

The Statement of Net Position presents information on all the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources. As discussed earlier, the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is reported as net position. Net position is presented in three categories: invested in capital assets-net of related debt, restricted and unrestricted. To accurately use changes as an indicator of the County's financial health, the factors that contribute to the increases and decreases must be analyzed. Other factors such as the County's tax rate and the condition of other capital assets must also be considered when using the Statement of Net Position as a financial indicator.

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

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

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

Fund Financial Statements:

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

The County has three kinds of funds:

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

Fund Financial Statements: (continued)

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

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

Notes to the Financial Statements:

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

Financial Analysis of the County as a Whole:

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

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

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

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

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

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

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

Revenues:

□ **Governmental Activities:** For the fiscal year ended June 30, 2014, revenues from governmental activities totaled \$144,067,026, an increase of \$4.3 million over last fiscal year. Property tax revenues, which include real estate tax revenues and the local paid portion of personal property taxes account for approximately \$83.1 million of the total revenues received. Personal property taxes paid by the State under the provisions of PPTRA are included in nonrestricted grants.

Other local taxes include sales tax, utilities tax, gross receipts tax, business license, bank stock taxes, franchise tax, hotel and meals tax, and motor vehicle licenses. This category increased from last fiscal year by \$1.5 million.

□ **Business-type Activities:** The Regional Landfill is the only category that is classified as a business-type activity. Fees generated from usage of the landfill are recorded along with interest earnings as revenue. The landfill increased net position by \$541,724 in FY 2014.

□ **Component Units:** Component units include the Frederick County Public Schools and the Frederick County Industrial Development Authority. Program revenues would include direct revenues such as charges for services and operating grants. Operating grants include state and federal funding that is primarily comprised of categorical funding.

Expenses:

- **Governmental Activities:** For the fiscal year ended June 30, 2014, expenses related to governmental activities totaled \$136,562,019 which includes payments to the component units. Net position related to governmental activities increased by \$7.5 million.

Financial Analysis of the Fund Financial Statements:

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

Approximately 73% (\$43,513,213) of the combined ending fund balance is unassigned, which is available for spending at the government's discretion. The FY 2015 budget appropriates \$4.3 million from fund balance to balance the budget. Of the remainder of the fund balance, \$737,911 is nonspendable, \$6,522,185 is restricted, \$7,385,247 is committed and \$1,570,031 is assigned. Detailed information on fund balance types and amounts can be found in the Notes to Financial Statements - NOTE 1-N of this document.

The County's major funds are the General, Shawneeland Sanitary District, Lake Holiday Sanitary District, School Debt Service, and Capital Projects Funds. Detailed information on fund revenues, expenditures and fund balance during the 2013-14 fiscal year can be found on Exhibit 5 – Statement of Revenues, Expenditures, and Changes in Fund Balances.

- The General Fund is the chief operating fund of the County of Frederick.
- The Shawneeland Sanitary District Fund accounts for special property tax assessments which are used to pay for various services requested by residents of the District.
- The Lake Holiday Sanitary District Fund accounts for special property tax assessments which are used to pay for the repair of the dam and related expenditures.
- The School Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related charges.
- The Development Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major development projects.

- **Proprietary Funds:** The County's proprietary funds consist of the landfill fund and internal service funds. The Landfill Fund is operated like a business (enterprise) fund and the internal service funds include the County's Health Insurance, Central Stores, Unemployment, and Volunteer Fire and Rescue Funds. The Landfill Fund reflected an increase in net position of \$541,724, while the Internal Service Funds recognized an increase in net position in the amount of \$1,407,495. The Landfill Fund purchased capital assets in the amount of \$402,722 and posted operating income of \$470,897. The Internal Service Funds had operating income of \$1,382,012.

General Budgetary Highlights:

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

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

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

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

Capital Assets:

At the end of the Fiscal Year 2014, Governmental Activities had invested \$115,284,381 and the Component Unit School Board had invested \$112,685,514 in capital assets net of depreciation. School Board capital assets are jointly owned by the County (Primary Government) and the Component Unit School Board to the extent of the proportion of general obligation debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. The County and School Board have no infrastructure capital assets, such as roads and bridges, because all such items have been transferred to and are maintained by the Commonwealth of Virginia. The following two schedules reflect the capital assets of the Governmental Activities and Component Unit School Board. Additional information on capital assets can be found in Note 8 in this report.

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

Component Unit School Board Capital Assets

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

Long-Term Obligations:

General Fund revenues are used to pay lease and general obligation bonds and state literary fund loans. At the end of the fiscal year, the County had bonded debt of \$130.9 million. This entire amount represents debt backed by the full faith and credit of the County.

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

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

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

Contacting the Finance Department:

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

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Net Position
At June 30, 2014

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

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2014

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

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

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

COUNTY OF FREDERICK, VIRGINIA

Balance Sheet
Governmental Funds
At June 30, 2014

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

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

COUNTY OF FREDERICK, VIRGINIA

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

| | | |
|---|----|--------------------------|
| Total fund balances for governmental funds (Exhibit 3) | \$ | 59,728,587 |
| Total net position reported for governmental activities in the statement of net position is different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of: | | |
| Land and improvements | \$ | 2,395,824 |
| Construction in progress | | 2,021,103 |
| Buildings and improvements, net of depreciation | | 31,512,813 |
| Equipment, net of depreciation | | 2,914,491 |
| School Board capital assets, net of depreciation | | <u>76,440,150</u> |
| Total capital assets | | 115,284,381 |
| Internal service funds are used by the County to charge the cost of health insurance, supplies, gasoline, duplicating and unemployment benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. The internal service funds net position are: | | |
| | | 6,623,770 |
| Some of the County's taxes and business licenses will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore are reported as unavailable revenue in the funds. | | |
| | | 7,860,391 |
| Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Also, the County received a premium on its long-term debt issues and incurred defeasance costs when refunding debt. The premium and defeasance costs will be amortized over the life of the new bond issue as interest is paid. Balances of long-term liabilities affecting net position are as follows: | | |
| Accrued interest payable | \$ | (2,249,020) |
| Long term commitments to IDA | | (925,000) |
| Bonds, notes and capital leases | | (134,027,275) |
| Unamortized bond premium | | (3,755,795) |
| Deferred charge on refunding | | 5,186 |
| Net OPEB obligation | | (12,873,000) |
| Compensated absences | | <u>(3,444,331)</u> |
| Total | | <u>(157,269,235)</u> |
| Total net position of governmental activities (Exhibits 1 and 2) | \$ | <u><u>32,227,894</u></u> |

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

COUNTY OF FREDERICK, VIRGINIA

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

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

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

COUNTY OF FREDERICK, VIRGINIA

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014**

| | | |
|--|----|-------------------------|
| Net change in fund balances - total governmental funds (Exhibit 5) | \$ | 7,865,660 |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p> | | |
| Capital outlay | \$ | 2,280,529 |
| Depreciation | | <u>(4,561,716)</u> |
| Net adjustment | | (2,281,187) |
| <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> | | |
| | | (147,897) |
| <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> | | |
| | | 2,176,755 |
| <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> | | |
| | | (187,132) |
| <p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p> | | |
| Debt issued: | | |
| General obligation school bonds | \$ | (9,415,000) |
| Capital leases | | (310,788) |
| Premium on debt: | | |
| General obligation school bonds | | (744,930) |
| Repayments: | | |
| Lease revenue bonds | | 1,715,000 |
| General obligation library bonds | | 226,411 |
| General obligation school bonds | | 8,164,756 |
| State Literary Fund loans | | 814,149 |
| Intergovernmental loans | | 12,346 |
| Capital leases | | <u>408,607</u> |
| Net adjustment | | 870,551 |
| <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 | \$ | (358,863) |
| Net OPEB obligation | | (2,097,000) |
| Long term commitments to IDA | | (375,000) |
| Amortization of debt premium | | 481,833 |
| Amortization of advanced refunding defeasance costs | | (15,299) |
| Accrued interest payable | | <u>165,091</u> |
| Net adjustment | | (2,199,238) |
| <p>Internal service funds are used by the County to charge the costs of health insurance, supplies and unemployment costs to individual funds. The net revenue of internal service funds is reported with governmental activities.</p> | | |
| | | <u>1,407,495</u> |
| Change in net position of governmental activities (Exhibit 2) | \$ | <u><u>7,505,007</u></u> |

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

COUNTY OF FREDERICK, VIRGINIA

Statement of Net Position
Proprietary Funds
At June 30, 2014

| | Business-type Activities - Enterprise Fund | Governmental Activities |
|---|---|------------------------------------|
| | Landfill Fund | Internal Service Funds |
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 19,486,055 | \$ 7,376,780 |
| Restricted cash - landfill closure | 11,938,536 | - |
| Receivables, net | 522,809 | - |
| Total current assets | <u>\$ 31,947,400</u> | <u>\$ 7,376,780</u> |
| Noncurrent assets: | | |
| Capital assets: | | |
| Land and improvements | \$ 3,310,126 | \$ - |
| Construction in progress | 392,722 | - |
| Other capital assets, net of accumulated depreciation | 14,863,495 | - |
| Total noncurrent assets | <u>\$ 18,566,343</u> | <u>\$ -</u> |
| Total assets | <u>\$ 50,513,743</u> | <u>\$ 7,376,780</u> |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 476,933 | \$ 4,958 |
| Unearned revenue | 349 | - |
| Compensated absences, current portion | 125,238 | - |
| Claims payable | - | 748,052 |
| Total current liabilities | <u>\$ 602,520</u> | <u>\$ 753,010</u> |
| Long-term liabilities: | | |
| Compensated absences, noncurrent portion | \$ 53,673 | \$ - |
| Accrued landfill remediation costs | 11,938,536 | - |
| Total long-term liabilities | <u>\$ 11,992,209</u> | <u>\$ -</u> |
| Total liabilities | <u>\$ 12,594,729</u> | <u>\$ 753,010</u> |
| Net Position: | | |
| Investment in capital assets | \$ 18,566,343 | \$ - |
| Unrestricted | 19,352,671 | 6,623,770 |
| Total net position | <u>\$ 37,919,014</u> | <u>\$ 6,623,770</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, 2014

| | Business-type Activities - Enterprise <u>Landfill Fund</u> | Governmental Activities <u>Internal Service Funds</u> |
|--|---|--|
| Operating revenues: | | |
| Charges for services, net | \$ 5,814,664 | \$ 9,202,496 |
| Miscellaneous | 124,177 | - |
| Total operating revenues | <u>\$ 5,938,841</u> | <u>\$ 9,202,496</u> |
| Operating expenses: | | |
| Personal services | \$ 1,123,739 | \$ - |
| Fringe benefits | 458,367 | 7,433,681 |
| Contractual services | 918,004 | - |
| Other charges | 1,163,737 | 386,803 |
| Depreciation | 1,804,097 | - |
| Total operating expenses | <u>\$ 5,467,944</u> | <u>\$ 7,820,484</u> |
| Operating income (loss) | <u>\$ 470,897</u> | <u>\$ 1,382,012</u> |
| Nonoperating revenues: | | |
| Investment income | <u>70,827</u> | <u>14,015</u> |
| Income before transfers | \$ 541,724 | \$ 1,396,027 |
| Transfers in | <u>-</u> | <u>11,468</u> |
| Change in net position | <u>\$ 541,724</u> | <u>\$ 1,407,495</u> |
| Total net position, beginning of year | <u>37,377,290</u> | <u>5,216,275</u> |
| Total net position, end of year | <u><u>\$ 37,919,014</u></u> | <u><u>\$ 6,623,770</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, 2014

| | Business-type Activities - Enterprise Landfill Fund | Governmental Activities Internal Service Funds |
|---|--|---|
| Cash flows from operating activities | | |
| Receipts from customers | \$ 6,033,358 | \$ - |
| Receipts from insured | - | 8,807,152 |
| Receipts from services | - | 395,344 |
| Other receipts | 124,177 | - |
| Payments to employees | (1,562,924) | - |
| Payments to suppliers | (2,177,815) | (7,855,472) |
| Other payments | - | (11,468) |
| Net cash provided by (used for) operating activities | <u>\$ 2,416,796</u> | <u>\$ 1,335,556</u> |
| Cash flows from noncapital financing activities | | |
| Transfers in | \$ - | \$ 11,468 |
| Cash flows from investing activities | | |
| Investment income | \$ 70,827 | \$ 14,015 |
| Cash flows from capital and related financing activities | | |
| Purchases of capital assets | \$ (402,722) | \$ - |
| Net cash provided by (used for) capital and related financing activities | <u>\$ (402,722)</u> | <u>\$ -</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 2,084,901 | \$ 1,361,039 |
| Cash and cash equivalents, beginning of year | <u>29,339,690</u> | <u>6,015,741</u> |
| Cash and cash equivalents, end of year | <u>\$ 31,424,591</u> | <u>\$ 7,376,780</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | |
| Operating income (loss) | \$ 470,897 | \$ 1,382,012 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation expense | 1,804,097 | - |
| Loss on disposal of capital assets | 8,300 | - |
| Changes in assets and liabilities: | | |
| Receivables | 218,449 | 4,504 |
| Accounts payable and accrued expenses | (251,174) | (47,111) |
| Unearned revenue | 245 | (4,504) |
| Claims payable | 19,182 | 655 |
| Increase in accrued landfill costs | 146,800 | - |
| Net cash provided by (used for) operating activities | <u>\$ 2,416,796</u> | <u>\$ 1,335,556</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, 2014

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

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

COUNTY OF FREDERICK, VIRGINIA

Notes to Financial Statements At June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

The County of Frederick, located in northwest Virginia and bordered by West Virginia and the counties of Shenandoah, Warren, and Clarke, was founded in 1738. The County has a population of 69,123 and a land area of 427 square miles.

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

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

A. Financial Reporting Entity

Management's Discussion and Analysis:

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

Government-wide Financial Statements:

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

Statement of Net Position:

The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

COUNTY OF FREDERICK, VIRGINIA

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

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

A. Financial Reporting Entity (Continued)

Statement of Activities:

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

Budgetary Comparison Schedules:

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

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

Inclusions in the Reporting Entity:

1. Component Units:

a. Frederick County School Board:

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

COUNTY OF FREDERICK, VIRGINIA

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

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

A. Financial Reporting Entity (Continued)

b. Frederick County Economic Development Authority:

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

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

Exclusions from the Reporting Entity:

1. Jointly Governed Organizations:

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

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

- a. The Handley Regional Library Board provides library services to the Counties of Frederick and Clarke, and the City of Winchester. The participating localities provide annual contributions for operations based on usage of library services. The Library Board is composed of nine members, of which three are appointed by the County, five by the City of Winchester, and one by the County of Clarke. The County made operating grants of \$826,050 to the Library for fiscal 2014, and has no equity interest in the Library. The participating governments have no ongoing financial responsibility to fund the Library to assure its continued operations. The Library has a significant endowment trust.
- b. The Northwestern Regional Jail Authority was created in 1987 to construct and operate the Clarke, Fauquier, Frederick, Winchester Regional Adult Detention Center. The Jail Authority charges on a per diem basis other localities and the federal government for their prisoners placed in the jail. The fourteen member board consists of four members each from the County of Frederick and City of Winchester, and three from the Counties of Clarke and Fauquier. The County and the other participants have no equity interest in the jail. The County made operating contributions of \$4,467,002 to the regional jail in fiscal 2014.

COUNTY OF FREDERICK, VIRGINIA

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

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

A. Financial Reporting Entity (Continued)

- c. The Winchester Regional Airport Authority was created in 1987 to operate and maintain the regional airport. The City of Winchester and the Counties of Clarke, Frederick, Shenandoah and Warren contribute operating and capital funds as necessary to maintain, operate and construct the airport facilities. The Authority Board consists of seven members of which two each are appointed by the County of Frederick and the City of Winchester, and one each from the Counties of Clarke, Shenandoah and Warren. The participating localities do not retain an equity interest in the Authority. The County of Frederick serves as fiscal agent for the Authority, which is reported as an agency fund in the financial statements. The County made operating grants of \$126,996 and capital grants of \$430,599 to the Authority in fiscal 2014.
- d. The Frederick-Winchester Service Authority was created by the County of Frederick and City of Winchester to provide for the administration, planning and design of wastewater facilities. The Authority has nine Board Members of which four each are appointed by the County and City, and one member appointed at-large by the Authority Board. The participating localities do not retain an ongoing financial interest nor are responsible for the financial activities of the Authority. The County made no operating grants to the Authority in fiscal 2014.
- e. The Northwestern Community Services Board was created to provide Mental Health, Mental Retardation and Substance Abuse Services to the residents of the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah and Warren. The Board has fifteen members of which three each are appointed by the City of Winchester and the Counties of Clarke, Frederick, Page and Warren. The participating localities contribute annual operating grants to the Board, but are not required to do so. The participants have no ongoing financial responsibilities to or equity interest in the Board. The County appropriated \$318,263 for an operating grant to the Board in fiscal 2014.
- f. The Northwestern Regional Juvenile Detention Center was created by the Counties of Clarke, Frederick, Page, Shenandoah and Warren, and the City of Winchester. Each participant jurisdiction has one representative on the Center's Board of Directors, and the Clarke, Fauquier, Frederick, Winchester Jail Board has one representative on the Board. The City of Winchester serves as the Center's fiscal agent. The participating localities contribute annual operating grants to the Center, but do not retain an ongoing financial interest in the Center. The County of Frederick appropriated \$395,276 in operating grants to the Center in fiscal 2014.

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

A. Financial Reporting Entity (Continued)

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

2. Other Organizations:

The Frederick County Sanitation Authority was created by the Board of Supervisors to operate the County's water and sewer systems. The County appoints all six members of the Authority's Board of Directors. Other than making appointments to the Authority Board of Directors, the County is not involved with day-to-day management or rate setting processes. All obligations of the Authority are payable solely from and secured by revenues derived from the operation of the water and sewer systems. None of the obligations are issued against the credit of the County nor does the County have any legal or moral obligations to the holders of the bonds or notes. The County has made no contributions to the Authority for operations or capital asset acquisitions during fiscal year 2014. However, the County has made advances to the Authority at below market interest rates in order to provide operating capital. The Authority is excluded from the County's financial statements because it is not accountable to the County.

B. Government-wide and Fund Financial Statements

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

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

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

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

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

The County's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the County in FY 2014.

1. Governmental Funds:

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

COUNTY OF FREDERICK, VIRGINIA

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

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

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

- Detox Center Construction Fund - This fund accounts for and reports resources and expenditures for the construction of detox facilities. Primary revenues consist of investment earnings. Funding for additional construction or renovation projects would be provided primarily by the Division of Court Services Fund revenues.
- Administration Building Renovation Fund - This fund accounts for and reports the renovation and improvements of the County's administration building. Financing is provided by General Fund revenues.
- Capital Projects Fund - This fund accounts for and reports all other renovation and improvements made to County buildings. Financing is provided by debt issuance and General Fund revenues. This fund is considered a major fund for financial reporting purposes.

2. Proprietary Funds:

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

- a. Enterprise or Business Funds - Enterprise or Business Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. The Enterprise Fund consists of the landfill fund.
- b. Internal Service Funds - The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County government. The Internal Service Funds consist of the following funds:
 - Health Insurance Fund - This fund accounts for the health insurance program activities of the County. This fund also includes pass-through premiums and claims from other localities, boards and authorities which elected to participate in the County's health insurance program. The other participants in the program are required to fund any claims which may not be covered by the insurance carrier.
 - Central Stores Fund - This fund accounts for the operations of duplicating, postage, and gasoline. Revenue is derived from sales to user departments.
 - Unemployment Fund - This fund accounts for unemployment obligations of the primary government. Revenue is derived from interfund transfers and investment earnings.
 - Volunteer Fire and Rescue Fund - This fund accounts for length of service stipends to be paid to volunteer fire and rescue personnel. Revenue is derived from transfers from the General Fund.
 - Maintenance Insurance Fund - This fund accounts for maintenance contracts. Revenue is derived from transfers from the General Fund.

COUNTY OF FREDERICK, VIRGINIA

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

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

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

3. Fiduciary Funds (Trust and Agency Funds):

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Agency Funds. Private purpose trust funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency funds also utilize the accrual basis of accounting. The Private Purpose Trust and Agency Funds consist of the following:

a. Private Purpose Trust Fund:

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

b. Agency Funds:

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

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

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

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

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

b. Agency Funds: (Continued)

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

4. Component Units:

a. Frederick County School Board:

The Frederick County School Board has the following funds:

-- Governmental Funds:

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

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

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

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

4. Component Units: (Continued)

a. Frederick County School Board: (Continued)

-- Governmental Funds: (Continued)

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

-- Internal Service Funds:

~ Health Insurance Fund - This fund accounts for the School Board's health insurance program activities. Revenues are primarily from health insurance charges to the school system's operating funds.

~ Consolidated Services Fund - This fund accounts for and reports the maintenance of County properties. Revenues are primarily from maintenance charges to the School System's operating funds.

b. Industrial Development Authority:

The Industrial Development Authority operates on an enterprise fund basis where revenues and expenses are recognized on the accrual basis of accounting as more fully described in Note 1, B. 2.

C. Basis of Accounting

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

C. Basis of Accounting (Continued)

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

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

D. Budgets and Budgetary Accounting

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

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

Encumbrances:

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

COUNTY OF FREDERICK, VIRGINIA

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

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

D. Budgets and Budgetary Accounting (Continued)

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

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

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

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30, for all County and School Board funds.
8. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2014, as adopted, appropriated and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and at the function level for the School Board. State law requires that if budget amendments exceed 1% of the original adopted budget the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. There were no budget amendments during the year that exceeded the 1% limitation. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

COUNTY OF FREDERICK, VIRGINIA

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

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

E. Cash and Cash Equivalents

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

F. Investments

Investments are reported at fair value.

G. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$2,812,374 at June 30, 2014 and is comprised of the following:

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

H. Prepaid Items

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

I. Capital Assets

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

I. Capital Assets (Continued)

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

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

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

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

Interest on cost of construction funds for the Proprietary Funds is capitalized where applicable. There was no interest capitalized in the year ended June 30, 2014.

J. Compensated Absences

The County and Component Unit School Board accrue compensated absences (annual and sick leave benefits) when vested. The amounts include all balances earned by employees which would be paid upon employee terminations, resignations or retirements.

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

The County's policy is to pay employees accrued vacation leave upon termination. Sick leave is also paid to School Board employees upon retirement, which is limited to a maximum of 90 days at the rate of \$10 per day, and to Social Service and General Government personnel which is limited to 25% of amounts unused upon termination up to a maximum of \$2,500. The General, Division of Court Services, and Shawneeland Sanitary District Funds are used to liquidate the County's compensated absences liabilities. The School Operating and School Cafeteria Funds are used to liquidate the School Board's compensated absences liabilities.

COUNTY OF FREDERICK, VIRGINIA

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

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

K. Use of Estimates

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

L. Long-Term Obligations

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

M. Net Position

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

N. Net Position Flow Assumption

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

O. Deferred Outflows/Inflows of Resources

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

COUNTY OF FREDERICK, VIRGINIA

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

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

O. Deferred Outflows/Inflows of Resources (Continued)

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

P. Fund Equity

Financial Policies

The Board of Supervisors meets on a monthly basis to manage and review cash financial activities and to ensure compliance with established policies. It is the County's policy to fund current expenditures with current revenues and the County's mission is to strive to maintain a diversified and stable revenue stream to protect the government from problematic fluctuations in any single revenue source and provide stability to ongoing services. The County's unassigned General Fund balance will be maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

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

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

P. Fund Equity (Continued)

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

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

P. Fund Equity (Continued)

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

Q. Economic Incentive Grants Payable

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

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

Custodial Credit Risk (Investments):

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

The County's investments at June 30, 2014 were held by the County or in the County's name by the County's custodial banks.

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 2 - DEPOSITS AND INVESTMENTS: (Continued)

Credit Risk of Debt Securities:

The County's rated debt investments as of June 30, 2014 were rated by Standard & Poor's Corporation and the ratings are presented below using Standard & Poor's Corporation rating scale. The County does not currently have a policy relating to credit risk.

| Rated Debt Investments | County's Rated Debt Investments' Values | | | |
|----------------------------------|---|---------------------|-------------|-------------|
| | Fair Quality Ratings | | | |
| | AAA | AAAm | AA | Unrated |
| Local Government Investment Pool | \$ - | \$ 7,054,965 | \$ - | \$ - |
| U.S. Government Securities | 728,794 | - | - | - |
| Money Market Mutual Fund | 18,749,530 | - | - | - |
| Total | <u>\$ 19,478,324</u> | <u>\$ 7,054,965</u> | <u>\$ -</u> | <u>\$ -</u> |

Interest Rate Risk:

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

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

External Investment Pools:

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

NOTE 3 - PROPERTY TAXES:

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

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 3 - PROPERTY TAXES: (Continued)

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

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

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

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

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2014 consist of the following:

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 5 - DUE FROM OTHER GOVERNMENTS:

| | Governmental Activities | | | | Business- type Activities | Component Units | | |
|--------------------------------------|-------------------------|--------------------|---------------------|---------------------|---------------------------------|---------------------|--|-------------------------|
| | General | Special Revenue | Internal Service | Total | | School Board | Industrial Development Authority | Fiduciary Activities |
| Commonwealth of Virginia: | | | | | | | | |
| Local sales taxes | \$ 2,143,826 | \$ - | \$ - | \$ 2,143,826 | \$ - | \$ - | \$ - | \$ 41,788 |
| Communication taxes | 228,878 | - | - | 228,878 | - | - | - | - |
| Comprehensive Services Act | - | 188,709 | - | 188,709 | - | - | - | - |
| Shared expenses and grants | 310,756 | - | - | 310,756 | - | - | - | - |
| PPTRA | 6,215,370 | - | - | 6,215,370 | - | - | - | - |
| Public assistance | 152,202 | - | - | 152,202 | - | - | - | - |
| State school funds | - | - | - | - | - | 3,034,552 | - | - |
| Federal pass-through school funds | - | - | - | - | - | 1,453,712 | - | - |
| Airport | - | - | - | - | - | - | - | - |
| Jail operations and costs | - | - | - | - | - | - | - | 751,122 |
| E-911 | 152,998 | - | - | 152,998 | - | - | - | - |
| Other | 33,815 | - | - | 33,815 | - | - | - | - |
| Federal government: | | | | | | | | |
| Criminal justice | 18,383 | - | - | 18,383 | - | - | - | - |
| Airport | - | - | - | - | - | - | - | - |
| Public assistance | 254,165 | - | - | 254,165 | - | - | - | - |
| Prisoner fees | - | - | - | - | - | - | - | - |
| Total | \$ 9,510,393 | \$ 188,709 | \$ - | \$ 9,699,102 | \$ - | \$ 4,488,264 | \$ - | \$ 792,910 |

NOTE 6 - INTERFUND BALANCES AND TRANSFERS:

Primary Government:

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

There were no interfund obligations in the primary government.

Transfers to/from other funds:

| | |
|--|----------------------|
| Transfers to the School Debt Service Fund to pay school debt service and related costs | \$ 14,626,151 |
| Transfers to the Capital Projects Fund for various costs | 422,696 |
| Transfers to the Unemployment fund from General Fund for various costs | 11,468 |
| Transfers to the Comprehensive Services fund from the General Fund for various welfare costs | 880,502 |
| Total transfers | \$ 15,940,817 |

Component Unit School Board:

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

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

Transfers to/from other funds:

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 7 - INTERGOVERNMENTAL LOANS:

Frederick County Sanitation Authority:

| | |
|---|--------------------------|
| The County has made loans to the Frederick County Sanitation Authority. The loans shall bear interest at the rate of 5% per annum, for a term of 20 years beginning July 1, 1989. | \$ 152,492 |
| Interest accrued through June 30, 2014 | <u>582,447</u> |
| Total | <u><u>\$ 734,939</u></u> |

NOTE 8 - CAPITAL ASSETS:

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

Governmental Activities

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 8 - CAPITAL ASSETS: (Continued)

Component Unit School Board

| | Balance July 1, 2013 | Increases | Decreases | Balance June 30, 2014 |
|---|-------------------------|---------------------|-----------------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 8,288,366 | \$ 2,083,133 | \$ - | \$ 10,371,499 |
| Construction in progress | 3,261,272 | 8,387,342 | 6,957,305 | 4,691,309 |
| Construction in progress allocated to County * | (1,270,141) | (7,625,590) | (6,929,054) | (1,966,677) |
| Total capital assets not being depreciated | <u>\$ 10,279,497</u> | <u>\$ 2,844,885</u> | <u>\$ 28,251</u> | <u>\$ 13,096,131</u> |
| Other capital assets: | | | | |
| Buildings and improvements | \$ 244,346,680 | \$ 7,649,977 | \$ - | \$ 251,996,657 |
| School buildings and improvements allocated to County * | (99,922,217) | - | (2,049,851) | (97,872,366) |
| Furniture, equipment and vehicles | 46,193,299 | 1,579,809 | 17,621 | 47,755,487 |
| Total other capital assets | <u>\$ 190,617,762</u> | <u>\$ 9,229,786</u> | <u>\$ (2,032,230)</u> | <u>\$ 201,879,778</u> |
| Less: Accumulated depreciation for: | | | | |
| Buildings and improvements | \$ 82,970,282 | \$ 5,958,411 | \$ - | \$ 88,928,693 |
| School buildings and improvements allocated to County * | (22,418,266) | (2,544,020) | (3,530,070) | (21,432,216) |
| Furniture, equipment and vehicles | 32,458,147 | 2,353,392 | 17,621 | 34,793,918 |
| Total accumulated depreciation | <u>\$ 93,010,163</u> | <u>\$ 5,767,783</u> | <u>\$ (3,512,449)</u> | <u>\$ 102,290,395</u> |
| Other capital assets, net | <u>\$ 97,607,599</u> | <u>\$ 3,462,003</u> | <u>\$ 1,480,219</u> | <u>\$ 99,589,383</u> |
| Net capital assets | <u>\$ 107,887,096</u> | <u>\$ 6,306,888</u> | <u>\$ 1,508,470</u> | <u>\$ 112,685,514</u> |
| Depreciation expense allocated to education | | <u>\$ 5,767,783</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 | \$ 115,284,381 |
| Long-term debt applicable to capital assets at June 30, 2014 | 129,362,585 |
| Less: School bond proceeds received but not expended on capital assets at June 30, 2014 | (4,098,234) |
| Net investment in capital assets | <u>\$ (9,979,970)</u> |

Business Type Activities

Landfill Operations

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 9 - LONG-TERM OBLIGATIONS:

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

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

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

| Details of Long-Term Indebtedness: | <u>Amount</u> |
|--|----------------------|
| Governmental activities: | <u>Outstanding</u> |
| <u>Lease Revenue Bonds:</u> | |
| \$6,425,000 Industrial Development Authority refunding lease revenue bonds, issued December 1, 2001, interest at various rates from 2% to 5%, maturing in various annual installments, interest payable semiannually, through December 1, 2015 | \$ 705,000 |
| \$21,410,000 Industrial Development Authority refunding lease revenue bonds, issued April 15, 2006, interest at various rates from 4.5% to 5.25%, maturing in various annual installments, interest payable semiannually, through December 1, 2036 | 18,355,000 |
| \$9,245,000 Virginia Resources Authority infrastructure revenue bonds, issued April 15, 2011, interest at various rates from 3.971% to 5.271%, maturing in various annual installments, interest payable semiannually, through October 1, 2031 | <u>8,400,000</u> |
| Total lease revenue bonds | <u>\$ 27,460,000</u> |
| <u>General Obligation Bonds:</u> | |
| \$2,759,400 general obligation refunding bonds, issued April 5, 2012, interest at 2.45%, maturing in various annual installments, interest payable semiannually, through January 15, 2022 | <u>\$ 2,318,307</u> |
| <u>General Obligation School Bonds:</u> | |
| \$3,700,000 School Bonds, 1995, issued December 1995, maturing in installments of \$185,000 through July 15, 2016, interest at 5.10%, payable semiannually | \$ 370,000 |
| \$1,200,000 School Bonds, 1996 B, issued November 1996, maturing in annual installments of \$60,000 through July 15, 2017, interest at various rates from 5.1% to 5.6% | 180,000 |
| \$1,355,000 School Bonds, 1997 A, issued April 1997, maturing in annual installments of \$70,000 and \$65,000 through January 15, 2018, interest at various rates from 5.4% to 6.1% | 260,000 |
| \$3,200,000 School Bonds, 1998 A, issued April 1998, maturing in annual installments of \$160,000 through January 15, 2019, interest at various rates from 4.1% to 5.35% | 800,000 |
| \$4,650,000 School Bonds, issued April 1999, maturing in annual installments of \$236,000 to \$448,000 through January 2020, interest at 5% | 1,380,000 |
| \$4,100,000 School Bonds, issued November 1999, maturing in annual installments of \$205,000 through July 2019, interest at various rates from 5.62% to 6.10% | 1,230,000 |
| \$18,600,000 School Bonds, issued April 2001, maturing in annual installments of \$840,000 to \$1,200,000 through July 2021, interest at various rates from 4.1% to 5.35% | 6,720,000 |
| \$6,150,000 School Bonds, issued November 15, 2001, maturing in annual installments of \$305,000 to \$310,000 through July 15, 2021, interest at 4.55% | 2,440,000 |
| \$8,385,000 School Bonds, issued April 30, 2002, maturing in annual installments of \$415,000 to \$420,000 through July 15, 2022, interest at 4.667% | 3,765,000 |

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

| Details of Long-Term Indebtedness: (continued) | Amount Outstanding |
|---|-------------------------------|
| Governmental activities: (continued) | |
| 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% | 1,485,000 |
| \$3,782,296 School Bonds, issued November 7, 2002, maturing in annual installments of \$173,528 to \$215,784 through July 15, 2022, interest at 4.77% | 1,812,810 |
| \$12,655,000 School Bonds, issued May 15, 2003, maturing in annual installments of \$630,000 to \$635,000 through July 15, 2023, interest at 3.10% to 5.35% | 6,305,000 |
| \$5,980,000 School Bonds, issued November 6, 2003, maturing in annual installments of \$295,000 to \$300,000 through July 15, 2023, interest at 3.10% to 5.35% | 2,980,000 |
| \$8,580,000 School Bonds, issued May 13, 2004, maturing in annual installments of \$425,000 to \$430,000 through July 15, 2024, interest at 5.10% | 4,710,000 |
| \$8,550,000 School Bonds, issued October 15, 2004, maturing in annual installments of \$425,000 to \$430,000 through January 15, 2025, interest at 4.10% to 5.60% | 4,680,000 |
| \$5,995,000 School Bonds, issued April 13, 2005, maturing in annual installments of \$295,000 to \$300,000 through July 15, 2025, interest at 3.10% to 5.10% | 3,595,000 |
| \$5,685,000 School Bonds, issued November 10, 2005, maturing in annual installments of \$280,000 to \$285,000 through July 15, 2025, interest at 4.60% to 5.10% | 3,405,000 |
| \$6,305,000 School Bonds, issued April 13, 2006, maturing in annual installments of \$315,000 to \$320,000 through July 15, 2026, interest at 4.10% to 5.10% | 4,095,000 |
| \$5,830,000 School Bonds, issued November 9, 2006, maturing in annual installments of \$290,000 to \$295,000 through July 15, 2026, interest at 4.225% to 5.10% | 3,770,000 |
| \$4,370,000 School Bonds, issued May 8, 2007, maturing in annual installments of \$215,000 to \$220,000 through July 15, 2026, interest at 5.10% | 3,050,000 |
| \$3,800,000 School Bonds, issued November 4, 2007, maturing in annual installments of \$190,000 through July 15, 2027, interest at 5.10% | 2,660,000 |
| \$13,450,000 School Bonds, issued April 30, 2008, maturing in annual installments of \$670,000 to \$675,000 through July 15, 2028, interest at 5.10% | 10,075,000 |
| \$5,720,000 School Bonds, issued November 25, 2008, maturing in annual installments of \$285,000 to \$290,000 through July 15, 2028, interest at 4.91% | 4,275,000 |
| \$7,975,000 School Bonds, issued November 9, 2011, maturing in annual installments of \$395,000 to \$400,000 through July 15, 2031, interest at 2.050% to 5.050% | 7,175,000 |
| \$7,000,000 School Bonds, issued December 15, 2011, maturing in annual installments of \$365,000 to \$370,000 through December 1, 2030, interest at 4.25% | 6,270,000 |
| \$4,435,000 School Bonds, issued October 29, 2012, maturing in annual installments of \$220,000 to \$225,000 through July 15, 2032, interest at 2.05% to 5.05% | 4,210,000 |
| \$5,025,000 School Bonds, issued November 5, 2013, maturing in annual installments of \$250,000 to \$255,000 through July 15, 2033, interest at 2.30% to 5.05% | 5,025,000 |
| \$4,390,000 School Bonds, issued April 24, 2014, maturing in annual installments of \$215,000 to \$220,000 through July 15, 2034, interest at 2.67% to 5.05% | 4,390,000 |
| Total School Bonds | <u>\$101,112,810</u> |

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

| Details of Long-Term Indebtedness: (continued) | Amount Outstanding |
|---|-------------------------------|
| Governmental activities: (continued) | |
| <u>State Literary Fund Loans:</u> | |
| \$5,000,000, issued May 30, 1997, due in annual installments of \$250,000 through July 1, 2017, interest at 3% | \$ 750,000 |
| \$1,500,052, issued May 30, 1997, due in annual installments of \$75,002 through July 1, 2017, interest at 3% | 225,018 |
| \$2,142,948, issued May 30, 1997, due in annual installments of \$107,147 through July 1, 2017, interest at 3% | 321,449 |
| \$3,000,000, issued September 2, 1997, due in annual installments of \$150,000 through September 2, 2017, interest at 3% | 600,000 |
| \$4,640,000, issued September 2, 1997, due in annual installments of \$232,000 through September 2, 2017, interest at 3% | <u>928,000</u> |
| Total State Literary Fund Loans | <u>\$ 2,824,467</u> |
| <u>Intergovernmental Loans:</u> | |
| \$723,269, payable to City of Winchester, due in various annual installments through March 2024, interest payable semiannually at various rates. | <u>\$ 138,029</u> |
| <u>Capital Leases:</u> | |
| The County leases various types of equipment under capital lease agreements. Title to the equipment passes to the entity upon completion of payment of the minimum lease payments. There are no restrictions imposed by the agreements. | |
| The balance of capital leases at June 30, 2014 is | <u>\$ 173,662</u> |
| Claims | <u>\$ 748,052</u> |
| Net OPEB obligation | <u>\$ 12,873,000</u> |
| Compensated absences | <u>\$ 3,444,331</u> |
| Total governmental long-term obligations | \$ 151,092,658 |
| Add deferred amount for issuance premiums | <u>3,755,795</u> |
| Net governmental activities long-term obligations | <u><u>\$ 154,848,453</u></u> |
| Business-type activities: | |
| Compensated absences | <u>\$ 178,911</u> |
| Landfill remediation costs | <u>\$ 11,938,536</u> |
| Total business-type activities long-term obligations | <u><u>\$ 12,117,447</u></u> |

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 9 - LONG-TERM OBLIGATIONS: (Continued)

Advance Refunding of Debt:

On December 1, 2001 the County issued refunding lease revenue bonds to refund portions of earlier issues. Proceeds from the sale were placed in an irrevocable trust that is to be used to service the future debt requirements of the old debt. This refunding resulted in an economic gain of \$510,850 and the net savings from the refunding was \$886,663.

At June 30, 2014, \$4,835,000 of bonds outstanding are considered to be defeased.

Federal Arbitrage Regulations:

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

Component Unit School Board:

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

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

NOTE 10 - PENSION PLAN:

A. Plan Description:

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 10 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

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

| |
|---------------------|
| VRS - PLAN 1 |
|---------------------|

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

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

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 10 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

| |
|---------------------------------|
| VRS - PLAN 1 (Continued) |
|---------------------------------|

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

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

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

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

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

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

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

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 10 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

| |
|---------------------------------|
| VRS - PLAN 1 (Continued) |
|---------------------------------|

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

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

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

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

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

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 10 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

| |
|---------------------|
| VRS - PLAN 2 |
|---------------------|

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

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

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 10 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

| |
|---------------------------------|
| VRS - PLAN 2 (Continued) |
|---------------------------------|

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

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

- 12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
- 13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
- 14. **Eligibility** - Same as VRS Plan 1 - Refer to Section 14.
- 15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1 - Refer to Section 15.
- 16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 10 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

| |
|-------------------------------|
| HYBRID RETIREMENT PLAN |
|-------------------------------|

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

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 10 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

| |
|---|
| HYBRID RETIREMENT PLAN (Continued) |
|---|

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

5. Creditable Service

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

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

6. Vesting

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

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 10 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

| |
|---|
| HYBRID RETIREMENT PLAN (Continued) |
|---|

6. Vesting (Continued)

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

Distribution is not required by law until age 70½.

7. Calculating the Benefit

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

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

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

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

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

10. Normal Retirement Age

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

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 10 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

| |
|---|
| HYBRID RETIREMENT PLAN (Continued) |
|---|

11. Earliest Unreduced Retirement Eligibility

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

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

12. Earliest Reduced Retirement Eligibility

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

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

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

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

Defined Contribution Component - Not Applicable.

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

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

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 10 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

| |
|---|
| HYBRID RETIREMENT PLAN (Continued) |
|---|

17. Purchase of Prior Service

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

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's contribution rates for the fiscal year ended 2014 were 12.93% and 9.52% of annual covered payroll, respectively.

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

C. Annual Pension Cost:

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

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 10 - PENSION PLAN: (Continued)

C. Annual Pension Cost: (Continued)

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

(1) Employer portion only

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funding Status and Progress:

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

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

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 11 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

The following departments in the General Fund had expenditures in excess of appropriations for the year ended June 30, 2014:

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

NOTE 12 - UNAVAILABLE/UNEARNED REVENUE:

| | <u>Government-wide Statements</u> | <u>Balance Sheet</u> |
|--|---------------------------------------|--------------------------------------|
| | <u>Governmental Activities</u> | <u>Governmental Funds</u> |
| 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. | \$ - | \$ 1,020,060 |
| Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures. | 37,654,254 | 44,494,585 |
| Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year. | <u>2,933,497</u> | <u>2,933,497</u> |
| Total governmental activities | <u>\$ 40,587,751</u> | <u>\$ 48,448,142</u> |
| | <u>Government-wide Statements</u> | <u>Statement of Net Position</u> |
| | <u>Business-type Activities</u> | <u>Enterprise Funds</u> |
| Unearned revenue from landfill operations | <u>\$ 349</u> | <u>\$ 349</u> |
| Total primary government | <u>\$ 40,588,100</u> | <u>\$ 48,448,491</u> |

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

Primary Government and Component Unit School Board:

Federal programs in which the County and School Board participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

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

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

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

| | | |
|--------------|----|-----------------------|
| General Fund | \$ | <u>613,296</u> |
| Total | \$ | <u><u>613,296</u></u> |

NOTE 14 - LITIGATION:

At June 30, 2014 there were no matters of litigation involving the County or its component units that would have an adverse material affect on the financial position of the reporting entity.

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 15 - SURETY BONDS:

| | <u>Amount</u> |
|---|---------------|
| Virginia Department of Risk Management: | |
| Rebecca Hogan, Clerk of the Circuit Court | \$ 230,000 |
| C. William Orndoff, Jr., Treasurer | 750,000 |
| Ellen E. Murphy, Commissioner of Revenue | 3,000 |
| Robert T. Williamson, Sheriff | 30,000 |
| Above constitutional officers' employees - blanket bond - each loss | 500,000 |
| Virginia Association of Counties Risk Pool: | |
| All School Board employees - blanket bond | 250,000 |
| Virginia Association of Counties Risk Pool: | |
| All County employees, including members of any duty constituted board, commission, department or entity under the County's control | 250,000 |

NOTE 16 - SELF INSURANCE/RISK MANAGEMENT:

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

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

Employee Health Insurance:

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

Claims liability is reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Incurred but not reported claims have been accrued as a liability based upon prior history and estimates from the insurance carrier. Changes in the estimated claims liability for fiscal years 2012, 2013 and 2014 are listed as follows:

COUNTY OF FREDERICK, VIRGINIA

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

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

Employee Health Insurance: (Continued)

| 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 | | | | |
| 2012 | \$ 563,955 | \$ 6,829,862 | \$ 6,766,865 | \$ 626,952 |
| 2013 | 626,952 | 8,036,969 | 7,916,524 | 747,397 |
| 2014 | 747,397 | 7,426,859 | 7,426,204 | 748,052 |
| Component Unit School Board: | | | | |
| School Operating and Health Insurance Funds | | | | |
| 2012 | \$ 1,094,918 | \$ 14,385,461 | \$ 14,160,377 | \$ 1,320,002 |
| 2013 | 1,320,002 | 14,802,279 | 14,745,249 | 1,377,032 |
| 2014 | 1,377,032 | 14,327,847 | 14,327,334 | 1,377,545 |

Unemployment Insurance:

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

Property and Casualty Insurance:

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

NOTE 17 - ACCRUED LANDFILL REMEDIATION COST:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$11,938,536 reported as landfill closure and postclosure care liability at June 30, 2014 represents the cumulative amount reported to date based on the use of the estimated capacity of the landfill. On October 8, 1993 the County opened the new landfill and initiated closure of the old landfill. The \$11,938,536 reported as the accrued landfill liability and postclosure costs reflects usage on the new landfill from October 5, 1993 to June 30, 2014. The County will recognize the remaining estimated cost of closure and postclosure care as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2014. Actual cost may not be higher due to inflation, changes in technology, or changes in regulations.

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

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

The remaining estimated landfill life approximates 30 years. The remaining estimated postclosure cost to be recognized at June 30, 2014 is \$21,255,000 for the municipal solid waste landfill and \$3,945,000 for the construction/demolition debris landfill.

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:

County:

A. Plan Description:

In addition to the pension benefits described in Note 10, the County has a single-employer medical plan that provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. Individuals employed on or after July 1, 1995, and who retire from County service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service), will receive 100% of their health insurance premium until age 65 when they become eligible for Medicare, at which time the County will provide 100% supplemental insurance benefits. Persons employed prior to July 1, 1995 are only required to be 50 years of age and have 20 years of continuous service to be eligible for these benefits. There is no separate, audited GAAP-basis postemployment benefit plan report for the County's medical plan.

COUNTY OF FREDERICK, VIRGINIA

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

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

County: (Continued)

B. Funding Policy:

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

C. Annual OPEB Cost and Net OPEB Obligation:

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

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years are as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|----------------------------------|---------------------------------|---|------------------------------------|
| June 30, 2014 | \$ 2,582,000 | 18.8% | \$ 12,873,000 |
| June 30, 2013 | \$ 2,545,000 | 15.3% | \$ 10,776,000 |
| June 30, 2012 | \$ 2,372,000 | 13.4% | \$ 8,621,000 |

COUNTY OF FREDERICK, VIRGINIA

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

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

County: (Continued)

D. Funded Status and Funding Progress:

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

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

E. Actuarial Methods and Assumptions:

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

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

Cost Method

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

COUNTY OF FREDERICK, VIRGINIA

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

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

County: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

Interest Assumptions

In the July 1, 2013, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 4.20 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2013 was thirty years.

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

School Board:

A. Plan Description:

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

B. Funding Policy:

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

COUNTY OF FREDERICK, VIRGINIA

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

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

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation:

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

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

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years are as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|----------------------------------|---------------------------------|---|------------------------------------|
| June 30, 2014 | \$ 713,000 | 45% | \$ 3,250,000 |
| June 30, 2013 | \$ 1,049,000 | 34% | \$ 2,857,000 |
| June 30, 2012 | \$ 982,000 | 32% | \$ 2,166,000 |

COUNTY OF FREDERICK, VIRGINIA

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

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

School Board: (Continued)

D. Funded Status and Funding Progress:

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

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

E. Actuarial Methods and Assumptions:

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

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

Cost Method

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

COUNTY OF FREDERICK, VIRGINIA

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

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

School Board: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

Interest Assumptions

In the July 1, 2013, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2013 was thirty years.

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

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

A. Plan Description:

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

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

B. Funding Policy:

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2014, 2013, and 2012 were \$840,528, \$770,197, and \$432,055, respectively and equaled the required contributions for each year.

NOTE 20 - FUTURE ACCOUNTING AND REPORTING CHANGES:

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

- Required Supplementary Information -

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2014

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

COUNTY OF FREDERICK, VIRGINIA

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

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| Expenditures (Continued) | | | | |
| Judicial Administration: (Continued) | | | | |
| Commonwealth attorney | \$ 1,201,338 | \$ 1,356,004 | \$ 1,243,437 | \$ 112,567 |
| Victim/witness program | 129,106 | 130,828 | 102,543 | 28,285 |
| Total judicial administration | <u>\$ 2,263,512</u> | <u>\$ 2,437,266</u> | <u>\$ 2,200,348</u> | <u>\$ 236,918</u> |
| Public Safety: | | | | |
| Sheriff | \$ 10,449,268 | \$ 12,183,482 | \$ 11,688,811 | \$ 494,671 |
| Volunteer fire departments | 701,431 | 1,031,265 | 878,192 | 153,073 |
| Ambulance and rescue service | 391,219 | 806,793 | 737,392 | 69,401 |
| Fire and rescue | 6,335,034 | 7,685,407 | 7,379,101 | 306,306 |
| Regional jail | 4,755,887 | 4,755,887 | 4,467,002 | 288,885 |
| Juvenile detention center | 395,456 | 395,456 | 395,276 | 180 |
| Inspections | 1,023,851 | 1,132,932 | 1,084,947 | 47,985 |
| Public safety communications | 1,589,129 | 1,840,803 | 1,657,424 | 183,379 |
| Total public safety | <u>\$ 25,641,275</u> | <u>\$ 29,832,025</u> | <u>\$ 28,288,145</u> | <u>\$ 1,543,880</u> |
| Public Works: | | | | |
| Road administration, street lights | \$ 63,495 | \$ 63,495 | \$ 49,373 | \$ 14,122 |
| General engineering and administration | 332,746 | 352,679 | 338,549 | 14,130 |
| Refuse collection | 1,152,314 | 1,631,754 | 1,500,737 | 131,017 |
| Refuse disposal | 375,000 | 375,000 | 328,772 | 46,228 |
| Litter control | 12,172 | 12,172 | 6,351 | 5,821 |
| General properties | 1,497,095 | 1,564,001 | 1,449,129 | 114,872 |
| Animal shelter | 507,993 | 567,446 | 528,292 | 39,154 |
| Total public works | <u>\$ 3,940,815</u> | <u>\$ 4,566,547</u> | <u>\$ 4,201,203</u> | <u>\$ 365,344</u> |
| Health and Welfare: | | | | |
| Health department | \$ 301,959 | \$ 301,959 | \$ 301,959 | \$ - |
| Northwestern Community Services Board | 318,263 | 318,263 | 318,263 | - |
| Welfare and social services | 5,773,980 | 5,777,664 | 5,449,959 | 327,705 |
| Tax relief for the elderly | 480,000 | 480,000 | 497,134 | (17,134) |
| Area Agency on Aging | 60,930 | 60,930 | 60,930 | - |
| Total health and welfare | <u>\$ 6,935,132</u> | <u>\$ 6,938,816</u> | <u>\$ 6,628,245</u> | <u>\$ 310,571</u> |
| Education: | | | | |
| Community college | \$ 56,493 | \$ 56,493 | \$ 56,493 | \$ - |
| Appropriation to public school system | 70,887,251 | 72,004,038 | 71,243,057 | 760,981 |
| Total education | <u>\$ 70,943,744</u> | <u>\$ 72,060,531</u> | <u>\$ 71,299,550</u> | <u>\$ 760,981</u> |

COUNTY OF FREDERICK, VIRGINIA

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

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

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles. Appropriations to public school system includes actual cash outlay and funds from debt issuances. Budgets have been reclassified accordingly.

COUNTY OF FREDERICK, VIRGINIA

**Budgetary Comparison Schedule
Shawneeland Sanitary District Fund
Year Ended June 30, 2014**

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

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

COUNTY OF FREDERICK, VIRGINIA

Budgetary Comparison Schedule
Lake Holiday Sanitary District Fund
Year Ended June 30, 2014

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

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

COUNTY OF FREDERICK, VIRGINIA

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

County

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

Discretely Presented Component Unit - School Board

School Board Non-Professionals:

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

OTHER POST EMPLOYMENT BENEFITS

County

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

Discretely Presented Component Unit - School Board

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

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

COUNTY OF FREDERICK, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2014

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

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

| | Detox Center Construction Fund | Administration Building Renovation Fund | Total |
|--|---|--|--------------|
| Revenues | | | |
| Use of money and property | \$ - | \$ - | \$ - |
| Expenditures | | | |
| Capital projects | \$ - | \$ - | \$ - |
| Excess (deficiency) of revenues over expenditures | \$ - | \$ - | \$ - |
| Other financing sources (uses) | | | |
| Transfers out | \$ - | \$ - | \$ - |
| Total other financing sources (uses) | \$ - | \$ - | \$ - |
| Net change in fund balance | \$ - | \$ - | \$ - |
| Fund balance, beginning of year | - | 642,514 | 642,514 |
| Fund balance, end of year | \$ - | \$ 642,514 | \$ 642,514 |

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

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

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Combining Balance Sheet
At June 30, 2014

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

COUNTY OF FREDERICK, VIRGINIA

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

| | | |
|---|----|---------------------------|
| Total fund balances for governmental funds (Exhibit 30) | \$ | 8,747,798 |
| Total net position reported for governmental activities in the statement of net position is different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of: | | |
| Land and improvements | \$ | 10,371,499 |
| Construction in progress | | 2,724,632 |
| Buildings and improvements, net of depreciation | | 163,067,964 |
| Equipment, net of depreciation | | 12,961,569 |
| School Board capital assets in primary government, net of depreciation | | <u>(76,440,150)</u> |
| Total capital assets | | 112,685,514 |
| An internal service fund is used by the School Board to charge the cost of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The internal service funds net position are: | | |
| | | 3,927,819 |
| Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are compensated absences and net OPEB obligation. | | |
| | | <u>(5,340,111)</u> |
| Total net position of governmental activities (Exhibit 1) | \$ | <u><u>120,021,020</u></u> |

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2014

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

COUNTY OF FREDERICK, VIRGINIA

Component Unit School Board
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014

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

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

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

School Board capital assets are jointly owned by the County and School Board. The County share of School Board capital assets is in proportion to the debt owed on such by the County. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship reduced the transfers to the School Board. (2,176,755)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:

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

Internal service funds are used by the County to charge the costs of health insurance, supplies and unemployment costs to individual funds. The net revenue of internal service funds is reported with governmental activities. 1,383,109

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

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

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

COUNTY OF FREDERICK, VIRGINIA

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

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|-----------------------|---|
| Revenues | | | | |
| Use of money and property | \$ 442,076 | \$ 442,076 | \$ 373,092 | \$ (68,984) |
| Charges for services | 412,250 | 412,250 | 358,725 | (53,525) |
| Miscellaneous | 450,885 | 450,885 | 373,733 | (77,152) |
| Intergovernmental: | | | | |
| Appropriation from primary government | 60,727,321 | 61,043,225 | 60,948,562 | (94,663) |
| Revenue from the Commonwealth | 67,262,558 | 67,262,558 | 66,544,732 | (717,826) |
| Revenue from the Federal Government | 4,704,953 | 4,704,953 | 4,428,561 | (276,392) |
| Total revenues | <u>\$ 134,000,043</u> | <u>\$ 134,315,947</u> | <u>\$ 133,027,405</u> | <u>\$ (1,288,542)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Education: | | | | |
| Instruction | \$ 101,465,069 | \$ 101,496,721 | \$ 101,004,999 | \$ 491,722 |
| Administration, attendance and health | 5,869,054 | 5,840,251 | 5,648,325 | 191,926 |
| Transportation | 8,247,090 | 8,295,572 | 8,275,542 | 20,030 |
| Facilities operations | 12,411,165 | 12,385,895 | 11,862,433 | 523,462 |
| Building improvements | 200,411 | 184,280 | 171,708 | 12,572 |
| Technology | 5,385,746 | 5,691,720 | 5,638,601 | 53,119 |
| Total expenditures | <u>\$ 133,578,535</u> | <u>\$ 133,894,439</u> | <u>\$ 132,601,608</u> | <u>\$ 1,292,831</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 421,508</u> | <u>\$ 421,508</u> | <u>\$ 425,797</u> | <u>\$ 4,289</u> |
| Other financing sources (uses) | | | | |
| Transfers out | <u>\$ (421,508)</u> | <u>\$ (421,508)</u> | <u>\$ (425,797)</u> | <u>\$ (4,289)</u> |
| Total other financing sources (uses) | <u>\$ (421,508)</u> | <u>\$ (421,508)</u> | <u>\$ (425,797)</u> | <u>\$ (4,289)</u> |
| Net change in fund balance | \$ - | \$ - | \$ - | \$ - |
| 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
Nonmajor and Other Funds
Year Ended June 30, 2014

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

COUNTY OF FREDERICK, VIRGINIA

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

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| School Special Grants Fund | | | | |
| Revenues: | | | | |
| Miscellaneous | \$ - | \$ 510 | \$ 510 | \$ - |
| Intergovernmental: | | | | |
| Revenue from the Federal Government | \$ - | \$ 37,072 | \$ 34,040 | \$ (3,032) |
| Total revenues | <u>\$ -</u> | <u>\$ 37,582</u> | <u>\$ 34,550</u> | <u>\$ (3,032)</u> |
| Expenditures: | | | | |
| Instruction | <u>\$ -</u> | <u>\$ 68,695</u> | <u>\$ 53,192</u> | <u>\$ 15,503</u> |
| School Capital Projects Fund | | | | |
| Revenues: | | | | |
| Revenue from use of money and property | \$ - | \$ - | \$ 5,380 | \$ 5,380 |
| Intergovernmental: | | | | |
| Appropriation from primary government | - | 50,190,577 | 10,159,930 | (40,030,647) |
| Total revenues | <u>\$ -</u> | <u>\$ 50,190,577</u> | <u>\$ 10,165,310</u> | <u>\$ (40,025,267)</u> |
| Expenditures: | | | | |
| Capital projects - school construction projects | <u>\$ -</u> | <u>\$ 58,799,606</u> | <u>\$ 8,818,583</u> | <u>\$ 49,981,023</u> |
| School Capital Fund | | | | |
| Revenues: | | | | |
| Intergovernmental: | | | | |
| Appropriation from primary government | <u>\$ 1,082,640</u> | <u>\$ 1,883,523</u> | <u>\$ 1,846,631</u> | <u>\$ (36,892)</u> |
| Expenditures: | | | | |
| Capital outlay - equipment, etc. | <u>\$ 1,182,640</u> | <u>\$ 2,111,194</u> | <u>\$ 1,136,445</u> | <u>\$ 974,749</u> |

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

- Statistical Section -

| <u>Contents</u> | <u>Tables</u> |
|--|---------------|
| Financial Trends These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time. | 1 - 4 |
| Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes. | 5 - 8 |
| Debt Capacity These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future. | 9 - 10 |
| Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments. | 11 |
| Operating Information These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs. | 12 - 15 |

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

COUNTY OF FREDERICK, VIRGINIA

Table 1

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

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

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

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

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

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

COUNTY OF FREDERICK, VIRGINIA

Table 3

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

| | FISCAL YEAR | | | | | | | | | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| General fund | | | | | | | | | | |
| Reserved | \$ 3,945,440 | \$ 3,436,600 | \$ 4,035,769 | \$ 4,424,640 | \$ 4,143,819 | \$ 6,678,970 | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 28,969,699 | 38,740,704 | 41,212,142 | 33,701,529 | 30,324,674 | 28,423,952 | - | - | - | - |
| Nonspendible | - | - | - | - | - | - | 740,576 | 736,632 | 739,911 | 737,911 |
| Restricted | - | - | - | - | - | - | 3,022,694 | 2,963,356 | 3,504,341 | 5,987,501 |
| Committed | - | - | - | - | - | - | 1,222,437 | 1,698,907 | 3,385,779 | 1,616,849 |
| Assigned | - | - | - | - | - | - | 1,635 | 2,135 | 2,135 | 4,780 |
| Unassigned | - | - | - | - | - | - | 28,372,870 | 34,175,579 | 38,127,444 | 43,513,213 |
| Total general fund | <u>\$ 32,915,139</u> | <u>\$ 42,177,304</u> | <u>\$ 45,247,911</u> | <u>\$ 38,126,169</u> | <u>\$ 34,468,493</u> | <u>\$ 35,102,922</u> | <u>\$ 33,360,212</u> | <u>\$ 39,576,609</u> | <u>\$ 45,759,610</u> | <u>\$ 51,860,254</u> |
| 611 All other governmental funds | | | | | | | | | | |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | \$ 1,677,244 | \$ 4,285,650 | \$ 3,968,620 | \$ 3,961,348 | \$ 3,450,524 | \$ 3,259,332 | \$ - | \$ - | \$ - | \$ - |
| Capital projects funds | 724,735 | 16,977,294 | 3,474,869 | 1,907,844 | 1,455,932 | 1,408,958 | - | - | - | - |
| Debt service funds | 214,000 | 55,306 | 352,345 | 30,357 | 49,800 | 250,520 | - | - | - | - |
| Restricted, reported in: | | | | | | | | | | |
| Lake Holiday Sanitary District fund | - | - | - | - | - | - | 9,147,684 | 6,047,654 | 961,104 | - |
| Capital Projects fund | - | - | - | - | - | - | - | 93,338 | 201,893 | 534,684 |
| Committed, reported in: | | | | | | | | | | |
| Shawneeland Sanitary District fund | - | - | - | - | - | - | 2,100,635 | 2,280,837 | 2,103,040 | 2,317,142 |
| Lake Holiday Sanitary District fund | - | - | - | - | - | - | 588,392 | 265,516 | 1,594,902 | 2,402,030 |
| Other governmental funds | - | - | - | - | - | - | 984,280 | 385,019 | 579,705 | 1,049,226 |
| Assigned, reported in: | | | | | | | | | | |
| School debt service fund | - | - | - | - | - | - | 80,400 | 21,050 | 20,159 | 922,737 |
| Other governmental funds | - | - | - | - | - | - | 642,500 | 642,500 | 642,514 | 642,514 |
| Total all other governmental funds | <u>\$ 2,615,979</u> | <u>\$ 21,318,250</u> | <u>\$ 7,795,834</u> | <u>\$ 5,899,549</u> | <u>\$ 4,956,256</u> | <u>\$ 4,918,810</u> | <u>\$ 13,543,891</u> | <u>\$ 9,735,914</u> | <u>\$ 6,103,317</u> | <u>\$ 7,868,333</u> |

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

COUNTY OF FREDERICK, VIRGINIA

Table 4

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

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

COUNTY OF FREDERICK, VIRGINIA

Table 5

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

| Fiscal Year | Real Estate | Personal Property | Mobile Homes | Machinery and Tools | Public Utility | | Total Taxable Assessed Value | Total Direct Tax Rate (1) | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|-------------|------------------|-------------------|---------------|---------------------|----------------|-------------------|------------------------------|---------------------------|--------------------------------|--|
| | | | | | Real Estate | Personal Property | | | | |
| 2005 | \$ 5,390,315,685 | \$ 831,996,886 | \$ 31,049,625 | \$ 245,449,038 | \$ 174,729,621 | \$ 2,495,494 | \$ 6,676,036,349 | 1.039 | \$ 6,676,036,349 | 100.00% |
| 2006 | 6,889,772,707 | 943,249,786 | 32,189,875 | 256,643,746 | 177,919,118 | 1,508,096 | 8,301,283,328 | 0.989 | 8,301,283,328 | 100.00% |
| 2007 | 7,354,880,957 | 956,028,615 | 35,063,205 | 256,751,924 | 155,747,099 | 1,024,865 | 8,759,496,665 | 0.970 | 8,759,496,665 | 100.00% |
| 2008 | 7,628,047,323 | 950,660,132 | 38,049,501 | 255,318,207 | 150,502,779 | 705,449 | 9,023,283,391 | 0.954 | 9,023,283,391 | 100.00% |
| 2009 | 7,811,319,762 | 931,328,186 | 39,192,659 | 257,046,280 | 185,732,461 | 776,669 | 9,225,396,017 | 0.991 | 9,225,396,017 | 100.00% |
| 2010 | 8,050,510,887 | 876,964,704 | 39,530,158 | 265,744,961 | 246,737,225 | 1,091,033 | 9,480,578,968 | 0.955 | 9,480,578,968 | 100.00% |
| 2011 | 7,835,124,893 | 959,116,919 | 40,906,316 | 265,929,030 | 257,825,002 | 966,246 | 9,359,868,406 | 1.029 | 9,359,868,406 | 100.00% |
| 2012 | 7,636,806,650 | 942,985,301 | 41,328,639 | 248,314,706 | 367,524,033 | 2,007,550 | 9,238,966,879 | 1.060 | 9,238,966,879 | 100.00% |
| 2013 | 7,696,001,768 | 975,644,445 | 41,657,064 | 255,121,648 | 378,304,245 | 2,172,968 | 9,348,902,138 | 1.071 | 9,348,902,138 | 100.00% |
| 2014 | 7,816,092,895 | 1,006,173,855 | 41,946,196 | 282,244,524 | 342,658,871 | 2,194,437 | 9,491,310,778 | 1.081 | 9,491,310,778 | 100.00% |

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

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

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

Property Tax Rates (1)
Last Ten Fiscal Years

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

(1) Per \$100 of assessed value

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

Principal Property Taxpayers
 Current Year and the Period Nine Years Prior

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

Source: Commissioner of Revenue - 2013 RE BOOK, 2013 PUBLIC SERVICE RE TOTAL, FY 2005 CAFR

Property Tax Levies and Collections
Last Ten Fiscal Years

| Fiscal Year | Total Tax Levy for Fiscal Year | Collected within the Fiscal Year of the Levy | | Delinquent Tax Collection | Total Collections to Date | |
|-------------|--------------------------------|--|--------------------|---------------------------|---------------------------|--------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2005 | \$ 67,175,489 | \$ 64,011,850 | 95.29% | \$ 2,736,647 | \$ 66,748,497 | 99.36% |
| 2006 | 73,870,802 | 69,425,543 | 93.98% | 2,042,434 | 71,467,977 | 96.75% |
| 2007 | 77,747,045 | 75,112,880 | 96.61% | 1,585,010 | 76,697,890 | 98.65% |
| 2008 | 80,536,673 | 76,110,627 | 94.50% | 1,955,080 | 78,065,707 | 96.93% |
| 2009 | 81,868,016 | 78,223,920 | 95.55% | 2,570,528 | 80,794,448 | 98.69% |
| 2010 | 83,281,960 | 79,440,045 | 95.39% | 2,845,376 | 82,285,421 | 98.80% |
| 2011 | 85,272,526 | 81,702,640 | 95.81% | 2,891,619 | 84,594,259 | 99.20% |
| 2012 | 87,707,865 | 83,897,163 | 95.66% | 3,105,921 | 87,003,084 | 99.20% |
| 2013 | 92,011,553 | 88,322,360 | 95.99% | 3,419,695 | 91,742,055 | 99.71% |
| 2014 | 94,684,254 | 90,853,421 | 95.95% | 3,408,052 | 94,261,473 | 99.55% |

Notes:

Levies and collection amounts are exclusive of penalties and interest.

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

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

Source: County Treasurer's office and prior audit reports.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

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

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 11

N/A - Not Available

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

| 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) |
|--------------------|--------------------------|---------------------------------------|----------------------------|---|---------------------------------------|
| 2005 | \$ 120,002,745 | \$ - | \$ 120,002,745 | 1.80% | \$ 1,736 |
| 2006 | 144,413,506 | - | 144,413,506 | 1.74% | 1,993 |
| 2007 | 145,585,324 | - | 145,585,324 | 1.66% | 1,950 |
| 2008 | 153,081,573 | - | 153,081,573 | 1.70% | 2,013 |
| 2009 | 148,796,669 | - | 148,796,669 | 1.61% | 1,921 |
| 2010 | 137,982,022 | - | 137,982,022 | 1.46% | 1,762 |
| 2011 | 136,620,526 | - | 136,620,526 | 1.46% | 1,726 |
| 2012 | 145,019,085 | - | 145,019,085 | 1.57% | 1,806 |
| 2013 | 138,713,598 | - | 138,713,598 | 1.48% | 1,708 |
| 2014 | 137,471,379 | - | 137,471,379 | 1.45% | 1,656 |

- (1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 11
- (2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7
- (3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes capital leases and compensated absences.

Demographic and Economic Statistics
Last Ten Calendar Years

| Calendar Year | County Population (1) | Personal Income (4)(b) | Per Capita Personal Income (4)(b) | Median Age (1)(2)(c) | School Enrollment (3) | Unemployment Rate (5) |
|----------------------|------------------------------|-------------------------------|--|-----------------------------|------------------------------|------------------------------|
| 2005 | 69,123 | \$ 3,090,007 | \$ 32,819 | 37 | 12,211 | 2.50% |
| 2006 | 72,456 | 3,374,945 | 34,948 | 37 | 12,605 | 2.60% |
| 2007 | 74,670 | 3,571,851 | 35,586 | 36 | 12,997 | 2.90% |
| 2008 | 76,060 | 3,736,515 | 36,610 | N/A | 13,043 | 4.20% |
| 2009 | 77,477 | 3,689,688 | 35,645 | 38 | 13,148 | 7.80% |
| 2010 | 78,305 | 3,793,374 | 36,208 | 39.1 | 13,060 | 7.30% |
| 2011 | 79,156 | 4,045,238 | 38,128 | 39.3 | 13,137 | 6.30% |
| 2012 | 80,317 | 4,257,720 | 39,710 | 39.7 | 13,148 | 5.60% |
| 2013 | 81,207 | 4,384,159 | 40,394 | N/A | 13,163 | 5.00% |
| 2014 (a) | 83,000 | N/A | N/A | N/A | 13,144 | 4.70% |

Notes:

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

Sources:

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

N/A = Not available

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

| <u>Employer</u> | <u>2014</u> | | <u>Employees</u> | <u>2005</u> | |
|--------------------------------|-------------|-------------------------|--------------------------------|-------------|-------------------------|
| | <u>Rank</u> | <u>Total Employment</u> | | <u>Rank</u> | <u>Total Employment</u> |
| Frederick County School Board | 1 | 1000 and over | Frederick County School Board | 1 | 1000 and over |
| Navy Federal Credit Union | 2 | 500 to 999 | County of Frederick | 2 | 500 to 999 |
| U.S. Dept. of Homeland Defense | 3 | 500 to 999 | World Wide Automotive | 3 | 500 to 999 |
| County of Frederick | 4 | 500 to 999 | Action Executive Services | 4 | 250 to 499 |
| Lord Fairfax Community College | 5 | 500 to 999 | American Woodmark Corporation | 5 | 250 to 499 |
| Axiom Staffing Group | 6 | 250 to 499 | H.P. Hood, Inc. | 6 | 250 to 499 |
| Kraft Foods | 7 | 250 to 499 | Lord Fairfax Community College | 7 | 250 to 499 |
| H.P. Hood, Inc. | 8 | 250 to 499 | GE Lighting | 8 | 250 to 499 |
| The Home Depot | 9 | 250 to 499 | Shockey Brothers, Inc. | 9 | 250 to 499 |
| Kohls Department Stores | 10 | 250 to 499 | Glaize And Brothers | 10 | 100 to 249 |

Source: Virginia Employment Commission

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

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

Source: Prior Frederick County Annual Budgets

Operating Indicators by Function
Last Ten Fiscal Years

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

Notes:

- (a) Calendar year
- (b) Full-time equivalent positions
- (c) Budgeted/Estimated
- (d) 2014 figures are through December 1st.

Source: Individual county departments, prior Frederick County Annual Budgets

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

Capital Asset Statistics by Function
Last Ten Fiscal Years

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

Notes:

(a) Elementary, middle and high schools

Source: Individual county departments, prior Frederick County Annual Budgets

- Compliance Section -

**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, 2014, and the related notes to the financial statements, which collectively comprise the County of Frederick, Virginia's basic financial statements, and have issued our report thereon dated December 17, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
December 17, 2014

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Frederick, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Frederick Virginia's major federal programs for the year ended June 30, 2014. County of Frederick, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Frederick, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Frederick, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of Frederick, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Frederick, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of County of Frederick, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Frederick, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Frederick, Virginia's internal control over compliance.

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

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

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
December 17, 2014

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

| Federal Grantor/Pass - Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-through Identifying Number | Federal Expendi- tures |
|--|---------------------------|---------------------------------------|------------------------------|
| <u>PRIMARY GOVERNMENT:</u> | | | |
| <u>DEPARTMENT OF AGRICULTURE:</u> | | | |
| <u>Pass through payments:</u> | | | |
| Virginia Department of Social Services: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0010109/0010110/0040109/0040110 | \$ 546,833 |
| <u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u> | | | |
| <u>Pass through payments:</u> | | | |
| Virginia Department of Social Services: Promoting Safe and Stable Families | 93.556 | 0950109/0950110 | \$ 19,768 |
| Temporary Assistance for Needy Families | 93.558 | 0400109/0400110 | 335,420 |
| Refugee and Entrant Assistance-State Administered Programs | 93.566 | 0500109/0500110 | 4,520 |
| Low-income Home Energy Assistance | 93.568 | 0600409/0600410 | 24,577 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760109/0760110 | 46,438 |
| Chafee Education and Training Vouchers Program | 93.599 | 9160109 | 1,516 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900109/0900110 | 2,271 |
| Foster Care - Title IV-E | 93.658 | 1100109/1100110 | 335,598 |
| Adoption Assistance | 93.659 | 1120109/1120110 | 262,393 |
| Social Services Block Grant | 93.667 | 1000109/1000110 | 299,264 |
| Chafee Foster Care Independence Program | 93.674 | 9150108/915109/9150110 | 2,781 |
| Children's Health Insurance Program | 93.767 | 0540109/0540110 | 16,907 |
| Medical Assistance Program | 93.778 | 1200109/1200110 | 487,231 |
| Total Department of Health and Human Services | | | \$ 1,838,684 |
| <u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u> | | | |
| <u>Pass through payments:</u> | | | |
| Department of Housing and Community Development: Community Development Block Grants-State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 12PG14DD1 | \$ 25,000 |
| Total Department of Housing and Urban Development | | | \$ 25,000 |
| <u>DEPARTMENT OF JUSTICE:</u> | | | |
| <u>Pass through payments:</u> | | | |
| Department of Criminal Justice Services: Forfeited Assets | 16.000 | N/A | \$ 21,694 |
| State Criminal Alien Assistance Program | 16.606 | N/A | 18,814 |
| Crime Victim Assistance | 16.575 | 13VAGX0007 | 50,112 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2011DJBX2153 | 33,679 |
| Total Department of Justice | | | \$ 124,299 |
| <u>DEPARTMENT OF TRANSPORTATION:</u> | | | |
| <u>Pass through payments:</u> | | | |
| Virginia Department of Transportation: Alcohol Open Container Requirements | 20.607 | 154AL1454247/154AL1353038 | \$ 22,468 |
| Total Department of Transportation | | | \$ 22,468 |
| <u>DEPARTMENT OF HOMELAND SECURITY:</u> | | | |
| <u>Pass through payments:</u> | | | |
| Virginia Department of Emergency Services: State Homeland Security Program | 97.073 | N/A | \$ 24,600 |
| Emergency Management Performance Grants | 97.042 | N/A | 206 |
| Homeland Security Grant Program | 97.067 | N/A | 12,551 |
| Disaster Grants-Public Assistance(Presidentially Declared Disasters) | 97.036 | SREIM31319365201 | 813 |
| Total Department of Homeland Security | | | \$ 38,170 |
| Total Primary Government | | | \$ 2,595,454 |
| <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 | N/A | \$ 351,520 |
| Department of Education: National School Lunch Program (Child Nutrition Cluster) | 10.555 | 2013IN109941 | 1,929,103 |
| | | | \$ 2,280,623 |
| School Breakfast Program (Child Nutrition Cluster) | 10.553 | 2013IN109941 | 346,268 |
| Schools and Roads - Grants to States | 10.665 | 10.665 | 4,317 |
| Total Department of Agriculture | | | \$ 2,631,208 |

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

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

COUNTY OF FREDERICK, VIRGINIA

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

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Frederick, Virginia under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Frederick, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Frederick, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

Nonmonetary assistance is reported on the schedule at fair market value of the commodities received and disbursed. At June 30, 2014 the School Board had food commodities totaling \$210,365 in inventory.

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

| | |
|--|----------------------------|
| Primary government: | |
| General Fund | \$ 2,541,792 |
| School Debt Service Fund | 276,080 |
| Other Governmental Funds | <u>66,083</u> |
| Total primary government | <u>\$ 2,883,955</u> |
| Component Unit School Board: | |
| School Operating Fund | \$ 4,428,561 |
| School Cafeteria Fund | 2,626,891 |
| School Special Grants Fund | <u>34,040</u> |
| Total component unit school board | <u>\$ 7,089,492</u> |
| Total federal expenditures per basic financial statements | <u>\$ 9,973,447</u> |
| Payments in lieu of taxes | <u>\$ (12,423)</u> |
| Federal subsidy | <u>\$ (276,080)</u> |
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | <u><u>\$ 9,684,944</u></u> |

COUNTY OF FREDERICK, VIRGINIA

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

 Material weaknesses identified? No

 Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

 Material weakness(es) identified? No

 Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major programs:

| <u>CFDA #</u> | <u>Name of Federal Program or Cluster</u> |
|---------------|--|
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.027/84.173 | Special Education Cluster |
| 93.658 | Foster Care - Title IV-E |

Dollar threshold used to distinguish between Type A
and Type B programs \$300,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

COUNTY OF FREDERICK, VIRGINIA

**Schedule of Prior Year Findings
Year Ended June 30, 2014**

There were no items reported.