



Popular Annual Financial Report

To the residents of Frederick County:

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We face a steady influx of facts, figures and statistics in today's busy world. Sorting through this information, deciding what is important and then putting that information to good use can be a difficult task. In an effort to provide you with easily accessible, reliable information, we are pleased to present the Frederick County, Virginia's Popular Annual Financial Report (PAFR) for the fiscal year July 1, 2010 through June 30, 2011.

The purpose of this report is to summarize and simplify the presentation of information contained in the audited Frederick County 2011 Comprehensive Annual Financial Report (CAFR). The County's financial statements are prepared using the financial reporting model prescribed by the Governmental Accounting Standards Board (GASB) and are independently audited in accordance with auditing standards generally accepted in the United States of America by the accounting firm of Robinson, Farmer, Cox Associates of Charlottesville, VA. We encourage you to read the CAFR, which is comprised of detailed financial statements, notes, schedules and reports. The CAFR, in its entirety, is available in the Frederick County Finance Department and online at www.frederickcountyva.gov.

This PAFR is intended to be a supplement to the CAFR, not a replacement. It does not conform to accounting principles generally accepted in the United States of America (GAAP) and focuses solely on primary governmental activities. Financial information related to the County Schools, Landfill, Adult Detention Center, Regional Airport, Shawneeland and Court Services are not included. Although the PAFR is not audited and excludes many material disclosures, financial statements, schedules and notes to the financial statements, figures are extracted from the County's CAFR.

The PAFR is presented in a simple and easy to understand format to better inform the public about the County's financial condition, without excessive detail or the use of technical accounting terms. This report represents the ongoing commitment of County officials to keep Frederick County citizens informed about County finances, and to be accountable for the receipt and expenditure of public funds.

We hope that you find this report interesting and informative. As you review the PAFR, please feel free to share any questions, concerns or recommendations you may have. We value your input and look forward to the opportunity to address any comments you may have.

Popular Annual Financial Report

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Your Board of Supervisors



Richard C. Shickle
Chairman-at-Large



Bill M. Ewing
Opequon District
Vice Chairman



Christopher E. Collins
Redbud District



Gary A. Lofton
Back Creek District



Charles DeHaven, Jr.
Stonewall District



Ross P. Spicer
Gainesboro District



Gene E. Fisher
Shawnee District

Vision Statement & Core Values— The Frederick County Board of Supervisors adopted a vision statement and core values that the County uses as a guide when making decisions and setting policies.

Ensuring 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.

Frederick County At A Glance

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.

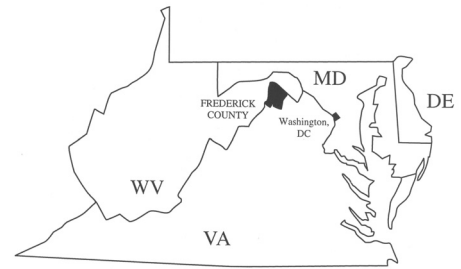
In 2010, the population of the County was estimated at 78,305 based on the U.S. Census Bureau. The County, which covers 424 square miles and borders the West Virginia line, was established

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 per capita income for Winchester-Frederick County was \$36,360 in 2009, the last year for which the information is available, according to the Bureau of

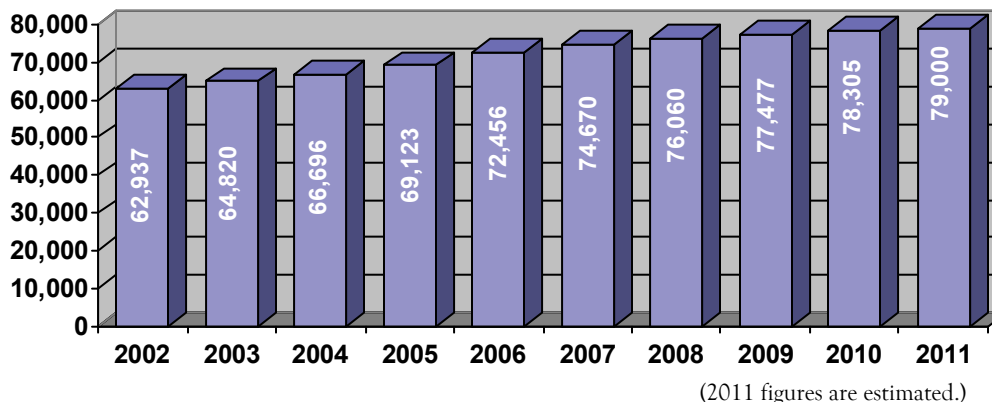
Economic Analysis.

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.



County Growth

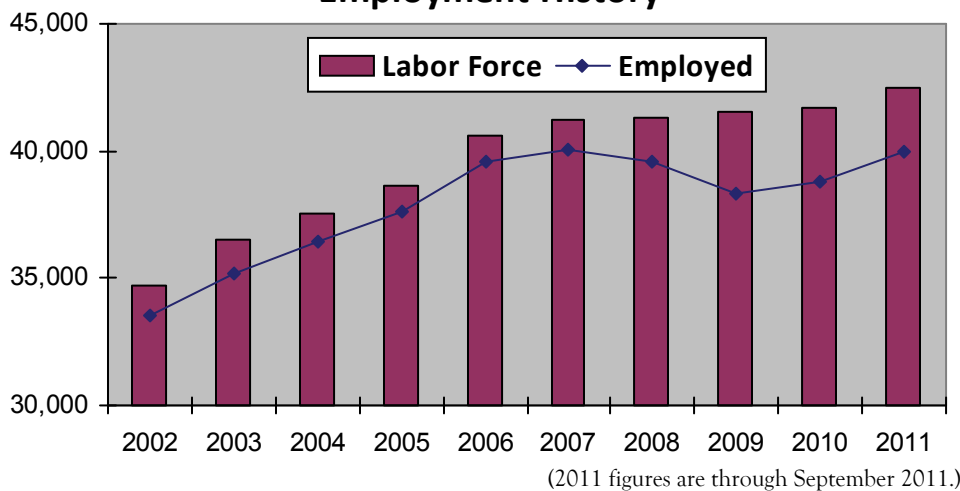
Population Growth



The County continues to grow, as reflected in the chart to the left.

The County's population has increased from nearly 63,000 ten years ago to an estimated 79,000 today. By 2020, it is projected that the population of Frederick County will be approximately 95,648 and by 2030—114,539.

Employment History



As the County's population grows, the economy normally expands; however, over the past five years the number of people in the civilian labor force has remained fairly level with a slight uptick for 2011. The number of people employed has also slightly increased after a few consecutive years of declines.

Popular Annual Financial Report

2011 Tax Rates

(per \$100 of assessed value)

Property Type	Tax Rate
Real Estate	\$0.545
Personal Property	\$4.86
Machinery & Tools	\$2.00
Airplanes	\$0.001
Mobile Homes	\$0.545

Local Economy

As the nation recovers from its most recent recession, there are signs of economic hope and recovery in Frederick County. While unemployment rates remain at historical highs, the rate for the County is currently at the lowest in three years. Frederick County's labor supply is drawn from a 30-mile radius and includes the City of Winchester and the counties of Shenandoah, Page, Clarke and Warren in Virginia, the counties of Berkeley,

Hampshire, Hardy, Jefferson and Morgan in West Virginia, and Washington County, Maryland.

It is a fact that businesses have closed and continue to close; however, H.P. Hood, Trex Company and Crown Beverage Packaging each enhanced their presence in Frederick County. The Winchester, VA/WV MSA, which includes the County, was named a "Top 10 Metro Area" in Conway Data's Site Selection magazine for

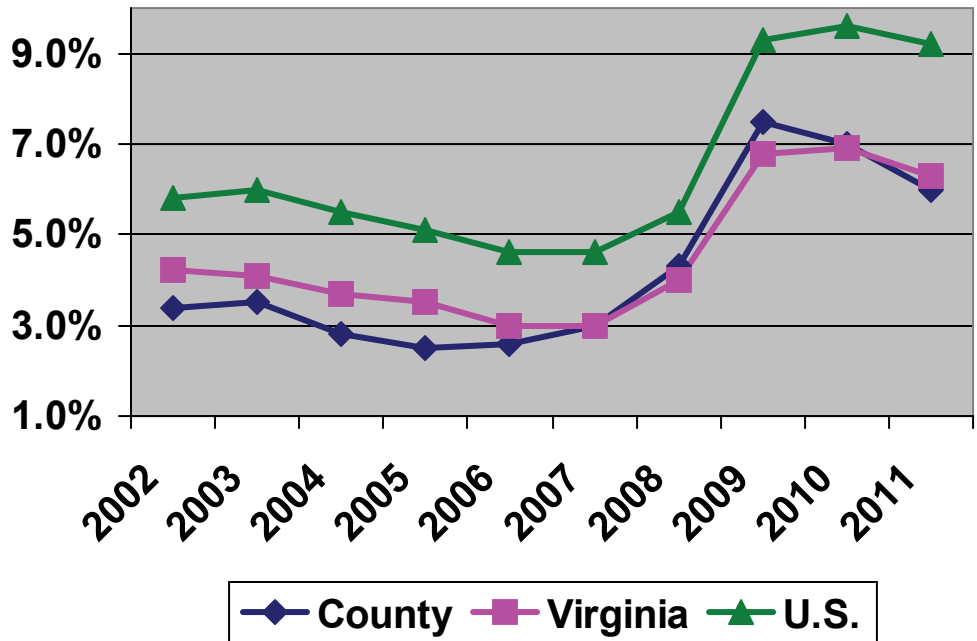
metro-areas with comparable populations. The recognition was based on new facilities and expansions with capital investment of at least \$1 million that created at least 50 jobs or added at least 20,000 sq. ft. of new floor area.

According to MRIS, the average selling price of a home in Frederick County for the 2nd quarter of 2011 was \$196,800 with the average days on the market being 104. The averages are not expected to fall lower.

Employment is a broad economic measurement that gives a picture of major developments.

The County's unemployment rate has remained nearly level through the year, with an average of 6% for first nine months of 2011. The County still remains under the national rate. The rate for the County is only slightly lower than the statewide average rate through September 2011.

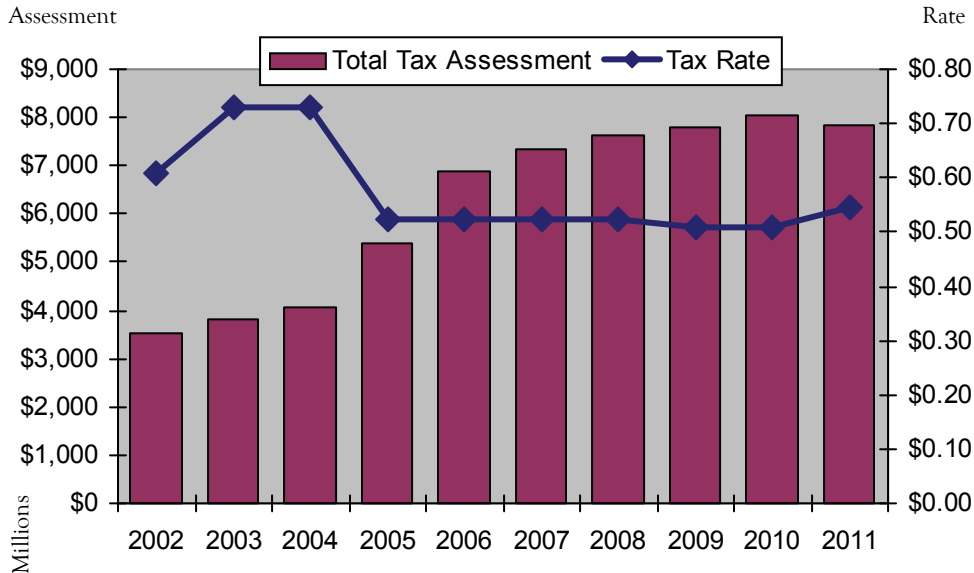
Unemployment Rates



(2011 figures are a annual average through September 2011.)

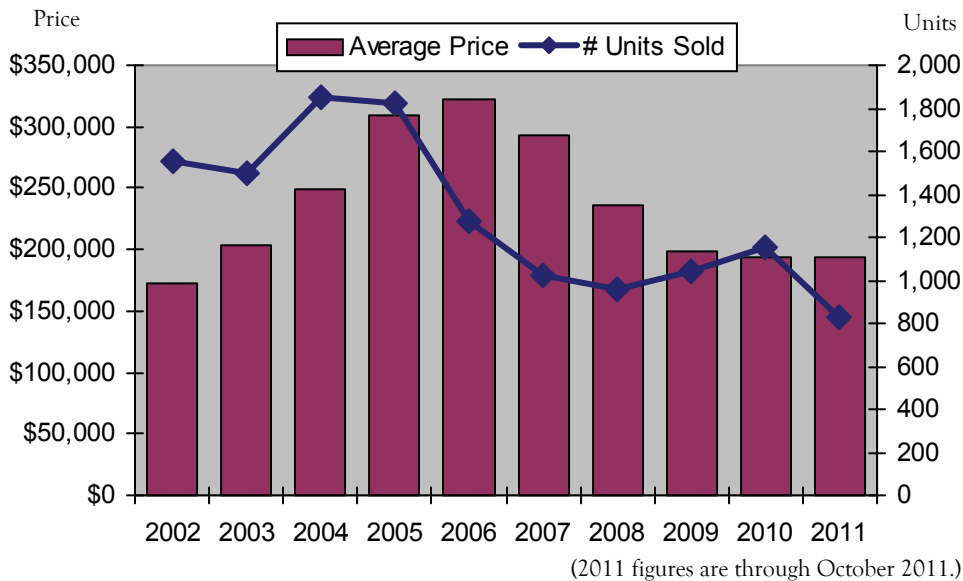
Real Estate Data

Tax Assessment



As you can see in the chart to the left, the total 2011 real estate tax assessment has decreased slightly compared to 2010. There was a County-wide reassessment in 2011 which increased the tax rate by \$0.035 to \$0.545 per \$100 in order to collect approximately the same amount in tax revenue as was collected in the prior year.

Home Sales



Home sales since 2005, the top of the real estate boom, have fallen by 55% with two months remaining of the year 2011. The average price of a home in Frederick County has decreased by 38% in the same time period. The average price has remained fairly level when comparing 2010 to 2011; however, the number of units sold has decreased slightly.

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Principal Employers in Frederick County

1. Frederick County School Board
2. County of Frederick
3. U.S. Dept. of Homeland Defense
4. Kraft Foods
5. Navy Federal Credit Union
6. H.P. Hood, Inc.
7. Lord Fairfax Community College
8. Trex Company Inc. & Subsid.
9. Martins Food Market
10. The Home Depot

Frederick County's FY 2011 Budget

The budget is one of the most important policy decisions elected officials have to consider each fiscal year. The FY 2011 budget represents the Board's revenue and expenditure policy direction after budget work sessions with the School Board and Finance Committee. During the budget work sessions, many issues were discussed. Local revenue shortfalls, decreasing revenue from the Commonwealth, and public schools and public safety concerns, are just a few of the areas that needed to be addressed. A budget was produced

that recognized limited revenue sources, conservative expenditures and the needs of Frederick County citizens.

The beginning of the FY 2011 budget process started with the knowledge that the best case scenario available for the new budget year would be present level funding. Upcoming known expenditure increases included Virginia Retirement System, health care, utilities, positions that would not be available for freeze, continued need for replacement of patrol vehicles, and critical areas that needed to be addressed in Information

Technology.

From the start of budget discussions, the Board of Supervisors agreed to no tax increases for county citizens. The goal was to operate with a decrease in local tax funded expenditures and prioritize limited resources to meet citizen need for services, programs, and facilities.

The total county budget for FY 2011 is \$232 million, a decrease of 4.5% from the FY 2010 adopted budget. This includes a General Fund budget in the amount of \$125,611,341 that funds core County services.

KEY UNFUNDED REQUESTS / DELAYED GOALS AND INITIATIVES

- Delay in refilling positions in the areas of Social Services, Administration, Public Safety and Parks and Recreation.
- Delays in upgrades and adjustments to the county's information technology systems and networks.
- Elimination or reduction of Sheriff's Office assisting with special events such as Shenandoah Apple Blossom Festival, Fourth of July festivals, Neighborhood Watch meetings and B.O.S meetings.
- Replacement of radio communications equipment for Fire and Rescue.
- Delay in upgrades and renovations to the Old Gainesboro Elementary School.
- Continued reduced hours of operation at compactor sites throughout the county.
- Reductions of 10% to most outside agency contributions.
- Reduced quality of athletic fields at Clearbrook and Sherando Parks and public school facilities.
- Replacement vehicles for Sheriff, Fire and Rescue, Parks and Recreation, and Social Services.

Working for the Future—

Increasing the industrial/business tax bas in an effort to minimize the tax burden on residents continues to be a top priority. Despite the economic downturn, a number of existing businesses expanded their facilities in Frederick County. The combined efforts of Kraft Foods Global, Inc. and Melnor, Inc. resulted in a total investment of \$46.5 million and the maintenance and creation of 143 jobs. Retail business continues to grow within the County. Party City and Sally Beauty opened in early 2011 at Rutherford Crossing. County officials, staff and the community continue to work together to promote and enhance the County in which we all live and work. It is a continuing goal that Frederick County remains a productive and promising community as well as maintains fiscal stability for many, many years to come.

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.
- ◆ 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.

Popular Annual Financial Report

Statement of Activities for the fiscal year ended June 30, 2011

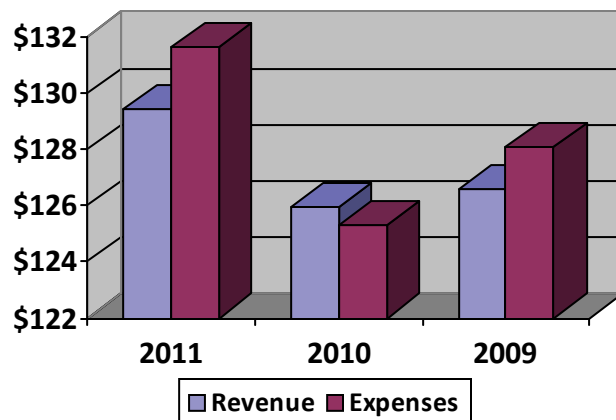
The Statement of Activities provides a detailed account of revenues (sources of income) and expenses (the use of money) for County operations. The chart to the right reports only on primary governmental activities and is presented on a non-GAAP basis. Primary governmental activities include general and judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, community development, and interest. More detailed GAAP basis financial statements can be found in the County's CAFR.

Revenues represent dollars received and expenses can be thought of as the costs of providing services to the citizenry. At the end of the fiscal year, the County had budgeted expenses in excess of budgeted revenue by \$10 million. At the close of the fiscal year, actual expenses only exceeded revenue by just over \$ 2 million. This resulted in a net increase in unreserved general fund balance of approximately \$8 million.

Governmental Activities	2011	2010	2009
Revenues:			
Program Revenues			
Charges for Services	\$ 4,025,756	\$ 4,104,393	\$ 4,734,493
Operating Grants & Contributions	10,945,448	11,817,662	12,273,169
General Revenues			
Real Estate & Personal Property	73,729,205	70,903,832	69,116,087
Other Taxes	25,294,693	24,839,738	25,106,462
Payments from Primary Government	-	-	-
Non-restricted Grants	14,689,496	13,318,446	13,272,212
Use of Money and Property	190,074	416,503	1,078,840
Miscellaneous	561,013	533,261	994,188
Total Revenues	\$ 129,435,685	\$ 125,933,835	\$ 126,575,451
Expenses:			
General Government	\$ 7,327,459	\$ 6,321,805	\$ 6,717,739
Judicial Administration	3,193,494	3,386,474	3,289,067
Public Safety	24,433,750	24,589,993	24,941,153
Public Works	3,727,381	3,497,874	3,046,615
Health / Welfare	8,384,653	8,174,845	8,855,627
Education	71,756,548	65,309,552	65,637,853
Parks, Recreation & Culture	5,099,689	5,256,852	5,741,930
Community Development	2,920,744	2,191,518	3,364,222
Interest on Long-term Debt	4,755,467	6,555,195	6,487,627
Landfill Operations	-	-	-
Industrial Development Authority	-	-	-
Total Expenses	\$ 131,599,185	\$ 125,284,108	\$ 128,081,833
Expenses (greater than) less than revenues received	\$ (2,163,500)	\$ 649,727	\$ (1,506,382)

The three year history of revenues and expenses show that both have increased. Revenues increased by \$2.9 million from 2009 to 2011 even after taking a slight fall in 2010. Expenses have increased \$3.5 million over the same period and also took a dip in the middle year. The increase in revenues and expenses could be an indicator of an economy that is on a small rebound.

Millions



Fund Balance: What is it and why is it important?

Fund Balance is the excess dollars of what the County owns (assets) over what the County owes (liabilities) in a single fund.

There are several reasons that it is important to maintain a healthy fund balance. It is a critical factor in financial planning and budgeting. It provides funds for unforeseen expenses or emergencies. Fund balance reduces the need for short-term borrowing for operations by assuring sufficient cash flows. REMEMBER — half of the largest revenue source is collected at the end of the budget year. Personal property and real estate taxes are collected on June 5th which is only 25 days before the end of the

County's fiscal year. Finally, fund balance demonstrates financial stability, which enhances bond rating, thereby lowering debt issuance costs.

The County's chief operating fund is the General Fund, which is the primary operating fund that accounts for all revenues and expenditures applicable to the general operations of the county. Revenues are derived primarily from property and other taxes.

Throughout the fiscal year, the unassigned fund balance for the county's general fund is closely monitored to assure that adequate levels are maintained to mitigate risks and provide back up for revenue shortfalls. The Gov-

ernment Finance Officers Association (GFOA) recommends, at a minimum, that general-purpose governments maintain a unrestricted fund balance of no less than two months of regular general fund operating revenues. For the County's General Fund, this calculates to a minimum recommended level of \$ 20.1 million.

At June 30, 2011, the unassigned fund balance was \$28,372,870 (CAFR, Exhibit 3). This amount was depleted by \$4.3 million on July 1, 2011 to balance the upcoming FY 2012 budget, leaving adequate funds of \$24 million in unassigned fund balance.

Award for Outstanding Achievement

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

County of Frederick
Virginia

for the Fiscal Year Ended
June 30, 2010



Linda C. Davidson
President

Jeffrey L. Esser
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Financial Reporting to the County of Frederick, Virginia for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2010. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national

award recognizing conformance with the highest standards for preparation of state and local government popular reports.

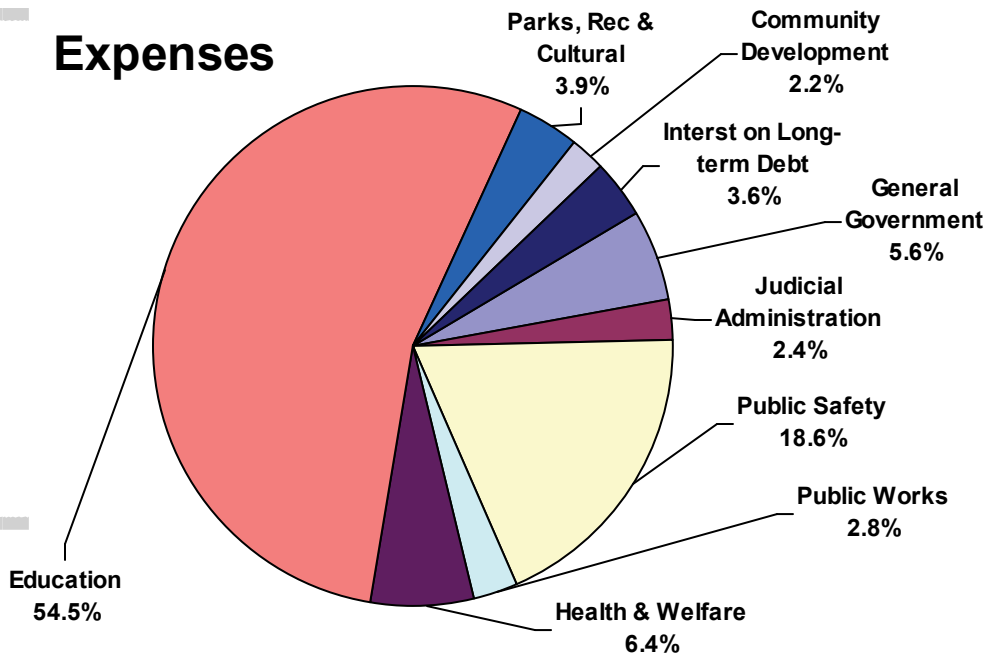
In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The County of Frederick, VA has received a Popular Award for the last four consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

A Closer Look At Expenses—General Fund—FY 2011

Expenses

The County's contribution to education represents 54.5% of all County expenses. Coming in a distant second is the cost of Public Safety at 18.6%. All other single expense categories expend less than 10% of total expenses individually. See the Statement of Activities on page 6 for exact dollar amounts.



Expense Categories Explained

General Government: costs of conducting legislative, financial and election activities of the County, including departments such as Finance, IT, HR County Attorney and County Administration.

Judicial Administration: costs to support the courts which includes the Clerk of Circuit Court, Commonwealth's Attorney, General District Court and the Detox Center.

Public Safety: costs associated with law enforcement, traffic control, fire & rescue services, E-911 and building inspections.

Public Works: costs of refuse collection and disposal, maintenance of County buildings and the operation of the animal shelter.

Interest on Long-term Debt: cost of borrowing.

Community Development: costs of planning of economic, social and environmental issues. This category includes Planning & Development, Soil & Water Conservation and the Economic Development Commission.

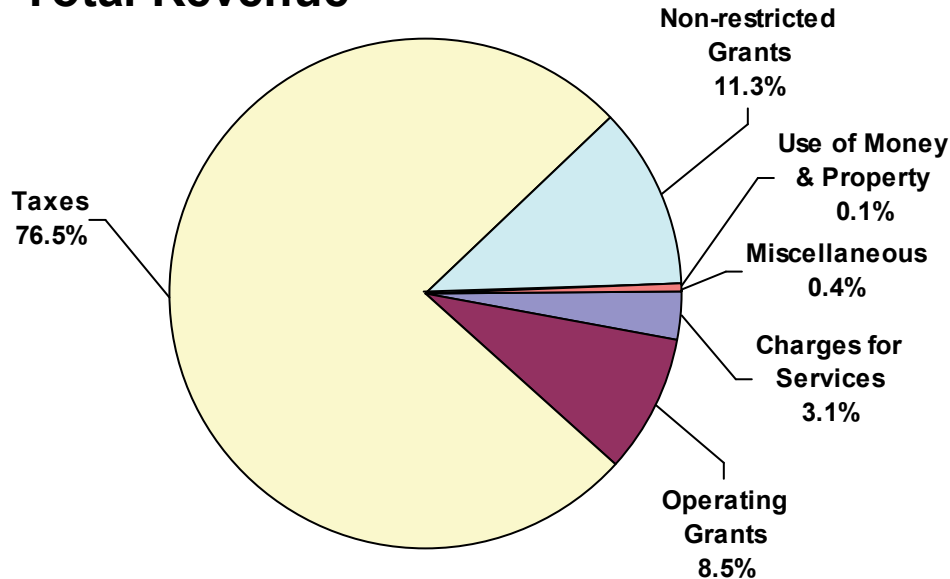
Health & Welfare: costs for the local health department, social services and public assistance, as well as property tax relief for the elderly and handicapped.

Parks, Recreation and Cultural: the maintenance and operational costs of County parks, recreational facilities and libraries.

Education: costs represent the County's contribution for the operation of the public school system, including debt.

A Closer Look At Revenue—General Fund—FY 2011

Total Revenue



NOTE: Taxes includes over \$12 million reimbursed from the State for Personal Property Tax Relief.

As this chart shows, taxes are the largest source of revenue for the County. Total revenues of \$129,435,685 were collected in 2011 with taxes accounting for approximately \$99 million (76.5%) of that amount. In comparison, in 2010, total revenues collected were \$125,933,935 and in 2009, \$126,575,451.

Revenues Explained

Charges for Services: fees collected from the public for services rendered, such as court costs, building inspections, etc.

Operating Grants & Contributions: monies received from various federal, state and/or private grant opportunities.

Real Estate & Personal Property: taxes collected for properties housed in the County.

Other Taxes: include, but not limited to, lodging, meals, utility and sales taxes.

Non-restricted Grants: a block grant from the State for personal property tax relief. These funds can be used at the discretion of the County.

Use of Money and Property: monies earned from the investment of County funds.

Miscellaneous: includes refunds, donations and recovered costs.

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Frederick County—By the Numbers

COUNTY EMPLOYEES
(FULL TIME NON-SCHOOL)

697

FIRE & RESCUE

9,062

INCIDENT RESPONSES

ANIMAL SHELTER

1,400

ANIMALS ADOPTED

SHERIFF

64,795

CALLS ANSWERED

18,042

CIVIL PAPERS SERVED

6,625

WARRANTS SERVED

2010 POPULATION

78,305



PARKS & RECREATION

400

ACRES MAINTAINED

6

COMMUNITY CENTERS

8,652

YOUTH SPORTS MEMBERS

59

SPECIAL EVENTS HELD

BUILDING INSPECTIONS

3,463

PERMITS ISSUED

12,463

INSPECTIONS COMPLETED

FREDERICK COUNTY
AREA (SQ MILES)

424

STREET SIGNS
INSTALLED

131

COUNTY OF FREDERICK,
VIRGINIA

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Winchester, VA 22601

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We're on the web!
www.frederickcountyva.gov