

# PAFR

POPULAR ANNUAL FINANCIAL REPORT

COUNTY OF FREDERICK, VA

JUNE 30, 2016



*The purpose of this report is to summarize and simplify the presentation of information contained in the audited Frederick County 2016 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.fcva.us/CAFR](http://www.fcva.us/CAFR).*



Government Finance Officers Association

GFOA OUTSTANDING  
ACHIEVEMENT AWARD

## Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**County of Frederick  
Virginia**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

*Jeffrey R. Egan*  
Executive Director/CEO

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, 2015. 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 9 consecutive years. We believe our current report continues to conform to the requirements, and we are submitting it to GFOA.

To the residents of Frederick County:

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, 2015 through June 30, 2016.

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. It 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.

### INSIDE

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COVER PHOTO COURTESY OF:  
THE FREDERICK COUNTY ECONOMIC DEVELOPMENT AUTHORITY

LISA WHITACRE JOHNSON, OF SHAWNEE CANNING COMPANY, WITH VIRGINIA SECRETARY OF AGRICULTURE AND FORESTRY, TODD HAYMORE, ANNOUNCING A \$7,500 STATE GRANT FOR THE COMPANY'S \$500,000 EXPANSION.

# 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. 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.

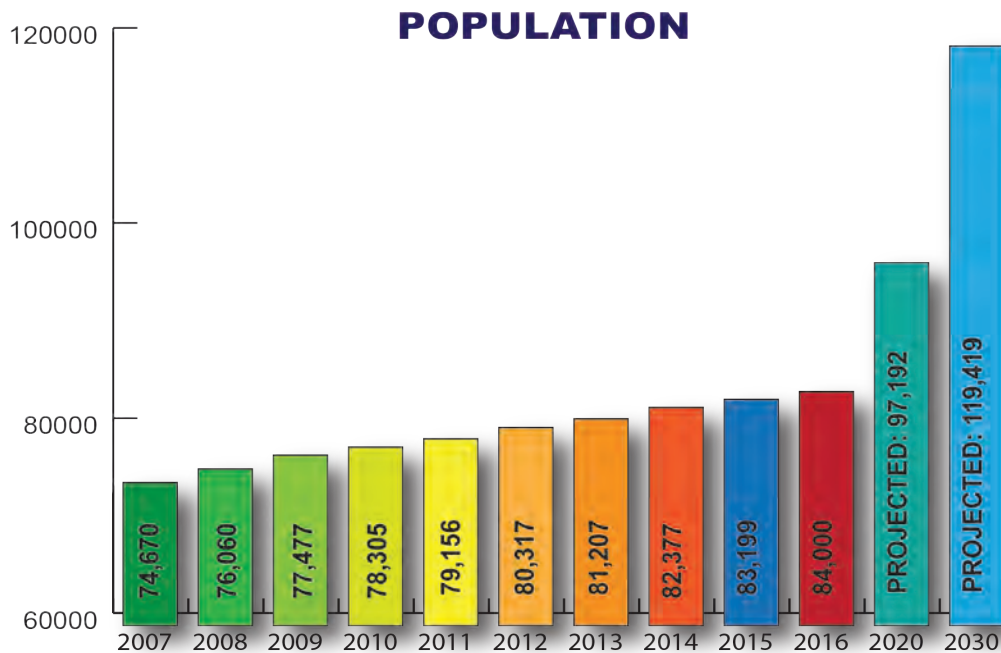
The County's population has increased from 75,000 ten years ago to an estimated 84,000 today. By 2020, it is projected that the population of Frederick County will be approximately 97,192, by 2030 – 119,419 and by 2040 – 145,938.

The area is served by the Winchester Regional Airport, a 450+ acre, all-weather general aviation airport. Located 45 nautical miles from Dulles International Airport, the WRA lies outside of restricted airspace. The facility currently has 75 tie down spaces, six corporate hangars, and 61 t-hangars.

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. Significant efforts are underway on the part of the City of Winchester and Frederick 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.

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



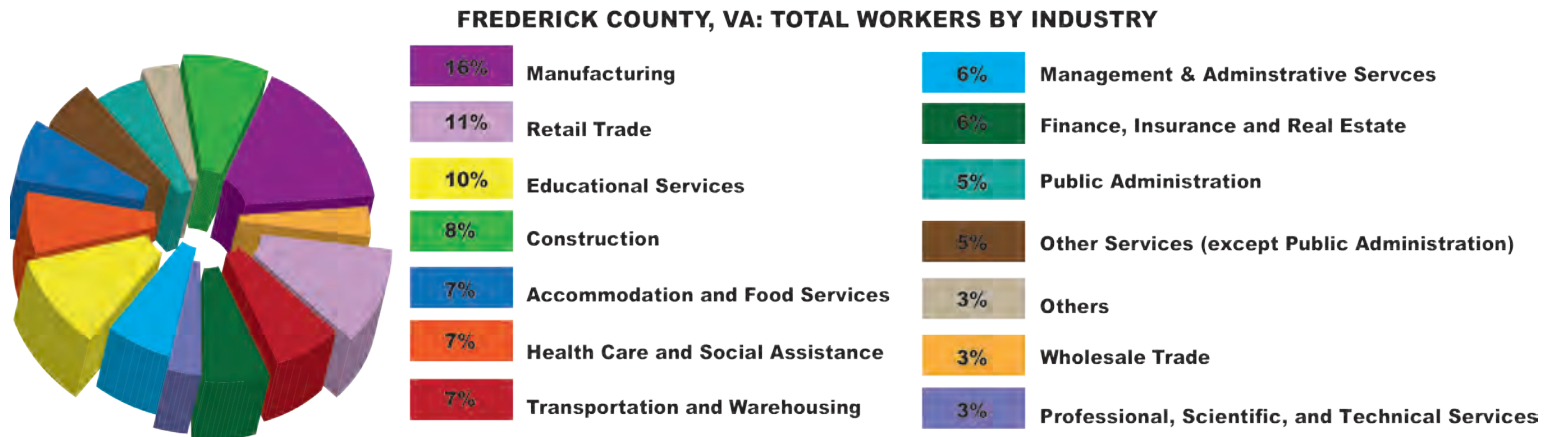
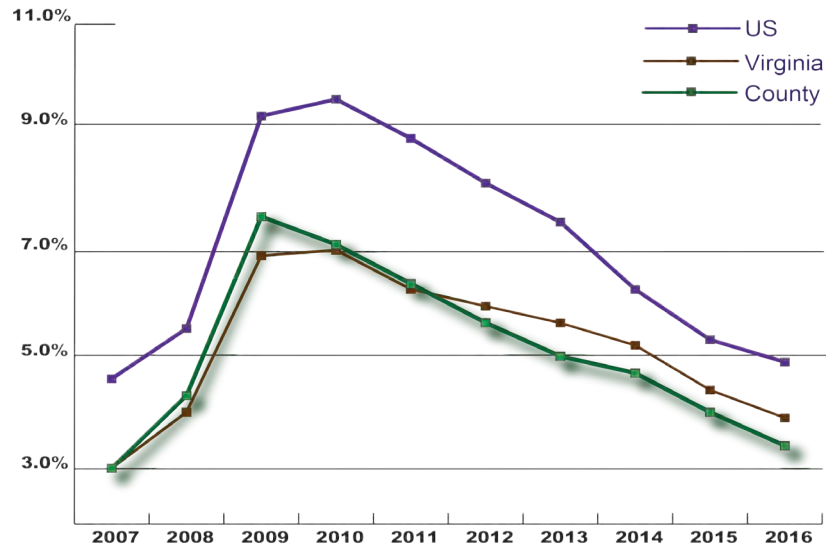
# FREDERICK COUNTY *local economy*

Growth in frederick County has remained fairly steady over the last 3 years. Sales tax and construction related permits continues to increase. Other positive indicators include an increase in property tax collections, business licenses, and meals and lodging taxes.

Employment is a broad economic measurement that gives a picture of major developments. Unemployment rates were at historical highs in 2009. Rates for Frederick County have decreased over 45% since the high and appears to be continuing to decline. The 2015 rate was 4.0% compared to the 2016 (through October) rate of 3.4%.

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. According to the Virginia Employment Commission, the largest employment sector in 2016 was manufacturing, followed by retail trade, education services, construction, and transportation and warehousing. The per capita income for Winchester-Frederick County was \$42,701 in 2014, the last year for which the information is available, according to the Bureau of Economic Analysis. Consistency is one way to summarize economic development performance for Frederick County.

## UNEMPLOYMENT RATES



## PRINCIPAL EMPLOYERS: TOP 10 IN FREDERICK COUNTY

Frederick County School Board | Navy Federal Credit Union  
U.S. Department of Homeland Defense

County of Frederick | H.P. Hood, Inc. | Trex Company, Inc.

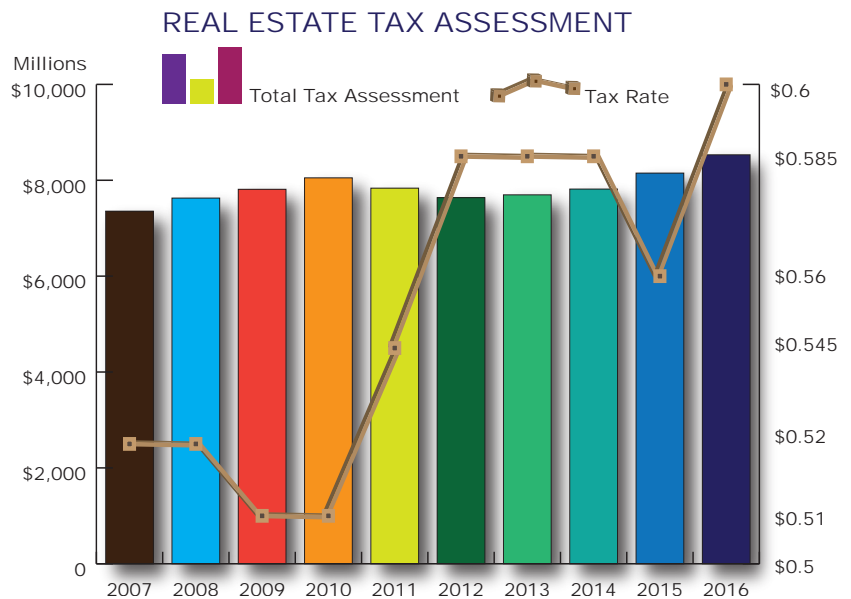
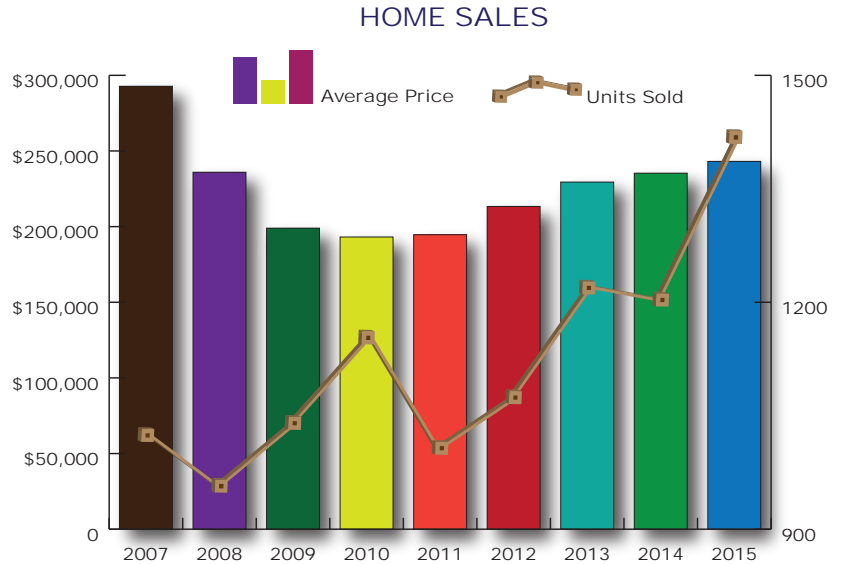
Lord Fairfax Community College | The Home Depot | Axiom Staffing | Kraft Heinz Company

# FREDERICK COUNTY *local economy*

Over the past three years, including 2016, Frederick County ranked in the top tier of all cities/counties in Virginia in economic development announcements in both new jobs (top 15%) and capital investment (top 10%). The efforts of American Woodmark, Blue Ridge Industries, Corrugated Container, the FBI, Kingspan and Shawnee Canning, to expand their operations, combined with the location of Fiat Chrysler and Centro Global Solutions, resulted in a total investment of over \$200 million and the creation of nearly 1,250 new jobs. With top rankings among small metro areas from Forbes and Milken Institute, Frederick County stands a solid chance of continuing its consistent track record of top level economic development.

The cost of living in Frederick County is about 98.7% of the national average. The number of home sales has decreased 3.4% when comparing year-to-date October 2016 to October 2015. According to MRIS, the median selling price of a home in Frederick County in October 2016 was \$237,750 up 5.7% from October 2015.

The total 2016 real estate tax assessed value has increased approximately 4.6% compared to 2015. The 2015 total real estate assessment is the first year that has exceeded the 2010 assessment, which was the top of the real estate boom. The tax rate on real estate was increased to \$0.60 per \$100 of assessed value for 2016.



## 2016 TAX RATES: PER \$100 OF ASSESSED VALUE

**Real Estate : \$0.60**  
**Personal Property: \$4.86**  
**Machinery & Tools: \$2.00**

**Airplanes: \$0.001**  
**Mobile Homes: \$0.60**

# FREDERICK COUNTY *general fund summary*

## REVENUES & EXPENDITURES

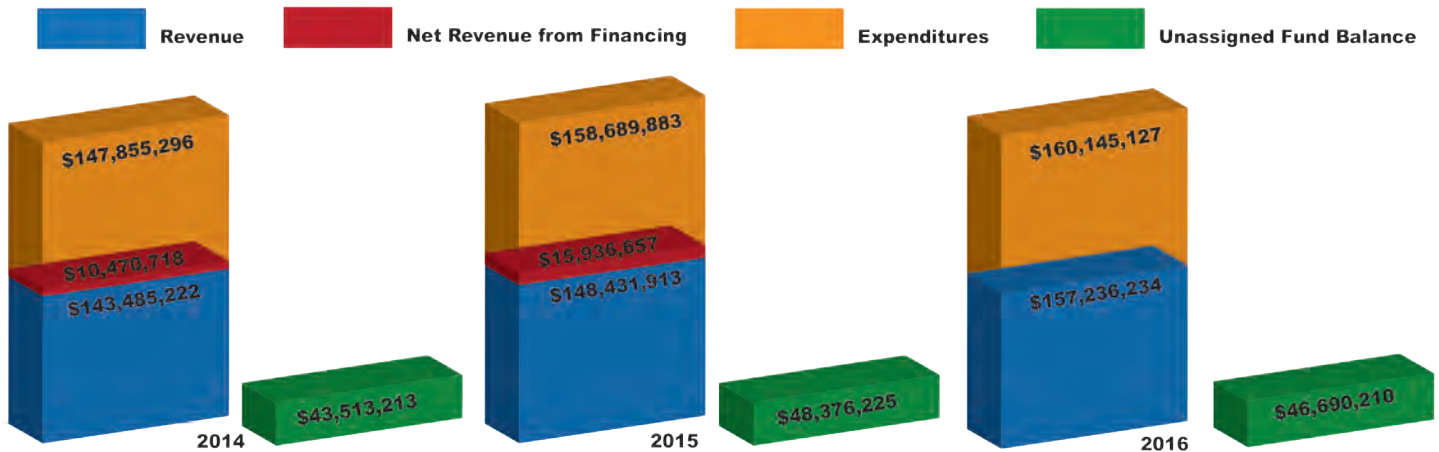
Revenues represent dollars received and expenditures can be thought of as the costs of providing services to the citizenry. The three year history of revenues and expenditures show that both have increased. Revenues increased by \$13.8 million from 2014 to 2016. Expenditures have increased \$12.3 million, in total, over the same period, and unassigned fund balance has increased \$3.2 million.

The majority of the increased revenue in FY 2016 was in the property taxes and other local taxes categories. The property tax increase is mainly due to new construction, continued increases in business equipment and new vehicle purchases. Other local taxes reflects increased collection of business licenses. The FY 2014 and 2015 financing revenue is attributed to borrowing for the schools for additions and replacements.

As the pie chart to the right shows, taxes are the largest source of revenue for the County. Total revenues of \$157,236,234 were collected in FY 2016 with taxes accounting for approximately \$136 million (78.7%) of that amount. In comparison, in 2015, total revenues collected were \$148,431,913 and in 2014, \$143,485,222.

The expenditure category with the largest increase was the category of public safety (\$2 million). Public safety increased mostly due to the addition of 7 sheriff's deputies and 16 firefighters. Health and welfare's increase, which was the second largest, can be attributed to an increase in Children's Services Act and Social Services.

The County's contribution to education represents 58.3% of all County expenditures. Coming in a distant second is the cost of public safety at 19.3%. All other single expenditure categories expend less than 10% of total expenditures individually. See the pie chart to the right for further detail.



## 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. Unassigned General Fund fund balance increases or decreases by the same amount that revenues exceed or fall short of expenditures. Unassigned fund balance represents monies available for any purpose, not classified as nonspendable, restricted, committed or assigned.

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.

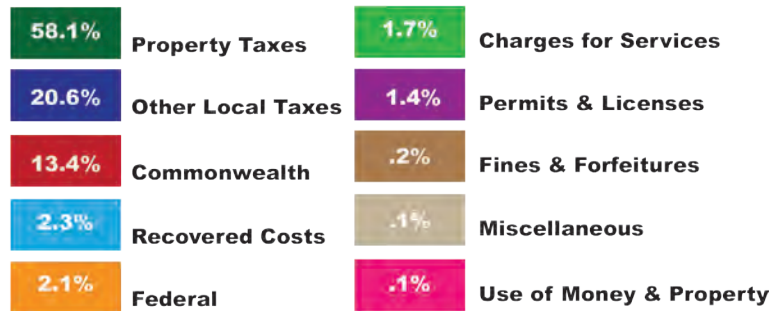
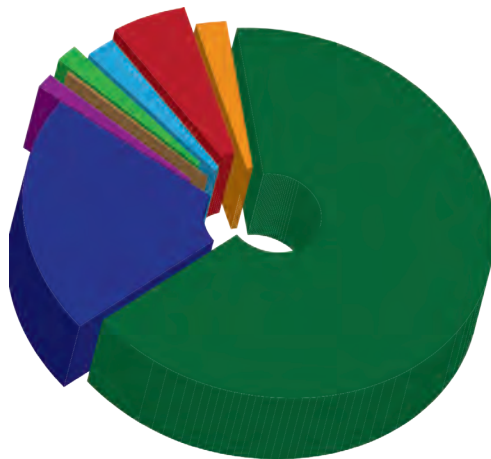
At June 30, 2016, the unassigned fund balance was \$46,690,210 (CAFR, Exhibit 3), a decrease of \$1.7 million from the prior year. Fund balance was depleted by \$3.6 million on July 1, 2016 to balance the FY 2017 budget. Management and the Board of Supervisors remains committed to retaining a healthy fund balance.

# FREDERICK COUNTY *revenues and expenditures*

## REVENUES: GENERAL FUND, FY 2016

The pie chart shows the total General Fund expenditures by category. The County realized a year end revenue surplus attributed to taxes. Property taxes experienced an unbudgeted revenue surplus of over \$3.4 million at the end of FY 2016. Included in property taxes are machinery and tools tax which realized an unbudgeted surplus of \$1.1 million. Other local taxes include meals & room taxes that also returned an unbudgeted revenue surplus of \$0.4 million, and business licenses that reported a surplus of over \$0.6 million.

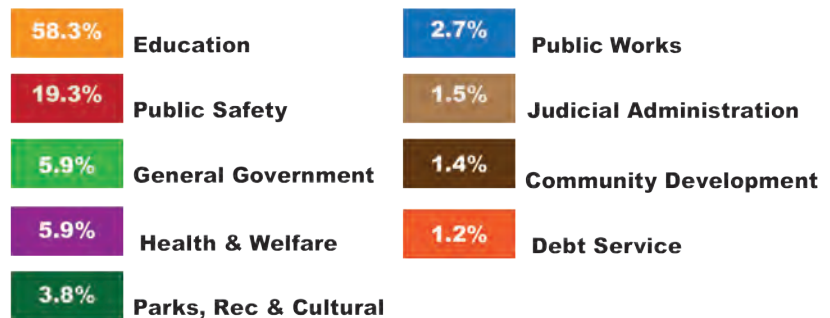
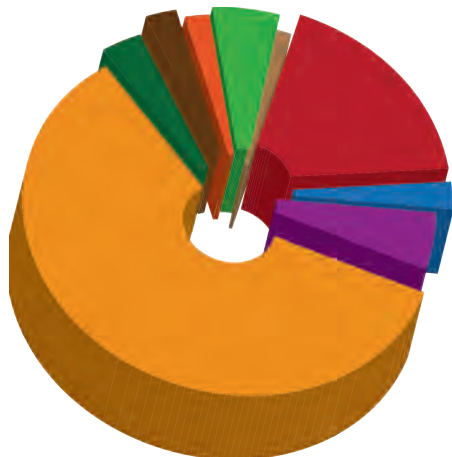
Economic recovery is a direct result of market volatile taxes such as meals tax and business licenses. The increase is a gauge of the consistent recovery to our local economy. These indicators are positive and revenue for building related activities showed unbudgeted surplus for the third year in a row.



## EXPENDITURES: GENERAL FUND, FY 2016

The pie chart shows the total General Fund expenditures by category. The General Fund had \$9.5 million in unspent budgeted expenditures at the end of fiscal year 2016. However, approximately \$1.7 million of that amount represented outstanding purchase orders which will automatically carry forward to the next fiscal year, and \$2.4 million in unspent capital contingency funds that were also carried forward.

The largest budgeted savings occurred in the category of public safety, which is one of the largest spending categories. The Sheriff had unspent money for gasoline and Fire & Rescue savings largely due to unspent overtime funds. Savings were also realized across several departments due to staff turnover, unspent grant funds, and unspent professional services funds.



# FREDERICK COUNTY *fast facts*

**COUNTY EMPLOYEES**  
(FULL TIME NON-SCHOOL)  
695

**PARKS & RECREATION**  
433.5 ACRES MAINTAINED  
6 COMMUNITY CENTERS  
2 SWIMMING POOLS  
8,461 YOUTH SPORTS PARTICIPANTS  
58 SPECIAL EVENTS HELD

**BUILDING INSPECTIONS**  
6,311 PERMITS ISSUED  
17,662  
INSPECTIONS COMPLETED

**FIRE & RESCUE**  
(THROUGH DEC 1ST)  
8,675  
INCIDENT RESPONSES

**RECYCLED**  
(HOUSEHOLD MATERIAL)  
4,947 TONS

**ANIMAL SHELTER**  
1,100  
ANIMALS ADOPTED

**PUBLIC SAFETY COMMUNICATIONS**  
IN 353 DAYS  
187,133 CALLS RECEIVED  
30,775 9-1-1 CALLS  
25,162 OF 9-1-1 CALLS WERE WIRELESS  
EQUALS 530 CALLS PER DAY OR 1 CALL  
EVERY 3 MINUTES

**SHERIFF**  
(THROUGH DEC 1ST)  
62,276  
CALLS ANSWERED  
14,735  
CIVIL PAPERS SERVED  
5,714  
WARRANTS SERVED  
3,025  
CRIMINAL ARRESTS  
7,384  
CITATIONS ISSUED

## HIGHER EDUCATION

Lord Fairfax Community College offers two-year programs for an associate degree in Art and Sciences and Applied Science, Career Studies and Certificate Programs.

Shenandoah University offers four-year undergraduate and graduate programs. The schools include Harry F. Byrd, Jr. School of Business, Health Professions, Arts and Sciences, Pharmacy and Conservatory.

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

## MEDICAL CARE

Winchester Medical Center, a 445-bed, non-profit hospital in Winchester, Virginia, is a regional referral center offering a broad spectrum of services that includes diagnostic, medical, surgical, and rehabilitative care. A level II trauma center, Winchester Medical Center is a resource for 400,000 residents in Virginia as well as neighboring West Virginia and Maryland. WMC is rated among the top five hospitals in Virginia by the U.S. News & World Report.

## HISTORIC PRESERVATION

The following are some of the sites listed on both the Virginia Landmarks Register and the National Register of Historic Places:

Belle Grove  
Cedar Creek Battlefield  
Monte Vista  
Springdale House and Mill Complex  
Willow Shade  
Sunrise  
Rose Hill  
Hopewell Friends Meeting House  
County Poor House  
Willa Cather's Birthplace  
Newtown/Stephensburg District  
St. Thomas Episcopal Church  
Frederick County Courthouse

Six battlefields of great national importance are located in Frederick County & Winchester:

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



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