



COUNTY OF FREDERICK, VA
JUNE 2017

PAFR

POPULAR ANNUAL FINANCIAL REPORT



The purpose of this report is to summarize and simplify the presentation of information contained in the audited Frederick County 2017 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.



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, 2016 through June 30, 2017.

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.

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CELEBRATING THE 84 LUMBER GRAND OPENING
WINCHESTER REGIONAL AIRPORT
GROUND BREAKING FOR EXPANSION OF NAVY FEDERAL CREDIT UNION



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, 2016

Jeffrey P. 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, 2016. 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 ten consecutive years. We believe our current report continues to conform to the requirements, and we are submitting it to GFOA.

FREDERICK COUNTY *at a glance*

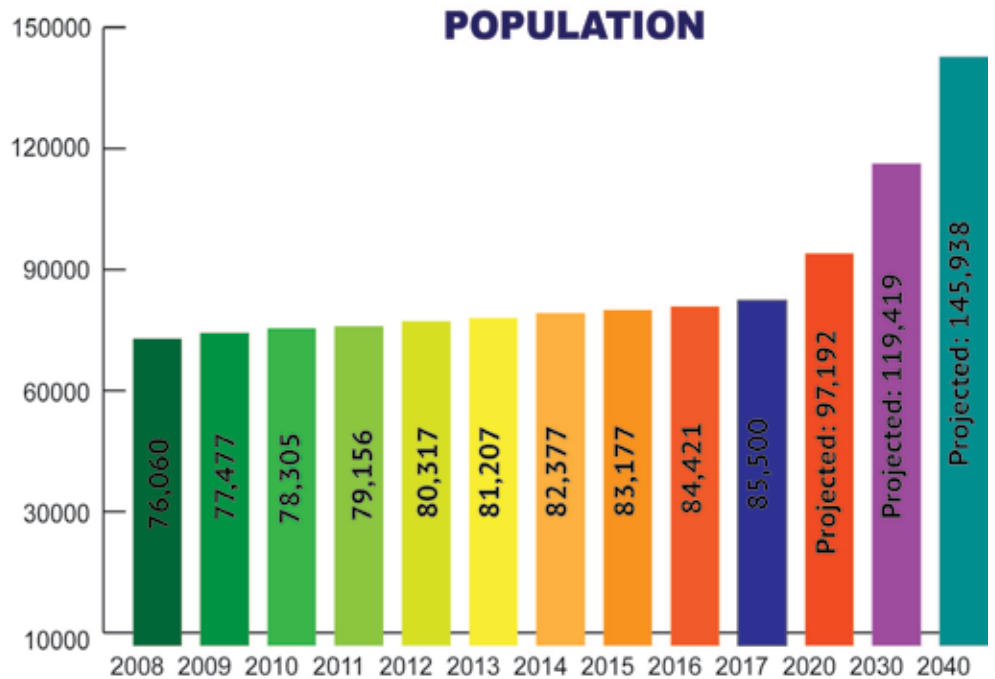
Frederick County, at the tip of the Northern Shenandoah Valley, is 72 miles northwest of Washington, D.C., and in the northernmost corner of the state of Virginia. The County, which covers 424 square miles and borders the West Virginia line, was established in 1738. Its county administrator form of government 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 76,000 ten years ago to an estimated 85,500 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. 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.

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. In the fall of 2016 (fiscal year 2017), student enrollment was 13,203 representing an increase of 206 students, or 2% in ten years. The structure of the school division is designed to support the needs of the 13,403 students projected for the school year 2017-2018. 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.



FREDERICK COUNTY *local economy*

Growth in Frederick County has remained fairly steady over the last six years. Housing permits reached an all-time high in FY 2004-2005 in Frederick County with 2,004 residential permits issued during that fiscal year. Residential permits decreased significantly to an all-time low of 618 in FY 2011-2012. Since that time a steady increase in permit activity has taken place with the current FY 2016-2017 showing 1,422 residential permits were issued.

Employment is a broad economic measurement that gives a picture of major developments. Rates for Frederick County have decreased over 50% since the high IN 2009 and appear to be continuing to decline. The 2016 rate was 3.5% compared to the 2017 (through October) rate of 3.25%.

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, transportation and warehousing, and accommodation and food services in that order. The per capita income for Winchester-Frederick County was \$46,356 in 2016, the last year for which the information is available, according to the Bureau of Economic Analysis.

The cost of living in Frederick County is about 97.2% of the national average. The number of home sales has increased 1.8% when comparing November 2017 to November 2016. According to MRIS, the average selling price of a home in Frederick County in November 2017 was \$256,588 up 3.7% from November 2016.

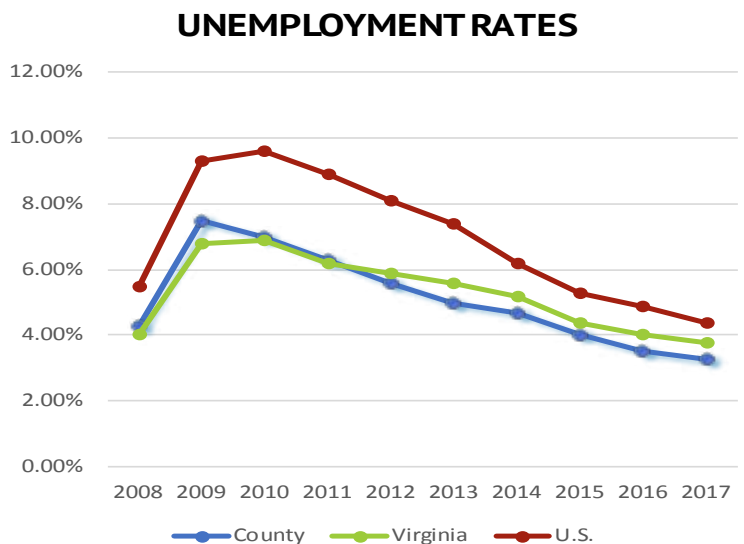
The total 2017 real estate tax assessed value has increased approximately 7% compared to 2016, continuing the upward trend. The 2015 total real estate assessment was the first year that has exceeded the 2010 assessment, which was the top of the real estate boom. The tax rate on real estate was increased to \$0.60 per \$100 of assessed value for 2017.

Consistency and commitment are two words that summarize the success that Frederick County's economy achieved in 2017. Investment announcements from new and existing companies and the expansion of workforce development initiatives confirmed again the County's position as a top-flight business location in the Commonwealth and along the Interstate 81 corridor.

- Navy Federal Credit Union will invest \$100 million to expand its operations center in Frederick County. The project will nearly double Navy Federal's workforce employee-count and physical square footage, creating 1,400 new jobs.
- 84 Lumber, the nation's leading building materials supplier, will invest \$3.9 million to establish an operation in Frederick County as part of its manufacturing division, 84 Components, creating 100 new jobs.
- Amazon will establish an e-commerce warehouse and distribution operation in Frederick County. The company plans to construct a new, one million-square-foot facility in the White Hall Commerce Center, creating over 1,000 new jobs.
- Thermo Fisher Scientific Inc. will invest \$9.5 million in its medical device manufacturing operation in Frederick County. The company will expand its Clinical Diagnostics operations creating 57 new jobs.

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

The ability to maintain an affordable tax rate requires a tax structure that encourages 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 and strives to continue to offer quality and affordability to its residents in the future.



FREDERICK COUNTY *local economy*

PRINCIPAL EMPLOYERS - TOP 10

Frederick County School Board
 Navy Federal Credit Union
 U.S. Dept. of Homeland Defense
 County of Frederick
 Trex Company Inc. & Subsidiaries
 H.P. Hood, Inc.
 Shockey Brothers, Inc.
 The Home Depot
 Lord Fairfax Community College
 Axiom Staffing Group



TOTAL WORKERS BY INDUSTRY



18.7%	Manufacturing	5.8%	Finance and Insurance
11.1%	Retail Trade	5.6%	Administrative and Support and Waste Management
10.6%	Educational Services	5.6%	Public Administration
7.4%	Accommodation and Food Services	3.5%	Wholesale Trade
7%	Construction	2.8%	Professional, Scientific, and Technical Services
7.4%	Transportation and Warehousing	2.4%	Other Services (except Public Administration)
6%	Health Care and Social Assistance	2.4%	Others less than 2%

REAL ESTATE TAX ASSESSMENT & RATE



FREDERICK COUNTY *general fund summary*

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 \$21.0 million from FY 2015 to 2017. Expenditures have increased \$3.2 million, in total, over the same period, and unassigned fund balance has increased \$4.0 million. Expenditures appear to have a disproportionate increase; however, in FY 2015 expenditures included school bond proceeds in the amount of \$15 million, compared to zero in FY 2017.

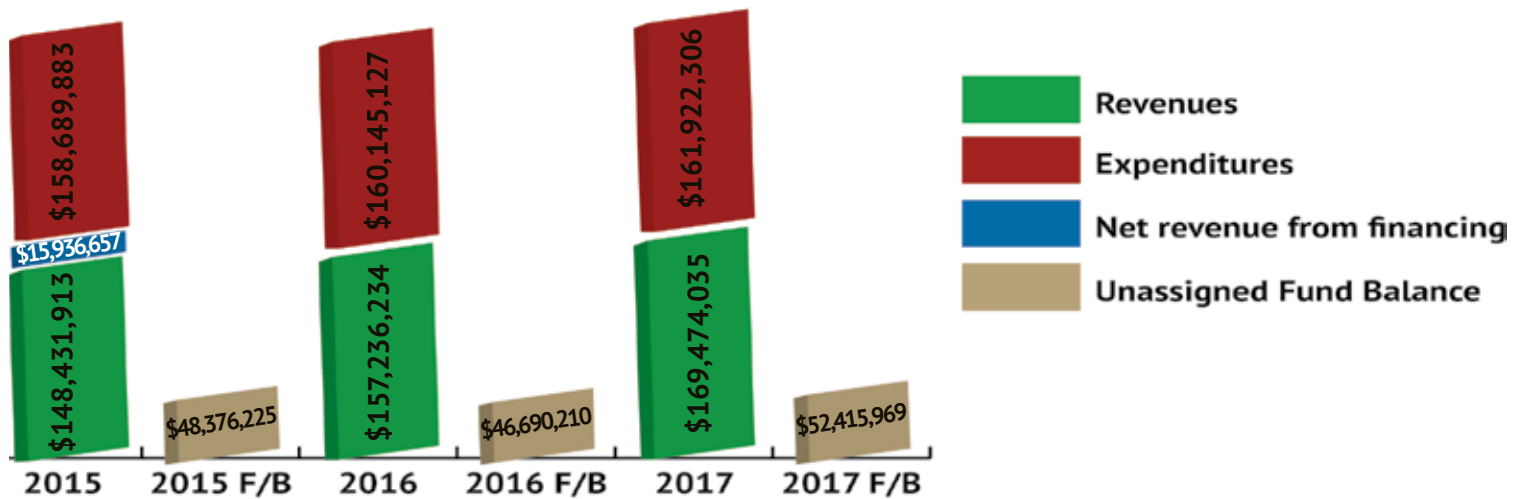
The majority, \$18.1 million, of the increased revenue in FY 2017 was in the property taxes and other local taxes categories. The property tax increase is mainly due to most recent real estate reassessment that was effective January 1, 2017. Other local taxes reflect increased collection of business licenses as a result of a change in the billing process. Business license revenue that would have previously been received in the first quarter of FY 2018 was actually received in late FY 2017. The FY 2015 financing

revenue is attributed to borrowing for the schools.

As the pie chart to the right shows, taxes are the largest source of revenue for the County. Total revenues of \$169,747,035 were collected in FY 2017 with taxes accounting for approximately \$147 million (87%) of that amount. In comparison, FY in 2016, total revenues collected were 157,236,234 and in 2015, \$148,431,913.

The expenditure category with the largest increase was the category of public safety (\$3.6 million). Public safety increased mostly due to addition of six deputies and ten firefighters. Health and welfare's increase, which is the second largest, can be attributed to an increase in Children's Services Act.

The County's contribution to education represents 56% of all County expenditures. Coming in a distant second is the cost of public safety at 20%. 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.

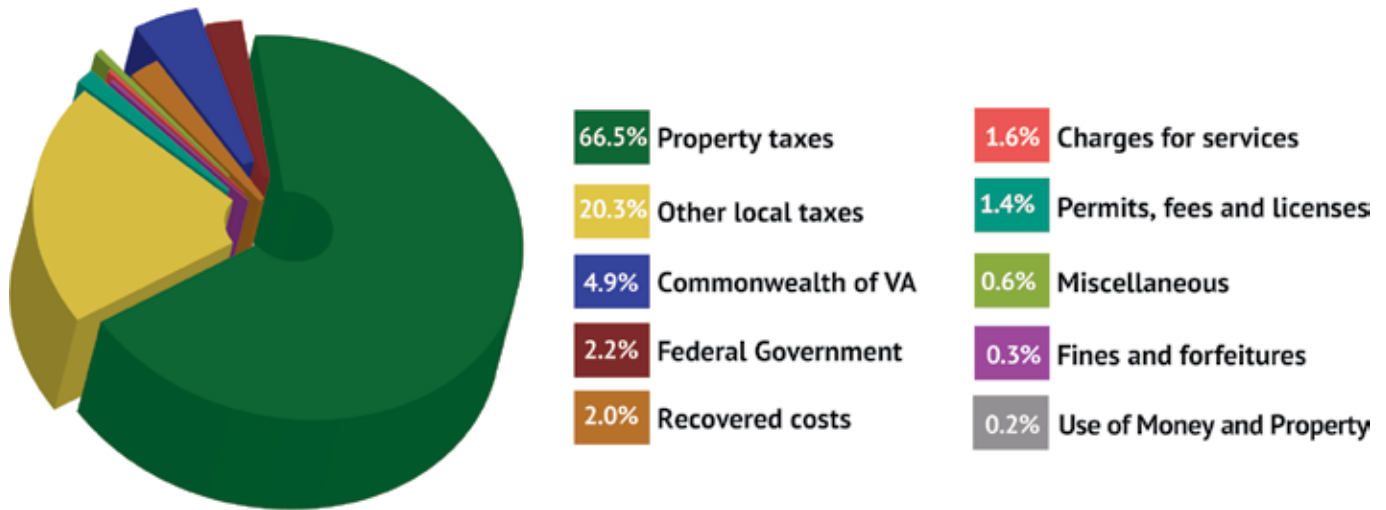
At June 30, 2017, the unassigned fund balance was \$52,415,969 (CAFR, Exhibit 3), an increase of \$5.7 million from the prior year. Fund balance was depleted by \$7.9 million on July 1, 2018 to balance the FY 2018 budget. Management and the Board of Supervisors remains committed to retaining a healthy fund balance.

FREDERICK COUNTY *revenues and expenditures*

REVENUES: GENERAL FUND, FY 2017

The pie chart shows the total General Fund revenues by category. The County realized a year end revenue surplus attributed to property taxes, recovered costs, and permits & licenses. Property taxes experienced an unbudgeted revenue surplus of over \$3.6 million at the end of FY 2017. Included in property taxes are machinery and tools tax which realized an unbudgeted surplus of \$0.4 million. Other local taxes include sales tax and utility taxes, both also returned unbudgeted revenue surpluses of \$0.4 million and \$0.5 million, respectively.

Market volatile taxes such as sales tax can gauge economic recovery. This positive indicator is combined with the unbudgeted revenue surplus for building permits of \$0.8 million to confirm consistent recovery to our local economy.



EXPENDITURES: GENERAL FUND, FY 2017

The pie chart shows the total General Fund expenditures by category. The General Fund had \$9.0 million in unspent budgeted expenditures at the end of fiscal year 2017. However, approximately \$2.1 million of that amount represented outstanding purchase orders which will automatically carry forward to the next fiscal year and \$1.1 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. In public safety, both the Sheriff and Fire & Rescue had savings largely due to unspent salaries and fringes. Savings were also realized across several departments due to unspent grant funds, unspent professional services, and additional funds received from the State/Federal for Social Services.



FREDERICK COUNTY *yearly snapshot*

FINANCE

BIDS/RFPs PROCESSED
7

PURCHASE ORDERS PROCESSED
164

PCARD TRANSACTIONS
14,046

ACCOUNTS PAYABLE CHECKS PROCESSED
2,082

ACH PAYMENTS PROCESSED
1,653

BUDGET TRANSFERS PROCESSED
438

EMPLOYEE EXPENSE REIMBURSEMENTS
PROCESSED
569

PLANNING & DEVELOPMENT

REZONING APPLICATIONS REVIEWED
11

MASTER DEVELOPMENT PLANS REVIEWED
6

SITE DEVELOPMENT PLANS REVIEWED
52

CONDITIONAL USE PERMITS AND VARIANCES
13

SUBDIVISION PLANS REVIEWED
5

LOTS PLATTED
306

STREET SIGNS INSTALLED
74

ZONING VIOLATIONS
93

TREASURER

TAX TICKETS
GENERATED
231,054

DELINQUENT NOTICES MAILED
25,435

TAX LIENS/DISTRESS WARRANTS
ISSUED
2,057

VEHICLE LICENSE REGISTRATIONS
ISSUED
106,415

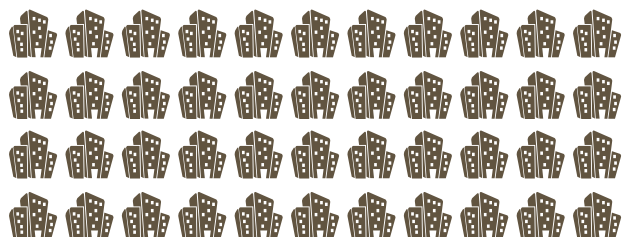
COMMISSIONER OF THE REVENUE

REAL ESTATE
ASSESSMENT VISITS
11,590

TAX RELIEF APPLICATIONS
PROCESSED
865

SUPPLEMENTAL BILLS ISSUED
17,919

BUSINESS LICENSE
ASSESSMENTS
7,436



~5,000
ACTIVE BUSINESS LICENSES

FREDERICK COUNTY *yearly snapshot*

PUBLIC SAFETY

 **84,016**
CALLS

911 PUBLIC SAFETY
COMMUNICATIONS
FIRE & RESCUE: **10,533**
SHERIFF'S OFFICE: **73,483**

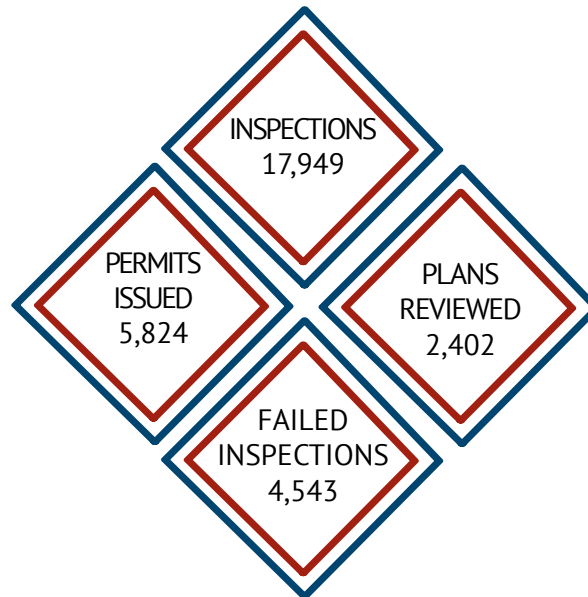


FIRE & RESCUE
10,226
FIRE | MEDICAL
HAZ MAT | PUBLIC SERVICE



SHERIFF'S OFFICE
114,051
ENFORCEMENT | WARRANTS
CITATIONS ISSUED | CRIMINAL ARRESTS
CIVIL PAPERS SERVED
EXTRADITIONS/TRANSPORTS

BUILDING INSPECTIONS



PUBLIC WORKS

LAND DISTURBANCE PERMITS ISSUED

683

FINAL GRADING INSPECTIONS PERFORMED

664

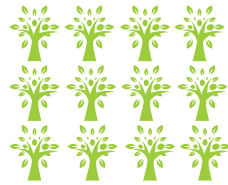
RESIDENTIAL PERMIT APPLICATIONS REVIEWED

659

REFUSE COLLECTED AND HAULED

26,610 TONS

PARKS & RECREATION



ACRES MAINTAINED

475

29 LOCATIONS
1,010 ATHLETIC FIELD PREPARATIONS



COMMUNITY EVENTS

9

WINTER WONDERLAND VISITS: 32,494



basicREC

848

SCHOOL YEAR AVERAGE DAILY: 575
CAMP AVERAGE DAILY: 273



PROGRAM PARTICIPANTS

53,755

PROGRAMS OFFERED: 171
SPECIAL OLYMPIC PARTICIPANTS: 325

HUMAN RESOURCES



446 VACCINATED AT RABIES CLINICS



841 ADOPTED/RECLAIMED DOGS



411 ADOPTED/RECLAIMED CATS

FREDERICK COUNTY *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.

STUDY AND DEVELOP A PLAN TO CREATE A MORE ROBUST MARKETPLACE TO ENCOURAGE TDR'S (TRANSFER DEVELOPMENT RIGHTS)

Strategy: Identify and educate rural landowners and the Farm Bureau regarding TDR's and agricultural districts; educate developers of TDR opportunities.

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 HIGH QUALITY OF LIFE FOR CITIZENS AT LOW 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 AND COMPLIES WITH FINANCIAL POLICIES.

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.

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.

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. Develop on-line tutorials to assist taxpayers.

EMPLOYEE RETENTION AND RECRUITMENT.

Strategy: Monitor local market salaries to provide salary scales that allow for competitiveness in the local job market.

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

FREDERICK COUNTY

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

DINOSAUR LAND

Open for 50 years, this roadside attraction features over 50 dinosaurs, inviting visitors to step into the world of the prehistoric past, turning back the pages of time to the Mesozoic era, when dinosaurs were the only creatures that roamed the earth.

WILLA CATHER

Willa Cather (1873-1947) was an American writer who achieved recognition for her novels of frontier life on the Great Plains, including O Pioneers! (1913), The Song of the Lark (1915), and My Ántonia (1918). In 1923 she was awarded the Pulitzer Prize for One of Ours (1922), a novel set during World War I. Cather was born a dozen miles west of Winchester, on U. S. Route 50 and spent the first nine years of her life in Frederick County. Her final novel, Sapphira and the Slave Girl (1940) is set in Frederick County and Winchester, just before and after the Civil War, and it describes locales easily found by contemporary visitors. Shenandoah University is home to The Willa Cather Institute.



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