

For the fiscal year ended
June 30, 2009



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Popular Annual Financial Report

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 that ended June 30, 2009.

The purpose of this report is to summarize and simplify the presentation of information contained in the audited Frederick County 2009 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. The PAFR is not audited and excludes many material disclosures, financial statements, schedules and notes to the financial statements found in 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 with us. We value your input and look forward to the opportunity to address any comments you may have.

Popular Annual Financial Report

Your Board of Supervisors



Richard C. Shickle
Chairman-at-Large



Bill M. Ewing
Opequon District
Vice Chairman



Gary W. Dove
Gainesboro District



Gary A. Lofton
Back Creek District



Charles DeHaven, Jr.
Stonewall District



Philip A. Lemieux
Redbud District



Gene E. Fisher
Shawnee District

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, 2008




President
Jeffrey L. Lower
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, 2008. 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 three consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting 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.

In 2008, the provisional population of the County was estimated at 73,898 based on the U.S. Census Bureau. The County, which covers 424 square miles and borders the West Virginia line, was estab-

lished 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 in Winchester-Frederick County was \$34,417 in 2007, the last year for which the information is available, according to the U.S. Census Bureau.

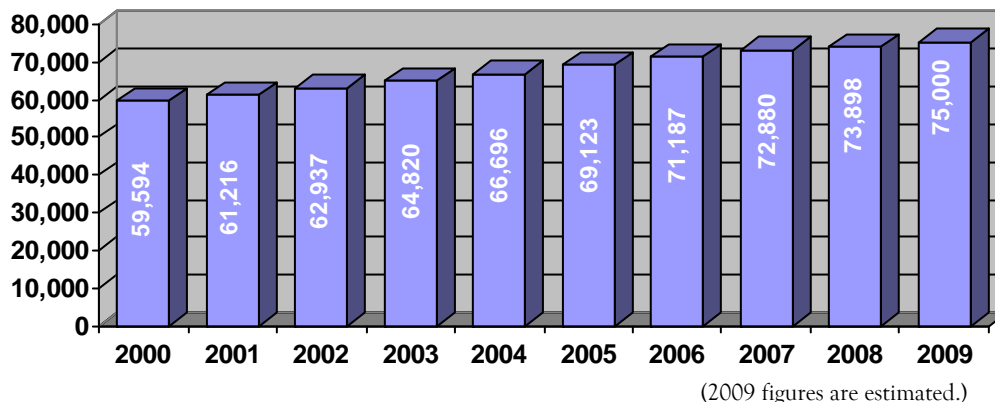
The area is served by the Winchester Regional Airport, a 376-acre, all-weather general aviation airport. It

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's the official airport of the Virginia Inland Port Authority.



County Growth

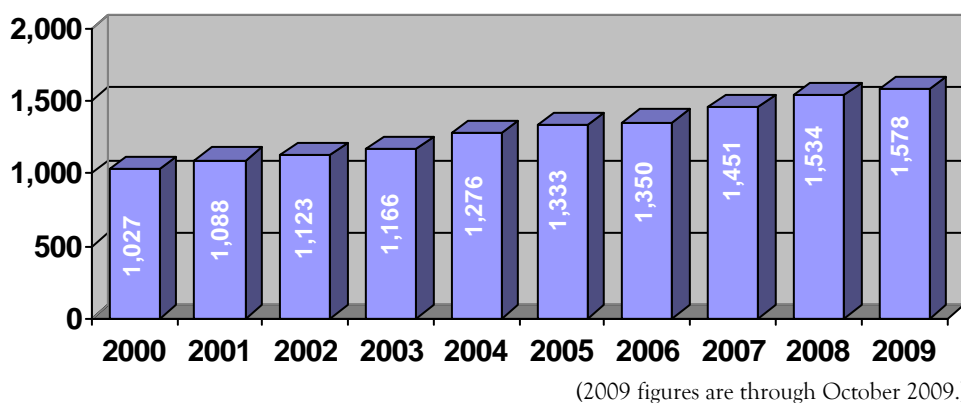
Population Growth



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

The County's population has increased from 58,000 ten years ago to 75,000 (projected) today. By 2010, it is projected that the population of Frederick County will be approximately 77,864, by 2020—95,648 and by 2030—114,539.

Employment Growth



As the County's population continues to grow, the local economy is expanding. Over the last ten years, the number of employment establishments in Frederick County has risen from just over 1,000 to nearly 1,600 — an average annual growth of 6% over the last decade.

Popular Annual Financial Report

2009 Tax Rates

(per \$100 of assessed value)

Property Type	Tax Rate
Real Estate	\$0.51
Personal Property	\$4.86
Machinery & Tools	\$2.00
Airplanes	\$0.425
Mobile Homes	\$0.51

Local Economy

Frederick County continues to be faced with the same concerns as surrounding localities. Our residents continue to be enticed out of Frederick County's job market by neighboring counties in Northern Virginia who are offering more appealing salaries.

The entire nation is experiencing a significant economic downturn, Frederick County included. Unemployment has increased, businesses have closed, home values have de-

clined, area home foreclosures have increased, and interest rates are near nothing. Growth in Frederick County has slowed over the past year. Housing permits reached an all-time high in August 2005 with 285 permits issued compared to 51 issued in May 2009. All of these factors combine to create a revenue crisis for Frederick County. FY 2009 revenues were shaping up to be roughly \$4 million short of projections and a mid-year budget

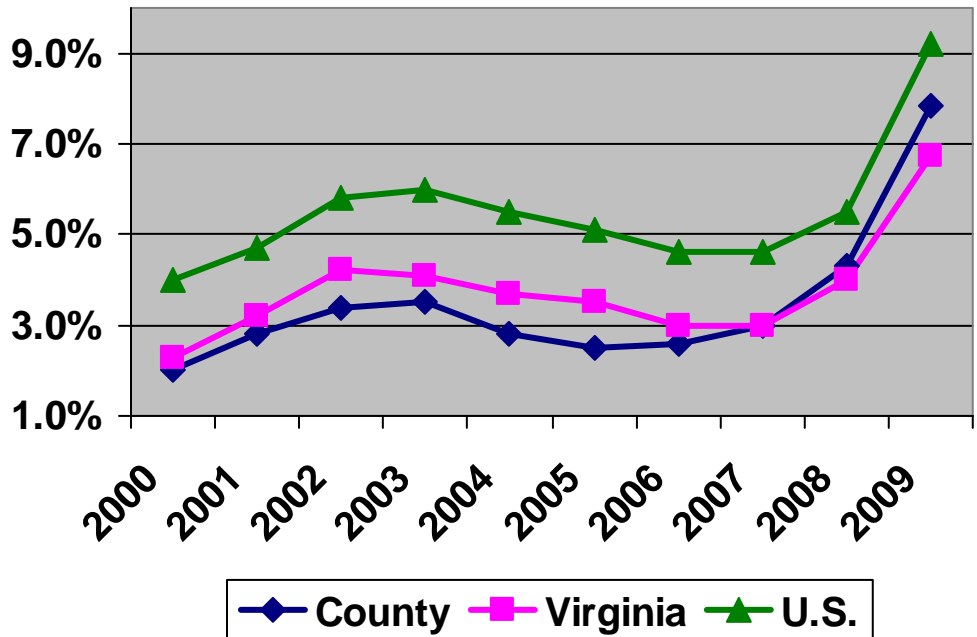
adjustment was made.

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 while recognizing the rights and needs of the citizens. Frederick County has been successful in balancing the needs of its citizens in the past and strives to continue to offer quality and affordability to its citizens in the future.

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

While the County's unemployment rate has increased, with an average of 7.8% for first ten months of 2009, it still remains under the national rate. The rate for the County is slightly higher than the statewide average rate through October 2009.

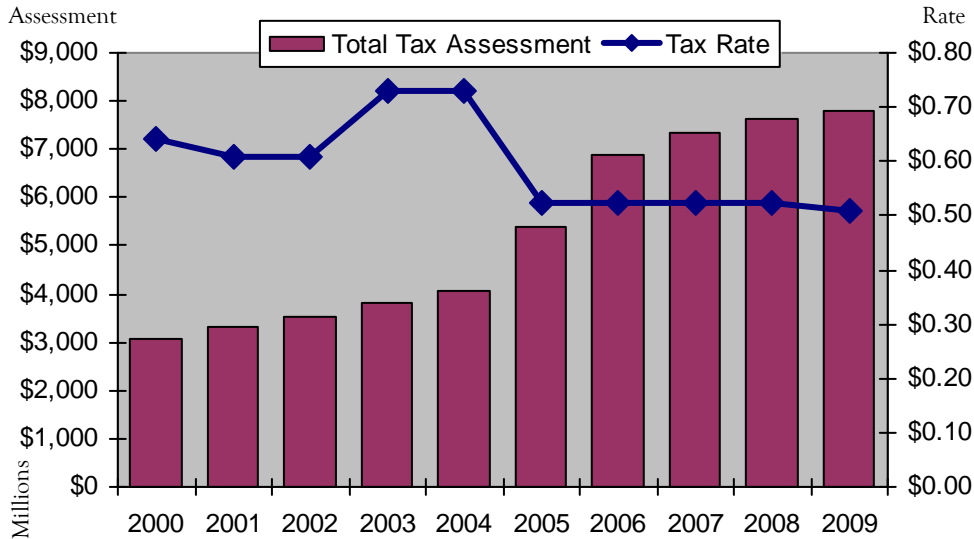
Unemployment Rates



(2009 figures are a annual average through October 2009.)

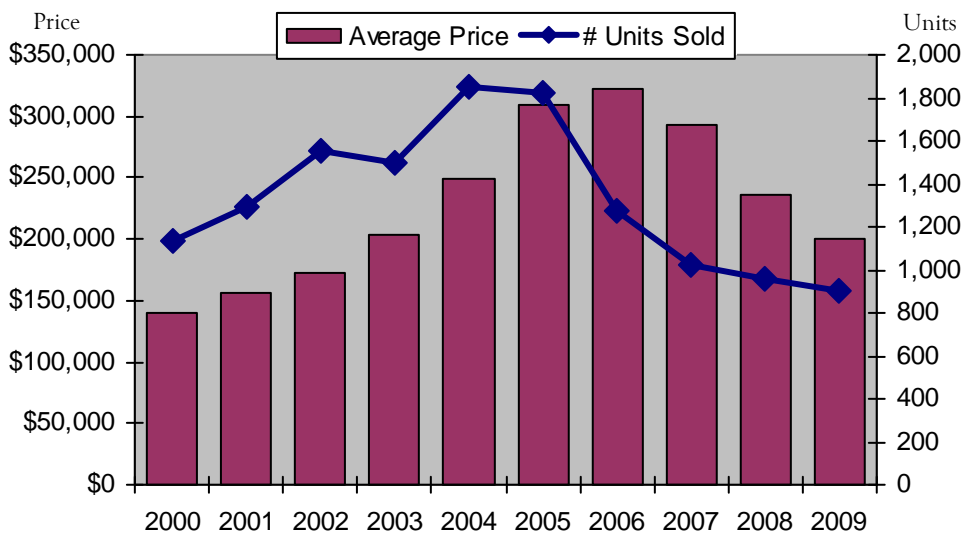
Real Estate Data

Tax Assessment



As you can see in the chart to the left, the total 2009 tax assessment has remained nearly level compared to 2008, while the tax rate decreased slightly. This is due to a real estate reassessment for 2009 and a roll back of the tax rate to a revenue neutral rate of \$0.51 per \$100. The tax rate must be adjusted to a revenue neutral rate or advertised as a tax increase when a reassessment is done.

Home Sales



(2009 figures are through November 2009.)

Home sales since 2005 have fallen by over 60%. The average price of a home in Frederick County has decreased by 35% in the same time period.

Popular Annual Financial Report

Statement of Activities

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. 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. The County had expenses that exceeded revenues by \$1.5 million as a result of the expenses for education reflect unexpended bond proceeds, School Board capital outlay activity and depreciation along with the adjustment of the accrual related to post-employment benefits.

Governmental Activities	2009	2008
Revenues:		
Program Revenues		
Charges for Services	\$ 4,734,493	\$ 4,991,436
Operating Grants & Contributions	12,273,169	9,637,413
General Revenues		
Real Estate & Personal Property	69,116,087	66,650,022
Other Taxes	25,106,462	26,549,110
Payments from Primary Government	-	-
Non-restricted Grants	13,272,212	16,141,414
Use of Money and Property	1,078,840	2,259,090
Miscellaneous	994,188	1,046,778
Total Revenues	\$ 126,575,451	\$ 127,275,263
Expenses:		
General Government	\$ 6,717,739	\$ 7,531,381
Judicial Administration	3,289,067	3,278,720
Public Safety	24,941,153	24,152,999
Public Works	3,046,615	2,738,150
Health / Welfare	8,855,627	8,621,166
Education	65,637,853	84,407,223
Parks, Recreation & Culture	5,741,930	6,141,133
Community Development	3,364,222	2,266,985
Interest on Long-term Debt	6,487,627	6,758,465
Landfill Operations	-	-
Industrial Development Authority	-	-
Total Expenses	\$ 128,081,833	\$ 145,896,222
Expenses (greater than) less than revenues received	\$ (1,506,382)	\$ (18,620,959)

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.

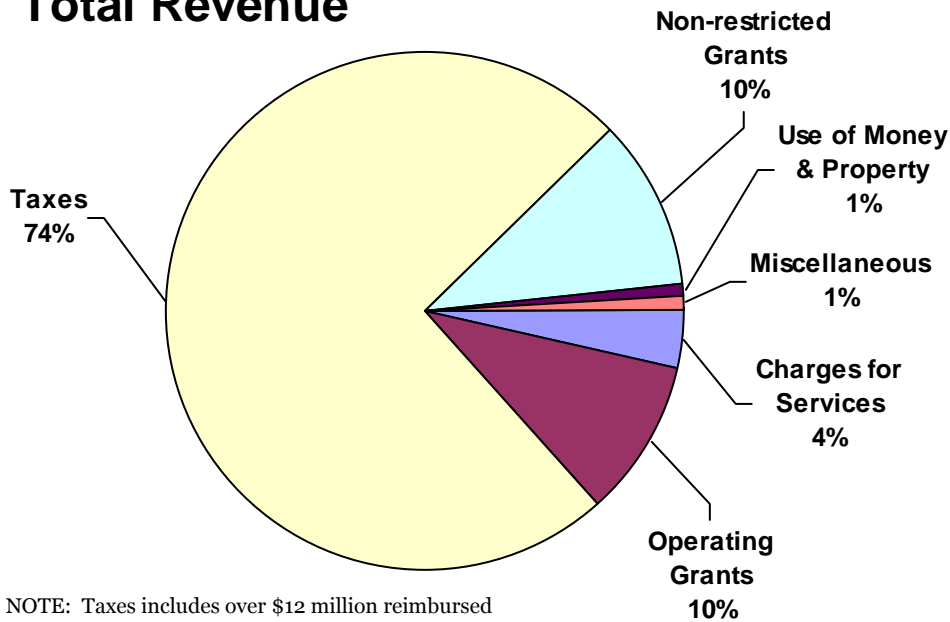
Non-restricted Grants: a block grant from the State for personal property tax relief. These funds can be used at the discretion of the County.

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

Miscellaneous: includes refunds, donations and recovered costs.

A Closer Look At Revenue—General Fund

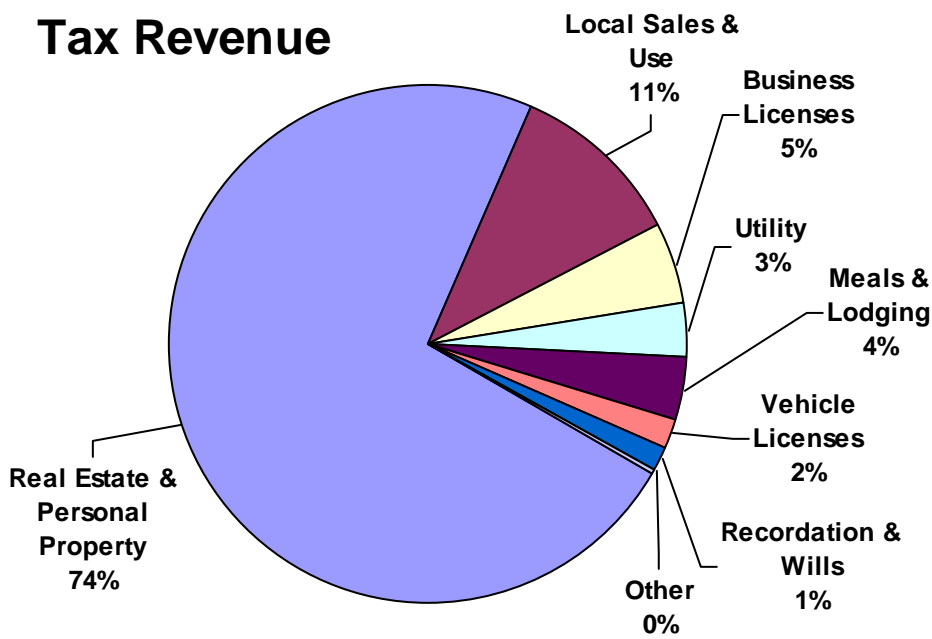
Total Revenue



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 \$126,575,451 were collected with taxes accounting for approximately \$94 million of that amount.

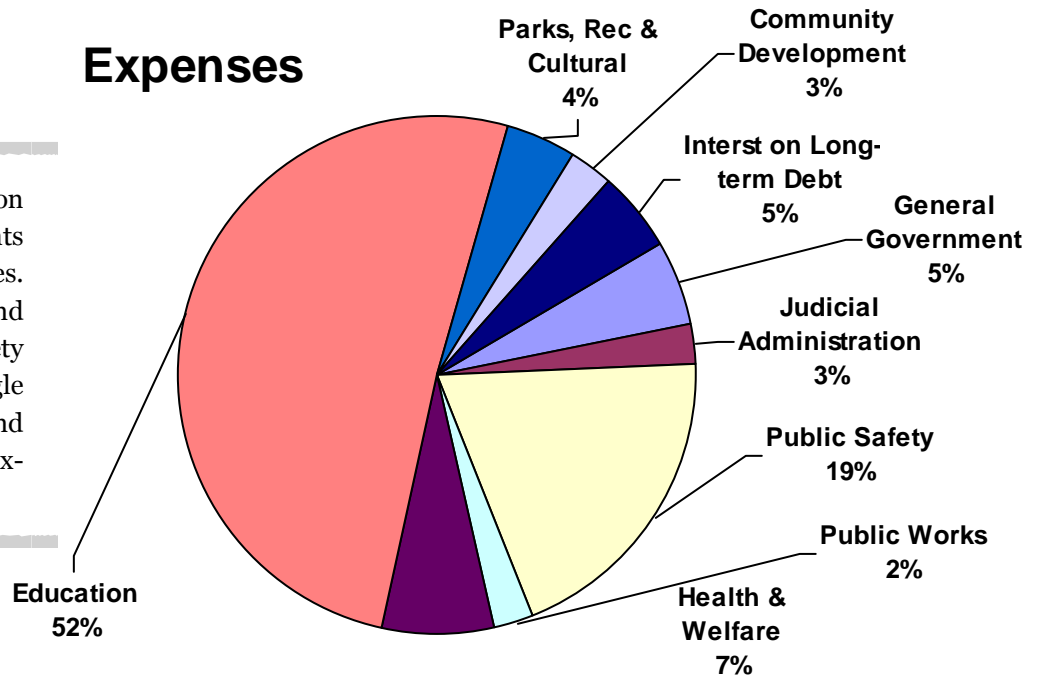
Tax Revenue



The chart to the left shows that 74% of the \$94 million collected in taxes is for Real Estate & Personal Property.

A Closer Look At Expenses—General Fund

Expenses



The County's contribution to education represents 52% of all County expenses. Coming in a distant second is the cost of Public Safety at 19%. All other single expense categories expend less than 10% of total expenses individually.

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.

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 decreased by

\$3.7 million during fiscal year 2009 to \$34.5 million. A large part of the decrease in fund balance was a result of using \$3.4 million of unreserved funds to balance the budget when revenue projections resulted in a mid year adjustment. Monies from fund balance were used in combination with spending cuts and wage and hiring freezes to bring the fiscal year 2009 budget back to balance. Fund balance is projected to decrease again during

the FY 2010 fiscal year. The Government Finance Officers Association (GFOA) recommends that unreserved fund balance be maintained at 5% to 15% of general fund revenues. The County has established a goal for maintaining the undesignated fund balance in the General Fund at not less than 10% of general fund revenues. The County has consistently exceeded this goal; the FY 2009 undesignated fund balance stood at 28% of revenues.

Statement of Net Assets

	Governmental Activities	
	2009	2008
Current and Other Assets	\$ 54,741,151	\$ 59,358,269
Capital Assets (net)	143,350,187	144,318,560
Total Assets	\$ 198,091,338	\$ 203,676,829
Long-term Liabilities	\$ 158,998,691	\$ 162,160,715
Other Liabilities	8,286,479	9,203,564
Total Liabilities	\$ 167,285,170	\$ 171,364,279
Total Net Assets	\$ 30,806,168	\$ 32,312,550

The Statement of Net Assets provides information about the resources and obligations of the County. This statement is presented on a non-GAAP basis. GAAP basis financial statements can be found in the CAFR.

An asset is considered a resource and a liability is an obligation. The difference between assets and liabilities of the County are net assets which can include multiple funds. To accurately use

changes in net assets as an indicator of the County's financial health, other factors, such as the tax rate and the condition of other capital assets, must also be considered.

Total assets of \$198.1 million include cash, investments, property and monies owed to the County. These assets are partially offset by total liabilities of \$167.3 million which include amounts due to vendors and employees and short and long-term debt. This leaves net assets in the amount of \$30.8 million.

How is fund balance greater than the total net assets? The Statement of Net Assets uses the accrual method of accounting, which means that changes are recognized when an event occurs. This results in revenue and expenses being reported for some items that will not impact cash flow until a later time.

**COUNTY OF FREDERICK,
VIRGINIA**

107 N. Kent St.
Winchester, VA 22601

Phone: 540-665-5600
Fax: 540-667-0370

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

Working for the Future—Future Goals and Strategies

County officials, staff and the community need to continue to work together to promote and enhance the county in which we all live. 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.
- ◆ 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.