

For the fiscal year
ended June 30, 2008



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Popular Annual Financial Report

To the residents of Frederick County:

In today's busy world, we face a steady influx of facts, figures and statistics. 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, 2008.

The purpose of this report is to summarize and simplify the presentation of information contained in the audited Frederick County 2008 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 sup-

plement 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.

Your Board of Supervisors



Richard C. Shickle
Chairman-at-Large



Gene E. Fisher
Shawnee District
Vice-Chairman



Gary W. Dove
Gainesboro District



Gary A. Lofton
Back Creek District



Charles DeHaven, Jr.
Stonewall District



Philip A. Lemieux
Redbud District



Bill M. Ewing
Opequon 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, 2007



M. L. R.
President
Jeffrey L. Case
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 for the fiscal year ended June 30, 2007. 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 Popular Annual Financial Report 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, Virginia has received a Popular Award for the last two 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

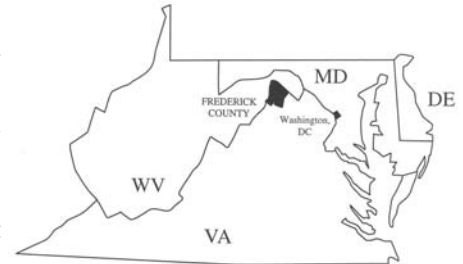
Frederick County, at the tip of the Northern Shenandoah Valley, is 72 miles northwest of Washington, D.C., and in the northernmost corner of the Commonwealth of Virginia. In 2007, the provisional population of the County was estimated at 72,880 according to the U.S. Census Bureau. The County, which covers 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 in Winchester-Frederick County was \$32,811 in 2006, the last year for which the information is available, according to the U.S. Census Bureau.

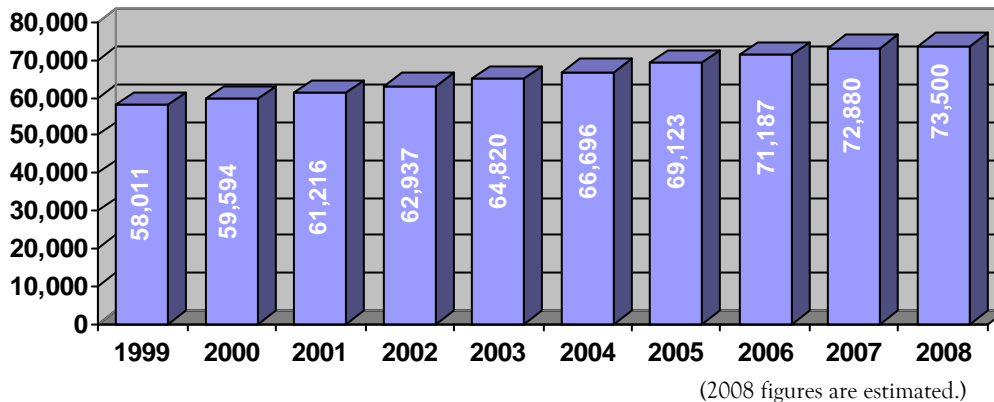
The area is served by the

Winchester Regional Airport, a 376-acre, all-weather general aviation airport. It is the only general aviation airport in the Commonwealth 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.



County Growth

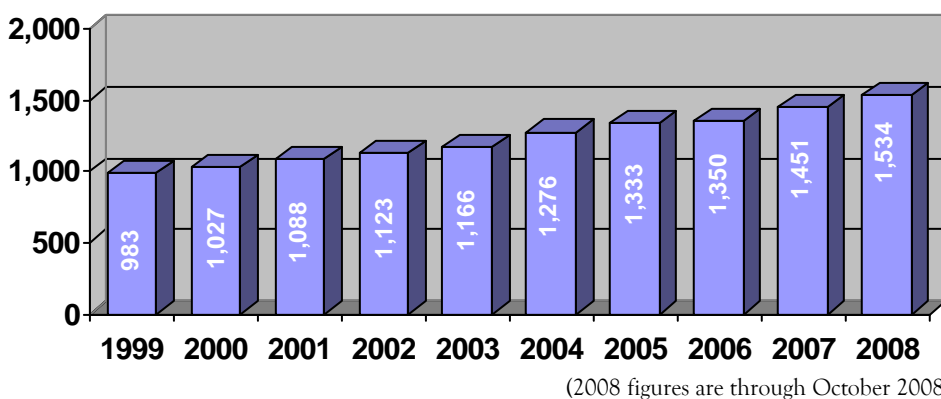
Population Growth



The County continues to grow at a steady pace, as reflected in the chart to the left.

The County's population has increased from 58,000 ten years ago to 73,500 (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 1,000 to 1,500 – an average annual growth of 5% over the last decade.

2008 Tax Rates

(per \$100 of assessed value)

| Property Type | Tax Rate |
|-------------------|----------|
| Real Estate | \$0.525 |
| Personal Property | \$4.20 |
| Machinery & Tools | \$2.00 |
| Airplanes | \$0.425 |
| Mobile Homes | \$0.525 |

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.

As population and employment were on the rise in Frederick County, so were real estate values. The Board has been dedicated to reducing the impact of rising real estate values by lowering the real estate tax rate in conjunction with the last reassessment in 2005 to

52.5¢ per \$100 of assessed value and keeping the rate steady for the following three years. The 2009 real estate reassessment is expected to bring lower home values. The Board of Supervisors will be faced with declining home values, deficits on revenue projections, and inflation in preparing the FY 2010 budget.

Frederick County currently experiences a comparably low tax rate and continues to offer its citizens quality education, public safety, and a high level of government services. The combination of low tax

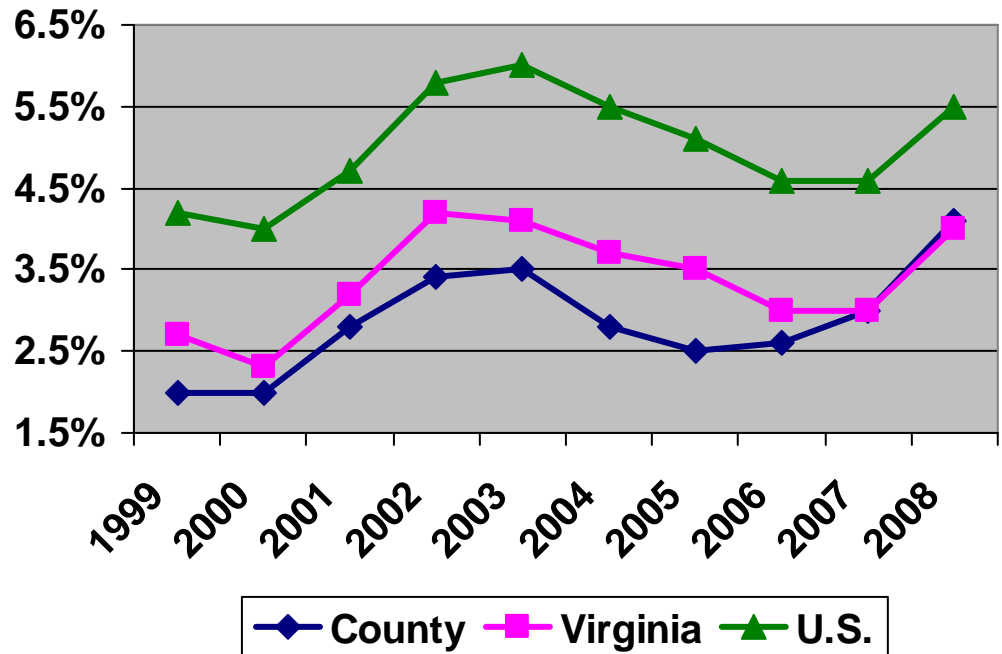
rates and high quality of life makes the County appealing to neighboring residents.

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 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 is on the rise, with an average of 4.1% for 2008, it still remains relatively low compared to the national rate.

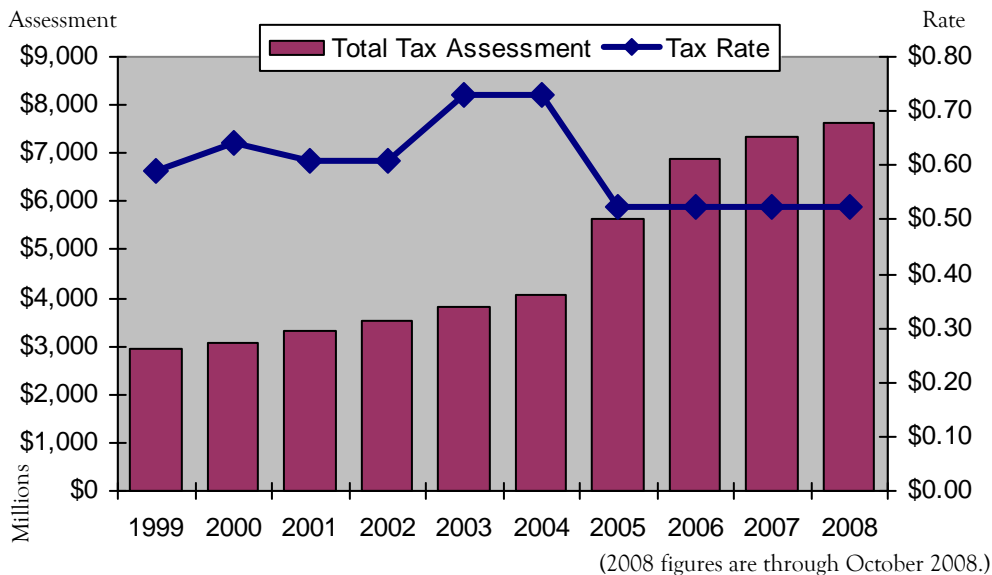
Unemployment Rates



(2008 figures are through October 2008.)

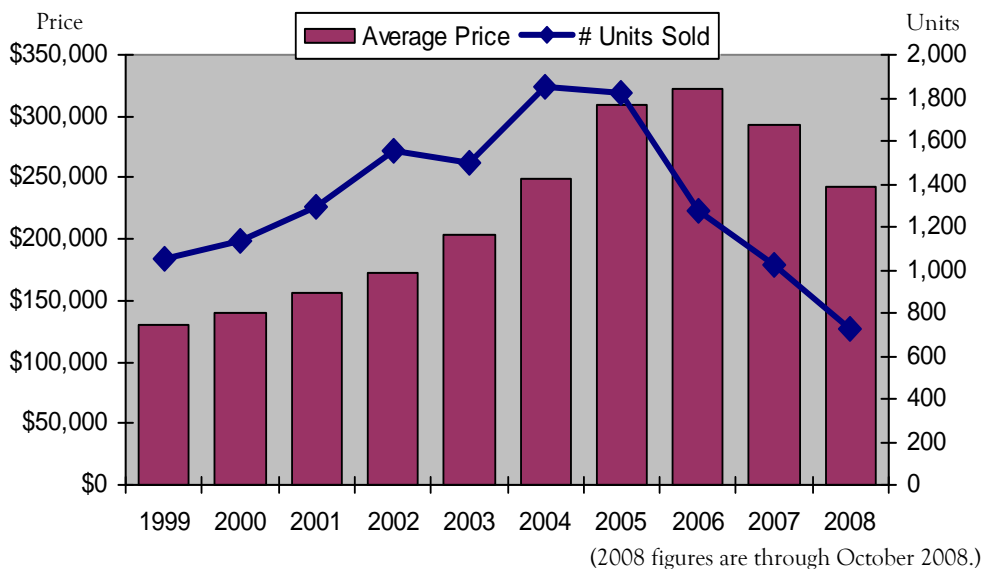
Real Estate Data

Tax Assessment



As you can see in the chart to the left, in 2005 the total tax assessment meets the tax rate. This was due to the 2005 reassessment. The tax rate must be adjusted to a revenue neutral rate or advertised as a tax increase when a reassessment is done. The rate has remained constant at 52.5¢ per \$100 since then.

Home Sales



Home sales since 2005 have fallen by over 60%. The average price of a home in Frederick County has decreased by 25% in the same time period.

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 \$18.6 million as a result of the expenditures for education, reflecting bond proceeds, School Board fixed asset activity and depreciation along with the adjustment of the accrual related to post-employment benefits.

| Governmental Activities | 2008 | 2007 |
|--|------------------------|-----------------------|
| Revenues: | | |
| Program Revenues | | |
| Charges for Services | \$ 4,991,436 | \$ 6,599,247 |
| Operating Grants & Contributions | 9,637,413 | 11,547,852 |
| General Revenues | | |
| Real Estate & Personal Property | 66,650,022 | 59,049,060 |
| Other Taxes | 26,549,110 | 26,687,886 |
| Non-restricted Grants | 16,141,414 | 13,613,912 |
| Use of Money and Property | 2,259,090 | 3,352,277 |
| Miscellaneous | 1,046,778 | 1,361,632 |
| Total Revenues | \$ 127,275,263 | \$ 122,211,866 |
| Expenses: | | |
| General Government | \$ 7,531,381 | \$ 5,217,730 |
| Judicial Administration | 3,278,720 | 3,081,145 |
| Public Safety | 24,152,999 | 21,222,717 |
| Public Works | 2,738,150 | 2,136,910 |
| Health / Welfare | 8,621,166 | 8,280,314 |
| Education | 84,407,223 | 76,872,596 |
| Parks, Recreation & Culture | 6,141,133 | 5,506,804 |
| Community Development | 2,266,985 | 2,698,126 |
| Interest on Long-term Debt | 6,758,465 | 6,486,553 |
| Total Expenses | \$ 145,896,222 | \$ 131,502,895 |
| Expenses (greater than) less than revenues received | \$ (18,620,959) | \$ (9,291,029) |

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.

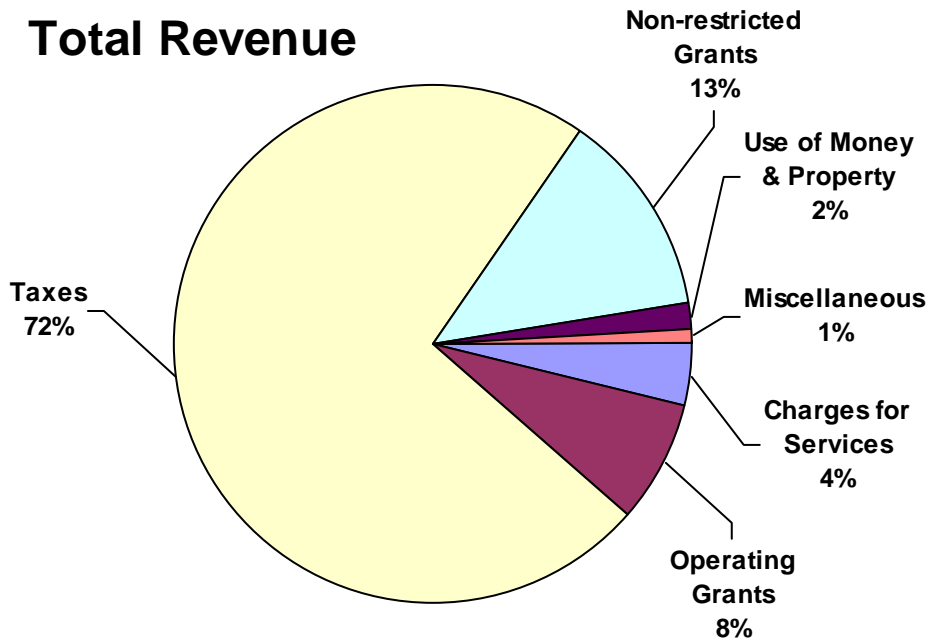
Non-restricted Grants: a block grant from the State for personal property tax relief. These funds can be used at the discretion of the County.

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

Miscellaneous: includes refunds, donations and recovered costs.

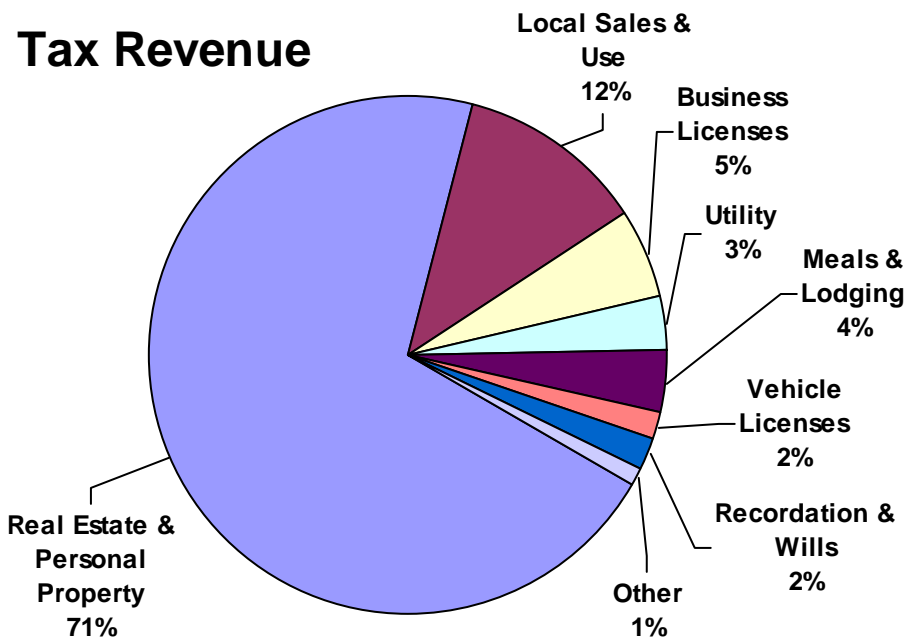
A Closer Look At Revenue

Total Revenue



As this chart shows, taxes are the largest source of revenue for the County. Total revenues of \$127,275,263 were collected with taxes accounting for approximately \$93 million of that amount.

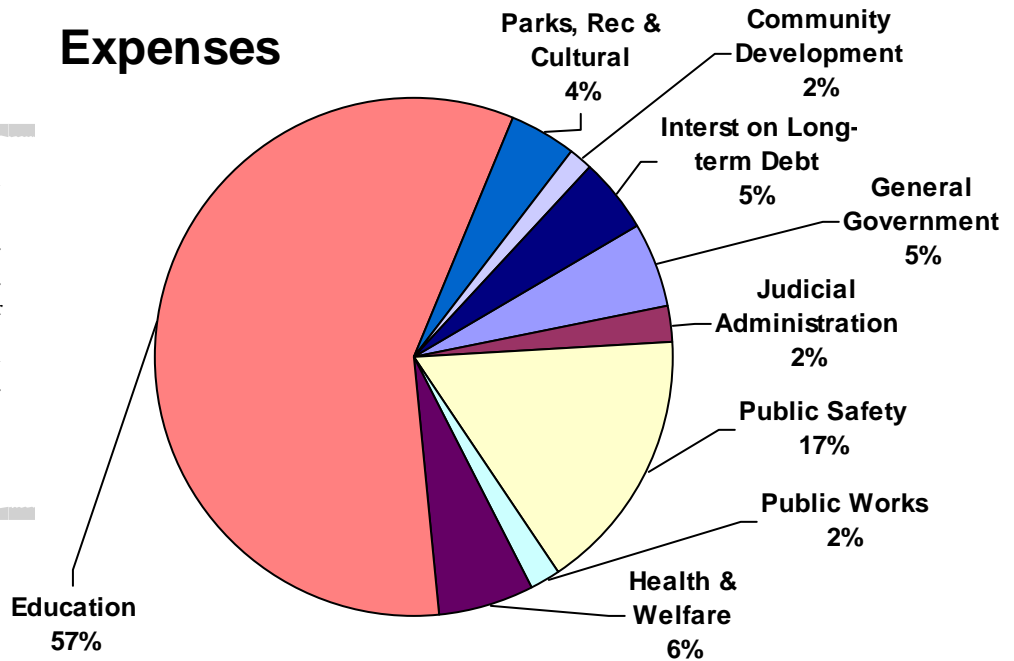
Tax Revenue



The chart to the left shows that 71% of the \$93 million collected in taxes is for Real Estate & Personal Property.

A Closer Look At Expenses

Expenses



The County's contribution to education represents 57% of all County expenses. Coming in a distant second is the cost of Public Safety at 17%. All other single expense categories expend less than 10% of total expenses.

Expense Categories Explained

General Government: 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 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. 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 \$7.1 million during fiscal year 2008 to \$38.1 million. A key factor to the reduction in fund balance was

the Board of Supervisors' conscious decision to reduce fund balance, rather than increase taxes, to fund expenditures in an effort to alleviate an additional tax burden on the citizens. 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 2008 undesignated fund balance stood at 27% of revenues.

Statement of Net Assets

| | Governmental Activities | |
|--------------------------|-------------------------|-----------------------|
| | 2008 | 2007 |
| Current and Other Assets | \$ 59,358,269 | \$ 66,010,255 |
| Capital Assets (net) | 144,318,560 | 144,167,245 |
| Total Assets | \$ 203,676,829 | \$ 210,177,500 |
| Long-term Liabilities | \$ 162,160,715 | \$ 151,346,277 |
| Other Liabilities | 9,203,564 | 7,897,714 |
| Total Liabilities | \$ 171,364,279 | \$ 159,243,991 |
| Total Net Assets | \$ 32,312,550 | \$ 50,933,509 |

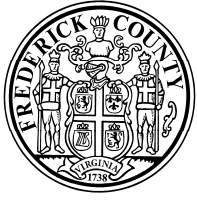
The Statement of Net Assets provides information about the resources and obligations of the County. This statement is presented on a non-GAAP basis. GAAP basis financial statements can be found in the CAFR.

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 \$203.6 million include cash, investments, property and monies owed to the County. These assets are partially offset by total liabilities of \$171.3 million which include amounts due to vendors and employees and short and long-term debt. This leaves net assets in the amount of \$32.3 million.

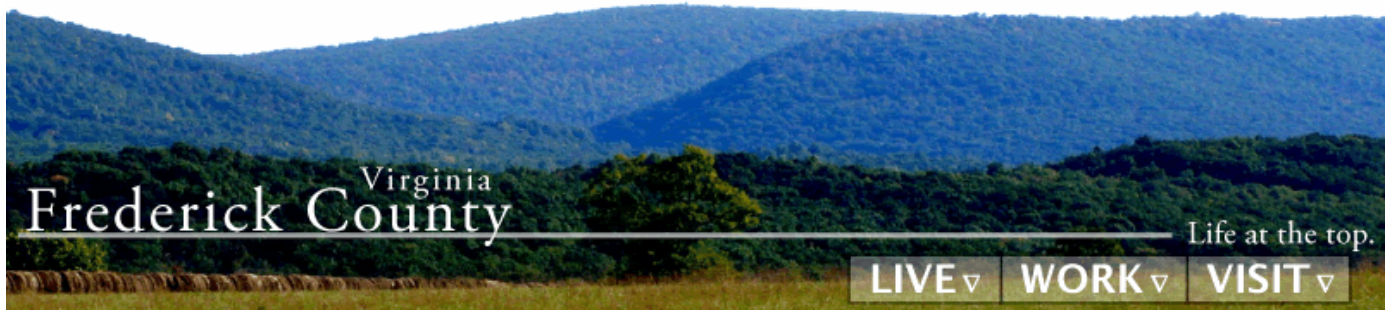
How is fund balance greater than the total net assets? The Statement of Net Assets uses the accrual method of accounting, which means that changes are recognized when an event occurs. This results in revenue and expenses being reported for some items that will not impact cash flow until a later time.



COUNTY OF FREDERICK,
VIRGINIA

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Winchester, VA 22601

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Visit the NEW Frederick County website—www.frederickcountyva.gov

Board of Supervisors

- ◆ Meeting agendas, minutes and resolutions
- ◆ Board member contact info
- ◆ County code lookup

Building Inspections

- ◆ Interactive permit inquiry
- ◆ Schedule building inspections

Clerk of the Circuit Court

- ◆ Concealed handgun permit application
- ◆ Case information lookup
- ◆ Circuit court fee schedule

Human Resources

- ◆ County job listings
- ◆ Employment applications

GIS

- ◆ Interactive mapping

Finance

- ◆ County budget
- ◆ Annual financial reports
- ◆ Requests for bids & proposals
- ◆ Finance Committee agendas

Parks and Recreation

- ◆ Calendar of events
- ◆ Register and pay for events
- ◆ Facilities information

Public Works

- ◆ Animal Shelter adoption listings and volunteer information
- ◆ Recycling/Landfill services info

Treasurer's Office

- ◆ Pay taxes & buy decals
- ◆ Tax sale properties
- ◆ Dog tag file and pay
- ◆ Register for real estate and personal property e-bill

Commissioner of the Revenue

- ◆ Business license file and pay
- ◆ Real estate parcel lookup
- ◆ Land use program information
- ◆ Tax relief for the elderly and disabled

Planning

- ◆ Community & transportation planning

Emergency Services

- ◆ Fire & Rescue training schedules and volunteer information

Sheriff's Department

- ◆ Neighborhood Watch newsletter
- ◆ Vicious dog registry
- ◆ Sex offender registry

Voter Registrar

- ◆ Registration info & applications