

For the fiscal year ended
June 30, 2010



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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, 2010.

The purpose of this report is to summarize and simplify the presentation of information contained in the audited Frederick County 2010 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



Christopher E. Collins
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, 2009




President
Jeffrey L. Easer
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, 2009. 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.

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.

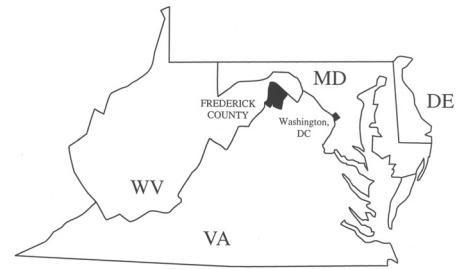
In 2008, the provisional population of the County was estimated at 74,972 based on the U.S. Census Bureau. The County, which covers 424 square miles and borders the West Virginia line, was estab-

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 \$36,222 in 2008, the last year for which the information is available, according to the Bureau of Economic Analysis.

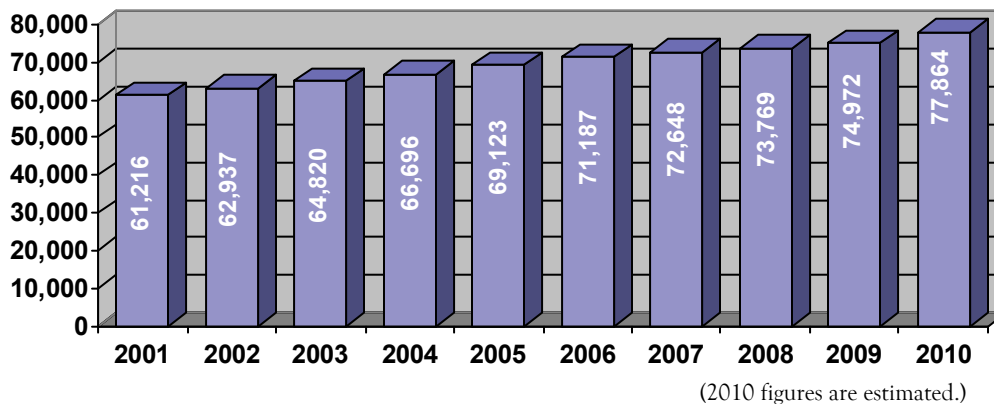
The area is served by the Winchester Regional Airport, a 376-acre, all-weather general aviation airport. It

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



County Growth

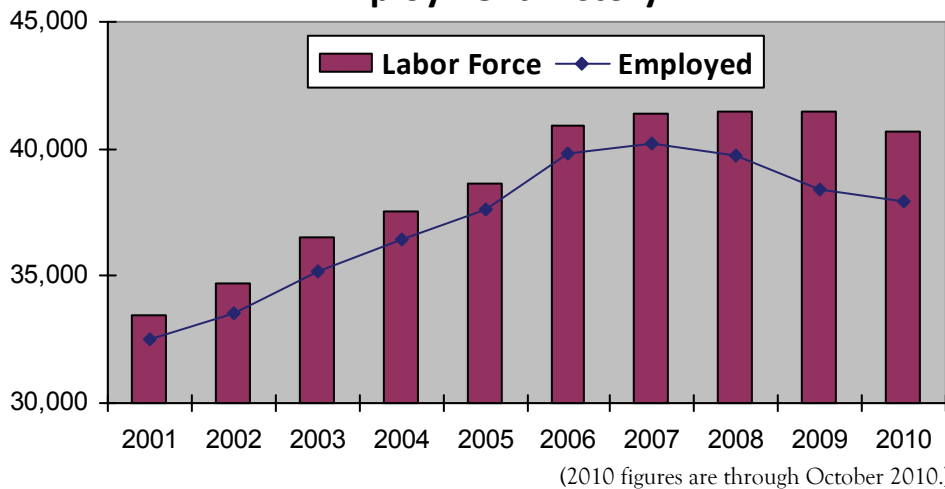
Population Growth



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

The County's population has increased from just over 61,000 ten years ago to nearly 78,000 (projected) 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 year the number of people in the civilian labor force has declined for the first time in more than a decade. The number of people employed has been declining for the past three consecutive years.

Popular Annual Financial Report

2010 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

The entire nation remains in a significant economic downturn, Frederick County included. Unemployment rates are at all time highs; however, the rate has remained steady since 2009. Businesses have closed, home values have declined, and interest rates are near nothing.

Balancing the budget with declining revenues has been a difficult challenge for both the Board of Supervisors and the School Board. Positions

have been cut, salaries have been frozen, operating budgets have been reduced and programs have been eliminated.

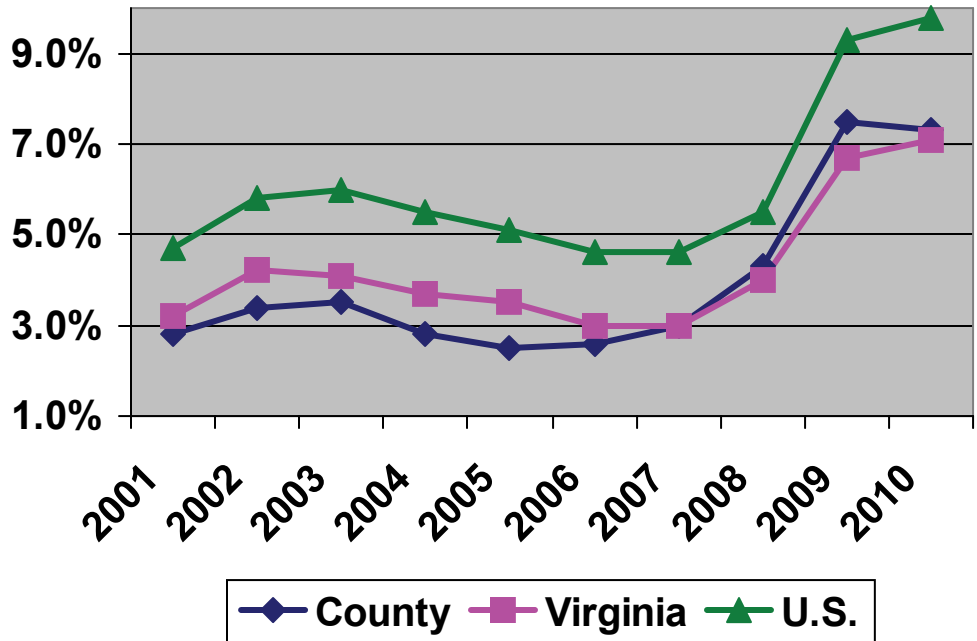
The Board of Supervisors is committed to not passing the burden of increased taxes to its constituents. There is also recognition that their employees have went several years without merit or cost of living increases. Market volatile revenues, such as sales tax, have stabilized giving sight to much awaited optimism.

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.

The County's unemployment rate has remained nearly level through the year, with an average of 7.3% for first ten months of 2010. The County still remains under the national rate. The rate for the County is only slightly higher than the statewide average rate through October 2010.

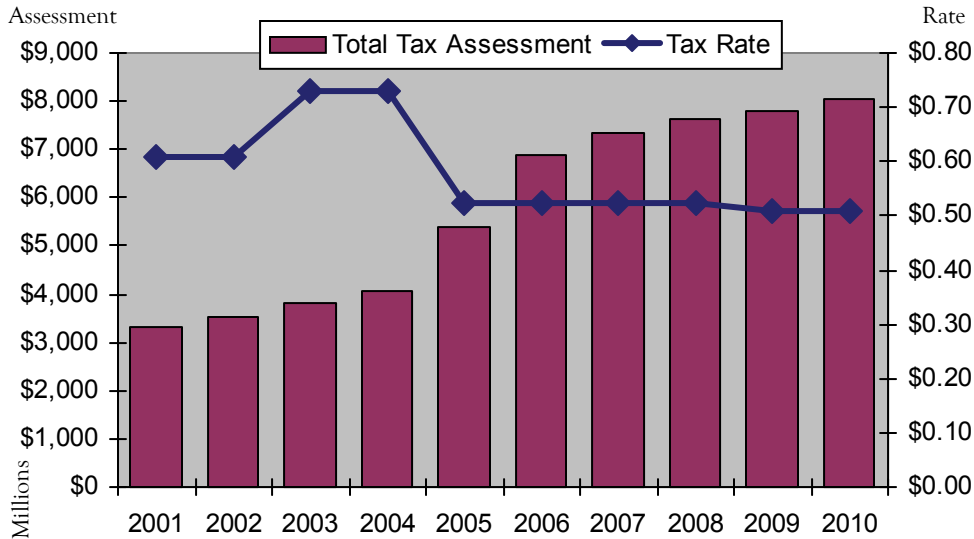
Unemployment Rates



(2010 figures are a annual average through October 2010.)

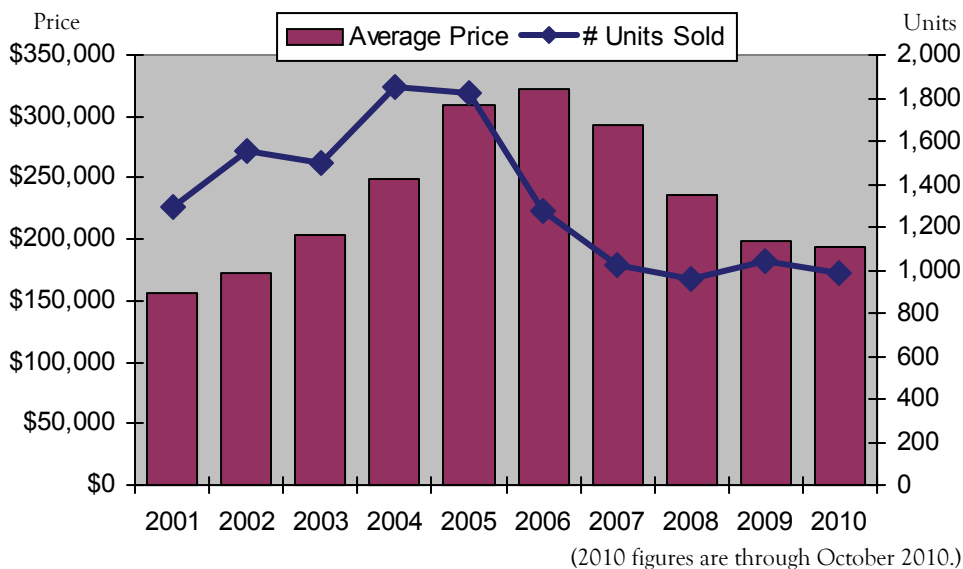
Real Estate Data

Tax Assessment



As you can see in the chart to the left, the total 2010 real estate tax assessment has increased slightly compared to 2009, although there was no general reassessment. This is due to new construction and rezoning. The tax rate remained the same at \$0.51 per \$100.

Home Sales



Home sales since 2005, the top of the real estate boom, have fallen by 46%. The average price of a home in Frederick County has decreased by 38% in the same time period. Both the units sold and the average price has remained fairly level when comparing 2009 to 2010.

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 revenue that exceeded expenses by \$649,727 due to County administration and staff making a conscience effort to reduce spending and operate with revenues received.

Governmental Activities	2010	2009
Revenues:		
Program Revenues		
Charges for Services	\$ 4,104,393	\$ 4,734,493
Operating Grants & Contributions	11,817,662	12,273,169
General Revenues		
Real Estate & Personal Property	70,903,832	69,116,087
Other Taxes	24,839,738	25,106,462
Payments from Primary Government	-	-
Non-restricted Grants	13,318,446	13,272,212
Use of Money and Property	416,503	1,078,840
Miscellaneous	533,261	994,188
Total Revenues	\$ 125,933,835	\$ 126,575,451
Expenses:		
General Government	\$ 6,321,805	\$ 6,717,739
Judicial Administration	3,386,474	3,289,067
Public Safety	24,589,993	24,941,153
Public Works	3,497,874	3,046,615
Health / Welfare	8,174,845	8,855,627
Education	65,309,552	65,637,853
Parks, Recreation & Culture	5,256,852	5,741,930
Community Development	2,191,518	3,364,222
Interest on Long-term Debt	6,555,195	6,487,627
Landfill Operations	-	-
Industrial Development Authority	-	-
Total Expenses	\$ 125,284,108	\$ 128,081,833
Expenses (greater than) less than revenues received	\$ 649,727	\$ (1,506,382)

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.

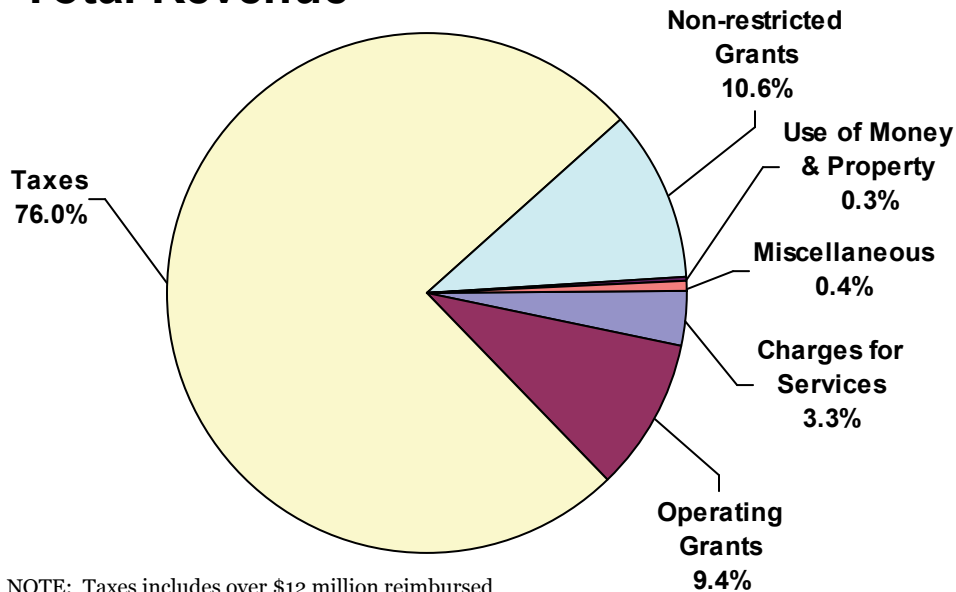
Non-restricted Grants: a block grant from the State for personal property tax relief. These funds can be used at the discretion of the County.

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

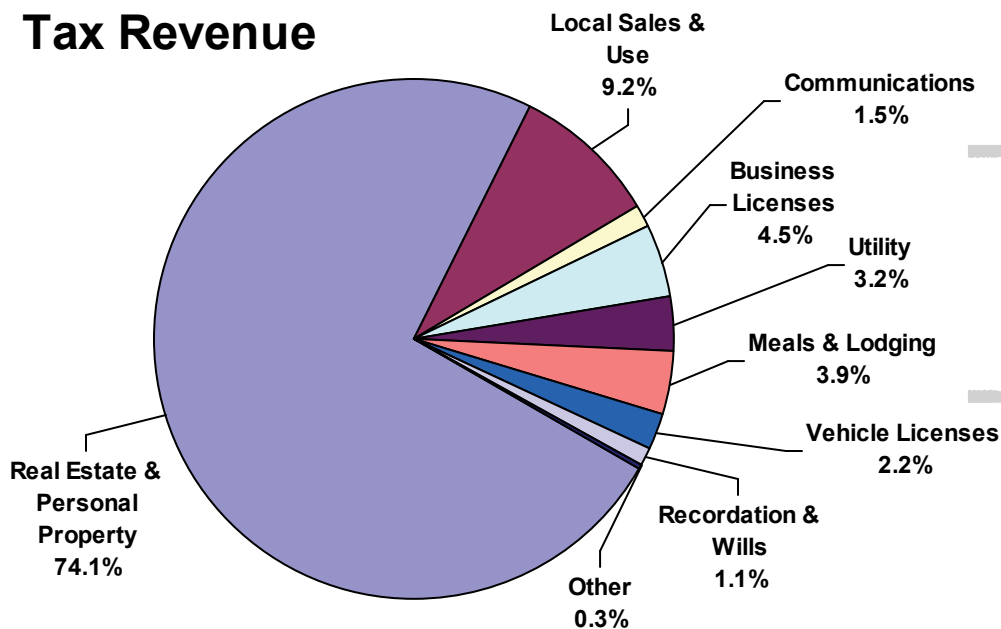
Total Revenue



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 \$125,933,835 were collected with taxes accounting for approximately \$95.7 million of that amount.

Tax Revenue

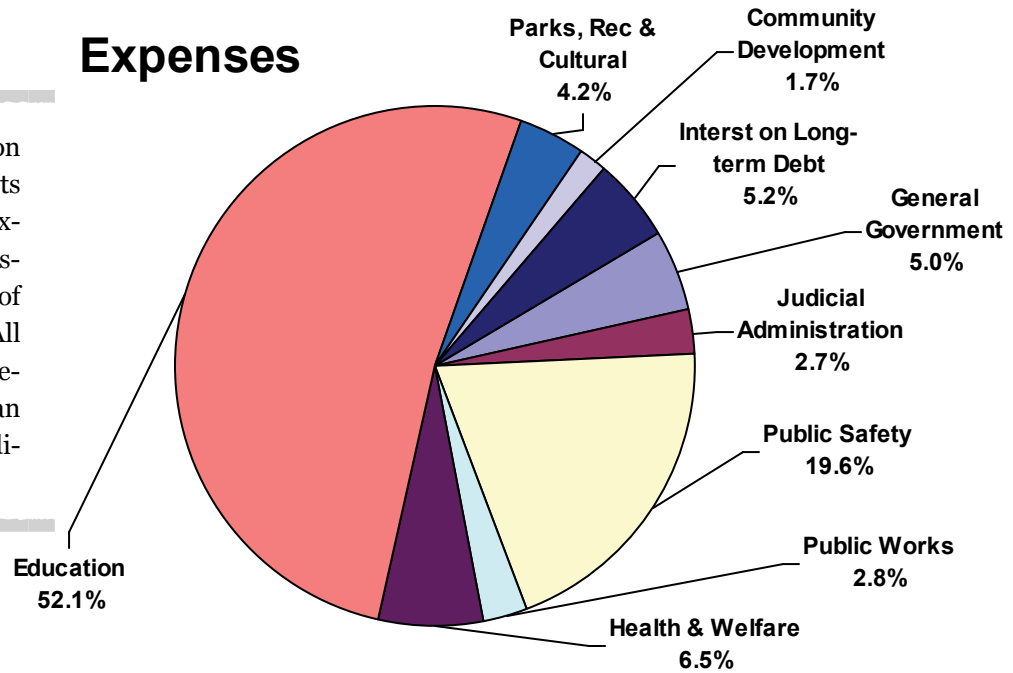


The chart to the left shows that 74% of the \$95.7 million collected in taxes is for Real Estate & Personal Property.

A Closer Look At Expenses—General Fund

Expenses

The County's contribution to education represents 52.1% of all County expenses. Coming in a distant second is the cost of Public Safety at 19.6%. 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 increased by

\$0.6 million during fiscal year 2010 to \$35.1 million. A large part of the increase in fund balance was a result of a conscience effort by the Board of Supervisors to return the \$4.3 million used from fund balance to balance the FY2010 budget. Administration and staff set goals to reduce spending and not “borrow” from fund balance. This goal was met through a combination of spending cuts and wage and hiring freezes.

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 2010 undesignated fund balance stood at 23% of revenues.

Statement of Net Assets

	Governmental Activities	
	2010	2009
Current and Other Assets	\$ 56,938,224	\$ 54,741,151
Capital Assets (net)	132,661,548	143,350,187
Total Assets	\$189,599,772	\$ 198,091,338
Long-term Liabilities	\$149,333,455	\$ 158,998,691
Other Liabilities	8,810,422	8,286,479
Total Liabilities	\$158,143,877	\$ 167,285,170
Total Net Assets	\$ 31,455,895	\$ 30,806,168

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 \$189.6 million include cash, investments, property and monies owed to the County. These assets are partially offset by total liabilities of \$158.1 million which include amounts due to vendors and employees and short and long-term debt. This leaves net assets in the amount of \$31.5 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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We're on the web!
www.frederickcountyva.gov

Working for the Future—Vision Statement & Core Values

On December 9, 2009, the Frederick County Board of Supervisors adopted a new vision statement and core values that the County will use as a guide when making decisions and setting policies.

***Insuring 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.