

COUNTY OF FAUQUIER VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2003

COUNTY OF FAUQUIER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2003



Prepared by:

**The Fauquier County Government & Public Schools
Department of Finance**



**COUNTY OF FAUQUIER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal.....	i - v
GFOA Certificate of Achievement.....	vi
Organizational Chart	vii
Principal Officials.....	viii

FINANCIAL SECTION

Independent Auditors' Report.....	1 - 2
Management's Discussion and Analysis	3 - 17
Basic Financial Statements	
Government-wide Financial Statements	
Exhibit 1 Statement of Net Assets	23
Exhibit 2 Statement of Activities.....	24 - 25
Fund Financial Statements	
Exhibit 3 Balance Sheet – Governmental Funds	29
Exhibit 4 Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets.....	30
Exhibit 5 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	31
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds	32
Exhibit 7 Statement of Net Assets – Proprietary Funds	33
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds.....	34
Exhibit 9 Statement of Cash Flows – Proprietary Funds	35
Exhibit 10 Statement of Net Assets – Fiduciary Funds	36
Exhibit 11 Statement of Changes in Fiduciary Net Assets – Pension Trust Fund.....	37

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
Notes to Financial Statements	
Note 1	Summary of Significant Accounting Policies 41 - 45
Note 2	Cash and Investments 46 - 47
Note 3	Stewardship, Compliance and Accountability 47 - 48
Note 4	Interfund Transfers 48
Note 5	Due From/To Primary Government/Component Units Obligations and Interfund Obligations 49
Note 6	Due From Other Governmental Units..... 49
Note 7	Capital Assets 49 - 51
Note 8	Long-Term Obligations 52 - 55
Note 9	Construction Commitments 56
Note 10	Commitments and Contingent Liabilities 56
Note 11	Claims and Litigations 56
Note 12	Defined Benefit Pension Plan 56 - 58
Note 13	Length of Service Awards Pension Program 58 - 59
Note 14	Deferred Revenue 59
Note 15	Debt Defeasance 60
Note 16	Landfill Closure and Postclosure Care Costs..... 60
Note 17	Risk Management 60 - 61
Note 18	Surety Bonds..... 61
Note 19	Commitments Under Non-Capitalized Leases..... 62
Note 20	Subsequent Events 62
Note 21	Fund Balances / Retained Earnings Adjustments 62
Required Supplementary Information	
Exhibit 12	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund 65 - 68

TABLE OF CONTENTS (CONTINUED)

		<u>Page</u>
Combining and Individual Fund Statements and Schedules		
Exhibit 13	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Capital Projects Fund.....	71 - 72
Exhibit 14	Combining Balance Sheet – Non-Major Governmental Funds	73
Exhibit 15	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	74
Exhibit 16	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Non-Major Governmental Funds	75
Exhibit 17	Combining Balance Sheet – Fiduciary Funds	76
Exhibit 18	Statement of Changes in Fiduciary Net Assets – Pension Trust Fund	77
Exhibit 19	Combining Statement of Changes in Assets and Liabilities – Agency Funds	78 - 79
Exhibit 20	Capital Assets Used in the Operation of Governmental Funds – Schedule by Source	80
Exhibit 21	Capital Assets Used in the Operation of Governmental Funds – Schedule by Function	81
Exhibit 22	Capital Assets Used in the Operation of Governmental Funds – Schedule of Changes by Function.....	82
Exhibit 23	Combining Balance Sheet Discretely Presented Component Unit – School Board.....	83
Exhibit 24	Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets – Discretely Presented Component Unit – School Board	84
Exhibit 25	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Discretely Presented Component Unit – School Board	85
Exhibit 26	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Discretely Presented Component Unit – School Board.....	87
Exhibit 27	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Discretely Presented Component Unit – School Board	88 - 89
Exhibit 28	Capital Assets Used in the Operation of Governmental Funds – Schedule by Source – Discretely Presented Component Unit – School Board	90
Exhibit 29	Capital Assets Used in the Operation of Governmental Funds – Schedule by Function – Discretely Presented Component Unit – School Board	91
Exhibit 30	Capital Assets Used in the Operation of Governmental Funds – Schedule of Changes by Function - Discretely Presented Component Unit – School Board	92
Other Supplementary Information		
Schedule 1	Governmental Funds and Discretely Presented Component Unit – Schedule of Revenue – Budget and Actual	95 - 104

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION		Page
Table 1	General Governmental Expenditures by Function.....	107
Table 2	General Governmental Revenues by Source	108
Table 3	Property Tax Levies and Collections	109
Table 4	Assessed Value of All Taxable Property	110
Table 5	Property Tax Rates for Both Direct and Overlapping Governments	111
Table 6	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	112
Table 7	Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	113
Table 8	Revenue Bond Coverage	114
Table 9	Demographic Statistics	115
Table 10	Property Value and Construction.....	116
Table 11	Principal Taxpayers	117
Table 12	Miscellaneous Statistics.....	118
 COMPLIANCE SECTION		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		119 - 120
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		121 - 122
Schedule of Expenditures of Federal Awards—Primary Government and Discretely Presented Component Unit		123 - 125
Schedule of Findings and Questioned Costs		126

Fauquier County Government & Public Schools



FINANCE DEPARTMENT
320 Hospital Drive
Suite 32
Warrenton, VA 20186-3037



Telephone (540) 428-8729

Fax (540) 341-1005

November 30, 2003

**To the Honorable Chairman and Members of the Fauquier County Board of Supervisors,
Chairman and Members of the Fauquier County Public Schools, and
Citizens of Fauquier County, Virginia:**

We are pleased to submit Fauquier County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003 in accordance with Section 15.2-2511 of the *Code of Virginia*. The financial statements included in this report have received an unqualified auditing opinion, and conform to generally accepted accounting principles as established by the Governmental Accounting Standards Board.

This report consists of management's representations concerning the finances of Fauquier County. Consequently, responsibility for both the accuracy of the data, and the completeness and reliability of the information presented in this report rests with management. To provide a reasonable basis for making these representations, County administration has established a comprehensive internal control framework that is designed both to protect the assets of the County from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits obtained. To the best of our knowledge and belief, this financial report is complete and accurate in all material respects.

Significant Change in Financial Statement Presentation

With the June 30, 2003 financial statements, the County is implementing a major change in governmental financial reporting. This CAFR is presented in accordance with the new financial reporting model required by the Government Accounting Standards Board, Statement No. 34 (GASB 34). Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements. The analysis is presented in the form of Management's Discussion and Analysis (MD&A), found in the Financial Section of this report immediately following the report of the independent auditors. The format and purpose of the GASB 34 changes are addressed in MD&A. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. We believe the new GASB 34 presentation will provide enhanced information to user's of the CAFR.

Independent Audit

The County's financial statements have been audited by the firm of Robinson, Farmer, Cox Associates, independent certified public accountants, as required by Section 15.2-2511 of the *Code of Virginia*. The audit was conducted in accordance with generally accepted auditing standards and the Independent Auditors' Report is included in the Financial Section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2003 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements are fairly presented in conformity with generally accepted accounting principles.

Audit testing for compliance with the federal Single Audit Act and related U.S. Office of Management and Budget Circular A-133 was performed by Robinson, Farmer, Cox Associates, independent certified public accountants. The auditors' report is presented in the Compliance Section of this report.

In addition to the independent auditors' report described above, the auditors furnished written recommendations to the County Board of Supervisors pertaining to the improvement of certain areas of internal accounting control and overall accounting procedures.

Profile of Fauquier County, Virginia

Fauquier County, incorporated in 1759, is located approximately 40 miles west of the Nation's Capital in northern Virginia, and covers approximately 660 square miles. The County has a population of 57,400. Fauquier County completely surrounds the Towns of Warrenton, Remington, and The Plains. The County provides certain governmental services, such as public education, to the Towns' residents pursuant to agreements with such Towns. Property in these Towns is subject to both Town and County taxation.

Fauquier County operates under the Board of Supervisors/County Administrator form of government, as defined under Virginia law. The governing body of the County is the Board of Supervisors, which makes policies for the administration of the County. The Board of Supervisors consists of five members representing the five magisterial districts in the County: Cedar Run, Center, Lee, Marshall, and Scott. The Chairman of the Board of Supervisors is elected from within the Board of Supervisors and serves generally for a term of one year in addition to being a District Supervisor. The Board of Supervisors appoints a County Administrator to act as the administrative head of the County. The County Administrator serves at the pleasure of the Board of Supervisors, carries out the policies established by the Board of Supervisors, and directs business and administrative procedures within the County government.

The County provides a full range of services to its residents, including education, public safety, court services, solid waste disposal, community and economic development, parks and recreational activities, public libraries, social services, and general administration. All moneys required to support these services are reflected in this report.

Fauquier County is financially accountable for a legally separate school district, which is reported separately within the financial statements as a component unit. The Fauquier County Public Schools is the single largest service provided by the County. The elected School Board is composed of five members, who represent the five magisterial districts. The School Board appoints a superintendent to administer the policies of the School Board. The school system is comprised of two high schools, four middle schools, ten elementary schools, and one alternative school. A fifth middle school is under construction, and scheduled to open in August 2004. The combined enrollment as of June 2003 was 10,031 students. The mission of the Fauquier County Public Schools is to cultivate the ability, intellect, and character of each student to ensure an educated citizenry.

The annual budget serves as the foundation for the County's financial planning and control. For the past seven years, the County has received the Distinguished Budget Presentation Award from the Government Finance Officers Association of the United States and Canada. County departments and agencies begin their budget preparation each year in August. In November, all agencies submit their appropriation requests for the fiscal year commencing the following July 1st. Prior to March 30th each year, the County Administrator submits a proposed operating and capital budget. The operating and capital budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain citizen comments. Prior to June 30th, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the department level. Budget-to-actual comparison is provided in this report for the major funds in Exhibits 12 and 13.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Fauquier County operates.

Local economy. Fauquier County has experienced above average growth that is characteristic of the Northern Virginia region. In fiscal years 2002 and 2003, the assessed value of real estate increased by 13.3% and 15.6% respectively. As a result of increases in the assessed value of property, the County was able to reduce the 2002 real estate tax rate by \$0.07 per \$100 of assessed value from \$1.06 to \$0.99. In fiscal years 2002 and 2003, the number of residential building permits increased 7.9% and 4.6% respectively. Commercial building permits for fiscal years 2002 and 2003 increased in number by 52.6% and 63.8% respectively. The County maintains a low unemployment rate of 2.6%.

Long-term financial planning. With the growth the County is experiencing the Board of Supervisors implemented a Balanced Scorecard Program as a means of identifying desired outcomes and optimizing the use of the County's limited resources in achieving those outcomes. The goals established for the Balanced Scorecard include (1) balancing quality services with fiscal integrity; (2) managing growth in a manner which protects agriculture, environment, quality of life, and historic resources; and (3) conducting County government openly. The Balanced Scorecard is integrated into the budget process to provide near-term and long-term financial planning benefits. Fiscal year 2003 concluded the first year in which the program was implemented at the department level.

Effective with the fiscal year ending June 30, 2003, the Board of Supervisors adopted a fund balance policy for the County's General Fund. The policy sets the minimum undesignated, unreserved fund

balance for the General Fund at ten percent (10%), providing for enhanced financial planning and stability. The County's fund balance exceeded this minimum at June 30, 2003.

Cash management policies and practices. The County Treasurer maintains a cash and investment program for the safeguarding and management of the County's funds. During the fiscal year, the yield on overnight funds ranged from 1.04% to 1.75% with an average yield of 1.34%. The investment of funds is administered in accordance with the *Code of Virginia*. The County Treasurer invests primarily in the Local Government Investment Pool, managed by the Treasurer of Virginia, bonds issued by the U.S. Treasury and Federal agencies, bankers' acceptances, highly rated commercial paper and certificates of deposit in banks which have qualified as public depositories as defined by the *Code of Virginia*. For fiscal year 2003, the average yield on State of Virginia investment pool funds was 1.5%. Proceeds from bond issues subject to arbitrage rebate are invested in Virginia's State Non-Arbitrage Program (SNAP). The return on these investments averaged 1.49% during the year.

Risk management. The County maintains a risk management office, which oversees programs designed to minimize the liability associated with losses resulting from injury and damage to persons and property. The County initiated a Safety Committee in fiscal year 2003 to monitor incidents and to implement best practices. A more detailed description of the County's risk management can be found in Note 17, Notes to Financial Statements, Financial Section of this report.

The County maintains a self-insurance program for health insurance for employees of the County and School Board. The activities of this program are reported in the Health Insurance Fund. Revenues in this fund come from premiums charged to the participating departments and agencies of the County to cover the cost of the insurance benefit, and from the share of the cost charged to employees. The revenue collected is used to cover the estimated claims, premiums paid to purchase excess liability insurance coverage, and operating expenses. Claims filed, or expected to be filed, through June 30, 2003 are reported as accrued liabilities. The Health Insurance Fund has sufficient reserves to cover its estimated liabilities.

Pension and other postemployment benefits. Fauquier County contributes to the Virginia Retirement System (VRS), an agent multiple employer public retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. All full-time permanent employees must participate in VRS. Benefit provisions and requirements are established by State statute. This plan is more fully described in Note 12, Notes to Financial Statements, Financial Section of this report.

In 1995, the County established the Length of Service Award Program (Program), which provides a pension benefit for the eligible volunteer members of the Fauquier County Fire and Rescue Association. This is a single employer defined benefit plan for volunteer firefighters meeting certain criteria for participation. Effective January 1, 2002 the members voted to freeze the Program. The County contributes 100% of the costs of the program. This program is more fully described in Note 13, Notes to the Financial Statements, Financial Section of this report.

Awards and acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Fauquier County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one (1) year only. Fauquier County has received a Certificate of Achievement for the last five (5) years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for consideration.

This report was prepared by the professional staff of the Finance Department. Their hard work, dedication and continuing efforts to improve the quality of this report directly benefit all who read and use it. We also acknowledge the cooperation and assistance of the staff of the School Board, County Treasurer, the Commissioner of the Revenue, and the many other County departments and agencies which contributed to preparation of this report.

This Comprehensive Annual Financial Report reflects the commitment of the Board of Supervisors and County administration to the citizens of Fauquier County and the financial community to provide information in conformance with the highest standards of financial accountability.

Respectfully submitted,

G. Robert Lee
County Administrator

Janice G. Bourne
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Fauquier County,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

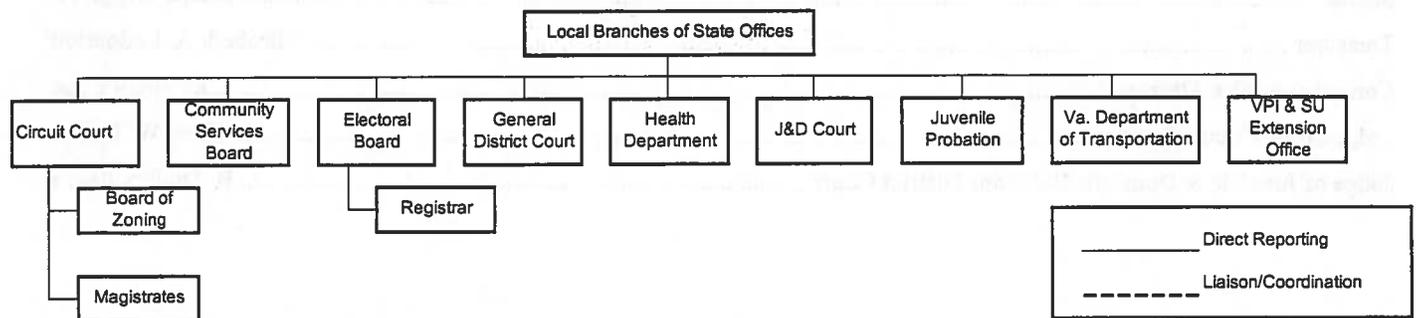
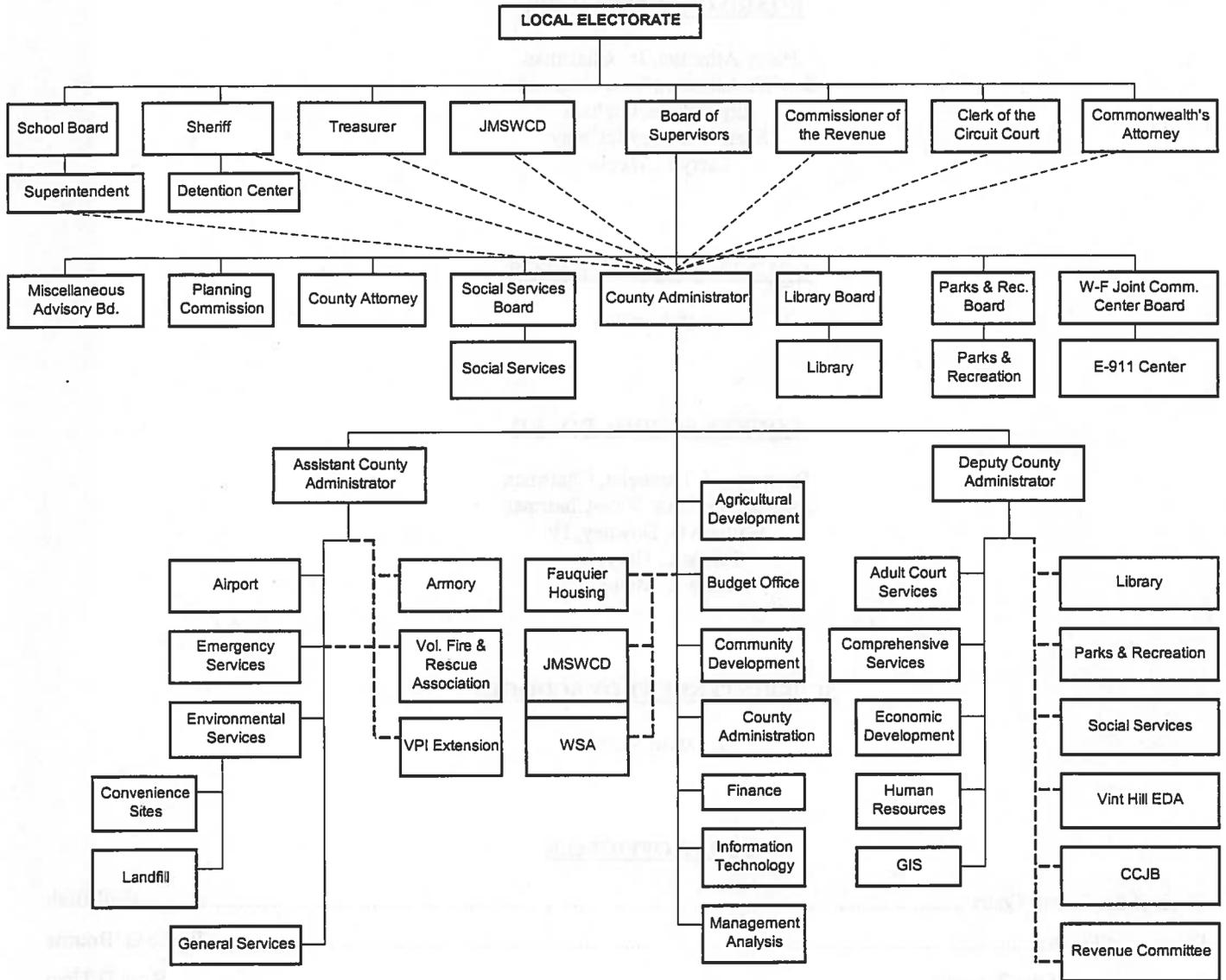
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

County of Fauquier, Virginia Organizational Chart



_____ Direct Reporting
 - - - - - Liaison/Coordination

**COUNTY OF FAUQUIER, VIRGINIA
PRINCIPAL OFFICIALS**

BOARD OF SUPERVISORS

Harry Atherton, Jr., Chairman
Joe Winkelmann, Vice-Chairman
Raymond E. Graham
Sharon Grove McCamy
Larry L. Weeks

COUNTY ADMINISTRATOR

G. Robert Lee

COUNTY SCHOOL BOARD

Bronwyn H. Lambelet, Chairman
John E. Williams, Vice-Chairman
William G. Downey, IV
Ernest L. Gray, Jr.
Gary A. Maloche

SUPERINTENDENT OF SCHOOLS

J. David Martin

OTHER OFFICIALS

Clerk of the Circuit Court Gail Barb
Director of Finance..... Janice G. Bourne
Commissioner of the Revenue Ross D'Urso
Judge of the General District Court Charles B. Foley
Sheriff Joseph Higgs, Jr.
Treasurer Elizabeth A. Ledgerton
Commonwealth's Attorney Jonathan Lynn
Judge of the Circuit Court Jeffrey W. Parker
Judge of Juvenile & Domestic Relations District Court H. Dudley Payne

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF SUPERVISORS COUNTY OF FAUQUIER WARRENTON, VIRGINIA

We have audited the accompanying basic financial statements and the combining fund financial statements of the County of Fauquier, Virginia (the "County") as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the County as of June 30, 2003, and the results of its operations, cash flows of its proprietary funds, and changes in its fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the basic financial statements and the combining fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the County as of June 30, 2003, and the results of operations of such funds, cash flows of each of the proprietary funds, and changes in net assets of each of the fiduciary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2003 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*," as of July 1, 2002. This results in a changes to the County's method of accounting and a change in the format and content of the basic financial statements.

Management's Discussion and Analysis and the Budgetary Comparison Schedules as identified in the accompanying table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining financial statements. The accompanying financial information listed as supporting schedules in the table of contents including the Schedule of Expenditures of Federal Awards, required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements of the County of Fauquier, Virginia. Such information has been subjected to the auditing procedures applied in the audit of the general purpose and combining financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

The Statistical Sections listed in the Table of Contents is not a required part of the basic financial statements, and we did no audit or apply limited procedures to such information. Accordingly, we do not express any assurances on such information.

Robinson, Farmer, Cox Accountants
Charlottesville, Virginia
September 12, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Fauquier, Virginia presents the following discussion and analysis as an overview of the County of Fauquier's financial activities for the fiscal year ending June 30, 2003. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report, and the County's financial statements which follow this discussion and analysis.

FISCAL YEAR 2003 FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the net assets of the County, excluding its component unit, Schools, totaled \$91.9 million. Of this amount, \$17.0 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors (Exhibit 1).
- For the fiscal year, general and program revenues of the County's governmental activities, excluding its component unit, Schools, totaled \$124.5 million and expenses totaled \$113.1 million. As a result, the County's total net assets increased by 14.2%, \$11.4 million, from fiscal year 2002 (Exhibit 2).
- The component unit, Schools, revenues totaled \$89.3 million and expenses totaled \$87.0 million. Schools net assets increased by 5.7%, \$2.3 million, over fiscal year 2002 (Exhibit 2).
- As of June 30, 2003, the County governmental funds reported combined fund balances of \$68.3 million, a decrease of \$1.4 million in comparison with the prior year. Approximately 35.2% of the combined fund balances, or \$24.1 million, is undesignated and available to meet the County's current and future needs (Exhibits 3 & 5).
- The General Fund reported a fund balance of \$22.7 million, an increase of \$406,178 from June 30, 2002 (Exhibit 5).
- For the County's business-type activities, revenue totaled \$17.3 million and expenses totaled \$15.0 million. As a result, net assets increased 23.1%, \$2.3 million. The primary contributor to this increase in net assets was from the Solid Waste Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of four sections: introductory, financial, statistical, and compliance.

- The introductory section includes the transmittal letter, a copy of the 2002 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, the County's organizational chart, and list of principal officials.
- The financial section includes the Independent Auditors' Report, management's discussion and analysis (this section), the basic financial statements, required supplemental information, and combining and individual fund statements and schedules.
- The statistical section includes selected financial and demographic data related to the County, generally presented on a multi-year basis.

- The compliance section is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget circular A-133, Audits of State, Local Governments and Non-profit Organizations; and includes the auditors' reports on compliance and internal control.

Financial Section Overview

This discussion and analysis is intended to serve as an introduction to the Financial Section of the CAFR, which consists of four parts – the Independent Auditors' Report, the basic financial statements, required supplementary information, and the combining and individual fund statements and schedules.

The Independent Auditors' Report reflects the results of the external audit. The auditor expresses an opinion on whether the financial statements have been presented in conformity with generally accepted accounting principles (GAAP).

The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The government-wide financial statements and the fund financial statements present different views of the County. These two types of statements are discussed in more detail in the following sections.

The required supplementary information includes this discussion and analysis, and the budgetary comparison shown in Exhibit 12.

Finally, the combining and individual fund statements and schedules are included, which presents combining statements for nonmajor governmental funds, fiduciary funds, and the component unit as well as other supporting schedules.

Government-wide Financial Statements

The government-wide financial statements (Exhibits 1 and 2) report information about the County as a whole using accounting methods similar to those found in the private sector. They also report the County's net assets and how they have changed during the fiscal year. These statements provide both long-term and short-term information about the County's overall financial status.

The Statement of Net Assets (Exhibit 1) presents information on all of the County's assets and liabilities. Net assets is the difference between assets and liabilities, which provides a measure of the County's financial health, or financial condition. Over time, increases or decreases in the net assets may serve as an indicator of whether the County's financial condition is improving or deteriorating. Other non-financial factors will also need to be considered, such as changes in the County's property tax base and the condition of the County's facilities.

The Statement of Activities (Exhibit 2) presents information using the accrual basis of accounting, and shows how the County's net assets changed during the fiscal year. All of the current year's revenues and expenses are shown in this statement, regardless of when cash is received or paid. The Statement of Activities presents expenses before revenue to emphasize that the government's revenue is generated for the express purpose of providing services.

In the government-wide financial statements, the County's activities are divided into three categories:

- **Governmental activities:** Most of the County's basic services are reported here, including general government, judicial administration, public safety, public works, health and welfare, education, parks and recreation, and community development. These activities are financed primarily by property taxes, other local taxes, and federal and state grants. Governmental funds and internal service funds are included in the governmental activities.

- **Business-type activities:** The County charges fees to users to cover all, or a significant portion, of the costs associated with the provision of certain services. These business-type activities of Fauquier County are intended to be self-supporting and include Solid Waste, Airport, Fleet Maintenance, and Health Insurance.
- **Component unit:** The County has one component unit, the Fauquier County Public Schools, which is included in this annual financial report. Although legally separate, this discretely presented component unit is important because the County is financially accountable for it. A primary government is accountable for an organization if the primary government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. The County approves debt issuances for the School Board and provides significant funding for its operation. Additional information on the component unit can be found in Note 1 of the Notes to Financial Statements Section of this report.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statements more familiar. These statements focus on individual parts of the County's government, reporting the County's operations in more detail than the government-wide statements. Funds are used to ensure compliance with finance-related legal requirements and are used to keep track of specific sources of revenue and expenses for particular purposes. The County has three kinds of funds:

- **Governmental Funds** – Most of the County's basic services are included in governmental funds, which focus on (1) the in flows and out flows of cash and other financial assets that can be readily converted to cash, and (2) the balances remaining at year-end that are available for spending. The governmental funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the fund financial statements to explain the relationship (or differences). The County has two major funds, the General Fund and the Capital Projects Fund. The General Fund is the main operating account of the County and therefore, the largest of the governmental funds. The Capital Projects Fund is used to account for major capital projects, primarily construction related. It provides control over resources that have been segregated for specific capital projects. All other governmental funds, which include special revenue funds, are collectively referred to as nonmajor governmental funds.
- **Proprietary Funds** – The County's proprietary funds consists of four enterprise funds, which operate in a manner similar to private business enterprises in which costs are recovered primarily through user charges or fees. Proprietary fund financial statements provide both long- and short-term financial information. The County's enterprise funds include Solid Waste Fund, Airport Fund, Fleet Maintenance Fund, and Health Insurance Fund.
- **Fiduciary Funds** – Fiduciary funds are used to account for resources held by the County for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statements because the funds are not available to support the County's programs. The County's fiduciary funds consist of private purpose trust funds and agency funds. The funds are used to account for monies received, held, and disbursed on behalf of volunteer fire and rescue association members, certain developers, the Commonwealth of Virginia, and certain other agencies and governments.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As this is the first year the County has included management’s discussion and analysis, in accordance with GASB 34, the County is not required to restate prior periods for the purposes of providing comparative information. In future years, however, when prior information is available, a comparative analysis of government-wide information will be presented.

Statement of Net Assets:

Table 1 summarizes the Statement of Net Assets (Exhibit 1 in the Financial Section of the CAFR) for the primary government and component unit.

Summary of Net Assets				
As of June 30, 2003				
(\$ in millions)				
Table 1	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total Primary Government	Schools
Assets:				
Current and other assets	\$ 80.7	\$ 7.0	\$ 87.7	\$ 9.3
Capital assets (net)	66.9	13.5	80.4	45.6
Total assets	<u>147.6</u>	<u>20.5</u>	<u>168.1</u>	<u>54.9</u>
Liabilities:				
Other liabilities	15.7	2.2	17.9	9.3
Long-term liabilities	52.4	5.9	58.3	3.2
Total liabilities	<u>68.1</u>	<u>8.1</u>	<u>76.2</u>	<u>12.5</u>
Net assets:				
Invested in capital assets, net of related debt	17.2	13.5	30.7	45.6
Restricted	44.2	-	44.2	
Unrestricted	18.1	(1.1)	17.0	(3.2)
Total net assets	<u>\$ 79.5</u>	<u>\$ 12.4</u>	<u>\$ 91.9</u>	<u>\$ 42.4</u>

The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset of the schools are recorded as an asset and long-term liability of the primary government. The primary government consists of governmental activities and business-type activities. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements.

In the case of the primary government, total assets exceeded total liabilities by \$91.9 million at June 30, 2003. The largest portion of net assets, \$44.2 million, reflects funds restricted for capital projects. An additional \$30.7 million represents the County’s investment in capital assets (e.g., land, building, and equipment), less the depreciation and outstanding debt associated with the asset acquisition. The unrestricted net assets of the governmental activities totaled \$17.0 million. For the business-type activities unrestricted net assets showed a deficit of \$1.1 million. This deficit does not mean that there are insufficient resources available to pay the bills; but that long-term commitments are greater than currently available resources. Specifically, the Solid Waste Fund did not receive user fees sufficient to finance the non-current portion of long-term debt. For the component unit, Schools, unrestricted net assets showed a deficit of \$3.2 million. This deficit occurred

because revenue collections were insufficient to cover the long-term liabilities associated with unused employee vacation and sick leave accruals. These long-term liabilities are intended to be financed in part with future resources.

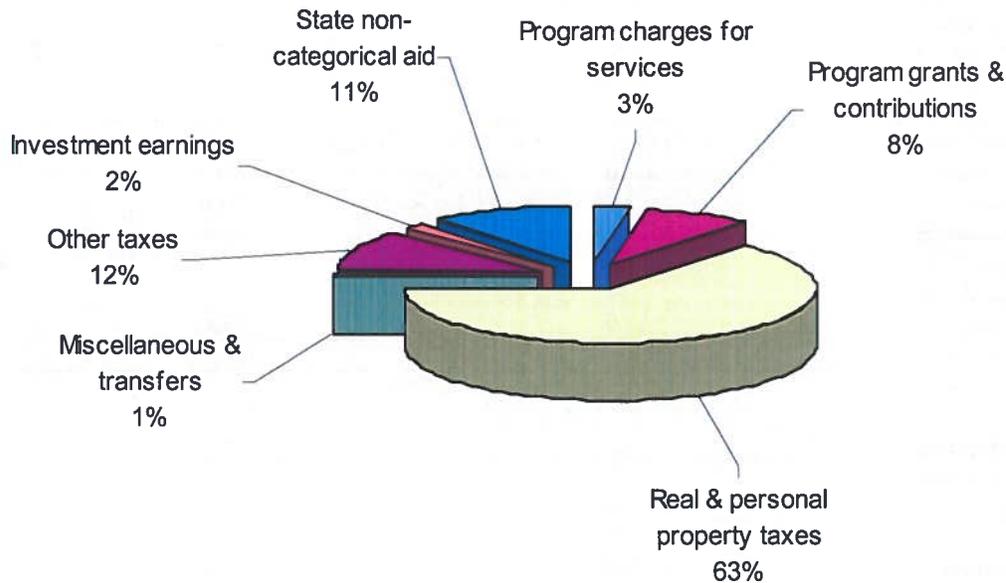
Statement of Activities

Table 2 summarizes the Statement of Activities (Exhibit 2 in the Financial Section of the CAFR) for the primary government and component unit.

Summary of Activities				
Table 2 For the Fiscal Year Ended June 30, 2003				
(\$ in millions)				
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total Primary Government	Schools
Revenues				
Program revenues:				
Charges for services	\$ 3.1	\$ 16.7	\$ 19.8	\$ 2.5
Operating grants and contributions	9.1	-	9.1	56.2
Capital grants	-	0.5	0.5	-
General revenues:				
Real & personal property taxes	68.0	-	68.0	-
Other taxes	12.6	-	12.6	-
Investment earnings	1.7	0.1	1.8	-
Miscellaneous	0.6	-	-	0.4
Commonwealth non-categorical aid	12.0	-	12.0	30.2
Total revenues	<u>107.1</u>	<u>17.3</u>	<u>124.4</u>	<u>89.3</u>
Expenses				
General government	7.2	-	7.2	-
Judicial administration	2.3	-	2.3	-
Public safety	13.4	-	13.4	-
Public works	6.1	-	6.1	-
Health & welfare	5.8	-	5.8	-
Education	53.4	-	53.4	87.0
Parks, recreation & cultural	3.0	-	3.0	-
Community development	3.7	-	3.7	-
Other	0.5	-	0.5	-
Interest - long-term debt	2.7	-	2.7	-
Solid waste	-	4.2	4.2	-
Airport	-	0.2	0.2	-
Fleet maintenance	-	1.7	1.7	-
Health insurance	-	8.9	8.9	-
Total expenses	<u>98.1</u>	<u>15.0</u>	<u>113.1</u>	<u>87.0</u>
Changes in net assets	9.1	2.3	11.4	2.3
Beginning net assets	70.4	10.1	80.5	40.1
Ending net assets	<u>\$ 79.5</u>	<u>\$ 12.4</u>	<u>\$ 91.9</u>	<u>\$ 42.4</u>

Governmental Activities: As reflected in Table 2, total primary government net assets increased by \$11.4 million. Of this amount, governmental activities accounted for \$9.1 million, or 79.5% of the total primary government increase in net assets. Revenues from governmental activities totaled \$107.1 million. Of these revenues, \$12.2 million, or 11.4% of the total revenue, was generated from program revenues. The most significant portion of program revenue was generated from grant and contribution revenues that subsidize specific programs and activities, totaling \$9.1 million. In addition, \$3.1 million was generated from charges for services. Public safety programs accounted for the largest share of the charges for services revenue at \$1.4 million. The remaining revenues are from general revenue such as taxes and investment earnings. The following chart provides a breakdown of revenue collections by source. Taxes comprise the largest source of these revenues, totaling \$80.6 million, or 75.4% of all governmental activities revenue. Of this amount, real and personal property taxes comprise 63.5% of the taxes collected. In fiscal year 2003, the County was able to maintain the rates on its taxes at prior year levels.

**Governmental Activities – Revenues by Source
For the Fiscal Year Ended June 30, 2003**



As shown in Table 2, the total expenses for governmental activities for this fiscal year were \$98.1 million. The following chart illustrates total expenses by function. Education continues to be the County's largest program and highest priority with expenses totaling \$53.4 million, or 55% of total expenses. The amount shown in Table 2 for education only covers the direct costs incurred by the Fauquier County Public Schools. In addition, education incurs indirect expenditures, which are reported in the governmental activities (General Fund). The County has consolidated the services provided by the departments of general services (maintenance of buildings and grounds), human resources, and finance. Approximately 70% of the costs of these consolidated functions is associated with educational activities. As shown in Exhibit 12 of the Financial Section of this report, these functions cost approximately \$4.8 million in fiscal year 2003. The portion allocated to education is approximately \$3.3 million. Typically, school systems bear these costs directly. However, in Fauquier County with the consolidated departments, the costs are shown in the General Fund. Recognizing these costs as a function of education results in approximately 57.8% of the total expenses related to education. Further, the County incurs debt service for school facilities that are retained as County assets until the debt is paid in full. In fiscal year 2003, the debt service and

fiscal charges on school facilities totaled \$6.2 million. Public safety expenses, which total \$13.4 million (13.6%), represent the second largest expense category for governmental activities.

**Governmental Activities
Functional Expenses
For the Fiscal Year Ended June 30, 2003**

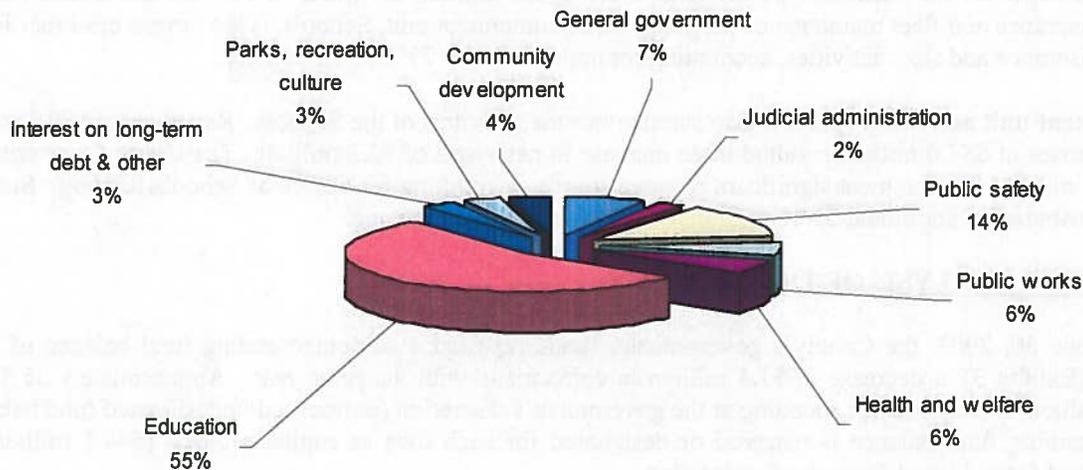


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County's governmental activities.

Table 3 Net Cost of Governmental Activities For the Fiscal Year Ended June 30, 2003 (\$ in millions)		
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 7.2	\$ 6.7
Judicial administration	2.3	0.4
Public safety	13.4	8.2
Public works	6.1	6.0
Health & welfare	5.8	2.4
Education	53.4	53.4
Parks, recreation and culture	3.0	2.4
Community development	3.7	3.2
Interest on long-term debt & other	3.2	3.2
Total	\$ 98.1	\$ 85.9

As Table 3 demonstrates, governmental activities generate revenue that helps offset the cost of those services. For example, revenue is generated from charges for courtroom security, which helps offset the cost to protect the public; for parks and recreation activities, which offsets some cost in offering these programs; and from some grants, which are program specific. After recognizing the revenue from these fees, grants, and contributions, the net cost of governmental activities was \$85.9 million. General revenue, primarily in the form of taxes, and State aid are needed to support the services that are not fee supported.

Business-type activities: Table 2 also summarizes the business-type activities. These activities increased the County's net assets by \$2.3 million, accounting for 20.2% of the total increase in net assets of the County. Revenues totaled \$17.3 million of which 96.5% (\$16.7 million) was generated by user fees or charges for services. Business-type activities are generally intended to be self-supporting. Fees are established to recover the cost of providing the service.

The total expenses for business-type activities were \$15.0 million, of which 70.7% was associated with the health insurance and fleet maintenance programs. The component unit, Schools, is the largest customer for the health insurance and fleet activities, accounting for approximately 75% of the activity.

Component unit activities: Table 2 also summarizes the activities of the Schools. Revenues of \$89.3 million and expenses of \$87.0 million resulted in an increase in net assets of \$2.3 million. The County's contribution of \$56.1 million was the most significant revenue source, accounting for 62.8% of Schools funding. State aid also contributed an additional \$30.2 million, or 33.8% of the total revenue.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2003, the County's governmental funds reported a combined ending fund balance of \$68.3 million (Exhibit 3), a decrease of \$1.4 million in comparison with the prior year. Approximately 35.3%, or \$24.1 million, is available for spending at the government's discretion (unreserved/undesignated fund balance). The remaining fund balance is reserved or designated for such uses as capital projects (\$44.1 million) for County and Schools, and for parks & recreation.

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unreserved fund balance of \$22.7 million (Exhibit 3). The General Fund's liquidity can be measured by comparing unreserved fund balance to total fund revenues. Unreserved fund balance represents 22.4% of total revenues in the General Fund. Effective fiscal year 2003, the Board of Supervisors adopted a resolution setting a minimum fund balance target for the General Fund of 10% of General Fund revenue. Unless the Board of Supervisors determines to retain fund balance in the General Fund above the minimum target, amounts in excess of the target will be transferred to the construction reserve account in the Capital Projects Fund for future capital needs. For the fiscal year, the fund balance in the General Fund increased by a modest 1.8% (\$406,178), suggesting that revenue sources and actual expenditures were well balanced.

Significant outlays in fiscal year 2003 included the following:

- The General Fund contributed \$51.0 million in operating funds to finance the Schools operations.
- The General Fund also incurred \$6.2 million in debt service for schools construction projects funded with bond proceeds from the issuance of general obligation bonds.
- The County incurred \$1.1 million in debt service for County projects such as the radio system and the County office building at Hospital Drive.
- The General Fund transferred \$7.7 million to the Capital Projects Fund to fund capital improvement projects for the County.

BUDGETARY HIGHLIGHTS

General Fund

Table 4 provides a comparison of original budget, final amended budget, and actual revenues and expenditures in the General Fund.

Table 4			
Budgetary Comparison			
General Fund			
For the Fiscal Year Ended June 30, 2003			
(\$ in millions)			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
Revenues			
Taxes	\$ 84.3	\$ 72.9	\$ 76.2
Other	3.3	3.7	4.7
Intergovernmental	9.0	20.8	20.5
Total	<u>96.6</u>	<u>97.4</u>	<u>101.4</u>
Expenditures			
Expenditures	<u>95.4</u>	<u>98.7</u>	<u>92.6</u>
Excess (deficiency) of revenues over expenditures	<u>1.2</u>	<u>(1.3)</u>	<u>8.8</u>
Other financing sources (uses)			
Transfers	<u>(1.2)</u>	<u>(8.4)</u>	<u>(8.4)</u>
Change in fund balance	<u>\$ -</u>	<u>\$ (9.7)</u>	<u>\$ 0.4</u>

During the year, budget amendments approved by the Board of Supervisors could be classified in the following key categories:

- Amendments for operating and capital projects that were incomplete in the prior fiscal year, and subsequently reappropriated in the new fiscal year.
- Amendments for supplemental appropriation for new projects, and/or change orders for prior approved projects.
- Amendments for transfers and adjustments to support revised priorities and account code restructuring.

Final amended budget revenues exceeded the original budget by \$824,869, primarily due to increases in collections from charges for services, federal grants, permits, fees and fines. The amended budget for charges for services increased by \$222,745, or 27.0% of the total increase. Revenue, particularly from court-related charges such as filing fees, performed well above projections. Federal grants were awarded, resulting in amendments totaling \$242,378. These grants were primarily for public safety and social service programs. Actual revenues and “transfers in” exceeded the amended budget by \$4.0 million. Tax collections, accounted for \$3.3 million, or 82.2% of the total increase. Increases in tax collections occurred in real and personal property, sales taxes, utility and business license taxes, and recordation taxes.

The final amended budget for expenditures and “transfers out” totaled \$107.1 million compared to the original budget of \$96.6 million, an increase of \$10.5 million. The difference is primarily due to the addition of transfers to the Capital Projects Fund for major construction projects, including \$2.0 million for the Warren

Green Building renovation, \$1.1 for the detention center renovation, \$1.0 million to the Schools construction reserve, and \$1.1 for the northern swimming pool and Bealeton Library projects.

Actual expenditures and “transfers out” for the General Fund totaled \$101.0 million, or \$6.1 million less than the amended budget. Of this difference, \$3.0 million is a reduction in the transfer to the component unit, Schools, and the remaining difference is attributed to performance under budget by general government, judicial administration, public safety, comprehensive services, community development, parks and recreation, and contingency reserves. For the Schools, the County transfers its appropriation based on actual expenditures. Any savings the schools generate in the form of unexpended appropriations are reappropriated in the new fiscal year to cover one-time school operating needs and capital projects. Therefore \$3.0 million in fiscal year 2003 unexpended appropriations will be reappropriated in fiscal year 2004 to support one-time operating needs, and capital projects. The other significant category which performed under budget was the contingency reserve accounts. The amended contingency reserve budget totaled \$1.1 million with less than \$16,000 expended. These reserves were for such items as fuel, salary adjustments and health insurance, which were adequately covered by departmental budgets.

Major Capital Projects Fund

Table 5 provides a comparison of original budget, final amended budget, and actual revenues and expenditures in the Capital Projects Fund.

Budgetary Comparison Capital Projects Fund For the Fiscal Year Ended June 30, 2003 (\$ in millions)			
Table 5	Original Budget	Amended Budget	Actual
Revenues			
Taxes	\$ -	\$ 0.1	\$ 0.2
Other	-	-	0.7
Intergovernmental	3.6	4.6	4.1
Total	3.6	4.7	5.0
Expenditures			
General government	2.4	3.0	1.1
Public safety	9.1	10.4	4.3
Public works	9.6	13.3	1.6
Education	21.6	21.8	6.9
Parks, recreation & cultural	16.3	18.2	2.6
Community development	4.8	5.7	0.4
Debt service		0.2	0.1
Total expenditures	63.8	72.6	17.0
Excess (deficiency) of revenues over expenditures	(60.2)	(67.9)	(12.0)
Other financing sources			
Transfers in	1.0	8.2	8.2
Bond & note proceeds	13.5	13.5	1.7
Total other financing sources	14.5	21.7	9.9
Change in fund balance	\$ (45.7)	\$ (46.2)	\$ (2.1)

As reflected in Table 5, the amended budget revenues and other financing sources exceeded the original budget by \$8.2 million. Amendments to revenue are primarily attributed to “transfers in” from the General Fund to

support such construction related projects such as the Warren Green Building renovation, school construction reserve, and parks and recreation and library projects. Also, grants were awarded by the State for parks and recreation projects. Actual revenue and other financing sources were \$11.5 million less than the amended budget because the amended budget included bond proceeds, but the County delayed the bond issuance for the new fiscal year to more appropriately meet cash flow needs for the middle school project.

The final amended budget expenditures exceeded the original budget by \$8.8 million as a result of budget supplements for public safety, public works, parks and recreation, and community development. Actual expenditures were \$17.0 million compared to the final amended budget of \$72.6 million. In the Capital Projects Fund, the County budgets approved projects which often cover multiple years. At year end, the remaining project funding is reappropriated. It is typical for the Capital Projects Fund budget to significantly exceed the actual expenditures.

During the year, actual expenditures exceeded actual revenues and other financing sources by \$2.1 million, resulting in the use of fund balance. The County's practice is to transfer cash to the Capital Projects Fund for cash-funded projects at the time of approval. Since the timeline on major capital projects can be lengthy, funds may be transferred in one fiscal year and the expenditure occurs in another fiscal year. With this process, a use of fund balance is expected.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

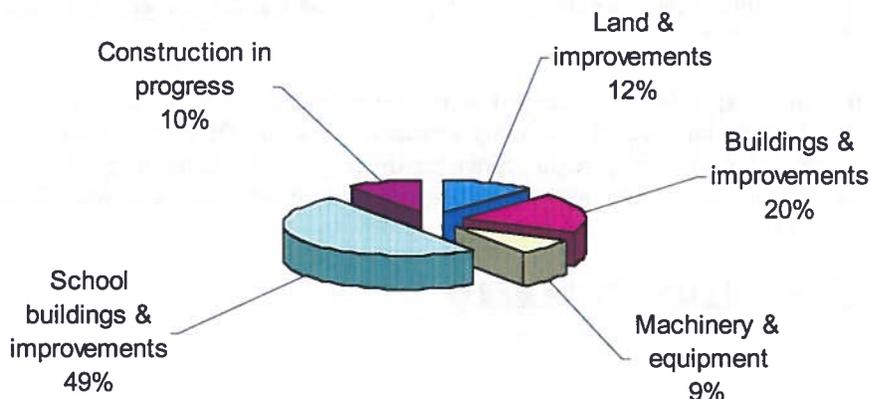
Table 6 provides information on changes in the capital assets of the governmental funds during fiscal year 2003.

Table 6			
Change in Capital Assets			
Governmental Funds			
(\$ in millions)			
	Balance	Net Additions	Balance
	July 1, 2002	& Deletions	June 30, 2003
Land & improvements	\$ 9.9	\$ -	\$ 9.9
Buildings & improvements	14.7	1.0	15.7
Machinery & equipment	6.2	1.0	7.2
School buildings & improvements *	38.6	1.4	40.0
Construction in progress	1.4	6.4	7.8
Total capital assets	70.8	9.8	80.6
Less: accumulated depreciation	12.1	1.6	13.7
Net capital assets	\$ 58.7	\$ 8.2	\$ 66.9

* School Board capital assets are jointly owned by the County and the component unit School Board. The County maintains ownership of the capital asset until any debt owed on the asset is paid in full. The County reports depreciation expense on these assets until such time as the debt is paid, and the asset is transferred to the component unit, Schools.

As illustrated in Table 6, the County's investment in capital assets for the primary government totaled \$80.6 million before depreciation. The net investment in capital assets (including additions, decreases, and depreciation) increased \$8.2 million, or 14.0%. The County's capital assets includes items such as public safety equipment, buildings, parks & recreation facilities, libraries, schools, buses, and public works vehicles and equipment. The capital assets before depreciation are categorized as shown in the following chart. School buildings and improvements account for the largest category at 49% of the total capital assets.

**Capital Assets of the Primary Government
As of June 30, 2003**



The County's Capital Improvements Program Committee (Committee), composed of citizens appointed by the Board of Supervisors by magisterial district, receives the five-year requests from departments, agencies, and the component unit, Schools. The projects are evaluated, and the Committee prepares a recommended five-year program, which is then sent for action by the Planning Commission and the Board of Supervisors. With the fiscal year 2005 budget, this Capital Improvement Program will be extended to a ten-year program. Typically, new requests are only added in the last year of the five-year plan unless mitigating circumstances such as safety concerns are involved. The County has adopted a resolution requiring a voter referendum for projects in which the total costs are \$10.0 million or more. This resolution further requires that in the event the County's debt service requirements exceed 10% of General Fund revenues, a referendum is then required for projects that cost more than \$2.0 million.

This year's major capital asset additions for the governmental activities include the following:

- Improvements in the Warren Green Building in the amount of \$209,881.
- Bealeton Library construction in the amount of \$1.0 million.
- The addition of 24 new police vehicles in the amount of \$497,694.
- Addition of a CAD system and a phone system for public safety in the amount of \$596,288.
- Marshall Community Center renovation in the amount of \$497,966, and the Warrenton Community Center in the amount of \$239,038.
- Auburn Middle School construction in the amount of \$1.4 million.
- Construction of an emergency radio system and towers in the amount of \$3.8 million.

The County's fiscal year 2004 capital improvement plan calls for the following major projects:

- Auburn Middle School construction in the amount of \$11.7 million.
- 800 MHz radio system placed in operation in the amount of \$4.7 million.

- Warren Green Building renovation in the amount of \$1.3 million.
- Northern Sports Complex in the amount of \$9.7 million.
- Adult Detention Center in the amount of \$1.3 million.
- Bealeton Library in the amount of \$1.0 million.

More details on the capital assets are provided in Note 7, Notes to Financial Statements section of this report.

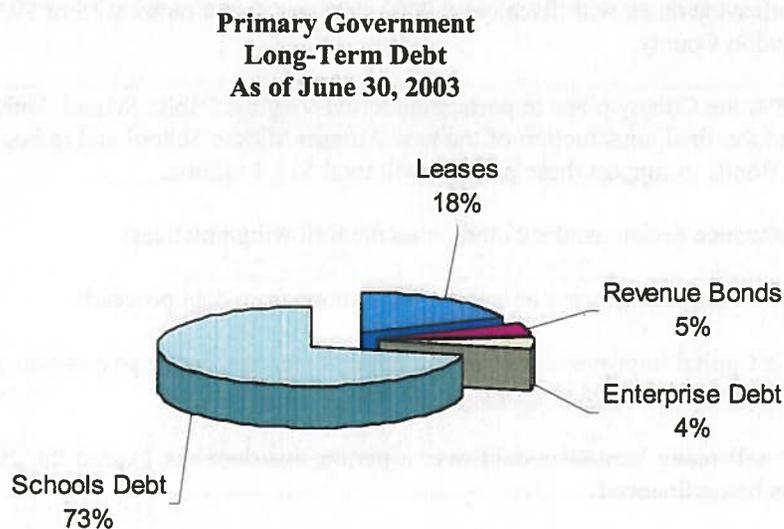
Long-term Debt

Table 7 provides an overview of the long-term obligations (excluding compensated absences) for the primary government.

Table 7			
Summary of Changes in Long-Term Debt			
For the Fiscal Year Ended June 30, 2003			
(\$ in millions)			
	<u>Amounts Payable</u> <u>July 1, 2002</u>	<u>Net Increase</u> <u>(Decrease)</u>	<u>Amounts Payable</u> <u>June 30, 2003</u>
Primary Government:			
Capital leases	\$ 9.4	\$ 1.0	\$ 10.4
Revenue bonds	3.1	-	3.1
General obligation bonds	45.0	(3.8)	41.2
Total long-term debt	\$ 57.5	\$ (2.8)	\$ 54.7

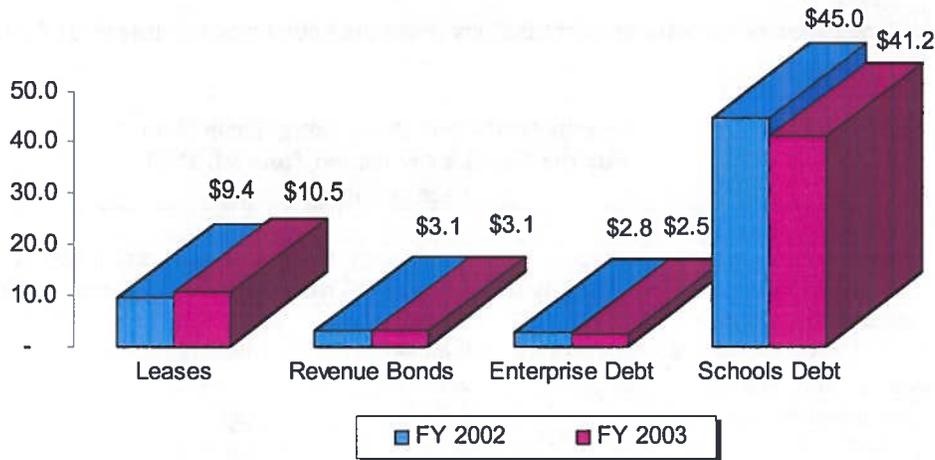
As of June 30, 2003, the County's long-term debt, excluding compensated absences, totaled \$54.7 million. During the year, the County added a capital lease in the amount of \$1.7 million for the construction of a branch library in Bealeton. The lease provides for draws by the County during construction. The County paid interest only for the amount disbursed. The lease amortization will not begin until fiscal year 2004.

The chart below illustrates long-term debt by type and the percentage of each type relative to the total outstanding debt. Schools General Obligation Bonds represent the largest category of debt with 73% of the County's total debt.



The following chart compares long-term indebtedness, less compensated absences, for fiscal year 2002 and 2003 by type and amount outstanding. As shown, lease obligations increased while enterprise debt and school-related debt obligations decreased. The increase in lease obligations resulted from the addition of a \$1.7 million obligation for the Bealeton Library construction.

Long-Term Indebtedness by Obligation Type
(\$ in millions)



The County does not have a legal limit on the amount of general obligation bonded indebtedness that it can at any time incur or have outstanding. However, by State law general obligation indebtedness must be approved by voter referendum prior to issuance except for debt incurred from the State Literary Fund or the Virginia Public School Authority. The County has participated in the Virginia Public School Authority's bond sales for the past several years. The proceeds of these bonds are used exclusively to fund school capital projects.

In its Balanced Scorecard Program, the County adopted two debt ratios as a management tool. The first ratio is to limit annual general government debt service to no more than 10% of General Fund expenditures. In fiscal year 2003, the County's debt to expenditure ratio was 7.3%. The second ratio is total debt per capita. This ratio is compared to past performance and to a peer group of localities. In fiscal year 2003, the general government debt per capita was \$998. This ratio decreased from \$1,071 in the prior year. It also compares favorably with other localities with fiscal year 2002 debt per capita ranging from \$935 for Albemarle County to \$2,884 for Loudon County.

In fiscal year 2004, the County plans to participate in the Virginia Public School Authority General Obligation Bond sale to fund the final construction of the new Auburn Middle School and to begin renovations on Taylor Middle School. Bonds to support these projects will total \$12.4 million.

In making debt issuance decisions, the County uses the following practices:

- The County will not fund current or ongoing operations from debt proceeds.
- The County's Capital Improvement Planning process includes both a pay-as-you-go element (cash funded) and a debt element for the addition of capital assets.
- The County will repay long-term debt over a period that does not exceed the expected useful life of the capital assets being financed.
- The County will comply with finance industry standards for disclosure related to debt offerings.
- The County has set a debt service limit to no more than 10% of General Fund expenditures.

- The County uses a debt per capita ratio as a management tool in evaluating debt capacity, comparing the County to a peer group and to historical performance.

More detailed information on the County's long-term obligations is presented in Note 8, Notes to Financial Statements section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- The average unemployment rate for the County of Fauquier in June 2003 was 2.2%, an increase of 0.5% from June 2001. This compares favorably to the state's rate of 4.3% and the national rate of 6.0%. The November 2003 unemployment rate for the County was 1.8% compared to the state's rate of 3.6% and the national rate of 5.7%.
- According to the Weldon Cooper Center, population estimates for Fauquier County as of July 1, 2003 were 57,400, an increase of 2.0% over the prior year. Population estimates for the last ten years are provided in Table 6, Statistical Section of this report.
- The enrollment in public schools increased in fiscal year 2003 by 3.7% from 9,678 to 10,031, after a prior year growth in enrollment of less than one percent. School enrollment for the last ten years is provided in Table 9, Statistical Section of this report.
- The 2001 per capita income for Fauquier County was \$39,058, compared to \$32,338 for the State of Virginia, as reported by the Weldon Cooper Center for Public Service.

Fiscal Year 2004 Budget and Rates

- For fiscal year 2004, the adopted budget for the General Fund is \$101.0 million, an increase of 4.9% over fiscal year 2003. Revenues are comprised primarily of general property taxes at 64.3%, other local taxes at 11.3%, and State assistance at 19.0%.
- The single largest expenditure for the County is the local support of the public school system at 60.7 % of total expenditures. In fiscal year 2004, the County's transfer to the component unit, Schools, increased by 4.0% to \$61.3 million. Public safety is second, accounting for 13.9% of the expenditures. Public safety also has a dedicated real property tax of \$0.07 per \$100 of assessed value. This tax supports County and volunteer fire and rescue operations.
- Tax rates for real and personal property remained unchanged. Detail on the tax rates is provided in Table 5, Statistical Section of this report.
- The County and Schools initiated a revenue sharing program in which the Schools maintained its base contribution from fiscal year 2003, and would receive 60% of any new, non-dedicated revenue.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Janice G. Bourne, Director of Finance, County of Fauquier, 320 Hospital Drive, Suite 32, Warrenton, Virginia 20186, telephone (540) 428-8726, or visit the County's web site at www.fauquiercounty.gov.

This page left intentionally blank

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements include all funds, discretely presented component unit and notes to provide an overview of the financial position and results of operation for the County as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.



Faint, illegible text centered on the page, possibly bleed-through from the reverse side.



GOVERNMENT-WIDE FINANCIAL STATEMENTS

CONFIDENTIAL - SECURITY INFORMATION



COUNTY OF FAUQUIER, VIRGINIA

Exhibit 1

Statement of Net Assets
June 30, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
Assets				
Current assets:				
Cash and investments	\$ 72,569,644	\$ 6,065,253	\$ 78,634,897	\$ 598,366
Receivables, net of allowances for uncollectibles:				
Taxes, including penalties	3,367,409	-	3,367,409	-
Accounts	2,679,902	786,595	3,466,497	176,255
Interfund	280,640	-	280,640	-
Due from primary government	-	-	-	6,004,767
Due from other governmental units	1,808,765	17,391	1,826,156	2,560,547
Inventories	-	104,691	104,691	-
Total current assets	<u>80,706,360</u>	<u>6,973,930</u>	<u>87,680,290</u>	<u>9,339,935</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)				
Land	9,909,083	6,558,442	16,467,525	4,166,986
Construction in process	7,788,685	989,251	8,777,936	9,282,606
Buildings and improvements	11,154,032	4,844,734	15,998,766	25,644,993
Jointly owned assets	35,356,462	-	35,356,462	-
Infrastructure	-	758,445	758,445	-
Equipment	2,691,862	369,833	3,061,695	6,519,097
Total capital assets	<u>66,900,124</u>	<u>13,520,705</u>	<u>80,420,829</u>	<u>45,613,682</u>
Other assets	-	28,864	28,864	-
Total noncurrent assets	<u>66,900,124</u>	<u>13,549,569</u>	<u>80,449,693</u>	<u>45,613,682</u>
Total assets	<u>147,606,484</u>	<u>20,523,499</u>	<u>168,129,983</u>	<u>54,953,617</u>
Liabilities and fund balances				
Current liabilities:				
Accounts payable	2,754,767	567,096	3,321,863	523,461
Accrued and other liabilities	1,083,908	1,063,213	2,147,121	8,252,651
Accrued interest	961,422	-	961,422	-
Deferred revenue	-	-	-	143,417
Due to component units	6,004,767	-	6,004,767	-
Due to other funds	-	250,000	250,000	-
Current portion of long-term debt	4,923,187	338,683	5,261,870	359,767
Total current liabilities	<u>15,728,051</u>	<u>2,218,992</u>	<u>17,947,043</u>	<u>9,279,296</u>
Noncurrent liabilities:				
Noncurrent portion of long-term debt	52,389,900	5,850,056	58,239,956	3,237,903
Total liabilities	<u>68,117,951</u>	<u>8,069,048</u>	<u>76,186,999</u>	<u>12,517,199</u>
Net assets				
Invested in capital assets, net of related debt	17,190,623	13,520,705	30,711,328	45,613,682
Restricted for:				
Capital projects	44,053,202	-	44,053,202	-
Other	180,109	-	180,109	-
Unrestricted(deficit)	18,064,599	(1,066,254)	16,998,345	(3,177,264)
Total net assets	<u>79,488,533</u>	<u>12,454,451</u>	<u>91,942,984</u>	<u>42,436,418</u>
Total liabilities and net assets	<u>\$ 147,606,484</u>	<u>\$ 20,523,499</u>	<u>\$ 168,129,983</u>	<u>\$ 54,953,617</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Activities
Fiscal Year Ended June 30, 2003

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 7,149,589	\$ 15,009	\$ 389,931	\$ -
Judicial administration	2,286,910	924,377	920,137	-
Public safety	13,361,055	1,437,682	3,771,095	-
Public works	6,073,191	55,124	60,234	-
Health and welfare	5,837,219	23,948	3,379,356	-
Education	53,385,062	-	-	-
Parks, recreation and culture	3,036,023	454,772	198,851	-
Community development	3,713,826	176,087	347,398	-
Non-departmental	516,608	-	-	-
Interest on long-term debt	2,729,065	-	-	-
Total governmental activities	98,088,548	3,086,999	9,067,002	-
Business-type activities:				
Solid-waste	4,226,521	5,966,800	27,630	-
Airport	157,888	146,646	-	485,967
Fleet maintenance	1,753,717	1,693,002	-	-
Health insurance	8,871,607	8,889,993	-	-
Total business-type activities	15,009,733	16,696,441	27,630	485,967
Total primary government	113,098,281	19,783,440	9,094,632	485,967
Component unit				
School Board	86,982,803	2,459,762	30,240,393	-
Total component unit	\$ 86,982,803	\$ 2,459,762	\$ 30,240,393	\$ -
General revenues:				
General property taxes				
Other local taxes				
County contribution to School Board				
Investment earnings				
Miscellaneous				
Commonwealth of Virginia non-categorical aid				
Transfers				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

The accompanying notes to financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Assets

Primary Government			Component Unit		
Governmental Activities	Business-Type Activities	Total	School	Functions/Programs	
\$ (6,744,649)		\$ (6,744,649)		Primary Government	
(442,396)		(442,396)		Governmental activities:	
(8,152,278)		(8,152,278)		General government	
(5,957,833)		(5,957,833)		Judicial administration	
(2,433,915)		(2,433,915)		Public safety	
(53,385,062)		(53,385,062)		Public works	
(2,382,400)		(2,382,400)		Health and welfare	
(3,190,341)		(3,190,341)		Education	
(516,608)		(516,608)		Parks, recreation and culture	
(2,729,065)		(2,729,065)		Community development	
				Non-departmental	
				Interest on long-term debt	
<u>(85,934,547)</u>		<u>(85,934,547)</u>		Total governmental activities	
				Business-type activities:	
- \$ 1,767,909	1,767,909	1,767,909		Solid-waste	
- 474,725	474,725	474,725		Airport	
- (60,715)	(60,715)	(60,715)		Fleet maintenance	
- 18,386	18,386	18,386		Health insurance	
- 2,200,305	2,200,305	2,200,305		Total business-type activities	
- 2,200,305	2,200,305	(83,734,242)		Total primary government	
			\$ (54,282,648)	Component unit	
			<u>(54,282,648)</u>	School Board	
				Total component unit	
68,035,337	-	68,035,337	-	General revenues:	
12,652,862	-	12,652,862	-	General property taxes	
-	-	-	56,150,392	Other local taxes	
1,727,060	97,246	1,824,306	573	County contribution to School Board	
589,654	-	589,654	419,675	Investment earnings	
12,027,839	-	12,027,839	-	Miscellaneous	
(38,642)	38,642	-	-	Commonwealth of Virginia non-categorical aid	
94,994,110	135,888	95,129,998	56,570,640	Transfers	
9,059,563	2,336,193	11,395,756	2,287,992	Total general revenues	
70,428,970	10,118,258	80,547,228	40,148,426	Change in net assets	
\$ 79,488,533	\$ 12,454,451	\$ 91,942,984	\$ 42,436,418	Net assets - beginning	
				Net assets - ending	

This page left intentionally blank

FUND FINANCIAL STATEMENTS



2025 RELEASE UNDER E.O. 14176

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2003

	Primary Government			
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 26,397,561	\$ 44,633,626	\$ 1,538,457	\$ 72,569,644
Receivables, net of allowances for uncollectibles:				
Taxes, including penalties	3,367,409	-	-	3,367,409
Accounts	985,541	1,471,127	223,234	2,679,902
Interfund	30,640	250,000	-	280,640
Due from other governmental units	1,808,765	-	-	1,808,765
Total assets	32,589,916	46,354,753	1,761,691	80,706,360
Liabilities				
Accounts payable	718,454	1,881,994	154,319	2,754,767
Accrued liabilities	607,676	-	56,675	664,351
Other liabilities	-	419,557	-	419,557
Due to component unit	6,004,767	-	-	6,004,767
Deferred revenue	2,566,519	-	-	2,566,519
Total liabilities	9,897,416	2,301,551	210,994	12,409,961
Fund balance				
Fund balances:				
Reserved for:				
Parks and recreation operations	-	-	120,679	120,679
Library operations	-	-	59,430	59,430
Unreserved:				
Designated:				
Capital projects fund	-	44,053,202	-	44,053,202
Undesignated:				
General fund	22,692,500	-	-	22,692,500
School Board	-	-	-	-
Special revenue fund	-	-	1,370,588	1,370,588
Total fund balance	22,692,500	44,053,202	1,550,697	68,296,399
Total liabilities and fund balance	\$ 32,589,916	\$ 46,354,753	\$ 1,761,691	\$ 80,706,360

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 4

**Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets
Fiscal Year Ended June 30, 2003**

	<u>Primary Government</u>
Total fund balances - governmental funds	\$ 68,296,399
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.	66,900,124
Deferred revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.	2,566,519
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(961,422)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. This amount includes the current portion and long-term obligation amounts.	(57,313,087)
Net assets of governmental activities	\$ <u>79,488,533</u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 5

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2003

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
General property taxes	\$ 64,490,211	\$ 221,846	\$ 3,889,526	\$ 68,601,583
Other local taxes	11,727,145	-	925,717	12,652,862
Permits, privilege fees and regulatory licenses	1,508,077	-	-	1,508,077
Fines and forfeitures	504,517	-	-	504,517
Revenue from use of money and property	1,421,527	303,028	2,505	1,727,060
Charges for services	1,019,281	55,124	-	1,074,405
Miscellaneous	136,119	323,140	12,442	471,701
Recovered costs	137,727	-	7,890	145,617
Intergovernmental:				-
Contribution from School Board	-	3,789,103	-	3,789,103
Commonwealth	18,412,055	-	261,407	18,673,462
Federal	2,058,211	344,346	18,822	2,421,379
Total revenues	101,414,870	5,036,587	5,118,309	111,569,766
Expenditures				
Current operating:				
General government administration	6,625,921	1,062,447	-	7,688,368
Judicial administration	2,186,402	-	-	2,186,402
Public safety	8,437,521	4,265,129	4,931,468	17,634,118
Public works	4,397,446	1,605,050	-	6,002,496
Health and welfare	5,787,402	-	-	5,787,402
Education	51,019,617	6,913,769	-	57,933,386
Parks, recreation, and cultural	3,096,652	2,617,278	17,647	5,731,577
Community development	3,280,733	426,549	-	3,707,282
Non-departmental	523,408	-	-	523,408
Debt service:				
Principal retirement	4,484,717	-	-	4,484,717
Interest and other costs	2,769,165	147,425	-	2,916,590
Total expenditures	92,608,984	17,037,647	4,949,115	114,595,746
Excess (deficiency) of revenues over expenditures	8,805,886	(12,001,060)	169,194	(3,025,980)
Other financing sources (uses)				
Transfers in	-	8,194,105	170,330	8,364,435
Transfers (out)	(8,399,708)	-	(3,369)	(8,403,077)
Proceeds from indebtedness	-	1,700,000	-	1,700,000
Total other financing sources (uses)	(8,399,708)	9,894,105	166,961	1,661,358
Net changes in fund balance	406,178	(2,106,955)	336,155	(1,364,622)
Fund balances, beginning, as restated	22,286,322	46,160,157	1,214,542	69,661,021
Fund balances, ending	<u>\$ 22,692,500</u>	<u>\$ 44,053,202</u>	<u>\$ 1,550,697</u>	<u>\$ 68,296,399</u>

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Fiscal Year Ended June 30, 2003

		<u>Primary Governmental Funds</u>
Net change in fund balances - total governmental funds	\$	(1,364,622)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current year.</p>		
Capital outlay	\$ 9,028,008	
Joint tenancy assets	1,405,837	
Depreciation expense	<u>(2,241,921)</u>	8,191,924
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of deferred taxes.		(566,246)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Details of this adjustment follow:</p>		
Principal retired on general obligation bonds	3,800,000	
Principal retired on capital lease obligations	684,717	
Proceeds from capital lease obligations	<u>(1,700,000)</u>	2,784,717
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:</p>		
Change in accrued leave	(173,735)	
Change in interest payable	<u>187,525</u>	<u>13,790</u>
Change in net assets of governmental activities	\$	<u>9,059,563</u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 7

Statement of Net Assets
 Proprietary Funds
 June 30, 2003

	Business Type Activity				Total
	Enterprise Funds				
	Solid Waste Fund	Airport Fund	Fleet Maintenance Fund	Health Insurance Fund	
Assets					
Current assets:					
Cash and investments	\$ 1,486,559	\$ 216,928	\$ 48,630	\$ 4,313,136	\$ 6,065,253
Accounts receivable, net of allowance uncollectible	759,160	-	27,435	-	786,595
Inventory	-	-	104,691	-	104,691
Due from other governmental units	2,560	14,831	-	-	17,391
Total current assets	<u>2,248,279</u>	<u>231,759</u>	<u>180,756</u>	<u>4,313,136</u>	<u>6,973,930</u>
Noncurrent assets:					
Capital assets (net of accumulated depreciation)					
Land	1,637,136	4,921,306	-	-	6,558,442
Buildings and improvements	4,118,278	693,516	32,940	-	4,844,734
Equipment	260,782	-	109,051	-	369,833
Infrastructure	758,445	-	-	-	758,445
Construction in process	-	989,251	-	-	989,251
Total capital assets	<u>6,774,641</u>	<u>6,604,073</u>	<u>141,991</u>	<u>-</u>	<u>13,520,705</u>
Other assets	28,864	-	-	-	28,864
Total noncurrent assets	<u>6,803,505</u>	<u>6,604,073</u>	<u>141,991</u>	<u>-</u>	<u>13,549,569</u>
Total assets	<u>9,051,784</u>	<u>6,835,832</u>	<u>322,747</u>	<u>4,313,136</u>	<u>20,523,499</u>
Liabilities					
Current liabilities:					
Accounts payable	435,367	35,481	48,220	48,028	567,096
Accrued liabilities	23,941	730	16,567	1,021,975	1,063,213
Due to other funds	250,000	-	-	-	250,000
Current portion of long-term debt	332,944	-	5,739	-	338,683
Total current liabilities	<u>1,042,252</u>	<u>36,211</u>	<u>70,526</u>	<u>1,070,003</u>	<u>2,218,992</u>
Noncurrent liabilities:					
Noncurrent portion of long-term debt	5,798,400	-	51,656	-	5,850,056
Total liabilities	<u>6,840,652</u>	<u>36,211</u>	<u>122,182</u>	<u>1,070,003</u>	<u>8,069,048</u>
Net Assets					
Invested in capital assets, net of related debt	6,774,641	6,604,073	141,991	-	13,520,705
Unrestricted	<u>(4,563,509)</u>	<u>195,548</u>	<u>58,574</u>	<u>3,243,133</u>	<u>(1,066,254)</u>
Total net assets	<u>2,211,132</u>	<u>6,799,621</u>	<u>200,565</u>	<u>3,243,133</u>	<u>12,454,451</u>
Total liabilities and net assets	<u>\$ 9,051,784</u>	<u>\$ 6,835,832</u>	<u>\$ 322,747</u>	<u>\$ 4,313,136</u>	<u>\$ 20,523,499</u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 8

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Fiscal Year Ended June 30, 2003**

	Business Type Activity - Enterprise Funds				Total
	Solid Waste Fund	Airport Fund	Fleet Maintenance Fund	Health Insurance Fund	
Operating revenues					
Charges for services	\$ 5,934,606	\$ 146,646	\$ 1,693,002	\$ 8,889,993	\$ 16,664,247
Miscellaneous	32,194	-	-	-	32,194
Total operating revenues	5,966,800	146,646	1,693,002	8,889,993	16,696,441
Operating expenses					
Personal services	638,755	16,308	450,844	-	1,105,907
Fringe benefits	176,967	3,100	129,331	8,817,718	9,127,116
Contractual services	2,702,445	91,278	103,107	53,498	2,950,328
Other operating expenses	282,174	19,731	1,030,811	391	1,333,107
Depreciation	269,704	27,471	18,924	-	316,099
Total operating expenses	4,070,045	157,888	1,733,017	8,871,607	14,832,557
Operating income (loss)	1,896,755	(11,242)	(40,015)	18,386	1,863,884
Nonoperating revenues (expenses)					
Interest income	16,267	1,751	-	79,228	97,246
Loss on sale of assets	-	-	(20,700)	-	(20,700)
Commonwealth of Virginia - grants	26,423	227,262	-	-	253,685
Federal - grants	1,207	258,705	-	-	259,912
Interest expense	(156,476)	-	-	-	(156,476)
Total nonoperating revenues (expenses)	(112,579)	487,718	(20,700)	79,228	433,667
Income (loss) before transfers	1,784,176	476,476	(60,715)	97,614	2,297,551
Transfers in	-	38,642	-	-	38,642
Change in net assets	1,784,176	515,118	(60,715)	97,614	2,336,193
Net assets, beginning of year, as restated	426,956	6,284,503	261,280	3,145,519	10,118,258
Net assets, end of year	\$ 2,211,132	\$ 6,799,621	\$ 200,565	\$ 3,243,133	\$ 12,454,451

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 9

Statement of Cash Flows
 Proprietary Funds
 Fiscal Year Ended June 30, 2003

	Business Type Activity - Enterprise Funds				Total
	Solid Waste Fund	Airport Fund	Fleet Maintenance Fund	Health Insurance Fund	
Cash Flow from Operating Activities					
Receipts from customers and users	\$ 5,807,617	\$ 152,517	\$ 1,696,217	\$ 9,109,494	\$ 16,765,845
Payment to suppliers and other operating activities	(2,712,346)	(105,035)	(1,123,901)	(9,025,793)	(12,967,075)
Payment to employees (including fringes)	(815,722)	(19,408)	(580,175)	-	(1,415,305)
Net cash provided by (used in) operating activities	2,279,549	28,074	(7,859)	83,701	2,383,465
Cash Flow from Noncapital Financing Activities					
Transfers in	-	38,642	-	-	38,642
Operating grants	27,630	-	-	-	27,630
Net cash provided by noncapital financing activities	27,630	38,642	-	-	66,272
Cash Flow from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(1,675,477)	(475,297)	-	-	(2,150,774)
Principal paid on debt	(2,790,000)	-	-	-	(2,790,000)
Refunding bonds issued	2,545,000	-	-	-	2,545,000
Payment on interfund obligation	(250,000)	-	-	-	(250,000)
Proceeds from sale of capital assets	-	-	29,000	-	29,000
Interest paid on debt	(156,476)	-	-	-	(156,476)
Federal and state reimbursements for capital projects	-	485,967	-	-	485,967
Net cash provided by (used in) capital and related financing activities	(2,326,953)	10,670	29,000	-	(2,287,283)
Cash Flow from Investing Activities					
Interest	16,267	1,751	-	79,228	97,246
Net cash provided by investing activities	16,267	1,751	-	79,228	97,246
Net increase (decrease) in cash and cash equivalents	(3,507)	79,137	21,141	162,929	259,700
Cash and cash equivalents - beginning of the year	1,490,066	137,791	27,489	4,150,207	5,805,553
Cash and cash equivalents - end of the year	1,486,559	216,928	48,630	4,313,136	6,065,253
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities					
Cash flows from operations:					
Operating income (loss)	1,896,755	(11,242)	(40,015)	18,386	1,863,884
Adjustment to reconcile net income to net cash provided by operations:					
Depreciation	269,704	27,471	18,924	-	316,099
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	(37,881)	5,871	3,271	219,501	190,762
Decrease in due from other governments	2,560	36,051	-	-	38,611
(Increase) in inventory	-	-	(633)	-	(633)
Increase (decrease) in accounts payable	132,051	(23,952)	1,164	(177,861)	(68,598)
Increase (decrease) in accrued liabilities	16,360	(6,125)	9,430	23,675	43,340
Net cash provided by (used in) operating activities	\$ 2,279,549	\$ 28,074	\$ (7,859)	\$ 83,701	\$ 2,383,465

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 10

**Statement of Net Assets
Fiduciary Funds
June 30, 2003**

	Pension Trust		Agency Funds
	Length of Service Award		Agency Funds
Assets			
Cash and investments	\$ -	\$	113,798
Cash in custody of others	1,664,735		52,648
Accounts receivable	-		76,928
	1,664,735		243,374
Total assets	1,664,735		243,374
Liabilities			
Accounts payable	-		33,584
Due to general fund	-		30,640
Amounts held for clients/others	-		179,150
	-		243,374
Total liabilities	-		243,374
Net Assets			
Held in trust for pension benefits	1,664,735		-
Total liabilities and net assets	\$ 1,664,735	\$	243,374

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 11

Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
Fiscal Year Ended June 30, 2003

Additions	
Contribution for beneficiary	\$ 82,195
Investment income	<u>129,396</u>
Total additions	<u>211,591</u>
Deductions	
Members' benefits	185,223
Insurance	61,465
Administrative fees	<u>4,523</u>
Total deductions	<u>251,211</u>
Change in net assets	(39,620)
Net assets - beginning of the year	<u>1,704,355</u>
Net assets - end of the year	<u>\$ <u>1,664,735</u></u>

The accompanying notes to financial statements are an integral part of this statement.

This page left intentionally blank

NOTES TO FINANCIAL STATEMENTS



1988-1989



COUNTY OF FAUQUIER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Fauquier conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

A. Reporting entity

The County of Fauquier, Virginia (government) is a municipal corporation governed by an elected five-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component unit – The County of Fauquier has no blended component units.

Discretely presented component unit – The component unit column in the financial statements includes the financial data of the County's discretely presented component unit, Fauquier County School Board (School Board). It is reported in a separate column to emphasize that it is legally separate from the County.

The School Board is responsible for the elementary and secondary education in the County. School Board members are elected by the voters by magisterial districts. The School Board does not have separate taxing authority and is therefore fiscally dependent upon the County. The County provides significant funding for school operating and capital needs, approves the School Board's budget, levies taxes as necessary, and approves all debt issuances. The School Board consists of the following governmental funds:

School Operating Fund – accounts for the operations of the public school system.

School Textbook Fund – accounts for state and local funds provided for the purchase of textbooks.

School Cafeteria Fund – accounts for the revenue and expenses associated with the food services within the school system.

The Fauquier County School Board does not issue a separate set of financial statements.

Related organizations – The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment. The Board of Supervisors appoints the board members of the Fauquier County Industrial Development Authority and Fauquier County Water and Sanitation Authority.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

Additionally, the government reports the following fund types:

The *Special Revenue Funds* account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. Special Revenue Funds consist of the Joint Communications Fund, Fire and Rescue Fund, Parks and Recreation Trust Fund, and Library Trust Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare Fund, Service to Outside Agencies Fund, Detention Center Fund, Vint Hill Transportation Fund, and Street Lights Fund, Disability Services Board Fund, Performance Bond Fund, and Revenue Maximization Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Landfill, Airport, Fleet Maintenance, and Health Insurance enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Values of shares in the State Non-Arbitrage Program (SNAP) reflect fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Inventory and prepaid items

Inventory is valued using the first in, first out method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Property taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in two installments on June 5th and December 5th. Personal property is assessed at its value on January 1 or when it is acquired or brought into the county. Personal property taxes are due and collectible annually on October 5th. The County bills and collects its own property taxes.

5. Allowance for uncollectible accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$870,354 at June 30, 2003 and is composed solely of property taxes. This allowance represents 0.27% of the total levies for the previous five years.

6. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Restricted assets

The "proceeds from bonds" account is used to report those proceeds of bond issuance that are restricted for use in construction. The "principal and interest payment" accounts are used to segregate resources accumulated for debt service payments over the next twelve months.

8. Capital assets

Capital assets, which include property, plant, and equipment assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of at least \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was capitalized during the current or previous year.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Machinery and equipment	5-15
Vehicles	3-12

9. Component unit capital assets

By law, the School Board does not have taxing authority. As such, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvements to its capital assets. That responsibility lies with the local governing body who issues the debt on behalf of the School Board. Per the Code of Virginia, the capital assets of the School Board are held as tenancy in common. The School Board holds title to the capital assets (buildings and equipment) and is responsible for maintenance and insurance. For financial reporting purposes, the County holds joint tenancy with the School Board. As such, School Board assets and related general obligation debt are reported by the County until such time as the debt obligation is paid in full.

10. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

11. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

13. Net assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation and less any outstanding debt related to the acquisition, construction or improvement of those assets.

NOTE 2 – CASH AND INVESTMENTS

Deposits – All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et.seq. of the *Code of Virginia* (a multiple financial institution collateral pool), or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The Commonwealth Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act.

The Act provides for a pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for any one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Funds deposited in accordance with the requirements of the Act are considered fully secured and thus are not categorized below.

Investments – Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, the African Development Bank, "Prime Quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, the state Treasurer's Local Government Investment Pool (LGIP) and State Non-Arbitrage Program (Virginia SNAP). Bond proceeds subject to arbitrage rebate are invested in the Virginia State Non-Arbitrage Program (See Note 1 D.1).

The County's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its safekeeping agent in the County's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's agent (if a broker/dealer) or trust department (if a bank) in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its agent, or trust department, or safekeeping agent but not in the County's name. The investments in the LGIP and SNAP are not categorized as to assumed risk because they are considered pooled investments in nature, and are not evidenced by securities that exist in physical or book-entry form.

The County's investments in the LGIP and SNAP are authorized by the *Code of Virginia* and are managed under the direction of the State Treasurer. The fair value in the external investment pool is the same as the value of the pool shares at June 30, 2003.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

At year-end, the County's investment balances were as follows:

Investments subject to categorization:	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Treasury & Agencies	\$ 3,027,616	\$ -	\$ -	\$ 3,027,616	\$ 3,027,616
Repurchase Agreements	-	-	38,553,395	38,553,395	38,553,395
Total investments	<u>\$ 3,027,616</u>	<u>\$ -</u>	<u>\$ 38,553,395</u>	41,581,011	41,581,011
Investments not subject to categorization:					
State Non-Arbitrage Program				12,983,170	12,983,170
Investments Pool (SNAP)				19,380,733	19,380,733
Local Government Investments Pool (LGIP)				<u>73,944,914</u>	<u>73,944,914</u>
Total investments					

A summary of cash and investments for the primary government is as follows:

Cash and cash equivalents	6,512,679
Carrying amount of investments	73,944,914
Cash on hand	<u>8,485</u>
Total	<u>80,466,078</u>

A reconciliation of cash and investments to the financial statements follows:

Cash and investments per Exhibit 1	78,634,897
Cash and investments per Exhibit 10	<u>1,831,181</u>
Reconciled total	<u>80,466,078</u>

At year-end the component unit – School Board's cash and deposit balances were as follows:

Deposits	597,016
Cash on hand	<u>1,350</u>
Total cash and deposits	<u>\$ 598,366</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1st. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30th, the budget is legally enacted through passage of an Appropriations Resolution.

NOTE 3- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

4. The Appropriations Resolution places legal restrictions on expenditures at the department level. Expenditures may not exceed appropriations at the department level. Only the Board of Supervisors can revise the appropriation for each department. The Board of Supervisors has adopted a policy for processing changes to the adopted budget. The School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Funds) and the Capital Projects Fund. The School Funds are integrated only at the level of legal adoption. Budgets are legally adopted for these funds and the School Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All budget data presented in the accompanying financial statements reflects the originally adopted budget and the amended budget compared to actual results as of June 30th.
8. Encumbrance accounting is employed in governmental funds. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, but lapse on June 30th, except for Capital Projects Fund. Encumbrances outstanding at year-end may be reappropriated by the Board of Supervisors. Appropriations for the Capital Projects Fund are rolled over to subsequent fiscal years.

B. Excess of expenditures over appropriations

For the year ended June 30, 2003, there were no departments in which expenditures exceeded appropriations.

C. Deficit fund equity

As of June 30, 2003, there were no funds with deficit fund equity.

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2003 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 8,399,708
Joint Communication Fund	128,878	-
Fire and Rescue Fund	41,452	-
Parks & Recreation Trust Fund	-	3,369
Airport Fund	38,642	-
Capital Projects Fund	8,194,105	-
Total	\$ 8,403,077	\$ 8,403,077
Component Unit - School Board:		
School Operating Fund	\$ -	\$ 56,600
School Cafeteria Fund	56,600	-
Total	\$ 56,600	\$ 56,600

Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

NOTE 5 – DUE FROM/TO PRIMARY GOVERNMENT/COMPONENT UNITS OBLIGATIONS AND INTERFUND OBLIGATIONS

The following is a summary of amounts due from/to Primary Government/Component Unit and interfund obligations as of June 30, 2003:

	Due from Primary Government	Due to Component Unit	Interfund Receivables	Interfund Payables
Component unit – School Board	\$ 6,004,767	\$ -	\$ -	\$ -
Primary government – General Fund	-	6,004,767	30,640	-
Primary government – Service to Outside Agencies	-	-	-	30,640
Primary government – Capital Projects Fund	-	-	250,000	-
Primary government – Solid Waste Fund	-	-	-	250,000
Total	\$ 6,004,767	\$ 6,004,767	\$ 280,640	\$ 280,640

NOTE 6 – DUE FROM OTHER GOVERNMENTAL UNITS

The following is a summary of amounts due from other governmental units at June 30, 2003:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 901,060	\$ -
State sales tax	-	1,270,686
Shared expenses	323,769	-
Comprehensive services	358,991	-
Social services	72,938	104,541
Miscellaneous grants	13,493	492,000
Federal Government:		
School fund grants	-	693,320
Social services	135,064	-
Other federal grants	20,841	-
Total	\$ 1,826,156	\$ 2,560,547

NOTE 7 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2003:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Primary government – governmental funds				
Land	\$ 9,909,083	\$ -	\$ -	\$ 9,909,083
Buildings and improvements	14,720,424	1,041,594	15,865	15,746,153
Machinery and equipment	6,244,582	1,661,129	664,025	7,241,686
Construction in progress	1,410,165	6,726,036	347,516	7,788,685
Jointly owned assets	38,570,000	1,405,837	-	39,975,837
Total	70,854,254	10,834,596	1,027,406	80,661,444
Accumulated depreciation	12,146,054	2,241,921	626,655	13,761,320
Net capital assets governmental funds	\$ 58,708,200	\$ 8,592,675	\$ 400,751	\$ 66,900,124

NOTE 7 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Primary government - enterprise funds				
Solid Waste Fund:				
Landfill site	\$ 1,637,136	\$ -	\$ -	\$ 1,637,136
Cell improvements	2,111,920	2,431,923	-	4,543,843
Equipment	412,760	142,519	-	555,279
Infrastructure	854,306	-	-	854,306
Facilities	161,745	-	-	161,745
Construction in progress	898,965	-	898,965	-
Total	<u>6,076,832</u>	<u>2,574,442</u>	<u>898,965</u>	<u>7,752,309</u>
Accumulated depreciation	<u>(707,964)</u>	<u>(269,704)</u>	<u>-</u>	<u>(977,668)</u>
Net capital assets Solid Waste	<u>5,368,868</u>	<u>2,304,738</u>	<u>898,965</u>	<u>6,774,641</u>
Airport Fund:				
Land	4,921,306	-	-	4,921,306
Improvements	943,850	-	-	943,850
Construction in progress	513,954	475,297	-	989,251
Total	<u>6,379,110</u>	<u>475,297</u>	<u>-</u>	<u>6,854,407</u>
Accumulated depreciation	<u>(222,863)</u>	<u>(27,471)</u>	<u>-</u>	<u>(250,334)</u>
Net capital assets Airport	<u>6,156,247</u>	<u>447,826</u>	<u>-</u>	<u>6,604,073</u>
Fleet Maintenance Fund:				
Buildings	349,000	-	-	349,000
Equipment	394,835	-	71,077	323,758
Total	<u>743,835</u>	<u>-</u>	<u>71,077</u>	<u>672,758</u>
Accumulated depreciation	<u>(533,220)</u>	<u>(18,924)</u>	<u>21,377</u>	<u>(530,767)</u>
Net capital assets Fleet	<u>210,615</u>	<u>(18,924)</u>	<u>49,700</u>	<u>141,991</u>
Net capital assets enterprise funds	<u>11,735,730</u>	<u>2,733,640</u>	<u>948,665</u>	<u>13,520,705</u>
Component unit - School Board				
Land	4,166,986	-	-	4,166,986
Buildings and improvements	43,770,365	5,932,519	182,600	49,520,284
Machinery and equipment	12,831,988	1,312,646	726,552	13,418,082
Construction in progress	11,641,974	2,016,365	4,375,733	9,282,606
Total	<u>72,411,313</u>	<u>9,261,530</u>	<u>5,284,885</u>	<u>76,387,958</u>
Accumulated depreciation	<u>(29,276,748)</u>	<u>(2,239,509)</u>	<u>(741,981)</u>	<u>(30,774,276)</u>
Net capital assets component unit - School Board	<u>\$ 43,134,565</u>	<u>\$ 7,022,021</u>	<u>\$ 4,542,904</u>	<u>\$ 45,613,682</u>

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government and the component unit – School Board as follows:

Primary government - governmental funds	
General government	\$ 185,333
Judicial administration	108,840
Public safety	721,201
Public works	111,153
Health and welfare	5,979
Education	866,125
Parks, recreation and cultural	234,491
Community development	8,799
	<hr/>
Total governmental activities	\$ 2,241,921
Primary government - enterprise funds	
Solid Waste Fund	\$ 269,704
Airport Fund	27,471
Fleet Maintenance Fund	18,924
	<hr/>
Total enterprise funds	\$ 316,099
Component unit – School Board	\$ 2,239,509

The following is a summary of restatements in capital assets at the beginning of the year due to changes in the reporting of joint tenancy assets in accordance with the Code of Virginia and due to actual inventory of capital assets:

	Balance June 30, 2002	Restatement	Restated Balance June 30, 2002
Primary government – governmental funds			
Land	\$ 9,909,083	\$ -	\$ 9,909,083
Buildings and improvements	14,359,933	360,491	14,720,424
Machinery and equipment	5,654,721	589,861	6,244,582
Construction in progress	2,596,578	(1,186,413)	1,410,165
Jointly owned assets	-	38,570,000	38,570,000
Total	<hr/> 32,520,315	<hr/> 38,333,939	<hr/> 70,854,254
Accumulated depreciation	-	12,146,054	12,146,054
	<hr/>	<hr/>	<hr/>
Net capital assets governmental funds	<u>32,520,315</u>	<u>26,187,885</u>	<u>58,708,200</u>
Component unit – School Board			
Land	4,166,986	-	4,166,986
Buildings and improvements	78,733,873	(34,963,508)	43,770,365
Machinery and equipment	12,831,988	-	12,831,988
Construction in progress	15,151,884	(3,509,910)	11,641,974
Total	<hr/> 110,884,731	<hr/> (38,473,418)	<hr/> 72,411,313
Accumulated depreciation	-	29,276,748	29,276,748
	<hr/>	<hr/>	<hr/>
Net capital assets component unit - School Board	<u>\$ 110,884,731</u>	<u>\$ (67,750,166)</u>	<u>\$ 43,134,565</u>

NOTE 8 – LONG-TERM OBLIGATIONS

PRIMARY GOVERNMENT

Annual requirements to amortize long-term debt and related interest are as follows:

Fiscal Year	Capital Leases		Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 783,245	\$ 388,548	\$ 115,000	\$ 147,425	\$ 3,765,000	\$ 2,111,446
2005	812,701	356,847	120,000	142,710	3,715,000	1,901,769
2006	843,132	323,861	125,000	137,790	3,665,000	1,698,830
2007	879,586	289,023	130,000	132,665	3,630,000	1,495,705
2008	445,000	257,859	135,000	127,010	3,575,000	1,295,475
2009	460,000	241,282	140,000	121,138	3,495,000	1,093,651
2010	485,000	217,823	145,000	115,048	2,860,000	914,872
2011	500,000	197,937	155,000	108,377	2,490,000	775,421
2012	525,000	176,812	160,000	101,248	2,455,000	650,644
2013	545,000	153,975	170,000	93,487	2,145,000	536,451
2014	575,000	126,180	175,000	85,242	2,140,000	429,581
2015	605,000	95,418	185,000	76,755	1,350,000	340,292
2016	635,000	63,050	195,000	67,320	1,350,000	269,064
2017	665,000	32,253	205,000	57,375	1,345,000	197,832
2018	-	-	215,000	46,920	895,000	138,462
2019	-	-	225,000	35,955	720,000	95,420
2020	-	-	235,000	24,480	720,000	56,950
2021	-	-	245,000	12,495	545,000	27,017
2022	-	-	-	-	320,000	8,160
Totals	\$ 8,758,664	\$ 2,920,868	\$ 3,075,000	\$ 1,633,440	\$ 41,180,000	\$ 14,037,042

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2003:

	Adjusted Balance July 1, 2002	Additions	Retirements	Balance June 30, 2003
General Obligation Bonds	\$ 44,980,000	\$ -	\$ 3,800,000	\$ 41,180,000
Capital Leases (see Note)	9,443,381	1,700,000	684,717	10,458,664
Revenue Bonds	3,075,000	-	-	3,075,000
Compensated absences	2,425,688	173,735	-	2,599,423
Total general long-term obligations	\$ 59,924,069	\$ 1,873,735	\$ 4,484,717	\$ 57,313,087

Note: Capital leases include the addition of \$1,700,000; however, the amortization schedule for this obligation will not be finalized until all draws have been made. The general fund revenues are used to liquidate all long-term obligations other than debt.

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$3,580,000 capital lease for lease/purchase of office building located at 320 Hospital Drive, Warrenton, issued February 12, 1997, due in semiannual installments, including interest, through February 1, 2007 with a taxable portion of \$530,000 at an interest rate of 6.65% and tax-exempt portion of \$3,050,000 at an interest rate of 4.95%	\$ 1,673,664	\$ 388,245
\$7,400,000 Public Safety Radio System 2002A, issued June 6, 2002, due in annual installments beginning April 1, 2003 through April 1, 2017, with interest payable semiannually at rates from 3.10% to 5.35%	7,085,000	395,000
\$1,700,000 capital lease agreement dated July 15, 2002 lease/purchase of library building located in Bealeton. Payments totaling \$261,162 have been received as of June 30, 2003 and repayment terms are not yet finalized.	<u>1,700,000</u>	<u>-</u>
Total Capital Leases	<u>10,458,664</u>	<u>783,245</u>
Revenue Bonds:		
\$3,075,000 Sewer Revenue Bonds, Series of 2001, issued June 28, 2001, maturing annually beginning April 1, 2004 through April 1, 2021, with interest payable semiannually at rates from 4.10% to 5.10%	<u>3,075,000</u>	<u>115,000</u>
General Obligation Bonds:		
\$16,000,000 General Obligation School Bonds, Series of 1993, issued June 10, 1993, maturing annually beginning July 15, 1994 through July 15, 2013, with interest payable semiannually at rates from 5.00% to 5.65%	800,000	800,000
\$24,630,000 Virginia Public School Authority Bonds, Refunding Series 1994A, issued January 3, 1994, maturing annually beginning December 15, 1994 through December 15, 2011, with interest payable semiannually at rates from 6.40% to 7.62%	9,865,000	1,530,000
\$9,000,000 Virginia Public School Authority Bonds 1996A, issued November 14, 1996 maturing annually beginning July 15, 1997 through July 15, 2017 with interest payable semiannually at rates from 5.10% to 6.10%	6,300,000	450,000
\$3,500,000 Virginia Public School Authority Bonds, Series 1997B, issued November 20, 1997, maturing annually beginning July 15, 1998 through July 15, 2017, with interest payable semiannually at rates from 4.35% to 5.35%	2,625,000	175,000

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds (Continued)		
\$3,500,000 Virginia Public School Authority Bonds, Series 1999A, issued November 29, 1999, maturing annually beginning July 15, 2000 through July 15, 2019, with interest payable semiannually at rates from 5.10% to 6.10%	\$ 2,975,000	\$ 175,000
\$4,575,000 Virginia Public School Authority Bonds, Series 2000A, issued November 16, 2000, maturing annually beginning July 15, 2001 through July 15, 2020, with interest payable semiannually at rates from 4.975% to 5.85%	4,115,000	230,000
\$8,495,000 General Obligation School Bond, Series of 2001, issued July 24, 2001, maturing annually from July 15, 2002 through July 15, 2013, with interest payable at rates from 3.00% to 4.60%	8,415,000	80,000
\$6,410,000 Virginia Public School Authority Bonds, Series 2001C, issued November 15, 2001, maturing annually from July 15, 2002 through July 15, 2021 with interest payable semiannually at rates from 3.10% to 5.35%	<u>6,085,000</u>	<u>325,000</u>
Total General Obligation Bonds	<u>41,180,000</u>	<u>3,765,000</u>
Compensated absences payable	<u>2,599,423</u>	<u>259,942</u>
Total primary government long-term obligations	<u>\$ 57,313,087</u>	<u>\$ 4,923,187</u>

PROPRIETARY FUNDS

Annual requirements to amortize long-term debt and related interest are as follows:

Fiscal Year	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 325,000	\$ 103,675
2005	335,000	90,675
2006	345,000	77,275
2007	360,000	63,475
2008	375,000	49,075
2009	395,000	32,200
2010	410,000	16,400
Totals	<u>\$ 2,545,000</u>	<u>\$ 432,775</u>

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of long-term obligations transactions, including landfill closure and other items, of the Enterprise Funds for the year ended June 30, 2003:

	Balance July 1, 2002	Additions	Retirements	Balance June 30, 2003
Enterprise fund debt:				
Solid Waste Bonds	\$ 2,790,000	\$ 2,545,000	\$ 2,790,000	\$ 2,545,000
Compensated Absences	87,702	31,361	-	119,063
Total enterprise debt	<u>\$ 2,877,702</u>	<u>\$ 2,576,361</u>	<u>\$ 2,790,000</u>	<u>\$ 2,664,063</u>

Amount Payable June 30, 2003	Amount Due Within One Year
---------------------------------	-------------------------------

Revenue Bonds

\$2,695,000 revenue refunding bonds, Series 2002B, dated October 15, 2002 payable in various semi-annual installments beginning May 1, 2003 through May 1, 2010, interest at 3.71%

	\$ 2,545,000	\$ 325,000
Compensated absences	119,063	11,906
Landfill closure and postclosure liability	3,520,503	-
Premium on bonds payable	93,859	13,735
Deferred amount on refunding	<u>(89,686)</u>	<u>(11,958)</u>
Total proprietary fund obligations	<u>\$ 6,188,739</u>	<u>\$ 338,683</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2003:

	Beginning Balance	Additions	Retirements	Ending Balance
General long-term debt:				
Compensated absences	\$ 3,245,216	\$ 352,454	\$ -	\$ 3,597,670
Total general long-term debt	<u>\$ 3,245,216</u>	<u>\$ 352,454</u>	<u>\$ -</u>	<u>\$ 3,597,670</u>

Amount Payable June 30, 2003	Amount Due Within One Year
---------------------------------	-------------------------------

Compensated absences payable, component unit	\$ 3,597,670	\$ 359,767
Total component unit long-term debt	<u>\$ 3,597,670</u>	<u>\$ 359,767</u>

NOTE 9 – CONSTRUCTION COMMITMENTS

At June 30, 2003, the County has several major projects under construction which are summarized below:

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenditures as of June 30, 2003</u>	<u>Contract Balance</u>
Primary Government:			
Warren Green Building	\$ 1,507,000	\$ 358,761	\$ 1,148,239
800 MHz Radio System	564,477	261,806	302,671
Bealeton Library	1,421,829	818,752	603,077
Auburn Middle School	12,625,695	510,271	12,115,424
Airport	3,283,880	88,391	3,195,489
Total	\$ 19,402,881	\$ 2,037,981	\$ 17,364,900

NOTE 10 - COMMITMENTS & CONTINGENT LIABILITIES

Federal programs in which the County and School Board participate were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests that may result in disallowed expenses. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

NOTE 11 – CLAIMS AND LITIGATION

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments and litigation. The estimated potential claims against the County resulting from such litigation should not materially affect the financial statements of the County.

NOTE 12 – DEFINED BENEFIT PENSION PLAN

A. Plan description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters). Benefits vest after five years of service. Employees who retire with a reduced benefit at age 55 (age 50 for participating law enforcement officers and firefighters) with at least five years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.70% of their average final salary (AFS) for each year of credited service. An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. Employees with 30 years or more of credited service are entitled to an annual benefit equal to 1.70% of AFS for each year of credited service.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly.

Professional and non-professional employees of the School Board are also covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the agent multiple-employer retirement system.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The County and School Board have assumed this 5% member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's and School Board non-professional employer contribution rates for the fiscal year ended 2003 were 4.00% and 5.25% of annual covered payroll, respectively. The School Board's professional employees contributed \$4,023,587, \$3,542,219, and \$4,823,104 to the teacher cost-sharing pool for the fiscal years ended June 30, 2003, 2002, and 2001, respectively and these contributions represented 8.77%, 9.24%, and 12.54%, respectively, of current covered payroll.

C. Annual pension cost

For fiscal year 2003, the County's annual pension cost of \$704,026 was equal to the County's required and actual contributions. For fiscal year 2003, the School Board's annual pension cost for non-professional employees of \$168,916 was equal to the School Board's required and actual contributions. The required contributions were determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return (b) projected salary increases ranging from 4.25% to 6.10% per year, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and the School Board's funded actuarial assets are being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

D. Trend information

County:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Contribution Made</u>
June 30, 2001	\$789,685	100%	\$789,685
June 30, 2002	\$807,402	100%	\$807,402
June 30, 2003	\$704,026	100%	\$704,026

School Board Non-professionals:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Contribution Made</u>
June 30, 2001	\$201,191	100%	\$201,191
June 30, 2002	\$144,855	100%	\$144,855
June 30, 2003	\$168,916	100%	\$168,916

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

E. Schedule of funding progress

Fauquier County:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio Assets as % of AAL</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
June 30, 2000	\$ 27,308,581	24,123,134	(3,185,447)	113.20%	12,130,332	-26.26%
June 30, 2001	\$ 30,809,067	27,017,163	(3,791,904)	114.04%	14,868,120	-25.50%
June 30, 2002	\$ 33,061,032	30,977,365	(2,084,567)	106.73%	16,260,939	-12.82%

Fauquier County School Board:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio Assets as % of AAL</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
June 30, 2000	\$ 9,313,162	6,894,129	(2,419,033)	135.09%	3,498,981	-69.14%
June 30, 2001	\$ 10,179,651	7,270,722	(2,908,929)	140.01%	2,697,582	-107.83%
June 30, 2002	\$ 10,507,799	8,044,254	(2,463,545)	130.62%	2,908,936	-84.69%

Analysis of the dollar amounts of plan net assets, actuarial accrued liability and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the program's funding status on a going concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker.

NOTE 13 – LENGTH OF SERVICE AWARDS PENSION PROGRAM

A. Plan description and provisions

On January 1, 1995 the Fauquier County Board of Supervisors adopted the Length of Service Awards Program for the Fauquier County Fire and Rescue Association and its member companies to recognize the service provided by the volunteers. The plan was active until January 1, 2002 at which time the Fire & Rescue Association elected to freeze all member benefits in the plan. The plan is single employer, defined benefit pension plan which was open to any volunteer firefighter over the age of eighteen. Participants vested in five years, and earned a fixed dollar benefit based on years of service. No separate financial report is issued for the plan.

As of January 1, 2003 the program membership consisted of the following:

Eligible Members	286
Retirees and beneficiaries	53
Terminated vested members	33

B. Funding policy

This plan is available to vested volunteer personnel with no covered payroll. Benefits are paid based on a fixed dollar amount for years of service with a ten-year vesting schedule. Benefits accrue at the rate of \$10 per month for each two years of active service with a maximum of \$250 per month. Since the County fully funds the plan, refunds are not paid. The plan does not provide for post-retirement increases. The contribution rate is determined using an entry age normal actuarial funding method. The actuarial value of the plan assets is equal to the market value of the

NOTE 13 – LENGTH OF SERVICE AWARDS PENSION PROGRAM (CONTINUED)

assets. Present and future assets in the plan are assumed to earn an investment rate of return of 5.50% compounded annually. There is no inflation factor or salary increase factor used since there is no covered payroll.

The contributions to the plan for the fiscal year ended June 30, 2003 totaled \$82,195. The Program's funding policy provides for periodic County contributions at actuarially determined rates that are sufficient to accumulate adequate assets to pay benefits when due. At June 30, 2003 the plan had net assets available for benefits totaling \$1,749,474. Unfunded past service costs total \$1,286,391 and will be fully amortized in 9 years. The plan additions fund the cost of administering the plan.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2001	\$ 429,476	100%
June 30, 2002	\$ 430,300	100%
June 30, 2003	\$ 82,195	100%

Historical trend information about the program is presented below as required supplementary information. This information is intended to help users assess the program's funding status on an on-going basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other public employee retirement systems.

C. Schedule of funding progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities	Funded Ratio
December 31, 2000	\$ 1,411,479	2,467,022	1,690,754	31.20%
December 31, 2001	\$ 1,580,147	2,467,022	1,398,585	43.30%
December 31, 2002	\$ 1,749,474	2,467,022	1,286,391	47.90%

NOTE 14 – DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$2,709,936 is comprised of the following:

A. Deferred tax revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$2,440,986 at June 30, 2003.

B. Prepaid taxes

Property taxes due subsequent to June 30, 2003 but paid in advance by the taxpayers totaled \$125,533 as of June 30, 2003.

C. School grants

School grant funds unexpended as of June 30, 2003 which are permitted to be carried forward to Fiscal Year 2004 total \$143,417.

NOTE 15 - DEBT DEFEASANCE

On October 15, 2002 the County participated in a Virginia Resource Authority (VRA) pooled refunding program in the issuance of \$2,645,000 Solid Waste Management Revenue Bonds Series 2002B bonds to advance refund \$2,790,000 Solid Waste Disposal System Revenue Bonds, Series 1993A. The 2002B bonds bear an interest rate of 3.71% and will be repaid in various installments through April 2010. As a result, the 1993A bonds maturing annually on May 1, 2003 through May 1, 2011 are considered to be defeased in substance, and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$89,686. This amount is being netted against the new debt and amortized over the life of the new debt issued, which is shorter than the remaining life of the refunded debt. This advance refunding was undertaken to reduce the total debt service payments over the next eight years by \$348,994 and resulted in an economic gain of \$177,453. At June 30, 2003 the defeased bonds had balances outstanding of \$2,500,000.

NOTE 16 - LANDFILL CLOSURE AND POSTCLOSURE CARE COST

The County of Fauquier, Virginia owns and operates a landfill site. State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$10,885,252 reported as landfill closure and postclosure care liability at June 30, 2003, represents the cumulative amount reported based on the use of 77.3% percent of the estimated capacity of the old landfill and the use of 16.6% of the estimated capacity of the new landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,532,565 on the old landfill as the remaining estimated capacity is filled. The County will recognize the remaining estimated cost of closure and postclosure care of \$4,711,583 on the new landfill as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2003. The County expects to close the old landfill in the year 2008 and expects to close the new landfill in the year 2025. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fee revenues.

NOTE 17 - RISK MANAGEMENT

A. County government

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The identification and analysis of exposures to risk, implementation of risk control techniques and utilization of appropriate risk financing alternatives accomplish management of these risks.

The County Government is a member of the Virginia Municipal League (VML) insurance programs for its property, automobile, liability, public officials, and workers' compensation coverage. VML insurance programs consist of two separate self-insurance programs, the Virginia Municipal Liability Pool and the Virginia Municipal Group Self Insurance Association. These pools are non-profit, tax-exempt associations.

The County carries commercial insurance for all other risks of loss, including airport liability, and accident/health insurance coverage for auxiliary deputies. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

B. School Board component

The School Board is a member of the Virginia Association of Counties Risk Pool (VACorp) for its property, automobile, and liability coverage.

The School Board Workers' Compensation is provided by the School Systems of Virginia Group Self Insurance Association. Section 65.1-104.2 of the *Code of Virginia* authorizes employers with a common interest to pool their liabilities under the Virginia Workers' Compensation Act.

NOTE 17 – RISK MANAGEMENT (CONTINUED)

The public officials liability coverage is provided through the Commonwealth of Virginia – VA Risk2 program. The School Board carries commercial insurance for the athletic accident policy and each high school is a member of the Virginia High School League for liability catastrophe insurance.

In the event the pool(s), VML and/or VACorp, incur a loss deficit and depletion of all available excess insurance, the pool(s) may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

C. Fire & Rescue Association component

The Fire & Rescue Association (Association) contract administration is handled through the Risk Management Division. The Association carries commercial insurance for the property, automobile and liability coverage. Companion covers the workers' compensation policy and Provident carries the accident & sickness policy.

D. Health benefit program component

The County is self-insured for medical and dental coverage for County and School employees. Anthem, formerly Trigon, is the administrator of the group medical and dental insurance programs.

The group medical and dental insurance programs for the County Government and Public Schools are combined into one overall funding program. The program includes a specific stop loss of \$100,000 for fiscal year 2003 and a maximum aggregate liability of 125% of Anthem's estimated liability. The stop loss amount increases to \$150,000 in fiscal year 2004. Each participating agency is responsible for paying the amount of actual expense incurred. This combined group plan went into effect October 1994.

Liabilities for unpaid claims and claim adjustment expenses are estimated based on the estimated ultimate cost of settling the claims, including the effects of trend factors including inflation and other societal and economic factors. Changes in the balances of claims liabilities during the year are as follows:

	<u>2002</u>	<u>2003</u>
Unpaid claims, beginning July 1, 2002	\$ 700,300	\$ 998,300
Incurred claims, (including IBNR)	7,751,500	8,817,718
Claim payments	7,453,500	8,794,043
Unpaid claims, ending June 30, 2003	<u>\$ 998,300</u>	<u>\$ 1,021,975</u>

NOTE 18 – SURETY BONDS

<u>Fidelity and Deposit Company of Maryland – Surety</u>	<u>Amount</u>
Gail Barb, Clerk of the Circuit Court	\$ 50,000
Beth Ledgerton, Treasurer	500,000
Ross D'Urso, Commissioner of the Revenue	3,000
Joseph Higgs, Jr., Sheriff	30,000
Above constitutional officers' employees - blanket bond	50,000
Clerk of the School Board	10,000
<u>United States Fidelity and Guaranty Company – Surety</u>	
County employees except above Constitutional Offices and School Board employees	\$ 100,000

NOTE 19 – COMMITMENTS UNDER NON-CAPITALIZED LEASES

The County leases the following property:

<u>Property</u>	<u>Annual Payments</u>
Ashby Street Office	\$ 12,600
Waterloo Street Parking Lot	7,000
Registrar's Office, John Marshall Building	27,552
Bealeton Library	31,895
Culpeper Street Office	12,000

All leases are subject to annual appropriation of rental payments.

NOTE 20 – SUBSEQUENT EVENTS

In July 2003 the Board of Supervisors approved the sale of Virginia Public School Authority General Obligation bonds. The bonds were issued on November 6, 2003 in the amount of \$12,402,946.

NOTE 21 – FUND BALANCES / RETAINED EARNINGS ADJUSTMENTS

Fund balances / retained earnings were adjusted as of June 30, 2002 as follows:

	<u>Special Revenue Funds</u>	<u>Internal Service Funds</u>	<u>Enterprise Funds</u>
Fund balances / retained earnings as previously reported	\$ 1,028,364	\$ 3,406,799	\$ 6,825,828
Internal service funds reclassified to enterprise funds	-	(3,406,799)	3,406,799
Agency funds reclassified as special revenue funds	186,178	-	-
Adjustment due to error in accumulated depreciation in the Solid Waste Fund	-	-	(114,369)
Fund balances / retained earnings as restated	\$ <u>1,214,542</u>	\$ <u>-</u>	\$ <u>10,118,258</u>

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 12
Page 1 of 4

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Fiscal Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ 73,961,200	\$ 62,613,200	\$ 64,490,211	\$ 1,877,011
Other local taxes	10,305,700	10,305,700	11,727,145	1,421,445
Permits, privilege fees and regulatory licenses	914,463	985,872	1,508,077	522,205
Fines and forfeitures	306,000	324,000	504,517	180,517
Revenue from use of money and property	1,410,289	1,410,289	1,421,527	11,238
Charges for services	490,015	796,536	1,019,281	222,745
Miscellaneous	24,400	76,811	136,119	59,308
Recovered costs	124,914	136,325	137,727	1,402
Intergovernmental:				
Commonwealth	7,191,984	18,662,723	18,412,055	(250,668)
Federal	1,847,702	2,090,080	2,058,211	(31,869)
Total revenues	96,576,667	97,401,536	101,414,870	4,013,334
Expenditures				
Current operating:				
General government administration:				
Legislative:				
Board of supervisors	368,350	412,325	412,082	243
General & financial administration:				
County administrator	460,364	484,433	484,071	362
County attorney	473,483	467,547	466,561	986
Human resources	553,869	565,106	522,225	42,881
Independent auditor	63,462	88,462	64,451	24,011
Commissioner of the revenue	1,016,603	1,026,744	1,018,711	8,033
Treasurer	859,298	879,384	813,872	65,512
Finance	1,386,448	1,407,392	1,225,213	182,179
Office of management & budget	233,188	217,439	214,414	3,025
Central store	-	-	(635)	635
Geographic information systems	168,756	174,606	167,236	7,370
Management information systems	1,011,909	1,027,581	982,614	44,967
Total general & financial administration	6,227,380	6,338,694	5,958,733	379,961
Board of Elections:				
Registrar	255,730	274,644	255,106	19,538
Total general government administration	6,851,460	7,025,663	6,625,921	399,742
Judicial administration:				
Courts:				
Circuit court	115,823	126,947	126,918	29
General district court	12,220	15,230	14,796	434
Magistrates	56,402	58,204	58,203	1
Juvenile & domestic relations district court	47,211	53,220	51,877	1,343
Clerk of the circuit court	782,433	1,046,020	797,974	248,046
Commissioner of accounts	2,400	2,400	2,400	-
Law library	19,000	-	(2,785)	2,785
Adult court service	\$ 466,107	\$ 505,224	\$ 490,983	\$ 14,241

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 12
Page 2 of 4

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Fiscal Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Current operating: (continued)				
Judicial administration: (continued)				
Courts: (continued)				
Total courts	\$ 1,501,596	\$ 1,807,245	\$ 1,540,366	\$ 266,879
Commonwealth's attorney:				
Commonwealth's attorney	661,379	683,619	646,036	37,583
Total judicial administration	2,162,975	2,490,864	2,186,402	304,462
Public safety:				
Law enforcement & traffic control				
Sheriff	6,948,754	7,285,984	7,275,422	10,562
Correction & detention:				
Sheriff	492,000	492,000	439,480	52,520
CFW regional jail	539,200	539,200	480,094	59,106
Probation office	42,000	51,146	46,622	4,524
Juvenile detention	115,856	140,856	126,437	14,419
Juvenile crime control	109,185	84,185	69,466	14,719
Total correction & detention	1,298,241	1,307,387	1,162,099	145,288
Total public safety	8,246,995	8,593,371	8,437,521	155,850
Public works:				
Sanitation & waste removal:				
Solid waste operations	1,446,853	1,446,853	1,394,661	52,192
Total sanitation & waste removal	1,446,853	1,446,853	1,394,661	52,192
General buildings & grounds maintenance:				
General services	2,893,686	3,011,289	3,002,785	8,504
Total general buildings & grounds maintenance	2,893,686	3,011,289	3,002,785	8,504
Total public works	4,340,539	4,458,142	4,397,446	60,696
Health & welfare:				
Health:				
Supplement of local health department	446,599	386,817	363,323	23,494
Welfare:				
Social services	3,280,766	3,522,567	3,434,446	88,121
Institutional care	292,844	275,544	274,947	597
Comprehensive services act	2,308,505	2,329,664	1,714,686	614,978
Total welfare	5,882,115	6,127,775	5,424,079	703,696
Total health & welfare	\$ 6,328,714	\$ 6,514,592	\$ 5,787,402	\$ 727,190

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 12
Page 3 of 4

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Fiscal Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Current operating: (continued)				
Education:				
Contribution to School Board	\$ 52,814,796	\$ 53,948,730	\$ 50,975,251	\$ 2,973,479
Community colleges	44,366	44,366	44,366	-
Total education	52,859,162	53,993,096	51,019,617	2,973,479
Parks, recreation & cultural:				
Parks & recreation:				
Parks & recreation	1,642,687	1,788,668	1,639,865	148,803
Library:				
Public library	1,450,594	1,457,812	1,456,787	1,025
Total parks, recreation, & cultural	3,093,281	3,246,480	3,096,652	149,828
Community development:				
Planning & community development:				
Community development	1,713,844	1,875,831	1,834,269	41,562
Planning	114,514	130,514	130,495	19
Economic development	307,632	293,247	293,230	17
Contributions to community organization	440,659	531,391	495,805	35,586
Agriculture development	105,285	123,481	109,513	13,968
Disability service board	10,000	7,900	7,125	775
Total planning & community development	2,691,934	2,962,364	2,870,437	91,927
Environmental management:				
Soil & water conservation district	252,904	267,925	267,904	21
Cooperative extension program:				
VPI extension	146,659	176,407	142,392	34,015
Total community development	3,091,497	3,406,696	3,280,733	125,963
Nondepartmental:				
Nondepartmental operations	1,599,233	1,679,018	523,408	1,155,610
Debt service:				
Principal retirement	549,717	684,717	684,717	-
Interest & fiscal charges	96,628	387,976	387,920	56
Principal retirement - education	3,460,800	3,460,800	3,800,000	(339,200)
Interest & fiscal charges - education	2,720,696	2,720,696	2,381,245	339,451
Total debt service	6,827,841	7,254,189	7,253,882	307
Total expenditures	95,401,697	98,662,111	92,608,984	6,053,127
Excess (deficiency) of revenues over expenditures	\$ 1,174,970	\$ (1,260,575)	\$ 8,805,886	\$ (10,066,461)

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 12
Page 4 of 4

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Fiscal Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Other financing sources (uses)				
Transfers in	\$ -	\$ 560	\$ -	\$ 560
Transfers (out)	<u>(1,174,970)</u>	<u>(8,393,103)</u>	<u>(8,399,708)</u>	<u>(6,605)</u>
Total other financing sources	<u>(1,174,970)</u>	<u>(8,392,543)</u>	<u>(8,399,708)</u>	<u>(7,165)</u>
Net changes in fund balance	-	(9,653,118)	406,178	10,059,296
Fund balance, beginning	-	9,653,118	22,286,322	12,633,204
Fund balance, ending	\$ -	\$ -	\$ 22,692,500	\$ 22,692,500

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

THE UNIVERSITY OF CHICAGO PRESS



COUNTY OF FAUQUIER, VIRGINIA

Exhibit 13
Page 1 of 2

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ -	\$ 100,000	\$ 221,846	\$ 121,846
Revenue from use of money	-	-	303,028	303,028
Charges for services	-	-	55,124	55,124
Miscellaneous revenue	-	25,500	323,140	297,640
Intergovernmental:				
Contribution from component unit - School Board	3,619,320	3,789,103	3,789,103	-
Commonwealth	-	755,450	-	(755,450)
Federal	-	-	344,346	344,346
Total revenues	3,619,320	4,670,053	5,036,587	366,534
Expenditures				
Capital Projects Fund:				
Capital outlay:				
General government	977,836	1,239,212	578,879	660,333
Judicial administration	39,163	-	-	-
Public safety	732,183	2,044,399	485,464	1,558,935
Public works	7,662,994	10,846,539	1,367,413	9,479,126
Education	6,463,552	6,819,736	4,970,734	1,849,002
Parks, recreation, & cultural	4,616,091	5,591,184	1,286,447	4,304,737
Community development	1,117,678	1,626,097	308,187	1,317,910
Total capital outlay	21,609,497	28,167,167	8,997,124	19,170,043
Capital projects:				
General government administration:				
Warren Green Building	1,411,649	1,736,648	483,568	1,253,080
Total general government administration	1,411,649	1,736,648	483,568	1,253,080
Public safety:				
Radio safety	8,386,459	8,386,459	3,779,665	4,606,794
Total public safety	8,386,459	8,386,459	3,779,665	4,606,794
Public works:				
Warrenton Community Center	227,028	227,028	190,191	36,837
Catlett/Calverton water and sewer	1,690,167	2,190,166	47,446	2,142,720
Total public works	1,917,195	2,417,194	237,637	2,179,557
Education:				
Middle school	300,000	300,000	-	300,000
Marshall middle school	1,327,094	1,062,444	380,407	682,037
Auburn middle school	13,143,423	13,143,423	1,405,837	11,737,586
Fauquier high school	246,611	361,261	80,426	280,835
Brumfield elementary school	60,748	121,714	76,365	45,349
Cedar Lee middle school	23,633	-	-	-
Total education	\$ 15,101,509	\$ 14,988,842	\$ 1,943,035	\$ 13,045,807

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2003

Exhibit 13
Page 2 of 2

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Capital projects: (continued)				
Park, recreation & culture:				
Northern sport complex	\$ 10,000,000	\$ 10,001,290	\$ 321,211	\$ 9,680,079
Central sports Complex	-	320,450	-	320,450
Recreation access	-	310,000	-	310,000
Bealeton library	1,715,943	1,971,409	1,009,620	961,789
Total parks, recreational & cultural	<u>11,715,943</u>	<u>12,603,149</u>	<u>1,330,831</u>	<u>11,272,318</u>
Community development:				
Airport sewer project	-	440,000	15,362	424,638
New Baltimore water & sewer	3,668,007	3,668,007	103,000	3,565,007
Total community development	<u>3,668,007</u>	<u>4,108,007</u>	<u>118,362</u>	<u>3,989,645</u>
Total capital projects	<u>42,200,762</u>	<u>44,240,299</u>	<u>7,893,098</u>	<u>36,347,201</u>
Debt service:				
Interest & fiscal charges	-	147,425	147,425	-
Total expenditures	<u>63,810,259</u>	<u>72,554,891</u>	<u>17,037,647</u>	<u>55,517,244</u>
Excess (deficiency) of revenue over expenditures	<u>(60,190,939)</u>	<u>(67,884,838)</u>	<u>(12,001,060)</u>	<u>55,883,778</u>
Other financing sources (uses)				
Transfers in	966,222	8,208,087	8,194,105	(13,982)
Construction bond proceeds	13,497,000	13,497,000	-	(13,497,000)
Notes issued	-	-	1,700,000	1,700,000
Total other financing sources	<u>14,463,222</u>	<u>21,705,087</u>	<u>9,894,105</u>	<u>(11,810,982)</u>
Net changes in fund balance	<u>(45,727,717)</u>	<u>(46,179,751)</u>	<u>(2,106,955)</u>	<u>44,072,796</u>
Fund balance, beginning	-	39,879,407	46,160,157	6,280,750
Fund balance, ending	<u>\$ -</u>	<u>\$ (6,300,344)</u>	<u>\$ 44,053,202</u>	<u>\$ 50,353,546</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 14

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2003**

	<u>Joint Communication Fund</u>	<u>Fire & Rescue Fund</u>	<u>Parks & Recreation Trust Fund</u>	<u>Library Trust Fund</u>	<u>Total Non-Major Governmental Funds</u>
Assets					
Cash and investments	\$ 42,551	\$ 1,315,741	\$ 120,679	\$ 59,486	\$ 1,538,457
Accounts receivable (net)	<u>136,965</u>	<u>86,269</u>	<u>-</u>	<u>-</u>	<u>223,234</u>
Total assets	<u>179,516</u>	<u>1,402,010</u>	<u>120,679</u>	<u>59,486</u>	<u>1,761,691</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	5,004	149,259	-	56	154,319
Accrued liabilities	<u>21,696</u>	<u>34,979</u>	<u>-</u>	<u>-</u>	<u>56,675</u>
Total liabilities	<u>26,700</u>	<u>184,238</u>	<u>-</u>	<u>56</u>	<u>210,994</u>
Fund Balance:					
Reserved for:					
Parks and recreation operations	-	-	120,679	-	120,679
Library operations	-	-	-	59,430	59,430
Unreserved:					
Undesignated	<u>152,816</u>	<u>1,217,772</u>	<u>-</u>	<u>-</u>	<u>1,370,588</u>
Total fund balance	<u>152,816</u>	<u>1,217,772</u>	<u>120,679</u>	<u>59,430</u>	<u>1,550,697</u>
Total liabilities and fund balance	<u>\$ 179,516</u>	<u>\$ 1,402,010</u>	<u>\$ 120,679</u>	<u>\$ 59,486</u>	<u>\$ 1,761,691</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 15

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Non-Major Governmental Funds
Fiscal Year Ended June 30, 2003

	Joint Communication Fund	Fire & Rescue Fund	Parks & Recreation Trust Fund	Library Trust Fund	Total Non-Major Governmental Funds
Revenues					
General property taxes	\$ -	\$ 3,889,526	\$ -	\$ -	\$ 3,889,526
Other local taxes	925,717	-	-	-	925,717
Use of money and property	-	-	1,736	769	2,505
Miscellaneous	-	-	6,453	5,989	12,442
Recovered cost	6,715	1,175	-	-	7,890
Intergovernmental:					
Commonwealth of Virginia	167,549	93,858	-	-	261,407
Federal Government	981	17,841	-	-	18,822
Total revenues	1,100,962	4,002,400	8,189	6,758	5,118,309
Expenditures					
Current:					
Public safety	1,277,801	3,653,667	-	-	4,931,468
Parks, recreation, and cultural	-	-	15,316	2,331	17,647
Total expenditures	1,277,801	3,653,667	15,316	2,331	4,949,115
Excess (deficiency) of revenue over expenditures	(176,839)	348,733	(7,127)	4,427	169,194
Other financing sources (uses)					
Transfers in	128,878	41,452	-	-	170,330
Transfers (out)	-	-	(3,369)	-	(3,369)
Total other financing sources (uses)	128,878	41,452	(3,369)	-	166,961
Net changes in fund balance	(47,961)	390,185	(10,496)	4,427	336,155
Fund balance, beginning of year, as restated	200,777	827,587	131,175	55,003	1,214,542
Fund balance, ending	\$ 152,816	\$ 1,217,772	\$ 120,679	\$ 59,430	\$ 1,550,697

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 16

Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Non-Major Governmental Funds
Fiscal Year Ended June 30, 2003

	Joint Communications Fund				Fire and Rescue Fund			
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government								
Special Revenue Funds:								
Joint Communications Fund:								
Revenues:								
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,770,853	\$ 3,770,853	\$ 3,889,526	\$ 118,673
Other local taxes	861,840	804,290	925,717	121,427	-	-	-	-
Recovered costs	1,144	1,144	6,715	5,571	3,000	3,000	1,175	(1,825)
Intergovernmental								
Commonwealth of Virginia	84,232	168,860	167,549	(1,311)	80,000	80,000	93,858	13,858
Federal Government	-	-	981	981	-	10,096	17,841	7,745
Total revenues	947,216	974,294	1,100,962	126,668	3,853,853	3,863,949	4,002,400	138,451
Expenditures:								
Current operating:								
Public safety	1,120,656	1,341,901	1,277,801	64,100	3,449,972	4,695,974	3,653,667	1,042,307
Excess (deficiency) of revenue over expenditures	(173,440)	(367,607)	(176,839)	190,768	403,881	(832,025)	348,733	1,180,758
Other financing sources (uses)								
Transfers in	173,440	236,235	128,878	(107,357)	-	41,452	41,452	-
Transfers (out)	-	(4,264)	-	-	(403,881)	(1,541)	-	1,541
Total other financing	173,440	231,971	128,878	(107,357)	(403,881)	39,911	41,452	1,541
Net changes in fund balance	-	(135,636)	(47,961)	83,411	-	(792,114)	390,185	1,182,299
Fund balances, beginning	-	135,636	200,777	65,141	-	792,114	827,587	35,473
Fund balances, ending	\$ -	\$ -	\$ 152,816	\$ 152,816	\$ -	\$ -	\$ 1,217,772	\$ 1,217,772

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 17

Combining Balance Sheet
Fiduciary Funds
June 30, 2003

	Pension Trust		Agency Funds				Totals
	Length of Service Award	Special Welfare Fund	Service to Outside Agencies Fund	Street Lights Fund	Detention Center Fund	Vint Hill Transportation Fund	
Assets							
Cash and investments	\$ -	\$ 14,986	\$ -	\$ 12,131	\$ -	\$ 86,681	\$ 113,798
Cash in custody of others	1,664,735	-	-	-	52,648	-	52,648
Accounts receivable	-	-	76,858	70	-	-	76,928
Total assets	<u>1,664,735</u>	<u>14,986</u>	<u>76,858</u>	<u>12,201</u>	<u>52,648</u>	<u>86,681</u>	<u>243,374</u>
Liabilities							
Accounts payable	-	-	32,687	897	-	-	33,584
Due to General Fund	-	-	30,640	-	-	-	30,640
Amount held for clients/others	-	14,986	13,531	11,304	52,648	86,681	179,150
Total liabilities	<u>-</u>	<u>14,986</u>	<u>76,858</u>	<u>12,201</u>	<u>52,648</u>	<u>86,681</u>	<u>243,374</u>
Net Assets							
Held in trust for pension benefits	<u>1,664,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 1,664,735</u>	<u>\$ 14,986</u>	<u>\$ 76,858</u>	<u>\$ 12,201</u>	<u>\$ 52,648</u>	<u>\$ 86,681</u>	<u>\$ 243,374</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 18

**Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
Fiscal Year Ended June 30, 2003**

Additions

Contribution for beneficiary	\$ 82,195
Investment income	129,396
Total additions	<u>211,591</u>

Deductions

Members' benefits	185,223
Insurance	61,465
Administrative fees	<u>4,523</u>

Total deductions	<u>251,211</u>
------------------	----------------

Change in net assets	<u>(39,620)</u>
----------------------	-----------------

Net assets - beginning of the year	<u>1,704,355</u>
Net assets - end of the year	<u>\$ 1,664,735</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 19
Page 1 of 2

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Fiscal Year Ended June 30, 2003

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund				
Assets:				
Cash and cash equivalents	\$ 25,774	\$ 101,380	\$ 112,168	\$ 14,986
Liabilities:				
Amounts held for social service clients	25,774	101,380	112,168	14,986
Service to Outside Agencies Fund				
Assets:				
Cash and cash equivalents	(133,973)	1,152,788	1,018,815	-
Accounts receivable	184,155	76,858	184,155	76,858
Total	50,182	1,229,646	1,202,970	76,858
Liabilities:				
Accounts payable	11,817	32,687	11,817	32,687
Due to General Fund	-	30,640	-	30,640
Amounts held for subsequent expense	38,365	1,166,319	1,191,153	13,531
Total	50,182	1,229,646	1,202,970	76,858
Street Lights Fund				
Assets:				
Cash and cash equivalents	8,796	17,199	13,864	12,131
Accounts receivable	170	70	170	70
Total	8,966	17,269	14,034	12,201
Liabilities:				
Accounts payable	359	897	359	897
Amounts held for subsequent expense	8,607	16,372	13,675	11,304
Total	8,966	17,269	14,034	12,201
Detention Center Fund				
Assets:				
Cash and cash equivalents:				
Cash - work release	2,158	90,499	90,844	1,813
Cash - inmate accounts	5,433	43,339	45,554	3,218
Cash - canteen account	89,960	70,198	112,541	47,617
Total	\$ 97,551	\$ 204,036	\$ 248,939	\$ 52,648

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 19
Page 2 of 2

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Fiscal Year Ended June 30, 2003

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Detention Center Fund (continued)				
Liabilities:				
Amounts held for prisoners	\$ 97,551	\$ 204,036	\$ 248,939	\$ 52,648
Vint Hill Transportation Fund				
Assets:				
Cash and cash equivalents	-	86,681	-	86,681
Liabilities:				
Amounts held for others	-	86,681	-	86,681
Total	-	86,681	-	86,681
Disability Service Board Fund				
Assets:				
Cash and cash equivalents	200	-	200	-
Liabilities:				
Amounts held for social service clients	200	-	200	-
Performance Bond Fund				
Assets:				
Cash and cash equivalents	546,229	-	546,229	-
Liabilities:				
Performance bonds payable	546,229	-	546,229	-
Total - All Agency Funds				
Assets:				
Cash and cash equivalents	544,577	1,562,084	1,940,215	166,446
Accounts receivable	184,325	76,928	184,325	76,928
Total assets	728,902	1,639,012	2,124,540	243,374
Liabilities:				
Amounts held for social service clients	25,974	101,380	112,368	14,986
Amounts held for performance bonds	546,229	-	546,229	-
Due to General Fund	-	30,640	-	30,640
Other liabilities	59,148	1,302,956	1,217,004	145,100
Amount held for prisoners	97,551	204,036	248,939	52,648
Total liabilities	\$ 728,902	\$ 1,639,012	\$ 2,124,540	\$ 243,374

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 20

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
June 30, 2003**

Land	\$	9,909,083
Buildings and improvements		15,746,153
Machinery and equipment		7,241,686
Jointly owned assets		39,975,837
Construction in progress		<u>7,788,685</u>
Total Capital Assets		<u><u>80,661,444</u></u>

Investment in Capital Assets by Source:

General fund revenues		33,993,489
General obligation debt		43,450,581
Donations		<u>3,217,374</u>
Total Investment in Capital Assets	\$	<u><u>80,661,444</u></u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 21

Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function
 As of June 30, 2003

<u>Function</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery And Equipment</u>	<u>Jointly Owned Assets</u>	<u>Construction In Progress</u>	<u>Total</u>
General government administration	\$ 5,717,809	\$ 3,401,437	\$ 812,302	\$ -	\$ 587,746	\$ 10,519,294
Judicial administration	166,300	2,456,212	460,027	-	-	3,082,539
Public safety	1,388,000	3,206,680	4,469,377	-	4,294,618	13,358,675
Public works	286,123	807,676	679,427	-	-	1,773,226
Health and welfare	239,500	269,130	6,000	-	-	514,630
Education	-	-	-	39,975,837	-	39,975,837
Parks, recreation, and cultural	2,111,351	5,347,365	763,191	-	2,906,321	11,128,228
Community development	-	257,653	51,362	-	-	309,015
Total	\$ 9,909,083	\$ 15,746,153	\$ 7,241,686	\$ 39,975,837	\$ 7,788,685	\$ 80,661,444

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 22

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function
Fiscal Year Ended June 30, 2003**

<u>Function</u>	<u>Capital Assets July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets June 30, 2003</u>
General government administration	\$ 10,000,448	\$ 340,029	\$ 107,142	\$ 10,233,335
Judicial administration	3,082,539	-	-	3,082,539
Public safety	8,010,961	1,151,299	472,451	8,689,809
Public works	1,750,693	272,579	100,297	1,922,975
Health and welfare	514,630	-	-	514,630
Education	38,570,000	1,405,837	-	39,975,837
Parks, recreation, and cultural	7,220,303	924,316	-	8,144,619
Community development	294,515	14,500	-	309,015
Construction in progress	1,410,165	6,726,036	347,516	7,788,685
Total	<u>\$ 70,854,254</u>	<u>\$ 10,834,596</u>	<u>\$ 1,027,406</u>	<u>\$ 80,661,444</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 23

**Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2003**

	<u>Governmental Funds</u>			
	<u>School Operating</u>	<u>School Textbook</u>	<u>School Cafeteria</u>	<u>Total</u>
Assets				
Cash and investments	\$ 1,350	\$ 143,612	\$ 453,404	\$ 598,366
Accounts receivable	176,255	-	-	176,255
Due from primary government	6,004,767	-	-	6,004,767
Due from other governmental units	<u>2,530,470</u>	<u>-</u>	<u>30,077</u>	<u>2,560,547</u>
Total assets	<u>8,712,842</u>	<u>143,612</u>	<u>483,481</u>	<u>9,339,935</u>
Liabilities				
Accounts payable	509,956	-	13,505	523,461
Deferred revenue	143,417	-	-	143,417
Accrued liabilities	<u>8,058,119</u>	<u>-</u>	<u>194,532</u>	<u>8,252,651</u>
Total liabilities	8,711,492	-	208,037	8,919,529
Fund balances				
Unreserved:				
Undesignated	<u>1,350</u>	<u>143,612</u>	<u>275,444</u>	<u>420,406</u>
Total equity	<u>1,350</u>	<u>143,612</u>	<u>275,444</u>	<u>420,406</u>
Total liabilities and equity	<u>\$ 8,712,842</u>	<u>\$ 143,612</u>	<u>\$ 483,481</u>	<u>\$ 9,339,935</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 24

**Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets**

**Discretely Presented Component Unit - School Board
June 30, 2003**

Total fund balance - discretely presented component unit - School Board \$ **420,406**

Amounts reported for governmental activities in the statement
of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not current
financial resources and therefore not reported in the
governmental funds.

45,613,682

Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported as
liabilities in the governmental funds.

(3,597,670)

Net assets of governmental activities

\$ **42,436,418**

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 25

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Discretely Presented Component Unit - School Board
Fiscal Year Ended June 30, 2003**

	Governmental Funds			
	<u>School Operating</u>	<u>School Textbook</u>	<u>School Cafeteria</u>	<u>Totals</u>
Revenues				
Revenue from use of money and use of property	\$ -	\$ -	\$ 573	\$ 573
Charges for services	156,914	-	2,302,848	2,459,762
Miscellaneous	414,050	-	-	414,050
Intergovernmental				
Contribution from primary government	50,975,251	462,140	-	51,437,391
Commonwealth of Virginia	26,733,526	312,418	46,282	27,092,226
Federal	2,511,215	-	636,952	3,148,167
Total revenue	<u>80,790,956</u>	<u>774,558</u>	<u>2,986,655</u>	<u>84,552,169</u>
Expenditures				
Current operating:				
Education	80,734,356	630,946	3,025,538	84,390,840
Total expenditures	<u>80,734,356</u>	<u>630,946</u>	<u>3,025,538</u>	<u>84,390,840</u>
Excess of revenue over expenditures	<u>56,600</u>	<u>143,612</u>	<u>(38,883)</u>	<u>161,329</u>
Other financing sources (uses)				
Transfers in	-	-	56,600	56,600
Transfers (out)	(56,600)	-	-	(56,600)
Total other financing sources (uses)	<u>(56,600)</u>	<u>-</u>	<u>56,600</u>	<u>-</u>
Net changes in fund balance	-	143,612	17,717	161,329
Fund balances, beginning	1,350	-	257,727	259,077
Fund balances, ending	<u>\$ 1,350</u>	<u>\$ 143,612</u>	<u>\$ 275,444</u>	<u>\$ 420,406</u>

This page left intentionally blank

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 26

**Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Discretely Presented Component Unit - School Board
Fiscal Year Ended June 30, 2003**

Net change in fund balances - total governmental funds \$ 161,329

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense, which is not a use of current financial resources. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 4,718,626	
Depreciation	<u>(2,239,509)</u>	2,479,117

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount reflects the change in accrued leave during the current period. (352,454)

Change in net assets of governmental activities \$ 2,287,992

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
Fiscal Year Ended June 30, 2003

	School Operating Fund				School Textbook Fund		
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)	Original Budget	Amended Budget	Actual
Revenues							
Revenue from use of money and use of property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	84,700	90,190	156,914	66,724	-	-	-
Miscellaneous	138,598	212,801	414,050	201,249	-	-	-
Intergovernmental							
Contribution from primary government	52,814,796	53,948,730	50,975,251	(2,973,479)	-	462,140	462,140
Commonwealth of Virginia	25,710,091	25,503,500	26,733,526	1,230,026	-	301,724	312,418
Federal	1,906,693	3,250,275	2,511,215	(739,060)	-	-	-
Total revenues	80,654,878	83,005,496	80,790,956	(2,214,540)	-	763,864	774,558
Expenditures:							
Current operating:							
Education:							
Instruction	63,176,445	65,002,292	63,081,528	1,920,764	-	-	-
Administration, attendance & health	3,676,085	3,867,235	3,774,970	92,265	-	763,864	630,946
Public transportation services	4,221,415	4,330,343	4,257,260	73,083	-	-	-
Operation & maintenance services	5,961,613	5,959,923	5,831,495	128,428	-	-	-
School food services	-	-	-	-	-	-	-
Contribution to primary government	3,619,320	3,789,103	3,789,103	-	-	-	-
Total education	80,654,878	82,948,896	80,734,356	2,214,540	-	763,864	630,946
Total expenditures	80,654,878	82,948,896	80,734,356	2,214,540	-	763,864	630,946
Excess (deficiency) of revenues over expenditures	-	56,600	56,600	-	-	-	143,612
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	(56,600)	(56,600)	-	-	-	-
Total other financing (uses)	-	(56,600)	(56,600)	-	-	-	-
Net changes in fund balance	-	-	-	-	-	-	143,612
Fund balances, beginning	-	-	1,350	1,350	-	-	-
Fund balances, ending	\$ -	\$ -	\$ 1,350	\$ 1,350	\$ -	\$ -	\$ 143,612

School Cafeteria Fund				
Variance From Amended Positive (Negative)	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
\$ -	\$ 6,000	\$ 6,000	\$ 573	\$ (5,427)
-	2,261,851	2,303,851	2,302,848	(1,003)
-	7,000	7,000	-	(7,000)
-	-	-	-	-
10,694	44,000	44,000	46,282	2,282
-	591,605	621,605	636,952	15,347
<u>10,694</u>	<u>2,910,456</u>	<u>2,982,456</u>	<u>2,986,655</u>	<u>4,199</u>
-	-	-	-	-
132,918	-	-	-	-
-	-	-	-	-
-	2,910,456	3,047,056	3,025,538	21,518
-	-	-	-	-
<u>132,918</u>	<u>2,910,456</u>	<u>3,047,056</u>	<u>3,025,538</u>	<u>21,518</u>
<u>132,918</u>	<u>2,910,456</u>	<u>3,047,056</u>	<u>3,025,538</u>	<u>21,518</u>
<u>143,612</u>	<u>-</u>	<u>(64,600)</u>	<u>(38,883)</u>	<u>25,717</u>
-	-	56,600	56,600	-
-	-	-	-	-
-	-	56,600	56,600	-
143,612	-	(8,000)	17,717	25,717
-	-	8,000	257,727	249,727
\$ <u>143,612</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>275,444</u>	\$ <u>275,444</u>

Revenues

Revenue from use of money and use o
Charges for services
Miscellaneous
Intergovernmental
Contribution from primary governm
Commonwealth of Virginia
Federal
Total revenues

Expenditures

Current operating:
Education:
Instruction
Administration, attendance & l
Public transportation services
Operation & maintenance serv
School food services
Contribution to primary govern
Total education
Total expenditures

Excess (deficiency) of revenues
over expenditures

Other financing sources (uses)

Transfers in
Transfers (out)
Total other financing (uses)

Net changes in fund balance
Fund balances, beginning
Fund balances, ending

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 28

Capital Assets Used in the Operation of Governmental Funds - Schedule by Source
Discretely Presented Component Unit - School Board
June 30, 2003

Land	\$	4,166,986
Buildings and improvements		49,520,284
Machinery and equipment		13,418,082
Construction in progress		<u>9,282,606</u>
Total capital assets		<u><u>76,387,958</u></u>

Investment in Capital Assets by Source:

General fund revenues		36,893,723
General obligation debt		39,428,610
Donations		<u>65,625</u>
Total investment in capital assets	\$	<u><u>76,387,958</u></u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 29

**Capital Assets Used in the Operation of Governmental Funds - Schedule by Function
Discretely Presented Component Unit - School Board
June 30, 2003**

<u>Functions and Activities</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Construction In Progress</u>	<u>Total</u>
Education	\$ <u>4,166,986</u>	\$ <u>49,520,284</u>	\$ <u>13,418,082</u>	\$ <u>9,282,606</u>	\$ <u>76,387,958</u>
Total component unit - School Board	\$ <u><u>4,166,986</u></u>	\$ <u><u>49,520,284</u></u>	\$ <u><u>13,418,082</u></u>	\$ <u><u>9,282,606</u></u>	\$ <u><u>76,387,958</u></u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 30

**Capital Assets Used in the Operation of Governmental Funds - Schedule of Changes by Function
Discretely Presented Component Unit - School Board
Fiscal Year Ended June 30, 2003**

	<u>Capital Assets July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets June 30, 2003</u>
Education	\$ 60,769,339	\$ 7,245,165	\$ 909,152	\$ 67,105,352
Construction in progress	<u>11,641,974</u>	<u>2,016,365</u>	<u>4,375,733</u>	<u>9,282,606</u>
Total component unit - School Board	<u>\$ 72,411,313</u>	<u>\$ 9,261,530</u>	<u>\$ 5,284,885</u>	<u>\$ 76,387,958</u>

OTHER SUPPLEMENTARY INFORMATION



1957-58



COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit
 Schedule of Revenue - Budget and Actual
 Fiscal Year Ended June 30, 2003

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 45,930,000	\$ 45,830,000	\$ 47,676,844	\$ 1,846,844
Real & personal public service corporation property taxes	3,691,200	3,691,200	3,215,824	(475,376)
Personal property taxes	23,190,000	11,942,000	12,489,463	547,463
Penalties	600,000	600,000	758,920	158,920
Interest	550,000	550,000	349,160	(200,840)
Total general property taxes	73,961,200	62,613,200	64,490,211	1,877,011
Other local taxes:				
Local sales & use taxes	4,900,000	4,900,000	5,176,688	276,688
Consumers' utility taxes	2,351,700	2,351,700	2,579,778	228,078
Business license taxes	806,000	806,000	1,051,059	245,059
Cable TV franchise taxes	130,000	130,000	136,093	6,093
Motor vehicle licenses	1,365,000	1,365,000	1,340,223	(24,777)
Bank stock taxes	83,000	83,000	152,803	69,803
Taxes on recordation & wills	670,000	670,000	1,290,501	620,501
Total other local taxes	10,305,700	10,305,700	11,727,145	1,421,445
Permits, privilege fees, & regulatory licenses:				
Animal licenses	5,000	5,000	6,377	1,377
Building & related permits	738,575	809,984	1,336,859	526,875
Transfer fees	2,400	2,400	2,736	336
Zoning permits & fees	151,488	151,488	147,096	(4,392)
Land use application fees	17,000	17,000	15,009	(1,991)
Total permits, privilege fees, & regulatory licenses	914,463	985,872	1,508,077	522,205
Fines & forfeitures:				
Court fines & forfeitures	306,000	324,000	504,517	180,517
Revenue from use of money & property:				
Revenue from use of money	1,044,000	1,044,000	1,063,912	19,912
Revenue from use of property	366,289	366,289	357,615	(8,674)
Total revenue from use of money & property	\$ 1,410,289	\$ 1,410,289	\$ 1,421,527	\$ 11,238

COUNTY OF FAUQUIER, VIRGINIA
Governmental Funds and Discretely Presented Component Unit
Schedule of Revenue - Budget and Actual
Fiscal Year Ended June 30, 2003

Schedule 1
Page 2 of 10

<u>Fund, Major, and Minor Revenue Sources</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Primary Government (continued)				
General Fund (continued):				
Revenue from local sources (continued):				
Charges for services:				
Charges for commonwealth's & county's attorney	\$ 1,400	\$ 1,400	\$ 4,458	\$ 3,058
Excess fees of clerk	120,000	270,838	394,869	124,031
Sheriff's fees, deputies & reports	3,742	3,742	10,470	6,728
Charges for law library	15,000	15,000	17,642	2,642
Charges for local costs	400	400	155	(245)
Charges for public safety	100	75,424	83,976	8,552
Charges for parks & recreation	279,923	345,282	392,999	47,717
Charges for social services	2,000	2,000	23,948	21,948
Charges for library	46,000	61,000	61,773	773
Charges for planning & community development	21,450	21,450	28,991	7,541
	<u>490,015</u>	<u>796,536</u>	<u>1,019,281</u>	<u>222,745</u>
Total charges for services				
Miscellaneous revenue:				
Miscellaneous	24,400	76,811	136,119	59,308
	<u>24,400</u>	<u>76,811</u>	<u>136,119</u>	<u>59,308</u>
Total miscellaneous revenue				
Recovered costs:				
Warrenton Community Center	-	-	9,618	9,618
Other government charges	10,500	10,500	10,500	-
Board of prisoner - other localities	2,500	2,500	1,823	(677)
Work release	60,000	60,000	59,104	(896)
E-911 reimbursement	10,910	10,910	-	(10,910)
Home incarceration fees	35,000	35,000	17,784	(17,216)
Medical reimbursement - prisoners	2,500	2,500	2,385	(115)
Other cost	3,504	3,504	18,302	14,798
CSA shared cost	-	-	6,800	6,800
Deputies' security for school	-	11,411	11,411	-
	<u>124,914</u>	<u>136,325</u>	<u>137,727</u>	<u>1,402</u>
Total recovered costs				
Total revenue from local sources	<u>\$ 87,536,981</u>	<u>\$ 76,648,733</u>	<u>\$ 80,944,604</u>	<u>\$ 4,295,871</u>

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit
 Schedule of Revenue - Budget and Actual
 Fiscal Year Ended June 30, 2003

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
General Fund (continued):				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 53,157	\$ 53,157	\$ 57,571	\$ 4,414
Wine taxes	54,911	54,911	53,307	(1,604)
Rolling stock tax	78,745	78,745	70,844	(7,901)
Mobile home titling taxes	31,117	31,117	30,990	(127)
Auto rental tax	24,177	24,177	21,100	(3,077)
Recordation tax	439,338	439,338	500,327	60,989
Commonwealth PPTRA	-	11,100,000	11,026,498	(73,502)
Commonwealth PPTRA - delinquent	-	250,000	267,202	17,202
Total noncategorical aid	681,445	12,031,445	12,027,839	(3,606)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	323,181	323,181	308,665	(14,516)
Sheriff	2,776,936	2,776,936	2,895,505	118,569
Commissioner of the revenue	180,234	180,234	169,674	(10,560)
Treasurer	162,750	162,750	162,205	(545)
Medical examiner	500	500	810	310
Registrar/electoral board	67,255	67,255	47,491	(19,764)
Clerk of the circuit court	382,530	382,530	386,624	4,094
Jail	260,000	260,000	179,439	(80,561)
Total shared expenses	4,153,386	4,153,386	4,150,413	(2,973)
Welfare:				
Welfare administration & assistance	685,164	771,039	659,173	(111,866)
Comprehensive act	972,631	972,631	899,716	(72,915)
Total welfare	\$ 1,657,795	\$ 1,743,670	\$ 1,558,889	\$ (184,781)

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit

Schedule of Revenue - Budget and Actual

Fiscal Year Ended June 30, 2003

Schedule 1

Page 4 of 10

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
General Fund: (continued)				
Revenue from the Commonwealth: (continued)				
Other categorical aid:				
Disability service board grant	\$ 7,500	\$ 7,500	\$ 7,750	\$ 250
Administrative	-	2,130	10,561	8,431
Library aid	238,700	238,700	198,851	(39,849)
Judicial & legal	194,729	207,760	215,420	7,660
Juvenile community control act & accountability grant	59,590	64,293	51,478	(12,815)
Sheriff	15,000	15,000	5,018	(9,982)
Comprehensive community correction	183,839	183,839	182,784	(1,055)
Community development & planning	-	15,000	3,052	(11,948)
Total other categorical aid	<u>699,358</u>	<u>734,222</u>	<u>674,914</u>	<u>(59,308)</u>
Total categorical aid	<u>2,357,153</u>	<u>2,477,892</u>	<u>2,233,803</u>	<u>(244,089)</u>
Total revenue from the commonwealth	<u>7,191,984</u>	<u>18,662,723</u>	<u>18,412,055</u>	<u>(250,668)</u>
Revenue from the Federal Government				
Categorical aid:				
Welfare administrative & assistance	1,749,158	1,826,658	1,812,717	(13,941)
Virginia JJDP act	-	25,732	25,732	-
DEA group 33	15,000	31,010	30,071	(939)
Local law enforcement block grant	-	14,232	14,232	-
Judicial & legal grants	-	4,725	9,428	4,703
FEMA	-	20,054	17,562	(2,492)
Miscellaneous	5,000	20,495	15,495	(5,000)
Emergency management assistance	-	15,278	15,278	-
Domestic preparedness equipment	-	26,174	51,475	25,301
Cops grants	78,544	78,544	39,044	(39,500)
Transportation safety	-	27,178	27,177	(1)
Total revenue from the federal government	<u>1,847,702</u>	<u>2,090,080</u>	<u>2,058,211</u>	<u>(31,869)</u>
Total General Fund	<u>96,576,667</u>	<u>97,401,536</u>	<u>101,414,870</u>	<u>4,013,334</u>
Special Revenue Funds:				
Joint Communications Fund:				
Revenue from local sources:				
Other local taxes:				
E-911 telephone tax	861,840	804,290	925,717	121,427
Recovered costs:				
Miscellaneous recovered costs	<u>1,144</u>	<u>1,144</u>	<u>6,715</u>	<u>5,571</u>
Total revenue from local sources	<u>\$ 862,984</u>	<u>\$ 805,434</u>	<u>\$ 932,432</u>	<u>\$ 126,998</u>

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit
 Schedule of Revenue - Budget and Actual
 Fiscal Year Ended June 30, 2003

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
General Fund: (continued)				
Special Revenue Funds (continued):				
Revenue from the Commonwealth:				
Categorical aid:				
E-911 Wireless Services	\$ 84,232	\$ 168,860	\$ 167,549	\$ (1,311)
Total revenue from local sources	<u>84,232</u>	<u>168,860</u>	<u>167,549</u>	<u>(1,311)</u>
Revenue from the Federal Government				
Categorical aid:				
FEMA	-	-	981	981
Total Joint Dispatch Fund	<u>947,216</u>	<u>974,294</u>	<u>1,100,962</u>	<u>126,668</u>
Fire & Rescue Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	3,744,229	3,506,796	3,622,168	115,372
Real & personal public service corporation property taxes	-	237,433	235,576	(1,857)
Penalty	16,622	16,622	20,102	3,480
Interest	<u>10,002</u>	<u>10,002</u>	<u>11,680</u>	<u>1,678</u>
Total general property taxes	<u>3,770,853</u>	<u>3,770,853</u>	<u>3,889,526</u>	<u>118,673</u>
Recovered Cost:				
Community events	<u>3,000</u>	<u>3,000</u>	<u>1,175</u>	<u>(1,825)</u>
Total revenue from local sources	<u>3,000</u>	<u>3,000</u>	<u>1,175</u>	<u>(1,825)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Two for life funds	28,282	28,282	28,555	273
Fire programs	51,718	51,718	63,766	12,048
Disaster planning	-	-	1,537	1,537
Total from commonwealth	<u>80,000</u>	<u>80,000</u>	<u>93,858</u>	<u>13,858</u>
Revenue from the Federal Government				
Categorical aid:				
VDEM grant	-	-	10,822	10,822
FEMA	-	10,096	7,019	(3,077)
Total revenue from the federal government	<u>-</u>	<u>10,096</u>	<u>17,841</u>	<u>7,745</u>
Total Fire & Rescue Fund	<u>\$ 3,853,853</u>	<u>\$ 3,863,949</u>	<u>\$ 4,002,400</u>	<u>\$ 138,451</u>

COUNTY OF FAUQUIER, VIRGINIA
Governmental Funds and Discretely Presented Component Unit
Schedule of Revenue - Budget and Actual
Fiscal Year Ended June 30, 2003

Schedule 1
Page 6 of 10

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
General Fund: (continued)				
Special Revenue Funds (continued):				
Parks and Recreation Trust Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 1,736	\$ 1,736
Miscellaneous revenue:				
Donations	-	-	6,453	6,453
Total revenue from local sources	-	-	8,189	8,189
Total Parks and Recreation Trust Fund	-	-	8,189	8,189
Library Trust Fund				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	769	769
Miscellaneous revenue:				
Donations	-	-	5,989	5,989
Total revenue from local sources	-	-	6,758	6,758
Total Library Trust Fund	-	-	6,758	6,758
Total Special Revenue Funds	4,801,069	4,838,243	5,118,309	280,066
Capital Projects Funds:				
Capital Improvement Projects Fund:				
Revenue from local sources:				
General property taxes:				
Real estate taxes	-	100,000	173,579	73,579
Penalties	-	-	5,254	5,254
Interest	-	-	43,013	43,013
Total general property taxes	-	100,000	221,846	121,846
Revenue from use of money and property:				
Revenue from use of money	-	-	303,028	303,028
Charges for services:				
Courthouse maintenance	-	-	40,124	40,124
Sewer tap fees	-	-	15,000	15,000
Total charges for services	\$ -	\$ -	\$ 55,124	\$ 55,124

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit
 Schedule of Revenue - Budget and Actual
 Fiscal Year Ended June 30, 2003

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
General Fund: (continued)				
Capital Improvement Projects Fund: (continued)				
Miscellaneous revenue:				
Proffer revenue	\$ -	\$ -	\$ 294,680	\$ 294,680
Miscellaneous	-	25,500	28,460	2,960
Total miscellaneous revenue	-	25,500	323,140	297,640
Revenue from local sources: (continued)				
Total revenue from local sources	-	125,500	903,138	777,638
Intergovernmental:				
Contribution from component unit - School Board	3,619,320	3,789,103	3,789,103	-
Revenue from the Commonwealth:				
Categorical aid:				
Parks & recreation grant	-	755,450	-	(755,450)
Total revenue from the commonwealth	-	755,450	-	(755,450)
Revenue from Federal Government				
Categorical aid:				
Affordable housing block grant	-	-	304,264	304,264
TEA-21 grants	-	-	40,082	40,082
Total revenue from federal government	-	-	344,346	344,346
Total Capital Improvement Projects Fund	3,619,320	4,670,053	5,036,587	366,534
Grand Total Revenue -- Primary Government	104,997,056	106,909,832	111,569,766	4,659,934
Component Unit -- School Board				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Charges for education	84,700	90,190	156,914	66,724
Total charges for services	84,700	90,190	156,914	66,724
Miscellaneous Revenue:				
Miscellaneous	\$ 138,598	\$ 212,801	\$ 414,050	\$ 201,249

COUNTY OF FAUQUIER, VIRGINIA
Governmental Funds and Discretely Presented Component Unit
Schedule of Revenue - Budget and Actual
Fiscal Year Ended June 30, 2003

Schedule 1
Page 8 of 10

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Component Unit -- School Board (continued)				
Special Revenue Funds: (continued)				
School Operating Fund: (continued)				
Revenue from local sources: (continued)				
Total revenue from local sources	\$ 223,298	\$ 302,991	\$ 570,964	\$ 267,973
Intergovernmental				
Contribution from County of Fauquier	52,814,796	53,948,730	50,975,251	(2,973,479)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales taxes	5,831,127	5,831,127	6,565,621	734,494
Basic school aid	13,521,942	13,521,942	13,824,906	302,964
Regular foster care	45,725	45,725	43,222	(2,503)
Lottery	809,483	809,483	919,841	110,358
Gifted & talented	144,136	144,136	149,244	5,108
At risk youth	59,866	59,866	61,941	2,075
Special education	1,881,774	1,881,774	1,948,464	66,690
Special education - homebound	35,609	35,609	26,634	(8,975)
Regional programs	46,590	46,590	49,129	2,539
Vocational education - SOQ	380,358	380,358	393,838	13,480
School construction grant	185,669	185,669	186,370	701
Occupational education	52,870	52,870	52,771	(99)
Primary class size	123,571	123,571	129,629	6,058
Social security instructional	730,070	730,070	783,531	53,461
Social security non-instructional	22,579	22,579	-	(22,579)
Teacher retirement instructional	419,581	419,581	456,024	36,443
Teacher retirement non-instructional	12,977	12,977	-	(12,977)
Group life insurance instructional	72	72	-	(72)
Group life insurance non-instructional	2	2	-	(2)
Early reading intervention	22,388	22,388	33,000	10,612
Dropout prevention	85,301	85,301	85,301	-
Remedial education	148,140	148,140	153,390	5,250
Remedial summer school	93,449	93,449	84,458	(8,991)
At risk four-year old	-	26,905	26,905	-
ISAEP	-	16,228	16,228	-
Textbook payments	301,724	-	-	-
School standard of learning	66,676	66,676	66,617	(59)
Alternative education	108,647	108,647	108,647	-
Technology grant	492,000	544,000	518,000	(26,000)
Algebra readiness initiative	55,403	55,403	6,923	(48,480)
Other state funds	32,362	32,362	42,892	10,530
Total revenue from the commonwealth	\$ 25,710,091	\$ 25,503,500	\$ 26,733,526	\$ 1,230,026

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit
 Schedule of Revenue - Budget and Actual
 Fiscal Year Ended June 30, 2003

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Component Unit -- School Board (continued)				
Special Revenue Funds: (continued)				
School Operating Fund: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
Adult basic education	\$ -	\$ 70,445	\$ 70,445	\$ -
Chapter I	571,941	811,712	682,648	(129,064)
Title VI	40,671	40,671	37,488	(3,183)
Title II	41,293	41,293	200,890	159,597
Miscellaneous federal revenue	14,897	28,831	29,477	646
Title VI - B - Special education	864,723	1,853,574	1,106,439	(747,135)
Goals 2000 - literacy grant	-	-	57,700	57,700
DOL school to work grant	-	7,848	7,847	(1)
Pre-school incentive (VI-B)	61,510	61,510	65,155	3,645
Class size reduction grant	168,513	168,513	5,145	(163,368)
Vocational education	98,145	120,878	122,949	2,071
Drug free schools	35,000	35,000	77,398	42,398
ROTC	10,000	10,000	47,634	37,634
Total revenue from the federal government	<u>1,906,693</u>	<u>3,250,275</u>	<u>2,511,215</u>	<u>(739,060)</u>
Total School Operating Fund	<u>80,654,878</u>	<u>83,005,496</u>	<u>80,790,956</u>	<u>(2,214,540)</u>
School Textbook Fund:				
Intergovernmental:				
Contribution from County of Fauquier	-	462,140	462,140	-
Revenue from the Commonwealth:				
Categorical aid:				
Textbook program	-	301,724	312,418	10,694
Total revenue from the Commonwealth	-	301,724	312,418	10,694
Total School Textbook Fund	<u>-</u>	<u>763,864</u>	<u>774,558</u>	<u>10,694</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	6,000	6,000	573	(5,427)
Charges for services:				
Cafeteria sales	\$ 2,261,851	\$ 2,303,851	\$ 2,302,848	\$ (1,003)

COUNTY OF FAUQUIER, VIRGINIA
Governmental Funds and Discretely Presented Component Unit
Schedule of Revenue - Budget and Actual
Fiscal Year Ended June 30, 2003

Schedule 1
Page 10 of 10

<u>Fund, Major, and Minor Revenue Sources</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Component Unit -- School Board (continued)				
Special Revenue Funds: (continued)				
School Cafeteria Fund (continued):				
Miscellaneous revenue:				
Miscellaneous	\$ 7,000	\$ 7,000	\$ -	\$ (7,000)
Total revenue from local sources	<u>2,274,851</u>	<u>2,316,851</u>	<u>2,303,421</u>	<u>(13,430)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program	<u>44,000</u>	<u>44,000</u>	<u>46,282</u>	<u>2,282</u>
Revenue from the Federal Government:				
Categorical aid:				
School food program	<u>591,605</u>	<u>621,605</u>	<u>636,952</u>	<u>15,347</u>
Total School Cafeteria Fund	<u>2,910,456</u>	<u>2,982,456</u>	<u>2,986,655</u>	<u>4,199</u>
Grand Total Revenues -- Component Unit -- School Board				
	<u>83,565,334</u>	<u>86,751,816</u>	<u>84,552,169</u>	<u>(2,199,647)</u>
Grand Total Revenues -- Reporting Entity	<u>\$ 188,562,390</u>	<u>\$ 193,661,648</u>	<u>\$ 196,121,935</u>	<u>\$ 2,460,287</u>

STATISTICAL TABLES

TABLE 1	General Government Expenditures by Function
TABLE 2	General Government Revenues by Source
TABLE 3	Property Tax Levies and Collections
TABLE 4	Assessed Value of All Taxable Property
TABLE 5	Property Tax Rates for Both Direct and Overlapping Governments
TABLE 6	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
TABLE 7	Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures
TABLE 8	Revenue Bond Coverage
TABLE 9	Demographic Statistics
TABLE 10	Property Value and Construction
TABLE 11	Principal Taxpayers
TABLE 12	Miscellaneous Statistics

THE UNIVERSITY OF CHICAGO

THE UNIVERSITY OF CHICAGO
DIVISION OF THE PHYSICAL SCIENCES
DEPARTMENT OF CHEMISTRY
5780 SOUTH CAMPUS DRIVE
CHICAGO, ILLINOIS 60637
TEL: 773-936-3100
WWW.CHEM.UCHICAGO.EDU

THE UNIVERSITY OF CHICAGO
DIVISION OF THE PHYSICAL SCIENCES
DEPARTMENT OF CHEMISTRY
5780 SOUTH CAMPUS DRIVE
CHICAGO, ILLINOIS 60637
TEL: 773-936-3100
WWW.CHEM.UCHICAGO.EDU

COUNTY OF FAUQUIER, VIRGINIA

TABLE 1

General Government Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Recreation and Cultural	Community Development	Debt Service (3)	Total
1994	\$ 3,787,665	\$ 910,145	\$ 5,293,874	\$ 1,624,721	\$ 2,814,113	\$ 46,061,151	\$ 1,536,063	\$ 1,618,601	\$ 5,802,071	\$ 69,448,404
1995	3,347,351	980,382	7,095,895	1,837,059	3,150,622	50,848,284	1,673,107	1,957,757	6,107,034	76,997,491
1996	4,448,074	1,035,026	8,223,415	5,573,828	3,622,004	48,023,722	1,767,245	2,073,464	6,091,387	80,858,165
1997	8,898,098	1,668,656	10,042,660	5,690,852	4,551,422	59,600,276	2,290,625	2,448,128	5,755,858	100,946,575
1998	6,067,510	1,469,555	10,213,570	7,618,067	5,078,681	69,742,125	2,450,153	2,316,044	7,011,362	111,967,067
1999	6,214,760	3,880,197	9,759,807	3,581,874	4,748,294	67,840,728	2,396,011	2,717,354	7,646,523	108,785,548
2000	6,875,901	2,132,796	11,217,942	3,808,739	4,721,916	74,462,071	2,657,226	3,750,168	6,157,359	115,784,118
2001	7,299,575	1,925,457	11,112,953	5,380,379	4,934,176	72,220,501	3,180,143	2,681,114	6,288,144	115,022,442
2002	8,196,474	2,107,733	12,684,365	6,051,388	5,324,034	78,882,845	4,241,026	3,124,838	6,188,549	126,801,252
2003	7,688,368	2,186,402	17,634,118	6,525,904	5,787,402	87,097,732	5,731,577	3,707,282	7,401,307	143,760,092 (2)

(1) Table includes expenditures of the General Fund, Capital Projects Fund, and other governmental funds of the primary government and the discretely presented component unit. Transfers to/from the primary government and the component unit are not included.

(2) Reconciliation to Exhibits 5 and 25:

Total expenditures per Exhibit 5	\$ 114,595,746
Total expenditures per Exhibit 25	84,390,840
Less: Contributions to component unit	(51,437,391)
Less: Contributions from component unit	(3,789,103)
Total per Table 1	\$ 143,760,092

(3) Includes principal retirement, interest and other debt related costs

COUNTY OF FAUQUIER, VIRGINIA

TABLE 2

General Government Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes		Other Local Taxes		Permit Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property		Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total							
1994	\$	43,016,486	\$	6,880,131	\$	437,690	\$	147,400	\$	889,244	\$	2,530,523	\$	377,114	\$	663,786	\$	19,327,976	\$	74,270,350
1995		48,029,231		7,374,936		589,711		147,975		1,633,286		2,418,307		183,482		379,367		23,171,823		83,928,118
1996		49,650,697		7,663,235		492,519		121,389		1,725,383		2,179,034		1,181,682		155,276		23,672,366		86,841,581
1997		52,049,159		8,025,062		558,902		143,723		2,038,219		2,529,450		297,392		281,147		26,500,922		92,423,976
1998		73,184,354		8,562,552		564,316		171,262		2,599,301		4,215,626		274,989		171,303		27,814,462		117,558,165
1999		58,383,735		9,390,568		712,816		201,123		2,130,997		2,940,675		147,393		538,695		32,999,092		107,445,094
2000		57,588,606		10,150,934		739,401		259,781		2,382,840		2,769,062		103,957		853,977		37,038,087		111,886,645
2001		59,071,677		10,920,367		1,130,335		362,610		2,950,599		3,104,557		388,978		157,924		42,737,374		120,824,421
2002		63,317,360		11,445,316		1,169,124		432,297		1,599,707		3,251,191		10,482,432		461,620		48,014,868		140,173,915
2003		68,601,583		12,652,862		1,508,077		504,517		1,727,633		3,534,167		885,751		145,617		51,335,234		140,895,441 (2)

(1) Table includes revenue of the General Fund, Capital Projects Fund, and Other Governmental Funds of the primary government and the discretely presented component unit. Transfers to/from the primary government and the component unit are not included.

(2) Reconciliation to Exhibits 5 and 25:

Total revenues per Exhibit 5	\$	111,569,766
Total revenues per Exhibit 25	\$	84,552,169
Less: Contribution from primary government	\$	(51,437,391)
Less: Contribution from the School Board	\$	(3,789,103)
Total per Table 2	\$	140,895,441

COUNTY OF FAUQUIER, VIRGINIA

TABLE 3

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Total		Current		Delinquent		Percent of		Outstanding		Percent of	
	Tax Levy (1)	\$	Tax Collections (1)	Percentage of Levy Collected	Tax Collections (1)(2)	Total Tax Collections	Total Tax Collections to Tax Levy	Total Tax Collections to Tax Levy	Delinquent Taxes (1)(3)	Delinquent Taxes to Tax Levy	Total Tax Collections to Tax Levy	Delinquent Taxes to Tax Levy
1994	42,166,153	\$	40,074,085	95.04%	1,966,571	42,040,656	99.70%	\$	4,397,492	10.43%	\$	10.43%
1995	46,297,895		43,520,809	94.00%	2,004,527	45,525,336	98.33%		2,627,735	5.68%		5.68%
1996	47,580,344		45,105,097	94.80%	1,461,059	46,566,156	97.87%		2,927,028	6.15%		6.15%
1997	51,745,756		49,475,390	95.61%	1,616,170	51,091,560	98.74%		2,205,998	4.26%		4.26%
1998	72,647,034		69,456,067	95.61%	1,666,145	71,122,212	97.90%		3,330,854	4.58%		4.58%
1999	56,612,254		55,294,787	97.67%	1,812,388	57,107,175	100.87%		3,130,424	5.53%		5.53%
2000	61,185,988		60,527,627	98.92%	1,696,797	62,224,424	101.70%		3,353,139	5.48%		5.48%
2001	63,854,161		62,009,789	97.11%	2,050,333	64,060,122	100.32%		3,292,855	5.16%		5.16%
2002	72,191,444		70,762,226	98.02%	1,912,108	72,674,334	100.67%		2,826,967	3.92%		3.92%
2003	79,480,945		77,320,736	97.28%	1,496,126	78,816,862	99.16%		2,763,826	3.48%		3.48%

(1) Exclusive of penalties and interest

(2) Does not include land redemptions.

(3) 1997-1998 Includes one-time windfall real estate revenue.
Includes General Fund and Special Revenue Fund.

Source: Fauquier County Treasurer

COUNTY OF FAUQUIER, VIRGINIA

TABLE 4

**Assessed Value of All Taxable Property (1)
Last Ten Calendar Years**

Calendar Year	Real Estate	Personal Property	Airplane	Mobile Homes	Machinery and Tools	Public Service	Handicapped Equipment	Camper Trailers Boats		Fire & Rescue	Total
1994	\$ 3,203,089,889	\$ 205,822,817	\$ 2,141,750	\$ 5,310,872	\$ 8,745,079	\$ 137,752,001	\$ -	\$ -	\$ -	\$ -	\$ 3,562,862,408
1995	3,326,023,307	225,348,686	2,199,898	4,511,633	7,718,678	168,355,738	-	-	-	-	3,734,157,940
1996	3,379,288,221	265,044,520	2,367,444	4,812,375	6,157,665	168,080,556	-	-	-	-	3,825,750,781
1997	3,428,662,770	311,006,694	2,388,816	4,812,419	5,042,614	159,429,091	514,500	2,417,631	-	-	3,914,274,535
1998	3,580,410,049	318,172,142	2,820,795	4,747,942	6,833,515	161,304,562	661,840	3,304,376	1,215,464	1,215,464	4,079,470,685
1999	3,667,585,036	335,750,838	3,183,817	3,938,111	7,417,720	182,512,529	861,420	3,702,994	1,401,108	1,401,108	4,206,353,573
2000	3,763,470,235	371,110,903	3,306,095	4,612,434	7,292,514	181,193,023	623,700	4,196,246	1,718,120	1,718,120	4,337,523,270
2001	3,959,582,800	420,854,436	4,760,347	5,014,093	7,743,026	224,191,709	566,080	5,360,009	1,830,104	1,830,104	4,629,902,604
2002 (2)	4,485,272,800	468,636,375	5,877,252	5,990,508	8,912,009	340,899,267	535,240	6,161,496	1,566,124	1,566,124	5,323,851,071
2003	5,186,039,325	502,499,964	6,719,905	4,594,993	8,259,686	339,251,808	599,060	10,235,919	1,850,816	1,850,816	6,060,051,476

(1) Assessed value approximates market or actual value.

(2) Real Property is assessed every four years. New assessments were effective January 1, 2002.

Source: Fauquier County Commissioner of the Revenue

COUNTY OF FAUQUIER, VIRGINIA

TABLE 5

**Property Tax Rates for Both Direct and Overlapping Governments
Last Ten Fiscal Years
(rates per \$100 of assessed value)**

A. Fauquier County

Fiscal Year	Real Estate	Personal Property	Airplanes	Machinery and Tools	Handicapped Equipment	Camper Trailers Boats	Fire & Rescue
1994	\$ 1.03	\$ 4.90	\$ 1.50	\$ 4.90	\$ -	\$ -	\$ -
1995	1.03 (1)	4.80	1.50	4.80	-	-	-
1996	1.03	4.70	1.50	4.70	0.05	1.50	-
1997	1.03 (2)	4.65	0.60	4.65	0.05	1.50	0.25
1998	1.06 (3)	4.65	0.60	4.65	0.05	1.50	0.25
1999	1.06	4.65	0.60	4.65	0.05	1.50	0.25
2000	1.06	4.65	0.60	4.65	0.05	1.50	0.25
2001	1.06	4.65	0.60	4.65	0.05	1.50	0.25
2002	0.99 (4)	4.65	0.60	4.65	0.05	1.50	0.25
2003	0.99	4.65	0.60	4.65	0.05	1.50	0.25 (5)

- (1) Real estate tax rate includes \$0.04 for Fire and Rescue Special Revenue Fund, and \$0.99 for the General Fund.
- (2) Real estate tax rate includes \$0.05 for Fire and Rescue Special Revenue Fund, and \$0.98 for the General Fund.
- (3) Real estate tax rate includes \$0.06 for Fire and Rescue Special Revenue Fund, and \$1.00 for the General Fund.
- (4) Real estate tax rate includes \$0.07 for Fire and Rescue Special Revenue Fund, and \$0.92 for the General Fund.
- (5) Personal property tax rate for Fire and Rescue volunteers on 1 vehicle .25.

Source: Fauquier County Commissioner of the Revenue

B. Overlapping Governments

Fiscal Year	Town of Warrenton		Town of Remington		Town of The Plains	
	Real Estate	Personal Property	Real Estate	Personal Property	Real Estate	Personal Property
1994	\$ 0.18	\$ 2.50	\$ 0.12	\$ 1.10	\$ 0.25	\$ 0.40
1995	0.18	2.50	0.12	1.10	0.25	0.40
1996	0.18	2.50	0.12	1.10	0.75	0.50
1997	0.18	2.40	0.12	1.10	0.75	0.50
1998	0.18	2.25	0.12	1.10	0.75	0.50
1999	0.17/0.14	2.25	0.12	1.10	0.75	0.50
2000	0.14	2.25	0.12	1.10	0.75	0.50
2001	0.12	2.25	0.14	1.10	0.75	0.50
2002	0.05	1.00	0.14	1.10	0.75	0.50
2003	0.03	1.00	0.14	1.10	0.75	0.50

Source: Town of Warrenton Town of Remington Town of The Plains

COUNTY OF FAUQUIER, VIRGINIA

TABLE 6

**Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Assessed Value of Taxable Property (2)	Net Bonded Debt (3)	Ratio of Net General Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1994	50,700	\$ 3,562,862,408	\$ 44,470,000	0.0125	877
1995	51,200	3,734,157,940	41,472,500	0.0111	810
1996	51,600	3,825,750,781	38,197,500	0.0100	740
1997	51,900	3,914,274,535	42,684,760	0.0109	822
1998	52,900	4,079,470,685	43,687,500	0.0107	826
1999	53,500	4,206,353,573	40,237,500	0.0096	752
2000	54,600	4,337,523,270	40,372,500	0.0093	739
2001	55,139	4,629,902,604	41,460,000	0.0090	752
2002	56,300	5,323,851,071	44,980,000	0.0084	799
2003	57,400	6,060,051,476	41,180,000	0.0068	717

(1) From the Weldon Cooper Center for Public Service

(2) From Table 4

(3) Includes all long-term general obligation bonded debt.

Excludes enterprise debt, revenue bonds, capital leases and compensated absences.

COUNTY OF FAUQUIER, VIRGINIA

TABLE 7

**Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years**

Fiscal Year	Principal	Interest	Total Principal & Interest	Total Debt Service	Total General Governmental Expenditures	Ratio
1994	\$ 2,879,282	\$ 2,709,857	\$ 5,589,139	\$ 5,802,071	\$ 69,448,404	8.35%
1995	3,098,768	2,797,879	5,896,647	6,107,034	76,997,491	7.93%
1996	3,499,468	2,591,919	6,091,387	6,091,387	80,858,165	7.53%
1997	3,365,962	2,389,896	5,755,858	5,755,858	100,946,575	5.70%
1998	4,263,671	2,747,691	7,011,362	7,011,362	111,967,067	6.26%
1999	4,939,408	2,707,115	7,646,523	7,646,523	108,785,548	7.03%
2000	3,684,273	2,473,086	6,157,359	6,157,359	115,784,118	5.32%
2001	3,822,773	2,465,371	6,288,144	6,288,144	115,022,442	5.47%
2002	3,385,000	2,337,203	5,722,203	6,188,549	126,801,252	4.88%
2003	4,484,717	2,884,796	7,369,513	7,401,307	143,760,092	5.15%

(1) Includes all funds of primary government and discretely presented component unit (School Board)

Source: Fauquier County Government & Public Schools Finance

COUNTY OF FAUQUIER, VIRGINIA

TABLE 8

**Revenue Bond Coverage
Last Nine Fiscal Years (1)**

Fiscal Year	Gross Revenue (2)	Direct Operating Expenses (3)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 2,148,907	\$ 1,145,770	1,003,137	\$ 205,000	\$ 237,158	\$ 442,158	2.27
1996	2,222,253	2,349,183	(126,930)	210,000	229,778	439,778	(0.29)
1997	2,180,429	2,153,232	27,197	220,000	221,378	441,378	0.06
1998	2,072,559	1,815,234	257,325	230,000	212,028	442,028	0.58
1999	2,060,005	1,733,099	326,906	240,000	201,793	441,793	0.74
2000	2,212,272	1,873,800	338,472	250,000	190,633	440,633	0.77
2001	2,734,054	2,698,983	35,071	260,000	153,591	413,591	0.08
2002	5,220,443	3,200,280	2,020,163	275,000	162,001	437,001	4.62
2003	5,966,800	4,070,045	1,896,755	250,000	156,476	406,476	4.67

(1) Bonds were issued in 1993

(2) Includes operating and non-operating revenues for the Solid Waste Fund

(3) Includes operating expenses for the Solid Waste Fund

Source: Fauquier County Government & Public Schools Finance

COUNTY OF FAUQUIER, VIRGINIA

TABLE 9

**Demographic Statistics
Last Ten Fiscal Years**

<u>Year</u>	<u>Population</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
1994	50,700	8,478	3.30%
1995	51,200	8,660	3.30%
1996	51,600	8,888	3.20%
1997	51,900	9,030	2.20%
1998	52,900	9,176	1.14%
1999	53,500	9,269	2.00%
2000	54,600	9,588	1.00%
2001	55,139	9,623	1.00%
2002	56,300	9,678	2.08%
2003	57,400	10,031	2.09%

Sources: Weldon Cooper Center for Public Service
Fauquier County Schools

COUNTY OF FAUQUIER, VIRGINIA

TABLE 10

**Property Value and Construction
Last Ten Fiscal Years**

Year	Residential Construction		Commercial Construction		Miscellaneous Construction		Real Property Value (1)			
	Permits	Valuation	Permits	Valuation	Permits	Valuation	Residential	Commercial	Agricultural	Non-Taxable
1994	883	\$ 43,536,530	56	\$ 2,266,690	285	\$ 1,103,320	\$ 2,231,833,500	\$ 314,291,500	\$ 780,814,800	\$ 323,257,100
1995	936	43,108,067	65	2,455,884	350	1,326,446	2,275,945,100	329,053,300	774,313,700	330,210,100
1996	926	46,485,601	75	6,230,169	311	1,195,436	2,325,702,500	335,412,500	767,889,700	338,177,800
1997	900	54,648,607	83	7,274,205	403	1,927,505	2,370,193,400	342,954,200	762,746,800	347,251,700
1998	1,053	74,999,145	88	2,981,452	322	1,645,614	2,504,060,000	366,663,900	791,832,300	356,595,900
1999	1,186	81,599,656	115	23,668,418	283	1,479,231	2,575,571,000	370,544,400	804,429,800	363,892,100
2000	1,215	91,718,862	99	3,648,699	354	1,474,250	2,656,247,900	387,275,800	808,032,100	371,632,000
2001	1,477	125,529,360	114	26,461,134	316	1,501,962	2,751,109,100	392,858,900	815,564,800	394,813,400
2002	1,594	114,087,743	174	10,327,885	216	689,179	3,572,379,700	504,421,900	1,057,149,600	484,348,200
2003	1,668	116,630,694	285	20,240,935	132	541,585	3,758,119,100	513,850,300	1,077,644,800	496,561,200

(1) Values are as reported on the original Land Book

Source: Fauquier County Commissioner of the Revenue
Fauquier County Department of Community Development

COUNTY OF FAUQUIER, VIRGINIA

TABLE 11

**Principal Taxpayers
June 30, 2003**

<u>TAXPAYER/ TYPE OF BUSINESS</u>	<u>2003 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Virginia Electric & Power Company Utilities	\$ 180,944,820	3.20%
Verizon - Virginia, Inc. Utilities	45,045,630	0.80%
Jefferson Associates LP Shopping Center	20,190,600	0.36%
Oak Spring Farms LLC Farm	18,942,700	0.34%
Northern Virginia Electric Co-op Utilities	14,723,363	0.26%
Rappahannock Electric Co-op Utilities	10,308,006	0.18%
Warrenton Development Company Shopping Center	10,099,500	0.18%
Warrenton Village LLC Shopping Center	9,445,000	0.17%
Wal-Mart Real Estate Business Shopping Center	8,991,800	0.16%
Colonial Pipeline Company Utilities	<u>8,747,842</u>	<u>0.15%</u>
Total	<u>\$ 327,439,261</u>	<u>5.79%</u>

Source: Fauquier County Commissioner of the Revenue

COUNTY OF FAUQUIER, VIRGINIA

TABLE 12

**Miscellaneous Statistics
At June 30, 2003**

Date of Incorporation		1759
Form of Government		Board of Supervisors/ County Administrator
Area (square miles)		660
Public Safety	Fire and Rescue Companies	13
	Career Firefighters	21
	Volunteer Firefighters	618
	Sheriff's Office employees	119
Education	Schools	17
	Number of Students	10,031
Recreation and Culture	Number of Parks and Recreation Facilities	30
	Number of Libraries	3
	Number of Volumes	165,381
Employees at June 30	General Government (excludes Sheriff)	546
	School Division (includes teachers)	1,473

Source: Fauquier County Government & Public Schools Finance

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**TO THE BOARD OF SUPERVISORS
COUNTY OF FAUQUIER
WARRENTON, VIRGINIA**

We have audited the financial statements of the County of Fauquier, Virginia as of and for the year ended June 30, 2003, and have issued our report thereon dated September 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Specifications for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County of Fauquier, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Fauquier, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated September 12, 2003.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Fanner, Cox Associates

Charlottesville, Virginia

September 12, 2003

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO THE BOARD OF SUPERVISORS
COUNTY OF FAUQUIER
WARRENTON, VIRGINIA

Compliance

We have audited the compliance of the County of Fauquier, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The County of Fauquier, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Fauquier, Virginia's management. Our responsibility is to express an opinion on the County of Fauquier, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Fauquier, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Fauquier, Virginia's compliance with those requirements.

In our opinion, the County of Fauquier, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the County of Fauquier, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Fauquier, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Frazier, Co. Associates

Charlottesville, Virginia

September 12, 2003

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
 Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2003

<u>Federal Granting Agency / Recipient State Agency/ Grant Program / Grant Number</u>	<u>Federal Catalog Number</u>	<u>Expendi- tures</u>
<u>Primary Government:</u>		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass through payments:</u>		
Department of Social Services:		
Food Stamp Program	10.561	\$ 219,881
Total Department of Agriculture		\$ 219,881
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>		
<u>Pass through payments:</u>		
Community development block grant	14.228	\$ 304,264
Total Department of Housing and Urban Development		\$ 304,264
<u>DEPARTMENT OF FEDERAL AVIATION ADMINISTRATION:</u>		
<u>Direct payments:</u>		
Airport Improvement Program	20.106	\$ 257,094
<u>U. S. DEPARTMENT OF TRANSPORTATION / DEPARTMENT OF MOTOR VEHICLES:</u>		
<u>Pass through payments:</u>		
Community Traffic Safety	20.600	\$ 3,100
Open container/Alcohol impaired driving	20.000	24,077
Salem meeting house grant	20.000	40,082
Total Department of Transportation		\$ 67,259
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Pass through payments:</u>		
Virginia Department of Social Services:		
Foster Care - Title IV-E	93.658	\$ 332,024
Social services block grant	93.667	271,193
Adoption incentive payments program	93.603	5,506
Child care development	93.596	181,412
Independent living	93.674	3,658
Medical assistance program	93.778	151,563
Family preservation and support	93.556	14,403
Adoption assistance	93.659	38,531
Child care assistance	93.575	378,185
Low income home energy assistance	93.568	5,409
Temporary assistance to needy families	93.558	210,683
Refugee and entrant assistance - discretionary	93.566	269
Total Department of Health and Human Services		\$ 1,592,836
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>		
<u>Pass through payments:</u>		
Disaster relief public assistance	83.544	\$ 28,380
Emergency management preparedness grant	83.552	10,822
State and local all hazards emergency operations planning	83.562	15,278
Total Federal Emergency Management Agency		\$ 54,480

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
 - Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2003 (Continued)

Federal Granting Agency / Recipient State Agency/ Grant Program / Grant Number	Federal Catalog Number	Expendi- tures
<u>DEPARTMENT OF JUSTICE:</u>		
<u>Direct payments:</u>		
Cops grant	16.000	\$ 39,044
Bullet proof vest program	16.000	5,023
<u>Pass through payments:</u>		
Department of Criminal Justice Services:		
State domestic preparedness equipment support program	16.007	51,475
Juvenile Justice and Delinquency Prevention	16.540	25,732
Drug control and system improvement	16.579	9,428
Local law enforcement block grant	16.592	24,704
Police assisted community drug enforcement program	16.580	<u>30,071</u>
Total Department of Justice		\$ <u>185,477</u>
Total Primary Government		\$ <u>2,681,291</u>
Component Unit - School Board:		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass through payments:</u>		
Department of Agriculture and Consumer Services:		
Food distribution	10.555	\$ 172,382
Department of Education:		
National school breakfast program	10.553	96,499
National school lunch program	10.555	<u>540,453</u>
Total Department of Agriculture		\$ <u>809,334</u>
<u>DEPARTMENT OF LABOR:</u>		
<u>Direct payments:</u>		
ROTC Instruction	17.000	\$ 47,634
<u>Pass Through Payments:</u>		
Department of Education:		
School to work grant	17.261	<u>7,847</u>
Total Department of Labor		\$ <u>55,481</u>

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
 - Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2003 (Continued)

Federal Granting Agency / Recipient State Agency/ Grant Program / Grant Number	Federal Catalog Number	Expendi- tures
DEPARTMENT OF EDUCATION:		
Pass Through Payments:		
Department of Education:		
Education Consolidation and Improvement Act of 1981:		
Adult education state-administered program	84.002	\$ 70,445
Chapter I:		
Financial assistance to meet special educational needs of disadvantaged children - programs operated by local education agencies	84.010	682,648
Elementary and secondary education act (ESEA):		
Title VI-B	84.027	1,107,907
Sliver grant	84.027	25,918
Title II-Education for economic security	84.281	26,336
Vocational Education:		
Basic grants to states	84.048	122,949
Title VI	84.298	37,488
Title II - Part A	84.367	174,555
Drug free schools	84.186	77,398
Refugee school impact	93.576	2,093
Preschool incentive grant	84.173	65,152
Literacy challenge grant	84.318	57,700
Class size reduction grant	84.340	5,145
Total Department of Education		\$ 2,455,734
Total Component Unit School Board		\$ 3,320,549
Total Federal Assistance Reporting Entity		\$ 6,001,840

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
Material weaknesses identified? No
Reportable conditions identified not considered
to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:
Material weaknesses identified? No
Reportable conditions identified not considered
to be material weaknesses? None reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510 (a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
93.667	Social services block grant
93.575	Child care assistance
10.561	Food stamp program
93.658	Foster care
93.778	Medical assistance program
93.558	Temporary assistance to needy families

Dollar threshold used to distinguish between Type A
and Type B programs \$300,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.