

COUNTY OF FAUQUIER VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2004

COUNTY OF FAUQUIER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2004



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, 2004**

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Fauquier County Government & Public Schools



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November 12, 2004

To the Honorable Chairman and Members of the Fauquier County Board of Supervisors, Chairman and Members of the Fauquier County School Board, 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, 2004 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.

Financial Statement Presentation

This transmittal letter provides an introduction to the financial statements and an overview of the government. In addition, we have provided an 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. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

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, 2004 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 (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 60,400. 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 2004 was 10,414 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 eight 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 budgets include 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 13 and 14.

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. In fiscal year 2004, the County's unemployment rate continued to remain low at 2.19%, up slightly from the 2.09% reported in fiscal year 2003. This rate compares favorably with the Commonwealth of Virginia average of 4.1%, and the national average of 5.8%. In their Comprehensive Plan, the Board of Supervisors adopted regulations which would govern how the County would be developed as population increased. The planning process acknowledges the importance of balancing agriculture, urban development, and conservation uses. In fiscal years 2003 and 2004, the assessed value of real estate increased by 15.6% and 4.3%, respectively. In fiscal years 2003 and 2004, the number of residential building permits increased 4.6% and 12.0%, respectively. Commercial building permits for fiscal years 2004 decreased in number and in valuation after two years of significant increase. Despite the reduction, building activity remains robust; and growth in the County continues within the regulations established by the Comprehensive Plan.

Long-term financial planning. 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, 2004.

In addition, the County has established a policy to limit debt service to no more than ten percent of general revenues. For the fiscal year ended June 30, 2004, debt service was 7.9% of general fund revenue.

The County has also established a debt referendum policy, requiring projects costing in excess of \$10,000,000 be subject to referendum. In the event, the debt service limitation of 10% has been exceeded; a debt referendum is required for projects costing in excess of \$2,000,000.

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 0.81% to 0.89% with an average yield of 0.84%. 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; and 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 2004, the average yield on Commonwealth of Virginia investment pool funds was 1.07%. Proceeds from bond issues subject to arbitrage rebate are invested in Virginia State Non-Arbitrage Program (SNAP). The return on these investments averaged 1.05% 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 program 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 monitored by a Health Insurance Advisory Committee, composed of members from the County and Schools, and reported in the Health Insurance Fund. Revenues in this fund come from premiums charged to the participating departments and agencies of the County and Schools to cover the cost of the insurance benefit, and from the portion of the cost shared by employees. The revenue collected is used to cover claims, administrative costs, and premiums paid to purchase excess liability insurance coverage. Claims filed, or expected to be filed, through June 30, 2004 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, and in Exhibit 12 in the 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, 2003. The Certificate of

Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

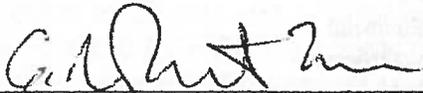
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable 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 six (6) 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.

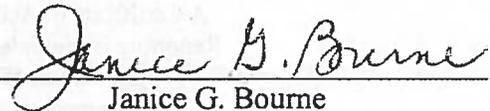
This report was prepared by the professional staff of the Finance Department. Their hard work, dedication and continuing efforts to improve the quality of this report directly benefit all who read and use it. We also acknowledge the cooperation and assistance of the staff of the School Board, County 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, 2003

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.



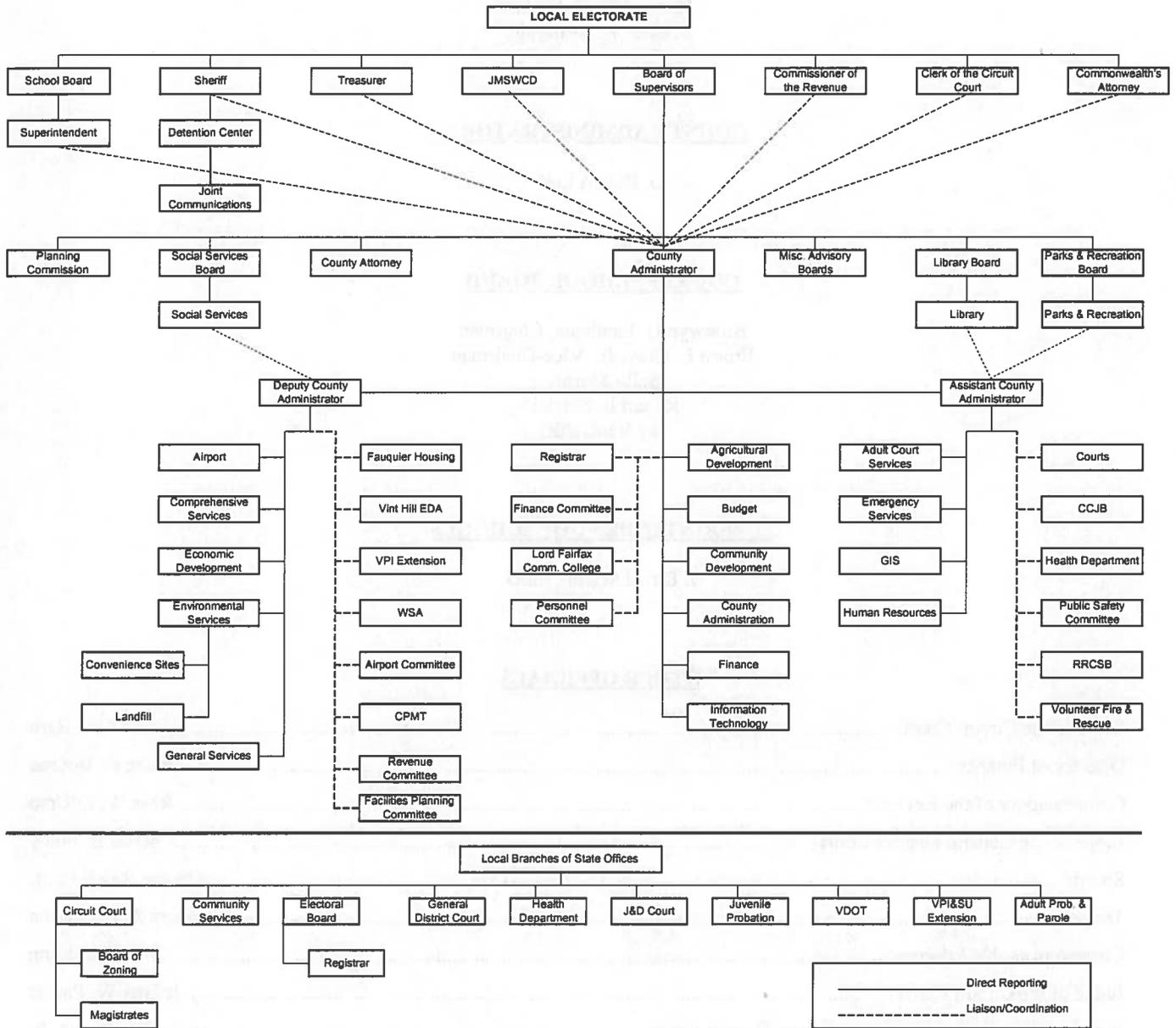
Nancy L. Ziehl

President

Jeffrey R. Emery

Executive Director

County of Fauquier, Virginia Organizational Chart



**COUNTY OF FAUQUIER, VIRGINIA
PRINCIPAL OFFICIALS**

BOARD OF SUPERVISORS

Harry Atherton, Jr., Chairman
Raymond E. Graham, Vice-Chairman
William G. Downey
Richard W. Robison
Chester W. Stribling

COUNTY ADMINISTRATOR

G. Robert Lee

COUNTY SCHOOL BOARD

Bronwyn H. Lambelet, Chairman
Ernest L. Gray, Jr., Vice-Chairman
Sally Murray
Robert L. Sinclair
Jay VanGelder

SUPERINTENDENT OF SCHOOLS

J. David Martin, Ed.D

OTHER OFFICIALS

Clerk of the Circuit CourtGail Barb
Director of Finance Janice G. Bourne
Commissioner of the Revenue Ross W. D'Urso
Judge of the General District CourtCharles B. Foley
Sheriff Charlie Ray Fox, 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, Jr.

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To The Honorable Members of the Board of Supervisors
County of Fauquier
Warrenton, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Fauquier, Virginia, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Fauquier, Virginia'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, 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. Those standards 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 the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Fauquier, Virginia, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof 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 17, 2004, on our consideration of the County of Fauquier, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Fauquier, Virginia, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the County of Fauquier, Virginia. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 17, 2004

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, 2004. 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 2004 FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the net assets of the County, excluding its component unit, Schools, totaled \$100.1 million. Of this amount, \$19.1 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 totaled \$114.0 million and expenses totaled \$110.8 million. As a result, the County's total net assets increased by \$3.2 million, or 3.7%, over fiscal year 2003 (Exhibit 2).
- The component unit, Schools, revenues totaled \$95.1 million and expenses totaled \$92.8 million. Schools net assets increased by \$2.3 million, or 5.6%, over fiscal year 2003 (Exhibit 2).
- As of June 30, 2004, the County governmental funds reported combined fund balances of \$62.1 million, a decrease of \$6.2 million in comparison with the prior year. The decrease resulted primarily from the use of bond proceeds received in previous years for capital projects. 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 \$22.6 million, a decrease of \$138,124 from June 30, 2003 (Exhibit 5).
- For the County's business-type activities, revenue totaled \$9.9 million and expenses totaled \$6.3 million. As a result, net assets increased by \$3.6 million, or 40.5%. The primary contributor to this increase in net assets was from a capital grant for the Airport in the amount of \$3.2 million. (Exhibit 2)

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 2003 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 management discussion and analysis, which is preceded by the Independent Auditors' Report, is intended to serve as an introduction to the Financial Section of the CAFR. It is followed by three additional parts – the basic financial statements, required supplementary information, and the combining and individual fund statements and schedule.

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, the Virginia Retirement System Schedule of Funding Progress (Exhibit 12), and the General Fund budgetary comparison shown in Exhibit 13.

Finally, the combining and individual fund statements and schedules are included, which present combining statements for non-major 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 short-term and long-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, including governmental activities, business-type activities, and School Board activities. 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 Landfill & Recycling and Airport.
- **Component unit:** The County has one component unit, the Fauquier County Public Schools (School Board), 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

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 non-major governmental funds.
- **Proprietary Funds** – The County's proprietary funds consist of two enterprise funds and two internal service 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 short-term and long-term financial information. The County's enterprise funds include the Landfill & Recycling Fund and the Airport Fund. The County's internal service funds include the Fleet Maintenance Fund and the 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 certain developers, the Commonwealth of Virginia, and certain other agencies and governments.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

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 as of June 30, 2004 and 2003.

Table 1	Summary of Net Assets As of June 30 (\$ in millions)								
	Primary Government							Component Unit	
	Governmental Activities		Business-Type Activities		Total Primary Government		Schools		
	2004	2003	2004	2003	2004	2003	2004	2003	
Assets:									
Current and other assets	\$ 81.2	\$ 80.7	\$ 3.4	\$ 7.0	\$ 84.6	\$ 87.7	\$ 10.8	\$ 9.3	
Capital assets (net)	84.6	66.9	17.1	13.5	101.7	80.4	46.4	45.6	
Total assets	165.8	147.6	20.5	20.5	186.3	168.1	57.2	54.9	
Liabilities:									
Other liabilities	20.0	15.7	1.4	2.2	21.4	17.9	10.5	9.3	
Long-term liabilities	58.3	52.4	6.4	5.9	64.7	58.3	3.3	3.2	
Total liabilities	78.3	68.1	7.8	8.1	86.1	76.2	13.8	12.5	
Net assets:									
Invested in capital assets, net of related debt	28.4	17.2	14.8	13.5	43.2	30.7	46.4	45.6	
Restricted	37.8	44.2	-	-	37.8	44.2	-	-	
Unrestricted	21.3	18.1	(2.2)	(1.1)	19.1	17.0	(3.1)	(3.2)	
Total net assets	\$ 87.5	\$ 79.5	\$ 12.6	\$ 12.4	\$ 100.1	\$ 91.9	\$ 43.3	\$ 42.4	

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 \$100.1 million at June 30, 2004. The largest portion of net assets, \$37.8 million, reflects funds restricted for capital projects. An additional \$43.2 million represents the County's investment in capital assets (e.g., land, buildings, and equipment), less the depreciation and outstanding debt associated with the asset acquisition. The unrestricted net assets of the governmental activities totaled \$19.1 million. For the business-type activities, unrestricted net assets showed a deficit of \$2.2 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 Landfill & Recycling 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 \$3.1 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.

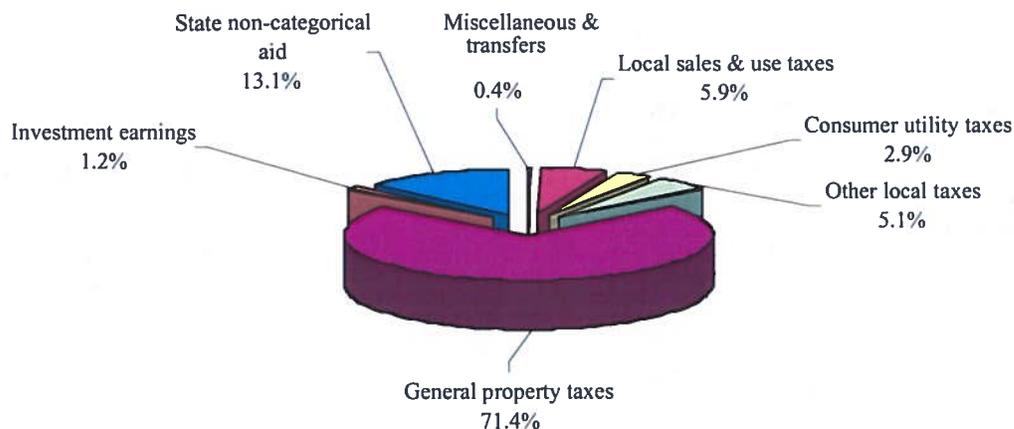
Table 2	Summary of Activities For the Fiscal Year Ended June 30, 2004 (\$ in millions)								
	Primary Government							Component Unit	
	Governmental Activities		Business-Type Activities		Total Primary Government		Schools		
	2004	2003	2004	2003	2004	2003	2004	2003	
Revenues									
Program revenues:									
Charges for services	\$ 3.7	\$ 3.1	\$ 6.7	\$ 16.7	\$ 10.4	\$ 19.8	\$ 2.8	\$ 2.5	
Operating grants and contributions	9.6	9.1	-	-	9.6	9.1	58.8	56.2	
Capital grants	-	-	3.2	0.5	3.2	0.5	-	-	
General revenues:									
Real & personal property taxes	71.8	68.0	-	-	71.8	68.0	-	-	
Other taxes	14.0	12.6	-	-	14.0	12.6	-	-	
Investment earnings	1.2	1.7	-	0.1	1.2	1.8	0.5	-	
Miscellaneous	0.5	0.6	-	-	0.5	0.6	-	0.4	
Commonwealth non-categorical aid	13.2	12.0	-	-	13.2	12.0	33.0	30.2	
Total revenues	114.0	107.1	9.9	17.3	123.9	124.4	95.1	89.3	
Expenses									
General government	8.1	7.2	-	-	8.1	7.2	-	-	
Judicial administration	2.6	2.3	-	-	2.6	2.3	-	-	
Public safety	12.2	13.4	-	-	12.2	13.4	-	-	
Public works	8.6	6.1	-	-	8.6	6.1	-	-	
Health & welfare	6.5	5.8	-	-	6.5	5.8	-	-	
Education	59.1	53.4	-	-	59.1	53.4	92.8	87.0	
Parks, recreation & cultural	5.7	3.0	-	-	5.7	3.0	-	-	
Community development	4.6	3.7	-	-	4.6	3.7	-	-	
Other	0.6	0.5	-	-	0.6	0.5	-	-	
Interest - long-term debt	2.8	2.7	-	-	2.8	2.7	-	-	
Landfill & recycling	-	-	6.1	4.2	6.1	4.2	-	-	
Airport	-	-	0.2	0.2	0.2	0.2	-	-	
Total expenses	110.8	98.1	6.3	4.4	117.1	102.5	92.8	87.0	
Changes in net assets	3.2	9.1	3.6	2.3	6.8	11.4	2.3	2.3	
Beginning net assets	84.3	70.4	9.0	10.1	93.3	80.5	41.0	40.1	
Ending net assets	\$ 87.5	\$ 79.5	\$ 12.6	\$ 12.4	\$ 100.1	\$ 91.9	\$ 43.3	\$ 42.4	

Governmental Activities: As reflected in Table 2, total governmental net assets increased by \$3.2 million compared to an increase of \$9.1 million in fiscal year 2003. The decreased growth in net assets is attributed to support given to several programs, primarily education and parks, recreation and cultural. Revenues from

governmental activities (Table 2) totaled \$114.0 million, an increase of \$6.9 million over fiscal year 2003. Revenue increases occurred primarily in property and other taxes, and in Commonwealth of Virginia aid. In fiscal year 2004, \$13.3 million, or 11.7% of the total revenue, was generated from program revenues, primarily charges for services. Community development fees accounted for the largest share of the charges for services revenue at \$1.6 million. General revenue such as taxes, Commonwealth of Virginia aid and investment earnings accounted for the remaining revenues.

The following chart provides a breakdown of revenue collections by source. Taxes comprise the largest source of these revenues, totaling \$85.7 million, or 85.3% of all governmental activities revenue. Of this amount, general property taxes account for \$71.8 million, or 71.4% of total revenue. In fiscal year 2004, the County was able to maintain the real and personal property tax rates at prior year levels.

**Governmental Activities – Revenues by Source
For the Fiscal Year Ended June 30, 2004**



As shown in Table 2, the total expenses for governmental activities for this fiscal year were \$110.8 million, compared to \$98.1 million in fiscal year 2003. Table 2 and the following chart illustrate total expenses by function. Education continues to be the County's largest program and highest priority with expenses totaling \$59.1 million, or 53.3% of total expenses. The amount shown in Table 2 for education covers only 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 13 of the Financial Section of this report, these functions cost approximately \$5.3 million in fiscal year 2004. The portion allocated to education is approximately \$3.7 million. Typically, school systems bear these costs directly. However, with the consolidated departments in Fauquier County, the costs are shown in the General Fund. Recognizing these costs as a function of education results in approximately 56.7% of the total expenses related to education. Public safety expenses, which total \$12.2 million (11.0%), represent the second largest expense category for governmental activities.

**Governmental Activities
Functional Expenses
For the Fiscal Year Ended June 30, 2004**

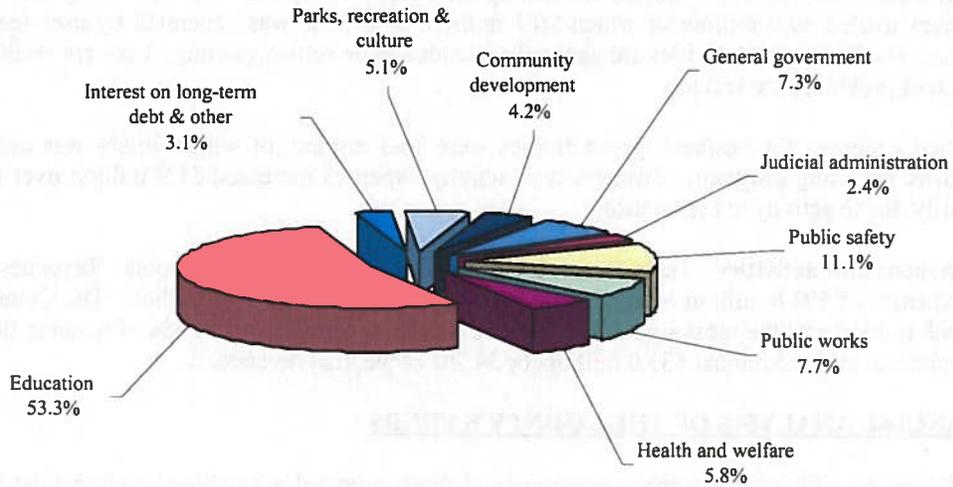


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County's governmental activities.

Table 3				
Net Cost of Governmental Activities				
For the Fiscal Year Ended June 30, 2004				
(\$ in millions)				
	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
General government	\$ 8.1	\$ 7.2	\$ 7.7	\$ 6.7
Judicial administration	2.6	2.3	0.7	0.4
Public safety	12.2	13.4	8.1	8.2
Public works	8.6	6.1	8.3	6.0
Health & welfare	6.5	5.8	2.6	2.4
Education	59.1	53.4	59.1	53.4
Parks, recreation and culture	5.7	3.0	4.8	2.4
Community development	4.6	3.7	2.8	3.2
Interest on long-term debt & other	3.4	3.2	3.4	3.2
Total	\$ 110.8	\$ 98.1	\$ 97.5	\$ 85.9

As Table 3 demonstrates, governmental activities generate revenue that helps offset the cost of these services. Program revenues generated include charges for services, and program grants. The County generates charges for services primarily from fees for certain court services, community development services and parks & recreation activities. The County obtains grants primarily for public safety, health & welfare, and judicial administration. After recognizing the revenue from these fees, grants, and contributions, the net cost of

governmental activities was \$97.5 million, compared to a total cost of \$110.8. 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 \$3.6 million, accounting for 53.6% of the total increase in net assets of the County. Revenues totaled \$9.9 million of which \$6.7 million, or 67.7%, 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 \$6.3 million, of which 96.8% was associated with the landfill & recycling program. Business-type activity expenses increased \$1.9 million over fiscal year 2003, primarily due to activity at the landfill.

Component unit activities: Table 2 also summarizes the activities of the Schools. Revenues of \$95.1 million and expenses of \$92.8 million resulted in an increase in net assets of \$2.3 million. The County's contribution of \$58.8 million was the most significant revenue source, accounting for 61.8% of Schools funding. State aid also contributed an additional \$33.0 million, or 34.7% of the total revenue.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2004, the County's governmental funds reported a combined ending fund balance of \$62.1 million (Exhibit 3), a decrease of \$6.2 million in comparison with the prior year. The decrease is primarily attributed to the outlay for capital projects. Approximately 38.9%, 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 (\$37.8 million) for County and Schools, and for parks, recreation and cultural operations.

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 \$22.6 million (Exhibit 3). The General Fund's liquidity can be measured by comparing unreserved fund balance to total fund revenues. Unreserved fund balance represents 20.9% 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 decreased by a modest 0.6% (\$138,124), suggesting that revenue sources and actual expenditures were well balanced.

Significant outlays in fiscal year 2004 included the following:

- The General Fund contributed \$54.5 million in operating funds to finance the Schools operations.
- The General Fund also incurred \$5.9 million in debt service for Schools construction projects funded with bond proceeds from the issuance of general obligation bonds.
- The County incurred \$2.6 million in debt service for County projects such as the radio system and the County office building at Hospital Drive. This total included an early payoff of the County office building loan. The loan was scheduled to mature in fiscal year 2007.
- The General Fund transferred \$8.1 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.

Budgetary Comparison General Fund For the Fiscal Year Ended June 30, 2004 (\$ in millions)			
Table 4	Original Budget	Amended Budget	Actual
<u>Revenues</u>			
Taxes	\$ 77.9	\$ 78.6	\$ 83.1
Other	2.4	2.7	2.6
Intergovernmental	21.1	21.7	22.0
Total	101.4	103.0	107.7
<u>Expenditures</u>			
Expenditures	99.9	104.5	101.0
Excess (deficiency) of revenues over expenditures	1.5	(1.5)	6.7
<u>Other financing sources (uses)</u>			
Transfers	(1.4)	(8.2)	(6.8)
Change in fund balance	\$ 0.1	\$ (9.7)	\$ (0.1)

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 \$1.6 million, primarily due to increases in collections from property taxes, permits and fees, charges for services, and Federal grants. The amended budget for property taxes increased by \$520,311, less than a 1.0% increase. The amended budget revenue for charges for services increased by \$193,397, or 21.9%, above the original projection. This increase is attributed primarily to charges for court services, public safety, and parks & recreation. In addition, revenue for permits and fees was amended by \$226,435, or 18.9% above original projections as a result of increases in building and building related permits. The budget for State and Federal aid was amended by \$473,857, primarily for increases in welfare assistance.

Actual revenues and "transfers in" exceeded the amended budget by \$4.7 million. Tax collections accounted for \$2.4 million, or 50.9% of the total increase. Other categories significantly responsible for the revenue increases over the amended budget include real and personal property taxes, and State and Federal revenue.

Actual expenditures and “transfers out” for the General Fund totaled \$101.0 million, or \$3.5 million less than the amended budget. Of this difference, \$1.8 million is a reduction in the transfer to the component unit, Schools, and the remaining difference is primarily attributed to performance under budget by general government, public safety, public works, comprehensive services, community development, and parks and recreation. For the School Board, 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, \$1.8 million in fiscal year 2004 unexpended appropriations will be reappropriated in fiscal year 2005 to support one-time operating needs, and capital projects. The other significant category which performed under budget was the contingency reserve accounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

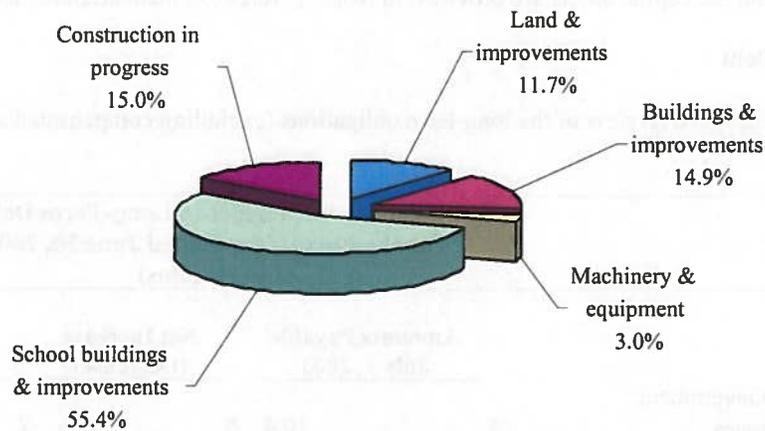
Table 5 provides information on changes in the capital assets of the governmental funds during fiscal year 2004.

Table 5			
Change in Capital Assets			
Governmental Funds			
(\$ in millions)			
	Balance July 1, 2003	Net Additions & Deletions	Balance June 30, 2004
Land & improvements	\$ 9.9	\$ -	\$ 9.9
Construction in progress	7.8	4.8	12.6
Subtotal, capital assets not being depreciated	<u>17.7</u>	<u>4.8</u>	<u>22.5</u>
Buildings & improvements	16.0	1.7	17.7
Machinery & equipment	7.0	0.3	7.3
School buildings & improvements *	40.0	10.1	50.1
Subtotal, capital assets being depreciated	<u>63.0</u>	<u>12.1</u>	<u>75.1</u>
Less: accumulated depreciation	<u>12.4</u>	<u>0.7</u>	<u>13.1</u>
Net capital assets being depreciated	<u>50.6</u>	<u>11.4</u>	<u>62.0</u>
Governmental activities capital assets, net	<u>\$ 68.3</u>	<u>\$ 16.2</u>	<u>\$ 84.5</u>

* 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 5, for the governmental funds the County's investment in capital assets not being depreciated totaled \$22.5 million, and \$62.0 million for depreciable capital assets, net of depreciation. The net investment in capital assets (including additions, retirements, and depreciation) increased \$16.2 million, or 23.7% above the prior year. 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 following chart illustrates the County's capital assets, net of depreciation, by category. School buildings and improvements account for the largest category at 55.4% of the total capital assets.

**Net Capital Assets Used in the Operation of Governmental Funds
As of June 30, 2004**



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. Typically, new requests are only added in the last year of the five-year plan unless mitigating circumstances such as safety concerns are involved. With the fiscal year 2005 budget, this Capital Improvements Program will be extended to a ten-year program, and will be evaluated by a sub-committee of the Planning Commission. 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:

- Addition to construction in progress for the renovation of the historical Warren Green Building in the amount of \$1,894,063. The project was significantly completed at fiscal year end.
- Addition to construction in progress for the construction of the Bealeton Library in the amount of \$890,110. Occupancy occurred during the fiscal year and the project will be finalized early in fiscal year 2005.
- Addition to construction in progress for the Auburn Middle School in the amount of \$11,750,610. The school is scheduled to open in August 2004.
- The addition of 18 new sheriff vehicles in the amount of \$377,836.
- The addition of 17 school buses in the amount of \$868,023.

- The addition to construction in progress for an emergency radio system and towers in the amount of \$2,750,929.

The County's fiscal year 2005 Capital Improvements Program calls for the following major projects:

- Renovation of Thompson Elementary School in the amount of \$3.1 million.
- Upgrade of the Liberty High School heating, ventilation and air conditioning system in the amount of \$4.7 million.
- Construction of a Northern Sports Complex in the amount of \$10.0 million.
- Renovation of the Adult Detention Center in the amount of \$2.7 million.
- Renovation of the Courthouse in the amount of \$2.6 million.

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

Long-term Debt

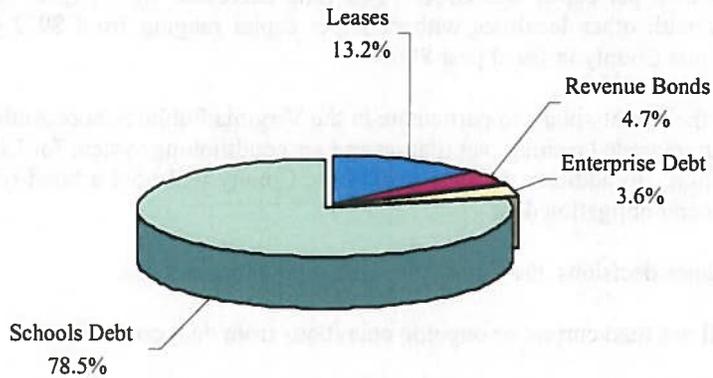
Table 6 provides an overview of the long-term obligations (excluding compensated absences) for the primary government.

Table 6			
Summary of Changes in Long-Term Debt			
For the Fiscal Year Ended June 30, 2004			
(\$ in millions)			
	<u>Amounts Payable</u> <u>July 1, 2003</u>	<u>Net Increase</u> <u>(Decrease)</u>	<u>Amounts Payable</u> <u>June 30, 2004</u>
Primary Government:			
Capital leases	\$ 10.4	\$ (2.2)	\$ 8.2
Revenue bonds	3.1	(0.1)	3.0
General obligation bonds	41.2	8.6	49.8
Total long-term debt	<u>\$ 54.7</u>	<u>\$ 6.3</u>	<u>\$ 61.0</u>

As of June 30, 2004, the County's long-term debt, excluding compensated absences, totaled \$61.1 million. During the year, the County retired a capital lease that was scheduled to mature in fiscal year 2007. In addition, the County issued Virginia Public School Authority bonds in the amount of \$11.6 million to complete funding for the Auburn Middle School and provide initial funding to begin renovations of Thompson Elementary School.

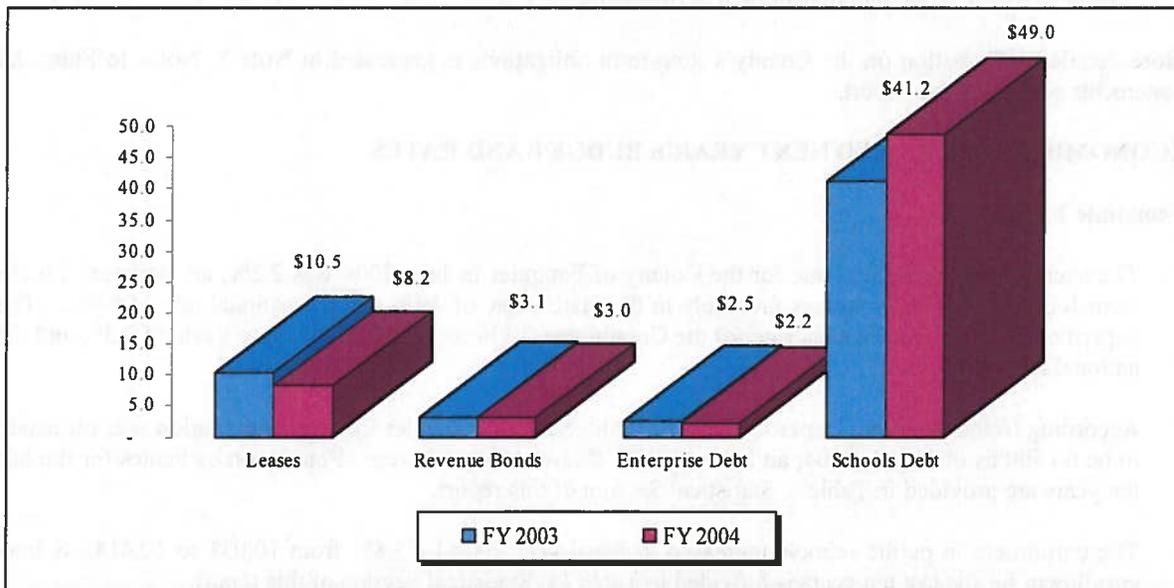
The chart below illustrates long-term debt by type and the percentage of each type relative to the total outstanding debt. Schools General Obligation Bonds represent the largest category of debt with 78.5% of the County's total debt.

**Primary Government
Long-Term Debt
As of June 30, 2004**



The following chart compares long-term indebtedness, less compensated absences, for fiscal year 2003 and 2004 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 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.

The County has adopted two debt ratios as a management tool. The first ratio adapted limits annual general government debt service to no more than 10% of General Fund expenditures. In fiscal year 2004, the County's debt to expenditure ratio was 7.9%. The second ratio adopted is total debt per capita. This ratio compares current performance to past performance as well as to a peer group of localities. In fiscal year 2004, the general government debt per capita was \$998. This ratio decreased from \$1,111 in the prior year. It also compares favorably with other localities with debt per capita ranging from \$972 for Culpeper County to \$2,750 for Spotsylvania County in fiscal year 2003.

In fiscal year 2005, the County plans to participate in the Virginia Public School Authority General Obligation Bond sale to fund an upgraded heating, ventilation and air conditioning system for Liberty High School in the amount of \$4.0 million. In addition, in Spring 2005 the County will hold a bond referendum to fund a new high school with general obligation debt.

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 Improvements 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 2004 was 2.2%, an increase of 0.1% from June 2003. This compares favorably to the State's rate of 4.1% and the national rate of 5.8%. The September 2004 unemployment rate for the County was 2.1% compared to the State's rate of 3.3% and the national rate of 5.1%.
- According to the Weldon Cooper Center for Public Service, Fauquier County's population was estimated to be 60,400 as of July 1, 2004, an increase of 5.2% over the prior year. Population estimates for the last ten years are provided in Table 8, Statistical Section of this report.
- The enrollment in public schools increased in fiscal year 2004 by 3.8% from 10,031 to 10,414. School enrollment for the last ten years is provided in Table 11, Statistical Section of this report.

- The 2002 per capita personal income for Fauquier County was \$39,881, compared to \$32,793 for the Commonwealth of Virginia, as reported by the U.S. Department of Commerce Bureau of Economic Analysis.

Fiscal Year 2005 Budget and Rates

- For fiscal year 2005, the adopted budget for the General Fund is \$112.4 million, an increase of 11.3% over fiscal year 2004. Revenues are comprised primarily of general property taxes at 74.7%, other local taxes at 12.1%, and State assistance at 6.9%.
- In fiscal year 2005, the County's transfer to the component unit, Schools, increased by 11.9% to \$68.8 million. Public safety is second, accounting for 8.1% of budgeted 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 7, Statistical Section of this report.
- For fiscal year 2005 the County and Schools continued a revenue sharing program, begun in fiscal year 2004, in which the Schools maintained its base contribution from the prior fiscal year and received 60% of any new, non-dedicated revenue in the budget year. For fiscal year 2005, \$1.0 million in support was provided in addition to the 60% share, to meet special needs requirements.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Fauquier 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 Bryan Tippie, Acting 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.

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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.



GOVERNMENT-WIDE FINANCIAL STATEMENTS

THE UNIVERSITY OF CHICAGO



COUNTY OF FAUQUIER, VIRGINIA

Exhibit 1

Statement of Net Assets
June 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
Assets				
Current assets:				
Cash and investments	\$ 73,585,663	\$ 2,303,998	\$ 75,889,661	\$ 886,428
Receivables, net of allowances for uncollectibles:				
Taxes, including penalties	2,975,445	-	2,975,445	-
Accounts	1,522,137	804,646	2,326,783	74,419
Internal balances	692,549	(692,549)	-	-
Due from primary government	-	-	-	7,296,668
Prepaid assets	-	-	-	22,991
Due from other governmental units	2,289,348	995,969	3,285,317	2,466,382
Inventories	124,347	-	124,347	-
Total current assets	<u>81,189,489</u>	<u>3,412,064</u>	<u>84,601,553</u>	<u>10,746,888</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)				
Land	9,909,083	6,558,441	16,467,524	4,166,986
Construction in process	12,645,901	4,695,911	17,341,812	8,745,234
Buildings and improvements	12,642,199	4,879,484	17,521,683	27,108,510
Jointly owned assets	46,814,822	-	46,814,822	-
Infrastructure	-	710,515	710,515	-
Equipment	2,627,943	226,632	2,854,575	6,391,133
Total capital assets	<u>84,639,948</u>	<u>17,070,983</u>	<u>101,710,931</u>	<u>46,411,863</u>
Total noncurrent assets	<u>84,639,948</u>	<u>17,070,983</u>	<u>101,710,931</u>	<u>46,411,863</u>
Total assets	<u>165,829,437</u>	<u>20,483,047</u>	<u>186,312,484</u>	<u>57,158,751</u>
Liabilities				
Current liabilities:				
Accounts payable	3,686,298	1,017,211	4,703,509	4,717,428
Accrued and other liabilities	2,644,373	27,111	2,671,484	5,340,041
Accrued interest	1,105,823	-	1,105,823	-
Deferred revenue	-	-	-	46,078
Due to component units	7,296,668	-	7,296,668	-
Current portion of long-term debt	5,273,414	344,439	5,617,853	370,258
Total current liabilities	<u>20,006,576</u>	<u>1,388,761</u>	<u>21,395,337</u>	<u>10,473,805</u>
Noncurrent liabilities:				
Noncurrent portion of long-term debt	58,337,447	6,430,971	64,768,418	3,332,326
Total liabilities	<u>78,344,023</u>	<u>7,819,732</u>	<u>86,163,755</u>	<u>13,806,131</u>
Net assets				
Invested in capital assets, net of related debt	28,360,972	14,850,983	43,211,955	46,411,863
Restricted for:				
Capital projects	37,773,109	-	37,773,109	-
Other	169,205	-	169,205	-
Unrestricted(deficit)	21,182,128	(2,187,668)	18,994,460	(3,059,243)
Total net assets	<u>87,485,414</u>	<u>12,663,315</u>	<u>100,148,729</u>	<u>43,352,620</u>
Total liabilities and net assets	\$ <u>165,829,437</u>	\$ <u>20,483,047</u>	\$ <u>186,312,484</u>	\$ <u>57,158,751</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 2
Page 1 of 2

Statement of Activities
Fiscal Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 8,056,076	\$ 12,130	\$ 363,484	\$ -
Judicial administration	2,624,872	1,020,017	944,090	-
Public safety	12,269,680	168,883	3,960,534	-
Public works	8,573,767	265,897	20,249	-
Health and welfare	6,457,957	42,618	3,840,623	-
Education	59,085,836	-	-	-
Parks, recreation and culture	5,688,379	580,611	322,158	-
Community development	4,647,136	1,609,625	204,518	-
Non-departmental	552,652	-	-	-
Interest on long-term debt	2,841,978	-	-	-
Total governmental activities	<u>110,798,333</u>	<u>3,699,781</u>	<u>9,655,656</u>	<u>-</u>
Business-type activities:				
Landfill & Recycling	6,098,414	6,477,831	32,996	-
Airport	207,616	189,279	-	3,189,469
Total business-type activities	<u>6,306,030</u>	<u>6,667,110</u>	<u>32,996</u>	<u>3,189,469</u>
Total primary government	<u>117,104,363</u>	<u>10,366,891</u>	<u>9,688,652</u>	<u>3,189,469</u>
Component unit				
School Board	<u>92,811,594</u>	<u>2,795,889</u>	<u>91,855,119</u>	<u>-</u>
Total component unit	<u>\$ 92,811,594</u>	<u>\$ 2,795,889</u>	<u>\$ 91,855,119</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Local sales & use taxes				
Consumers' utility taxes				
Business license taxes				
Motor Vehicle licenses				
Taxes on recordation & wills				
E-911 tax				
Other local taxes				
Investment earnings				
Miscellaneous				
Commonwealth of Virginia non-categorical aid				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning, as restated				
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 Board	Functions/Programs
				Primary Government
				Governmental activities:
\$ (7,680,462)	\$ -	\$ (7,680,462)	\$ -	General government
(660,765)	-	(660,765)	-	Judicial administration
(8,140,263)	-	(8,140,263)	-	Public safety
(8,287,621)	-	(8,287,621)	-	Public works
(2,574,716)	-	(2,574,716)	-	Health and welfare
(59,085,836)	-	(59,085,836)	-	Education
(4,785,610)	-	(4,785,610)	-	Parks, recreation and culture
(2,832,993)	-	(2,832,993)	-	Community development
(552,652)	-	(552,652)	-	Non-departmental
(2,841,978)	-	(2,841,978)	-	Interest on long-term debt
<u>(97,442,896)</u>	<u>-</u>	<u>(97,442,896)</u>	<u>-</u>	Total governmental activities
				Business-type activities:
-	412,413	412,413	-	Landfill & Recycling
-	3,171,132	3,171,132	-	Airport
<u>-</u>	<u>3,583,545</u>	<u>3,583,545</u>	<u>-</u>	Total business-type activities
<u>-</u>	<u>3,583,545</u>	<u>(93,859,351)</u>	<u>-</u>	Total primary government
			<u>1,839,414</u>	Component unit
				School Board
			<u>1,839,414</u>	Total component unit
				General revenues:
71,787,496	-	71,787,496	-	General property taxes
5,881,564	-	5,881,564	-	Local sales & use taxes
2,953,432	-	2,953,432	-	Consumers' utility taxes
1,113,242	-	1,113,242	-	Business license taxes
1,387,281	-	1,387,281	-	Motor Vehicle licenses
1,599,694	-	1,599,694	-	Taxes on recordation & wills
797,919	-	797,919	-	E-911 tax
236,073	-	236,073	-	Other local taxes
1,182,326	21,482	1,203,808	362	Investment earnings
503,539	-	503,539	476,426	Miscellaneous
13,201,048	-	13,201,048	-	Commonwealth of Virginia non-categorical aid
(47,535)	47,535	-	-	Transfers
<u>100,596,079</u>	<u>69,017</u>	<u>100,665,096</u>	<u>476,788</u>	Total general revenues and transfers
3,153,183	3,652,562	6,805,745	2,316,202	Change in net assets
<u>84,332,231</u>	<u>9,010,753</u>	<u>93,342,984</u>	<u>41,036,418</u>	Net assets - beginning, as restated
<u>\$ 87,485,414</u>	<u>\$ 12,663,315</u>	<u>\$ 100,148,729</u>	<u>\$ 43,352,620</u>	Net assets - ending

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FUND FINANCIAL STATEMENTS



COUNTY OF FAUQUIER, VIRGINIA

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2004**

	Primary Government			
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 27,178,503	\$ 40,396,896	\$ 1,686,879	\$ 69,262,278
Receivables, net of allowances for uncollectibles:				
Taxes, including penalties	2,975,445	-	-	2,975,445
Accounts	921,938	150,393	227,158	1,299,489
Interfund	745,783	-	-	745,783
Due from other governmental units	2,274,515	14,833	-	2,289,348
Total assets	<u>34,096,184</u>	<u>40,562,122</u>	<u>1,914,037</u>	<u>76,572,343</u>
Liabilities				
Accounts payable	1,403,533	2,097,506	36,417	3,537,456
Accrued liabilities	696,858	-	60,266	757,124
Other liabilities	-	691,507	-	691,507
Due to other funds	-	-	53,234	53,234
Due to component units	7,296,668	-	-	7,296,668
Deferred revenue	2,144,749	-	-	2,144,749
Total liabilities	<u>11,541,808</u>	<u>2,789,013</u>	<u>149,917</u>	<u>14,480,738</u>
Fund balances				
Fund balances:				
Reserved for:				
Parks and recreation operations	-	-	109,306	109,306
Library operations	-	-	59,899	59,899
Unreserved:				
Designated:				
Capital projects fund	-	37,773,109	-	37,773,109
Undesignated:				
General fund	22,554,376	-	-	22,554,376
Special revenue fund	-	-	1,594,915	1,594,915
Total fund balances	<u>22,554,376</u>	<u>37,773,109</u>	<u>1,764,120</u>	<u>62,091,605</u>
Total liabilities and fund balances	<u>\$ 34,096,184</u>	<u>\$ 40,562,122</u>	<u>\$ 1,914,037</u>	<u>\$ 76,572,343</u>

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, 2004**

	<u>Primary Government</u>
Total fund balances - governmental funds	\$ 62,091,605
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.	84,639,948
Deferred revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.	2,144,749
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(1,105,823)
Internal service funds are used by management to charge the costs of fleet maintenance and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	3,325,796
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.	<u>(63,610,861)</u>
Net assets of governmental activities	\$ <u>87,485,414</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, 2004

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
General property taxes	\$ 67,861,085	\$ -	\$ 4,348,181	\$ 72,209,266
Other local taxes	13,171,286	-	797,919	13,969,205
Permits, privilege fees and regulatory licenses	1,598,890	-	-	1,598,890
Fines and forfeitures	504,771	-	-	504,771
Revenue from use of money and property	1,001,428	179,116	1,782	1,182,326
Charges for services	1,330,222	265,897	-	1,596,119
Miscellaneous	109,226	369,754	24,559	503,539
Recovered costs	139,610	35,000	5,928	180,538
Intergovernmental:				
Contribution from School Board	-	1,188,192	-	1,188,192
Commonwealth of Virginia	19,798,015	-	195,149	19,993,164
Federal Government	2,227,715	301,164	334,661	2,863,540
Total revenues	<u>107,742,248</u>	<u>2,339,123</u>	<u>5,708,179</u>	<u>115,789,550</u>
Expenditures				
Current operating:				
General government administration	7,683,813	2,316,406	-	10,000,219
Judicial administration	2,486,181	165,344	-	2,651,525
Public safety	8,782,015	3,266,391	3,236,565	15,284,971
Public works	4,858,767	3,729,574	-	8,588,341
Health and welfare	6,498,599	-	-	6,498,599
Education	54,471,447	15,784,248	-	70,255,695
Parks, recreation, and cultural	3,625,418	1,556,066	1,682,714	6,864,198
Community development	3,573,303	302,877	834,309	4,710,489
Non-departmental	552,652	-	-	552,652
Debt service:				
Principal retirement	5,951,327	115,000	-	6,066,327
Interest and fiscal charges	2,576,315	147,425	-	2,723,740
Total expenditures	<u>101,059,837</u>	<u>27,383,331</u>	<u>5,753,588</u>	<u>134,196,756</u>
Excess (deficiency) of revenues over expenditures	<u>6,682,411</u>	<u>(25,044,208)</u>	<u>(45,409)</u>	<u>(18,407,206)</u>
Other financing sources (uses)				
Transfers in	-	6,869,637	574,452	7,444,089
Transfers (out)	(6,820,535)	(508,469)	(315,620)	(7,644,624)
Proceeds from indebtedness	-	12,402,947	-	12,402,947
Total other financing sources (uses)	<u>(6,820,535)</u>	<u>18,764,115</u>	<u>258,832</u>	<u>12,202,412</u>
Net change in fund balances	(138,124)	(6,280,093)	213,423	(6,204,794)
Fund balances, beginning	22,692,500	44,053,202	1,550,697	68,296,399
Fund balances, ending	<u>\$ 22,554,376</u>	<u>\$ 37,773,109</u>	<u>\$ 1,764,120</u>	<u>\$ 62,091,605</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 6

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Fiscal Year Ended June 30, 2004**

	<u>Primary Government</u>
Net change in fund balances - total governmental funds	\$ (6,204,794)
<p>Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:</p>	
<p>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 the capital outlays exceeded depreciation in the current year.</p>	
Capital outlays	\$ 7,434,757
Joint tenancy assets	10,990,610
Depreciation expense	<u>(2,223,951)</u>
	16,201,416
<p>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.</p>	
	(421,770)
<p>Internal service funds are used by management to charge the costs of fleet maintenance and health insurance to individual funds. The net revenue of certain activities of internal services is reported with governmental activities.</p>	
	(43,079)
<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	3,880,000
Principal retired on capital lease obligations	2,212,490
Proceeds from capital lease obligations	<u>(12,402,947)</u>
	(6,310,457)
<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	76,268
Change in interest payable	<u>(144,401)</u>
	(68,133)
Change in net assets of governmental activities	\$ <u>3,153,183</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, 2004

	Business-Type Activity				
	Enterprise Funds			Internal Service Funds	
	Airport Fund	Landfill & Recycling Fund	Total	Fleet Maintenance Fund	Health Insurance Fund
Assets					
Current assets:					
Cash and investments	\$ -	\$ 2,303,998	\$ 2,303,998	\$ 65,683	\$ 4,257,702
Receivables, net of allowances for uncollectibles	3,377	801,269	804,646	30,342	192,306
Inventories	-	-	-	124,347	-
Due from other governmental units	995,969	-	995,969	-	-
Total current assets	<u>999,346</u>	<u>3,105,267</u>	<u>4,104,613</u>	<u>220,372</u>	<u>4,450,008</u>
Noncurrent assets:					
Capital assets (net of accumulated depreciation)					
Land	4,921,305	1,637,136	6,558,441	-	-
Construction in process	4,466,523	229,388	4,695,911	-	-
Buildings and improvements	942,218	3,937,266	4,879,484	21,960	-
Infrastructure	-	710,515	710,515	-	-
Equipment	20,706	205,926	226,632	116,448	-
Total capital assets	<u>10,350,752</u>	<u>6,720,231</u>	<u>17,070,983</u>	<u>138,408</u>	<u>-</u>
Total noncurrent assets	<u>10,350,752</u>	<u>6,720,231</u>	<u>17,070,983</u>	<u>138,408</u>	<u>-</u>
Total assets	<u>11,350,098</u>	<u>9,825,498</u>	<u>21,175,596</u>	<u>358,780</u>	<u>4,450,008</u>
Liabilities					
Current liabilities:					
Accounts payable	642,504	374,707	1,017,211	92,250	56,592
Accrued and other liabilities	-	27,111	27,111	20,482	1,175,260
Due to other funds	692,549	-	692,549	-	-
Current portion of long-term debt	242	344,197	344,439	6,359	-
Total current liabilities	<u>1,335,295</u>	<u>746,015</u>	<u>2,081,310</u>	<u>119,091</u>	<u>1,231,852</u>
Noncurrent liabilities:					
Noncurrent portion of long-term debt	2,191	6,428,780	6,430,971	57,226	-
Total liabilities	<u>1,337,486</u>	<u>7,174,795</u>	<u>8,512,281</u>	<u>176,317</u>	<u>1,231,852</u>
Net Assets					
Invested in capital assets, net of related debt	10,350,752	4,500,231	14,850,983	138,408	-
Unrestricted	(338,140)	(1,849,528)	(2,187,668)	44,055	3,218,156
Total net assets	<u>10,012,612</u>	<u>2,650,703</u>	<u>12,663,315</u>	<u>182,463</u>	<u>3,218,156</u>
Total liabilities and net assets	\$ <u>11,350,098</u>	\$ <u>9,825,498</u>	\$ <u>21,175,596</u>	\$ <u>358,780</u>	\$ <u>4,450,008</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, 2004

	Business-Type Activity				
	Enterprise Funds			Internal Service Funds	
	Airport Fund	Landfill & Recycling Fund	Total	Fleet Maintenance Fund	Health Insurance Fund
Operating revenues					
Charges for services	\$ 189,279	\$ 6,296,432	\$ 6,485,711	\$ 1,936,560	\$ 10,086,564
Miscellaneous	-	181,399	181,399	-	-
Total operating revenues	189,279	6,477,831	6,667,110	1,936,560	10,086,564
Operating expenses					
Personal services	43,529	716,893	760,422	485,336	-
Fringe benefits	7,037	202,880	209,917	138,873	10,300,563
Contractual services	75,794	3,452,867	3,528,661	120,005	1,909
Other operating expenses	32,970	1,285,426	1,318,396	1,190,010	16,701
Depreciation	48,286	309,586	357,872	20,438	-
Total operating expenses	207,616	5,967,652	6,175,268	1,954,662	10,319,173
Operating income (loss)	(18,337)	510,179	491,842	(18,102)	(232,609)
Nonoperating revenues (expenses)					
Interest income	993	20,489	21,482	-	54,632
Commonwealth of Virginia - grants	247,283	32,996	280,279	-	-
Federal - grants	2,942,186	-	2,942,186	-	-
Interest expense	-	(130,762)	(130,762)	-	-
Total nonoperating revenues (expenses)	3,190,462	(77,277)	3,113,185	-	54,632
Income (loss) before transfers	3,172,125	432,902	3,605,027	(18,102)	(177,977)
Transfers in	40,866	6,669	47,535	-	153,000
Change in net assets	3,212,991	439,571	3,652,562	(18,102)	(24,977)
Net assets - beginning	6,799,621	2,211,132	9,010,753	200,565	3,243,133
Net assets - ending	\$ 10,012,612	\$ 2,650,703	12,663,315	\$ 182,463	\$ 3,218,156

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, 2004

	Business-Type Activity				
	Enterprise Funds			Internal Service Funds	
	Airport Fund	Landfill & Recycling Fund	Total	Fleet Maintenance Fund	Health Insurance Fund
Cash Flow from Operating Activities					
Receipts from customers and users	\$ 185,902	\$ 6,435,722	\$ 6,621,624	\$ 1,933,653	\$ 9,894,258
Payment to suppliers and other operating activities	(131,944)	(4,099,877)	(4,231,821)	(1,414,409)	(10,157,324)
Payment to employees (including fringes)	(41,156)	(894,705)	(935,861)	(485,336)	-
Net cash provided by (used in) operating activities	12,802	1,441,140	1,453,942	33,908	(263,066)
Cash Flow from Noncapital Financing Activities					
Transfers in	40,866	6,669	47,535	-	153,000
Net cash provided by noncapital financing activities	40,866	6,669	47,535	-	153,000
Cash Flow from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(3,157,632)	(225,533)	(3,383,165)	(16,855)	-
Principal paid on debt	-	(325,000)	(325,000)	-	-
Proceeds from interfund obligation	692,543	-	692,543	-	-
Interest and other fiscal cost on debt	-	(130,762)	(130,762)	-	-
Federal and state reimbursements for capital projects	2,193,500	30,436	2,223,936	-	-
Net cash provided by (used in) capital and related financing activities	(271,589)	(650,859)	(922,448)	(16,855)	-
Cash Flow from Investing Activities					
Interest	993	20,489	21,482	-	54,632
Net cash provided by investing activities	993	20,489	21,482	-	54,632
Net increase (decrease) in cash and cash equivalents	(216,928)	817,439	600,511	17,053	(55,434)
Cash and cash equivalents - beginning of the year	216,928	1,486,559	1,703,487	48,630	4,313,136
Cash and cash equivalents - end of the year	-	2,303,998	2,303,998	65,683	4,257,702
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities					
Cash flows from operations:					
Operating income (loss)	(18,337)	510,179	491,842	(18,102)	(232,609)
Adjustment to reconcile net income to net cash provided by operations:					
Depreciation	48,286	309,586	357,872	20,438	-
Changes in operating assets and liabilities:					
(Increase) in receivables	(3,377)	(42,109)	(45,486)	(2,907)	(192,306)
Decrease in due from other governments	14,831	2,560	17,391	-	-
(Increase) in inventory	-	-	-	(19,656)	-
Increase (decrease) in accounts payable	(31,034)	(60,659)	(91,693)	44,030	8,564
(Decrease) in due to other funds	-	(250,000)	(250,000)	-	-
Increase in landfill closure & post-closure costs	-	955,879	955,879	-	-
Increase in accrued liabilities	2,433	15,704	18,137	10,105	153,285
Net cash provided by (used in) operating activities	\$ 12,802	\$ 1,441,140	\$ 1,453,942	\$ 33,908	\$ (263,066)

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, 2004

	Pension Trust	
	Length of Service Award	Agency Funds
Assets		
Cash and investments	\$ -	\$ 271,170
Cash in custody of others	1,863,344	38,706
Accounts receivable	-	96,427
Total assets	<u>1,863,344</u>	<u>406,303</u>
Liabilities		
Accounts payable	-	97,436
Amounts held for clients/others	-	308,867
Total liabilities	<u>-</u>	<u>406,303</u>
Net Assets		
Held in trust for pension benefits	<u>1,863,344</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 1,863,344</u>	<u>\$ 406,303</u>

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, 2004**

Additions

Contribution for beneficiary	\$	326,616
Investment income		<u>95,820</u>
Total additions		<u>422,436</u>

Deductions

Members' benefits		155,108
Insurance		61,957
Administrative fees		<u>6,762</u>
Total deductions		<u>223,827</u>

Change in net assets 198,609

Net assets - beginning		<u>1,664,735</u>
Net assets - ending	\$	<u><u>1,863,344</u></u>

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

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NOTES TO FINANCIAL STATEMENTS



COUNTY OF FAUQUIER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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 unit, 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:

<i>School Operating Fund:</i>	This fund accounts for the operations of the public school system.
<i>School Textbook Fund:</i>	This fund accounts for state and local funds provided for the purchase of textbooks.
<i>School Cafeteria Fund:</i>	This fund accounts for the revenue and expenses associated with the food services within the school system.
<i>Crockett Scholarship Fund:</i>	This private-purpose trust fund is used to report principal and income which benefits individuals.

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 non-fiduciary 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 County reports the following major fund types:

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.

The *Enterprise Funds* are proprietary funds, which are used to account for the financing, construction, and operations of the Airport Fund and the Landfill & Recycling Fund.

The County reports the following non-major 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, Parks and Recreation Trust Fund, Library Trust Fund, Conservation Service District Fund, and Fire and Rescue Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The *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 Street Light Levy Fund, Special Welfare Fund, Vint Hill Transportation Fund, Service to Outside Agencies Fund, and Detention Center Fund.

The County reports the following additional fund types:

The *Internal Service Funds* are proprietary funds used to account for the provision of vehicle services and health benefits for employees and retirees that are provided to County departments on a cost reimbursement basis.

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. Proprietary funds include enterprise funds and internal service funds. The enterprise funds account for those operations that are financed and operated in a manner similar to private business enterprises. The principal operating revenues of the Airport Fund and the Landfill & Recycling Fund 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. The internal service funds account for the financing of goods or services provided by one department or agency of the reporting entity to another department or agency of the reporting entity. The Fleet Maintenance Fund and Health Insurance Fund are internal service funds.

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 unit, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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”.

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 \$797,964 at June 30, 2004 and is composed solely of property taxes. This allowance represents 0.22% 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. Capital projects are defined as acquisition and improvements of assets with an initial cost of at least \$50,000 and an estimated useful life of at least seven years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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:

<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. 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, bankers' acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and State Non-Arbitrage Program (SNAP). Bond proceeds subject to arbitrage rebate are invested in the 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 counterparty, 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, 2004.

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	\$ 36,109,714	\$ -	\$ -	\$ 36,109,714	\$ 36,109,714
Total investments	<u>\$ 36,109,714</u>	<u>\$ -</u>	<u>\$ -</u>	36,109,714	36,109,714
Investments not subject to categorization:					
State Non-Arbitrage Program Investment Pool (SNAP)				15,901,972	15,901,972
Local Government Investment Pool (LGIP)				17,377,964	19,380,733
Total investments				<u>\$ 69,389,650</u>	<u>\$ 69,389,650</u>

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

Cash and cash equivalents	\$ 9,160,557
Carrying amount of investments	69,389,650
Cash on hand	1,000
Total	<u>\$ 78,551,207</u>

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

Cash and investments per Exhibit 1	\$ 75,889,661
Cash and investments per Exhibit 10	2,173,220
Cash and investments per Exhibit 26	488,326
Total	<u>\$ 78,551,207</u>

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

Deposits	\$ 885,078
Cash on hand	1,350
Total cash and deposits	<u>\$ 886,428</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 the 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, 2004, there were no departments in which expenditures exceeded appropriations.

C. Deficit fund equity

As of June 30, 2004, there were no funds with deficit fund equity.

NOTE 4 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 6,820,535
Joint Communication Fund	64,813	-
Parks & Recreation Trust Fund	1,170	-
Conservation Service District Fund	508,469	-
Fire and Rescue Fund	-	315,620
Capital Projects Fund	6,869,637	508,469
Airport Fund	40,866	-
Landfill & Recycling Fund	6,669	-
Health Insurance Fund	153,000	-
Total	\$ <u>7,644,624</u>	\$ <u>7,644,624</u>
Component Unit – School Board:		
School Operating Fund	\$ -	\$ 28,000
School Cafeteria Fund	28,000	-
Total	\$ <u>28,000</u>	\$ <u>28,000</u>

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, 2004:

	Due from Primary Government	Due to Component Unit	Interfund Receivables	Interfund Payables
Component unit – School Board	\$ 7,296,668	\$ -	\$ -	\$ -
Primary government – General Fund	-	7,296,668	-	-
Primary government – General Fund	-	-	745,783	-
Primary government – Airport Fund	-	-	-	692,549
Primary government – Special Revenue Funds	-	-	-	53,234
Total	\$ 7,296,668	\$ 7,296,668	\$ 745,783	\$ 745,783

The purpose of the interfund obligation between the County and School Board is to report the balance of local appropriations unspent at year-end due back to the respective funds. The purpose of the interfund balances is to cover cash overdrafts at year-end.

NOTE 6 – DUE FROM OTHER GOVERNMENTAL UNITS

The following is a summary of amounts due from other governmental units at June 30, 2004:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 1,080,375	\$ -
State sales tax	-	1,393,024
Shared expenses	326,057	-
Comprehensive services	383,483	-
Miscellaneous grants	299,483	140,995
Federal Government:		
School fund grants	-	932,363
Other Federal grants	199,950	-
Airport grants	995,969	-
Total	\$ 3,285,317	\$ 2,466,382

NOTE 7 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2004:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Primary government – governmental funds				
Capital assets, not being depreciated:				
Land	\$ 9,909,083	\$ -	\$ -	\$ 9,909,083
Construction in progress	7,788,685	6,522,972	1,665,756	12,645,901
Total capital assets not being depreciated	<u>17,697,768</u>	<u>6,522,972</u>	<u>1,665,756</u>	<u>22,554,984</u>
Capital assets being depreciated:				
Buildings and improvements	15,992,522	1,665,756	-	17,658,278
Machinery and equipment	6,995,317	1,023,486	742,433	7,276,370
Jointly owned assets	39,975,837	11,750,610	1,600,000	50,126,447
Total capital assets being depreciated	<u>62,963,676</u>	<u>14,439,852</u>	<u>2,342,433</u>	<u>75,061,095</u>
Less accumulated depreciation for:				
Buildings	4,592,121	445,918	-	5,038,039
Equipment	4,549,824	845,783	630,732	4,764,875
Jointly owned assets	3,219,375	932,250	840,000	3,311,625
Total accumulated depreciation	<u>12,361,320</u>	<u>2,223,951</u>	<u>1,470,732</u>	<u>13,114,539</u>
Total capital assets being depreciated, net	<u>50,602,356</u>	<u>12,215,901</u>	<u>871,701</u>	<u>61,946,556</u>
Governmental activities capital assets, net	<u>\$ 68,300,124</u>	<u>\$ 18,738,873</u>	<u>\$ 2,537,457</u>	<u>\$ 84,501,540</u>
	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Primary government - enterprise funds				
Landfill & Recycling Fund:				
Capital assets, not being depreciated:				
Landfill site	\$ 1,637,136	\$ -	\$ -	\$ 1,637,136
Construction in progress	-	229,389	-	229,389
Total capital assets not being depreciated	<u>1,637,136</u>	<u>229,389</u>	<u>-</u>	<u>1,866,525</u>
Capital assets being depreciated:				
Cell improvements	4,543,843	-	-	4,543,843
Equipment	555,279	25,788	8,733	572,334
Infrastructure	854,306	-	-	854,306
Facilities	161,745	-	-	161,745
Total capital assets being depreciated	<u>6,115,173</u>	<u>25,788</u>	<u>8,733</u>	<u>6,132,228</u>
Less accumulated depreciation for:				
Cell improvements	549,556	173,679	-	723,235
Equipment	294,497	80,644	8,733	366,408
Infrastructure	95,861	47,930	-	143,791
Facilities	37,754	7,333	-	45,087
Total accumulated depreciation	<u>977,668</u>	<u>309,586</u>	<u>8,733</u>	<u>1,287,254</u>
Total capital assets being depreciated, net	<u>5,137,505</u>	<u>(283,798)</u>	<u>-</u>	<u>4,853,707</u>
Solid waste fund capital assets, net	<u>\$ 6,774,641</u>	<u>\$ (54,409)</u>	<u>\$ -</u>	<u>\$ 6,720,232</u>

NOTE 7 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Primary government - enterprise funds (continued)				
Airport Fund:				
Capital assets, not being depreciated:				
Land	\$ 4,921,306	\$ -	\$ -	\$ 4,921,306
Construction in progress	989,251	3,773,170	295,899	4,466,522
Total capital assets not being depreciated	<u>5,910,557</u>	<u>3,773,170</u>	<u>295,899</u>	<u>9,387,828</u>
Capital assets being depreciated:				
Improvements	943,850	295,899	-	1,239,749
Machinery & Equipment	-	21,796	-	21,796
Total capital assets being depreciated	<u>943,850</u>	<u>317,695</u>	<u>-</u>	<u>1,261,545</u>
Less accumulated depreciation for:				
Improvements	250,334	47,197	-	297,531
Machinery & Equipment	-	1,089	-	1,089
Total accumulated depreciation	<u>250,334</u>	<u>48,286</u>	<u>-</u>	<u>298,620</u>
Total capital assets being depreciated, net	<u>693,516</u>	<u>269,409</u>	<u>-</u>	<u>962,925</u>
Airport fund capital assets, net	<u>\$ 6,604,073</u>	<u>\$ 4,042,579</u>	<u>\$ 295,899</u>	<u>\$ 10,350,753</u>
Fleet Maintenance Fund:				
Capital assets, not being depreciated:				
	-	-	-	-
Capital assets being depreciated:				
Buildings	\$ 349,000	\$ -	\$ -	\$ 349,000
Equipment	323,758	16,855	-	340,613
Total capital assets being depreciated	<u>672,758</u>	<u>16,855</u>	<u>-</u>	<u>689,613</u>
Less accumulated depreciation for:				
Buildings & building improvements	316,060	10,980	-	327,040
Equipment	214,707	9,458	-	224,165
Total accumulated depreciation	<u>530,767</u>	<u>20,438</u>	<u>-</u>	<u>551,205</u>
Total capital assets being depreciated, net	<u>141,991</u>	<u>(3,583)</u>	<u>-</u>	<u>138,408</u>
Fleet maintenance fund capital assets, net	<u>\$ 141,991</u>	<u>\$ (3,583)</u>	<u>\$ -</u>	<u>\$ 138,408</u>

NOTE 7 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Discretely Presented Component unit - School Board:				
Capital assets, not being depreciated:				
Land	\$ 4,166,986	\$ -	\$ -	\$ 4,166,968
Construction in progress	9,282,606	2,775,195	3,312,567	8,745,234
Total capital assets not being depreciated	<u>13,449,592</u>	<u>2,775,195</u>	<u>3,312,567</u>	<u>12,912,220</u>
Capital assets being depreciated:				
Buildings and improvements	49,520,284	4,912,567	-	54,432,851
Machinery and equipment	13,418,082	1,377,463	602,462	14,193,083
Total capital assets being depreciated	<u>62,938,366</u>	<u>6,290,030</u>	<u>602,462</u>	<u>68,625,934</u>
Less accumulated depreciation for:				
Buildings and improvements	25,267,118	2,057,223	-	27,324,341
Machinery and equipment	6,907,158	1,380,397	485,605	7,801,950
Total accumulated depreciation	<u>32,174,276</u>	<u>3,437,620</u>	<u>485,605</u>	<u>35,126,291</u>
Total capital assets being depreciated, net	<u>30,764,090</u>	<u>2,852,410</u>	<u>116,857</u>	<u>33,499,643</u>
School Board capital assets, net	<u>\$ 44,213,682</u>	<u>\$ 5,627,605</u>	<u>\$ 3,429,424</u>	<u>\$ 46,411,863</u>

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	\$ 195,752
Judicial administration	102,806
Public safety	590,908
Public works	109,610
Health and welfare	11,016
Education	935,040
Parks, recreation, and cultural	261,331
Community development	17,488
Total governmental activities	<u>\$ 2,223,951</u>
Primary government - enterprise funds	
Solid Waste Fund	\$ 309,586
Airport Fund	48,286
Fleet Maintenance Fund	20,438
Total enterprise funds	<u>\$ 378,310</u>
Component unit – School Board	<u>\$ 4,837,620</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
2005	\$ 556,092	\$ 373,994	\$ 120,000	\$ 142,710	\$ 4,300,000	\$ 2,587,301
2006	573,726	353,805	125,000	137,790	4,250,000	2,248,657
2007	596,745	332,402	130,000	132,665	4,215,000	2,015,697
2008	620,169	309,573	135,000	127,010	4,160,000	1,785,632
2009	644,019	284,147	140,000	121,138	4,080,000	1,553,974
2010	678,316	251,390	145,000	115,048	3,445,000	1,345,360
2011	703,083	221,738	155,000	108,377	3,070,000	1,176,201
2012	738,344	190,352	160,000	101,248	3,035,000	1,021,119
2013	655,680	156,736	170,000	93,487	2,725,000	876,621
2014	575,000	126,180	175,000	85,242	2,720,000	740,171
2015	605,000	95,418	185,000	76,755	1,930,000	621,302
2016	635,000	63,050	195,000	67,320	1,930,000	520,494
2017	665,000	32,253	205,000	57,375	1,925,000	418,957
2018	-	-	215,000	46,920	1,475,000	328,557
2019	-	-	225,000	35,955	1,300,000	255,210
2020	-	-	235,000	24,480	1,300,000	188,610
2021	-	-	245,000	12,495	1,125,000	130,547
2022	-	-	-	-	900,000	82,110
2023	-	-	-	-	580,000	44,370
2024	-	-	-	-	580,000	14,790
Totals	\$ 8,246,174	\$ 2,791,038	\$ 2,960,000	\$ 1,486,015	\$ 49,045,000	\$ 17,955,680

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2004:

	Adjusted Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004	Amount Due Within One Year
Capital Leases	\$ 10,458,664	\$ -	\$ 2,212,490	\$ 8,246,174	\$ 556,092
Revenue Bonds	3,075,000	-	115,000	2,960,000	120,000
General Obligation Bonds	41,180,000	11,630,000	3,765,000	49,045,000	4,300,000
Premium on bonds payable	-	772,947	-	772,947	38,647
Compensated absences	2,599,423	285,771	362,039	2,523,155	252,316
Total general long term obligations	\$ 57,313,087	\$ 12,688,718	\$ 6,454,529	\$ 63,547,276	\$ 5,267,055

The General Fund revenues are used to liquidate compensated absences and other long-term obligations.

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:		
\$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%	\$ 6,690,000	\$ 405,000
\$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>1,556,174</u>	<u>151,092</u>
Total Capital Leases	<u>8,246,174</u>	<u>556,092</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>2,960,000</u>	<u>120,000</u>
General Obligation Bonds:		
\$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%	8,335,000	1,480,000
\$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%	5,850,000	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%	2,450,000	175,000
\$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%	2,800,000	175,000

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds: (continued)		
\$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%	\$ 3,885,000	\$ 230,000
\$8,495,000 General Obligation School Refunding Bonds, 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%	8,335,000	885,000
\$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 5.25%	5,760,000	320,000
\$11,630,000 Virginia Public School Authority Bonds, Series 2003A, issued November 6, 2003, maturing annually from July 15, 2004 through July 15, 2023, with interest payable semiannually at rates from 3.20% to 5.35%	<u>11,630,000</u>	<u>585,000</u>
Total General Obligation Bonds	<u>49,045,000</u>	<u>4,300,000</u>
Premium on bonds payable	<u>772,947</u>	<u>38,647</u>
Compensated absences payable	<u>2,523,155</u>	<u>252,316</u>
Total primary government long-term obligations	<u>\$ 63,547,276</u>	<u>\$ 5,267,055</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>
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
Total	<u>\$ 2,220,000</u>	<u>\$ 329,100</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, 2004:

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004
Enterprise fund debt:				
Solid Waste Bonds	\$ 2,545,000	\$ -	\$ 325,000	\$ 2,220,000
Compensated Absences	119,063	21,157	-	140,220
Total enterprise debt	<u>\$ 2,664,063</u>	<u>\$ 21,157</u>	<u>\$ 325,000</u>	<u>\$ 2,360,220</u>

Details of long-term obligations are as follows:

	Amount Payable June 30, 2004	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%	\$ 2,220,000	\$ 335,000
Compensated absences	140,220	14,022
Landfill closure and postclosure liability	4,476,382	-
Premium on bonds payable	80,121	13,736
Deferred amount on refunding	<u>(77,728)</u>	<u>(11,958)</u>
Total proprietary fund obligations	<u>\$ 6,838,995</u>	<u>\$ 350,798</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, 2004:

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004
General long-term debt:				
Compensated absences	\$ 3,597,670	\$ 351,979	\$ 247,065	\$ 3,702,584
Total general long-term debt	<u>\$ 3,597,670</u>	<u>\$ 351,979</u>	<u>\$ 247,065</u>	<u>\$ 3,702,584</u>

Details of long-term obligation are as follows:

	Amount Payable June 30, 2004	Amount Due Within One Year
Compensated absences payable, component unit	\$ 3,702,584	\$ 370,258
Total component unit long-term debt	<u>\$ 3,702,584</u>	<u>\$ 370,258</u>

NOTE 9 – CONSTRUCTION COMMITMENTS

At June 30, 2004, 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, 2004</u>	<u>Contract Balance</u>
Primary Government:			
Warren Green Building	\$ 1,821,453	\$ 1,685,042	\$ 136,411
Bealeton Library	1,488,007	1,415,295	72,712
Auburn Middle School	12,625,695	11,249,314	1,376,381
Airport	7,614,359	3,480,469	4,133,890
Total	\$ 23,549,514	\$ 17,830,120	\$ 5,719,394

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.

A case has been filed with the Fauquier County Circuit Court based on a citizen being shot by a deputy who was employed by the Sheriff/County at that time. The suit alleges that the former sheriff and the deputy are responsible for unlawful assault and battery and denial of constitutional rights. The action seeks \$3,000,000 in damages as well as attorney fees. Coverage for this claim, as filed, up to \$1,000,000 is the responsibility of the Commonwealth of Virginia under its VaRISK self-insurance plan. If Fauquier County is added to the suit, liability insurance coverage of up to \$6,000,000 is available through the Virginia Municipal League.

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 (VRS)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. 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) and at age 50 with 30 years of service for participating employees (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. 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 of Virginia.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. A copy of that report may be downloaded from the website at <http://www.varetire.org/Pdf/2003AnnuRept.pdf> or obtained by writing to VRS 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 5.00% of their annual salary to the VRS. Fauquier County (County) and the Fauquier County School Board (School Board) have assumed this 5.00% member contribution. In addition, the County and the 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 and the School Board non-professional employer’s contribution rates for the fiscal year ended 2004 were 4.00% and 0.25% of the annual covered payroll, respectively. The total contribution made on behalf of the County and School Board non-professional employees totaled 9.00% and 5.25% of the annual covered payroll, respectively.

Total contributions made by the School Board to the VRS statewide teacher cost-sharing pool for professional employees of the schools for the three fiscal years ending June 30, 2004, 2003, and 2002, were \$4,355,860, \$4,023,587, and \$3,542,219, respectively, and these contributions represented 8.77%, 8.77%, and 9.24% respectively, of current covered payroll.

C. Annual pension cost

For fiscal year 2004, the County’s annual pension cost of \$1,868,895 was equal to the County’s required and actual contributions which included the 5.00% member contribution assumed by the County on behalf of the employees and the 4.00% employer’s share. For fiscal year 2004, the School Board’s annual pension cost for non-professional employees of \$169,938 was equal to the School Board’s required and actual contributions, which included the 5.00% member contribution assumed by the School Board on behalf of the employees and the 0.25% employer’s share. The required contributions were determined as part of the June 30, 2003 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) 3.00% 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 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:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	\$ 1,453,324	100%	\$ -
June 30, 2003	1,584,058	100%	-
June 30, 2004	1,868,895	100%	-

School Board non-professional employees:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	\$ 144,855	100%	\$ -
June 30, 2003	168,916	100%	-
June 30, 2004	169,938	100%	-

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 Fauquier County Board of Supervisors at the recommendation of the Fire & Rescue Association froze all member benefits in the plan. The plan is a 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, 2004 the program membership consisted of the following:

Eligible Members	247
Retirees and beneficiaries	40

B. Funding policy

This plan is available to vested volunteer members with no covered payroll. Benefits amortize on a level dollar basis, and are recognized when due and payable in accordance with the terms of the plan. Members vest over a ten-year period. 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 assets. Present and future assets in the plan are assumed to earn an investment rate of return of 5.00% 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, 2004 totaled \$211,946. 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, 2004 the plan had net assets available for benefits totaling \$1,836,344. Unfunded past service costs total \$1,206,662 and will be fully amortized in 8 years. The plan additions fund the cost of administering the plan.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2002	\$ 430,300	100%
June 30, 2003	82,195	100%
June 30, 2004	211,946	100%

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 \$2,190,827 is comprised of the following:

A. Deferred tax revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,954,459 at June 30, 2004.

B. Prepaid taxes

Property taxes due subsequent to June 30, 2004 but paid in advance by the taxpayers totaled \$190,290 as of June 30, 2004.

C. School grants

School grant funds unexpended as of June 30, 2004 which are permitted to be carried forward to fiscal year 2004 total \$46,078.

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. 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. At June 30, 2004 the defeased bonds had balances outstanding of \$2,195,000.

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 \$11,761,638 reported as landfill closure and postclosure care liability at June 30, 2004, represents the cumulative amount reported based on the use of 76.50% of the estimated capacity of the old landfill and the use of 20.30% of the estimated capacity of the new landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$873,417 on the old landfill as the remaining estimated capacity is used. The County will recognize the remaining estimated cost of closure and postclosure care of \$6,411,839 on the new landfill as the remaining estimated capacity is used. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. The County expects to close the old landfill in the year 2008 and expects to close the new landfill in the year 2016. 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 insurance 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.

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 and Rescue Association component

The Fire and 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.

NOTE 17 – RISK MANAGEMENT (CONTINUED)

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 \$150,000 for fiscal year 2004 and a maximum aggregate liability of 125.00% of Anthem's estimated liability. 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>2003</u>	<u>2004</u>
Unpaid claims, beginning July 1, 2003	\$ 998,300	\$ 1,021,975
Incurred claims, (including IBNR)	8,817,718	10,300,563
Claim payments	8,794,043	10,147,278
Unpaid claims, ending June 30, 2004	<u>\$ 1,021,975</u>	<u>\$ 1,175,260</u>

NOTE 18 – SURETY BONDS

Fidelity and Deposit Company of Maryland – Surety

	<u>Amount</u>
Gail Barb, Clerk of the Circuit Court	\$ 50,000
Elizabeth A. Ledgerton, Treasurer	500,000
Ross D'Urso, Commissioner of the Revenue	3,000
Charlie Ray Fox, Jr., Sheriff	30,000
Above constitutional officers' employees – blanket bond	50,000
Clerk of the School Board	10,000

United States Fidelity and Guaranty Company – Surety

County employees except above Constitutional Offices and School Board employees	\$ 100,000
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NOTE 19 – COMMITMENTS UNDER NONCAPITALIZED LEASES

The County leases the following property:

<u>Property</u>	<u>Annual Payments</u>
Ashby Street Office	\$ 1,650
Lee and John Marshall Street, Corner Parking Lot	6,000
Registrar's Office, John Marshall Building	29,517
Bealeton Library	15,947
Culpeper Street Office	12,000

All leases are subject to annual appropriation of rental payments.

NOTE 20 – SUBSEQUENT EVENTS

In September 2004, the Board of Supervisors approved the sale of Virginia Public School Authority General Obligation bonds. The bonds were issued on November 10, 2003 in the amount of \$4,002,235.

NOTE 21 – NET ASSETS ADJUSTMENTS

Net assets were adjusted as of June 30, 2003 as follows:

	<u>Primary Government</u>	<u>Component Unit - School Board</u>	<u>Proprietary Funds</u>
Net assets as previously reported	\$ 79,488,533	\$ 42,436,418	\$ 12,454,451
Adjustment for accumulated depreciation	1,400,000	(1,400,000)	-
Reclassification of internal service totals:			
Fleet Maintenance Fund	200,565	-	(200,565)
Health Insurance Fund	3,243,133	-	(3,243,133)
Net assets as restated	<u>\$ 84,332,231</u>	<u>\$ 41,036,418</u>	<u>\$ 9,010,753</u>

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with
accounting principles generally accepted in the
United States of America.



COUNTY OF FAUQUIER, VIRGINIA

Exhibit 12

Schedule of Funding Progress
Virginia Retirement System and Length of Service Awards Pension Program
Fiscal Year Ended June 30, 2004

Virginia Retirement System

County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
June 30, 2001	\$ 30,809,067	\$ 27,017,163	\$ (3,791,904)	114.04%	\$ 14,868,120	-25.5%
June 30, 2002	33,061,932	30,977,365	(2,084,567)	106.73%	16,260,939	-12.8%
June 30, 2003	34,788,431	34,276,590	(511,841)	101.49%	16,508,256	-3.1%

School Board Non-professionals:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
June 30, 2001	\$ 10,179,651	\$ 7,270,722	\$ (2,908,929)	140.01%	\$ 2,697,582	-107.8%
June 30, 2002	10,507,799	8,044,254	2,463,545	130.62%	2,908,936	84.7%
June 30, 2003	10,662,550	8,240,363	(2,422,187)	129.39%	2,802,487	-86.4%

Analysis of the dollar amounts of the actuarial value of assets (AVA), actuarial accrued liability (AAL), and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (see funded ratio) 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.

Length of Service Awards Pension Program

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Liability	Funded Ratio
December 31, 1998	\$ 1,044,776	\$ 2,367,901	\$ 1,323,125	44.10%
December 31, 1999	1,254,341	2,472,873	1,218,532	50.70%
December 31, 2000	1,411,479	2,496,242	1,084,763	56.50%
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%
December 31, 2003	1,835,071	2,467,022	1,208,662	51.00%

Historical trend information about the program is presented above 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.

COUNTY OF FAUQUIER, VIRGINIA

**Exhibit 13
Page 1 of 4**

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
Fiscal Year Ended June 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Revenues				
General property taxes	\$ 64,914,760	\$ 65,435,071	\$ 67,861,085	\$ 2,426,014
Other local taxes	11,402,600	11,402,600	13,171,286	1,768,686
Permits, privilege fees and regulatory licenses	1,199,865	1,426,300	1,598,890	172,590
Fines and forfeitures	357,500	357,500	504,771	147,271
Revenue from use of money and property	1,415,131	1,420,931	1,001,428	(419,503)
Charges for services	885,127	1,078,524	1,330,222	251,698
Miscellaneous	21,625	83,028	109,226	26,198
Recovered costs	114,379	114,379	139,610	25,231
Intergovernmental:				
Contribution from School Board	-	35,872	-	(35,872)
Commonwealth of Virginia	19,278,311	19,482,814	19,798,015	315,201
Federal Government	1,869,414	2,138,768	2,227,715	88,947
Total revenues	<u>101,458,712</u>	<u>102,975,787</u>	<u>107,742,248</u>	<u>4,766,461</u>
Expenditures				
Current operating:				
General government administration:				
Legislative:				
Board of supervisors	398,110	411,469	408,182	3,287
General & financial administration:				
County administrator	495,237	530,869	523,480	7,389
County attorney	508,199	493,162	471,413	21,749
Independent auditor	70,962	94,962	78,361	16,601
Commissioner of the revenue	1,049,567	1,560,880	1,045,715	515,165
Treasurer	889,092	908,148	863,537	44,611
Information technology	1,065,985	1,699,938	1,699,938	-
Human resources	565,116	613,570	600,496	13,074
Finance	1,449,836	1,470,608	1,216,228	254,380
Office of management & budget	247,753	273,397	254,928	18,469
Geographic information systems	175,948	209,713	209,123	590
Total general & financial administration	<u>6,517,695</u>	<u>7,855,247</u>	<u>6,963,219</u>	<u>892,028</u>
Board of Elections:				
Registrar	283,890	329,481	312,412	17,069
Total general government administration	<u>7,199,695</u>	<u>8,596,197</u>	<u>7,683,813</u>	<u>912,384</u>
Judicial administration:				
Courts:				
Circuit court	118,722	121,408	112,528	8,880
General district court	12,220	20,810	17,359	3,451
Magistrates	57,072	59,172	59,167	5
Juvenile & domestic relations district court	53,543	61,068	56,138	4,930
Clerk of the circuit court	817,996	1,101,143	1,052,114	49,029
Adult court service	512,430	540,111	488,262	51,849
Commissioner of accounts	\$ 2,400	\$ 2,400	\$ 2,400	\$ -

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 13
Page 2 of 4

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
Fiscal Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Current operating: (continued)				
Judicial administration: (continued)				
Courts: (continued)				
Total courts	\$ 1,574,383	\$ 1,906,112	\$ 1,787,968	\$ 118,144
Commonwealth's attorney:				
Commonwealth's attorney	692,037	714,530	698,213	16,317
Total judicial administration	2,266,420	2,620,642	2,486,181	134,461
Public safety:				
Law enforcement & traffic control				
Sheriff	7,049,495	7,374,499	7,226,457	148,042
Correction & detention:				
Sheriff	492,000	513,377	519,769	(6,392)
CFW regional jail	635,563	830,200	784,358	45,842
Probation office	83,190	99,827	67,250	32,577
Juvenile detention	159,650	159,650	105,335	54,315
Juvenile crime control	109,185	106,372	78,846	27,526
Total correction & detention	1,479,588	1,709,426	1,555,558	153,868
Total public safety	8,529,083	9,083,925	8,782,015	301,910
Public works:				
Sanitation & waste removal:				
Solid waste operations	1,377,889	1,377,889	1,325,993	51,896
General buildings & grounds maintenance:				
General services	3,022,108	3,897,253	3,532,774	364,479
Total public works	4,399,997	5,275,142	4,858,767	416,375
Health & welfare:				
Health:				
Supplement of local health department	377,116	387,757	387,757	-
Welfare:				
Institutional care	330,512	330,512	296,734	33,778
Social services	3,471,079	3,876,860	3,802,240	74,620
Comprehensive services act	\$ 2,323,838	\$ 2,328,133	\$ 2,011,868	\$ 316,265

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 13
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Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
Fiscal Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Current operating: (continued)				
Health & welfare: (continued)				
Welfare: (continued)				
Total welfare	\$ 6,125,429	\$ 6,535,505	\$ 6,110,842	\$ 424,663
Total health & welfare	6,502,545	6,923,262	6,498,599	424,663
Education:				
Contribution to School Board	55,444,363	56,245,073	54,427,081	1,817,992
Community colleges	44,366	44,366	44,366	-
Total education	55,488,729	56,289,439	54,471,447	1,817,992
Parks, recreation & cultural:				
Parks & recreation:				
Parks & recreation	1,930,779	2,195,635	2,034,733	160,902
Museums:				
Salem Meeting House	-	18,600	17,998	602
Library:				
Public library	1,509,514	1,578,622	1,572,687	5,935
Total parks, recreation, & cultural	3,440,293	3,792,857	3,625,418	167,439
Community development:				
Planning & community development:				
Community development	1,786,579	2,202,887	2,038,741	164,146
Planning	127,849	129,532	129,524	8
Economic development	361,929	368,687	335,605	33,082
Mosby Heritage	-	2,354	2,353	1
Contributions to community organization	429,981	476,681	460,256	16,425
Disability service board	10,000	10,400	6,713	3,687
Agriculture development	117,999	124,690	123,681	1,009
Total planning & community development	2,834,337	3,315,231	3,096,873	218,358
Environmental management:				
Soil & water conservation district	266,066	363,978	345,936	18,042
Cooperative extension program:				
VPI extension	146,659	156,672	130,494	26,178
Total community development	3,247,062	3,835,881	3,573,303	262,578
Nondepartmental:				
Nondepartmental operations	\$ 1,526,925	\$ 803,271	\$ 552,652	\$ 250,619

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 13
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Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
Fiscal Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Current operating: (continued)				
Debt service:				
Principal retirement	\$ 927,071	\$ 927,071	\$ 2,186,327	\$ (1,259,256)
Interest & fiscal charges	471,606	471,606	459,019	12,587
Principal retirement - education	3,765,000	3,765,000	3,765,000	-
Interest & fiscal charges - education	2,117,298	2,117,298	2,117,296	2
Total debt service	<u>7,280,975</u>	<u>7,280,975</u>	<u>8,527,642</u>	<u>(1,246,667)</u>
Total expenditures	<u>99,881,724</u>	<u>104,501,591</u>	<u>101,059,837</u>	<u>3,441,754</u>
Excess (deficiency) of revenues over expenditures	<u>1,576,988</u>	<u>(1,525,804)</u>	<u>6,682,411</u>	<u>8,208,215</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	(1,476,988)	(8,181,296)	(6,820,535)	1,360,761
Total other financing sources (uses)	<u>(1,476,988)</u>	<u>(8,181,296)</u>	<u>(6,820,535)</u>	<u>1,360,761</u>
Net change in fund balances	100,000	(9,707,100)	(138,124)	9,568,976
Fund balances, beginning	(100,000)	9,860,100	22,692,500	12,832,400
Fund balances, ending	<u>\$ -</u>	<u>\$ 153,000</u>	<u>\$ 22,554,376</u>	<u>\$ 22,401,376</u>

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



COUNTY OF FAUQUIER, VIRGINIA

Exhibit 14
Page 1 of 3

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Revenue from use of money	-	-	179,116	179,116
Charges for services	-	-	265,897	265,897
Miscellaneous revenue	-	176,637	369,754	193,117
Recovered costs	-	35,000	35,000	-
Intergovernmental:				
Contribution from component unit - School Board Commonwealth of Virginia	4,009,258	1,005,325	1,188,192	182,867
Federal Government	-	-	301,164	301,164
Total revenues	4,109,258	1,316,962	2,339,123	1,022,161
Expenditures				
Capital Projects Fund:				
Capital outlay:				
General government	683,723	557,876	335,167	222,709
Judicial administration	-	-	-	-
Public safety	1,896,336	543,148	377,837	165,311
Public works	16,620,812	13,607,746	3,729,574	9,878,172
Education	4,878,209	3,233,234	2,532,240	700,994
Parks, recreation, & cultural	3,623,425	4,514,454	119,965	4,394,489
Community development	1,326,249	549,180	251,143	298,037
Total capital outlay	29,028,754	23,005,638	7,345,926	15,659,712
Capital projects:				
General government administration:				
Hospital Hill	68,342	97,871	87,176	10,695
Warren Green Building	1,253,080	2,037,080	1,894,063	143,017
Total general government administration	1,321,422	2,134,951	1,981,239	153,712
Judicial administration:				
Courthouse	28,809	874,934	165,344	709,590
Public safety:				
Detention Center	-	1,342,854	137,625	1,205,229
Radio safety	4,606,794	5,113,015	2,750,929	2,362,086
Total public safety	\$ 4,606,794	\$ 6,455,869	\$ 2,888,554	\$ 3,567,315

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 14
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Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Capital Projects Fund: (continued)				
Capital projects: (continued)				
Education:				
Auburn middle school	\$ 15,964,586	\$ 15,814,733	\$ 11,750,610	\$ 4,064,123
Brumfield elementary school	45,349	45,349	10,844	34,505
Cedar Lee middle school	-	115,704	114,417	1,287
Fauquier high school	511,526	626,119	470,452	155,667
Liberty high school	695,878	803,367	294,222	509,145
Marshall middle school	-	392,764	283,207	109,557
New high school	-	4,750,168	110,463	4,639,705
Pearson elementary school	156,954	145,007	132,050	12,957
Taylor middle school	150,000	221,575	45,241	176,334
Thompson elementary	1,572,000	1,572,000	40,502	1,531,498
Total education	19,096,293	24,486,786	13,252,008	11,234,778
Parks, recreation, & culture:				
Bealton Depot	-	66,040	8,519	57,521
Bealton Library	961,789	934,292	890,110	44,182
John Barton Payne Library	-	143,601	700	142,901
Monroe Park	205,176	705,176	89,515	615,661
New Baltimore Library	-	6,859	480	6,379
Rady Park	100,361	85,361	85,768	(407)
Sports Complex	10,462,670	10,462,670	291,286	10,171,384
Vint Hill	223,637	223,637	69,723	153,914
Total parks, recreational, & cultural	11,953,633	12,627,636	1,436,101	11,191,535
Community development:				
Airport sewer project	424,638	424,638	51,734	372,904
Total capital projects	37,431,589	47,004,814	19,774,980	27,229,834
Debt service:				
Principal retirement	-	-	115,000	(115,000)
Interest & fiscal charges	-	-	147,425	(147,425)
Total debt service	-	-	262,425	(262,425)
Total expenditures	66,460,343	70,010,452	27,383,331	42,627,121
Excess (deficiency) of revenues over expenditures	\$ (62,351,085)	\$ (68,693,490)	\$ (25,044,208)	\$ 43,649,282

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 14
Page 3 of 3

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Other financing sources (uses)				
Transfers in	\$ 1,266,553	\$ 8,136,188	\$ 6,869,637	\$ (1,266,551)
Transfers (out)	-	(508,469)	(508,469)	-
Construction bond proceeds	5,799,000	5,799,000	-	(5,799,000)
Proceeds from indebtedness	-	-	12,402,947	12,402,947
	<u>7,065,553</u>	<u>13,426,719</u>	<u>18,764,115</u>	<u>5,337,396</u>
Total other financing sources (uses)				
Net change in fund balances	(55,285,532)	(55,266,771)	(6,280,093)	48,986,679
Fund balances, beginning	-	55,266,771	44,053,202	(11,213,569)
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,773,109</u>	<u>\$ 37,773,109</u>

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COUNTY OF FAUQUIER, VIRGINIA

Exhibit 15

Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2004

	Joint Communication Fund	Parks & Recreation Trust Fund	Library Trust Fund	Conservation Service District Fund	Fire & Rescue Fund	Total Non-Major Governmental Funds
Assets						
Cash and investments	\$ -	\$ 111,668	\$ 60,483	\$ 57,791	\$ 1,456,937	\$ 1,686,879
Accounts receivable (net)	73,345	-	-	-	134,796	208,141
Other assets	-	-	-	-	19,017	19,017
Total assets	73,345	111,668	60,483	57,791	1,610,750	1,914,037
Liabilities						
Accounts payable	3,987	2,362	584	-	29,484	36,417
Accrued liabilities	22,859	-	-	-	37,407	60,266
Due to other funds	7,212	-	-	46,022	-	53,234
Total liabilities	34,058	2,362	584	46,022	66,891	149,917
Fund Balances						
Fund balances:						
Reserved for:						
Parks and recreation operations	-	109,306	-	-	-	109,306
Library operations	-	-	59,899	-	-	59,899
Unreserved:						
Undesignated	39,287	-	-	11,769	1,543,859	1,594,915
Total fund balances	39,287	109,306	59,899	11,769	1,543,859	1,764,120
Total liabilities and fund balances	\$ 73,345	\$ 111,668	\$ 60,483	\$ 57,791	\$ 1,610,750	\$ 1,914,037

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 16

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Non-Major Governmental Funds**

Page 1 of 2

Fiscal Year Ended June 30, 2004

	Joint Communications Fund	Parks & Recreation Trust Fund	Library Trust Fund
Revenues			
General property taxes	\$ -	\$ -	\$ -
Other local taxes	797,919	-	-
Use of money and property	-	1,143	639
Miscellaneous	-	14,770	8,506
Recovered cost	3,720	-	-
Intergovernmental:			
Commonwealth of Virginia	91,372	-	-
Federal Government	-	-	-
Total revenues	893,011	15,913	9,145
Expenditures			
Current:			
Public safety	1,071,353	-	-
Administration	-	28,456	8,676
Community development	-	-	-
Total expenditures	1,071,353	28,456	8,676
Excess (deficiency) of revenue over expenditures	(178,342)	(12,543)	469
Other financing sources (uses)			
Transfers in	64,813	1,170	-
Transfers (out)	-	-	-
Total other financing sources (uses)	64,813	1,170	-
Net change in fund balances	(113,529)	(11,373)	469
Fund balances, beginning	152,816	120,679	59,430
Fund balances, ending	<u>\$ 39,287</u>	<u>\$ 109,306</u>	<u>\$ 59,899</u>

Conservation Service District Fund	Fire & Rescue Fund	Total Non-Major Governmental Funds	
\$ 337,609	\$ 4,010,572	\$ 4,348,181	Revenues
-	-	797,919	General property taxes
-	-	1,782	Other local taxes
-	1,283	24,559	Use of money and property
-	2,208	5,928	Miscellaneous
-	-	-	Recovered cost
-	103,777	195,149	Intergovernmental:
-	334,661	334,661	Commonwealth of Virginia
			Federal Government
<u>337,609</u>	<u>4,452,501</u>	<u>5,708,179</u>	Total revenues
-	2,165,212	3,236,565	Expenditures
-	1,645,582	1,682,714	Current:
834,309	-	834,309	Public safety
			Administration
			Community development
<u>834,309</u>	<u>3,810,794</u>	<u>5,753,588</u>	Total expenditures
<u>(496,700)</u>	<u>641,707</u>	<u>(45,409)</u>	Excess (deficiency) of revenue over expenditures
508,469	-	574,452	Other financing sources (uses)
-	(315,620)	(315,620)	Transfers in
			Transfers (out)
<u>508,469</u>	<u>(315,620)</u>	<u>258,832</u>	Total other financing sources (uses)
11,769	326,087	213,423	Net change in fund balances
-	1,217,772	1,550,697	Fund balances, beginning
\$ <u>11,769</u>	\$ <u>1,543,859</u>	\$ <u>1,764,120</u>	Fund balances, ending

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 17
Page 1 of 2

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Non-Major Governmental Funds
Fiscal Year Ended June 30, 2004

	Joint Communications Fund				Parks & Recreation Trust 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes	864,000	864,000	797,919	(66,081)	-	-	-	-
Use of money and property	-	-	-	-	-	900	1,143	243
Miscellaneous	-	-	-	-	-	13,530	14,770	1,240
Recovered costs	1,144	3,720	3,720	-	-	-	-	-
Intergovernmental:								
Commonwealth of Virginia	71,897	91,372	91,372	-	-	-	-	-
Federal Government	-	-	-	-	-	-	-	-
Total revenues	<u>937,041</u>	<u>959,092</u>	<u>893,011</u>	<u>(66,081)</u>	<u>-</u>	<u>14,430</u>	<u>15,913</u>	<u>1,483</u>
Expenditures:								
Current operating:								
Public safety	1,112,168	1,094,979	1,071,353	23,626	-	-	-	-
Administration	-	-	-	-	-	30,000	28,456	1,544
Community development	-	-	-	-	-	-	-	-
Total expenditures	<u>1,112,168</u>	<u>1,094,979</u>	<u>1,071,353</u>	<u>23,626</u>	<u>-</u>	<u>30,000</u>	<u>28,456</u>	<u>1,544</u>
Excess (deficiency) of revenue over expenditures	<u>(175,127)</u>	<u>(135,887)</u>	<u>(178,342)</u>	<u>(42,455)</u>	<u>-</u>	<u>(15,570)</u>	<u>(12,543)</u>	<u>3,027</u>
Other financing sources (uses)								
Transfers in	175,127	135,887	64,813	(71,074)	-	1,170	1,170	-
Transfers (out)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>175,127</u>	<u>135,887</u>	<u>64,813</u>	<u>(71,074)</u>	<u>-</u>	<u>1,170</u>	<u>1,170</u>	<u>-</u>
Net change in fund balances	-	-	(113,529)	(113,529)	-	(14,400)	(11,373)	3,027
Fund balances, beginning	-	-	152,816	152,816	-	14,400	120,679	106,279
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,287</u>	<u>\$ 39,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,306</u>	<u>\$ 109,306</u>

Conservation Service District 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)	
\$ -	\$ -	\$ 337,609	\$ 337,609	\$ 3,958,178	\$ 3,993,878	\$ 4,010,572	\$ 16,694	Primary Government
-	-	-	-	-	-	-	-	Special Revenue Funds:
-	-	-	-	-	-	-	-	Joint Communications Fund:
-	-	-	-	-	1,448	1,283	(165)	Revenues:
-	-	-	-	2,200	2,200	2,208	8	General property taxes
-	-	-	-	-	-	-	-	Other local taxes
-	-	-	-	-	-	-	-	Use of money and property
-	-	-	-	84,225	93,100	103,777	10,677	Miscellaneous
-	-	-	-	-	342,288	334,661	(7,627)	Recovered costs
-	-	-	-	-	-	-	-	Intergovernmental:
-	-	-	-	-	-	-	-	Commonwealth of Virginia
-	-	-	-	-	-	-	-	Federal Government
-	-	337,609	337,609	4,044,603	4,432,914	4,452,501	19,587	Total revenues
-	-	-	-	2,221,995	2,351,226	2,165,212	186,014	Expenditures:
-	-	-	-	1,415,270	1,548,815	1,645,582	(96,767)	Current operating:
-	508,469	834,309	(325,840)	-	-	-	-	Public safety
-	508,469	834,309	(325,840)	3,637,265	3,900,041	3,810,794	89,247	Administration
-	-	-	-	-	-	-	-	Community development
-	-	-	-	-	-	-	-	Total expenditures
-	(508,469)	(496,700)	11,769	407,338	532,873	641,707	108,834	Excess (deficiency) of revenue over expenditures
-	508,469	508,469	-	-	-	-	-	Other financing sources (uses)
-	-	-	-	-	(299,774)	(315,620)	(15,846)	Transfers in
-	508,469	508,469	-	-	(299,774)	(315,620)	(15,846)	Transfers (out)
-	-	11,769	11,769	407,338	233,099	326,087	92,988	Total other financing sources (uses)
-	-	-	-	-	58,484	1,217,772	1,159,288	Net change in fund balances
\$ -	\$ -	\$ 11,769	\$ 11,769	\$ 407,338	\$ 291,583	\$ 1,543,859	\$ 1,252,276	Fund balances, beginning
-	-	-	-	-	-	-	-	Fund balances, ending

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 18

**Combining Balance Sheet
Fiduciary Funds
June 30, 2004**

	Pension Trust	Agency Funds					Total
	Length of Service Award	Street Light Levy Fund	Special Welfare Fund	Vint Hill Transportation Fund	Service to Outside Agencies Fund	Detention Center Fund	
Assets							
Cash and investments	\$ -	\$ 17,634	\$ 81,548	\$ 171,988	\$ -	\$ -	\$ 271,170
Cash in custody of others	1,863,344	-	-	-	-	38,706	38,706
Accounts receivable	-	149	-	-	96,278	-	96,427
Total assets	<u>1,863,344</u>	<u>17,783</u>	<u>81,548</u>	<u>171,988</u>	<u>96,278</u>	<u>38,706</u>	<u>406,303</u>
Liabilities							
Accounts payable	-	908	-	-	96,528	-	97,436
Amount held for clients/others	-	16,875	81,548	171,988	(250)	38,706	308,867
Total liabilities	<u>-</u>	<u>17,783</u>	<u>81,548</u>	<u>171,988</u>	<u>96,278</u>	<u>38,706</u>	<u>406,303</u>
Net Assets							
Held in trust for pension benefits	1,863,344	-	-	-	-	-	-
Total liabilities and net assets	<u>\$ 1,863,344</u>	<u>\$ 17,783</u>	<u>\$ 81,548</u>	<u>\$ 171,988</u>	<u>\$ 96,278</u>	<u>\$ 38,706</u>	<u>\$ 406,303</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 19

**Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
Fiscal Year Ended June 30, 2004**

Additions

Contribution for beneficiary	\$ 326,616
Investment income	95,820
Total additions	422,436

Deductions

Members' benefits	155,108
Insurance	61,957
Administrative fees	6,762
Total deductions	223,827

Change in net assets 198,609

Net assets - beginning	1,664,735
Net assets - ending	\$ 1,863,344

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 20
Page 1 of 2

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Fiscal Year Ended June 30, 2004

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Street Light Levy Fund				
Assets:				
Cash and cash equivalents	\$ 12,131	\$ 18,301	\$ 12,798	\$ 17,634
Accounts receivable	70	149	70	149
Total assets	<u>12,201</u>	<u>18,450</u>	<u>12,868</u>	<u>17,783</u>
Liabilities:				
Accounts payable	897	908	897	908
Amounts held for subsequent expense	11,304	17,542	11,971	16,875
Total liabilities	<u>12,201</u>	<u>18,450</u>	<u>12,868</u>	<u>17,783</u>
Special Welfare Fund				
Assets:				
Cash and cash equivalents	<u>14,986</u>	<u>158,528</u>	<u>91,966</u>	<u>81,548</u>
Liabilities:				
Amounts held for social service clients	<u>14,986</u>	<u>158,528</u>	<u>91,966</u>	<u>81,548</u>
Vint Hill Transportation Fund				
Assets:				
Cash and cash equivalents	<u>86,681</u>	<u>85,307</u>	-	<u>171,988</u>
Liabilities:				
Amounts held for others	<u>86,681</u>	<u>85,307</u>	-	<u>171,988</u>
Service to Outside Agencies Fund				
Assets:				
Cash and cash equivalents	-	1,190,515	1,190,515	-
Accounts receivable	76,858	96,278	76,858	96,278
Total assets	<u>76,858</u>	<u>1,286,793</u>	<u>1,267,373</u>	<u>96,278</u>
Liabilities:				
Accounts payable	63,327	96,528	63,327	96,528
Amounts held for subsequent expense	13,531	1,245,823	1,259,604	(250)
Total liabilities	<u>\$ 76,858</u>	<u>\$ 1,342,351</u>	<u>\$ 1,322,931</u>	<u>\$ 96,278</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 20

Combining Statement of Changes in Assets and Liabilities

Page 2 of 2

Agency Funds

Fiscal Year Ended June 30, 2004

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Detention Center Fund				
Assets:				
Cash and cash equivalents:				
Cash - work release	\$ 1,813	\$ 78,200	\$ 78,196	\$ 1,817
Cash - inmate accounts	3,218	54,118	53,507	3,829
Cash - canteen account	47,617	78,309	92,866	33,060
Total assets	52,648	210,627	224,569	38,706
Liabilities:				
Amounts held for prisoners	52,648	210,627	224,569	38,706
Total - All Agency Funds				
Assets:				
Cash and cash equivalents	166,446	1,663,278	1,519,848	309,876
Accounts receivable	76,928	96,427	76,928	96,427
Total assets	243,374	1,759,705	1,596,776	406,303
Liabilities:				
Amounts held for social service clients	14,986	158,528	91,966	81,548
Other liabilities	175,740	1,446,108	1,335,799	286,049
Amount held for prisoners	52,648	210,627	224,569	38,706
Total liabilities	\$ 243,374	\$ 1,815,263	\$ 1,652,334	\$ 406,303

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 21

**Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2004**

	Governmental Funds			
	School Operating	School Textbook	School Cafeteria	Total
Assets				
Cash and investments	\$ 1,350	\$ 283,694	\$ 601,384	\$ 886,428
Accounts receivable	74,419	-	-	74,419
Prepaid expenses	22,991	-	-	22,991
Due from primary government	7,296,668	-	-	7,296,668
Due from other governmental units	2,411,872	-	54,510	2,466,382
Total assets	9,807,300	283,694	655,894	10,746,888
Liabilities				
Accounts payable	4,563,319	-	154,109	4,717,428
Deferred revenue	46,078	-	-	46,078
Accrued liabilities	5,196,553	-	143,488	5,340,041
Total liabilities	9,805,950	-	297,597	10,103,547
Fund balances				
Fund balances:				
Reserved for:				
Scholarships	-	-	-	-
Unreserved:				
Undesignated	1,350	283,694	358,297	643,341
Total fund balances	1,350	283,694	358,297	643,341
Total liabilities and fund balances	\$ 9,807,300	\$ 283,694	\$ 655,894	\$ 10,746,888

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 22

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

Discretely Presented Component Unit - School Board

Fiscal Year Ended June 30, 2004

Total fund balances - discretely presented component unit - School Board **\$ 643,341**

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. This amount includes the current portion and long-term obligation amounts. 46,411,863

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. (3,702,584)

Net assets of governmental activities **\$ 43,352,620**

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 23

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - School Board
Fiscal Year Ended June 30, 2004**

	Governmental Funds			
	School Operating	School Textbook	School Cafeteria	Totals
Revenues				
Revenue from use of money and use of property	\$ -	\$ -	\$ 362	\$ 362
Charges for services	167,441	-	2,628,448	2,795,889
Miscellaneous	471,992	4,434	-	476,426
Recovered costs	4,386	-	-	4,386
Intergovernmental:				
Contribution from primary government	53,979,324	447,757	52,839	54,479,920
Commonwealth of Virginia	28,814,228	321,381	48,076	29,183,685
Federal Government	3,047,267	-	731,029	3,778,296
Total revenues	<u>86,484,638</u>	<u>773,572</u>	<u>3,460,754</u>	<u>90,718,964</u>
Expenditures				
Current operating:				
Education	<u>86,456,638</u>	<u>633,490</u>	<u>3,405,901</u>	<u>90,496,029</u>
Total expenditures	<u>86,456,638</u>	<u>633,490</u>	<u>3,405,901</u>	<u>90,496,029</u>
Excess of revenues over expenditures	<u>28,000</u>	<u>140,082</u>	<u>54,853</u>	<u>222,935</u>
Other financing sources (uses)				
Transfers in	-	-	28,000	28,000
Transfers (out)	<u>(28,000)</u>	<u>-</u>	<u>-</u>	<u>(28,000)</u>
Total other financing sources (uses)	<u>(28,000)</u>	<u>-</u>	<u>28,000</u>	<u>-</u>
Net change in fund balances	-	140,082	82,853	222,935
Fund balances, beginning	1,350	143,612	275,444	420,406
Fund balances, ending	<u>\$ 1,350</u>	<u>\$ 283,694</u>	<u>\$ 358,297</u>	<u>\$ 643,341</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 24

**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, 2004**

Net change in fund balances - discretely presented component unit - School Board \$ 222,935

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are 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 year.

Capital outlays	\$ 4,759,384	
Depreciation	<u>(2,561,203)</u>	2,198,181

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 year.

(104,914)

Change in net assets of governmental activities \$ 2,316,202

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 25
Page 1 of 2

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
Fiscal Year Ended June 30, 2004

	School Operating Fund				School Textbook Fund		
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)	Original Budget	Amended Budget	Actual
Revenues							
Use of money and use of property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	121,700	124,995	167,441	42,446	-	-	-
Miscellaneous	143,598	265,483	471,992	206,509	-	-	4,434
Recovered costs	-	-	4,386	4,386	-	-	-
Intergovernmental:							
Contribution from primary government Commonwealth of Virginia	55,444,363	55,797,316	53,979,324	(1,817,992)	-	765,658	447,757
Federal Government	28,011,797	28,305,349	28,814,228	508,879	-	-	321,381
	2,710,801	3,087,736	3,047,267	(40,469)	-	-	-
Total revenues	86,432,259	87,580,879	86,484,638	(1,096,241)	-	765,658	773,572
Expenditures							
Current operating:							
Education:							
Instruction	68,346,547	70,354,613	69,863,399	491,214	-	891,899	633,490
Administration, attendance, & health	3,326,933	3,392,732	3,211,570	181,162	-	-	-
Public transportation services	4,438,671	4,612,498	4,844,975	(232,477)	-	-	-
Operation & maintenance services	6,278,720	7,566,102	7,112,554	453,548	-	-	-
School food services	-	-	-	-	-	-	-
Facilities	-	182,867	183,109	(242)	-	-	-
Contribution to primary government	4,009,258	1,376,065	1,241,031	135,034	-	-	-
Total education	86,400,129	87,484,877	86,456,638	1,028,239	-	891,899	633,490
Total expenditures	86,400,129	87,484,877	86,456,638	1,028,239	-	891,899	633,490
Excess (deficiency) of revenues over expenditures	32,130	96,002	28,000	(68,002)	-	(126,241)	140,082
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	(32,130)	(60,130)	(28,000)	32,130	-	-	-
Total other financing sources (uses)	(32,130)	(60,130)	(28,000)	32,130	-	-	-
Net change in fund balances	-	35,872	-	(35,872)	-	(126,241)	140,082
Fund balances, beginning	-	-	1,350	1,350	-	126,241	143,612
Fund balances, ending	\$ -	\$ 35,872	\$ 1,350	\$ (34,522)	\$ -	\$ -	\$ 283,694

School Cafeteria Fund				
Variance From Amended Positive (Negative)	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
\$ -	\$ 2,000	\$ 2,000	\$ 362	\$ (1,638)
-	2,475,077	2,616,420	2,628,448	12,028
4,434	7,000	7,000	-	(7,000)
-	-	-	-	-
(317,901)	-	52,839	52,839	-
321,381	46,500	46,500	48,076	1,576
-	635,486	635,486	731,029	95,543
<u>7,914</u>	<u>3,166,063</u>	<u>3,360,245</u>	<u>3,460,754</u>	<u>100,509</u>
258,409	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	3,198,193	3,420,375	3,405,901	14,474
-	-	-	-	-
-	-	-	-	-
<u>258,409</u>	<u>3,198,193</u>	<u>3,420,375</u>	<u>3,405,901</u>	<u>14,474</u>
<u>258,409</u>	<u>3,198,193</u>	<u>3,420,375</u>	<u>3,405,901</u>	<u>14,474</u>
266,323	(32,130)	(60,130)	54,853	114,983
-	32,130	60,130	28,000	(32,130)
-	-	-	-	-
-	32,130	60,130	28,000	(32,130)
266,323	-	-	82,853	82,853
<u>17,371</u>	<u>-</u>	<u>-</u>	<u>275,444</u>	<u>275,444</u>
\$ <u>283,694</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>358,297</u>	\$ <u>358,297</u>

Revenues
 Use of money and use of property
 Charges for services
 Miscellaneous
 Recovered costs
 Intergovernmental:
 Contribution from primary government
 Commonwealth of Virginia
 Federal Government

Total revenues

Expenditures
 Current operating:
 Education:
 Instruction
 Administration, attendance, & health
 Public transportation services
 Operation & maintenance services
 School food services
 Facilities
 Contribution to primary government

Total education

Total expenditures

Excess (deficiency) of revenues over expenditures

Other financing sources (uses)
 Transfers in
 Transfers (out)

Total other financing sources (uses)

Net change in fund balances

Fund balances, beginning
 Fund balances, ending

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 27

**Statement of Changes in Fiduciary Net Assets
Discretely Presented Component Unit - School Board
Fiscal Year Ended June 30, 2004**

	<u>Crockett Scholarship Private-Purpose Trust Fund</u>
Additions	
Investment income	\$ <u>1,958</u>
Total additions	<u>1,958</u>
Deductions	
Scholarships awarded	16,750
Administrative fees	<u>2,341</u>
Total deductions	<u>19,091</u>
Change in net assets	(17,133)
Net assets - beginning	<u>505,459</u>
Net assets - ending	<u>\$ <u>488,326</u></u>

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OTHER SUPPLEMENTARY INFORMATION



COUNTY OF FAUQUIER, VIRGINIA
Governmental Funds and Discretely Presented Component Unit
Schedule of Revenue - Budget and Actual
Fiscal Year Ended June 30, 2004

Schedule 1
Page 1 of 10

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	\$ 48,468,760	\$ 48,960,379	\$ 49,973,464	\$ 1,013,085
Real & personal public service corporation property taxes	3,163,000	3,163,000	2,667,541	(495,459)
Personal property taxes	12,233,000	12,261,692	14,074,286	1,812,594
Penalties	650,000	650,000	803,414	153,414
Interest	400,000	400,000	342,380	(57,620)
Total general property taxes	64,914,760	65,435,071	67,861,085	2,426,014
Other local taxes:				
Local sales & use taxes	5,400,000	5,400,000	5,881,564	481,564
Consumers' utility taxes	2,330,000	2,330,000	2,953,432	623,432
Business license taxes	870,000	870,000	1,113,242	243,242
Cable TV franchise taxes	135,000	135,000	71,739	(63,261)
Motor vehicle licenses	1,405,000	1,405,000	1,387,281	(17,719)
Bank stock taxes	152,600	152,600	164,334	11,734
Taxes on recordation & wills	1,110,000	1,110,000	1,599,694	489,694
Total other local taxes	11,402,600	11,402,600	13,171,286	1,768,686
Permits, privilege fees, & regulatory licenses:				
Animal licenses	5,000	5,000	6,028	1,028
Building & related permits	1,022,665	1,249,100	1,442,159	193,059
Zoning permits & fees	155,200	155,200	138,573	(16,627)
Land use application fees	17,000	17,000	12,130	(4,870)
Total permits, privilege fees, & regulatory licenses	1,199,865	1,426,300	1,598,890	172,590
Fines & forfeitures:				
Court fines & forfeitures	357,500	357,500	504,771	147,271
Revenue from use of money & property:				
Revenue from use of money	1,044,000	1,044,000	586,257	(457,743)
Revenue from use of property	371,131	376,931	415,171	38,240
Total revenue from use of money & property	1,415,131	1,420,931	1,001,428	(419,503)
Charges for services:				
Charges for commonwealth's & county's attorney	1,500	1,500	10,676	9,176
Charges for court services	365,400	392,328	504,570	112,242
Charges for public safety	80,042	101,419	162,855	61,436
Charges for parks & recreation	360,091	503,183	517,733	14,550
Charges for social services	3,144	3,144	42,618	39,474
Charges for library	50,000	50,000	62,877	12,877
Charges for planning & community development	24,950	26,950	28,893	1,943
Total charges for services	\$ 885,127	\$ 1,078,524	\$ 1,330,222	\$ 251,698

COUNTY OF FAUQUIER, VIRGINIA
Governmental Funds and Discretely Presented Component Unit
Schedule of Revenue - Budget and Actual
Fiscal Year Ended June 30, 2004

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Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
General Fund: (continued)				
Revenue from local sources: (continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 21,625	\$ 83,028	\$ 109,226	\$ 26,198
Recovered costs:				
Warrenton Community Center	-	-	14,333	14,333
Medical reimbursement - prisoners	3,000	3,000	11,851	8,851
Home incarceration fees	35,000	35,000	13,536	(21,464)
Board of prisoner - other localities	2,500	2,500	760	(1,740)
Other government charges	10,500	10,500	10,500	-
Work release	60,000	60,000	54,312	(5,688)
Other cost	3,379	3,379	9,460	6,081
CSA shared cost	-	-	24,858	24,858
Total recovered costs	114,379	114,379	139,610	25,231
Total revenue from local sources	80,310,987	81,318,333	85,716,518	4,398,185
Intergovernmental:				
Contribution from component unit - School Board	-	35,872	-	(35,872)
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	27,895	27,895	72,559	44,664
Wine taxes	29,239	29,239	44,976	15,737
Rolling stock tax	64,881	64,881	65,907	1,026
Mobile home titling taxes	26,449	26,449	29,678	3,229
Auto rental tax	20,499	20,499	17,696	(2,803)
Recordation tax	444,304	444,304	494,635	50,331
Commonwealth PPTRA	12,087,000	12,087,000	12,209,799	122,799
Commonwealth PPTRA - delinquent	-	-	265,798	265,798
Total noncategorical aid	12,700,267	12,700,267	13,201,048	500,781
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	306,842	306,842	310,526	3,684
Sheriff	2,871,756	2,871,756	2,900,526	28,770
Commissioner of the revenue	165,208	165,208	164,835	(373)
Treasurer	156,734	156,734	151,860	(4,874)
Medical examiner	500	500	930	430
Registrar/electoral board	63,893	63,893	43,928	(19,965)
Clerk of the circuit court	375,720	403,150	425,133	21,983
Jail	143,030	143,030	184,428	41,398
Total shared expenses	\$ 4,083,683	\$ 4,111,113	\$ 4,182,166	\$ 71,053

COUNTY OF FAUQUIER, VIRGINIA
Governmental Funds and Discretely Presented Component Unit
Schedule of Revenue - Budget and Actual
Fiscal Year Ended June 30, 2004

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)				
Categorical aid: (continued)				
Welfare:				
Welfare administration & assistance	\$ 667,422	\$ 826,697	\$ 777,062	\$ (49,635)
Comprehensive Services Act	1,164,675	1,164,675	973,647	(191,028)
Total welfare	1,832,097	1,991,372	1,750,709	(240,663)
Other categorical aid:				
Administrative	-	2,489	2,861	372
Judicial & legal	194,352	196,061	190,840	(5,221)
Comprehensive Community Corrections Act	182,784	182,784	182,784	-
Sheriff	15,000	15,000	12,931	(2,069)
Juvenile community control act & accountability grant	58,983	58,983	51,478	(7,505)
Armory	-	13,600	11,895	(1,705)
FEMA	-	-	6,395	6,395
Library aid	203,645	203,645	197,158	(6,487)
Disability service board grant	7,500	7,500	7,750	250
Total other categorical aid	662,264	680,062	664,092	(15,970)
Total categorical aid	6,578,044	6,782,547	6,596,967	(185,580)
Total revenue from the Commonwealth	19,278,311	19,482,814	19,798,015	315,201
Revenue from the Federal Government:				
Categorical aid:				
C.A.D.R.E.	-	8,000	8,000	-
DEA group 33	15,000	42,545	55,919	13,374
Transportation safety	-	4,000	17,675	13,675
Department of criminal justice	-	3,700	3,700	-
Miscellaneous	-	6,738	8,354	1,616
Local law enforcement block grant	-	12,353	12,353	-
FEMA	-	24,007	21,959	(2,048)
Judicial & legal grants	-	17,591	17,591	-
Welfare administrative & assistance	1,854,414	2,017,439	2,082,164	64,725
Library aid	-	2,395	-	(2,395)
Total categorical aid	1,869,414	2,138,768	2,227,715	88,947
Total revenue from the Federal Government	1,869,414	2,138,768	2,227,715	88,947
Total General Fund	\$ 101,458,712	\$ 102,975,787	\$ 107,742,248	\$ 4,766,461

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit
 Schedule of Revenue - Budget and Actual
 Fiscal Year Ended June 30, 2004

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
Special Revenue Funds:				
Joint Communications Fund:				
Revenue from local sources:				
Other local taxes:				
E-911 telephone tax	\$ 864,000	\$ 864,000	\$ 797,919	\$ (66,081)
Recovered costs:				
Miscellaneous recovered costs	1,144	3,720	3,720	-
Total revenue from local sources	<u>865,144</u>	<u>867,720</u>	<u>801,639</u>	<u>(66,081)</u>
Revenue from the Commonwealth:				
Categorical aid:				
E-911 Wireless Services	71,897	91,372	91,372	-
Total revenue from the Commonwealth	<u>71,897</u>	<u>91,372</u>	<u>91,372</u>	<u>-</u>
Total Joint Communications Fund	<u>937,041</u>	<u>959,092</u>	<u>893,011</u>	<u>(66,081)</u>
Parks and Recreation Trust Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	900	1,143	243
Miscellaneous revenue:				
Donations	-	13,530	14,770	1,240
Total revenue from local sources	<u>-</u>	<u>14,430</u>	<u>15,913</u>	<u>1,483</u>
Total Parks and Recreation Trust Fund	<u>-</u>	<u>14,430</u>	<u>15,913</u>	<u>1,483</u>
Library Trust Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	639	639
Miscellaneous revenue:				
Donations	-	-	8,506	8,506
Total revenue from local sources	<u>-</u>	<u>-</u>	<u>9,145</u>	<u>9,145</u>
Total Library Trust Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,145</u>	<u>\$ 9,145</u>

COUNTY OF FAUQUIER, VIRGINIA
Governmental Funds and Discretely Presented Component Unit
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Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
Special Revenue Funds: (continued)				
Conservation Service District Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ -	\$ -	\$ 279,818	\$ 279,818
Penalties	-	-	1,270	1,270
Interest	-	-	56,521	56,521
Total general property taxes	-	-	337,609	337,609
Total revenue from local sources	-	-	337,609	337,609
Total Conservation Service District Fund	-	-	337,609	337,609
Fire & Rescue Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	3,687,135	3,722,835	3,777,769	54,934
Real & personal public service corporation property taxes	238,000	238,000	198,291	(39,709)
Penalty	21,425	21,425	23,178	1,753
Interest	11,618	11,618	11,334	(284)
Total general property taxes	3,958,178	3,993,878	4,010,572	16,694
Miscellaneous revenue:				
Miscellaneous	-	1,448	1,283	(165)
Recovered costs:				
Community events	2,200	2,200	1,500	(700)
Vehicle mileage fee	-	-	588	588
Insurance recoveries	-	-	120	120
Total recovered costs	2,200	2,200	2,208	8
Total revenue from local sources	3,960,378	3,997,526	4,014,063	16,537
Revenue from the Commonwealth:				
Categorical aid:				
Two for life funds	26,531	26,531	31,136	4,605
Fire programs	57,694	60,094	66,166	6,072
Rural access to emergency devices	-	6,475	6,475	-
Total categorical aid	84,225	93,100	103,777	10,677
Total revenue from the Commonwealth	\$ 84,225	\$ 93,100	\$ 103,777	\$ 10,677

COUNTY OF FAUQUIER, VIRGINIA

**Governmental Funds and Discretely Presented Component Unit
Schedule of Revenue - Budget and Actual
Fiscal Year Ended June 30, 2004**

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
Special Revenue Funds: (continued)				
Fire & Rescue Fund: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
VDEM grant	\$ -	\$ 10,822	\$ -	\$ (10,822)
Domestic preparedness equipment	-	315,620	318,815	3,195
FEMA	-	15,846	15,846	-
Total categorical aid	-	342,288	334,661	(7,627)
Total revenue from the Federal Government	-	342,288	334,661	(7,627)
Total Fire & Rescue Fund	4,044,603	4,432,914	4,452,501	19,587
Total Special Revenue Funds	4,981,644	5,406,436	5,708,179	301,743
Capital Projects Funds:				
Capital Improvement Projects Fund:				
Revenue from local sources:				
General property taxes:				
Real estate taxes	100,000	100,000	-	(100,000)
Revenue from use of money and property:				
Revenue from use of money	-	-	179,116	179,116
Charges for services:				
Courthouse maintenance	-	-	36,647	36,647
Sewer tap fees	-	-	229,250	229,250
Total charges for services	-	-	265,897	265,897
Miscellaneous revenue:				
Proffer revenue	-	-	320,247	320,247
Miscellaneous	-	176,637	49,507	(127,130)
Total miscellaneous revenue	-	176,637	369,754	193,117
Recovered costs:				
Proceeds for sale of modular house	-	35,000	35,000	-
Total revenue from local sources	100,000	311,637	849,767	538,130
Intergovernmental:				
Contribution from component unit - School Board	\$ 4,009,258	\$ 1,005,325	\$ 1,188,192	\$ 182,867

COUNTY OF FAUQUIER, VIRGINIA
Governmental Funds and Discretely Presented Component Unit
Schedule of Revenue - Budget and Actual
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Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
Capital Projects Funds: (continued)				
Capital Improvement Projects Fund: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
Parks & recreation grant	\$ -	\$ -	\$ 125,000	\$ 125,000
Affordable housing block grant	-	-	176,164	176,164
Total categorical aid	-	-	301,164	301,164
Total revenue from the Federal Government	-	-	301,164	301,164
Total Capital Improvement Projects Fund	4,109,258	1,316,962	2,339,123	1,022,161
Grand Total Revenue -- Primary Government	110,549,614	109,699,185	115,789,550	6,090,365
Component Unit -- School Board				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Charges for education	121,700	124,995	167,441	42,446
Miscellaneous revenue:				
Miscellaneous	143,598	265,483	471,992	206,509
Recovered costs:				
Recovered costs	-	-	4,386	4,386
Total revenue from local sources	265,298	390,478	643,819	253,341
Intergovernmental:				
Contribution from primary government	\$ 55,444,363	\$ 55,797,316	\$ 53,979,324	\$ (1,817,992)

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit
 Schedule of Revenue - Budget and Actual
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Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Component Unit – School Board (continued)				
School Operating Fund: (continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales taxes	\$ 6,980,880	\$ 6,980,880	\$ 7,685,081	\$ 704,201
Basic school aid	14,242,593	14,242,593	14,279,288	36,695
Remedial summer school	81,215	81,215	71,487	(9,728)
Regular foster care	45,725	45,725	9,851	(35,874)
Gifted & talented	151,864	151,864	153,526	1,662
Remedial education	156,082	156,082	157,791	1,709
Special education	1,991,100	1,991,100	2,012,898	21,798
Textbook payments	317,901	317,901	-	(317,901)
Vocational education - SOQ	404,969	404,969	409,403	4,434
Social security instructional	776,177	776,177	811,851	35,674
Social security non-instructional	24,005	24,005	-	(24,005)
Teacher retirement instructional	449,561	449,561	470,019	20,458
Teacher retirement non-instructional	13,904	13,904	-	(13,904)
Early reading intervention	39,655	39,655	48,806	9,151
Lottery	945,899	1,042,535	1,052,976	10,441
School standard of learning	539,592	597,290	487,891	(109,399)
Special education - homebound	26,815	26,815	30,766	3,951
Regional programs	54,864	54,864	84,935	30,071
CAPS grant	-	50,000	50,000	-
Vocational equipment	-	-	8,284	8,284
Occupational education	57,062	57,062	45,686	(11,376)
Salary supplement	-	-	179,114	179,114
Special education- foster children	-	-	29,052	29,052
Algebra readiness initiative	48,005	89,087	35,724	(53,363)
At risk youth	64,122	64,122	64,841	719
Alternative education	105,992	105,992	108,159	2,167
Primary class size	134,864	134,864	136,719	1,855
At risk four-year old	-	35,872	35,873	1
Student achievement grant	111,310	111,310	84,384	(26,926)
Summer regional governor school grant	-	12,264	12,260	(4)
Other state funds	58,914	58,914	69,085	10,171
School construction grant	188,727	188,727	188,478	(249)
Total categorical aid	28,011,797	28,305,349	28,814,228	508,879
Total revenue from the Commonwealth	\$ 28,011,797	\$ 28,305,349	\$ 28,814,228	\$ 508,879

COUNTY OF FAUQUIER, VIRGINIA
Governmental Funds and Discretely Presented Component Unit
Schedule of Revenue - Budget and Actual
Fiscal Year Ended June 30, 2004

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Component Unit -- School Board (continued)				
School Operating Fund: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
Adult basic education	\$ 70,445	\$ 70,445	\$ 71,504	\$ 1,059
Chapter I	720,288	720,288	693,831	(26,457)
Title VI	41,773	41,773	38,268	(3,505)
Teaching American history grant	-	316,681	99,449	(217,232)
Title VI - B - Special education	1,304,697	1,304,697	1,544,645	239,948
Vocational education	120,878	120,878	108,004	(12,874)
Teacher development	-	-	16,638	16,638
Title II	25,847	50,578	400,606	350,028
Drug free schools	42,151	42,151	-	(42,151)
Title III	-	19,616	-	(19,616)
Miscellaneous federal revenue	14,897	20,804	17,284	(3,520)
Pre-school incentive (VI-B)	61,510	61,510	-	(61,510)
ROTC	12,000	12,000	47,038	35,038
Class size reduction grant	296,315	296,315	-	(296,315)
Parent resource center grant	-	10,000	10,000	-
Total categorical aid	<u>2,710,801</u>	<u>3,087,736</u>	<u>3,047,267</u>	<u>(40,469)</u>
Total revenue from the Federal Government	<u>2,710,801</u>	<u>3,087,736</u>	<u>3,047,267</u>	<u>(40,469)</u>
Total School Operating Fund	<u>86,432,259</u>	<u>87,580,879</u>	<u>86,484,638</u>	<u>(1,096,241)</u>
School Textbook Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	-	-	4,434	4,434
Total revenue from local sources	<u>-</u>	<u>-</u>	<u>4,434</u>	<u>4,434</u>
Intergovernmental:				
Contribution from primary government	-	447,757	447,757	-
Revenue from the Commonwealth:				
Categorical aid:				
Textbook program	-	-	321,381	321,381
Total revenue from the Commonwealth	<u>-</u>	<u>-</u>	<u>321,381</u>	<u>321,381</u>
Total School Textbook Fund	<u>\$ -</u>	<u>\$ 447,757</u>	<u>\$ 773,572</u>	<u>\$ 325,815</u>

COUNTY OF FAUQUIER, VIRGINIA
Governmental Funds and Discretely Presented Component Unit
Schedule of Revenue - Budget and Actual
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<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)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 2,000	\$ 2,000	\$ 362	\$ (1,638)
Charges for services:				
Cafeteria sales	2,475,077	2,616,420	2,628,448	12,028
Miscellaneous revenue:				
Miscellaneous	7,000	7,000	-	(7,000)
Total revenue from local sources	<u>2,484,077</u>	<u>2,625,420</u>	<u>2,628,810</u>	<u>3,390</u>
Intergovernmental:				
Contribution from primary government	-	52,839	52,839	-
Revenue from the Commonwealth:				
Categorical aid:				
School food program	46,500	46,500	48,076	1,576
Total revenue from the Commonwealth	<u>46,500</u>	<u>46,500</u>	<u>48,076</u>	<u>1,576</u>
Revenue from the Federal Government:				
Categorical aid:				
School food program	635,486	635,486	731,029	95,543
Total revenue from the Federal Government	<u>635,486</u>	<u>635,486</u>	<u>731,029</u>	<u>95,543</u>
Total School Cafeteria Fund	<u>3,166,063</u>	<u>3,360,245</u>	<u>3,460,754</u>	<u>100,509</u>
Grand Total Revenues -- Component Unit -- School Board	<u>89,598,322</u>	<u>91,388,881</u>	<u>90,718,964</u>	<u>(669,917)</u>
Grand Total Revenues -- Reporting Entity	<u>\$ 200,147,936</u>	<u>\$ 201,088,066</u>	<u>\$ 206,508,514</u>	<u>\$ 5,420,448</u>

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2011-2012-2013

2011-2012-2013

2011-2012-2013

2011-2012-2013

COUNTY OF FAUQUIER, VIRGINIA

TABLE 1

Government-wide Expenses by Function
Last Two Fiscal Years

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Non-Departmental	Debt Service	Total	
											Landfill & Recycling	Airport
2003	\$ 7,149,589	\$ 2,286,910	\$ 13,361,055	\$ 6,073,191	\$ 5,837,219	\$ 53,385,062	\$ 3,036,023	\$ 3,713,826	\$ 516,608	\$ 2,729,065	\$ 4,226,521	\$ 102,472,957
2004	8,056,076	2,624,872	12,269,680	8,573,767	6,457,957	59,085,636	5,688,379	4,647,136	552,652	2,841,978	6,098,414	117,104,163

COUNTY OF FAUQUIER, VIRGINIA

TABLE 2

**Government-wide Revenues by Source
Last Two Fiscal Years**

Fiscal Year	General Property Taxes		Other Local Taxes		Program Revenues, Operating Grants, & Contributions		Capital Grants & Contributions		Revenues from the Use of Money & Property		Charges for Services		Miscellaneous		Commonwealth of Virginia Non-Categorical Aid		Total	
2003	\$	68,035,337	\$	12,652,862	\$	9,094,632	\$	485,967	\$	1,824,306	\$	19,783,440	\$	589,654	\$	12,027,839	\$	124,494,037
2004		71,787,496		13,969,205		9,688,652		3,189,469		1,203,808		10,366,891		503,539		13,201,048		123,910,108

COUNTY OF FAUQUIER, VIRGINIA

TABLE 3

General Government Expenditures by Function (1)

Last Ten Fiscal Years

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Debt Service (3)	Total
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
2004	10,000,219	2,651,525	15,284,971	9,140,993	6,498,599	105,083,612	6,864,198	4,710,489	8,790,067	169,024,673 (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 23:

Total expenditures per Exhibit 5	\$ 134,196,756
Total expenditures per Exhibit 23	90,496,029
Less: Contributions from primary gov't per Exhibit 23	(54,479,920)
Less: Contributions from component unit per Exhibit 5	(1,188,192)
Total per Table 3	\$ 169,024,673

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

COUNTY OF FAUQUIER, VIRGINIA

TABLE 4

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
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	588,902	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									
2004	72,209,266	13,969,205	1,598,890	504,771	1,182,688	4,392,008	979,965	184,924	55,818,685	150,840,402									

(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 23:

Total revenues per Exhibit 5	\$ 115,789,550
Total revenues per Exhibit 23	\$ 90,718,964
Less: Contribution from primary gov't per Exhibit 23	\$ (54,479,920)
Less: Contribution from component unit per Exhibit 5	\$ (1,188,192)
Total per Table 4	\$ 150,840,402

COUNTY OF FAUQUIER, VIRGINIA

TABLE 5

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

Fiscal Year	Total Tax Levy		Current Tax Collections		Percentage of Levy Collected	Delinquent Tax Collections		Total Tax Collections		Percent of Total Tax Collections to Tax Levy		Outstanding Delinquent Taxes		Percent of Outstanding Delinquent Taxes to Tax Levy	
	(1)	(1)	(1)	(1)		(1)(2)	(1)(2)	(1)(3)	(1)(3)	(1)(3)	(1)(3)	(1)(3)	(1)(3)	(1)(3)	(1)(3)
1995	\$	46,297,895	\$	43,520,809	94.00%	\$	2,004,527	\$	45,525,336	98.33%	\$	2,627,735	5.68%		
1996		47,580,344		45,105,097	94.80%		1,461,059		46,566,156	97.87%		2,927,028	6.15%		
1997		51,745,756		49,475,390	95.61%		1,616,170		51,091,560	98.74%		2,205,998	4.26%		
1998		72,647,034		69,456,067	95.61%		1,666,145		71,122,212	97.90%		3,330,854	4.58%		
1999		56,612,254		55,294,787	97.67%		1,812,388		57,107,175	100.87%		3,130,424	5.53%		
2000		61,185,988		60,527,627	98.92%		1,696,797		62,224,424	101.70%		3,353,139	5.48%		
2001		63,854,161		62,009,789	97.11%		2,050,333		64,060,122	100.32%		3,292,855	5.16%		
2002		72,191,444		70,762,226	98.02%		1,912,108		72,674,334	100.67%		2,826,967	3.92%		
2003		79,480,945		77,320,736	97.28%		1,496,126		78,816,862	99.16%		2,763,826	3.48%		
2004		82,886,242		81,216,837	97.99%		1,921,223		83,138,060	100.30%		2,669,412	3.22%		

(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 6

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
	\$		\$		\$		\$		\$		\$		\$		\$		\$		
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		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		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		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		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		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		6,060,051,476
2004	5,408,612,900		550,408,045		6,488,837		5,181,476		8,518,498		304,158,721		610,300		13,935,116		2,347,976		6,300,261,869

(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 7

**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
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)
2004	0.99	4.65	0.60	4.65	0.05	1.50	0.25

- (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 \$0.25.

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
1995	\$ 0.18	\$ 2.50	\$ 0.12	\$ 1.10	\$ 0.075	\$ 0.40
1996	0.18	2.50	0.12	1.10	0.075	0.50
1997	0.18	2.40	0.12	1.10	0.075	0.50
1998	0.18	2.25	0.12	1.10	0.075	0.50
1999	0.17/0.14	2.25	0.12	1.10	0.075	0.50
2000	0.14	2.25	0.12	1.10	0.075	0.50
2001	0.12	2.25	0.14	1.10	0.075	0.50
2002	0.05	1.00	0.14	1.10	0.075	0.50
2003	0.03	1.00	0.14	1.10	0.075	0.50
2004	0.03	1.00	0.14	1.10	0.075	0.50

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

COUNTY OF FAUQUIER, VIRGINIA

TABLE 8

**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
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
2004	60,400	6,300,261,869	49,045,000	0.0078	812

(1) From the Weldon Cooper Center for Public Service

(2) From Table 6

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

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

COUNTY OF FAUQUIER, VIRGINIA

TABLE 9

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	Total Debt Service	Total General Governmental Expenditures	Ratio
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%
2004	5,951,327	2,570,465	(2) 8,521,792	8,527,642	169,043,764	5.04%

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

(2) Does not include administration fees

Source: Fauquier County Government & Public Schools Finance

COUNTY OF FAUQUIER, VIRGINIA

TABLE 10

**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 (4)	Total	
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
2004	6,531,316	5,967,652	563,664	325,000	103,675	428,675	1.31

(1) Bonds were issued in 1993

(2) Includes operating and nonoperating revenues for the Landfill & Recycling Fund

(3) Includes operating expenses for the Landfill & Recycling Fund

(4) Reconciliation to Exhibit 8:

Total expenditures per Exhibit 8	\$ 130,762
Less: Refunding bond-issue premium	1,777
Less: Bond issue costs write-off	(28,864)
Total per Table 10	\$ 103,675

Source: Fauquier County Government & Public Schools Finance

COUNTY OF FAUQUIER, VIRGINIA

TABLE 11

**Demographic Statistics
Last Ten Fiscal Years**

<u>Year</u>	<u>Population</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
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%
2004	60,400	10,414	2.19%

Sources: Weldon Cooper Center for Public Service
Fauquier County Schools
Virginia Employment Commission

COUNTY OF FAUQUIER, VIRGINIA

TABLE 12

**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
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
2004	1,865	125,300,387	145	12,573,994	156	4,247,870	3,949,367,500	520,611,300	1,098,114,300	512,628,100

(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 13

**Principal Taxpayers
June 30, 2004**

<u>TAXPAYER/ TYPE OF BUSINESS</u>	<u>2004 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Virginia Electric & Power Company Utilities	\$ 166,563,344	2.81%
Old Dominion Electric Co-op Utilities	82,485,188	1.39%
Verizon - Virginia, Inc. Utilities	42,482,217	0.72%
Oak Spring Farms LLC Farm	18,539,400	0.31%
Northern Virginia Electric Co-op Utilities	13,573,532	0.23%
Warrenton Development Company Shopping Center	10,099,500	0.17%
Rappahannock Electric Co-op Utilities	9,922,361	0.17%
Warrenton Village LLC Shopping Center	9,445,000	0.16%
Wal-Mart Real Estate Business Shopping Center	8,991,800	0.15%
Evans, Edward P. Farm	<u>8,363,500</u>	<u>0.14%</u>
Total	<u>\$ 370,465,842</u>	<u>6.25%</u>

Source: Fauquier County Commissioner of the Revenue

COUNTY OF FAUQUIER, VIRGINIA

TABLE 14

**Miscellaneous Statistics
At June 30, 2004**

Date of Incorporation		1759
Form of Government		Board of Supervisors/ County Administrator
Area (square miles)		660
Public Safety	Fire and Rescue Companies	13
	Fire & Rescue Personnel	23
	Volunteer Firefighters	473
	Sheriff's Office Sworn Employees	121
Education	Schools	17
	Number of Students	10,414
Recreation and Culture	Number of Parks and Recreation Facilities	27
	Number of Libraries	3
	Number of Volumes	181,606
Employees at June 30	General Government (excludes Sheriff)	567
	School Division (includes teachers)	1,607

Source: Fauquier County Government & Public Schools Finance

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To The Honorable Members of the Board of Supervisors
County of Fauquier
Warrenton, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Fauquier, Virginia, as of and for the year ended June 30, 2004, which collectively comprise the County of Fauquier, Virginia's basic financial statements and have issued our report thereon dated September 17, 2004. 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.

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 an opinion 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have 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 or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters that we have reported to management in a separate letter dated September 17, 2004.

This report is intended solely for the information and use of the management, County Board of Supervisors, 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, Farmer, Cox Associates
Charlottesville, Virginia
September 17, 2004

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COUNTY OF [illegible]

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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 Honorable Members of the Board of Supervisors
County of Fauquier
Warrenton, Virginia

Compliance

We have audited 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, 2004. 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; Specifications for Audits of Counties, Cities and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia; 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, 2004.

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 operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, County Board of Supervisors, 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, Farmer, Cox Associates
Charlottesville, Virginia
September 17, 2004

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
 Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2004

Federal Granting Agency / Recipient State Agency/ Grant Program / Grant Number	Federal Catalog Number	Expenditures
<u>Primary Government:</u>		
<u>DEPARTMENT OF SOCIAL SERVICES:</u>		
<u>Pass through payments:</u>		
Department of Social Services:		
Food Stamp Program	10.561	\$ 253,587
Total Department of Social Services		\$ 253,587
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>		
<u>Pass through payments:</u>		
Community development block grant	14.228	\$ 176,164
Total Department of Housing and Urban Development		\$ 176,164
<u>DEPARTMENT OF FEDERAL AVIATION ADMINISTRATION:</u>		
<u>Direct payments:</u>		
Airport Improvement Program	20.106	\$ 2,942,186
<u>DEPARTMENT OF INTERIOR:</u>		
<u>Pass through payments:</u>		
Department of Conservation and Recreation:		
Leisure and recreation service grant	15.916	\$ 125,000
<u>U. S. DEPARTMENT OF TRANSPORTATION / DEPARTMENT OF MOTOR VEHICLES:</u>		
<u>Pass through payments:</u>		
Community Traffic Safety	20.600	\$ 500
Open container/Alcohol impaired driving	20.000	16,675
Occupant protection	20.602	500
Total Department of Transportation		\$ 17,675
<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	\$ 525,032
Social services block grant	93.667	203,018
Adoption incentive payments program	93.603	4,736
Child care development	93.596	196,615
Independent living	93.674	1,314
Medical assistance program	93.778	191,050
Family preservation and support	93.556	18,753
Adoption assistance	93.659	55,908
Child care assistance	93.575	333,011
Low income home energy assistance	93.568	3,122
Temporary assistance to needy families	93.558	293,912
Refugee and entrant assistance - discretionary	93.566	2,106
Total Department of Health and Human Services		\$ 1,828,577

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
 - Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2004 (Continued)

Federal Granting Agency / Recipient State Agency/ Grant Program / Grant Number	Federal Catalog Number	Expenditures
<u>DEPARTMENT OF HOMELAND SECURITY</u>		
<u>Pass through payments:</u>		
Department of emergency management:		
Disaster relief public assistance	97.036	\$ 37,805
State homeland security grant	97.004	<u>318,815</u>
Total Department of Homeland Security		\$ <u>356,620</u>
 <u>DEPARTMENT OF JUSTICE:</u>		
<u>Direct payments:</u>		
Drug free communities support program	16.729	\$ 8,000
Bullet proof vest program	16.607	8,354
Local law enforcement block grant	16.592	12,353
<u>Pass through payments:</u>		
Department of Criminal Justice Services:		
State domestic preparedness equipment support program	16.007	-
Juvenile Justice and Delinquency Prevention	16.540	12,866
Drug control and system improvement	16.579	8,425
Police assisted community drug enforcement program	16.580	<u>55,919</u>
Total Department of Justice		\$ <u>105,917</u>
Total Primary Government		\$ <u>5,805,726</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	\$ 229,646
Department of Education:		
National school breakfast program	10.553	110,237
National school lunch program	10.555	<u>620,792</u>
Total Department of Agriculture		\$ <u>960,675</u>
 <u>DEPARTMENT OF LABOR:</u>		
<u>Direct payments:</u>		
ROTC Instruction	17.000	\$ <u>47,037</u>

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
 - Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2004 (Continued)

Federal Granting Agency / Recipient State Agency/ Grant Program / Grant Number	Federal Catalog Number	Expenditures
DEPARTMENT OF EDUCATION:		
<u>Pass Through Payments:</u>		
Department of Education:		
Education Consolidation and Improvement Act of 1981:		
Adult education state-administered program	84.002	\$ 71,504
Chapter I:		
Financial assistance to meet special educational needs of disadvantaged children - programs operated by local education agencies	84.010	693,832
Elementary and secondary education act (ESEA):		
Title VI-B	84.027	1,561,929
Title II-Education for economic security	84.281	16,638
Vocational Education:		
Basic grants to states	84.048	108,004
Title VI	84.298	38,268
Title II - Part A	84.367	354,967
Teaching american history	84.215	99,449
Literacy challenge grant	84.318	45,639
Parent resource center	84.000	10,000
Total Department of Education		\$ 3,000,230
Total Component Unit School Board		\$ 4,007,942
Total Federal Assistance Reporting Entity		\$ 9,813,668

COUNTY OF FAUQUIER, VIRGINIA

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004**

Note 1 - General

The accompanying schedule of expenditures of Federal awards presents the activity of all federally assisted programs of the County of Fauquier, Virginia. The County's reporting entity is defined in Note 1 to the County's basic financial statements. All Federal awards received directly from Federal agencies, as well as Federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of Federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues, and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental Federal revenues per the basic financial statements:

Primary government:

General Fund	\$	2,227,715
Capital Projects Fund		301,164
Other Governmental Funds		334,661
Airport Fund		2,942,186
Total primary government	\$	<u>5,805,726</u>

Component Unit Public Schools:

School Operating Fund	\$	3,047,267
School Cafeteria Fund		731,029
Total component unit public schools	\$	<u>3,778,296</u>

Total Federal expenditures per basic financial statements	\$	<u>9,584,022</u>
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Noncash expenditures - value of donated commodities	\$	<u>229,646</u>
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Total Federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>9,813,668</u></u>
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COUNTY OF FAUQUIER, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's 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>
84.027	Title VI-B
10.553	National School Breakfast Program- Child Nutrition Cluster
10.555	National School Lunch Program - Child Nutrition Cluster
84.367	Title II - Part A
93.596	Child care development - CCDF Cluster
93.575	Child care assistance - CCDF Cluster
97.004	State homeland security grant

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.

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