

COUNTY OF FAUQUIER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2005



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, 2005**

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Fauquier County Government & Public Schools



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November 18, 2005

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 present the Comprehensive Annual Financial Report (CAFR) of Fauquier County for the fiscal year ended June 30, 2005. The *Code of Virginia* requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) 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 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.

The County's financial statements have been audited by the firm of Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants, as required 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, 2005 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 County's financial statements are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the Financial Section of this report.

The independent audit of the financial statements of the County was part of a broader federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The reports are presented in the Compliance Section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The County's MD&A can be found in the Financial Section of this report immediately following the report of the independent auditors.

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 61,500. 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 (FCPS) 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, five middle schools, ten elementary schools, and one alternative school. The fifth middle school was completed in fiscal year 2005, and opened in August 2004. The combined enrollment as of June 2005 totaled 10,752 students. The mission of the FCPS 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. 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 7 and 14.

The Code of Virginia requires the appointed Superintendent of the FCPS to submit a budget to the County Board of Supervisors with approval of the School Board. In late December the Superintendent submits a budget plan to the School Board for review. During the month of January the School Board discusses the budget plan in a series of work sessions and public hearings. In February, the School Board adopts its requested budget and forwards it to the County for inclusion in the County Executive's proposed Budget plan. The County Board of Supervisors reviews the School Board's budget during the month of March, and determines the level of funding for the Schools by the end of the month. If the requested level of funding is approved, there are no further actions taken by the School Board. If the funding approval is less than requested, the budget is reworked by the FCPS staff in coordination with the School Board to develop and adopt a revised budget. The approved budget is the basis for operating FCPS in the next fiscal year.

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

The local economy is tied to the regional Washington D.C. metropolitan area, and the area's economic performance was superb over the last year. Job growth in the metropolitan area continued to be among the nation's best, driven, in part, by robust Federal spending, which accounts for about 1/3 of the region's economy, strong consumer spending and a very positive economic environment. The metropolitan area should continue to prosper in the year ahead as the factors that influenced the past year remain largely unchanged.

Fauquier County's Board of Supervisors has defined in the County's mission statement that the Board seeks, within the bounds of fiscal integrity, to preserve the physical beauty, historical heritage and environmental quality of the County. While population growth in surrounding jurisdictions was over 5% in 2005, Fauquier County's saw its population increase by 1,100 or 1.8% to 61,500 during fiscal year 2005 recognizing the County's stabilizing focus on long-term planning.

In fiscal year 2005, the County's unemployment rate continued to remain low at 2.5% comparing favorably with the State of Virginia's average of 3.5%, and the national average of 5.3%. In fiscal years 2004 and 2005, the assessed value of real estate increased by 4.3% and 4.4% respectively. The number of residential building permits increased by 11.8% and 8.2% respectively in 2004 and 2005 while commercial construction permits increased by 6.8% during 2005 after a decrease in fiscal year 2004. The Board of Supervisors and the Planning Commission of Fauquier County have in place a 20 year Comprehensive Plan to ensure adequate planning as the County continues to grow. The plan acknowledges the importance of balancing agriculture, urban development, and conservation uses.

Building activity remains robust; and growth in the County continues as the population expands. A 10% increase in business licenses issued, and an 8.9% increase in business taxes paid demonstrates continued expansion. With an increasing population base, Fauquier County has enjoyed the addition of a range of new businesses. The retail sector experienced the highest growth with nationally recognized stores such as Panera Bread, Staples, Starbucks, Walgreens and Borders. In 2003, the Fauquier County Board of Supervisors established a Tourism Development component of the Department of Economic Development which has begun to play an increasingly significant role in the business growth of the County. In the first year, tourism represented the third largest economic sector in Fauquier County. The most rapidly growing tourism business sector has been the winery business which has expanded the tax base while helping to preserve the agricultural nature of Fauquier County.

Long-term financial planning

It is the County policy to balance the need for public facilities, as expressed by the countywide land use plan, with the fiscal capability of the County to provide for those

needs. The ten-year Capital Improvement Program (CIP) submitted annually to the Board of Supervisors is the vehicle through which stated need for public facilities is analyzed against the County's ability to pay. The ten year capital plan contains 22 construction projects including four new schools, 3 expanded or renovated schools, one sewer project, one aquatics facility, two libraries and several infrastructure and renovation projects totaling over \$163.4 million.

To meet these future challenges, the county has developed a ten year Financial Plan with multi-year projections of revenues and expenditures. The County has acquired a Fiscal Impact Model. This model is now in the final stages of refinement and is expected to be implemented in fiscal year 2006. The purpose of this model will be to assist policy makers and staff to foresee future needs including projected growth and the impact of a growing school age population.

Relevant financial policies

In fiscal year 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 of not less than ten percent (10%) of General Fund revenues, providing for enhanced financial planning and stability. At June 30, 2005 the undesignated, unreserved fund balance in the General Fund was 10.9% of the fiscal year 2005 general revenues.

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, 2005, debt service was 6.75% 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 voter referendum. In the event the debt service limitation of 10% has been exceeded, the voter referendum threshold shall be lowered for new facility construction projects costing in excess of \$2,000,000. In October 2005 the Board of Supervisors approved an increase to the voter referendum amount to \$25,000,000.

Major initiatives

A new high school borrowing was approved by bond referendum in fiscal year 2005 in the amount of \$39.6 million to partially fund the new high school. The total cost is expected to exceed \$50.0 million to build and approximately \$5.0 million annually to operate. The third high school is expected to be open by FY 2009.

To lessen the impact on services from residential growth, the County established a Conservation Easement Service District (CESD) Fund for the purchase of property development rights. It is hoped the CESD program can be expanded in future years to help maintain the rich, cultural heritage of Fauquier County and slow future demands for services and service-related costs due to development.

Awards

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, 2004. 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 consecutively for the last seven (7) 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.

The GFOA has also awarded its Distinguished Budget Presentation Award to Fauquier County for fiscal year 2004. Fauquier County has received this award for nine years.

Acknowledgements

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,



Paul S. McCulla
County Administrator



Vivian A. McGettigan, MBA, CPA, CPFO
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, 2004

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.



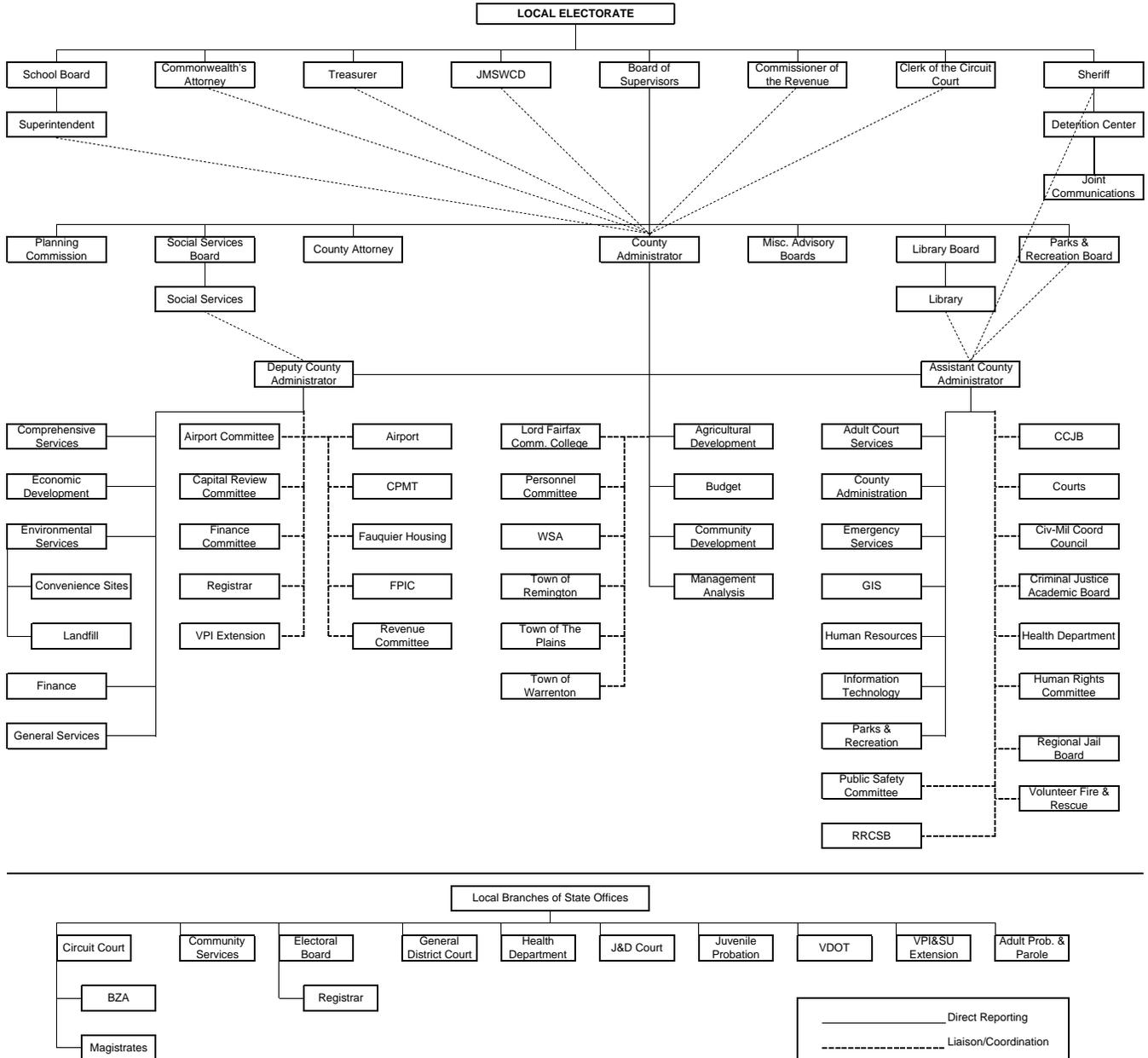
Nancy L. Zielle

President

Jeffrey R. Emer

Executive Director

County of Fauquier, Virginia Organizational Chart



COUNTY OF FAUQUIER, VIRGINIA
PRINCIPAL OFFICIALS

BOARD OF SUPERVISORS

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

COUNTY ADMINISTRATION

Paul McCulla, County Administrator
Anthony I. Hooper, Deputy County Administrator
Catherine M. Heritage, Assistant County Administrator

COUNTY SCHOOL BOARD

Jay VanGelder, Chairman
Robert L. Sinclair, Vice-Chairman
Raymond E. Bland, Sr.
Ernest L. Gray, Jr.
Sally Murray

SCHOOL ADMINISTRATION

J. David Martin, Ed.D, Superintendent
Sandra P. Mitchell, Associate Superintendent for Instruction
Janice Bourne, Assistant Superintendent for Administration

OTHER OFFICIALS

Clerk of the Circuit Court Gail Barb
Director of Finance Vivian A. McGettigan
Commissioner of the Revenue Ross W. D’Urso
Judge of the General District Court Charles 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.

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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, 2005, 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, 2005, 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 30, 2005, 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 30, 2005

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, 2005. 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 2005 FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the net assets of the County, excluding its component unit, Schools, totaled \$117.3 million. Of this amount, \$30.6 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 and business type activities totaled \$136.5 million and expenses totaled \$126.3 million. As a result, the County's total net assets increased by \$10.2 million, or 9.5%, during fiscal year 2005 (Exhibit 2).
- The component unit, Schools, revenues totaled \$104.7 million and expenses totaled \$102.2 million. Schools net assets increased by \$2.5 million, or 5.9%, during fiscal year 2005 (Exhibit 2).
- As of June 30, 2005, the County governmental funds reported combined fund balances of \$55.0 million, a decrease of \$7.1 million in comparison with the prior year. The decrease resulted primarily from the use of bond proceeds received in previous years for capital projects offset by \$4.0 million from proceeds from issuance of debt and premiums on issuance of debt. Approximately 27.3% of the combined fund balances, or \$15.0 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 \$19.2 million, a decrease of \$3.4 from June 30, 2004 (Exhibit 5).
- For the County's business-type activities, program revenue totaled \$13.1 million and expenses totaled \$8.1 million. As a result, net assets increased by \$5.0 million, or 39.5%. The primary contributor to this increase in net assets was from a capital grant for the Airport in the amount of \$4.8 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 2004 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 accounting principles generally accepted in the United States (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 and the Fire & Rescue Pension Trust Length of Service Awards Program (Exhibit 13).

Finally, the combining and individual fund statements and schedules are included, which present combining statements for non-major governmental funds, internal service 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, recreation and cultural; 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 a pension trust fund and agency funds. The funds are used to account for monies received, held, and disbursed on behalf of certain retirees, 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, 2005 and 2004.

Table 1	County of Fauquier Summary of Net Assets (\$ in millions)								
	Primary Government							Component Unit	
	Governmental Activities		Business-Type Activities		Total Primary Government		Schools		
	2005	2004	2005	2004	2005	2004	2005	2004	
Assets:									
Current and other assets	\$ 78.6	\$ 84.3	\$ 5.4	\$ 3.3	\$ 84.0	\$ 87.6	\$ 11.0	\$ 10.7	
Capital assets (net)	99.1	88.4	22.5	17.1	121.6	105.5	47.8	45.1	
Total assets	<u>177.7</u>	<u>172.7</u>	<u>27.9</u>	<u>20.4</u>	<u>205.6</u>	<u>193.1</u>	<u>58.8</u>	<u>55.8</u>	
Liabilities:									
Other liabilities	13.9	20.0	1.0	1.4	14.9	21.4	10.5	10.5	
Long-term liabilities	64.2	58.3	9.2	6.4	73.4	64.7	3.8	3.3	
Total liabilities	<u>78.1</u>	<u>78.3</u>	<u>10.2</u>	<u>7.8</u>	<u>88.3</u>	<u>86.1</u>	<u>14.3</u>	<u>13.8</u>	
Net assets:									
Invested in capital assets, net of related debt	47.3	28.4	20.6	14.9	67.9	43.3	47.8	45.1	
Restricted	18.8	25.5	-	-	18.8	25.5	-	-	
Unrestricted	33.5	40.5	(2.9)	(2.2)	30.6	38.3	(3.3)	(3.1)	
Total net assets	<u>\$ 99.6</u>	<u>\$ 94.4</u>	<u>\$ 17.7</u>	<u>\$ 12.7</u>	<u>\$ 117.3</u>	<u>\$ 107.1</u>	<u>\$ 44.5</u>	<u>\$ 42.0</u>	

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

In the case of the primary government, total assets exceeded total liabilities by \$117.3 million at June 30, 2005. The largest portion of net assets, \$67.9 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. An additional \$18.8 million of restricted assets related to \$16.3 of funds restricted for capital projects and \$2.5 million restricted for grants and special projects. The unrestricted net assets of the governmental activities totaled \$33.5 million. For the business-type activities, unrestricted net assets showed a deficit of \$2.9 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 \$3.3 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

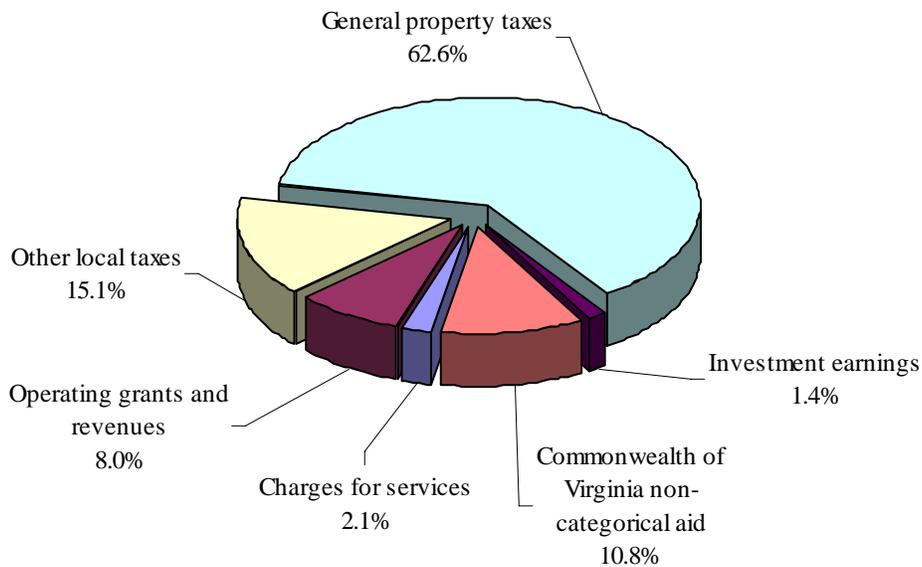
Table 2 summarizes the Statement of Activities (Exhibit 2 in the Financial Section of the CAFR) for the primary government and component unit.

Table 2	County of Fauquier Change in Net Assets (\$ in millions)							
	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total Primary Government		Schools	
	2005	2004	2005	2004	2005	2004	2005	2004
<u>Revenues</u>								
Program revenues:								
Charges for services	\$ 2.6	\$ 3.7	\$ 8.3	\$ 6.7	\$ 10.9	\$ 10.4	\$ 3.2	\$ 2.8
Operating grants and contributions	9.9	9.6	-	-	9.9	9.6	4.5	3.8
Capital grants	-	-	4.8	3.2	4.8	3.2	-	-
General revenues:								
Real & personal property taxes	77.1	71.8	-	-	77.1	71.8	-	-
Contribution from Primary government	-	-	-	-	-	-	65.3	58.8
Other taxes	18.6	14.0	-	-	18.6	14.0	-	-
Investment earnings	1.7	1.2	-	-	1.7	1.2	-	0.5
Miscellaneous	0.2	0.5	-	-	0.2	0.5	-	-
Commonwealth non-categorical aid	13.3	13.2	-	-	13.3	13.2	31.7	29.2
Total revenues	<u>123.4</u>	<u>114.0</u>	<u>13.1</u>	<u>9.9</u>	<u>136.5</u>	<u>123.9</u>	<u>104.7</u>	<u>95.1</u>
<u>Expenses</u>								
General government	8.3	8.1	-	-	8.3	8.1	-	-
Judicial administration	2.6	2.6	-	-	2.6	2.6	-	-
Public safety	16.0	13.8	-	-	16.0	13.8	-	-
Public works	5.3	8.6	-	-	5.3	8.6	-	-
Health & welfare	7.1	6.5	-	-	7.1	6.5	-	-
Education	65.3	59.1	-	-	65.3	59.1	102.2	92.8
Parks, recreation & cultural	4.0	4.1	-	-	4.0	4.1	-	-
Community development	5.7	4.6	-	-	5.7	4.6	-	-
Other	0.8	0.6	-	-	0.8	0.6	-	-
Interest - long-term debt	3.1	2.8	-	-	3.1	2.8	-	-
Airport	-	-	0.2	0.2	0.2	0.2	-	-
Landfill & recycling	-	-	7.9	6.1	7.9	6.1	-	-
Total expenses	<u>118.2</u>	<u>110.8</u>	<u>8.1</u>	<u>6.3</u>	<u>126.3</u>	<u>117.1</u>	<u>102.2</u>	<u>92.8</u>
Changes in net assets	5.2	3.2	5.0	3.6	10.2	6.8	2.5	2.3
Beginning net assets	94.4	91.2	12.7	9.1	107.1	100.3	42.0	39.7
Ending net assets	\$ <u>99.6</u>	\$ <u>94.4</u>	\$ <u>17.7</u>	\$ <u>12.7</u>	\$ <u>117.3</u>	\$ <u>107.1</u>	\$ <u>44.5</u>	\$ <u>42.0</u>

Governmental Activities: As reflected in Table 2, total governmental net assets increased by \$5.2 million compared to an increase of \$3.2 million in fiscal year 2004. The increased growth in net assets is attributed primarily to growth in property and other taxes of \$9.9 million or 11.5% offset by support given to several programs, primarily education, public safety and community development. Revenues from governmental activities (Table 2) totaled \$123.4 million, an increase of \$9.4 million over fiscal year 2004. Revenue increases occurred primarily in general property taxes of \$5.3 million or 7.4% and other taxes of \$4.6 million or 32.9%. In fiscal year 2005, \$12.5 million, or 10.1% of the total revenue, was generated from program revenues, primarily operating grants and contributions. General revenue such as Commonwealth of Virginia aid, miscellaneous revenue 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 \$95.7 million, or 77.7% of all governmental activities revenue. Of this amount, general property taxes account for \$77.1 million, or 62.6% of total revenue. In fiscal year 2005, 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, 2005**



As shown in Table 2, the total expenses for governmental activities for this fiscal year were \$118.2 million, compared to \$110.8 million in fiscal year 2004. Table 2 and the following chart illustrate total expenses by function. Education continues to be the County's largest program and highest priority with the County's contribution totaling \$65.3 million, or 55.2% of total expenses. In addition, Schools incur 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 75% of the costs of these consolidated functions are associated with educational activities. As shown in Exhibit 7 of the Financial Section of this report, these functions cost approximately \$5.9 million in fiscal year 2005. The portion allocated to education is approximately \$4.4 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 increases the schools share of total expenses to approximately 59.0%. Public safety expenses, which total \$16.0 million (13.5%), represent the second largest expense category for governmental activities.

**Governmental Activities
Functional Expenses
For the Fiscal Year Ended June 30, 2005**

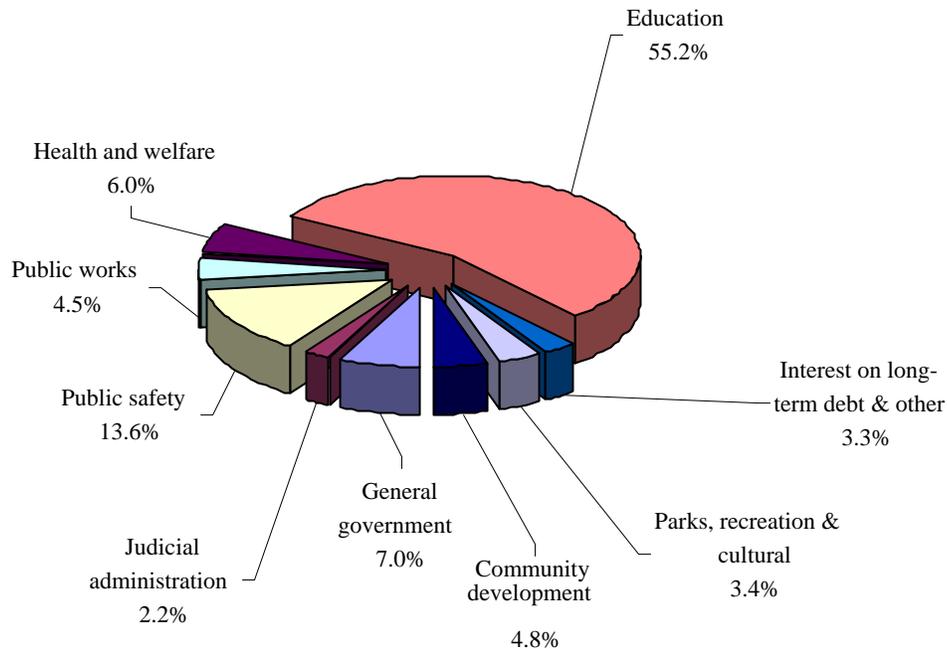


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County's governmental activities.

Table 3				
Net Cost of Governmental Activities				
For the Fiscal Year Ended June 30, 2005				
(\$ in millions)				
	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
General government	\$ 8.3	\$ 8.1	\$ 7.9	\$ 7.7
Judicial administration	2.6	2.6	0.4	0.7
Public safety	16.0	13.8	12.3	9.7
Public works	5.3	8.6	5.3	8.3
Health & welfare	7.1	6.5	2.5	2.6
Education	65.3	59.1	65.3	59.1
Parks, recreation and culture	4.0	4.6	3.3	3.2
Community development	5.7	4.6	4.7	2.8
Interest on long-term debt & other	3.9	3.4	3.9	3.4
Total	\$ 118.2	\$ 110.8	\$ 105.6	\$ 97.5

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, public safety fees, community development services, library fees 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 \$105.6 million, compared to a total cost of \$118.2. 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 \$5.0 million, accounting for 49.0% of the total increase in net assets of the County. Revenues totaled \$13.1 million of which \$8.3 million, or 63.4%, 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 \$8.1 million, of which 97.5% was associated with the landfill & recycling program. Business-type activity expenses increased \$1.8 million over fiscal year 2004, primarily due to a \$2.8 million increase in closure and post closure costs as compared to the \$1.0 increase in 2004 for the landfill.

Component unit activities: Table 2 also summarizes the activities of the Schools. Revenues of \$104.7 million and expenses of \$102.2 million resulted in an increase in net assets of \$2.5 million. The County's contribution of \$65.3 million was the most significant revenue source, accounting for 62.4% of Schools funding. State aid also contributed an additional \$31.7 million, or 30.3% of the total revenue.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2005, the County's governmental funds reported a combined ending fund balance of \$55 million (Exhibit 3), a decrease of \$7.1 million in comparison with the prior year. The decrease is primarily attributed to the outlay for capital projects. Approximately 27.3%, or \$15.0 million, is available for spending at the government's discretion (unreserved/undesignated fund balance). The remaining fund balance is reserved or designated for encumbrances of \$3.1 million; grants, special projects and future years' expenditures of \$5.9 and capital projects of \$31.0.

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 \$12.7 million (Exhibit 3). The General Fund's liquidity can be measured by comparing unreserved fund balance to total fund revenues. Unreserved fund balance represents 11.0% 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 14.9% (\$3,353,238), which reflects an additional \$2.7 million in transfers to the CIP in 2005 over the 2004 transfers.

Significant outlays in fiscal year 2005 included the following:

- The General Fund contributed \$65.3 million in operating funds to finance the Schools operations.
- The General Fund also incurred \$6.9 million in debt service for Schools construction projects funded with bond proceeds from the issuance of general obligation bonds.
- The County incurred \$0.9 million in debt service for County projects such as the public radio system and the lease/purchase of the library building in Bealeton.

- The General Fund transferred \$8.8 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, 2005 (\$ in millions)			
Table 4	Original Budget	Amended Budget	Actual
<u>Revenues</u>			
Taxes	\$ 87.1	\$ 87.2	\$ 90.0
Other	2.7	2.8	2.9
Intergovernmental	22.6	23.6	22.9
Total	<u>112.4</u>	<u>113.6</u>	<u>115.8</u>
<u>Expenditures</u>			
Expenditures	<u>111.7</u>	<u>116.0</u>	<u>110.1</u>
Excess (deficiency) of revenues over expenditures	<u>0.7</u>	<u>(2.4)</u>	<u>5.7</u>
<u>Other financing sources (uses)</u>			
Transfers	<u>(0.7)</u>	<u>(7.8)</u>	<u>(9.0)</u>
Change in fund balance	<u>\$ -</u>	<u>\$ (10.2)</u>	<u>\$ (3.3)</u>

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

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

Final amended budget revenues exceeded the original budget by \$1.2 million, primarily due to budget increases in Commonwealth of Virginia and Federal revenues. The budget for State and Federal aid was amended by \$1.0 million, primarily for expected revenue increases in welfare assistance.

Actual revenues and “transfers in” exceeded the amended budget by \$2.2 million. Tax collections accounted for \$2.8 million of the favorable variance offset by actual intergovernmental revenues collections being less than the amended budget by \$0.7.

Actual expenditures and “transfers out” for the General Fund totaled \$119.6 million, or \$4.6 million less than the amended budget. Of this difference, \$2.1 million is a reduction in the transfer to the component unit, Schools, offset by Board approved transfers in 2004 recorded in 2005 to the capital project fund. 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, \$2.1 million in fiscal year 2005 unexpended appropriations will be reappropriated in fiscal year 2006 to support one-time operating needs, and capital projects.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

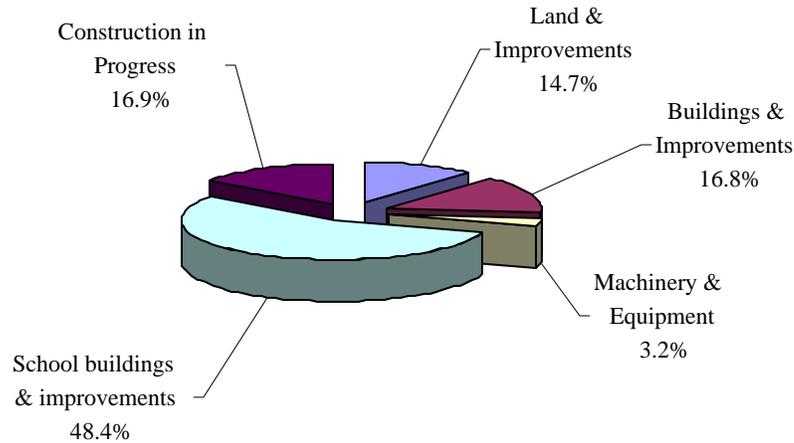
Table 5 provides information on changes in the capital assets of the governmental funds during fiscal year 2005.

Table 5	Change in Capital Assets Governmental Funds (\$ in millions)		
	Balance July 1, 2004	Net Additions & Deletions	Balance June 30, 2005
Land & improvements	\$ 13.7	\$ 0.8	\$ 14.5
Construction in progress (CIP)	12.6	4.2	16.8
Jointly owned assets (CIP)	13.1	(12.3)	0.8
Subtotal, capital assets not being depreciated	<u>39.4</u>	<u>(7.3)</u>	<u>32.1</u>
Buildings & improvements	18.0	4.6	22.6
Machinery & equipment	7.7	1.1	8.8
School buildings & improvements *	<u>36.9</u>	<u>14.6</u>	<u>51.5</u>
Subtotal, capital assets being depreciated	<u>62.6</u>	<u>20.3</u>	<u>82.9</u>
Less: accumulated depreciation	<u>13.6</u>	<u>2.3</u>	<u>15.9</u>
Net capital assets being depreciated	<u>49.0</u>	<u>18.0</u>	<u>67.0</u>
Governmental activities capital assets, net	<u>\$ 88.4</u>	<u>\$ 10.7</u>	<u>\$ 99.1</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 \$32.1 million, and \$67.0 million for depreciable capital assets, net of depreciation. The net investment in capital assets (including additions, retirements, and depreciation) increased \$10.7 million, or 12.1% 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 48.4% of the total net capital assets.

**Net Capital Assets Used in the Operation of Governmental Funds
As of June 30, 2005**



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 ten-year program, which is then sent for action by the Planning Commission and the Board of Supervisors. The County has adopted a resolution requiring a voter referendum for projects in which the total costs are \$10.0 million or more.

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

- Addition to construction in progress for the addition to the Adult Detention Center of \$2.0 million. The project was substantially completed at fiscal year end.
- Addition to construction in progress for the renovation of the Courthouse of \$2.8 million.
- Completion in 2005 of \$1.4 million of the total \$14.5 million Auburn Middle School which opened in August 2004.
- Addition to construction in progress of \$1.8 million for site work related to the third high school
- Addition to construction in progress of \$0.8 million for architect and engineering costs related to the Thomson Elementary School.
- Airport construction of \$4.1 million for expansion of the runways.
- The addition of 13 new sheriff vehicles in the amount of \$327,530.
- The addition of 20 school buses in the amount of \$1,113,750.

- The addition to construction in progress for an emergency radio system and towers in the amount of \$2.4 million. The project was substantially completed at fiscal year end.

The County's fiscal year 2006 Capital Improvements Program calls for the following major projects:

- \$19.8 million for the first phase of the \$50.6 million third high school.
- \$2.7 million for the Cedar Lee Middle School Library Expansion to construct a new library to replace the current undersized facility.
- \$0.4 million for infrastructure (roads, parking and utilities) for the Central Sports Complex
- \$0.4 million for upgrading the Vint Hill Village Green facility to include a new ball field and approximately 120 parking spaces.
- \$0.2 million for the design work for the estimated \$5.9 million New Baltimore Branch Library.

More details on the capital assets are provided in Note 8, Notes to Financial Statements section of this report.

Long-term Debt

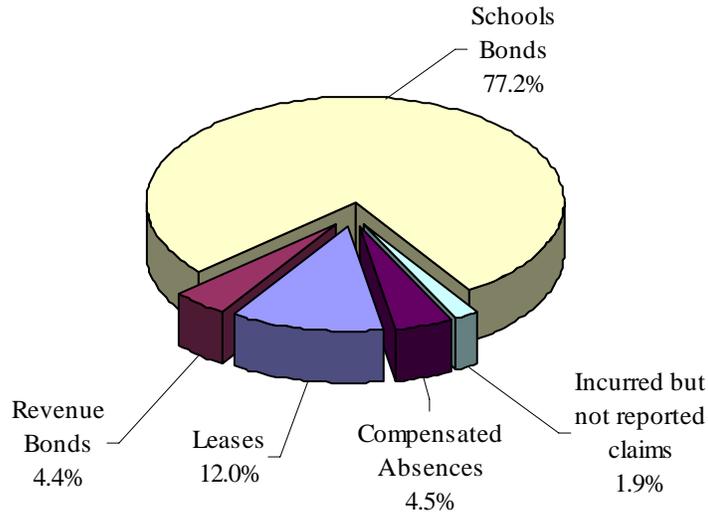
Table 6 provides an overview of the long-term obligations for the primary government.

Table 6		Summary of Changes in Long-Term Debt		
		(\$ in millions)		
	<u>July 1, 2004</u>	<u>Net Increase (Decrease)</u>	<u>June 30, 2005</u>	
Governmental Activities:				
Capital leases	\$ 8.2	\$ (0.5)	\$ 7.7	
Revenue bonds	3.0	(0.2)	2.8	
General obligation bonds plus premiums	49.8	(0.3)	49.5	
Compensated absences	2.5	0.4	2.9	
Incurred but not reported claims	1.2	-	1.2	
	<u>64.7</u>	<u>(0.6)</u>	<u>64.1</u>	
Total long-term debt	\$ <u>64.7</u>	\$ <u>(0.6)</u>	\$ <u>64.1</u>	
Business Type Activities:				
Revenue bonds plus premiums	2.2	(0.3)	1.9	
Compensated absences	0.1	-	0.1	
Landfill closure and postclosure	4.5	2.8	7.3	
	<u>6.8</u>	<u>2.5</u>	<u>9.3</u>	
Total long-term debt	<u>6.8</u>	<u>2.5</u>	<u>9.3</u>	

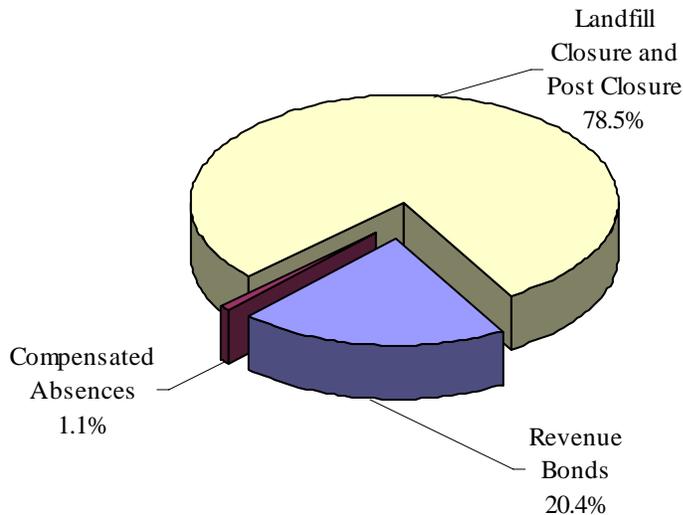
As of June 30, 2005, the County's long-term debt, excluding compensated absences and incurred but not reported claims, totaled \$60.1 million. During the year, the County issued Virginia Public School Authority bonds in the amount of \$3.7 million to fund modifications to the Liberty High School heating, ventilation and air conditioning system.

The charts below illustrate 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 77.2% of the County's total governmental debt.

**Governmental Activities
Long-Term Debt
As of June 30, 2005**



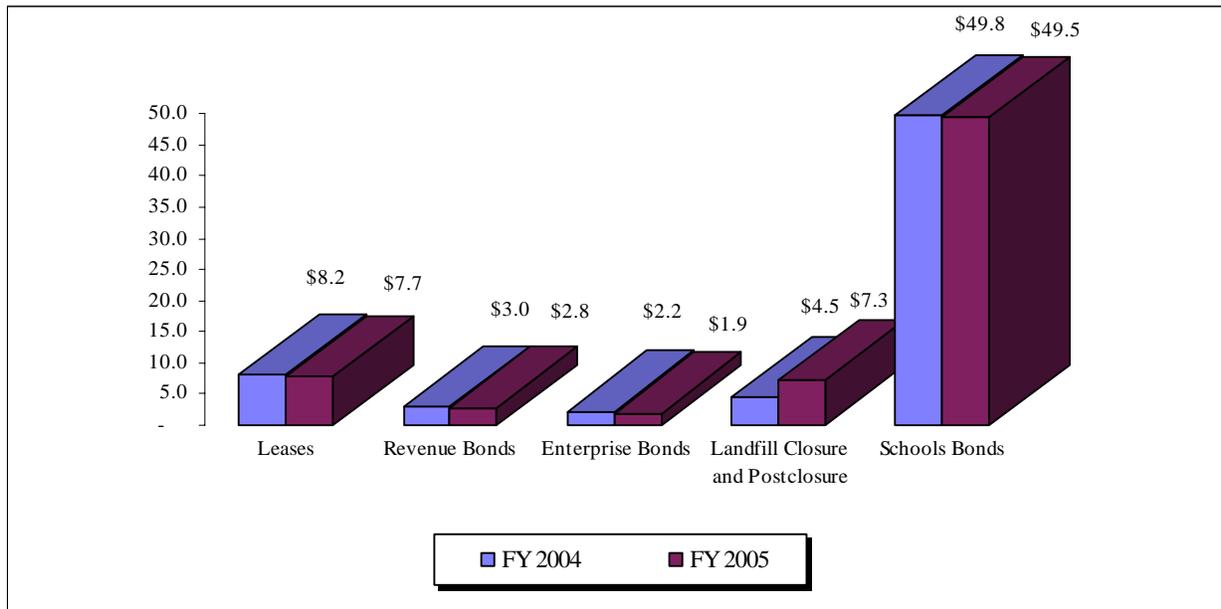
**Business Type Activities
Long-Term Debt
As of June 30, 2005**



The following chart compares long-term indebtedness, less compensated absences and less incurred but not recorded claims for fiscal year 2004 and 2005 by type and amount outstanding. As shown, lease obligations, revenue bonds and enterprise bonds decreased while landfill closure and postclosure debt and school-related debt obligations increased. In 2005 a comprehensive engineering reassessment resulted in increased estimates

of the closure and postclosure liabilities compounded by a 14.0% increase in usage of the initial landfill reducing the available capacity to 9.4%. The second landfill's available capacity decreased from 79.7% to 73.5%

**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 adopted limits annual general government debt service to no more than 10% of General Fund revenues. In fiscal year 2005, the County's debt to revenue ratio was 6.8%. The second ratio adopted is total debt per capita. This ratio compares current performance to past performance. In fiscal year 2005, the general government debt per capita was \$976. This ratio decreased from \$998 in the prior year.

In September 2005 (fiscal year 2006), the County approved participation in the Virginia Public School Authority General Obligation Bond sale to fund the Claude Thompson Elementary School renovation, additional funding for the Liberty High School heating, ventilating, and air conditioning project, and Cedar Lee Middle School Library Expansion 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 revenues.
- 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 9, 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 2005 was 2.5%, an increase of 0.3% from June 2004. This compares favorably to the State's rate of 3.5% and the national rate of 5.3%. The September 2005 unemployment rate for the County was 2.4% compared to the State's rate of 3.5% and the national rate of 4.8%.
- According to the Weldon Cooper Center for Public Service, Fauquier County's population was estimated to be 61,500 as of the beginning of fiscal year 2005 (July 1, 2004), an increase of 1.8% over the prior year. Population estimates for the last ten years are provided in Table 11, Statistical Section of this report.
- The enrollment in public schools increased in fiscal year 2005 by 3.2% from 10,414 to 10,752. School enrollment for the last ten years is provided in Table 11, Statistical Section of this report.
- The 2003 per capita personal income for Fauquier County was \$41,207, compared to \$33,993 for the Commonwealth of Virginia, as reported by the U.S. Department of Commerce Bureau of Economic Analysis.

Fiscal Year 2006 Budget and Rates

- For fiscal year 2006, the adopted budget for the General Fund is \$121.8 million, an increase of 8.4% over fiscal year 2005. Revenues are comprised primarily of general property taxes at 62.6%, other local taxes at 13.1%, permits, privilege fees and regulatory licenses at 2.1%. State assistance at 18.1%, Federal assistance at 1.7%, use of money at 1% and other revenues of 1.4%.
- In fiscal year 2006, the County's transfer to the component unit, Schools, increased by 5.7% to \$72.7 million which includes the County's payment of debt service on behalf of the Schools. Support to the Schools represents 59.7% of the General Fund appropriations not including the allocation of shared services, which represents an additional \$5.4 million of local support. The percentage of General Fund appropriations supporting Schools is basically unchanged from fiscal year 2005.
- For fiscal year 2006 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.
- Public safety is second, accounting for 10.1% of budgeted expenditures. Public safety volunteers also have a dedicated real property tax of \$0.25 per \$100 of assessed value. This tax supports County and volunteer fire and rescue operations. For fiscal year 2006 support for County fire and rescue operations was shifted from the separate fire and rescue fund to the general fund.

- Tax rates for real and personal property remained unchanged. Detail on the tax rates is provided in Table 7, Statistical Section of this report.

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 Vivian McGettigan, 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.

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 1

Statement of Net Assets
June 30, 2005

	Primary Government			Component Unit	Reporting Entity
	Governmental Activities	Business-Type Activities	Total	School Board	Total
Assets					
Current assets:					
Cash and investments	\$ 67,887,978	\$ 3,937,942	\$ 71,825,920	\$ 710,150	\$ 72,536,070
Receivables, net of allowances for uncollectibles:					
Taxes, including penalties	2,579,459	-	2,579,459	-	2,579,459
Accounts	2,089,261	1,082,661	3,171,922	78,649	3,250,571
Internal balances	155,163	(155,163)	-	-	-
Due from primary government	-	-	-	7,291,710	7,291,710
Prepaid assets	-	-	-	58,356	58,356
Due from other governmental units	2,404,794	557,113	2,961,907	2,855,139	5,817,046
Notes receivable	3,317,857	-	3,317,857	-	3,317,857
Inventories	139,743	-	139,743	55,261	195,004
Total current assets	<u>78,574,255</u>	<u>5,422,553</u>	<u>83,996,808</u>	<u>11,049,265</u>	<u>95,046,073</u>
Noncurrent assets:					
Capital assets (net of accumulated depreciation):					
Land	14,580,185	6,558,442	21,138,627	2,989,661	24,128,288
Cell improvements	-	3,646,928	3,646,928	-	3,646,928
Construction in progress	16,780,844	10,272,035	27,052,879	12,005,662	39,058,541
Buildings and improvements	16,655,221	1,093,335	17,748,556	26,067,364	43,815,920
Jointly owned assets	47,974,389	-	47,974,389	-	47,974,389
Infrastructure	-	662,585	662,585	-	662,585
Equipment	3,157,887	281,682	3,439,569	6,710,368	10,149,937
Total capital assets	<u>99,148,526</u>	<u>22,515,007</u>	<u>121,663,533</u>	<u>47,773,055</u>	<u>169,436,588</u>
Total noncurrent assets	<u>99,148,526</u>	<u>22,515,007</u>	<u>121,663,533</u>	<u>47,773,055</u>	<u>169,436,588</u>
Total assets	<u>177,722,781</u>	<u>27,937,560</u>	<u>205,660,341</u>	<u>58,822,320</u>	<u>264,482,661</u>
Liabilities					
Current liabilities:					
Accounts payable	3,261,448	943,520	4,204,968	817,335	5,022,303
Accrued and other liabilities	2,234,727	36,737	2,271,464	9,665,505	11,936,969
Accrued interest	1,150,781	-	1,150,781	-	1,150,781
Deferred revenue	-	-	-	58,613	58,613
Due to component units	7,291,710	-	7,291,710	-	7,291,710
Total current liabilities	<u>13,938,666</u>	<u>980,257</u>	<u>14,918,923</u>	<u>10,541,453</u>	<u>25,460,376</u>
Noncurrent liabilities:					
Due within one year	5,478,561	354,665	5,833,226	383,051	6,216,277
Due in more than one year	58,650,182	8,937,275	67,587,457	3,447,459	71,034,916
Total noncurrent liabilities	<u>64,128,743</u>	<u>9,291,940</u>	<u>73,420,683</u>	<u>3,830,510</u>	<u>77,251,193</u>
Total liabilities	<u>78,067,409</u>	<u>10,272,197</u>	<u>88,339,606</u>	<u>14,371,963</u>	<u>102,711,569</u>
Net assets					
Invested in capital assets, net of related debt	47,355,238	20,621,416	67,976,654	47,773,055	115,749,709
Restricted for:					
Capital projects	16,307,781	-	16,307,781	-	16,307,781
Other	2,542,674	-	2,542,674	-	2,542,674
Unrestricted(deficit)	33,449,679	(2,956,053)	30,493,626	(3,322,698)	27,170,928
Total net assets	<u>99,655,372</u>	<u>17,665,363</u>	<u>117,320,735</u>	<u>44,450,357</u>	<u>161,771,092</u>
Total liabilities and net assets	\$ <u>177,722,781</u>	\$ <u>27,937,560</u>	\$ <u>205,660,341</u>	\$ <u>58,822,320</u>	\$ <u>264,482,661</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Statement of Activities
Fiscal Year Ended June 30, 2005

Exhibit 2
Page 1 of 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 8,271,548	\$ 14,022	\$ 463,168	\$ -
Judicial administration	2,558,587	931,368	1,189,781	-
Public safety	16,003,921	196,302	3,442,911	-
Public works	5,328,879	8,000	-	-
Health and welfare	7,047,257	27,135	4,538,823	-
Education	65,320,395	-	-	-
Parks, recreation and cultural	4,040,458	547,467	206,003	-
Community development	5,679,959	890,346	69,809	-
Nondepartmental	732,410	-	-	-
Interest on long-term debt	3,115,326	-	-	-
Total governmental activities	<u>118,098,740</u>	<u>2,614,640</u>	<u>9,910,495</u>	<u>-</u>
Business-type activities:				
Airport	260,805	264,807	-	4,811,819
Landfill & Recycling	7,952,230	7,972,909	22,741	-
Total business-type activities	<u>8,213,035</u>	<u>8,237,716</u>	<u>22,741</u>	<u>4,811,819</u>
Total primary government	<u>126,311,775</u>	<u>10,852,356</u>	<u>9,933,236</u>	<u>4,811,819</u>
Component unit				
School Board	<u>102,222,451</u>	<u>3,211,275</u>	<u>4,487,022</u>	<u>-</u>
Total component unit	<u>\$ 102,222,451</u>	<u>\$ 3,211,275</u>	<u>\$ 4,487,022</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Local sales & use taxes				
Consumers' utility taxes				
Business and professional taxes				
Motor vehicle taxes				
Taxes on recordation & wills				
E-911 tax				
Other local taxes				
Contribution from primary government				
Investment earnings				
Miscellaneous				
Commonwealth of Virginia noncategorical 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		Reporting Entity	
Governmental Activities	Business-Type Activities	Total	School Board	Total	Functions/Programs
\$ (7,794,358)	\$ -	\$ (7,794,358)	\$ -	\$ (7,794,358)	Primary Government
(437,438)	-	(437,438)	-	(437,438)	Governmental activities:
(12,364,708)	-	(12,364,708)	-	(12,364,708)	General government
(5,320,879)	-	(5,320,879)	-	(5,320,879)	Judicial administration
(2,481,299)	-	(2,481,299)	-	(2,481,299)	Public safety
(65,320,395)	-	(65,320,395)	-	(65,320,395)	Public works
(3,286,988)	-	(3,286,988)	-	(3,286,988)	Health and welfare
(4,719,804)	-	(4,719,804)	-	(4,719,804)	Education
(732,410)	-	(732,410)	-	(732,410)	Parks, recreation and cultural
(3,115,326)	-	(3,115,326)	-	(3,115,326)	Community development
(105,573,605)	-	(105,573,605)	-	(105,573,605)	Nondepartmental
					Interest on long-term debt
					Total governmental activities
-	4,815,821	4,815,821		4,815,821	Business-type activities:
-	43,420	43,420		43,420	Airport
-	4,859,241	4,859,241		4,859,241	Landfill & Recycling
					Total business-type activities
-	4,859,241	(100,714,364)		(100,714,364)	Total primary government
			(94,524,154)	(94,524,154)	Component unit
					School Board
			(94,524,154)	(94,524,154)	Total component unit
77,173,781	-	77,173,781	-	77,173,781	General revenues:
6,605,989	-	6,605,989	-	6,605,989	General property taxes
2,891,289	-	2,891,289	-	2,891,289	Local sales & use taxes
3,499,758	-	3,499,758	-	3,499,758	Consumers' utility taxes
1,421,448	-	1,421,448	-	1,421,448	Business and professional taxes
2,771,674	-	2,771,674	-	2,771,674	Motor vehicle taxes
871,924	-	871,924	-	871,924	Taxes on recordation & wills
408,185	-	408,185	-	408,185	E-911 tax
-	-	-	65,247,684	65,247,684	Other local taxes
1,647,513	79,933	1,727,446	700	1,728,146	Contribution from primary government
216,810	2,315	219,125	43,183	262,308	Investment earnings
13,307,038	-	13,307,038	31,650,343	44,957,381	Miscellaneous
(60,559)	60,559	-	-	-	Commonwealth of Virginia noncategorical aid
110,754,850	142,807	110,897,657	96,941,910	207,839,567	Transfers
					Total general revenues and transfers
5,181,245	5,002,048	10,183,293	2,417,756	12,601,049	Change in net assets
94,474,127	12,663,315	107,137,442	42,032,601	149,170,043	Net assets - beginning, as restated
\$ 99,655,372	\$ 17,665,363	\$ 117,320,735	\$ 44,450,357	\$ 161,771,092	Net assets - ending

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FUND FINANCIAL STATEMENTS

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2005**

	Primary Government			
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 24,137,435	\$ 36,070,482	\$ 2,623,066	\$ 62,830,983
Receivables, net of allowances for uncollectibles:				
Taxes, including penalties	2,579,459	-	-	2,579,459
Accounts	1,730,075	45,028	274,619	2,049,722
Interfund	202,980	-	-	202,980
Due from other governmental units	2,404,794	-	-	2,404,794
Notes receivable	-	3,317,857	-	3,317,857
Total assets	<u>31,054,743</u>	<u>39,433,367</u>	<u>2,897,685</u>	<u>73,385,795</u>
Liabilities				
Accounts payable	1,222,502	1,846,991	55,888	3,125,381
Accrued liabilities	831,306	-	90,880	922,186
Other liabilities	24,100	836,807	431,345	1,292,252
Deferred revenue	2,483,987	3,317,857	-	5,801,844
Due to component units	7,291,710	-	-	7,291,710
Total liabilities	<u>11,853,605</u>	<u>6,001,655</u>	<u>578,113</u>	<u>18,433,373</u>
Fund balances				
Reserved for:				
Encumbrances	537,304	2,563,674	-	3,100,978
Unreserved, reported in:				
General Fund:				
Designated for grants and special projects	223,102	-	-	223,102
Designated for future years' expenditures	5,785,205	-	-	5,785,205
Capital Projects:				
Designated for Construction	-	30,868,038	-	30,868,038
Undesignated:				
General fund	12,655,527	-	-	12,655,527
Special revenue fund	-	-	2,319,572	2,319,572
Total fund balances	<u>19,201,138</u>	<u>33,431,712</u>	<u>2,319,572</u>	<u>54,952,422</u>
Total liabilities and fund balances	<u>\$ 31,054,743</u>	<u>\$ 39,433,367</u>	<u>\$ 2,897,685</u>	<u>\$ 73,385,795</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, 2005

	<u>Primary Government</u>
Total fund balances - governmental funds	\$ 54,952,422
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 (excludes \$133,496 related to internal service fund assets).	99,015,030
Deferred revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.	5,801,844
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(1,150,781)
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.	3,846,771
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.	
Capital leases	(7,690,082)
Revenue bonds	(2,840,000)
General obligation bonds	(48,465,000)
Premiums on bonds payable	(1,016,536)
Compensated absences (excludes \$72,469 for Internal Service Funds)	(2,798,296)
Total long-term liabilities	<u>(62,809,914)</u>
Net assets of governmental activities	\$ <u>99,655,372</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, 2005

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
General property taxes	\$ 71,989,371	\$ -	\$ 4,845,172	\$ 76,834,543
Other local taxes	15,353,297	-	904,404	16,257,701
Permits, privilege fees and regulatory licenses	2,212,566	-	-	2,212,566
Fines and forfeitures	486,847	-	-	486,847
Revenue from use of money and property	1,405,944	233,659	7,910	1,647,513
Charges for services	1,231,248	6,000	3,055	1,240,303
Gifts and donations	14,022	8,000	865,468	887,490
Recovered costs	153,812	-	671	154,483
Intergovernmental:				
Contribution from School Board	-	526,788	-	526,788
Commonwealth of Virginia	20,459,473	-	200,588	20,660,061
Federal Government	2,425,806	-	131,666	2,557,472
Miscellaneous nonrevenue	70,300	9,800	-	80,100
Total revenues	115,802,686	784,247	6,958,934	123,545,867
Expenditures				
Current operating:				
General government administration	8,737,640	396,256	-	9,133,896
Judicial administration	2,457,593	2,876,662	-	5,334,255
Public safety	9,507,717	4,739,436	5,622,568	19,869,721
Public works	5,381,669	158,072	-	5,539,741
Health and welfare	7,201,697	-	-	7,201,697
Education	60,498,819	6,745,881	-	67,244,700
Parks, recreation, and cultural	3,814,426	1,869,316	7,760	5,691,502
Community development	4,084,144	462,968	1,248,344	5,795,456
Nondepartmental	579,410	-	-	579,410
Debt service:				
Principal retirement	4,856,092	120,000	-	4,976,092
Interest and fiscal charges	2,965,646	143,368	-	3,109,014
Total expenditures	110,084,853	17,511,959	6,878,672	134,475,484
Excess (deficiency) of revenues over expenditures	5,717,833	(16,727,712)	80,262	(10,929,617)
Other financing sources (uses)				
Transfers in	454,480	8,864,833	582,967	9,902,280
Transfers (out)	(9,525,551)	(388,224)	(202,064)	(10,115,839)
Issuance of debt	-	3,720,000	-	3,720,000
Premiums on issuance of debt	-	282,235	-	282,235
Total other financing sources (uses)	(9,071,071)	12,478,844	380,903	3,788,676
Net change in fund balances	(3,353,238)	(4,248,868)	461,165	(7,140,941)
Fund balances, beginning, as restated	22,554,376	37,680,580	1,858,407	62,093,363
Fund balances, ending	\$ 19,201,138	\$ 33,431,712	\$ 2,319,572	\$ 54,952,422

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 6

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds

Fiscal Year Ended June 30, 2005

	<u>Primary Government</u>
Net change in fund balances - total governmental funds	\$ (7,140,941)
<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	\$ 11,543,894
Joint tenancy assets capital outlays	2,191,697
Depreciation expense	<u>(2,525,367)</u>
	11,210,224
In the statement of activities, only the gain (loss) on capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	(493,658)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Add amortized bond payable premiums	38,647
Add current year's deferred revenue	5,801,844
Less prior year's deferred revenue	<u>(5,325,896)</u>
	514,595
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.	446,152
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Add debt principal repayment	4,976,092
Subtract debt proceeds	(3,720,000)
Subtract premium on new debt	<u>(282,236)</u>
	973,856
<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>	
Less current year's compensated absences	(2,870,765)
Add prior year's compensated absences	2,586,740
Less current year's accrued interest payable	(1,150,781)
Add prior year's accrued interest payable	<u>1,105,823</u>
	<u>(328,983)</u>
Change in net assets of governmental activities	\$ <u>5,181,245</u>

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

COUNTY OF FAUQUIER, VIRGINIA

**Exhibit 7
Page 1 of 4**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2005**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ 71,181,537	\$ 71,194,685	\$ 71,989,371	\$ 794,686
Other local taxes	13,629,700	13,635,254	15,353,297	1,718,043
Permits, privilege fees and regulatory licenses	1,819,225	1,873,355	2,212,566	339,211
Fines and forfeitures	508,350	508,350	486,847	(21,503)
Revenue from use of money and property	1,406,241	1,451,893	1,405,944	(45,949)
Charges for services	1,233,344	1,272,259	1,231,248	(41,011)
Gifts and donations	-	-	14,022	14,022
Recovered costs	114,625	114,625	153,812	39,187
Intergovernmental:				
Commonwealth of Virginia	20,572,768	21,100,665	20,459,473	(641,192)
Federal Government	1,984,872	2,454,878	2,425,806	(29,072)
Miscellaneous nonrevenue	1,500	30,277	70,300	40,023
Total revenues	112,452,162	113,636,241	115,802,686	2,166,445
Expenditures				
Current operating:				
General government administration:				
Legislative:				
Board of supervisors	413,093	462,234	459,849	2,385
General & financial administration:				
County administrator	530,713	561,883	561,875	8
County attorney	528,681	511,429	502,092	9,337
Independent auditor	70,962	74,227	74,227	-
Commissioner of the revenue	1,096,339	1,593,019	1,541,926	51,093
Treasurer	924,697	940,276	872,898	67,378
Information technology	1,764,363	2,089,312	2,084,079	5,233
Human resources	591,148	673,904	586,308	87,596
Finance	1,580,282	1,505,639	1,197,624	308,015
Office of management & budget	258,218	265,663	261,429	4,234
Geographic information systems	245,457	260,856	260,207	649
Total general & financial administration	7,590,860	8,476,208	7,942,665	533,543
Board of Elections:				
Registrar	296,408	335,135	335,126	9
Total general government administration	\$ 8,300,361	\$ 9,273,577	\$ 8,737,640	\$ 535,937

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 7
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Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Expenditures (continued)				
Current operating: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 121,944	\$ 120,807	\$ 117,852	\$ 2,955
General district court	16,100	21,750	21,745	5
Magistrates	64,061	64,811	64,791	20
Juvenile & domestic relations district court	55,983	58,755	58,678	77
Clerk of the circuit court	893,556	953,522	907,578	45,944
Adult court service	560,793	603,705	563,561	40,144
Commissioner of accounts	2,400	2,400	2,400	-
Total courts	<u>1,714,837</u>	<u>1,825,750</u>	<u>1,736,605</u>	<u>89,145</u>
Commonwealth's attorney:				
Commonwealth's attorney	<u>719,827</u>	<u>744,531</u>	<u>720,988</u>	<u>23,543</u>
Total judicial administration	<u>2,434,664</u>	<u>2,570,281</u>	<u>2,457,593</u>	<u>112,688</u>
Public safety:				
Law enforcement & traffic control:				
Sheriff	<u>7,128,005</u>	<u>7,807,419</u>	<u>7,748,969</u>	<u>58,450</u>
Correction & detention:				
Sheriff	492,000	565,739	394,004	171,735
CFW regional jail	1,061,154	1,061,154	1,061,154	-
Probation office	66,176	67,066	52,587	14,479
Juvenile detention & crime control	<u>342,590</u>	<u>320,990</u>	<u>251,003</u>	<u>69,987</u>
Total correction & detention	<u>1,961,920</u>	<u>2,014,949</u>	<u>1,758,748</u>	<u>256,201</u>
Total public safety	<u>9,089,925</u>	<u>9,822,368</u>	<u>9,507,717</u>	<u>314,651</u>
Public works:				
Sanitation & waste removal:				
Solid waste operations	<u>1,397,294</u>	<u>1,397,294</u>	<u>1,248,893</u>	<u>148,401</u>
General buildings & grounds maintenance:				
General services	<u>3,694,819</u>	<u>4,528,493</u>	<u>4,132,776</u>	<u>395,717</u>
Total public works	<u>5,092,113</u>	<u>5,925,787</u>	<u>5,381,669</u>	<u>544,118</u>
Health & welfare:				
Health:				
Supplement of local health department	<u>\$ 391,493</u>	<u>\$ 401,622</u>	<u>\$ 401,622</u>	<u>\$ -</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 7
Page 3 of 4

Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Expenditures (continued)				
Current operating: (continued)				
Health & welfare: (continued)				
Welfare:				
Institutional care	\$ 398,070	\$ 452,522	\$ 452,522	\$ -
Social services	3,766,825	4,525,202	4,158,209	366,993
Comprehensive services act	2,332,881	2,336,147	2,189,344	146,803
Total welfare	<u>6,497,776</u>	<u>7,313,871</u>	<u>6,800,075</u>	<u>513,796</u>
Total health & welfare	<u>6,889,269</u>	<u>7,715,493</u>	<u>7,201,697</u>	<u>513,796</u>
Education:				
Contribution to component unit – School Board	61,873,315	62,549,801	60,454,453	2,095,348
Community colleges	44,366	44,366	44,366	-
Total education	<u>61,917,681</u>	<u>62,594,167</u>	<u>60,498,819</u>	<u>2,095,348</u>
Parks, recreation & cultural:				
Parks & recreation:				
Parks & recreation	2,175,384	2,318,625	2,124,392	194,233
Library:				
Public library	1,614,804	1,740,043	1,690,034	50,009
Total parks, recreation, & cultural	<u>3,790,188</u>	<u>4,058,668</u>	<u>3,814,426</u>	<u>244,242</u>
Community development:				
Planning & community development:				
Community development	2,334,432	2,626,308	2,449,430	176,878
Planning	139,614	174,614	141,843	32,771
Economic development	332,828	340,533	333,299	7,234
Contributions to community organizations	512,274	576,105	532,672	43,433
Disability service board	10,000	10,350	9,159	1,191
Agriculture development	129,616	133,205	129,804	3,401
Total planning & community development	<u>3,458,764</u>	<u>3,861,115</u>	<u>3,596,207</u>	<u>264,908</u>
Environmental management:				
Soil & water conservation district	351,679	446,375	373,770	72,605
Cooperative extension program:				
VPI extension	146,659	146,678	114,167	32,511
Total community development	<u>3,957,102</u>	<u>4,454,168</u>	<u>4,084,144</u>	<u>370,024</u>
Nondepartmental:				
Nondepartmental operations	\$ 1,943,626	\$ 1,356,026	\$ 579,410	\$ 776,616

COUNTY OF FAUQUIER, VIRGINIA

**Exhibit 7
Page 4 of 4**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual-
General Fund
Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Current operating: (continued)				
Debt service:				
Principal retirement	\$ 963,793	\$ 963,793	\$ 556,092	\$ 407,701
Interest & fiscal charges	432,639	432,639	373,995	58,644
Principal retirement - education	4,300,000	4,300,000	4,300,000	-
Interest & fiscal charges - education	<u>2,593,653</u>	<u>2,593,653</u>	<u>2,591,651</u>	<u>2,002</u>
Total debt service	<u>8,290,085</u>	<u>8,290,085</u>	<u>7,821,738</u>	<u>468,347</u>
Total expenditures	<u>111,705,014</u>	<u>116,060,620</u>	<u>110,084,853</u>	<u>5,975,767</u>
Excess (deficiency) of revenues over expenditures	<u>747,148</u>	<u>(2,424,379)</u>	<u>5,717,833</u>	<u>8,142,212</u>
Other financing sources (uses)				
Transfers in	-	454,480	454,480	-
Transfers (out)	<u>(747,148)</u>	<u>(8,208,885)</u>	<u>(9,525,551)</u>	<u>(1,316,666)</u>
Total other financing sources (uses)	<u>(747,148)</u>	<u>(7,754,405)</u>	<u>(9,071,071)</u>	<u>(1,316,666)</u>
Net change in fund balances	-	(10,178,784)	(3,353,238)	6,825,546
Fund balances, beginning	<u>22,554,376</u>	<u>22,554,376</u>	<u>22,554,376</u>	<u>-</u>
Fund balances, ending	<u>\$ 22,554,376</u>	<u>\$ 12,375,592</u>	<u>\$ 19,201,138</u>	<u>\$ 6,825,546</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 8

Statement of Net Assets
 Proprietary Funds
 June 30, 2005

	Business-Type Activity			
	Enterprise Funds			Governmental Activities
	Airport Fund	Landfill & Recycling Fund	Total	Internal Service Funds
Assets				
Current assets:				
Cash and investments	\$ -	\$ 3,937,942	\$ 3,937,942	\$ 5,056,995
Receivables, net of allowances for uncollectibles	46,646	1,036,015	1,082,661	39,539
Inventories	-	-	-	139,743
Due from other governmental units	557,113	-	557,113	-
Total current assets	603,759	4,973,957	5,577,716	5,236,277
Noncurrent assets:				
Capital assets (net of accumulated depreciation):				
Land	4,921,306	1,637,136	6,558,442	-
Cell improvement	-	3,646,928	3,646,928	-
Construction in progress	9,034,318	1,237,717	10,272,035	-
Buildings and improvements	895,021	198,314	1,093,335	10,980
Infrastructure	-	662,585	662,585	-
Equipment	61,939	219,743	281,682	122,516
Total capital assets	14,912,584	7,602,423	22,515,007	133,496
Total noncurrent assets	14,912,584	7,602,423	22,515,007	133,496
Total assets	15,516,343	12,576,380	28,092,723	5,369,773
Liabilities				
Current liabilities:				
Accounts payable	459,293	484,227	943,520	136,067
Accrued and other liabilities	4,545	32,192	36,737	20,289
Due to other funds	155,163	-	155,163	47,817
Compensated absences	591	7,296	7,887	7,247
Current portion of long-term bond payable	-	346,778	346,778	-
Total current liabilities	619,592	870,493	1,490,085	211,420
Noncurrent liabilities:				
Incurred but not reported claims	-	-	-	1,246,360
Compensated absences	5,322	65,668	70,990	65,222
Accrued closure and post-closure liability	-	7,319,472	7,319,472	-
Noncurrent portion of long-term bond payable	-	1,546,813	1,546,813	-
Total noncurrent liabilities	5,322	8,931,953	8,937,275	1,311,582
Total liabilities	624,914	9,802,446	10,427,360	1,523,002
Net Assets				
Invested in capital assets, net of related debt	14,912,584	5,708,832	20,621,416	133,496
Unrestricted	(21,155)	(2,934,898)	(2,956,053)	3,713,275
Total net assets	14,891,429	2,773,934	17,665,363	3,846,771
Total liabilities and net assets	\$ 15,516,343	\$ 12,576,380	\$ 28,092,723	\$ 5,369,773

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 9

Statement of Revenues, Expenses, and Changes in Net Assets
 Proprietary Funds
 Fiscal Year Ended June 30, 2005

	Business-Type Activity			Governmental Activities	
	Enterprise Funds				Internal Service Funds
	Airport Fund	Landfill & Recycling Fund	Total		
Operating revenues					
Charges for services	\$ 199,226	\$ 7,795,128	\$ 7,994,354	\$ 14,079,796	
Miscellaneous	65,581	177,781	243,362	-	
Total operating revenues	264,807	7,972,909	8,237,716	14,079,796	
Operating expenses					
Personal services	68,655	764,920	833,575	529,107	
Fringe benefits	21,410	220,215	241,625	163,786	
Claims and benefits paid	-	-	-	10,637,885	
Premiums	-	-	-	966,141	
Contractual services	65,077	3,332,200	3,397,277	115,073	
Other operating expenses	53,435	398,491	451,926	1,489,620	
Closure and post closure costs	-	2,843,091	2,843,091	-	
Depreciation	52,228	296,443	348,671	25,484	
Total operating expenses	260,805	7,855,360	8,116,165	13,927,096	
Operating income (loss)	4,002	117,549	121,551	152,700	
Nonoperating revenues (expenses)					
Interest income	122	79,811	79,933	135,856	
Commonwealth of Virginia - grants	660,569	22,741	683,310	-	
Federal - grants	4,151,250	-	4,151,250	-	
Interest expense	-	(96,870)	(96,870)	-	
Miscellaneous nonrevenue	2,315	-	2,315	4,596	
Total nonoperating revenues (expenses)	4,814,256	5,682	4,819,938	140,452	
Income (loss) before transfers	4,818,258	123,231	4,941,489	293,152	
Transfers in	60,559	-	60,559	153,000	
Change in net assets	4,878,817	123,231	5,002,048	446,152	
Net assets - beginning	10,012,612	2,650,703	12,663,315	3,400,619	
Net assets - ending	\$ 14,891,429	\$ 2,773,934	\$ 17,665,363	\$ 3,846,771	

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 10

Statement of Cash Flows
 Proprietary Funds
 Fiscal Year Ended June 30, 2005

	Business-Type Activity			Governmental Activities Internal Service Funds
	Enterprise Funds		Total	
	Airport Fund	Landfill & Recycling Fund		
Cash Flow from Operating Activities				
Receipts from customers and users	\$ 221,538	\$ 7,738,163	\$ 7,959,701	\$ 14,262,905
Payment to suppliers and other operating activities	(148,021)	(3,647,576)	(3,795,597)	(13,165,763)
Payment to employees (including fringes)	(85,828)	(982,484)	(1,068,312)	(684,228)
Net cash provided by (used in) operating activities	(12,311)	3,108,103	3,095,792	412,914
Cash Flow from Noncapital Financing Activities				
Transfers in	60,559	-	60,559	153,000
Due to other funds	-	-	-	47,817
Net cash provided by noncapital financing activities	60,559	-	60,559	200,817
Cash Flow from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(4,761,660)	(1,151,034)	(5,912,694)	(15,977)
Principal paid on debt	-	(335,000)	(335,000)	-
Proceeds from interfund obligation	(537,386)	-	(537,386)	-
Interest and other fiscal cost on debt	-	(90,677)	(90,677)	-
Federal and state reimbursements for capital projects	5,250,676	22,741	5,273,417	-
Net cash provided by (used in) capital and related financing activities	(48,370)	(1,553,970)	(1,602,340)	(15,977)
Cash Flow from Investing Activities				
Interest	122	79,811	79,933	135,856
Net cash provided by investing activities	122	79,811	79,933	135,856
Net increase (decrease) in cash and cash equivalents	-	1,633,944	1,633,944	733,610
Cash and cash equivalents - beginning of the year	-	2,303,998	2,303,998	4,323,385
Cash and cash equivalents - end of the year	-	3,937,942	3,937,942	5,056,995
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Cash flows from operations:				
Operating income (loss)	4,002	117,549	121,551	152,700
Adjustment to reconcile net income to net cash provided by operations:				
Depreciation	52,228	296,443	348,671	25,484
Changes in operating assets and liabilities:				
(Increase) in receivables	(43,269)	(234,746)	(278,015)	183,109
Increase in incurred but not reported claims	-	-	-	71,100
(Increase) in inventory	-	-	-	(15,396)
Increase (decrease) in accounts payable	(29,509)	83,115	53,606	(12,748)
Increase in landfill closure & post-closure costs	-	2,843,091	2,843,091	-
Increase in accrued liabilities	4,237	2,651	6,888	8,665
Net cash provided by (used in) operating activities	\$ (12,311)	\$ 3,108,103	\$ 3,095,792	\$ 412,914

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 11

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2005

	Pension Trust	
	Fire & Rescue Pension Trust Length of Service Award Fund	Agency Funds
Assets		
Cash and investments	\$ -	\$ 90,573
Cash in custody of others	1,080,640	42,716
Accounts receivable	-	137,292
Total assets	<u>1,080,640</u>	<u>270,581</u>
Liabilities		
Accounts payable	-	114,397
Amounts held for clients/others	-	156,184
Total liabilities	<u>-</u>	<u>270,581</u>
Net Assets		
Held in trust for pension benefits	<u>1,080,640</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 1,080,640</u>	<u>\$ 270,581</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 12

Statement of Changes in Fiduciary Net Assets
Fire & Rescue Pension Trust Length of Service Awards Fund
Fiscal Year Ended June 30, 2005

Additions

Contribution for beneficiary	\$	249,582
Investment income		<u>83,309</u>
Total additions		<u>332,891</u>

Deductions

Members' benefits		72,710
Annuity contracts		974,339
Insurance		64,965
Administrative fees		<u>3,581</u>

Total deductions 1,115,595

Change in net assets (782,704)

Net assets - beginning		<u>1,863,344</u>
Net assets - ending	\$	<u><u>1,080,640</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, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Fauquier have been prepared in conformity with 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 and an appointed County Administrator. The accompanying financial statements present the government and its component unit; the Fauquier County School Board, 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.

Component Units – Component Units are entities for which the primary government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The County has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the government. The Fauquier County School Board (School Board) is the only component unit of 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 Fauquier County School Board does not issue separate financial statements. The School Board consists of the following governmental funds:

The *School General Fund* accounts for the operations of the public school system.

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

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

The *Crockett Scholarship Fund* is a private-purpose trust fund that is used to report principal and income which benefits individuals.

The *School Activity Agency Fund* is used to account for monies collected at the schools in connection with student athletics, clubs, various fund raising activities, and private donations.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 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 nonmajor 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 & Recreation Fund, Library Fund, Conservation Easement Service District

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund, Fire & Rescue Fund, Proffer Fund, and Vint Hill Transportation Fund.

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, 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. The County maintains a single cash and investment pool for use by all funds and its component unit, except for the Fire & Rescue Pension Trust Length of Service Awards Fund, the School Board Crockett Scholarship Fund, and the School Board Student Activity Agency Fund. Investments for the government, as well as for its component unit, are reported at fair value based on quoted market prices. Each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed quarterly based on average daily balances of each fund. A "zero balance accounts" mechanism provides for daily sweeps of deposits made to the County's checking accounts, resulting in an instantaneous transfer to the investment account. Hence, the majority of the County's funds are invested at all times. The State Treasurer's Local Government Investment Pool (LGIP) operates in accordance

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Bond proceeds are maintained to comply with the provisions of the Internal Revenue Tax Code and various bond indentures. Bond proceeds are deposited in the State Non-Arbitrage Program (SNAP). Values of shares in the SNAP reflect fair value.

2. Receivables and payables

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

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 at cost. Inventories of governmental funds and component units consist of expendable supplies held for consumption. The costs are recorded as expenditures when purchased rather than when consumed. Reported inventories for governmental funds and component units are offset equally by a fund balance reserve which indicates they do not constitute available expendable resources.

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 for uncollectible property taxes amounted to \$600,030 at June 30, 2005 which represents approximately .16% of the total tax 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 “issuance of debt” 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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
Infrastructure	15-50
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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 – At year-end the carrying values (book balances) of the County deposits with banks and savings institutions were \$16,081,974 and the balances carried by the bank were \$15,312,168. 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 other states not in default, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, the African Development Bank, "Prime Quality" commercial paper, negotiable certificates of deposits, negotiable bank notes, and certain corporate notes rated AA or better by Moody's Investors Service, Inc; bankers' acceptances, overnight, term and open repurchase agreements, money market mutual funds; 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).

External Investment Pools – The County invests in an externally managed investment pool, the LGIP, which is not SEC-registered. Pursuant to Sec. 2.1-234.7 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and regulatory oversight of the pools rests with the Virginia State Treasury. The LGIP reports to the Treasury Board at their regularly scheduled meetings, and the fair value of the position in the LGIP is the same as the value of the pool shares. Investments authorized by the LGIP are the same as those authorized for local governments in Sec. 2.2-4500 et seq. of the *Code of Virginia*.

The County and its discretely presented component units' investments are subject to interest rate, credit, custodial credit, and concentration of credit risk as described below.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the County's investment policy for non-restricted pooled cash and investments states that no security shall have a maturity exceeding seven years. The weighted average maturity for the portfolio shall be less than 180 days. The County's

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

investment policy for restricted accounts states that the securities will have a maximum maturity consistent with the nature of the restricted accounts.

The following reflects the fair value and the weighted average maturity (WAM) of the County's investments as of June 30, 2005. WAM expresses investment time horizons, the time when investments become due and payable, in years, weighted to reflect the dollar size of the individual investments within an investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type. For purposes of the WAM calculation, the County assumes that all of its investments will be held to maturity.

Fair Value and Weighted Average maturity of Investments at June 30, 2005:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Money Market/ Money Market Mutual Funds:		
Pooled Investments:		
Treasury Obligation Fund	\$ 23,244,246	1
State Treasurer's Local Government Investment Pool	17,545,748	1
U.S. Government Agency Securities	8,920,030	916
Restricted Investments:		
Virginia State Non-Arbitrage Program (SNAP)	<u>8,718,243</u>	<u>1</u>
Total Investment	<u>\$ 58,428,267</u>	<u>141</u>

Credit Risk – State statutes authorize the County to invest in various instruments as described above. The County's investment policy, however, does not provide for investments in obligations of other states and political subdivisions outside of the Commonwealth of Virginia. To minimize credit risk, the County's investment policy seeks to diversify its portfolio by limiting the percentage of the portfolio that may be invested in any one type of instrument. It is the County policy to invest in time deposits and savings accounts in banks and savings and loan associations organized under the laws of Virginia approved for the deposit of other funds of the Commonwealth of other political subdivisions and doing business in and situated in the state. The Commonwealth's approved list is partially based on a rating of A-1 by Standard's and Poor's and Aa by Moody's Investor Services. The County will only invest in money market or mutual funds with a rating of AAA by at least two nationally recognized statistical rating organizations pursuant to County practice. In addition, the County's investment policy authorizes the purchase of "prime quality" commercial paper or "high quality" corporate notes of U.S. corporations having at least two of the following three ratings: A-1, P-1, and F-1, as rated by Standard & Poor's, Moody's and Fitch Investor's Service rating services; banker's acceptances that are eligible for purchase by the Federal Reserve Banks and have a letter of credit rating of AA or better; and tax exempt obligations of the state and its various local governments with a rating of A or less with insurance through MBIA or an equivalent company or issues rated A+ with or without insurance backing. The County's policy exempts investments in the Virginia Non-Arbitrage Program in which the County invests pursuant to bond documents from this rating requirement.

Concentration of Credit Risk – The County places a limit on the amount it may invest with any one issuer as follows: 25% certificate deposits and municipal securities; 35% commercial paper; 40% bankers acceptances; 50% repurchase agreements; and up to 100% for state investment pools, US treasury bills and notes, and other U.S. Government agencies.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

The County’s ratings and policy limits as of June 30, 2005 are as follows:

Investment Type	Investment Policy Limit	Credit Quality (Rating)	Credit Exposure as a % of Total Investment
Money Market/ Money Market Mutual Funds:			
State Treasurer’s Local Government Investment Pool (LGIP)	100%	AAA	30%
Virginia State Non-Arbitrage Program (SNAP)	100%	AAA	15%
Treasury Obligation Fund	100%	AAA	40%
U.S. Government Agency Securities	100%	AAA	15%
			100%

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counter party, the County will not be able to recover the value or collateral securities that are in the possession of an outside party. However, the County’s investment policy requires that all securities purchased by the County be properly and clearly labeled as an asset of Fauquier County and held in safekeeping by a third party custodial bank or institution in compliance with Section 2.2-45-14 of the *Code of Virginia*. Therefore the County has no custodial credit risk.

Reconciliation of total cash and investments to the entity-wide financial statements at June 30, 2005 are as follows:

	Total Cash and Investments
Primary Government and discretely presented component unit – School Board:	
Total Investments	\$ 58,428,267
Add: Cash on Hand	4,177
Cash – Detention Center	5,387
Deposits	15,312,168
	73,749,999
Total Reporting Entity Cash and Investments	\$ 73,749,999

	Governmental Activities	Business Type Activities	Total	Component Unit – School Board	Fiduciary Funds (held by county)	Total Reporting Entity
Cash and Pooled Investments	\$ 67,887,978	\$ 3,937,942	\$ 71,825,920	\$ 710,150	\$ 1,213,929	\$ 73,749,999

Restricted cash and investments consist of amounts required by bond financing terms to be segregated in a closure fund for the Landfill Revenue Bond, capitalized interest accounts required to be used for capital expenditures, arbitrage rebate, and unspent debt proceeds required to be used for capital projects are as follows:

Restricted Cash and Investments at June 30, 2005:

Capital Project Fund:

General Obligation Bond Proceeds	\$ 4,453,184
Revenue Bond proceeds	495,914
Total Capital Project Fund	4,949,098

Enterprise Funds:

Revenue Bond Funds – Landfill	3,769,146
Total Enterprise Funds	3,769,146

Total Restricted Cash and Investments	\$ 8,718,244
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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.
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, 2005, there were no departments in which expenditures exceeded appropriations.

C. Deficit fund equity

As of June 30, 2005, there were no funds with deficit fund equity.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2005 consist of the following:

Primary Government

	General Fund	Capital Fund	Non-Major Governmental Funds	Totals
Property taxes	\$ 3,179,489	\$ -	\$ -	\$ 3,179,489
Accounts	1,730,075	45,028	274,619	2,049,722
Interfund	202,980	-	-	202,980
Intergovernmental	2,404,794	-	-	2,404,794
Notes receivable	-	3,317,857	-	3,317,857
	<hr/>	<hr/>	<hr/>	<hr/>
Gross receivables	7,517,338	3,362,885	274,619	11,154,842
	<hr/>	<hr/>	<hr/>	<hr/>
Less:				
Allowance for uncollectible accounts	(600,030)	-	-	(600,030)
	<hr/>	<hr/>	<hr/>	<hr/>
Net receivables	\$ 6,917,308	\$ 3,362,885	\$ 274,619	\$ 10,554,812
	<hr/>	<hr/>	<hr/>	<hr/>

NOTE 4 – RECEIVABLES (CONTINUED)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Deferred tax revenue	\$ 1,725,025	\$ -
Prepaid taxes	-	125,862
VPSA bond refunding	627,838	--
Fauquier County Water & Sanitation Authority Note	3,317,857	-
Parks & Recreation facility rentals	<u>-</u>	<u>5,262</u>
	<u>\$ 5,670,720</u>	<u>\$ 131,124</u>

Component Unit – School Board

	<u>School General Fund</u>	<u>Textbook Fund</u>	<u>School Nutrition Fund</u>	<u>Totals</u>
Accounts	\$ 73,050	\$ 3,080	\$ 2,519	\$ 78,649
Intergovernmental	<u>2,805,870</u>	<u>-</u>	<u>49,269</u>	<u>2,855,139</u>
Net receivables	<u>\$ 2,878,920</u>	<u>\$ 3,080</u>	<u>\$ 51,788</u>	<u>\$ 2,933,788</u>

The School Board’s receivables are considered fully collectible and therefore an allowance for uncollectible accounts is not applicable to those receivables.

At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the component unit were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
School grants	\$ -	\$ 15,763
Nutrition prepaid revenue	<u>-</u>	<u>42,850</u>
	<u>\$ -</u>	<u>\$ 58,613</u>

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005 consisted of the following:

Transfers to General Fund from:				Transfers from General Fund to:	
Capital Projects Fund	\$ 370,724	\$ 8,854,605		Capital Projects Fund	
Enterprise Funds	-	60,559		Enterprise Funds	
Nonmajor Governmental Funds	83,756	457,387		Nonmajor Governmental Funds	
Internal Service Funds	-	153,000		Internal Service Funds	
Total General Fund Transfers In	\$ <u>454,480</u>	\$ <u>9,525,551</u>		Total General Fund Transfers Out	

Transfers to Capital Projects Fund from:				Transfers from Capital Projects Fund to:	
General Fund	\$ 8,854,605	\$ 370,724		General Fund	
Nonmajor Governmental Funds	10,228	17,500		Nonmajor Governmental Funds	
Total Capital Fund Transfers In	\$ <u>8,864,833</u>	\$ <u>388,224</u>		Total Capital Fund Transfers Out	

Transfers to Enterprise Funds from:				Transfers from Enterprise Funds to:	
General Fund	\$ 60,559	\$ -		General Fund	
Total Enterprise Funds Transfers In	\$ <u>60,559</u>	\$ <u>-</u>		Total Enterprise Funds Transfers Out	

Transfers to Nonmajor Governmental Funds from:				Transfers from Nonmajor Governmental Funds to:	
General Fund	\$ 457,387	\$ 83,756		General Fund	
Capital Projects Fund	17,500	10,228		Capital Projects Fund	
Nonmajor Governmental Funds- Fire & Rescue Fund	58,080	58,080		Nonmajor Governmental Funds- Joint Communications	
Nonmajor Governmental Funds- Conservation Easement Service District Fund	50,000	50,000		Nonmajor Governmental Funds- Fire & Rescue Fund	
Total Nonmajor Governmental Funds Transfers In	\$ <u>582,967</u>	\$ <u>202,064</u>		Total Nonmajor Governmental Funds Transfers Out	

Transfers to Internal Service Funds from:				Transfers from Internal Service Funds to:	
General Fund	\$ 153,000	\$ -		General Fund	
Total Internal Service Funds Transfers In	\$ <u>153,000</u>	\$ <u>-</u>		Total Internal Service Funds Transfers Out	

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 6 – DUE FROM/TO PRIMARY GOVERNMENT/COMPONENT UNIT 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, 2005:

	<u>Due from Primary Government</u>	<u>Due to Component Unit</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Component unit – School Board	\$ 7,291,710	\$ -	\$ -	\$ -
Primary government – General Fund	-	7,291,710	-	-
Primary government – General Fund	-	-	202,980	-
Primary government – Airport Fund	-	-	-	155,163
Primary government – Special Revenue Funds	-	-	-	47,817
Total	<u>\$ 7,291,710</u>	<u>\$ 7,291,710</u>	<u>\$ 202,980</u>	<u>\$ 202,980</u>

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 7 – DUE FROM OTHER GOVERNMENTAL UNITS

The following is a summary of amounts due from other governmental units at June 30, 2005:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
Local sales tax	\$ 1,224,181	\$ -
State sales tax	-	1,618,461
Shared expenses	362,261	-
Comprehensive services	346,884	-
Miscellaneous grants	227,140	205,987
Airport grants	187,581	-
Federal Government:		
School fund grants	-	1,030,691
Other Federal grants	244,328	-
Airport grants	<u>369,532</u>	<u>-</u>
Total	<u>\$ 2,961,907</u>	<u>\$ 2,855,139</u>

NOTE 8 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2005:

	Balance July 1, 2004 as restated	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2005
Primary government – governmental funds				
Capital assets, not being depreciated:				
Land	\$ 13,701,095	\$ 1,120,783	\$ 241,693	\$ 14,580,185
Construction in progress	12,645,901	8,785,729	4,650,786	16,780,844
Jointly owned assets - CIP	13,156,447	2,191,697	14,533,846	814,298
Total capital assets not being depreciated	<u>39,503,443</u>	<u>12,098,209</u>	<u>19,426,325</u>	<u>32,175,327</u>
Capital assets being depreciated:				
Buildings and improvements	18,007,278	4,650,786	77,065	22,580,999
Machinery and equipment	7,616,983	1,637,382	416,220	8,838,145
Jointly owned assets	36,970,000	14,533,846	-	51,503,846
Total capital assets being depreciated	<u>62,594,261</u>	<u>20,822,014</u>	<u>493,285</u>	<u>82,922,990</u>
Less accumulated depreciation for:				
Buildings	5,365,079	601,577	40,878	5,925,778
Equipment	4,989,040	1,037,682	346,464	5,680,258
Jointly owned assets	3,311,625	1,032,130	-	4,343,755
Total accumulated depreciation	<u>13,665,744</u>	<u>2,671,389</u>	<u>387,342</u>	<u>15,949,791</u>
Total capital assets being depreciated, net	<u>48,928,517</u>	<u>18,150,625</u>	<u>105,943</u>	<u>66,973,199</u>
Governmental activities capital assets, net	<u>\$ 88,431,960</u>	<u>\$ 30,248,834</u>	<u>19,532,268</u>	<u>\$ 99,148,526</u>
	Balance July 1, 2004	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2005
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	1,099,133	90,805	1,237,717
Total capital assets not being depreciated	<u>1,866,525</u>	<u>1,099,133</u>	<u>90,805</u>	<u>2,874,853</u>
Capital assets being depreciated:				
Cell improvements	4,543,843	-	-	4,543,843
Equipment	572,334	99,608	80,206	591,736
Infrastructure	854,306	-	-	854,306
Facilities	161,745	90,805	-	252,550
Total capital assets being depreciated	<u>6,132,228</u>	<u>190,413</u>	<u>80,206</u>	<u>6,242,435</u>
Less accumulated depreciation for:				
Cell improvements	723,235	173,679	-	896,914
Equipment	366,408	70,685	65,099	371,994
Infrastructure	143,791	47,930	-	191,721
Facilities	45,087	9,149	-	54,236
Total accumulated depreciation	<u>1,278,521</u>	<u>301,443</u>	<u>65,099</u>	<u>1,514,865</u>
Total capital assets being depreciated, net	<u>4,853,707</u>	<u>(111,030)</u>	<u>15,107</u>	<u>4,727,570</u>
Solid waste fund capital assets, net	<u>\$ 6,720,232</u>	<u>\$ 988,103</u>	<u>\$ 105,912</u>	<u>\$ 7,602,423</u>

NOTE 8 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2004	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2005
Primary government – enterprise funds (continued)				
Airport Fund:				
Capital assets, not being depreciated:				
Land	\$ 4,921,306	\$ -	\$ -	\$ 4,921,306
Construction in progress	4,466,522	4,567,796	-	9,034,318
Total capital assets not being depreciated	<u>9,387,828</u>	<u>4,567,796</u>	<u>-</u>	<u>13,955,624</u>
Capital assets being depreciated:				
Improvements	1,239,749	-	-	1,239,749
Machinery & Equipment	21,796	70,576	8,100	84,272
Total capital assets being depreciated	<u>1,261,545</u>	<u>70,576</u>	<u>8,100</u>	<u>1,324,021</u>
Less accumulated depreciation for:				
Improvements	297,531	47,197	-	344,728
Machinery & Equipment	1,089	21,649	405	22,333
Total accumulated depreciation	<u>298,620</u>	<u>68,846</u>	<u>405</u>	<u>367,061</u>
Total capital assets being depreciated, net	<u>962,925</u>	<u>1,730</u>	<u>7,695</u>	<u>956,960</u>
Airport fund capital assets, net	<u>\$ 10,350,753</u>	<u>\$ 4,569,526</u>	<u>\$ 7,695</u>	<u>\$ 14,912,584</u>
	Balance July 1, 2004 as restated	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2005
Discretely presented component unit – School Board:				
Capital assets, not being depreciated:				
Land	\$ 2,846,967	\$ 142,694	\$ -	\$ 2,989,661
Construction in progress	8,745,234	3,620,550	360,122	12,005,662
Total capital assets not being depreciated	<u>11,592,201</u>	<u>3,763,244</u>	<u>360,122</u>	<u>14,995,323</u>
Capital assets being depreciated:				
Buildings and improvements	54,432,851	360,122	47,900	54,745,073
Machinery and equipment	14,193,083	1,556,775	421,129	15,328,729
Total capital assets being depreciated	<u>68,625,934</u>	<u>1,916,897</u>	<u>469,029</u>	<u>70,073,802</u>
Less accumulated depreciation for:				
Buildings and improvements	27,324,341	1,401,268	47,900	28,677,709
Machinery and equipment	7,801,950	1,124,611	308,200	8,618,361
Total accumulated depreciation	<u>35,126,291</u>	<u>2,525,879</u>	<u>356,100</u>	<u>37,296,070</u>
Total capital assets being depreciated, net	<u>33,499,643</u>	<u>(608,982)</u>	<u>112,929</u>	<u>32,777,732</u>
School Board capital assets, net	<u>\$ 45,091,844</u>	<u>\$ 3,154,262</u>	<u>\$ 473,051</u>	<u>\$ 47,773,055</u>

NOTE 8 – CAPITAL ASSETS (CONTINUED)

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

Primary government – governmental funds	
General government	\$ 329,711
Judicial administration	125,900
Public safety	551,974
Public works	146,475
Health and welfare	19,498
Education	1,032,644
Parks, recreation, and cultural	299,927
Community development	<u>19,238</u>
Total governmental activities	\$ <u>2,525,367</u>
Primary government – enterprise funds	
Solid Waste Fund	\$ 301,443
Airport Fund	<u>68,846</u>
Total enterprise funds	\$ <u>370,289</u>
Component unit – School Board	\$ <u>2,508,096</u>

NOTE 9 – 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
2006	573,726	353,805	125,000	137,790	4,440,000	2,465,490
2007	596,745	332,402	130,000	132,665	4,405,000	2,188,389
2008	620,169	309,573	135,000	127,010	4,350,000	1,948,159
2009	644,019	284,147	140,000	121,138	4,270,000	1,705,860
2010	678,316	251,390	145,000	115,048	3,630,000	1,486,746
2011	703,083	221,738	155,000	108,377	3,255,000	1,307,228
2012	738,344	190,352	160,000	101,248	3,220,000	1,142,248
2013	655,680	156,736	170,000	93,487	2,910,000	988,314
2014	575,000	126,180	175,000	85,242	2,905,000	842,429
2015	605,000	95,418	185,000	76,755	2,115,000	714,126
2016	635,000	63,050	195,000	67,320	2,115,000	603,883
2017	665,000	32,253	205,000	57,375	2,110,000	492,910
2018	-	-	215,000	46,920	1,660,000	393,076
2019	-	-	225,000	35,955	1,485,000	310,294
2020	-	-	235,000	24,480	1,485,000	234,259
2021	-	-	245,000	12,495	1,310,000	167,686
2022	-	-	-	-	1,085,000	111,548
2023	-	-	-	-	765,000	65,645
2024	-	-	-	-	765,000	27,555
2025	-	-	-	-	185,000	4,255
2026	-	-	-	-	-	-
Totals	\$ <u>7,690,082</u>	\$ <u>2,417,044</u>	\$ <u>2,840,000</u>	\$ <u>1,343,305</u>	\$ <u>48,465,000</u>	\$ <u>17,200,100</u>

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2005:

	Adjusted Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005	Amount Due Within One Year
Capital Leases	\$ 8,246,174	\$ -	\$ 556,092	\$ 7,690,082	\$ 573,726
Revenue Bonds	2,960,000	-	120,000	2,840,000	125,000
General Obligation Bonds	49,045,000	3,720,000	4,300,000	48,465,000	4,440,000
Premium on bonds payable	772,947	282,236	38,647	1,016,536	52,759
Compensated absences	2,523,155	674,533	326,923	2,870,765	287,076
Incurred but not reported claims	1,175,260	71,100	-	1,246,360	-
Total general long term obligations	<u>\$ 64,722,536</u>	<u>\$ 4,747,869</u>	<u>\$ 5,341,662</u>	<u>\$ 64,128,743</u>	<u>\$ 5,478,561</u>

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

Details of long-term obligations are as follows:

	Amount Outstanding	Amount Due Within One Year
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%	\$ 6,285,000	\$ 415,000
\$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>1,405,082</u>	<u>158,726</u>
Total Capital Leases	<u>7,690,082</u>	<u>573,726</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>2,840,000</u>	<u>125,000</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%	6,855,000	1,445,000
\$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%	5,400,000	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%	2,275,000	175,000

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds: (continued)		
\$3,500,000 Virginia Public School Authority Bonds, Series 1999A, issued November 29, 1999, maturing annually beginning July 15, 2000 through July 15, 2019, with interest payable semiannually at rates from 5.10% to 6.10%	\$ 2,625,000	\$ 175,000
\$4,575,000 Virginia Public School Authority Bonds, Series 2000A, issued November 16, 2000, maturing annually beginning July 15, 2001 through July 15, 2020, with interest payable semiannually at rates from 4.975% to 5.85%	3,655,000	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%	7,450,000	870,000
\$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%	5,440,000	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%	11,045,000	585,000
\$3,720,000 Virginia Public School Authority Bonds, Series 2004A, issued November 10, 2004, maturing annually from July 15, 2005 through July 15, 2024, with interest payable semiannually at rates from 4.10% to 5.60%	<u>3,720,000</u>	<u>190,000</u>
Total General Obligation Bonds	<u>48,465,000</u>	<u>4,440,000</u>
Premium on bonds payable	<u>1,016,536</u>	<u>52,759</u>
Compensated absences payable	<u>2,870,765</u>	<u>287,076</u>
Incurred but not reported claims	<u>1,246,360</u>	<u>-</u>
Total primary government long-term obligations	<u>\$ 64,128,743</u>	<u>\$ 5,478,561</u>

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

PROPRIETARY FUNDS

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

Fiscal Year	Revenue Bonds	
	Principal	Interest
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>\$ 1,885,000</u>	<u>\$ 238,425</u>

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, 2005:

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
Enterprise fund debt:				
Solid Waste Bonds	\$ 2,220,000	\$ -	\$ 335,000	\$ 1,885,000
Compensated Absences	140,220	2,241	63,584	78,877
Landfill closure and postclosure liability	4,476,382	2,843,090	-	7,319,472
Premium on bonds payable	80,121	-	13,733	66,388
Deferred amount on refunding	(77,728)	19,931	-	(57,797)
Total enterprise debt	<u>\$ 6,838,995</u>	<u>\$ 2,865,262</u>	<u>\$ 412,317</u>	<u>\$ 9,291,940</u>

Details of long-term obligations are as follows:

	Amount Payable June 30, 2005	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%	\$ 1,885,000	\$ 345,000
Compensated absences	78,877	7,887
Landfill closure and postclosure liability	7,319,472	-
Premium on bonds payable	66,388	13,736
Deferred amount on refunding	(57,797)	(11,958)
Total proprietary fund obligations	<u>\$ 9,291,940</u>	<u>\$ 354,665</u>

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

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, 2005:

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
General long-term debt:				
Compensated absences	\$ 3,702,584	\$ 313,609	\$ 185,683	\$ 3,830,510
Total general long-term debt	\$ <u>3,702,584</u>	\$ <u>313,609</u>	\$ <u>185,683</u>	\$ <u>3,830,510</u>

Details of long-term obligation are as follows:

	Amount Payable June 30, 2005	Amount Due Within One Year
Compensated absences payable, component unit	\$ 3,830,510	\$ 383,051
Total component unit long-term debt	\$ <u>3,830,510</u>	\$ <u>383,051</u>

NOTE 10 – CONSTRUCTION COMMITMENTS

At June 30, 2005, the County has several major projects under construction which are summarized below:

Project	Contract Amounts	Expenditures as of June 30, 2005	Contract Balance
Primary Government:			
Courthouse	\$ 3,598,139	\$ 2,403,499	\$ 1,194,640
Public Safety Radio System	7,207,402	7,171,234	36,168
Detention Center	2,439,954	1,670,228	769,726
Airport Runway	8,925,286	8,362,146	563,140
Total	\$ <u>22,170,781</u>	\$ <u>19,607,107</u>	\$ <u>2,563,674</u>

NOTE 11 – 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 12 – CLAIMS AND LITIGATION

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

NOTE 13 – 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.

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 2005 were 6.00% and 0.50% of the annual covered payroll, respectively. The total contribution made on behalf of the County and School Board non-professional employees totaled 11.00% and 5.50% 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, 2005, 2004, and 2003, were \$5,924,300, \$4,355,860, and \$4,023,587, respectively, and these contributions represented 11.03%, 8.77%, and 8.77% respectively, of current covered payroll.

C. Annual pension cost

For fiscal year 2005, the County's annual pension cost of \$2,215,582 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 6.00% employer's share. For fiscal year 2005, the School Board's annual pension cost for non-professional employees of \$200,264 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 0.50% 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.

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2003	\$ 1,584,058	100%	\$ -
June 30, 2004	1,686,894	100%	-
June 30, 2005	2,215,582	100%	-

Component unit – School Board:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2003	\$ 168,916	100%	\$ -
June 30, 2004	169,938	100%	-
June 30, 2005	200,264	100%	-

E. Post employment benefits

The School Board provides limited postretirement health and dental benefits, as provided for in Virginia state law, to retirees who have 15 or more years of creditable VRS service. Retirees are granted the option to participate by paying 100% of their monthly health insurance premium to Fauquier County or to the carrier of their choice. A maximum credit of \$105 is paid by VRS directly to the retirees as part of their retirement benefit. As of the end of the current fiscal year there were 168 retirees receiving these benefits. The plan is financed by payments from the School Board to VRS. For fiscal year ending June 30, 2005, the contribution made by the School Board was \$369,753. The surplus funds are not considered advance funded because the School Board, its employees, and retirees have no vested rights to access the excess funds. Generally accepted accounting principles (GAAP) do not require governments to report a liability in the financial statements in connection with an employer’s obligation to provide these benefits.

NOTE 14 – FIRE & RESCUE PENSION TRUST LENGTH OF SERVICE AWARDS PROGRAM

A. Plan description and provisions

On January 1, 1995 the Fauquier County Board of Supervisors adopted the Fire & Rescue Pension Trust 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. The amortization period is closed. No separate financial report is issued for the plan.

As of January 1, 2005 the program membership consisted of the following:

Eligible Members	208
Retirees and beneficiaries	35

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, 2005 totaled \$249,582. 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, 2005 the plan had net assets available for benefits totaling \$1,080,640. Unfunded past service costs total \$1,032,756 and will be fully amortized in 7 years. The plan additions fund the cost of administering the plan.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2003	\$ 82,195	100%
June 30, 2004	211,946	100%
June 30, 2005	249,582	100%

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, 2005 the defeased bonds had balances outstanding of \$1,875,000.

NOTE 16 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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 \$7,319,472 reported as landfill closure and postclosure care liability at June 30, 2005, represents the cumulative amount reported based on the use of 90.60% of the estimated capacity of the old landfill and the use of 26.50% of the estimated capacity of the new landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$494,859 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 \$7,072,291 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 2005. The County expects to close the old landfill in the year 2007 and expects to close the new landfill in the year 2019. 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 – FUND BALANCES/NET ASSETS

Reserved fund balances are a portion of the governmental fund’s net assets that are not available for appropriation. Encumbrances are not included in current-year expenditures or liabilities, but represent commitments for future expenditures. Noncurrent receivables represent the amount due from Fauquier County Water and Sanitation that will not be received in the next fiscal year.

Reserved Fund Balances as of June 30, 2005:

Primary Government

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Primary Government
Reserved for:				
Encumbrances	\$ 537,304	\$ 2,563,674	\$ -	\$ 3,100,978
Total	\$ 537,304	\$ 2,563,674	\$ -	\$ 3,100,978

Designated fund balances are for future years’ expenditures including the reappropriation of portions of the FY2005 budget and the appropriation of undesignated fund balance for utilization in a future period.

Designated Fund Balances as of June 30, 2005:

Primary Government

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Primary Government
Designated for:				
Grants and special projects	\$ 223,102	\$ -	\$ -	\$ 223,102
Future years’ expenditures	5,785,205	-	-	5,785,205
Construction projects	-	30,868,038	-	30,868,038
Total	\$ 6,008,307	\$ 30,868,038	\$ -	\$ 36,876,345

Designated unreserved fund balances represent management’s intended future use of resources and are available for appropriation.

NOTE 18 – 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.

D. Health benefit program component

The County is self-insured for medical and dental coverage for County and School employees. Anthem 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 2005 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.

NOTE 18 – RISK MANAGEMENT (CONTINUED)

Changes in the balances of claims liabilities during the year are as follows:

	2004	2005
Unpaid claims, beginning July 1, 2004	\$ 1,021,975	\$ 1,175,260
Incurred claims, (including IBNR)	10,300,563	10,637,885
Claim payments	10,147,278	10,566,785
Unpaid claims, ending June 30, 2005	\$ 1,175,260	\$ 1,246,360

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS

The Clarke-Fauquier-Frederick-Winchester Jail Board was created in 1987 to construct and operate the Clarke-Fauquier-Frederick-Winchester Regional Adult Detention Center. The Center charges, on a per diem basis, other localities and the Federal Government for their prisoners placed in the jail. The fourteen member board consists of four members each from the County of Frederick and the City of Winchester, and three each from the Counties of Clarke and Fauquier. The County and other participants have no equity interest in the jail. The County made operating contributions for 22.8% of the regional jail's operating expenses, including debt service totaling \$1,061,154 in fiscal year 2005.

NOTE 20 – SURETY BONDS

<u>Fidelity and Deposit Company of Maryland – Surety</u>	<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

NOTE 21 – COMMITMENTS UNDER NONCAPITALIZED LEASES

The County leases the following property:

<u>Property</u>	<u>Annual Payments</u>
Lee and John Marshall Street, Corner Parking Lot	\$ 6,000
Registrar's Office, John Marshall Building	30,107
Economic Development Office, 35 Culpeper Street	12,000
Tax Reassessor's Office, 183-1 Keith Street	11,820
Commonwealth Attorney Office, 70 Main Street	57,780

All leases are subject to annual appropriation of rental payments.

NOTE 22 – SUBSEQUENT EVENTS

In September 2005, the Board of Supervisors authorized participation in the Fall 2005 Virginia Public School Authority sale and issuance of General Obligation bonds up to the maximum principal amount of \$12,180,000. Proceeds of bonds issued will be used to finance various school construction projects.

In September 2005, the Virginia Public School Authority notified the County of the sale of VPSA Refunding Bonds Series 2003D. The refunding savings resulted in a lump sum distribution in the amount of \$627,838 to the County. The proceeds of the refunding will be used to finance school construction projects.

NOTE 23 – NET ASSETS ADJUSTMENTS

Net assets were adjusted as of June 30, 2004 as follows:

	<u>Primary Government</u>	<u>Component Unit – School Board</u>	<u>Crockett Scholarship Private-Purpose Trust Fund</u>
Net assets as previously reported	\$ 87,485,414	\$ 43,352,620	\$ 488,326
Reclassification of capital assets:			
Land transfer	1,348,219	(1,348,219)	-
Land adjustment	<u>2,443,793</u>	<u>28,200</u>	<u>88,300</u>
Total reclassification of capital assets	<u>3,792,012</u>	<u>(1,320,019)</u>	<u>88,300</u>
Reclassification of other assets:			
Notes receivable	3,181,147	-	-
Other	<u>15,554</u>	<u>-</u>	<u>-</u>
Total reclassification of other assets	<u>3,196,701</u>	<u>-</u>	<u>-</u>
Net assets, as restated	<u>\$ 94,474,127</u>	<u>\$ 42,032,601</u>	<u>\$ 576,626</u>

NOTE 24 – RESTATEMENT OF BEGINNING FUND BALANCES

Certain amounts in the beginning fund balances have been restated in fiscal year 2005 due to addition, combination, and/or reclassification of individual Funds. Beginning fund balances of these funds have been restated as follows:

	<u>Capital Projects Fund</u>	<u>Proffer Fund</u>	<u>Vint Hill Transportation Fund</u>
Beginning fund balance, as previously reported	\$ 37,773,109	\$ -	\$ -
Reclassification of fund	(92,529)	92,529	-
Addition of fund	<u>-</u>	<u>-</u>	<u>1,758</u>
Beginning fund balance, as restated	<u>\$ 37,680,580</u>	<u>\$ 92,259</u>	<u>\$ 1,758</u>

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress
 Virginia Retirement System and Fire & Rescue Pension Trust Length of Service Awards Program
 Fiscal Year Ended June 30, 2005

Virginia Retirement System

County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
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%
June 30, 2004	36,743,215	39,710,015	2,966,800	92.53%	18,763,529	15.8%

Component unit – School Board:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
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%
June 30, 2004	10,927,821	9,493,645	(1,434,176)	115.11%	3,384,004	-42.4%

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.

Fire & Rescue Length of Service Awards Pension Program

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio
December 31, 1998	\$ 1,044,776	\$ 2,367,901	\$ 1,323,125	44.1%
December 31, 1999	1,254,341	2,472,873	1,218,532	50.7%
December 31, 2000	1,411,479	2,496,242	1,084,763	56.5%
December 31, 2001	1,580,147	2,978,732	1,398,585	53.3%
December 31, 2002	1,749,474	3,035,865	1,286,391	57.6%
December 31, 2003	1,835,071	3,043,733	1,208,662	60.2%
December 31, 2004	1,421,310	2,454,066	1,032,756	57.9%

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.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for the capital expenditures for land, new structures, and the major repair, renovation, and maintenance of existing structures.

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, 2005

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Revenue from use of money	\$ -	\$ -	\$ 233,659	\$ 233,659
Charges for services	-	-	6,000	6,000
Gifts and donations	-	8,000	8,000	-
Intergovernmental:				
Contribution from component unit – School Board	1,842,698	526,788	526,788	-
Federal Government	-	33,600	-	(33,600)
Miscellaneous nonrevenue	-	9,800	9,800	-
Total revenues	<u>1,842,698</u>	<u>578,188</u>	<u>784,247</u>	<u>206,059</u>
Expenditures				
Capital Projects Fund:				
Capital outlay:				
General government	232,780	250,000	243,686	6,314
Public safety	502,711	713,733	327,530	386,203
Public works	9,019,293	2,526,084	158,072	2,368,012
Education	1,097,418	2,178,039	1,237,120	940,919
Parks, recreation, & cultural	1,317,096	1,349,656	28,312	1,321,344
Community development	173,038	322,906	82,496	240,410
Total capital outlay	<u>12,342,336</u>	<u>7,340,418</u>	<u>2,077,216</u>	<u>5,263,202</u>
Capital projects:				
General government administration:				
Warren Green building	143,016	152,570	152,570	-
Judicial administration:				
Courthouse	709,593	5,193,750	2,876,662	2,317,088
Public safety:				
Detention center	1,205,228	2,813,369	1,975,688	837,681
Radio safety	2,362,086	2,362,086	2,436,218	(74,132)
Total public safety	<u>\$ 3,567,314</u>	<u>\$ 5,175,455</u>	<u>\$ 4,411,906</u>	<u>\$ 763,549</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 14
Page 2 of 3

Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Capital Projects Fund: (continued)				
Capital projects: (continued)				
Education:				
Auburn middle school	\$ 4,064,122	\$ 4,064,122	\$ 1,408,714	\$ 2,655,408
Bradley elementary - roof	134,400	134,400	137,740	(3,340)
Brumfield elementary school	34,504	34,504	4,400	30,104
Cedar Lee middle school	145,329	113,540	108,558	4,982
Fauquier high school	74,917	134,417	130,913	3,504
Fauquier high school - science lab	29,000	39,000	-	39,000
Liberty high school	904,685	4,904,685	295,264	4,609,421
Mary Walter elementary - roof	542,915	542,915	518,995	23,920
New high school	4,639,704	5,651,672	1,812,742	3,838,930
Taylor middle school	176,334	176,334	25,582	150,752
Taylor middle school - roof	250,435	250,435	225,700	24,735
Thompson elementary school	3,103,497	6,753,497	814,298	5,939,199
Warrenton middle school	197,384	197,384	25,855	171,529
	<u>14,297,226</u>	<u>22,996,905</u>	<u>5,508,761</u>	<u>17,488,144</u>
Parks, recreation, & cultural:				
Bealeton depot	57,521	99,121	-	99,121
Bealeton library	-	18,495	18,495	-
John Barton Payne library	142,901	142,901	62,880	80,021
Land - Gregory property	-	169,900	169,983	(83)
Land - Rappahannock Landing	-	875,000	877,936	(2,936)
Monroe park	613,950	624,178	56,470	567,708
New Baltimore library	6,379	6,379	-	6,379
Northern swimming pool	1,398,266	1,398,266	-	1,398,266
Sports complex	11,989,457	11,614,457	615,417	10,999,040
Vint Hill - hvac	76,179	76,179	-	76,179
Vint Hill - pool	98,889	98,889	39,823	59,066
	<u>14,383,542</u>	<u>15,123,765</u>	<u>1,841,004</u>	<u>13,282,761</u>
Community development:				
Airport sewer project	372,904	372,904	380,472	(7,568)
	<u>372,904</u>	<u>372,904</u>	<u>380,472</u>	<u>(7,568)</u>
Total capital projects	\$ <u>33,473,595</u>	\$ <u>49,015,349</u>	\$ <u>15,171,375</u>	\$ <u>33,843,974</u>

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, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Expenditures (continued)				
Capital Projects Fund: (continued)				
Capital projects: (continued)				
Debt service:				
Reserve for debt service	\$ 1,000,000	\$ 646,893	\$ -	\$ 646,893
Principal retirement	-	120,000	120,000	-
Interest & fiscal charges	-	233,107	143,368	89,739
	<u>1,000,000</u>	<u>1,000,000</u>	<u>263,368</u>	<u>736,632</u>
Total debt service				
	<u>1,000,000</u>	<u>1,000,000</u>	<u>263,368</u>	<u>736,632</u>
Total expenditures	<u>46,815,931</u>	<u>57,355,767</u>	<u>17,511,959</u>	<u>39,843,808</u>
Excess (deficiency) of revenues over expenditures	<u>(44,973,233)</u>	<u>(56,777,579)</u>	<u>(16,727,712)</u>	<u>40,049,867</u>
Other financing sources (uses)				
Transfers in	511,700	7,598,280	8,864,833	1,266,553
Transfers (out)	-	(388,224)	(388,224)	-
Construction bond proceeds	1,572,000	1,572,000	-	(1,572,000)
Issuance of debt	-	3,650,000	3,720,000	70,000
Premiums on issuance of debt	-	-	282,235	282,235
	<u>2,083,700</u>	<u>12,432,056</u>	<u>12,478,844</u>	<u>46,788</u>
Total other financing sources (uses)				
	<u>2,083,700</u>	<u>12,432,056</u>	<u>12,478,844</u>	<u>46,788</u>
Net change in fund balances	(42,889,533)	(44,345,523)	(4,248,868)	40,096,655
Fund balances, beginning, as restated	37,680,580	37,680,580	37,680,580	-
Fund balances, ending	<u>\$ (5,208,953)</u>	<u>\$ (6,664,943)</u>	<u>\$ 33,431,712</u>	<u>\$ 40,096,655</u>

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenue sources, other than major capital projects, that are legally restricted. Special Revenue Funds consist of the Joint Communications Fund, Parks & Recreation Fund, Library Fund, Conservation Easement Service District Fund, Fire & Rescue Fund, and Vint Hill Transportation Fund.

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COUNTY OF FAUQUIER, VIRGINIA

Exhibit 15

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2005

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	<u>Joint Communications Fund</u>	<u>Parks & Recreation Fund</u>	<u>Library Fund</u>	<u>Conservation Easement Service District Fund</u>
Assets				
Cash and investments	\$ 41,817	\$ 119,431	\$ 61,110	\$ 635,326
Accounts receivable (net)	74,904	-	-	68,578
Other assets	-	-	-	-
Total assets	<u>116,721</u>	<u>119,431</u>	<u>61,110</u>	<u>703,904</u>
Liabilities				
Accounts payable	10,291	79	-	1,546
Accrued liabilities	41,026	-	-	932
Customer deposits	-	-	-	-
Total liabilities	<u>51,317</u>	<u>79</u>	<u>-</u>	<u>2,478</u>
Fund Balances				
Unreserved:				
Undesignated	<u>65,404</u>	<u>119,352</u>	<u>61,110</u>	<u>701,426</u>
Total fund balances	<u>65,404</u>	<u>119,352</u>	<u>61,110</u>	<u>701,426</u>
Total liabilities and fund balances	<u>\$ 116,721</u>	<u>\$ 119,431</u>	<u>\$ 61,110</u>	<u>\$ 703,904</u>

Fire & Rescue Fund	Proffer Fund	Vint Hill Transportation Fund	Total Non-Major Governmental Funds	
\$ 1,045,617	\$ 282,949	\$ 436,816	\$ 2,623,066	Assets
107,396	-	-	250,878	Cash and investments
23,741	-	-	23,741	Accounts receivable (net)
				Other assets
<u>1,176,754</u>	<u>282,949</u>	<u>436,816</u>	<u>2,897,685</u>	Total assets
				Liabilities
43,972	-	-	55,888	Accounts payable
48,922	-	-	90,880	Accrued liabilities
-	-	431,345	431,345	Customer deposits
<u>92,894</u>	<u>-</u>	<u>431,345</u>	<u>578,113</u>	Total liabilities
				Fund Balances
1,083,860	282,949	5,471	2,319,572	Unreserved:
				Undesignated
<u>1,083,860</u>	<u>282,949</u>	<u>5,471</u>	<u>2,319,572</u>	Total fund balances
\$ <u>1,176,754</u>	\$ <u>282,949</u>	\$ <u>436,816</u>	\$ <u>2,897,685</u>	Total liabilities and fund balances

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 16
Page 1 of 2

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2005

	Joint Communications Fund	Parks & Recreation Fund	Library Fund	Conservation Easement Service District Fund
Revenues				
General property taxes	\$ -	\$ -	\$ -	\$ 1,338,001
Other local taxes	871,924	-	-	-
Use of money and property	-	2,803	1,394	-
Charges for services	3,055	-	-	-
Gifts and donations	-	21,343	3,705	600,000
Recovered cost	-	-	-	-
Intergovernmental:				
Commonwealth of Virginia	55,321	-	-	-
Federal Government	-	-	-	-
Total revenues	<u>930,300</u>	<u>24,146</u>	<u>5,099</u>	<u>1,938,001</u>
Expenditures				
Current:				
Public safety	1,259,650	-	-	-
Parks, recreation, and cultural	-	3,872	3,888	-
Community development	-	-	-	1,248,344
Total expenditures	<u>1,259,650</u>	<u>3,872</u>	<u>3,888</u>	<u>1,248,344</u>
Excess (deficiency) of revenue over expenditures	<u>(329,350)</u>	<u>20,274</u>	<u>1,211</u>	<u>689,657</u>
Other financing sources (uses)				
Transfers in	355,467	-	-	-
Transfers (out)	-	(10,228)	-	-
Total other financing sources (uses)	<u>355,467</u>	<u>(10,228)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	26,117	10,046	1,211	689,657
Fund balances, beginning, as restated	39,287	109,306	59,899	11,769
Fund balances, ending	<u>\$ 65,404</u>	<u>\$ 119,352</u>	<u>\$ 61,110</u>	<u>\$ 701,426</u>

Fire & Rescue Fund	Proffer Fund	Vint Hill Transportation Fund	Total Nonmajor Governmental Funds	
\$ 3,507,171	\$ -	\$ -	\$ 4,845,172	Revenues
32,480	-	-	904,404	General property taxes
-	-	3,713	7,910	Other local taxes
-	-	-	3,055	Use of money and property
-	240,420	-	865,468	Charges for services
671	-	-	671	Gifts and donations
145,267	-	-	200,588	Recovered cost
131,666	-	-	131,666	Intergovernmental:
				Commonwealth of Virginia
				Federal Government
<u>3,817,255</u>	<u>240,420</u>	<u>3,713</u>	<u>6,958,934</u>	Total revenues
				Expenditures
4,362,918	-	-	5,622,568	Current:
-	-	-	7,760	Public safety
-	-	-	1,248,344	Parks, recreation, and cultural
				Community development
<u>4,362,918</u>	<u>-</u>	<u>-</u>	<u>6,878,672</u>	Total expenditures
<u>(545,663)</u>	<u>240,420</u>	<u>3,713</u>	<u>80,262</u>	Excess (deficiency) of revenue over expenditures
				Other financing sources (uses)
227,500	-	-	582,967	Transfers in
(141,836)	(50,000)	-	(202,064)	Transfers (out)
<u>85,664</u>	<u>(50,000)</u>	<u>-</u>	<u>380,903</u>	Total other financing sources (uses)
(459,999)	190,420	3,713	461,165	Net change in fund balances
<u>1,543,859</u>	<u>92,529</u>	<u>1,758</u>	<u>1,858,407</u>	Fund balances, beginning, as restated
<u>\$ 1,083,860</u>	<u>\$ 282,949</u>	<u>\$ 5,471</u>	<u>\$ 2,319,572</u>	Fund balances, ending

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 17

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Joint Communications Fund
Fiscal Year Ended June 30, 2005**

Primary Government	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Special Revenue Funds:				
Revenues:				
Other local taxes	\$ 946,868	\$ 946,868	\$ 871,924	\$ (74,944)
Charges for services	-	-	3,055	3,055
Recovered costs	4,398	4,398	-	(4,398)
Intergovernmental:				
Commonwealth of Virginia	57,142	57,142	55,321	(1,821)
Total revenues	<u>1,008,408</u>	<u>1,008,408</u>	<u>930,300</u>	<u>(78,108)</u>
Expenditures:				
Public safety	1,243,856	1,329,800	1,259,650	70,150
Total expenditures	<u>1,243,856</u>	<u>1,329,800</u>	<u>1,259,650</u>	<u>70,150</u>
Excess (deficiency) of revenue over expenditures	<u>(235,448)</u>	<u>(321,392)</u>	<u>(329,350)</u>	<u>(7,958)</u>
Other financing sources (uses)				
Transfers in	235,448	352,765	355,467	2,702
Total other financing sources (uses)	<u>235,448</u>	<u>352,765</u>	<u>355,467</u>	<u>2,702</u>
Net change in fund balances	-	31,373	26,117	(5,256)
Fund balances, beginning	39,287	39,287	39,287	-
Fund balances, ending	<u>\$ 39,287</u>	<u>\$ 70,660</u>	<u>\$ 65,404</u>	<u>\$ (5,256)</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 18

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Parks & Recreation Fund
Fiscal Year Ended June 30, 2005**

Primary Government	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Special Revenue Funds:				
Revenues:				
Use of money and property	\$ -	\$ -	\$ 2,803	\$ 2,803
Gifts and donations	-	10,228	21,343	11,115
Total revenues	-	10,228	24,146	13,918
Expenditures:				
Parks, recreation, and cultural	-	-	3,872	(3,872)
Total expenditures	-	-	3,872	(3,872)
Excess (deficiency) of revenue over expenditures	-	10,228	20,274	10,046
Other financing sources (uses)				
Transfers (out)	-	(10,228)	(10,228)	-
Total other financing sources (uses)	-	(10,228)	(10,228)	-
Net change in fund balances	-	-	10,046	10,046
Fund balances, beginning	109,306	109,306	109,306	-
Fund balances, ending	\$ 109,306	\$ 109,306	\$ 119,352	\$ 10,046

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 19

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Library Fund
Fiscal Year Ended June 30, 2005**

Primary Government	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Special Revenue Funds:				
Revenues:				
Use of money and property	\$ -	\$ -	\$ 1,394	\$ 1,394
Gifts and donations	-	-	3,705	3,705
Total revenues	-	-	5,099	5,099
Expenditures:				
Parks, recreation, and cultural	-	-	3,888	(3,888)
Total expenditures	-	-	3,888	(3,888)
Excess (deficiency) of revenue over expenditures	-	-	1,211	1,211
Net change in fund balances	-	-	1,211	1,211
Fund balances, beginning	59,899	59,899	59,899	-
Fund balances, ending	\$ 59,899	\$ 59,899	\$ 61,110	\$ 1,211

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 20

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Conservation Easement Service District Fund
Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Primary Government				
Special Revenue Funds:				
Revenues:				
General property taxes	\$ 1,338,000	\$ 1,338,000	\$ 1,338,001	\$ 1
Gifts and donations	-	600,000	600,000	-
Total revenues	<u>1,338,000</u>	<u>1,938,000</u>	<u>1,938,001</u>	<u>1</u>
Expenditures:				
Community development	<u>1,338,000</u>	<u>1,938,000</u>	<u>1,248,344</u>	<u>689,656</u>
Total expenditures	<u>1,338,000</u>	<u>1,938,000</u>	<u>1,248,344</u>	<u>689,656</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>-</u>	<u>689,657</u>	<u>689,657</u>
Net change in fund balances	-	-	689,657	689,657
Fund balances, beginning	<u>11,769</u>	<u>11,769</u>	<u>11,769</u>	<u>-</u>
Fund balances, ending	<u>\$ 11,769</u>	<u>\$ 11,769</u>	<u>\$ 701,426</u>	<u>\$ 689,657</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 21

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Fire & Rescue Fund
Fiscal Year Ended June 30, 2005**

Primary Government	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Special Revenue Funds:				
Revenues:				
General property taxes	\$ 4,197,948	\$ 4,197,948	\$ 3,507,171	\$ (690,777)
Other local taxes	-	32,142	32,480	338
Recovered costs	581	581	671	90
Intergovernmental:				
Commonwealth of Virginia	90,297	162,766	145,267	(17,499)
Federal Government	-	188,956	131,666	(57,290)
Total revenues	<u>4,288,826</u>	<u>4,582,393</u>	<u>3,817,255</u>	<u>(765,138)</u>
Expenditures:				
Public safety	<u>3,881,488</u>	<u>4,699,326</u>	<u>4,362,918</u>	<u>336,408</u>
Total expenditures	<u>3,881,488</u>	<u>4,699,326</u>	<u>4,362,918</u>	<u>336,408</u>
Excess (deficiency) of revenue over expenditures	<u>407,338</u>	<u>(116,933)</u>	<u>(545,663)</u>	<u>(428,730)</u>
Other financing sources (uses)				
Transfers in	-	272,175	227,500	(44,675)
Transfers (out)	<u>(407,338)</u>	<u>(593,849)</u>	<u>(141,836)</u>	<u>452,013</u>
Total other financing sources (uses)	<u>(407,338)</u>	<u>(321,674)</u>	<u>85,664</u>	<u>407,338</u>
Net change in fund balances	-	(438,607)	(459,999)	(21,392)
Fund balances, beginning	<u>1,543,859</u>	<u>1,543,859</u>	<u>1,543,859</u>	<u>-</u>
Fund balances, ending	<u>\$ 1,543,859</u>	<u>\$ 1,105,252</u>	<u>\$ 1,083,860</u>	<u>\$ (21,392)</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 22

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Proffer Fund
Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance From Amended Positive (Negative)
Primary Government				
Special Revenue Funds:				
Revenues:				
Gifts and donations	\$ -	\$ 50,000	\$ 240,420	\$ 190,420
Total revenues	<u>-</u>	<u>50,000</u>	<u>240,420</u>	<u>190,420</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>50,000</u>	<u>240,420</u>	<u>190,420</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balances	-	-	190,420	190,420
Fund balances, beginning	92,529	92,529	92,529	-
Fund balances, ending	<u>\$ 92,529</u>	<u>\$ 92,529</u>	<u>\$ 282,949</u>	<u>\$ 190,420</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 23

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Vint Hill Transportation Fund
Fiscal Year Ended June 30, 2005**

Primary Government	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Special Revenue Funds:				
Revenues:				
Use of money and property	\$ -	\$ -	\$ 3,713	\$ 3,713
Total revenues	-	-	3,713	3,713
Expenditures:	-	-	-	-
Excess (deficiency) of revenue over expenditures	-	-	3,713	3,713
Net change in fund balances	-	-	3,713	3,713
Fund balances, beginning	1,758	1,758	1,758	-
Fund balances, ending	<u>\$ 1,758</u>	<u>\$ 1,758</u>	<u>\$ 5,471</u>	<u>\$ 3,713</u>

PROPRIETARY FUNDS

The Internal Service Funds are used to account for the financing of goods or services provided by a department to another department on a cost reimbursement basis. The Internal Service Funds consist of the Fleet Maintenance Fund and the Health Insurance Fund.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 24

Combining Statement of Net Assets
Internal Service Funds
June 30, 2005

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Assets			
Current assets:			
Cash and investments	\$ 200	\$ 5,056,795	\$ 5,056,995
Receivables, net of allowances for uncollectibles	39,539	-	39,539
Inventories	139,743	-	139,743
Total current assets	179,482	5,056,795	5,236,277
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Buildings and improvements	10,980	-	10,980
Equipment	122,516	-	122,516
Total capital assets	133,496	-	133,496
Total noncurrent assets	133,496	-	133,496
Total assets	312,978	5,056,795	5,369,773
Liabilities			
Current liabilities:			
Accounts payable	85,715	50,352	136,067
Accrued and other liabilities	20,289	-	20,289
Due to other funds	47,817	-	47,817
Compensated absences	7,247	-	7,247
Total current liabilities	161,068	50,352	211,420
Noncurrent liabilities:			
Incurred but not reported claims	-	1,246,360	1,246,360
Compensated absences	65,222	-	65,222
Total noncurrent liabilities	65,222	1,246,360	1,311,582
Total liabilities	226,290	1,296,712	1,523,002
Net Assets			
Invested in capital assets, net of related debt	133,496	-	133,496
Unrestricted	(46,808)	3,760,083	3,713,275
Total net assets	86,688	3,760,083	3,846,771
Total liabilities and net assets	\$ 312,978	\$ 5,056,795	\$ 5,369,773

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 25

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
Fiscal Year Ended June 30, 2005**

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Operating revenues			
Charges for services	\$ 2,192,803	\$ 11,886,993	\$ 14,079,796
Total operating revenues	<u>2,192,803</u>	<u>11,886,993</u>	<u>14,079,796</u>
Operating expenses			
Personal services	529,107	-	529,107
Fringe benefits	163,786	-	163,786
Claims and benefits paid	-	10,637,885	10,637,885
Premiums	-	966,141	966,141
Contractual services	89,647	25,426	115,073
Other operating expenses	1,485,150	4,470	1,489,620
Depreciation	<u>25,484</u>	<u>-</u>	<u>25,484</u>
Total operating expenses	<u>2,293,174</u>	<u>11,633,922</u>	<u>13,927,096</u>
Operating income (loss)	<u>(100,371)</u>	<u>253,071</u>	<u>152,700</u>
Nonoperating revenues (expenses)			
Interest income	-	135,856	135,856
Miscellaneous nonrevenue	<u>4,596</u>	<u>-</u>	<u>4,596</u>
Total nonoperating revenues (expenses)	<u>4,596</u>	<u>135,856</u>	<u>140,452</u>
Income (loss) before transfers	(95,775)	388,927	293,152
Transfers in	<u>-</u>	<u>153,000</u>	<u>153,000</u>
Change in net assets	(95,775)	541,927	446,152
Net assets - beginning	182,463	3,218,156	3,400,619
Net assets - ending	<u>\$ 86,688</u>	<u>\$ 3,760,083</u>	<u>\$ 3,846,771</u>

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

**Combining Statement of Cash Flows
Internal Service Funds
Fiscal Year Ended June 30, 2005**

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Cash Flow from Operating Activities			
Receipts from customers and users	\$ 2,183,606	\$ 12,079,299	\$ 14,262,905
Payment to suppliers and other operating activities	(1,596,701)	(11,569,062)	(13,165,763)
Payment to employees (including fringes)	(684,228)	-	(684,228)
Net cash provided by (used in) operating activities	<u>(97,323)</u>	<u>510,237</u>	<u>412,914</u>
Cash Flow from Noncapital Financing Activities			
Transfers in	-	153,000	153,000
Due to other funds	47,817	-	47,817
Net cash provided by noncapital financing activities	<u>47,817</u>	<u>153,000</u>	<u>200,817</u>
Cash Flow from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(15,977)	-	(15,977)
Net cash provided by (used in) capital and related financing activities	<u>(15,977)</u>	<u>-</u>	<u>(15,977)</u>
Cash Flow from Investing Activities			
Interest	-	135,856	135,856
Net cash provided by investing activities	<u>-</u>	<u>135,856</u>	<u>135,856</u>
Net increase (decrease) in cash and cash equivalents	(65,483)	799,093	733,610
Cash and cash equivalents - beginning of the year	65,683	4,257,702	4,323,385
Cash and cash equivalents - end of the year	<u>200</u>	<u>5,056,795</u>	<u>5,056,995</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities			
Cash flows from operations:			
Operating income (loss)	(100,371)	253,071	152,700
Adjustment to reconcile net income to net cash provided by operations:			
Depreciation	25,484	-	25,484
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	(9,197)	192,306	183,109
Increase in incurred but not reported claims	-	71,100	71,100
(Increase) in inventory	(15,396)	-	(15,396)
(Decrease) in accounts payable	(6,508)	(6,240)	(12,748)
Increase in accrued liabilities	8,665	-	8,665
Net cash provided by (used in) operating activities	<u>\$ (97,323)</u>	<u>\$ 510,237</u>	<u>\$ 412,914</u>

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

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FIDUCIARY FUNDS

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, Service to Outside Agencies Fund, and Detention Center Fund.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 27

Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2005

	<u>Pension Trust</u>	<u>Agency Funds</u>					<u>Total</u>
	<u>Fire & Rescue Length of Service Award</u>	<u>Street Light Levy Fund</u>	<u>Special Welfare Fund</u>	<u>Service to Outside Agencies Fund</u>	<u>Detention Center Fund</u>		
Assets							
Cash and investments	\$ -	\$ 22,285	\$ 68,288	\$ -	\$ -	\$ 90,573	
Cash in custody of others	1,080,640	-	-	-	42,716	42,716	
Accounts receivable	-	309	-	136,983	-	137,292	
Total assets	<u>1,080,640</u>	<u>22,594</u>	<u>68,288</u>	<u>136,983</u>	<u>42,716</u>	<u>270,581</u>	
Liabilities							
Accounts payable	-	908	-	113,489	-	114,397	
Amount held for clients/others	-	21,686	68,288	23,494	42,716	156,184	
Total liabilities	<u>-</u>	<u>22,594</u>	<u>68,288</u>	<u>136,983</u>	<u>42,716</u>	<u>270,581</u>	
Net Assets							
Held in trust for pension benefits	<u>1,080,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total liabilities and net assets	\$ <u>1,080,640</u>	\$ <u>22,594</u>	\$ <u>68,288</u>	\$ <u>136,983</u>	\$ <u>42,716</u>	\$ <u>270,581</u>	

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 28

**Statement of Changes in Fiduciary Net Assets
Fire & Rescue Pension Trust Length of Service Awards Fund
Fiscal Year Ended June 30, 2005**

Additions

Contribution for beneficiary	\$	249,582
Investment income		<u>83,309</u>
Total additions		<u>332,891</u>

Deductions

Members' benefits		72,710
Annuity contracts		974,339
Insurance		64,965
Administrative fees		<u>3,581</u>
Total deductions		<u>1,115,595</u>

Change in net assets (782,704)

Net assets - beginning		<u>1,863,344</u>
Net assets - ending	\$	<u><u>1,080,640</u></u>

COUNTY OF FAUQUIER, VIRGINIA

**Exhibit 29
Page 1 of 2**

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
Fiscal Year Ended June 30, 2005**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Street Light Levy Fund				
Assets:				
Cash and cash equivalents	\$ 17,634	\$ 17,519	\$ 12,868	\$ 22,285
Accounts receivable	149	309	149	309
Total assets	<u>17,783</u>	<u>17,828</u>	<u>13,017</u>	<u>22,594</u>
Liabilities:				
Accounts payable	908	-	-	908
Amounts held for subsequent expense	16,875	17,828	13,017	21,686
Total liabilities	<u>17,783</u>	<u>17,828</u>	<u>13,017</u>	<u>22,594</u>
Special Welfare Fund				
Assets:				
Cash and cash equivalents	<u>81,548</u>	<u>110,896</u>	<u>124,156</u>	<u>68,288</u>
Liabilities:				
Amounts held for social service clients	<u>81,548</u>	<u>110,896</u>	<u>124,156</u>	<u>68,288</u>
Service to Outside Agencies Fund				
Assets:				
Cash and cash equivalents	-	1,527,460	1,527,460	-
Accounts receivable	96,278	136,983	96,278	136,983
Total assets	<u>96,278</u>	<u>1,664,443</u>	<u>1,623,738</u>	<u>136,983</u>
Liabilities:				
Accounts payable	96,528	57,931	40,970	113,489
Amounts held for subsequent expense	(250)	1,606,512	1,582,768	23,494
Total liabilities	<u>\$ 96,278</u>	<u>\$ 1,664,443</u>	<u>\$ 1,623,738</u>	<u>\$ 136,983</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 29
Page 2 of 2

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Fiscal Year Ended June 30, 2005

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Detention Center Fund				
Assets:				
Cash and cash equivalents:				
Cash - canteen account	\$ 33,060	\$ 27,346	\$ 23,077	\$ 37,329
Cash - inmate accounts	3,829	54,385	55,239	2,975
Cash - work release	1,817	71,140	70,545	2,412
	<u>38,706</u>	<u>152,871</u>	<u>148,861</u>	<u>42,716</u>
Total assets	<u>38,706</u>	<u>152,871</u>	<u>148,861</u>	<u>42,716</u>
Liabilities:				
Amounts held for prisoners	<u>38,706</u>	<u>152,871</u>	<u>148,861</u>	<u>42,716</u>
Total - All Agency Funds				
Assets:				
Cash and cash equivalents	137,888	1,808,746	1,813,345	133,289
Accounts receivable	96,427	137,292	96,427	137,292
	<u>234,315</u>	<u>1,946,038</u>	<u>1,909,772</u>	<u>270,581</u>
Total assets	<u>234,315</u>	<u>1,946,038</u>	<u>1,909,772</u>	<u>270,581</u>
Liabilities:				
Amounts held for social service clients	81,548	110,896	124,156	68,288
Other liabilities	114,061	1,682,271	1,636,755	159,577
Amount held for prisoners	38,706	152,871	148,861	42,716
	<u>234,315</u>	<u>1,946,038</u>	<u>1,909,772</u>	<u>270,581</u>
Total liabilities	<u>\$ 234,315</u>	<u>\$ 1,946,038</u>	<u>\$ 1,909,772</u>	<u>\$ 270,581</u>

COMPONENT UNIT – SCHOOL BOARD

The School Board is responsible for the elementary and secondary education in the County. The County provides significant funding for school operating and capital needs. The School Board Governmental Funds consist of the School Operating Fund, School Textbook Fund, and School Cafeteria Fund.

Trust and Agency Funds account for principal and income which benefits individuals, and monies collected at the schools in connection with student athletics, clubs, various fund raising activities, and private donations. The School Board Trust and Agency Funds consist of the Crockett Scholarship Fund and the School Activity Agency Fund.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 30

**Combining Balance Sheet
Discretely Presented Component Unit – School Board
June 30, 2005**

	Governmental Funds			
	School General Fund	School Textbook	School Cafeteria	Total
Assets				
Cash and investments	\$ 1,350	\$ 54,358	\$ 654,442	\$ 710,150
Accounts receivable	73,050	3,080	2,519	78,649
Prepaid expenses	58,356	-	-	58,356
Inventory	-	-	55,261	55,261
Due from primary government	7,291,710	-	-	7,291,710
Due from other governmental units	2,805,870	-	49,269	2,855,139
	<u>10,230,336</u>	<u>57,438</u>	<u>761,491</u>	<u>11,049,265</u>
Liabilities				
Accounts payable	771,135	-	46,200	817,335
Deferred revenue	15,763	-	42,850	58,613
Accrued liabilities	9,442,088	-	223,417	9,665,505
	<u>10,228,986</u>	<u>-</u>	<u>312,467</u>	<u>10,541,453</u>
Fund balances				
Reserved for:				
Inventories	-	-	55,261	55,261
Unreserved:				
Undesignated	1,350	57,438	393,763	452,551
	<u>1,350</u>	<u>57,438</u>	<u>449,024</u>	<u>507,812</u>
Total fund balances	<u>1,350</u>	<u>57,438</u>	<u>449,024</u>	<u>507,812</u>
Total liabilities and fund balances	<u>\$ 10,230,336</u>	<u>\$ 57,438</u>	<u>\$ 761,491</u>	<u>\$ 11,049,265</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 31

**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, 2005**

Total fund balances - discretely presented component unit - School Board	\$ 507,812
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.	47,773,055
Long-term liabilities, (compensated absences) are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	<u>(3,830,510)</u>
Net assets of governmental activities	\$ <u>44,450,357</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 32

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2005

	Governmental Funds			
	School General	School Textbook	School Cafeteria	Totals
Revenues				
Revenue from use of money and use of property	\$ -	\$ -	\$ 700	\$ 700
Charges for services	382,795	3,122	2,825,358	3,211,275
Gifts and donations	2,004	-	-	2,004
Recovered costs	1,201	-	-	1,201
Intergovernmental:				
Contribution from primary government	60,454,453	-	-	60,454,453
Commonwealth of Virginia	31,342,085	256,013	52,245	31,650,343
Federal Government	3,682,436	-	804,586	4,487,022
Miscellaneous nonrevenue	39,978	-	-	39,978
Total revenues	95,904,952	259,135	3,682,889	99,846,976
Expenditures				
Current operating:				
Education	95,175,162	1,221,144	3,586,199	99,982,505
Total expenditures	95,175,162	1,221,144	3,586,199	99,982,505
Excess (deficiency) of revenues over expenditures	729,790	(962,009)	96,690	(135,529)
Other financing sources (uses)				
Transfers in	5,963	735,753	-	741,716
Transfers (out)	(735,753)	-	(5,963)	(741,716)
Total other financing sources (uses)	(729,790)	735,753	(5,963)	-
Net change in fund balances	-	(226,256)	90,727	(135,529)
Fund balances, beginning	1,350	283,694	358,297	643,341
Fund balances, ending	\$ 1,350	\$ 57,438	\$ 449,024	\$ 507,812

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 33

**Reconciliation of the 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, 2005**

Net change in fund balances - discretely presented component unit - School Board \$ (135,529)

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	\$ 5,320,019	
Depreciation	<u>(2,508,096)</u>	2,811,923

In the statement of activities, only the gain (loss) on capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold. (130,712)

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. (127,926)

Change in net assets of governmental activities \$ 2,417,756

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Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2005

	School General Fund				School Textbook		
	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	361,298	363,948	382,795	18,847	-	-	3,122
Gifts and donations	-	-	2,004	2,004	-	-	-
Recovered costs	-	-	1,201	1,201	-	-	-
Intergovernmental:							
Contribution from primary government	61,873,315	62,549,801	60,454,453	(2,095,348)	-	-	-
Commonwealth of Virginia	28,675,613	31,402,023	31,342,085	(59,938)	250,703	250,703	256,013
Federal Government	3,202,146	3,640,060	3,682,436	42,376	-	-	-
Miscellaneous nonrevenue	-	9,173	39,978	30,805	-	-	-
Total revenues	<u>94,112,372</u>	<u>97,965,005</u>	<u>95,904,952</u>	<u>(2,060,053)</u>	<u>250,703</u>	<u>250,703</u>	<u>259,135</u>
Expenditures							
Current operating:							
Education:							
Instruction	76,013,104	77,584,024	76,519,955	1,064,069	658,531	1,270,150	1,221,144
Administration, attendance, & health	3,724,484	3,576,495	3,406,897	169,598	-	-	-
Public transportation services	4,311,441	5,184,987	5,605,914	(420,927)	-	-	-
Operation & maintenance services	7,477,145	8,607,905	7,693,331	914,574	-	-	-
School food services	-	-	-	-	-	-	-
Facilities	-	1,419,344	1,422,277	(2,933)	-	-	-
Contribution to primary government	<u>1,842,698</u>	<u>526,788</u>	<u>526,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total education	<u>93,368,872</u>	<u>96,899,543</u>	<u>95,175,162</u>	<u>1,724,381</u>	<u>658,531</u>	<u>1,270,150</u>	<u>1,221,144</u>
Total expenditures	<u>93,368,872</u>	<u>96,899,543</u>	<u>95,175,162</u>	<u>1,724,381</u>	<u>658,531</u>	<u>1,270,150</u>	<u>1,221,144</u>
Excess (deficiency) of revenues over expenditures	<u>743,500</u>	<u>1,065,462</u>	<u>729,790</u>	<u>(335,672)</u>	<u>(407,828)</u>	<u>(1,019,447)</u>	<u>(962,009)</u>
Other financing sources (uses)							
Transfers in	-	5,963	5,963	-	407,828	735,753	735,753
Transfers (out)	<u>(743,500)</u>	<u>(1,071,425)</u>	<u>(735,753)</u>	<u>335,672</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(743,500)</u>	<u>(1,065,462)</u>	<u>(729,790)</u>	<u>335,672</u>	<u>407,828</u>	<u>735,753</u>	<u>735,753</u>
Net change in fund balances	-	-	-	-	-	(283,694)	(226,256)
Fund balances, beginning	<u>1,350</u>	<u>1,350</u>	<u>1,350</u>	<u>-</u>	<u>283,694</u>	<u>283,694</u>	<u>283,694</u>
Fund balances, ending	<u>\$ 1,350</u>	<u>\$ 1,350</u>	<u>\$ 1,350</u>	<u>\$ -</u>	<u>\$ 283,694</u>	<u>\$ -</u>	<u>\$ 57,438</u>

Fund	School Cafeteria Fund			Variance From Amended Positive (Negative)
	Original Budget	Amended Budget	Actual	
\$	-	\$ 600	\$ 700	\$ 100
	3,122	2,732,363	2,825,358	92,995
	-	-	-	-
	-	-	-	-
	-	-	-	-
	5,310	48,000	53,963	(1,718)
	-	734,842	734,842	69,744
	-	-	-	-
	<u>8,432</u>	<u>3,515,805</u>	<u>3,521,768</u>	<u>161,121</u>
	49,006	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	3,600,774	3,600,774	14,575
	-	-	-	-
	-	-	-	-
	<u>49,006</u>	<u>3,600,774</u>	<u>3,600,774</u>	<u>14,575</u>
	<u>49,006</u>	<u>3,600,774</u>	<u>3,586,199</u>	<u>14,575</u>
	<u>57,438</u>	<u>(84,969)</u>	<u>(79,006)</u>	<u>175,696</u>
	-	84,969	84,969	(84,969)
	-	-	(5,963)	(5,963)
	-	84,969	79,006	(84,969)
	57,438	-	-	90,727
	-	358,297	358,297	-
\$	<u>57,438</u>	<u>358,297</u>	<u>358,297</u>	<u>449,024</u>
				<u>90,727</u>

Revenues

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

**Statement of Fiduciary Net Assets
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2005**

	Crockett Scholarship Private-Purpose Trust Fund	Student Activity Agency Fund
Assets		
Cash and investments	\$ 502,280	\$ 1,404,163
Land	88,300	-
Total assets	<u>590,580</u>	<u>1,404,163</u>
Liabilities		
Due to student groups	-	1,404,163
Total liabilities	<u>-</u>	<u>\$ 1,404,163</u>
Net Assets		
Held in trust for scholarships	<u>590,580</u>	
Total net assets	<u>\$ 590,580</u>	

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 36

Statement of Changes in Fiduciary Net Assets
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2005

	<u>Crockett Scholarship Private-Purpose Trust Fund</u>
Additions	
Investment income	\$ <u>27,519</u>
Total additions	<u>27,519</u>
Deductions	
Scholarships awarded	11,250
Administrative fees	<u>2,315</u>
Total deductions	<u>13,565</u>
Change in net assets	13,954
Net assets - beginning, as restated	576,626
Net assets - ending	\$ <u><u>590,580</u></u>

**Statement of Changes in Assets and Liabilities
Discretely Presented Component Unit – School Board
Agency Funds
Fiscal Year Ended June 30, 2005**

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Student Activity Agency Fund				
Assets				
Cash and investments	\$ <u>1,318,133</u>	\$ <u>3,571,790</u>	\$ <u>3,485,760</u>	\$ <u>1,404,163</u>
Total assets	<u>1,318,133</u>	<u>3,571,790</u>	<u>3,485,760</u>	<u>1,404,163</u>
Liabilities				
Due to student groups	<u>1,318,133</u>	<u>3,485,760</u>	<u>3,571,790</u>	<u>1,404,163</u>
Total liabilities	\$ <u>1,318,133</u>	\$ <u>3,485,760</u>	\$ <u>3,571,790</u>	\$ <u>1,404,163</u>

OTHER SUPPLEMENTARY INFORMATION

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2005

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	\$ 50,540,007	\$ 50,540,007	\$ 51,658,375	\$ 1,118,368
Real & personal public service corporation property taxes	4,201,000	4,201,000	3,618,724	(582,276)
Personal property taxes	15,285,530	15,298,678	15,355,115	56,437
Penalties	755,000	755,000	842,674	87,674
Interest	400,000	400,000	514,483	114,483
Total general property taxes	<u>71,181,537</u>	<u>71,194,685</u>	<u>71,989,371</u>	<u>794,686</u>
Other local taxes:				
Local sales & use taxes	6,400,000	6,400,000	6,605,989	205,989
Consumers' utility taxes	2,837,000	2,837,000	2,891,289	54,289
Business license taxes	1,000,000	1,000,000	1,287,192	287,192
Cable TV franchise taxes	140,000	140,000	150,078	10,078
Motor vehicle taxes	1,405,000	1,405,000	1,421,448	16,448
Bank stock taxes	152,600	152,600	172,551	19,951
Taxes on recordation & wills	1,510,000	1,510,000	2,771,674	1,261,674
Lodging tax	160,000	160,000	-	(160,000)
Miscellaneous	25,100	30,654	53,076	22,422
Total other local taxes	<u>13,629,700</u>	<u>13,635,254</u>	<u>15,353,297</u>	<u>1,718,043</u>
Permits, privilege fees, & regulatory licenses:				
Animal licenses	5,000	5,000	6,834	1,834
Building & related permits	1,620,687	1,674,817	1,792,759	117,942
Zoning permits & fees	173,570	173,570	399,869	226,299
Land use application fees	19,968	19,968	13,104	(6,864)
Total permits, privilege fees, & regulatory licenses	<u>1,819,225</u>	<u>1,873,355</u>	<u>2,212,566</u>	<u>339,211</u>
Fines & forfeitures:				
Court fines & forfeitures	508,350	508,350	486,847	(21,503)
Revenue from use of money & property:				
Revenue from use of money	1,030,000	1,030,000	988,308	(41,692)
Revenue from use of property	376,241	421,893	417,636	(4,257)
Total revenue from use of money & property	<u>\$ 1,406,241</u>	<u>\$ 1,451,893</u>	<u>\$ 1,405,944</u>	<u>\$ (45,949)</u>

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2005

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)				
Charges for services:				
Charges for commonwealth's & county's attorney	\$ 1,500	\$ 1,500	\$ 8,744	\$ 7,244
Charges for court services	568,400	568,400	435,777	(132,623)
Charges for public safety	83,992	122,907	196,302	73,395
Charges for parks & recreation	487,680	487,680	460,243	(27,437)
Charges for social services	3,144	3,144	27,135	23,991
Charges for library	60,000	60,000	62,176	2,176
Charges for planning & community development	28,628	28,628	40,871	12,243
Total charges for services	<u>1,233,344</u>	<u>1,272,259</u>	<u>1,231,248</u>	<u>(41,011)</u>
Gifts and donations:				
Donations	<u>-</u>	<u>-</u>	<u>14,022</u>	<u>14,022</u>
Recovered costs:				
Warrenton Community Center	-	-	18,409	18,409
Medical reimbursement - prisoners	4,500	4,500	8,652	4,152
Home incarceration fees	20,000	20,000	10,134	(9,866)
Board of prisoner - other localities	2,000	2,000	-	(2,000)
Other government charges	10,500	10,500	10,500	-
Work release	60,000	60,000	52,608	(7,392)
Other cost	3,375	3,375	13,714	10,339
CSA shared cost	14,250	14,250	39,795	25,545
Total recovered costs	<u>114,625</u>	<u>114,625</u>	<u>153,812</u>	<u>39,187</u>
Total revenue from local sources	<u>89,893,022</u>	<u>90,050,421</u>	<u>92,847,107</u>	<u>2,796,686</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	57,571	57,571	27,893	(29,678)
Wine taxes	53,307	53,307	29,237	(24,070)
Rolling stock tax	64,881	64,881	65,971	1,090
Mobile home titling taxes	26,449	26,449	49,069	22,620
Auto rental tax	20,499	20,499	16,410	(4,089)
Recordation tax	527,343	527,343	503,885	(23,458)
Commonwealth PPTRA	12,863,635	12,863,635	12,310,614	(553,021)
Commonwealth PPTRA - delinquent	305,826	305,826	303,959	(1,867)
Total noncategorical aid	<u>\$ 13,919,511</u>	<u>\$ 13,919,511</u>	<u>\$ 13,307,038</u>	<u>\$ (612,473)</u>

COUNTY OF FAUQUIER, VIRGINIA

Schedule 1
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Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2005

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:				
Shared expenses:				
Commonwealth's attorney	\$ 276,158	\$ 276,158	\$ 330,766	\$ 54,608
Sheriff	2,904,826	2,913,129	3,035,117	121,988
Commissioner of the revenue	169,000	169,000	171,490	2,490
Treasurer	156,734	156,734	163,124	6,390
Medical examiner	500	500	1,200	700
Registrar/electoral board	54,595	59,395	72,682	13,287
Clerk of the circuit court	382,157	382,157	423,661	41,504
Jail	200,000	200,000	225,066	25,066
	<u>4,143,970</u>	<u>4,157,073</u>	<u>4,423,106</u>	<u>266,033</u>
Total shared expenses				
Welfare:				
Welfare administration & assistance	767,539	1,207,583	962,034	(245,549)
Comprehensive Services Act	1,092,956	1,092,956	1,043,980	(48,976)
	<u>1,860,495</u>	<u>2,300,539</u>	<u>2,006,014</u>	<u>(294,525)</u>
Total welfare				
Other categorical aid:				
Administrative	-	9,998	46,084	36,086
Judicial & legal	194,352	207,089	196,948	(10,141)
Comprehensive Community Corrections Act	182,784	214,659	207,145	(7,514)
Sheriff	15,000	15,000	14,509	(491)
DCJS grant	-	13,340	-	(13,340)
Juvenile community control act & accountability grant	51,748	51,748	51,478	(270)
Armory	-	6,800	7,528	728
Library aid	197,158	197,158	191,873	(5,285)
Disability service board grant	7,750	7,750	7,750	-
	<u>648,792</u>	<u>723,542</u>	<u>723,315</u>	<u>(227)</u>
Total other categorical aid				
Total categorical aid				
	<u>6,653,257</u>	<u>7,181,154</u>	<u>7,152,435</u>	<u>(28,719)</u>
Total revenue from the Commonwealth				
	\$ <u>20,572,768</u>	\$ <u>21,100,665</u>	\$ <u>20,459,473</u>	\$ <u>(641,192)</u>

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2005

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 Federal Government:				
Categorical aid:				
Cops technology	\$ -	\$ 49,474	\$ 49,474	\$ -
DEA group 33	15,000	40,604	11,557	(29,047)
Transportation safety	-	69,211	69,809	598
TRIAD grant program	-	5,025	5,025	-
Miscellaneous	-	3,564	3,563	(1)
Judicial & legal grants	-	-	13,340	13,340
Welfare administrative & assistance	1,969,872	2,245,398	2,266,436	21,038
Library aid	-	6,602	6,602	-
Community development grant	-	35,000	-	(35,000)
Total categorical aid	<u>1,984,872</u>	<u>2,454,878</u>	<u>2,425,806</u>	<u>(29,072)</u>
Total revenue from the Federal Government	<u>1,984,872</u>	<u>2,454,878</u>	<u>2,425,806</u>	<u>(29,072)</u>
Miscellaneous nonrevenue:				
Miscellaneous:				
Insurance recoveries	-	28,777	69,094	40,317
Other	1,500	1,500	1,206	(294)
Total miscellaneous nonrevenue	<u>1,500</u>	<u>30,277</u>	<u>70,300</u>	<u>40,023</u>
Total General Fund	<u>112,452,162</u>	<u>113,636,241</u>	<u>115,802,686</u>	<u>2,166,445</u>
Special Revenue Funds:				
Joint Communications Fund:				
Revenue from local sources:				
Other local taxes:				
E-911 telephone tax	946,868	946,868	871,924	(74,944)
Charges for services:				
Charges for maintenance of streets	-	-	3,055	3,055
Recovered costs:				
Miscellaneous recovered costs	4,398	4,398	-	(4,398)
Total revenue from local sources	<u>951,266</u>	<u>951,266</u>	<u>874,979</u>	<u>(76,287)</u>
Revenue from the Commonwealth:				
Categorical aid:				
E-911 Wireless Services	57,142	57,142	55,321	(1,821)
Total revenue from the Commonwealth	<u>57,142</u>	<u>57,142</u>	<u>55,321</u>	<u>(1,821)</u>
Total Joint Communications Fund	<u>\$ 1,008,408</u>	<u>\$ 1,008,408</u>	<u>\$ 930,300</u>	<u>\$ (78,108)</u>

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2005

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
Special Revenue Funds: (continued)				
Parks and Recreation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 2,803	\$ 2,803
Gifts and donations:				
Donations	-	10,228	21,343	11,115
Total revenue from local sources	-	10,228	24,146	13,918
Total Parks and Recreation Trust Fund	-	10,228	24,146	13,918
Library Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	1,394	1,394
Gifts and donations:				
Donations	-	-	3,705	3,705
Total revenue from local sources	-	-	5,099	5,099
Total Library Trust Fund	-	-	5,099	5,099
Conservation Easement Service District Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	1,338,000	1,338,000	1,236,425	(101,575)
Real & personal public service corporation property taxes	-	-	35,464	35,464
Penalties	-	-	4,212	4,212
Interest	-	-	61,900	61,900
Total general property taxes	1,338,000	1,338,000	1,338,001	1
Gifts and donations:				
PDR contributions	-	600,000	600,000	-
Total revenue from local sources	1,338,000	1,938,000	1,938,001	1
Total Conservation Easement Service District Fund	1,338,000	1,938,000	1,938,001	1
Fire & Rescue Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	4,166,938	4,069,725	3,246,684	(823,041)
Real & personal public service corporation property taxes	-	97,213	228,868	131,655
Penalty	19,596	19,596	18,208	(1,388)
Interest	11,414	11,414	13,411	1,997
Total general property taxes	\$ 4,197,948	\$ 4,197,948	\$ 3,507,171	\$ (690,777)

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2005

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)				
Other local taxes:				
Miscellaneous	\$ -	\$ 32,142	\$ 32,480	\$ 338
Recovered costs:				
Community events	581	581	254	(327)
Vehicle mileage fee	-	-	417	417
Total recovered costs	581	581	671	90
Total revenue from local sources	4,198,529	4,230,671	3,540,322	(690,349)
Revenue from the Commonwealth:				
Categorical aid:				
Two for life funds	26,531	32,141	32,141	-
Fire programs	63,766	93,700	93,701	1
Rural access to emergency devices	-	36,925	19,425	(17,500)
Total categorical aid	90,297	162,766	145,267	(17,499)
Total revenue from the Commonwealth	90,297	162,766	145,267	(17,499)
Revenue from the Federal Government:				
Categorical aid:				
FEMA	-	188,956	131,666	(57,290)
Total categorical aid	-	188,956	131,666	(57,290)
Total revenue from the Federal Government	-	188,956	131,666	(57,290)
Total Fire & Rescue Fund	4,288,826	4,582,393	3,817,255	(765,138)
Proffer Fund:				
Revenue from local sources:				
Gifts and donations:				
Proffers	-	50,000	240,420	190,420
Total revenue from local sources	-	50,000	240,420	190,420
Total Proffer Fund	-	50,000	240,420	190,420
Vint Hill Transportation Fund:				
Revenue from local sources:				
Revenue from use of money & property:				
Revenue from use of money	-	-	3,713	3,713
Total Vint Hill Transportation Fund	-	-	3,713	3,713
Total Special Revenue Funds	\$ 6,635,234	\$ 7,589,029	\$ 6,958,934	\$ (630,095)

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2005

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
Capital Projects Funds:				
Capital Improvement Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 233,659	\$ 233,659
Charges for services:				
Sewer tap fees	-	-	6,000	6,000
Gifts and donations:				
Donations	-	8,000	8,000	-
Total revenue from local sources	-	8,000	247,659	239,659
Intergovernmental:				
Contribution from component unit – School Board	1,842,698	526,788	526,788	-
Revenue from the Federal Government:				
Categorical aid:				
Parks & recreation grant	-	33,600	-	(33,600)
Total categorical aid	-	33,600	-	(33,600)
Total revenue from the Federal Government	-	33,600	-	(33,600)
Miscellaneous nonrevenue:				
Miscellaneous:				
Insurance recoveries	-	9,800	9,800	-
Total miscellaneous nonrevenue	-	9,800	9,800	-
Total Capital Improvement Projects Fund	1,842,698	578,188	784,247	206,059
Grand Total Revenue – Primary Government	120,930,094	121,803,458	123,545,867	1,742,409
Component Unit – School Board				
School General Fund:				
Revenue from local sources:				
Charges for services:				
Charges for education	361,298	363,948	382,795	18,847
Gifts and donations:				
Flex program	-	-	2,004	2,004
Recovered costs:				
Recovered costs	-	-	1,201	1,201
Total revenue from local sources	\$ 361,298	\$ 363,948	\$ 386,000	\$ 22,052

COUNTY OF FAUQUIER, VIRGINIA

Schedule 1
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Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2005

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Component Unit – School Board (continued)				
School General Fund: (continued)				
Intergovernmental:				
Contribution from primary government	\$ 61,873,315	\$ 62,549,801	\$ 60,454,453	\$ (2,095,348)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales taxes	7,233,542	8,930,475	9,037,239	106,764
Basic school aid	15,428,778	15,647,040	15,639,167	(7,873)
Remedial summer school	66,655	78,843	78,843	-
Regular foster care	50,917	50,917	19,016	(31,901)
Gifted & talented	152,203	154,127	154,127	-
Remedial education	156,217	158,183	158,183	-
Special education	1,766,458	1,788,686	1,788,686	-
Textbook payments	250,703	256,013	-	(256,013)
Vocational education - SOQ	376,524	381,262	381,262	-
Social security instructional	790,721	799,965	799,028	(937)
Teacher retirement instructional	663,200	671,149	689,516	18,367
Early reading intervention	49,442	51,419	51,419	-
Lottery	875,929	961,064	961,064	-
School standard of learning	-	544,000	624,944	80,944
Special education - homebound	29,902	41,355	41,355	-
Regional programs	52,542	92,040	96,142	4,102
CAPS grant	50,000	50,000	-	(50,000)
Vocational equipment	-	-	8,179	8,179
Occupational education	56,412	56,307	49,656	(6,651)
Special education - foster children	-	-	31,290	31,290
Algebra readiness initiative	20,332	66,410	50,647	(15,763)
At risk youth	75,009	67,208	69,643	2,435
Alternative education	105,891	105,891	105,891	-
Primary class size	136,070	138,399	138,829	430
Summer regional governor school grant	12,264	12,264	12,264	-
English as a second language grant	64,891	73,003	73,003	-
Other state funds	29,182	43,811	100,500	56,689
School construction grant	181,829	182,192	182,192	-
Total categorical aid	<u>28,675,613</u>	<u>31,402,023</u>	<u>31,342,085</u>	<u>(59,938)</u>
Total revenue from the Commonwealth	<u>\$ 28,675,613</u>	<u>\$ 31,402,023</u>	<u>\$ 31,342,085</u>	<u>\$ (59,938)</u>

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2005

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Component Unit – School Board (continued)				
School General Fund: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
Adult basic education	\$ 70,445	\$ 70,445	\$ 65,717	\$ (4,728)
Chapter I	580,000	654,131	673,666	19,535
Title VI	41,773	41,773	42,646	873
AP grant	-	-	520	520
Refugee school impact	-	-	4,415	4,415
CAPS grant	-	-	50,000	50,000
Teaching American history grant	316,681	316,681	270,486	(46,195)
Title VI-B - Special education	1,630,616	1,895,991	1,801,355	(94,636)
Vocational education	107,454	107,454	107,682	228
Title II	321,046	321,046	363,154	42,108
Drug free schools	42,151	42,151	64,151	22,000
Title III	3,573	40,298	31,337	(8,961)
Sliver grant	14,897	18,502	14,551	(3,951)
Pre-school incentive (VI-B)	61,510	61,510	101,762	40,252
ROTC	12,000	12,000	32,917	20,917
Miscellaneous federal revenue	-	58,078	58,077	(1)
Total categorical aid	<u>3,202,146</u>	<u>3,640,060</u>	<u>3,682,436</u>	<u>42,376</u>
Total revenue from the Federal Government	<u>3,202,146</u>	<u>3,640,060</u>	<u>3,682,436</u>	<u>42,376</u>
Miscellaneous nonrevenue:				
Miscellaneous revenue:				
Insurance recoveries	-	9,173	39,978	30,805
Total miscellaneous nonrevenue	<u>-</u>	<u>9,173</u>	<u>39,978</u>	<u>30,805</u>
Total School General Fund	<u><u>94,112,372</u></u>	<u><u>97,965,005</u></u>	<u><u>95,904,952</u></u>	<u><u>(2,060,053)</u></u>
School Textbook Fund:				
Revenue from local sources:				
Charges for services:				
Miscellaneous	-	-	3,122	3,122
Total revenue from local sources	<u>-</u>	<u>-</u>	<u>3,122</u>	<u>3,122</u>
Revenue from the Commonwealth:				
Categorical aid:				
Textbook program	<u>250,703</u>	<u>250,703</u>	<u>256,013</u>	<u>5,310</u>
Total revenue from the Commonwealth	<u>250,703</u>	<u>250,703</u>	<u>256,013</u>	<u>5,310</u>
Total School Textbook Fund	<u>\$ 250,703</u>	<u>\$ 250,703</u>	<u>\$ 259,135</u>	<u>\$ 8,432</u>

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2005

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Component Unit – School Board (continued)				
Food Nutrition Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 600	\$ 600	\$ 700	\$ 100
Charges for services:				
Cafeteria sales	2,732,363	2,732,363	2,825,358	92,995
Total revenue from local sources	2,732,963	2,732,963	2,826,058	93,095
Revenue from the Commonwealth:				
Categorical aid:				
School food program	48,000	53,963	52,245	(1,718)
Total revenue from the Commonwealth	48,000	53,963	52,245	(1,718)
Revenue from the Federal Government:				
Categorical aid:				
School food program	734,842	734,842	804,586	69,744
Total revenue from the Federal Government	734,842	734,842	804,586	69,744
Total Food Nutrition Fund	3,515,805	3,521,768	3,682,889	161,121
Grand Total Revenues – Component Unit – School Board	97,878,880	101,737,476	99,846,976	(1,890,500)
Grand Total Revenues – Reporting Entity	\$ 218,808,974	\$ 223,540,934	\$ 223,392,843	\$ (148,091)

STATISTICAL TABLES

TABLE 1	Primary Government – Government-wide Expenses by Function
TABLE 2	Primary Government – Government-wide Revenues
TABLE 3	General Government Expenditures by Function
TABLE 4	General Government Revenues by Source
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TABLE 6	Assessed Value of All Taxable Property
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TABLE 8	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
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TABLE 13	Principal Taxpayers
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COUNTY OF FAUQUIER, VIRGINIA

TABLE 1

**Primary Government
Government-wide Expenses by Function
Last Three Fiscal Years**

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Non- Departmental	Interest on Long-term Debt	Airport	Landfill & Recycling	Total
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	\$ 157,888	\$ 4,226,521	\$ 102,472,957
2004	8,056,076	2,624,872	13,952,394	8,573,767	6,457,957	59,085,636	4,005,665	4,647,136	552,652	2,841,978	207,616	6,098,414	117,104,163
2005	8,271,548	2,558,587	16,003,921	5,328,879	7,047,257	65,320,395	4,040,458	5,679,959	732,410	3,115,326	260,805	7,952,230	126,311,775

COUNTY OF FAUQUIER, VIRGINIA

TABLE 2

**Primary Government
Government-wide Revenues
Last Three 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	\$ 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	13,969,205	9,688,652	3,189,469	1,203,808	10,366,891	503,539	13,201,048	123,910,108		
2005	77,173,781	18,470,267	18,470,267	9,933,236	4,811,819	1,727,446	10,852,356	219,125	13,307,038	136,495,068		

COUNTY OF FAUQUIER, VIRGINIA

TABLE 3

General Governmental 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	Total
	\$		\$	\$	\$	\$	\$	\$	\$	\$	
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
2005	9,133,896		5,334,255	19,869,721	6,119,151	7,201,697	106,245,964	5,691,502	5,795,456	8,085,106	173,476,748 (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 32:

Total expenditures per Exhibit 5	\$ 134,475,484
Total expenditures per Exhibit 32	99,982,505
Less: Contributions from primary gov't per Exhibit 32	(60,454,453)
Less: Contributions from component unit per Exhibit 5	(526,788)
Total per Table 3	<u>\$ 173,476,748</u>

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

COUNTY OF FAUQUIER, VIRGINIA

TABLE 4

General Governmental 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	Gifts and Donations (3)	Recovered Costs	Inter-governmental	Miscellaneous	Total
	\$		\$				\$	\$						
1996	\$ 49,650,697	\$ 7,663,235	\$ 492,519	\$ 121,389	\$ 1,725,383	\$ 2,179,034	\$ -	\$ 155,276	\$ 23,672,366	\$ 1,181,682	\$ 86,841,581			
1997	52,049,159	8,025,062	558,902	143,723	2,038,219	2,529,450	-	281,147	26,500,922	297,392	92,423,976			
1998	73,184,354	8,562,552	564,316	171,262	2,599,301	4,215,626	-	171,303	27,814,462	274,989	117,558,165			
1999	58,383,735	9,390,568	712,816	201,123	2,130,997	2,940,675	-	538,695	32,999,092	147,393	107,445,094			
2000	57,588,606	10,150,934	739,401	259,781	2,382,840	2,769,062	23,921	853,977	37,014,166	103,957	111,886,645			
2001	59,071,677	10,920,367	1,130,335	362,610	2,950,599	3,104,557	55,728	157,924	42,737,374	333,250	120,824,421			
2002	63,317,360	11,445,316	1,169,124	432,297	1,599,707	3,251,191	46,578	461,620	48,014,868	10,435,854	140,173,915			
2003	68,601,583	12,652,862	1,508,077	504,517	1,727,633	3,534,167	90,498	145,617	51,335,234	795,253	140,895,441			
2004	72,209,266	13,969,205	1,598,890	504,771	1,182,688	4,392,008	175,937	184,924	55,818,685	804,028	150,840,402			
2005	76,834,543	16,257,701	2,212,566	486,847	1,648,213	4,451,578	889,494	155,684	59,354,898	120,078	162,411,602 (2)			

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

(2) Reconciliation to Exhibits 5 and 32:

Total revenues per Exhibit 5	\$ 123,545,867
Total revenues per Exhibit 32	99,846,976
Less: Contribution from primary gov't per Exhibit 32	(60,454,453)
Less: Contribution from component unit per Exhibit 5	(526,788)
Total per Table 4	\$ 162,411,602

(3) Revenue amounts for gifts and donations are included in miscellaneous revenue for fiscal years 1996 through 1999.

COUNTY OF FAUQUIER, VIRGINIA

TABLE 5

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

Fiscal Year	Total		Current		Percentage of Levy Collected	Delinquent Tax Collections (1)(2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)(3)	Percent of Delinquent Taxes to Tax Levy
	Tax Levy (1)	\$	Tax Collections (1)	\$						
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%
2005	87,592,939		85,659,133		97.79%	2,023,997	87,683,130	100.10%	2,625,318	3.00%

(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
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
2005	5,644,031,325	572,850,102	6,565,337	5,825,791	11,199,097	362,631,919	508,540	15,869,542	2,300,576	6,621,782,229

(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
1996	\$ 1.03 (1)	\$ 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
2005	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
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
2005	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
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
2005	61,500	6,621,782,229	48,465,000	0.0073	788

(1) From the Weldon Cooper Center for Public Service for the beginning of the fiscal year.

(2) From Table 6.

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

Excludes enterprise debt, revenue bonds, capital leases, incurred but not reported claims, 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 and Administration fees	Total Debt Service	Total General Governmental Expenditures	Ratio
1996	\$ 3,499,468	\$ 2,591,919	\$ 6,091,387	\$ 80,858,165	7.53%
1997	3,365,962	2,389,896	5,755,858	100,946,575	5.70%
1998	4,263,671	2,747,691	7,011,362	111,967,067	6.26%
1999	4,939,408	2,707,115	7,646,523	108,785,548	7.03%
2000	3,684,273	2,473,086	6,157,359	115,784,118	5.32%
2001	3,822,773	2,465,371	6,288,144	115,022,442	5.47%
2002	3,385,000	2,803,549	6,188,549	126,801,252	4.88%
2003	4,484,717	2,916,590	7,401,307	143,760,092	5.15%
2004	5,951,327	2,576,315	8,527,642	169,024,673	5.05%
2005	4,976,092	3,109,014	8,085,106 (2)	173,476,748 (3)	4.66%

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

(2) From Exhibit 5.

(3) From Table 3.

Source: Fauquier County Government & Public Schools Finance

COUNTY OF FAUQUIER, VIRGINIA

TABLE 10

**Revenue Bond Coverage
Last Ten Fiscal Years**

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest (3)	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
2005	8,075,461	7,855,360	220,101	335,000	90,675	425,675	0.52

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

(2) Includes operating expenses for the Landfill & Recycling Fund.

(3) Reconciliation to Exhibit 9:

Total interest expense per Exhibit 9	\$ 96,870
Less: Bond premium amortization	1,777
Less: Adjustment to deferred amount on refunding	(7,972)
Total per Table 10	<u>\$ 90,675</u>

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>
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%
2005	61,500	10,752	2.53%

Sources: Weldon Cooper Center for Public Service for the beginning of the fiscal year
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
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
2005	2,017	156,011,011	155	22,429,637	150	754,950	4,153,865,100	537,406,500	1,118,396,200	537,928,300

(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, 2005**

<u>TAXPAYER/ TYPE OF BUSINESS</u>	<u>2005 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Virginia Electric & Power Company Utilities	\$ 166,563,344	2.70%
Old Dominion Electric Co-op Utilities	82,485,188	1.34%
Verizon - Virginia, Inc. Utilities	42,482,217	0.69%
Oak Spring Farms LLC Farm	17,125,100	0.28%
Northern Virginia Electric Co-op Utilities	13,573,532	0.22%
Warrenton Development Company Shopping Center	10,099,500	0.16%
Rappahannock Electric Co-op Utilities	9,922,361	0.16%
Warrenton Village LLC Shopping Center	9,445,000	0.15%
Airlie Foundation Conference Center, Farm	9,019,300	0.15%
Wal-Mart Real Estate Business Shopping Center	<u>8,991,800</u>	<u>0.15%</u>
Total	<u>\$ 369,707,342</u>	<u>6.00%</u>

Source: Fauquier County Commissioner of the Revenue

COUNTY OF FAUQUIER, VIRGINIA

TABLE 14

Miscellaneous Statistics

At June 30, 2005

Date of Incorporation		1759
Form of Government		Board of Supervisors/ County Administrator
Area (square miles)		660
Employees at June 30	General Government (excludes Sheriff and Fire & Rescue)	449
	Fire & Rescue Personnel	32
	Sheriff's Office Sworn Employees	102
	Subtotal County Government employees at June 30	<u>583</u>
	School Division (includes teachers)	<u>1,695</u>
	Total employees at June 30	<u><u>2,278</u></u>
Public Safety	Fire and Rescue Companies	13
	Volunteer Firefighters	573
Education	Schools	18
	Number of Students	10,752
Recreation and Culture	Number of Parks and Recreation Facilities	32
	Number of Libraries	3
	Number of Volumes	185,951

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, 2005, which collectively comprise the County of Fauquier, Virginia's basic financial statements and have issued our report thereon dated September 30, 2005. 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 30, 2005.

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 30, 2005

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, 2005. 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, 2005.

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 30, 2005

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2005

Federal Granting Agency / Recipient State Agency/ Grant Program / Grant Number	Federal Catalog Number	Expenditures
Primary Government:		
DEPARTMENT OF AGRICULTURE:		
<u>Pass through payments:</u>		
Department of Social Services:		
Food Stamp Program	10.561	\$ 256,830
Total Department of Agriculture		\$ 256,830
DEPARTMENT OF FEDERAL AVIATION ADMINISTRATION:		
<u>Direct payments:</u>		
Airport Improvement Program	20.106	\$ 4,151,250
Total Department of Federal Aviation Administration		\$ 4,151,250
U. S. DEPARTMENT OF TRANSPORTATION / DEPARTMENT OF MOTOR VEHICLES:		
<u>Pass through payments:</u>		
Community Traffic Safety	20.600	\$ 23,000
Open container/Alcohol impaired driving	20.000	46,809
Total Department of Transportation		\$ 69,809
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<u>Pass through payments:</u>		
Virginia Department of Social Services:		
Foster Care - Title IV-E	93.658	\$ 536,046
Social services block grant	93.667	185,781
Adoption incentive payments program	93.603	2,629
Child care development	93.596	383,096
Independent living	93.674	640
Medical assistance program	93.778	221,318
State children's insurance program	93.767	12,047
Family preservation and support	93.556	18,754
Chafee education and training vouchers program	93.599	37
Adoption assistance	93.659	68,889
Child care assistance	93.575	365,733
Low income home energy assistance	93.568	6,863
Temporary assistance to needy families	93.558	191,997
Statewide fraud program - free	93.000	10,303
Americorps	94.006	11,681
Refugee and entrant assistance - discretionary	93.566	397
Total Department of Health and Human Services		\$ 2,016,211
DEPARTMENT OF HOMELAND SECURITY		
<u>Pass through payments:</u>		
Department of emergency management:		
Emergency management preparedness grant	97.042	\$ 2,000
State homeland security grant	97.004	129,666
Total Department of Homeland Security		\$ 131,666
DEPARTMENT OF JUSTICE:		
<u>Direct payments:</u>		
Bullet proof vest program	16.607	\$ 3,563
<u>Pass through payments:</u>		
Department of Criminal Justice Services:		
COPS technology grant	16.710	49,474
Drug control and system improvement	16.579	18,365
Police assisted community drug enforcement program	16.580	11,557
Total Department of Justice		\$ 82,959
Total Primary Government		\$ <u>6,708,725</u>

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
 Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2005 (Continued)

<u>Federal Granting Agency / Recipient State Agency/ Grant Program / Grant Number</u>	<u>Federal Catalog Number</u>	<u>Expenditures</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	\$ 285,219
Food distribution	10.550	183
Department of Education:		
National school breakfast program	10.553	125,521
National school lunch program	10.555	679,065
Total Department of Agriculture		\$ 1,089,988
<u>DEPARTMENT OF LABOR:</u>		
<u>Direct payments:</u>		
ROTC Instruction	17.000	\$ 32,914
Total Department of Labor		\$ 32,914
<u>DEPARTMENT OF EDUCATION:</u>		
<u>Pass Through Payments:</u>		
Department of Education:		
Education Consolidation and Improvement Act of 1981:		
Adult education state-administered program	84.002	\$ 65,717
Chapter I:		
Financial assistance to meet special educational needs of disadvantaged children - programs operated by local education agencies	84.010	673,666
Title VI-B	84.027	1,815,906
Pre-school incentive grant	84.173	101,762
Vocational education:		
Basic grants to states	84.048	107,682
Drug free schools	84.186	64,151
Title VI	84.298	42,646
Title II - Part A	84.367	336,537
Language acquisition	84.365	31,337
State assessments and related activities	84.369	58,077
Advanced placement grant	84.330	520
Teaching American history	84.215	270,486
Literacy challenge grant	84.318	26,617
GO84 community services	84.184	50,000
Total Department of Education		\$ 3,645,104
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Pass through payments:</u>		
Refugee school impact	93.576	\$ 4,415
Total Department of Health and Human Services		\$ 4,415
Total Component Unit-- School Board		\$ 4,772,421
Total Federal Assistance Reporting Entity		\$ 11,481,146

COUNTY OF FAUQUIER, VIRGINIA

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005**

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	\$ 2,425,806
Other Governmental Funds	131,666
Airport Fund	<u>4,151,250</u>
Total primary government	\$ <u>6,708,722</u>
Component Unit – Public Schools:	
School General Fund	\$ 3,682,436
School Special Revenue Fund	<u>804,586</u>
Total component unit public schools	\$ <u>4,487,022</u>
Total federal expenditures per basic financial statements	\$ <u>11,195,744</u>
Noncash expenditures - value of donated commodities	\$ <u>285,402</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>11,481,146</u></u>

COUNTY OF FAUQUIER, VIRGINIA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2005**

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>
84.010	Title I
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs	\$344,434
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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