

**COUNTY OF FAUQUIER, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2006**

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Prepared by:

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



**COUNTY OF FAUQUIER, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**TABLE OF CONTENTS**

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**INTRODUCTORY SECTION**

	<u>Page</u>
Letter of Transmittal.....	i – viii
GFOA Certificate of Achievement.....	ix
Organizational Chart.....	x
Principal Officials.....	xi

**FINANCIAL SECTION**

Independent Auditors’ Report .....	1 – 2
Management’s Discussion and Analysis .....	3 – 20
<b>Basic Financial Statements</b>	
<b>Government-wide Financial Statements</b>	
Exhibit 1 Statement of Net Assets.....	26 – 27
Exhibit 2 Statement of Activities .....	28 – 29
<b>Fund Financial Statements</b>	
Exhibit 3 Balance Sheet – Governmental Funds.....	33
Exhibit 4 Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets ..	34
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	35
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds .....	36
Exhibit 7 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund .....	37 – 40
Exhibit 8 Statement of Net Assets – Proprietary Funds .....	41
Exhibit 9 Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds .....	42
Exhibit 10 Statement of Cash Flows – Proprietary Funds .....	43
Exhibit 11 Statement of Fiduciary Net Assets – Fiduciary Funds.....	44
Exhibit 12 Statement of Changes in Fiduciary Net Assets – Fire and Rescue Pension Trust Length of Service Awards Fund .....	45

## TABLE OF CONTENTS (CONTINUED)

---

		<u>Page</u>
Notes to Financial Statements		
Note 1	Summary of Significant Accounting Policies.....	49 – 55
Note 2	Cash and Investments .....	55 – 58
Note 3	Stewardship, Compliance, and Accountability.....	59
Note 4	Receivables.....	60
Note 5	Interfund Transfers .....	61
Note 6	Interfund Receivables and Payables .....	62
Note 7	Due From Other Governmental Units .....	62
Note 8	Capital Assets .....	63 – 65
Note 9	Long-Term Obligations .....	65 – 69
Note 10	Construction Commitments.....	69
Note 11	Commitments and Contingent Liabilities .....	69
Note 12	Claims and Litigation .....	70
Note 13	Defined Benefit Pension Plan.....	70 – 71
Note 14	Fire and Rescue Pension Trust Length of Service Awards Program.....	72
Note 15	Debt Defeasance.....	73
Note 16	Landfill Closure and Postclosure Care Costs .....	73
Note 17	Fund Balances .....	73 – 74
Note 18	Risk Management.....	74 – 75
Note 19	Related Organizations and Jointly Governed Organizations .....	76
Note 20	Surety Bonds .....	77
Note 21	Commitments Under Noncapitalized Leases.....	77
Note 22	Subsequent Events.....	77
Note 23	Net Assets Adjustments.....	78
Note 24	Restatement of Beginning Fund Balances .....	78
Note 25	Implemented and Pending GASB Statements .....	79
Note 26	Water and Sewer Authority Note Receivable.....	79

## TABLE OF CONTENTS (CONTINUED)

---

**Page**

Required Supplementary Information

Exhibit 13	Schedule of Funding Progress – Virginia Retirement System and Fire and Rescue Pension Trust Length of Service Awards Program .....	83
------------	--	----

Combining and Individual Fund Statements and Schedules

Capital Projects Fund

Exhibit 14	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Fund .....	89 – 91
------------	--	---------

Nonmajor Governmental Funds

Exhibit 15	Combining Balance Sheet – Nonmajor Governmental Funds .....	96 – 97
Exhibit 16	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	98 – 99
Exhibit 17	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Joint Communications Fund .....	100
Exhibit 18	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Parks and Recreation Fund .....	101
Exhibit 19	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Library Fund .....	102
Exhibit 20	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Conservation Easement Service District Fund .....	103
Exhibit 21	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Fire and Rescue Fund .....	104
Exhibit 22	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Proffer Fund .....	105
Exhibit 23	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Affordable Housing Fund .....	106
Exhibit 24	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Vint Hill Transportation Fund .....	107

Proprietary Funds

Exhibit 25	Combining Statement of Net Assets – Internal Service Funds .....	111
Exhibit 26	Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds .....	112
Exhibit 27	Combining Statement of Cash Flows – Internal Service Funds .....	113

## TABLE OF CONTENTS (CONTINUED)

---

**Page**

Fiduciary Funds

Exhibit 28	Combining Statement of Fiduciary Assets and Liabilities – Agency Funds .....	117
Exhibit 29	Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	118 – 119

Component Unit – School Board

Exhibit 30	Combining Balance Sheet – Discretely Presented Component Unit – School Board.....	123
Exhibit 31	Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets – Discretely Presented Component Unit – School Board.....	124
Exhibit 32	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Discretely Presented Component Unit – School Board.....	125
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 .....	126
Exhibit 34	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Discretely Presented Component Unit – School Board.....	128 – 129
Exhibit 35	Statement of Fiduciary Net Assets – Discretely Presented Component Unit – School Board .....	130
Exhibit 36	Statement of Changes in Fiduciary Net Assets – Discretely Presented Component Unit – School Board .....	131
Exhibit 37	Statement of Changes in Assets and Liabilities – Discretely Presented Component Unit – School Board – Agency Funds.....	132

Other Supplementary Information

Schedule 1	Governmental Funds and Discretely Presented Component Unit – School Board – Schedule of Revenues – Budget and Actual.....	135 – 144
------------	---	-----------

**STATISTICAL SECTION**

Table 1	Net Assets by Component .....	149
Table 2	Changes in Net Assets.....	150 – 151
Table 3	Fund Balances – Governmental Funds.....	152 – 153
Table 4	Changes in Fund Balances – Governmental Funds.....	154 – 157
Table 5-A	Assessed Value and Estimated Actual Value of Real Property.....	158
Table 5-B	Assessed Value and Estimated Actual Value of Personal Property.....	158
Table 6	Property Tax Rates for Both Direct and Overlapping Governments.....	159
Table 7-A	Principal Real Property Taxpayers.....	160

## TABLE OF CONTENTS (CONTINUED)

---

	<u>Page</u>
Table 7-B Principal Personal Property Taxpayers.....	160
Table 8 Property Tax Levies and Collections.....	161
Table 9 Ratios of Outstanding Debt by Type .....	162
Table 10 Ratios of General Bonded Debt Outstanding .....	163
Table 11 Pledged-Revenue Coverage .....	164 – 165
Table 12 County Policy Debt Margin.....	166 – 167
Table 13 Demographic and Economic Statistics .....	168
Table 14 Principal Employers .....	169
Table 15 County Government Employees by Function.....	170
Table 16 Operating Indicators by Function .....	172 – 177
Table 17 Capital Assets Statistics by Function.....	178

### COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	179
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	180 – 181
Schedule of Expenditures of Federal Awards – Primary Government and Discretely Presented Component Unit .....	182 – 186
Notes to Schedule of Expenditures of Federal Awards .....	187
Schedule of Findings and Questioned Costs.....	188

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# Fauquier County Government and Public Schools



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November 7, 2006

**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 (the County) for the fiscal year ended June 30, 2006. 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 the 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 Cherry, Bekaert & Holland, L.L.P., a firm of licensed certified public accountants, as required by the *Code of Virginia*. The audit was conducted in accordance with generally accepted auditing standards and the Independent Auditors' Report is included as the first component 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, 2006 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

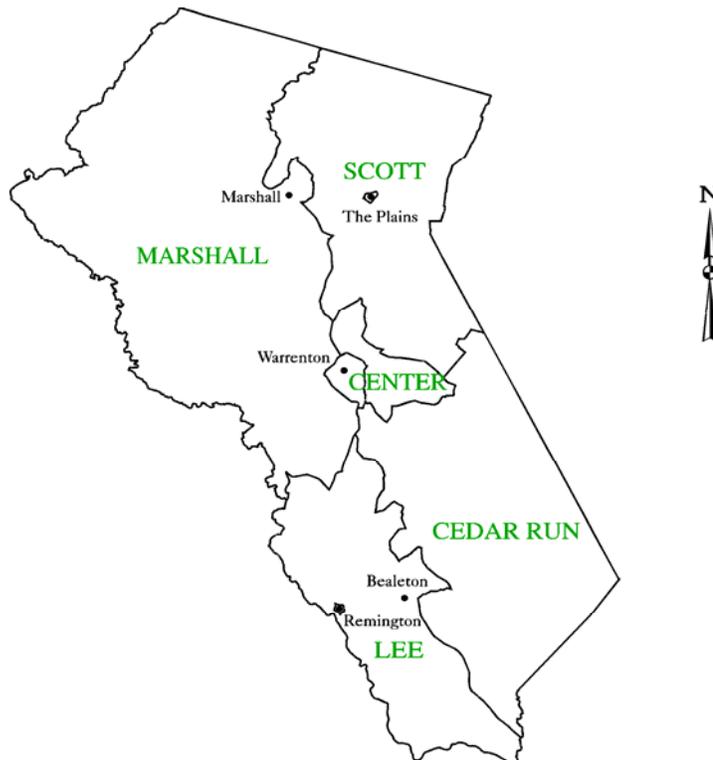
unqualified opinion that the County’s financial statements are fairly presented in conformity with GAAP.

The independent 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 is included 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 in the north-central Piedmont region of Virginia, approximately 40 miles southwest of Washington D.C., and encompasses approximately 660 square miles with a population of 62,900. The County seat is located in the Town of Warrenton in central Fauquier County. In addition to Warrenton, Fauquier County includes the towns of Remington, and The Plains. The County provides certain governmental services, such as public education, to the towns' residents pursuant to general provisions of the *Code of Virginia*. Properties in these towns are subject to both town and county taxation.



Fauquier County operates under the traditional (modified) 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 establishes 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 serve as the administrative manager 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.

In addition to the elected Board of Supervisors, five constitutional officers are elected. These officers include the Sheriff, the Commonwealth's Attorney, the Clerk of the Circuit Court, the Treasurer, and the Commissioner of the Revenue.

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 resources 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 members serve a term of four years, with the Chairman and Vice Chairman of the Board selected annually by the members. 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 combined enrollment as of June 2006 totaled 10,940 students. The mission of the FCPS is to cultivate the ability, intellect, and character of each student to ensure an educated citizenry.

Virginia law requires the County to maintain a balanced budget in each fiscal year. 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 1<sup>st</sup>. Prior to March 30<sup>th</sup> 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 such expenditures. Public hearings are conducted to obtain citizen comments. Prior to June 30<sup>th</sup>, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the department level. All budgets are adopted on a basis consistent with GAAP. 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 Administrator’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 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.

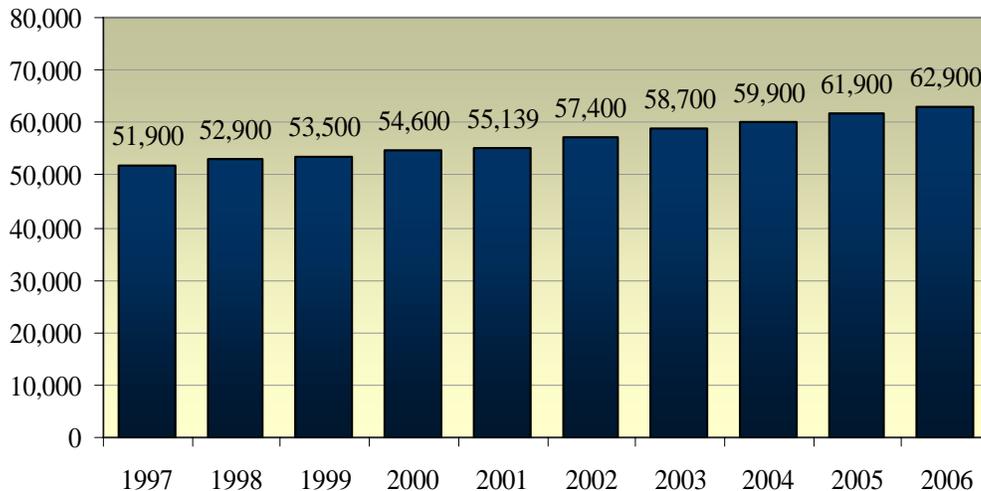
### **Factors Affecting Financial Condition**

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.

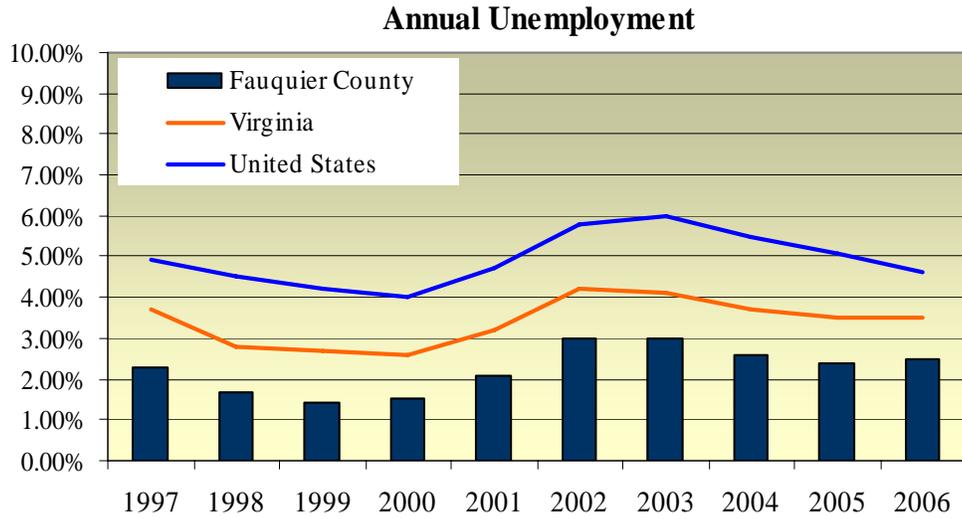
### **Local economy**

During the past year, Fauquier County’s economy has continued to benefit from the expanding and diverse northern Virginia economy, and the strong economic performance in the regional Washington D.C. metropolitan area. Job growth in the metropolitan area has been considered among the nation’s best for quality job creation, driven, in part, by robust Federal spending. During the past few years, The County has seen commercial development blossom as big box retailers and chain restaurants have continued to bring growth and an expanding retail base. 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 some neighboring jurisdictions have experienced increases greater than 25%, Fauquier County saw its population increase by just 14.1% over the past five years recognizing the County’s stabilizing focus on long-term planning through land use policies that have been in place since the 1960’s. The County manages growth by directing residential, commercial, and industrial development into nine service districts to preserve the rural nature of the County.

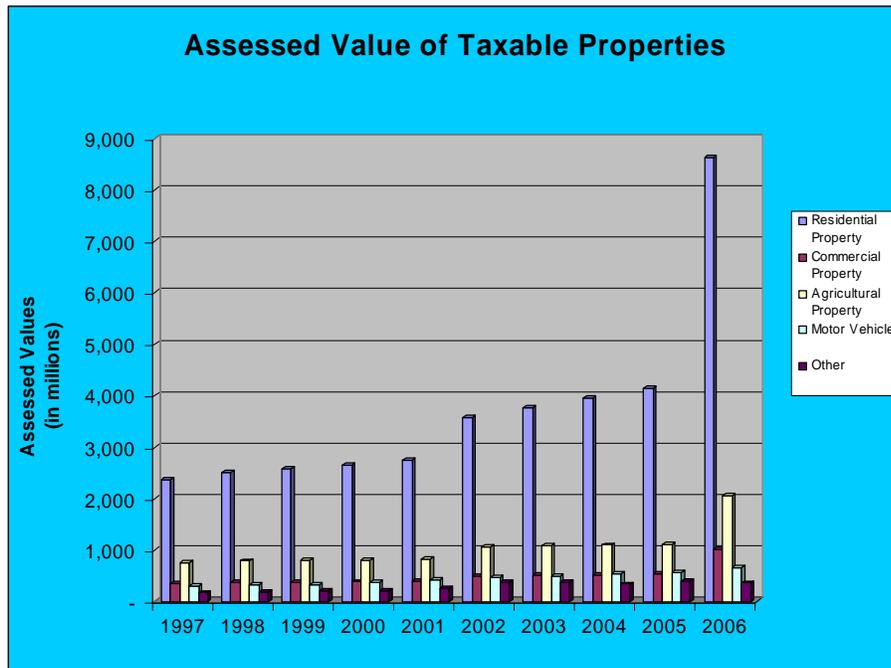
**Historic Population Growth**



In fiscal year 2006, the County's unemployment rate continued to remain low at 2.5% comparing favorably with the Commonwealth of Virginia's average at 3.1% and the national average of 4.6%.



The County's quadrennial real estate reassessment, effective January 1, 2006, reflected a significant increase in property values in addition to growth in residential and commercial property. The county's tax base has increased over 221.0% since 1997.



A major goal of the County's economic development program is to attract small to mid-sized companies to locate into planned development sites within the county. The financial sector continues to expand with the addition of new branches of existing banks, and the opening of two new financial institutions due to the strong economic climate and expanding population based in the County and Town of Warrenton. Industrial and agricultural businesses have also experienced rapid growth over the past two years. Vint Hill, a former army communications base has been expanding. As of 2006, Vint Hill had 62 businesses occupying over 600,000 square feet with 1,200 employees. Currently under construction are three new buildings to accommodate an expansion of Athena Technologies, Buccaneer Computer Systems & Service, Walnut Grove Childcare, and Ice Components' new headquarters. Tourism continues to represent a growing segment of the economic sector in Fauquier County with wineries, driving tours, and getaway packages.

In preparation for the sale of General Obligation Bonds which occurred on September 26, 2006, to construct Kettle Run High School, the County recently underwent a credit evaluation by the three bond rating agencies. The County has maintained a stable bond rating of Aa2 from Moody's Investors Service and AA- from Standard & Poor's. The County received its first rating from Fitch Ratings of AA. In addition, Standard & Poor's has given the County its highest Financial Management Assessment rating of "strong" due to the County's formal fiscal policies reflecting the County's commitment to maintain a fiscally conservative position.

### **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 Capital Improvement Program is the County's plan for investing in facilities, equipment, and vehicles over the next ten years, and includes those items with a unit cost generally greater than \$50,000. The fiscal year 2007 capital budget for new County and School projects is \$50,028,688, which is \$25,241,154 greater than the original budget for fiscal year 2006. This increase is primarily attributable to the construction of the new Kettle Run High School and funding for two additional elementary schools, which will be mostly bond-supported. The County budget policies recommend the use of "pay-as-you-go" funding, and during the past 10 years, approximately 66% of the CIP has been cash funded. The ten year Capital Improvements Plan contains 38 construction projects, including four schools, three libraries and a new office building.

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.

## **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.

The Board of Supervisors established a debt referendum policy in 2001 to encourage public participation in the decision-making process relating to major construction projects due to the potential effects on the County's credit rating, debt availability, tax rates, and the annual operating budget. The original policy required 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 to increase the amount requiring a voter referendum to \$25,000,000.

Investments are made according to a formal Investment Policy that seeks to safeguard principal, meet liquidity objectives and seek fair value rates of return within the parameters of the *Code of Virginia*. Funds held for capital projects are invested in accordance with these objectives in addition to ensuring compliance with U.S. Treasury arbitrage regulations.

The County recognizes the need to monitor revenue estimates to identify any shortfalls and potential trends that would significantly affect the various revenue sources in the current budget. A Revenue Committee convenes monthly to ensure a careful review of all revenue sources, and to provide revenue estimates for budget development.

## **Major initiatives**

A new borrowing was approved by bond referendum in fiscal year 2005 for \$39.6 million to fund a portion of the Kettle Run High School. On September 26, 2006 general obligation bonds were sold, and construction has begun. The total cost is expected to exceed \$68.0 million to build and approximately \$5.0 million annually to operate.

The County is currently developing a Fiscal Impact Model expected to be operational prior to FY 2008. This model will assist policy makers and staff in forecasting future program and service needs. Other management initiatives designed to improve public service in the County include Succession Management Programs and Management Objectives and Performance Measures.

## **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 ending June 30, 2005. This was the eighth (8) consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government

must publish an easily readable and efficiently organized comprehensive annual financial report. This report 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. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The GFOA has awarded its Distinguished Budget Presentation Award to Fauquier County for fiscal year 2005. Fauquier County has received this award for ten years. GFOA has also awarded its Distinguished Budget Presentation Award to the Fauquier County School District for the first time in 2005.

### **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 that contributed to the preparation of this report.

The 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,



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Paul McCulla  
County Administrator



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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, 2005

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.



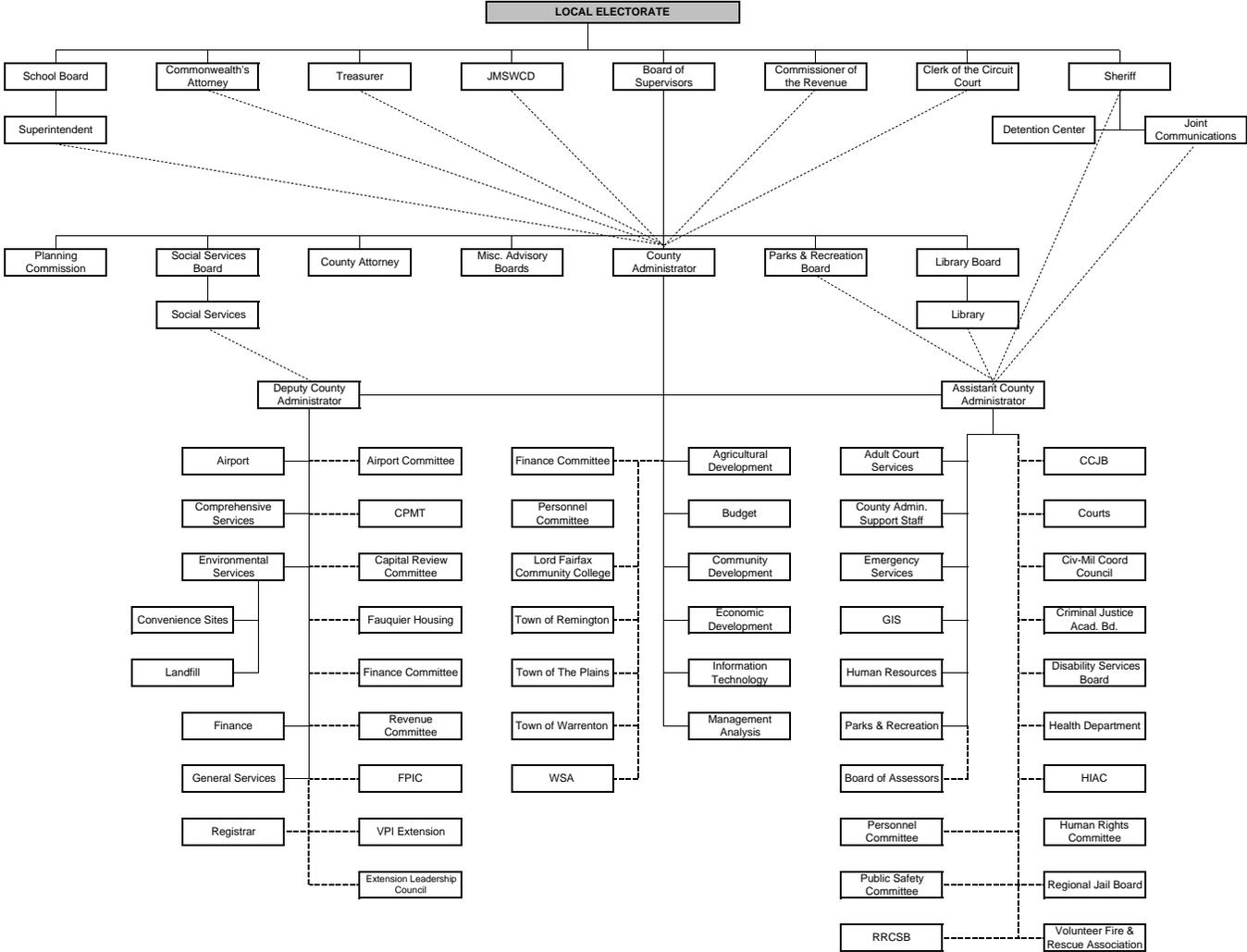
*Carla E. Perry*

President

*Jeffrey R. Emmer*

Executive Director

# County of Fauquier, Virginia Organizational Chart



**COUNTY OF FAUQUIER, VIRGINIA**  
**PRINCIPAL OFFICIALS**

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**BOARD OF SUPERVISORS**

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

**COUNTY ADMINISTRATION**

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

**COUNTY SCHOOL BOARD**

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

**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 H. 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 S. Lynn
Judge of the Circuit Court .....	Jeffrey W. Parker
Judge of Juvenile and Domestic Relations District Court .....	H. Dudley Payne, Jr.

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2006, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Fauquier, Virginia as of June 30, 2006, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the Schedule of Funding Progress at Exhibit 13 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2006 on our consideration of the County of Fauquier's internal control over financial reporting and 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.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the County of Fauquier's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section, 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 also presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The combining and individual fund statements and schedules, including 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections 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.

*Cherry, Bekaert & Holland, L.L.P.*

Richmond, Virginia  
November 7, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2006. 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 2006 FINANCIAL HIGHLIGHTS**

- The total reporting entity, which includes component units, has positive net assets of \$174.9 million at June 30, 2006, which represents an 8.0% increase from the prior year. The County issues bonds for the School Board component unit. The debt is reflected as a liability for the primary government while the related capital asset is shown as an asset for the School Board component unit. At June 30, 2006, the County has \$57.2 million of School Board debt outstanding (which includes \$55.6 million of outstanding bonds and \$1.6 million of bond premiums) related to assets on the books of the School Board. Even after reflecting the assets in the Public School component unit column and the debt with the primary government, the County's governmental activities assets at June 30, 2006 exceeded liabilities by \$48.8 million (net assets).
- The \$13.0 million increase, 8.0%, in net assets of the total reporting entity is the most accurate reflection of the change of the County as a whole as this presentation includes the activities of the County's component unit. This increase in net assets demonstrates the continuing collaborative sound fiscal policies of the County as a whole.
- Net assets for governmental activities decreased \$3.2 million, 6.2%, due primarily to a \$12.7 million, 18.9% increase in education expenses partially offset by an \$11.4 million, 9.2% increase in total governmental revenues. The most significant contributor to this increase is the general property taxes increase of \$8.9 million, 11.5%, which is attributed to the four year real estate reassessment which was effective for the second half of fiscal year 2006. While the real estate assessment base doubled, the tax rate was reduced by 35.0% which provided additional general revenues while defraying the full impact of the reassessment on the taxpayers. Additionally, revenue from use of money and property increased by \$1.1 million, 65.0% due to an increase in the average investment earnings rate on stable cash balances between the two years.
- The total cost of the County's programs was \$138.0 million (governmental activities) an increase of \$17.6 million, 14.6%, due primarily to increases in Education expenses \$12.7 million, 18.9%, and Public Safety expenses of \$2.4 million, 15.0%.
- Revenues from business-type activities decreased by \$3.1 million, 23.7%, due primarily to higher grant revenues in fiscal year 2005 related to the site improvements at the airport and a reduction of landfill revenues due to a reduction in the volume of materials received and thus lower fees.
- The results of sound financial management are demonstrated as the County continues to add to total reporting entity net assets while keeping expenditures at a level that provides for managed population increases and creation of infrastructure related to the County's strategic goals. The County's strong flexibility has resulted in surpluses in recent years which have been utilized for cash funding of capital projects.
- The component unit, Schools, revenues totaled \$123.9 million and expenses totaled \$111.4 million. Schools net assets increased by \$12.5 million, or 13.6%, during fiscal year 2006 (Exhibit 2) primarily due to \$14.5 million in capital assets constructed in the primary government's capital projects fund which was donated to the Public School component unit offset by depreciation expense.

- As of June 30, 2006, the County governmental funds reported combined fund balances of \$52.8 million, a decrease of \$2.6 million in comparison with the prior year. The decrease resulted primarily from the use of bond proceeds and cash funding received in previous years for capital projects of \$25.7 million over revenues offset by \$12.1 million from proceeds from issuance of debt and premiums and \$11.0 million in general fund and other governmental fund revenues over expenses. Approximately 57.6% of the combined fund balances, or \$30.4 million, is undesignated and available to meet the County's current and future needs (Exhibits 3 & 5).
- General fund revenues exceeded budget by \$2.5 million which along with expenditure savings of \$4.6 million provided additional available resources for future years' appropriations and increased undesignated fund balance by \$2.0 million in accordance with the County's financial policies.
- At the end of the current year, the undesignated fund balance of \$14.7 million in the general fund is 10.0% of fiscal year 2007's budgeted general fund revenues and 11.3% of fiscal year 2006 actual general fund revenues.

## **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 2005 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 controls.

### **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, Schedule of Funding Progress for the Virginia Retirement System and the Fire and 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 and 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 to finance School Board assets 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 and 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, 2006 and 2005.

<b>Table 1</b>	<b>County of Fauquier Summary of Net Assets (\$ in millions)</b>							
	<b>Primary Government</b>						<b>Total Reporting Entity Including Component Unit</b>	
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>		<b>Total Reporting Entity Including Component Unit</b>	
	2006	2005	2006	2005	2006	2005	2006	2005
<b>Assets:</b>								
Current and other assets	\$ 67.2	\$ 78.6	\$ 2.0	\$ 5.4	\$ 69.2	\$ 84.0	\$ 82.6	\$ 95.0
Capital assets and Non-current assets	61.0	51.0	29.3	22.5	90.3	73.5	197.3	169.0
<b>Total assets</b>	<b>128.2</b>	<b>129.6</b>	<b>31.3</b>	<b>27.9</b>	<b>159.5</b>	<b>157.5</b>	<b>279.9</b>	<b>264.0</b>
<b>Liabilities:</b>								
Other liabilities	8.4	13.4	0.9	1.0	9.3	14.4	21.2	24.9
Long-term liabilities	71.0	64.2	9.0	9.2	80.0	73.4	83.8	77.2
<b>Total liabilities</b>	<b>79.4</b>	<b>77.6</b>	<b>9.9</b>	<b>10.2</b>	<b>89.3</b>	<b>87.8</b>	<b>105.0</b>	<b>102.1</b>
<b>Net assets:</b>								
Invested in capital assets, net of related debt	53.9	47.3	26.3	20.6	80.2	67.9	140.1	122.1
Restricted	12.3	18.8	1.5	-	13.8	18.8	13.8	10.6
Unrestricted	(17.4)	(14.1)	(6.4)	(2.9)	(23.8)	(17.0)	21.0	29.2
<b>Total net assets</b>	<b>\$ 48.8</b>	<b>\$ 52.0</b>	<b>\$ 21.4</b>	<b>\$ 17.7</b>	<b>\$ 70.2</b>	<b>\$ 69.7</b>	<b>\$174.9</b>	<b>\$161.9</b>

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. 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.

On June 26, 2006, the Fauquier County Board of Supervisors approved a resolution not to acquire title as tenancy in common for jointly owned assets with the School Board for any and all School Board property for which the County has incurred, or will incur, a financial obligation payable over more than one fiscal year. In prior years the jointly owned assets were reported as County assets on the Statement of Net Assets (Exhibit 1). The 2005 column has been restated to reflect this change and a total reporting entity column has been added.

The total reporting entity net assets increased by 8.0% to \$13.0 million. Invested in capital assets net of related debt increased by 14.7% to \$18.0 million as the County's emphasis on construction of schools assets was a major focus in fiscal year 2006.

In the case of the primary government, total assets exceeded total liabilities by \$70.2 million at June 30, 2006. The largest portion of net assets, \$80.2 million, represents the County's investment in capital assets (e.g., land, buildings, and equipment), less the depreciation and outstanding debt associated with the asset acquisition. An additional \$13.8 million of restricted assets related to \$6.6 million of funds restricted for capital projects, \$1.5 million restricted for bond covenants, and \$5.7 million restricted for special projects. The deficit unrestricted net assets of the primary government totaled \$23.8 million. This deficit is the result of the County having borrowed \$57.2 million (\$55.6 million bonds and \$1.6 million premiums) for assets reported by the School Board component unit which when combined for the total reporting entity results in \$21.0 million of positive net assets.

For the business-type activities, total net assets increased by \$3.7 million, 21.0%, which is primarily the result of \$3.1 million of Federal Government and Commonwealth of Virginia grant funds used for capital improvements at the Airport. The unrestricted net assets showed a deficit of \$6.4 million which is an increase of \$3.5 million due primarily to \$3.3 million of construction and capital assets at the landfill funded from operating cash and a \$1.5 million restriction for bond covenants. 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 and Recycling Fund did not receive user fees sufficient to finance the non-current portion of long-term debt.

## Statement of Activities

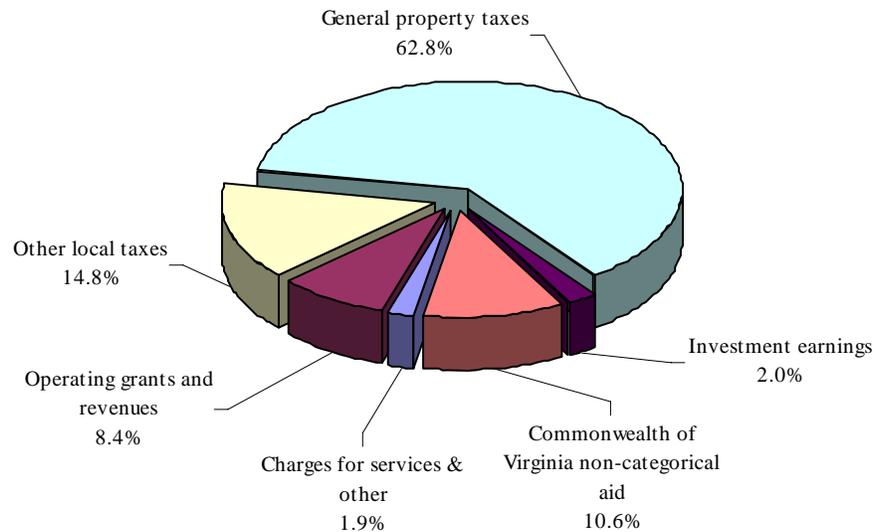
Table 2 summarizes the Statement of Activities (Exhibit 2 in the Financial Section of the CAFR) for the primary government and component unit.

Table 2	County of Fauquier Change in Net Assets (\$ in millions)							
	Primary Government						Total Reporting Entity Including Component Unit	
	Governmental Activities		Business-Type Activities		Total Primary Government			
	2006	2005	2006	2005	2006	2005	2006	2005
<u>Revenues</u>								
Program revenues:								
Charges for services	\$ 1.9	\$ 2.6	\$ 6.8	\$ 8.3	\$ 8.7	\$ 10.9	\$ 12.2	\$ 14.1
Operating grants and contributions	11.6	9.9	-	-	11.6	9.9	16.4	14.4
Capital grants	-	-	3.1	4.8	3.1	4.8	3.1	4.8
General revenues:								
Real and personal property taxes	86.0	77.1	-	-	86.0	77.1	86.0	77.1
Other taxes	20.4	18.6	-	-	20.4	18.6	20.4	18.6
Investment earnings	2.8	1.7	0.1	-	2.9	1.7	2.9	1.7
Miscellaneous	0.7	0.2	-	-	0.7	0.2	0.7	0.3
Commonwealth non-categorical aid	14.7	13.3	-	-	14.7	13.3	48.7	45.0
Special Item	(3.3)	-	-	-	(3.3)	-	(3.3)	-
Total revenues	<u>134.8</u>	<u>123.4</u>	<u>10.0</u>	<u>13.1</u>	<u>144.8</u>	<u>136.5</u>	<u>187.1</u>	<u>176.0</u>
<u>Expenses</u>								
General government	9.8	8.3	-	-	9.8	8.3	9.8	8.3
Judicial administration	2.8	2.6	-	-	2.8	2.6	2.8	2.6
Public safety	18.4	16.0	-	-	18.4	16.0	18.4	16.0
Public works	6.0	5.3	-	-	6.0	5.3	6.0	5.3
Health and welfare	8.0	7.1	-	-	8.0	7.1	8.0	7.1
Education	80.2	67.5	-	-	80.2	67.5	110.0	102.4
Parks, recreation, and cultural	4.6	4.0	-	-	4.6	4.0	4.6	4.0
Community development	5.1	5.7	-	-	5.1	5.7	5.1	5.7
Other	-	0.8	-	-	-	0.8	-	0.8
Interest - long-term debt	3.1	3.1	-	-	3.1	3.1	3.1	3.1
Airport	-	-	0.8	0.2	0.8	0.2	0.8	0.2
Landfill and recycling	-	-	5.5	7.9	5.5	7.9	5.5	7.9
Total expenses	<u>138.0</u>	<u>120.4</u>	<u>6.3</u>	<u>8.1</u>	<u>144.3</u>	<u>128.5</u>	<u>174.1</u>	<u>163.4</u>
Changes in net assets	(3.2)	3.0	3.7	5.0	0.5	8.0	13.0	12.6
Beginning net assets, as restated	52.0	49.0	17.7	12.7	69.7	61.7	161.9	149.3
Ending net assets	<u>\$ 48.8</u>	<u>\$ 52.0</u>	<u>\$ 21.4</u>	<u>\$ 17.7</u>	<u>\$ 70.2</u>	<u>\$ 69.7</u>	<u>\$ 174.9</u>	<u>\$ 161.9</u>

**Governmental Activities:** As reflected in Table 2, total governmental net assets decreased by \$3.2 million compared to an increase of \$3.0 million in fiscal year 2005. The decrease in net assets is attributed primarily to completion of School Board component unit capital assets constructed in the primary government capital project fund and transferred to the component unit. The total reporting entity change in net assets increased by \$13.0 million as a result of the growth in property and other taxes of \$10.7 million or 11.2% offset by support given to several programs, primarily education, public safety and community development. Revenues from governmental activities (Table 2) totaled \$134.8 million, an increase of \$11.4 million over fiscal year 2005. Revenue increases occurred primarily in general property taxes of \$8.9 million or 11.5% and other taxes of \$1.8 million or 9.7%. In fiscal year 2006, \$13.5 million, or 10.0% 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 excluding a one time special item. Taxes comprise the largest source of these revenues, totaling \$106.4 million, or 77.6% of all governmental activities revenue. Of this amount, general property taxes account for \$86.0 million, or 62.8% of total revenue.

**Governmental Activities – Revenues by Source  
For the Fiscal Year Ended June 30, 2006**



As shown in Table 2, the total expenses for governmental activities for this fiscal year were \$138.0 million, compared to \$120.4 million in fiscal year 2005. 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 \$80.2 million, or 58.3% 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 \$6.8 million in fiscal year 2006. The portion allocated to education is approximately \$5.1 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 61.7%. Public safety expenses, which total \$18.4 million (13.3%), represent the second largest expense category for governmental activities.

**Governmental Activities  
Functional Expenses  
For the Fiscal Year Ended June 30, 2006**

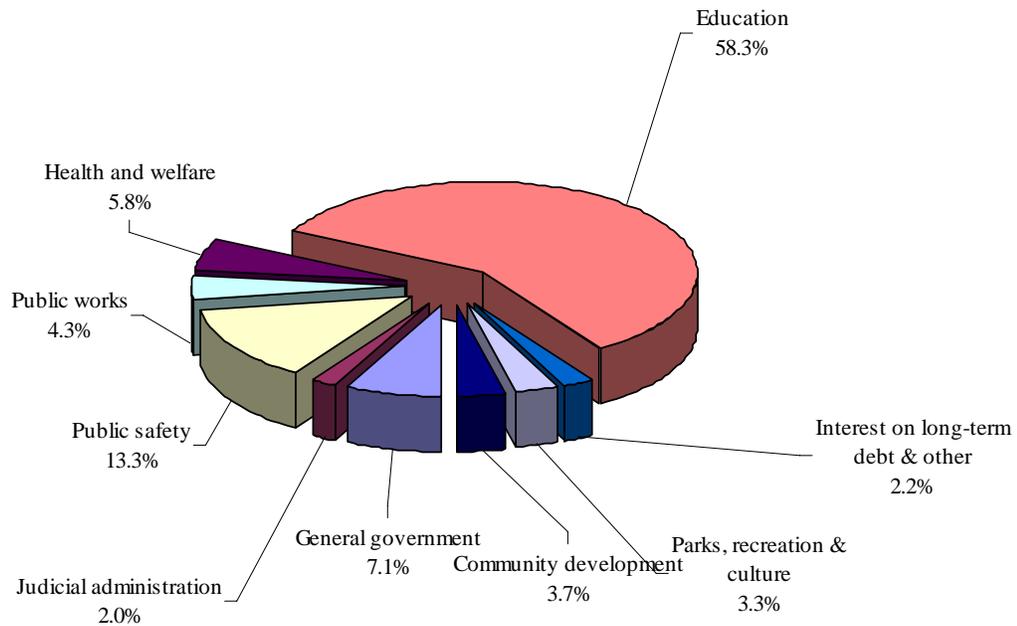


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County's governmental activities.

Table 3	<b>Net Cost of Governmental Activities For the Fiscal Year Ended June 30, 2006 (\$ in millions)</b>			
	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
General government	\$ 9.8	\$ 8.3	\$ 9.0	\$ 7.9
Judicial administration	2.8	2.6	0.4	0.4
Public safety	18.4	16.0	14.5	12.3
Public works	6.0	5.3	6.0	5.3
Health and welfare	8.0	7.1	3.3	2.5
Education	80.2	67.5	80.2	67.5
Parks, recreation and culture	4.6	4.0	3.9	3.3
Community development	5.1	5.7	4.0	4.7
Interest on long-term debt and other	3.1	3.9	3.1	3.9
<b>Total</b>	<b>\$ 138.0</b>	<b>\$ 120.4</b>	<b>\$ 124.4</b>	<b>\$ 107.8</b>

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 and recreation activities. The County obtains grants primarily for public safety, health and welfare, and judicial administration. After recognizing the revenue from these fees, grants, and

contributions of \$13.5 million, the net cost of governmental activities was \$124.4 million, compared to a total cost of \$138.0 million. General revenue, primarily in the form of taxes, and State aid are needed to support the services that are not fee supported.

**Business-type activities:** Table 2 also summarizes the business-type activities. These activities increased the County's net assets by \$3.7 million, accounting for 28.5% of the total increase in net assets of the County. Revenues totaled \$10.0 million of which \$6.8 million, or 68.0%, was generated by user fees or charges for services. Business-type activities are generally intended to be self-supporting. Fees are established to recover the cost of providing the service.

The total expenses for business-type activities were \$6.3 million, of which 87.3% was associated with the landfill and recycling program. Business-type activity expenses decreased \$1.8 million from fiscal year 2005, primarily due to no change in the closure and post closure costs as compared to the \$2.8 million increase in 2005 for the landfill.

### **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

As of June 30, 2006, the County's governmental funds reported a combined ending fund balance of \$52.8 million (Exhibit 3), a decrease of \$2.6 million in comparison with the prior year. The decrease is primarily attributed to the outlay for capital projects. Approximately 57.5%, or \$30.4 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 \$16.4 million and future years' expenditures of \$6.0 million.

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 \$14.7 million (Exhibit 3). The General Fund's liquidity can be measured by comparing unreserved fund balance to total fund revenues. Unreserved fund balance represents 11.3% 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, contributed to the Schools component unit or appropriated in the County's General Fund in the subsequent year. For the fiscal year, the fund balance in the General Fund increased by 9.3% (\$1.8 million), which reflects a reduction of \$2.0 million in transfers to the CIP in 2006 over the 2005 transfers.

Significant outlays in fiscal year 2006 included the following:

- The General Fund contributed \$65.7 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 General Fund also incurred \$0.9 million in debt service for primary government capital leases related to the public safety radios and the Bealeton Library building.
- The General Fund transferred \$6.7 million to the Capital Projects Fund to fund capital improvement projects for the County.

**BUDGETARY HIGHLIGHTS**

**General Fund**

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

<b>Budgetary Comparison General Fund For the Fiscal Year Ended June 30, 2006 (\$ in millions)</b>			
<b>Table 4</b>	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>
<u>Revenues</u>			
Taxes	\$ 92.3	\$ 97.8	\$ 99.3
Other	5.2	5.1	6.5
Intergovernmental	24.1	24.9	24.6
Total revenues	<u>121.6</u>	<u>127.8</u>	<u>130.4</u>
<u>Expenditures</u>			
Expenditures	<u>121.3</u>	<u>126.1</u>	<u>121.5</u>
Excess (deficiency) of revenues over expenditures	<u>0.3</u>	<u>1.7</u>	<u>8.9</u>
<u>Other financing sources (uses)</u>			
Transfers	<u>(0.3)</u>	<u>(7.1)</u>	<u>(7.1)</u>
Change in fund balance	<u>\$ -</u>	<u>\$ (5.4)</u>	<u>\$ 1.8</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 \$6.2 million, primarily due to budget increases in general property tax revenues as the four year reassessment occurred during fiscal year 2006.

Actual revenues and “transfers in” exceeded the amended budget by \$2.6 million. Higher tax collections due to the reassessment accounted for \$1.5 million of the favorable variance and \$1.2 million of the favorable variance is attributed to higher revenue from use of money and property.

Actual expenditures and “transfers out” for the General Fund totaled \$128.7 million or \$4.6 million less than the amended budget. Of this difference, \$2.3 million is a reduction in the transfer to the Public School component unit, offset by Board approved transfers in 2005 recorded in 2006 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, \$2.3 million in fiscal year 2006 unexpended appropriations will be reappropriated in fiscal year 2007 to support one-time operating needs, and capital projects.

**CAPITAL ASSETS AND LONG-TERM DEBT**

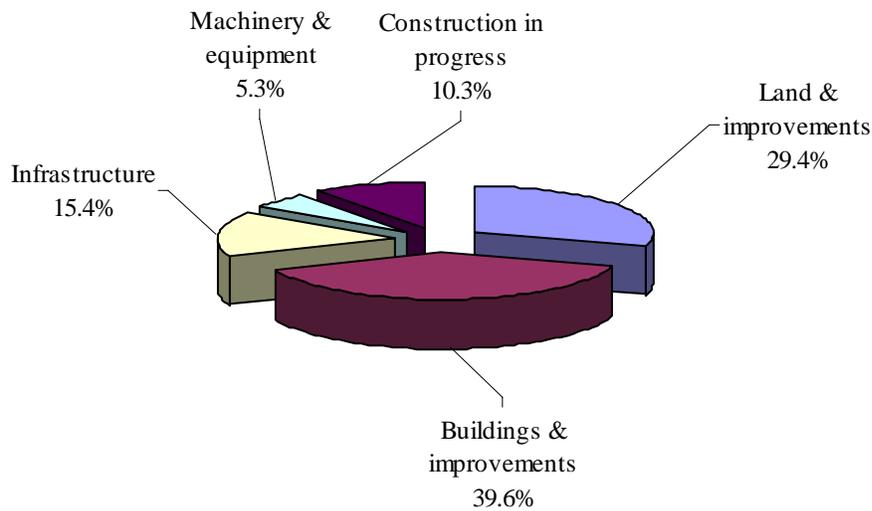
**Capital Assets**

Table 5 provides information on changes in the capital assets of the governmental funds during fiscal year 2006.

<b>Table 5</b>	<b>Change in Capital Assets Governmental Activities (\$ in millions)</b>		
	<b>Balance July 1, 2005</b>	<b>Net Additions and Deletions</b>	<b>Balance June 30, 2006</b>
Land and improvements	\$ 14.6	\$ 3.6	\$ 18.2
Construction in progress (CIP)	16.8	(10.5)	6.3
Subtotal, capital assets not being depreciated	<u>31.4</u>	<u>(6.9)</u>	<u>24.5</u>
Buildings and improvements	22.5	8.4	30.9
Infrastructure	0.2	9.6	9.8
Machinery and Equipment	8.7	0.5	9.2
Subtotal, capital assets being depreciated	<u>31.4</u>	<u>18.5</u>	<u>49.9</u>
Less: accumulated depreciation	<u>11.7</u>	<u>1.7</u>	<u>13.4</u>
Net capital assets being depreciated	<u>19.7</u>	<u>16.8</u>	<u>36.5</u>
Governmental activities capital assets, net	\$ <u><u>51.1</u></u>	\$ <u><u>9.9</u></u>	\$ <u><u>61.0</u></u>

As illustrated in Table 5, for the governmental funds the County’s investment in capital assets not being depreciated totaled \$24.5 million, and \$36.5 million for depreciable capital assets, net of depreciation. The net investment in capital assets (including additions, retirements, and depreciation) increased \$9.9 million, or 19.4% above the prior year. The County’s capital assets includes items such as public safety equipment, buildings, parks and recreation facilities, libraries, and public works vehicles and equipment. The following chart illustrates the County’s capital assets, net of depreciation, by category. Buildings and improvements account for the largest category at 39.6% of the total net capital assets.

**Net Capital Assets Used in the Operation of Governmental Activities  
As of June 30, 2006**



The County's Capital Improvements Program Committee (Committee), composed of citizens appointed by the Board of Supervisors by magisterial district, receives the ten-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. On October 13, 2005 the County Board of Supervisors approved an amendment to the adopted resolution requiring a voter referendum for projects in which the total costs are \$25.0 million or more.

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

- Completion of addition to the Adult Detention Center costing a total of \$3.0 million.
- Completion of the renovation of the Courthouse costing a total of \$5.4 million.
- Addition to construction in progress for the Northern Sports Complex of \$3.4 million.
- Purchase of \$3.0 million of land. The 200 acres adjoins the landfill and will in part be used for landfill expansion and to provide fill dirt for the upcoming landfill closure projects. The balance of the property will potentially be used to provide a school site as well as sites for relocating other County facilities such as the General Services complex, Parks and Recreation offices, and the Cooperative Extension and related offices.

The total reporting entity capital assets increased by \$27.5 million, of which \$11.6 million relates to the School Board component unit; \$3.5 million of cell improvements for the landfill enterprise fund and \$2.5 million relates to site improvements for the airport enterprise fund. The major capital projects for the School Board are:

- Addition to construction in progress of \$6.1 million for major renovations of Claude Thompson Elementary School.
- Completion of the Cedar Lee Middle School roof replacement of \$0.5 million.

- Addition to construction in progress of \$5.0 million for the heating, ventilating and air conditioning (HVAC) upgrades at Liberty High School.
- Addition to construction in progress of \$1.1 million for architect and engineering costs related to Kettle Run High School.
- Primary government's donation of the purchase of land for Kettle Run High School. The addition to land for the School Board was \$1.7 million with \$0.8 million of land capitalized by the primary government.

The County's fiscal year 2007 Capital Improvements Program calls for the following major projects:

- \$36.7 million for additional construction costs for Kettle Run High School which is expected to open in August 2008.
- \$9.0 million for architect and engineering costs and initial construction of the eleventh elementary school which will be located in the central district.
- \$1.8 million for land and design of for the twelfth elementary school.
- \$0.3 million for the voice over I.P. telephone system.
- \$0.6 million for the improvements to heating, ventilating and air conditioning for the Alice Jane Childs' building.
- \$0.6 million for the renovation of the data center in the Alice Jane Childs building.
- \$0.4 million for Sheriff deputies' vehicle replacements

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

## Long-term Debt

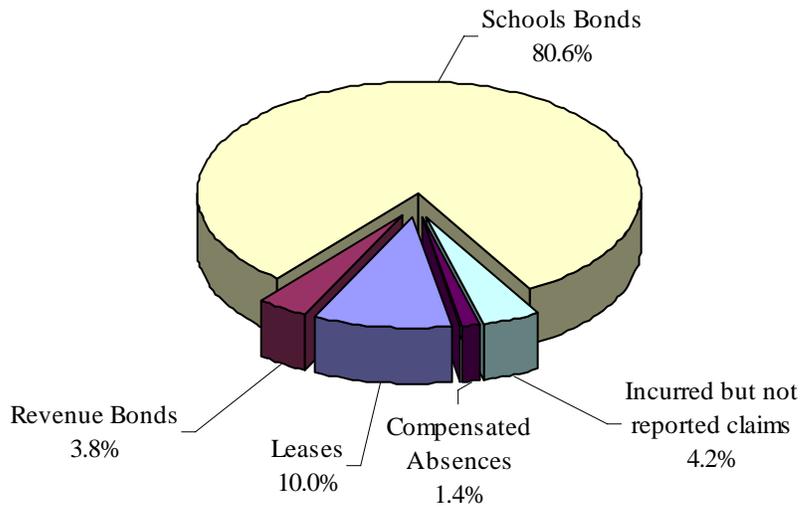
Table 6 provides an overview of the long-term obligations for the primary government.

<b>Table 6</b>		<b>Summary of Changes in Long-Term Debt (\$ in millions)</b>		
	<u>July 1, 2005</u>	<u>Net Increase (Decrease)</u>	<u>June 30, 2006</u>	
<b>Governmental Activities:</b>				
Capital leases	\$ 7.7	\$ (0.6)	\$ 7.1	
Revenue bonds	2.8	(0.1)	2.7	
General obligation bonds plus premiums	49.5	7.6	57.1	
Compensated absences	2.9	0.1	3.0	
Incurring but not reported claims	1.2	(0.2)	1.0	
	<u>64.1</u>	<u>6.8</u>	<u>70.9</u>	
<b>Business Type Activities:</b>				
Revenue bonds plus premiums	1.9	(0.3)	1.6	
Compensated absences	0.1	-	0.1	
Landfill closure and postclosure	7.3	-	7.3	
	<u>9.3</u>	<u>(0.3)</u>	<u>9.0</u>	
Total long-term debt	<u>\$ 73.4</u>	<u>\$ 6.5</u>	<u>\$ 79.9</u>	

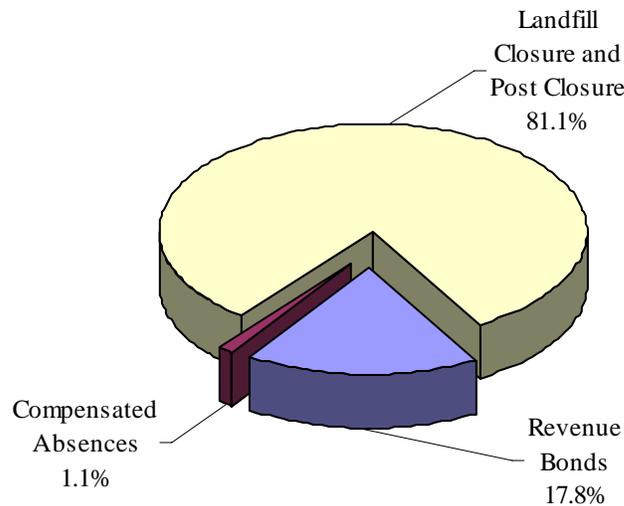
As of June 30, 2006, the County's governmental activities long-term debt, excluding compensated absences and incurred but not reported claims, totaled \$66.9 million. During the year, the County issued Virginia Public School Authority bonds in the amount of \$11.5 million with a \$0.6 million premium to fund the Claude Thompson Elementary School renovation; Liberty High School heating, ventilating, and air conditioning project; and the Cedar Lee Middle School library expansion.

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 80.6% of the County's total governmental debt.

**Governmental Activities  
Long-Term Debt  
As of June 30, 2006**

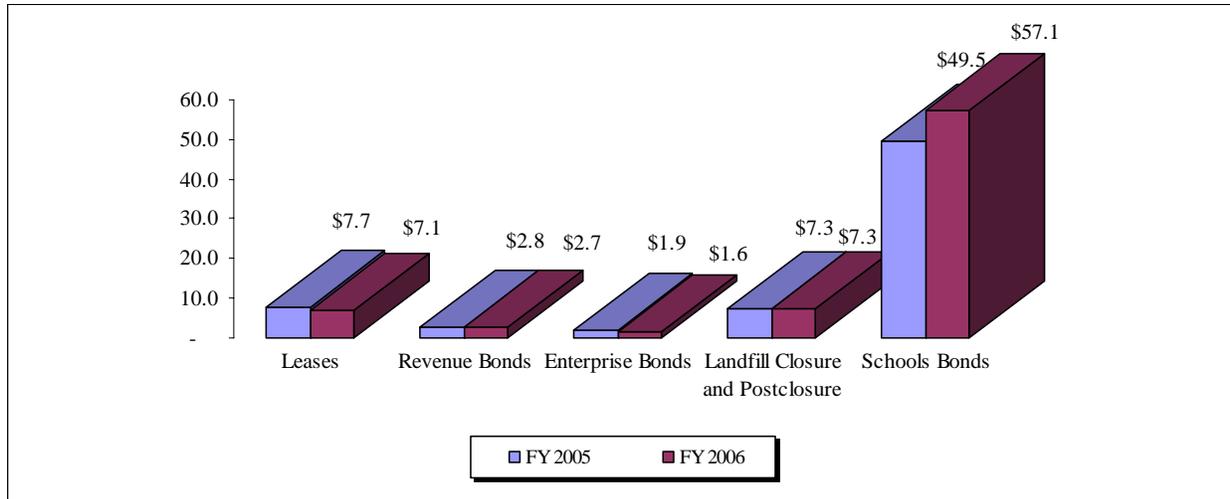


**Business Type Activities  
Long-Term Debt  
As of June 30, 2006**



The following chart compares long-term indebtedness, less compensated absences and less incurred but not recorded claims for fiscal year 2005 and 2006 by type and amount outstanding. As shown, lease obligations; revenue bonds; enterprise bonds; and landfill closure and postclosure debt decreased or remained unchanged while school-related debt obligations increased.

**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 2006, the County's debt to revenue ratio was 6.2%. The second ratio assessed by management is total debt per capita. This ratio compares current performance to past performance. In fiscal year 2006, the general government debt per capita was \$1,064. This ratio increased from \$984 in the prior year.

On September 26, 2006, the County sold \$39,615,000 of general obligation bonds. Proceeds of bonds issued will be used to finance the construction of the Kettle Run High School.

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 of no more than 10% of General Fund revenues.

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 2006 was 2.5%, an increase of 0.1% from June 2005. This compares favorably to the State's rate of 3.1% and the national rate of 4.6%
- According to the Weldon Cooper Center for Public Service, Fauquier County's population was estimated to be 62,900 an increase of 1.6% over the prior year. Population estimates for the last ten years are provided in Table 13, Statistical Section of this report.
- The enrollment in public schools increased in fiscal year 2006 by 1.8% from 10,752 to 10,940. School enrollment for the last ten years is provided in Table 13, Statistical Section of this report.
- The 2004 per capita personal income for Fauquier County was \$43,556, compared to \$36,160 for the Commonwealth of Virginia, as reported by the U.S. Department of Commerce Bureau of Economic Analysis.
- The County Civilian Labor Force increased in fiscal year 2006 by 4% from 35,595 to 37,020. County Civilian Labor Workforce numbers for the last ten years is provided in Table 13, Statistical Section of this report.

### **Fiscal Year 2007 Budget and Rates**

- For fiscal year 2007, the adopted budget for the General Fund is \$144.9 million, an increase of 13.4% over fiscal year 2006. Revenues are comprised primarily of general property taxes at 67.0%, other local taxes at 12.0%, permits, privilege fees and regulatory licenses at 2.0%, State assistance at 15.0%, Federal assistance at 1.6%, use of money at 1.2%, and other revenues of 1.2%.
- In fiscal year 2007, the County's transfer to the component unit, Schools, increased by 10.1% to \$80.0 million which includes the County's payment of debt service on behalf of the Schools. Support to the Schools represents 57.1% of the General Fund appropriations not including the allocation of shared services, which represents an additional 3.2% of local support. The percentage of General Fund appropriations supporting Schools is basically unchanged from fiscal year 2006.
- Public safety is second, accounting for 9.8% 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 rate for real property decreased by 35% from \$0.99 cents to \$0.645. Personal property taxes remained unchanged with the exception of the airplane tax which decreased from \$0.60 to \$0.001. Detail on the tax rates is provided in Table 6, 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 A. 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](http://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**



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COUNTY OF FAUQUIER, VIRGINIA

Statement of Net Assets  
June 30, 2006

Exhibit 1  
Page 1 of 2

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 37,343,334	\$ 772,770	\$ 38,116,104
Restricted cash	22,812,145	-	22,812,145
Receivables, net of allowances for uncollectibles:			
Taxes, including penalties	2,590,229	-	2,590,229
Accounts	1,755,680	809,046	2,564,726
Internal balances	59,700	(59,700)	-
Prepaid assets	18,866	5,075	23,941
Due from other governmental units	2,426,930	440,351	2,867,281
Notes receivable:			
Advances to other funds	35,000	-	35,000
Deposit on account	-	-	-
Inventories	192,032	-	192,032
Total current assets	<u>67,233,916</u>	<u>1,967,542</u>	<u>69,201,458</u>
Noncurrent assets:			
Restricted cash:			
Revenue bond covenant	-	1,496,173	1,496,173
Capital assets (net of accumulated depreciation):			
Land	18,111,066	7,507,583	25,618,649
Cell improvements	-	6,834,457	6,834,457
Construction in progress	6,342,298	1,353,655	7,695,953
Buildings and improvements	24,092,480	1,035,458	25,127,938
Infrastructure	9,463,215	10,259,308	19,722,523
Equipment	2,986,537	838,883	3,825,420
Total capital assets	<u>60,995,596</u>	<u>27,829,344</u>	<u>88,824,940</u>
Total noncurrent assets	<u>60,995,596</u>	<u>29,325,517</u>	<u>90,321,113</u>
Total assets	<u>128,229,512</u>	<u>31,293,059</u>	<u>159,522,571</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	5,815,788	920,803	6,736,591
Accrued and other liabilities	630,688	17,680	648,368
Accrued interest	1,387,276	-	1,387,276
Unearned revenue	602,259	-	602,259
Total current liabilities	<u>8,436,011</u>	<u>938,483</u>	<u>9,374,494</u>
Noncurrent liabilities:			
Due within one year	6,095,400	368,697	6,464,097
Due in more than one year	64,927,843	8,586,327	73,514,170
Total noncurrent liabilities	<u>71,023,243</u>	<u>8,955,024</u>	<u>79,978,267</u>
Total liabilities	<u>79,459,254</u>	<u>9,893,507</u>	<u>89,352,761</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	53,879,240	26,282,531	80,161,771
Restricted for:			
Capital projects	6,584,996	-	6,584,996
Bond covenant	-	1,496,173	1,496,173
Other	5,689,128	-	5,689,128
Unrestricted (deficit)	(17,383,106)	(6,379,152)	(23,762,258)
Total net assets	<u>48,770,258</u>	<u>21,399,552</u>	<u>70,169,810</u>
Total liabilities and net assets	\$ <u>128,229,512</u>	\$ <u>31,293,059</u>	\$ <u>159,522,571</u>

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

<u>Component Unit</u>		<u>Reporting Entity</u>		
<u>School Board</u>	<u>Reclassifications (See Note 1 - 14.)</u>	<u>Total</u>		
\$ 9,912,339	\$ -	\$ 48,028,443		<b>Assets</b>
-	-	22,812,145		Current assets:
-	-	2,590,229		Cash and investments
140,759	-	2,705,485		Restricted cash
-	-	-		Receivables, net of allowances for uncollectibles:
90,951	-	114,892		Taxes, including penalties
3,065,414	-	5,932,695		Accounts
-	-	35,000		Internal balances
97,252	-	97,252		Prepaid assets
48,405	-	240,437		Due from other governmental units
				Notes receivable:
				Advances to other funds
				Deposit on account
				Inventories
<u>13,355,120</u>	<u>-</u>	<u>82,556,578</u>		Total current assets
				Noncurrent assets:
				Restricted cash:
				Revenue bond covenant
				Capital assets (net of accumulated depreciation):
				Land
5,008,236	-	30,626,885		Cell improvements
-	-	6,834,457		Construction in progress
15,699,047	-	23,395,000		Buildings and improvements
79,230,096	-	104,358,034		Infrastructure
904,327	-	20,626,850		Equipment
6,230,411	-	10,055,831		Total capital assets
<u>107,072,117</u>	<u>-</u>	<u>195,897,057</u>		Total noncurrent assets
<u>107,072,117</u>	<u>-</u>	<u>197,393,230</u>		Total assets
<u>120,427,237</u>	<u>-</u>	<u>279,949,808</u>		
				<b>Liabilities</b>
				Current liabilities:
1,094,670	-	7,831,261		Accounts payable
10,792,491	-	11,440,859		Accrued and other liabilities
-	-	1,387,276		Accrued interest
50,351	-	652,610		Unearned revenue
<u>11,937,512</u>	<u>-</u>	<u>21,312,006</u>		Total current liabilities
				Noncurrent liabilities:
379,468	-	6,843,565		Due within one year
3,415,217	-	76,929,387		Due in more than one year
<u>3,794,685</u>	<u>-</u>	<u>83,772,952</u>		Total noncurrent liabilities
<u>15,732,197</u>	<u>-</u>	<u>105,084,958</u>		Total liabilities
				<b>Net assets</b>
107,072,117	(47,092,229)	140,141,659		Invested in capital assets, net of related debt
				Restricted for:
-	-	6,584,996		Capital projects
-	-	1,496,173		Bond covenant
-	-	5,689,128		Other
(2,377,077)	47,092,229	20,952,894		Unrestricted (deficit)
<u>104,695,040</u>	<u>-</u>	<u>174,864,850</u>		Total net assets
\$ <u>120,427,237</u>	\$ <u>-</u>	\$ <u>279,949,808</u>		Total liabilities and net assets

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 2  
Page 1 of 2

Statement of Activities  
Fiscal Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 9,788,797	\$ 42,500	\$ 727,709	\$ -
Judicial administration	2,754,050	1,082,951	1,243,308	-
Public safety	18,427,447	187,106	3,789,676	-
Public works	6,029,767	-	50,000	-
Health and welfare	8,003,092	32,085	4,635,448	-
Education	80,157,231	-	-	-
Parks, recreation, and cultural	4,647,337	513,526	229,120	-
Community development	5,078,598	51,959	978,013	-
Interest on long-term debt	3,146,137	-	-	-
Total governmental activities	<u>138,032,456</u>	<u>1,910,127</u>	<u>11,653,274</u>	<u>-</u>
Business-type activities:				
Airport	850,740	217,987	-	3,114,018
Landfill and Recycling	5,531,178	6,554,404	48,633	-
Total business-type activities	<u>6,381,918</u>	<u>6,772,391</u>	<u>48,633</u>	<u>3,114,018</u>
Total primary government	<u>144,414,374</u>	<u>8,682,518</u>	<u>11,701,907</u>	<u>3,114,018</u>
<b>Component unit</b>				
School Board	<u>111,366,590</u>	<u>3,470,481</u>	<u>4,740,080</u>	<u>-</u>
Total component unit	<u>\$ 111,366,590</u>	<u>\$ 3,470,481</u>	<u>\$ 4,740,080</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Local sales and use taxes				
Consumers' utility taxes				
Business and professional taxes				
Motor vehicle taxes				
Taxes on recordation and wills				
E-911 tax				
Other local taxes				
Contribution from primary government				
Investment earnings				
Miscellaneous				
Commonwealth of Virginia noncategorical aid				
Special Item - Water and Sewer Authority note receivable				
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
\$ (9,018,588)	\$ -	\$ (9,018,588)	\$ -	\$ (9,018,588)	<b>Primary Government</b>
(427,791)	-	(427,791)	-	(427,791)	Governmental activities:
(14,450,665)	-	(14,450,665)	-	(14,450,665)	General government
(5,979,767)	-	(5,979,767)	-	(5,979,767)	Judicial administration
(3,335,559)	-	(3,335,559)	-	(3,335,559)	Public safety
(80,157,231)	-	(80,157,231)	-	(80,157,231)	Public works
(3,904,691)	-	(3,904,691)	-	(3,904,691)	Health and welfare
(4,048,626)	-	(4,048,626)	-	(4,048,626)	Education
(3,146,137)	-	(3,146,137)	-	(3,146,137)	Parks, recreation, and cultural
(124,469,055)	-	(124,469,055)	-	(124,469,055)	Community development
					Interest on long-term debt
					Total governmental activities
					Business-type activities:
-	2,481,265	2,481,265		2,481,265	Airport
-	1,071,859	1,071,859		1,071,859	Landfill and Recycling
-	3,553,124	3,553,124		3,553,124	Total business-type activities
-	3,553,124	(120,915,931)		(120,915,931)	Total primary government
			(103,156,029)	(103,156,029)	<b>Component unit</b>
			(103,156,029)	(103,156,029)	School Board
					Total component unit
86,079,820	-	86,079,820	-	86,079,820	General revenues:
7,372,629	-	7,372,629	-	7,372,629	General property taxes
3,247,767	-	3,247,767	-	3,247,767	Local sales and use taxes
3,360,897	-	3,360,897	-	3,360,897	Consumers' utility taxes
1,440,165	-	1,440,165	-	1,440,165	Business and professional taxes
2,974,115	-	2,974,115	-	2,974,115	Motor vehicle taxes
1,268,347	-	1,268,347	-	1,268,347	Taxes on recordation and wills
562,967	-	562,967	-	562,967	E-911 tax
-	-	-	81,597,198	81,597,198	Other local taxes
2,826,208	133,124	2,959,332	956	2,960,288	Contribution from primary government
723,786	-	723,786	72,953	796,739	Investment earnings
14,705,161	-	14,705,161	33,988,935	48,694,096	Miscellaneous
(3,317,857)	-	(3,317,857)	-	(3,317,857)	Commonwealth of Virginia noncategorical aid
(47,941)	47,941	-	-	-	Special Item - Water and Sewer Authority note receivable
121,196,064	181,065	121,377,129	115,660,042	237,037,171	Transfers
(3,272,991)	3,734,189	461,198	12,504,013	12,965,211	Total general revenues and transfers
52,043,249	17,665,363	69,708,612	92,191,027	161,899,639	Change in net assets
\$ 48,770,258	\$ 21,399,552	\$ 70,169,810	\$ 104,695,040	\$ 174,864,850	Net assets - beginning, as restated
					Net assets - ending

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## **FUND FINANCIAL STATEMENTS**



COUNTY OF FAUQUIER, VIRGINIA

Exhibit 3

Balance Sheet  
Governmental Funds  
June 30, 2006

	Primary Government			
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 17,700,504	\$ 7,900,032	\$ 5,653,908	\$ 31,254,444
Restricted cash	4,171	22,807,974	-	22,812,145
Receivables, net of allowances for uncollectibles:				
Taxes, including penalties	2,590,229	-	-	2,590,229
Accounts	1,323,596	70,538	300,440	1,694,574
Due from other funds	59,700	-	-	59,700
Prepaid assets	-	-	18,866	18,866
Due from other governmental units	2,405,378	21,552	-	2,426,930
Advances to other funds	35,000	-	-	35,000
Total assets	<u>24,118,578</u>	<u>30,800,096</u>	<u>5,973,214</u>	<u>60,891,888</u>
<b>Liabilities</b>				
Accounts payable	1,289,815	4,200,489	237,328	5,727,632
Accrued liabilities	127,570	-	10,160	137,730
Other liabilities	12,801	480,157	-	492,958
Deferred revenue	1,699,911	-	-	1,699,911
Total liabilities	<u>3,130,097</u>	<u>4,680,646</u>	<u>247,488</u>	<u>8,058,231</u>
<b>Fund balances</b>				
Reserved for:				
Encumbrances	243,185	16,166,584	36,598	16,446,367
Long term receivables	35,000	-	-	35,000
Unreserved, reported in:				
General Fund:				
Designated for armory	21,367	-	-	21,367
Designated for future years' expenditures	5,955,651	-	-	5,955,651
Undesignated:				
General Fund	14,733,278	-	-	14,733,278
Capital Projects Fund	-	9,952,866	-	9,952,866
Special revenue funds	-	-	5,689,128	5,689,128
Total fund balances	<u>20,988,481</u>	<u>26,119,450</u>	<u>5,725,726</u>	<u>52,833,657</u>
Total liabilities and fund balances	<u>\$ 24,118,578</u>	<u>\$ 30,800,096</u>	<u>\$ 5,973,214</u>	<u>\$ 60,891,888</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  
June 30, 2006**

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**Total fund balances - governmental funds** \$ **52,833,657**

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 \$108,007 related to internal service fund assets). 60,887,589

Deferred revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds. 1,384,085

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. (1,387,276)

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. 4,969,054

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	(7,116,356)	
Revenue bonds issued for utility projects	(2,715,000)	
General obligation bonds issued for schools	(55,565,000)	
Premiums on bonds payable - School Board	(1,607,172)	
Compensated absences (excludes \$73,941 for internal service funds)	<u>(2,913,323)</u>	<u>(69,916,851)</u>

**Net assets of governmental activities** \$ **48,770,258**

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, 2006

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
General property taxes	\$ 82,288,173	\$ -	\$ 4,891,549	\$ 87,179,722
Other local taxes	17,029,823	-	1,275,347	18,305,170
Permits, privilege fees, and regulatory licenses	1,921,717	-	-	1,921,717
Fines and forfeitures	529,420	-	-	529,420
Revenue from use of money and property	2,332,485	134,940	31,833	2,499,258
Charges for services	1,331,108	42,500	7,099	1,380,707
Gifts and donations	15,996	50,000	969,697	1,035,693
Recovered costs	228,372	-	28,965	257,337
Miscellaneous	-	627,839	95,947	723,786
Intergovernmental:				
Contribution from School Board	-	1,316,810	-	1,316,810
Contribution from Culpeper County	-	369,556	-	369,556
Commonwealth of Virginia	22,035,599	-	254,553	22,290,152
Federal Government	2,641,482	21,552	-	2,663,034
<b>Total revenues</b>	<u>130,354,175</u>	<u>2,563,197</u>	<u>7,554,990</u>	<u>140,472,362</u>
<b>Expenditures</b>				
Current operating:				
General government administration	9,310,646	81,161	-	9,391,807
Judicial administration	2,595,661	2,338,315	-	4,933,976
Public safety	12,915,396	1,356,462	4,885,571	19,157,429
Public works	5,731,313	462,198	-	6,193,511
Health & welfare	8,024,745	-	-	8,024,745
Education	65,725,565	16,071,667	-	81,797,232
Parks, recreation, and cultural	4,136,109	7,554,126	35,702	11,725,937
Community development	4,575,102	54,782	462,227	5,092,111
Nondepartmental	640,050	-	-	640,050
Debt service:				
Principal retirement	5,013,726	125,000	-	5,138,726
Interest & fiscal charges	2,824,144	138,258	-	2,962,402
<b>Total expenditures</b>	<u>121,492,457</u>	<u>28,181,969</u>	<u>5,383,500</u>	<u>155,057,926</u>
Excess (deficiency) of revenues over expenditures	<u>8,861,718</u>	<u>(25,618,772)</u>	<u>2,171,490</u>	<u>(14,585,564)</u>
<b>Other financing sources (uses)</b>				
Transfers in	164,133	6,746,191	1,017,452	7,927,776
Transfers (out)	(7,238,508)	(623,076)	(214,133)	(8,075,717)
Issuance of debt	-	11,540,000	-	11,540,000
Premiums on issuance of debt	-	643,395	-	643,395
<b>Total other financing sources (uses)</b>	<u>(7,074,375)</u>	<u>18,306,510</u>	<u>803,319</u>	<u>12,035,454</u>
Net change in fund balances	1,787,343	(7,312,262)	2,974,809	(2,550,110)
Fund balances, beginning, as restated	19,201,138	33,431,712	2,750,917	55,383,767
Fund balances, ending	<u>\$ 20,988,481</u>	<u>\$ 26,119,450</u>	<u>\$ 5,725,726</u>	<u>\$ 52,833,657</u>

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

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities – Governmental Funds  
Fiscal Year Ended June 30, 2006**

**Net change in fund balances - total governmental funds** **\$ (2,550,110)**

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 the capital outlays exceeded depreciation in the current year.

Capital outlays	12,209,038	
Depreciation expense	<u>(2,122,225)</u>	10,086,813

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. (142,478)

Water and Sewer Authority note receivable (Note 26) (3,317,857)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Add amortized bond payable premiums	52,760	
Add current year's deferred revenue	1,384,085	
Less prior year's deferred revenue	<u>(2,483,987)</u>	(1,047,142)

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. 1,093,976

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.

Add debt principal repayment	5,138,726	
Subtract debt proceeds	(11,540,000)	
Subtract premium on new debt	<u>(643,395)</u>	(7,044,669)

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:

Less current year's compensated absences	(2,985,794)	
Add prior year's compensated absences	2,870,765	
Less current year's accrued interest payable	(1,387,276)	
Add prior year's accrued interest payable	<u>1,150,781</u>	<u>(351,524)</u>

**Change in net assets of governmental activities** **\$ (3,272,991)**

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, 2006

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Revenues</b>				
General property taxes	\$ 76,305,625	\$ 81,755,625	\$ 82,288,173	\$ 532,548
Other local taxes	16,014,100	16,030,678	17,029,823	999,145
Permits, privilege fees, and regulatory licenses	2,115,866	2,115,866	1,921,717	(194,149)
Fines and forfeitures	508,350	508,350	529,420	21,070
Revenue from use of money and property	1,074,325	1,083,025	2,332,485	1,249,460
Charges for services	1,288,213	1,288,213	1,331,108	42,895
Gifts and donations	12,000	12,000	15,996	3,996
Recovered costs	117,229	162,741	228,372	65,631
Intergovernmental:				
Commonwealth of Virginia	22,051,334	22,204,865	22,035,599	(169,266)
Federal Government	2,155,565	2,652,782	2,641,482	(11,300)
Total revenues	<u>121,642,607</u>	<u>127,814,145</u>	<u>130,354,175</u>	<u>2,540,030</u>
<b>Expenditures</b>				
Current operating:				
General government administration:				
Legislative:				
Board of supervisors	<u>427,296</u>	<u>441,658</u>	<u>437,360</u>	<u>4,298</u>
General and financial administration:				
County administrator	555,069	565,014	547,981	17,033
County attorney	556,952	642,588	609,652	32,936
Independent auditor	78,000	83,856	83,856	-
Commissioner of the revenue	1,153,576	1,558,853	1,511,968	46,885
Treasurer	972,633	991,561	955,099	36,462
Information technology	1,856,473	2,144,207	2,131,205	13,002
Human resources	639,455	691,587	635,612	55,975
Finance	1,703,049	1,584,999	1,476,583	108,416
Office of management and budget	284,557	277,966	268,249	9,717
Geographic information systems	<u>293,872</u>	<u>294,404</u>	<u>269,417</u>	<u>24,987</u>
Total general and financial administration	<u>8,093,636</u>	<u>8,835,035</u>	<u>8,489,622</u>	<u>345,413</u>
Board of elections:				
Registrar	<u>390,275</u>	<u>389,698</u>	<u>383,664</u>	<u>6,034</u>
Total general government administration	<u>\$ 8,911,207</u>	<u>\$ 9,666,391</u>	<u>\$ 9,310,646</u>	<u>\$ 355,745</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 7  
Page 2 of 4

Statement of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
General Fund  
Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
<b>Expenditures (continued)</b>				
Current operating: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 125,892	\$ 122,072	\$ 114,358	\$ 7,714
General district court	16,675	14,775	14,623	152
Magistrates	65,240	72,343	72,285	58
Juvenile and domestic relations district court	59,589	57,073	55,494	1,579
Clerk of the circuit court	977,474	1,017,677	960,752	56,925
Adult court services	608,363	632,487	611,038	21,449
Commissioner of accounts	2,400	2,400	2,400	-
Total courts	<u>1,855,633</u>	<u>1,918,827</u>	<u>1,830,950</u>	<u>87,877</u>
Commonwealth's attorney:				
Commonwealth's attorney	<u>764,241</u>	<u>786,198</u>	<u>764,711</u>	<u>21,487</u>
Total judicial administration	<u>2,619,874</u>	<u>2,705,025</u>	<u>2,595,661</u>	<u>109,364</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	<u>8,093,864</u>	<u>8,479,633</u>	<u>8,439,687</u>	<u>39,946</u>
Emergency services administration:				
Emergency services	<u>1,932,693</u>	<u>2,265,526</u>	<u>2,230,000</u>	<u>35,526</u>
Correction and detention:				
Sheriff	516,000	641,395	586,586	54,809
CFW regional jail	1,354,249	1,292,772	1,292,772	-
Probation office	88,941	29,098	23,903	5,195
Juvenile detention and crime control	<u>342,590</u>	<u>342,590</u>	<u>342,448</u>	<u>142</u>
Total correction and detention	<u>2,301,780</u>	<u>2,305,855</u>	<u>2,245,709</u>	<u>60,146</u>
Total public safety	<u>12,328,337</u>	<u>13,051,014</u>	<u>12,915,396</u>	<u>135,618</u>
Public works:				
Sanitation and waste removal:				
Solid waste operations	<u>1,397,294</u>	<u>1,373,294</u>	<u>1,160,723</u>	<u>212,571</u>
General buildings and grounds maintenance:				
General services	<u>4,160,051</u>	<u>4,923,193</u>	<u>4,570,590</u>	<u>352,603</u>
Total public works	<u>5,557,345</u>	<u>6,296,487</u>	<u>5,731,313</u>	<u>565,174</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ <u>426,923</u>	\$ <u>431,023</u>	\$ <u>430,977</u>	\$ <u>46</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, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
<b>Expenditures (continued)</b>				
Current operating: (continued)				
Health and welfare: (continued)				
Welfare:				
Institutional care	\$ 429,947	\$ 568,822	\$ 568,814	\$ 8
Social services	4,416,998	4,944,902	4,416,985	527,917
Comprehensive services act	<u>2,538,612</u>	<u>2,641,246</u>	<u>2,607,969</u>	<u>33,277</u>
Total welfare	<u>7,385,557</u>	<u>8,154,970</u>	<u>7,593,768</u>	<u>561,202</u>
Total health and welfare	<u>7,812,480</u>	<u>8,585,993</u>	<u>8,024,745</u>	<u>561,248</u>
Education:				
Contribution to component unit – School Board	65,702,289	67,916,214	65,556,199	2,360,015
Community colleges	<u>44,366</u>	<u>169,366</u>	<u>169,366</u>	<u>-</u>
Total education	<u>65,746,655</u>	<u>68,085,580</u>	<u>65,725,565</u>	<u>2,360,015</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	<u>2,377,142</u>	<u>2,490,253</u>	<u>2,337,687</u>	<u>152,566</u>
Library:				
Public library	<u>1,739,936</u>	<u>1,821,166</u>	<u>1,798,422</u>	<u>22,744</u>
Total parks, recreation, and cultural	<u>4,117,078</u>	<u>4,311,419</u>	<u>4,136,109</u>	<u>175,310</u>
Community development:				
Planning and community development:				
Water resource management	19,833	97,707	84,531	13,176
Community development	2,669,363	2,856,422	2,834,573	21,849
Planning	164,014	179,616	148,772	30,844
Economic development	373,697	383,722	374,251	9,471
Contributions to community organizations	460,090	500,090	500,090	-
Disability service board	10,000	13,549	13,549	-
Agriculture development	<u>135,008</u>	<u>142,722</u>	<u>119,046</u>	<u>23,676</u>
Total planning and community development	<u>3,832,005</u>	<u>4,173,828</u>	<u>4,074,812</u>	<u>99,016</u>
Environmental management:				
Soil and water conservation district	<u>358,046</u>	<u>376,046</u>	<u>376,046</u>	<u>-</u>
Cooperative extension program:				
VPI extension	<u>142,917</u>	<u>139,136</u>	<u>124,244</u>	<u>14,892</u>
Total community development	<u>4,332,968</u>	<u>4,689,010</u>	<u>4,575,102</u>	<u>113,908</u>
Nondepartmental:				
Nondepartmental operations	<u>\$ 2,058,886</u>	<u>\$ 893,243</u>	<u>\$ 640,050</u>	<u>\$ 253,193</u>

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, 2006

	<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	\$ 573,726	\$ 573,726	\$ 573,726	\$ -
Interest and fiscal charges	353,806	353,806	353,806	-
Principal retirement - education	4,440,000	4,440,000	4,440,000	-
Interest and fiscal charges - education	<u>2,471,842</u>	<u>2,471,842</u>	<u>2,470,338</u>	<u>1,504</u>
Total debt service	<u>7,839,374</u>	<u>7,839,374</u>	<u>7,837,870</u>	<u>1,504</u>
Total expenditures	<u>121,324,204</u>	<u>126,123,536</u>	<u>121,492,457</u>	<u>4,631,079</u>
Excess (deficiency) of revenues over expenditures	<u>318,403</u>	<u>1,690,609</u>	<u>8,861,718</u>	<u>7,171,109</u>
<b>Other financing sources (uses)</b>				
Transfers in	84,000	164,133	164,133	-
Transfers (out)	<u>(402,373)</u>	<u>(7,264,892)</u>	<u>(7,238,508)</u>	<u>26,384</u>
Total other financing sources (uses)	<u>(318,373)</u>	<u>(7,100,759)</u>	<u>(7,074,375)</u>	<u>26,384</u>
Net change in fund balances	30	(5,410,150)	1,787,343	7,197,493
Fund balances, beginning, as restated	<u>19,201,138</u>	<u>19,201,138</u>	<u>19,201,138</u>	<u>-</u>
Fund balances, ending	<u>\$ 19,201,168</u>	<u>\$ 13,790,988</u>	<u>\$ 20,988,481</u>	<u>\$ 7,197,493</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, 2006

	Business-Type Activities – Enterprise Funds			Governmental Activities
	Airport Fund	Landfill and Recycling Fund	Total	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and investments	\$ -	\$ 772,770	\$ 772,770	\$ 6,088,890
Receivables, net of allowances for uncollectibles	95,404	713,642	809,046	61,106
Prepaid expenses	-	5,075	5,075	-
Inventories	-	-	-	192,032
Due from other governmental units	440,351	-	440,351	-
Total current assets	535,755	1,491,487	2,027,242	6,342,028
Noncurrent assets:				
Restricted cash:				
Revenue bond covenant	-	1,496,173	1,496,173	-
Capital assets (net of accumulated depreciation):				
Land	5,818,739	1,688,844	7,507,583	-
Cell improvement	-	6,834,457	6,834,457	-
Construction in progress	1,072,060	281,595	1,353,655	-
Buildings and improvements	848,109	187,349	1,035,458	-
Infrastructure	9,644,653	614,655	10,259,308	-
Equipment	65,639	773,244	838,883	108,007
Total capital assets	17,449,200	10,380,144	27,829,344	108,007
Total noncurrent assets	17,449,200	10,380,144	27,829,344	108,007
Total assets	17,984,955	13,367,804	31,352,759	6,450,035
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	472,777	448,026	920,803	88,156
Accrued and other liabilities	2,772	14,908	17,680	-
Due to other funds	59,700	-	59,700	-
Unearned revenue	-	-	-	286,433
Compensated absences	467	6,453	6,920	7,394
Current portion of long-term bond payable	-	361,777	361,777	-
Total current liabilities	535,716	831,164	1,366,880	381,983
Noncurrent liabilities:				
Incurred but not reported claims	-	-	-	1,032,451
Compensated absences	4,204	58,073	62,277	66,547
Accrued closure and post-closure liability	-	7,304,014	7,304,014	-
Noncurrent portion of long-term bond payable	-	1,185,036	1,185,036	-
Advances from other funds	35,000	-	35,000	-
Total noncurrent liabilities	39,204	8,547,123	8,586,327	1,098,998
Total liabilities	574,920	9,378,287	9,953,207	1,480,981
<b>Net Assets</b>				
Invested in capital assets, net of related debt	17,449,200	8,833,331	26,282,531	108,007
Restricted for:				
Bond covenant	-	1,496,173	1,496,173	-
Unrestricted (deficit)	(39,165)	(6,339,987)	(6,379,152)	4,861,047
Total net assets	17,410,035	3,989,517	21,399,552	4,969,054
Total liabilities and net assets	\$ 17,984,955	\$ 13,367,804	\$ 31,352,759	\$ 6,450,035

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, 2006

	Business-Type Activities – Enterprise Funds			Governmental Activities Internal Service Funds
	Airport Fund	Landfill and Recycling Fund	Total	
<b>Operating revenues</b>				
Charges for services	\$ 202,621	\$ 6,299,263	\$ 6,501,884	\$ 15,857,281
Miscellaneous	15,366	255,141	270,507	-
Total operating revenues	217,987	6,554,404	6,772,391	15,857,281
<b>Operating expenses</b>				
Personal services	81,424	995,071	1,076,495	518,613
Fringe benefits	24,995	276,630	301,625	173,137
Claims and benefits paid	-	-	-	10,364,165
Premiums	-	-	-	2,023,641
Contractual services	105,949	3,168,252	3,274,201	149,799
Other operating expenses	73,407	578,876	652,283	1,937,603
Closure and post closure costs	-	(15,459)	(15,459)	-
Depreciation	564,965	445,964	1,010,929	25,490
Total operating expenses	850,740	5,449,334	6,300,074	15,192,448
Operating income (loss)	(632,753)	1,105,070	472,317	664,833
<b>Nonoperating revenues (expenses)</b>				
Interest income	-	133,124	133,124	326,950
Commonwealth of Virginia	707,508	48,633	756,141	-
Federal - grants	2,256,999	-	2,256,999	-
Private capital share	149,511	-	149,511	-
Interest expense	-	(77,854)	(77,854)	-
Loss on sale of capital assets	-	(3,990)	(3,990)	-
Miscellaneous revenue - forfeitures	-	-	-	2,193
Total nonoperating revenues (expenses)	3,114,018	99,913	3,213,931	329,143
Income (loss) before transfers	2,481,265	1,204,983	3,686,248	993,976
Transfers in	37,341	10,600	47,941	100,000
Change in net assets	2,518,606	1,215,583	3,734,189	1,093,976
Net assets - beginning	14,891,429	2,773,934	17,665,363	3,875,078
Net assets - ending	\$ 17,410,035	\$ 3,989,517	\$ 21,399,552	\$ 4,969,054

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

Statement of Cash Flows  
 Proprietary Funds  
 Fiscal Year Ended June 30, 2006

	Business-Type Activities – Enterprise Funds			Governmental Activities
	Airport Fund	Landfill and Recycling Fund	Total	Internal Service Funds
<b>Cash Flow from Operating Activities</b>				
Receipts from customers and users	\$ 169,229	\$ 6,876,777	\$ 7,046,006	\$ 16,122,147
Payment to suppliers and other operating activities	(177,750)	(3,789,677)	(3,967,427)	(14,760,923)
Payment to employees (including fringes)	(109,617)	(1,296,149)	(1,405,766)	(710,656)
Net cash provided by (used in) operating activities	(118,138)	1,790,951	1,672,813	650,568
<b>Cash Flow from Noncapital Financing Activities</b>				
Forfeitures	-	-	-	2,194
Transfers in	37,341	10,600	47,941	100,000
Interfund loan	-	-	-	(47,817)
Net cash provided by noncapital financing activities	37,341	10,600	47,941	54,377
<b>Cash Flow from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(3,089,520)	(3,273,675)	(6,363,195)	-
Principal paid on debt	-	(345,000)	(345,000)	-
Repayment from interfund obligation	(60,463)	-	(60,463)	-
Proceeds from sale of assets	-	46,000	46,000	-
Interest and other fiscal cost on debt	-	(79,632)	(79,632)	-
Federal and state reimbursements for capital projects	3,081,269	48,633	3,129,902	-
Private capital share reimbursements for capital projects	149,511	-	149,511	-
Net cash provided by (used in) capital and related financing activities	80,797	(3,603,674)	(3,522,877)	-
<b>Cash Flow from Investing Activities</b>				
Interest	-	133,124	133,124	326,950
Net cash provided by investing activities	-	133,124	133,124	326,950
Net increase (decrease) in cash and cash equivalents	-	(1,668,999)	(1,668,999)	1,031,895
Cash and cash equivalents - beginning of the year	-	3,937,942	3,937,942	5,056,995
Cash and cash equivalents - end of the year	-	2,268,943	2,268,943	6,088,890
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>				
Cash flows from operations:				
Operating income (loss)	(632,753)	1,105,070	472,317	664,833
Adjustment to reconcile net income to net cash provided by operations:				
Depreciation	564,965	445,964	1,010,929	25,490
Changes in operating assets and liabilities:				
(Increase) decrease in receivables	(48,758)	322,373	273,615	(21,567)
(Decrease) in incurred but not reported claims	-	-	-	(213,909)
(Increase) in inventory	-	(5,075)	(5,075)	(23,983)
Increase (decrease) in accounts payable	1,606	(37,474)	(35,868)	(283)
(Decrease) in landfill closure and post-closure costs	-	(15,459)	(15,459)	-
Increase in unearned revenue	-	-	-	286,433
(Decrease) in accrued liabilities	(3,198)	(24,448)	(27,646)	(66,446)
Net cash provided by (used in) operating activities	\$ (118,138)	\$ 1,790,951	\$ 1,672,813	\$ 650,568

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

Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2006

	<u>Pension Trust</u> Fire and Rescue Pension Trust Length of Service Award Fund	<u>Agency Funds</u>
<b>Assets</b>		
Cash and investments	\$ -	\$ 107,820
Cash in custody of others	794,312	45,244
Accounts receivable	-	240
	<u>794,312</u>	<u>153,304</u>
Total assets	<u>794,312</u>	<u>153,304</u>
<b>Liabilities</b>		
Accounts payable	-	4,455
Amounts held for clients/others	-	148,849
	<u>-</u>	<u>148,849</u>
Total liabilities	<u>-</u>	<u>148,849</u>
<b>Net Assets</b>		
Held in trust for pension benefits	<u>794,312</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 794,312</u>	<u>\$ 153,304</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 and Rescue Pension Trust Length of Service Awards Fund  
Fiscal Year Ended June 30, 2006**

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**Additions**

Contribution for beneficiary	\$	239,491
Investment income		<u>52,777</u>
Total additions		<u>292,268</u>

**Deductions**

Members' benefits		64,560
Annuity contracts		438,071
Insurance		70,560
Administrative fees		<u>5,405</u>
Total deductions		<u>578,596</u>

Change in net assets (286,328)

Net assets - beginning		<u>1,080,640</u>
Net assets - ending	\$	<u><u>794,312</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, 2006**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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 organized under the traditional (modified) form of government. The governing body of the County is the Board of Supervisors (the Board), which establishes policies for the administration of the County. The Board appoints a County Administrator to serve as the administrative manager of the County. 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 *Food Nutrition 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 established by a private donation. This fund accounts for the principal and income available to provide benefits for scholarships.

The *Student 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.

**B. Government-wide and fund financial statements**

**Government-wide 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. Eliminations have been made to avoid the double-counting of interfund activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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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.

**Fund financial statements** – The accounts of the reporting entity are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for in a set of self-balancing accounts comprised of assets, liabilities, fund equity, revenue and expenditures or expenses, as appropriate. The fund financial statements provide information about the County’s funds, including its fiduciary funds. Separate financial statements are provided for each fund category (governmental funds, proprietary funds, and fiduciary funds). The emphasis of fund financial statements is on major governmental and enterprise fund categories with each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**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 2 months 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 2 months 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 and Recycling Fund.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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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 and Recreation Fund, Library Fund, Conservation Easement Service District Fund, Fire and Rescue Fund, Proffer Fund, Affordable Housing Fund, and Vint Hill Transportation Fund.

The County reports the following additional fund types:

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. The Pension Trust Fund accounts for assets held in trust by the County for employees and beneficiaries of its Fire and Rescue Length of Service Award Fund. Agency funds include the Street Light Levy Fund, Working Together Fund, Special Welfare Fund, Service to Outside Agencies Fund, and Detention Center Fund.

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. These funds are included in the governmental activities for government-wide reporting purposes. Any excess revenue over expenses for these funds is allocated to the appropriate functional activity. The operations of these funds are generally intended to be self-supporting.

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 and 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 and/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.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**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 and Rescue Pension Trust Length of Service Awards Fund, the School Board Crockett Scholarship Fund, the Working Together Fund, the Special Welfare 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 specific funds. 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 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). Noncurrent portions of long-term interfund loans receivable and amounts due from other governments are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources and therefore are not available for appropriation. 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".

**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 as inventories 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.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**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 maintained in separate bank accounts and are used to segregate resources accumulated for debt service payments over the next twelve months.

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.

**8. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sidewalks, runways, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The government defines capital assets, other than infrastructure assets, as assets with an initial, individual cost of at least \$5,000 per unit (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. Major outlays for capital assets and improvements are capitalized as projects are completed. 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 are not capitalized.

Infrastructure within the County (such as roads, streets, bridges, etc) is owned and maintained by the Commonwealth of Virginia (Department of Transportation) and is not recorded in the County’s financial statements. Infrastructure within the County consisting of parks and recreation pathways, airport runways, and ballpark lighting has been included, and are capitalized and reported in the government-wide financial statements at historical cost.

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 County has elected to opt-out of Tenancy in Common for School Board property, pursuant to Section 15.2-1800.1 of the *Code of Virginia*. The

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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School Board holds title to the capital assets (buildings and equipment) and is responsible for maintenance and insurance. By opting out of the tenancy in common provisions, 100% of the book value of all school buildings is reflected in the School Board Statement of Net Assets. Additional information can be found in Note 23.

**10. Compensated absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In governmental fund types, the cost of vacation and sick pay benefits (compensated absences) is recognized when payments are made to employees. A liability for all governmental fund type vacation and sick pay benefits is recorded as a liability in the government-wide statement of net assets. 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 *straight-line method* which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**12. Encumbrances**

The County uses encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Encumbrances represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders are completed. Encumbrances for the capital projects funds do not lapse until the completion of the projects and are reported as reservations of fund balance at year end. Funding for all other encumbrances lapses at year end and requires reappropriation by the Board.

**13. 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.

**14. Net assets**

Net assets are comprised of three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The first category reflects the portion of net assets which is associated with non-liquid, capital assets, less the outstanding debt (net) related to these capital assets. The related debt (net) is the debt less the unspent bond proceeds and any associated unamortized costs. Restricted net assets are assets whose use is subject to constraints that are either externally imposed by creditors or imposed by law. Net assets which are neither restricted nor related to capital assets are reported as unrestricted net assets.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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The County issues debt to finance the construction of school facilities for the School Board because the School Board does not have borrowing or taxing authority. The County reports this debt, whereas the School Board reports the related capital assets. As a result, in the Statement of Net Assets (Exhibit 1), the debt reduces *unrestricted net assets* for the primary government, while the capital assets are reported in *net assets invested in capital assets, net of related debt* for the School Board.

Because this debt is related to capital assets of the reporting entity as a whole, the debt amount of \$48,208,062 net of unspent bond proceeds are reclassified as shown below to present the total reporting entity column of Exhibit 1. The County is holding the unspent bond proceeds for the School Board until the projects are completed.

Net assets (summarized)	Primary Government	Component Unit	Reclassification of Debt Issued for: Public Schools Facilities	Total Reporting Entity
Invested in capital assets net of related debt	\$ 80,161,771	\$ 107,072,117	\$ (47,092,229)	\$ 140,141,659
Restricted for:				
Capital assets	6,584,996	-	-	6,584,996
Bond covenant	1,496,173	-	-	1,496,173
Other	5,689,128	-	-	5,689,128
Unrestricted	(23,762,258)	(2,377,077)	47,092,229	20,952,894
Total net assets	\$ 70,169,810	\$ 104,695,040	\$ -	\$ 174,864,850

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**NOTE 2 – CASH AND INVESTMENTS**

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**Deposits** – At year-end the carrying values (book balances) of the County deposits with banks and savings institutions were \$26,722,523 and the balances carried by the bank were \$29,196,958. 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.

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

**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 LGIP, and 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 Section 2.2-4605 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 Section 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, concentration of credit, and custodial 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 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, 2006. 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, 2006:**

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Money Market/ Money Market Mutual Funds:		
Pooled Investments:		
Treasury Obligation Fund	\$ 15,895,139	1
LGIP	5,341,863	1
U.S. Government Agency Securities	6,895,314	737
Restricted Investments:		
State Treasurer’s Local Government Investment Pool – Landfill Closure	1,496,173	1
Fire and Rescue Pension Trust Length of Service Awards Program	794,312	1
SNAP	<u>16,066,114</u>	1
Total Investment	<u>\$ 46,488,915</u>	113

**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

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

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.

The County’s ratings and policy limits as of June 30, 2006 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	100%	AAA	15%
Virginia State Non-Arbitrage Program	100%	AAA	35%
Treasury Obligation Fund	100%	AAA	35%
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 2.2-4514 of the *Code of Virginia*. Therefore the County has no custodial credit risk.

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

Reconciliation of total cash and investments to the entity-wide financial statements at June 30, 2006 are as follows:

	<u>Total Cash and Investments</u>
Primary Government and discretely presented component unit – School Board:	
Total Investments	\$ 46,488,915
Add: Cash on Hand – Treasurer’s Office	1,000
Cash on Hand – Departments	16,480
Cash – Detention Center	45,244
Cash – Working Together	9,975
Deposits	<u>26,722,523</u>
Total Reporting Entity Cash and Investments	<u>\$ 73,284,137</u>

	Governmental Activities	Business Type Activities	Total	Component Unit – School Board	Fiduciary Funds (held by County)	Total Reporting Entity
Cash and Pooled Investments	\$ 60,155,479	\$ 2,268,943	\$ 62,424,422	\$ 9,912,339	\$ 947,376	\$ 73,284,137

Restricted cash and investments consist of amounts required by bond financing terms to be segregated in a closure fund for the Landfill Revenue Bond, restricted donations, 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, 2006:**

<b>General Fund:</b>	
SNAP Arbitrage (1996)	\$ <u>4,171</u>
Total General Fund	4,171
<b>Capital Projects Fund:</b>	
General Obligation Bond Proceeds	15,544,934
Restricted donations	6,746,032
Revenue Bond proceeds	<u>517,008</u>
Total Capital Project Fund	<u>22,807,974</u>
<b>Enterprise Funds:</b>	
Revenue Bond Funds – Landfill	<u>1,496,173</u>
Total Enterprise Funds	<u>1,496,173</u>
Total Restricted Cash and Investments	<u>\$ 24,308,318</u>

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**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**A. Budgetary information**

Annual budgets are adopted on a basis consistent with general accepted accounting principles (GAAP) for all governmental funds.

Prior to March 30<sup>th</sup>, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1<sup>st</sup>. The operating and capital budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain citizen comments. Prior to June 30<sup>th</sup>, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places a legal level of budgetary control, the level at which expenditures may not legally exceed appropriations, at the department level.

To address changes to the fiscal plan, the Board of Supervisors has adopted a policy for processing adjustments to the adopted budget. An intra-departmental transfer is moving funds from one line item to another line item in the same department. Constitutional Officers have transfer approval authority of up to \$6,000 within their own organizations. The Budget Office has approval authority for all other intra-departmental transfers up to \$6,000, and the County Administrator has approval authority for transfers over \$6,000. An inter-departmental transfer is between two departments or agencies in the same fund. The Budget Office has inter-departmental transfer approval for requests up to \$6,000. The County Administrator has inter-departmental transfer approval up to \$25,000. The Finance Committee has approval for transfers over \$25,000. The Board of Supervisors has approval authority for all transfer requests involving new positions, transfers that affect budget reserve accounts, or multi-year financial commitments regardless of the dollar amount. All requests for supplemental appropriations and transfers between CIP projects require Board of Supervisors' approval upon recommendation by the Finance Committee.

The School Board is authorized to transfer budgeted amounts within the School system's categories. Supplemental appropriations to the School Division require Board of Supervisors' approval upon recommendation of the School Finance Committee and the County Finance Committee.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds subject to the Board of Supervisors expenditure authority, and the Capital Projects Fund. The School Funds are integrated only at the level of legal adoption for the School General Fund, School Textbook Fund, and Food Nutrition Fund. Budgets are legally adopted for these funds. 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 30<sup>th</sup>.

**B. Excess of expenditures over appropriations**

For the year ended June 30, 2006, there were no departments in which expenditures exceeded appropriations.

**C. Deficit fund equity**

As of June 30, 2006, there were no funds with deficit fund equity.

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2006 consist of the following:

**Primary government**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 3,888,117	\$ -	\$ -	\$ 3,888,117
Accounts	1,323,596	70,538	319,306	1,713,440
Due from other governments	59,700	-	-	59,700
Intergovernmental	2,405,378	21,552	-	2,426,930
Advances to other funds	35,000	-	-	35,000
Gross receivables	<u>7,711,791</u>	<u>92,090</u>	<u>319,306</u>	<u>8,123,187</u>
Less:				
Allowance for uncollectible accounts	<u>(1,297,888)</u>	<u>-</u>	<u>-</u>	<u>(1,297,888)</u>
Net receivables	<u>\$ 6,413,903</u>	<u>\$ 92,090</u>	<u>\$ 319,306</u>	<u>\$ 6,825,299</u>

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:

	Unavailable	Unearned	Total
Deferred tax revenue	\$ 1,384,085	\$ -	\$ 1,384,085
Prepaid taxes	-	310,983	310,983
Parks and recreation facility rentals	-	4,843	4,843
	<u>\$ 1,384,085</u>	<u>\$ 315,826</u>	<u>\$ 1,699,911</u>

**Component unit – School Board**

	School General Fund	School Textbook Fund	Food Nutrition Fund	Total
Accounts	\$ 134,428	\$ 3,329	\$ 3,002	\$ 140,759
Intergovernmental	<u>3,023,585</u>	<u>-</u>	<u>41,829</u>	<u>3,065,414</u>
Net receivables	<u>\$ 3,158,013</u>	<u>\$ 3,329</u>	<u>\$ 44,831</u>	<u>\$ 3,206,173</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:

	Unavailable	Unearned	Total
Food Nutrition Fund prepaid revenue	\$ -	\$ 50,351	\$ 50,351

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2006 consisted of the following:

<b>Transfers to General Fund from:</b>		<b>Transfers from General Fund to:</b>	
Capital Projects Fund	\$ -	\$ 6,696,191	Capital Projects Fund
Enterprise Funds	-	47,941	Enterprise Funds
Nonmajor Governmental Funds	164,133	394,376	Nonmajor Governmental Funds
Internal Service Funds	-	100,000	Internal Service Funds
	<u>          </u>	<u>          </u>	
Total General Fund Transfers In	\$ <u>164,133</u>	\$ <u>7,238,508</u>	Total General Fund Transfers Out

<b>Transfers to Capital Projects Fund from:</b>		<b>Transfers from Capital Projects Fund to:</b>	
General Fund	\$ 6,696,191	\$ -	General Fund
Nonmajor Governmental Funds	50,000	623,076	Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	
Total Capital Projects Fund Transfers In	\$ <u>6,746,191</u>	\$ <u>623,076</u>	Total Capital Projects Fund Transfers Out

<b>Transfers to Enterprise Funds from:</b>		<b>Transfers from Enterprise Funds to:</b>	
General Fund	\$ 47,941	\$ -	General Fund
	<u>          </u>	<u>          </u>	
Total Enterprise Funds Transfers In	\$ <u>47,941</u>	\$ <u>-</u>	Total Enterprise Funds Transfers Out

<b>Transfers to Nonmajor Governmental Funds from:</b>		<b>Transfers from Nonmajor Governmental Funds to:</b>	
General Fund	\$ 394,376	\$ 164,133	General Fund
Capital Projects Fund	623,076	50,000	Capital Projects Fund
	<u>          </u>	<u>          </u>	
Total Nonmajor Governmental Funds Transfers In	\$ <u>1,017,452</u>	\$ <u>214,133</u>	Total Nonmajor Governmental Funds Transfers Out

<b>Transfers to Internal Service Funds from:</b>		<b>Transfers from Internal Service Funds to:</b>	
General Fund	\$ 100,000	\$ -	General Fund
	<u>          </u>	<u>          </u>	
Total Internal Service Funds Transfers In	\$ <u>100,000</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.

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**NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES**

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The following is a summary of interfund obligations as of June 30, 2006:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ <u>59,700</u>
Total		\$ <u><u>59,700</u></u>

Advances from / to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ <u>35,000</u>
Total		\$ <u><u>35,000</u></u>

Interfund receivables and payables are recorded when funds overdraw their share of pooled cash. All amounts are considered short term receivables of the General Fund; however, \$35,000 of the Airport Fund interfund obligation is designated in the General Fund – Fund Balance as long-term. The Airport Fund is expected to reimburse the \$35,000 loan in FY 2008 with \$59,700 to be repaid in FY 2007.

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**NOTE 7 – DUE FROM OTHER GOVERNMENTAL UNITS**

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The following is a summary of amounts due from other governmental units at June 30, 2006:

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
Commonwealth of Virginia:		
Local sales tax	\$ 1,374,912	\$ -
State sales tax	-	1,907,558
Shared expenses	363,780	-
Comprehensive services	166,060	-
Miscellaneous grants	227,306	10,748
Airport grants	372,550	-
Federal Government:		
School fund grants	-	1,147,108
Other federal grants	294,872	-
Airport grants	67,801	-
Total	\$ <u>2,867,281</u>	\$ <u>3,065,414</u>

## NOTE 8 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2006:

	Balance July 1, 2005 as restated	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2006
<b>Primary government – governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 14,580,185	\$ 3,876,681	\$ 345,800	\$ 18,111,066
Construction in progress	16,780,844	7,548,568	17,987,114	6,342,298
Total capital assets not being depreciated	<u>31,361,029</u>	<u>11,425,249</u>	<u>18,332,914</u>	<u>24,453,364</u>
Capital assets being depreciated:				
Buildings and improvements	22,544,036	8,390,784	38,100	30,896,720
Infrastructure	239,529	9,605,936	-	9,845,465
Machinery and equipment	8,635,579	1,119,983	597,799	9,157,763
Total capital assets being depreciated	<u>31,419,144</u>	<u>19,116,703</u>	<u>635,899</u>	<u>49,899,948</u>
Less accumulated depreciation for:				
Buildings	6,003,453	817,551	16,764	6,804,240
Infrastructure	38,714	343,536	-	382,250
Machinery and equipment	5,661,255	986,628	476,657	6,171,226
Total accumulated depreciation	<u>11,703,422</u>	<u>2,147,715</u>	<u>493,421</u>	<u>13,357,716</u>
Total capital assets being depreciated, net	<u>19,715,722</u>	<u>16,968,988</u>	<u>142,478</u>	<u>36,542,232</u>
Governmental activities capital assets, net	<u>\$ 51,076,751</u>	<u>\$ 28,394,237</u>	<u>\$ 18,475,392</u>	<u>\$ 60,995,596</u>
	Balance July 1, 2005	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2006
<b>Primary government –enterprise funds</b>				
Landfill and Recycling Fund:				
Capital assets, not being depreciated:				
Landfill site	\$ 1,637,136	\$ 51,708	\$ -	\$ 1,688,844
Construction in progress	1,237,717	281,595	1,237,717	281,595
Total capital assets not being depreciated	<u>2,874,853</u>	<u>333,303</u>	<u>1,237,717</u>	<u>1,970,439</u>
Capital assets being depreciated:				
Cell improvements	4,543,843	3,447,390	-	7,991,233
Infrastructure	854,306	-	-	854,306
Machinery and equipment	591,736	730,699	57,680	1,264,755
Facilities	252,550	-	-	252,550
Total capital assets being depreciated	<u>6,242,435</u>	<u>4,178,089</u>	<u>57,680</u>	<u>10,362,844</u>
Less accumulated depreciation for:				
Cell improvements	896,914	259,862	-	1,156,776
Infrastructure	191,721	47,930	-	239,651
Machinery and equipment	371,994	123,362	3,845	491,511
Facilities	54,236	10,965	-	65,201
Total accumulated depreciation	<u>1,514,865</u>	<u>442,119</u>	<u>3,845</u>	<u>1,953,139</u>
Total capital assets being depreciated, net	<u>4,727,570</u>	<u>3,735,970</u>	<u>53,835</u>	<u>8,409,705</u>
Landfill and Recycling fund capital assets, net	<u>\$ 7,602,423</u>	<u>\$ 4,069,273</u>	<u>\$ 1,291,552</u>	<u>\$ 10,380,144</u>

**NOTE 8 – CAPITAL ASSETS (CONTINUED)**

	Balance July 1, 2005	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2006
<b>Primary government – enterprise finds (continued)</b>				
Airport Fund:				
Capital assets, not being depreciated:				
Land	\$ 4,921,306	\$ 897,433	\$ -	\$ 5,818,739
Construction in progress	9,034,318	764,421	8,726,679	1,072,060
Total capital assets not being depreciated	<u>13,955,624</u>	<u>1,661,854</u>	<u>8,726,679</u>	<u>6,890,799</u>
Capital assets being depreciated:				
Improvements	1,239,749	-	-	1,239,749
Infrastructure	-	10,152,265	-	10,152,265
Machinery and equipment	84,272	14,141	12,328	86,085
Total capital assets being depreciated	<u>1,324,021</u>	<u>10,166,406</u>	<u>12,328</u>	<u>11,478,099</u>
Less accumulated depreciation for:				
Improvements	344,728	46,912	-	391,640
Infrastructure	-	507,612	-	507,612
Machinery and equipment	22,333	10,441	12,328	20,446
Total accumulated depreciation	<u>367,061</u>	<u>564,965</u>	<u>12,328</u>	<u>919,698</u>
Total capital assets being depreciated, net	<u>956,960</u>	<u>9,601,441</u>	<u>-</u>	<u>10,558,401</u>
Airport fund capital assets, net	<u>14,912,584</u>	<u>11,263,295</u>	<u>8,726,679</u>	<u>17,449,200</u>
Total enterprise funds capital assets, net	<u>\$ 22,515,007</u>	<u>\$ 15,332,568</u>	<u>\$ 10,018,231</u>	<u>\$ 27,829,344</u>
	Balance July 1, 2005 as restated	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2006
<b>Component unit – School Board:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,989,661	\$ 2,018,575	\$ -	\$ 5,008,236
Construction in progress	12,819,960	12,818,656	9,939,569	15,699,047
Total capital assets not being depreciated	<u>15,809,621</u>	<u>14,837,231</u>	<u>9,939,569</u>	<u>20,707,283</u>
Capital assets being depreciated:				
Buildings and improvements	104,919,225	9,577,292	-	114,496,517
Infrastructure	1,545,323	-	-	1,545,323
Machinery and equipment	15,113,101	1,468,443	769,457	15,812,087
Total capital assets being depreciated	<u>121,577,649</u>	<u>11,045,735</u>	<u>769,457</u>	<u>131,853,927</u>
Less accumulated depreciation for:				
Buildings and improvements	32,517,369	2,749,052	-	35,266,421
Infrastructure	569,307	71,689	-	640,996
Machinery and equipment	8,786,868	1,254,962	460,154	9,581,676
Total accumulated depreciation	<u>41,873,544</u>	<u>4,075,703</u>	<u>460,154</u>	<u>45,489,093</u>
Total capital assets being depreciated, net	<u>79,704,105</u>	<u>6,970,032</u>	<u>309,303</u>	<u>86,364,834</u>
School Board capital assets, net	<u>\$ 95,513,726</u>	<u>\$ 21,807,263</u>	<u>\$ 10,248,872</u>	<u>\$ 107,072,117</u>

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**NOTE 8 – CAPITAL ASSETS (CONTINUED)**


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

<b>Primary government – governmental activities</b>	
General government	\$ 399,144
Board of Elections	13,379
Judicial administration	180,294
Public safety	994,962
Public works	160,667
Health and welfare	21,621
Parks, recreation, and cultural	347,224
Community development	<u>30,424</u>
Total governmental activities	\$ <u>2,147,715</u>
<b>Primary government – enterprise funds</b>	
Landfill and Recycling Fund	\$ 442,119
Airport Fund	<u>564,965</u>
Total enterprise funds	\$ <u>1,007,084</u>
<b>Component unit – School Board</b>	\$ <u>4,075,703</u>

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**NOTE 9 – LONG-TERM OBLIGATIONS**


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**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
2007	\$ 596,745	\$ 332,402	\$ 130,000	\$ 132,665	\$ 4,985,000	\$ 2,853,070
2008	620,169	309,573	135,000	127,010	4,930,000	2,479,341
2009	644,019	284,147	140,000	121,138	4,850,000	2,207,463
2010	678,316	251,390	145,000	115,048	4,210,000	1,958,769
2011	703,083	221,738	155,000	108,377	3,835,000	1,749,670
2012	738,344	190,352	160,000	101,248	3,800,000	1,555,110
2013	655,680	156,736	170,000	93,487	3,490,000	1,373,047
2014	575,000	126,180	175,000	85,242	3,485,000	1,200,482
2015	605,000	95,418	185,000	76,755	2,690,000	1,044,176
2016	635,000	63,050	195,000	67,320	2,690,000	904,607
2017	665,000	32,253	205,000	57,375	2,685,000	764,310
2018	-	-	215,000	46,920	2,235,000	635,151
2019	-	-	225,000	35,955	2,060,000	523,044
2020	-	-	235,000	24,480	2,060,000	417,684
2021	-	-	245,000	12,495	1,885,000	321,786
2022	-	-	-	-	1,660,000	236,323
2023	-	-	-	-	1,340,000	161,095
2024	-	-	-	-	1,340,000	95,117
2025	-	-	-	-	760,000	44,649
2026	-	-	-	-	575,000	13,225
Total	\$ <u>7,116,356</u>	\$ <u>2,063,239</u>	\$ <u>2,715,000</u>	\$ <u>1,205,515</u>	\$ <u>55,565,000</u>	\$ <u>20,538,119</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, 2006:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006	Amount Due Within One Year
Capital Leases	\$ 7,690,082	\$ -	\$ 573,726	\$ 7,116,356	\$ 596,745
Revenue Bonds	2,840,000	-	125,000	2,715,000	130,000
General Obligation Bonds	48,465,000	11,540,000	4,440,000	55,565,000	4,985,000
Premium on bonds payable	1,016,536	643,395	52,759	1,607,172	84,929
Compensated absences	2,870,765	274,675	158,176	2,987,264	298,726
Incurred but not reported claims	1,246,360	-	213,909	1,032,451	-
Total general long-term obligations	<u>\$ 64,128,743</u>	<u>\$ 12,458,070</u>	<u>\$ 5,563,570</u>	<u>\$ 71,023,243</u>	<u>\$ 6,095,400</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%	\$ 5,870,000	\$ 430,000
\$1,700,000 Bealeton Library, issued July 8, 2002, due in semiannual installments beginning July 8, 2002 through July 15, 2015, with interest payable semiannually at 4.99%	<u>1,246,356</u>	<u>166,745</u>
Total Capital Leases	<u>7,116,356</u>	<u>596,745</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>2,715,000</u>	<u>130,000</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%	5,410,000	1,420,000
\$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%	4,950,000	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%	\$ 2,100,000	\$ 175,000

**NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)**

	Amount Outstanding	Amount Due Within One Year
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%	\$ 2,450,000	\$ 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%	3,425,000	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%	6,580,000	860,000
\$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%	5,120,000	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%	10,460,000	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%	3,530,000	190,000
\$11,540,000 Virginia Public School Authority Bonds, Series 2005D, issued November 10, 2005, maturing annually from July 15, 2006 through July 15, 2025, with interest payable semiannually at rates from 4.60% to 5.10%	11,540,000	580,000
Total General Obligation Bonds	55,565,000	4,985,000
Premium on bonds payable	1,607,172	84,929
Compensated absences payable	2,987,264	298,726
Incurred but not reported claims	1,032,451	-
Total primary government long-term obligations	\$ 71,023,243	\$ 6,095,400

**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
2007	\$ 360,000	\$ 63,475
2008	375,000	49,075
2009	395,000	32,200
2010	410,000	16,400
Total	\$ <u>1,540,000</u>	\$ <u>161,150</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, 2006:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
Enterprise fund debt:				
Solid waste bonds	\$ 1,885,000	\$ -	\$ 345,000	\$ 1,540,000
Compensated absences	78,877	-	9,680	69,197
Landfill closure and postclosure liability	7,319,472	-	15,458	7,304,014
Premium on bonds payable	66,388	-	13,736	52,652
Deferred amount on refunding	(57,797)	11,958	-	(45,839)
Advances from other funds	-	35,000	-	35,000
Total enterprise debt	\$ <u>9,291,940</u>	\$ <u>46,958</u>	\$ <u>383,874</u>	\$ <u>8,955,024</u>

Details of long-term obligations are as follows:

	Amount Payable June 30, 2006	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%	\$ 1,540,000	\$ 360,000
Compensated absences	69,197	6,920
Landfill closure and postclosure liability	7,304,014	-
Premium on bonds payable	52,652	13,735
Deferred amount on refunding	(45,839)	(11,958)
Advances from other funds	35,000	-
Total proprietary fund obligations	\$ <u>8,955,024</u>	\$ <u>368,697</u>

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**NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)**

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**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, 2006:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2006</u>
General long-term debt:				
Compensated absences	\$ 3,830,510	\$ 161,751	\$ 197,576	\$ 3,794,685
Total general long-term debt	<u>\$ 3,830,510</u>	<u>\$ 161,751</u>	<u>\$ 197,576</u>	<u>\$ 3,794,685</u>

Details of long-term obligation are as follows:

	<u>Amount Payable June 30, 2006</u>	<u>Amount Due Within One Year</u>
Compensated absences payable, component unit	\$ 3,794,685	\$ 379,468
Total component unit long-term debt	<u>\$ 3,794,685</u>	<u>\$ 379,468</u>

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**NOTE 10 – CONSTRUCTION COMMITMENTS**

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At June 30, 2006, the County has several major projects under construction which are summarized below:

<u>Project Name</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Expended to Date</u>	<u>Balance</u>
Liberty HVAC	Shapiro & Duncan	\$ 5,814,040	\$ 4,621,823	\$ 1,192,217
Northern Sports Complex	SW Rodgers Co., Inc	9,398,747	3,163,606	6,235,141
	Miller Brothers	3,834,350	153,501	3,680,849
Claude Thompson Renovation	Lantz Construction	7,766,710	5,051,223	2,715,487
Data Center Renovation	Advanced Technical	423,420	16,200	407,220
Monroe Park Assay Office and Bunk House	Tren Construction	<u>393,744</u>	<u>1,879</u>	<u>391,865</u>
Total		<u>\$ 27,631,011</u>	<u>\$ 13,008,232</u>	<u>\$ 14,622,779</u>

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**NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES**

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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.

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**NOTE 12 – CLAIMS AND LITIGATION**

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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.

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**NOTE 13 – DEFINED BENEFIT PENSION PLAN**

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**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) or 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* (1994), as amended, assigns the authority to establish and amend benefit provisions to the Board of Trustees of the Virginia Retirement System.

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/about/financial/index.html> 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 2006 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, 2006, 2005, and 2004, were \$6,744,332, \$5,924,300, and \$4,355,860 respectively, and these contributions represented 11.62%, 11.03%, and 8.77% respectively, of current covered payroll.

**NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**C. Annual pension cost**

For fiscal year 2006, the County’s annual pension cost of \$2,427,673 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 2006, the School Board’s annual pension cost for non-professional employees of \$192,560 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, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (b) projected salary increases ranging from 3.50% to 5.73% per year, and (c) 2.50% per year cost-of-living adjustments.

Both (a) and (b) included an inflation component of 2.50%. 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 21 years or less.

**D. Trend information**

County:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2004	\$ 1,686,894	100%	\$ -
June 30, 2005	2,215,582	100%	-
June 30, 2006	2,427,673	100%	-

Component unit – School Board:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2004	\$ 169,938	100%	\$ -
June 30, 2005	200,264	100%	-
June 30, 2006	192,560	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 177 retirees receiving these benefits. The plan is financed by payments from the School Board to VRS. For fiscal year ending June 30, 2006, the contribution made by the School Board was \$394,767. 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.

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

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**A. Plan description and provisions**

On January 1, 1995 the Fauquier County Board of Supervisors adopted the Fire and 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 and 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, 2006 the program membership consisted of the following:

Eligible Members	166
Retirees and beneficiaries	33

**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, 2006 totaled \$239,491. 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, 2006 the plan had net assets available for benefits totaling \$794,312. Unfunded past service costs total \$929,135 and will be fully amortized in 6 years. The plan additions fund the cost of administering the plan.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2004	\$ 211,946	100%
June 30, 2005	249,582	100%
June 30, 2006	239,491	100%

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**NOTE 15 – DEBT DEFEASANCE**

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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, 2006 the defeased bonds had balances outstanding of \$1,540,000.

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**NOTE 16 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

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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 \$7,304,014 reported as landfill closure and postclosure care liability at June 30, 2006, represents the cumulative amount reported based on the use of 93.41% of the estimated capacity of the old landfill and the use of 28.15% of the estimated capacity of the new landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$326,121 on the old landfill as the remaining estimated capacity is used. The County will recognize the remaining estimated cost of closure and postclosure care of \$6,844,019 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 2006. The County expects to close the old landfill in the year 2008 and expects to close the new landfill in the year 2015. 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.

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**NOTE 17 – FUND BALANCES**

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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. Long-term receivables represent the amount due from the Airport Fund that will not be received in the next fiscal year.

Reserved Fund Balances as of June 30, 2006:

**Primary government**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Primary Government
<b>Reserved for:</b>				
Encumbrances	\$ 243,185	\$ 16,166,584	\$ 36,598	\$ 16,446,367
Long-term receivables	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
Total	<u>\$ 278,185</u>	<u>\$ 16,166,584</u>	<u>\$ 36,598</u>	<u>\$ 16,481,367</u>

**Component unit – School Board**

	School General Fund	School Textbook Fund	Food Nutrition Fund	Total Component unit – School Board
<b>Reserved for:</b>				
Encumbrances	\$ 661,362	\$ -	\$ 38,979	\$ 700,341
Deposits	97,252	-	-	97,252
Inventories	<u>-</u>	<u>-</u>	<u>48,405</u>	<u>48,405</u>
Total	<u>\$ 758,614</u>	<u>\$ -</u>	<u>\$ 87,384</u>	<u>\$ 845,998</u>

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**NOTE 17 – FUND BALANCES (CONTINUED)**

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Designated fund balances are for future years' expenditures including the reappropriation of portions of the FY 2006 budget and the appropriation of undesignated fund balance for utilization in a future period.

Designated Fund Balances as of June 30, 2006:

**Primary government**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Primary Government
<b>Designated for:</b>				
Armory	\$ 21,367	\$ -	\$ -	\$ 21,367
Future years' expenditures	5,955,651	-	-	5,955,651
Total	\$ 5,977,018	\$ -	\$ -	\$ 5,977,018

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

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**NOTE 18 – RISK MANAGEMENT**

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**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. Component unit – School Board**

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 65.2-802 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.

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**NOTE 18 – RISK MANAGEMENT (CONTINUED)**

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**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 and sickness policy.

**D. Health and Dental benefit program component**

Health and Dental Insurance: The group medical and dental insurance programs for the County and the School Board are combined into one overall funding program. Anthem Blue Cross Blue Shield administers the group health insurance program and Delta Dental of Virginia administers the group dental insurance for employees, their dependents, and retirees.

The Anthem plans are self insured by the County and the School Board. A fund has been established into which payroll medical insurance deductions, as well as the employer's contribution, are deposited. Anthem processes claims from the hospitals, doctors, and other health care providers. The employer is then billed for these paid claims and must reimburse Anthem for these costs. The program is a minimum premium design subject to an aggregate attachment point and a specific stop loss of \$150,000.

The Delta Plans are fully insured by Delta Dental of Virginia. This means that the employer has to set up a fund into which payroll dental insurance deductions, as well as the employer's share of the premiums are deposited. Delta processes claims from dentists and other dental providers and pays these claims. The employer is only responsible for the premiums set by Delta Dental of Virginia.

Liabilities for unpaid claims and claim adjustment expenses are estimated based on the estimated ultimate cost of settling the claims, including the effects of trend factors including inflation and other societal and economic factors.

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	<u>2005</u>	<u>2006</u>
Unpaid claims, beginning of fiscal year	\$ 1,175,260	\$ 1,246,360
Incurred claims, (including IBNR)	10,637,885	10,364,164
Claim payments	<u>10,566,785</u>	<u>10,578,073</u>
Unpaid claims, end of fiscal year	<u>\$ 1,246,360</u>	<u>\$ 1,032,451</u>

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**NOTE 19 – RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS**

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**Northwestern Regional Adult Detention Center**

The Clarke-Fauquier-Frederick-Winchester Jail Board was created in 1987 to construct and operate the Clarke-Fauquier-Frederick-Winchester Regional Adult Detention Center, renamed the Northwestern Regional Adult Detention Center in FY 2006. The Center charges, on an inmate 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. In FY 2006, the Northwestern Regional Jail Authority was created for the purpose of issuing revenue bonds for the construction of a new facility. 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 \$1,292,772 in fiscal year 2006.

**Fauquier County Industrial Development Authority**

The Fauquier County Industrial Development Authority is empowered to issue bonds to finance facilities qualifying under the Virginia Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2 of the *Code of Virginia*. The Authority is a political subdivision of the Commonwealth governed by seven directors appointed by the Board. The Authority is empowered to, among other things, issue tax-exempt revenue bonds in accordance with the Act, acquire, own, lease, and dispose of properties, promote industry, and develop trade in the County.

The Board approves the issuance of industrial development bonds solely to qualify such bonds for tax-exemption. These bonds do not constitute indebtedness of the County and are secured solely as revenues received from the borrowers. The County has no financial responsibility for the day-to-day financial transactions of the Authority.

**Fauquier County Water and Sanitation Authority**

The Fauquier County Water and Sanitation Authority is authorized under the Virginia Water and Waste Authorities Act, Section 15.2-5100 of the *Code of Virginia*. The Authority is governed by a five member board appointed by the Fauquier County Board of Supervisors to serve a four year term, however there is no ability of the Board to direct the members of the authority with respect to carrying out the Authority's fiscal and management functions. The Authority is authorized to acquire, construct, operate, and maintain an integrated water and sewer system in the County and set the rates and charges for these services. User charges and bond issues principally finance the Authority's operations and capital funds. The Authority is not fiscally dependent on the County and is solely responsible for all of its outstanding debt.

**Northern Virginia Health Center Commission**

The Northern Virginia Health Center Commission (NVHCC) is a legal entity established in 1987 by five Northern Virginia jurisdictions (Fauquier County, Fairfax County, Prince William County, Loudoun County, and the City of Alexandria) to develop and operate a nursing facility. Each of the five jurisdictions contributes annually to Birmingham Green Nursing Center and Birmingham Green Assisted Living Unit based on budgeted utilization for a percentage of nursing home beds for low income residents of each locality. In fiscal year 2006, Fauquier County contributed a total of \$269,812.

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**NOTE 20 – SURETY BONDS**

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Commonwealth of Virginia Faithful Performance of Duty Bond Plan (Obligee) by and through Travelers Casualty and Surety Company of America of Hartford, Connecticut – Surety Amount

Gail H. Barb, Clerk of the Circuit Court	\$ 480,000
Elizabeth A. Ledgerton, Treasurer	750,000
Ross D’Urso, Commissioner of the Revenue	3,000
Charlie Ray Fox, Jr., Sheriff	30,000
Above constitutional officers' employees – blanket bond	500,000

Virginia Municipal Liability Pool – Public Employees Dishonesty Coverage

All County employees and volunteers	\$ 500,000
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Virginia Association of Counties Group Self Insurance Risk Pool

All School employees including Clerk of the School Board	\$ 250,000
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**NOTE 21 – COMMITMENTS UNDER NONCAPITALIZED LEASES**

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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	31,011
Economic Development Office, 35 Culpeper Street	12,000
Tax Reassessor’s Office, 183-1 Keith Street	12,175
Commonwealth Attorney Office, 70 Main Street	9,630

All leases are subject to annual appropriation of rental payments.

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**NOTE 22 – SUBSEQUENT EVENTS**

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In September 2006, the Board of Supervisors adopted a resolution providing for the issuance of general obligation bonds up to the maximum principal amount of \$39,615,000. On September 26, 2006, the County sold \$39,615,000 of general obligation bonds. Proceeds of bonds issued will be used to finance the construction of the Kettle Run High School.

In May 2006, the Virginia Public School Authority (VPSA) notified the County of a debt savings credit of \$305,837 due to the refunding of various series of its outstanding bonds. Chapter 223, 2006 Acts of Assembly effective July 1, 2006, provides for immediate debt service relief. The VPSA Board directed the County’s share of savings be returned as a credit against the July 2006 debt service payment.

In August 2006, the School Board authorized entering into a four-year lease-purchase agreement as lessee for financing the acquisition of technology equipment for use in school classrooms in the amount of approximately \$949,400.

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**NOTE 23 – NET ASSETS ADJUSTMENTS**

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On June 26, 2006, the Fauquier County Board of Supervisors approved a resolution not to acquire title as tenancy in common, jointly owned, assets with the School Board for any and all School Board property for which the County has incurred, or will incur, a financial obligation payable over more than one fiscal year. In prior years, the jointly owned assets were reported as County assets on the Statement of Net Assets (Exhibit 1). The beginning net assets have been adjusted to reflect the School Board's ownership of these assets.

Net assets were adjusted as of June 30, 2005 as follows:

	<u>Governmental Activities</u>	<u>Component Unit – School Board</u>
Net assets, as previously reported	\$ 99,655,372	\$ 44,450,357
Adjustments of capital assets:		
Jointly owned assets	(47,974,389)	47,974,389
Accumulated depreciation	<u>(97,386)</u>	<u>(233,719)</u>
Total reclassification of capital assets	<u>(48,071,775)</u>	<u>47,740,670</u>
Adjustments of other assets:		
Fleet Maintenance Fund - inventories	28,307	-
Vint Hill Transportation Fund – customer deposits	<u>431,345</u>	<u>-</u>
Total adjustments of other assets	<u>459,652</u>	<u>-</u>
Net assets, as restated	\$ <u>52,043,249</u>	\$ <u>92,191,027</u>

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**NOTE 24 – RESTATEMENT OF BEGINNING FUND BALANCES**

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Certain amounts in the beginning fund balances have been restated in fiscal year 2006 due to addition, combination, and/or reclassification of individual funds. Beginning fund balances of these funds have been restated as follows:

	<u>Vint Hill Transportation Fund</u>
Beginning fund balance, as previously reported	\$ 5,471
Reclassification of customer deposits	<u>431,345</u>
Beginning fund balance, as restated	\$ <u>436,816</u>

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**NOTE 25 – IMPLEMENTED AND PENDING GASB STATEMENTS**

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In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for assets whose service utility has declined significantly or unexpectedly. This statement is effective for the fiscal periods beginning after December 15, 2004. The County has implemented this statement. The carrying value of assets found to meet the definition of impaired will be reflected in the County's government-wide statements.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. State and local governmental employers provide other postemployment benefits (OPEB) as part of a compensation package. This may include such benefits as health care and life insurance. This statement establishes uniform financial reporting and disclosure standards for OPEB plans. The statement effective for fiscal periods beginning after December 15, 2006 based on the implementation schedule of GASB Statement No. 34. The County is in the process of collecting the information necessary to present schedules in accordance with this statement.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section – An Amendment of NCGA Statement 1*. This statement establishes five categories of information and clarifies the types of schedules to be presented in the statistical section of the comprehensive annual financial report. The provisions of this statement are applicable to reports issued for periods beginning after June 15, 2005. The County has implemented this statement.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension (OPEB)*. This statement establishes standards for the measurement, recognition, and display of OPEB expenditures and related liabilities, note disclosures, and required supplementary information. The statement is effective for fiscal periods beginning after December 15, 2007. The County has not implemented this statement.

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes standards of accounting and financial reporting for termination benefits provided by employers to employees as an inducement to hasten the termination of services, a result of voluntary termination or involuntary early termination. This statement is effective for fiscal periods beginning after June 15, 2005. The County has implemented this statement.

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**NOTE 26 – WATER AND SEWER AUTHORITY NOTE RECEIVABLE**

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In 2001, the County borrowed revenue bonds totaling \$3,075,000. A portion of these proceeds were provided as a source of funding under separate agreement with the Fauquier County Water and Sewer Authority (FCWSA) to construct sewer lines in the New Baltimore Sanitation District. The initial plan called for repayment of the debt through tap fee revenues and a receivable was established. Fauquier County management have now determined that the related revenues is not expected to be sufficient to pay the related debt, and an allowance for the full amount has been created to reflect the County's responsibility for the debt service payment in the absence of revenues produced by the FCWSA.

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**REQUIRED SUPPLEMENTARY INFORMATION**



Schedule of Funding Progress  
 Virginia Retirement System and Fire and Rescue Pension Trust Length of Service Awards Program  
 Fiscal Year Ended June 30, 2006

Virginia Retirement System

County:

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll</u>
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%
June 30, 2005	39,200,518	45,283,453	6,082,935	86.57%	20,284,733	30.0%

Component unit – School Board:

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll</u>
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%
June 30, 2005	11,236,269	10,178,377	(1,057,892)	110.39%	3,543,388	-29.9%

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 and Rescue Length of Service Awards Pension Program

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>
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%
December 31, 2005	1,018,093	1,947,246	929,153	52.3%

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, 2006

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Revenues</b>				
Revenue from use of money	\$ -	\$ 683,482	\$ 134,940	\$ (548,542)
Charges for services	-	36,000	42,500	6,500
Gifts and donations	-	4,050,000	50,000	(4,000,000)
Miscellaneous	-	627,839	627,839	-
Intergovernmental:				
Contribution from component unit – School Board	2,261,534	1,316,810	1,316,810	-
Contribution from other governments – Culpeper County	-	369,556	369,556	-
Federal Government	-	-	21,552	21,552
Total revenues	<u>2,261,534</u>	<u>7,083,687</u>	<u>2,563,197</u>	<u>(4,520,490)</u>
<b>Expenditures</b>				
Capital Projects Fund:				
Capital outlay:				
General government	6,314	1,168,700	81,161	1,087,539
Public safety	386,203	1,079,803	418,889	660,914
Public works	2,368,011	2,717,195	462,198	2,254,997
Education	1,660,423	1,836,492	1,295,823	540,669
Parks, recreation, and cultural	1,321,344	1,959,311	97,353	1,861,958
Community development	240,410	240,410	7,022	233,388
Total capital outlay	<u>5,982,705</u>	<u>9,001,911</u>	<u>2,362,446</u>	<u>6,639,465</u>
Capital projects:				
Judicial administration:				
Courthouse	2,317,088	2,602,088	2,338,315	263,773
Public safety:				
Detention center	837,681	927,681	808,007	119,674
Radio safety	(74,132)	295,424	129,566	165,858
Total public safety	<u>\$ 763,549</u>	<u>\$ 1,223,105</u>	<u>\$ 937,573</u>	<u>\$ 285,532</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, 2006

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Expenditures (continued)</b>				
Capital Projects Fund: (continued)				
Capital projects: (continued)				
Education:				
Auburn middle school	\$ 1,236,064	\$ 1,236,064	\$ 80,739	\$ 1,155,325
Bradley elementary - roof	(3,340)	-	-	-
Brumfield elementary school	30,104	-	-	-
Cedar Lee middle school	3,028,400	3,288,748	596,460	2,692,288
Fauquier high school	3,504	-	-	-
Fauquier high school - greenhouse	-	100,400	-	100,400
Fauquier high school - science lab	39,000	-	-	-
High school track and tennis	-	123,410	-	123,410
Kettle Run high school	17,296,837	21,287,730	1,065,465	20,222,265
Land - Kettle Run high school	1,672,775	1,672,775	1,672,775	-
Liberty high school	4,609,421	6,677,284	5,115,372	1,561,912
Mary Walter elementary - roof	23,920	-	-	-
Pearson elementary school - roof	-	170,000	142,325	27,675
Taylor middle school	150,752	-	-	-
Taylor middle school - roof	1,114,890	-	-	-
Thompson elementary school	5,939,199	8,709,445	6,102,708	2,606,737
Warrenton middle school	171,529	-	-	-
Total education	<u>35,313,055</u>	<u>43,265,856</u>	<u>14,775,844</u>	<u>28,490,012</u>
Parks, recreation, and cultural:				
Bealeton depot	99,121	99,121	21,943	77,178
John Barton Payne library	80,020	728,020	43,515	684,505
Land - County portion for Kettle Run high school	836,388	836,388	836,388	-
Land - Gregory property	(83)	-	-	-
Land - Rappahannock Landing	(2,936)	-	-	-
Land - Stafford property	-	3,050,000	3,040,293	9,707
Monroe park	567,708	567,708	40,285	527,423
New Baltimore library	6,379	282,379	26,000	256,379
Northern swimming pool	1,398,266	1,398,266	-	1,398,266
Sports complex	10,999,038	15,045,533	3,433,203	11,612,330
Vint Hill - hvac	76,179	76,179	-	76,179
Vint Hill - pool	59,066	59,066	15,146	43,920
Total parks, recreation, and cultural	<u>14,119,146</u>	<u>22,142,660</u>	<u>7,456,773</u>	<u>14,685,887</u>
Community development:				
Airport sewer project	(7,568)	28,432	47,760	(19,328)
Total capital projects	<u>\$ 52,505,270</u>	<u>\$ 69,262,141</u>	<u>\$ 25,556,265</u>	<u>\$ 43,705,876</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 14  
Page 3 of 3

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Capital Projects Fund  
Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
<b>Expenditures (continued)</b>				
Capital Projects Fund: (continued)				
Capital projects: (continued)				
Debt service:				
Reserve for debt service	\$ 390,602	\$ 389,476	\$ -	\$ 389,476
Principal retirement	125,000	125,000	125,000	-
Interest and fiscal charges	131,759	131,759	138,258	(6,499)
Total debt service	<u>647,361</u>	<u>646,235</u>	<u>263,258</u>	<u>382,977</u>
Total expenditures	<u>59,135,336</u>	<u>78,910,287</u>	<u>28,181,969</u>	<u>50,728,318</u>
Excess (deficiency) of revenues over expenditures	<u>(56,873,802)</u>	<u>(71,826,600)</u>	<u>(25,618,772)</u>	<u>46,207,828</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	6,746,191	6,746,191	-
Transfers (out)	-	(623,076)	(623,076)	-
Issuance of debt	22,526,000	27,798,100	11,540,000	(16,258,100)
Premiums on issuance of debt	-	-	643,395	643,395
Total other financing sources (uses)	<u>22,526,000</u>	<u>33,921,215</u>	<u>18,306,510</u>	<u>(15,614,705)</u>
Net change in fund balances	(34,347,802)	(37,905,385)	(7,312,262)	30,593,123
Fund balances, beginning, as restated	<u>33,431,712</u>	<u>33,431,712</u>	<u>33,431,712</u>	<u>-</u>
Fund balances, ending	<u>\$ (916,090)</u>	<u>\$ (4,473,673)</u>	<u>\$ 26,119,450</u>	<u>\$ 30,593,123</u>

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## **NONMAJOR GOVERNMENTAL FUNDS**

Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than bond proceeds for major capital projects that are legally restricted to expenditures for specified purposes.

The *Joint Communications Fund* is used to account for revenue primarily derived from a monthly tax on each telephone line to support the emergency communications system for the County.

The *Parks and Recreation Fund* is used to account for private donations to support parks and recreation facilities and programs.

The *Library Fund* is used to account for private donations to support library facilities and programs.

The *Conservation Easement Service District Fund* is used to account for a special levy on assessed real estate to support the County's Purchase of Development Rights Program.

The *Fire and Rescue Fund* is used to account for the fire and rescue levy assessed on real estate to support the volunteer fire and rescue companies.

The *Proffer Fund* is used to account for contributions from developers to support the impact on infrastructure from new housing growth.

The *Affordable Housing Fund* is used to account for state funding to support the production, preservation, and rehabilitation of housing for families with low to moderate incomes.

The *Vint Hill Transportation Fund* is used to account for contributions from developers to support the expansion of roads in the Vint Hill area.



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COUNTY OF FAUQUIER, VIRGINIA

Exhibit 15  
Page 1 of 2

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006

	Joint Communications Fund	Parks and Recreation Fund	Library Fund	Conservation Easement Service District Fund	Fire and Rescue Fund
<b>Assets</b>					
Cash and investments	\$ 16,885	\$ 125,389	\$ 65,348	\$ 2,153,364	\$ 1,389,535
Accounts receivable (net)	106,877	-	-	59,224	134,339
Other assets	-	-	-	-	18,866
Total assets	<u>123,762</u>	<u>125,389</u>	<u>65,348</u>	<u>2,212,588</u>	<u>1,542,740</u>
<b>Liabilities</b>					
Accounts payable	8,613	2,843	475	9,113	216,284
Accrued liabilities	7,208	-	-	-	2,952
Total liabilities	<u>15,821</u>	<u>2,843</u>	<u>475</u>	<u>9,113</u>	<u>219,236</u>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	36,598	-	-	-	-
Unreserved:					
Undesignated	71,343	122,546	64,873	2,203,475	1,323,504
Total fund balances	<u>107,941</u>	<u>122,546</u>	<u>64,873</u>	<u>2,203,475</u>	<u>1,323,504</u>
Total liabilities and fund balances	<u>\$ 123,762</u>	<u>\$ 125,389</u>	<u>\$ 65,348</u>	<u>\$ 2,212,588</u>	<u>\$ 1,542,740</u>

<u>Proffer Fund</u>	<u>Affordable Housing Fund</u>	<u>Vint Hill Transportation Fund</u>	<u>Total Non-Major Governmental Funds</u>	
\$ 1,347,646	\$ 25,978	\$ 529,763	\$ 5,653,908	<b>Assets</b>
-	-	-	300,440	Cash and investments
-	-	-	18,866	Accounts receivable (net)
				Other assets
<u>1,347,646</u>	<u>25,978</u>	<u>529,763</u>	<u>5,973,214</u>	Total assets
-	-	-	237,328	<b>Liabilities</b>
-	-	-	10,160	Accounts payable
				Accrued liabilities
<u>-</u>	<u>-</u>	<u>-</u>	<u>247,488</u>	Total liabilities
-	-	-	36,598	<b>Fund Balances</b>
				Reserved for:
				Encumbrances
<u>1,347,646</u>	<u>25,978</u>	<u>529,763</u>	<u>5,689,128</u>	Unreserved:
				Undesignated
<u>1,347,646</u>	<u>25,978</u>	<u>529,763</u>	<u>5,725,726</u>	Total fund balances
<u>\$ 1,347,646</u>	<u>\$ 25,978</u>	<u>\$ 529,763</u>	<u>\$ 5,973,214</u>	Total liabilities and fund balances

COUNTY OF FAUQUIER, VIRGINIA

Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances – Nonmajor Governmental Funds  
Fiscal Year Ended June 30, 2006

	Joint Communications Fund	Parks and Recreation Fund	Library Fund	Conservation Easement Service District Fund	Fire and Rescue Fund
<b>Revenues</b>					
General property taxes	\$ -	\$ -	\$ -	\$ 1,414,276	\$ 3,477,273
Other local taxes	1,268,347	-	-	-	7,000
Revenue from use of money and property	-	5,836	3,019	-	-
Charges for services	7,099	-	-	-	-
Gifts and donations	-	27,037	6,767	550,000	-
Recovered cost	90	-	-	-	28,875
Miscellaneous	-	-	-	-	-
Intergovernmental:					
Commonwealth of Virginia	82,576	-	-	-	171,977
<b>Total revenues</b>	<u>1,358,112</u>	<u>32,873</u>	<u>9,786</u>	<u>1,964,276</u>	<u>3,685,125</u>
<b>Expenditures</b>					
Current operating:					
Public safety	1,604,223	-	-	-	3,281,348
Parks, recreation, and cultural	-	29,679	6,023	-	-
Community development	-	-	-	462,227	-
<b>Total expenditures</b>	<u>1,604,223</u>	<u>29,679</u>	<u>6,023</u>	<u>462,227</u>	<u>3,281,348</u>
Excess (deficiency) of revenue over expenditures	<u>(246,111)</u>	<u>3,194</u>	<u>3,763</u>	<u>1,502,049</u>	<u>403,777</u>
<b>Other financing sources (uses)</b>					
Transfers in	338,648	-	-	-	-
Transfers (out)	(50,000)	-	-	-	(164,133)
<b>Total other financing sources (uses)</b>	<u>288,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(164,133)</u>
Net change in fund balances	42,537	3,194	3,763	1,502,049	239,644
Fund balances, beginning, as restated	65,404	119,352	61,110	701,426	1,083,860
Fund balances, ending	<u>\$ 107,941</u>	<u>\$ 122,546</u>	<u>\$ 64,873</u>	<u>\$ 2,203,475</u>	<u>\$ 1,323,504</u>

<b>Proffer Fund</b>	<b>Affordable Housing Fund</b>	<b>Vint Hill Transportation Fund</b>	<b>Total Nonmajor Governmental Funds</b>	
\$ -	\$ -	\$ -	\$ 4,891,549	<b>Revenues</b>
-	-	-	1,275,347	General property taxes
-	-	22,978	31,833	Other local taxes
-	-	-	7,099	Revenue from use of money and property
385,893	-	-	969,697	Charges for services
-	-	-	28,965	Gifts and donations
-	25,978	69,969	95,947	Recovered cost
-	-	-	254,553	Miscellaneous
-	-	-	-	Intergovernmental:
-	-	-	-	Commonwealth of Virginia
<u>385,893</u>	<u>25,978</u>	<u>92,947</u>	<u>7,554,990</u>	Total revenues
				<b>Expenditures</b>
-	-	-	4,885,571	Current operating:
-	-	-	35,702	Public safety
-	-	-	462,227	Parks, recreation, and cultural
-	-	-	-	Community development
-	-	-	5,383,500	Total expenditures
<u>385,893</u>	<u>25,978</u>	<u>92,947</u>	<u>2,171,490</u>	Excess (deficiency) of revenue over expenditures
				<b>Other financing sources (uses)</b>
678,804	-	-	1,017,452	Transfers in
-	-	-	(214,133)	Transfers (out)
<u>678,804</u>	<u>-</u>	<u>-</u>	<u>803,319</u>	Total other financing sources (uses)
1,064,697	25,978	92,947	2,974,809	Net change in fund balances
282,949	-	436,816	2,750,917	Fund balances, beginning, as restated
<u>\$ 1,347,646</u>	<u>\$ 25,978</u>	<u>\$ 529,763</u>	<u>\$ 5,725,726</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, 2006**

<b>Primary Government</b>	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance From Amended Positive (Negative)</b>
Special Revenue Funds:				
Revenues:				
Other local taxes	\$ 1,010,024	\$ 1,239,252	\$ 1,268,347	\$ 29,095
Charges for services	-	-	7,099	7,099
Recovered costs	2,000	2,000	90	(1,910)
Intergovernmental:				
Commonwealth of Virginia	47,820	60,216	82,576	22,360
Total revenues	<u>1,059,844</u>	<u>1,301,468</u>	<u>1,358,112</u>	<u>56,644</u>
Expenditures:				
Current operating:				
Public safety	1,397,567	1,724,518	1,604,223	120,295
Total expenditures	<u>1,397,567</u>	<u>1,724,518</u>	<u>1,604,223</u>	<u>120,295</u>
Excess (deficiency) of revenue over expenditures	<u>(337,723)</u>	<u>(423,050)</u>	<u>(246,111)</u>	<u>176,939</u>
Other financing sources (uses)				
Transfers in	337,723	337,723	338,648	925
Transfers (out)	-	(50,000)	(50,000)	-
Total other financing sources (uses)	<u>337,723</u>	<u>287,723</u>	<u>288,648</u>	<u>925</u>
Net change in fund balances	-	(135,327)	42,537	177,864
Fund balances, beginning	65,404	65,404	65,404	-
Fund balances, ending	<u>\$ 65,404</u>	<u>\$ (69,923)</u>	<u>\$ 107,941</u>	<u>\$ 177,864</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 18

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Parks and Recreation Fund  
Fiscal Year Ended June 30, 2006

Primary Government	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Special Revenue Funds:				
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 5,836	\$ 5,836
Gifts and donations	-	-	27,037	27,037
Total revenues	-	-	32,873	32,873
Expenditures:				
Current operating:				
Parks, recreation, and cultural	-	-	29,679	(29,679)
Total expenditures	-	-	29,679	(29,679)
Excess (deficiency) of revenue over expenditures	-	-	3,194	3,194
Net change in fund balances	-	-	3,194	3,194
Fund balances, beginning	119,352	119,352	119,352	-
Fund balances, ending	\$ 119,352	\$ 119,352	\$ 122,546	\$ 3,194

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, 2006

Primary Government	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Special Revenue Funds:				
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 3,019	\$ 3,019
Gifts and donations	-	-	6,767	6,767
Total revenues	-	-	9,786	9,786
Expenditures:				
Current operating:				
Parks, recreation, and cultural	-	-	6,023	(6,023)
Total expenditures	-	-	6,023	(6,023)
Excess (deficiency) of revenue over expenditures	-	-	3,763	3,763
Net change in fund balances	-	-	3,763	3,763
Fund balances, beginning	61,110	61,110	61,110	-
Fund balances, ending	<u>\$ 61,110</u>	<u>\$ 61,110</u>	<u>\$ 64,873</u>	<u>\$ 3,763</u>

**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, 2006**

<b>Primary Government</b>	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance From Amended Positive (Negative)</b>
Special Revenue Funds:				
Revenues:				
General property taxes	\$ 1,426,000	\$ 1,426,000	\$ 1,414,276	\$ (11,724)
Gifts and donations	500,000	550,000	550,000	-
Total revenues	<u>1,926,000</u>	<u>1,976,000</u>	<u>1,964,276</u>	<u>(11,724)</u>
Expenditures:				
Current operating:				
Community development	1,926,000	2,665,656	462,227	2,203,429
Total expenditures	<u>1,926,000</u>	<u>2,665,656</u>	<u>462,227</u>	<u>2,203,429</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>(689,656)</u>	<u>1,502,049</u>	<u>2,191,705</u>
Net change in fund balances	-	(689,656)	1,502,049	2,191,705
Fund balances, beginning	701,426	701,426	701,426	-
Fund balances, ending	<u>\$ 701,426</u>	<u>\$ 11,770</u>	<u>\$ 2,203,475</u>	<u>\$ 2,191,705</u>

**COUNTY OF FAUQUIER, VIRGINIA**

Exhibit 21

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Fire and Rescue Fund  
Fiscal Year Ended June 30, 2006**

<b>Primary Government</b>	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance From Amended Positive (Negative)</b>
Special Revenue Funds:				
Revenues:				
General property taxes	\$ 2,915,034	\$ 3,112,630	\$ 3,477,273	\$ 364,643
Other local taxes	-	4,635	7,000	2,365
Recovered costs	-	-	28,875	28,875
Intergovernmental:				
Commonwealth of Virginia	97,302	171,977	171,977	-
Total revenues	<u>3,012,336</u>	<u>3,289,242</u>	<u>3,685,125</u>	<u>395,883</u>
Expenditures:				
Current operating:				
Public safety	2,228,198	3,637,279	3,281,348	355,931
Total expenditures	<u>2,228,198</u>	<u>3,637,279</u>	<u>3,281,348</u>	<u>355,931</u>
Excess (deficiency) of revenue over expenditures	<u>784,138</u>	<u>(348,037)</u>	<u>403,777</u>	<u>751,814</u>
Other financing sources (uses)				
Transfers (out)	<u>(784,138)</u>	<u>(595,568)</u>	<u>(164,133)</u>	<u>431,435</u>
Total other financing sources (uses)	<u>(784,138)</u>	<u>(595,568)</u>	<u>(164,133)</u>	<u>431,435</u>
Net change in fund balances	-	(943,605)	239,644	1,183,249
Fund balances, beginning	1,083,860	1,083,860	1,083,860	-
Fund balances, ending	<u>\$ 1,083,860</u>	<u>\$ 140,255</u>	<u>\$ 1,323,504</u>	<u>\$ 1,183,249</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, 2006**

<b>Primary Government</b>	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance From Amended Positive (Negative)</b>
Special Revenue Funds:				
Revenues:				
Gifts and donations	\$ -	\$ -	\$ 385,893	\$ 385,893
Total revenues	<u>-</u>	<u>-</u>	<u>385,893</u>	<u>385,893</u>
Expenditures:				
Current operating:				
Community development	-	678,804	-	(678,804)
Total expenditures	<u>-</u>	<u>678,804</u>	<u>-</u>	<u>(678,804)</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>(678,804)</u>	<u>385,893</u>	<u>1,064,697</u>
Other financing sources (uses)				
Transfers in	-	678,804	678,804	-
Total other financing sources (uses)	<u>-</u>	<u>678,804</u>	<u>678,804</u>	<u>-</u>
Net change in fund balances	-	-	1,064,697	1,064,697
Fund balances, beginning	282,949	282,949	282,949	-
Fund balances, ending	<u>\$ 282,949</u>	<u>\$ 282,949</u>	<u>\$ 1,347,646</u>	<u>\$ 1,064,697</u>

**COUNTY OF FAUQUIER, VIRGINIA**

Exhibit 23

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Affordable Housing Fund  
Fiscal Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
<b>Primary Government</b>				
Special Revenue Funds:				
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 25,978	\$ 25,978
Total revenues	<u>-</u>	<u>-</u>	<u>25,978</u>	<u>25,978</u>
Expenditures:				
Current operating:				
Community development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>-</u>	<u>25,978</u>	<u>25,978</u>
Net change in fund balances	-	-	25,978	25,978
Fund balances, beginning	-	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,978</u>	<u>\$ 25,978</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 24

Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances – Budget and Actual  
 Vint Hill Transportation Fund  
 Fiscal Year Ended June 30, 2006

Primary Government	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Special Revenue Funds:				
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 22,978	\$ 22,978
Miscellaneous	-	-	69,969	69,969
Total revenues	-	-	92,947	92,947
Expenditures:				
Current operating:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenue over expenditures	-	-	92,947	92,947
Net change in fund balances	-	-	92,947	92,947
Fund balances, beginning, as restated	436,816	436,816	436,816	-
Fund balances, ending	<u>\$ 436,816</u>	<u>\$ 436,816</u>	<u>\$ 529,763</u>	<u>\$ 92,947</u>

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### **PROPRIETARY FUNDS**

The Internal Service Funds are used to account for the financing of goods and/or services provided by a department to another department on a cost reimbursement basis.

The *Fleet Maintenance Fund* is used to account for the operations of the County and School garage. It receives revenues through charges to local public agencies and County and School departments for vehicle repairs and fuel.

The *Health Insurance Fund* is used to account for the provision of a comprehensive health benefits program for County and School employees.



COUNTY OF FAUQUIER, VIRGINIA

Exhibit 25

Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2006

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 15,360	\$ 6,073,530	\$ 6,088,890
Receivables, net of allowances for uncollectibles	61,106	-	61,106
Inventories	192,032	-	192,032
Total current assets	268,498	6,073,530	6,342,028
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Equipment	108,007	-	108,007
Total capital assets	108,007	-	108,007
Total noncurrent assets	108,007	-	108,007
Total assets	376,505	6,073,530	6,450,035
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	85,343	2,813	88,156
Unearned revenue	-	286,433	286,433
Compensated absences	7,394	-	7,394
Total current liabilities	92,737	289,246	381,983
Noncurrent liabilities:			
Incurred but not reported claims	-	1,032,451	1,032,451
Compensated absences	66,547	-	66,547
Total noncurrent liabilities	66,547	1,032,451	1,098,998
Total liabilities	159,284	1,321,697	1,480,981
<b>Net Assets</b>			
Invested in capital assets, net of related debt	108,007	-	108,007
Unrestricted	109,214	4,751,833	4,861,047
Total net assets	217,221	4,751,833	4,969,054
Total liabilities and net assets	\$ 376,505	\$ 6,073,530	\$ 6,450,035

**COUNTY OF FAUQUIER, VIRGINIA**

**Exhibit 26**

**Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Internal Service Funds  
Fiscal Year Ended June 30, 2006**

	<b>Internal Service Funds</b>		
	<b>Fleet Maintenance Fund</b>	<b>Health Insurance Fund</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services	\$ 2,766,937	\$ 13,090,344	\$ 15,857,281
Total operating revenues	<u>2,766,937</u>	<u>13,090,344</u>	<u>15,857,281</u>
<b>Operating expenses</b>			
Personal services	518,613	-	518,613
Fringe benefits	173,137	-	173,137
Claims and benefits paid	-	10,364,165	10,364,165
Premiums	-	2,023,641	2,023,641
Contractual services	125,473	24,326	149,799
Other operating expenses	1,921,998	15,605	1,937,603
Depreciation	25,490	-	25,490
Total operating expenses	<u>2,764,711</u>	<u>12,427,737</u>	<u>15,192,448</u>
Operating income (loss)	<u>2,226</u>	<u>662,607</u>	<u>664,833</u>
<b>Nonoperating revenues (expenses)</b>			
Interest income	-	326,950	326,950
Miscellaneous revenue - forfeitures	-	2,193	2,193
Total nonoperating revenues (expenses)	<u>-</u>	<u>329,143</u>	<u>329,143</u>
Income (loss) before transfers	2,226	991,750	993,976
Transfers in	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Change in net assets	102,226	991,750	1,093,976
Net assets - beginning, as restated	114,995	3,760,083	3,875,078
Net assets - ending	<u>\$ 217,221</u>	<u>\$ 4,751,833</u>	<u>\$ 4,969,054</u>

**Combining Statement of Cash Flows  
Internal Service Funds  
Fiscal Year Ended June 30, 2006**

	<b>Internal Service Funds</b>		
	<b>Fleet Maintenance Fund</b>	<b>Health Insurance Fund</b>	<b>Total</b>
<b>Cash Flow from Operating Activities</b>			
Receipts from customers and users	\$ 2,745,370	\$ 13,376,777	\$ 16,122,147
Payment to suppliers and other operating activities	(2,071,737)	(12,689,186)	(14,760,923)
Payment to employees (including fringes)	(710,656)	-	(710,656)
Net cash provided by (used in) operating activities	<u>(37,023)</u>	<u>687,591</u>	<u>650,568</u>
<b>Cash Flow from Noncapital Financing Activities</b>			
Forfeitures	-	2,194	2,194
Transfers in	100,000	-	100,000
Interfund loan	(47,817)	-	(47,817)
Net cash provided by noncapital financing activities	<u>52,183</u>	<u>2,194</u>	<u>54,377</u>
<b>Cash Flow from Investing Activities</b>			
Interest	-	326,950	326,950
Net cash provided by investing activities	<u>-</u>	<u>326,950</u>	<u>326,950</u>
Net increase (decrease) in cash and cash equivalents	15,160	1,016,735	1,031,895
Cash and cash equivalents - beginning of the year	200	5,056,795	5,056,995
Cash and cash equivalents - end of the year	<u>15,360</u>	<u>6,073,530</u>	<u>6,088,890</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities</b>			
Cash flows from operations:			
Operating income (loss)	2,226	662,607	664,833
Adjustment to reconcile net income to net cash provided by operations:			
Depreciation	25,490	-	25,490
Changes in operating assets and liabilities:			
(Increase) in receivables	(21,567)	-	(21,567)
(Decrease) in incurred but not reported claims	-	(213,909)	(213,909)
(Increase) in inventory	(23,983)	-	(23,983)
(Decrease) in accounts payable	(283)	-	(283)
Increase in unearned revenue	-	286,433	286,433
(Decrease) in accrued liabilities	(18,906)	(47,540)	(66,446)
Net cash provided by (used in) operating activities	<u>\$ (37,023)</u>	<u>\$ 687,591</u>	<u>\$ 650,568</u>

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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 are custodial in nature and are maintained to account for funds received and disbursed by the County on behalf of various organizations.

The *Street Light Levy Fund* is used to account for an annual special levy assessed on real property within the Marshall Electric Power and Light Service District to support the cost of construction, operation, and maintenance of street lights in the unincorporated town of Marshall.

The *Working Together Fund* is used to account for proceeds from County and School employee fund raising activities to support service and social activities.

The *Special Welfare Fund* is used to account for regular assistance payments to recipients in the Aid to Dependent Children Program. Revenue sources include payments from the Commonwealth, individuals, organizations, and churches.

The *Service to Outside Agencies Fund* is used to account for reimbursements from John Marshall Sewer and the Vint Hill Economic Development Authority to support salaries and benefits for their employees.

The *Detention Center Fund* is used to account for personal funds belonging to inmates upon their arrest, funds on account for inmates to purchase items, and funds collected from inmates who participate in the work release program.



**COUNTY OF FAUQUIER, VIRGINIA**

**Exhibit 28**

**Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2006**

	<b>Agency Funds</b>					<b>Total</b>
	<b>Street Light Levy Fund</b>	<b>Working Together Fund</b>	<b>Special Welfare Fund</b>	<b>Service to Outside Agencies Fund</b>	<b>Detention Center Fund</b>	
<b>Assets</b>						
Cash and investments	\$ 26,529	\$ 12,175	\$ 19,565	\$ 49,551	\$ -	\$ 107,820
Cash in custody of others	-	-	-	-	45,244	45,244
Accounts receivable	240	-	-	-	-	240
<b>Total assets</b>	<b>26,769</b>	<b>12,175</b>	<b>19,565</b>	<b>49,551</b>	<b>45,244</b>	<b>153,304</b>
<b>Liabilities</b>						
Accounts payable	909	-	-	3,546	-	4,455
Amount held for clients/others	25,860	12,175	19,565	46,005	45,244	148,849
<b>Total liabilities</b>	<b>\$ 26,769</b>	<b>\$ 12,175</b>	<b>\$ 19,565</b>	<b>\$ 49,551</b>	<b>\$ 45,244</b>	<b>\$ 153,304</b>

**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, 2006**

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
<b>Street Light Levy Fund</b>				
Assets:				
Cash and cash equivalents	\$ 22,285	\$ 17,166	\$ 12,922	\$ 26,529
Accounts receivable	309	240	309	240
Total assets	<u>22,594</u>	<u>17,406</u>	<u>13,231</u>	<u>26,769</u>
Liabilities:				
Accounts payable	908	909	908	909
Amounts held for subsequent expense	21,686	16,497	12,323	25,860
Total liabilities	<u>22,594</u>	<u>17,406</u>	<u>13,231</u>	<u>26,769</u>
<b>Working Together Fund</b>				
Assets:				
Cash and cash equivalents	<u>17,462</u>	<u>51,687</u>	<u>56,974</u>	<u>12,175</u>
Liabilities:				
Amounts held for subsequent expense	<u>17,462</u>	<u>51,687</u>	<u>56,974</u>	<u>12,175</u>
<b>Special Welfare Fund</b>				
Assets:				
Cash and cash equivalents	<u>68,288</u>	<u>129,006</u>	<u>177,729</u>	<u>19,565</u>
Liabilities:				
Amounts held for social service clients	<u>68,288</u>	<u>129,006</u>	<u>177,729</u>	<u>19,565</u>
<b>Service to Outside Agencies Fund</b>				
Assets:				
Cash and cash equivalents	-	1,663,515	1,613,964	49,551
Accounts receivable	136,983	-	136,983	-
Total assets	<u>136,983</u>	<u>1,663,515</u>	<u>1,750,947</u>	<u>49,551</u>
Liabilities:				
Accounts payable	113,489	4,126	114,069	3,546
Amounts held for subsequent expense	23,494	1,659,389	1,636,878	46,005
Total liabilities	<u>\$ 136,983</u>	<u>\$ 1,663,515</u>	<u>\$ 1,750,947</u>	<u>\$ 49,551</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, 2006

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
<b>Detention Center Fund</b>				
Assets:				
Cash and cash equivalents:				
Cash - canteen account	\$ 37,329	\$ 39,087	\$ 36,019	\$ 40,397
Cash - inmate accounts	2,975	64,396	63,662	3,709
Cash - work release	2,412	62,070	63,344	1,138
	<u>42,716</u>	<u>165,553</u>	<u>163,025</u>	<u>45,244</u>
Total assets	<u>42,716</u>	<u>165,553</u>	<u>163,025</u>	<u>45,244</u>
Liabilities:				
Amounts held for prisoners	<u>42,716</u>	<u>165,553</u>	<u>163,025</u>	<u>45,244</u>
<b>Total - All Agency Funds</b>				
Assets:				
Cash and cash equivalents	150,751	2,026,927	2,024,614	153,064
Accounts receivable	<u>137,292</u>	<u>240</u>	<u>137,292</u>	<u>240</u>
	<u>288,043</u>	<u>2,027,167</u>	<u>2,161,906</u>	<u>153,304</u>
Total assets	<u>288,043</u>	<u>2,027,167</u>	<u>2,161,906</u>	<u>153,304</u>
Liabilities:				
Amounts held for social service clients	68,288	129,006	177,729	19,565
Other liabilities	177,039	1,732,608	1,821,152	88,495
Amount held for prisoners	<u>42,716</u>	<u>165,553</u>	<u>163,025</u>	<u>45,244</u>
	<u>288,043</u>	<u>2,027,167</u>	<u>2,161,906</u>	<u>153,304</u>
Total liabilities	<u>\$ 288,043</u>	<u>\$ 2,027,167</u>	<u>\$ 2,161,906</u>	<u>\$ 153,304</u>

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## **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 through the School Board Governmental Funds.

The *School General Fund* is used to account for expenditures to operate, maintain, and support the School Board programs. Its primary sources of revenues are state and federal aid and contributions from the County's General Fund.

The *School Textbook Fund* is used to account for the purchase of student textbooks supported by state revenue and transfers from the School General Fund.

The *Food Nutrition Fund* is used to account for the provision of student and adult breakfasts, snacks, and lunches. Primary sources of revenues are state and federal aid and receipts from food sales.

Trust and Agency Funds account for principal and income which benefit individuals, and monies collected at the schools in connection with student athletics, clubs, various fund raising activities, and private donations.

The *Crockett Scholarship Fund* is used to account for principal and income available to provide for scholarships.

The *Student Activity Agency Fund* is used to account for funds collected at the schools in connection with student athletics, clubs, fundraising activities, and private donations.



**COUNTY OF FAUQUIER, VIRGINIA**

**Exhibit 30**

**Combining Balance Sheet  
Discretely Presented Component Unit – School Board  
June 30, 2006**

	<b>Governmental Funds</b>			
	<b>School General Fund</b>	<b>School Textbook Fund</b>	<b>Food Nutrition Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash on deposit with County of Fauquier, VA	\$ 9,062,764	\$ 27,059	\$ 822,516	\$ 9,912,339
Accounts receivable	134,428	3,329	3,002	140,759
Prepaid expenses	90,951	-	-	90,951
Inventory	-	-	48,405	48,405
Due from other governmental units	3,023,585	-	41,829	3,065,414
Deposit on account	97,252	-	-	97,252
	<u>12,408,980</u>	<u>30,388</u>	<u>915,752</u>	<u>13,355,120</u>
Total assets				
<b>Liabilities</b>				
Accounts payable	1,062,622	-	32,048	1,094,670
Deferred revenue	-	-	50,351	50,351
Accrued liabilities	10,586,394	-	206,097	10,792,491
	<u>11,649,016</u>	<u>-</u>	<u>288,496</u>	<u>11,937,512</u>
Total liabilities				
<b>Fund balances</b>				
Reserved for:				
Encumbrances	661,362	-	38,979	700,341
Deposits	97,252	-	-	97,252
Inventories	-	-	48,405	48,405
Unreserved:				
Undesignated	1,350	30,388	539,872	571,610
	<u>759,964</u>	<u>30,388</u>	<u>627,256</u>	<u>1,417,608</u>
Total fund balances				
Total liabilities and fund balances	\$ <u>12,408,980</u>	\$ <u>30,388</u>	\$ <u>915,752</u>	\$ <u>13,355,120</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  
June 30, 2006**

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**Total fund balances - discretely presented component unit - School Board** **\$ 1,417,608**

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. 107,072,117

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. (3,794,685)

**Net assets of governmental activities** **\$ 104,695,040**

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, 2006

	Governmental Funds			
	School General Fund	School Textbook Fund	Food Nutrition Fund	Total Governmental Funds
<b>Revenues</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 956	\$ 956
Charges for services	554,634	6,435	2,909,412	3,470,481
Gifts and donations	1,295	-	-	1,295
Recovered costs	70,657	630	371	71,658
Intergovernmental:				
Contribution from primary government	67,095,076	-	-	67,095,076
Commonwealth of Virginia	33,669,854	260,662	58,419	33,988,935
Federal Government	3,875,671	-	864,409	4,740,080
Total revenues	105,267,187	267,727	3,833,567	109,368,481
<b>Expenditures</b>				
Current operating:				
Education	104,017,061	786,289	3,655,335	108,458,685
Total expenditures	104,017,061	786,289	3,655,335	108,458,685
Excess (deficiency) of revenues over expenditures	1,250,126	(518,562)	178,232	909,796
<b>Other financing sources (uses)</b>				
Transfers in	-	491,512	-	491,512
Transfers (out)	(491,512)	-	-	(491,512)
Total other financing sources (uses)	(491,512)	491,512	-	-
Net change in fund balances	758,614	(27,050)	178,232	909,796
Fund balances, beginning	1,350	57,438	449,024	507,812
Fund balances, ending	\$ 759,964	\$ 30,388	\$ 627,256	\$ 1,417,608

**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, 2006**

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**Net change in fund balances - discretely presented component unit - School Board** \$ 909,796

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

The primary government donates school board capital assets constructed in the primary government's capital improvement fund. Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

Capital outlays 14,502,122

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.

Capital outlays	1,441,275	
Depreciation	<u>(4,075,703)</u>	(2,634,428)

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. (309,302)

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. 35,825

**Change in net assets of governmental activities** \$ 12,504,013

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COUNTY OF FAUQUIER, VIRGINIA

Exhibit 34  
Page 1 of 2

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Discretely Presented Component Unit – School Board  
Fiscal Year Ended June 30, 2006

	School General Fund				School Textbook		
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)	Original Budget	Amended Budget	Actual
<b>Revenues</b>							
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	411,500	411,500	554,634	143,134	-	-	6,435
Gifts and donations	-	-	1,295	1,295	-	-	-
Recovered costs	-	-	70,657	70,657	-	-	630
Intergovernmental:							
Contribution from primary government	65,702,289	69,455,091	67,095,076	(2,360,015)	-	-	-
Commonwealth of Virginia	33,765,748	34,290,212	33,669,854	(620,358)	258,488	258,488	260,662
Federal Government	3,530,084	3,728,022	3,875,671	147,649	-	-	-
Total revenues	103,409,621	107,884,825	105,267,187	(2,617,638)	258,488	258,488	267,727
<b>Expenditures</b>							
Current operating:							
Education:							
Instruction	84,052,543	84,582,223	83,123,508	1,458,715	750,000	807,438	786,289
Administration, attendance, and health	3,796,053	3,839,083	3,506,746	332,337	-	-	-
Public transportation services	5,420,282	6,611,183	7,022,917	(411,734)	-	-	-
Operation and maintenance services	8,073,933	10,785,526	9,047,080	1,738,446	-	-	-
School food services	-	-	-	-	-	-	-
Contribution to primary government	1,316,810	1,316,810	1,316,810	-	-	-	-
Total education	102,659,621	107,134,825	104,017,061	3,117,764	750,000	807,438	786,289
Total expenditures	102,659,621	107,134,825	104,017,061	3,117,764	750,000	807,438	786,289
Excess (deficiency) of revenues over expenditures	750,000	750,000	1,250,126	500,126	(491,512)	(548,950)	(518,562)
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	-	491,512	491,512	491,512
Transfers (out)	(750,000)	(750,000)	(491,512)	258,488	-	-	-
Total other financing sources (uses)	(750,000)	(750,000)	(491,512)	258,488	491,512	491,512	491,512
Net change in fund balances	-	-	758,614	758,614	-	(57,438)	(27,050)
Fund balances, beginning	1,350	1,350	1,350	-	57,438	57,438	57,438
Fund balances, ending	\$ 1,350	\$ 1,350	\$ 759,964	\$ 758,614	\$ 57,438	\$ -	\$ 30,388

Fund	Food Nutrition Fund			Variance From Amended Positive (Negative)
	Original Budget	Amended Budget	Actual	
\$ -	\$ 500	\$ 500	\$ 956	\$ 456
6,435	2,932,815	2,839,819	2,909,412	69,593
-	-	-	-	-
630	-	-	371	371
-	-	-	-	-
2,174	52,245	52,245	58,419	6,174
-	770,534	770,534	864,409	93,875
9,239	3,756,094	3,663,098	3,833,567	170,469
21,149	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	3,756,094	3,683,098	3,655,335	27,763
-	-	-	-	-
21,149	3,756,094	3,683,098	3,655,335	27,763
21,149	3,756,094	3,683,098	3,655,335	27,763
30,388	-	(20,000)	178,232	198,232
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
30,388	-	(20,000)	178,232	198,232
-	449,024	449,024	449,024	-
\$ 30,388	\$ 449,024	\$ 429,024	\$ 627,256	\$ 198,232

**Revenues**

Revenue from use of money and property
Charges for services
Gifts and donations
Recovered costs
Intergovernmental:
Contribution from primary government
Commonwealth of Virginia
Federal Government
Total revenues

**Expenditures**

Current operating:
Education:
Instruction
Administration, attendance, and health
Public transportation services
Operation and maintenance services
School food services
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  
June 30, 2006**

	<b>Crockett Scholarship Private-Purpose Trust Fund</b>	<b>Student Activity Agency Fund</b>
<b>Assets</b>		
Cash and investments	\$ 489,126	\$ 1,455,583
Land	94,200	-
Total assets	<u>583,326</u>	<u>1,455,583</u>
<b>Liabilities</b>		
Due to student groups	-	1,455,583
Total liabilities	<u>-</u>	<u>\$ 1,455,583</u>
<b>Net Assets</b>		
Held in trust for scholarships	<u>583,326</u>	
Total net assets	<u>\$ 583,326</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, 2006

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	<u>Crockett Scholarship Private-Purpose Trust Fund</u>
<b>Additions</b>	
Investment income	\$ <u>14,054</u>
Total additions	<u>14,054</u>
<b>Deductions</b>	
Scholarships awarded	19,000
Administrative fees	<u>2,308</u>
Total deductions	<u>21,308</u>
Change in net assets	(7,254)
Net assets - beginning	590,580
Net assets - ending	\$ <u><u>583,326</u></u>

**Statement of Changes in Assets and Liabilities  
Discretely Presented Component Unit – School Board  
Agency Funds  
Fiscal Year Ended June 30, 2006**

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	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
<b>Student Activity Agency Fund</b>				
Assets				
Cash and investments	\$ <u>1,404,163</u>	\$ <u>3,842,574</u>	\$ <u>3,791,154</u>	\$ <u>1,455,583</u>
Total assets	<u>1,404,163</u>	<u>3,842,574</u>	<u>3,791,154</u>	<u>1,455,583</u>
Liabilities				
Due to student groups	<u>1,404,163</u>	<u>3,842,574</u>	<u>3,791,154</u>	<u>1,455,583</u>
Total liabilities	<u>\$ 1,404,163</u>	<u>\$ 3,842,574</u>	<u>\$ 3,791,154</u>	<u>\$ 1,455,583</u>

## **OTHER SUPPLEMENTARY INFORMATION**



COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2006

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Primary Government</b>				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 55,244,000	\$ 60,694,000	\$ 61,460,772	\$ 766,772
Real and personal public service corporation property taxes	4,665,000	4,665,000	2,273,814	(2,391,186)
Personal property taxes	15,341,625	15,341,625	17,221,128	1,879,503
Penalties	755,000	755,000	1,013,632	258,632
Interest	300,000	300,000	318,827	18,827
Total general property taxes	<u>76,305,625</u>	<u>81,755,625</u>	<u>82,288,173</u>	<u>532,548</u>
Other local taxes:				
Local sales and use taxes	7,260,000	7,260,000	7,372,629	112,629
Consumers' utility taxes	3,120,000	3,120,000	3,247,767	127,767
Business license taxes	1,050,000	1,050,000	1,439,180	389,180
Cable TV franchise taxes	155,000	155,000	181,249	26,249
Motor vehicle taxes	1,450,000	1,450,000	1,440,165	(9,835)
Bank stock taxes	164,000	164,000	205,655	41,655
Taxes on recordation and wills	2,620,000	2,620,000	2,974,115	354,115
Lodging tax	165,000	165,000	98,024	(66,976)
Miscellaneous	30,100	46,678	71,039	24,361
Total other local taxes	<u>16,014,100</u>	<u>16,030,678</u>	<u>17,029,823</u>	<u>999,145</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	5,000	5,000	6,619	1,619
Building and related permits	1,921,300	1,921,300	1,811,644	(109,656)
Zoning permits and fees	176,566	176,566	87,331	(89,235)
Land use application fees	13,000	13,000	16,123	3,123
Total permits, privilege fees, and regulatory licenses	<u>2,115,866</u>	<u>2,115,866</u>	<u>1,921,717</u>	<u>(194,149)</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>508,350</u>	<u>508,350</u>	<u>529,420</u>	<u>21,070</u>
Revenue from use of money and property:				
Revenue from use of money	670,000	670,000	1,912,234	1,242,234
Revenue from use of property	404,325	413,025	420,251	7,226
Total revenue from use of money and property	<u>\$ 1,074,325</u>	<u>\$ 1,083,025</u>	<u>\$ 2,332,485</u>	<u>\$ 1,249,460</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, 2006

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Primary Government (continued)</b>				
General Fund: (continued)				
Revenue from local sources: (continued)				
Charges for services:				
Charges for commonwealth's and county's attorney	\$ 100	\$ 100	\$ 14,715	\$ 14,615
Charges for court services	518,200	518,200	538,816	20,616
Charges for public safety	146,092	146,092	187,106	41,014
Charges for parks and recreation	501,093	501,093	456,074	(45,019)
Charges for social services	-	-	32,085	32,085
Charges for library	60,000	60,000	57,452	(2,548)
Charges for planning and community development	62,728	62,728	44,860	(17,868)
Total charges for services	<u>1,288,213</u>	<u>1,288,213</u>	<u>1,331,108</u>	<u>42,895</u>
Gifts and donations:				
Donations	<u>12,000</u>	<u>12,000</u>	<u>15,996</u>	<u>3,996</u>
Recovered costs:				
Warrenton Community Center	-	-	24,690	24,690
Medical reimbursement - prisoners	4,500	4,500	8,052	3,552
Home incarceration fees	20,000	20,000	7,740	(12,260)
Board of prisoner - other localities	2,000	2,000	220	(1,780)
Other government charges	10,500	10,500	10,500	-
Work release	60,000	60,000	50,052	(9,948)
Other cost	3,000	3,000	14,450	11,450
CSA shared cost	15,829	15,829	57,963	42,134
Insurance recoveries	-	45,512	53,657	8,145
Advertising	1,400	1,400	1,048	(352)
Total recovered costs	<u>117,229</u>	<u>162,741</u>	<u>228,372</u>	<u>65,631</u>
Total revenue from local sources	<u>97,435,708</u>	<u>102,956,498</u>	<u>105,677,094</u>	<u>2,720,596</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	57,571	57,571	27,893	(29,678)
Wine taxes	44,976	44,976	29,237	(15,739)
Rolling stock tax	75,500	75,500	65,474	(10,026)
Mobile home titling taxes	29,678	29,678	40,856	11,178
Auto rental tax	17,696	17,696	19,150	1,454
Recordation tax	500,000	500,000	506,204	6,204
Commonwealth PPTRA	13,473,375	13,473,375	13,871,004	397,629
Commonwealth PPTRA - delinquent	250,000	250,000	145,343	(104,657)
Total noncategorical aid	<u>\$ 14,448,796</u>	<u>\$ 14,448,796</u>	<u>\$ 14,705,161</u>	<u>\$ 256,365</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, 2006

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Primary Government (continued)</b>				
General Fund: (continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 339,437	\$ 339,437	\$ 364,984	\$ 25,547
Sheriff	3,240,193	3,240,193	3,149,341	(90,852)
Commissioner of the revenue	182,444	182,444	183,594	1,150
Treasurer	161,430	161,430	172,794	11,364
Medical examiner	500	500	840	340
Registrar/electoral board	137,208	137,208	130,494	(6,714)
Clerk of the circuit court	402,258	402,258	447,501	45,243
Jail	200,000	200,000	187,842	(12,158)
Total shared expenses	<u>4,663,470</u>	<u>4,663,470</u>	<u>4,637,390</u>	<u>(26,080)</u>
Welfare:				
Welfare administration and assistance	1,050,605	1,136,431	828,403	(308,028)
Comprehensive Services Act	1,203,676	1,203,676	1,091,234	(112,442)
Total welfare	<u>2,254,281</u>	<u>2,340,107</u>	<u>1,919,637</u>	<u>(420,470)</u>
Other categorical aid:				
Administrative	-	2,342	30,174	27,832
Judicial and legal	194,352	200,545	198,755	(1,790)
Comprehensive Community Corrections Act	225,284	231,284	231,286	2
Emergency management assistance	-	13,000	-	(13,000)
Emergency medical services	-	6,500	-	(6,500)
Rural access to emergency devices	-	33,670	33,670	-
Sheriff	15,000	15,000	16,226	1,226
Juvenile community control act and accountability grant	51,478	51,478	51,478	-
Armory	6,800	6,800	9,461	2,661
Library aid	191,873	191,873	194,611	2,738
Disability service board grant	-	-	7,750	7,750
Total other categorical aid	<u>684,787</u>	<u>752,492</u>	<u>773,411</u>	<u>20,919</u>
Total categorical aid	<u>7,602,538</u>	<u>7,756,069</u>	<u>7,330,438</u>	<u>(425,631)</u>
Total revenue from the Commonwealth	<u>\$ 22,051,334</u>	<u>\$ 22,204,865</u>	<u>\$ 22,035,599</u>	<u>\$ (169,266)</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, 2006

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Primary Government (continued)</b>				
General Fund: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
DEA group 33	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
Transportation safety	-	42,120	42,120	-
Emergency management assistance	-	6,500	13,000	6,500
ATF task force	-	5,821	5,821	-
Byrne grant	-	60,120	-	(60,120)
LLE block grant	-	1,160	1,160	-
First responder preparedness	-	63,026	103,592	40,566
Judicial and legal grants	-	14,161	44,226	30,065
Welfare administrative and assistance	2,140,565	2,429,934	2,425,297	(4,637)
Library aid	-	7,415	-	(7,415)
Miscellaneous	-	7,525	6,266	(1,259)
Total categorical aid	<u>2,155,565</u>	<u>2,652,782</u>	<u>2,641,482</u>	<u>(11,300)</u>
Total revenue from the Federal Government	<u>2,155,565</u>	<u>2,652,782</u>	<u>2,641,482</u>	<u>(11,300)</u>
 Total General Fund	 <u>121,642,607</u>	 <u>127,814,145</u>	 <u>130,354,175</u>	 <u>2,540,030</u>
 Special Revenue Funds:				
Joint Communications Fund:				
Revenue from local sources:				
Other local taxes:				
E-911 telephone tax	<u>1,010,024</u>	<u>1,239,252</u>	<u>1,268,347</u>	<u>29,095</u>
Charges for services:				
Charges for maintenance of streets	<u>-</u>	<u>-</u>	<u>7,099</u>	<u>7,099</u>
Recovered costs:				
Miscellaneous recovered costs	<u>2,000</u>	<u>2,000</u>	<u>90</u>	<u>(1,910)</u>
Total revenue from local sources	<u>1,012,024</u>	<u>1,241,252</u>	<u>1,275,536</u>	<u>34,284</u>
Revenue from the Commonwealth:				
Categorical aid:				
E-911 wireless services	47,820	47,820	82,576	34,756
Emergency medical dispatch	<u>-</u>	<u>12,396</u>	<u>-</u>	<u>(12,396)</u>
Total revenue from the Commonwealth	<u>47,820</u>	<u>60,216</u>	<u>82,576</u>	<u>22,360</u>
Total Joint Communications Fund	<u>\$ 1,059,844</u>	<u>\$ 1,301,468</u>	<u>\$ 1,358,112</u>	<u>\$ 56,644</u>

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2006

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Primary Government (continued)</b>				
Special Revenue Funds: (continued)				
Parks and Recreation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 5,836	\$ 5,836
Gifts and donations:				
Donations	-	-	27,037	27,037
Total revenue from local sources	-	-	32,873	32,873
Total Parks and Recreation Fund	-	-	32,873	32,873
Library Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	3,019	3,019
Gifts and donations:				
Donations	-	-	6,767	6,767
Total revenue from local sources	-	-	9,786	9,786
Total Library Fund	-	-	9,786	9,786
Conservation Easement Service District Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	1,426,000	1,426,000	1,328,122	(97,878)
Real and personal public service corporation property taxes	-	-	44,028	44,028
Penalties	-	-	8,041	8,041
Interest	-	-	34,085	34,085
Total general property taxes	1,426,000	1,426,000	1,414,276	(11,724)
Gifts and donations:				
PDR contributions	500,000	550,000	550,000	-
Total revenue from local sources	1,926,000	1,976,000	1,964,276	(11,724)
Total Conservation Easement Service District Fund	1,926,000	1,976,000	1,964,276	(11,724)
Fire and Rescue Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	2,900,768	3,098,364	3,327,323	228,959
Real and personal public service corporation property taxes	-	-	119,422	119,422
Penalty	9,016	9,016	21,210	12,194
Interest	5,250	5,250	9,318	4,068
Total general property taxes	\$ 2,915,034	\$ 3,112,630	\$ 3,477,273	\$ 364,643

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2006

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Primary Government (continued)</b>				
Special Revenue Funds: (continued)				
Fire and Rescue Fund: (continued)				
Other local taxes:				
Miscellaneous	\$ -	\$ 4,635	\$ 7,000	\$ 2,365
Recovered costs:				
Community events	-	-	28,213	28,213
Other recovered costs	-	-	662	662
Total recovered costs	-	-	28,875	28,875
Total revenue from local sources	2,915,034	3,117,265	3,513,148	395,883
Revenue from the Commonwealth:				
Categorical aid:				
Two for life funds	31,136	54,427	54,427	-
Fire programs	66,166	117,550	117,550	-
Total categorical aid	97,302	171,977	171,977	-
Total revenue from the Commonwealth	97,302	171,977	171,977	-
Total Fire and Rescue Fund	3,012,336	3,289,242	3,685,125	395,883
Proffer Fund:				
Revenue from local sources:				
Gifts and donations:				
Proffers	-	-	385,893	385,893
Total revenue from local sources	-	-	385,893	385,893
Total Proffer Fund	-	-	385,893	385,893
Affordable Housing Fund				
Revenue from local sources:				
Miscellaneous revenue:				
Affordable housing	-	-	25,978	25,978
Total revenue from local sources	-	-	25,978	25,978
Total Affordable Housing Fund	\$ -	\$ -	\$ 25,978	\$ 25,978

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2006

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Primary Government (continued)</b>				
Special Revenue Funds: (continued)				
Vint Hill Transportation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 22,978	\$ 22,978
Miscellaneous revenue:				
Proffer revenue	-	-	69,969	69,969
Total revenue from local sources	-	-	92,947	92,947
Total Vint Hill Transportation Fund	-	-	92,947	92,947
Total Special Revenue Funds	5,998,180	6,566,710	7,554,990	988,280
Capital Projects Funds:				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	683,482	134,940	(548,542)
Charges for services:				
Sewer tap fees	-	36,000	42,500	6,500
Gifts and donations:				
Mellon donation	-	4,000,000	-	(4,000,000)
Piedmont Environmental donation	-	50,000	50,000	-
Total gifts and donations	-	4,050,000	50,000	(4,000,000)
Miscellaneous revenue:				
Miscellaneous	-	627,839	627,839	-
Total revenue from local sources	-	5,397,321	855,279	(4,542,042)
Intergovernmental:				
Contribution from component unit – School Board	2,261,534	1,316,810	1,316,810	-
Contribution from other governments – Culpeper County	-	369,556	369,556	-
Total intergovernmental	2,261,534	1,686,366	1,686,366	-
Revenue from the Federal Government:				
Categorical aid:				
TEA-21 grant	-	-	21,552	21,552
Total Capital Projects Fund	2,261,534	7,083,687	2,563,197	(4,520,490)
Grand Total Revenue – Primary Government	\$ 129,902,321	\$ 141,464,542	\$ 140,472,362	\$ (992,180)

COUNTY OF FAUQUIER, VIRGINIA

Schedule 1  
Page 8 of 10

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2006

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Component Unit – School Board</b>				
School General Fund:				
Revenue from local sources:				
Charges for services:				
Charges for education	\$ 411,500	\$ 411,500	\$ 554,634	\$ 143,134
Gifts and donations:				
Flex program	-	-	1,295	1,295
Recovered costs:				
Recovered costs	-	-	70,657	70,657
Total revenue from local sources	411,500	411,500	626,586	215,086
Intergovernmental:				
Contribution from primary government	65,702,289	67,916,214	67,095,076	(821,138)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales taxes	9,638,295	10,063,456	10,477,364	413,908
Basic school aid	16,080,927	16,080,927	15,639,215	(441,712)
Remedial summer school	77,786	77,786	66,402	(11,384)
Regular foster care	55,732	55,732	14,919	(40,813)
Gifted and talented	157,686	157,686	156,926	(760)
Remedial education	165,985	165,985	165,185	(800)
Special education	2,120,461	2,120,461	2,110,238	(10,223)
Textbook payments	261,925	261,925	-	(261,925)
Vocational education - SOQ	460,609	460,609	458,388	(2,221)
Social security instructional	925,746	925,746	854,832	(70,914)
Teacher retirement instructional	862,649	862,649	801,147	(61,502)
Early reading intervention	53,397	53,397	56,363	2,966
Lottery	1,017,655	1,017,655	994,909	(22,746)
School standard of learning	544,000	563,717	517,949	(45,768)
Special education - homebound	49,823	49,823	35,076	(14,747)
Regional programs	133,948	133,948	83,135	(50,813)
Occupational education	65,998	72,525	73,645	1,120
ISAEF	15,717	15,717	15,717	-
Salary supplement	319,522	319,522	317,981	(1,541)
Algebra readiness initiative	21,376	37,139	35,106	(2,033)
At risk youth	72,806	72,806	72,450	(356)
Alternative education	108,692	108,692	108,692	-
Primary class size	144,070	144,070	141,849	(2,221)
Summer regional governor school	112,264	112,264	112,264	-
English as a second language	100,135	100,135	90,195	(9,940)
Other state funds	13,729	71,025	85,198	14,173
School construction	184,815	184,815	184,709	(106)
Total categorical aid	33,765,748	34,290,212	33,669,854	(620,358)
Total revenue from the Commonwealth	\$ 33,765,748	\$ 34,290,212	\$ 33,669,854	\$ (620,358)

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2006

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Component Unit – School Board (continued)</b>				
School General Fund: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
Adult basic education	\$ 60,072	\$ 60,072	\$ 59,817	\$ (255)
Title I	654,131	750,337	662,092	(88,245)
Title V	33,690	33,690	25,184	(8,506)
Teaching American history grant	316,681	316,681	261,702	(54,979)
Title VI-B - Special education	1,895,991	1,988,116	2,200,131	212,015
Vocational education	107,454	107,454	105,405	(2,049)
Title II	308,344	308,344	263,071	(45,273)
Drug free schools	41,060	41,060	50,726	9,666
English language acquisition	24,254	33,616	37,588	3,972
Sliver grant	14,897	15,142	-	(15,142)
Assistive technology	-	-	15,735	15,735
Pre-school incentive (VI-B)	61,510	61,510	127,353	65,843
ROTC	12,000	12,000	48,586	36,586
Miscellaneous federal revenue	-	-	18,281	18,281
Total categorical aid	<u>3,530,084</u>	<u>3,728,022</u>	<u>3,875,671</u>	<u>147,649</u>
Total revenue from the Federal Government	<u>3,530,084</u>	<u>3,728,022</u>	<u>3,875,671</u>	<u>147,649</u>
Total School General Fund	<u>103,409,621</u>	<u>106,345,948</u>	<u>105,267,187</u>	<u>(1,078,761)</u>
School Textbook Fund:				
Revenue from local sources:				
Charges for services:				
Miscellaneous	-	-	6,435	6,435
Recovered costs:				
Recovered costs	-	-	630	630
Total revenue from local sources	<u>-</u>	<u>-</u>	<u>7,065</u>	<u>7,065</u>
Revenue from the Commonwealth:				
Categorical aid:				
Textbook program	<u>258,488</u>	<u>258,488</u>	<u>260,662</u>	<u>2,174</u>
Total revenue from the Commonwealth	<u>258,488</u>	<u>258,488</u>	<u>260,662</u>	<u>2,174</u>
Total School Textbook Fund	<u>\$ 258,488</u>	<u>\$ 258,488</u>	<u>\$ 267,727</u>	<u>\$ 9,239</u>

COUNTY OF FAUQUIER, VIRGINIA

Schedule 1  
Page 10 of 10

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2006

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Component Unit – School Board (continued)</b>				
Food Nutrition Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 500	\$ 500	\$ 956	\$ 456
Charges for services:				
Cafeteria sales	2,932,815	2,839,819	2,909,412	69,593
Recovered costs:				
Other recovered costs	-	-	371	371
Total revenue from local sources	2,933,315	2,840,319	2,910,739	70,420
Revenue from the Commonwealth:				
Categorical aid:				
School food program	52,245	52,245	58,419	6,174
Total revenue from the Commonwealth	52,245	52,245	58,419	6,174
Revenue from the Federal Government:				
Categorical aid:				
School food program	770,534	770,534	864,409	93,875
Total revenue from the Federal Government	770,534	770,534	864,409	93,875
Total Food Nutrition Fund	3,756,094	3,663,098	3,833,567	170,469
Grand Total Revenues – Component Unit – School Board	107,424,203	110,267,534	109,368,481	(899,053)
Grand Total Revenues – Reporting Entity	\$ 237,326,524	\$ 251,732,076	\$ 249,840,843	\$ (1,891,233)

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## STATISTICAL SECTION

This section of the County's CAFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the County's overall financial health. This information has not been audited by the independent auditor.

### Financial Trends

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Table 1	Net Assets by Component
Table 2	Changes in Net Assets
Table 3	Fund Balances – Governmental Funds
Table 4	Changes in Fund Balances – Governmental Funds

### Revenue Capacity

These schedules contain information to help the reader assess the County's significant local revenue sources, the property tax, as well as other revenue sources.

Table 5-A	Assessed Value and Estimated Actual Value of Real Property
Table 5-B	Assesses Value and Estimated Actual Value of Personal Property
Table 6	Property Tax Rates for Both Direct and Overlapping Governments
Table 7-A	Principal Real Property Taxpayers
Table 7-B	Principal Personal Property Taxpayers
Table 8	Property Tax Levies and Collectibles

### Debt Capacity

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt, and the County's ability to issue additional debt in the future.

Table 9	Ratios of Outstanding Debt by Type
Table 10	Ratios of General Bonded Debt Outstanding
Table 11	Pledged-Revenue Coverage
Table 11	County Policy Debt Margin

STATISTICAL SECTION (CONTINUED)

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the County's financial activities take place.

Table 13	Demographic and Economic Statistics
Table 14	Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Table 15	County Government Employees by Function
Table 16	Operating Indicators by Function
Table 17	Capital Assets Statistics by Function

*Sources: Unless otherwise noted, the information in this section is derived from the County's comprehensive annual financial reports for the relevant year. The County implemented the new reporting model, GASB 34, in the fiscal year ending June 30, 2003.*

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COUNTY OF FAUQUIER, VIRGINIA

Table 1

**Net Assets by Component**  
**Last Four Fiscal Years (1)**  
*(accrual basis of accounting)*

	Fiscal Year			
	2003	2004	2005	2006
<b>Governmental Activities:</b>				
Invested in capital assets, net of related debt	\$ 18,009,998	\$ 26,618,952	\$ 40,644,055	\$ 53,879,240
Restricted	44,233,311	37,942,314	18,850,455	12,274,124
Unrestricted	<u>(18,111,238)</u>	<u>(23,890,674)</u>	<u>(7,813,527)</u>	<u>(17,383,106)</u>
Subtotal governmental activities net assets	<u>44,132,071</u>	<u>40,670,592</u>	<u>51,680,983</u>	<u>48,770,258</u>
<b>Business-type Activities:</b>				
Invested in capital assets, net of related debt	13,520,705	14,850,983	20,621,416	26,282,531
Restricted	-	-	-	1,496,173
Unrestricted	<u>(1,066,254)</u>	<u>(2,187,668)</u>	<u>(2,956,053)</u>	<u>(6,379,152)</u>
Subtotal business-type activities net assets	<u>12,454,451</u>	<u>12,663,315</u>	<u>17,665,363</u>	<u>21,399,552</u>
<b>Primary Government:</b>				
Invested in capital assets, net of related debt	31,530,703	41,469,935	61,265,471	80,161,771
Restricted	44,233,311	37,942,314	18,850,455	13,770,297
Unrestricted	<u>(19,177,492)</u>	<u>(26,078,342)</u>	<u>(10,769,580)</u>	<u>(23,762,258)</u>
<b>Total Primary Government net assets</b>	<u>56,586,522</u>	<u>53,333,907</u>	<u>69,346,346</u>	<u>70,169,810</u>
<b>Component Unit— School Board: (2)</b>				
Invested in capital assets, net of related debt	80,970,144	93,226,685	95,747,444	107,072,117
Unrestricted	<u>(3,177,264)</u>	<u>(3,059,243)</u>	<u>(3,322,698)</u>	<u>(2,377,077)</u>
<b>Total Component Unit— School Board net assets</b>	<u>77,792,880</u>	<u>90,167,442</u>	<u>92,424,746</u>	<u>104,695,040</u>
<b>Total Reporting Entity: (3)</b>				
Invested in capital assets, net of related debt	76,325,010	87,881,798	109,038,526	140,141,659
Restricted	44,233,311	37,942,314	18,850,455	13,770,297
Unrestricted	<u>13,821,081</u>	<u>17,677,237</u>	<u>33,882,111</u>	<u>20,952,894</u>
<b>Total Reporting Entity net assets</b>	<u>\$ 134,379,402</u>	<u>\$ 143,501,349</u>	<u>\$ 161,771,092</u>	<u>\$ 174,864,850</u>

- (1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.
- (2) Component unit - School Board net asset components are included in this table due to the School Board being a significant portion of the County. In Virginia, the County issues debt to finance the construction of school facilities for the School Board because the School Board does not have borrowing or taxing authority.
- (3) The sum of the rows does not equal the total reporting entity rows because the debt related to the Component Unit - School Board is reflected in the Primary Government's net asset row reducing unrestricted net assets. The assets are reflected in the Component Unit - School Board row as invested in capital assets, net of related debt. The total reporting entity row matches the asset with the debt and reports the net amount on the Invested in capital assets, net of related debt line.

Table 2

Changes in Net Assets  
Last Four Fiscal Years (1)  
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
<b>Primary Government:</b>				
<b>Expenses</b>				
Governmental activities:				
General government	\$ 7,149,589	\$ 8,056,076	\$ 8,271,548	\$ 9,788,797
Judicial administration	2,286,910	2,624,872	2,558,587	2,754,050
Public safety	13,361,055	12,269,680	16,003,921	18,427,447
Public works	6,073,191	8,573,767	5,328,879	6,029,767
Health and welfare	5,837,219	6,457,957	7,047,257	8,003,092
Education	53,385,062	59,085,836	65,320,395	80,157,231
Parks, recreation, and cultural	3,036,023	5,688,379	4,040,458	4,647,337
Community development	3,713,826	4,647,136	5,679,959	5,078,598
Nondepartmental	516,608	552,652	732,410	-
Interest on long-term debt	2,729,065	2,841,978	3,115,326	3,146,137
Total governmental activities expenses	<u>98,088,548</u>	<u>110,798,333</u>	<u>118,098,740</u>	<u>138,032,456</u>
Business-type activities:				
Airport	157,888	207,616	260,805	850,740
Landfill and Recycling	4,226,521	6,098,414	7,952,230	5,531,178
Fleet maintenance	1,753,717 (2)	-	-	-
Health insurance	8,871,607 (2)	-	-	-
Total business-type activities expenses	<u>15,009,733</u>	<u>6,306,030</u>	<u>8,213,035</u>	<u>6,381,918</u>
Total primary government expenses	<u>113,098,281</u>	<u>117,104,363</u>	<u>126,311,775</u>	<u>144,414,374</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	15,009	12,130	14,022	42,500
Judicial administration	924,377	1,020,017	931,368	1,082,951
Parks, recreation, and cultural	454,772	580,611	547,467	513,526
Community development	176,087	1,609,625	890,346	51,959
Other activities	1,516,754	477,398	231,437	219,191
Operating grants and contributions	9,067,002	9,655,656	9,910,495	11,653,274
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	<u>12,154,001</u>	<u>13,355,437</u>	<u>12,525,135</u>	<u>13,563,401</u>
Business type activities:				
Charges for services:				
Airport	146,646	189,279	264,807	217,987
Landfill and Recycling	5,966,800	6,477,831	7,972,909	6,554,404
Fleet maintenance	1,693,002 (2)	-	-	-
Health insurance	8,889,993 (2)	-	-	-
Operating grants and contributions	27,630	32,996	22,741	48,633
Capital grants and contributions	485,967	3,189,469	4,811,819	3,114,018
Total business-type activities program revenues	<u>17,210,038</u>	<u>9,889,575</u>	<u>13,072,276</u>	<u>9,935,042</u>
Total primary government program revenues	<u>29,364,039</u>	<u>23,245,012</u>	<u>25,597,411</u>	<u>23,498,443</u>
<b>Net (expense) revenue (3)</b>				
Governmental activities:	(85,934,547)	(97,442,896)	(105,573,605)	(124,469,055)
Business-type activities	<u>2,200,305</u>	<u>3,583,545</u>	<u>4,859,241</u>	<u>3,553,124</u>
Total primary government net (expense) revenue	<u>\$ (83,734,242)</u>	<u>\$ (93,859,351)</u>	<u>\$ (100,714,364)</u>	<u>\$ (120,915,931)</u>

Table 2

**Changes in Net Assets**  
**Last Four Fiscal Years (1)**  
*(accrual basis of accounting)*

	Fiscal Year			
	2003	2004	2005	2006
<b>Primary Government (continued):</b>				
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes				
General property taxes	\$ 68,035,337	\$ 71,787,496	\$ 77,173,781	\$ 86,079,820
Local sales and use taxes	5,176,688	5,881,564	6,605,989	7,372,629
Consumers' utility taxes	2,579,778	2,953,432	2,891,289	3,247,767
Business and professional taxes	1,051,059	1,113,242	3,499,758	3,360,897
Motor vehicle taxes	1,340,223	1,387,281	1,421,448	1,440,165
Taxes on recordation and wills	1,290,501	1,599,694	2,771,674	2,974,115
E-911 tax	925,717	797,919	871,924	1,268,347
Other local taxes	288,896	236,073	408,185	562,967
Unrestricted grants and contributions	12,027,839	13,201,048	13,307,038	14,705,161
Investment earnings	1,727,060	1,182,326	1,647,513	2,826,208
Miscellaneous	589,654	503,539	216,810	723,786
Special Item - Water and Sewer Authority note receivable	-	-	-	(3,317,857)
Transfers	(38,642)	(47,535)	(60,559)	(47,941)
Total governmental activities general revenues and other changes in net assets	<u>94,994,110</u>	<u>100,596,079</u>	<u>110,754,850</u>	<u>121,196,064</u>
Business-type activities:				
Investment earnings	97,246	21,482	79,933	133,124
Miscellaneous	-	-	2,315	-
Transfers	38,642	47,535	60,559	47,941
Total business-type activities general revenues and other changes in net assets	<u>135,888</u>	<u>69,017</u>	<u>142,807</u>	<u>181,065</u>
Total primary government general revenues and other changes in net assets	<u>95,129,998</u>	<u>100,665,096</u>	<u>110,897,657</u>	<u>121,377,129</u>
<b>Change in Net Assets</b>				
Governmental activities	9,059,563	3,153,183	5,181,245	(3,272,991)
Business-type activities	<u>2,336,193</u>	<u>3,652,562</u>	<u>5,002,048</u>	<u>3,734,189</u>
Total Primary Government change in net assets	<u>11,395,756</u>	<u>6,805,745</u>	<u>10,183,293</u>	<u>461,198</u>
<b>Component Unit – School Board: (4)</b>				
<b>Expenses</b>				
Education	<u>86,982,803</u>	<u>92,811,594</u>	<u>102,222,451</u>	<u>111,366,590</u>
<b>Program Revenues</b>				
Charges for services	2,459,762	2,795,889	3,211,275	3,470,481
Operating grants and contributions	<u>3,148,167 (5)</u>	<u>3,778,296 (5)</u>	<u>4,487,022</u>	<u>4,740,080</u>
Total component unit - School Board program revenues	<u>5,607,929</u>	<u>6,574,185</u>	<u>7,698,297</u>	<u>8,210,561</u>
<b>Net (expense)/revenue (3)</b>	<u>(81,374,874)</u>	<u>(86,237,409)</u>	<u>(94,524,154)</u>	<u>(103,156,029)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Contribution from primary government	56,150,392	58,888,752 (5)	65,247,684	81,597,198
Investment earnings	573	362	700	956
Miscellaneous	419,675	480,812	43,183	72,953
Commonwealth of Virginia noncategorical aid	<u>27,092,226 (5)</u>	<u>29,183,685 (5)</u>	<u>31,650,343</u>	<u>33,988,935</u>
Total component unit - School Board general revenues and other changes in net assets	<u>83,662,866</u>	<u>88,553,611</u>	<u>96,941,910</u>	<u>115,660,042</u>
Total Component Unit – School Board change in net assets	<u>\$ 2,287,992</u>	<u>\$ 2,316,202</u>	<u>\$ 2,417,756</u>	<u>\$ 12,504,013</u>

(1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.

(2) The Fleet Maintenance Fund and the Health Insurance Fund are reflected in the internal service funds beginning in FY 2004.

(3) Net (expense)/revenue is the difference between the expenses and program revenues. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. A number in parentheses is net expenses indicating that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, meaning that program revenues were more than sufficient to cover expenses.

(4) Component unit - School Board change in net assets is included in this table due to the School Board being a significant portion of the County.

(5) From the FY 2003 and FY 2004 CAFRs for Commonwealth of Virginia noncategorical aid which was included in Program Revenues in FY 2003 and Contribution from primary government and Commonwealth of Virginia noncategorical aid which were included in Program Revenues in FY 2004 have been restated as general revenues.

Table 3

**Fund Balances – Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year				
	1997	1998	1999	2000	2001
General Fund:					
Reserved	\$ 729,186	\$ 225,056	\$ 85,540	\$ 164,475	\$ -
Unreserved:					
Designated	1,875,001	-	-	1,370,692	-
Undesignated	3,991,144	7,228,043	12,366,284	12,698,145	17,448,642
Total General Fund	<u>6,595,331</u>	<u>7,453,099</u>	<u>12,451,824</u>	<u>14,233,312</u>	<u>17,448,642</u>
Other Governmental Funds:					
Reserved	-	6,312	-	-	-
Unreserved:					
Designated:					
Capital Projects Fund (1)	13,467,512	23,139,383	16,592,369	14,429,042	24,159,467
Special revenue funds	(14,993)	-	-	-	-
Undesignated:					
Capital Projects Fund	-	-	-	-	-
Special revenue funds	-	280,053	466,518	535,590	718,543
Total Other Governmental Funds	<u>13,452,519</u>	<u>23,425,748</u>	<u>17,058,887</u>	<u>14,964,632</u>	<u>24,878,010</u>
Total Governmental Funds	<u>\$ 20,047,850</u>	<u>\$ 30,878,847</u>	<u>\$ 29,510,711</u>	<u>\$ 29,197,944</u>	<u>\$ 42,326,652</u>

(1) From FY 1997 to FY 2005, the full amount of capital projects fund balance was designated. In FY 2006, the designated fund balance reflects only external legally restricted funds in the Capital Projects Fund .

		Fiscal Year								
		2002	2003	2004	2005	2006				
\$	464,258	\$	-	\$	-	\$	537,304	\$	278,185	General Fund:
	-		-		-		6,008,307		5,977,018	Reserved
	21,822,064		22,692,500		22,554,376		12,655,527		14,733,278	Unreserved:
	22,286,322		22,692,500		22,554,376		19,201,138		20,988,481	Designated
										Undesignated
										Total General Fund
	125,354		180,109		169,205		2,563,674		16,203,182	Other Governmental Funds:
										Reserved
										Unreserved:
	46,160,157		44,053,202		37,773,109		30,868,038		-	Designated:
	-		-		-		-		-	Capital Projects Fund
										Special revenue funds
									9,952,866	Undesignated:
	903,010		1,370,588		1,594,915		2,319,572		5,689,128	Capital Projects Fund
	47,188,521		45,603,899		39,537,229		35,751,284		31,845,176	Special revenue funds
										Total Other Governmental Funds
\$	69,474,843	\$	68,296,399	\$	62,091,605	\$	54,952,422	\$	52,833,657	Total Governmental Funds

Table 4

**Changes in Fund Balances – Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year				
	1997	1998	1999	2000	2001
<b>Revenues</b>					
General property taxes	\$ 60,074,221	\$ 81,692,213	\$ 67,774,303	\$ 67,739,540	\$ 69,992,044
Permits, privilege fees, and regulatory licenses	558,902	564,316	712,816	739,401	1,130,335
Fines and forfeitures	143,723	171,262	201,123	259,781	362,610
Revenue from use of money and property	2,019,439	2,574,956	2,112,671	2,294,315	2,911,023
Charges for services	332,916	2,028,327	636,211	423,316	925,564
Gifts and donations	-	-	-	-	-
Recovered costs	281,147	172,753	538,695	853,977	157,924
Intergovernmental:					
Contribution from School Board	1,371,059 (2)	3,769,298 (2)	924,067 (2)	5,267,760 (2)	5,485,229 (2)
Commonwealth of Virginia	5,345,782	5,658,829	6,483,541	9,944,767	14,153,911
Contribution from Culpeper County	-	-	-	-	-
Federal Government	1,410,480	1,492,139	1,788,620	1,456,157	1,742,273
Miscellaneous	101,220	183,128	144,334	51,380	66,485
<b>Total revenues</b>	<b>71,638,889</b>	<b>98,307,221</b>	<b>81,316,381</b>	<b>89,030,394</b>	<b>96,927,398</b>
<b>Expenditures</b>					
Current operating:					
General government administration	5,251,457	6,038,981	5,777,189	6,160,903	6,948,055
Judicial administration	1,668,656	1,469,555	3,880,197	2,132,796	1,925,457
Public safety	10,042,660	10,213,570	9,759,807	11,217,942	11,112,953
Public works	5,690,852	7,618,067	3,581,874	3,808,739	5,380,379
Health & welfare	4,551,422	5,078,681	4,748,294	4,721,916	4,934,176
Education	34,161,408 (2)	39,018,111 (2)	36,513,645 (2)	44,520,355 (2)	48,469,865 (2)
Parks, recreation, and cultural	2,281,244	2,412,845	2,396,011	2,657,226	3,180,143
Community development	2,332,926	2,316,044	2,717,354	3,750,168	2,681,114
Nondepartmental	31,340	28,529	278,019	480,747	187,107
Capital outlay	8,184,804	11,467,256	5,362,593	7,190,220	109,323
Debt service:					
Principal retirement	3,365,962 (1)	4,263,671 (1)	4,939,408 (1)	3,684,273 (1)	3,822,773 (1)
Interest & fiscal charges	2,389,896 (1)	2,747,691 (1)	2,707,115 (1)	2,473,086 (1)	2,465,371 (1)
<b>Total expenditures</b>	<b>79,952,627</b>	<b>92,673,001</b>	<b>82,661,506</b>	<b>92,798,371</b>	<b>91,216,716</b>
Excess of revenues over (under) expenditures	(8,313,738)	5,634,220	(1,345,125)	(3,767,977)	5,710,682
<b>Other financing sources (uses)</b>					
Transfers in	5,207,957 (2)	23,306,607 (2)	3,537,223 (2)	3,459,293 (2)	11,359,163 (2)
Transfers (out)	(5,426,652) (2)	(22,665,135) (2)	(3,560,234) (2)	(3,504,083) (2)	(11,591,137) (2)
Construction bond proceeds	-	-	-	-	-
Issuance of debt	12,580,000 (1)	3,500,000 (1)	- (1)	3,500,000 (1)	7,650,000 (1)
Premiums on issuance of debt	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>12,361,305</b>	<b>4,141,472</b>	<b>(23,011)</b>	<b>3,455,210</b>	<b>7,418,026</b>
<b>Net change in fund balances</b>	<b>\$ 4,047,567</b>	<b>\$ 9,775,692</b>	<b>\$ (1,368,136)</b>	<b>\$ (312,767)</b>	<b>\$ 13,128,708</b>

(1) In Virginia, the County issues debt to finance the construction of school facilities for the School Board because the School Board does not have borrowing or taxing authority, therefore the debt service payments related to School facilities are presented as debt service of the Primary Government. Debt service as a percentage of noncapital expenditures for the Total Reporting Entity more appropriately reflects the unique Virginia school debt requirements.

(2) The County implemented GASB 34, the new reporting standard, in fiscal year 2003. Prior to the implementation of GASB 34, the County's contribution to the School Board was reported as a transfer out. Implementation of GASB 34 required that the contribution to the School Board be reported as an education expenditure. For comparability FY 1997 through FY 2002 have been restated to reflect contribution to the School Board as education expenditures. In addition, debt service payments have been restated to reduce education and increase debt service from FY 1997 through FY 2002.

		Fiscal Year					
		2002	2003	2004	2005	2006	
							<b>Revenues</b>
\$		74,762,676	\$ 81,254,445	\$ 86,178,471	\$ 93,092,244	\$ 105,484,892	General property taxes
		1,169,124	1,508,077	1,598,890	2,212,566	1,921,717	Permits, privilege fees, and regulatory licenses
		432,297	504,517	504,771	486,847	529,420	Fines and forfeitures
		1,599,080	1,727,060	1,182,326	1,647,513	2,499,258	Revenue from use of money and property
		790,848	1,074,405	1,596,119	1,240,303	1,380,707	Charges for services
		461,620	145,617	503,539	887,490	1,035,693	Gifts and donations
				180,538	154,483	257,337	Recovered costs
		9,450,982	(2) 3,789,103	1,188,192	526,788	1,316,810	Intergovernmental:
		18,695,882	18,673,462	19,993,164	20,660,061	22,290,152	Contribution from School Board
		-	-	-	-	369,556	Commonwealth of Virginia
		1,914,743	2,421,379	2,863,540	2,557,472	2,663,034	Contribution from Culpeper County
		10,130,575	471,701	-	80,100	723,786	Federal Government
							Miscellaneous
		<u>119,407,827</u>	<u>111,569,766</u>	<u>115,789,550</u>	<u>123,545,867</u>	<u>140,472,362</u>	Total revenues
							<b>Expenditures</b>
		7,729,740	7,688,368	10,000,219	9,133,896	9,391,807	Current operating:
		2,107,733	2,186,402	2,651,525	5,334,255	4,933,976	General government administration
		12,684,365	17,634,118	15,284,971	19,869,721	19,157,429	Judicial administration
		6,152,615	6,002,496	8,588,341	5,539,741	6,193,511	Public safety
		5,324,034	5,787,402	6,498,599	7,201,697	8,024,745	Public works
		58,276,418	(2) 57,933,386	70,255,695	67,244,700	81,797,232	Health & welfare
		4,241,026	5,731,577	6,864,198	5,691,502	11,725,937	Education
		3,124,838	3,707,282	4,710,489	5,795,456	5,092,111	Parks, recreation, and cultural
		365,507	523,408	552,652	579,410	640,050	Community development
		-	-	-	-	-	Nondepartmental
							Capital outlay
		3,737,074	(1) 4,484,717	6,066,327	4,976,092	5,138,726	Debt service:
		2,451,475	(1) 2,916,590	2,723,740	3,109,014	2,962,402	Principal retirement
							Interest & fiscal charges
		<u>106,194,825</u>	<u>114,595,746</u>	<u>134,196,756</u>	<u>134,475,484</u>	<u>155,057,926</u>	Total expenditures
		<u>13,213,002</u>	<u>(3,025,980)</u>	<u>(18,407,206)</u>	<u>(10,929,617)</u>	<u>(14,585,564)</u>	Excess of revenues over (under) expenditures
							<b>Other financing sources (uses)</b>
		6,601,874	(2) 8,364,435	7,444,089	9,902,280	7,927,776	Transfers in
		(6,710,683)	(2) (8,403,077)	(7,644,624)	(10,115,839)	(8,075,717)	Transfers (out)
		-	-	-	-	11,540,000	Issuance of debt
		14,043,998	(1) 1,700,000	11,630,000	3,720,000	643,395	Premiums on issuance of debt
		-	-	772,947	282,235	-	
		<u>13,935,189</u>	<u>1,661,358</u>	<u>12,202,412</u>	<u>3,788,676</u>	<u>12,035,454</u>	Total other financing sources (uses)
\$		<u>27,148,191</u>	<u>(1,364,622)</u>	<u>(6,204,794)</u>	<u>(7,140,941)</u>	<u>(2,550,110)</u>	Net change in fund balances

Table 4

**Changes in Fund Balances – Governmental Funds  
Last Ten Fiscal Years (1)**  
*(modified accrual basis of accounting)*

	Fiscal Year				
	1997	1998	1999	2000	2001
<b>Debt Service as a Percentage of Noncapital Expenditures: (2)</b>					
<b>Primary Government:</b>					
Total debt service	\$ 5,755,858	\$ 7,011,362	\$ 7,646,523	\$ 6,157,359	\$ 6,288,144
Total expenditures	79,952,627	92,673,001	82,661,506	92,798,371	91,216,716
Capital outlay primary government only	5,490,824	2,398,169	3,581,365	2,124,467	2,566,454
Non-capital expenditures	<u>74,461,803</u>	<u>90,274,832</u>	<u>79,080,141</u>	<u>90,673,904</u>	<u>88,650,262</u>
Debt service as a percentage of noncapital expenditures: Primary Government only	7.73%	7.77%	9.67%	6.79%	7.09%
<b>Component Unit - School Board:</b>					
Schools expenditures excluding County contribution	15,291,135	16,247,468	18,869,467	20,560,482	22,503,838
Capital outlay Component Unit— School Board only	5,403,164	13,875,559	6,841,772	19,058,070	9,898,068
Non-capital expenditures	<u>9,887,971</u>	<u>2,371,909</u>	<u>12,027,695</u>	<u>1,502,412</u>	<u>12,605,770</u>
<b>Total Reporting Entity:</b>					
Total debt service	5,755,858	7,011,362	7,646,523	6,157,359	6,288,144
Total non-capital expenditures	\$ <u>84,349,774</u>	\$ <u>92,646,741</u>	\$ <u>91,107,836</u>	\$ <u>92,176,316</u>	\$ <u>101,256,032</u>
Debt service as a percentage of noncapital expenditures: Total Reporting Entity	6.82%	7.57%	8.39%	6.68%	6.21%

(1) In Virginia, the County issues debt to finance the construction of school facilities for the School Board because the School Board does not have borrowing or taxing authority, therefore the debt service payments related to School facilities are presented as debt service of the Primary Government. Debt service as a percentage of noncapital expenditures for the Total Reporting Entity more appropriately reflects the unique Virginia school debt requirements.

(2) The County implemented GASB 34, the new reporting standard, in fiscal year 2003. Prior to the implementation of GASB 34, the County's contribution to the School Board was reported as a transfer out. Implementation of GASB 34 required that the contribution to the School Board be reported as an education expenditure. For comparability FY 1997 through FY 2002 have been restated to reflect contribution to the School Board as education expenditures. In addition, debt service payments have been restated to reduce education and increase debt service from FY 1997 through FY 2002.

Fiscal Year					
2002	2003	2004	2005	2006	
<b>Debt Service as a Percentage of Noncapital Expenditures: (3)</b>					
<b>Primary Government:</b>					
\$ <u>6,188,549</u>	\$ <u>7,401,307</u>	\$ <u>8,790,067</u>	\$ <u>8,085,106</u>	\$ <u>8,101,128</u>	Total debt service
106,194,825	114,595,746	134,196,756	134,475,484	155,057,926	Total expenditures
<u>7,593,418</u>	<u>9,028,008</u>	<u>7,437,757</u>	<u>11,543,894</u>	<u>12,209,038</u>	Capital outlay primary government only
<u>98,601,407</u>	<u>105,567,738</u>	<u>126,758,999</u>	<u>122,931,590</u>	<u>142,848,888</u>	Non-capital expenditures
6.28%	7.01%	6.93%	6.58%	5.67%	Debt service as a percentage of noncapital expenditures: Primary Government only
<b>Component Unit - School Board:</b>					
21,294,224	32,953,449	36,016,109	39,528,052	41,363,609	Schools expenditures excluding County contribution
<u>4,852,106</u>	<u>6,124,463</u>	<u>15,749,994</u>	<u>7,511,716</u>	<u>1,441,275</u>	Capital outlay Component Unit— School Board only
<u>16,442,118</u>	<u>26,828,986</u>	<u>20,266,115</u>	<u>32,016,336</u>	<u>39,922,334</u>	Non-capital expenditures
<b>Total Reporting Entity:</b>					
<u>6,188,549</u>	<u>7,401,307</u>	<u>8,790,067</u>	<u>8,085,106</u>	<u>8,101,128</u>	Total debt service
\$ <u>115,043,525</u>	\$ <u>132,396,724</u>	\$ <u>147,025,114</u>	\$ <u>154,947,926</u>	\$ <u>182,771,222</u>	Total non-capital expenditures
5.38%	5.59%	5.98%	5.22%	4.43%	Debt service as a percentage of noncapital expenditures: Total Reporting Entity

COUNTY OF FAUQUIER, VIRGINIA

Table 5-A

Assessed Value and Estimated Actual Value of Real Property (1)  
Last Ten Calendar Years

(2) Taxable Year	Real Property						
	Residential Property	Commercial Property	Agricultural Property	Public Service SCC Assessed	Total Real Property Assessed Value	Less: Tax-Exempt Real Property	Total Real Property Direct Tax Rate
1997	\$ 2,370,193,400	\$ 342,954,200	\$ 762,746,800	\$ 159,429,091	\$ 3,635,323,491	\$ 347,251,700	\$ 1.03
1998	2,504,060,000	366,663,900	791,832,300	161,304,562	3,823,860,762	356,595,900	1.06
1999	2,575,571,000	370,544,400	804,429,800	182,512,529	3,933,057,729	363,892,100	1.06
2000	2,656,247,900	387,275,800	808,032,100	181,193,023	4,032,748,823	371,632,000	1.06
2001	2,751,109,100	392,858,900	815,564,800	224,191,709	4,183,724,509	394,813,400	1.06
2002	3,572,379,700	504,421,900	1,057,149,600	340,899,267	5,474,850,467	484,348,200	0.99
2003	3,758,119,100	513,850,300	1,077,644,800	339,251,808	5,688,866,008	496,561,200	0.99
2004	3,949,367,500	520,611,300	1,098,114,300	304,158,721	5,872,251,821	512,628,100	0.99
2005	4,153,865,100	537,406,500	1,118,396,200	362,631,919	6,172,299,719	537,928,300	0.99
2006	8,619,946,900	1,011,218,000	2,064,283,800	319,941,047	12,015,389,747	846,925,400	0.65

COUNTY OF FAUQUIER, VIRGINIA

Table 5-B

Assessed Value and Estimated Actual Value of Personal Property  
Last Ten Calendar Years

(2) Taxable Year	Personal Property		
	General Property	Segregated Properties	Total Personal Property Assessed Value
1997	\$ 311,006,694	\$ 15,175,980	\$ 326,182,674
1998	318,172,142	19,583,932	337,756,074
1999	335,750,838	20,505,170	356,256,008
2000	371,110,903	21,749,109	392,860,012
2001	420,854,436	25,273,659	446,128,095
2002	468,636,375	29,042,629	497,679,004
2003	502,499,964	32,260,379	534,760,343
2004	550,408,045	37,082,203	587,490,248
2005	575,150,678	42,268,883	617,419,561
2006	657,335,103	44,884,530	702,219,633

(1) Property in Fauquier County is reassessed once every four years at actual market value. Property is assessed at 100 percent of estimated actual value. Tax rates are per \$100 of assessed value.

(2) The Statement requires that the information in this schedule be shown for each period for which levied.

COUNTY OF FAUQUIER, VIRGINIA

Table 6

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

Type of Tax	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>FAUQUIER COUNTY</b>										
Countywide tax levies:										
Real estate:										
General Fund	\$ 0.98	\$ 1.00	\$ 1.00	\$ 1.00	\$ 0.99	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.925	\$ 0.600
Fire and Rescue Special Revenue Fund	0.05	0.06	0.06	0.06	0.07	0.07	0.07	0.07	0.045	0.035
Conservation Easement Purchase Levy	-	-	-	-	-	-	-	-	0.020	0.010
Total real estate tax rate	<u>1.03</u>	<u>1.06</u>	<u>1.06</u>	<u>1.06</u>	<u>1.06</u>	<u>0.99</u>	<u>0.99</u>	<u>0.99</u>	<u>0.990</u>	<u>0.645</u>
Personal property:										
General class	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Airplanes	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.001
Machinery and tools	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Handicapped equipped vehicle	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Camper, trailers, and boats	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Mobile homes	1.03	1.03	1.06	1.06	1.06	0.99	0.99	0.99	0.99	0.645
Fire and rescue	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Special district levies:										
Marshall Street Light Levy (1)	-	-	-	-	-	-	0.02	0.02	0.02	0.005
<b>OVERLAPPING GOVERNMENTS</b>										
Town of Warrenton:										
Real estate	0.18	0.18	0.17/0.14	0.14	0.115	0.05	0.03	0.03	0.03	0.015
Personal property	2.40	2.25	2.25	2.25	2.25	1.00	1.00	1.00	1.00	1.00
Town of Remington										
Real estate	0.12	0.12	0.12	0.12	0.14	0.14	0.14	0.14	0.14	0.10
Personal property	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Town of The Plains										
Real estate	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.04
Personal property	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50

(1) The Marshall Street Light Levy is a special assessment for the Marshall District only.

Source: Fauquier County Commissioner of the Revenue

COUNTY OF FAUQUIER, VIRGINIA

Table 7-A

Principal Real Property Taxpayers  
Current Year and Nine Years Ago

TAXPAYER	2006			1997		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Virginia Electric & Power Company	\$ 137,424,356	1	1.14%	\$ 51,745,271	1	1.42%
Old Dominion Electric Co-op	87,541,012	2	0.73%			
Verizon - Virginia, Inc.	34,050,131	3	0.28%			
Warrenton Center LLC, Shopping Center	28,957,100	4	0.24%			
Oak Spring Farms LLC	27,689,600	5	0.23%			
Warrenton Development Company	21,008,800	6	0.17%	8,862,200	10	0.24%
Warrenton Village LLC	18,637,600	7	0.16%			
Airlie Foundation	16,932,800	8	0.14%			
Wal-Mart Real Estate Business	14,559,700	9	0.12%			
Edward P. Evans Farm	12,546,700	10	0.10%			
Bell Atlantic - Virginia, Inc.				40,546,953	2	1.12%
Jefferson Associates LP				23,453,000	3	0.65%
Northern Virginia Electric Co-op				15,951,644	4	0.44%
Paul Mellon				13,197,000	5	0.36%
Colonial Pipeline Company				10,882,631	6	0.30%
Rappahannock Electric Co-op				9,596,537	7	0.26%
Kimmaren Corporation				9,468,000	8	0.26%
Norfolk Southern Railway Company				8,987,832	9	0.25%
Total	<u>\$ 399,347,799</u>		<u>3.31%</u>	<u>\$ 192,691,068</u>		<u>5.30%</u>

Table 7-B

Principal Personal Property Taxpayers (1)  
Current Year and Nine Years Ago

TAXPAYER	2006			1997		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Prince William Construction	\$ 5,428,243	1	0.81%			
Luck Stone Corp.	5,254,077	2	0.78%			
Piedmont Contracting, LLC	3,385,789	3	0.50%			
Kips Erosion Control	2,483,505	4	0.37%			
Hawk, Inc.	2,362,186	5	0.35%			
TAC Ceramic Tile Co, Inc.	2,165,616	6	0.32%			
Ford Motor Credit	1,898,881	7	0.28%			
Vulcan Materials Co.	1,833,698	8	0.27%			
Imaging Acceptance Corporation	1,761,321	9	0.26%			
JWB Acquisition, Inc.	1,674,247	10	0.25%			
A & M Concrete Co., Inc.				\$ 234,592	1	0.07%
Timothy D & Sharon L Whelan				106,335	2	0.03%
Landpride Services Inc.				86,038	3	0.02%
Absolute Environmental Inc.				81,382	4	0.02%
Absolute Enterprise Inc.				77,803	5	0.02%
Crystal Margaret Trombly				52,990	6	0.01%
Norman Bray Wilson				51,100	7	0.01%
William Edward Brown				47,671	8	0.01%
Donald Joel Wenzel T/A D J Wenzel T				45,000	9	0.01%
Casey Stanford Keenan				41,725	10	0.01%
Total	<u>\$ 28,247,563</u>		<u>4.19%</u>	<u>\$ 824,636</u>		<u>0.21%</u>

Source: Fauquier County Commissioner of the Revenue  
(1) Original TY 2005 Book Assessments

COUNTY OF FAUQUIER, VIRGINIA

Table 8

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year (1)	Tax Levied for the Tax Year		Total Adjusted Levy	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Adjustments		Amount	Percentage of Tax Levy	Amount	Amount	Percentage of Tax Levy
1997	\$ 51,745,756	\$ (9,164)	\$ 51,736,592	\$ 49,475,390	95.61%	\$ 30,466	\$ 49,505,856	95.69%
1998	72,647,034	(13,730)	72,633,304	69,456,067	95.61%	646,939	70,103,006	96.52%
1999	56,612,254	(24,302)	56,587,952	55,294,787	97.67%	987,448	56,282,235	99.46%
2000	61,185,988	581,333	61,767,321	60,527,627	98.92%	1,034,615	61,562,242	99.67%
2001	63,854,161	921,736	64,775,897	62,009,789	97.11%	950,343	62,960,132	97.20%
2002	72,191,444	1,848,688	74,040,132	70,762,226	98.02%	1,092,461	71,854,687	97.05%
2003	79,480,945	(127,697)	79,353,248	77,320,736	97.28%	1,131,326	78,452,062	98.86%
2004	82,886,242	310,497	83,196,739	81,216,837	97.99%	954,007	82,170,844	98.77%
2005	87,592,939	(53,520)	87,539,419	85,659,133	97.79%	375,501	86,034,634	98.28%
2006	101,562,098	-	101,562,098	98,217,478	96.71%	-	98,217,478	96.71%

(1) For fiscal years 2000 to 2006, the current tax collections also include reimbursement from the Commonwealth under the Personal Property Tax Relief Act. The Personal Property Tax Relief Act amounts received for tax years 2000 to 2006 are as follows:

Fiscal year 2002	10,460,368	CY 2001
Fiscal year 2003	11,244,650	CY 2002
Fiscal year 2004	12,210,646	CY 2003
Fiscal year 2005	12,310,614	CY 2004
Fiscal year 2006	13,857,040	CY 2005

COUNTY OF FAUQUIER, VIRGINIA

Table 9

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities		Percentage of Personal Income (2)	Per Capita (2)
	General Obligation Bonds	State Literary Fund Loan	Virginia Public School Authority Bonds	Revenue Bonds	Capital Lease	Solid Waste Revenue Bonds	Total Primary Government		
1997	\$ 14,025,000	\$ 762,500	\$ 29,220,000	\$ -	\$ 3,639,347	\$ 4,045,000	\$ 51,691,847	2.93%	\$ 996
1998	12,925,000	562,500	30,200,000	-	3,323,245	3,815,000	50,825,745	2.74%	961
1999	12,000,000	362,500	27,875,000	-	3,050,000	3,575,000	46,862,500	2.42%	876
2000	11,200,000	162,500	29,010,000	-	2,730,727	3,325,000	46,428,227	2.14%	850
2001	10,400,000	-	31,060,000	3,075,000 (1)	2,395,454	3,065,000	49,995,454	2.15%	907
2002	10,095,000	-	34,885,000	3,075,000	9,443,381	2,790,000	60,288,381	2.51%	1,050
2003	9,215,000	-	31,965,000	3,075,000	10,458,664	2,545,000	57,258,664	2.29%	975
2004	8,335,000	-	40,710,000	2,960,000	8,246,174	2,220,000	62,471,174	2.27%	1,043
2005	7,450,000	-	41,015,000	2,840,000	7,690,082	1,885,000	60,880,082	*	984
2006	6,580,000	-	48,985,000	2,715,000	7,116,356	1,540,000	66,936,356	*	1,064

(1) The County issued \$3,075,000 of Sewer Revenue Bonds on June 28, 2001 for the Fauquier County Water and Sanitation Authority (FCWSA), maturing annually beginning April 1, 2004. FCWSA will be reimbursing the County from tap fees.

(2) Source - Schedule of Demographic and Economic Statistics Table 13 for personal income and population data.

\* Unavailable

**COUNTY OF FAUQUIER, VIRGINIA**

**Table 10**

**Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Schools General Obligation Bonds</b>	<b>Virginia Public School Authority Bonds</b>	<b>Net General Bonded Debt</b>	<b>Percentage of Personal Income</b>	<b>Percentage of Estimated Actual Value of Taxable Property (1)</b>	<b>Per Capita (2)</b>
1997	\$ 14,025,000	\$ 29,220,000	\$ 43,245,000	2.45%	1.09%	\$ 833
1998	12,925,000	30,200,000	43,125,000	2.33%	1.04%	815
1999	12,000,000	27,875,000	39,875,000	2.06%	0.93%	745
2000	11,200,000	29,010,000	40,210,000	1.86%	0.91%	736
2001	10,400,000	31,060,000	41,460,000	1.78%	0.90%	752
2002	10,095,000	34,885,000	44,980,000	1.87%	0.75%	784
2003	9,215,000	31,965,000	41,180,000	1.64%	0.66%	702
2004	8,335,000	40,710,000	49,045,000	1.79%	0.76%	819
2005	7,450,000	41,015,000	48,465,000	*	0.71%	783
2006	6,580,000	48,985,000	55,565,000	*	0.44%	883

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on Table 5A-B for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on Table 13.

\* Unavailable

Table 11

**Pledged-Revenue Coverage  
Last Ten Fiscal Years**

Fiscal Year	Sewer Revenue Bonds				(1) Coverage
	Sewer Tap Fees	Debt Service			
		Principal	Interest	Total	
1997	\$ -	\$ -	\$ -	\$ -	-
1998	-	-	-	-	-
1999	-	-	-	-	-
2000	-	-	-	-	-
2001	-	-	-	-	-
2002	-	-	-	-	-
2003	15,000	-	147,425	147,425	0.10
2004	10,500	115,000	147,425	262,425	0.04
2005	6,000	120,000	142,710	262,710	0.02
2006	42,500	125,000	137,790	262,790	0.16

(1) Debt Service payments are covered by General Fund.  
 (2) In FY 2005, landfill closure/postclosure costs increased significantly.

Solid Waste Bonds								
Landfill and Recycling Fund Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service			Coverage	Fiscal Year	
			Principal	Interest	Total			
\$ 2,180,429	\$ 2,153,232	\$ 27,197	\$ 220,000	\$ 221,378	\$ 441,378	0.06	1997	
2,072,559	1,815,234	257,325	230,000	212,028	442,028	0.58	1998	
2,060,005	1,733,099	326,906	240,000	201,793	441,793	0.74	1999	
2,212,272	1,873,800	338,472	250,000	190,633	440,633	0.77	2000	
2,734,054	2,698,983	35,071	260,000	153,591	413,591	0.08	2001	
5,220,443	3,200,280	2,020,163	275,000	162,001	437,001	4.62	2002	
5,966,800	4,070,045	1,896,755	250,000	156,476	406,476	4.67	2003	
6,531,316	5,967,652	563,664	325,000	103,675	428,675	1.31	2004	
8,075,461	7,855,360	220,101	335,000	90,675	425,675	0.52	(2) 2005	
6,736,161	5,449,334	1,286,827	345,000	77,275	422,275	3.05	2006	

**COUNTY OF FAUQUIER, VIRGINIA**

**Table 12**

**County Policy Debt Margin (1)  
Last Ten Fiscal Years**

	Fiscal Year				
	1997	1998	1999	2000	2001
Primary Government general revenues	\$ 68,259,550	\$ 90,973,412	\$ 77,224,901	\$ 80,622,386	\$ 87,439,221
Debt limit (10 % of general revenues)	6,825,955	9,097,341	7,722,490	8,062,239	8,743,922
Total net debt applicable to limit	<u>5,755,857</u>	<u>7,011,362</u>	<u>7,646,523</u>	<u>6,157,359</u>	<u>6,288,144</u>
County policy margin	<u>\$ 1,070,098</u>	<u>\$ 2,085,979</u>	<u>\$ 75,967</u>	<u>\$ 1,904,880</u>	<u>\$ 2,455,778</u>
Total net debt applicable to the limit As a percentage of general revenues	8.43%	7.71%	9.90%	7.64%	7.19%

(1) The Code of Virginia has no legal debt margin limit set on the Counties. However, Fauquier County has established a policy to limit debt service to no more than ten percent of general revenues.

<b>Fiscal Year</b>					
<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	
\$ 95,068,229	\$ 101,414,870	\$ 107,742,248	\$ 115,802,686	\$ 130,354,175	Primary Government general revenues
9,506,823	10,141,487	10,774,225	11,580,269	13,035,418	Debt limit (10 % of general revenues)
<u>6,188,549</u>	<u>7,401,307</u>	<u>8,790,067</u>	<u>8,085,106</u>	<u>8,101,127</u>	Total net debt applicable to limit
<u>\$ 3,318,274</u>	<u>\$ 2,740,180</u>	<u>\$ 1,984,158</u>	<u>\$ 3,495,163</u>	<u>\$ 4,934,291</u>	County policy margin
6.51%	7.30%	8.16%	6.98%	6.21%	Total net debt applicable to the limit As a percentage of general revenues

COUNTY OF FAUQUIER, VIRGINIA

Table 13

Demographic and Economic Statistics  
Last Ten Fiscal Years

Year	Estimated Population (1)	Personal Income (expressed in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)	County Civilian Labor Force (3)	At-Place Employment Annual Average (3)	School Enrollment (4)
1997	51,900	\$ 1,764,214	\$ 33,953	2.3%	27,076	15,110	9,030
1998	52,900	1,854,804	35,092	1.7%	27,746	15,325	9,176
1999	53,500	1,939,182	35,892	1.4%	28,539	16,084	9,269
2000	54,600	2,164,569	38,947	1.5%	29,908	17,138	9,588
2001	55,139	2,328,195	40,548	2.1%	30,807	17,715	9,623
2002	57,400	2,406,592	40,474	3.0%	31,808	18,766	9,678
2003	58,700	2,503,939	40,962	3.0%	32,553	19,365	10,031
2004	59,900	2,746,162	43,556	2.6%	33,550	20,713	10,414
2005	61,900	*	*	2.4%	35,595	*	10,752
2006	62,900	*	*	2.5%	37,020	*	10,940

Source: (1) Except for FY 2001 which shows Census Report as of April 1, 2000 and FY 1997 through FY 2005 came from Weldon Cooper Center final population estimates and provisional estimates for FY 2006.

(2) Bureau of Economic Analysis.

(3) Virginia Employment Commission

(4) Fauquier County Schools

\* Unavailable

**COUNTY OF FAUQUIER, VIRGINIA**

**Table 14**

**Principal Employers  
Current Year and Nine Years Ago**

<b>Employer</b>	<b>2006</b>		<b>1997</b>	
	<b>Rank</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Number of Employees</b>
Fauquier County School Board	1	1000 and over	1	1000 and over
Fauquier Hospital	2	500 to 999	2	500 to 999
County of Fauquier	3	500 to 999	3	250 to 499
U.S. Department of Transportation	4	250 to 499		
Wal Mart	5	100 to 249		
General Excavation	6	100 to 249		
Kips Erosion Control LC	7	100 to 249		
American House Four	8	100 to 249		
Food Lion	9	100 to 249		
Giant Food	10	100 to 249	6	100 to 249
U.S. Department of Defense			4	250 to 499
Trinity Packaging Corporation			5	250 to 499
Paul Mellon			7	100 to 249
K-Mart Corporation			8	100 to 249
Warrenton Overlook Health and Rehabilitation Center			9	100 to 249
Oak Springs Nursing Home			10	100 to 249

Source: Virginia Employment Commission Top 50 Employers (1st Quarter of 2006)

COUNTY OF FAUQUIER, VIRGINIA

Table 15

County Government Employees by Function  
Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General government</b>	88.5	94.5	95.5	104.7	107.7	113.1	112.4	112.9	117.9	119.1
<b>Judicial administration</b>	26.5	27.0	29.8	29.8	31.5	34.5	36.5	37.5	37.5	39.5
<b>Public safety</b>	98.3	98.3	105.1	105.5	105.5	125.0	138.0	138.0	140.0	153.0
<b>Public works</b>	42.0	44.0	44.0	44.0	45.0	49.0	45.0	47.5	49.5	52.5
<b>Health and welfare</b>	29.8	32.3	36.0	38.0	38.0	39.0	42.0	42.5	43.7	45.5
<b>Parks, recreation, and cultural</b>	39.1	46.7	43.6	45.2	45.2	46.3	47.2	49.7	54.5	58.2
<b>Community development</b>	24.0	26.0	28.5	29.5	30.0	30.0	35.0	36.0	43.6	46.6
<b>Other funds</b>										
Airport	-	-	-	-	-	-	-	1.0	2.1	2.1
Joint Communications	19.0	20.0	18.0	19.0	19.0	20.0	21.0	22.0	22.6	22.6
Environmental Services	6.5	6.5	6.5	6.5	7.5	8.5	18.8	21.5	21.5	22.0
Fleet Maintenance	-	15.0	16.0	15.0	16.0	16.0	16.0	16.0	16.0	16.0
Subtotal	25.5	41.5	40.5	40.5	42.5	44.5	55.8	60.5	62.2	62.7
<b>Total Primary Government</b>	<u>373.7</u>	<u>410.3</u>	<u>423.0</u>	<u>437.2</u>	<u>445.4</u>	<u>481.4</u>	<u>511.9</u>	<u>524.6</u>	<u>548.9</u>	<u>577.1</u>
<b>Component Unit – School Board</b>										
<b>Education</b>	*	*	*	*	1,447.0	1,487.0	1,473.0	1,550.8	1,674.5	1,701.1
<b>Total Reporting Entity</b>	<u>373.7</u>	<u>410.3</u>	<u>423.0</u>	<u>437.2</u>	<u>1,892.4</u>	<u>1,968.4</u>	<u>1,984.9</u>	<u>2,075.4</u>	<u>2,223.4</u>	<u>2,278.2</u>

Source: For County Government employees information:  
 FY 2003 to FY 2006 - FY 2007 Adopted Budget  
 FY 2002 - FY 2006 Adopted Budget  
 FY 1999 to FY 2001 - FY 2003 Adopted Budget  
 FY 1997 and FY 1998 - FY 2000 Adopted Budget

For Component Unit employees information:  
 FY 2004 to FY 2006 - FY 2007 Adopted Budget  
 FY 2001 to FY 2003 - CAFRs

\* Unavailable

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Table 16

Operating Indicators by Function (1)  
Last Ten Fiscal Years

Function	Fiscal Year				
	1997	1998	1999	2000	2001
<b>General government</b>					
Commissioner of the revenue					
Real estate number of parcels	27,227	29,326	27,624	28,045	28,421
Land use number of parcels	3,798	3,957	4,036	4,080	4,110
PPTRA qualifying vehicles	-	-	61,483	62,889	66,141
County attorney					
Total litigation files opened	*	*	49	44	67
Finance					
Vendor checks issued	15,698	19,029	22,000	22,000	23,000
Payroll annual checks/direct deposits	25,920	31,080	35,220	36,250	37,257
Human resources					
Employment applications received	*	3,500	3,500	*	*
New employees orientated	*	70	70	*	*
Information technology					
Web pages updated	*	*	*	840	890
Web site hits	*	*	94,633	182,885	1,890,376
Treasurer					
Real estate bills mailed	52,922	52,130	52,250	52,850	55,297
Personal property bills mailed	47,241	47,076	47,250	46,850	51,745
Vehicle decals issued	46,154	47,724	48,920	50,140	55,969
Dog tags issued	956	892	900	925	612
<b>Judicial administration</b>					
Adult court services					
Average daily caseload	128	170	162	228	251
Circuit court					
Law cases	*	400	410	415	404
Chancery cases	*	375	400	420	446
Criminal cases	*	850	870	900	897
Clerk of the circuit court (by calendar year)					
Deed book recording	11,000	11,000	15,591	12,230	16,932
Judgments	1,277	1,455	1,134	1,169	1,457
Criminal cases	892	991	817	942	897
Concealed weapon permits	366	376	276	139	106
<b>Public safety</b>					
Detention center					
Prisoner transports	4,515	4,702	4,891	5,321	5,511
Average daily inmate population	80	102	114	128	137
Juvenile detention					
Youth detained	*	*	*	*	*
Child care days	*	*	*	*	*
Juvenile probation					
Probation and parole per month	*	*	*	*	166
Community service hours	*	*	*	*	5,511
Fire and emergency services					
911 calls for service	5,241	5,470	8,061	9,203	9,745
Hazardous material response	1200 hrs.	*	*	*	1200 hrs.
Emergency response	300 calls	*	*	*	600 calls

Fiscal Year					Function
2002	2003	2004	2005	2006 (1)	
					<b>General government</b>
					Commissioner of the revenue
28,421	29,691	30,299	30,100	*	Real estate number of parcels
4,046	4,103	4,048	3,829	*	Land use number of parcels
70,016	68,569	70,861	72,644	*	PPTRA qualifying vehicles
					County attorney
61	44	38	40	*	Total litigation files opened
					Finance
25,200	19,126	19,227	19,471	*	Vendor checks issued
35,572	40,385	41,441	42,743	*	Payroll annual checks/direct deposits
					Human resources
*	*	4,436	4,450	*	Employment applications received
*	*	802	850	*	New employees orientated
					Information technology
1,200	2,328	2,500	2,500	*	Web pages updated
*	9,511,086	7,000,000	7,000,000	*	Web site hits
					Treasurer
56,005	57,661	59,146	59,884	*	Real estate bills mailed
57,928	53,815	57,977	54,918	*	Personal property bills mailed
58,923	60,844	62,294	62,000	*	Vehicle decals issued
902	721	725	900	*	Dog tags issued
					<b>Judicial administration</b>
					Adult court services
305	424	403	415	*	Average daily caseload
					Circuit court
450	423	348	470	*	Law cases
450	372	314	420	*	Chancery cases
900	946	735	960	*	Criminal cases
					Clerk of the circuit court (by calendar year)
21,000	22,000	28,410	26,000	*	Deed book recording
1,540	1,593	2,120	1,700	*	Judgments
850	864	946	960	*	Criminal cases
200	342	364	300	*	Concealed weapon permits
					<b>Public safety</b>
					Detention center
5,612	4,122	4,452	5,900	*	Prisoner transports
142	67	67	67	*	Average daily inmate population
					Juvenile detention
*	60	67	65	*	Youth detained
*	2,001	1,592	2,000	*	Child care days
					Juvenile probation
200	150	211	170	*	Probation and parole per month
4,699	3,620	2,509	3,700	*	Community service hours
					Fire and emergency services
10,296	13,153	14,411	15,298	*	911 calls for service
1200 hrs.	600 hrs.	500 hrs.	500 hrs.	*	Hazardous material response
750 calls	400 calls	300 calls	300 calls	*	Emergency response

Table 16

Operating Indicators by Function (1)  
Last Ten Fiscal Years

Function	Fiscal Year				
	1997	1998	1999	2000	2001
<b>Public safety (continued)</b>					
Sheriff					
Traffic summonses issued	2,712	4,678	5,649	5,721	5,819
Misdemeanor arrests	1,431	1,386	1,471	1,428	1,417
Felony arrests	1,386	1,187	1,239	1,207	1,189
Civil papers served	26,413	26,711	26,314	26,419	26,511
Calls for service	31,825	33,941	2,963	3,001	35,319
Animal control calls for service	2,971	2,983	1,491	1,480	1,473
<b>Public works</b>					
Environmental services - convenience sites					
Solid waste - tons	15,450	16,223	*	*	*
Recycled materials - tons	22,548	3,500	*	*	*
Resident visits	432,398	375,637	*	*	*
General services					
Facility work orders completed	6,833	*	*	8,249	8,191
Fleet vehicles/small engines	*	*	*	*	*
Preventive maintenance schedule	6,240	*	*	520	624
Surplus property	*	*	*	*	*
<b>Health and welfare</b>					
Comprehensive services act					
Regular and residential foster care	54	62	39	55	52
Preventive foster care	15	25	27	30	35
Social services					
Adoption assistance	14	13	16	16	14
Adults receiving services	187	163	165	216	212
Approved foster/adoptive homes	39	42	41	44	41
<b>Parks, recreation, and cultural</b>					
Library					
Materials cataloged/processed	12,308	12,434	10,371	9,493	12,454
Periodicals cataloged/processed	2,912	3,208	3,537	3,629	3,410
Library patron visits	163,236	170,490	151,530	303,057	263,722
Parks and recreation					
Park attendance	38,320	35,000	35,300	48,340	56,176
Shelter rentals	175	251	255	265	130
<b>Education</b>					
Per pupil expenditures	*	5,922	6,270	7,913	8,106
High school completion rate	70%	81%	87%	82%	85%
SAT scores	1,002	1,028	1,034	1,032	1,032
Federal subsidized meals program	*	*	*	17.0%	14.9%

Fiscal Year					Function
2002	2003	2004	2005	2006 (1)	
					<b>Public safety (cont'd)</b>
					Sheriff
5,912	10,187	7,745	6,000	*	Traffic summonses issued
1,929	1,854	1,609	2,000	*	Misdemeanor arrests
1,186	575	613	1,100	*	Felony arrests
26,912	13,430	13,392	26,500	*	Civil papers served
39,912	37,921	35,938	41,000	*	Calls for service
1,421	1,774	1,947	3,050	*	Animal control calls for service
					<b>Public works</b>
					Environmental services - convenience sites
*	67,426	74,715	74,337	*	Solid waste - tons
*	45,273	54,730	49,000	*	Recycled materials - tons
*	718,359	734,091	800,000	*	Resident visits
					General services
7,894	8,797	8,410	9,403	*	Facility work orders completed
*	522	539	559	*	Fleet vehicles/small engines
744	824	931	1,536	*	Preventive maintenance schedule
*	1,958	2,232	2,506	*	Surplus property
					<b>Health and welfare</b>
					Comprehensive services act
51	54	70	55	*	Regular and residential foster care
22	15	34	26	*	Preventive foster care
					Social services
15	17	21	20	*	Adoption assistance
245	245	268	255	*	Adults receiving services
	32	29	50	*	Approved foster/adoptive homes
					<b>Parks, recreation, and cultural</b>
					Library
14,235	12,839	15,157	16,000	*	Materials cataloged/processed
3,921	3,935	3,829	3,875	*	Periodicals cataloged/processed
272,277	296,529	315,674	331,583	*	Library patron visits
					Parks and recreation
108,669	114,352	164,167	178,000	*	Park attendance
149	167	63	65	*	Shelter rentals
					<b>Education</b>
8,726	8,247	9,248	*	*	Per pupil expenditures
86%	84%	87%	94%		High school completion rate
1,046	1,055	1,045	1,057	*	SAT scores
14.2%	14.1%	15.2%	15.7%	15.5%	Federal subsidized meals program

Table 16

**Operating Indicators by Function (1)  
Last Ten Fiscal Years**

Function	Fiscal Year				
	1997	1998	1999	2000	2001
<b>Community development</b>					
Web page updated	*	*	*	*	*
Rezoning/comp plans	5	1	22	15	15
Preliminary/final subdivisions	26	30	23	67	33
Zoning permits issued	1,150	1,224	1,362	1,493	1,680
Building plans reviewed	1,020	1,218	1,425	1,553	1,718
Land disturbing permits issued	20	24	35	43	49
Marketing response to web site	*	*	*	*	*
<b>Other funds</b>					
Environmental services					
Residents using the landfill	*	*	*	*	89,992
Total tons recycled	42,799	*	*	*	34,709
Recycling rate	*	*	*	*	37%
Fleet maintenance					
Internal service fund county users	42 (2)	42 (2)	25	25	29
Internal service fund non-county users	- (2)	- (2)	17	7	8
Total vehicles serviced	*	5,210	*	*	2,870
Joint communications					
Telephone calls processed	164,924	198,511	*	*	*
Dispatch actions performed	86,091	90,826	*	*	*
Calls for service	*	*	*	*	*

(1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no 2006 information is available.

(2) FY 1997 and FY 1998, Internal Services Fund County Users and Non-County Users were combined.

\* Unavailable

Fiscal Year					Function
2002	2003	2004	2005	2006 (1)	
					<b>Community development</b>
89	116	287	150	*	Web page updated
17	24	11	20	*	Rezoning/comp plans
42	39	14	20	*	Preliminary/final subdivisions
1,729	1,866	2,189	2,380	*	Zoning permits issued
1,913	2,091	2,227	2,500	*	Building plans reviewed
50	43	75	90	*	Land disturbing permits issued
*	*	202	408	*	Marketing response to web site
					<b>Other funds</b>
					Environmental services
174,850	259,498	262,103	250,000	*	Residents using the landfill
41,153	45,273	54,730	49,000	*	Total tons recycled
44%	47%	48%	50%	*	Recycling rate
					Fleet maintenance
29	29	28	28	*	Internal service fund county users
8	9	9	9	*	Internal service fund non-county users
2,940	3,967	3,704	4,200	*	Total vehicles serviced
					Joint communications
*	248,426	246,286	292,750	*	Telephone calls processed
*	587,556	631,597	646,312	*	Dispatch actions performed
*	69,243	71,925	74,782	*	Calls for service

COUNTY OF FAUQUIER, VIRGINIA

Table 17

Capital Assets Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Judicial administration</b>										
Detention center capacities	56	56	56	56	56	56	56	56	56	56
<b>Public safety</b>										
Fire and rescue companies	13	13	13	13	13	13	13	13	13	13
<b>Public works</b>										
Active vehicles	223	214	209	232	237	219	240	243	266	279
County owned buildings	26	26	26	26	26	26	27	28	28	28
Sq. ft. in buildings	340,806	340,806	340,806	340,806	340,806	340,806	386,240	396,840	396,840	396,840
<b>Parks, recreation, and cultural</b>										
Libraries	3	3	3	3	3	3	3	3	3	3
Volumes	*	139,609	139,609	139,609	139,609	157,059	165,381	181,606	185,951	194,618
Parks and recreation facilities	22	22	22	22	22	30	30	27	32	32
Land acres	100	100	100	100	*	*	358	358	307	307
Water acres	109	109	109	109	*	*	109	109	109	109
Trails (miles)	2	2.75	*	*	*	*	4	4	4	4
Fields	*	*	*	*	*	*	17	17	17	17
Boats	*	*	*	*	*	*	36	36	36	36
Shelters	*	*	*	*	*	*	2	2	2	2
Swimming pools	-	-	-	-	-	-	-	-	1	1
<b>Education</b>										
Elementary schools										
Buildings	10	10	10	10	10	10	10	10	10	10
Sq. ft. in buildings	550,431	550,431	550,431	625,222	625,222	625,222	625,222	625,222	625,222	625,222
Capacity	4,829	4,829	4,829	5,495	5,495	5,495	5,495	5,495	5,495	5,495
Middle schools										
Buildings	4	4	4	4	4	4	4	4	5	5
Sq. ft. in buildings	379,865	379,865	379,865	379,865	379,865	379,865	379,865	379,865	493,865	493,865
Capacity	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	3,183	3,183
High schools										
Buildings	2	2	2	2	2	2	2	2	2	2
Sq. ft. in buildings	523,995	523,995	523,995	523,995	523,995	523,995	523,995	523,995	523,995	523,995
Capacity	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Alternative schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Sq. ft. in buildings	17,754	17,754	17,754	17,754	17,754	17,754	17,754	17,754	17,754	17,754
Capacity	191	191	191	191	191	191	191	191	191	191
Number of school buses	157	161	169	178	166	155	154	161	173	164
<b>Airport</b>										
Miles of runways	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.96	0.96
Number of hangars	5	5	5	5	5	5	5	5	5	5

\* Unavailable



**Independent Auditors' 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***

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2006, and have issued our report thereon dated November 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Fauquier'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'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 a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Supervisors, management, 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.

*Cherry, Bekaert & Holland, L.L.P.*

Richmond, Virginia  
November 7, 2006



**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Federal Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of the County of Fauquier, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The County of Fauquier's major federal programs are identified in the summary of auditors' 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's management. Our responsibility is to express an opinion on the County of Fauquier's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards 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 material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Fauquier'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's compliance with those requirements.

In our opinion, the County of Fauquier 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, 2006.

**Internal Control Over Compliance**

The management of the County of Fauquier 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'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 internal control over compliance would not necessarily disclose all matters in internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

The report is intended for the information of the Board of Supervisors, management, 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.

*Cherry, Bekaert & Holland, L.L.P.*

Richmond, Virginia  
November 7, 2006

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Primary Government and Discretely Presented Component Unit  
 For the Year Ended June 30, 2006

Federal Granting Agency/Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
<b>Primary Government:</b>			
<b>DEPARTMENT OF AGRICULTURE:</b>			
Pass-through payments from Commonwealth of Virginia:			
Department of Social Services:			
State Administrative Matching Grant for Food Stamp Program	10.561	46003- 90212 46003- 90814 46003- 90815 46003- 90822 46003- 90887 46003- 90888 46003- 90895 49005- 90919 49005- 90921 49005- 90928 49005- 90930	\$ 334,611
Total Department of Agriculture			334,611
<b>DEPARTMENT OF JUSTICE:</b>			
Direct payments:			
Bullet Proof Vest Partnership Program	16.607	Not Applicable	6,270
Bureau of Alcohol, Tobacco and Firearms: ATF Task Force	Not Available	Not Applicable	5,821
Pass-through payments from Commonwealth of Virginia:			
Department of Criminal Justice Services:			
Byrne Formula Grant Program	16.579	39001- 45000	44,225
Local Law Enforcement Block Grants	16.592	39001- 46818	1,160
Total Department of Justice			57,476
<b>DEPARTMENT OF TRANSPORTATION:</b>			
Direct payments:			
Federal Aviation Administration: Airport Improvement Program	20.106	Not Applicable	2,256,999
Pass-through payments from Commonwealth of Virginia:			
Department of Motor Vehicle:			
State and Community Highway Safety (154 Funds)	20.000	60507- 51040 60507- 51041 60507- 51045 60507- 52149 60507- 52151	42,119
Department of Transportation: Transportation Enhancement Program (TEA-21)	Not Available	EN01-030-126, PE101, RW201, C501	21,552
Total Department of Transportation			\$ 2,320,670

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Primary Government and Discretely Presented Component Unit  
 For the Year Ended June 30, 2006

Federal Granting Agency/Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
<b>Primary Government (continued):</b>			
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
Pass-through payments from Commonwealth of Virginia:			
Department of Social Services:			
Statewide Fraud Program - Free	93.000	46003- 90071	\$ 16,107
Promoting Safe and Stable Families	93.556	45301- 90359 45301- 90360 45301- 90361 45301- 90362	30,025
Temporary Assistance for Needy Families	93.558	45201- 90603 46003- 90812 46003- 90885 46209- 90621 46210- 90046 46210- 90365 46210- 90366 46210- 90377 46210- 90B99 49005- 90918 49005- 90922	207,643
Refugee and Entrant Assistance - State Administered Programs	93.566	46003- 90210 46003- 90807 46003- 90880	6,002
Low-Income Home Energy Assistance	93.568	45206- 90024 46003- 90015 46003- 90935 49005- 90934 49005- 90937	36,337
Child Care Cluster: <sup>1</sup>			
Child Care and Development Block Grant	93.575	49003- 90378 49003- 90544 49003- 90545	417,530
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	46003- 90916 49003- 90027 49003- 90064 49003- 90521 49005- 90916 49005- 90925 49010- 90517 49010- 90529 49010- 90540	329,678
Adoption Incentive Payments	93.603	45303- 90651	\$ 1,725

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Primary Government and Discretely Presented Component Unit  
 For the Year Ended June 30, 2006

Page 3 of 5

Federal Granting Agency/Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
<b>Primary Government (continued):</b>			
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED):</b>			
Pass-through payments from Commonwealth of Virginia (continued):			
Department of Social Services (continued):			
Foster Care - Title IV-E	93.658	45301- 90636 45301- 90637 45301- 90638 45301- 90639 45301- 90641 46003- 90209 46003- 90813 46003- 90886 49005- 90049 49005- 90802 49005- 90803 49005- 90810 49005- 90876 49005- 90917 49005- 90926	\$ 471,756
Adoption Assistance	93.659	45301- 90047 45301- 90368 45303- 90606 45303- 90627 49005- 90804 49005- 90877	101,725
Social Services Block Grant	93.667	45301- 90357 45031- 90358 49004- 90076 49004- 90313 49004- 90340 49004- 90379 49005- 90801 49005- 90805 49005- 90806	238,891
Chafee Foster Care Independent Living	93.674	45301- 90356	145
Medical Assistance Program	93.778	46003- 90213 46003- 90820 46003- 90893 49005- 90920 49005- 90929	230,371
Total Department of Health and Human Services			<u>2,087,935</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</b>			
Pass-Through Payments from Commonwealth of Virginia:			
Department of Social Services:			
AmeriCorps	94.006	45105- 90625	<u>2,749</u>
Total Corporation for National and Community Service			<u>\$ 2,749</u>

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Primary Government and Discretely Presented Component Unit  
 For the Year Ended June 30, 2006

Federal Granting Agency/Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
<b>Primary Government (continued):</b>			
<b>DEPARTMENT OF HOMELAND SECURITY:</b>			
Pass-through payments from Commonwealth of Virginia:			
Department of Emergency Services:			
State Homeland Security Grant Program	97.004	72209- 52704	\$ 103,591
Emergency Management Preparedness Grant	97.042	72209- 52745 72209- 52746	13,000
Total Department of Homeland Security			116,591
<b>Total Primary Government</b>			4,920,032
<b>Component Unit - School Board:</b>			
<b>DEPARTMENT OF AGRICULTURE:</b>			
Pass-Through Payments from Commonwealth of Virginia:			
Department of Education:			
Forest Reserve Payments	10.665	17113- 43841	168
Child Nutrition Cluster <sup>2</sup>			
Department of Education:			
National School Breakfast Program	10.553	45707- 40591	143,873
National School Lunch Program	10.555	45707- 40623	720,536
Department of Agriculture and Consumer Services:			
National School Lunch Program - Commodities	10.555		263,998
Total Department of Agriculture			1,128,575
<b>DEPARTMENT OF DEFENSE:</b>			
Direct Payments:			
Junior ROTC Program	12.000	Not Applicable	48,586
Total Department of Defense			48,586
<b>DEPARTMENT OF EDUCATION:</b>			
Pass-Through Payments from Commonwealth of Virginia:			
Department of Education:			
Special Education Cluster: <sup>3</sup>			
Special Education - Grants to States	84.027	17102- 43071 17102- 61110 17102- 61190 17102- 62124	2,238,479
Special Education - Preschool Grants	84.173	17102- 62521	127,353
Adult Education State Grant Program	84.002	19202- 42801	59,817
Title I Grants to Local Educational Agencies	84.010	17101- 42901	662,092
Vocational Education - Basic Grants to States	84.048	17103- 61095 19928- 86649	\$ 105,405

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Primary Government and Discretely Presented Component Unit  
 For the Year Ended June 30, 2006

Federal Granting Agency/Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
<b>Component Unit - School Board (continued):</b>			
<b>DEPARTMENT OF EDUCATION (CONTINUED):</b>			
Pass-Through Payments from Commonwealth of Virginia (continued):			
Department of Education (continued):			
Safe and Drug-Free Schools and Communities State Grants	84.186	17105- 60511	\$ 50,726
Fund for the Improvement for Education	84.215	17114- 61090	261,702
State Grants for Innovative Programs	84.298	17101- 49005	25,185
Advanced Placement Program	84.330	17105- 60601	1,040
English Language Acquisition Grants	84.365	17106- 60512	37,588
Improving Teacher Quality State Grants (Title II)	84.367	56045- 61480	241,269
Emergency Aid Impact	84.938	17105- 60528	16,262
Total Department of Education			3,826,918
<b>Total Component Unit - School Board</b>			5,004,079
<b>Total Federal Assistance Reporting Entity</b>			\$ 9,924,111

**COUNTY OF FAUQUIER, VIRGINIA**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006**

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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	\$ 2,641,482
Other Governmental Funds	21,552
Airport Fund	<u>2,256,999</u>
Total primary government	<u>4,920,033</u>
Component Unit – Public Schools:	
School General Fund	3,875,671
School Special Revenue Fund	<u>864,409</u>
Total component unit public schools	<u>4,740,080</u>
Total federal expenditures per basic financial statements	<u>9,660,113</u>
Noncash expenditures - value of donated commodities	<u>263,998</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>9,924,111</u></u>

*COUNTY OF FAUQUIER, VIRGINIA*

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2006**

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**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>
10.561	State Administrative Matching Grant for Food Stamp Program
84.027/84.173	Special Education Cluster
93.658	Foster Care - Title IV-E

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

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

**Section IV - Resolution of Prior Year Findings**

There were no findings reported in the prior year.