

**COUNTY OF FAUQUIER, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2007**

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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, 2007**

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# *Fauquier County Government and Public Schools*



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November 14, 2007

**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, 2007. 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, 2007 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

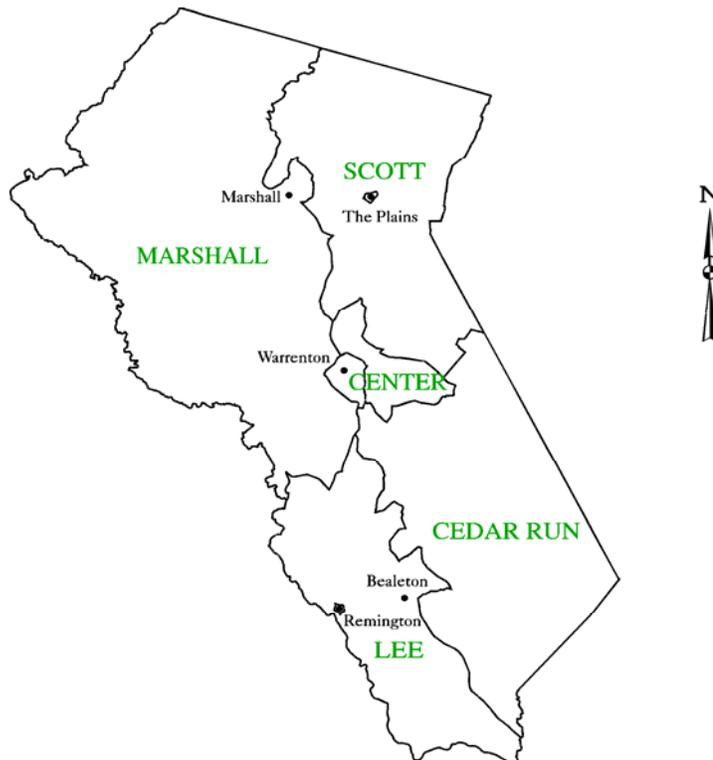
unqualified opinion that the County’s financial statements are fairly presented in conformity with GAAP.

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 64,612. 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. In addition, FCPS participates with six other school divisions in the Mountain Vista Regional Governor's School. The Mountain Vista Regional Governor's School was established in fiscal year 2007. FCPS is the fiscal agent for the new school. The combined enrollment as of June 2007 totaled 11,009 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 April 1<sup>st</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.

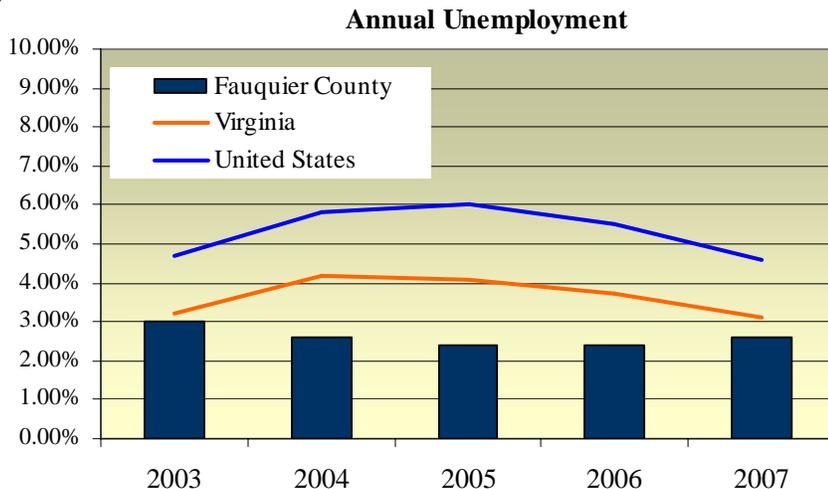
The *Code of Virginia* requires the appointed Superintendent of the FCPS to submit a budget to the County Board of Supervisors with approval of the School Board. In late December the Superintendent submits a budget plan to the School Board for review. During the month of January the School Board discusses 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.

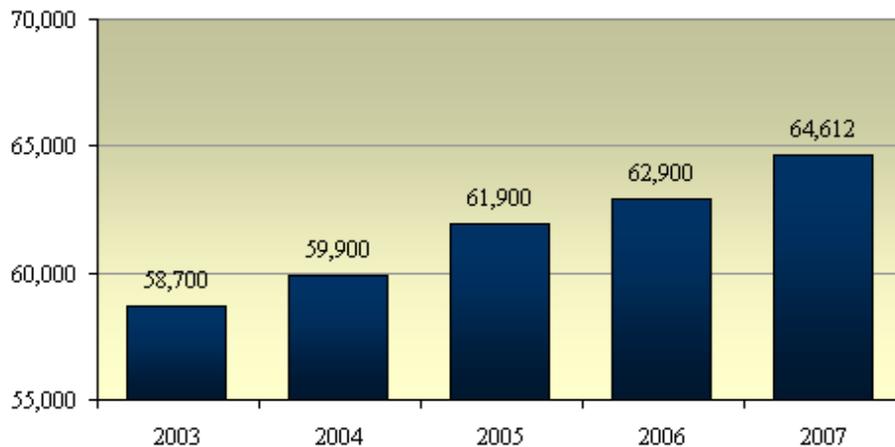
### Local economy

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 which accounts for about one-third of the region's economy. After several years of double-digit annual increases in home values, the local real estate housing market has entered a correction period, in which home values are stabilized. The County performs reassessments in four year intervals. 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. Between the 2002 and 2006 reassessment the County residential real property increased by 141%. Because of the County's practice of performing reassessments in four year intervals, the County is somewhat buffered from the current leveling off in housing values. The County's proximity to the federal government and affiliated contractor industries has translated into a positive economic environment. The County's unemployment rate remains low at 2.6% compared with Virginia's average at 3.1% and the National average at 4.6%.



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 10.1% since 2003 reflecting 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



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 grow with the addition of Rappahannock National Bank expansion into the County and PNC Bank's purchase of Marshall National Bank and Trust Company. There has been additional economic development in a number of different sectors including the expansion of Blue Ridge Mountain Sports into the County; the completion of Fauquier County's first Class A office building, Blackwell Park Office Building; the opening of new restaurants offering a variety of cuisines; the relocation of Scenic America's corporate headquarters into the County and the addition of Herotron Technologies, a German based company,

Vint Hill, a former army communications base has experienced continued growth. As of 2007, Vint Hill had 66 businesses occupying over 666,000 square feet of commercial space with 1,200 employees. The private investment of \$16.2 million made possible the addition of three new buildings completed in 2007. These include Athena Technologies' 43,000 square foot building; Walnut Grove's new 8,000 square foot building and a 30,000 square foot speculative flex office building developed by ICE Properties. Two Class A office buildings are currently in the plan approval process for professional, medical and corporate use. In addition, the design of \$6.0 million in infrastructure is under way. The implementation of the infrastructure will take several years but will open 40 acres for development.

Tourism continues to represent a growing segment of the economic sector in Fauquier County with 16 vineyards and wineries in the County, driving tours, and getaway packages. Three new vineyards and wineries were added to the County tour with the addition of Marterella Winery and Vineyard, Miracle Valley Vineyard and Vintage Ride Winery.

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 fiscal year 2007. 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 2008 capital budget for new County and School projects is \$13.6 million which is a reduction of 72.8% from the original budget of \$50.0 million in fiscal year 2007. This decrease is primarily attributable to the funding for construction of the new Kettle Run High School and for Greenville Elementary School in fiscal year 2007 which was mostly bond-supported. The County budget policies recommend the use of "pay-as-you-go" funding, and during the past 10 years, approximately 55% of the CIP has been cash funded. The fiscal year 2008 ten year Capital Improvements Plan contains 18 construction projects, including two new schools, land purchases for an additional two schools, major renovations to existing schools, three libraries, a northern complex pool, a southern community center with a pool and a fire training center.

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 policy requires projects costing in excess of \$25 million be subject to voter referendum.

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**

The County has undertaken several management initiatives designed to improve public service in Fauquier County government including a Customer Service Task Force, an E-Government Task Force, Succession Management Programs, and a Training and Staff Development Task Force.

### **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, 2006. This was the ninth 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 Association of School Business Officials International (ASBO) has awarded its Certificate of Excellence in Financial Reporting Award for fiscal year 2006. This is the first time Fauquier County Government & Public Schools has achieved this award in recognition of the fiscal year 2006 Comprehensive Annual Financial Report.

The GFOA has awarded its Distinguished Budget Presentation Award to Fauquier County for fiscal year 2007. Fauquier County has received this award for eleven years. GFOA has also awarded its Distinguished Budget Presentation Award to the Fauquier County School Division for the second consecutive year.

### **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.

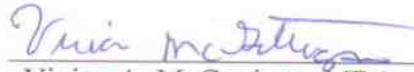
The Comprehensive Annual Financial Report reflects the commitment of the Board of Supervisors and County administration to the citizens of Fauquier County and the financial community to provide information in conformance with the highest standards of financial accountability.

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, 2006

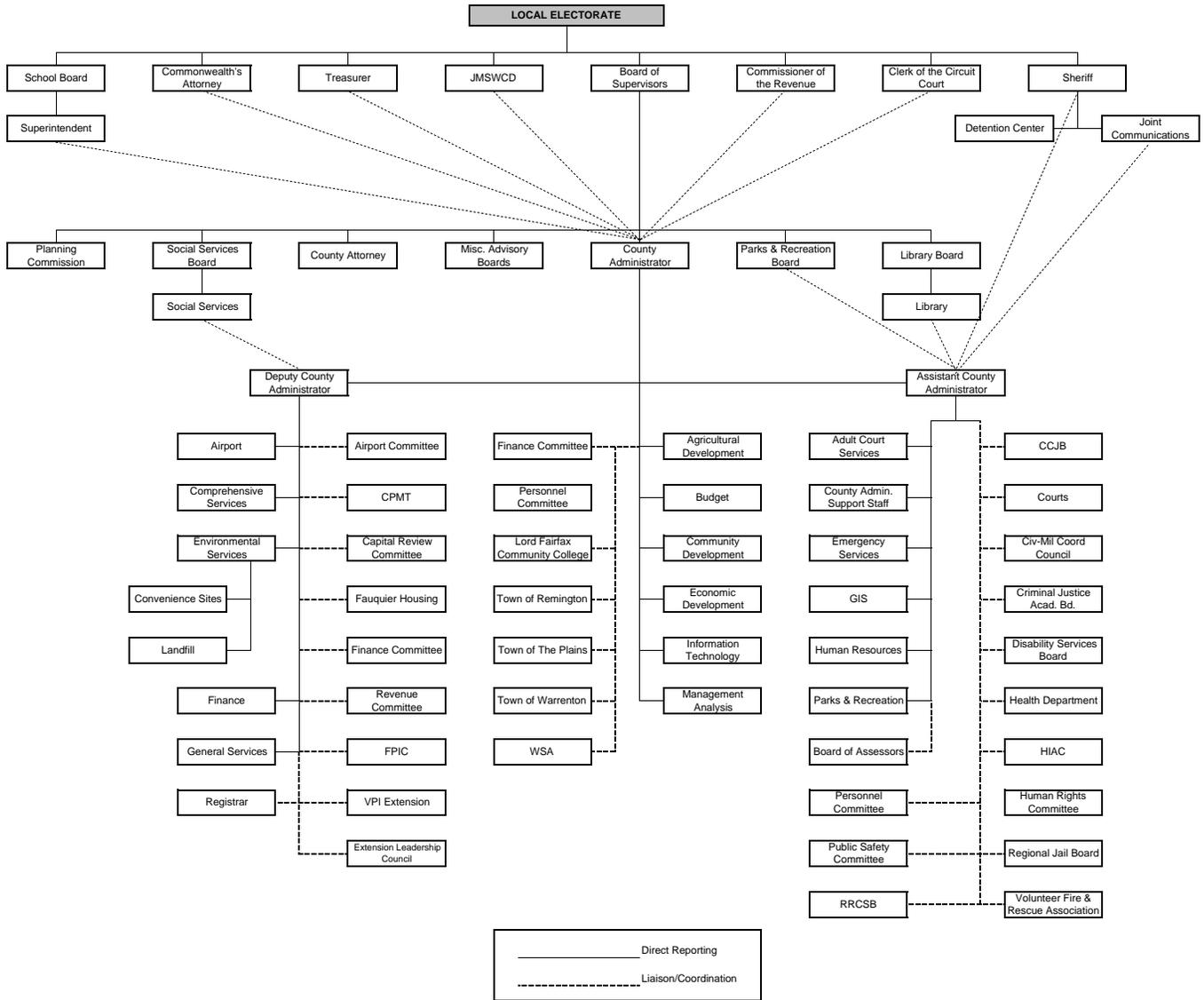
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

## County of Fauquier, Virginia Organizational Chart



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

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**BOARD OF SUPERVISORS**

Harry Atherton, Chairman  
Raymond E. Graham, 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**

Raymond E. Bland , Chairman  
Jay VanGelder, 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 .....	J. Gregory Ashwell

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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 (the "County"), as of and for the year ended June 30, 2007, 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'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 as of June 30, 2007, 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 14, 2007 on our consideration of the County'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'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, Bekant & Holland, L.L.P.*

Richmond, Virginia  
November 14, 2007

## **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, 2007. 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 2007 FINANCIAL HIGHLIGHTS**

- The total reporting entity, which includes the School Board component unit, has positive net assets of \$191.9 million at June 30, 2007. 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, 2007, the County has \$93.8 million of School Board debt outstanding (which includes \$90.2 million of outstanding bonds plus \$3.8 million of bond premiums less \$0.2 million of deferred bond issuance costs) related to assets on the books of the School Board. Even after reflecting the assets in the School Board component unit column and the debt with the primary government, the County's governmental activities assets at June 30, 2007 exceeded liabilities by \$43.8 million (net assets).
- Net assets of the total reporting entity increased by \$17.0 million, 9.7%, and is the most accurate reflection of the change in financial position 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 and the School Board component unit which represents the County as a whole.
- The County's net assets for governmental activities decreased by \$5.0 million, 10.2%, which is the result of a \$22.4 million, 16.6%, increase in total governmental revenues offset by a \$24.2 million, 17.5%, increase in expenses. The most significant contributor to the revenue increase is the general property taxes increase of \$15.9 million, 18.5%, which is attributed to the first full year of the four year real estate reassessment. The new tax rate was effective for the second half of fiscal year 2006. Therefore, the prior year's revenues only reflected one half of the total increase. Additionally, revenue from use of money and property increased by \$2.1 million, 75.0%, 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 \$162.2 million (governmental activities) an increase of \$24.2 million, 17.5%, due primarily to increases in Education expenses of \$15.0 million, 18.7%, Public Safety expenses of \$2.8 million, 15.2%, and Community Development of \$1.6 million, 31.4%. Business-type activities expenses increased by \$1.6 million, 25.4%, due primarily to the increase in depreciation expenses on airport capital improvements completed in fiscal year 2007.
- Revenues from business-type activities decreased by \$1.4 million, 14.0%, due primarily to the completion of site improvements at the airport substantially funded through federal capital grants in prior years.
- 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 School Board component unit's, revenues, including the County contribution, totaled \$143.2 million and expenses totaled \$121.8 million. Schools net assets increased by \$21.3 million, or 20.3%, during fiscal year 2007 (Exhibit 2) primarily due to \$23.6 million constructed in the primary government's capital projects fund which was donated to the School Board component unit, offset by depreciation expense.
- As of June 30, 2007, the County governmental funds reported combined fund balances of \$72.4 million, an increase of \$19.5 million in comparison with the prior year. The increase resulted primarily from the issuance of \$41.6 million debt for school construction (\$39.6 million in bonds plus \$2.2 million of bond premiums less \$0.2 million of deferred bond issuance costs). Approximately 36.6% of the combined fund balances, or \$26.5 million, is undesignated and available to meet the County's current and future needs. (Exhibits 3 & 5)
- The amended budget included \$5.1 million use of fund balance for funding of approved projects in the capital projects fund. General fund revenues did not meet amended budget expectations by \$3.5 million primarily due to the elimination of decal revenues of \$1.5 million and shortfalls in real estate and other taxes. The revenue shortfall was covered by expenditure savings of \$7.1 million which was the result of \$3.8 million savings in the contribution to the School Board component unit and \$3.3 million savings from County Departments. (Exhibits 6 & 7)
- 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 2008's budgeted general fund revenues and 10.3% of fiscal year 2007 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 2006 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, the County's organizational chart, and a 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, 2007 and 2006.

<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>			
	2007	2006	2007	2006	2007	2006	2007	2006
<b>Assets:</b>								
Current and other assets	\$ 92.1	\$ 67.2	\$ 1.8	\$ 2.0	\$ 93.9	\$ 69.2	\$108.0	\$ 82.6
Capital assets and Non-current assets	72.4	61.0	31.6	29.3	104.0	90.3	233.6	197.3
Total assets	164.5	128.2	33.4	31.3	197.9	159.5	341.6	279.9
<b>Liabilities:</b>								
Other liabilities	13.7	8.4	0.4	0.9	14.1	9.3	26.8	21.2
Long-term liabilities	107.0	71.0	10.9	9.0	117.9	80.0	122.9	83.8
Total liabilities	120.7	79.4	11.3	9.9	132.0	89.3	149.7	105.0
<b>Net assets:</b>								
Invested in capital assets, net of related debt	65.9	53.9	29.8	26.3	95.7	80.2	159.6	140.1
Restricted	11.8	12.3	-	1.5	11.8	13.8	11.8	13.8
Unrestricted	(33.9)	(17.4)	(7.7)	(6.4)	(41.6)	(23.8)	20.5	21.0
Total net assets	\$ 43.8	\$ 48.8	\$ 22.1	\$ 21.4	\$ 65.9	\$ 70.2	\$191.9	\$174.9

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.

The total reporting entity net assets increased by \$17.0 million, 9.7%. Invested in capital assets net of related debt increased by \$19.5 million, 13.9% as the County's emphasis on construction of schools assets was a major focus in fiscal year 2007.

In the case of the primary government, total assets exceeded total liabilities by \$65.9 million at June 30, 2007. The largest portion of net assets, \$95.7 million, represents the County's investment in capital assets (e.g., land, buildings, and equipment), less the depreciation and outstanding debt associated with asset acquisitions. An additional \$11.8 million of restricted assets is related to \$4.4 million of funds restricted for capital projects, and \$7.4 million is restricted for special revenue funds. The deficit unrestricted net assets of the primary government totaled \$41.6 million. This deficit is the result of the County having borrowed \$93.8 million (\$90.2 million bonds plus \$3.8 million of bond premiums less \$0.2 million of deferred bond issuance costs) for assets reported by the School Board component unit which when combined for the total reporting entity results in \$20.5 million of positive net assets.

For the business-type activities, total net assets increased by \$0.7 million, 3.2%, which is primarily the result of \$1.6 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 \$7.7 million which is an increase of \$1.3 million from the prior year due primarily to a \$0.9 million increase in the closure and postclosure costs and increased depreciation expense due to the completion of major capital improvement projects at the airport. 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

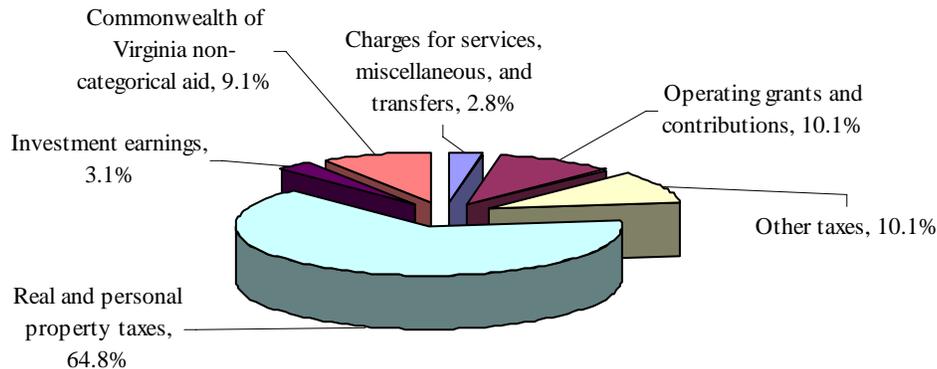
Table 2 summarizes the Statement of Activities (Exhibit 2 in the Financial Section of the CAFR) for the primary government and component unit.

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		2007	2006
	2007	2006	2007	2006	2007	2006		
<u>Revenues</u>								
Program revenues:								
Charges for services	\$ 4.1	\$ 3.8	\$ 6.4	\$ 6.8	\$ 10.5	\$ 10.6	\$ 13.9	\$ 14.0
Operating grants and contributions	15.8	11.6	-	-	15.8	11.6	20.7	16.4
Capital grants	-	-	1.6	3.1	1.6	3.1	2.6	3.1
General revenues:								
Real and personal property taxes	101.9	86.0	-	-	101.9	86.0	101.9	86.0
Other taxes	15.9	18.5	-	-	15.9	18.5	15.9	18.5
Investment earnings	4.9	2.8	0.1	0.1	5.0	2.9	5.0	2.9
Miscellaneous and transfers	0.3	0.7	0.5	-	0.8	0.7	1.4	0.7
Commonwealth non-categorical aid	14.3	14.7	-	-	14.3	14.7	51.6	48.7
Special Item	-	(3.3)	-	-	-	(3.3)	-	(3.3)
Total revenues	<u>157.2</u>	<u>134.8</u>	<u>8.6</u>	<u>10.0</u>	<u>165.8</u>	<u>144.8</u>	<u>213.0</u>	<u>187.1</u>
<u>Expenses</u>								
General government	10.0	9.8	-	-	10.0	9.8	10.0	9.8
Judicial administration	3.0	2.8	-	-	3.0	2.8	3.0	2.8
Public safety	21.2	18.4	-	-	21.2	18.4	21.2	18.4
Public works	6.5	6.0	-	-	6.5	6.0	6.5	6.0
Health and welfare	8.7	8.0	-	-	8.7	8.0	8.7	8.0
Education	95.2	80.2	-	-	95.2	80.2	121.1	110.0
Parks, recreation, and cultural	6.0	4.6	-	-	6.0	4.6	6.0	4.6
Community development	6.7	5.1	-	-	6.7	5.1	6.7	5.1
Other	0.5	-	-	-	0.5	-	0.5	-
Interest - long-term debt	4.4	3.1	-	-	4.4	3.1	4.4	3.1
Airport	-	-	1.4	0.8	1.4	0.8	1.4	0.8
Landfill and recycling	-	-	6.5	5.5	6.5	5.5	6.5	5.5
Total expenses	<u>162.2</u>	<u>138.0</u>	<u>7.9</u>	<u>6.3</u>	<u>170.1</u>	<u>144.3</u>	<u>196.0</u>	<u>174.1</u>
Change in net assets	(5.0)	(3.2)	0.7	3.7	(4.3)	0.5	17.0	13.0
Beginning net assets	48.8	52.0	21.4	17.7	70.2	69.7	174.9	161.9
Ending net assets	<u>\$ 43.8</u>	<u>\$ 48.8</u>	<u>\$ 22.1</u>	<u>\$ 21.4</u>	<u>\$ 65.9</u>	<u>\$ 70.2</u>	<u>\$ 191.9</u>	<u>\$ 174.9</u>

**Governmental Activities:** As reflected in Table 2, total governmental net assets decreased by \$5.0 million compared to a decrease of \$3.2 million in fiscal year 2006. The decrease in net assets is attributed primarily to completion of the School Board component unit's 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 \$17.0 million as a result of the growth in property taxes, increased operating grants and contributions, and higher investment earnings offset by support given to several programs, primarily education, public safety and community development. Revenues from governmental activities (Table 2) totaled \$157.2 million, an increase of \$22.4 million over fiscal year 2006. Revenue increases occurred primarily in general property taxes of \$15.9 million or 18.5% offset by a decrease in other taxes of \$2.6 million or 14.0%. In fiscal year 2007, \$19.9 million, or 12.7% of the total revenues, was generated from program revenues, primarily operating grants and contributions. General revenues such as Commonwealth of Virginia aid, miscellaneous revenue and investment earnings accounted for the remaining revenues.

The following chart provides a breakdown of revenue collections by source. Taxes comprise the largest source of these revenues, totaling \$117.8 million, or 74.9% of all governmental activities revenues. Of this amount, general property taxes account for \$101.9 million, or 64.8% of total revenues.

**Governmental Activities – Revenues by Source  
For the Fiscal Year Ended June 30, 2007**



As shown in Table 2, the total expenses for governmental activities for this fiscal year were \$162.2 million, compared to \$138.0 million in fiscal year 2006. 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 \$95.2 million, or 58.7% of total expenses. In addition, the School Board component unit incurs indirect expenditures, which are reported in the governmental activities (General Fund). The County has consolidated the services provided by the departments of general services (maintenance of buildings and grounds), human resources, finance, and the independent auditor. 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 \$7.3 million in fiscal year 2007. The portion allocated to education is approximately \$5.5 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 62.0%. Public safety expenses, which total \$21.2 million, 13.1%, represent the second largest expense category for governmental activities.

**Governmental Activities  
Functional Expenses  
For the Fiscal Year Ended June 30, 2007**

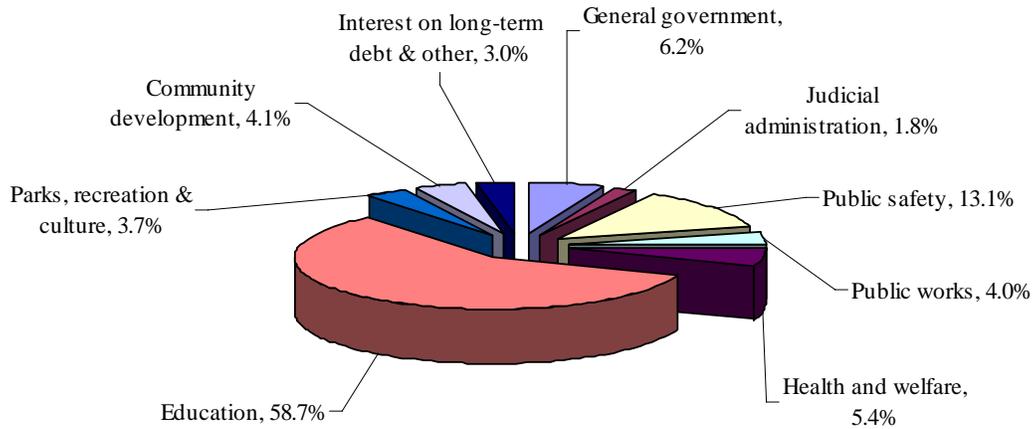


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County's governmental activities.

Table 3	Net Cost of Governmental Activities For the Fiscal Year Ended June 30, 2007 (\$ in millions)			
	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
General government	\$ 10.0	\$ 9.8	\$ 9.2	\$ 9.0
Judicial administration	3.0	2.8	0.7	0.4
Public safety	21.2	18.4	16.8	14.5
Public works	6.5	6.0	6.5	6.0
Health and welfare	8.7	8.0	3.6	3.3
Education	95.2	80.2	95.2	80.2
Parks, recreation, and culture	6.0	4.6	1.5	3.9
Community development	6.7	5.1	3.8	2.1
Interest on long-term debt and other	4.9	3.1	4.9	3.1
<b>Total</b>	<b>\$ 162.2</b>	<b>\$ 138.0</b>	<b>\$ 142.2</b>	<b>\$ 122.5</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 \$20.0 million, the net cost of governmental activities was \$142.2 million, compared to a total cost of \$162.2 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 \$0.7 million, accounting for 4.1% of the total increase in net assets of the County. Revenues totaled \$8.6 million of which \$6.4 million, or 74.4%, was generated by user fees or charges for services. Business-type activities are generally intended to be self-supporting. Fees are established to recover the cost of providing the services.

The total expenses for business-type activities were \$7.9 million, of which 82.3% was associated with the landfill and recycling program. Business-type activity expenses increased \$1.6 million from fiscal year 2006, primarily due to an increase in the closure and postclosure costs of \$0.9 million and an increase of depreciation expense due to the completion of airport capital improvements.

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

As of June 30, 2007, the County's governmental funds reported a combined ending fund balance of \$72.4 million (Exhibit 3), an increase of \$19.5 million in comparison with the prior year. The increase is primarily due to a \$15.0 million increase in unspent bond proceeds related to the issuance of bonds for school construction projects. Approximately 36.6%, or \$26.5 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 \$41.2 million and future years' expenditures of \$4.4 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 10.3% of total revenues in the General Fund. The Board of Supervisors adopted a resolution setting a minimum fund balance target for the General Fund of 10% of the subsequent year's General Fund revenues. 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 School Board component unit or appropriated in the County's General Fund in the subsequent year. For the current fiscal year, the fund balance in the General Fund decreased by 6.8% (\$1.4 million), which reflects an increase of \$3.2 million in transfers, to the CIP in 2007 over the 2006 transfers. The Capital Projects Fund reported a total fund balance of \$45.4 million, a 74.0% increase from the prior year due to the issuance of bonds for school construction.

Significant outlays in fiscal year 2007 included the following:

- The General Fund contributed \$71.8 million in operating funds to finance the Schools operations.
- The General Fund incurred \$7.8 million in debt service for Schools construction projects funded with bond proceeds from the issuance of general obligation bonds.
- The General Fund 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 \$9.9 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, 2007 (\$ in millions)</b>			
<b>Table 4</b>	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>
<u>Revenues</u>			
Taxes	\$ 114.4	\$ 115.1	\$ 111.1
Other	6.2	6.4	6.3
Intergovernmental	24.1	24.7	25.3
Total revenues	<u>144.7</u>	<u>146.2</u>	<u>142.7</u>
<u>Expenditures</u>			
Expenditures	<u>140.1</u>	<u>140.2</u>	<u>133.1</u>
Excess (deficiency) of revenues over expenditures	<u>4.6</u>	<u>6.0</u>	<u>9.6</u>
<u>Other financing sources (uses)</u>			
Transfers	<u>(4.6)</u>	<u>(11.1)</u>	<u>(11.0)</u>
Change in fund balance	<u>\$ -</u>	<u>\$ (5.1)</u>	<u>\$ (1.4)</u>

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

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

Final amended budget revenues exceeded the original budget by \$1.5 million, primarily due to budget increases for other local taxes and state and federal funding.

Actual revenues and “transfers in” were lower than the amended budget by \$3.5 million due to lower than anticipated tax collections from the downturn in the housing market and the rescheduling of personal property tax collection for vehicle decals from February to October.

Actual expenditures and “transfers out” for the General Fund totaled \$144.4 million or \$7.1 million less than the amended budget. Of this difference, \$3.8 million is a reduction in the transfer to the School Board component unit and \$3.3 million savings from County departmental spending due to a hiring and travel freeze. Any savings the Schools generate in the form of unexpended appropriations are generally reappropriated in the new fiscal year to cover one-time Schools operating needs and capital projects. Therefore, \$3.8 million in fiscal year 2007 unexpended appropriations are expected to be reappropriated in fiscal year 2008 to support one-time operating needs, and capital projects.

**CAPITAL ASSETS AND LONG-TERM DEBT**

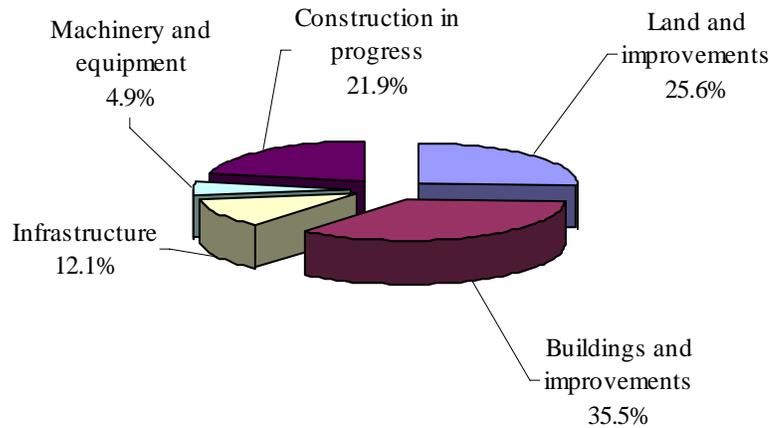
**Capital Assets**

Table 5 provides information on changes in the capital assets of the governmental funds during fiscal year 2007.

<b>Table 5</b>	<b>Change in Capital Assets Governmental Activities (\$ in millions)</b>		
	<b>Balance July 1, 2006</b>	<b>Net Additions and Deletions</b>	<b>Balance June 30, 2007</b>
Land and improvements	\$ 18.2	\$ 0.3	\$ 18.5
Construction in progress (CIP)	6.3	9.6	15.9
Subtotal, capital assets not being depreciated	<u>24.5</u>	<u>9.9</u>	<u>34.4</u>
Buildings and improvements	30.9	2.6	33.5
Infrastructure	9.8	-	9.8
Machinery and Equipment	9.2	1.4	10.6
Subtotal, capital assets being depreciated	<u>49.9</u>	<u>4.0</u>	<u>53.9</u>
Less: accumulated depreciation	<u>13.4</u>	<u>2.5</u>	<u>15.9</u>
Net capital assets being depreciated	<u>36.5</u>	<u>1.5</u>	<u>38.0</u>
Governmental activities capital assets, net	<u>\$ 61.0</u>	<u>\$ 11.4</u>	<u>\$ 72.4</u>

As illustrated in Table 5, for the governmental funds the County’s investment in capital assets not being depreciated totaled \$34.4 million, and \$38.0 million for depreciable capital assets, net of depreciation. The net investment in capital assets (including additions, retirements, and depreciation) increased \$11.4 million, or 18.7% above the prior year. The County’s capital assets include 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 35.5% of the total net capital assets.

**Net Capital Assets Used in the Operation of Governmental Activities  
As of June 30, 2007**



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:

- Addition to construction in progress for the Northern Sports Complex of \$9.5 million. The total budgeted cost for the project is \$14.0 million.
- Completion of the John Barton Payne renovation costing a total of \$0.8 million.
- Completion of a data center expansion costing a total of \$0.6 million.
- Completion of improvements to Monroe Park costing a total of \$0.6 million.
- Purchase of twenty-one public safety sheriff vehicles costing \$0.5 million.

The total reporting entity capital assets increased by \$37.8 million, of which \$22.5 million relates to the School Board component unit; \$2.8 million addition to construction in progress for building a recycling center for the landfill enterprise fund and \$2.7 million relates to site improvements for the airport enterprise fund.

The major capital projects for the School Board component unit are:

- A current year addition to construction in progress of \$18.6 million for costs related to Kettle Run High School. The total budgeted cost for the project is \$67.5 million.
- Completion of major renovations at Claude Thompson Elementary School costing \$9.6 million.
- Completion of heating, ventilating and air conditioning (HVAC) upgrades at Liberty High School costing \$6.3 million.

- Donation of a turf field for Liberty High School valued at \$1.0 million.
- Addition to construction in progress of \$1.0 million for the Cedar Lee library expansion. The total budgeted cost for the project is \$2.7 million.

The County's fiscal year 2008 Capital Improvements Program calls for the following major projects:

- Addition of \$6.9 million for construction of Greenville Elementary School expected to open August, 2008. The total budgeted cost for the project is \$15.9 million.
- \$3.1 million for a second entrance for Kettle Run High School.
- \$1.5 million for improvements to the Public Safety 800MHz Radio System.
- \$1.0 million for the construction of a fire training center and firing range.

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

### Long-term Debt

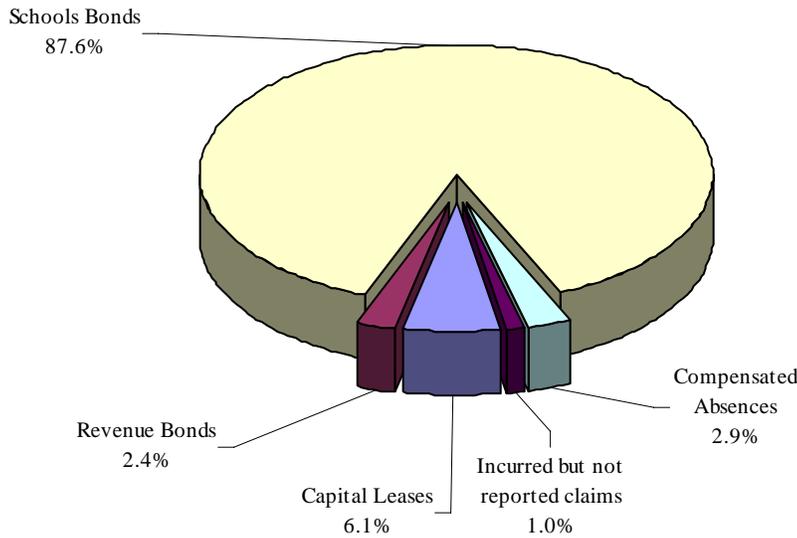
Table 6 provides an overview of the long-term obligations for the primary government.

<b>Table 6</b>			
<b>Summary of Changes in Long-Term Debt</b>			
<b>(\$ in millions)</b>			
	<u>July 1, 2006</u>	<u>Net Increase (Decrease)</u>	<u>June 30, 2007</u>
<b>Governmental Activities:</b>			
Capital leases	\$ 7.1	\$ (0.6)	\$ 6.5
Revenue bonds	2.7	(0.1)	2.6
General obligation bonds plus premiums less bond issuance costs	57.2	36.5	93.7
Compensated absences	3.0	0.1	3.1
Incurred but not reported claims	1.0	0.1	1.1
Total long-term debt	<u>71.0</u>	<u>36.0</u>	<u>107.0</u>
<b>Business Type Activities:</b>			
Capital leases	-	1.2	1.2
Revenue bonds plus premiums	1.6	(0.4)	1.2
Notes payables	-	0.1	0.1
Compensated absences	0.1	-	0.1
Landfill closure and postclosure	7.3	0.9	8.2
Advances from other funds	-	0.1	0.1
Total long-term debt	<u>9.0</u>	<u>1.9</u>	<u>10.9</u>
Total long-term debt	<u>\$ 80.0</u>	<u>\$ 37.9</u>	<u>\$ 117.9</u>

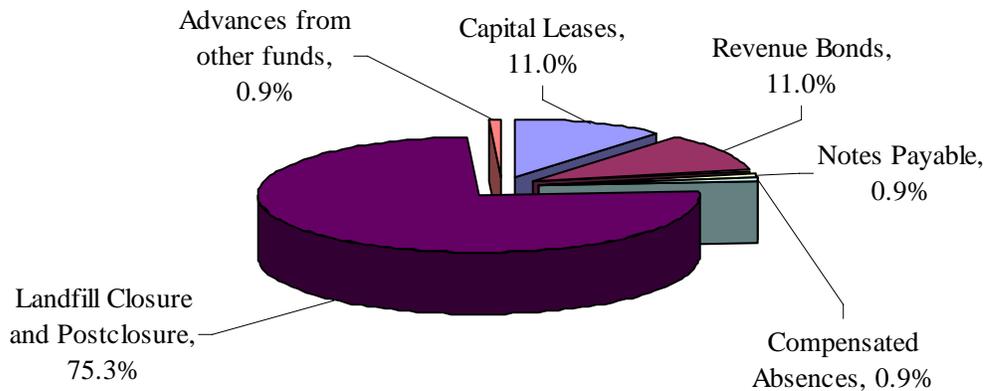
As of June 30, 2007, the County's governmental activities long-term debt, excluding compensated absences and incurred but not reported claims, totaled \$103.1 million. During the year, the County issued general obligation bonds in the amount of \$39.6 million with a \$2.3 million premium to fund the construction of Kettle Run High School.

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 87.6% of the County's total governmental debt.

**Governmental Activities  
Long-Term Debt  
As of June 30, 2007**

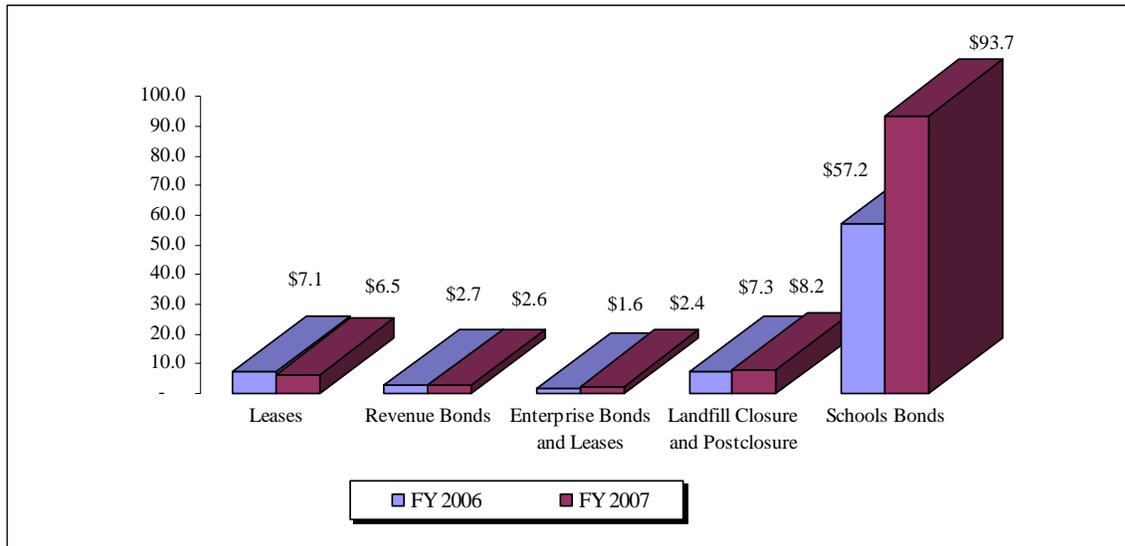


**Business Type Activities  
Long-Term Debt  
As of June 30, 2007**



The following chart compares long-term indebtedness, less compensated absences and less incurred but not recorded claims for fiscal year 2006 and 2007 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. In September, 2006 the County issued \$39.6 million of general obligation bonds for Kettle Run High School which had been approved by bond referendum in 2005.

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 2007, the County's debt to revenue ratio was 6.5%. The second ratio assessed by management is total debt per capita. This ratio compares current performance to past performance. In fiscal year 2007, the general government debt per capita was \$1,574. This ratio increased from \$1,064 in the prior year.

In September 2007 (fiscal year 2008), the County approved participation in the Virginia Public School Authority general obligation bond sale to provide additional funding for the construction of Kettle Run High School, funding to construct Greenville Elementary School, and a second entrance for Kettle Run High School with general obligation debt.

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

- The County will not fund current or ongoing operations from debt proceeds.
- The County's Capital Improvements planning process includes both a pay-as-you-go element (cash funded) and a debt element for the addition of capital assets.

- The County will repay long-term debt over a period that does not exceed the expected useful life of the capital assets being financed.
- The County will comply with finance industry standards for disclosure related to debt offerings.
- The County has set a debt service limit 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 2007 was 2.6%, an increase of 0.2% from June 2006. 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 64,612 an increase of 2.7% 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 2007 by 0.6% from 10,940 to 11,009. Schools enrollment for the last ten years is provided in Table 13, Statistical Section of this report.
- The 2005 per capita personal income for Fauquier County was \$45,171, compared to \$37,503 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 2007 by 1.4% from 36,663 to 37,183. County Civilian Labor Workforce numbers for the last ten years is provided in Table 13, Statistical Section of this report.

### **Fiscal Year 2008 Budget and Rates**

- For fiscal year 2008, the adopted budget for the General Fund is \$147.4 million, an increase of 1.7% over fiscal year 2007. Revenues are comprised primarily of general property taxes at 66.3%, other local taxes at 12.7%, permits, privilege fees and regulatory licenses at 1.9%, State assistance at 15.2%, Federal assistance at 1.6%, use of money at 1.1%, and other revenues of 1.2%.
- In fiscal year 2008, the County's transfer to the School Board component unit increased by 8.5% to \$86.8 million which includes the County's payment of debt service on behalf of the Schools. Support to the Schools represents 58.9% of the General Fund appropriations not including the allocation of shared services, which represents an additional 4.0% of local support. The percentage of General Fund appropriations supporting Schools is basically unchanged from fiscal year 2007.
- Public safety is second, accounting for 11.2% of budgeted expenditures. Public safety volunteers also have a dedicated real property tax of \$0.035 per \$100 of assessed value. This tax supports County and volunteer fire and rescue operations.

- Tax rate for real property remained the same at \$0.645. Personal property taxes remained unchanged. 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.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

COUNTY OF FAUQUIER, VIRGINIA

Statement of Net Assets  
June 30, 2007

Exhibit 1  
Page 1 of 2

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 45,824,134	\$ 162,677	\$ 45,986,811
Restricted cash:			
Investments	37,851,114	-	37,851,114
Capital lease escrow	-	611,560	611,560
Capital lease interest	-	29,363	29,363
Receivables, net of allowances for uncollectibles:			
Taxes, including penalties	3,483,046	-	3,483,046
Accounts	1,074,824	997,725	2,072,549
Internal balances	112,175	(112,175)	-
Prepaid assets	95,406	6,800	102,206
Due from other governmental units	3,343,587	54,351	3,397,938
Notes receivable:			
Advances to other funds	103,651	-	103,651
Inventories	172,741	41,794	214,535
Total current assets	92,060,678	1,792,095	93,852,773
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land	18,530,503	8,301,522	26,832,025
Construction in progress	15,869,271	3,200,464	19,069,735
Cell improvements	-	6,488,409	6,488,409
Buildings and improvements	25,691,258	2,607,178	28,298,436
Infrastructure	8,799,481	9,196,153	17,995,634
Machinery and equipment	3,574,389	1,781,644	5,356,033
Total capital assets	72,464,902	31,575,370	104,040,272
Total noncurrent assets	72,464,902	31,575,370	104,040,272
Total assets	164,525,580	33,367,465	197,893,045
<b>Liabilities</b>			
Accounts payable	9,507,882	376,401	9,884,283
Accrued and other liabilities	522,933	36,875	559,808
Accrued interest	2,532,196	-	2,532,196
Unearned revenue	327,660	-	327,660
Customer deposits	802,222	-	802,222
Noncurrent liabilities:			
Due within one year	7,676,070	700,457	8,376,527
Due in more than one year	99,384,001	10,173,080	109,557,081
Total liabilities	120,752,964	11,286,813	132,039,777
<b>Net assets</b>			
Invested in capital assets, net of related debt	65,945,291	29,787,320	95,732,611
Restricted for:			
Capital projects	4,388,501	-	4,388,501
Parks, recreation, and cultural	329,832	-	329,832
Conservation easements	2,228,651	-	2,228,651
Public safety	2,228,599	-	2,228,599
Proffers	2,291,841	-	2,291,841
Housing	284,531	-	284,531
Unrestricted (deficit)	(33,924,630)	(7,706,668)	(41,631,298)
Total net assets	43,772,616	22,080,652	65,853,268
Total liabilities and net assets	\$ 164,525,580	\$ 33,367,465	\$ 197,893,045

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>		
\$ 8,310,094	\$ -	\$	54,296,905	<b>Assets</b>
-	-		37,851,114	Current assets:
-	-		611,560	Cash and investments
-	-		29,363	Restricted cash:
-	-		3,483,046	Investments
85,743	-		2,158,292	Capital lease escrow
-	-		-	Capital lease interest
2,739,329	-		2,841,535	Receivables, net of allowances for uncollectibles:
2,926,837	-		6,324,775	Taxes, including penalties
-	-		103,651	Accounts
46,371	-		260,906	Internal balances
				Prepaid assets
				Due from other governmental units
				Notes receivable:
				Advances to other funds
				Inventories
<u>14,108,374</u>	<u>-</u>	<u></u>	<u>107,961,147</u>	Total current assets
				Noncurrent assets:
5,051,609	-		31,883,634	Capital assets (net of accumulated depreciation):
24,178,672	-		43,248,407	Land
-	-		6,488,409	Construction in progress
93,069,778	-		121,368,214	Cell improvements
832,638	-		18,828,272	Buildings and improvements
6,492,520	-		11,848,553	Infrastructure
				Machinery and equipment
<u>129,625,217</u>	<u>-</u>	<u></u>	<u>233,665,489</u>	Total capital assets
<u>129,625,217</u>	<u>-</u>	<u></u>	<u>233,665,489</u>	Total noncurrent assets
<u>143,733,591</u>	<u>-</u>	<u></u>	<u>341,626,636</u>	Total assets
				<b>Liabilities</b>
877,419	-		10,761,702	Accounts payable
11,805,395	-		12,365,203	Accrued and other liabilities
16,205	-		2,548,401	Accrued interest
60,770	-		388,430	Unearned revenue
-	-		802,222	Customer deposits
				Noncurrent liabilities:
652,076	-		9,028,603	Due within one year
4,313,725	-		113,870,806	Due in more than one year
<u>17,725,590</u>	<u>-</u>	<u></u>	<u>149,765,367</u>	Total liabilities
				<b>Net assets</b>
129,625,217	(65,759,840)		159,597,988	Invested in capital assets, net of related debt
-	-		4,388,501	Restricted for:
-	-		329,832	Capital projects
-	-		2,228,651	Parks, recreation, and cultural
-	-		2,228,599	Conservation easements
-	-		2,291,841	Public safety
-	-		284,531	Proffers
(3,617,216)	65,759,840		20,511,326	Housing
<u>126,008,001</u>	<u>-</u>	<u></u>	<u>191,861,269</u>	Unrestricted (deficit)
<u>\$ 143,733,591</u>	<u>\$ -</u>	<u>\$</u>	<u>341,626,636</u>	Total net assets
				Total liabilities and net assets

COUNTY OF FAUQUIER, VIRGINIA

Statement of Activities  
Fiscal Year Ended June 30, 2007

Exhibit 2  
Page 1 of 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 10,004,794	\$ 266,159	\$ 499,915	\$ -
Judicial administration	3,019,115	924,355	1,401,527	-
Public safety	21,184,526	206,511	4,194,223	-
Public works	6,474,088	-	-	-
Health and welfare	8,661,693	39,596	5,015,859	-
Education	95,181,305	-	-	-
Parks, recreation, and cultural	6,002,774	559,001	3,916,498	-
Community development	6,672,005	2,116,948	754,458	-
Nondepartmental	550,225	-	-	-
Interest on long-term debt	4,441,160	-	-	-
Total governmental activities	<u>162,191,685</u>	<u>4,112,570</u>	<u>15,782,480</u>	<u>-</u>
Business-type activities:				
Airport	1,450,428	283,402	7,275	1,592,253
Landfill and Recycling	6,486,477	6,112,788	38,394	-
Total business-type activities	<u>7,936,905</u>	<u>6,396,190</u>	<u>45,669</u>	<u>1,592,253</u>
Total primary government	<u>170,128,590</u>	<u>10,508,760</u>	<u>15,828,149</u>	<u>1,592,253</u>
<b>Component unit</b>				
School Board	<u>121,838,270</u>	<u>3,392,923</u>	<u>4,863,970</u>	<u>1,000,000</u>
Total component unit	<u>\$ 121,838,270</u>	<u>\$ 3,392,923</u>	<u>\$ 4,863,970</u>	<u>\$ 1,000,000</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				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expenses) Revenue and Changes in Net Assets					
Primary Government			Component Unit	Reporting Entity	
Governmental Activities	Business-Type Activities	Total	School Board	Total	Functions/Programs
\$ (9,238,720)	\$ -	\$ (9,238,720)	\$ -	\$ (9,238,720)	<b>Primary Government</b>
(693,233)	-	(693,233)	-	(693,233)	Governmental activities:
(16,783,792)	-	(16,783,792)	-	(16,783,792)	General government
(6,474,088)	-	(6,474,088)	-	(6,474,088)	Judicial administration
(3,606,238)	-	(3,606,238)	-	(3,606,238)	Public safety
(95,181,305)	-	(95,181,305)	-	(95,181,305)	Public works
(1,527,275)	-	(1,527,275)	-	(1,527,275)	Health and welfare
(3,800,599)	-	(3,800,599)	-	(3,800,599)	Education
(550,225)	-	(550,225)	-	(550,225)	Parks, recreation, and cultural
(4,441,160)	-	(4,441,160)	-	(4,441,160)	Community development
(142,296,635)	-	(142,296,635)	-	(142,296,635)	Nondepartmental
					Interest on long-term debt
					Total governmental activities
-	432,502	432,502		432,502	Business-type activities:
-	(335,295)	(335,295)		(335,295)	Airport
-	97,207	97,207		97,207	Landfill and Recycling
-	97,207	(142,199,428)			Total business-type activities
					Total primary government
			(112,581,377)	(112,581,377)	<b>Component unit</b>
					School Board
			(112,581,377)	(112,581,377)	Total component unit
101,852,501	-	101,852,501	-	101,852,501	General revenues:
7,565,111	-	7,565,111	-	7,565,111	General property taxes
3,804,003	-	3,804,003	-	3,804,003	Local sales and use taxes
1,286,470	-	1,286,470	-	1,286,470	Consumers' utility taxes
69,473	-	69,473	-	69,473	Business and professional taxes
2,082,839	-	2,082,839	-	2,082,839	Motor vehicle taxes
623,798	-	623,798	-	623,798	Taxes on recordation and wills
517,709	-	517,709	-	517,709	E-911 tax
-	-	-	95,952,739	95,952,739	Other local taxes
4,933,147	137,687	5,070,834	12,932	5,083,766	Contribution from primary government
222,369	527,968	750,337	635,215	1,385,552	Investment earnings
14,259,811	-	14,259,811	37,293,452	51,553,263	Miscellaneous
81,762	(81,762)	-	-	-	Commonwealth of Virginia
137,298,993	583,893	137,882,886	133,894,338	271,777,224	Transfers
(4,997,642)	681,100	(4,316,542)	21,312,961	16,996,419	Total general revenues and transfers
48,770,258	21,399,552	70,169,810	104,695,040	174,864,850	Change in net assets
\$ 43,772,616	\$ 22,080,652	\$ 65,853,268	\$ 126,008,001	\$ 191,861,269	Net assets - beginning
					Net assets - ending

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## **FUND FINANCIAL STATEMENTS**

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 3

Balance Sheet  
Governmental Funds  
June 30, 2007

	Primary Government			
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 15,721,887	\$ 15,392,467	\$ 7,891,955	\$ 39,006,309
Restricted cash	4,397	37,846,717	-	37,851,114
Receivables, net of allowances for uncollectibles:				
Taxes, including penalties	3,053,392	-	429,654	3,483,046
Accounts	782,997	35,408	174,927	993,332
Due from other funds	125,879	-	-	125,879
Prepaid assets	-	-	18,293	18,293
Due from other governmental units	3,315,296	28,291	-	3,343,587
Advances to other funds	103,651	-	-	103,651
Total assets	<u>23,107,499</u>	<u>53,302,883</u>	<u>8,514,829</u>	<u>84,925,211</u>
<b>Liabilities</b>				
Accounts payable	1,816,894	7,500,745	102,193	9,419,832
Accrued liabilities	144,838	-	58	144,896
Other liabilities	12,810	355,001	-	367,811
Deferred revenue	1,566,984	-	246,902	1,813,886
Escrows	-	-	802,222	802,222
Total liabilities	<u>3,541,526</u>	<u>7,855,746</u>	<u>1,151,375</u>	<u>12,548,647</u>
<b>Fund balances</b>				
Reserved for:				
Encumbrances	149,846	41,058,636	-	41,208,482
Long term receivables	103,651	-	-	103,651
Grants	119,057	-	-	119,057
Unreserved, reported in:				
Designated:				
General Fund:				
Designated for armory capital projects	25,000	-	-	25,000
Designated for future years' expenditures	4,432,788	-	-	4,432,788
Undesignated:				
General Fund	14,735,631	-	-	14,735,631
Capital Projects Fund	-	4,388,501	-	4,388,501
Special revenue funds	-	-	7,363,454	7,363,454
Total fund balances	<u>19,565,973</u>	<u>45,447,137</u>	<u>7,363,454</u>	<u>72,376,564</u>
Total liabilities and fund balances	<u>\$ 23,107,499</u>	<u>\$ 53,302,883</u>	<u>\$ 8,514,829</u>	<u>\$ 84,925,211</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, 2007**

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<b>Total fund balances - governmental funds</b>	<b>\$ 72,376,564</b>
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 \$116,346 related to internal service fund assets)	72,348,556
Deferred taxes revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.	1,790,944
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(2,532,196)
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.	5,648,029
Certain liabilities, arbitrage, are recognized as expenditures in the fund statements, but are deferred in the government-wide statements.	(10,226)
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	(6,519,611)
Revenue bonds issued for utility projects	(2,585,000)
General obligation bonds issued for schools	(90,195,000)
Premium on bonds payable - School Board	(3,784,912)
Deferred amount on bond issuance costs	239,011
Compensated absences (excludes \$88,783 for internal service funds)	<u>(3,003,543)</u>
	<u>(105,849,055)</u>
<b>Net assets of governmental activities</b>	<b>\$ <u><u>43,772,616</u></u></b>

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, 2007

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
General property taxes	\$ 95,764,590	\$ -	\$ 5,681,052	\$ 101,445,642
Other local taxes	15,325,605	-	623,798	15,949,403
Permits, privilege fees, and regulatory licenses	2,287,326	-	-	2,287,326
Fines and forfeitures	526,235	-	-	526,235
Revenue from use of money and property	1,916,192	2,558,940	119,925	4,595,057
Charges for services	1,237,891	57,983	3,135	1,299,009
Gifts and donations	5,080	3,500,000	890,390	4,395,470
Recovered costs	237,053	-	4,332	241,385
Miscellaneous revenue	116,932	19,465	85,972	222,369
Intergovernmental:				
Commonwealth of Virginia	22,212,729	-	307,463	22,520,192
Federal Government	3,085,349	41,280	-	3,126,629
	<u>142,714,982</u>	<u>6,177,668</u>	<u>7,716,067</u>	<u>156,608,717</u>
Total revenues				
<b>Expenditures</b>				
Current operating:				
General government administration	10,015,891	804,970	-	10,820,861
Judicial administration	2,821,266	92,404	-	2,913,670
Public safety	14,481,161	1,251,614	5,368,642	21,101,417
Public works	6,334,313	148,959	-	6,483,272
Health & welfare	8,618,127	-	-	8,618,127
Education	71,824,624	23,548,879	-	95,373,503
Parks, recreation, and cultural	4,935,872	12,233,663	4,343	17,173,878
Community development	4,780,767	3,724	1,886,098	6,670,589
Nondepartmental	550,225	-	-	550,225
Debt service:				
Principal retirement	5,581,745	130,000	-	5,711,745
Interest charges	3,185,474	132,665	-	3,318,139
Bond issuance costs	-	282,815	-	282,815
Fiscal charges	5,500	3,500	-	9,000
	<u>133,134,965</u>	<u>38,633,193</u>	<u>7,259,083</u>	<u>179,027,241</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>9,580,017</u>	<u>(32,455,525)</u>	<u>456,984</u>	<u>(22,418,524)</u>
<b>Other financing sources (uses)</b>				
Transfers in	276,924	9,905,543	1,369,168	11,551,635
Transfers (out)	(11,279,449)	-	(188,424)	(11,467,873)
Issuance of debt	-	39,615,000	-	39,615,000
Premiums on issuance of debt	-	2,262,669	-	2,262,669
	<u>(11,002,525)</u>	<u>51,783,212</u>	<u>1,180,744</u>	<u>41,961,431</u>
Total other financing sources (uses)				
Net change in fund balances	(1,422,508)	19,327,687	1,637,728	19,542,907
Fund balances, beginning	20,988,481	26,119,450	5,725,726	52,833,657
Fund balances, ending	<u>\$ 19,565,973</u>	<u>\$ 45,447,137</u>	<u>\$ 7,363,454</u>	<u>\$ 72,376,564</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 6

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

Fiscal Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 19,542,907

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	14,448,161	
One time prior year credit	(8,330)	
Depreciation expense	<u>(2,821,271)</u>	11,618,560

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. (157,584)

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	84,929	
Add current year's deferred revenue	1,790,944	
Less prior year's tax deferred revenue	<u>(1,384,085)</u>	491,788

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. 678,975

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	5,711,745	
Subtract debt proceeds	(39,615,000)	
Add deferred bond issuance costs	239,011	
Subtract premium on new debt	<u>(2,262,669)</u>	(35,926,913)

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 arbitrage liability	(10,226)	
Less current year's compensated absences (excludes \$14,842 for internal service funds)	(3,077,484)	
Add prior year's compensated absences	2,987,255	
Less current year's accrued interest payable	(2,532,196)	
Add prior year's accrued interest payable	<u>1,387,276</u>	<u>(1,245,375)</u>

Change in net assets of governmental activities \$ (4,997,642)

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, 2007

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Revenues</b>				
General property taxes	\$ 97,011,162	\$ 97,011,162	\$ 95,764,590	\$ (1,246,572)
Other local taxes	17,409,276	18,081,134	15,325,605	(2,755,529)
Permits, privilege fees, and regulatory licenses	2,373,000	2,500,139	2,287,326	(212,813)
Fines and forfeitures	508,480	508,480	526,235	17,755
Revenue from use of money and property	1,788,764	1,788,764	1,916,192	127,428
Charges for services	1,380,413	1,385,529	1,237,891	(147,638)
Gifts and donations	4,000	4,000	5,080	1,080
Recovered costs	137,383	188,277	237,053	48,776
Miscellaneous revenue	61,690	119,429	116,932	(2,497)
Intergovernmental:				
Commonwealth of Virginia	21,718,027	21,865,996	22,212,729	346,733
Federal Government	2,343,957	2,788,105	3,085,349	297,244
<b>Total revenues</b>	<u>144,736,152</u>	<u>146,241,015</u>	<u>142,714,982</u>	<u>(3,526,033)</u>
<b>Expenditures</b>				
Current operating:				
General government administration:				
Legislative:				
Board of supervisors	321,147	321,250	303,527	17,723
General and financial administration:				
County administrator	866,646	891,352	871,352	20,000
County attorney	649,678	749,650	749,420	230
Independent auditor	93,000	126,610	126,610	-
Commissioner of the revenue	1,222,295	1,270,914	1,248,398	22,516
Treasurer	1,027,437	1,041,014	961,224	79,790
Information technology	2,012,109	2,417,564	2,361,328	56,236
Human resources	1,244,403	1,267,756	1,071,764	195,992
Finance	1,354,503	1,396,903	1,396,162	741
Office of management and budget	330,007	312,359	300,415	11,944
Geographic information systems	278,707	296,928	287,598	9,330
<b>Total general and financial administration</b>	<u>9,078,785</u>	<u>9,771,050</u>	<u>9,374,271</u>	<u>396,779</u>
Board of elections:				
Registrar	314,171	338,493	338,093	400
<b>Total general government administration</b>	<u>\$ 9,714,103</u>	<u>\$ 10,430,793</u>	<u>\$ 10,015,891</u>	<u>\$ 414,902</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, 2007

	<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	\$ 144,394	\$ 141,572	\$ 141,194	\$ 378
General district court	20,585	18,335	18,169	166
Magistrates	76,775	80,055	80,042	13
Juvenile and domestic relations district court	62,630	60,261	44,831	15,430
Clerk of the circuit court	1,090,237	1,107,598	1,004,137	103,461
Adult court services	634,758	799,595	717,513	82,082
Commissioner of accounts	2,400	2,400	2,400	-
Total courts	<u>2,031,779</u>	<u>2,209,816</u>	<u>2,008,286</u>	<u>201,530</u>
Commonwealth's attorney:				
Commonwealth's attorney	<u>809,578</u>	<u>847,601</u>	<u>812,980</u>	<u>34,621</u>
Total judicial administration	<u>2,841,357</u>	<u>3,057,417</u>	<u>2,821,266</u>	<u>236,151</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	<u>9,188,152</u>	<u>9,964,781</u>	<u>9,642,143</u>	<u>322,638</u>
Emergency services administration:				
Emergency services	<u>2,062,871</u>	<u>2,613,267</u>	<u>2,553,489</u>	<u>59,778</u>
Correction and detention:				
Sheriff	516,000	513,700	502,447	11,253
CFW regional jail	1,565,900	1,386,948	1,386,948	-
Probation office	35,794	30,957	29,107	1,850
Juvenile detention and crime control	<u>342,590</u>	<u>367,590</u>	<u>367,027</u>	<u>563</u>
Total correction and detention	<u>2,460,284</u>	<u>2,299,195</u>	<u>2,285,529</u>	<u>13,666</u>
Total public safety	<u>13,711,307</u>	<u>14,877,243</u>	<u>14,481,161</u>	<u>396,082</u>
Public works:				
Sanitation and waste removal:				
Solid waste operations	<u>1,677,047</u>	<u>1,677,047</u>	<u>1,641,952</u>	<u>35,095</u>
General buildings and grounds maintenance:				
General services	<u>4,856,719</u>	<u>5,106,575</u>	<u>4,692,361</u>	<u>414,214</u>
Total public works	<u>6,533,766</u>	<u>6,783,622</u>	<u>6,334,313</u>	<u>449,309</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ <u>509,561</u>	\$ <u>509,561</u>	\$ <u>509,561</u>	\$ <u>-</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 7  
Page 3 of 4

Statement of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
General Fund  
Fiscal Year Ended June 30, 2007

	<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	\$ 292,235	\$ 292,235	\$ 292,235	\$ -
Social services	5,222,688	5,387,969	5,072,398	315,571
Comprehensive services act	2,667,218	2,766,126	2,743,933	22,193
Total welfare	<u>8,182,141</u>	<u>8,446,330</u>	<u>8,108,566</u>	<u>337,764</u>
Total health and welfare	<u>8,691,702</u>	<u>8,955,891</u>	<u>8,618,127</u>	<u>337,764</u>
Education:				
Contribution to component unit – School Board	72,496,993	75,391,693	71,577,966	3,813,727
Community colleges	246,658	246,658	246,658	-
Total education	<u>72,743,651</u>	<u>75,638,351</u>	<u>71,824,624</u>	<u>3,813,727</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	2,891,223	3,165,096	2,929,605	235,491
Library:				
Public library	1,941,736	2,033,623	2,006,267	27,356
Total parks, recreation, and cultural	<u>4,832,959</u>	<u>5,198,719</u>	<u>4,935,872</u>	<u>262,847</u>
Community development:				
Planning and community development:				
Water resource management	324,164	339,509	127,819	211,690
Community development	3,040,301	3,417,423	3,246,672	170,751
Planning	230,456	280,281	244,737	35,544
Economic development	434,600	467,887	467,869	18
Agriculture development	148,815	149,338	139,563	9,775
Total planning and community development	<u>4,178,336</u>	<u>4,654,438</u>	<u>4,226,660</u>	<u>427,778</u>
Environmental management:				
Soil and water conservation district	390,478	416,155	416,155	-
Cooperative extension program:				
VPI extension	151,691	147,891	137,952	9,939
Total community development	<u>4,720,505</u>	<u>5,218,484</u>	<u>4,780,767</u>	<u>437,717</u>
Nondepartmental:				
Nondepartmental operations	\$ 7,825,368	\$ 1,619,623	\$ 550,225	\$ 1,069,398

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, 2007

	<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	\$ 596,745	\$ 596,745	\$ 596,745	\$ -
Interest charges	332,403	332,403	332,403	-
Principal retirement - education	4,985,000	4,985,000	4,985,000	-
Interest charges - education	2,547,235	2,547,235	2,853,071	(305,836)
Fiscal charges - education	6,850	6,850	5,500	1,350
Total debt service	<u>8,468,233</u>	<u>8,468,233</u>	<u>8,772,719</u>	<u>(304,486)</u>
Total expenditures	<u>140,082,951</u>	<u>140,248,376</u>	<u>133,134,965</u>	<u>7,113,411</u>
Excess (deficiency) of revenues over expenditures	<u>4,653,201</u>	<u>5,992,639</u>	<u>9,580,017</u>	<u>3,587,378</u>
<b>Other financing sources (uses)</b>				
Transfers in	143,312	276,924	276,924	-
Transfers (out)	<u>(4,796,513)</u>	<u>(11,367,019)</u>	<u>(11,279,449)</u>	<u>87,570</u>
Total other financing sources (uses)	<u>(4,653,201)</u>	<u>(11,090,095)</u>	<u>(11,002,525)</u>	<u>87,570</u>
Net change in fund balances	-	(5,097,456)	(1,422,508)	3,674,948
Fund balances, beginning	20,988,481	20,988,481	20,988,481	-
Fund balances, ending	<u>\$ 20,988,481</u>	<u>\$ 15,891,025</u>	<u>\$ 19,565,973</u>	<u>\$ 3,674,948</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Statement of Net Assets  
 Proprietary Funds  
 June 30, 2007

Exhibit 8  
 Page 1 of 2

	Business-Type Activities – Enterprise Funds			Governmental Activities Internal Service Funds
	Airport Fund	Landfill and Recycling Fund	Total	
<b>Assets</b>				
Current assets:				
Cash and investments	\$ -	\$ 162,677	\$ 162,677	\$ 6,817,825
Restricted cash:				
Capital lease escrow	-	611,560	611,560	-
Capital lease interest	-	29,363	29,363	-
Receivables, net of allowances for uncollectibles	112,354	885,371	997,725	81,492
Prepaid expenses	-	6,800	6,800	77,113
Inventories	41,794	-	41,794	172,741
Due from other governmental units	54,351	-	54,351	-
Total current assets	<u>208,499</u>	<u>1,695,771</u>	<u>1,904,270</u>	<u>7,149,171</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation):				
Land	6,612,678	1,688,844	8,301,522	-
Construction in progress	84,460	3,116,004	3,200,464	-
Cell improvement	-	6,488,409	6,488,409	-
Buildings and improvements	2,430,794	176,384	2,607,178	-
Infrastructure	8,629,428	566,725	9,196,153	-
Machinery and equipment	285,649	1,495,995	1,781,644	116,346
Total capital assets	<u>18,043,009</u>	<u>13,532,361</u>	<u>31,575,370</u>	<u>116,346</u>
Total noncurrent assets	<u>18,043,009</u>	<u>13,532,361</u>	<u>31,575,370</u>	<u>116,346</u>
Total assets	<u>\$ 18,251,508</u>	<u>\$ 15,228,132</u>	<u>\$ 33,479,640</u>	<u>\$ 7,265,517</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 8  
Page 2 of 2

Statement of Net Assets  
Proprietary Funds  
June 30, 2007

	Business-Type Activities – Enterprise Funds			Governmental Activities Internal Service Funds
	Airport Fund	Landfill and Recycling Fund	Total	
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 88,756	\$ 287,645	\$ 376,401	\$ 88,050
Accrued and other liabilities	6,245	30,630	36,875	-
Due to other funds	112,175	-	112,175	13,704
Unearned revenue	-	-	-	304,718
Compensated absences	1,321	8,078	9,399	8,878
Current portion of incurred but not reported claims	-	-	-	280,558
Current portion of capital leases payable	-	298,000	298,000	-
Current portion of notes payable	16,281	-	16,281	-
Current portion of long-term bond payable	-	376,777	376,777	-
Total current liabilities	<u>224,778</u>	<u>1,001,130</u>	<u>1,225,908</u>	<u>695,908</u>
Noncurrent liabilities:				
Accrued closure and post-closure liability	-	8,246,922	8,246,922	-
Advances from other funds	103,651	-	103,651	-
Compensated absences	11,890	72,702	84,592	79,905
Noncurrent portion of incurred but not reported claims	-	-	-	841,675
Noncurrent portion of capital leases payable	-	894,000	894,000	-
Noncurrent portion of notes payable	35,656	-	35,656	-
Noncurrent portion of long-term bond payable	-	808,259	808,259	-
Total noncurrent liabilities	<u>151,197</u>	<u>10,021,883</u>	<u>10,173,080</u>	<u>921,580</u>
Total liabilities	<u>375,975</u>	<u>11,023,013</u>	<u>11,398,988</u>	<u>1,617,488</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	17,991,072	11,796,248	29,787,320	116,346
Unrestricted (deficit)	<u>(115,539)</u>	<u>(7,591,129)</u>	<u>(7,706,668)</u>	<u>5,531,683</u>
Total net assets	<u>17,875,533</u>	<u>4,205,119</u>	<u>22,080,652</u>	<u>5,648,029</u>
Total liabilities and net assets	<u>\$ 18,251,508</u>	<u>\$ 15,228,132</u>	<u>\$ 33,479,640</u>	<u>\$ 7,265,517</u>

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

Statement of Revenues, Expenses, and Changes in Net Assets  
 Proprietary Funds  
 Fiscal Year Ended June 30, 2007

	Business-Type Activities – Enterprise Funds			Governmental Activities
	Airport Fund	Landfill and Recycling Fund	Total	Internal Service Funds
<b>Operating revenues</b>				
Charges for services	\$ 204,727	\$ 6,112,788	\$ 6,317,515	\$ 16,892,280
Forfeitures	-	-	-	7,197
Fuel	78,675	-	78,675	-
Miscellaneous	28,258	499,710	527,968	-
Total operating revenues	311,660	6,612,498	6,924,158	16,899,477
<b>Operating expenses</b>				
Cost of goods sold	73,109	-	73,109	-
Personal services	124,865	1,255,149	1,380,014	586,968
Fringe benefits	30,483	387,784	418,267	209,953
Claims and benefits paid	-	-	-	11,387,025
Premiums	-	-	-	2,166,126
Contractual services	42,784	2,805,644	2,848,428	201,776
Other operating expenses	69,730	393,359	463,089	1,992,322
Closure and post closure costs	-	942,909	942,909	-
Depreciation	1,109,197	590,814	1,700,011	14,491
Total operating expenses	1,450,168	6,375,659	7,825,827	16,558,661
Operating income (loss)	(1,138,508)	236,839	(901,669)	340,816
<b>Nonoperating revenues (expenses)</b>				
Interest income	-	137,687	137,687	338,090
Commonwealth of Virginia	7,275	38,394	45,669	-
Interest expense	(260)	(103,818)	(104,078)	-
Loss on sale of capital assets	-	(7,000)	(7,000)	-
Total nonoperating revenues (expenses)	7,015	65,263	72,278	338,090
Income (loss) before capital contributions and transfers	(1,131,493)	302,102	(829,391)	678,906
<b>Capital contributions - transfer of asset</b>	-	-	-	2,069
<b>Capital contributions - private capital share</b>	129,092	-	129,092	-
<b>Capital contributions - Commonwealth of Virginia</b>	644,179	-	644,179	-
<b>Capital contributions - Federal</b>	818,982	-	818,982	-
<b>Transfers in</b>	4,738	-	4,738	-
<b>Transfers (out)</b>	-	(86,500)	(86,500)	(2,000)
Change in net assets	465,498	215,602	681,100	678,975
Net assets - beginning	17,410,035	3,989,517	21,399,552	4,969,054
Net assets - ending	\$ 17,875,533	\$ 4,205,119	\$ 22,080,652	\$ 5,648,029

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

Statement of Cash Flows  
 Proprietary Funds  
 Fiscal Year Ended June 30, 2007

	Business-Type Activities – Enterprise Funds			Governmental Activities Internal Service Funds
	Airport Fund	Landfill and Recycling Fund	Total	
<b>Cash Flow from Operating Activities</b>				
Receipts from customers and users	\$ 294,710	\$ 6,440,769	\$ 6,735,479	\$ 16,813,066
Payment to suppliers and other operating activities	(224,408)	(3,355,975)	(3,580,383)	(15,638,382)
Payment to employees (including fringes)	(144,390)	(1,624,268)	(1,768,658)	(781,979)
Forfeitures	-	-	-	7,197
Net cash provided by (used in) operating activities	(74,088)	1,460,526	1,386,438	399,902
<b>Cash Flow from Noncapital Financing Activities</b>				
Transfers in	4,738	-	4,738	-
Transfers (out)	-	(86,500)	(86,500)	(2,000)
Interfund loan	-	-	-	13,704
Net cash provided by noncapital financing activities	4,738	(86,500)	(81,762)	11,704
<b>Cash Flow from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(2,037,304)	(3,750,034)	(5,787,338)	(20,761)
Principal paid on debt	-	(658,000)	(658,000)	-
Repayment from interfund obligation	121,126	-	121,126	-
Proceeds from capital lease	-	1,490,000	1,490,000	-
Interest and other fiscal cost on debt	-	(97,416)	(97,416)	-
Federal and state reimbursements for capital projects	1,856,436	38,394	1,894,830	-
Private capital share reimbursements for capital projects	129,092	-	129,092	-
Net cash provided by (used in) capital and related financing activities	69,350	(2,977,056)	(2,907,706)	(20,761)
<b>Cash Flow from Investing Activities</b>				
Interest	-	137,687	137,687	338,090
Net cash provided by investing activities	-	137,687	137,687	338,090
Net increase (decrease) in cash and cash equivalents	-	(1,465,343)	(1,465,343)	728,935
Cash and cash equivalents - beginning of the year	-	2,268,943	2,268,943	6,088,890
Cash and cash equivalents - end of the year	-	803,600	803,600	6,817,825
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>				
Cash flows from operations:				
Operating income (loss)	(1,138,508)	236,839	(901,669)	340,816
Adjustment to reconcile net income to net cash provided by operations:				
Depreciation	1,109,197	590,814	1,700,011	14,491
Changes in operating assets and liabilities:				
(Increase) decrease in receivables	(16,950)	(171,729)	(188,679)	(97,499)
(Decrease) in incurred but not reported claims	-	-	-	89,781
(Increase) in inventory	(41,794)	(1,725)	(43,519)	19,291
Increase (decrease) in accounts payable	3,009	(155,247)	(152,238)	(7,284)
(Decrease) in landfill closure and post-closure costs	-	942,909	942,909	-
Increase in unearned revenue	-	-	-	18,285
(Decrease) in accrued liabilities	10,958	18,665	29,623	22,021
Net cash provided by (used in) operating activities	\$ (74,088)	\$ 1,460,526	\$ 1,386,438	\$ 399,902

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

Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2007

	<u>Pension Trust</u> Fire and Rescue Pension Trust Length of Service Award Fund	<u>Agency Funds</u>
<b>Assets</b>		
Cash and investments	\$ -	\$ 66,495
Cash in custody of others	727,891	49,639
Receivables, net of allowance for uncollectibles:		
Taxes, including penalties	-	444
Accounts	-	171,650
	<u>727,891</u>	<u>288,228</u>
Total assets	<u><u>727,891</u></u>	<u><u>288,228</u></u>
<b>Liabilities</b>		
Accounts payable	-	127,507
Deferred revenue	-	280
Amounts held for clients/others	-	160,441
	<u>-</u>	<u>288,228</u>
Total liabilities	<u>-</u>	<u>288,228</u>
<b>Net Assets</b>		
Held in trust for pension benefits	<u>727,891</u>	<u>-</u>
Total liabilities and net assets	<u><u>\$ 727,891</u></u>	<u><u>\$ 288,228</u></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, 2007**

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**Additions**

Contribution for beneficiary	\$	257,115
Investment income		<u>50,568</u>
Total additions		<u>307,683</u>

**Deductions**

Members' benefits		213,976
Annuity contracts		83,637
Insurance		72,456
Administrative fees		<u>4,035</u>
Total deductions		<u>374,104</u>

Change in net assets (66,421)

Net assets - beginning		<u>794,312</u>
Net assets - ending	\$	<u><u>727,891</u></u>

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

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## **NOTES TO FINANCIAL STATEMENTS**

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**COUNTY OF FAUQUIER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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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, an entity 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 and is reported in the supplemental information section.

**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.

The *Mountain Vista Regional Governor's School Agency Fund* is used to account for funds collected from seven school divisions for the purpose of operating the Mountain Vista Governor's School. The County serves as the fiscal agent for these funds.

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

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**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.

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. Agency funds are custodial in nature and do not include measurement of results of operations. In agency funds, assets equal liabilities, and are reported using the accrual basis of accounting and do not have a management focus.

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.

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

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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.

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

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

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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.

**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 as well as U.S. Government Agency Securities investments with maturities of seven years or less. 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 receiving interest income. 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. Capital lease proceeds are held in escrow and deposited in money market funds.

**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, component units, and certain internal service funds and enterprise funds 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.

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

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**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.

**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 unspent proceeds of bond issuance that are restricted for use in construction and the unspent capital lease proceeds that are restricted to capital purchases are presented as restricted assets. 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.

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

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Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method generally 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, the County, who issues the debt on behalf of the School Board. The School Board holds title to the capital assets (buildings and equipment) and is responsible for maintenance and insurance. The book value of all school buildings is reflected as an asset in the School Board Statement of Net Assets, while the debt is reflected as a liability on the County's statement of net assets.

**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 do not lapse and are reported as reservations of fund balance at year end.

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

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**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.

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 \$93,740,901 net of unspent bond proceeds of \$27,981,061 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	\$ 95,732,611	\$ 129,625,217	\$ (65,759,840)	\$ 159,597,988
Restricted for:				
Capital assets	4,388,501	-	-	4,388,501
Parks, recreation, and cultural	329,832	-	-	329,832
Conservation easements	2,228,651	-	-	2,228,651
Public safety	2,228,599	-	-	2,228,599
Proffers	2,291,841	-	-	2,291,841
Housing	284,531	-	-	284,531
Unrestricted	<u>(41,631,298)</u>	<u>(3,617,216)</u>	<u>65,759,840</u>	<u>20,511,326</u>
Total net assets	<u>\$ 65,853,268</u>	<u>\$ 126,008,001</u>	<u>\$ -</u>	<u>\$ 191,861,269</u>

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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 \$26,605,040 and the balances carried by the bank were \$31,030,638. All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the *Code of Virginia* (a multiple financial institution collateral pool), or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The Commonwealth Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act.

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

**Investments** – Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of other states not in default, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, the African Development Bank, "Prime Quality" commercial paper, negotiable certificates of deposits, negotiable bank notes, and certain corporate notes rated AA or better by Moody's Investors Service, Inc; bankers' acceptances, overnight, term and open repurchase agreements, money market mutual funds; the LGIP, and SNAP. Bond proceeds subject to arbitrage rebate are invested in the State Non-Arbitrage Program (See Note 1). Capital lease proceeds are held in escrow and invested in money market funds.

**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, 2007. 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.

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


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**Fair Value and Weighted Average Maturity of Investments at June 30, 2007:**

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Money Market/ Money Market Mutual Funds:		
Pooled Investments:		
LGIP	\$ 28,237,814	1
U.S. Government Agency Securities	3,475,320	549
Restricted Investments:		
Money market account- capital lease escrow	640,923	1
Fire and Rescue Pension Trust Length of Service Awards Program	727,891	1
SNAP	<u>33,996,254</u>	1
Total Investment	<u>\$ 67,078,202</u>	29

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

**Concentration of Credit Risk** – The County places a limit on the amount it may invest with any one issuer as follows: 25% certificates of deposit 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, 2007 are as follows:

<u>Investment Type</u>	<u>Investment Policy Limit</u>	<u>Credit Quality (Rating)</u>	<u>Credit Exposure as a % of Total Investment</u>
Money Market/ Money Market Mutual Funds:			
State Treasurer’s Local Government Investment Pool	100%	AAA	37%
Virginia State Non-Arbitrage Program	100%	AAA	44%
Money market account – capital lease escrow	100%	AAA	1%
U.S. Government Agency Securities	100%	AAA	5%
Certificates of deposit	25%	-	13%
			<u>100%</u>

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

**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.

Reconciliation of total cash and investments to the entity-wide financial statements at June 30, 2007 are as follows:

	<u>Total Cash and Investments</u>
Primary Government and discretely presented component unit – School Board:	
Total Investments	\$ 67,078,202
Add: Cash on Hand – Treasurer’s Office	1,000
Cash on Hand – Departments	18,248
Cash – Detention Center	49,639
Deposits and certificates of deposit	<u>26,605,040</u>
Total Reporting Entity Cash and Investments	<u>\$ 93,752,129</u>

Exhibit 1

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit – School Board</u>	<u>Total</u>
Cash and Pooled Investments	\$ 45,824,134	\$ 162,677	\$ 45,986,811	\$ 8,310,094	\$ 54,296,905
Restricted cash:					
Restricted cash – investments	37,851,114	-	37,851,114	-	37,851,114
Restricted cash - escrow	-	611,560	611,560	-	611,560
Restricted cash - interest	-	29,363	29,363	-	29,363
Total restricted cash	<u>37,851,114</u>	<u>640,923</u>	<u>38,492,037</u>	<u>-</u>	<u>38,492,037</u>
Total	<u>\$ 83,675,248</u>	<u>\$ 803,600</u>	<u>\$ 84,478,848</u>	<u>\$ 8,310,094</u>	<u>\$ 92,788,942</u>
	<u>Exhibit 11</u>	<u>Exhibit 33</u>			
	Fiduciary Funds (held by County)	Fiduciary Funds (cash on deposit with County)			Total Fiduciary Funds
Cash and Pooled Investments	<u>\$ 844,025</u>	<u>\$ 119,162</u>			<u>\$ 963,187</u>
Total Reporting Entity					<u>\$ 93,752,129</u>

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

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Restricted cash and investments consisting of amounts for restricted donations, capitalized interest accounts required to be used for capital expenditures, arbitrage rebate, unspent debt proceeds required to be used for capital projects, and the environmental fund capital projects are as follows:

**Restricted Cash and Investments at June 30, 2007:****General Fund:**

SNAP Arbitrage (1996)	\$ <u>4,397</u>
Total General Fund	<u>4,397</u>

**Capital Projects Fund:**

General Obligation Bond Proceeds	33,991,858
Restricted donations	<u>3,854,859</u>
Total Capital Project Fund	<u>37,846,717</u>

**Enterprise Funds:**

Environmental Fund Capital Lease	<u>640,923</u>
Total Enterprise Funds	<u>640,923</u>

Total Restricted Cash and Investments	\$ <u>38,492,037</u>
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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 February 28<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 April 1<sup>st</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. Effective June 30, 2007, this policy has been revised to give the County Administrator authority to approve all inter-department transfers. 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. Annual budgets are legally adopted for all funds except for the Health Insurance Internal Service Fund, Parks and Recreation Special Revenue Fund, Library Special Revenue Fund, Proffer Special Revenue Fund, Vint Hill Transportation Special Revenue Fund and all agency 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, 2007, there were no departments in which expenditures exceeded appropriations.

**C. Deficit fund equity**

As of June 30, 2007, there were no funds with deficit fund equity.

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**NOTE 4 – RECEIVABLES**


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Receivables at June 30, 2007 consist of the following:

**Primary government**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 4,795,312	\$ -	\$ 429,654	\$ 5,224,966
Accounts	782,997	35,408	174,927	993,332
Due from other funds	125,879	-	-	125,879
Intergovernmental	3,315,296	28,291	-	3,343,587
Advances to other funds	103,651	-	-	103,651
	<u>9,123,135</u>	<u>63,699</u>	<u>604,581</u>	<u>9,791,415</u>
Gross receivables				
Less:				
Allowance for uncollectible accounts	<u>(1,741,920)</u>	<u>-</u>	<u>-</u>	<u>(1,741,920)</u>
Net receivables	<u>\$ 7,381,215</u>	<u>\$ 63,699</u>	<u>\$ 604,581</u>	<u>\$ 8,049,495</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	\$ 1,790,944	\$ -	\$ 1,790,944
Prepaid taxes	-	8,342	8,342
Parks and recreation facility rentals	-	14,600	14,600
	<u>\$ 1,790,944</u>	<u>\$ 22,942</u>	<u>\$ 1,813,886</u>

**Component unit – School Board**

	School General Fund	School Textbook Fund	Food Nutrition Fund	Total
Accounts	\$ 77,109	\$ 808	\$ 7,826	\$ 85,743
Intergovernmental	<u>2,875,795</u>	<u>-</u>	<u>51,042</u>	<u>2,926,837</u>
Net receivables	<u>\$ 2,952,904</u>	<u>\$ 808</u>	<u>\$ 58,868</u>	<u>\$ 3,012,580</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:

	Unearned	Total
School General Fund deferred revenue	\$ 2,400	\$ 2,400
Food Nutrition Fund deferred revenue	<u>58,370</u>	<u>58,370</u>
Total deferred revenue	<u>\$ 60,770</u>	<u>\$ 60,770</u>

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**NOTE 5 – INTERFUND TRANSFERS**

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Interfund transfers for the year ended June 30, 2007 consisted of the following:

<b>Transfers to General Fund from:</b>		<b>Transfers from General Fund to:</b>	
Capital Projects Fund	\$ -	\$ 9,905,543	Capital Projects Fund
Enterprise Funds	86,500	4,738	Enterprise Funds
Nonmajor Governmental Funds	188,424	1,369,168	Nonmajor Governmental Funds
Internal Service Funds	<u>2,000</u>	<u>-</u>	Internal Service Funds
Total General Fund Transfers In	\$ <u>276,924</u>	\$ <u>11,279,449</u>	Total General Fund Transfers Out

<b>Transfers to Capital Projects Fund from:</b>		<b>Transfers from Capital Projects Fund to:</b>	
General Fund	\$ <u>9,905,543</u>	\$ <u>-</u>	General Fund
Total Capital Projects Fund Transfers In	\$ <u>9,905,543</u>	\$ <u>-</u>	Total Capital Projects Fund Transfers Out

<b>Transfers to Enterprise Funds from:</b>		<b>Transfers from Enterprise Funds to:</b>	
General Fund	\$ <u>4,738</u>	\$ <u>86,500</u>	General Fund
Total Enterprise Funds Transfers In	\$ <u>4,738</u>	\$ <u>86,500</u>	Total Enterprise Funds Transfers Out

<b>Transfers to Nonmajor Governmental Funds from:</b>		<b>Transfers from Nonmajor Governmental Funds to:</b>	
General Fund	\$ <u>1,369,168</u>	\$ <u>188,424</u>	General Fund
Total Nonmajor Governmental Funds Transfers In	\$ <u>1,369,168</u>	\$ <u>188,424</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	\$ <u>-</u>	\$ <u>2,000</u>	General Fund
Total Internal Service Funds Transfers In	\$ <u>-</u>	\$ <u>2,000</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, 2007:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ 112,175
General Fund	Fleet Maintenance Fund	<u>13,704</u>
Total		\$ <u><u>125,879</u></u>

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ <u>103,651</u>
Total		\$ <u><u>103,651</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, \$103,651 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 \$103,651 loan in FY 2009 with \$112,175 to be repaid in FY 2008.

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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, 2007:

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
Commonwealth of Virginia:		
Local sales tax	\$ 1,344,146	\$ -
State sales tax	-	1,838,794
Shared expenses	396,887	-
Comprehensive services	470,114	-
Miscellaneous grants	540,162	124,361
Airport grants	49,089	-
Federal Government:		
School fund grants	-	963,682
Other federal grants	592,278	-
Airport grants	<u>5,262</u>	<u>-</u>
Total	\$ <u><u>3,397,938</u></u>	\$ <u><u>2,926,837</u></u>

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**NOTE 8 – CAPITAL ASSETS**


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The following is a summary of changes in capital assets for the fiscal year ending June 30, 2007:

	Balance July 1, 2006	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2007
<b>Primary government – governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 18,111,066	\$ 459,311	\$ 39,874	\$ 18,530,503
Construction in progress	6,342,298	13,592,608	4,065,635	15,869,271
Total capital assets not being depreciated	<u>24,453,364</u>	<u>14,051,919</u>	<u>4,105,509</u>	<u>34,399,774</u>
Capital assets being depreciated:				
Buildings and improvements	30,896,720	2,698,697	43,775	33,551,642
Infrastructure	9,845,465	-	-	9,845,465
Machinery and equipment	9,157,763	1,803,054	410,456	10,550,361
Total capital assets being depreciated	<u>49,899,948</u>	<u>4,501,751</u>	<u>454,231</u>	<u>53,947,468</u>
Less accumulated depreciation for:				
Buildings and improvements	6,804,240	1,099,919	43,775	7,860,384
Infrastructure	382,250	663,734	-	1,045,984
Machinery and equipment	6,171,226	1,057,618	252,872	6,975,972
Total accumulated depreciation	<u>13,357,716</u>	<u>2,821,271</u>	<u>296,647</u>	<u>15,882,340</u>
Total capital assets being depreciated, net	<u>36,542,232</u>	<u>1,680,480</u>	<u>157,584</u>	<u>38,065,128</u>
Governmental activities capital assets, net	<u>\$ 60,995,596</u>	<u>\$ 15,732,399</u>	<u>\$ 4,263,093</u>	<u>\$ 72,464,902</u>
	Balance July 1, 2006	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2007
<b>Primary government – enterprise funds</b>				
Landfill and Recycling Fund:				
Capital assets, not being depreciated:				
Landfill site	\$ 1,688,844	\$ -	\$ -	\$ 1,688,844
Construction in progress	281,595	2,834,409	-	3,116,004
Total capital assets not being depreciated	<u>1,970,439</u>	<u>2,834,409</u>	<u>-</u>	<u>4,804,848</u>
Capital assets being depreciated:				
Cell improvements	7,991,233	-	-	7,991,233
Buildings and improvements	252,550	-	-	252,550
Infrastructure	854,306	-	-	854,306
Machinery and equipment	1,264,755	936,455	10,500	2,190,710
Total capital assets being depreciated	<u>10,362,844</u>	<u>936,455</u>	<u>10,500</u>	<u>11,288,799</u>
Less accumulated depreciation for:				
Cell improvements	1,156,776	346,048	-	1,502,824
Buildings and improvements	65,201	10,965	-	76,166
Infrastructure	239,651	47,930	-	287,581
Machinery and equipment (note below)	491,511	206,704	3,500	694,715
Total accumulated depreciation	<u>1,953,139</u>	<u>611,647</u>	<u>3,500</u>	<u>2,561,286</u>
Total capital assets being depreciated, net	<u>8,409,705</u>	<u>324,808</u>	<u>7,000</u>	<u>8,727,513</u>
Landfill and Recycling fund capital assets, net	<u>\$ 10,380,144</u>	<u>\$ 3,159,217</u>	<u>\$ 7,000</u>	<u>\$ 13,532,361</u>

Note: Machinery and equipment includes a transfer of \$20,833 from general government, fully depreciated.

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

	Balance July 1, 2006	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2007
<b>Primary government – enterprise funds (continued)</b>				
Airport Fund:				
Capital assets, not being depreciated:				
Land	\$ 5,818,739	\$ 882,223	\$ 88,284	\$ 6,612,678
Construction in progress	1,072,060	84,460	1,072,060	84,460
Total capital assets not being depreciated	<u>6,890,799</u>	<u>966,683</u>	<u>1,160,344</u>	<u>6,697,138</u>
Capital assets being depreciated:				
Buildings and improvements	1,239,749	1,659,864	-	2,899,613
Infrastructure	10,152,265	-	-	10,152,265
Machinery and equipment	86,085	236,803	-	322,888
Total capital assets being depreciated	<u>11,478,099</u>	<u>1,896,667</u>	<u>-</u>	<u>13,374,766</u>
Less accumulated depreciation for:				
Buildings and improvements	391,640	77,179	-	468,819
Infrastructure	507,612	1,015,225	-	1,522,837
Machinery and equipment	20,446	16,793	-	37,239
Total accumulated depreciation	<u>919,698</u>	<u>1,109,197</u>	<u>-</u>	<u>2,028,895</u>
Total capital assets being depreciated, net	<u>10,558,401</u>	<u>787,470</u>	<u>-</u>	<u>11,345,871</u>
Airport fund capital assets, net	<u>17,449,200</u>	<u>1,754,153</u>	<u>1,160,344</u>	<u>18,043,009</u>
Total enterprise funds capital assets, net	<u>\$ 27,829,344</u>	<u>\$ 4,913,370</u>	<u>\$ 1,167,344</u>	<u>\$ 31,575,370</u>
	Balance July 1, 2006	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2007
<b>Component unit – School Board:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,008,236	\$ 43,373	\$ -	\$ 5,051,609
Construction in progress	15,699,047	24,618,401	16,138,776	24,178,672
Total capital assets not being depreciated	<u>20,707,283</u>	<u>24,661,774</u>	<u>16,138,776</u>	<u>29,230,281</u>
Capital assets being depreciated:				
Buildings and improvements	114,496,517	17,318,235	236,687	131,578,065
Infrastructure	1,545,323	-	-	1,545,323
Machinery and equipment	15,812,087	1,721,962	415,683	17,118,366
Total capital assets being depreciated	<u>131,853,927</u>	<u>19,040,197</u>	<u>652,370</u>	<u>150,241,754</u>
Less accumulated depreciation for:				
Buildings and improvements	35,266,421	3,408,227	166,361	38,508,287
Infrastructure	640,996	71,689	-	712,685
Machinery and equipment	9,581,676	1,403,789	359,619	10,625,846
Total accumulated depreciation	<u>45,489,093</u>	<u>4,883,705</u>	<u>525,980</u>	<u>49,846,818</u>
Total capital assets being depreciated, net	<u>86,364,834</u>	<u>14,156,492</u>	<u>126,390</u>	<u>100,394,936</u>
School Board capital assets, net	<u>\$ 107,072,117</u>	<u>\$ 38,818,266</u>	<u>\$ 16,265,166</u>	<u>\$ 129,625,217</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	\$ 628,556
Board of Elections	13,379
Judicial administration	254,812
Public safety	1,408,653
Public works	152,643
Health and welfare	23,745
Parks, recreation, and cultural	322,488
Community development	16,995
	<hr/>
Total governmental activities	\$ 2,821,271
<b>Primary government – enterprise funds</b>	
Landfill and Recycling Fund	\$ 590,814
Airport Fund	1,109,197
	<hr/>
Total enterprise funds	\$ 1,700,011
<b>Component unit – School Board</b>	\$ 4,883,705
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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
2008	\$ 620,169	\$ 309,573	\$ 135,000	\$ 127,010	\$ 6,145,000	\$ 4,708,205
2009	644,019	284,147	140,000	121,138	6,250,000	3,972,588
2010	678,316	251,390	145,000	115,048	6,210,000	3,653,769
2011	703,083	221,738	155,000	108,377	5,835,000	3,362,170
2012	738,344	190,352	160,000	101,248	5,800,000	3,076,360
2013	655,680	156,736	170,000	93,487	5,490,000	2,794,297
2014	575,000	126,180	175,000	85,242	5,485,000	2,521,732
2015	605,000	95,418	185,000	76,755	4,690,000	2,265,426
2016	635,000	63,050	195,000	67,320	4,690,000	2,025,857
2017	665,000	32,253	205,000	57,375	4,685,000	1,785,560
2018	-	-	215,000	46,920	4,335,000	1,553,901
2019	-	-	225,000	35,955	4,160,000	1,336,794
2020	-	-	235,000	24,480	4,160,000	1,126,434
2021	-	-	245,000	12,495	3,985,000	925,536
2022	-	-	-	-	3,760,000	735,073
2023	-	-	-	-	3,440,000	554,845
2024	-	-	-	-	3,440,000	394,367
2025	-	-	-	-	2,860,000	259,899
2026	-	-	-	-	2,675,000	143,162
2027	-	-	-	-	2,100,000	43,312
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 6,519,611	\$ 1,730,837	\$ 2,585,000	\$ 1,072,850	\$ 90,195,000	\$ 37,239,287

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

The following is a summary of long-term obligations of the County for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007	Amount Due Within One Year
General long-term obligations:					
Capital leases	\$ 7,116,356	\$ -	\$ 596,745	\$ 6,519,611	\$ 620,169
Revenue bonds	2,715,000	-	130,000	2,585,000	135,000
General obligation bonds	55,565,000	39,615,000	4,985,000	90,195,000	6,145,000
Premium on bonds payable	1,607,172	2,262,669	84,929	3,784,912	198,062
Deferred amount on bond issuance costs	-	(239,011)	-	(239,011)	(11,951)
Compensated absences payable	2,987,264	1,912,673	1,807,611	3,092,326	309,232
Incurred but not reported claims	1,032,451	89,782	-	1,122,233	280,558
Total general long-term obligations	<u>\$ 71,023,243</u>	<u>\$ 43,641,113</u>	<u>\$ 7,604,285</u>	<u>\$ 107,060,071</u>	<u>\$ 7,676,070</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%	\$ 5,440,000	\$ 445,000
\$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%	1,079,611	175,169
Total Capital Leases	<u>6,519,611</u>	<u>620,169</u>
Revenue Bonds:		
\$3,075,000 Sewer Revenue Bonds, Series 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>2,585,000</u>	<u>135,000</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%	3,990,000	1,375,000
\$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%	\$ 4,500,000	\$ 450,000

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


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	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds: (continued)		
\$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%	\$ 1,925,000	\$ 175,000
\$3,500,000 Virginia Public School Authority Bonds, Series 1999A, issued November 29, 1999, maturing annually beginning July 15, 2000 through July 15, 2019, with interest payable semiannually at rates from 5.10% to 6.10%	2,275,000	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%	3,195,000	230,000
\$8,495,000 General Obligation School Refunding Bonds, Series 2001, issued July 24, 2001, maturing annually from July 15, 2002 through July 15, 2013, with interest payable semiannually at rates from 3.00% to 4.60%	5,720,000	850,000
\$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%	4,800,000	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%	9,875,000	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%	3,340,000	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%	10,960,000	580,000
\$39,615,000 General Obligation Bond, Series 2006, issued October 11, 2006, maturing annually from July 1, 2007 through July 1, 2026, with interest payable semiannually at rates from 4.125% to 5.00%	<u>39,615,000</u>	<u>1,215,000</u>
Total General Obligation Bonds	<u>90,195,000</u>	<u>6,145,000</u>
Premium on bonds payable	3,784,912	198,062
Deferred amount on bond issuance costs	(239,011)	(11,951)
Compensated absences payable	3,092,326	309,232
Incurred but not reported claims	<u>1,122,233</u>	<u>280,558</u>
Total primary government, governmental, long-term obligations	<u>\$ 107,060,071</u>	<u>\$ 7,676,070</u>

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

**PROPRIETARY FUNDS**

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

Fiscal Year	Capital Leases		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ -	\$ -	\$ 375,000	\$ 49,075	\$ 16,281	\$ 2,925
2009	298,000	45,892	395,000	32,200	17,294	1,913
2010	298,000	34,419	410,000	16,400	18,362	844
2011	298,000	22,946	-	-	-	-
2012	298,000	11,473	-	-	-	-
Total	\$ 1,192,000	\$ 114,730	\$ 1,180,000	\$ 97,675	\$ 51,937	\$ 5,682

Payment for July 1, 2007 was made in June 2007 to meet the July 1, 2007 due date.

The following is a summary of long-term obligations of the enterprise funds for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007	Amount Due Within One Year
Enterprise fund long-term obligations:					
Capital leases	\$ -	\$ 1,490,000	\$ 298,000	\$ 1,192,000	\$ 298,000
Revenue bonds	1,540,000	-	360,000	1,180,000	375,000
Notes payable	-	51,937	-	51,937	16,281
Premium on bonds payable	52,652	-	13,735	38,917	13,735
Compensated absences payable	69,197	74,052	49,258	93,991	9,399
Landfill closure and postclosure liability	7,304,014	942,908	-	8,246,922	-
Deferred amount on refunding	(45,839)	11,958	-	(33,881)	(11,958)
Advances from other funds	35,000	103,651	35,000	103,651	-
Total enterprise fund long-term obligations	\$ 8,955,024	\$ 2,674,506	\$ 755,993	\$ 10,873,537	\$ 700,457

Details of long-term obligations are as follows:

	Amount Outstanding	Amount Due Within One Year
Capital Leases:		
\$1,490,000 Equipment capital lease, dated November 30, 2006 payable in annual installments beginning July 1, 2007 through July 1, 2011, with interest payable annually at 3.850%. The equipment capitalized as of June 30, 2007 is \$878,710 less accumulated depreciation of \$83,344. Interest earned on the unspent portion will be used to purchase capital assets.	\$ 1,192,000	\$ 298,000

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, with interest payable semiannually at 3.71%	\$ 1,180,000	\$ 375,000
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**NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)**

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
Notes Payable:		
\$51,936 Assumption of equipment note payable, dated May 29, 2007 payable in semi-annual installments beginning November 29, 2007 through May 29, 2010, with interest payable semiannually at 6.00%.	\$ <u>51,937</u>	\$ <u>16,281</u>
Premium on bonds payable	38,917	13,735
Compensated absences payable	93,991	9,399
Landfill closure and postclosure liability	8,246,922	-
Deferred amount on refunding	(33,881)	(11,958)
Advances from other funds	<u>103,651</u>	<u>-</u>
Total proprietary fund long-term obligations	\$ <u><u>10,873,537</u></u>	\$ <u><u>700,457</u></u>

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

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

Fiscal Year	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 226,003	\$ 27,780
2009	234,907	18,875
2010	<u>244,163</u>	<u>9,620</u>
Total	\$ <u><u>705,073</u></u>	\$ <u><u>56,275</u></u>

The following is a summary of long-term obligations of the School Board for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2007</u>	<u>Amount Due Within One Year</u>
General long-term obligations:					
Capital leases	\$ -	\$ 949,400	\$ 244,327	\$ 705,073	\$ 226,003
Compensated absences payable	<u>3,794,685</u>	<u>3,613,874</u>	<u>3,147,831</u>	<u>4,260,728</u>	<u>426,073</u>
Total general long-term obligations	\$ <u><u>3,794,685</u></u>	\$ <u><u>4,563,274</u></u>	\$ <u><u>3,392,158</u></u>	\$ <u><u>4,965,801</u></u>	\$ <u><u>652,076</u></u>

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

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Details of long-term obligations are as follows:

	Amount Outstanding	Amount Due Within One Year
Capital Leases:		
\$949,400 School equipment, issued September 1, 2006, due in annual installments beginning December 1, 2006 through December 1, 2009, with interest payable annually at 3.94%. The equipment capitalized as of June 30, 2007 is \$949,400 less accumulated depreciation of \$237,350.	\$ 705,073	\$ 226,003
Compensated absences payable, component unit	4,260,728	426,073
Total component unit long-term obligations	\$ 4,965,801	\$ 652,076

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**NOTE 10 – CONSTRUCTION COMMITMENTS**

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At June 30, 2007, the County has several major projects in its capital projects fund under construction which are summarized below. These balances are included in the capital projects fund reservation for encumbrances.

Project Name	Contractor	Contract Amount	Expended to Date	Balance
Liberty HVAC	Shapiro & Duncan	\$ 5,873,412	\$ 5,699,823	\$ 173,589
Northern Sports Complex	SW Rodgers Co., Inc	9,927,108	7,815,838	2,111,270
	Miller Brothers	3,576,504	3,110,010	466,494
Data Center Renovation	Advanced Technical	570,573	473,201	97,372
Cedar Lee Renovation	Taft Construction	1,712,416	778,319	934,097
Kettle Run High School	Howard Shockey	53,687,383	16,583,171	37,104,212
Total		\$ 75,347,396	\$ 34,460,362	\$ 40,887,034

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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.asp> 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 2007 were 6.89% and 2.04% of the annual covered payroll, respectively. The total contribution made on behalf of the County and School Board non-professional employees totaled 11.89% and 7.04% 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, 2007, 2006, and 2005, were \$9,015,638, \$6,744,332, and \$5,924,300 respectively, and these contributions represented 14.20%, 11.62%, and 11.03% respectively, of current covered payroll.

**C. Annual pension cost**

For fiscal year 2007, the County's annual pension cost of \$3,058,841 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 6.89% employer's share. For fiscal year 2007, the School Board's annual pension cost for non-professional employees of \$417,634 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 2.04% 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 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments.

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

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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 20 years or less.

**D. Trend information**

County:

<u>Fiscal Year Ending</u>		<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$	2,215,582	100%	\$ -
June 30, 2006		2,427,673	100%	-
June 30, 2007		3,058,841	100%	-

Component unit – School Board:

<u>Fiscal Year Ending</u>		<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$	200,264	100%	\$ -
June 30, 2006		192,560	100%	-
June 30, 2007		417,634	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 credit of \$4.00 per month for each year of VRS service 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, 2007, the contribution made by the School Board was \$495,101. 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 AWARD 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, 2007 the program membership consisted of the following:

Eligible Members	133
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 prior to January 1, 1985, and \$10 per year of service completed between January 1, 1985 and January 1, 1995, 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, 2007 totaled \$257,115. 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, 2007 the plan had net assets available for benefits totaling \$727,891. Unfunded past service costs total \$829,170 and will be fully amortized in 5 years. The plan additions fund the cost of administering the plan.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2005	\$ 249,582	100%
June 30, 2006	239,491	100%
June 30, 2007	257,115	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 \$2,695,000 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, 2007 the defeased bonds had balances outstanding of \$1,180,000.

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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 \$8,246,922 reported as landfill closure and postclosure care liability at June 30, 2007, represents the cumulative amount reported based on the use of 98.35% of the estimated capacity of the old landfill, the use of 32.77% of the estimated capacity of the new landfill, and the closure costs for the C & D Recycling facility. The County will recognize the remaining estimated cost of closure and postclosure care of \$84,051 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 \$6,590,623 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 2007. The County expects to close the old landfill in December 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, 2007:

**Primary government**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Primary Government
<b>Reserved for:</b>				
Encumbrances	\$ 149,846	\$ 41,058,636	\$ -	\$ 41,208,482
Long-term receivables	103,651	-	-	103,651
Grants	119,057	-	-	119,057
<b>Total</b>	<b>\$ 372,554</b>	<b>\$ 41,058,636</b>	<b>\$ -</b>	<b>\$ 41,431,190</b>

**Component unit – School Board**

	School General Fund	School Textbook Fund	Food Nutrition Fund	Total Component unit – School Board
<b>Reserved for:</b>				
Encumbrances	\$ 655,076	\$ -	\$ -	\$ 655,076
Donations	5,000	-	-	5,000
Inventories	-	-	46,371	46,371
<b>Total</b>	<b>\$ 660,076</b>	<b>\$ -</b>	<b>\$ 46,371</b>	<b>\$ 706,447</b>

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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 2007 budget and the appropriation of undesignated fund balance for utilization in a future period.

Designated Fund Balances as of June 30, 2007:

**Primary government**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Primary Government
<b>Designated for:</b>				
Armory	\$ 25,000	\$ -	\$ -	\$ 25,000
Future years' expenditures	<u>4,432,788</u>	<u>-</u>	<u>-</u>	<u>4,432,788</u>
Total	<u>\$ 4,457,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,457,788</u>

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.

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

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

**C. Fire and Rescue Association component**

The Fire and Rescue Association (Association) contract administration is handled through the Risk Management Division. The Association carries commercial insurance for the property, automobile, and liability coverage. Companion covers the workers' compensation policy and Provident carries the accident 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>2006</u>	<u>2007</u>
Unpaid claims, beginning of fiscal year	\$ 1,246,360	\$ 1,032,451
Incurred claims, (including IBNR)	10,364,164	11,387,025
Claim payments	<u>10,578,073</u>	<u>11,297,243</u>
Unpaid claims, end of fiscal year	\$ <u>1,032,451</u>	\$ <u>1,122,233</u>

**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 21.82% of the regional jail's operating expenses, including debt service totaling \$1,386,948 in fiscal year 2007.

**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 2007, Fauquier County contributed a total of \$157,669.

**Mountain Vista Regional Governor's School**

The Mountain Vista Regional Governor's School was established in 2007 by seven school divisions (Clarke County, Culpeper County, Fauquier County, Frederick County, Rappahannock County, Warren County, and the City of Winchester) to jointly own and operate a regional governor's school. The governing board has appointed Fauquier County to serve as fiscal agent of the governor's school. Each of the seven school divisions contribute annually based on the number of students each school board proposes to send to the governor's school. In fiscal year 2007, Fauquier County contributed a total of \$177,654 with \$515,072 contributed from the other participating counties.

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**NOTE 19 – RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

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**Rappahannock-Rapidan Planning District Commission**

The Rappahannock-Rapidan Planning District Commission was created by resolution pursuant to state statute and is considered a jointly governed organization. The County appoints two of the 17 board members, however, the County cannot impose its will on the board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board. The board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

**Rappahannock-Rapidan Community Services Board**

The Rappahannock-Rapidan Community Services Board was created by resolution pursuant to state statute and is considered a jointly governed organization. The County appoints two of the 14 board members, however, the County cannot impose its will on the board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board. The board is fiscally independent and there is no financial burden relationship with the County. Therefore, it is not included in the County's financial statements.

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**NOTE 20 – SURETY BONDS**

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<u>Commonwealth of Virginia Faithful Performance of Duty Bond Plan (Obligee) by and through Travelers Casualty and Surety Company of America of Hartford, Connecticut – Surety</u>	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
<u>Virginia Municipal Liability Pool – Public Employees Dishonesty Coverage</u>	
All County employees and volunteers	\$ 500,000
<u>Virginia Association of Counties Group Self Insurance Risk Pool</u>	
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, 32 Waterloo Street	34,829
Economic Development Office, 35 Culpeper Street	16,500
Tax Reassessor's Office, 183-1 Keith Street	1,045
Department of Social Services, 70 Main Street	62,908

All leases are subject to annual appropriation of rental payments.

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**NOTE 22 – SUBSEQUENT EVENTS**

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In September 2007, the Board of Supervisors authorized participation in the Fall 2007 Virginia Public School Authority sale and issuance of general obligation bonds up to the maximum principal amount of \$35,905,000. Proceeds of the bonds issued will be used to finance various school construction projects.

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**NOTE 23 – IMPLEMENTED AND PENDING GASB STATEMENTS**

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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 pension plan. 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 is effective for fiscal periods beginning after December 15, 2006 based on the implementation schedule of GASB Statement No. 34. VRS, as the manager of a multiple employer plan, is expected to implement this standard in fiscal year 2007. As a participating employer in the VRS administered plan, the County will be implementing this standard in conjunction with GASB 45 in fiscal year 2009.

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. As the County is a Phase II government, this statement is effective for fiscal periods beginning after December 15, 2007. The County is prepared to implement this statement in fiscal year 2009.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. This statement is effective for fiscal periods beginning after December 15, 2006. The County has implemented this statement.

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation*. This statement establishes a framework for the recognition and measurement of pollution remediation liabilities. A pollution remediation obligation addresses the current or potential detrimental effects of existing pollution by participation in pollution remediation activities. This statement is effective for fiscal periods beginning after December 15, 2007. The County has not implemented this statement.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures*. This statement requires defined benefit pension plans and defined contribution plans to disclose in the notes to financial statements and required supplemental information, additional information to improve the transparency and decision usefulness of financial reporting. This statement is effective for periods beginning after June 15, 2007. The County will be implementing this standard in the next fiscal year.

In June 2007, GASB issued Statement No. 51, *Accounting for Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Guidance is provided relating to the accounting and financial reporting for intangible assets to reduce inconsistencies in reporting and improve comparability among the state and local governments. This statement is effective for periods beginning after June 15, 2009. The County has not implemented this statement.

**REQUIRED SUPPLEMENTARY INFORMATION**

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Schedule of Funding Progress  
 Virginia Retirement System and Fire and Rescue Pension Trust Length of Service Awards Program  
 Fiscal Year Ended June 30, 2007

Virginia Retirement System

County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
June 30, 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%
June 30, 2006	43,234,605	47,872,482	4,637,877	90.31%	23,200,006	20.0%

Component unit – School Board:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
June 30, 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%
June 30, 2006	11,913,748	10,387,398	(1,526,350)	114.69%	3,553,397	-43.0%

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio
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%
December 31, 2006	741,241	1,570,411	829,170	47.2%

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**

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### **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, 2007

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Revenues</b>				
Revenue from use of money	\$ -	\$ 380,318	\$ 2,558,940	\$ 2,178,622
Charges for services	-	-	57,983	57,983
Gifts and donations	-	-	3,500,000	3,500,000
Miscellaneous revenue	-	4,000	19,465	15,465
Intergovernmental:				
Commonwealth of Virginia	-	(120,000)	-	120,000
Federal Government	-	-	41,280	41,280
Total revenues	-	264,318	6,177,668	5,913,350
<b>Expenditures</b>				
Capital Projects Fund:				
Capital outlay:				
General government	2,026,953	1,987,539	804,970	1,182,569
Public safety	869,860	1,455,127	1,092,582	362,545
Public works	2,255,000	2,084,403	73,959	2,010,444
Education	578,682	672,944	130,000	542,944
Parks, recreation, and cultural	1,227,773	1,471,652	161,411	1,310,241
Total capital outlay	6,958,268	7,671,665	2,262,922	5,408,743
Capital projects:				
Judicial administration:				
Courthouse	263,773	263,773	92,404	171,369
Public safety:				
Detention center	119,674	144,674	29,600	115,074
Radio safety	165,858	169,858	129,432	40,426
Total public safety	\$ 285,532	\$ 314,532	\$ 159,032	\$ 155,500

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, 2007

	<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)				
Public works:				
SPCA facility expansion	\$ 534,000	\$ 534,000	\$ 75,000	\$ 459,000
Total public works	<u>534,000</u>	<u>534,000</u>	<u>75,000</u>	<u>459,000</u>
Education:				
Auburn middle school	1,155,325	655,325	121,896	533,429
Cedar Lee middle school	2,692,288	2,692,288	984,138	1,708,150
Fauquier high school - greenhouse	100,400	275,698	7,395	268,303
High school track and tennis	123,410	-	-	-
Kettle Run high school	36,694,000	62,798,677	18,610,504	44,188,173
Land - Kettle Run high school	-	(796,514)	(796,514)	-
Liberty high school	1,561,912	1,281,812	937,489	344,323
Greenville elementary school	9,000,000	9,000,000	582,336	8,417,664
New elementary school #12	1,760,688	1,760,688	2,752	1,757,936
Pearson elementary school - roof	27,675	-	-	-
Thompson elementary school	<u>2,606,737</u>	<u>3,106,737</u>	<u>2,968,883</u>	<u>137,854</u>
Total education	<u>55,722,435</u>	<u>80,774,711</u>	<u>23,418,879</u>	<u>57,355,832</u>
Parks, recreation, and cultural:				
Bealeton depot	77,178	77,178	3,294	73,884
John Barton Payne library	684,505	684,505	666,366	18,139
Land - Leeper property	-	460,000	459,311	689
Land - County portion of Lunceford property	-	796,514	796,514	-
Monroe park	527,423	527,423	478,698	48,725
New Baltimore library	256,379	256,379	61,770	194,609
Northern swimming pool	1,398,266	903,266	116,735	786,531
Sports complex	12,246,513	13,666,831	9,461,188	4,205,643
Vint Hill - hvac	76,179	6,400	6,400	-
Vint Hill - pool	<u>43,920</u>	<u>43,920</u>	<u>21,976</u>	<u>21,944</u>
Total parks, recreation, and cultural	<u>15,310,363</u>	<u>17,422,416</u>	<u>12,072,252</u>	<u>5,350,164</u>
Community development:				
Airport sewer project	<u>(19,328)</u>	<u>31,172</u>	<u>3,724</u>	<u>27,448</u>
Total capital projects	<u>\$ 72,096,775</u>	<u>\$ 99,340,604</u>	<u>\$ 35,821,291</u>	<u>\$ 63,519,313</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, 2007

	<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	\$ 389,476	\$ 389,476	\$ -	\$ 389,476
Principal retirement	-	130,000	130,000	-
Interest charges	(6,499)	132,665	132,665	-
Bond issuance costs	(28,306)	282,815	282,815	-
Fiscal charges	-	3,500	3,500	-
Total debt service	<u>354,671</u>	<u>938,456</u>	<u>548,980</u>	<u>389,476</u>
Total expenditures	<u>79,409,714</u>	<u>107,950,725</u>	<u>38,633,193</u>	<u>69,317,532</u>
Excess (deficiency) of revenues over expenditures	<u>(79,409,714)</u>	<u>(107,686,407)</u>	<u>(32,455,525)</u>	<u>75,230,882</u>
<b>Other financing sources (uses)</b>				
Transfers in	4,334,688	9,905,543	9,905,543	-
Issuance of debt	45,694,000	45,694,000	39,615,000	(6,079,000)
Premiums on issuance of debt	-	1,821,533	2,262,669	441,136
Total other financing sources (uses)	<u>50,028,688</u>	<u>57,421,076</u>	<u>51,783,212</u>	<u>(5,637,864)</u>
Net change in fund balances	(29,381,026)	(50,265,331)	19,327,687	69,593,018
Fund balances, beginning	26,119,450	26,119,450	26,119,450	-
Fund balances, ending	<u>\$ (3,261,576)</u>	<u>\$ (24,145,881)</u>	<u>\$ 45,447,137</u>	<u>\$ 69,593,018</u>

## 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. Effective January 1, 2007, House Bill 568 repealed section 58.1-3813.1 of the *Code of Virginia* requiring these taxes to be accounted for in a special revenue fund. This fund was incorporated into the general fund during FY2007 will not be required to be reported in FY2008.

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.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 15  
Page 1 of 2

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007

	Joint Communications Fund	Parks and Recreation Fund	Library Fund	Conservation Easement Service District Fund
<b>Assets</b>				
Cash and investments	\$ -	\$ 162,238	\$ 67,641	\$ 2,112,413
Receivables, net of allowance for uncollectibles:				
Taxes, including penalties	-	-	-	196,704
Accounts	-	100,000	-	-
Other assets	-	-	-	-
Total assets	<u>-</u>	<u>262,238</u>	<u>67,641</u>	<u>2,309,117</u>
<b>Liabilities</b>				
Accounts payable	-	-	47	34
Accrued liabilities	-	-	-	-
Deferred revenue	-	-	-	80,432
Escrows	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>47</u>	<u>80,466</u>
<b>Fund balances</b>				
Unreserved:				
Undesignated	-	262,238	67,594	2,228,651
Total fund balances	<u>-</u>	<u>262,238</u>	<u>67,594</u>	<u>2,228,651</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 262,238</u>	<u>\$ 67,641</u>	<u>\$ 2,309,117</u>

<u>Fire and Rescue Fund</u>	<u>Proffer Fund</u>	<u>Affordable Housing Fund</u>	<u>Vint Hill Transportation Fund</u>	<u>Total Non-Major Governmental Funds</u>	
\$ 2,170,134	\$ 2,483,443	\$ 285,466	\$ 610,620	\$ 7,891,955	<b>Assets</b>
					Cash and investments
232,950	-	-	-	429,654	Receivables, net of allowance for uncollectibles:
74,927	-	-	-	174,927	Taxes, including penalties
18,293	-	-	-	18,293	Accounts
					Other assets
<u>2,496,304</u>	<u>2,483,443</u>	<u>285,466</u>	<u>610,620</u>	<u>8,514,829</u>	Total assets
					<b>Liabilities</b>
101,177	-	935	-	102,193	Accounts payable
58	-	-	-	58	Accrued liabilities
166,470	-	-	-	246,902	Deferred revenue
-	802,222	-	-	802,222	Escrows
<u>267,705</u>	<u>802,222</u>	<u>935</u>	<u>-</u>	<u>1,151,375</u>	Total liabilities
					<b>Fund balances</b>
<u>2,228,599</u>	<u>1,681,221</u>	<u>284,531</u>	<u>610,620</u>	<u>7,363,454</u>	Unreserved:
					Undesignated
<u>2,228,599</u>	<u>1,681,221</u>	<u>284,531</u>	<u>610,620</u>	<u>7,363,454</u>	Total fund balances
<u>\$ 2,496,304</u>	<u>\$ 2,483,443</u>	<u>\$ 285,466</u>	<u>\$ 610,620</u>	<u>\$ 8,514,829</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, 2007

	Joint Communications Fund	Parks and Recreation Fund	Library Fund	Conservation Easement Service District Fund	Fire and Rescue Fund
<b>Revenues</b>					
General property taxes	\$ -	\$ -	\$ -	\$ 1,356,892	\$ 4,324,160
Other local taxes	623,798	-	-	-	-
Revenue from use of money and property	-	7,512	3,312	-	-
Charges for services	3,135	-	-	-	-
Gifts and donations	-	133,198	2,734	500,000	-
Recovered costs	265	-	-	-	4,067
Miscellaneous revenue	750	-	-	-	10,414
Intergovernmental:					
Commonwealth of Virginia	134,042	-	-	-	173,421
<b>Total revenues</b>	<u>761,990</u>	<u>140,710</u>	<u>6,046</u>	<u>1,856,892</u>	<u>4,512,062</u>
<b>Expenditures</b>					
Current operating:					
Public safety	1,891,494	-	-	-	3,477,148
Parks, recreation, and cultural	-	1,018	3,325	-	-
Community development	-	-	-	1,831,716	-
<b>Total expenditures</b>	<u>1,891,494</u>	<u>1,018</u>	<u>3,325</u>	<u>1,831,716</u>	<u>3,477,148</u>
Excess (deficiency) of revenues over expenditures	<u>(1,129,504)</u>	<u>139,692</u>	<u>2,721</u>	<u>25,176</u>	<u>1,034,914</u>
<b>Other financing sources (uses)</b>					
Transfers in	1,041,375	-	-	-	38,793
Transfers (out)	(19,812)	-	-	-	(168,612)
<b>Total other financing sources (uses)</b>	<u>1,021,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,819)</u>
<b>Net change in fund balances</b>	<u>(107,941)</u>	<u>139,692</u>	<u>2,721</u>	<u>25,176</u>	<u>905,095</u>
Fund balances, beginning	107,941	122,546	64,873	2,203,475	1,323,504
Fund balances, ending	<u>\$ -</u>	<u>\$ 262,238</u>	<u>\$ 67,594</u>	<u>\$ 2,228,651</u>	<u>\$ 2,228,599</u>

Proffer Fund	Affordable Housing Fund	Vint Hill Transportation Fund	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ 5,681,052	<b>Revenues</b>
-	-	-	623,798	General property taxes
79,117	-	29,984	119,925	Other local taxes
-	-	-	3,135	Revenue from use of money and property
254,458	-	-	890,390	Charges for services
-	-	-	4,332	Gifts and donations
-	23,935	50,873	85,972	Recovered costs
-	-	-	307,463	Miscellaneous revenue
-	-	-		Intergovernmental:
-	-	-		Commonwealth of Virginia
<u>333,575</u>	<u>23,935</u>	<u>80,857</u>	<u>7,716,067</u>	Total revenues
				<b>Expenditures</b>
-	-	-	5,368,642	Current operating:
-	-	-	4,343	Public safety
-	54,382	-	1,886,098	Parks, recreation, and cultural
-	-	-		Community development
-	54,382	-	7,259,083	Total expenditures
<u>333,575</u>	<u>(30,447)</u>	<u>80,857</u>	<u>456,984</u>	Excess (deficiency) of revenues over expenditures
				<b>Other financing sources (uses)</b>
-	289,000	-	1,369,168	Transfers in
-	-	-	(188,424)	Transfers (out)
-	289,000	-	1,180,744	Total other financing sources (uses)
333,575	258,553	80,857	1,637,728	Net change in fund balances
1,347,646	25,978	529,763	5,725,726	Fund balances, beginning
<u>\$ 1,681,221</u>	<u>\$ 284,531</u>	<u>\$ 610,620</u>	<u>\$ 7,363,454</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, 2007

Primary Government	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Special Revenue Funds:				
<b>Revenues</b>				
Other local taxes	\$ 1,274,121	\$ 602,263	\$ 623,798	\$ 21,535
Charges for services	-	-	3,135	3,135
Recovered costs	2,000	2,000	265	(1,735)
Miscellaneous revenue	-	-	750	750
Intergovernmental:				
Commonwealth of Virginia	72,316	132,489	134,042	1,553
Total revenues	<u>1,348,437</u>	<u>736,752</u>	<u>761,990</u>	<u>25,238</u>
<b>Expenditures</b>				
Current operating:				
Public safety	1,797,362	1,945,664	1,891,494	54,170
Total expenditures	<u>1,797,362</u>	<u>1,945,664</u>	<u>1,891,494</u>	<u>54,170</u>
Excess (deficiency) of revenues over expenditures	<u>(448,925)</u>	<u>(1,208,912)</u>	<u>(1,129,504)</u>	<u>79,408</u>
<b>Other financing sources (uses)</b>				
Transfers in	448,925	1,120,783	1,041,375	(79,408)
Transfers (out)	-	(19,812)	(19,812)	-
Total other financing sources (uses)	<u>448,925</u>	<u>1,100,971</u>	<u>1,021,563</u>	<u>(79,408)</u>
Net change in fund balances	-	(107,941)	(107,941)	-
Fund balances, beginning	107,941	107,941	107,941	-
Fund balances, ending	<u>\$ 107,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**COUNTY OF FAUQUIER, VIRGINIA**

Exhibit 18

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Conservation Easement Service District Fund  
Fiscal Year Ended June 30, 2007**

<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:				
<b>Revenues</b>				
General property taxes	\$ 1,350,000	\$ 1,350,000	\$ 1,356,892	\$ 6,892
Gifts and donations	500,000	500,000	500,000	-
Intergovernmental:				
Commonwealth of Virginia	-	213,500	-	(213,500)
<b>Total revenues</b>	<u>1,850,000</u>	<u>2,063,500</u>	<u>1,856,892</u>	<u>(206,608)</u>
<b>Expenditures</b>				
Current operating:				
Community development	1,850,000	4,266,929	1,831,716	2,435,213
<b>Total expenditures</b>	<u>1,850,000</u>	<u>4,266,929</u>	<u>1,831,716</u>	<u>2,435,213</u>
Excess (deficiency) of revenues over expenditures	-	(2,203,429)	25,176	2,228,605
Net change in fund balances	-	(2,203,429)	25,176	2,228,605
Fund balances, beginning	2,203,475	2,203,475	2,203,475	-
Fund balances, ending	<u>\$ 2,203,475</u>	<u>\$ 46</u>	<u>\$ 2,228,651</u>	<u>\$ 2,228,605</u>

**COUNTY OF FAUQUIER, VIRGINIA**

Exhibit 19

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Fire and Rescue Fund  
Fiscal Year Ended June 30, 2007**

<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:				
<b>Revenues</b>				
General property taxes	\$ 4,261,272	\$ 4,261,272	\$ 4,324,160	\$ 62,888
Recovered costs	-	4,067	4,067	-
Miscellaneous revenue	-	9,043	10,414	1,371
Intergovernmental:				
Commonwealth of Virginia	162,221	173,421	173,421	-
Total revenues	<u>4,423,493</u>	<u>4,447,803</u>	<u>4,512,062</u>	<u>64,259</u>
<b>Expenditures</b>				
Current operating:				
Public safety	3,311,089	4,672,396	3,477,148	1,195,248
Total expenditures	<u>3,311,089</u>	<u>4,672,396</u>	<u>3,477,148</u>	<u>1,195,248</u>
Excess (deficiency) of revenues over expenditures	<u>1,112,404</u>	<u>(224,593)</u>	<u>1,034,914</u>	<u>1,259,507</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	38,793	38,793	-
Transfers (out)	<u>(1,112,404)</u>	<u>(1,137,704)</u>	<u>(168,612)</u>	<u>969,092</u>
Total other financing sources (uses)	<u>(1,112,404)</u>	<u>(1,098,911)</u>	<u>(129,819)</u>	<u>969,092</u>
Net change in fund balances	-	(1,323,504)	905,095	2,228,599
Fund balances, beginning	1,323,504	1,323,504	1,323,504	-
Fund balances, ending	<u>\$ 1,323,504</u>	<u>\$ -</u>	<u>\$ 2,228,599</u>	<u>\$ 2,228,599</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 20

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Affordable Housing Fund  
Fiscal Year Ended June 30, 2007

	<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:				
<b>Revenues</b>				
Miscellaneous revenue	\$ -	\$ 73,848	\$ 23,935	\$ (49,913)
Total revenues	<u>-</u>	<u>73,848</u>	<u>23,935</u>	<u>(49,913)</u>
<b>Expenditures</b>				
Current operating:				
Community development	<u>-</u>	<u>362,848</u>	<u>54,382</u>	<u>(308,466)</u>
Total expenditures	<u>-</u>	<u>362,848</u>	<u>54,382</u>	<u>(308,466)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(289,000)</u>	<u>(30,447)</u>	<u>258,553</u>
<b>Other financing sources (uses)</b>				
Transfers in	<u>-</u>	<u>289,000</u>	<u>289,000</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>289,000</u>	<u>289,000</u>	<u>-</u>
Net change in fund balances	-	-	258,553	258,553
Fund balances, beginning	25,978	25,978	25,978	-
Fund balances, ending	<u>\$ 25,978</u>	<u>\$ 25,978</u>	<u>\$ 284,531</u>	<u>\$ 258,553</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 21

Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2007

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ -	\$ 6,817,825	\$ 6,817,825
Receivables, net of allowances for uncollectibles	81,492	-	81,492
Prepaid expenses	-	77,113	77,113
Inventories	172,741	-	172,741
Total current assets	254,233	6,894,938	7,149,171
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Machinery and equipment	116,346	-	116,346
Total capital assets	116,346	-	116,346
Total noncurrent assets	116,346	-	116,346
Total assets	370,579	6,894,938	7,265,517
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	78,159	9,891	88,050
Due to other funds	13,704	-	13,704
Unearned revenue	-	304,718	304,718
Compensated absences	8,878	-	8,878
Current portion of incurred but not reported claims	-	280,558	280,558
Total current liabilities	100,741	595,167	695,908
Noncurrent liabilities:			
Compensated absences	79,905	-	79,905
Noncurrent portion of incurred but not reported claims	-	841,675	841,675
Total noncurrent liabilities	79,905	841,675	921,580
Total liabilities	180,646	1,436,842	1,617,488
<b>Net Assets</b>			
Invested in capital assets, net of related debt	116,346	-	116,346
Unrestricted	73,587	5,458,096	5,531,683
Total net assets	189,933	5,458,096	5,648,029
Total liabilities and net assets	\$ 370,579	\$ 6,894,938	\$ 7,265,517

**COUNTY OF FAUQUIER, VIRGINIA**

**Exhibit 22**

**Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Internal Service Funds  
Fiscal Year Ended June 30, 2007**

	<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	\$ 2,848,584	\$ 14,043,696	\$ 16,892,280
Forfeitures	-	7,197	7,197
Total operating revenues	<u>2,848,584</u>	<u>14,050,893</u>	<u>16,899,477</u>
<b>Operating expenses</b>			
Personal services	586,968	-	586,968
Fringe benefits	209,953	-	209,953
Claims and benefits paid	-	11,387,025	11,387,025
Premiums	-	2,166,126	2,166,126
Contractual services	105,409	96,367	201,776
Other operating expenses	1,959,120	33,202	1,992,322
Depreciation	14,491	-	14,491
Total operating expenses	<u>2,875,941</u>	<u>13,682,720</u>	<u>16,558,661</u>
Operating income (loss)	<u>(27,357)</u>	<u>368,173</u>	<u>340,816</u>
<b>Nonoperating revenues (expenses)</b>			
Interest income	-	338,090	338,090
Total nonoperating revenues (expenses)	<u>-</u>	<u>338,090</u>	<u>338,090</u>
Income (loss) before transfers	<u>(27,357)</u>	<u>706,263</u>	<u>678,906</u>
<b>Capital contributions - transfer of asset</b>	2,069	-	2,069
<b>Transfers (out)</b>	<u>(2,000)</u>	<u>-</u>	<u>(2,000)</u>
Change in net assets	<u>(27,288)</u>	<u>706,263</u>	<u>678,975</u>
Net assets - beginning	217,221	4,751,833	4,969,054
Net assets - ending	<u>\$ 189,933</u>	<u>\$ 5,458,096</u>	<u>\$ 5,648,029</u>

**Combining Statement of Cash Flows  
Internal Service Funds  
Fiscal Year Ended June 30, 2007**

	<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	\$ 2,828,198	\$ 13,984,868	\$ 16,813,066
Payment to suppliers and other operating activities	(2,052,522)	(13,585,860)	(15,638,382)
Payment to employees (including fringes)	(781,979)	-	(781,979)
Forfeitures	-	7,197	7,197
Net cash provided by (used in) operating activities	<u>(6,303)</u>	<u>406,205</u>	<u>399,902</u>
<b>Cash Flow from Noncapital Financing Activities</b>			
Transfers (out)	(2,000)	-	(2,000)
Interfund loan	13,704	-	13,704
Net cash provided by noncapital financing activities	<u>11,704</u>	<u>-</u>	<u>11,704</u>
<b>Cash Flow from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(20,761)	-	(20,761)
Net cash provided by (used in) capital and related financing activities	<u>(20,761)</u>	<u>-</u>	<u>(20,761)</u>
<b>Cash Flow from Investing Activities</b>			
Interest	-	338,090	338,090
Net cash provided by investing activities	<u>-</u>	<u>338,090</u>	<u>338,090</u>
Net increase (decrease) in cash and cash equivalents	(15,360)	744,295	728,935
Cash and cash equivalents - beginning of the year	15,360	6,073,530	6,088,890
Cash and cash equivalents - end of the year	<u>-</u>	<u>6,817,825</u>	<u>6,817,825</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities</b>			
Cash flows from operations:			
Operating income (loss)	(27,357)	368,173	340,816
Adjustment to reconcile net income to net cash provided by operations:			
Depreciation	14,491	-	14,491
Changes in operating assets and liabilities:			
(Increase) in receivables	(20,386)	(77,113)	(97,499)
(Decrease) in incurred but not reported claims	-	89,781	89,781
(Increase) in inventory	19,291	-	19,291
(Decrease) in accounts payable	(7,284)	-	(7,284)
Increase in unearned revenue	-	18,285	18,285
(Decrease) in accrued liabilities	14,942	7,079	22,021
Net cash provided by (used in) operating activities	<u>\$ (6,303)</u>	<u>\$ 406,205</u>	<u>\$ 399,902</u>

## **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.

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COUNTY OF FAUQUIER, VIRGINIA

Exhibit 24

Combining Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2007

	Agency Funds					Total
	Street Light Levy Fund	Working Together Fund	Special Welfare Fund	Service to Outside Agencies Fund	Detention Center Fund	
<b>Assets</b>						
Cash and investments	\$ 26,146	\$ 12,475	\$ 27,874	\$ -	\$ -	\$ 66,495
Cash in custody of others	-	-	-	-	49,639	49,639
Receivables, net of allowance for uncollectibles:						
Taxes, including penalties	444	-	-	-	-	444
Accounts	-	-	-	171,650	-	171,650
Total assets	<u>26,590</u>	<u>12,475</u>	<u>27,874</u>	<u>171,650</u>	<u>49,639</u>	<u>288,228</u>
<b>Liabilities</b>						
Accounts payable	1,077	-	-	126,430	-	127,507
Deferred revenue	280	-	-	-	-	280
Amount held for clients/others	<u>25,233</u>	<u>12,475</u>	<u>27,874</u>	<u>45,220</u>	<u>49,639</u>	<u>160,441</u>
Total liabilities	<u>\$ 26,590</u>	<u>\$ 12,475</u>	<u>\$ 27,874</u>	<u>\$ 171,650</u>	<u>\$ 49,639</u>	<u>\$ 288,228</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 25  
Page 1 of 2

Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Fiscal Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b>Street Light Levy Fund</b>				
Assets:				
Cash and cash equivalents	\$ 26,529	\$ 11,940	\$ 12,323	\$ 26,146
Receivables, net of allowance for uncollectibles:				
Taxes, including penalties	-	444	-	444
Accounts	240	-	240	-
	<u>26,769</u>	<u>12,384</u>	<u>12,563</u>	<u>26,590</u>
Total assets				
	<u>26,769</u>	<u>12,384</u>	<u>12,563</u>	<u>26,590</u>
Liabilities:				
Accounts payable	909	1,077	909	1,077
Deferred revenue	-	280	-	280
Amounts held for subsequent expense	25,860	11,027	11,654	25,233
	<u>25,860</u>	<u>11,027</u>	<u>11,654</u>	<u>25,233</u>
Total liabilities	<u>\$ 26,769</u>	<u>\$ 12,384</u>	<u>\$ 12,563</u>	<u>\$ 26,590</u>
<b>Working Together Fund</b>				
Assets:				
Cash and cash equivalents	\$ 12,175	\$ 48,792	\$ 48,492	\$ 12,475
Liabilities:				
Amounts held for subsequent expense	\$ 12,175	\$ 48,792	\$ 48,492	\$ 12,475
<b>Special Welfare Fund</b>				
Assets:				
Cash and cash equivalents	\$ 19,565	\$ 112,532	\$ 104,223	\$ 27,874
Liabilities:				
Amounts held for social service clients	\$ 19,565	\$ 112,532	\$ 104,223	\$ 27,874
<b>Service to Outside Agencies Fund</b>				
Assets:				
Cash and cash equivalents	\$ 49,551	\$ 1,576,727	\$ 1,626,278	\$ -
Accounts receivable	-	171,650	-	171,650
	<u>49,551</u>	<u>1,748,377</u>	<u>1,626,278</u>	<u>171,650</u>
Total assets				
	<u>49,551</u>	<u>1,748,377</u>	<u>1,626,278</u>	<u>171,650</u>
Liabilities:				
Accounts payable	3,546	127,010	4,126	126,430
Amounts held for subsequent expense	46,005	1,621,367	1,622,152	45,220
	<u>46,005</u>	<u>1,621,367</u>	<u>1,622,152</u>	<u>45,220</u>
Total liabilities	<u>\$ 49,551</u>	<u>\$ 1,748,377</u>	<u>\$ 1,626,278</u>	<u>\$ 171,650</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 25  
Page 2 of 2

Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Fiscal Year Ended June 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
<b>Detention Center Fund</b>				
Assets:				
Cash and cash equivalents:				
Cash - canteen account	\$ 40,397	\$ 57,586	\$ 57,504	\$ 40,479
Cash - inmate accounts	3,709	96,478	94,583	5,604
Cash - work release	1,138	92,949	90,531	3,556
Total assets	<u>45,244</u>	<u>247,013</u>	<u>242,618</u>	<u>49,639</u>
Liabilities:				
Amounts held for prisoners	\$ <u>45,244</u>	\$ <u>247,013</u>	\$ <u>242,618</u>	\$ <u>49,639</u>
<b>Total - All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 153,064	\$ 1,997,004	\$ 2,033,934	\$ 116,134
Accounts receivable	<u>240</u>	<u>172,094</u>	<u>240</u>	<u>172,094</u>
Total assets	<u>153,304</u>	<u>2,169,098</u>	<u>2,034,174</u>	<u>288,228</u>
Liabilities:				
Amounts held for social service clients	19,565	112,532	104,223	27,874
Other liabilities	88,495	1,809,553	1,687,333	210,715
Amount held for prisoners	<u>45,244</u>	<u>247,013</u>	<u>242,618</u>	<u>49,639</u>
Total liabilities	\$ <u>153,304</u>	\$ <u>2,169,098</u>	\$ <u>2,034,174</u>	\$ <u>288,228</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.

The *Regional Governor's School Agency Fund* is used to account for funds collected from seven school divisions for the purpose of operating the Mountain Vista Governor's School. The County serves as the fiscal agent for these funds.

**COUNTY OF FAUQUIER, VIRGINIA**

**Exhibit 26**

**Combining Balance Sheet  
Discretely Presented Component Unit – School Board  
June 30, 2007**

	<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	\$ 7,377,322	\$ 111	\$ 932,661	\$ 8,310,094
Accounts receivable	77,109	808	7,826	85,743
Prepaid expenses	2,739,329	-	-	2,739,329
Inventory	-	-	46,371	46,371
Due from other governmental units	2,875,795	-	51,042	2,926,837
	<u>13,069,555</u>	<u>919</u>	<u>1,037,900</u>	<u>14,108,374</u>
<b>Liabilities</b>				
Accounts payable	818,977	-	58,442	877,419
Accrued liabilities	11,586,752	-	218,643	11,805,395
Deferred revenue	2,400	-	58,370	60,770
	<u>12,408,129</u>	<u>-</u>	<u>335,455</u>	<u>12,743,584</u>
<b>Fund balances</b>				
Reserved for:				
Encumbrances	655,076	-	-	655,076
Donations	5,000	-	-	5,000
Inventories	-	-	46,371	46,371
Unreserved:				
Undesignated	1,350	919	656,074	658,343
	<u>661,426</u>	<u>919</u>	<u>702,445</u>	<u>1,364,790</u>
Total liabilities and fund balances	<u>\$ 13,069,555</u>	<u>\$ 919</u>	<u>\$ 1,037,900</u>	<u>\$ 14,108,374</u>

**COUNTY OF FAUQUIER, VIRGINIA**

**Exhibit 27**

**Reconciliation of the Balance Sheet of the Governmental Funds  
to the Statement of Net Assets  
Discretely Presented Component Unit – School Board  
June 30, 2007**

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**Total fund balances - discretely presented component unit - School Board** **\$ 1,364,790**

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. 129,625,217

Long-term liabilities consist of compensated absences and capital leases, which are not due and payable in the current year and therefore not reported as liabilities .  
in the governmental funds.

Compensated absences	(4,260,728)	
Capital lease - due within one year	(705,073)	
Accrued interest payable	<u>(16,205)</u>	(4,982,006)

**Net assets of governmental activities** **\$ 126,008,001**

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 28

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Discretely Presented Component Unit – School Board  
Fiscal Year Ended June 30, 2007

	Governmental Funds			
	School General Fund	School Textbook Fund	Food Nutrition Fund	Total Governmental Funds
<b>Revenues</b>				
Revenue from use of money and property	\$ 11,617	\$ -	\$ 1,315	\$ 12,932
Charges for services	397,377	3,402	2,992,144	3,392,923
Gifts and donations	10,140	-	-	10,140
Recovered costs	80,425	37	149	80,611
Miscellaneous revenue	544,464	-	-	544,464
Intergovernmental:				
Contribution from primary government	71,561,815	-	-	71,561,815
Commonwealth of Virginia	36,840,913	392,702	59,837	37,293,452
Federal Government	3,949,951	-	914,019	4,863,970
<b>Total revenues</b>	<b>113,396,702</b>	<b>396,141</b>	<b>3,967,464</b>	<b>117,760,307</b>
<b>Expenditures</b>				
Current operating:				
Education	114,096,293	773,957	3,892,275	118,762,525
<b>Total expenditures</b>	<b>114,096,293</b>	<b>773,957</b>	<b>3,892,275</b>	<b>118,762,525</b>
Excess (deficiency) of revenues over expenditures	(699,591)	(377,816)	75,189	(1,002,218)
<b>Other financing sources (uses)</b>				
Transfers in	-	348,347	-	348,347
Transfers (out)	(348,347)	-	-	(348,347)
Issuance of debt/ capital leases	949,400	-	-	949,400
<b>Total other financing sources (uses)</b>	<b>601,053</b>	<b>348,347</b>	<b>-</b>	<b>949,400</b>
Net change in fund balances	(98,538)	(29,469)	75,189	(52,818)
Fund balances, beginning	759,964	30,388	627,256	1,417,608
Fund balances, ending	\$ 661,426	\$ 919	\$ 702,445	\$ 1,364,790

**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, 2007**

**Net change in fund balances - discretely presented component unit - School Board** **\$ (52,818)**

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 24,390,924

Donation of capital asset 1,000,000

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	2,172,271	
Depreciation	(4,883,705)	(2,711,434)

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. (126,390)

Principal payments on capital leases are reported as an expenditure in governmental funds. However, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. 244,327

Proceeds from the issuance of long-term debt are reported as other financing sources governmental funds, increasing fund balance. In the government-wide statements, new debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. This represents the principal amounts of new capital leases. (949,400)

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, accrued interest in the current year. (482,248)

**Change in net assets of governmental activities** **\$ 21,312,961**

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Discretely Presented Component Unit – School Board  
Fiscal Year Ended June 30, 2007

	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	\$ -	\$ -	\$ 11,617	\$ 11,617	\$ -	\$ -	\$ -
Charges for services	824,853	321,500	397,377	75,877	-	-	3,402
Gifts and donations	-	-	10,140	10,140	-	-	-
Recovered costs	11,000	11,000	80,425	69,425	-	-	37
Miscellaneous revenue	101,000	132,500	544,464	411,964	-	-	-
Intergovernmental:							
Contribution from primary government	72,496,993	75,375,542	71,561,815	(3,813,727)	-	-	-
Commonwealth of Virginia	37,737,986	37,526,541	36,840,913	(685,628)	401,653	401,653	392,702
Federal Government	3,646,442	4,012,609	3,949,951	(62,658)	-	-	-
Total revenues	<u>114,818,274</u>	<u>117,379,692</u>	<u>113,396,702</u>	<u>(3,982,990)</u>	<u>401,653</u>	<u>401,653</u>	<u>396,141</u>
<b>Expenditures</b>							
Current operating:							
Education:							
Instruction	92,717,069	93,420,843	91,679,840	1,741,003	750,000	780,388	773,957
Administration, attendance, and health	4,265,156	4,316,956	4,191,937	125,019	-	-	-
Public transportation services	6,659,154	7,410,457	7,712,873	(302,416)	-	-	-
Operation and maintenance services	10,426,895	12,177,053	10,257,860	1,919,193	-	-	-
School food services	-	-	-	-	-	-	-
Debt service:							
Principal retirement	-	244,327	244,327	-	-	-	-
Interest and fiscal charges	-	9,456	9,456	-	-	-	-
Total education	<u>114,068,274</u>	<u>117,579,092</u>	<u>114,096,293</u>	<u>3,482,799</u>	<u>750,000</u>	<u>780,388</u>	<u>773,957</u>
Total expenditures	<u>114,068,274</u>	<u>117,579,092</u>	<u>114,096,293</u>	<u>3,482,799</u>	<u>750,000</u>	<u>780,388</u>	<u>773,957</u>
Excess (deficiency) of revenues over expenditures	<u>750,000</u>	<u>(199,400)</u>	<u>(699,591)</u>	<u>(500,191)</u>	<u>(348,347)</u>	<u>(378,735)</u>	<u>(377,816)</u>
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	-	348,347	348,347	348,347
Transfers (out)	(750,000)	(750,000)	(348,347)	401,653	-	-	-
Issuance of debt	-	949,400	949,400	-	-	-	-
Total other financing sources (uses)	<u>(750,000)</u>	<u>199,400</u>	<u>601,053</u>	<u>401,653</u>	<u>348,347</u>	<u>348,347</u>	<u>348,347</u>
Net change in fund balances	-	-	(98,538)	(98,538)	-	(30,388)	(29,469)
Fund balances, beginning	759,964	759,964	759,964	-	30,388	30,388	30,388
Fund balances, ending	<u>\$ 759,964</u>	<u>\$ 759,964</u>	<u>\$ 661,426</u>	<u>\$ (98,538)</u>	<u>\$ 30,388</u>	<u>\$ -</u>	<u>\$ 919</u>

Fund	Food Nutrition Fund			Variance From Amended Positive (Negative)	
	Original Budget	Amended Budget	Actual		
\$	-	\$ 700	\$ 700	\$ 1,315	\$ 615
	3,402	2,881,643	2,881,643	2,992,144	110,501
	-	-	-	-	-
	37	172,200	172,200	149	(172,051)
	-	-	-	-	-
	-	-	-	-	-
	(8,951)	58,771	58,771	59,837	1,066
	-	842,573	842,573	914,019	71,446
	(5,512)	3,955,887	3,955,887	3,967,464	11,577
	6,431	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	4,089,870	4,089,870	3,892,275	197,595
	-	-	-	-	-
	-	-	-	-	-
	6,431	4,089,870	4,089,870	3,892,275	197,595
	6,431	4,089,870	4,089,870	3,892,275	197,595
	919	(133,983)	(133,983)	75,189	209,172
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	919	(133,983)	(133,983)	75,189	209,172
	-	627,256	627,256	627,256	-
\$	919	\$ 493,273	\$ 493,273	\$ 702,445	\$ 209,172

**Revenues**

Revenue from use of money and property
Charges for services
Gifts and donations
Recovered costs
Miscellaneous revenue
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
Debt service:
Principal retirement
Interest and fiscal charges
Total education
Total expenditures

Excess (deficiency) of revenues over expenditures

**Other financing sources (uses)**

Transfers in
Transfers (out)
Issuance of debt
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, 2007**

	<u>Trust Fund</u> <u>Crockett Scholarship</u> <u>Private-Purpose</u> <u>Fund</u>	<u>Agency</u> <u>Funds</u>
<b>Assets</b>		
Cash and investments	\$ 488,945	\$ 1,761,040
Land	94,200	-
Accounts receivable	-	6,464
Total assets	<u>583,145</u>	<u>1,767,504</u>
<b>Liabilities</b>		
Accounts payable	-	2,352
Accrued liabilities	-	46,406
Amounts held for clients/others	-	1,718,746
Total liabilities	<u>-</u>	<u>\$ 1,767,504</u>
<b>Net Assets</b>		
Held in trust for scholarships	<u>583,145</u>	
Total net assets	<u>\$ 583,145</u>	

**Statement of Changes in Fiduciary Net Assets**  
**Discretely Presented Component Unit – School Board**  
**Fiscal Year Ended June 30, 2007**

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	<b>Crockett Scholarship Private-Purpose Trust Fund</b>
<b>Additions</b>	
Investment income	\$ <u>24,577</u>
Total additions	<u>24,577</u>
<b>Deductions</b>	
Scholarships awarded	22,500
Administrative fees	<u>2,258</u>
Total deductions	<u>24,758</u>
Change in net assets	(181)
Net assets - beginning	<u>583,326</u>
Net assets - ending	<u>\$ <u>583,145</u></u>

**COUNTY OF FAUQUIER, VIRGINIA**

**Exhibit 33**

**Combining Statement of Fiduciary Assets and Liabilities  
Discretely Presented Component Unit – School Board  
Agency Funds  
June 30, 2007**

	<b>Agency Funds</b>		
	<b>Mountain Vista Regional Governor's School Fund</b>	<b>Student Activity Fund</b>	<b>Total</b>
	<b>Fund</b>	<b>Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 119,162	\$ 1,641,878	\$ 1,761,040
Accounts receivable	6,464	-	6,464
Total assets	<u>125,626</u>	<u>1,641,878</u>	<u>1,767,504</u>
<b>Liabilities</b>			
Accounts payable	2,352	-	2,352
Accrued liabilities	46,406	-	46,406
Amounts held for clients/others	76,868	1,641,878	1,718,746
Total liabilities	<u>\$ 125,626</u>	<u>\$ 1,641,878</u>	<u>\$ 1,767,504</u>

**Combining Statement of Changes in Assets and Liabilities  
Discretely Presented Component Unit – School Board  
Agency Funds  
Fiscal Year Ended June 30, 2007**

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
<b>Mountain Vista Regional Governor's School Fund</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 932,850	\$ 813,688	\$ 119,162
Accounts receivable	-	6,464	-	6,464
Total assets	<u>-</u>	<u>939,314</u>	<u>813,688</u>	<u>125,626</u>
Liabilities:				
Accounts payable	-	2,352	-	2,352
Accrued liabilities	-	46,406	-	46,406
Amounts held for subsequent expense	-	890,556	813,688	76,868
Total liabilities	<u>\$ -</u>	<u>\$ 939,314</u>	<u>\$ 813,688</u>	<u>\$ 125,626</u>
<b>Student Activity Fund</b>				
Assets:				
Cash and cash equivalents	\$ 1,455,583	\$ 4,072,108	\$ 3,885,813	\$ 1,641,878
Total assets	<u>1,455,583</u>	<u>4,072,108</u>	<u>3,885,813</u>	<u>1,641,878</u>
Liabilities:				
Due to student groups	1,455,583	4,072,108	3,885,813	1,641,878
Total liabilities	<u>\$ 1,455,583</u>	<u>\$ 4,072,108</u>	<u>\$ 3,885,813</u>	<u>\$ 1,641,878</u>
<b>Total - All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 1,455,583	\$ 5,004,958	\$ 4,699,501	\$ 1,761,040
Accounts receivable	-	6,464	-	6,464
Total assets	<u>1,455,583</u>	<u>5,011,422</u>	<u>4,699,501</u>	<u>1,767,504</u>
Liabilities:				
Accounts payable	-	2,352	-	2,352
Accrued liabilities	-	46,406	-	46,406
Amounts held for clients/others	1,455,583	4,962,664	4,699,501	1,718,746
Total liabilities	<u>\$ 1,455,583</u>	<u>\$ 5,011,422</u>	<u>\$ 4,699,501</u>	<u>\$ 1,767,504</u>

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**OTHER SUPPLEMENTARY INFORMATION**

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COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2007

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	\$ 73,093,658	\$ 73,093,658	\$ 69,476,625	\$ (3,617,033)
Real and personal public service corporation property taxes	3,500,000	3,500,000	4,245,926	745,926
Personal property taxes	19,256,504	19,256,504	20,875,055	1,618,551
Penalties	811,000	811,000	801,172	(9,828)
Interest	350,000	350,000	365,812	15,812
	<u>97,011,162</u>	<u>97,011,162</u>	<u>95,764,590</u>	<u>(1,246,572)</u>
Total general property taxes				
Other local taxes:				
Local sales and use taxes	8,000,000	8,000,000	7,565,111	(434,889)
Consumers' utility taxes	3,120,000	3,791,858	3,804,003	12,145
Business license taxes	1,500,000	1,500,000	1,286,470	(213,530)
Cable TV franchise taxes	155,000	155,000	223,912	68,912
Motor vehicle taxes	1,521,000	1,521,000	69,473	(1,451,527)
Bank stock taxes	173,000	173,000	180,371	7,371
Taxes on recordation and wills	2,820,000	2,820,000	2,082,839	(737,161)
Lodging tax	120,276	120,276	113,426	(6,850)
	<u>17,409,276</u>	<u>18,081,134</u>	<u>15,325,605</u>	<u>(2,755,529)</u>
Total other local taxes				
Permits, privilege fees, and regulatory licenses:				
Animal licenses	5,000	5,000	6,757	1,757
Building and related permits	2,155,720	2,282,859	1,896,086	(386,773)
Weapons permits	2,000	2,000	4,519	2,519
Zoning permits and fees	197,280	197,280	132,069	(65,211)
Land use application fees	13,000	13,000	247,895	234,895
	<u>2,373,000</u>	<u>2,500,139</u>	<u>2,287,326</u>	<u>(212,813)</u>
Total permits, privilege fees, and regulatory licenses				
Fines and forfeitures:				
Court fines and forfeitures	508,480	508,480	526,235	17,755
Revenue from use of money and property:				
Revenue from use of money	1,400,000	1,400,000	1,490,885	90,885
Revenue from use of property	388,764	388,764	425,307	36,543
	<u>1,788,764</u>	<u>1,788,764</u>	<u>1,916,192</u>	<u>127,428</u>
Total revenue from use of money and property				

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2007

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	\$ 2,300	\$ 2,300	\$ 5,275	\$ 2,975
Charges for court services	621,942	621,942	392,845	(229,097)
Charges for public safety	142,250	142,250	206,511	64,261
Charges for parks and recreation	501,093	506,209	500,667	(5,542)
Charges for social services	-	-	39,596	39,596
Charges for library	60,000	60,000	58,334	(1,666)
Charges for planning and community development	52,828	52,828	34,663	(18,165)
<b>Total charges for services</b>	<b>1,380,413</b>	<b>1,385,529</b>	<b>1,237,891</b>	<b>(147,638)</b>
Gifts and donations:				
Donations	4,000	4,000	5,080	1,080
Recovered costs:				
Warrenton Community Center	-	-	19,156	19,156
Medical reimbursement - prisoners	4,500	4,500	11,299	6,799
Home incarceration fees	20,000	20,000	9,909	(10,091)
Board of prisoner - other localities	2,000	2,000	1,100	(900)
Other government charges	10,500	10,500	10,500	-
Work release	60,000	60,000	72,579	12,579
CSA shared cost	35,983	35,983	54,341	18,358
Insurance recoveries	-	50,894	51,786	892
Advertising	1,400	1,400	722	(678)
Miscellaneous recovered costs	3,000	3,000	5,661	2,661
<b>Total recovered costs</b>	<b>137,383</b>	<b>188,277</b>	<b>237,053</b>	<b>48,776</b>
Miscellaneous revenue:				
Sale of salvage and surplus property	17,600	21,805	17,644	(4,161)
Other miscellaneous revenue	44,090	97,624	99,288	1,664
<b>Total miscellaneous revenue</b>	<b>61,690</b>	<b>119,429</b>	<b>116,932</b>	<b>(2,497)</b>
<b>Total revenue from local sources</b>	<b>120,674,168</b>	<b>121,586,914</b>	<b>117,416,904</b>	<b>(4,170,010)</b>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	27,893	27,893	27,893	-
Wine taxes	29,237	29,237	29,237	-
Rolling stock tax	69,676	69,676	60,478	(9,198)
Mobile home titling taxes	29,678	29,678	57,119	27,441
Auto rental tax	17,700	17,700	14,672	(3,028)
Recordation tax reimbursement	500,000	500,000	432,040	(67,960)
Commonwealth PPTRA	13,659,496	13,659,496	13,654,504	(4,992)
Commonwealth PPTRA - delinquent	-	-	(16,132)	(16,132)
<b>Total noncategorical aid</b>	<b>\$ 14,333,680</b>	<b>\$ 14,333,680</b>	<b>\$ 14,259,811</b>	<b>\$ (73,869)</b>

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2007

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	\$ 355,737	\$ 355,737	\$ 425,017	\$ 69,280
Sheriff	3,066,615	3,066,615	3,420,864	354,249
Commissioner of the revenue	175,800	175,800	198,803	23,003
Treasurer	172,161	172,161	184,873	12,712
Medical examiner	1,000	1,000	150	(850)
Registrar/electoral board	58,943	58,943	71,971	13,028
Clerk of the circuit court	480,000	480,000	456,853	(23,147)
Jail	200,000	200,000	300,012	100,012
Total shared expenses	<u>4,510,256</u>	<u>4,510,256</u>	<u>5,058,543</u>	<u>548,287</u>
Welfare:				
Welfare administration and assistance	923,753	981,873	925,818	(56,055)
Comprehensive Services Act	1,237,938	1,237,938	1,130,082	(107,856)
Child Support Payments	22,742	22,742	27,808	5,066
Total welfare	<u>2,184,433</u>	<u>2,242,553</u>	<u>2,083,708</u>	<u>(158,845)</u>
Other categorical aid:				
Administrative	-	4,845	37,013	32,168
Judicial and legal	194,352	200,184	219,645	19,461
Comprehensive Community Corrections Act	225,284	240,954	242,254	1,300
TRIAD grant program	-	-	2,025	2,025
Rural access to emergency devices	-	41,602	-	(41,602)
Sheriff	15,000	15,000	11,216	(3,784)
Juvenile community control act and accountability grant	51,478	51,478	51,478	-
Armory	8,933	30,833	33,059	2,226
Library aid	194,611	194,611	206,227	11,616
Disability service board grant	-	-	7,750	7,750
Total other categorical aid	<u>689,658</u>	<u>779,507</u>	<u>810,667</u>	<u>31,160</u>
Total categorical aid	<u>7,384,347</u>	<u>7,532,316</u>	<u>7,952,918</u>	<u>420,602</u>
Total revenue from the Commonwealth	<u>\$ 21,718,027</u>	<u>\$ 21,865,996</u>	<u>\$ 22,212,729</u>	<u>\$ 346,733</u>

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2007

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:				
Cops technology	\$ -	\$ 74,042	\$ 74,042	\$ -
DEA group 33	-	36,715	36,715	-
Transportation safety	-	34,415	34,415	-
Emergency management assistance	-	13,000	13,000	-
Law enforcement terrorist prevention	-	136,151	136,151	-
Byrne grant	-	60,120	90,175	30,055
First responder preparedness	-	61,953	61,953	-
Welfare administrative and assistance	2,343,957	2,363,480	2,630,669	267,189
Miscellaneous federal revenue	-	8,229	8,229	-
Total categorical aid	<u>2,343,957</u>	<u>2,788,105</u>	<u>3,085,349</u>	<u>297,244</u>
Total revenue from the Federal Government	<u>2,343,957</u>	<u>2,788,105</u>	<u>3,085,349</u>	<u>297,244</u>
 Total General Fund	 <u>144,736,152</u>	 <u>146,241,015</u>	 <u>142,714,982</u>	 <u>(3,526,033)</u>
 Special Revenue Funds:				
Joint Communications Fund:				
Revenue from local sources:				
Other local taxes:				
E-911 telephone tax	<u>1,274,121</u>	<u>602,263</u>	<u>623,798</u>	<u>21,535</u>
Charges for services:				
Charges for street signs	<u>-</u>	<u>-</u>	<u>3,135</u>	<u>3,135</u>
Recovered costs:				
Miscellaneous recovered costs	<u>2,000</u>	<u>2,000</u>	<u>265</u>	<u>(1,735)</u>
Miscellaneous revenue:				
Other miscellaneous revenue	<u>-</u>	<u>-</u>	<u>750</u>	<u>750</u>
Total revenue from local sources	<u>1,276,121</u>	<u>604,263</u>	<u>627,948</u>	<u>23,685</u>
Revenue from the Commonwealth:				
Categorical aid:				
E-911 wireless services	72,316	120,677	122,230	1,553
Emergency medical dispatch	<u>-</u>	<u>11,812</u>	<u>11,812</u>	<u>-</u>
Total revenue from the Commonwealth	<u>72,316</u>	<u>132,489</u>	<u>134,042</u>	<u>1,553</u>
Total Joint Communications Fund	<u>\$ 1,348,437</u>	<u>\$ 736,752</u>	<u>\$ 761,990</u>	<u>\$ 25,238</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, 2007

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	\$ -	\$ -	\$ 7,512	\$ 7,512
Gifts and donations:				
Donations	-	-	133,198	133,198
Total revenue from local sources	-	-	140,710	140,710
Total Parks and Recreation Fund	-	-	140,710	140,710
Library Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	3,312	3,312
Gifts and donations:				
Donations	-	-	2,734	2,734
Total revenue from local sources	-	-	6,046	6,046
Total Library Fund	-	-	6,046	6,046
Conservation Easement Service District Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	1,350,000	1,350,000	1,278,924	(71,076)
Real and personal public service corporation property taxes	-	-	69,413	69,413
Penalties	-	-	6,617	6,617
Interest	-	-	1,938	1,938
Total general property taxes	1,350,000	1,350,000	1,356,892	6,892
Gifts and donations:				
PDR contributions	500,000	500,000	500,000	-
Total revenue from local sources	1,850,000	1,850,000	1,856,892	6,892
Revenue from the Commonwealth:				
Other categorical aid:				
Virginia land conservation grant	-	213,500	-	(213,500)
Total revenue from the Commonwealth	-	213,500	-	(213,500)
Total Conservation Easement Service District Fund	\$ 1,850,000	\$ 2,063,500	\$ 1,856,892	\$ (206,608)

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2007

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:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,240,946	\$ 4,240,946	\$ 4,051,433	\$ (189,513)
Real and personal public service corporation property taxes	-	-	242,937	242,937
Penalty	11,705	11,705	22,068	10,363
Interest	8,621	8,621	7,722	(899)
Total general property taxes	<u>4,261,272</u>	<u>4,261,272</u>	<u>4,324,160</u>	<u>62,888</u>
Recovered costs:				
Miscellaneous recovered costs	-	4,067	4,067	-
Miscellaneous revenue:				
Other miscellaneous revenue	-	9,043	10,414	1,371
Total revenue from local sources	<u>4,261,272</u>	<u>4,274,382</u>	<u>4,338,641</u>	<u>64,259</u>
Revenue from the Commonwealth:				
Categorical aid:				
Two for life funds	54,427	58,016	58,016	-
Fire programs	107,794	115,405	115,405	-
Total categorical aid	<u>162,221</u>	<u>173,421</u>	<u>173,421</u>	<u>-</u>
Total revenue from the Commonwealth	<u>162,221</u>	<u>173,421</u>	<u>173,421</u>	<u>-</u>
Total Fire and Rescue Fund	<u><u>4,423,493</u></u>	<u><u>4,447,803</u></u>	<u><u>4,512,062</u></u>	<u><u>64,259</u></u>
Proffer Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	79,117	79,117
Gifts and donations:				
Proffers	-	-	254,458	254,458
Total revenue from local sources	<u>-</u>	<u>-</u>	<u>333,575</u>	<u>333,575</u>
Total Proffer Fund	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>333,575</u></u>	<u><u>333,575</u></u>
Affordable Housing Fund				
Revenue from local sources:				
Miscellaneous revenue:				
Affordable housing	-	73,848	23,935	(49,913)
Total revenue from local sources	<u>-</u>	<u>73,848</u>	<u>23,935</u>	<u>(49,913)</u>
Total Affordable Housing Fund	<u><u>\$ -</u></u>	<u><u>\$ 73,848</u></u>	<u><u>\$ 23,935</u></u>	<u><u>\$ (49,913)</u></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, 2007

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	\$ -	\$ -	\$ 29,984	\$ 29,984
Miscellaneous revenue:				
Proffer revenue	-	-	50,873	50,873
Total revenue from local sources	-	-	80,857	80,857
Total Vint Hill Transportation Fund	-	-	80,857	80,857
Total Special Revenue Funds	7,621,930	7,321,903	7,716,067	394,164
Capital Projects Funds:				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	380,318	2,558,940	2,178,622
Charges for services:				
Sewer tap fees	-	-	57,983	57,983
Gifts and donations:				
Mellon donation	-	-	3,500,000	3,500,000
Miscellaneous revenue:				
Other miscellaneous revenue	-	4,000	19,465	15,465
Total revenue from local sources	-	384,318	6,136,388	5,752,070
Revenue from the Commonwealth:				
Other categorical aid:				
Central regional law conservation grant	-	(120,000)	-	120,000
Total revenue from the Commonwealth	-	(120,000)	-	120,000
Revenue from the Federal Government:				
Categorical aid:				
TEA-21 grant	-	-	28,682	28,682
Salem Meeting House grant	-	-	12,598	12,598
Total revenue from the Federal Government	-	-	41,280	41,280
Total Capital Projects Fund	-	264,318	6,177,668	5,913,350
Grand Total Revenue – Primary Government	\$ 152,358,082	\$ 153,827,236	\$ 156,608,717	\$ 2,781,481

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2007

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:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 11,617	\$ 11,617
Charges for services:				
Charges for education	824,853	321,500	397,377	75,877
Gifts and donations:				
Local donations	-	-	5,000	5,000
Flex program	-	-	5,140	5,140
Total gifts and donations	-	-	10,140	10,140
Recovered costs:				
Recovered costs	11,000	11,000	80,425	69,425
Miscellaneous revenue:				
Rebates and refunds	101,000	101,000	444,954	343,954
Other miscellaneous revenue	-	31,500	99,510	68,010
Total miscellaneous revenue	101,000	132,500	544,464	411,964
Total revenue from local sources	936,853	465,000	1,044,023	579,023
Intergovernmental:				
Contribution from primary government	72,496,993	75,375,542	71,561,815	(3,813,727)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales taxes	12,326,873	12,326,873	11,875,298	(451,575)
Basic school aid	16,878,482	16,878,482	17,044,850	166,368
Remedial summer school	77,786	77,786	84,219	6,433
Regular foster care	59,973	59,973	40,633	(19,340)
Gifted and talented	161,750	161,750	160,558	(1,192)
Remedial education	145,970	145,970	144,894	(1,076)
Special education	1,984,396	1,984,396	1,998,172	13,776
Textbook payments	401,653	401,653	-	(401,653)
Vocational education - SOQ	465,524	465,524	462,094	(3,430)
Social security instructional	911,323	911,323	904,608	(6,715)
Teacher retirement instructional	1,163,811	1,163,811	1,147,403	(16,408)
Group life insurance instructional	59,177	59,177	54,825	(4,352)
Early reading intervention	58,193	58,193	47,343	(10,850)
Lottery	918,543	918,543	907,779	(10,764)
School standard of learning	544,000	544,000	518,000	(26,000)
Special education - homebound	58,057	58,057	30,199	(27,858)
Regional programs	139,100	139,100	42,046	(97,054)
Occupational education	65,998	65,998	51,148	(14,850)
ISAEP	15,717	15,717	15,717	-
Salary supplement	351,116	351,116	430,766	79,650
Algebra readiness initiative	20,360	20,360	20,207	(153)
At risk youth	74,981	74,981	74,073	(908)

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2007

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 Commonwealth: (continued)				
Categorical aid: (continued)				
Alternative education	\$ 107,635	\$ 107,635	\$ 108,831	\$ 1,196
Primary class size	165,237	165,237	158,161	(7,076)
Summer regional governor school	223,709	12,264	-	(12,264)
English as a second language	113,029	113,029	137,570	24,541
Other state funds	66,039	66,039	201,884	135,845
School construction	179,554	179,554	179,635	81
Total categorical aid	<u>37,737,986</u>	<u>37,526,541</u>	<u>36,840,913</u>	<u>(685,628)</u>
Total revenue from the Commonwealth	<u>37,737,986</u>	<u>37,526,541</u>	<u>36,840,913</u>	<u>(685,628)</u>
Revenue from the Federal Government:				
Categorical aid:				
Adult basic education	60,072	68,020	59,471	(8,549)
Title I	669,935	773,185	744,304	(28,881)
Title V	33,690	33,690	16,076	(17,614)
Teaching American history grant	316,681	316,681	298,687	(17,994)
Title VI-B - Special education	1,895,991	2,100,989	2,274,715	173,726
Vocational education	103,490	103,490	110,765	7,275
Title II	302,862	302,862	263,292	(39,570)
Drug free schools	41,060	41,060	9,304	(31,756)
English language acquisition	24,254	55,669	56,188	519
Sliver grant	14,897	14,897	-	(14,897)
Assistive technology	-	18,556	18,556	-
Pre-school incentive (VI-B)	61,510	61,510	29,510	(32,000)
ROTC	35,000	35,000	57,854	22,854
Miscellaneous federal revenue	87,000	87,000	11,229	(75,771)
Total categorical aid	<u>3,646,442</u>	<u>4,012,609</u>	<u>3,949,951</u>	<u>(62,658)</u>
Total revenue from the Federal Government	<u>3,646,442</u>	<u>4,012,609</u>	<u>3,949,951</u>	<u>(62,658)</u>
Total School General Fund	<u>114,818,274</u>	<u>117,379,692</u>	<u>113,396,702</u>	<u>(3,982,990)</u>
School Textbook Fund:				
Revenue from local sources:				
Recovered costs:				
Recovered costs	-	-	37	37
Miscellaneous revenue				
Other miscellaneous revenue	-	-	3,402	3,402
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,439</u>	<u>\$ 3,439</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, 2007

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Component Unit – School Board (continued)</b>				
School Textbook Fund: (continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Textbook program	\$ 401,653	\$ 401,653	\$ 392,702	\$ (8,951)
Total revenue from the Commonwealth	<u>401,653</u>	<u>401,653</u>	<u>392,702</u>	<u>(8,951)</u>
Total School Textbook Fund	<u>401,653</u>	<u>401,653</u>	<u>396,141</u>	<u>(5,512)</u>
Food Nutrition Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	<u>700</u>	<u>700</u>	<u>1,315</u>	<u>615</u>
Charges for services:				
Cafeteria sales	<u>2,881,643</u>	<u>2,881,643</u>	<u>2,992,144</u>	<u>110,501</u>
Recovered costs:				
Miscellaneous recovered costs	<u>172,200</u>	<u>172,200</u>	<u>149</u>	<u>(172,051)</u>
Total revenue from local sources	<u>3,054,543</u>	<u>3,054,543</u>	<u>2,993,608</u>	<u>(60,935)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program	<u>58,771</u>	<u>58,771</u>	<u>59,837</u>	<u>1,066</u>
Total revenue from the Commonwealth	<u>58,771</u>	<u>58,771</u>	<u>59,837</u>	<u>1,066</u>
Revenue from the Federal Government:				
Categorical aid:				
School food program	<u>842,573</u>	<u>842,573</u>	<u>914,019</u>	<u>71,446</u>
Total revenue from the Federal Government	<u>842,573</u>	<u>842,573</u>	<u>914,019</u>	<u>71,446</u>
Total Food Nutrition Fund	<u>3,955,887</u>	<u>3,955,887</u>	<u>3,967,464</u>	<u>11,577</u>
Grand Total Revenues – Component Unit – School Board	<u>119,175,814</u>	<u>121,737,232</u>	<u>117,760,307</u>	<u>(3,976,925)</u>
Grand Total Revenues – Reporting Entity	<u>\$ 271,533,896</u>	<u>\$ 275,564,468</u>	<u>\$ 274,369,024</u>	<u>\$ (1,195,444)</u>

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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	Assessed Value and Estimated Actual Value of Personal Property
Table 5-C	Tax Relief for the Elderly
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 12	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.*

COUNTY OF FAUQUIER, VIRGINIA

Table 1

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

Page 1 of 2

	2003	2004	2005
<b>Governmental Activities:</b>			
Invested in capital assets, net of related debt	\$ 18,009,998	\$ 26,618,952	\$ 40,644,055
Restricted	44,233,311	37,942,314	18,850,455
Unrestricted	<u>(18,111,238)</u>	<u>(23,890,674)</u>	<u>(7,813,527)</u>
Subtotal governmental activities net assets	<u>44,132,071</u>	<u>40,670,592</u>	<u>51,680,983</u>
<b>Business-type Activities:</b>			
Invested in capital assets, net of related debt	13,520,705	14,850,983	20,621,416
Restricted	-	-	-
Unrestricted	<u>(1,066,254)</u>	<u>(2,187,668)</u>	<u>(2,956,053)</u>
Subtotal business-type activities net assets	<u>12,454,451</u>	<u>12,663,315</u>	<u>17,665,363</u>
<b>Primary Government:</b>			
Invested in capital assets, net of related debt	31,530,703	41,469,935	61,265,471
Restricted	44,233,311	37,942,314	18,850,455
Unrestricted	<u>(19,177,492)</u>	<u>(26,078,342)</u>	<u>(10,769,580)</u>
<b>Total Primary Government net assets</b>	<u>56,586,522</u>	<u>53,333,907</u>	<u>69,346,346</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
Unrestricted	<u>(3,177,264)</u>	<u>(3,059,243)</u>	<u>(3,322,698)</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>
<b>Total Reporting Entity: (3)</b>			
Invested in capital assets, net of related debt	76,325,010	87,881,798	109,038,526
Restricted	44,233,311	37,942,314	18,850,455
Unrestricted	<u>13,821,081</u>	<u>17,677,237</u>	<u>33,882,111</u>
<b>Total Reporting Entity net assets</b>	<u>\$ 134,379,402</u>	<u>\$ 143,501,349</u>	<u>\$ 161,771,092</u>

- (1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB 34, the new reporting standard, in FY 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.

2006	2007	
		<b>Governmental Activities:</b>
\$ 53,879,240	\$ 65,945,291	Invested in capital assets, net of related debt
12,274,124	11,751,955	Restricted
<u>(17,383,106)</u>	<u>(33,924,630)</u>	Unrestricted
48,770,258	43,772,616	Subtotal governmental activities net assets
		<b>Business-type Activities:</b>
26,282,531	29,787,320	Invested in capital assets, net of related debt
1,496,173	-	Restricted
<u>(6,379,152)</u>	<u>(7,706,668)</u>	Unrestricted
21,399,552	22,080,652	Subtotal business-type activities net assets
		<b>Primary Government:</b>
80,161,771	95,732,611	Invested in capital assets, net of related debt
13,770,297	11,751,955	Restricted
<u>(23,762,258)</u>	<u>(41,631,298)</u>	Unrestricted
70,169,810	65,853,268	<b>Total Primary Government net assets</b>
		<b>Component Unit – School Board: (2)</b>
107,072,117	129,625,217	Invested in capital assets, net of related debt
<u>(2,377,077)</u>	<u>(3,617,216)</u>	Unrestricted
104,695,040	126,008,001	<b>Total Component Unit – School Board net assets</b>
		<b>Total Reporting Entity: (3)</b>
140,141,659	159,597,988	Invested in capital assets, net of related debt
13,770,297	11,751,955	Restricted
<u>20,952,894</u>	<u>20,511,326</u>	Unrestricted
\$ <u>174,864,850</u>	\$ <u>191,861,269</u>	<b>Total Reporting Entity net assets</b>

Table 2

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

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

- (1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB 34, the new reporting standard, in FY 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.

2006	2007	
		<b>Primary Government:</b>
		<b>Expenses</b>
		Governmental activities:
\$ 9,788,797	\$ 10,004,794	General government
2,754,050	3,019,115	Judicial administration
18,427,447	21,184,526	Public safety
6,029,767	6,474,088	Public works
8,003,092	8,661,693	Health and welfare
80,157,231	95,181,305	Education
4,647,337	6,002,774	Parks, recreation, and cultural
5,078,598	6,672,005	Community development
-	550,225	Nondepartmental
3,146,137	4,441,160	Interest on long-term debt
<u>138,032,456</u>	<u>162,191,685</u>	Total governmental activities expenses
		Business-type activities:
850,740	1,450,428	Airport
5,531,178	6,486,477	Landfill and Recycling
-	-	Fleet maintenance
-	-	Health insurance
<u>6,381,918</u>	<u>7,936,905</u>	Total business-type activities expenses
<u>144,414,374</u>	<u>170,128,590</u>	Total primary government expenses
		<b>Program Revenues</b>
		Governmental activities:
		Charges for services:
42,500	266,159	General government
1,082,951	924,355	Judicial administration
513,526	559,001	Parks, recreation, and cultural
51,959	2,116,948	Community development
219,191	246,107	Other activities
11,653,274	15,782,480	Operating grants and contributions
<u>13,563,401</u>	<u>19,895,050</u>	Total governmental activities program revenues
		Business type activities:
		Charges for services:
217,987	283,402	Airport
6,554,404	6,112,788	Landfill and Recycling
-	-	Fleet maintenance
-	-	Health insurance
48,633	45,669	Operating grants and contributions
3,114,018	1,592,253	Capital grants and contributions
<u>9,935,042</u>	<u>8,034,112</u>	Total business-type activities program revenues
<u>23,498,443</u>	<u>27,929,162</u>	Total primary government program revenues
		<b>Net (expense) revenue (3)</b>
		Governmental activities:
(124,469,055)	(142,296,635)	Business-type activities
<u>3,553,124</u>	<u>97,207</u>	
<u>\$ (120,915,931)</u>	<u>\$ (142,199,428)</u>	Total primary government net (expense) revenue

Table 2

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

	2003	2004	2005
<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
Local sales and use taxes	5,176,688	5,881,564	6,605,989
Consumers' utility taxes	2,579,778	2,953,432	2,891,289
Business and professional taxes	1,051,059	1,113,242	3,499,758
Motor vehicle taxes	1,340,223	1,387,281	1,421,448
Taxes on recordation and wills	1,290,501	1,599,694	2,771,674
E-911 tax	925,717	797,919	871,924
Other local taxes	288,896	236,073	408,185
Unrestricted grants and contributions	12,027,839	13,201,048	13,307,038
Investment earnings	1,727,060	1,182,326	1,647,513
Miscellaneous	589,654	503,539	216,810
Special Item - Water and Sewer Authority note receivable	-	-	-
Transfers	(38,642)	(47,535)	(60,559)
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>
Business-type activities:			
Investment earnings	97,246	21,482	79,933
Miscellaneous	-	-	2,315
Transfers	38,642	47,535	60,559
Total business-type activities general revenues and other changes in net assets	<u>135,888</u>	<u>69,017</u>	<u>142,807</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>
<b>Change in Net Assets</b>			
Governmental activities	9,059,563	3,153,183	5,181,245
Business-type activities	2,336,193	3,652,562	5,002,048
Total Primary Government change in net assets	<u>11,395,756</u>	<u>6,805,745</u>	<u>10,183,293</u>
<b>Component Unit— School Board: (4)</b>			
<b>Expenses</b>			
Education	86,982,803	92,811,594	102,222,451
<b>Program Revenues</b>			
Charges for services	2,459,762	2,795,889	3,211,275
Operating grants and contributions	3,148,167 (5)	3,778,296 (5)	4,487,022
Capital grants and contributions	-	-	-
Total component unit - School Board program revenues	<u>5,607,929</u>	<u>6,574,185</u>	<u>7,698,297</u>
<b>Net (expense) revenue (3)</b>	<u>(81,374,874)</u>	<u>(86,237,409)</u>	<u>(94,524,154)</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
Investment earnings	573	362	700
Miscellaneous	419,675	480,812	43,183
Commonwealth of Virginia noncategorical aid	27,092,226 (5)	29,183,685 (5)	31,650,343
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>
Total Component Unit — School Board change in net assets	<u>\$ 2,287,992</u>	<u>\$ 2,316,202</u>	<u>\$ 2,417,756</u>

- (1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB 34, the new reporting standard, in FY 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.

2006	2007	
		<b>Primary Government (continued):</b>
		<b>General Revenues and Other Changes in Net Assets</b>
		Governmental activities:
		Taxes
\$ 86,079,820	\$ 101,852,501	General property taxes
7,372,629	7,565,111	Local sales and use taxes
3,247,767	3,804,003	Consumers' utility taxes
3,360,897	1,286,470	Business and professional taxes
1,440,165	69,473	Motor vehicle taxes
2,974,115	2,082,839	Taxes on recordation and wills
1,268,347	623,798	E-911 tax
562,967	517,709	Other local taxes
14,705,161	14,259,811	Unrestricted grants and contributions
2,826,208	4,933,147	Investment earnings
723,786	222,369	Miscellaneous
(3,317,857)	-	Special Item - Water and Sewer Authority note receivable
(47,941)	81,762	Transfers
<u>121,196,064</u>	<u>137,298,993</u>	Total governmental activities general revenues and other changes in net a:
		Business-type activities:
133,124	137,687	Investment earnings
-	527,968	Miscellaneous
47,941	(81,762)	Transfers
<u>181,065</u>	<u>583,893</u>	Total business-type activities general revenues and other changes in net a:
<u>121,377,129</u>	<u>137,882,886</u>	Total primary government general revenues and other changes in net asse
		<b>Change in Net Assets</b>
(3,272,991)	(4,997,642)	Governmental activities
<u>3,734,189</u>	<u>681,100</u>	Business-type activities
<u>461,198</u>	<u>(4,316,542)</u>	Total Primary Government change in net assets
		<b>Component Unit— School Board: (4)</b>
		<b>Expenses</b>
111,366,590	121,838,270	Education
		<b>Program Revenues</b>
3,470,481	3,392,923	Charges for services
4,740,080	4,863,970	Operating grants and contributions
-	1,000,000	Capital grants and contributions
<u>8,210,561</u>	<u>9,256,893</u>	Total component unit - School Board program revenues
<u>(103,156,029)</u>	<u>(112,581,377)</u>	<b>Net (expense) revenue (3)</b>
		<b>General Revenues and Other Changes in Net Assets</b>
81,597,198	95,952,739	Contribution from primary government
956	12,932	Investment earnings
72,953	635,215	Miscellaneous
33,988,935	37,293,452	Commonwealth of Virginia noncategorical aid
<u>115,660,042</u>	<u>133,894,338</u>	Total component unit - School Board general revenues and other changes in net assets
<u>\$ 12,504,013</u>	<u>\$ 21,312,961</u>	Total Component Unit – School Board change in net assets

Table 3

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

	Fiscal Year				
	1998	1999	2000	2001	2002
General Fund:					
Reserved	\$ 225,056	\$ 85,540	\$ 164,475	\$ -	\$ 464,258
Unreserved:					
Designated	-	-	1,370,692	-	-
Undesignated	7,228,043	12,366,284	12,698,145	17,448,642	21,822,064
Total General Fund	<u>7,453,099</u>	<u>12,451,824</u>	<u>14,233,312</u>	<u>17,448,642</u>	<u>22,286,322</u>
Other Governmental Funds:					
Reserved	6,312	-	-	-	125,354
Unreserved:					
Designated:					
Capital Projects Fund (1)	23,139,383	16,592,369	14,429,042	24,159,467	46,160,157
Undesignated:					
Capital Projects Fund	-	-	-	-	-
Special revenue funds	280,053	466,518	535,590	718,543	903,010
Total Other Governmental Funds	<u>23,425,748</u>	<u>17,058,887</u>	<u>14,964,632</u>	<u>24,878,010</u>	<u>47,188,521</u>
Total Governmental Funds	<u>\$ 30,878,847</u>	<u>\$ 29,510,711</u>	<u>\$ 29,197,944</u>	<u>\$ 42,326,652</u>	<u>\$ 69,474,843</u>

(1) From FY 1998 to FY 2005, the full amount of capital projects fund balance was designated. As of FY 2006, the designated fund balance reflects only external legally restricted funds in the Capital Projects Fund .

Fiscal Year					
2003	2004	2005	2006	2007	
\$ -	\$ -	\$ 537,304	\$ 278,185	\$ 372,554	General Fund:
					Reserved
-	-	6,008,307	5,977,018	4,457,788	Unreserved:
22,692,500	22,554,376	12,655,527	14,733,278	14,735,631	Designated
<u>22,692,500</u>	<u>22,554,376</u>	<u>19,201,138</u>	<u>20,988,481</u>	<u>19,565,973</u>	Undesignated
					Total General Fund
					Other Governmental Funds:
180,109	169,205	2,563,674	16,203,182	41,058,636	Reserved
					Unreserved:
					Designated:
44,053,202	37,773,109	30,868,038	-	-	Capital Projects Fund (1)
					Undesignated:
-	-	-	9,952,866	4,388,501	Capital Projects Fund
1,370,588	1,594,915	2,319,572	5,689,128	7,363,454	Special revenue funds
<u>45,603,899</u>	<u>39,537,229</u>	<u>35,751,284</u>	<u>31,845,176</u>	<u>52,810,591</u>	Total Other Governmental Funds
<u>\$ 68,296,399</u>	<u>\$ 62,091,605</u>	<u>\$ 54,952,422</u>	<u>\$ 52,833,657</u>	<u>\$ 72,376,564</u>	Total Governmental Funds

Table 4

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

	Fiscal Year				
	1998	1999	2000	2001	2002
<b>Revenues</b>					
General property taxes	\$ 81,692,213	\$ 67,774,303	\$ 67,739,540	\$ 69,992,044	\$ 74,762,676
Permits, privilege fees, and regulatory licenses	564,316	712,816	739,401	1,130,335	1,169,124
Fines and forfeitures	171,262	201,123	259,781	362,610	432,297
Revenue from use of money and property	2,574,956	2,112,671	2,294,315	2,911,023	1,599,080
Charges for services	2,028,327	636,211	423,316	925,564	790,848
Gifts and donations	-	-	-	-	-
Recovered costs	172,753	538,695	853,977	157,924	461,620
Intergovernmental:					
Contribution from School Board	3,769,298 (2)	924,067 (2)	5,267,760 (2)	5,485,229 (2)	9,450,982 (2)
Commonwealth of Virginia	5,658,829	6,483,541	9,944,767	14,153,911	18,695,882
Contribution from Culpeper County	-	-	-	-	-
Federal Government	1,492,139	1,788,620	1,456,157	1,742,273	1,914,743
Miscellaneous	183,128	144,334	51,380	66,485	10,130,575
<b>Total revenues</b>	<u>98,307,221</u>	<u>81,316,381</u>	<u>89,030,394</u>	<u>96,927,398</u>	<u>119,407,827</u>
<b>Expenditures</b>					
Current operating:					
General government administration	6,038,981	5,777,189	6,160,903	6,948,055	7,729,740
Judicial administration	1,469,555	3,880,197	2,132,796	1,925,457	2,107,733
Public safety	10,213,570	9,759,807	11,217,942	11,112,953	12,684,365
Public works	7,618,067	3,581,874	3,808,739	5,380,379	6,152,615
Health and welfare	5,078,681	4,748,294	4,721,916	4,934,176	5,324,034
Education	39,018,111 (2)	36,513,645 (2)	44,520,355 (2)	48,469,865 (2)	58,276,418 (2)
Parks, recreation, and cultural	2,412,845	2,396,011	2,657,226	3,180,143	4,241,026
Community development	2,316,044	2,717,354	3,750,168	2,681,114	3,124,838
Nondepartmental	28,529	278,019	480,747	187,107	365,507
Capital outlay	11,467,256	5,362,593	7,190,220	109,323	-
Debt service:					
Principal retirement	4,263,671 (1)	4,939,408 (1)	3,684,273 (1)	3,822,773 (1)	3,737,074 (1)
Interest & fiscal charges	2,747,691 (1)	2,707,115 (1)	2,473,086 (1)	2,465,371 (1)	2,451,475 (1)
<b>Total expenditures</b>	<u>92,673,001</u>	<u>82,661,506</u>	<u>92,798,371</u>	<u>91,216,716</u>	<u>106,194,825</u>
Excess of revenues over (under) expenditures	<u>5,634,220</u>	<u>(1,345,125)</u>	<u>(3,767,977)</u>	<u>5,710,682</u>	<u>13,213,002</u>
<b>Other financing sources (uses)</b>					
Transfers in	23,306,607 (2)	3,537,223 (2)	3,459,293 (2)	11,359,163 (2)	6,601,874 (2)
Transfers (out)	(22,665,135) (2)	(3,560,234) (2)	(3,504,083) (2)	(11,591,137) (2)	(6,710,683) (2)
Construction bond proceeds	-	-	-	-	-
Issuance of debt	3,500,000 (1)	- (1)	3,500,000 (1)	7,650,000 (1)	14,043,998 (1)
Premiums on issuance of debt	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>4,141,472</u>	<u>(23,011)</u>	<u>3,455,210</u>	<u>7,418,026</u>	<u>13,935,189</u>
<b>Net change in fund balances</b>	<u>\$ 9,775,692</u>	<u>\$ (1,368,136)</u>	<u>\$ (312,767)</u>	<u>\$ 13,128,708</u>	<u>\$ 27,148,191</u>

- (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 FY 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.

		<b>Fiscal Year</b>								
		<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>				
							<b>Revenues</b>			
\$	81,254,445	\$	86,178,471	\$	93,092,244	\$	105,484,892	\$	117,395,045	General property taxes
	1,508,077		1,598,890		2,212,566		1,921,717		2,287,326	Permits, privilege fees, and regulatory licenses
	504,517		504,771		486,847		529,420		526,235	Fines and forfeitures
	1,727,060		1,182,326		1,647,513		2,499,258		4,595,057	Revenue from use of money and property
	1,074,405		1,596,119		1,240,303		1,380,707		1,299,009	Charges for services
	-		503,539		887,490		1,035,693		4,395,470	Gifts and donations
	145,617		180,538		154,483		257,337		241,385	Recovered costs
										<b>Intergovernmental:</b>
	3,789,103		1,188,192		526,788		1,316,810		-	Contribution from School Board
	18,673,462		19,993,164		20,660,061		22,290,152		-	Commonwealth of Virginia
	-		-		-		369,556		22,520,192	Contribution from Culpeper County
	2,421,379		2,863,540		2,557,472		2,663,034		3,126,629	Federal Government
	471,701		-		80,100		723,786		222,369	Miscellaneous
	<u>111,569,766</u>		<u>115,789,550</u>		<u>123,545,867</u>		<u>140,472,362</u>		<u>156,608,717</u>	Total revenues
										<b>Expenditures</b>
										<b>Current operating:</b>
	7,688,368		10,000,219		9,133,896		9,391,807		10,820,861	General government administration
	2,186,402		2,651,525		5,334,255		4,933,976		2,913,670	Judicial administration
	17,634,118		15,284,971		19,869,721		19,157,429		21,101,417	Public safety
	6,002,496		8,588,341		5,539,741		6,193,511		6,483,272	Public works
	5,787,402		6,498,599		7,201,697		8,024,745		8,618,127	Health and welfare
	57,933,386		70,255,695		67,244,700		81,797,232		95,373,503	Education
	5,731,577		6,864,198		5,691,502		11,725,937		17,173,878	Parks, recreation, and cultural
	3,707,282		4,710,489		5,795,456		5,092,111		6,670,589	Community development
	523,408		552,652		579,410		640,050		550,225	Nondepartmental
	-		-		-		-		-	Capital outlay
										<b>Debt service:</b>
	4,484,717		6,066,327		4,976,092		5,138,726		5,711,745	Principal retirement
	2,916,590		2,723,740		3,109,014		2,962,402		3,609,954	Interest & fiscal charges
	<u>114,595,746</u>		<u>134,196,756</u>		<u>134,475,484</u>		<u>155,057,926</u>		<u>179,027,241</u>	Total expenditures
	<u>(3,025,980)</u>		<u>(18,407,206)</u>		<u>(10,929,617)</u>		<u>(14,585,564)</u>		<u>(22,418,524)</u>	Excess of revenues over (under) expenditures
										<b>Other financing sources (uses)</b>
	8,364,435		7,444,089		9,902,280		7,927,776		11,551,635	Transfers in
	(8,403,077)		(7,644,624)		(10,115,839)		(8,075,717)		(11,467,873)	Transfers (out)
	-		-		-		11,540,000		-	Construction bond proceeds
	1,700,000		11,630,000		3,720,000		643,395		39,615,000	Issuance of debt
	-		772,947		282,235		-		2,262,669	Premiums on issuance of debt
	<u>1,661,358</u>		<u>12,202,412</u>		<u>3,788,676</u>		<u>12,035,454</u>		<u>41,961,431</u>	Total other financing sources (uses)
\$	<u>(1,364,622)</u>	\$	<u>(6,204,794)</u>	\$	<u>(7,140,941)</u>	\$	<u>(2,550,110)</u>	\$	<u>19,542,907</u>	Net change in fund balances

Table 4

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

	Fiscal Year				
	1998	1999	2000	2001	2002
<b>Debt Service as a Percentage of Noncapital Expenditures: (2)</b>					
<b>Primary Government:</b>					
Total debt service	\$ 7,011,362	\$ 7,646,523	\$ 6,157,359	\$ 6,288,144	\$ 6,188,549
Total expenditures	92,673,001	82,661,506	92,798,371	91,216,716	106,194,825
Capital outlay primary government only	2,398,169	3,581,365	2,124,467	2,566,454	7,593,418
Non-capital expenditures	<u>90,274,832</u>	<u>79,080,141</u>	<u>90,673,904</u>	<u>88,650,262</u>	<u>98,601,407</u>
Debt service as a percentage of noncapital expenditures: Primary Government only	7.77%	9.67%	6.79%	7.09%	6.28%
<b>Component Unit - School Board:</b>					
Schools expenditures excluding County contribution	16,247,468	18,869,467	20,560,482	22,503,838	21,294,224
Capital outlay Component Unit— School Board only	13,875,559	6,841,772	19,058,070	9,898,068	4,852,106
Non-capital expenditures	<u>2,371,909</u>	<u>12,027,695</u>	<u>1,502,412</u>	<u>12,605,770</u>	<u>16,442,118</u>
<b>Total Reporting Entity:</b>					
Total debt service	7,011,362	7,646,523	6,157,359	6,288,144	6,188,549
Total non-capital expenditures	<u>\$ 92,646,741</u>	<u>\$ 91,107,836</u>	<u>\$ 92,176,316</u>	<u>\$ 101,256,032</u>	<u>\$ 115,043,525</u>
Debt service as a percentage of noncapital expenditures: Total Reporting Entity	7.57%	8.39%	6.68%	6.21%	5.38%

- (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 FY 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.

<b>Fiscal Year</b>					
<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	
					<b>Debt Service as a Percentage of Noncapital Expenditures: (2)</b>
					<b>Primary Government:</b>
<u>\$ 7,401,307</u>	<u>\$ 8,790,067</u>	<u>\$ 8,085,106</u>	<u>\$ 8,101,128</u>	<u>\$ 9,321,699</u>	Total debt service
114,595,746	134,196,756	134,475,484	155,057,926	179,027,241	Total expenditures
<u>9,028,008</u>	<u>7,437,757</u>	<u>11,543,894</u>	<u>12,209,038</u>	<u>14,448,161</u>	Capital outlay primary government only
<u>105,567,738</u>	<u>126,758,999</u>	<u>122,931,590</u>	<u>142,848,888</u>	<u>164,579,080</u>	Non-capital expenditures
7.01%	6.93%	6.58%	5.67%	5.66%	Debt service as a percentage of noncapital expenditures: Primary Government only
					<b>Component Unit - School Board:</b>
32,953,449	36,016,109	39,528,052	41,363,609	47,200,710	Schools expenditures excluding County contribution
<u>6,124,463</u>	<u>15,749,994</u>	<u>7,511,716</u>	<u>1,441,275</u>	<u>2,172,271</u>	Capital outlay Component Unit— School Board only
<u>26,828,986</u>	<u>20,266,115</u>	<u>32,016,336</u>	<u>39,922,334</u>	<u>45,028,439</u>	Non-capital expenditures
					<b>Total Reporting Entity:</b>
<u>7,401,307</u>	<u>8,790,067</u>	<u>8,085,106</u>	<u>8,101,128</u>	<u>9,321,699</u>	Total debt service
<u>\$ 132,396,724</u>	<u>\$ 147,025,114</u>	<u>\$ 154,947,926</u>	<u>\$ 182,771,222</u>	<u>\$ 209,607,519</u>	Total non-capital expenditures
5.59%	5.98%	5.22%	4.43%	4.45%	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 Taxable Real Property Assessed Value	Total Real Property Direct Tax Rate	Add: Tax-Exempt Real Property	Total Value
1998	\$ 2,504,060,000	\$ 366,663,900	\$ 791,832,300	\$ 161,304,562	\$ 3,823,860,762	1.06	\$ 356,595,900	\$ 4,180,456,662
1999	2,575,571,000	370,544,400	804,429,800	182,512,529	3,933,057,729	1.06	363,892,100	4,296,949,829
2000	2,656,247,900	387,275,800	808,032,100	181,193,023	4,032,748,823	1.06	371,632,000	4,404,380,823
2001	2,751,109,100	392,858,900	815,564,800	224,191,709	4,183,724,509	1.06	394,813,400	4,578,537,909
2002	3,572,379,700	504,421,900	1,057,149,600	340,899,267	5,474,850,467	0.99	484,348,200	5,959,198,667
2003	3,758,119,100	513,850,300	1,077,644,800	339,251,808	5,688,866,008	0.99	496,561,200	6,185,427,208
2004	3,949,367,500	520,611,300	1,098,114,300	304,158,721	5,872,251,821	0.99	512,628,100	6,384,879,921
2005	4,153,865,100	537,406,500	1,118,396,200	362,631,919	6,172,299,719	0.99	537,928,300	6,710,228,019
2006	8,619,946,900	1,011,218,000	2,064,283,800	319,941,047	12,015,389,747	0.645	846,925,400	12,862,315,147
2007	8,891,346,700	1,028,164,000	2,078,798,500	569,687,837	12,567,997,037	0.645	864,260,500	13,432,257,537

Source: Fauquier County Commissioner of the Revenue

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
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
2007	699,277,775	41,408,066	740,685,841

- (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.

Source: Fauquier County Commissioner of the Revenue

Table 5-C

Tax Relief for the Elderly  
Last Ten Calendar Years

Taxable Year	Tax Relief for the Elderly
1998	\$ 59,081,066
1999	56,880,000
2000	54,792,550
2001	70,219,275
2002	91,532,575
2003	92,926,950
2004	92,117,700
2005	94,161,350
2006	237,690,300
2007	259,018,590

Source: Fauquier County Commissioner of the Revenue

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	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>FAUQUIER COUNTY</b>										
Countywide tax levies:										
Real estate:										
General Fund	\$ 1.00	\$ 1.00	\$ 1.00	\$ 0.99	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.925	\$ 0.600	\$ 0.600
Fire and Rescue Special Revenue Fund	0.06	0.06	0.06	0.07	0.07	0.07	0.07	0.045	0.035	0.035
Conservation Easement Purchase Levy	-	-	-	-	-	-	-	0.020	0.010	0.010
Total real estate tax rate	<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>	<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	0.001	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	1.06	1.06	1.06	0.99	0.99	0.99	0.99	0.645	0.65
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	0.005
<b>OVERLAPPING GOVERNMENTS</b>										
Town of Warrenton:										
Real estate	0.18	0.17/0.14	0.14	0.115	0.05	0.03	0.03	0.03	0.015	0.015
Personal property	2.25	2.25	2.25	2.25	1.00	1.00	1.00	1.00	1.00	1.00
Town of Remington										
Real estate	0.12	0.12	0.12	0.14	0.14	0.14	0.14	0.14	0.10	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	0.04	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.

Sources: Fauquier County Commissioner of the Revenue; Town of Warrenton; Town of Remington; Town of The Plains

COUNTY OF FAUQUIER, VIRGINIA

Table 7-A

Principal Real Property Taxpayers  
Current Year and Nine Years Ago

TAXPAYER	2007			1998		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Virginia Electric & Power Company	\$ 238,244,439	1	1.90%	\$ 52,248,619	1	1.37%
Old Dominion Electric Co-op	163,203,635	2	1.30%			
Verizon - Virginia, Inc.	59,280,916	3	0.47%			
Oak Spring Farms LLC	27,713,000	4	0.22%			
Warrenton Center LLC, Shopping Center	27,046,700	5	0.22%			
Northern Virginia Electric Co-op	21,181,817	6	0.17%	15,992,991	4	0.42%
Warrenton Development Company	21,008,800	7	0.17%	9,558,500	10	0.25%
Warrenton Village LLC	16,871,600	8	0.13%			
Airlie Foundation	16,095,000	9	0.13%			
Rappahannock Electric Co-op	15,369,589	10	0.12%	9,767,918	7	0.26%
Bell Atlantic - Virginia, Inc.				41,376,710	2	1.08%
Jefferson Associates LP				24,302,000	3	0.64%
Paul Mellon				14,016,900	5	0.37%
Colonial Pipeline Company				10,864,227	6	0.28%
Kimmaren Corporation				9,372,500	8	0.25%
Norfolk Southern Railway Company				9,107,551	9	0.24%
Total	<u>\$ 606,015,496</u>		<u>4.83%</u>	<u>\$ 196,607,916</u>		<u>5.16%</u>

Source: Fauquier County Commissioner of the Revenue

Table 7-B

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

TAXPAYER	2007			1998		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Prince William Construction Co, LLC.	\$ 5,982,484	1	0.81%			
Luck Stone Corp.	5,169,704	2	0.70%			
Hawk, Inc.	2,880,450	3	0.39%			
Kips Erosion Control	2,797,215	4	0.38%			
Vulcan Materials Co.	2,727,088	5	0.37%			
Piedmont Contracting, LLC	2,707,068	6	0.37%			
Scenic America	2,096,873	7	0.28%			
TAC Ceramic Tile Co, Inc.	2,071,948	8	0.28%			
DCFS Trust	2,356,739	9	0.32%			
Eastern Clearing	1,804,586	10	0.24%			
EE Wine, Inc				\$ 285,994	1	0.08%
A & M Concrete Co., Inc.				222,799	2	0.07%
Michael John Malloy				84,566	3	0.03%
Rosemary Hill Wolf				72,134	4	0.02%
Landpride Services Inc.				65,640	5	0.02%
Douglas E Baltimore				65,275	6	0.02%
Norman Bray Wilson				59,800	7	0.02%
James Sherman Egeland				58,948	8	0.02%
Bobby Darrell Dotson				49,585	9	0.01%
John Kenneth Hockman				49,239	10	0.01%
Total	<u>\$ 30,594,155</u>		<u>4.14%</u>	<u>\$ 727,986</u>		<u>0.30%</u>

(1) Original TY 2005 Book Assessments

Source: Fauquier County Commissioner of the Revenue

COUNTY OF FAUQUIER, VIRGINIA

Table 8

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year (1)	Tax Levied for the Tax Year	Adjustments	Total Adjusted Levy	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Tax Levy	Amount	Amount	Percentage of Tax Levy
1998	\$ 72,647,034	\$ (13,730)	\$ 72,633,304	\$ 69,456,067	95.61%	\$ 648,311	\$ 70,104,378	96.52%
1999	56,612,254	(24,302)	56,587,952	55,294,787	97.67%	993,115	56,287,902	99.47%
2000	61,185,988	581,333	61,767,321	60,527,627	98.92%	1,039,830	61,567,457	99.68%
2001	63,854,161	921,736	64,775,897	62,009,789	97.11%	955,864	62,965,653	97.21%
2002	72,191,444	1,848,688	74,040,132	70,762,226	98.02%	1,032,724	71,794,950	96.97%
2003	79,480,945	(127,697)	79,353,248	77,320,736	97.28%	1,079,886	78,400,622	98.80%
2004	82,886,242	310,497	83,196,739	81,216,837	97.99%	884,426	82,101,263	98.68%
2005	87,592,939	(53,520)	87,539,419	85,659,133	97.79%	376,742	86,035,875	98.28%
2006	101,562,098	(289,725)	101,272,373	98,217,478	96.71%	2,963,699	101,181,177	99.91%
2007	113,458,234	-	113,458,234	111,179,947	97.99%	-	111,179,947	97.99%

(1) For FY 2001 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 2001 to 2007 are as follows:

FY 2002	10,460,368	CY 2001
FY 2003	11,244,650	CY 2002
FY 2004	12,210,646	CY 2003
FY 2005	12,310,614	CY 2004
FY 2006	13,857,040	CY 2005
FY 2007	13,654,504	CY 2006

Source: Fauquier County Treasurer

Table 9

**Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**

<b>Governmental Activities</b>					
<b>Fiscal Year</b>	<b>Capital Lease</b>	<b>Revenue Bonds</b>	<b>General Obligation Bonds</b>	<b>Virginia Public School Authority Bonds</b>	<b>State Literary Fund Loan</b>
1998	\$ 3,323,245	\$ -	\$ 12,925,000	\$ 30,200,000	\$ 562,500
1999	3,050,000	-	12,000,000	27,875,000	362,500
2000	2,730,727	-	11,200,000	29,010,000	162,500
2001	2,395,454	3,075,000 (1)	10,400,000	31,060,000	-
2002	9,443,381	3,075,000	10,095,000	34,885,000	-
2003	10,458,664	3,075,000	9,215,000	31,965,000	-
2004	8,246,174	2,960,000	8,335,000	40,710,000	-
2005	7,690,082	2,840,000	7,450,000	41,015,000	-
2006	7,116,356	2,715,000	6,580,000	48,985,000	-
2007	6,519,611	2,585,000	5,720,000	84,475,000	-

(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

<b>Business-type Activities</b>						
<b>Capital Lease</b>	<b>Solid Waste Revenue Bonds</b>	<b>Notes Payable</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income (2)</b>	<b>Per Capita (2)</b>	<b>Fiscal Year</b>
\$ -	\$ 3,815,000	\$ -	\$ 50,825,745	2.74%	961	1998
-	3,575,000	-	46,862,500	2.42%	876	1999
-	3,325,000	-	46,428,227	2.14%	850	2000
-	3,065,000	-	49,995,454	2.15%	907	2001
-	2,790,000	-	60,288,381	2.51%	1,050	2002
-	2,545,000	-	57,258,664	2.29%	975	2003
-	2,220,000	-	62,471,174	2.30%	1,043	2004
-	1,885,000	-	60,880,082	2.08%	984	2005
-	1,540,000	-	66,936,356	*	1,064	2006
1,192,000	1,180,000	51,937	101,723,548	*	1,574	2007

**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>
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	1.65%	0.66%	702
2004	8,335,000	40,710,000	49,045,000	1.81%	0.76%	819
2005	7,450,000	41,015,000	48,465,000	1.65%	0.71%	783
2006	6,580,000	48,985,000	55,565,000	*	0.44%	883
2007	5,720,000	84,475,000	90,195,000	*	0.68%	1,396

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

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

\* Unavailable

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Table 11

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

Fiscal Year	Sewer Revenue Bonds				Coverage (1)
	Sewer Tap Fees	Debt Service			
		Principal	Interest	Total	
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
2007	57,983	130,000	132,665	262,665	0.22

(1) Debt Service payments are covered by the 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		
\$ 2,072,559	\$ 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
6,788,579	6,375,659	412,920	360,000	63,475	423,475	0.98	2007

Table 12

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

	Fiscal Year				
	1998	1999	2000	2001	2002
Primary Government general revenues	\$ 90,973,412	\$ 77,224,901	\$ 80,622,386	\$ 87,439,221	\$ 95,068,229
Debt limit (10 % of general revenues)	9,097,341	7,722,490	8,062,239	8,743,922	9,506,823
Total net debt applicable to limit	<u>7,011,362</u>	<u>7,646,523</u>	<u>6,157,359</u>	<u>6,288,144</u>	<u>6,188,549</u>
County policy margin	<u>\$ 2,085,979</u>	<u>\$ 75,967</u>	<u>\$ 1,904,880</u>	<u>\$ 2,455,778</u>	<u>\$ 3,318,274</u>
Total net debt applicable to the limit as a percentage of general revenues	7.71%	9.90%	7.64%	7.19%	6.51%

(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>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>			
\$ 101,414,870	\$ 107,742,248	\$ 115,802,686	\$ 130,354,175	\$ 142,714,982	Primary Government general revenues		
10,141,487	10,774,225	11,580,269	13,035,418	14,271,498	Debt limit (10 % of general revenues)		
<u>7,401,307</u>	<u>8,790,067</u>	<u>8,085,106</u>	<u>8,101,127</u>	<u>9,321,699</u>	Total net debt applicable to limit		
<u>\$ 2,740,180</u>	<u>\$ 1,984,158</u>	<u>\$ 3,495,163</u>	<u>\$ 4,934,291</u>	<u>\$ 4,949,799</u>	County policy margin		
7.30%	8.16%	6.98%	6.21%	6.53%	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)
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	38,941	1.5%	30,037	17,138	9,588
2001	55,139	2,328,195	40,544	2.1%	30,807	17,715	9,623
2002	57,400	2,406,592	40,481	3.0%	32,148	18,766	9,675
2003	58,700	2,500,858	40,951	3.0%	33,065	19,365	10,054
2004	59,900	2,710,279	43,006	2.6%	34,540	20,713	10,295
2005	61,900	2,928,642	45,171	2.4%	35,595	*	10,717
2006	62,900	*	*	2.4%	36,663	*	10,940
2007	64,612	*	*	2.6%	37,183	*	11,009

- Sources: (1) Weldon Cooper Center for Public Service final population estimates for FY 1998 through FY 2005, except for FY 2001 which shows Census Report as of April 1, 2000; and provisional estimates for FY 2006 and FY 2007.  
(2) Bureau of Economic Analysis, calendar year data.  
(3) Virginia Employment Commission calendar year data for 1998 through 2006. Data for 2007 is January 1, 2007 through June 30, 2007.  
(4) Fauquier County Schools

\* Unavailable

**COUNTY OF FAUQUIER, VIRGINIA**

**Table 14**

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

<b>Employer</b>	<b>2007</b>		<b>1998</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
Food Lion	4	250 to 499		
America House Four	5	250 to 499		
U.S. Department of Transportation	6	250 to 499		
Wal Mart	7	250 to 499		
Airlie Foundation	8	100 to 249	9	100 to 249
General Excavation	9	100 to 249		
Kips Erosion Control LC	10	100 to 249		
Giant Food			5	100 to 249
Trinity Packaging Corporation			4	250 to 499
Paul Mellon			6	100 to 249
Ross Industries			7	100 to 249
K-Mart Corporation			8	100 to 249
Warrenton Overlook Health and Rehabilitation Center			10	100 to 249

Source: Virginia Employment Commission Top 50 Employers (4th Quarter of 2006)

COUNTY OF FAUQUIER, VIRGINIA

Table 15

County Government Employees by Function  
Last Ten Fiscal Years

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>General government</b>	94.5	95.5	104.7	107.7	113.1	112.4	112.9	117.9	119.1	116.8
<b>Judicial administration</b>	27.0	29.8	29.8	31.5	34.5	36.5	37.5	37.5	39.5	39.5
<b>Public safety</b>	98.3	105.1	105.5	105.5	125.0	138.0	138.0	140.0	153.0	155.0
<b>Public works</b>	44.0	44.0	44.0	45.0	49.0	45.0	47.5	49.5	52.5	56.5
<b>Health and welfare</b>	32.3	36.0	38.0	38.0	39.0	42.0	42.5	43.7	45.5	46.8
<b>Parks, recreation, and cultural</b>	46.7	43.6	45.2	45.2	46.3	47.2	49.7	54.5	58.2	63.2
<b>Community development</b>	26.0	28.5	29.5	30.0	30.0	35.0	36.0	43.6	46.6	49.6
<b>Other funds</b>										
Airport	-	-	-	-	-	-	1.0	2.1	2.1	2.6
Joint Communications	20.0	18.0	19.0	19.0	20.0	21.0	22.0	22.6	24.6	24.6
Environmental Services	6.5	6.5	6.5	7.5	8.5	18.8	21.5	21.5	22.0	22.0
Fleet Maintenance	15.0	16.0	15.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Conservation Easement Service District	-	-	-	-	-	-	-	-	-	0.8
Subtotal	<u>41.5</u>	<u>40.5</u>	<u>40.5</u>	<u>42.5</u>	<u>44.5</u>	<u>55.8</u>	<u>60.5</u>	<u>62.2</u>	<u>64.7</u>	<u>66.0</u>
<b>Total Primary Government</b>	<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>579.1</u>	<u>593.4</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	1,668.1
<b>Total Reporting Entity</b>	<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>2,280.2</u>	<u>2,261.5</u>

Sources: For County Government employees information:  
 FY 2004 to FY 2007 - FY 2008 Adopted Budget  
 FY 2003 - FY 2007 Adopted Budget  
 FY 2002 - FY 2006 Adopted Budget  
 FY 1999 to FY 2001 - FY 2003 Adopted Budget  
 FY 1998 - FY 2000 Adopted Budget

For Component Unit - School Board employees information:  
 FY 2007 - FY 2008 Fauquier County Public Schools Adopted Budget  
 FY 2004 to FY 2006 - FY 2007 Fauquier County Public Schools Final Consolidated 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				
	1998	1999	2000	2001	2002
<b>General government</b>					
Commissioner of the revenue					
Real estate number of parcels	29,326	27,624	28,045	28,421	28,421
Land use number of parcels	3,957	4,036	4,080	4,110	4,046
PPTRA qualifying vehicles	-	61,483	62,889	66,141	70,016
County attorney					
Total litigation files opened	*	49	44	67	61
Finance					
Vendor checks issued	19,029	22,000	22,000	23,000	25,200
Payroll annual checks/direct deposits	31,080	35,220	36,250	37,257	35,572
Human resources					
Employment applications received	3,500	3,500	*	*	*
New employees orientated	70	70	*	*	*
Information technology					
Web pages updated	*	*	840	890	1,200
Web site hits	*	94,633	182,885	1,890,376	*
Treasurer					
Real estate bills mailed	52,130	52,250	52,850	55,297	56,005
Personal property bills mailed	47,076	47,250	46,850	51,745	57,928
Vehicle decals issued	47,724	48,920	50,140	55,969	58,923
Dog tags issued	892	900	925	612	902
<b>Judicial administration</b>					
Adult court services					
Average daily caseload	170	162	228	251	305
Circuit court (2)					
Law cases	400	410	415	404	450
Chancery cases	375	400	420	446	450
Civil cases (3)	*	*	*	*	*
Criminal cases	850	870	900	897	900
Clerk of the circuit court (by calendar year)					
Deed book recording	11,000	15,591	12,230	16,932	22,000
Judgments	1,455	1,134	1,169	1,457	1,593
Criminal cases	991	817	942	897	864
Concealed weapon permits	376	276	139	106	342

(1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no 2007 information is available.

(2) Circuit court data reporting revised to calendar year from fiscal year as of 2005.

(3) Law and chancery cases have been combined into civil cases category as of CY 2006

(4) Park attendance revised to include all sites as of FY 2004.

(5) Writing element added to SAT in FY 2006

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

Sources: Fauquier County Budgets, Fauquier County Superintendent's Annual Reports

\* Unavailable

Fiscal Year					Function
2003	2004	2005	2006	2007 (1)	
					<b>General government</b>
					Commissioner of the revenue
29,691	30,299	30,934	31,402	*	Real estate number of parcels
4,103	4,048	3,829	3,861	*	Land use number of parcels
68,569	70,861	72,644	69,280	*	PPTRA qualifying vehicles
					County attorney
44	38	40	73	*	Total litigation files opened
					Finance
19,126	19,227	21,564	19,927	*	Vendor checks issued
40,385	41,441	44,676	46,900	*	Payroll annual checks/direct deposits
					Human resources
*	4,436	4,755	7,775	*	Employment applications received
*	802	995	1,027	*	New employees orientated
					Information technology
2,328	2,500	2,500	2,500	*	Web pages updated
9,511,086	7,000,000	7,000,000	7,000,000	*	Web site hits
					Treasurer
57,661	59,146	59,652	61,172	*	Real estate bills mailed
53,815	57,977	59,843	61,498	*	Personal property bills mailed
60,844	62,294	65,085	67,401	*	Vehicle decals issued
721	725	773	874	*	Dog tags issued
					<b>Judicial administration</b>
					Adult court services
424	403	359	387	*	Average daily caseload
					Circuit court (2)
423	475	438	*	*	Law cases
372	427	360	*	*	Chancery cases
*	*	*	753	*	Civil cases (3)
946	983	905	1,028	*	Criminal cases
					Clerk of the circuit court (by calendar year)
28,410	23,334	23,807	19,778	*	Deed book recording
2,120	1,767	1,845	1,911	*	Judgments
946	983	905	1,028	*	Criminal cases
364	274	215	223	*	Concealed weapon permits

Table 16

Operating Indicators by Function (1)  
Last Ten Fiscal Years

Function	1998	1999	2000	2001	2002
<b>Public safety</b>					
Detention center					
Prisoner transports	4,702	4,891	5,321	5,511	5,612
Average daily inmate population	102	114	128	137	142
Juvenile detention					
Youth detained	*	*	*	*	*
Child care days	*	*	*	*	*
Juvenile probation					
Probation and parole per month	*	*	*	166	200
Community service hours	*	*	*	5,511	4,699
Fire and emergency services					
911 calls for service	5,470	8,061	9,203	9,745	10,296
Hazardous material response	*	*	*	1200 hrs.	1200 hrs.
Emergency response	*	*	*	600 calls	750 calls
Sheriff					
Traffic summonses issued	4,678	5,649	5,721	5,819	5,912
Misdemeanor arrests	1,386	1,471	1,428	1,417	1,929
Felony arrests	1,187	1,239	1,207	1,189	1,186
Civil papers served	26,711	26,314	26,419	26,511	26,912
Calls for service	33,941	2,963	3,001	35,319	39,912
Animal control calls for service	2,983	1,491	1,480	1,473	1,421
<b>Public works</b>					
Environmental services - convenience sites					
Solid waste - tons	16,223	*	*	*	*
Recycled materials - tons	3,500	*	*	*	*
Resident visits	375,637	*	*	*	*
General services					
Facility work orders completed	*	*	8,249	8,191	7,894
Fleet vehicles/small engines	*	*	*	*	*
Preventive maintenance schedule	*	*	520	624	744
Surplus property	*	*	*	*	*
<b>Health and welfare</b>					
Comprehensive services act					
Comprehensive Services for At-Risk Youth and Families (CSA):					
Regular and residential foster care	62	39	55	52	51
Preventive foster care	25	27	30	35	22
Social services					
Adoption assistance	13	16	16	14	15
Adults receiving services	163	165	216	212	245
Approved foster/adoptive homes	42	41	44	41	45

- (1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no 2007 information is available.
- (2) Circuit court data reporting revised to calendar year from fiscal year as of 2005.
- (3) Law and chancery cases have been combined into civil cases category as of CY 2006
- (4) Park attendance revised to include all sites as of FY 2004.
- (5) Writing element added to SAT in FY 2006
- (6) FY 1998, Internal Services Fund County Users and Non-County Users were combined.

Sources: Fauquier County Budgets, Fauquier County Superintendent's Annual Reports

\* Unavailable

Fiscal Year					Function
2003	2004	2005	2006	2007 (1)	
					<b>Public safety</b>
					Detention center
4,122	4,452	7,622	6,237	*	Prisoner transports
67	67	59	75	*	Average daily inmate population
					Juvenile detention
60	67	54	76	*	Youth detained
2,001	1,592	922	2,179	*	Child care days
					Juvenile probation
150	211	93	92	*	Probation and parole per month
3,620	2,509	2,793	2,608	*	Community service hours
					Fire and emergency services
13,153	14,411	15,298	15,552	*	911 calls for service
600 hrs.	500 hrs.	600 hrs.	500 hrs.	*	Hazardous material response
400 calls	300 calls	300 calls	300 calls	*	Emergency response
					Sheriff
10,187	7,745	9,511	10,357	*	Traffic summonses issued
1,854	1,609	1,534	1,470	*	Misdemeanor arrests
575	613	708	807	*	Felony arrests
13,430	13,392	13,969	15,855	*	Civil papers served
37,921	35,938	38,541	41,182	*	Calls for service
1,774	1,947	2,428	3,691	*	Animal control calls for service
					<b>Public works</b>
					Environmental services - convenience sites
67,426	74,715	74,337	72,662	*	Solid waste - tons
45,273	54,730	49,000	10,855	*	Recycled materials - tons
718,359	734,091	800,000	672,645	*	Resident visits
					General services
8,797	8,410	8,720	9,462	*	Facility work orders completed
522	539	610	671	*	Fleet vehicles/small engines
824	931	1,024	1,426	*	Preventive maintenance schedule
1,958	2,232	2,318	2,558	*	Surplus property
					<b>Health and welfare</b>
					Comprehensive services act
					Comprehensive Services for At-Risk Youth ar
					Families (CSA):
54	70	80	53	*	Regular and residential foster care
15	34	38	45	*	Preventive foster care
					Social services
17	21	37	29	*	Adoption assistance
245	268	220	233	*	Adults receiving services
32	29	29	*	*	Approved foster/adoptive homes

Table 16

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

<b>Function</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Parks, recreation, and cultural</b>					
Library					
Materials cataloged/processed	12,434	10,371	9,493	12,454	14,235
Periodicals cataloged/processed	3,208	3,537	3,629	3,410	3,921
Library patron visits	170,490	151,530	303,057	263,722	272,277
Parks and recreation					
Park attendance (4)	35,000	35,300	48,340	56,176	108,669
Shelter rentals	251	255	265	130	149
<b>Education</b>					
Per pupil expenditures	5,922	6,270	7,913	8,106	8,726
High school completion rate	81%	87%	82%	85%	86%
SAT scores (5)	1,028	1,034	1,032	1,032	1,046
Federal subsidized meals program	*	*	17.0%	14.9%	14.2%
<b>Community development</b>					
Web page updated	*	*	*	*	89
Rezoning/comp plans	1	22	15	15	17
Preliminary/final subdivisions	30	23	67	33	42
Zoning permits issued	1,224	1,362	1,493	1,680	1,729
Building plans reviewed	1,218	1,425	1,553	1,718	1,913
Land disturbing permits issued	24	35	43	49	50
Marketing response to web site	*	*	*	*	*
<b>Other funds</b>					
Environmental services					
Residents using the landfill	*	*	*	89,992	174,850
Total tons recycled	*	*	*	34,709	41,153
Recycling rate	*	*	*	37%	44%
Fleet maintenance					
Internal service fund county users	42 (6)	25	25	29	29
Internal service fund non-county users	- (6)	17	7	8	8
Total vehicles serviced	5,210	*	*	2,870	2,940
Joint communications					
Telephone calls processed	198,511	*	*	*	*
Dispatch actions performed	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 2007 information is available.
- (2) Circuit court data reporting revised to calendar year from fiscal year as of 2005.
- (3) Law and chancery cases have been combined into civil cases category as of CY 2006.
- (4) Park attendance revised to include all sites as of FY 2004.
- (5) Writing element added to SAT in FY 2006.
- (6) In FY 1998, Internal Services Fund County Users and Non-County Users were combined.

Sources: Fauquier County Budgets; Fauquier County Superintendent's Annual Reports

\* Unavailable

<b>Fiscal Year</b>					<b>Function</b>
<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007 (1)</b>	
					<b>Parks, recreation, and cultural</b>
					Library
12,839	15,157	14,344	16,515	*	Materials cataloged/processed
3,935	3,829	3,758	3,869	*	Periodicals cataloged/processed
296,529	315,674	336,101	328,517	*	Library patron visits
					Parks and recreation
114,352	420,785	624,780	615,263	*	Park attendance (4)
140	167	208	210	*	Shelter rentals
					<b>Education</b>
8,247	8,601	8,878	9,546	*	Per pupil expenditures
84%	87%	94%	93%	*	High school completion rate
1,055	1,045	1,057	1,534	*	SAT scores (5)
14.1%	15.2%	15.7%	15.5%	*	Federal subsidized meals program
					<b>Community development</b>
116	287	462	450	*	Web page updated
24	11	32	9	*	Rezoning/comp plans
39	14	29	26	*	Preliminary/final subdivisions
1,866	2,189	2,462	2,763	*	Zoning permits issued
2,091	2,227	2,407	2,788	*	Building plans reviewed
43	75	85	83	*	Land disturbing permits issued
*	202	408	1,280	*	Marketing response to web site
					<b>Other funds</b>
					Environmental services
259,498	262,103	250,000	281,190	*	Residents using the landfill
45,273	54,730	49,000	10,855	*	Total tons recycled
47%	48%	50%	38%	*	Recycling rate
					Fleet maintenance
29	28	28	26	*	Internal service fund county users
9	9	9	7	*	Internal service fund non-county users
3,967	3,704	4,200	4,385	*	Total vehicles serviced
					Joint communications
248,426	246,286	292,750	201,225	*	Telephone calls processed
587,556	631,597	646,312	651,756	*	Dispatch actions performed
69,243	71,925	74,782	74,232	*	Calls for service

COUNTY OF FAUQUIER, VIRGINIA

Table 17

Capital Assets Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<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	214	209	232	237	219	240	243	266	279	272
County owned buildings	26	26	26	26	26	27	28	28	28	28
Sq. ft. in buildings	340,806	340,806	340,806	340,806	340,806	386,240	396,840	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	202,794
Parks and recreation facilities	22	22	22	22	30	30	27	32	32	33
Land acres	100	100	100	*	*	576	576	576	576	897
Water acres	109	109	109	*	*	189	189	189	190	190
Trails (miles)	2.75	*	*	*	*	*	*	8.50	8.50	8.75
Fields	*	*	*	*	*	*	*	53	58	58
Boats	*	*	*	*	*	36	36	36	36	59
Shelters	*	*	*	*	*	*	*	9	10	20
Swimming pools	-	-	-	-	-	-	-	1	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	625,222	625,222	625,222	625,222	625,222	625,222	625,222	625,222
Capacity	4,829	4,829	5,495	5,495	5,495	5,495	5,495	5,495	5,495	5,495
Middle schools										
Buildings	4	4	4	4	4	4	4	5	5	5
Sq. ft. in buildings	379,865	379,865	379,865	379,865	379,865	379,865	379,865	493,865	493,865	493,865
Capacity	2,583	2,583	2,583	2,583	2,583	2,583	2,583	3,183	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	161	169	178	166	155	154	161	173	164	173
<b>Airport</b>										
Miles of runways	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.96	0.96	0.96
Number of hangars	5	6	6	6	6	7	7	7	7	9

Sources: Fauquier County Budget Office; Fauquier County Administration; Fauquier County Fleet Operations; Fauquier County Parks & Recreation; Fauquier County General Services; Fauquier County Department of Fire and Emergency Services; Fauquier County Schools

\* 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 (the "County") as of and for the year ended June 30, 2007, and have issued our report thereon dated November 14, 2007. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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*.

We noted certain other matters that we reported to management of the County in a separate letter dated November 14, 2007.

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, Beckett & Holland, L.L.P.*

Richmond, Virginia  
November 14, 2007



**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 (the "County") 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, 2007. The County'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's management. Our responsibility is to express an opinion on the County'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'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's compliance with those requirements.

In our opinion, the County 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, 2007.

**Internal Control Over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 14, 2007

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Primary Government and Discretely Presented Component Unit  
 For the Year Ended June 30, 2007

Page 1 of 5

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- 90842 46003- 90887 46003- 90888 46003- 90895 46003- 90942 46006- 90919 46006- 90921 46006- 90928 46006- 90930	\$ 324,998
Total Department of Agriculture			324,998
<b>DEPARTMENT OF JUSTICE:</b>			
Direct payments:			
Bullet Proof Vest Partnership Program	16.607	Not Applicable	8,228
Public Safety Partnership and Community Policing Grants	16.710	Not Applicable	74,042
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Not Applicable	36,714
Pass-through payments from Commonwealth of Virginia:			
Department of Criminal Justice Services:			
Byrne Formula Grant Program	16.579	39001- 45000	90,175
Total Department of Justice			209,159
<b>DEPARTMENT OF TRANSPORTATION:</b>			
Direct payments:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	Not Applicable	810,082
Pass-through payments from Commonwealth of Virginia:			
Department of Motor Vehicle:			
State and Community Highway Safety (154 Funds)	20.607	60507- 52149 60507- 52446	34,414
Department of Transportation:			
Transportation Enhancement Program (TEA-21)	Not Available	EN01-030-126, PE101, RW201, C501 EN00-030-152, PE101, RW201, C501 EN03-030-111, PE101,C501	19,337
Total Department of Transportation			\$ 863,833

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Primary Government and Discretely Presented Component Unit  
 For the Year Ended June 30, 2007

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	\$ 9,469
Promoting Safe and Stable Families	93.556	46901- 90359	81,244
Temporary Assistance for Needy Families	93.558	45201- 90603 45212- 90046 45212- 90099 45212- 90366 45212- 90377 45212- 90621 45212- 90B99 46003- 90812 46003- 90841 46003- 90845 46003- 90885 46003- 90941 46006- 90918 46006- 90922	272,451
Refugee and Entrant Assistance - State Administered Programs	93.566	46003- 90210 46003- 90807 46003- 90880	305
Low-Income Home Energy Assistance	93.568	46003- 90015 46006- 90934 46006- 90937 49103- 90024	12,050
Child Care Cluster:1			
Child Care and Development Block Grant	93.575	45215- 90378 45215- 90544 45215- 90545	506,681
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	45214- 90517 45214- 90529 45214- 90540 45215- 90027 45215- 90064 45215- 90521 45215- 90522 46003- 90843 46003- 90943 46006- 90916 46006- 90925	318,136
Chafee Education and Training Vouchers Program	93.599	46901- 90254	1,229
Adoption Incentive Payments	93.603	46903- 90651	4,053
Child Welfare Services - State Grants	93.645	46006 90251	\$ 288

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Primary Government and Discretely Presented Component Unit  
 For the Year Ended June 30, 2007

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>			
Foster Care - Title IV-E	93.658	46003- 90209 46003- 90813 46003- 90886 46006- 90049 46006- 90802 46006- 90803 46006- 90810 46006- 90876 46006- 90917 46006- 90926 46901- 90636 46901- 90637 46901- 90638 46901- 90639	\$ 443,239
Adoption Assistance	93.659	46006- 90877 46901- 90047 46901- 90368 46903- 90606 46903- 90627	68,292
Social Services Block Grant	93.667	46003- 90844 46006- 90801 46006- 90804 46006- 90805 46006- 90806 46802- 90076 46802- 90313 46802- 90340 46802- 90379 46901- 90357	298,496
Chafee Foster Care Independent Living	93.674	46901- 90356	3,513
State Children's Insurance Program	93.767	46003- 90840 46003- 90940	724
Medical Assistance Program	93.778	46003- 90213 46003- 90820 46003- 90893 46006- 90920 46006- 90929	285,504
Total Department of Health and Human Services			\$ <u>2,305,674</u>

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Primary Government and Discretely Presented Component Unit  
 For the Year Ended June 30, 2007

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	77501- 52705	\$ 207,004
Emergency Management Preparedness Grant	97.042	77501- 52746	13,000
Total Department of Homeland Security			220,004
<b>Total Primary Government</b>			3,923,668
 <b>Component Unit - School Board:</b>			
<b>DEPARTMENT OF AGRICULTURE:</b>			
Pass-Through Payments from Commonwealth of Virginia:			
Child Nutrition Cluster2			
Department of Education:			
National School Breakfast Program	10.553	17901- 40591	144,416
National School Lunch Program	10.555	17901- 40623	769,603
Department of Agriculture and Consumer Services:			
National School Lunch Program - Commodities	10.555		245,497
Total Department of Agriculture			1,159,516
<b>DEPARTMENT OF DEFENSE:</b>			
Direct Payments:			
Junior ROTC Program	12.000	Not Applicable	57,854
Total Department of Defense			57,854
<b>DEPARTMENT OF EDUCATION:</b>			
Pass-Through Payments from Commonwealth of Virginia:			
Department of Education:			
Special Education Cluster:3			
Special Education - Grants to States	84.027	17901- 43071	2,293,270
Special Education - Preschool Grants	84.173	17102- 62521	96,507
Adult Education State Grant Program	84.002	17901- 42801	59,471
Title I Grants to Local Educational Agencies	84.010	17101- 42901	749,521
Vocational Education - Basic Grants to States	84.048	17103- 61095	\$ 110,765

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Primary Government and Discretely Presented Component Unit  
 For the Year Ended June 30, 2007

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>			
Safe and Drug-Free Schools and Communities State Grants	84.186	17901- 60511	\$ 9,304
Fund for the Improvement for Education	84.215	17114- 61090	298,687
State Grants for Innovative Programs	84.298	17901- 49005	16,076
Education Technology Formula Grant-Title II-Part D	84.318	17901- 61600	15,564
English Language Acquisition Grants	84.365	17901- 60512	56,188
Improving Teacher Quality State Grants (Title II)	84.367	17901- 61480	247,728
Emergency Aid Impact	84.938	17901- 60528	<u>6,013</u>
Total Department of Education			<u>3,959,094</u>
<b>Total Component Unit - School Board</b>			<u><u>5,176,464</u></u>
<b>Total Federal Assistance Reporting Entity</b>			\$ <u><u>9,100,132</u></u>

**COUNTY OF FAUQUIER, VIRGINIA**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007**

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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	\$ 3,085,349
Other Governmental Funds	41,280
Airport Fund	818,982
Total primary government	<u>3,945,611</u>
Component Unit – Public Schools:	
School General Fund	3,949,951
School Special Revenue Fund	914,019
Total component unit public schools	<u>4,863,970</u>
Total federal expenditures per basic financial statements	<u>8,809,581</u>
Noncash expenditures - value of donated commodities	245,497
Expended from prior year balances	<u>45,054</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 9,100,132</u>

*COUNTY OF FAUQUIER, VIRGINIA*

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007**

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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
Significant deficiencies 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
Significant deficiencies 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>
10.553/10.555	Child Nutrition Cluster
84.215	Fund for the Improvement of Education
93.575/93.596	Child Care Cluster
93.667	Social Services Block Grant
93.778	Medical Assistance Program

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.

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