

**COUNTY OF FAUQUIER, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2008**

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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, 2008**

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# Fauquier County Government and Public Schools



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November 11, 2008

**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, 2008. 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, 2008 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

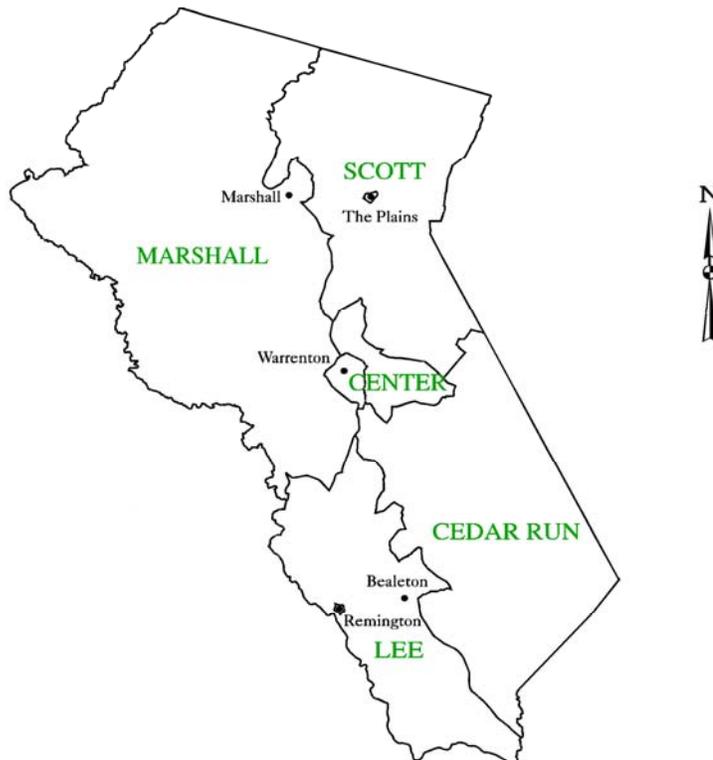
unqualified opinion that the County’s financial statements are fairly presented in conformity with GAAP.

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 (the 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 65,319. 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 mission of the FCPS is to cultivate the ability, intellect, and character of each student to ensure an educated citizenry. 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 three high schools, five middle schools, eleven elementary schools, and one alternative school. These figures include the addition of two new schools which opened in August 2008, Kettle Run High School and Greenville Elementary 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 school. The combined enrollment of FCPS as of June 2008 totaled 11,346 students. The FCPS High School Completion Rate is 93.5%, with 69% of graduates seeking higher education.

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 October, all agencies submit their appropriation requests for the fiscal year commencing the following July 1<sup>st</sup>. In February, 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 general fund in Exhibit 7.

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.

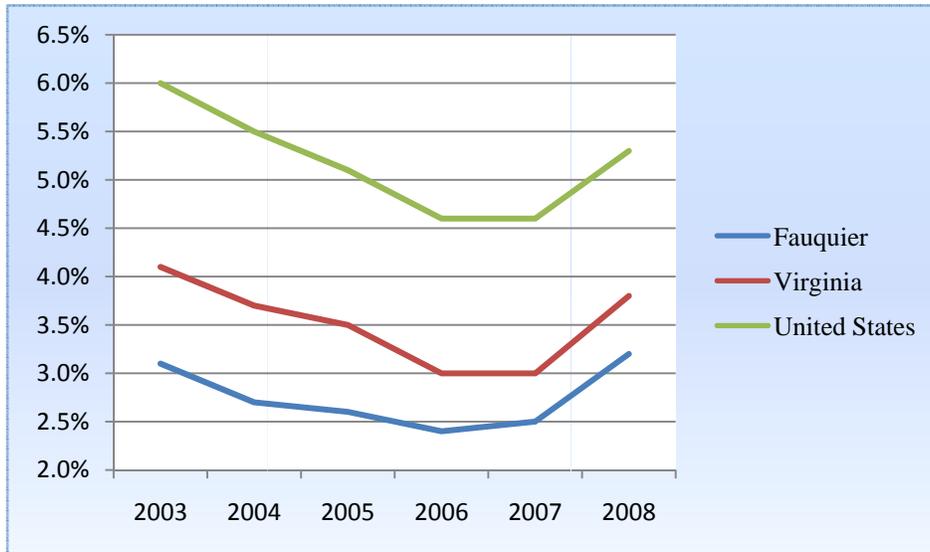
#### **Local economy**

During the past year, Fauquier County's economy has slowed in comparison to the unprecedented growth that has been characteristic of the region for several years. After witnessing double-digit annual increases in home values, the local real estate housing market has entered a correction period, in which home values are stabilizing. The impact on the County's revenues from such corrections is not immediate, since the County performs reassessments in four year intervals, with the next reassessment effective January 1, 2010. 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. However, the next reassessment is currently underway, and it is anticipated that depressed housing sales figures will impact real estate values once those assessed values take effect on January 1, 2010. The current year collection rate for property tax levies is 98.27%, which is consistent with prior years. This may be a positive indicator that the National housing and credit crisis has not significantly impacted the Fauquier citizenry.

Additionally, the unfavorable economic conditions have not impacted the local job market to the extent that they have affected other areas of the Country. The County's proximity to the federal government and its affiliated contractor industries has translated into a positive economic environment. Approximately 58% of County residents commute to work locations outside the County. The majority of these residents commute to Fairfax, Prince William, and Loudoun Counties. While the County's unemployment rate has risen by 0.7% this year to 3.2% as of June 30, 2008, this figure is below

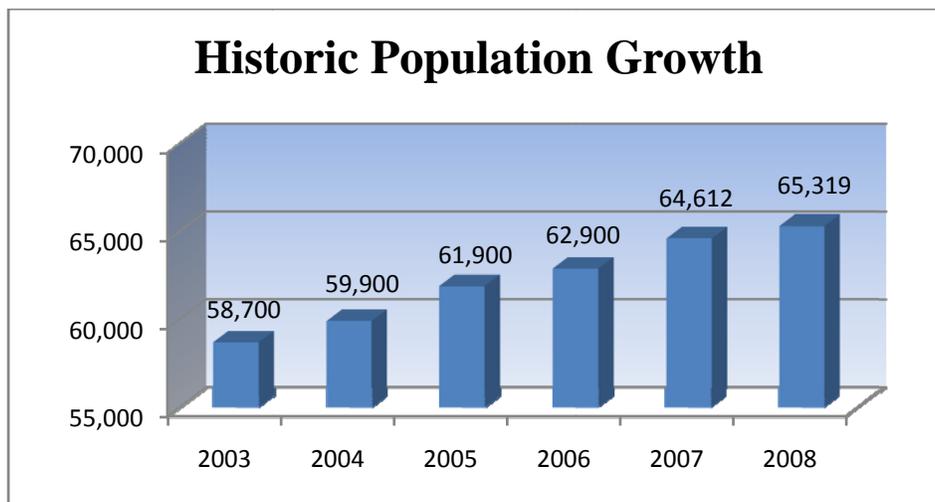
Virginia's average rate of 3.8% and the National average of 5.3%. The construction industry has suffered the bulk of the employment reductions, a casualty of the decline in new home construction.

## Annual Unemployment Rates



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 11.3% 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



The primary goal of the County's economic development efforts is to assist existing businesses as they grow and expand within the County. The majority of businesses in

Fauquier County are small, with only 1 to 4 employees. The County's economic development program seeks to attract small to mid-sized companies to locate into planned development sites within the county. In the first quarter of 2008, there were 54 new startup firms in the County. This is a marked increase over the fourth quarter of 2007.

The Vint Hill Economic Development Authority, created in 1996, is responsible for guiding the redevelopment of the former Army communications base. Vint Hill has 260 acres of zoned land available for commercial and light industrial development. As of 2008, Vint Hill had 65 businesses occupying 650,000 square feet of commercial space with 1,100 employees. Within the last year, Vint Hill has experienced significant commercial investment. Rockwell Collins moved into its 43,000 square foot build-to-suit facility. The Federal Aviation Administration announced a major \$50 million expansion which will double its workforce to 600. ICE Properties completed a 30,000 square foot office/flex building and Walnut Grove's Child Development Center was constructed. The Pretium office building began construction in February 2008 and will be completed in November.

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.

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 2009 capital budget for new County and School projects is \$410,000. This is a drastic reduction from the previous two years, which included 18 projects totaling over \$63.6 million. Due to the estimated minimal growth in revenue for fiscal year 2009, the Sheriff's Office Vehicle Replacement Program is the only program that was approved for funding. However, it is expected that other improvement projects will be initiated in fiscal year 2009 utilizing capital cash reserves.

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 continued 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. Additional initiatives include Management Objectives and Performance Measures and Integrated Process Improvement Teams.

### **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, 2007. This was the tenth 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 2007. This is the second time Fauquier County Government & Public Schools has achieved this award.

The GFOA has awarded its Distinguished Budget Presentation Award to Fauquier County for fiscal year 2008. Fauquier County has received this award for twelve 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

County of Fauquier  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

**FAUQUIER COUNTY SCHOOL BOARD**

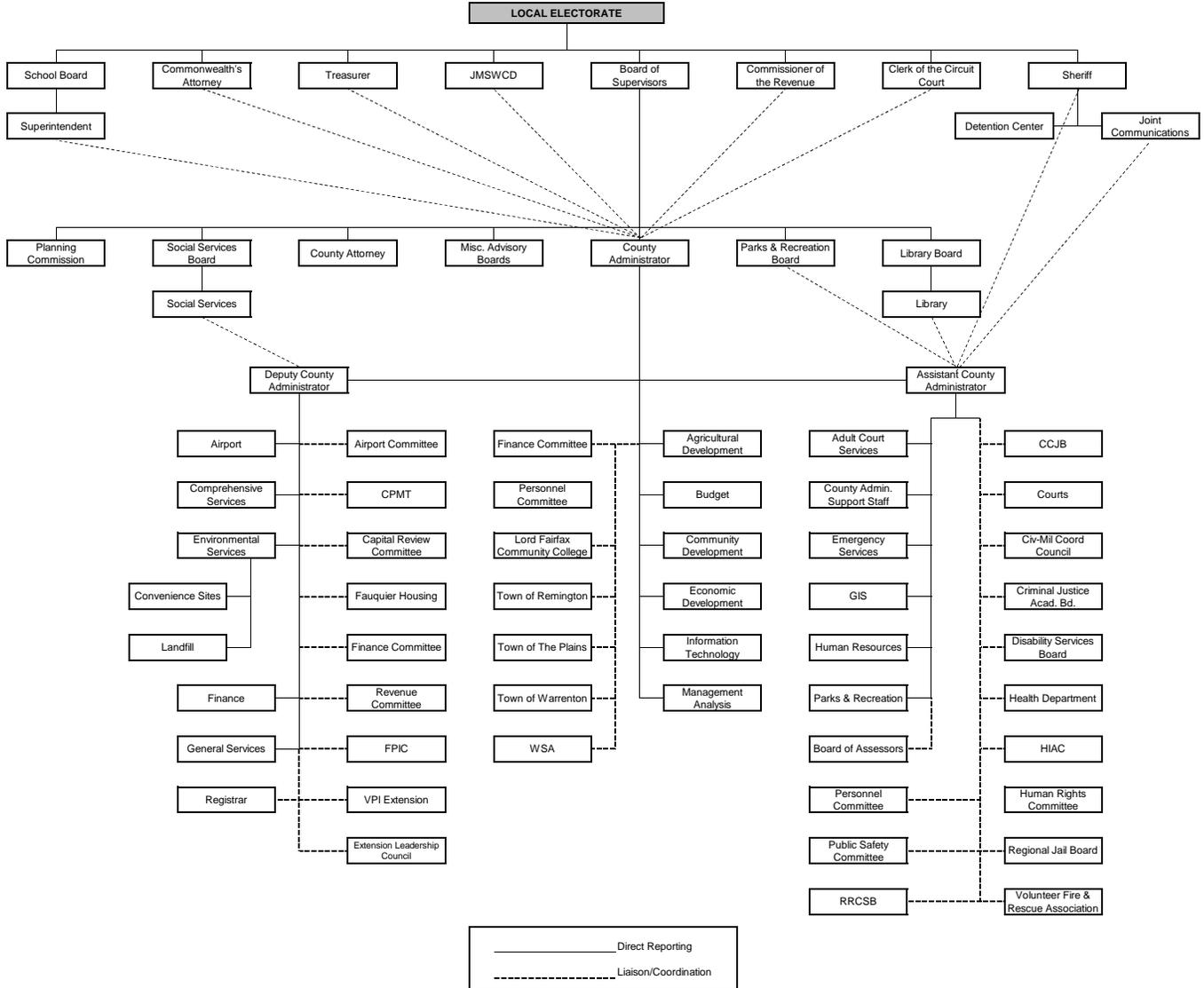
**For its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2007**

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

**County of Fauquier, Virginia  
Organizational Chart**



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

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**BOARD OF SUPERVISORS**

Chester W. Stribling, Chairman  
R. Holder Trumbo, Jr., Vice-Chairman  
Terrence L. Nyhous  
Peter B. Schwartz  
Raymond E. Graham

**COUNTY ADMINISTRATION**

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

**COUNTY SCHOOL BOARD**

Raymond E. Bland, Chairman  
Sally Murray, Vice-Chairman  
Donna Grove  
Maureen Riordan  
Sheryl Wolfe

**SCHOOL ADMINISTRATION**

Jonathan Lewis, 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



## 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, 2008, 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, 2008, 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 10, 2008 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Richmond, Virginia  
November 10, 2008

## 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, 2008. 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 2008 FINANCIAL HIGHLIGHTS**

- The total reporting entity, which includes the School Board component unit, has positive net assets of \$186.0 million at June 30, 2008. 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, 2008, the County has \$123.1 million of School Board debt outstanding (which includes \$118.1 million of outstanding bonds plus \$5.2 million of bond premiums less \$0.2 million of deferred bond issuance costs) related to assets on the books of the School Board. The County has provided moral obligation commitments to United States Department of Agriculture Rural Development program (USDA) for construction loans for three volunteer fire and rescue companies guaranteeing that the volunteer companies debt service payments will be paid from the County's Fire and Rescue Levy. At June 30, 2008, the County's commitment of \$12.3 million is reflected as County debt with no corresponding asset as the fire and rescue buildings are the assets of the individual volunteer companies. After reflecting the assets in the School Board component unit column and the School and volunteer fire and rescue debt with the primary government, the County's governmental activities liabilities at June 30, 2008 exceeded assets by \$11.2 million (net assets).
- Net assets of the total reporting entity decreased by \$3.0 million, 1.6%, 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 small decrease in net assets during a year when three volunteer fire and rescue companies were financed 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 \$52.1 million, 127.4%, which is primarily the result of issuing \$34.1 million in School construction debt for the completion of Kettle Run High School and Greenville Elementary School and \$9.4 million in moral obligation commitments for renovation of the Remington and Warrenton volunteer fire and rescue stations and construction of the new Catlett volunteer fire and rescue station. Total revenues increased by \$5.0 million, 3.2%, which partially offsets the \$49.2 million, 29.8%, increase in expenditures. The most significant contributor to the revenue increase is the general property taxes increase of \$7.6 million, 7.5%, which is attributed to the real estate tax increase of 12 cents from 60 cents. The new tax rate was effective for the second half of fiscal year 2008.
- The total cost of the County's programs was \$214.3 million (governmental activities), an increase of \$49.2 million, 29.8%, which is due primarily to increases in Education expenses of \$34.7 million, 36.4%, Public Safety expenses of \$9.3 million, 38.6%, Public Works of \$1.3 million, 20.0% and Community Development of \$1.5 million, 22.4%. Business-type activities expenses increased by \$1.0 million, 12.7%, due primarily to the increase in closure and post closure costs of the landfill.

- Revenues from business-type activities decreased by \$0.6 million, 7.0%, due primarily to the completion of site improvements at the airport substantially funded through federal capital grants in prior years.
- The County's strong flexibility has resulted in surpluses in recent years which have been utilized for cash funding of capital projects such as the \$2.5 million cash funding in fiscal year 2008 of the public safety radio tower project, and the fire training center and firing range project.
- The School Board component unit's, revenues, including the County contribution, totaled \$176.1 million and expenses totaled \$126.0 million. Schools net assets increased by \$50.1 million, or 39.8%, during fiscal year 2008 (Exhibit 2) primarily due to \$53.5 million (Exhibit 29) 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, 2008, the County governmental funds reported combined fund balances of \$55.4 million, a decrease of \$17.0 million in comparison with the prior year. The decrease resulted primarily from an increase in capital project expenditures of \$20.2 which utilized funds borrowed in the prior fiscal year. Approximately 91.8% of the general fund's fund balance, or \$19.1 million, is designated for revenue shortfalls, designated for future years' expenditures or undesignated and is therefore available to meet the County's current and future needs. (Exhibits 3 & 5)
- General fund revenues exceeded the amended budget expectations by \$0.1 million. Expenditure savings of \$5.4 million was the result of \$2.0 million savings in the contribution to the School Board component unit and \$3.4 million savings from County Departments. (Exhibit 7)
- At the end of the current year, the undesignated fund balance of \$16.2 million in the general fund is 10.0% of fiscal year 2009's budgeted general fund revenues and 10.7% of fiscal year 2008 actual general fund revenues. (Exhibits 3 & 7)

## **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 2007 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, Association of School Business Officials International Certificate of Excellence in Financial Reporting Award, 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 the Landfill and Recycling activities and Airport activities.
- 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, external beneficiaries, detention center inmates, 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, 2008 and 2007.

<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>			
	2008	2007	2008	2007	2008	2007	2008	2007
<b>Assets:</b>								
Current and other assets	\$ 78.0	\$ 92.1	\$ 1.8	\$ 1.8	\$ 79.8	\$ 93.9	\$ 93.7	\$ 108.0
Capital assets	74.2	72.4	31.2	31.6	105.4	104.0	285.0	233.6
<b>Total assets</b>	<b>152.2</b>	<b>164.5</b>	<b>33.0</b>	<b>33.4</b>	<b>185.2</b>	<b>197.9</b>	<b>378.7</b>	<b>341.6</b>
<b>Liabilities:</b>								
Other liabilities	15.0	13.7	0.5	0.4	15.5	14.1	28.7	26.8
Long-term liabilities	148.4	109.9	11.3	10.9	159.7	120.8	164.0	125.8
<b>Total liabilities</b>	<b>163.4</b>	<b>123.6</b>	<b>11.8</b>	<b>11.3</b>	<b>175.2</b>	<b>134.9</b>	<b>192.7</b>	<b>152.6</b>
<b>Net assets:</b>								
Invested in capital assets, net of related debt	68.3	65.9	29.4	29.8	97.7	95.7	167.5	159.6
Restricted	1.7	4.5	-	-	1.7	4.5	1.7	4.5
Unrestricted	(81.2)	(29.5)	(8.2)	(7.7)	(89.4)	(37.2)	16.8	24.9
<b>Total net assets</b>	<b>\$(11.2)</b>	<b>\$ 40.9</b>	<b>\$ 21.2</b>	<b>\$ 22.1</b>	<b>\$ 10.0</b>	<b>\$ 63.0</b>	<b>\$ 186.0</b>	<b>\$ 189.0</b>

The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements.

The total reporting entity net assets decreased by \$3.0 million, 1.6%. Invested in capital assets net of related debt increased by \$7.9 million, 4.9% as the County's emphasis on construction of school assets was a major focus in fiscal year 2008. The majority of the school assets were financed with long-term general obligation bonds.

In the case of the primary government, total assets exceeded total liabilities by \$10.0 million at June 30, 2008. The largest portion of net assets, \$97.7 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 \$1.7 million of restricted assets is related to \$0.2 million for grants and seizure funds, and \$1.5 million is restricted for special revenue funds. The deficit unrestricted net assets of the primary government totaled \$89.4 million. This deficit is

primarily the result of the County providing moral obligation commitments to USDA for construction loans for three volunteer fire and rescue companies guaranteeing the companies' debt service payments will be paid by the County with no corresponding asset as the fire and rescue buildings are the assets of the individual companies. Therefore the total reporting entity's net assets on June 30, 2008 was decreased by \$12.3 million from this debt obligation. In addition, the result of the County having borrowed \$123.1 million (\$118.1 million bonds plus \$5.2 million of bond premiums less \$0.2 million of deferred issuance costs) for assets reported by the School Board component unit which when combined for the total reporting entity results in \$3.0 million of negative net assets.

For the business-type activities, total net assets decreased by \$0.9 million, 4.1%, which is primarily the result of an increase in landfill closure and postclosure costs and an increase in depreciation expense for the airport enhancements funded primarily from State and Federal capital contributions in previous fiscal years. The unrestricted net assets showed a deficit of \$8.2 million which is an increase to the deficit of \$0.5 million, 6.5% from the prior year due primarily to a slowdown in construction, demolition and debris (CD&D), tipping fee revenues and an increased in closure and postclosure expenses offset partially by the opening of the new recycling center increasing recycling revenues. 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

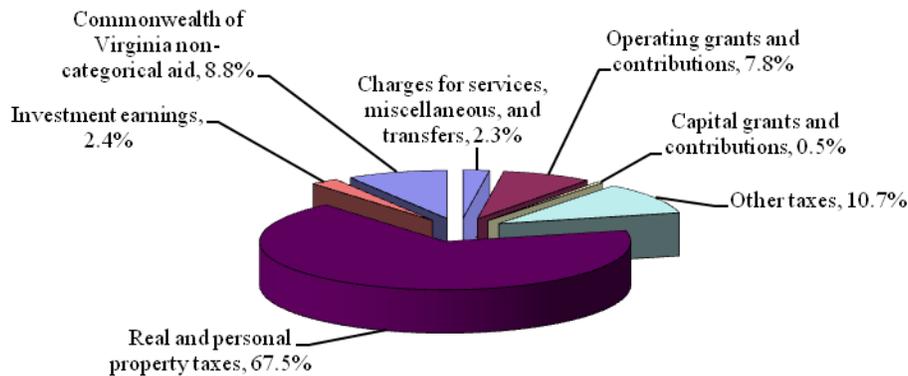
Table 2 summarizes the Statement of Activities (Exhibit 2 in the Financial Section of the CAFR) for the primary government and component unit.

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		2008	2007
	2008	2007	2008	2007	2008	2007		
<u>Revenues</u>								
Program revenues:								
Charges for services	\$ 3.7	\$ 4.1	\$ 7.3	\$ 6.4	\$ 11.0	\$ 10.5	\$ 14.5	\$ 13.9
Operating grants and contributions	12.7	15.8	-	-	12.7	15.8	16.8	20.7
Capital grants	0.8	-	-	1.6	0.8	1.6	0.8	2.6
General revenues:								
Real and personal property taxes	109.5	101.9	-	-	109.5	101.9	109.5	101.9
Other taxes	17.4	15.9	-	-	17.4	15.9	17.4	15.9
Investment earnings	3.9	4.9	-	0.1	3.9	5.0	3.9	5.0
Miscellaneous and transfers	-	0.3	0.7	0.5	0.7	0.8	1.0	1.4
Commonwealth non-categorical aid	14.2	14.3	-	-	14.2	14.3	52.9	51.6
Total revenues	<u>162.2</u>	<u>157.2</u>	<u>8.0</u>	<u>8.6</u>	<u>170.2</u>	<u>165.8</u>	<u>216.8</u>	<u>213.0</u>
<u>Expenses</u>								
General government	10.9	10.0	-	-	10.9	10.0	10.9	10.0
Judicial administration	3.3	3.0	-	-	3.3	3.0	3.3	3.0
Public safety	33.4	24.1	-	-	33.4	24.1	33.4	24.1
Public works	7.8	6.5	-	-	7.8	6.5	7.8	6.5
Health and welfare	9.9	8.7	-	-	9.9	8.7	9.9	8.7
Education	129.9	95.2	-	-	129.9	95.2	126.5	121.1
Parks, recreation, and cultural	5.5	6.0	-	-	5.5	6.0	5.5	6.0
Community development	8.2	6.7	-	-	8.2	6.7	8.2	6.7
Other	-	0.5	-	-	-	0.5	-	0.5
Interest - long-term debt	5.4	4.4	-	-	5.4	4.4	5.4	4.4
Airport	-	-	1.8	1.4	1.8	1.4	1.8	1.4
Landfill and recycling	-	-	7.1	6.5	7.1	6.5	7.1	6.5
Total expenses	<u>214.3</u>	<u>165.1</u>	<u>8.9</u>	<u>7.9</u>	<u>223.2</u>	<u>173.0</u>	<u>219.8</u>	<u>198.9</u>
Change in net assets	(52.1)	(7.9)	(0.9)	0.7	(53.0)	(7.2)	(3.0)	14.1
Beginning net assets, as restated	40.9	48.8	22.1	21.4	63.0	70.2	189.0	174.9
Ending net assets	<u>\$(11.2)</u>	<u>\$40.9</u>	<u>\$ 21.2</u>	<u>\$ 22.1</u>	<u>\$ 10.0</u>	<u>\$ 63.0</u>	<u>\$186.0</u>	<u>\$189.0</u>

**Governmental Activities:** As reflected in Table 2, total governmental net assets decreased by \$52.1 million compared to a decrease of \$7.9 million in fiscal year 2007. 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 and the issuance of debt for three fire and rescue volunteer stations. The total reporting entity change in net assets decreased by \$3.0 million as a result of financing of capital projects with assets donated to the legally separate volunteer fire and rescues companies. Revenues from governmental activities (Table 2) totaled \$162.2 million, an increase of \$5.0 million over fiscal year 2007. Revenue increases occurred primarily in general property taxes of \$7.6 million or 7.5% offset by a decrease in operating grants and contributions of \$3.1 million or 19.6%. In fiscal year 2008, \$17.2 million, or 10.6% 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 \$126.9 million, or 78.2% of all governmental activities revenues. Of this amount, general property taxes account for \$109.5 million, or 67.5% of total revenues.

**Governmental Activities – Revenues by Source  
For the Fiscal Year Ended June 30, 2008**



As shown in Table 2, the total expenses for governmental activities for this fiscal year were \$214.3 million, compared to \$165.1 million in fiscal year 2007. 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 \$129.9 million, or 60.6% 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 \$8.1 million in fiscal year 2008. The portion allocated to education is approximately \$6.0 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 63.4%. Public safety expenses, which total \$33.4 million, 15.6%, represent the second largest expense category for governmental activities.

**Governmental Activities  
Functional Expenses  
For the Fiscal Year Ended June 30, 2008**

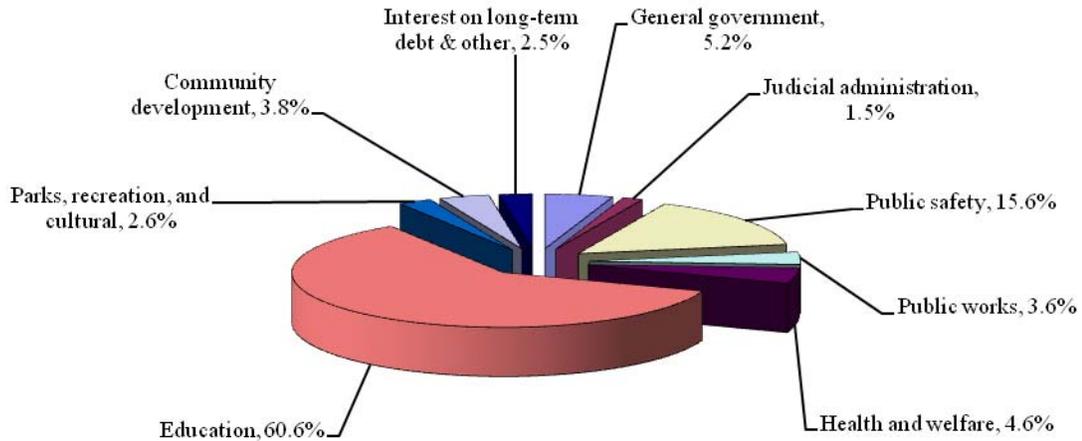


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County’s governmental activities.

Table 3	Net Cost of Governmental Activities For the Fiscal Year Ended June 30, 2008 (\$ in millions)			
	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
General government	\$ 10.9	\$ 10.0	\$ 10.1	\$ 9.2
Judicial administration	3.3	3.0	1.0	0.7
Public safety	33.4	24.1	27.1	19.7
Public works	7.8	6.5	7.8	6.5
Health and welfare	9.9	8.7	4.6	3.6
Education	129.9	95.2	129.9	95.2
Parks, recreation, and cultural	5.6	6.0	4.8	1.5
Community development	8.1	6.7	6.4	3.8
Interest on long-term debt and other	5.4	4.9	5.4	4.9
<b>Total</b>	<b>\$ 214.3</b>	<b>\$ 165.1</b>	<b>\$ 197.1</b>	<b>\$ 145.1</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 \$17.2 million, the net cost of governmental activities was \$197.1 million, compared to a total cost of \$214.3 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. Total net assets decreased by 4.1%, \$0.9 million, compared to 2007. Revenues totaled \$8.0 million of which \$7.3 million, or 91.3%, 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 \$8.9 million, of which 79.8% was associated with the landfill and recycling program. Business-type activity expenses increased \$1.0 million from fiscal year 2007, primarily due to an increase in the operating costs attributable to the opening of the construction, demolition and debris (CD&D) recycling facility; an increase in closure and postclosure costs at the landfill and an increase in depreciation expense for airport enhancements.

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

As of June 30, 2008, the County's governmental funds reported a combined ending fund balance of \$55.4 million (Exhibit 3), a decrease of \$17.0 million in comparison with the prior year. The decrease is primarily due to a \$19.6 million decrease in unspent bond proceeds related to the use of bond proceeds for school construction projects. Approximately 74.4%, or \$41.2 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 \$10.0 million, other restrictions of \$0.6 million, contributions to volunteer fire and rescue companies of \$0.7, future years' expenditures of \$1.9 million and a revenue shortfall reserve of \$1.0 million.

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unreserved fund balance of \$16.2 million (Exhibit 3). The General Fund's liquidity can be measured by comparing unreserved fund balance to total fund revenues. Unreserved fund balance represents 10.7% 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 10.0% 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 increased by 6.1% (\$1.2 million), which reflects a decrease of \$5.4 million in transfers to the CIP in 2008 over 2007 and an increase of \$0.7 million in transfers into the General Fund in 2008 over 2007 due primarily to the \$0.4 million transfer from the new Ambulance Revenue Fund. The Capital Projects Fund reported a total fund balance of \$30.5 million, a 32.8% decrease from the prior year due to the use of bond proceeds for school construction.

Significant outlays in fiscal year 2008 included the following:

- The General Fund contributed \$76.0 million in operating funds to finance the Schools operations.
- The General Fund incurred \$10.9 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 \$4.5 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>Table 4</b>			
<b>Budgetary Comparison</b>			
<b>General Fund</b>			
<b>For the Fiscal Year Ended June 30, 2008</b>			
<b>(\$ in millions)</b>			
	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>
<u>Revenues</u>			
Taxes	\$ 116.4	\$ 118.9	\$ 119.9
Other	5.9	6.2	5.5
Intergovernmental	24.8	26.0	25.8
Total revenues	<u>147.1</u>	<u>151.1</u>	<u>151.2</u>
<u>Expenditures</u>			
Expenditures	<u>146.0</u>	<u>151.5</u>	<u>146.1</u>
Excess (deficiency) of revenues over expenditures	<u>1.1</u>	<u>(0.4)</u>	<u>5.1</u>
<u>Other financing sources (uses)</u>			
Transfers	<u>(1.1)</u>	<u>(3.7)</u>	<u>(3.9)</u>
Change in fund balance	<u>\$ -</u>	<u>\$ (4.1)</u>	<u>\$ 1.2</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 \$4.0 million, primarily due to budget increases for general property tax revenues and state and federal funding. Actual revenues were higher

than the amended budget by \$0.1 million due to a partial budget increase related to the June 2008 real estate rate increase offset by lower than anticipated local sales and use taxes and lower community development fees from the downturn in the housing market.

Actual expenditures for the General Fund totaled \$146.1 million or \$5.4 million less than the amended budget. Of this difference, \$2.0 million is a reduction in the transfer to the School Board component unit and \$3.4 million savings from county departmental spending due to hiring and travel freezes. A portion of the savings generated by Schools in the form of unexpended appropriations is generally reappropriated in the new fiscal year. \$1.0 million of fiscal year 2008's unexpended appropriations are expected to be reappropriated in fiscal year 2009 to support one-time operating needs, and one-time capital projects.

## **CAPITAL ASSETS AND LONG-TERM DEBT**

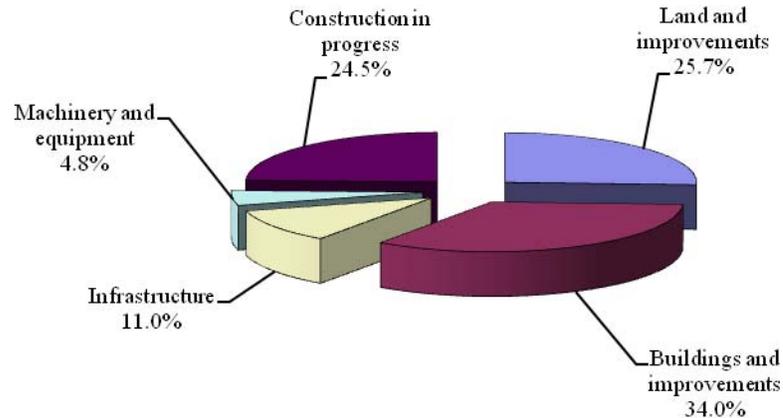
### **Capital Assets**

Table 5 provides information on changes in the capital assets of the governmental activities during fiscal year 2008.

<b>Table 5</b>	<b>Change in Capital Assets Governmental Activities (\$ in millions)</b>		
	<b>Balance July 1, 2007</b>	<b>Net Additions and Deletions</b>	<b>Balance June 30, 2008</b>
Land and improvements	\$ 18.5	\$ 0.6	\$ 19.1
Construction in progress (CIP)	15.9	2.3	18.2
Subtotal, capital assets not being depreciated	<u>34.4</u>	<u>2.9</u>	<u>37.3</u>
Buildings and improvements	33.5	0.7	34.2
Infrastructure	9.8	-	9.8
Machinery and Equipment	10.6	0.7	11.3
Subtotal, capital assets being depreciated	<u>53.9</u>	<u>1.4</u>	<u>55.3</u>
Less: accumulated depreciation	<u>15.9</u>	<u>2.5</u>	<u>18.4</u>
Net capital assets being depreciated	<u>38.0</u>	<u>(1.1)</u>	<u>36.9</u>
Governmental activities capital assets, net	\$ <u>72.4</u>	\$ <u>1.8</u>	\$ <u>74.2</u>

As illustrated in Table 5, for the governmental activities the County's investment in capital assets not being depreciated totaled \$37.3 million, and \$36.9 million for depreciable capital assets, net of depreciation. The net investment in capital assets (including additions, retirements, and depreciation) increased \$1.8 million, or 2.5% 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 34.0% of the total net capital assets.

**Net Capital Assets Used in the Operation of Governmental Activities  
As of June 30, 2008**



The County's Capital Improvements Program Committee (Committee) 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 to 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 \$1.6 million. The total budgeted cost for the project is \$16.8 million.
- Completion of the Historical Old Jail Museum renovation costing a total of \$0.1 million.
- Addition to construction in progress of \$0.4 million for the construction of a public safety radio tower.
- Land donated for the New Baltimore Fire & Rescue station for \$ 0.6 million
- Two robots donated from the Federal Bureau of Investigations to the Sheriff's department for \$0.2 million
- Purchase and equipping eighteen public safety sheriff vehicles costing \$0.5 million.

The total reporting entity capital assets increased by \$51.4 million, of which \$50.0 million related to the School Board component unit and \$0.2 million related to the addition of the construction, debris and demolition (CD&D) recycling facility for the landfill enterprise fund.

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

- Capitalization of \$57.1 million for Kettle Run High School costs through June 30, 2008. The total budgeted cost for the project is \$67.5 million.
- Addition to construction in progress of \$14.6 for Greenville Elementary which opened in August, 2008. The total budgeted cost for the project is \$17.5 million.

- Completion of the Cedar Lee library expansion for a cost of \$2.2 million.
- Purchase of 24 new buses for a total cost of \$1.7 million.

The County's fiscal year 2009 Capital Improvements Program addresses the construction and repair of public facilities, replacement of key systems, including vehicles, and major technology issues. Due to the estimated minimal growth of revenue for the FY 2009, the capital improvements program has been reduced to include only funding of the Sheriff's Office vehicle replacement plan.

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

### Long-term Debt

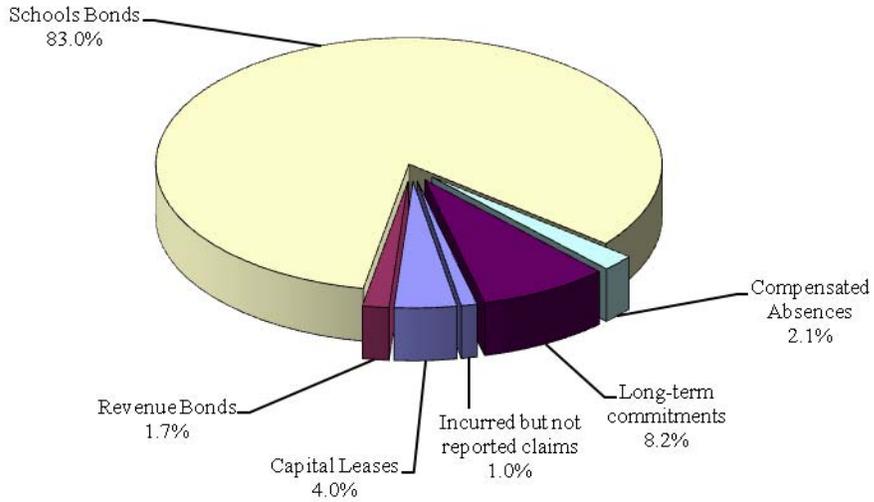
Table 6 provides an overview of the long-term obligations for the primary government.

<b>Table 6</b>			
<b>Summary of Changes in Long-Term Debt</b>			
<b>(\$ in millions)</b>			
	<u>July 1, 2007</u>	<u>Net Increase (Decrease)</u>	<u>June 30, 2008</u>
<b>Governmental Activities:</b>			
Capital leases	\$ 6.5	\$ (0.6)	\$ 5.9
Revenue bonds	2.6	(0.1)	2.5
General obligation bonds plus premiums less bond issuance costs	93.7	29.4	123.1
Compensated absences	3.1	-	3.1
Long term commitments	2.9	9.4	12.3
Incurred but not reported claims	1.1	0.4	1.5
	<u>109.9</u>	<u>38.5</u>	<u>148.4</u>
<b>Business-Type Activities:</b>			
Capital leases	1.2	-	1.2
Revenue bonds plus premiums	1.2	(0.4)	0.8
Notes payables	0.1	-	0.1
Compensated absences	0.1	-	0.1
Landfill closure and postclosure	8.2	0.9	9.1
	<u>10.8</u>	<u>0.5</u>	<u>11.3</u>
Total long-term debt	<u>\$ 120.7</u>	<u>\$ 39.0</u>	<u>\$ 159.7</u>

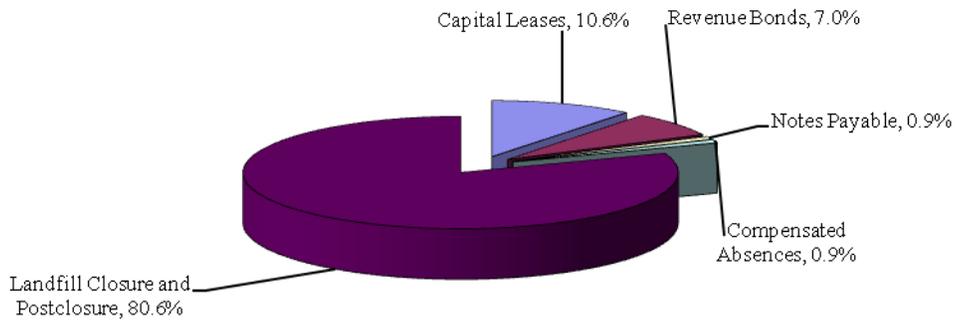
As of June 30, 2008, the County's governmental activities long-term debt, excluding compensated absences and incurred but not reported claims, totaled 143.8 million. During the year, the County issued general obligation bonds in the amount of \$34.1 million with a \$1.8 million premium to fund the construction of Kettle Run High School, Greenville Elementary and the Academic Avenue extension.

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 83.0% of the County's total governmental debt.

**Governmental Activities  
Long-Term Debt  
As of June 30, 2008**

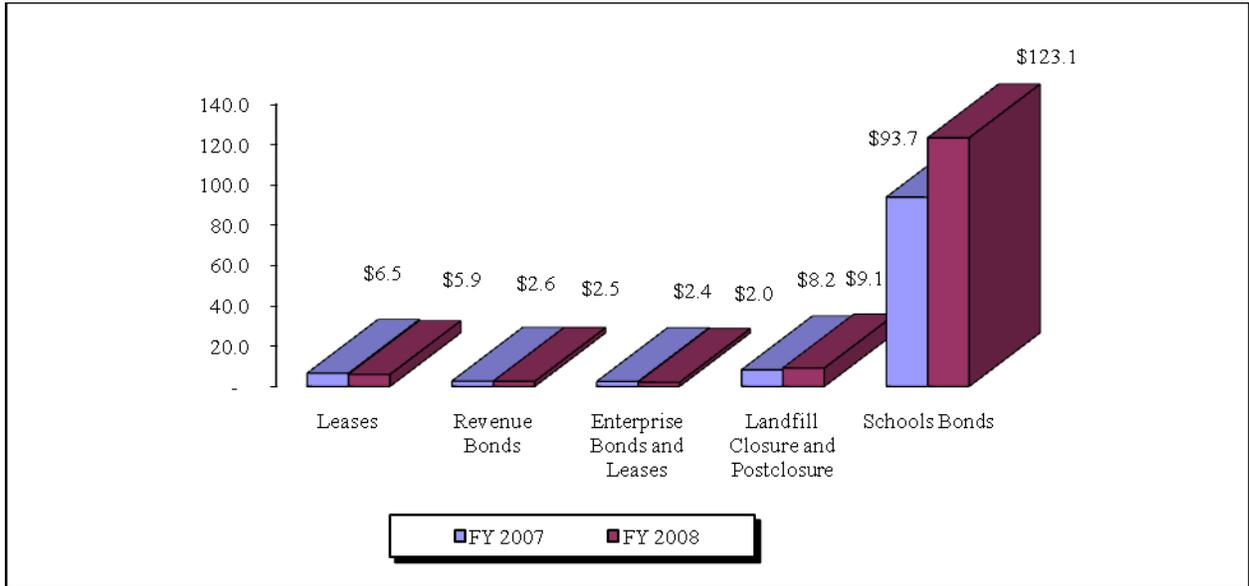


**Business-Type Activities  
Long-Term Debt  
As of June 30, 2008**



The following chart compares long-term indebtedness, less compensated absences and less incurred but not recorded claims for fiscal year 2007 and 2008 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 (VPSA). The County has participated in the Virginia Public School Authority's bond sales for the past several years. The proceeds of these bonds are used exclusively to fund school capital projects.

The County has adopted two debt ratios as a management tool. The first ratio adopted limits annual general government debt service to no more than 10.0% of General Fund revenues. In fiscal year 2008, the County's debt to revenue ratio was 8.0%. The second ratio assessed by management is total debt per capita. This ratio compares current performance to past performance. In fiscal year 2008, the general government debt per capita was \$1,967. This ratio increased from \$1,583 in the prior year.

In October 2007 (fiscal year 2008), the County participated 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.

The County has provided United States Department of Agriculture Rural Development program (USDA) moral obligation letters for loans to fund construction and renovations for three volunteer fire and rescue companies. Debt service payments will be paid from the County's Fire and Rescue Levy Fund. The County's long term commitments related to these loans is \$12.3 million.

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

- The County will not fund current or ongoing operations from debt proceeds.
- The County's Capital 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 10.0% 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 2008 was 3.2%, an increase of 0.7% from June 2007. This compares favorably to the State's average rate of 3.8% and the National average rate of 5.3%.
- According to the Weldon Cooper Center for Public Service, Fauquier County's population was estimated to be 65,319 an increase of 1.6% over the prior year. Population estimates for the last ten years are provided in Table 13, Statistical Section of this report.
- The enrollment in public schools increased in fiscal year 2008 by 1.8% from 11,142 to 11,346. Schools enrollment for the last ten years is provided in Table 13, Statistical Section of this report.
- The 2006 per capita personal income for Fauquier County was \$48,939, compared to \$39,540 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 2008 by 2.7% from 37,319 to 38,334. County Civilian Labor Workforce numbers for the last ten years is provided in Table 13, Statistical Section of this report.

### **Fiscal Year 2009 Budget and Rates**

- For fiscal year 2009, the adopted budget for the General Fund is \$162.2 million, an increase of 10.1% over fiscal year 2008. Revenues are comprised primarily of general property taxes at 70.0%, other local taxes at 11.1%, permits, privilege fees and regulatory licenses at 1.6%, State assistance at 13.7%, Federal assistance at 1.5%, use of money at 1.0%, and other revenues of 1.2%.
- In fiscal year 2009, the County's transfer to the School Board component unit increased by 13.0% to \$98.1 million which includes the County's payment of debt service on behalf of the Schools. Support to the Schools represents 60.4% of the General Fund appropriations not including the allocation of shared services, which represents an additional 3.9% of local support. The

percentage of General Fund appropriations supporting Schools is basically unchanged from fiscal year 2008.

- Public safety is second, accounting for 11.1% 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.
- The tax rate for real property increased 18.6% to \$0.765 primarily due to the operating and debt service expenses of the two new schools, Kettle Run High School and Greenville Elementary. 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

Exhibit 1  
Page 1 of 2

Statement of Net Assets  
June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
<b>Assets</b>				
Cash and investments	\$ 49,460,785	\$ 678,864	\$ 50,139,649	\$ 10,860,087
Restricted cash and investments:				
Investments	18,250,432	-	18,250,432	-
Capital lease escrow	-	188,383	188,383	-
Capital lease interest	-	47,281	47,281	-
Revenue bond covenant	-	127,496	127,496	-
Receivables, net of allowances for uncollectibles:				
Taxes, including penalties	4,401,970	-	4,401,970	-
Accounts	2,691,618	911,160	3,602,778	109,983
Internal balances	277,383	(277,383)	-	-
Prepaid assets	156,349	7,005	163,354	100,615
Due from other governmental units	2,457,092	61,951	2,519,043	2,891,314
Inventories	236,766	59,201	295,967	49,604
Capital assets not being depreciated:				
Land	19,142,441	8,301,522	27,443,963	5,051,609
Construction in progress	18,175,623	188,071	18,363,694	17,207,183
Capital assets (net of accumulated depreciation):				
Cell improvements	-	6,411,671	6,411,671	-
Buildings and improvements	25,240,334	5,965,323	31,205,657	148,993,957
Infrastructure	8,135,747	8,669,381	16,805,128	1,227,863
Machinery and equipment	3,545,356	1,661,369	5,206,725	7,159,272
Total assets	<u>152,171,896</u>	<u>33,001,295</u>	<u>185,173,191</u>	<u>193,651,487</u>
<b>Liabilities</b>				
Accounts payable	9,777,355	446,654	10,224,009	1,969,695
Accrued and other liabilities	762,581	87,427	850,008	11,127,596
Accrued interest	3,173,293	-	3,173,293	-
Unearned revenue	489,254	-	489,254	70,034
Customer deposits	802,222	-	802,222	-
Noncurrent liabilities:				
Due within one year	9,980,142	722,236	10,702,378	438,210
Due in more than one year	138,403,764	10,590,558	148,994,322	3,943,895
Total liabilities	<u>163,388,611</u>	<u>11,846,875</u>	<u>175,235,486</u>	<u>17,549,430</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	68,340,059	29,397,086	97,737,145	179,639,884
Restricted for:				
Parks, recreation, and cultural	343,665	-	343,665	-
Public safety	918,210	-	918,210	-
Proffers	474,676	-	474,676	-
Unrestricted (deficit)	<u>(81,293,325)</u>	<u>(8,242,666)</u>	<u>(89,535,991)</u>	<u>(3,537,827)</u>
Total net assets	\$ <u>(11,216,715)</u>	\$ <u>21,154,420</u>	\$ <u>9,937,705</u>	\$ <u>176,102,057</u>

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

		<b>Reporting Entity</b>		
<b>Reclassifications (See Note 1 - D.14.)</b>	<b>Total</b>			
\$	-	\$	60,999,736	<b>Assets</b>
	-		18,250,432	Cash and investments
	-		188,383	Restricted cash and investments:
	-		47,281	Investments
	-		127,496	Capital lease escrow
	-		-	Capital lease interest
	-		4,401,970	Revenue bond covenant
	-		3,712,761	Receivables, net of allowances for uncollectibles:
	-		-	Taxes, including penalties
	-		263,969	Accounts
	-		5,410,357	Internal balances
	-		345,571	Prepaid assets
	-		32,495,572	Due from other governmental units
	-		35,570,877	Inventories
	-		6,411,671	Capital assets not being depreciated:
	-		180,199,614	Land
	-		18,032,991	Construction in progress
	-		12,365,997	Capital assets (net of accumulated depreciation):
	-		-	Cell improvements
	-		-	Buildings and improvements
	-		-	Infrastructure
	-		-	Machinery and equipment
	-		378,824,678	Total assets
	-		12,193,704	<b>Liabilities</b>
	-		11,977,604	Accounts payable
	-		3,173,293	Accrued and other liabilities
	-		559,288	Accrued interest
	-		802,222	Unearned revenue
	-		-	Customer deposits
	-		11,140,588	Noncurrent liabilities:
	-		152,938,217	Due within one year
	-		-	Due in more than one year
	-		192,784,916	Total liabilities
	-		167,486,251	<b>Net assets</b>
(109,890,778)	-		343,665	Invested in capital assets, net of related debt
	-		918,210	Restricted for:
	-		474,676	Parks, recreation, and cultural
	-		-	Public safety
	-		-	Proffers
109,890,778	-		16,816,960	Unrestricted (deficit)
\$	-	\$	186,039,762	Total net assets

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 2  
Page 1 of 2

Statement of Activities  
Fiscal Year Ended June 30, 2008

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 10,896,521	\$ 43,048	\$ 739,110	\$ -
Judicial administration	3,348,758	733,265	1,622,698	-
Public safety	33,382,090	704,232	4,719,913	810,000
Public works	7,765,864	-	-	-
Health and welfare	9,899,394	24,722	5,251,172	-
Education	129,908,192	-	-	-
Parks, recreation, and cultural	5,551,667	548,467	236,002	-
Community development	8,178,686	1,675,560	110,000	-
Interest on long-term debt	5,397,929	-	-	-
Total governmental activities	<u>214,329,101</u>	<u>3,729,294</u>	<u>12,678,895</u>	<u>810,000</u>
Business-type activities:				
Airport	1,849,679	673,390	-	34,462
Landfill and Recycling	7,102,357	6,612,997	17,739	-
Total business-type activities	<u>8,952,036</u>	<u>7,286,387</u>	<u>17,739</u>	<u>34,462</u>
Total primary government	<u>223,281,137</u>	<u>11,015,681</u>	<u>12,696,634</u>	<u>844,462</u>
<b>Component unit</b>				
School Board	<u>126,043,880</u>	<u>3,465,276</u>	<u>4,134,985</u>	<u>-</u>
Total component unit	<u>\$ 126,043,880</u>	<u>\$ 3,465,276</u>	<u>\$ 4,134,985</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Local sales and use taxes				
Consumers' utility taxes				
Business and professional taxes				
Motor vehicle taxes				
Taxes on recordation and wills				
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, as restated				
Net assets - ending				

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

<b>Net (Expenses) Revenue and Changes in Net Assets</b>					
<b>Primary Government</b>			<b>Component Unit</b>		<b>Reporting Entity</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>School Board</b>	<b>Total</b>	<b>Functions/Programs</b>
<b>Primary Government</b>					
Governmental activities:					
\$ (10,114,363)	\$ -	\$ (10,114,363)	\$ -	\$ (10,114,363)	General government
(992,795)	-	(992,795)	-	(992,795)	Judicial administration
(27,147,945)	-	(27,147,945)	-	(27,147,945)	Public safety
(7,765,864)	-	(7,765,864)	-	(7,765,864)	Public works
(4,623,500)	-	(4,623,500)	-	(4,623,500)	Health and welfare
(129,908,192)	-	(129,908,192)	-	(129,908,192)	Education
(4,767,198)	-	(4,767,198)	-	(4,767,198)	Parks, recreation, and cultural
(6,393,126)	-	(6,393,126)	-	(6,393,126)	Community development
(5,397,929)	-	(5,397,929)	-	(5,397,929)	Interest on long-term debt
<u>(197,110,912)</u>	<u>-</u>	<u>(197,110,912)</u>	<u>-</u>	<u>(197,110,912)</u>	Total governmental activities
Business-type activities:					
-	(1,141,827)	(1,141,827)	-	(1,141,827)	Airport
-	(471,621)	(471,621)	-	(471,621)	Landfill and Recycling
<u>-</u>	<u>(1,613,448)</u>	<u>(1,613,448)</u>	<u>-</u>	<u>(1,613,448)</u>	Total business-type activities
<u>-</u>	<u>(1,613,448)</u>	<u>(198,724,360)</u>			Total primary government
<b>Component unit</b>					
School Board					
			(118,443,619)	(118,443,619)	Total component unit
General revenues:					
109,470,150	-	109,470,150	-	109,470,150	General property taxes
7,032,385	-	7,032,385	-	7,032,385	Local sales and use taxes
4,985,109	-	4,985,109	-	4,985,109	Consumers' utility taxes
1,847,520	-	1,847,520	-	1,847,520	Business and professional taxes
1,727,843	-	1,727,843	-	1,727,843	Motor vehicle taxes
1,585,129	-	1,585,129	-	1,585,129	Taxes on recordation and wills
224,995	-	224,995	-	224,995	Other local taxes
-	-	-	129,514,166	129,514,166	Contribution from primary government
3,893,181	39,069	3,932,250	1,416	3,933,666	Investment earnings
457,724	185,123	642,847	364,411	1,007,258	Miscellaneous
14,260,569	-	14,260,569	38,657,682	52,918,251	Commonwealth of Virginia
(463,024)	463,024	-	-	-	Transfers
<u>145,021,581</u>	<u>687,216</u>	<u>145,708,797</u>	<u>168,537,675</u>	<u>314,246,472</u>	Total general revenues and transfers
(52,089,331)	(926,232)	(53,015,563)	50,094,056	(2,921,507)	Change in net assets
40,872,616	22,080,652	62,953,268	126,008,001	188,961,269	Net assets - beginning, as restated
<u>\$ (11,216,715)</u>	<u>\$ 21,154,420</u>	<u>\$ 9,937,705</u>	<u>\$ 176,102,057</u>	<u>\$ 186,039,762</u>	Net assets - ending

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## **FUND FINANCIAL STATEMENTS**

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 3

Balance Sheet  
Governmental Funds  
June 30, 2008

	Primary Government			
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 16,612,992	\$ 20,334,341	\$ 4,764,164	\$ 41,711,497
Restricted cash	4,594	18,245,838	-	18,250,432
Receivables, net of allowances for uncollectibles:				
Taxes, including penalties	4,071,176	-	330,794	4,401,970
Accounts	2,008,018	13,675	584,367	2,606,060
Due from other funds	152,740	-	-	152,740
Prepaid assets	137,100	-	19,249	156,349
Due from other governmental units	2,387,475	400	69,217	2,457,092
Advances to other funds	207,668	-	-	207,668
<b>Total assets</b>	<b>25,581,763</b>	<b>38,594,254</b>	<b>5,767,791</b>	<b>69,943,808</b>
<b>Liabilities</b>				
Accounts payable	1,393,411	7,729,517	167,042	9,289,970
Accrued liabilities	365,780	3,699	8,513	377,992
Due to other funds	-	-	34,792	34,792
Other liabilities	16,702	349,557	-	366,259
Deferred revenue	2,991,199	-	675,894	3,667,093
Escrows	-	-	802,222	802,222
<b>Total liabilities</b>	<b>4,767,092</b>	<b>8,082,773</b>	<b>1,688,463</b>	<b>14,538,328</b>
<b>Fund balances</b>				
Reserved for:				
Encumbrances - County	533,730	8,851,749	2,518	9,387,997
Encumbrances - Schools	622,869	-	-	622,869
Long term receivables	207,668	-	-	207,668
Prepaid assets	137,100	-	19,249	156,349
Grants and seizure funds	193,254	-	-	193,254
Unreserved, reported in:				
Designated:				
General Fund:				
Designated for revenue shortfall	960,000	-	-	960,000
Designated for future years' expenditures	1,936,508	-	-	1,936,508
Special revenue funds:				
Designated for contributions for volunteer fire & rescue	-	-	724,956	724,956
Undesignated:				
General Fund	16,223,542	-	-	16,223,542
Capital Projects Fund	-	21,659,732	-	21,659,732
Special revenue funds	-	-	3,332,605	3,332,605
<b>Total fund balances</b>	<b>20,814,671</b>	<b>30,511,481</b>	<b>4,079,328</b>	<b>55,405,480</b>
<b>Total liabilities and fund balances</b>	<b>\$ 25,581,763</b>	<b>\$ 38,594,254</b>	<b>\$ 5,767,791</b>	<b>\$ 69,943,808</b>

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, 2008**

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**Total fund balances - governmental funds** \$ **55,405,480**

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 \$99,572 related to internal service fund assets). 74,139,929

Deferred taxes and ambulance billing revenue represent amounts that were not available to fund current expenditures and therefore are not reported as revenue in the governmental funds. 3,494,318

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. (3,173,293)

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. 5,711,541

Certain liabilities, arbitrage, are recognized as expenditures in the fund statements, but are deferred in the government-wide statements. (15,424)

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	(5,899,442)	
Revenue bonds issued for utility projects	(2,450,000)	
Long term commitments (see note 10)	(12,284,916)	
General obligation bonds issued for schools	(118,125,000)	
Premium on bonds payable - School Board	(5,192,710)	
Deferred amount on bond issuance costs	211,768	
Compensated absences (excludes \$88,783 for internal service funds)	(3,038,966)	(146,779,266)

**Net assets of governmental activities** \$ **(11,216,715)**

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, 2008

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
General property taxes	\$ 102,545,447	\$ -	\$ 5,685,768	\$ 108,231,215
Other local taxes	17,402,981	-	-	17,402,981
Permits, privilege fees, and regulatory licenses	1,575,699	-	-	1,575,699
Fines and forfeitures	403,870	-	-	403,870
Revenue from use of money and property	1,891,919	1,659,025	92,352	3,643,296
Charges for services	1,174,140	114,500	461,085	1,749,725
Gifts and donations	7,957	18,000	114,289	140,246
Recovered costs	219,001	42,121	9,479	270,601
Miscellaneous revenue	165,831	-	291,893	457,724
Intergovernmental:				
Commonwealth of Virginia	23,215,354	-	471,667	23,687,021
Federal Government	2,639,408	8,350	-	2,647,758
	<u>151,241,607</u>	<u>1,841,996</u>	<u>7,126,533</u>	<u>160,210,136</u>
Total revenues				
<b>Expenditures</b>				
Current operating:				
General government administration	10,610,412	44,254	-	10,654,666
Judicial administration	3,020,234	45,065	-	3,065,299
Public safety	17,188,705	1,245,820	5,018,688	23,453,213
Public works	7,069,303	1,250,650	-	8,319,953
Health and welfare	9,880,305	-	-	9,880,305
Education	76,030,718	53,753,738	-	129,784,456
Parks, recreation, and cultural	5,110,491	2,141,443	17,434	7,269,368
Community development	5,037,775	83,576	3,064,768	8,186,119
Nondepartmental	391,617	-	-	391,617
Debt service:				
Principal retirement	6,765,170	135,000	-	6,900,170
Interest charges	5,017,778	127,010	-	5,144,788
Fiscal charges	4,650	-	-	4,650
	<u>146,127,158</u>	<u>58,826,556</u>	<u>8,100,890</u>	<u>213,054,604</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>5,114,449</u>	<u>(56,984,560)</u>	<u>(974,357)</u>	<u>(52,844,468)</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,011,213	6,473,364	253,472	7,738,049
Transfers (out)	(4,876,964)	(332,306)	(2,563,241)	(7,772,511)
Issuance of debt	-	34,075,000	-	34,075,000
Premiums on issuance of debt	-	1,832,846	-	1,832,846
	<u>(3,865,751)</u>	<u>42,048,904</u>	<u>(2,309,769)</u>	<u>35,873,384</u>
Total other financing sources (uses)				
Net change in fund balances	1,248,698	(14,935,656)	(3,284,126)	(16,971,084)
Fund balances, beginning	19,565,973	45,447,137	7,363,454	72,376,564
Fund balances, ending	<u>\$ 20,814,671</u>	<u>\$ 30,511,481</u>	<u>\$ 4,079,328</u>	<u>\$ 55,405,480</u>

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

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities – Governmental Funds  
Fiscal Year Ended June 30, 2008**

**Net change in fund balances - total governmental funds** **\$ (16,971,084)**

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	4,665,840	
Depreciation expense (less \$16,774 for internal service funds)	<u>(2,820,861)</u>	1,844,979

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. (53,606)

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	425,048	
Add current year's deferred revenue	3,494,318	
Less prior year's tax deferred revenue	<u>(1,790,944)</u>	2,128,422

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. 63,512

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	6,900,170	
Subtract debt proceeds	(34,075,000)	
Add deferred bond issuance costs	(27,243)	
Subtract premium on new debt	<u>(1,832,846)</u>	(29,034,919)

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 long term commitments	(9,384,916)	
Less current year's arbitrage liability	(15,425)	
Add prior year's arbitrage liability	10,226	
Less current year's compensated absences (excludes \$938 for internal service funds)	(3,127,749)	
Add prior year's compensated absences	3,092,326	
Less current year's accrued interest payable	(3,173,293)	
Add prior year's accrued interest payable	<u>2,532,196</u>	(10,066,635)

**Change in net assets of governmental activities** **\$ (52,089,331)**

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, 2008

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Revenues</b>				
General property taxes	\$ 97,660,000	\$ 100,160,000	\$ 102,545,447	\$ 2,385,447
Other local taxes	18,714,363	18,714,363	17,402,981	(1,311,382)
Permits, privilege fees, and regulatory licenses	2,372,700	2,372,700	1,575,699	(797,001)
Fines and forfeitures	508,480	509,330	403,870	(105,460)
Revenue from use of money and property	1,645,843	1,645,843	1,891,919	246,076
Charges for services	1,269,490	1,437,440	1,174,140	(263,300)
Gifts and donations	6,500	6,500	7,957	1,457
Recovered costs	129,737	166,532	219,001	52,469
Miscellaneous revenue	69,240	108,755	165,831	57,076
Intergovernmental:				
Commonwealth of Virginia	22,365,234	22,965,780	23,215,354	249,574
Federal Government	2,380,700	3,041,461	2,639,408	(402,053)
<b>Total revenues</b>	<u>147,122,287</u>	<u>151,128,704</u>	<u>151,241,607</u>	<u>112,903</u>
<b>Expenditures</b>				
Current operating:				
General government administration:				
Legislative:				
Board of supervisors	288,651	297,320	262,884	34,436
General and financial administration:				
County administrator	819,046	769,681	769,681	-
General reassessment	-	68,216	68,216	-
County attorney	725,283	1,183,997	1,183,997	-
Independent auditor	121,260	121,779	105,072	16,707
Commissioner of the revenue	1,280,399	1,284,450	1,247,624	36,826
Treasurer	1,073,793	1,056,626	993,612	63,014
Information technology	2,288,596	2,336,583	2,320,772	15,811
Human resources	1,322,158	1,319,084	1,162,217	156,867
Finance	1,543,640	1,535,360	1,500,848	34,512
Office of management and budget	336,477	334,523	322,107	12,416
Geographic information systems	300,667	298,892	287,131	11,761
<b>Total general and financial administration</b>	<u>9,811,319</u>	<u>10,309,191</u>	<u>9,961,277</u>	<u>347,914</u>
Board of elections:				
Registrar	329,497	386,251	386,251	-
<b>Total general government administration</b>	<u>\$ 10,429,467</u>	<u>\$ 10,992,762</u>	<u>\$ 10,610,412</u>	<u>\$ 382,350</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, 2008

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Expenditures (continued)</b>				
Current operating: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 145,182	\$ 145,713	\$ 140,450	\$ 5,263
General district court	14,685	16,664	16,664	-
Magistrates	79,359	82,906	82,906	-
Juvenile and domestic relations district court	61,522	62,725	15,484	47,241
Clerk of the circuit court	1,135,720	1,219,781	1,172,104	47,677
Adult court services	770,917	773,292	762,495	10,797
Commissioner of accounts	2,400	2,400	2,400	-
Total courts	<u>2,209,785</u>	<u>2,303,481</u>	<u>2,192,503</u>	<u>110,978</u>
Commonwealth's attorney:				
Commonwealth's attorney	897,520	922,960	827,731	95,229
Total judicial administration	<u>3,107,305</u>	<u>3,226,441</u>	<u>3,020,234</u>	<u>206,207</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	9,738,889	9,988,584	9,988,584	-
Joint communications	1,885,299	1,917,388	1,917,388	-
Total law enforcement and traffic control	<u>11,624,188</u>	<u>11,905,972</u>	<u>11,905,972</u>	<u>-</u>
Emergency services administration:				
Emergency services	2,339,381	3,442,452	2,931,412	511,040
Correction and detention:				
Sheriff	513,700	526,046	526,046	-
CFW regional jail	1,554,417	1,554,417	1,554,417	-
Probation office	33,824	34,041	10,229	23,812
Juvenile detention and crime control	407,683	407,683	260,629	147,054
Total correction and detention	<u>2,509,624</u>	<u>2,522,187</u>	<u>2,351,321</u>	<u>170,866</u>
Total public safety	<u>16,473,193</u>	<u>17,870,611</u>	<u>17,188,705</u>	<u>681,906</u>
Public works:				
Sanitation and waste removal:				
Solid waste operations	1,477,047	1,772,834	1,772,834	-
General buildings and grounds maintenance:				
General services	5,111,349	5,714,781	5,296,469	418,312
Total public works	<u>6,588,396</u>	<u>7,487,615</u>	<u>7,069,303</u>	<u>418,312</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 534,388	\$ 535,099	\$ 535,099	\$ -

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, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive Positive (Negative)</u>
<b>Expenditures (continued)</b>				
Current operating: (continued)				
Health and welfare: (continued)				
Welfare:				
Institutional care	\$ 303,624	\$ 323,035	\$ 323,035	\$ -
Social services	5,359,397	5,631,789	5,616,362	15,427
Comprehensive services act	<u>2,693,117</u>	<u>3,405,809</u>	<u>3,405,809</u>	<u>-</u>
Total welfare	<u>8,356,138</u>	<u>9,360,633</u>	<u>9,345,206</u>	<u>15,427</u>
Total health and welfare	<u>8,890,526</u>	<u>9,895,732</u>	<u>9,880,305</u>	<u>15,427</u>
Education:				
Contribution to component unit – School Board	75,943,358	78,031,288	75,986,352	2,044,936
Community colleges	<u>246,658</u>	<u>173,866</u>	<u>44,366</u>	<u>129,500</u>
Total education	<u>76,190,016</u>	<u>78,205,154</u>	<u>76,030,718</u>	<u>2,174,436</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	<u>3,117,513</u>	<u>3,256,002</u>	<u>3,005,409</u>	<u>250,593</u>
Library:				
Public library	<u>2,177,053</u>	<u>2,199,807</u>	<u>2,105,082</u>	<u>94,725</u>
Total parks, recreation, and cultural	<u>5,294,566</u>	<u>5,455,809</u>	<u>5,110,491</u>	<u>345,318</u>
Community development:				
Planning and community development:				
Water resource management	328,294	540,268	308,443	231,825
Community development	3,507,901	3,548,975	3,242,524	306,451
Planning	241,649	246,645	219,174	27,471
Economic development	493,999	559,823	559,823	-
Disability services board	10,000	15,000	14,006	994
Agriculture development	<u>149,440</u>	<u>151,780</u>	<u>144,355</u>	<u>7,425</u>
Total planning and community development	<u>4,731,283</u>	<u>5,062,491</u>	<u>4,488,325</u>	<u>574,166</u>
Environmental management:				
Soil and water conservation district	<u>442,938</u>	<u>399,202</u>	<u>399,202</u>	<u>-</u>
Cooperative extension program:				
VPI extension	<u>154,430</u>	<u>155,647</u>	<u>150,248</u>	<u>5,399</u>
Total community development	<u>5,328,651</u>	<u>5,617,340</u>	<u>5,037,775</u>	<u>579,565</u>
Nondepartmental:				
Nondepartmental operations	<u>\$ 1,962,735</u>	<u>\$ 928,916</u>	<u>\$ 391,617</u>	<u>\$ 537,299</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 7  
Page 4 of 4

Statement of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
General Fund  
Fiscal Year Ended June 30, 2008

	<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	\$ 620,170	\$ 620,170	\$ 620,170	\$ -
Interest charges	309,572	309,572	309,572	-
Principal retirement - education	6,145,000	6,145,000	6,145,000	-
Interest charges - education	4,708,206	4,708,206	4,708,206	-
Fiscal charges - education	4,650	4,650	4,650	-
Total debt service	<u>11,787,598</u>	<u>11,787,598</u>	<u>11,787,598</u>	<u>-</u>
Total expenditures	<u>146,052,453</u>	<u>151,467,978</u>	<u>146,127,158</u>	<u>5,340,820</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,069,834</u>	<u>(339,274)</u>	<u>5,114,449</u>	<u>5,453,723</u>
<b>Other financing sources (uses)</b>				
Transfers in	234,026	1,141,948	1,011,213	130,735
Transfers (out)	<u>(1,303,860)</u>	<u>(4,869,289)</u>	<u>(4,876,964)</u>	<u>(7,675)</u>
Total other financing sources (uses)	<u>(1,069,834)</u>	<u>(3,727,341)</u>	<u>(3,865,751)</u>	<u>(138,410)</u>
Net change in fund balances	-	(4,066,615)	1,248,698	5,315,313
Fund balances, beginning	19,565,973	19,565,973	19,565,973	-
Fund balances, ending	<u>\$ 19,565,973</u>	<u>\$ 15,499,358</u>	<u>\$ 20,814,671</u>	<u>\$ 5,315,313</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 8  
Page 1 of 2

Statement of Net Assets  
Proprietary Funds  
June 30, 2008

	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	\$ -	\$ 678,864	\$ 678,864	\$ 7,749,288
Restricted cash:				
Capital lease escrow	-	188,383	188,383	-
Capital lease interest	-	47,281	47,281	-
Revenue bond covenant	-	127,496	127,496	-
Receivables, net of allowances for uncollectibles	25,853	768,039	793,892	85,558
Prepaid expenses	-	7,005	7,005	-
Inventories	59,201	-	59,201	236,766
Due from other governmental units	61,951	-	61,951	-
Total current assets	<u>147,005</u>	<u>1,817,068</u>	<u>1,964,073</u>	<u>8,071,612</u>
Noncurrent assets:				
Receivables, net of allowances for uncollectibles	117,268	-	117,268	-
Capital assets (net of accumulated depreciation):				
Land	6,612,678	1,688,844	8,301,522	-
Construction in progress	134,305	53,766	188,071	-
Cell improvement	-	6,411,671	6,411,671	-
Buildings and improvements	2,316,473	3,648,850	5,965,323	-
Infrastructure	8,150,586	518,795	8,669,381	-
Machinery and equipment	262,501	1,398,868	1,661,369	99,572
Total capital assets	<u>17,476,543</u>	<u>13,720,794</u>	<u>31,197,337</u>	<u>99,572</u>
Total noncurrent assets	<u>17,593,811</u>	<u>13,720,794</u>	<u>31,314,605</u>	<u>99,572</u>
Total assets	<u>\$ 17,740,816</u>	<u>\$ 15,537,862</u>	<u>\$ 33,278,678</u>	<u>\$ 8,171,184</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 8  
Page 2 of 2

Statement of Net Assets  
Proprietary Funds  
June 30, 2008

	Business-Type Activities – Enterprise Funds			Governmental
	Airport Fund	Landfill and Recycling Fund	Total	Activities Internal Service Funds
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 52,653	\$ 394,001	\$ 446,654	\$ 487,385
Accrued and other liabilities	5,790	81,637	87,427	2,906
Due to other funds	69,715	-	69,715	48,233
Unearned revenue	-	-	-	316,479
Compensated absences	1,555	8,610	10,165	8,972
Current portion of incurred but not reported claims	-	-	-	378,730
Current portion of capital leases payable	-	298,000	298,000	-
Current portion of notes payable	17,294	-	17,294	-
Current portion of long-term bond payable	-	396,777	396,777	-
Total current liabilities	147,007	1,179,025	1,326,032	1,242,705
Noncurrent liabilities:				
Accrued closure and post-closure liability	-	9,175,222	9,175,222	-
Advances from other funds	207,668	-	207,668	-
Compensated absences	13,997	77,495	91,492	80,749
Noncurrent portion of incurred but not reported claims	-	-	-	1,136,189
Noncurrent portion of capital leases payable	-	894,000	894,000	-
Noncurrent portion of notes payable	18,362	-	18,362	-
Noncurrent portion of long-term bond payable	-	411,482	411,482	-
Total noncurrent liabilities	240,027	10,558,199	10,798,226	1,216,938
Total liabilities	387,034	11,737,224	12,124,258	2,459,643
<b>Net Assets</b>				
Invested in capital assets, net of related debt	17,440,887	11,956,199	29,397,086	99,572
Unrestricted (deficit)	(87,105)	(8,155,561)	(8,242,666)	5,611,969
Total net assets	17,353,782	3,800,638	21,154,420	5,711,541
Total liabilities and net assets	\$ 17,740,816	\$ 15,537,862	\$ 33,278,678	\$ 8,171,184

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 9

Statement of Revenues, Expenses, and Changes in Net Assets  
 Proprietary Funds  
 Fiscal Year Ended June 30, 2008

	Business-Type Activities – Enterprise Funds			Governmental Activities Internal Service Funds
	Airport Fund	Landfill and Recycling Fund	Total	
<b>Operating revenues</b>				
Charges for services	\$ 252,195	\$ 5,502,114	\$ 5,754,309	\$ 18,892,771
Recycling revenues	-	1,110,883	1,110,883	-
Forfeitures	-	-	-	5,990
Fuel	421,195	-	421,195	-
Miscellaneous	91,955	93,168	185,123	-
Total operating revenues	765,345	6,706,165	7,471,510	18,898,761
<b>Operating expenses</b>				
Cost of goods sold	352,461	-	352,461	-
Personal services	163,437	1,574,106	1,737,543	590,872
Fringe benefits	39,106	477,972	517,078	214,098
Claims and benefits paid	-	-	-	13,021,381
Premiums	-	-	-	2,678,804
Contractual services	44,416	2,586,810	2,631,226	160,041
Other operating expenses	83,985	609,953	693,938	2,473,164
Closure and post closure costs	-	928,300	928,300	-
Depreciation	1,163,431	834,839	1,998,270	16,774
Total operating expenses	1,846,836	7,011,980	8,858,816	19,155,134
Operating income (loss)	(1,081,491)	(305,815)	(1,387,306)	(256,373)
<b>Nonoperating revenues (expenses)</b>				
Interest income	-	39,069	39,069	249,885
Commonwealth of Virginia	-	17,739	17,739	-
Interest expense	(2,843)	(90,377)	(93,220)	-
Total nonoperating revenues (expenses)	(2,843)	(33,569)	(36,412)	249,885
Income (loss) before capital contributions and transfers	(1,084,334)	(339,384)	(1,423,718)	(6,488)
<b>Capital contributions</b>	533,024	-	533,024	-
<b>Transfers in</b>	29,559	1,681	31,240	70,000
<b>Transfers (out)</b>	-	(66,778)	(66,778)	-
Change in net assets	(521,751)	(404,481)	(926,232)	63,512
Net assets - beginning	17,875,533	4,205,119	22,080,652	5,648,029
Net assets - ending	\$ 17,353,782	\$ 3,800,638	\$ 21,154,420	\$ 5,711,541

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

Statement of Cash Flows  
 Proprietary Funds  
 Fiscal Year Ended June 30, 2008

	Business-Type Activities – Enterprise Funds			Governmental
	Airport Fund	Landfill and Recycling Fund	Total	Activities Internal Service Funds
<b>Cash Flow from Operating Activities</b>				
Receipts from customers and users	\$ 720,483	\$ 6,823,497	\$ 7,543,980	\$ 18,977,579
Payment to suppliers and other operating activities	(487,593)	(3,089,663)	(3,577,256)	(17,605,419)
Payment to employees (including fringes)	(200,337)	(2,039,776)	(2,240,113)	(801,101)
Forfeitures	-	-	-	5,990
Net cash provided by (used in) operating activities	32,553	1,694,058	1,726,611	577,049
<b>Cash Flow from Noncapital Financing Activities</b>				
Transfers in	29,559	1,681	31,240	70,000
Transfers (out)	-	(66,778)	(66,778)	-
Interfund loan	-	-	-	48,233
Net cash provided by noncapital financing activities	29,559	(65,097)	(35,538)	118,233
<b>Cash Flow from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(100,808)	(1,023,270)	(1,124,078)	-
Principal paid on debt	(16,281)	(375,000)	(391,281)	-
Repayment from interfund obligation	61,557	-	61,557	-
Interest and other fiscal cost on debt	(2,925)	(49,075)	(52,000)	-
Federal and state reimbursements for capital projects	(3,655)	17,739	14,084	-
Net cash provided by (used in) capital and related financing activities	(62,112)	(1,429,606)	(1,491,718)	-
<b>Cash Flow from Investing Activities</b>				
Interest	-	39,069	39,069	249,885
Net cash provided by investing activities	-	39,069	39,069	249,885
Net increase (decrease) in cash and cash equivalents	-	238,424	238,424	945,167
Cash and cash equivalents - beginning of the year	-	803,600	803,600	6,804,121
Cash and cash equivalents - end of the year	-	1,042,024	1,042,024	7,749,288
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>				
Cash flows from operations:				
Operating income (loss)	(1,081,491)	(305,815)	(1,387,306)	(256,373)
Adjustment to reconcile net income to net cash provided by operations:				
Depreciation	1,163,431	834,839	1,998,270	16,774
Changes in operating assets and liabilities:				
(Increase) decrease in receivables	(44,862)	117,332	72,470	73,047
Increase in incurred but not reported claims	-	-	-	392,686
(Increase) in inventory	(17,408)	(205)	(17,613)	(64,025)
Increase (decrease) in accounts payable	10,677	107,305	117,982	(22,377)
Increase in landfill closure and post-closure costs	-	928,300	928,300	-
Increase in unearned revenue	-	-	-	11,761
Increase in accrued liabilities	2,206	12,302	14,508	425,556
Net cash provided by (used in) operating activities	\$ 32,553	\$ 1,694,058	\$ 1,726,611	\$ 577,049
<b>Non cash investing, capital, and financing activities</b>				
Contributed capital	543,174	-	543,174	-

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

Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2008

	<u>Pension Trust</u> Fire and Rescue Pension Trust Length of Service Award Fund	<u>Agency Funds</u>
<b>Assets</b>		
Cash and investments	\$ -	\$ 233,682
Cash in custody of others	843,933	62,253
Receivables, net of allowance for uncollectibles:		
Taxes, including penalties	-	321
Accounts	-	1,503
	<u>843,933</u>	<u>297,759</u>
Total assets	<u>843,933</u>	<u>297,759</u>
<b>Liabilities</b>		
Accounts payable	-	1,572
Accrued liabilities	-	10,383
Amounts held for clients/others	-	285,804
	<u>-</u>	<u>297,759</u>
Total liabilities	<u>-</u>	<u>297,759</u>
<b>Net Assets</b>		
Held in trust for pension benefits	<u>843,933</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 843,933</u>	<u>\$ 297,759</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, 2008**

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**Additions**

Contribution for beneficiary	\$ 265,245
Investment income	<u>44,677</u>
Total additions	<u>309,922</u>

**Deductions**

Members' benefits	52,666
Annuity contracts	62,560
Insurance	74,566
Administrative fees	<u>4,088</u>
Total deductions	<u>193,880</u>

Change in net assets 116,042

Net assets - beginning	<u>727,891</u>
Net assets - ending	<u><u>\$ 843,933</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, 2008**

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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 Parks and Recreation Fund, Library Fund, Conservation Easement Service District Fund, Fire and Rescue Fund, Ambulance Revenue 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.

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

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Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Proprietary funds include enterprise funds and internal service funds. The enterprise funds account for those operations that are financed and operated in a manner similar to private business enterprises. The principal operating revenues of the Airport Fund and the Landfill and Recycling Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The internal service funds account for the financing of goods and/or services provided by one department or agency of the reporting entity to another department or agency of the reporting entity. The Fleet Maintenance Fund and Health Insurance Fund are internal service funds.

**D. Assets, liabilities, and net assets or equity****1. Deposits and investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The County maintains a single cash and investment pool for use by all funds and its component unit, except for the Fire and Rescue Pension Trust Length of Service Awards Fund, the School Board Crockett Scholarship Fund, the Working Together Fund, the Special Welfare Fund, and the School Board Student Activity Agency Fund. Investments for the government, as well as for its component unit, are reported at fair value based on quoted market prices. Each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed quarterly based on average daily balances of specific funds 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. Interfund 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.

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

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

**4. Property taxes**

Property is assessed at its value on January 1. Unpaid taxes automatically constitute liens on real property which must be satisfied prior to sale or transfer. 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**

Governmental activities include the unspent proceeds of bond issuance that are restricted for use in construction. Business-type activities include unspent capital lease proceeds that are restricted to capital purchases and 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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Impaired capital assets that are no longer used are reported at the lower of carrying value or fair value. An asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude, and (b) the event or change in circumstances is outside the normal life of the capital asset.

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. Examples include proffers, grant funds, and contributions for a specific purpose. 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 \$123,105,942 net of unspent bond proceeds of \$13,215,164 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	\$ 97,737,145	\$ 179,639,884	\$ (109,890,778)	\$ 167,486,251
Restricted for:				
Parks, recreation, and cultural	343,665	-	-	343,665
Public safety	918,210	-	-	918,210
Proffers	474,676	-	-	474,676
Unrestricted	<u>(89,535,991)</u>	<u>(3,537,827)</u>	<u>109,890,778</u>	<u>16,816,960</u>
Total net assets	\$ <u>9,937,705</u>	\$ <u>176,102,057</u>	\$ <u>-</u>	\$ <u>186,039,762</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 \$18,389,080 and the balances carried by the bank were \$24,512,359. 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, 2008. 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, 2008:**

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Money Market/Money Market Mutual Funds:		
Pooled Investments:		
LGIP	\$ 39,339,683	1
U.S. Government Agency Securities	5,004,060	1485
Restricted Investments:		
Money market account – capital lease escrow	235,665	1
Fire and Rescue Pension Trust Length of Service		
Awards Program	843,933	1
SNAP	16,862,641	1
LGIP	<u>127,496</u>	1
Total Investment	<u>\$ 62,413,478</u>	120

**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 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, 2008, 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	55%
Virginia State Non-Arbitrage Program	100%	AAA	24%
Money market account – capital lease escrow	100%	AAA	1%
U.S. Government Agency Securities	100%	AAA	8%
Certificates of deposit	25%	-	<u>12%</u>
			<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, 2008, are as follows:

	<u>Total Cash and Investments</u>
Primary Government and discretely presented component unit – School Board:	
Total Investments	\$ 62,413,478
Add: Cash on Hand – Treasurer’s Office	1,000
Cash on Hand – Departments	16,948
Cash – Detention Center	62,253
Deposits and certificates of deposit	<u>18,389,080</u>
Total Reporting Entity Cash and Investments	<u>\$ 80,882,759</u>

	<u>Exhibit 1</u>				
	<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	\$ 49,460,785	\$ 678,864	\$ 50,139,649	\$ 10,860,087	\$ 60,999,736
Restricted cash:					
Restricted cash – investments	18,250,432	-	18,250,432	-	18,250,432
Restricted cash – escrow	-	188,383	188,383	-	188,383
Restricted cash – interest	-	47,281	47,281	-	47,281
Restricted cash – revenue bond covenant	-	127,496	127,496	-	127,496
Total restricted cash	<u>18,250,432</u>	<u>363,160</u>	<u>18,613,592</u>	<u>-</u>	<u>18,613,592</u>
Total	<u>\$ 67,711,217</u>	<u>\$ 1,042,024</u>	<u>\$ 68,753,241</u>	<u>\$ 10,860,087</u>	<u>\$ 79,613,328</u>
	<u>Exhibit 11</u>	<u>Exhibit 33</u>			
	<u>Fiduciary Funds (held by County)</u>	<u>Fiduciary Funds (cash on deposit with County)</u>			<u>Total Fiduciary Funds</u>
Cash and Pooled Investments	\$ 1,139,868	\$ 129,563			\$ 1,269,431
Total Reporting Entity					<u>\$ 80,882,759</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, 2008:****General Fund:**SNAP Arbitrage (1996) \$ 4,594Total General Fund 4,594**Capital Projects Fund:**

General Obligation Bond Proceeds 16,858,048

Restricted donations 1,387,790Total Capital Projects Fund 18,245,838**Enterprise Funds:**

Environmental Fund Capital Lease 235,664

LGIP – Revenue Covenant 127,496Total Enterprise Funds 363,160Total Restricted Cash and Investments \$ 18,613,592

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

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**A. Budgetary information**

Annual budgets are legally adopted for all governmental funds on a basis consistent with generally accepted accounting principles (GAAP) except for the Health Insurance Internal Service Fund, Parks and Recreation Special Revenue Fund, Library Special Revenue Fund, Proffer Special Revenue Fund, and all agency 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 approval authority for transfers above \$6,000. The Board of Supervisors has approval authority for all transfer requests involving new positions, transfers that affect budget reserve accounts, or multi-year financial commitments regardless of the dollar amount. All requests for supplemental appropriations and transfers between CIP projects require Board of Supervisors' approval upon recommendation by the Finance Committee.

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

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds subject to the Board of Supervisors expenditure authority, and the Capital Projects Fund. The School Funds are integrated only at the level of legal adoption for the School General Fund, School Textbook Fund, and Food Nutrition Fund. 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, 2008, there were no departments in which expenditures exceeded appropriations.

**C. Deficit fund equity**

As of June 30, 2008, there were no funds with deficit fund equity.

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**NOTE 4 – RECEIVABLES**


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Receivables at June 30, 2008, consist of the following:

**Primary government**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 5,728,237	\$ -	\$ 434,353	\$ 6,162,590
Accounts	2,008,018	13,675	584,367	2,606,060
Due from other funds	152,740	-	-	152,740
Intergovernmental	2,387,475	400	69,217	2,457,092
Advances to other funds	207,668	-	-	207,668
	<u>10,484,138</u>	<u>14,075</u>	<u>1,087,937</u>	<u>11,586,150</u>
Gross receivables				
Less:				
Allowance for uncollectible accounts	<u>(1,657,061)</u>	<u>-</u>	<u>(103,559)</u>	<u>(1,760,620)</u>
Net receivables	<u>\$ 8,827,077</u>	<u>\$ 14,075</u>	<u>\$ 984,378</u>	<u>\$ 9,825,530</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	\$ 3,029,879	\$ -	\$ 3,029,879
EMS ambulance fees	464,439	-	464,439
Prepaid taxes	-	169,574	169,574
Parks and recreation facility rentals	-	3,201	3,201
	<u>\$ 3,494,318</u>	<u>\$ 172,775</u>	<u>\$ 3,667,093</u>

**Component unit – School Board**

	School General Fund	Food Nutrition Fund	Total
Accounts	\$ 82,763	\$ 27,220	\$ 109,983
Intergovernmental	<u>2,851,588</u>	<u>39,726</u>	<u>2,891,314</u>
Net receivables	<u>\$ 2,934,351</u>	<u>\$ 66,946</u>	<u>\$ 3,001,297</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	\$ 5,250	\$ 5,250
Food Nutrition Fund deferred revenue	<u>64,784</u>	<u>64,784</u>
Total deferred revenue	<u>\$ 70,034</u>	<u>\$ 70,034</u>

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**NOTE 5 – INTERFUND TRANSFERS**

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Interfund transfers for the year ended June 30, 2008, consisted of the following:

<u>Transfers to General Fund from:</u>				<u>Transfers from General Fund to:</u>	
Capital Projects Fund	\$ 332,306	\$ 4,544,864		Capital Projects Fund	
Enterprise Funds	66,778	31,240		Enterprise Funds	
Nonmajor Governmental Funds	612,129	230,860		Nonmajor Governmental Funds	
Internal Service Funds	-	70,000		Internal Service Funds	
	<u>                    </u>	<u>                    </u>			
Total General Fund Transfers In	\$ <u>1,011,213</u>	\$ <u>4,876,964</u>		Total General Fund Transfers Out	

<u>Transfers to Capital Projects Fund from:</u>				<u>Transfers from Capital Projects Fund to:</u>	
General Fund	\$ 4,544,864	\$ 332,306		General Fund	
Nonmajor Governmental Funds	1,928,500	-		Nonmajor Governmental Funds	
	<u>                    </u>	<u>                    </u>			
Total Capital Projects Fund Transfers In	\$ <u>6,473,364</u>	\$ <u>332,306</u>		Total Capital Projects Fund Transfers Out	

<u>Transfers to Nonmajor Governmental Funds from:</u>				<u>Transfers from Nonmajor Governmental Funds to:</u>	
General Fund	\$ 230,860	\$ 612,129		General Fund	
Capital Projects Fund	-	1,928,500		Capital Projects Fund	
Ambulance Revenue Fund	22,612	-		Ambulance Revenue Fund	
Fire and Rescue Fund	-	22,612		Fire and Rescue Fund	
	<u>                    </u>	<u>                    </u>			
Total Nonmajor Governmental Funds Transfers In	\$ <u>253,472</u>	\$ <u>2,563,241</u>		Total Nonmajor Governmental Funds Transfers Out	

<u>Transfers to Enterprise Funds from:</u>				<u>Transfers from Enterprise Funds to:</u>	
General Fund	\$ 31,240	\$ 66,778		General Fund	
	<u>                    </u>	<u>                    </u>			
Total Enterprise Funds Transfers In	\$ <u>31,240</u>	\$ <u>66,778</u>		Total Enterprise Funds Transfers Out	

<u>Transfers to Internal Service Funds from:</u>				<u>Transfers from Internal Service Funds to:</u>	
General Fund	\$ 70,000	\$ -		General Fund	
	<u>                    </u>	<u>                    </u>			
Total Internal Service Funds Transfers In	\$ <u>70,000</u>	\$ <u>-</u>		Total Internal Service Funds Transfers Out	

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

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**NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES**

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The following is a summary of interfund obligations as of June 30, 2008:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ 69,715
General Fund	Fleet Maintenance Fund	48,233
General Fund	Ambulance Revenue Fund	<u>34,792</u>
Total		<u>\$ 152,740</u>

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ <u>207,668</u>
Total		<u>\$ 207,668</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, \$207,668 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 \$207,668 loan in FY 2010 with \$69,715 to be repaid in FY 2009.

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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, 2008:

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
Commonwealth of Virginia:		
Local sales tax	\$ 1,180,810	\$ -
State sales tax	-	1,946,660
Shared expenses	409,818	-
Comprehensive services	452,609	-
Miscellaneous grants	241,142	94,321
Airport grants	14,598	-
Federal Government:		
School fund grants	-	850,333
Other federal grants	172,713	-
Airport grants	<u>47,353</u>	<u>-</u>
Total	<u>\$ 2,519,043</u>	<u>\$ 2,891,314</u>

## NOTE 8 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2008:

	Balance July 1, 2007	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2008
<b>Primary government – governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 18,530,503	\$ 611,938	\$ -	\$ 19,142,441
Construction in progress	15,869,271	4,518,842	2,212,490	18,175,623
Total capital assets not being depreciated	<u>34,399,774</u>	<u>5,130,780</u>	<u>2,212,490</u>	<u>37,318,064</u>
Capital assets being depreciated:				
Buildings and improvements	33,551,642	637,576	-	34,189,218
Infrastructure	9,845,465	-	-	9,845,465
Machinery and equipment	10,550,361	1,109,974	400,228	11,260,107
Total capital assets being depreciated	<u>53,947,468</u>	<u>1,747,550</u>	<u>400,228</u>	<u>55,294,790</u>
Less accumulated depreciation for:				
Buildings and improvements	7,860,384	1,088,500	-	8,948,884
Infrastructure	1,045,984	663,734	-	1,709,718
Machinery and equipment	6,975,972	1,085,401	346,622	7,714,751
Total accumulated depreciation	<u>15,882,340</u>	<u>2,837,635</u>	<u>346,622</u>	<u>18,373,353</u>
Total capital assets being depreciated, net	<u>38,065,128</u>	<u>(1,090,085)</u>	<u>53,606</u>	<u>36,921,437</u>
Governmental activities capital assets, net	<u>\$ 72,464,902</u>	<u>\$ 4,040,695</u>	<u>\$ 2,266,096</u>	<u>\$ 74,239,501</u>
	Balance July 1, 2007	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2008
<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	3,116,004	868,490	3,930,728	53,766
Total capital assets not being depreciated	<u>4,804,848</u>	<u>868,490</u>	<u>3,930,728</u>	<u>1,742,610</u>
Capital assets being depreciated:				
Cell improvements	7,991,233	298,290	-	8,289,523
Buildings and improvements	252,550	3,703,471	-	3,956,021
Infrastructure	854,306	-	-	854,306
Machinery and equipment	2,190,710	110,208	-	2,300,918
Total capital assets being depreciated	<u>11,288,799</u>	<u>4,111,969</u>	<u>-</u>	<u>15,400,768</u>
Less accumulated depreciation for:				
Cell improvements	1,502,824	375,028	-	1,877,852
Buildings and improvements	76,166	231,005	-	307,171
Infrastructure	287,581	47,930	-	335,511
Machinery and equipment (note below)	694,715	207,335	-	902,050
Total accumulated depreciation	<u>2,561,286</u>	<u>861,298</u>	<u>-</u>	<u>3,422,584</u>
Total capital assets being depreciated, net	<u>8,727,513</u>	<u>3,250,671</u>	<u>-</u>	<u>11,978,184</u>
Landfill and Recycling fund capital assets, net	<u>\$ 13,532,361</u>	<u>\$ 4,119,161</u>	<u>\$ 3,930,728</u>	<u>\$ 13,720,794</u>

Note: Machinery and equipment includes a transfer of \$26,459 from general government, fully depreciated.

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


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	Balance July 1, 2007	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2008
<b>Primary government – enterprise funds (continued)</b>				
Airport Fund:				
Capital assets, not being depreciated:				
Land	\$ 6,612,678	\$ -	\$ -	\$ 6,612,678
Construction in progress	84,460	49,845	-	134,305
Total capital assets not being depreciated	<u>6,697,138</u>	<u>49,845</u>	<u>-</u>	<u>6,746,983</u>
Capital assets being depreciated:				
Buildings and improvements	2,899,613	3,946	-	2,903,559
Infrastructure	10,152,265	543,174	-	10,695,439
Machinery and equipment	322,888	-	-	322,888
Total capital assets being depreciated	<u>13,374,766</u>	<u>547,120</u>	<u>-</u>	<u>13,921,886</u>
Less accumulated depreciation for:				
Buildings and improvements	468,819	118,267	-	587,086
Infrastructure	1,522,837	1,022,016	-	2,544,853
Machinery and equipment	37,239	23,148	-	60,387
Total accumulated depreciation	<u>2,028,895</u>	<u>1,163,431</u>	<u>-</u>	<u>3,192,326</u>
Total capital assets being depreciated, net	<u>11,345,871</u>	<u>(616,311)</u>	<u>-</u>	<u>10,729,560</u>
Airport fund capital assets, net	<u>18,043,009</u>	<u>(566,466)</u>	<u>-</u>	<u>17,476,543</u>
Total enterprise funds capital assets, net	<u>\$ 31,575,370</u>	<u>\$ 3,552,695</u>	<u>\$ 3,930,728</u>	<u>\$ 31,197,337</u>

	Balance July 1, 2007	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2008
<b>Component unit – School Board:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,051,609	\$ -	\$ -	\$ 5,051,609
Construction in progress	24,178,672	53,737,553	60,709,042	17,207,183
Total capital assets not being depreciated	<u>29,230,281</u>	<u>53,737,553</u>	<u>60,709,042</u>	<u>22,258,792</u>
Capital assets being depreciated:				
Buildings and improvements	131,578,065	60,279,921	74,200	191,783,786
Infrastructure	1,545,323	478,062	131,000	1,892,385
Machinery and equipment	17,118,366	2,068,461	717,463	18,469,364
Total capital assets being depreciated	<u>150,241,754</u>	<u>62,826,444</u>	<u>922,663</u>	<u>212,145,535</u>
Less accumulated depreciation for:				
Buildings and improvements	38,508,287	4,355,742	74,200	42,789,829
Infrastructure	712,685	82,837	131,000	664,522
Machinery and equipment	10,625,846	1,401,709	717,463	11,310,092
Total accumulated depreciation	<u>49,846,818</u>	<u>5,840,288</u>	<u>922,663</u>	<u>54,764,443</u>
Total capital assets being depreciated, net	<u>100,394,936</u>	<u>56,986,156</u>	<u>-</u>	<u>157,381,092</u>
School Board capital assets, net	<u>\$ 129,625,217</u>	<u>\$ 110,723,709</u>	<u>\$ 60,709,042</u>	<u>\$ 179,639,884</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	\$ 510,208
Judicial administration	254,296
Public safety	1,435,539
Public works	238,105
Health and welfare	28,620
Parks, recreation, and cultural	351,388
Community development	<u>19,479</u>
Total governmental activities	\$ <u>2,837,635</u>
 <b>Primary government – enterprise funds</b>	
Landfill and Recycling Fund	\$ 834,839
Airport Fund	<u>1,163,431</u>
Total enterprise funds	\$ <u>1,998,270</u>
 <b>Component unit – School Board</b>	 \$ <u><u>5,840,288</u></u>

## NOTE 9 – LONG-TERM OBLIGATIONS

### PRIMARY GOVERNMENT

Governmental Activities:

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
2009	\$ 644,019	\$ 284,147	\$ 140,000	\$ 121,138	\$ 7,955,000	\$ 5,975,196
2010	678,316	251,390	145,000	115,048	7,915,000	5,248,374
2011	703,083	221,738	155,000	108,377	7,540,000	4,869,820
2012	738,344	190,352	160,000	101,248	7,505,000	4,497,055
2013	655,680	156,736	170,000	93,487	7,195,000	4,128,037
2014	575,000	126,180	175,000	85,242	7,190,000	3,768,517
2015	605,000	95,418	185,000	76,755	6,395,000	3,425,256
2016	635,000	63,050	195,000	67,320	6,395,000	3,098,733
2017	665,000	32,253	205,000	57,375	6,390,000	2,771,480
2018	-	-	215,000	46,920	6,040,000	2,452,865
2019	-	-	225,000	35,955	5,865,000	2,148,804
2020	-	-	235,000	24,480	5,865,000	1,851,489
2021	-	-	245,000	12,495	5,690,000	1,563,636
2022	-	-	-	-	5,465,000	1,286,218
2023	-	-	-	-	5,145,000	1,025,429
2024	-	-	-	-	5,140,000	784,518
2025	-	-	-	-	4,560,000	563,349
2026	-	-	-	-	4,375,000	359,912
2027	-	-	-	-	3,800,000	173,362
2028	-	-	-	-	1,700,000	43,350
<b>Total</b>	<b>\$ 5,899,442</b>	<b>\$ 1,421,264</b>	<b>\$ 2,450,000</b>	<b>\$ 945,840</b>	<b>\$ 118,125,000</b>	<b>\$ 50,035,400</b>

The following is a summary of long-term obligations of the County for the year ended June 30, 2008:

	Balance July 1, 2007, as restated	Additions	Retirements	Balance June 30, 2008	Amount Due Within One Year
General long-term obligations:					
Capital leases	\$ 6,519,611	\$ -	\$ 620,169	\$ 5,899,442	\$ 644,019
Revenue bonds	2,585,000	-	135,000	2,450,000	140,000
General obligation bonds	90,195,000	34,075,000	6,145,000	118,125,000	7,955,000
Premium on bonds payable	3,784,912	1,832,846	425,048	5,192,710	571,099
Deferred amount on bond issuance costs	(239,011)	-	(27,243)	(211,768)	(21,575)
Compensated absences payable	3,092,326	2,532,080	2,495,719	3,128,687	312,869
Long-term commitments Incurred but not reported claims	2,900,000	9,384,916	-	12,284,916	-
	1,122,233	392,686	-	1,514,919	378,730
<b>Total general long-term obligations</b>	<b>\$ 109,960,071</b>	<b>\$ 48,217,528</b>	<b>\$ 9,793,693</b>	<b>\$ 148,383,906</b>	<b>\$ 9,980,142</b>

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

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


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Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$7,400,000 Public Safety Radio System 2002A, issued June 6, 2002, due in annual installments beginning April 1, 2003 through April 1, 2017, with interest payable semiannually at rates from 3.10% to 5.35%	\$ 4,995,000	\$ 460,000
\$1,700,000 Bealeton Library, issued July 8, 2002, due in semiannual installments beginning July 8, 2002 through July 15, 2015, with interest payable semiannually at 4.99%	<u>904,442</u>	<u>184,019</u>
Total Capital Leases	<u>5,899,442</u>	<u>644,019</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>2,450,000</u>	<u>140,000</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%	2,615,000	1,305,000
\$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%	4,050,000	450,000
\$3,500,000 Virginia Public School Authority Bonds, Series 1997B, issued November 20, 1997, maturing annually beginning July 15, 1998 through July 15, 2017, with interest payable semiannually at rates from 4.35% to 5.35%	1,750,000	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%	2,100,000	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%	2,965,000	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%	4,870,000	840,000
\$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%	4,480,000	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%	\$ 9,290,000	\$ 585,000

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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>
\$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%	\$ 3,150,000	\$ 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%	10,380,000	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%	38,400,000	1,400,000
\$34,075,000 Virginia Public School Authority Bonds, Series 2007A, issued November 8, 2007, maturing annually from July 15, 2007 through July 15 2027, with interest payable semiannually at rates from 4.35% to 5.10%	<u>34,075,000</u>	<u>1,705,000</u>
Total General Obligation Bonds	<u>118,125,000</u>	<u>7,955,000</u>
Premium on bonds payable	5,192,710	571,099
Deferred amount on bond issuance costs	(211,768)	(21,575)
Long-term commitments	12,284,916	-
Compensated absences payable	3,128,687	312,869
Incurred but not reported claims	<u>1,514,919</u>	<u>378,730</u>
Total governmental activity long-term obligations	<u>\$ 148,383,906</u>	<u>\$ 9,980,142</u>

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


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**PRIMARY GOVERNMENT**

Business-type activities:

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
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	\$ 805,000	\$ 48,600	\$ 35,656	\$ 2,757

The following is a summary of long-term obligations of the enterprise funds for the year ended June 30, 2008:

	Balance July 1, 2007, as restated	Additions	Retirements	Balance June 30, 2008	Amount Due Within One Year
Business-type activities long-term obligations:					
Capital leases	\$ 1,192,000	\$ -	\$ -	\$ 1,192,000	\$ 298,000
Revenue bonds	1,180,000	-	375,000	805,000	395,000
Notes payable	51,937	-	16,281	35,656	17,294
Premium on bonds payable	38,917	-	13,735	25,182	13,735
Compensated absences payable	93,991	100,929	93,263	101,657	10,165
Landfill closure and postclosure liability	8,246,922	928,300	-	9,175,222	-
Deferred amount on refunding	(33,881)	-	(11,958)	(21,923)	(11,958)
Total business-type activity long-term obligations	\$ 10,769,886	\$ 1,029,229	\$ 486,321	\$ 11,312,794	\$ 722,236

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%	\$ 805,000	\$ 395,000
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**NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)**

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
Notes Payable:		
\$51,937 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%.	\$ 35,656	\$ 17,294
Premium on bonds payable	25,182	13,735
Compensated absences payable	101,657	10,165
Landfill closure and postclosure liability	9,175,222	-
Deferred amount on refunding	<u>(21,923)</u>	<u>(11,958)</u>
Total business-type activity long-term obligations	<u>\$ 11,312,794</u>	<u>\$ 722,236</u>

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

The following is a summary of long-term obligations of the School Board for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>	<u>Amount Due Within One Year</u>
General long-term obligations:					
Capital leases	\$ 705,073	\$ -	\$ 705,073	\$ -	\$ -
Compensated absences payable	<u>4,260,728</u>	<u>3,127,228</u>	<u>3,005,851</u>	<u>4,382,105</u>	<u>438,210</u>
Total general long-term obligations	<u>\$ 4,965,801</u>	<u>\$ 3,127,228</u>	<u>\$ 3,710,924</u>	<u>\$ 4,382,105</u>	<u>\$ 438,210</u>

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
Compensated absences payable, component unit	\$ 4,382,105	\$ 438,210
Total component unit long-term obligations	<u>\$ 4,382,105</u>	<u>\$ 438,210</u>

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**NOTE 10 – LONG-TERM COMMITMENTS**

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Fauquier County provides annual operating and capital contributions for 11 separately incorporated Volunteer Fire and Rescue Companies through a special Fire and Rescue levy. Three volunteer fire and rescue facilities have finalized loans through the United States Department of Agriculture Rural Development program (USDA) to fund construction and renovations and one is currently pending. The County has provided USDA moral obligation letters guaranteeing funding support for each of the four volunteer fire and rescue companies. All assets are owned by the respective volunteer fire and rescue companies. Payment for annual debt service will be made from the Fire and Rescue Special Revenue Fund as a contribution to the individual stations. The required debt service reserve of 10% annually for 10 years will be funded from the Fire and Rescue Levy and will accumulate in restricted cash accounts in the fund. The reserve may be used for capital improvements in the future if approved by USDA in accordance with the loan agreements. The USDA loans provide for 2 years of interest only payments based on the drawdown of funds for the Warrenton and Catlett loans. The Remington loan provides for 1 year of an interest only payment. In FY 2009, the County will be paying interest only payments estimated to be \$270,000.

Annual requirements to amortize long-term commitments and related interest have been estimated according to information provided by USDA and are as follows:

Fiscal Year	Principal	Interest
2009	\$ -	\$ 270,000
2010	72,381	506,370
2011	136,768	516,680
2012	142,551	510,897
2013	148,579	504,869
2014-2018	842,619	2,424,620
2019-2023	1,036,497	2,230,743
2024-2028	1,274,998	1,992,242
2029-2033	1,568,396	1,698,844
2034-2038	1,929,329	1,337,911
2039-2043	2,373,349	893,891
2044-2048	2,759,449	355,339
<b>Total</b>	<b>\$ 12,284,916</b>	<b>\$ 13,242,406</b>

The following is a summary of long-term commitments of the County for the year ending June 30, 2008:

	Balance July 1, 2007, as restated	Additions	Retirements	Balance June 30, 2008	Amount Due Within One Year
General long-term commitments:					
USDA Notes	\$ 2,900,000	\$ 9,384,916	\$ -	\$ 12,284,916	\$ -

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**NOTE 10 – LONG-TERM COMMITMENTS (CONTINUED)**


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Details of long-term commitments are as follows:

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
USDA Loans:		
\$2,900,000 issued to Warrenton Volunteer Fire Company, Inc., on March 12, 2007, due in annual installments for principal and interest beginning March 12, 2010 through March 12, 2047, with interest payable annually at 4.125%.	\$ 2,900,000	\$ -
\$985,000 issued to Warrenton Volunteer Fire Company, Inc., on February 20, 2008, due in annual installments for principal and interest beginning February 20, 2011 through February 20, 2048, with interest payable annually at 4.375%	985,000	-
\$2,900,000 issued to Catlett Volunteer Fire and Rescue Company, Inc., on September 25, 2007, due in annual installments for principal and interest beginning September 25, 2010 through September 25, 2047, with interest payable annually at 4.250%	2,900,000	-
\$1,715,000 issued to Catlett Volunteer Fire and Rescue Company, Inc., on September 25, 2007, due in annual installments for principal and interest beginning September 25, 2010 through September 25, 2047, with interest payable annually at 4.250%	1,715,000	-
\$3,784,916 issued to Remington Volunteer Fire and Rescue Company, Inc., on February 20, 2008, due in annual installments for principal and interest beginning February 20, 2010 through February 20, 2048, with interest payable annually at 4.250%	<u>3,784,916</u>	<u>-</u>
Total long-term commitments	\$ <u>12,284,916</u>	\$ <u>-</u>

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**NOTE 11 – CONSTRUCTION COMMITMENTS**


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At June 30, 2008, 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.

<u>Project Name</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Expended to Date</u>	<u>Balance</u>
Northern Sports Complex	SW Rodgers Co., Inc	\$ 10,662,136	\$ 9,304,393	\$ 1,357,743
Greenville Elementary School	Callas Contractors	14,813,662	13,741,204	1,072,458
Kettle Run High School	Howard Shockey	<u>55,146,697</u>	<u>53,128,492</u>	<u>2,018,205</u>
Total		\$ <u>80,622,495</u>	\$ <u>76,174,089</u>	\$ <u>4,448,406</u>

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**NOTE 12 – 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 13 – 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 14 – 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 (1.85% for eligible law enforcement officers). 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 General Assembly of Virginia.

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

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. A copy of that report may be downloaded from the website at <http://www.varetire.org/Pdf/Publications/2007annurept.pdf> or obtained by writing to VRS at P.O. Box 2500, Richmond, VA 23218-2500.

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**NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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**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 reported compensation 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. On October 11, 2007, the County's governing body passed a resolution electing to provide a higher retirement multiplier for those employees eligible for the enhanced benefits (sheriff deputies only) referred to as Section 138 coverage described in the *Code of Virginia*, Title 51.1-138. This coverage was effective November 1, 2007, increasing the County's employer contribution rate to the VRS as shown below.

The County and School Board non-professional employees' contribution rates for the annual covered payroll for fiscal year ending June 30, 2008 are:

	<u>County</u>	<u>Non-Professional School Board</u>
Employer contribution rates		
July 1, 2007 – October 30, 2007	6.89%	2.04%
November 1, 2007 – June 30, 2008	7.26%	2.04%
Employee contribution rates (paid by employer)		
July 1, 2007 – October 30, 2007	5.00%	5.00%
November 1, 2007 – June 30, 2008	5.00%	5.00%
Total contribution rates		
July 1, 2007 – October 30, 2007	11.89%	7.04%
November 1, 2007 – June 30, 2008	12.26%	7.04%

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, 2008, 2007, and 2006, were \$10,057,955, \$9,015,638, and \$6,744,332 respectively, and these contributions represented 15.30%, 14.20%, and 11.62% respectively, of current covered payroll.

**C. Annual pension cost**

For fiscal year 2008, the County's annual pension cost of \$3,269,647 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 7.26% employer's share. In fiscal year 2008, the School Board's annual pension cost for non-professional employees was \$474,253 which 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, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial value of the County's and School Board's assets is equal to the adjusted 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.

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**NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**


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Actuarial assumptions:

	<u>County</u>	<u>Non-Professional School Board</u>
Valuation date	June 30, 2007	June 30, 2007
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	2.50%	2.50%
Remaining amortization period	20 years	20 years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return*	7.50%	7.50%
Projected salary increases*		
Non LEO employees	3.75% - 5.60%	3.75% - 5.60%
LEO employees	3.50% - 4.75%	3.50% - 4.75%
Cost of living	2.50%	2.50%

\*Includes inflation of 2.50%

**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, 2006	\$	2,427,673		100%	\$	-
June 30, 2007		3,058,841		100%		-
June 30, 2008		3,269,647		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, 2006	\$	192,560		100%	\$	-
June 30, 2007		417,634		100%		-
June 30, 2008		474,253		100%		-

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**NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**


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The funding status of the Virginia Retirement System Pension Plan as of June 30, 2007, the most recent actuarial valuation date, is as follows:

County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded (Excess Funded) Actuarial Liability	Funded Ratio	Annual Covered Payroll	UUAAL as % of Payroll
June 30, 2007	\$ 50,407,124	\$ 55,645,137	\$ 5,238,013	90.59%	\$ 25,864,391	20.30%

Component unit – School Board:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded (Excess Funded) Actuarial Liability	Funded Ratio	Annual Covered Payroll	UUAAL as % of Payroll
June 30, 2007	\$ 13,445,694	\$ 12,874,773	\$ (570,921)	104.43%	\$ 6,333,746	-9.00%

The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial liabilities for benefits.

**E. Postemployment 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. Effective July 1, 2007, the Virginia General Assembly enacted an increase in the retiree health insurance credit for all teachers to \$4.00 per month per year of service with no cap, and eliminated the local-funded supplemental plan. This legislation resulted in a refund of \$487,980 to the School Board. As of the end of fiscal year 2008 there were 209 retirees participating in the health insurance credit program. The plan is financed by payments from the School Board to VRS. The School Board currently participates in the VRS statewide teacher cost-sharing credit pool. The total contributions made by the School Board to the VRS credit program for professional employees of the schools for the three fiscal years ending June 30, 2008, 2007, and 2006 were \$762,743, \$495,101, and \$369,753, respectively.

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**NOTE 15 – 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.

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**NOTE 15 – FIRE AND RESCUE PENSION TRUST LENGTH OF SERVICE AWARD PROGRAM (CONTINUED)**

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As of January 1, 2008, the program membership consisted of the following:

Eligible Members	118
Retirees and beneficiaries	31

**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 which reflects the actuary's best estimate of long term investment results. 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, 2008, totaled \$265,245. 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, 2008, the plan had net assets available for benefits totaling \$843,933. Unfunded past service costs total \$662,963 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, 2006	\$ 239,491	100%
June 30, 2007	257,115	100%
June 30, 2008	265,245	100%

The funded status of the Fire and Rescue Length of Service Awards pension Program as of December 31, 2007, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio
December 31, 2007	\$ 774,144	\$ 1,437,122	\$ 662,978	53.9%

The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial liabilities for benefits.

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**NOTE 16 – 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, 2008, the defeased bonds had balances outstanding of \$805,000.

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**NOTE 17 – 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 \$9,175,222 reported as landfill closure and postclosure care liability at June 30, 2008, represents the cumulative amount reported based on the use of 100.00% of the estimated capacity of the old landfill, the use of 39.27% of the estimated capacity of the new landfill, and the closure costs for the Construction and Demolition Recycling facility of \$25,088. The County will recognize the remaining estimated cost of closure and postclosure care of \$6,083,641 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 2008. The County expects to close the new landfill in the year 2015. While the old landfill has reached 100.00% capacity, the County’s intention is to partially reclaim capacity through mining a significant portion of the landfill recyclable Construction and Demolition materials. The County expects to add 10-20 years of disposal capacity and defer closure of the old landfill area by approximately 30 years. 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 18 – 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, 2008:

**Primary government**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Primary Government
<b>Reserved for:</b>				
Encumbrances - County	\$ 533,730	\$ 8,851,749	\$ 2,518	\$ 9,387,997
Encumbrances - Schools	622,869	-	-	622,869
Long-term receivables	207,668	-	-	207,668
Prepaid assets	137,100	-	19,249	156,349
Grants and seizure funds	193,254	-	-	193,254
<b>Total</b>	<b>\$ 1,694,621</b>	<b>\$ 8,851,749</b>	<b>\$ 21,767</b>	<b>\$ 10,568,137</b>

**Component unit – School Board**

	School General Fund	School Textbook Fund	Food Nutrition Fund	Total Component unit – School Board
<b>Reserved for:</b>				
Encumbrances	\$ -	\$ 1,565	\$ -	\$ 1,565
Donations	5,000	-	-	5,000
Inventories	-	-	49,604	49,604
<b>Total</b>	<b>\$ 5,000</b>	<b>\$ 1,565</b>	<b>\$ 49,604</b>	<b>\$ 56,169</b>

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**NOTE 18 – FUND BALANCES (CONTINUED)**

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Designated fund balances are for future years' expenditures including the reappropriation of portions of the FY 2008 budget and the appropriation of undesignated fund balance for utilization in a future period.

Designated Fund Balances as of June 30, 2008:

**Primary government**

	General Fund	Other Governmental Funds	Total Primary Government
<b>Designated for:</b>			
Revenue shortfall	\$ 960,000	\$ -	\$ 960,000
Future years' expenditures	<u>1,936,508</u>	<u>724,956</u>	<u>2,661,464</u>
Total	<u>\$ 2,896,508</u>	<u>\$ 724,956</u>	<u>\$ 3,621,464</u>

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

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**NOTE 19 – 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. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

**B. Component unit – School Board**

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

The School Board workers' compensation insurance is provided by the School Systems of Virginia Group Self Insurance Association. Section 65.2-802 of the *Code of Virginia* authorizes employers with a common interest to pool their liabilities under the Virginia Workers' Compensation Act.

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

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

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**NOTE 19 – RISK MANAGEMENT (CONTINUED)**

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**C. Fire and Rescue Association component**

The Fire and Rescue Association (Association) contract administration is handled through the Department of Fire and Emergency Services. 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:

	2007	2008
Unpaid claims, beginning of fiscal year	\$ 1,032,451	\$ 1,122,233
Incurred claims, (including IBNR)	11,387,025	13,021,381
Claim payments	<u>11,297,243</u>	<u>12,628,695</u>
Unpaid claims, end of fiscal year	<u>\$ 1,122,233</u>	<u>\$ 1,514,919</u>

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**NOTE 20 – RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS**

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**Northwestern Regional Adult Detention Center**

The Clarke-Fauquier-Frederick-Winchester Jail Board was created in 1987 to construct and operate the Clarke-Fauquier-Frederick-Winchester Regional Adult Detention Center, renamed the Northwestern Regional Adult Detention Center in FY 2006. The Center charges, on an inmate per diem basis, other localities and the Federal Government for their prisoners placed in the jail. The fourteen member board consists of four members each from the County of Frederick and the City of Winchester, and three each from the Counties of Clarke and Fauquier. In FY 2006, the Northwestern Regional Jail Authority was created for the purpose of issuing revenue bonds for the construction of a new facility. The County and other participants have no equity interest in the jail. The County made operating contributions for 21.82% of the regional jail's operating expenses, including debt service totaling \$1,554,416 in fiscal year 2008.

Additional information may be obtained by writing to the Northwestern Regional Adult Detention Center at 141 Fort Collier Road, Winchester, Virginia 22603 or visiting the website at [www.co.frederick.va.us/Regional\\_Jail/Reg\\_jail.htm](http://www.co.frederick.va.us/Regional_Jail/Reg_jail.htm).

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**NOTE 20 – RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

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**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.

Additional information may be obtained by writing to the Fauquier County Industrial Development Authority at Fauquier County Board of Supervisors, 10 Hotel Street, Warrenton, Virginia 20186 or visiting the website at [www.fauquiercounty.gov/Government/Committees/inddevauth/](http://www.fauquiercounty.gov/Government/Committees/inddevauth/).

**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.

Additional information, including financial reports, may be obtained by writing to the Fauquier County Water and Sanitation Authority at 7172 Kennedy Road – Vint Hill Farms, Warrenton, Virginia 20187 or visiting the website at [www.fcsa.org](http://www.fcsa.org).

**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 2008, Fauquier County contributed a total of \$60,912.

Additional information may be obtained by writing to the Northern Virginia Health Center Commission at 8605 Centreville Road, Manassas, Virginia 20110 or visiting the website at [www.birminghamgreen.org](http://www.birminghamgreen.org).

**Birmingham Green Adult Care Residence**

The Birmingham Green Adult Care Residence was established in 1997 by five Virginia jurisdictions (Fauquier County, Fairfax County, Loudoun County, Prince William County, and the City of Alexandria) to provide housing and long-term care for the benefit of low income persons. The Residence operates a sixty-four bed assisted living facility. In fiscal year 2008, Fauquier County contributed a total of \$171,628.

Additional information may be obtained by writing to the Northern Virginia Health Center Commission at 8605 Centreville Road, Manassas, Virginia 20110 or visiting the website at [www.birminghamgreen.org](http://www.birminghamgreen.org).

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**NOTE 20 – RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

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**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 2008, the Fauquier County School Board contributed a total of \$192,950 with \$544,425 contributed from the other participating counties.

Additional information may be obtained by writing to the Mountain Vista Regional Governor’s School at Lord Fairfax Community College, 6480 College Street, Warrenton, Virginia 20187 or Lord Fairfax Community College, 173 Skirmisher Lane, Middletown, Virginia 22645 or visiting the website at [mvgs.k12.va.us](http://mvgs.k12.va.us).

**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.

Additional information may be obtained by writing to the Rappahannock-Rapidan Planning District Commission at 420 Southridge Parkway, Suite 106, Culpeper, Virginia 22701 or visiting the website at [www.rrregion.org](http://www.rrregion.org).

**Rappahannock-Rapidan Community Services Board and Area Agency on Aging**

The Rappahannock-Rapidan Community Services Board and Area Agency on Aging 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.

Additional information, including financial reports, may be obtained by writing to the Rappahannock-Rapidan Community Services Board and Area Agency on Aging at P.O. Box 1568, Culpeper, Virginia 22701 or visiting the website at [www.rrcsb.org](http://www.rrcsb.org).

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**NOTE 21 – 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 22 – 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	36,810
Economic Development Office, 35 Culpeper Street	21,312
Department of Social Services, 70 Main Street	64,795

All leases are subject to annual appropriation of rental payments.

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**NOTE 23 – SUBSEQUENT EVENTS**

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The Board of Supervisors is scheduled to meet on November 13, 2008, to discuss a reduction in workforce. An estimate of termination benefits resulting from involuntary staff reductions is not presently determinable.

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**NOTE 24 – NET ASSETS ADJUSTMENTS**

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Net assets were adjusted as of June 30, 2007, due to the guaranteeing of the volunteer fire and rescue companies USDA loans as described in Note 10:

		Governmental Activities
Net assets, as previously reported	\$	<u>43,772,616</u>
Adjustment for long term commitments		<u>(2,900,000)</u>
Net assets, as restated	\$	<u><u>40,872,616</u></u>

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**NOTE 25 – 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, has implemented this standard. 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 Pensions (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. In preparation for the implementation of GASB 45, the County established a trust fund in September 2008 and is prepared to implement the statement in fiscal year 2009.

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. 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 early implemented this statement in fiscal year 2008.

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 implemented this statement in fiscal year 2008.

In June 2007, GASB issued Statement No. 51, *Accounting and 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 will be implementing this standard in fiscal year 2010.

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**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, 2008

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, 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%
June 30, 2007	50,407,124	55,645,137	5,238,013	90.59%	25,864,391	20.3%

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, 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%
June 30, 2007	13,445,694	12,874,773	(570,921)	104.43%	6,333,746	-9.0%

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, 2005	\$ 1,018,093	\$ 1,947,246	\$ 929,153	52.28%
December 31, 2006	741,241	1,570,411	829,170	47.20%
December 31, 2007	774,144	1,437,122	662,978	53.90%

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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## 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 *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 *Ambulance Revenue Fund* is used to account for transactions related to ambulance services.

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 14  
Page 1 of 2

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008

	Parks and Recreation Fund	Library Fund	Conservation Easement Service District Fund	Fire and Rescue Fund	Ambulance Revenue Fund
<b>Assets</b>					
Cash and investments	\$ 288,070	\$ 58,804	\$ 960,288	\$ 1,905,783	\$ -
Receivables, net of allowance for uncollectibles:					
Taxes, including penalties	-	-	132,897	197,897	-
Accounts	-	-	2,069	7,153	575,145
Due from other governmental units	-	-	-	69,217	-
Other assets	-	-	-	19,249	-
	<u>288,070</u>	<u>58,804</u>	<u>1,095,254</u>	<u>2,199,299</u>	<u>575,145</u>
Total assets					
	<u>288,070</u>	<u>58,804</u>	<u>1,095,254</u>	<u>2,199,299</u>	<u>575,145</u>
<b>Liabilities</b>					
Accounts payable	691	-	-	89,282	75,914
Accrued liabilities	-	-	556	457	-
Due to other funds	-	-	-	-	34,792
Deferred revenue	-	-	64,134	147,321	464,439
Escrows	-	-	-	-	-
	<u>691</u>	<u>-</u>	<u>64,690</u>	<u>237,060</u>	<u>575,145</u>
Total liabilities					
	<u>691</u>	<u>-</u>	<u>64,690</u>	<u>237,060</u>	<u>575,145</u>
<b>Fund balances</b>					
Reserved for:					
Encumbrances	2,518	-	-	-	-
Prepaid assets	-	-	-	19,249	-
Unreserved:					
Designated:					
Designated for contributions for volunteer fire & rescue	-	-	-	724,956	-
Undesignated	284,861	58,804	1,030,564	1,218,034	-
	<u>287,379</u>	<u>58,804</u>	<u>1,030,564</u>	<u>1,962,239</u>	<u>-</u>
Total fund balances					
	<u>287,379</u>	<u>58,804</u>	<u>1,030,564</u>	<u>1,962,239</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 288,070</u>	<u>\$ 58,804</u>	<u>\$ 1,095,254</u>	<u>\$ 2,199,299</u>	<u>\$ 575,145</u>

<u>Proffer Fund</u>	<u>Affordable Housing Fund</u>	<u>Vint Hill Transportation Fund</u>	<u>Total Non-Major Governmental Funds</u>	
\$ 1,054,832	\$ 266,821	\$ 229,566	\$ 4,764,164	<b>Assets</b>
-	-	-	330,794	Cash and investments
-	-	-	584,367	Receivables, net of allowance for uncollectibles:
-	-	-	69,217	Taxes, including penalties
-	-	-	19,249	Accounts
				Due from other governmental units
				Other assets
<u>1,054,832</u>	<u>266,821</u>	<u>229,566</u>	<u>5,767,791</u>	Total assets
-	1,155	-	167,042	<b>Liabilities</b>
-	-	7,500	8,513	Accounts payable
-	-	-	34,792	Accrued liabilities
-	-	-	675,894	Due to other funds
802,222	-	-	802,222	Deferred revenue
				Escrows
<u>802,222</u>	<u>1,155</u>	<u>7,500</u>	<u>1,688,463</u>	Total liabilities
-	-	-	2,518	<b>Fund balances</b>
-	-	-	19,249	Reserved for:
				Encumbrances
				Prepaid assets
				Unreserved:
				Designated:
				Designated for contributions for volunteer fire & rescue
252,610	265,666	222,066	3,332,605	Undesignated
<u>252,610</u>	<u>265,666</u>	<u>222,066</u>	<u>4,079,328</u>	Total fund balances
<u>\$ 1,054,832</u>	<u>\$ 266,821</u>	<u>\$ 229,566</u>	<u>\$ 5,767,791</u>	Total liabilities and fund balances

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 15  
Page 1 of 2

Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances – Nonmajor Governmental Funds  
Fiscal Year Ended June 30, 2008

	Parks and Recreation Fund	Library Fund	Conservation Easement Service District Fund	Fire and Rescue Fund	Ambulance Revenue Fund
<b>Revenues</b>					
General property taxes	\$ -	\$ -	\$ 1,323,006	\$ 4,362,762	\$ -
Revenue from use of money and property	9,223	2,273	-	22,379	-
Charges for services	-	-	-	-	461,085
Gifts and donations	18,860	3,429	50,000	-	-
Recovered costs	-	-	450	9,029	-
Miscellaneous revenue	-	-	-	251,035	-
Intergovernmental:					
Commonwealth of Virginia	-	-	213,500	258,167	-
<b>Total revenues</b>	<u>28,083</u>	<u>5,702</u>	<u>1,586,956</u>	<u>4,903,372</u>	<u>461,085</u>
<b>Expenditures</b>					
Current operating:					
Public safety	-	-	-	4,914,732	103,956
Parks, recreation, and cultural	2,942	14,492	-	-	-
Community development	-	-	2,785,043	-	-
<b>Total expenditures</b>	<u>2,942</u>	<u>14,492</u>	<u>2,785,043</u>	<u>4,914,732</u>	<u>103,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,141</u>	<u>(8,790)</u>	<u>(1,198,087)</u>	<u>(11,360)</u>	<u>357,129</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	22,612	-
Transfers (out)	-	-	-	(277,612)	(357,129)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(255,000)</u>	<u>(357,129)</u>
Net change in fund balances	25,141	(8,790)	(1,198,087)	(266,360)	-
Fund balances, beginning	262,238	67,594	2,228,651	2,228,599	-
Fund balances, ending	<u>\$ 287,379</u>	<u>\$ 58,804</u>	<u>\$ 1,030,564</u>	<u>\$ 1,962,239</u>	<u>\$ -</u>

<b>Proffer Fund</b>	<b>Affordable Housing Fund</b>	<b>Vint Hill Transportation Fund</b>	<b>Total Nonmajor Governmental Funds</b>	
\$ -	\$ -	\$ -	\$ 5,685,768	<b>Revenues</b>
37,889	-	20,588	92,352	General property taxes
-	-	-	461,085	Revenue from use of money and property
42,000	-	-	114,289	Charges for services
-	-	-	9,479	Gifts and donations
-	-	40,858	291,893	Recovered costs
-	-	-	471,667	Miscellaneous revenue
-	-	-	-	Intergovernmental:
-	-	-	-	Commonwealth of Virginia
<u>79,889</u>	<u>-</u>	<u>61,446</u>	<u>7,126,533</u>	Total revenues
-	-	-	5,018,688	<b>Expenditures</b>
-	-	-	17,434	Current operating:
-	249,725	30,000	3,064,768	Public safety
-	-	-	-	Parks, recreation, and cultural
-	-	-	-	Community development
<u>-</u>	<u>249,725</u>	<u>30,000</u>	<u>8,100,890</u>	Total expenditures
<u>79,889</u>	<u>(249,725)</u>	<u>31,446</u>	<u>(974,357)</u>	Excess (deficiency) of revenues over (under) expenditures
-	230,860	-	253,472	<b>Other financing sources (uses)</b>
(1,508,500)	-	(420,000)	(2,563,241)	Transfers in
-	-	-	-	Transfers (out)
<u>(1,508,500)</u>	<u>230,860</u>	<u>(420,000)</u>	<u>(2,309,769)</u>	Total other financing sources (uses)
(1,428,611)	(18,865)	(388,554)	(3,284,126)	Net change in fund balances
1,681,221	284,531	610,620	7,363,454	Fund balances, beginning
<u>\$ 252,610</u>	<u>\$ 265,666</u>	<u>\$ 222,066</u>	<u>\$ 4,079,328</u>	Fund balances, ending

**COUNTY OF FAUQUIER, VIRGINIA**

Exhibit 16

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Conservation Easement Service District Fund  
Fiscal Year Ended June 30, 2008**

	<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>				
General property taxes	\$ 1,436,463	\$ 1,436,463	\$ 1,323,006	\$ (113,457)
Revenue from use of money and property	40,000	40,000	-	(40,000)
Gifts and donations	303,000	50,000	50,000	-
Recovered costs	-	-	450	450
Intergovernmental:				
Commonwealth of Virginia	-	616,719	213,500	(403,219)
Total revenues	<u>1,779,463</u>	<u>2,143,182</u>	<u>1,586,956</u>	<u>(556,226)</u>
<b>Expenditures</b>				
Current operating:				
Community development	<u>1,779,463</u>	<u>4,371,833</u>	<u>2,785,043</u>	<u>1,586,790</u>
Total expenditures	<u>1,779,463</u>	<u>4,371,833</u>	<u>2,785,043</u>	<u>1,586,790</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(2,228,651)</u>	<u>(1,198,087)</u>	<u>1,030,564</u>
Net change in fund balances	-	(2,228,651)	(1,198,087)	1,030,564
Fund balances, beginning	2,228,651	2,228,651	2,228,651	-
Fund balances, ending	<u>\$ 2,228,651</u>	<u>\$ -</u>	<u>\$ 1,030,564</u>	<u>\$ 1,030,564</u>

**COUNTY OF FAUQUIER, VIRGINIA**

Exhibit 17

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Fire and Rescue Fund  
Fiscal Year Ended June 30, 2008**

	<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>				
General property taxes	\$ 4,329,603	\$ 4,329,603	\$ 4,362,762	\$ 33,159
Revenue from use of money and property	60,000	60,000	22,379	(37,621)
Recovered costs	-	-	9,029	9,029
Miscellaneous revenue	-	3,993	251,035	247,042
Intergovernmental:				
Commonwealth of Virginia	173,421	235,130	258,167	23,037
Total revenues	<u>4,563,024</u>	<u>4,628,726</u>	<u>4,903,372</u>	<u>274,646</u>
<b>Expenditures</b>				
Current operating:				
Public safety	3,145,776	6,813,177	4,914,732	1,898,445
Total expenditures	<u>3,145,776</u>	<u>6,813,177</u>	<u>4,914,732</u>	<u>1,898,445</u>
Excess (deficiency) of revenues over expenditures	<u>1,417,248</u>	<u>(2,184,451)</u>	<u>(11,360)</u>	<u>2,173,091</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	280,500	22,612	(257,888)
Transfers (out)	<u>(1,417,248)</u>	<u>(277,612)</u>	<u>(277,612)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,417,248)</u>	<u>2,888</u>	<u>(255,000)</u>	<u>(257,888)</u>
Net change in fund balances	-	(2,181,563)	(266,360)	1,915,203
Fund balances, beginning	2,228,599	2,228,599	2,228,599	-
Fund balances, ending	<u>\$ 2,228,599</u>	<u>\$ 47,036</u>	<u>\$ 1,962,239</u>	<u>\$ 1,915,203</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 18

Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances – Budget and Actual  
 Ambulance Revenue Fund  
 Fiscal Year Ended June 30, 2008

	<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>				
Charges for services	\$ -	\$ 942,252	\$ 461,085	\$ (481,167)
Total revenues	<u>-</u>	<u>942,252</u>	<u>461,085</u>	<u>(481,167)</u>
<b>Expenditures</b>				
Current operating:				
Public safety	-	196,500	103,956	92,544
Total expenditures	<u>-</u>	<u>196,500</u>	<u>103,956</u>	<u>92,544</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>745,752</u>	<u>357,129</u>	<u>(388,623)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	(745,752)	(357,129)	388,623
Total other financing sources (uses)	<u>-</u>	<u>(745,752)</u>	<u>(357,129)</u>	<u>388,623</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning	-	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**COUNTY OF FAUQUIER, VIRGINIA**

Exhibit 19

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Affordable Housing Fund  
Fiscal Year Ended June 30, 2008**

	<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	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Current operating:				
Community development	<u>230,860</u>	<u>330,860</u>	<u>249,725</u>	<u>(81,135)</u>
Total expenditures	<u>230,860</u>	<u>330,860</u>	<u>249,725</u>	<u>(81,135)</u>
Excess (deficiency) of revenues over expenditures	<u>(230,860)</u>	<u>(330,860)</u>	<u>(249,725)</u>	<u>81,135</u>
<b>Other financing sources (uses)</b>				
Transfers in	<u>230,860</u>	<u>230,860</u>	<u>230,860</u>	<u>-</u>
Total other financing sources (uses)	<u>230,860</u>	<u>230,860</u>	<u>230,860</u>	<u>-</u>
Net change in fund balances	-	(100,000)	(18,865)	81,135
Fund balances, beginning	<u>284,531</u>	<u>284,531</u>	<u>284,531</u>	<u>-</u>
Fund balances, ending	<u>\$ 284,531</u>	<u>\$ 184,531</u>	<u>\$ 265,666</u>	<u>\$ 81,135</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 20

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Vint Hill Transportation Fund  
Fiscal Year Ended June 30, 2008

Primary Government	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Special Revenue Funds:				
<b>Revenues</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 20,588	\$ 20,588
Miscellaneous revenue	-	30,000	40,858	10,858
Total revenues	-	30,000	61,446	31,446
<b>Expenditures</b>				
Current operating:				
Community development	-	30,000	30,000	-
Total expenditures	-	30,000	30,000	-
Excess (deficiency) of revenues over expenditures	-	-	31,446	31,446
<b>Other financing sources (uses)</b>				
Transfers (out)	-	(420,000)	(420,000)	-
Total other financing sources (uses)	-	(420,000)	(420,000)	-
Net change in fund balances	-	(420,000)	(388,554)	31,446
Fund balances, beginning	610,620	610,620	610,620	-
Fund balances, ending	\$ 610,620	\$ 190,620	\$ 222,066	\$ 31,446

## **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, 2008

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ -	\$ 7,749,288	\$ 7,749,288
Receivables, net of allowances for uncollectibles	85,558	-	85,558
Inventories	236,766	-	236,766
Total current assets	322,324	7,749,288	8,071,612
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Machinery and equipment	99,572	-	99,572
Total capital assets	99,572	-	99,572
Total noncurrent assets	99,572	-	99,572
Total assets	421,896	7,749,288	8,171,184
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	55,807	431,578	487,385
Accrued liabilities	2,906	-	2,906
Due to other funds	48,233	-	48,233
Unearned revenue	-	316,479	316,479
Compensated absences	8,972	-	8,972
Current portion of incurred but not reported claims	-	378,730	378,730
Total current liabilities	115,918	1,126,787	1,242,705
Noncurrent liabilities:			
Compensated absences	80,749	-	80,749
Noncurrent portion of incurred but not reported claims	-	1,136,189	1,136,189
Total noncurrent liabilities	80,749	1,136,189	1,216,938
Total liabilities	196,667	2,262,976	2,459,643
<b>Net Assets</b>			
Invested in capital assets, net of related debt	99,572	-	99,572
Unrestricted	125,657	5,486,312	5,611,969
Total net assets	225,229	5,486,312	5,711,541
Total liabilities and net assets	\$ 421,896	\$ 7,749,288	\$ 8,171,184

**COUNTY OF FAUQUIER, VIRGINIA**

**Exhibit 22**

**Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Internal Service Funds  
Fiscal Year Ended June 30, 2008**

	<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	\$ 3,319,046	\$ 15,573,725	\$ 18,892,771
Forfeitures	-	5,990	5,990
<b>Total operating revenues</b>	<b>3,319,046</b>	<b>15,579,715</b>	<b>18,898,761</b>
<b>Operating expenses</b>			
Personal services	590,872	-	590,872
Fringe benefits	214,098	-	214,098
Claims and benefits paid	-	13,021,381	13,021,381
Premiums	-	2,678,804	2,678,804
Contractual services	93,492	66,549	160,041
Other operating expenses	2,438,514	34,650	2,473,164
Depreciation	16,774	-	16,774
<b>Total operating expenses</b>	<b>3,353,750</b>	<b>15,801,384</b>	<b>19,155,134</b>
<b>Operating income (loss)</b>	<b>(34,704)</b>	<b>(221,669)</b>	<b>(256,373)</b>
<b>Nonoperating revenues (expenses)</b>			
Interest income	-	249,885	249,885
<b>Total nonoperating revenues (expenses)</b>	<b>-</b>	<b>249,885</b>	<b>249,885</b>
<b>Income (loss) before transfers</b>	<b>(34,704)</b>	<b>28,216</b>	<b>(6,488)</b>
<b>Transfers in</b>	<b>70,000</b>	<b>-</b>	<b>70,000</b>
<b>Change in net assets</b>	<b>35,296</b>	<b>28,216</b>	<b>63,512</b>
Net assets - beginning	189,933	5,458,096	5,648,029
Net assets - ending	\$ 225,229	\$ 5,486,312	\$ 5,711,541

Combining Statement of Cash Flows  
Internal Service Funds  
Fiscal Year Ended June 30, 2008

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
	Fund	Fund	Total
<b>Cash Flow from Operating Activities</b>			
Receipts from customers and users	\$ 3,314,980	\$ 15,662,599	\$ 18,977,579
Payment to suppliers and other operating activities	(2,618,408)	(14,987,011)	(17,605,419)
Payment to employees (including fringes)	(801,101)	-	(801,101)
Forfeitures	-	5,990	5,990
Net cash provided by (used in) operating activities	<u>(104,529)</u>	<u>681,578</u>	<u>577,049</u>
<b>Cash Flow from Noncapital Financing Activities</b>			
Transfers in	70,000	-	70,000
Interfund loan	48,233	-	48,233
Net cash provided by noncapital financing activities	<u>118,233</u>	<u>-</u>	<u>118,233</u>
<b>Cash Flow from Investing Activities</b>			
Interest	-	249,885	249,885
Net cash provided by investing activities	<u>-</u>	<u>249,885</u>	<u>249,885</u>
Net increase (decrease) in cash and cash equivalents	13,704	931,463	945,167
Cash and cash equivalents - beginning of the year	<u>(13,704)</u>	<u>6,817,825</u>	<u>6,804,121</u>
Cash and cash equivalents - end of the year	<u>-</u>	<u>7,749,288</u>	<u>7,749,288</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities</b>			
Cash flows from operations:			
Operating income (loss)	(34,704)	(221,669)	(256,373)
Adjustment to reconcile net income to net cash provided by operations:			
Depreciation	16,774	-	16,774
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	(4,066)	77,113	73,047
Increase in incurred but not reported claims	-	392,686	392,686
(Increase) in inventory	(64,025)	-	(64,025)
(Decrease) in accounts payable	(22,377)	-	(22,377)
Increase in unearned revenue	-	11,761	11,761
Increase in accrued liabilities	<u>3,869</u>	<u>421,687</u>	<u>425,556</u>
Net cash provided by (used in) operating activities	<u>\$ (104,529)</u>	<u>\$ 681,578</u>	<u>\$ 577,049</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, 2008

	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	\$ 24,091	\$ 16,931	\$ 33,041	\$ 159,619	\$ -	\$ 233,682
Cash in custody of others	-	-	-	-	62,253	62,253
Receivables, net of allowance for uncollectibles:						
Taxes, including penalties	321	-	-	-	-	321
Accounts	41	-	1,462	-	-	1,503
Total assets	<u>24,453</u>	<u>16,931</u>	<u>34,503</u>	<u>159,619</u>	<u>62,253</u>	<u>297,759</u>
<b>Liabilities</b>						
Accounts payable	1,572	-	-	-	-	1,572
Accrued liabilities	-	-	-	10,383	-	10,383
Amounts held for clients/others	22,881	16,931	34,503	149,236	62,253	285,804
Total liabilities	<u>\$ 24,453</u>	<u>\$ 16,931</u>	<u>\$ 34,503</u>	<u>\$ 159,619</u>	<u>\$ 62,253</u>	<u>\$ 297,759</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, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b>Street Light Levy Fund</b>				
Assets:				
Cash and cash equivalents	\$ 26,146	\$ 11,169	\$ 13,224	\$ 24,091
Receivables, net of allowance for uncollectibles:				
Taxes, including penalties	444	321	444	321
Accounts	-	41	-	41
	<u>26,590</u>	<u>11,531</u>	<u>13,668</u>	<u>24,453</u>
Total assets				
	<u>26,590</u>	<u>11,531</u>	<u>13,668</u>	<u>24,453</u>
Liabilities:				
Accounts payable	1,077	1,572	1,077	1,572
Amounts held for subsequent expense	25,513	9,959	12,591	22,881
	<u>26,590</u>	<u>11,531</u>	<u>13,668</u>	<u>24,453</u>
Total liabilities				
	<u>26,590</u>	<u>11,531</u>	<u>13,668</u>	<u>24,453</u>
<b>Working Together Fund</b>				
Assets:				
Cash and cash equivalents	\$ 12,475	\$ 38,876	\$ 34,420	\$ 16,931
Liabilities:				
Amounts held for subsequent expense	\$ 12,475	\$ 38,876	\$ 34,420	\$ 16,931
	<u>12,475</u>	<u>38,876</u>	<u>34,420</u>	<u>16,931</u>
<b>Special Welfare Fund</b>				
Assets:				
Cash and cash equivalents	\$ 27,874	\$ 105,670	\$ 100,503	\$ 33,041
Accounts receivable	-	1,462	-	1,462
	<u>27,874</u>	<u>107,132</u>	<u>100,503</u>	<u>34,503</u>
Total assets				
	<u>27,874</u>	<u>107,132</u>	<u>100,503</u>	<u>34,503</u>
Liabilities:				
Amounts held for social service clients	\$ 27,874	\$ 107,132	\$ 100,503	\$ 34,503
	<u>27,874</u>	<u>107,132</u>	<u>100,503</u>	<u>34,503</u>
<b>Service to Outside Agencies Fund</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 1,746,956	\$ 1,587,337	\$ 159,619
Accounts receivable	171,650	-	171,650	-
	<u>171,650</u>	<u>1,746,956</u>	<u>1,758,987</u>	<u>159,619</u>
Total assets				
	<u>171,650</u>	<u>1,746,956</u>	<u>1,758,987</u>	<u>159,619</u>
Liabilities:				
Accounts payable	121,959	-	121,959	-
Accrued liabilities	4,471	10,383	4,471	10,383
Amounts held for subsequent expense	45,220	1,736,573	1,632,557	149,236
	<u>171,650</u>	<u>1,746,956</u>	<u>1,758,987</u>	<u>159,619</u>
Total liabilities				
	<u>171,650</u>	<u>1,746,956</u>	<u>1,758,987</u>	<u>159,619</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, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<b>Detention Center Fund</b>				
Assets:				
Cash and cash equivalents:				
Cash - canteen account	\$ 40,479	\$ 83,865	\$ 75,360	\$ 48,984
Cash - inmate accounts	5,604	111,503	109,063	8,044
Cash - work release	3,556	94,040	92,371	5,225
	<u>49,639</u>	<u>289,408</u>	<u>276,794</u>	<u>62,253</u>
Total assets	<u>49,639</u>	<u>289,408</u>	<u>276,794</u>	<u>62,253</u>
Liabilities:				
Amounts held for prisoners	\$ 49,639	\$ 289,408	\$ 276,794	\$ 62,253
	<u>49,639</u>	<u>289,408</u>	<u>276,794</u>	<u>62,253</u>
<b>Total - All Agency Funds</b>				
Assets:				
Cash and investments	\$ 66,495	\$ 1,902,671	\$ 1,735,484	\$ 233,682
Cash in custody of others	49,639	289,408	276,794	62,253
Receivables, net of allowance for uncollectibles:				
Taxes, including penalties	444	321	444	321
Accounts receivable	171,650	1,503	171,650	1,503
	<u>288,228</u>	<u>2,193,903</u>	<u>2,184,372</u>	<u>297,759</u>
Total assets	<u>288,228</u>	<u>2,193,903</u>	<u>2,184,372</u>	<u>297,759</u>
Liabilities:				
Accounts payable	123,036	1,572	123,036	1,572
Accrued liabilities	4,471	10,383	4,471	10,383
Amounts held for clients/others	160,721	2,181,948	2,056,865	285,804
	<u>288,228</u>	<u>2,193,903</u>	<u>2,184,372</u>	<u>297,759</u>
Total liabilities	<u>288,228</u>	<u>2,193,903</u>	<u>2,184,372</u>	<u>297,759</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, 2008**

	<b>Governmental Funds</b>			
	<b>School General Fund</b>	<b>School Textbook Fund</b>	<b>Food Nutrition Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash on deposit with County of Fauquier, VA	\$ 9,785,566	\$ 239,721	\$ 834,800	\$ 10,860,087
Accounts receivable	82,763	-	27,220	109,983
Prepaid expenses	100,615	-	-	100,615
Inventories	-	-	49,604	49,604
Due from other governmental units	2,851,588	-	39,726	2,891,314
Total assets	<u>12,820,532</u>	<u>239,721</u>	<u>951,350</u>	<u>14,011,603</u>
<b>Liabilities</b>				
Accounts payable	1,930,038	-	39,657	1,969,695
Accrued liabilities	10,878,894	36,357	212,345	11,127,596
Deferred revenue	5,250	-	64,784	70,034
Total liabilities	<u>12,814,182</u>	<u>36,357</u>	<u>316,786</u>	<u>13,167,325</u>
<b>Fund balances</b>				
Reserved for:				
Encumbrances	-	1,565	-	1,565
Donations	5,000	-	-	5,000
Inventories	-	-	49,604	49,604
Unreserved:				
Undesignated	1,350	201,799	584,960	788,109
Total fund balances	<u>6,350</u>	<u>203,364</u>	<u>634,564</u>	<u>844,278</u>
Total liabilities and fund balances	<u>\$ 12,820,532</u>	<u>\$ 239,721</u>	<u>\$ 951,350</u>	<u>\$ 14,011,603</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, 2008**

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**Total fund balances - discretely presented component unit - School Board** **\$ 844,278**

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. 179,639,884

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 (4,382,105)

**Net assets of governmental activities** **\$ 176,102,057**

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, 2008

	Governmental Funds			
	School General Fund	School Textbook Fund	Food Nutrition Fund	Total Governmental Funds
<b>Revenues</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 1,416	\$ 1,416
Charges for services	413,470	7,322	3,044,484	3,465,276
Gifts and donations	12,350	-	-	12,350
Recovered costs	65,761	-	-	65,761
Miscellaneous revenue	286,300	-	-	286,300
Intergovernmental:				
Contribution from primary government	75,986,352	-	-	75,986,352
Commonwealth of Virginia	38,200,316	397,079	60,287	38,657,682
Federal Government	3,150,591	-	984,394	4,134,985
Total revenues	118,115,140	404,401	4,090,581	122,610,122
<b>Expenditures</b>				
Current operating:				
Education	118,415,827	556,345	4,158,462	123,130,634
Total expenditures	118,415,827	556,345	4,158,462	123,130,634
Excess (deficiency) of revenues over expenditures	(300,687)	(151,944)	(67,881)	(520,512)
<b>Other financing sources (uses)</b>				
Transfers in	-	354,389	-	354,389
Transfers (out)	(354,389)	-	-	(354,389)
Total other financing sources (uses)	(354,389)	354,389	-	-
Net change in fund balances	(655,076)	202,445	(67,881)	(520,512)
Fund balances, beginning	661,426	919	702,445	1,364,790
Fund balances, ending	\$ 6,350	\$ 203,364	\$ 634,564	\$ 844,278

**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, 2008**

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**Net change in fund balances - discretely presented component unit - School Board** **\$ (520,512)**

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		53,527,814
-----------------	--	------------

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	2,327,141	
Depreciation	(5,840,288)	(3,513,147)

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.		705,073
--	--	---------

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.		(105,172)

<b>Change in net assets of governmental activities</b>		<b>\$ <u>50,094,056</u></b>
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Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
Discretely Presented Component Unit – School Board  
Fiscal Year Ended June 30, 2008

	School General Fund				School Textbook		
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)	Original Budget	Amended Budget	Actual
<b>Revenues</b>							
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	923,425	379,000	413,470	34,470	-	-	7,322
Gifts and donations	-	-	12,350	12,350	-	-	-
Recovered costs	26,000	26,000	65,761	39,761	-	-	-
Miscellaneous revenue	201,000	201,000	286,300	85,300	-	-	-
Intergovernmental:							
Contribution from primary government	75,943,358	78,031,288	75,986,352	(2,044,936)	-	-	-
Commonwealth of Virginia	38,508,495	38,788,725	38,200,316	(588,409)	395,611	395,611	397,079
Federal Government	3,819,016	3,860,061	3,150,591	(709,470)	-	-	-
Total revenues	<u>119,421,294</u>	<u>121,286,074</u>	<u>118,115,140</u>	<u>(3,170,934)</u>	<u>395,611</u>	<u>395,611</u>	<u>404,401</u>
<b>Expenditures</b>							
Current operating:							
Education:							
Instruction	95,540,749	95,874,517	93,733,314	2,141,203	750,000	750,919	556,345
Administration, attendance, and health	4,198,016	4,201,016	4,482,598	(281,582)	-	-	-
Public transportation services	7,242,196	8,573,786	9,781,198	(1,207,412)	-	-	-
Operation and maintenance services	10,739,862	11,610,468	9,658,841	1,951,627	-	-	-
School food services	-	-	-	-	-	-	-
Debt service:							
Principal retirement	-	741,763	705,073	36,690	-	-	-
Interest and fiscal charges	2,450	2,450	54,803	(52,353)	-	-	-
Total education	<u>117,723,273</u>	<u>121,004,000</u>	<u>118,415,827</u>	<u>2,588,173</u>	<u>750,000</u>	<u>750,919</u>	<u>556,345</u>
Total expenditures	<u>117,723,273</u>	<u>121,004,000</u>	<u>118,415,827</u>	<u>2,588,173</u>	<u>750,000</u>	<u>750,919</u>	<u>556,345</u>
Excess (deficiency) of revenues over expenditures	<u>1,698,021</u>	<u>282,074</u>	<u>(300,687)</u>	<u>(582,761)</u>	<u>(354,389)</u>	<u>(355,308)</u>	<u>(151,944)</u>
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	-	354,389	354,389	354,389
Transfers (out)	(1,698,021)	(942,150)	(354,389)	587,761	-	-	-
Total other financing sources (uses)	<u>(1,698,021)</u>	<u>(942,150)</u>	<u>(354,389)</u>	<u>587,761</u>	<u>354,389</u>	<u>354,389</u>	<u>354,389</u>
Net change in fund balances	-	(660,076)	(655,076)	5,000	-	(919)	202,445
Fund balances, beginning	661,426	661,426	661,426	-	919	919	919
Fund balances, ending	<u>\$ 661,426</u>	<u>\$ 1,350</u>	<u>\$ 6,350</u>	<u>\$ 5,000</u>	<u>\$ 919</u>	<u>\$ -</u>	<u>\$ 203,364</u>

Fund	Food Nutrition Fund				Variance From Amended Positive (Negative)
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)	
\$	-	\$ 1,000	\$ 1,000	\$ 1,416	\$ 416
	7,322	2,998,237	2,998,237	3,044,484	46,247
	-	-	-	-	-
	-	195,818	195,818	-	(195,818)
	-	-	-	-	-
	-	-	-	-	-
	1,468	64,000	64,000	60,287	(3,713)
	-	955,288	955,288	984,394	29,106
	<u>8,790</u>	<u>4,214,343</u>	<u>4,214,343</u>	<u>4,090,581</u>	<u>(123,762)</u>
	194,574	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	4,355,527	4,870,417	4,158,462	711,955
	-	-	-	-	-
	-	-	-	-	-
	<u>194,574</u>	<u>4,355,527</u>	<u>4,870,417</u>	<u>4,158,462</u>	<u>711,955</u>
	<u>194,574</u>	<u>4,355,527</u>	<u>4,870,417</u>	<u>4,158,462</u>	<u>711,955</u>
	203,364	(141,184)	(656,074)	(67,881)	588,193
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	<u>203,364</u>	<u>(141,184)</u>	<u>(656,074)</u>	<u>(67,881)</u>	<u>588,193</u>
	-	702,445	702,445	702,445	-
\$	<u>203,364</u>	<u>\$ 561,261</u>	<u>\$ 46,371</u>	<u>\$ 634,564</u>	<u>\$ 588,193</u>

<b>Revenues</b>	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
<b>Expenditures</b>	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
<b>Other financing sources (uses)</b>	Transfers in
	Transfers (out)
	Total other financing sources (uses)
	Net change in fund balances
	Fund balances, beginning
	Fund balances, ending

**Statement of Fiduciary Net Assets  
Discretely Presented Component Unit – School Board  
June 30, 2008**

	<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	\$ 502,851	\$ 1,719,884
Land	94,200	-
Total assets	<u>597,051</u>	<u>1,719,884</u>
<b>Liabilities</b>		
Accounts payable	-	6,273
Accrued liabilities	-	57,705
Amounts held for clients/others	-	1,655,906
Total liabilities	<u>-</u>	<u>\$ 1,719,884</u>
<b>Net Assets</b>		
Held in trust for scholarships	<u>597,051</u>	
Total net assets	<u>\$ 597,051</u>	

Statement of Changes in Fiduciary Net Assets  
Discretely Presented Component Unit – School Board  
Fiscal Year Ended June 30, 2008

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	<u>Crockett Scholarship Private-Purpose Trust Fund</u>
<b>Additions</b>	
Investment income	\$ <u>39,847</u>
Total additions	<u>39,847</u>
<b>Deductions</b>	
Scholarships awarded	23,500
Administrative fees	<u>2,441</u>
Total deductions	<u>25,941</u>
Change in net assets	13,906
Net assets - beginning	<u>583,145</u>
Net assets - ending	\$ <u><u>597,051</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, 2008**

	<b>Agency Funds</b>		
	<b>Mountain Vista Regional Governor's School Fund</b>	<b>Student Activity Fund</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash and investments	\$ 129,563	\$ 1,590,321	\$ 1,719,884
Total assets	<u>129,563</u>	<u>1,590,321</u>	<u>1,719,884</u>
<b>Liabilities</b>			
Accounts payable	6,273	-	6,273
Accrued liabilities	57,705	-	57,705
Amounts held for clients/others	<u>65,585</u>	<u>1,590,321</u>	<u>1,655,906</u>
Total liabilities	<u>\$ 129,563</u>	<u>\$ 1,590,321</u>	<u>\$ 1,719,884</u>

**Combining Statement of Changes in Assets and Liabilities  
Discretely Presented Component Unit – School Board  
Agency Funds  
Fiscal Year Ended June 30, 2008**

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<b>Mountain Vista Regional Governor's School Fund</b>				
Assets:				
Cash and cash equivalents	\$ 119,162	\$ 933,196	\$ 922,795	\$ 129,563
Accounts receivable	6,464	-	6,464	-
Total assets	<u>125,626</u>	<u>933,196</u>	<u>929,259</u>	<u>129,563</u>
Liabilities:				
Accounts payable	2,352	6,273	2,352	6,273
Accrued liabilities	46,406	57,705	46,406	57,705
Amounts held for subsequent expense	76,868	869,218	880,501	65,585
Total liabilities	<u>\$ 125,626</u>	<u>\$ 933,196</u>	<u>\$ 929,259</u>	<u>\$ 129,563</u>
<b>Student Activity Fund</b>				
Assets:				
Cash and cash equivalents	\$ 1,641,878	\$ 3,412,501	\$ 3,464,058	\$ 1,590,321
Total assets	<u>1,641,878</u>	<u>3,412,501</u>	<u>3,464,058</u>	<u>1,590,321</u>
Liabilities:				
Due to student groups	1,641,878	3,412,501	3,464,058	1,590,321
Total liabilities	<u>\$ 1,641,878</u>	<u>\$ 3,412,501</u>	<u>\$ 3,464,058</u>	<u>\$ 1,590,321</u>
<b>Total - All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 1,761,040	\$ 4,345,697	\$ 4,386,853	\$ 1,719,884
Accounts receivable	6,464	-	6,464	-
Total assets	<u>1,767,504</u>	<u>4,345,697</u>	<u>4,393,317</u>	<u>1,719,884</u>
Liabilities:				
Accounts payable	2,352	6,273	2,352	6,273
Accrued liabilities	46,406	57,705	46,406	57,705
Amounts held for clients/others	1,718,746	4,281,719	4,344,559	1,655,906
Total liabilities	<u>\$ 1,767,504</u>	<u>\$ 4,345,697</u>	<u>\$ 4,393,317</u>	<u>\$ 1,719,884</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, 2008

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	\$ 71,100,000	\$ 73,600,000	\$ 77,375,680	\$ 3,775,680
Real and personal public service corporation property taxes	3,850,000	3,850,000	4,147,130	297,130
Personal property taxes	21,535,000	21,535,000	19,923,045	(1,611,955)
Penalties	825,000	825,000	762,340	(62,660)
Interest	350,000	350,000	337,252	(12,748)
Total general property taxes	<u>97,660,000</u>	<u>100,160,000</u>	<u>102,545,447</u>	<u>2,385,447</u>
Other local taxes:				
Local sales and use taxes	8,374,000	8,374,000	7,032,385	(1,341,615)
Consumers' utility taxes	4,689,363	4,689,363	4,985,109	295,746
Business license taxes	1,500,000	1,500,000	1,847,520	347,520
Motor vehicle taxes	1,800,000	1,800,000	1,727,843	(72,157)
Bank stock taxes	200,000	200,000	96,881	(103,119)
Taxes on recordation and wills	2,030,000	2,030,000	1,585,129	(444,871)
Lodging tax	121,000	121,000	128,114	7,114
Total other local taxes	<u>18,714,363</u>	<u>18,714,363</u>	<u>17,402,981</u>	<u>(1,311,382)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	5,000	5,000	15,059	10,059
Building and related permits	2,199,700	2,199,700	1,424,889	(774,811)
Weapons permits	2,000	2,000	9,968	7,968
Zoning permits and fees	153,000	153,000	109,626	(43,374)
Land use application fees	13,000	13,000	16,157	3,157
Total permits, privilege fees, and regulatory licenses	<u>2,372,700</u>	<u>2,372,700</u>	<u>1,575,699</u>	<u>(797,001)</u>
Fines and forfeitures:				
Court fines and forfeitures	508,480	509,330	403,870	(105,460)
Revenue from use of money and property:				
Revenue from use of money	1,400,000	1,400,000	1,594,507	194,507
Revenue from use of property	245,843	245,843	297,412	51,569
Total revenue from use of money and property	<u>1,645,843</u>	<u>1,645,843</u>	<u>1,891,919</u>	<u>246,076</u>
Charges for services:				
Charges for commonwealth's and county's attorney	2,300	60,390	61,561	1,171
Charges for court services	521,942	521,942	267,834	(254,108)
Charges for public safety	155,700	249,691	243,147	(6,544)
Charges for parks and recreation	485,420	501,289	486,568	(14,721)
Charges for social services	-	-	24,722	24,722
Charges for library	57,000	57,000	61,899	4,899
Charges for planning and community development	47,128	47,128	28,409	(18,719)
Total charges for services	<u>\$ 1,269,490</u>	<u>\$ 1,437,440</u>	<u>\$ 1,174,140</u>	<u>\$ (263,300)</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, 2008

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)				
Gifts and donations:				
Donations	\$ 6,500	\$ 6,500	\$ 7,957	\$ 1,457
Recovered costs:				
Warrenton Community Center	-	-	21,685	21,685
Medical reimbursement - prisoners	4,500	4,500	7,700	3,200
Home incarceration fees	12,000	12,000	11,081	(919)
Board of prisoner - other localities	500	500	1,010	510
Other government charges	10,500	10,500	11,000	500
Work release	60,000	60,000	72,480	12,480
CSA shared cost	38,737	38,737	32,896	(5,841)
Insurance recoveries	-	36,795	48,825	12,030
Advertising	1,400	1,400	780	(620)
Miscellaneous recovered costs	2,100	2,100	11,544	9,444
Total recovered costs	129,737	166,532	219,001	52,469
Miscellaneous revenue:				
Sale of salvage and surplus property	27,000	28,977	31,450	2,473
Other miscellaneous revenue	42,240	79,778	134,381	54,603
Total miscellaneous revenue	69,240	108,755	165,831	57,076
Total revenue from local sources	122,376,353	125,121,463	125,386,845	265,382
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	60,478	60,478	67,090	6,612
Mobile home titling taxes	40,856	40,856	41,706	850
Auto rental tax	18,612	18,612	35,212	16,600
Recordation tax reimbursement	480,000	480,000	401,984	(78,016)
Commonwealth PPTRA	13,659,496	13,659,496	13,657,447	(2,049)
Total noncategorical aid	14,316,572	14,316,572	14,260,569	(56,003)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	448,081	448,081	442,006	(6,075)
Sheriff	3,574,551	3,574,551	3,588,926	14,375
Commissioner of the revenue	207,569	207,569	203,891	(3,678)
Treasurer	193,072	193,072	193,340	268
Medical examiner	850	850	-	(850)
Registrar/electoral board	61,300	61,300	83,701	22,401
Clerk of the circuit court	423,358	485,977	561,551	75,574
Jail	200,000	200,000	347,202	147,202
Total shared expenses	\$ 5,108,781	\$ 5,171,400	\$ 5,420,617	\$ 249,217

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2008

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)				
Welfare:				
Welfare administration and assistance	\$ 992,689	\$ 1,089,184	\$ 1,060,751	\$ (28,433)
Comprehensive services act	1,111,218	1,483,218	1,512,263	29,045
Child support payments	-	-	19,655	19,655
Total welfare	<u>2,103,907</u>	<u>2,572,402</u>	<u>2,592,669</u>	<u>20,267</u>
Other categorical aid:				
Administrative	-	2,631	18,221	15,590
Judicial and legal	194,352	204,144	271,939	67,795
Comprehensive community corrections act	240,954	247,545	248,845	1,300
Rural access to emergency devices	-	34,898	-	(34,898)
Sheriff	15,000	15,000	27,700	12,700
Juvenile community control act and accountability grant	51,478	51,478	50,191	(1,287)
E-911 wireless program	111,399	111,399	92,341	(19,058)
Armory	8,933	8,933	9,539	606
Library aid	206,108	208,128	195,824	(12,304)
Disability services board	7,750	7,750	8,399	649
Virginia tourism corporation	-	-	5,000	5,000
Historic resources grant	-	13,500	13,500	-
Total other categorical aid	<u>835,974</u>	<u>905,406</u>	<u>941,499</u>	<u>36,093</u>
Total categorical aid	<u>8,048,662</u>	<u>8,649,208</u>	<u>8,954,785</u>	<u>305,577</u>
Total revenue from the Commonwealth	<u>22,365,234</u>	<u>22,965,780</u>	<u>23,215,354</u>	<u>249,574</u>
Revenue from the Federal Government:				
Categorical aid:				
DEA group 33	-	-	57,381	57,381
Transportation safety	-	-	37,374	37,374
Emergency management assistance	-	13,000	13,000	-
Byrne grant (piedmont dispute)	-	60,120	30,120	(30,000)
Byrne grant (Spanish)	-	-	30,000	30,000
LLE block grant	-	-	1,815	1,815
First responder preparedness	-	413,916	111,725	(302,191)
Welfare administrative and assistance	2,380,700	2,554,425	2,351,068	(203,357)
Miscellaneous federal revenue	-	-	6,925	6,925
Total categorical aid	<u>2,380,700</u>	<u>3,041,461</u>	<u>2,639,408</u>	<u>(402,053)</u>
Total revenue from the Federal Government	<u>2,380,700</u>	<u>3,041,461</u>	<u>2,639,408</u>	<u>(402,053)</u>
Total General Fund	<u>\$ 147,122,287</u>	<u>\$ 151,128,704</u>	<u>\$ 151,241,607</u>	<u>\$ 112,903</u>

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2008

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Primary Government (continued)</b>				
Special Revenue Funds:				
Parks and Recreation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 9,223	\$ 9,223
Gifts and donations:				
Donations	-	-	18,860	18,860
Total revenue from local sources	-	-	28,083	28,083
Total Parks and Recreation Fund	-	-	28,083	28,083
Library Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	2,273	2,273
Gifts and donations:				
Donations	-	-	3,429	3,429
Total revenue from local sources	-	-	5,702	5,702
Total Library Fund	-	-	5,702	5,702
Conservation Easement Service District Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	1,350,877	1,350,877	1,252,283	(98,594)
Real and personal public service corporation property taxes	43,460	43,460	62,261	18,801
Penalties	8,041	8,041	6,210	(1,831)
Interest	34,085	34,085	2,252	(31,833)
Total general property taxes	1,436,463	1,436,463	1,323,006	(113,457)
Revenue from use of money and property:				
Revenue from use of money	40,000	40,000	-	(40,000)
Gifts and donations:				
PDR contributions	303,000	50,000	50,000	-
Recovered costs:				
Landowner reimbursement	-	-	450	450
Total revenue from local sources	\$ 1,779,463	\$ 1,526,463	\$ 1,373,456	\$ (153,007)

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2008

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)				
Conservation Easement Service District Fund: (continued)				
Revenue from the Commonwealth:				
Other categorical aid:				
Virginia land conservation grant	\$ -	\$ 616,719	\$ 213,500	\$ (403,219)
Total revenue from the Commonwealth	<u>-</u>	<u>616,719</u>	<u>213,500</u>	<u>(403,219)</u>
Total Conservation Easement Service District Fund	<u>1,779,463</u>	<u>2,143,182</u>	<u>1,586,956</u>	<u>(556,226)</u>
Fire and Rescue Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	4,159,277	4,159,277	4,117,400	(41,877)
Real and personal public service corporation property taxes	150,000	150,000	218,258	68,258
Penalty	11,705	11,705	19,787	8,082
Interest	8,621	8,621	7,317	(1,304)
Total general property taxes	<u>4,329,603</u>	<u>4,329,603</u>	<u>4,362,762</u>	<u>33,159</u>
Revenue from use of money and property:				
Revenue from use of money	<u>60,000</u>	<u>60,000</u>	<u>22,379</u>	<u>(37,621)</u>
Recovered costs:				
Miscellaneous recovered costs	<u>-</u>	<u>-</u>	<u>9,029</u>	<u>9,029</u>
Miscellaneous revenue:				
Other miscellaneous revenue	<u>-</u>	<u>3,993</u>	<u>251,035</u>	<u>247,042</u>
Total revenue from local sources	<u>4,389,603</u>	<u>4,393,596</u>	<u>4,645,205</u>	<u>251,609</u>
Revenue from the Commonwealth:				
Categorical aid:				
Two for life funds	58,016	109,707	63,527	(46,180)
Fire programs	115,405	125,423	125,423	-
Rural access to emergency devices	<u>-</u>	<u>-</u>	<u>69,217</u>	<u>69,217</u>
Total categorical aid	<u>173,421</u>	<u>235,130</u>	<u>258,167</u>	<u>23,037</u>
Total revenue from the Commonwealth	<u>173,421</u>	<u>235,130</u>	<u>258,167</u>	<u>23,037</u>
Total Fire and Rescue Fund	<u>\$ 4,563,024</u>	<u>\$ 4,628,726</u>	<u>\$ 4,903,372</u>	<u>\$ 274,646</u>

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2008

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)				
Ambulance Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Charges for emergency medical services care	\$ -	\$ 642,252	\$ 408,403	\$ (233,849)
Charges for mileage	-	300,000	52,682	(247,318)
Total charges for services	-	942,252	461,085	(481,167)
Total Ambulance Revenue Fund	-	942,252	461,085	(481,167)
Proffer Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	37,889	37,889
Gifts and donations:				
Proffers	-	-	42,000	42,000
Total revenue from local sources	-	-	79,889	79,889
Total Proffer Fund	-	-	79,889	79,889
Vint Hill Transportation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	20,588	20,588
Miscellaneous revenue:				
Proffer revenue	-	30,000	40,858	10,858
Total revenue from local sources	-	30,000	61,446	31,446
Total Vint Hill Transportation Fund	-	30,000	61,446	31,446
Total Special Revenue Funds	6,342,487	7,744,160	7,126,533	(617,627)
Capital Projects Funds:				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	1,659,025	1,659,025
Charges for services:				
Sewer tap fees	-	105,000	114,500	9,500
Gifts and donations:				
Claude Thompson elementary school donation	-	18,000	18,000	-
Recovered costs:				
Modular revenue	-	42,121	42,121	-
Total revenue from local sources	\$ -	\$ 165,121	\$ 1,833,646	\$ 1,668,525

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2008

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
<b>Primary Government (continued)</b>				
Capital Projects Funds: (continued)				
Capital Projects Fund: (continued)				
Revenue from the Commonwealth:				
Other categorical aid:				
VDOT revenue sharing	\$ -	\$ 744,920	\$ -	\$ (744,920)
Total revenue from the Commonwealth	-	744,920	-	(744,920)
Revenue from the Federal Government:				
Categorical aid:				
TEA-21 grant	-	104,000	8,350	(95,650)
Total revenue from the Federal Government	-	104,000	8,350	(95,650)
Total Capital Projects Fund	-	1,014,041	1,841,996	827,955
Grand Total Revenue – Primary Government	153,464,774	159,886,905	160,210,136	323,231
<b>Component Unit – School Board</b>				
School General Fund:				
Revenue from local sources:				
Charges for services:				
Charges for education	923,425	379,000	413,470	34,470
Gifts and donations:				
Flex program	-	-	12,350	12,350
Recovered costs:				
Recovered costs	26,000	26,000	65,761	39,761
Miscellaneous revenue:				
Rebates and refunds	116,000	116,000	190,066	74,066
Mental health association grant	-	-	31,500	31,500
Other miscellaneous revenue	85,000	85,000	64,734	(20,266)
Total miscellaneous revenue	201,000	201,000	286,300	85,300
Total revenue from local sources	1,150,425	606,000	777,881	171,881
Intergovernmental:				
Contribution from primary government	75,943,358	78,031,288	75,986,352	(2,044,936)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales taxes	11,733,141	11,733,141	11,255,581	(477,560)
Basic school aid	17,364,895	17,331,091	17,578,971	247,880
Remedial summer school	20,000	20,000	8,479	(11,521)
Regular foster care	65,007	65,007	41,559	(23,448)
Gifted and talented	161,748	161,748	162,348	600
Remedial education	145,968	145,968	146,509	541

COUNTY OF FAUQUIER, VIRGINIA

Schedule 1  
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Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2008

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)				
Special education	\$ 2,011,985	\$ 2,011,985	\$ 2,021,947	\$ 9,962
Textbook payments	395,611	395,611	-	(395,611)
Vocational education - SOQ	469,463	469,463	471,204	1,741
Social security instructional	923,146	923,146	926,570	3,424
Teacher retirement instructional	1,329,488	1,329,488	1,389,855	60,367
Group life insurance instructional	47,341	47,341	47,516	175
Early reading intervention	64,046	64,046	80,058	16,012
Lottery	871,821	871,821	882,221	10,400
School standard of learning	570,000	570,000	518,000	(52,000)
Special education - homebound	26,000	26,000	31,510	5,510
Regional programs	103,091	103,091	58,448	(44,643)
Occupational education	74,915	74,915	89,989	15,074
ISAEP	15,717	15,717	15,717	-
Salary supplement	1,124,345	1,124,345	1,144,353	20,008
Algebra readiness initiative	31,512	31,512	21,554	(9,958)
At risk youth	75,745	75,745	56,783	(18,962)
Alternative education	119,168	119,168	145,908	26,740
VRS refund	-	487,980	487,980	-
Primary class size	163,222	163,222	168,069	4,847
Summer regional governor school	211,446	-	12,264	12,264
English as a second language	201,800	201,800	137,990	(63,810)
Other state funds	7,011	44,511	118,304	73,793
School construction	180,863	180,863	180,629	(234)
	38,508,495	38,788,725	38,200,316	(588,409)
Total categorical aid				
	38,508,495	38,788,725	38,200,316	(588,409)
Revenue from the Federal Government:				
Categorical aid:				
Adult basic education	60,072	60,072	64,930	4,858
Title I	663,109	663,109	566,020	(97,089)
Title V	11,472	11,472	10,897	(575)
Teaching American history grant	316,681	316,681	13,829	(302,852)
Title VI-B – special education	2,100,989	2,100,989	1,881,450	(219,539)
Vocational education	108,014	114,956	119,129	4,173
Title II	294,194	294,194	293,564	(630)
Drug free schools	26,797	26,797	9,553	(17,244)
English language acquisition	24,254	58,357	53,130	(5,227)
Pre-school incentive (VI-B)	58,434	58,434	78,245	19,811
ROTC	45,000	45,000	58,466	13,466
Miscellaneous federal revenue	110,000	110,000	1,378	(108,622)
	3,819,016	3,860,061	3,150,591	(709,470)
Total categorical aid				
	3,819,016	3,860,061	3,150,591	(709,470)
Total revenue from the Federal Government				
	3,819,016	3,860,061	3,150,591	(709,470)
Total School General Fund	\$ 119,421,294	\$ 121,286,074	\$ 118,115,140	\$ (3,170,934)

Governmental Funds and Discretely Presented Component Unit – School Board  
Schedule of Revenues – Budget and Actual  
Fiscal Year Ended June 30, 2008

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:				
Revenue from local sources:				
Charges for services:				
Miscellaneous revenue	\$ -	\$ -	\$ 7,322	\$ 7,322
Total revenue from local sources	<u>-</u>	<u>-</u>	<u>7,322</u>	<u>7,322</u>
Revenue from the Commonwealth:				
Categorical aid:				
Textbook program	395,611	395,611	397,079	1,468
Total revenue from the Commonwealth	<u>395,611</u>	<u>395,611</u>	<u>397,079</u>	<u>1,468</u>
Total School Textbook Fund	<u><u>395,611</u></u>	<u><u>395,611</u></u>	<u><u>404,401</u></u>	<u><u>8,790</u></u>
Food Nutrition Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	1,000	1,000	1,416	416
Charges for services:				
Cafeteria sales	2,998,237	2,998,237	3,044,484	46,247
Recovered costs:				
Miscellaneous recovered costs	195,818	195,818	-	(195,818)
Total revenue from local sources	<u>3,195,055</u>	<u>3,195,055</u>	<u>3,045,900</u>	<u>(149,155)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program	64,000	64,000	60,287	(3,713)
Total revenue from the Commonwealth	<u>64,000</u>	<u>64,000</u>	<u>60,287</u>	<u>(3,713)</u>
Revenue from the Federal Government:				
Categorical aid:				
School food program	955,288	955,288	984,394	29,106
Total revenue from the Federal Government	<u>955,288</u>	<u>955,288</u>	<u>984,394</u>	<u>29,106</u>
Total Food Nutrition Fund	<u><u>4,214,343</u></u>	<u><u>4,214,343</u></u>	<u><u>4,090,581</u></u>	<u><u>(123,762)</u></u>
Grand Total Revenues – Component Unit – School Board	<u><u>124,031,248</u></u>	<u><u>125,896,028</u></u>	<u><u>122,610,122</u></u>	<u><u>(3,285,906)</u></u>
Grand Total Revenues – Reporting Entity	\$ <u><u>277,496,022</u></u>	\$ <u><u>285,782,933</u></u>	\$ <u><u>282,820,258</u></u>	\$ <u><u>(2,962,675)</u></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 Collections

### 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 Six 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	2008	
				<b>Governmental Activities:</b>
\$	53,879,240	\$ 65,945,291	\$ 68,340,059	Invested in capital assets, net of related debt
	12,274,124	11,751,955	1,736,551	Restricted
	<u>(17,383,106)</u>	<u>(33,924,630)</u>	<u>(81,293,325)</u>	Unrestricted
	<u>48,770,258</u>	<u>43,772,616</u>	<u>(11,216,715)</u>	Subtotal governmental activities net assets
				<b>Business-type Activities:</b>
	26,282,531	29,787,320	29,397,086	Invested in capital assets, net of related debt
	1,496,173	-	-	Restricted
	<u>(6,379,152)</u>	<u>(7,706,668)</u>	<u>(8,242,666)</u>	Unrestricted
	<u>21,399,552</u>	<u>22,080,652</u>	<u>21,154,420</u>	Subtotal business-type activities net assets
				<b>Primary Government:</b>
	80,161,771	95,732,611	97,737,145	Invested in capital assets, net of related debt
	13,770,297	11,751,955	1,736,551	Restricted
	<u>(23,762,258)</u>	<u>(41,631,298)</u>	<u>(89,535,991)</u>	Unrestricted
	<u>70,169,810</u>	<u>65,853,268</u>	<u>9,937,705</u>	<b>Total Primary Government net assets</b>
				<b>Component Unit – School Board: (2)</b>
	107,072,117	129,625,217	179,639,884	Invested in capital assets, net of related debt
	<u>(2,377,077)</u>	<u>(3,617,216)</u>	<u>(3,537,827)</u>	Unrestricted
	<u>104,695,040</u>	<u>126,008,001</u>	<u>176,102,057</u>	<b>Total Component Unit – School Board net assets</b>
				<b>Total Reporting Entity: (3)</b>
	140,141,659	159,597,988	167,486,251	Invested in capital assets, net of related debt
	13,770,297	11,751,955	1,736,551	Restricted
	<u>20,952,894</u>	<u>20,511,326</u>	<u>16,816,960</u>	Unrestricted
\$	<u>174,864,850</u>	<u>\$ 191,861,269</u>	<u>\$ 186,039,762</u>	<b>Total Reporting Entity net assets</b>

Table 2

**Changes in Net Assets  
Last Six 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 (2)	-	-
Health insurance	8,871,607 (2)	-	-
Total business-type activities expenses	<u>15,009,733</u>	<u>6,306,030</u>	<u>8,213,035</u>
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
Capital grants and contributions	-	-	-
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	2008	
			<b>Primary Government:</b>
			<b>Expenses</b>
			Governmental activities:
\$ 9,788,797	\$ 10,004,794	\$ 10,896,521	General government
2,754,050	3,019,115	3,348,758	Judicial administration
18,427,447	21,184,526	33,382,090	Public safety
6,029,767	6,474,088	7,765,864	Public works
8,003,092	8,661,693	9,899,394	Health and welfare
80,157,231	95,181,305	129,908,192	Education
4,647,337	6,002,774	5,551,667	Parks, recreation, and cultural
5,078,598	6,672,005	8,178,686	Community development
-	550,225	-	Nondepartmental
3,146,137	4,441,160	5,397,929	Interest on long-term debt
<u>138,032,456</u>	<u>162,191,685</u>	<u>214,329,101</u>	Total governmental activities expenses
			Business-type activities:
850,740	1,450,428	1,849,679	Airport
5,531,178	6,486,477	7,102,357	Landfill and Recycling
-	-	-	Fleet maintenance
-	-	-	Health insurance
<u>6,381,918</u>	<u>7,936,905</u>	<u>8,952,036</u>	Total business-type activities expenses
<u>144,414,374</u>	<u>170,128,590</u>	<u>223,281,137</u>	Total primary government expenses
			<b>Program Revenues</b>
			Governmental activities:
			Charges for services:
42,500	266,159	43,048	General government
1,082,951	924,355	733,265	Judicial administration
513,526	559,001	548,467	Parks, recreation, and cultural
51,959	2,116,948	1,675,560	Community development
219,191	246,107	728,954	Other activities
11,653,274	15,782,480	12,678,895	Operating grants and contributions
-	-	810,000	Capital grants and contributions
<u>13,563,401</u>	<u>19,895,050</u>	<u>17,218,189</u>	Total governmental activities program revenues
			Business type activities:
			Charges for services:
217,987	283,402	673,390	Airport
6,554,404	6,112,788	6,612,997	Landfill and Recycling
-	-	-	Fleet maintenance
-	-	-	Health insurance
48,633	45,669	17,739	Operating grants and contributions
3,114,018	1,592,253	34,462	Capital grants and contributions
<u>9,935,042</u>	<u>8,034,112</u>	<u>7,338,588</u>	Total business-type activities program revenues
<u>23,498,443</u>	<u>27,929,162</u>	<u>24,556,777</u>	Total primary government program revenues
(124,469,055)	(142,296,635)	(197,110,912)	<b>Net (expense) revenue (3)</b>
3,553,124	97,207	(1,613,448)	Governmental activities:
			Business-type activities
<u>\$ (120,915,931)</u>	<u>\$ (142,199,428)</u>	<u>\$ (198,724,360)</u>	Total primary government net (expense) revenue

Table 2

Changes in Net Assets  
Last Six 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)
<b>Total governmental activities general revenues and other changes in net assets</b>	<b>94,994,110</b>	<b>100,596,079</b>	<b>110,754,850</b>
Business-type activities:			
Investment earnings	97,246	21,482	79,933
Miscellaneous	-	-	2,315
Transfers	38,642	47,535	60,559
<b>Total business-type activities general revenues and other changes in net assets</b>	<b>135,888</b>	<b>69,017</b>	<b>142,807</b>
<b>Total primary government general revenues and other changes in net assets</b>	<b>95,129,998</b>	<b>100,665,096</b>	<b>110,897,657</b>
<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
<b>Total Primary Government change in net assets</b>	<b>11,395,756</b>	<b>6,805,745</b>	<b>10,183,293</b>
<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	-	-	-
<b>Total component unit - School Board program revenues</b>	<b>5,607,929</b>	<b>6,574,185</b>	<b>7,698,297</b>
<b>Net (expense) revenue (3)</b>	<b>(81,374,874)</b>	<b>(86,237,409)</b>	<b>(94,524,154)</b>
<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
<b>Total component unit - School Board general revenues and other changes in net assets</b>	<b>83,662,866</b>	<b>88,553,611</b>	<b>96,941,910</b>
<b>Total Component Unit — School Board change in net assets</b>	<b>\$ 2,287,992</b>	<b>\$ 2,316,202</b>	<b>\$ 2,417,756</b>

- (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	2008	
			<b>Primary Government: (continued)</b>
			<b>General Revenues and Other Changes in Net Assets</b>
			Governmental activities:
			Taxes
\$ 86,079,820	\$ 101,852,501	\$ 109,470,150	General property taxes
7,372,629	7,565,111	7,032,385	Local sales and use taxes
3,247,767	3,804,003	4,985,109	Consumers' utility taxes
3,360,897	1,286,470	1,847,520	Business and professional taxes
1,440,165	69,473	1,727,843	Motor vehicle taxes
2,974,115	2,082,839	1,585,129	Taxes on recordation and wills
1,268,347	623,798	-	E-911 tax
562,967	517,709	224,995	Other local taxes
14,705,161	14,259,811	14,260,569	Unrestricted grants and contributions
2,826,208	4,933,147	3,893,181	Investment earnings
723,786	222,369	457,724	Miscellaneous
(3,317,857)	-	-	Special Item - Water and Sewer Authority note receivable
(47,941)	81,762	(463,024)	Transfers
<u>121,196,064</u>	<u>137,298,993</u>	<u>145,021,581</u>	Total governmental activities general revenues and other changes in net assets
133,124	137,687	39,069	Business-type activities:
-	527,968	185,123	Investment earnings
47,941	(81,762)	463,024	Miscellaneous
<u>181,065</u>	<u>583,893</u>	<u>687,216</u>	Transfers
			Total business-type activities general revenues and other changes in net assets
<u>121,377,129</u>	<u>137,882,886</u>	<u>145,708,797</u>	Total primary government general revenues and other changes in net assets
(3,272,991)	(4,997,642)	(52,089,331)	<b>Change in Net Assets</b>
3,734,189	681,100	(926,232)	Governmental activities
<u>461,198</u>	<u>(4,316,542)</u>	<u>(53,015,563)</u>	Business-type activities
			Total Primary Government change in net assets
111,366,590	121,838,270	126,043,880	<b>Component Unit-- School Board: (4)</b>
			<b>Expenses</b>
			Education
3,470,481	3,392,923	3,465,276	<b>Program Revenues</b>
4,740,080	4,863,970	4,134,985	Charges for services
-	1,000,000	-	Operating grants and contributions
8,210,561	9,256,893	7,600,261	Capital grants and contributions
			Total component unit - School Board program revenues
(103,156,029)	(112,581,377)	(118,443,619)	<b>Net (expense) revenue (3)</b>
81,597,198	95,952,739	129,514,166	<b>General Revenues and Other Changes in Net Assets</b>
956	12,932	1,416	Contribution from primary government
72,953	635,215	364,411	Investment earnings
33,988,935	37,293,452	38,657,682	Miscellaneous
<u>115,660,042</u>	<u>133,894,338</u>	<u>168,537,675</u>	Commonwealth of Virginia noncategorical aid
			Total component unit - School Board general revenues and other changes in net assets
\$ <u>12,504,013</u>	\$ <u>21,312,961</u>	\$ <u>50,094,056</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				
	1999	2000	2001	2002	2003
General Fund:					
Reserved	\$ 85,540	\$ 164,475	\$ -	\$ 464,258	\$ -
Unreserved:					
Designated	-	1,370,692	-	-	-
Undesignated	12,366,284	12,698,145	17,448,642	21,822,064	22,692,500
Total General Fund	<u>12,451,824</u>	<u>14,233,312</u>	<u>17,448,642</u>	<u>22,286,322</u>	<u>22,692,500</u>
Other Governmental Funds:					
Reserved	-	-	-	125,354	180,109
Unreserved:					
Designated:					
Capital Projects Fund (1)	16,592,369	14,429,042	24,159,467	46,160,157	44,053,202
Special revenue funds	-	-	-	-	-
Undesignated:					
Capital Projects Fund	-	-	-	-	-
Special revenue funds	466,518	535,590	718,543	903,010	1,370,588
Total Other Governmental Funds	<u>17,058,887</u>	<u>14,964,632</u>	<u>24,878,010</u>	<u>47,188,521</u>	<u>45,603,899</u>
Total Governmental Funds	<u>\$ 29,510,711</u>	<u>\$ 29,197,944</u>	<u>\$ 42,326,652</u>	<u>\$ 69,474,843</u>	<u>\$ 68,296,399</u>

(1) From FY 1999 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					
2004	2005	2006	2007	2008	
\$ -	\$ 537,304	\$ 278,185	\$ 372,554	\$ 1,694,621	General Fund:
					Reserved
-	6,008,307	5,977,018	4,457,788	2,896,508	Unreserved:
22,554,376	12,655,527	14,733,278	14,735,631	16,223,542	Designated
<u>22,554,376</u>	<u>19,201,138</u>	<u>20,988,481</u>	<u>19,565,973</u>	<u>20,814,671</u>	Undesignated
					Total General Fund
					Other Governmental Funds:
169,205	2,563,674	16,203,182	41,058,636	8,873,516	Reserved
					Unreserved:
					Designated:
37,773,109	30,868,038	-	-	-	Capital Projects Fund (1)
-	-	-	-	724,956	Special revenue funds
-	-	9,952,866	4,388,501	21,659,732	Undesignated:
1,594,915	2,319,572	5,689,128	8,850,570	3,332,605	Capital Projects Fund
<u>39,537,229</u>	<u>35,751,284</u>	<u>31,845,176</u>	<u>54,297,707</u>	<u>34,590,809</u>	Special revenue funds
					Total Other Governmental Funds
<u>\$ 62,091,605</u>	<u>\$ 54,952,422</u>	<u>\$ 52,833,657</u>	<u>\$ 73,863,680</u>	<u>\$ 55,405,480</u>	Total Governmental Funds

Table 4

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

	Fiscal Year				
	1999	2000	2001	2002	2003
<b>Revenues</b>					
General property taxes	\$ 67,774,303	\$ 67,739,540	\$ 69,992,044	\$ 74,762,676	\$ 81,254,445
Permits, privilege fees, and regulatory licenses	712,816	739,401	1,130,335	1,169,124	1,508,077
Fines and forfeitures	201,123	259,781	362,610	432,297	504,517
Revenue from use of money and property	2,112,671	2,294,315	2,911,023	1,599,080	1,727,060
Charges for services	636,211	423,316	925,564	790,848	1,074,405
Gifts and donations	-	-	-	-	-
Recovered costs	538,695	853,977	157,924	461,620	145,617
Intergovernmental:					
Contribution from School Board	924,067 (2)	5,267,760 (2)	5,485,229 (2)	9,450,982 (2)	3,789,103
Commonwealth of Virginia	6,483,541	9,944,767	14,153,911	18,695,882	18,673,462
Contribution from Culpeper County	-	-	-	-	-
Federal Government	1,788,620	1,456,157	1,742,273	1,914,743	2,421,379
Miscellaneous	144,334	51,380	66,485	10,130,575	471,701
<b>Total revenues</b>	<u>81,316,381</u>	<u>89,030,394</u>	<u>96,927,398</u>	<u>119,407,827</u>	<u>111,569,766</u>
<b>Expenditures</b>					
Current operating:					
General government administration	5,777,189	6,160,903	6,948,055	7,729,740	7,688,368
Judicial administration	3,880,197	2,132,796	1,925,457	2,107,733	2,186,402
Public safety	9,759,807	11,217,942	11,112,953	12,684,365	17,634,118
Public works	3,581,874	3,808,739	5,380,379	6,152,615	6,002,496
Health and welfare	4,748,294	4,721,916	4,934,176	5,324,034	5,787,402
Education	36,513,645 (2)	44,520,355 (2)	48,469,865 (2)	58,276,418 (2)	57,933,386
Parks, recreation, and cultural	2,396,011	2,657,226	3,180,143	4,241,026	5,731,577
Community development	2,717,354	3,750,168	2,681,114	3,124,838	3,707,282
Nondepartmental	278,019	480,747	187,107	365,507	523,408
Capital outlay	5,362,593	7,190,220	109,323	-	-
Debt service:					
Principal retirement	4,939,408 (1)	3,684,273 (1)	3,822,773 (1)	3,737,074 (1)	4,484,717
Interest & fiscal charges	2,707,115 (1)	2,473,086 (1)	2,465,371 (1)	2,451,475 (1)	2,916,590
<b>Total expenditures</b>	<u>82,661,506</u>	<u>92,798,371</u>	<u>91,216,716</u>	<u>106,194,825</u>	<u>114,595,746</u>
Excess of revenues over (under) expenditures	<u>(1,345,125)</u>	<u>(3,767,977)</u>	<u>5,710,682</u>	<u>13,213,002</u>	<u>(3,025,980)</u>
<b>Other financing sources (uses)</b>					
Transfers in	3,537,223 (2)	3,459,293 (2)	11,359,163 (2)	6,601,874 (2)	8,364,435
Transfers (out)	(3,560,234) (2)	(3,504,083) (2)	(11,591,137) (2)	(6,710,683) (2)	(8,403,077)
Construction bond proceeds	-	-	-	-	-
Issuance of debt	- (1)	3,500,000 (1)	7,650,000 (1)	14,043,998 (1)	1,700,000
Premiums on issuance of debt	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(23,011)</u>	<u>3,455,210</u>	<u>7,418,026</u>	<u>13,935,189</u>	<u>1,661,358</u>
<b>Net change in fund balances</b>	<u>\$ (1,368,136)</u>	<u>\$ (312,767)</u>	<u>\$ 13,128,708</u>	<u>\$ 27,148,191</u>	<u>\$ (1,364,622)</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 1999 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 1999 through FY 2002.

<b>Fiscal Year</b>					
<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	
					<b>Revenues</b>
\$ 86,178,471	\$ 93,092,244	\$ 105,484,892	\$ 117,395,045	\$ 125,634,196	General property taxes
1,598,890	2,212,566	1,921,717	2,287,326	1,575,699	Permits, privilege fees, and regulatory licenses
504,771	486,847	529,420	526,235	403,870	Fines and forfeitures
1,182,326	1,647,513	2,499,258	4,595,057	3,643,296	Revenue from use of money and property
1,596,119	1,240,303	1,380,707	1,299,009	1,749,725	Charges for services
503,539	887,490	1,035,693	4,395,470	140,246	Gifts and donations
180,538	154,483	257,337	241,385	270,601	Recovered costs
					Intergovernmental:
1,188,192	526,788	1,316,810	-	-	Contribution from School Board
19,993,164	20,660,061	22,290,152	22,520,192	23,687,021	Commonwealth of Virginia
-	-	369,556	-	-	Contribution from Culpeper County
2,863,540	2,557,472	2,663,034	3,126,629	2,647,758	Federal Government
-	80,100	723,786	222,369	457,724	Miscellaneous
<u>115,789,550</u>	<u>123,545,867</u>	<u>140,472,362</u>	<u>156,608,717</u>	<u>160,210,136</u>	Total revenues
					<b>Expenditures</b>
					Current operating:
10,000,219	9,133,896	9,391,807	10,820,861	10,654,666	General government administration
2,651,525	5,334,255	4,933,976	2,913,670	3,065,299	Judicial administration
15,284,971	19,869,721	19,157,429	21,101,417	23,453,213	Public safety
8,588,341	5,539,741	6,193,511	6,483,272	8,319,953	Public works
6,498,599	7,201,697	8,024,745	8,618,127	9,880,305	Health and welfare
70,255,695	67,244,700	81,797,232	95,373,503	129,784,456	Education
6,864,198	5,691,502	11,725,937	17,173,878	7,269,368	Parks, recreation, and cultural
4,710,489	5,795,456	5,092,111	6,670,589	8,186,119	Community development
552,652	579,410	640,050	550,225	391,617	Nondepartmental
-	-	-	-	-	Capital outlay
					Debt service:
6,066,327	4,976,092	5,138,726	5,711,745	6,900,170	Principal retirement
2,723,740	3,109,014	2,962,402	3,609,954	5,149,438	Interest & fiscal charges
<u>134,196,756</u>	<u>134,475,484</u>	<u>155,057,926</u>	<u>179,027,241</u>	<u>213,054,604</u>	Total expenditures
<u>(18,407,206)</u>	<u>(10,929,617)</u>	<u>(14,585,564)</u>	<u>(22,418,524)</u>	<u>(52,844,468)</u>	Excess of revenues over (under) expenditures
					<b>Other financing sources (uses)</b>
7,444,089	9,902,280	7,927,776	11,551,635	7,738,049	Transfers in
(7,644,624)	(10,115,839)	(8,075,717)	(11,467,873)	(7,772,511)	Transfers (out)
-	-	11,540,000	-	-	Construction bond proceeds
11,630,000	3,720,000	643,395	39,615,000	34,075,000	Issuance of debt
772,947	282,235	-	2,262,669	1,832,846	Premiums on issuance of debt
<u>12,202,412</u>	<u>3,788,676</u>	<u>12,035,454</u>	<u>41,961,431</u>	<u>35,873,384</u>	Total other financing sources (uses)
<u>\$ (6,204,794)</u>	<u>\$ (7,140,941)</u>	<u>\$ (2,550,110)</u>	<u>\$ 19,542,907</u>	<u>\$ (16,971,084)</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				
	1999	2000	2001	2002	2003
<b>Debt Service as a Percentage of Noncapital Expenditures: (2)</b>					
<b>Primary Government:</b>					
Total debt service	\$ 7,646,523	\$ 6,157,359	\$ 6,288,144	\$ 6,188,549	\$ 7,401,307
Total expenditures	82,661,506	92,798,371	91,216,716	106,194,825	114,595,746
Capital outlay primary government only	3,581,365	2,124,467	2,566,454	7,593,418	9,028,008
Non-capital expenditures	<u>79,080,141</u>	<u>90,673,904</u>	<u>88,650,262</u>	<u>98,601,407</u>	<u>105,567,738</u>
Debt service as a percentage of noncapital expenditures: Primary Government only	9.67%	6.79%	7.09%	6.28%	7.01%
<b>Component Unit - School Board:</b>					
Schools expenditures excluding County contribution	18,869,467	20,560,482	22,503,838	21,294,224	32,953,449
Capital outlay Component Unit— School Board only	6,841,772	19,058,070	9,898,068	4,852,106	6,124,463
Non-capital expenditures	<u>12,027,695</u>	<u>1,502,412</u>	<u>12,605,770</u>	<u>16,442,118</u>	<u>26,828,986</u>
<b>Total Reporting Entity:</b>					
Total debt service	7,646,523	6,157,359	6,288,144	6,188,549	7,401,307
Total non-capital expenditures	<u>\$ 91,107,836</u>	<u>\$ 92,176,316</u>	<u>\$ 101,256,032</u>	<u>\$ 115,043,525</u>	<u>\$ 132,396,724</u>
Debt service as a percentage of noncapital expenditures: Total Reporting Entity	8.39%	6.68%	6.21%	5.38%	5.59%

- (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 1999 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 1999 through FY 2002.

<b>Fiscal Year</b>					
<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	
					<b>Debt Service as a Percentage of Noncapital Expenditures: (2)</b>
					<b>Primary Government:</b>
<u>\$ 8,790,067</u>	<u>\$ 8,085,106</u>	<u>\$ 8,101,128</u>	<u>\$ 9,321,699</u>	<u>\$ 12,049,608</u>	Total debt service
134,196,756	134,475,484	155,057,926	179,027,241	213,054,604	Total expenditures
<u>7,437,757</u>	<u>11,543,894</u>	<u>12,209,038</u>	<u>14,448,161</u>	<u>4,665,840</u>	Capital outlay primary government only
<u>126,758,999</u>	<u>122,931,590</u>	<u>142,848,888</u>	<u>164,579,080</u>	<u>208,388,764</u>	Non-capital expenditures
6.93%	6.58%	5.67%	5.66%	5.78%	Debt service as a percentage of noncapital expenditures: Primary Government only
					<b>Component Unit - School Board:</b>
36,016,109	39,528,052	41,363,609	47,200,710	47,144,282	Schools expenditures excluding County contribution
<u>15,749,994</u>	<u>7,511,716</u>	<u>1,441,275</u>	<u>2,172,271</u>	<u>2,327,141</u>	Capital outlay Component Unit— School Board only
<u>20,266,115</u>	<u>32,016,336</u>	<u>39,922,334</u>	<u>45,028,439</u>	<u>44,817,141</u>	Non-capital expenditures
					<b>Total Reporting Entity:</b>
<u>8,790,067</u>	<u>8,085,106</u>	<u>8,101,128</u>	<u>9,321,699</u>	<u>12,049,608</u>	Total debt service
<u>\$ 147,025,114</u>	<u>\$ 154,947,926</u>	<u>\$ 182,771,222</u>	<u>\$ 209,607,519</u>	<u>\$ 253,205,905</u>	Total non-capital expenditures
5.98%	5.22%	4.43%	4.45%	4.76%	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					Total Real Property Direct Tax Rate	Add: Tax-Exempt Real Property	Total Value
	Residential Property	Commercial Property	Agricultural Property	Public Service SCC Assessed	Total Taxable Real Property Assessed Value			
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
2008	9,049,864,500	1,058,920,900	2,090,635,900	608,233,836	12,807,655,136	0.765	940,499,500	13,748,154,636

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
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
2008	699,159,711	44,112,412	743,272,123

- (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 these schedules 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

(2) Taxable Year	Tax Relief for the Elderly
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
2008	267,875,000

Source: Fauquier County Commissioner of the Revenue

COUNTY OF FAUQUIER, VIRGINIA

Table 6

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

Type of Tax	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>FAUQUIER COUNTY</b>										
Countywide tax levies:										
Real estate:										
General Fund	\$ 1.00	\$ 1.00	\$ 0.99	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.925	\$ 0.600	\$ 0.600	\$ 0.720
Fire and Rescue Special Revenue Fund	0.06	0.06	0.07	0.07	0.07	0.07	0.045	0.035	0.035	0.035
Conservation Easement Purchase Levy	-	-	-	-	-	-	0.020	0.010	0.010	0.010
Total real estate tax rate	<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>	<u>0.765</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	0.001	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	1.06	1.06	1.06	0.99	0.99	0.99	0.99	0.645	0.65	0.765
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	0.005
<b>OVERLAPPING GOVERNMENTS</b>										
Town of Warrenton:										
Real estate	0.17/0.14	0.14	0.115	0.05	0.03	0.03	0.03	0.015	0.015	0.015
Personal property	2.25	2.25	2.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Town of Remington:										
Real estate	0.12	0.12	0.14	0.14	0.14	0.14	0.14	0.10	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	0.04	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	2008			1999		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Virginia Electric & Power Company	\$ 254,758,676	1	1.99%	\$ 58,718,882	1	1.49%
Old Dominion Electric Co-op	173,244,752	2	1.35%			
Verizon - Virginia, Inc.	63,631,978	3	0.50%			
Warrenton Center LLC, Shopping Center	27,714,500	4	0.22%			
Oak Spring Farms LLC	26,938,800	5	0.21%	23,438,400	3	0.60%
Northern Virginia Electric Co-op	22,116,401	6	0.17%	18,240,239	5	0.46%
Warrenton Development Company	21,008,800	7	0.16%	9,558,500	9	0.24%
Edward P. Evans Farm	17,726,000	8	0.14%			
Rappahannock Electric Co-op	17,021,805	9	0.13%	11,322,989	6	0.29%
Airlie Foundation	16,889,300	10	0.13%			
Bell Atlantic - Virginia, Inc.				45,571,141	2	1.16%
Jefferson Associates LP				23,107,000	4	0.59%
Colonial Pipeline Company				11,261,913	7	0.29%
Norfolk Southern Railway Company				10,074,997	8	0.26%
Troy CMBS Property LLC, Shopping Center				6,590,700	10	0.17%
Total	\$ 641,051,012		5.02%	\$ 217,884,761		5.56%

Source: Fauquier County Commissioner of the Revenue

Table 7-B

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

TAXPAYER	2008			1999		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Prince William Construction Co, LLC.	\$ 5,171,846	1	0.70%			
Luck Stone Corp.	4,420,981	2	0.59%	\$ 1,285,102	5	0.36%
Vulcan Materials Co.	3,705,998	3	0.50%			
Food Lion, Inc.	3,094,103	4	0.42%	1,227,410	7	0.34%
Kips Erosion Control	2,533,129	5	0.34%			
Hawk, Inc.	2,431,844	6	0.33%			
DCFS Trust	2,609,213	7	0.35%			
Eastern Clearing	2,345,118	8	0.32%			
Toyota Motor Credit Corporation	2,049,358	9	0.28%	2,674,262	2	0.75%
S. W. Rodgers Company	1,987,763	10	0.27%			
Ford Motor Credit				1,220,535	8	0.34%
First Union National Bank of VA				2,909,104	1	0.82%
Trinity Packaging Corporation				2,077,603	3	0.58%
General Motors Acceptance Corp. (GMAC)				1,928,499	4	0.54%
R. L. Rider & Co.				1,231,058	6	0.35%
Valley Drilling Corp of VA				1,189,673	9	0.33%
D. L. Peterson Trust				1,113,936	10	0.31%
Total	\$ 30,349,353		4.09%	\$ 10,449,873		4.03%

(1) Original TY 2008 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
1999	\$ 56,612,254	\$ (24,302)	\$ 56,587,952	\$ 55,294,787	97.67%	\$ 1,023,256	\$ 56,318,043	99.52%
2000	61,185,988	581,333	61,767,321	60,527,627	98.92%	1,041,729	61,569,356	99.68%
2001	63,854,161	921,736	64,775,897	62,009,789	97.11%	957,073	62,966,862	97.21%
2002	72,191,444	1,848,688	74,040,132	70,762,226	98.02%	1,034,911	71,797,137	96.97%
2003	79,480,945	(155,846)	79,325,099	77,320,736	97.28%	1,088,230	78,408,966	98.85%
2004	82,886,242	270,032	83,156,274	81,216,837	97.99%	903,051	82,119,888	98.75%
2005	87,592,939	(74,106)	87,518,833	85,659,133	97.79%	421,931	86,081,064	98.36%
2006	101,562,098	347,987	101,910,085	98,217,478	96.71%	3,095,902	101,313,380	99.41%
2007	113,458,234	186,654	113,644,888	112,279,628	98.96%	1,357,028	113,636,656	99.99%
2008	121,618,037	-	121,618,037	119,513,886	98.27%	-	119,513,886	98.27%

(1) For FY 2001 to 2007, 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
FY 2008	13,657,447	CY 2007

Source: Fauquier County Treasurer

Table 9

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Governmental Activities					
Fiscal Year	Capital Lease	Revenue Bonds	General Obligation Bonds	Virginia Public School Authority Bonds	State Literary Fund Loan
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	-
2008	5,899,442	2,450,000	4,870,000	113,255,000	-

(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>
\$ -	\$ 3,575,000	\$ -	\$ 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	2.28%	1,043	2004
-	1,885,000	-	60,880,082	2.00%	984	2005
-	1,540,000	-	66,936,356	2.08%	1,051	2006
1,192,000	1,180,000	51,937	101,723,548	*	1,583	2007
1,192,000	805,000	35,656	128,507,098	*	1,967	2008

**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>
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	1.79%	0.76%	819
2005	7,450,000	41,015,000	48,465,000	1.59%	0.71%	783
2006	6,580,000	48,985,000	55,565,000	1.73%	0.44%	872
2007	5,720,000	84,475,000	90,195,000	*	0.68%	1,404
2008	4,870,000	113,255,000	118,125,000	*	0.87%	1,808

(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	
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
2008	114,500	135,000	127,010	262,010	0.44

(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		
\$ 2,060,005	\$ 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
6,762,973	7,011,980	(249,007)	375,000	49,075	424,075	(0.59)	2008

Table 12

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

	Fiscal Year				
	1999	2000	2001	2002	2003
Primary Government general revenues	\$ 77,224,901	\$ 80,622,386	\$ 87,439,221	\$ 95,068,229	\$ 101,414,870
Debt limit (10% of general revenues)	7,722,490	8,062,239	8,743,922	9,506,823	10,141,487
Total net debt applicable to limit	<u>7,646,523</u>	<u>6,157,359</u>	<u>6,288,144</u>	<u>6,188,549</u>	<u>7,401,307</u>
County policy margin	<u>\$ 75,967</u>	<u>\$ 1,904,880</u>	<u>\$ 2,455,778</u>	<u>\$ 3,318,274</u>	<u>\$ 2,740,180</u>
Total net debt applicable to the limit as a percentage of general revenues	9.90%	7.64%	7.19%	6.51%	7.30%

(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>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>				
\$	107,742,248	\$	115,802,686	\$	130,354,175	\$	142,714,982	\$	151,241,607	Primary Government general revenues
	10,774,225		11,580,269		13,035,418		14,271,498		15,124,161	Debt limit (10% of general revenues)
	<u>8,790,067</u>		<u>8,085,106</u>		<u>8,101,127</u>		<u>9,321,699</u>		<u>12,049,608</u>	Total net debt applicable to limit
\$	<u>1,984,158</u>	\$	<u>3,495,163</u>	\$	<u>4,934,291</u>	\$	<u>4,949,799</u>	\$	<u>3,074,553</u>	County policy margin
	8.16%		6.98%		6.21%		6.53%		7.97%	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)
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	40,639	2.1%	30,807	17,715	9,623
2002	57,400	2,406,592	40,638	3.0%	32,148	18,766	9,675
2003	58,700	2,500,858	41,110	3.0%	33,065	19,365	10,054
2004	59,900	2,739,851	43,759	2.6%	34,540	20,713	10,295
2005	61,900	3,046,952	47,392	2.4%	35,595	21,579	10,717
2006	63,696	3,211,975	48,939	2.4%	36,706	22,022	10,940
2007	64,261	*	*	2.5%	37,319	*	11,142
2008	65,319	*	*	3.2%	38,334	*	11,346

- Sources: (1) Weldon Cooper Center for Public Service final population estimates for FY 1999 through FY 2006, except for FY 2001 which shows Census Report as of April 1, 2000; and provisional estimates for FY 2008.  
(2) Bureau of Economic Analysis, calendar year data.  
(3) Virginia Employment Commission calendar year data for 1999 through 2007. Data for 2008 is the average monthly unemployment rate for January 2008 through June 2008.  
(4) Fauquier County Schools actual enrollment for FY 1999 through FY 2007. FY 2008 enrollment is projected.

\* Unavailable

**COUNTY OF FAUQUIER, VIRGINIA**

**Table 14**

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

<b>Employer</b>	<b>2008</b>		<b>1999</b>	
	<b>Rank</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Number of Employees</b>
Fauquier County School Board	1	1000 and over	1	1000 and over
Fauquier Hospital	2	500 to 999	2	500 to 999
County of Fauquier	3	500 to 999	3	250 to 499
U.S. Department of Transportation	4	250 to 499		
Wal Mart	5	250 to 499		
Food Lion	6	100 to 249	9	100 to 249
Town of Warrenton	7	100 to 249		
Airlie Foundation	8	100 to 249	8	100 to 249
Fauquier Bank	9	100 to 249		
America House Four	10	100 to 249		
Trinity Packaging Corporation			4	250 to 499
Giant Food			5	100 to 249
Ross Industries			6	100 to 249
USA Remediation Services			7	100 to 249
Oak Springs Nursing Home			10	100 to 249

Source: Virginia Employment Commission Top 50 Employers (1st Quarter of 2008)

COUNTY OF FAUQUIER, VIRGINIA

Table 15

County Government Employees by Function  
Last Ten Fiscal Years

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>General government</b>	95.5	104.7	107.7	113.1	112.4	112.9	117.9	119.1	116.8	115.2
<b>Judicial administration</b>	29.8	29.8	31.5	34.5	36.5	37.5	37.7	39.7	40.7	41.7
<b>Public safety</b>	105.1	105.5	105.5	125.0	138.0	138.0	141.0	153.0	155.0	182.6
<b>Public works</b>	44.0	44.0	45.0	49.0	45.0	47.5	48.5	52.5	56.5	56.5
<b>Health and welfare</b>	36.0	38.0	38.0	39.0	42.0	42.5	43.7	45.5	46.8	46.8
<b>Parks, recreation, and cultural</b>	43.6	45.2	45.2	46.3	47.2	49.7	54.2	58.2	65.4	65.4
<b>Community development</b>	28.5	29.5	30.0	30.0	35.0	36.0	43.6	46.6	52.6	53.0
<b>Other funds</b>										
Airport	-	-	-	-	-	1.0	2.1	2.1	2.6	2.0
Joint Communications	(1) 18.0	19.0	19.0	20.0	21.0	22.0	22.6	24.6	24.6	-
Environmental Services	6.5	6.5	7.5	8.5	18.8	21.5	21.5	22.0	28.0	31.0
Fleet Maintenance	16.0	15.0	16.0	16.0	16.0	16.0	16.0	16.0	15.0	15.0
Conservation Easement Service District	-	-	-	-	-	-	-	-	0.8	1.0
Subtotal	40.5	40.5	42.5	44.5	55.8	60.5	62.2	64.7	71.0	49.0
<b>Total Primary Government</b>	<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>548.8</u>	<u>579.3</u>	<u>604.8</u>	<u>610.2</u>
<b>Component Unit— School Board</b>										
<b>Education</b>	*	*	1,447.0	1,487.0	1,473.0	1,509.8	1,598.5	1,625.1	1,644.2	1,640.0
<b>Total Reporting Entity</b>	<u>423.0</u>	<u>437.2</u>	<u>1,892.4</u>	<u>1,968.4</u>	<u>1,984.9</u>	<u>2,034.4</u>	<u>2,147.3</u>	<u>2,204.4</u>	<u>2,249.0</u>	<u>2,250.2</u>

Sources: For County Government employees information:  
 FY 2005 to FY 2008 - FY 2009 Adopted Budget  
 FY 2004 - 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

For Component Unit - School Board employees information:  
 FY 2008  
 FY 2007 - FY 2008 Fauquier County Public Schools Adopted Budget  
 FY 2004 to FY 2006 - FY 2007 Fauquier County Public Schools Adopted Budget  
 FY 2001 to FY 2003 - CAFRs

\* Unavailable

(1) Effective FY 2008 Joint Communications is no longer reported in a separate fund

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Table 16

Operating Indicators by Function (1)  
Last Ten Fiscal Years

Function	Fiscal Year				
	1999	2000	2001	2002	2003
<b>General government</b>					
Commissioner of the revenue					
Real estate number of parcels	27,624	28,045	28,421	28,421	29,691
Land use number of parcels	4,036	4,080	4,110	4,046	4,103
PPTRA qualifying vehicles	61,483	62,889	66,141	70,016	68,569
County attorney					
Total litigation files opened	49	44	67	61	44
Finance					
Vendor checks issued	22,000	22,000	23,000	25,200	19,126
Payroll annual checks/direct deposits	35,220	36,250	37,257	35,572	40,385
Human resources					
Employment applications received	3,500	*	*	*	*
New employees orientated	70	*	*	*	*
Information technology					
Web pages updated	*	840	890	1,200	2,328
Web site hits	94,633	182,885	1,890,376	*	9,511,086
Treasurer					
Real estate bills mailed	52,250	52,850	55,297	56,005	57,661
Personal property bills mailed	47,250	46,850	51,745	57,928	53,815
Vehicle decals issued	48,920	50,140	55,969	58,923	60,844
Dog tags issued	900	925	612	902	721
<b>Judicial administration</b>					
Adult court services					
Average daily caseload	162	228	251	305	424
Circuit court (2)					
Law cases (3)	410	415	404	450	423
Chancery cases (3)	400	420	446	450	372
Civil cases (3)	*	*	*	*	*
Criminal cases	870	900	897	900	946
Clerk of the circuit court (by calendar year)					
Deed book recording	15,591	12,230	16,932	22,000	28,410
Judgments	1,134	1,169	1,457	1,593	2,120
Criminal cases	817	942	897	864	946
Concealed weapon permits	276	139	106	342	364

(1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no 2008 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

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

\* Unavailable

Fiscal Year					Function
2004	2005	2006	2007	2008 (1)	
<b>General government</b>					
					Commissioner of the revenue
30,299	30,934	31,402	32,218	*	Real estate number of parcels
4,048	3,829	3,861	3,855	*	Land use number of parcels
70,861	72,644	69,280	68,806	*	PPTRA qualifying vehicles
					County attorney
38	40	73	45	*	Total litigation files opened
					Finance
19,227	21,564	19,927	20,227	*	Vendor checks issued
41,441	44,676	44,900	47,360	*	Payroll annual checks/direct deposits
					Human resources
4,436	4,755	7,775	8,626	*	Employment applications received
802	995	1,027	1,147	*	New employees orientated
					Information technology
2,500	2,500	2,500	*	*	Web pages updated
7,000,000	7,000,000	7,000,000	1,671,308	*	Web site hits
					Treasurer
59,146	59,652	61,172	60,080	*	Real estate bills mailed
57,977	59,843	61,498	59,773	*	Personal property bills mailed
62,294	65,085	67,401	-	*	Vehicle decals issued
725	773	874	969	*	Dog tags issued
<b>Judicial administration</b>					
					Adult court services
403	359	301	395	*	Average daily caseload
					Circuit court (2)
475	438	*	*	*	Law cases (3)
427	360	*	*	*	Chancery cases (3)
*	938	881	941	*	Civil cases (3)
983	905	1,028	1,005	*	Criminal cases
					Clerk of the circuit court (by calendar year)
23,334	23,807	19,778	16,500	*	Deed book recording
1,767	1,845	1,911	2,500	*	Judgments
983	905	1,028	1,000	*	Criminal cases
274	215	224	350	*	Concealed weapon permits

Table 16

Operating Indicators by Function (1)  
Last Ten Fiscal Years

Function	1999	2000	2001	2002	2003
<b>Public safety</b>					
Detention center					
Prisoner transports	4,891	5,321	5,511	5,612	4,122
Average daily inmate population	114	128	137	142	67
Juvenile detention					
Youth detained	*	*	*	*	60
Child care days	*	*	*	*	2,001
Juvenile probation					
Probation and parole per month	*	*	166	200	150
Community service hours	*	*	5,511	4,699	3,620
Fire and emergency services					
911 calls for service	8,061	9,203	9,745	10,296	13,153
Hazardous material response	*	*	1200 hrs.	1200 hrs.	600 hrs.
Emergency response	*	*	600 calls	750 calls	400 calls
Sheriff					
Traffic summonses issued	5,649	5,721	5,819	5,912	10,187
Misdemeanor arrests	1,471	1,428	1,417	1,929	1,854
Felony arrests	1,239	1,207	1,189	1,186	575
Civil papers served	26,314	26,419	26,511	26,912	13,430
Calls for service	2,963	3,001	35,319	39,912	37,921
Animal control calls for service	1,491	1,480	1,473	1,421	1,774
<b>Public works</b>					
Environmental services - convenience sites					
Solid waste - tons	*	*	*	*	67,426
Recycled materials - tons	*	*	*	*	45,273
Resident visits	*	*	*	*	718,359
General services					
Facility work orders completed	*	8,249	8,191	7,894	8,797
Fleet vehicles/small engines	*	*	*	*	522
Preventive maintenance schedule	*	520	624	744	824
Surplus property	*	*	*	*	1,958
<b>Health and welfare</b>					
Comprehensive services act					
Comprehensive Services for At-Risk Youth and Families (CSA):					
Regular and residential foster care	39	55	52	51	54
Preventive foster care	27	30	35	22	15
Social services					
Adoption assistance	16	16	14	15	17
Adults receiving services	165	216	212	245	245
Approved foster/adoptive homes	41	44	41	45	32

- (1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no 2008 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

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

\* Unavailable

Fiscal Year					Function
2004	2005	2006	2007	2008 (1)	
					<b>Public safety</b>
					Detention center
4,452	7,622	6,237	6,201	*	Prisoner transports
67	59	75	104	*	Average daily inmate population
					Juvenile detention
67	54	76	90	*	Youth detained
1,592	922	2,179	3,851	*	Child care days
					Juvenile probation
211	93	92	97	*	Probation and parole per month
2,509	2,793	2,608	2,482	*	Community service hours
					Fire and emergency services
14,411	15,298	15,552	16,820	*	911 calls for service
500 hrs.	600 hrs.	500 hrs.	500 hrs.	*	Hazardous material response
300 calls	300 calls	300 calls	300 calls	*	Emergency response
					Sheriff
7,745	9,511	10,357	9,835	*	Traffic summonses issued
1,609	1,534	1,470	1,880	*	Misdemeanor arrests
613	708	807	890	*	Felony arrests
13,392	13,969	15,855	14,807	*	Civil papers served
35,938	38,541	41,182	44,010	*	Calls for service
1,947	2,428	3,691	3,917	*	Animal control calls for service
					<b>Public works</b>
					Environmental services - convenience sites
74,715	74,337	72,682	66,063	*	Solid waste - tons
54,730	49,000	10,855	10,183	*	Recycled materials - tons
734,091	757,405	672,645	664,778	*	Resident visits
					General services
8,410	8,720	9,462	9,553	*	Facility work orders completed
539	610	671	751	*	Fleet vehicles/small engines
931	1,024	1,426	1,811	*	Preventive maintenance schedule
2,232	2,318	2,558	*	*	Surplus property
					<b>Health and welfare</b>
					Comprehensive services act
					Comprehensive Services for At-Risk Youth at Families (CSA):
70	80	53	102	*	Regular and residential foster care
34	38	38	45	*	Preventive foster care
					Social services
21	37	26	29	*	Adoption assistance
268	220	233	263	*	Adults receiving services
29	29	*	*	*	Approved foster/adoptive homes

Table 16

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

<b>Function</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Parks, recreation, and cultural</b>					
Library					
Materials cataloged/processed	10,371	9,493	12,454	14,235	12,839
Periodicals cataloged/processed	3,537	3,629	3,410	3,921	3,935
Library patron visits	222,265	220,506	215,812	225,506	231,918
Parks and recreation					
Park attendance (4)	35,300	48,340	56,176	108,669	114,352
Shelter rentals	255	265	130	149	140
<b>Education</b>					
Per pupil expenditures	6,270	7,913	8,106	8,726	8,247
High school completion rate	87%	82%	85%	86%	84%
SAT scores (5)	1,034	1,032	1,032	1,046	1,055
Federal subsidized meals program	*	17.0%	14.9%	14.2%	14.1%
<b>Community development</b>					
Web page updated	*	*	*	89	116
Rezoning/comp plans	22	15	15	17	24
Preliminary/final subdivisions	23	67	33	42	39
Zoning permits issued	1,362	1,493	1,680	1,729	1,866
Building plans reviewed	1,425	1,553	1,718	1,913	2,091
Land disturbing permits issued	35	43	49	50	43
Marketing response to web site	*	*	*	*	*
<b>Other funds</b>					
Environmental services					
Residents using the landfill	*	*	89,992	174,850	259,498
Total tons recycled	*	*	34,709	41,153	45,273
Recycling rate	*	*	37%	44%	47%
Fleet maintenance					
Internal service fund county users	25	25	29	29	29
Internal service fund non-county users	17	7	8	8	9
Total vehicles serviced	*	*	2,870	2,940	3,967
Joint communications					
Telephone calls processed	*	*	*	*	248,426
Dispatch actions performed	*	*	*	*	587,556
Calls for service	*	*	*	*	69,243

(1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no 2008 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.

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

\* Unavailable

<b>Fiscal Year</b>					<b>Function</b>
<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008 (1)</b>	
					<b>Parks, recreation, and cultural</b>
					Library
15,157	14,344	16,515	14,364	*	Materials cataloged/processed
3,829	3,758	3,869	4,820	*	Periodicals cataloged/processed
222,783	253,533	248,112	268,635	*	Library patron visits
					Parks and recreation
420,785	624,780	615,263	512,371	*	Park attendance (4)
167	208	210	190	*	Shelter rentals
					<b>Education</b>
8,601	8,878	9,546	10,151	*	Per pupil expenditures
87%	94%	93%	94%	*	High school completion rate
1,045	1,057	1,534	1,515	*	SAT scores (5)
15.2%	15.7%	15.5%	16.2%	*	Federal subsidized meals program
					<b>Community development</b>
287	462	462	408	*	Web page updated
11	32	9	15	*	Rezoning/comp plans
14	29	26	14	*	Preliminary/final subdivisions
2,189	2,462	2,763	1,675	*	Zoning permits issued
2,227	2,407	2,788	2,071	*	Building plans reviewed
75	85	83	130	*	Land disturbing permits issued
202	408	84,118	88,638	*	Marketing response to web site
					<b>Other funds</b>
					Environmental services
262,103	281,890	213,566	244,148	*	Residents using the landfill
54,730	49,000	10,855	10,183	*	Total tons recycled
48%	50%	38%	28%	*	Recycling rate
					Fleet maintenance
28	28	26	42	*	Internal service fund county users
9	9	7	16	*	Internal service fund non-county users
3,704	4,200	4,385	4,603	*	Total vehicles serviced
					Joint communications
246,286	292,750	201,225	203,809	*	Telephone calls processed
631,597	646,312	651,756	737,995	*	Dispatch actions performed
71,925	74,782	74,232	84,827	*	Calls for service

COUNTY OF FAUQUIER, VIRGINIA

Table 17

Capital Assets Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<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	11
<b>Public works</b>										
Active vehicles	209	232	237	219	240	243	266	279	272	253
County owned buildings	26	26	26	26	27	28	28	28	28	29
Sq. ft. in buildings	340,806	340,806	340,806	340,806	386,240	396,840	396,840	396,840	396,840	417,922
<b>Parks, recreation, and cultural</b>										
Libraries	3	3	3	3	3	3	3	3	3	3
Volumes	139,609	139,609	139,609	157,059	165,381	181,606	185,951	194,618	202,794	205,791
Parks and recreation facilities	22	22	22	30	30	27	32	32	33	34
Land acres	100	100	*	*	576	576	576	576	897	899
Water acres	109	109	*	*	189	189	189	190	190	193
Trails (miles)	*	*	*	*	*	*	8.50	8.50	8.75	12.00
Fields	*	*	*	*	*	*	53	58	58	58
Boats	*	*	*	*	36	36	36	36	59	59
Shelters	*	*	*	*	*	*	9	10	20	20
Swimming pools	-	-	-	-	-	-	1	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	625,222	625,222	625,222	625,222	625,222	625,222	625,222	625,222	625,222
Capacity	4,829	5,495	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	5	5	5	5
Sq. ft. in buildings	379,865	379,865	379,865	379,865	379,865	379,865	493,865	493,865	493,865	493,865
Capacity	2,583	2,583	2,583	2,583	2,583	2,583	3,183	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	169	178	166	155	154	161	173	164	173	178
<b>Airport</b>										
Miles of runways	0.92	0.92	0.92	0.92	0.92	0.92	0.96	0.96	0.96	0.96
Number of hangars	6	6	6	6	7	7	7	7	9	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***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Fauquier, Virginia (the "County"), as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting (2008-01).

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

**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 matters that we reported to management of the County, in a separate letter dated November 10, 2008.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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

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

Richmond, Virginia  
November 10, 2008



**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**

To 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, 2008. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County'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 and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County'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 of 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, 2008.

**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.

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

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

Richmond, Virginia  
November 10, 2008

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Primary Government and Discretely Presented Component Unit  
 For the Year Ended June 30, 2008

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- 90103	\$ 335,229
		46003- 90104	
		46003- 90212	
		46003- 90403	
		46003- 90404	
		46003- 90814	
		46003- 90815	
		46003- 90822	
		46003- 90842	
		46003- 90887	
		46003- 90888	
		46003- 90895	
		46003- 90942	
		46006- 90223	
		46006- 90224	
		46006- 90703	
		46006- 90704	
		46006- 90919	
		46006- 90921	
		46006- 90928	
		46006- 90930	
Total Department of Agriculture			<u>335,229</u>
<b>DEPARTMENT OF JUSTICE:</b>			
Direct payments:			
Bullet Proof Vest Partnership Program	16.607	Not Applicable	6,925
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Not Applicable	57,381
Pass-through payments from Commonwealth of Virginia:			
Department of Criminal Justice Services:			
Byrne Formula Grant Program	16.579	39001- 45000	60,120
Local Law Enforcement Block Grants	16.592	39001- 46818	<u>1,815</u>
Total Department of Justice			\$ <u>126,241</u>

Schedule of Expenditures of Federal Awards  
 Primary Government and Discretely Presented Component Unit  
 For the Year Ended June 30, 2008

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 TRANSPORTATION:</b>			
Direct payments:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	Not Applicable	\$ 47,353
Pass-through payments from Commonwealth of Virginia:			
Department of Motor Vehicle:			
State and Community Highway Safety (154 Funds)	20.607	60507- 52149 60507- 52446	37,375
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	8,350
Total Department of Transportation			93,078
<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	474
Promoting Safe and Stable Families	93.556	46006- 90249 46006- 90250 46901- 90359	15,509
Temporary Assistance for Needy Families	93.558	45201- 90603 45212- 90046 45212- 90099 45212- 90365 45212- 90366 45212- 90377 45212- 90621 45212- 90B99 46003- 90109 46003- 90110 46003- 90111 46003- 90112 46003- 90409 46003- 90410 46003- 90412 46003- 90812 46003- 90841 46003- 90845 46003- 90885 46003- 90941 46006- 90918	\$ 233,666

Schedule of Expenditures of Federal Awards  
 Primary Government and Discretely Presented Component Unit  
 For the Year Ended June 30, 2008

Federal Granting Agency/Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
<b>Primary Government: (continued)</b>			
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED):</b>			
Pass-through payments from Commonwealth of Virginia (continued):			
Department of Social Services (continued):			
Temporary Assistance for Needy Families (continued):	93.558	46006- 90922 46006- 90229 46006- 90230 46006- 90231 46006- 90232	
Refugee and Entrant Assistance - State Administered Programs	93.566	46003- 90113 46003- 90210 46003- 90413 46003- 90807 46003- 90880 46006- 90233 46006- 90713	\$ 1,530
Low-Income Home Energy Assistance	93.568	46003- 90015 46003- 90114 46003- 90115 46006- 90234 46006- 90235 46006- 90934 46006- 90937 49103- 90024	3,449
Child Care Cluster:1			
Child Care and Development Block Grant	93.575	45215- 90378 45215- 90544 45215- 90545	518,366
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- 90378 45215- 90521 45215- 90522 46003- 90116 46003- 90119 46003- 90416 46003- 90417 46003- 90843 46003- 90943	\$ 224,543

Federal Granting Agency/Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
<b>Primary Government: (continued)</b>			
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED):</b>			
Pass-through payments from Commonwealth of Virginia (continued):			
Department of Social Services (continued):			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (continued):	93.596	46006- 90916 46006- 90925 46006- 90236 46006- 90237 46006- 90238 46006- 90239 46006- 90716 46006- 90717 46006- 90718	
Chafee Education and Training Vouchers Program	93.599	46901- 90254	\$ 4,580
Child Welfare Services - State Grants	93.645	46006- 90251	1,555
Foster Care - Title IV-E	93.658	46003- 90047 46003- 90105 46003- 90106 46003- 90209 46003- 90405 46003- 90406 46003- 90813 46003- 90886 46006- 90049 46006- 90225 46006- 90226 46006- 90227 46006- 90258 46006- 90705 46006- 90706 46006- 90707 46006- 90802 46006- 90803 46006- 90810 46006- 90876 46006- 90917 46006- 90926 46901- 90636 46901- 90637 46901- 90638 46901- 90639	\$ 429,111

Federal Granting Agency/Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
<b>Primary Government: (continued)</b>			
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED):</b>			
Pass-through payments from Commonwealth of Virginia (continued):			
Department of Social Services (continued):			
Adoption Assistance	93.659	46003- 90108 46006- 90228 46006- 90708 46006- 90877 46901- 90047 46901- 90368 46903- 90606 46903- 90627	\$ 60,029
Social Services Block Grant	93.667	46003- 90123 46003- 90124 46003- 90125 46003- 90844 46006- 90240 46006- 90242 46006- 90243 46006- 90244 46006- 90245 46006- 90246 46006 90262 46006- 90801 46006- 90804 46006- 90805 46006- 90806 46802- 90076 46802- 90312 46802- 90313 46802- 90340 46802- 90379 46901- 90357 46901- 90358	257,895
Chafee Foster Care Independent Living	93.674	46003- 90134 46006- 90253 46006- 90254 46901- 90356	7,582
State Children's Insurance Program	93.767	46003- 90102 46003- 90840 46003- 90940 46006- 90222	\$ 7,885

Federal Granting Agency/Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
<b>Primary Government: (continued)</b>			
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED):</b>			
Pass-through payments from Commonwealth of Virginia (continued):			
Department of Social Services (continued):			
Medical Assistance Program	93.778	46003- 90101 46003- 90213 46003- 90401 46003- 90820 46003- 90893 46006- 90920 46006- 90929 46006- 90221 46006- 90701	\$ 249,664
Total Department of Health and Human Services			<u>2,015,838</u>
<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	111,725
Emergency Management Preparedness Grant	97.042	77501- 52746	<u>13,000</u>
Total Department of Homeland Security			<u>124,725</u>
<b>Total Primary Government</b>			<u><u>2,695,111</u></u>
<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	159,101
National School Lunch Program	10.555	17901- 40623	825,292
Department of Agriculture and Consumer Services:	10.555		318,012
National School Lunch Program - Commodities			<u>                    </u>
Total Department of Agriculture			\$ <u>1,302,405</u>

Schedule of Expenditures of Federal Awards  
 Primary Government and Discretely Presented Component Unit  
 For the Year Ended June 30, 2008

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 DEFENSE:</b>			
Direct Payments:			
Junior ROTC Program	12.000	Not Applicable	\$ <u>58,466</u>
Total Department of Defense			<u>58,466</u>
<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	1,896,979
Special Education - Preschool Grants	84.173	17102- 62521	78,245
Adult Education State Grant Program	84.002	17901- 42801	64,930
Title I Grants to Local Educational Agencies	84.010	17101- 42901	566,021
Vocational Education - Basic Grants to States	84.048	17103- 61095	119,129
Safe and Drug-Free Schools and Communities State Grants	84.186	17901- 60511	9,553
Fund for the Improvement for Education	84.215	17114- 61090	13,829
State Grants for Innovative Programs	84.298	17901- 49005	10,897
Advanced Placement Program	84.330	17901- 60955	1,378
English Language Acquisition Grants	84.365	17901- 60512	53,130
Improving Teacher Quality State Grants (Title II)	84.367	17901- 61480	<u>278,034</u>
Total Department of Education			<u>3,092,125</u>
<b>Total Component Unit - School Board</b>			<u><u>4,452,996</u></u>
<b>Total Federal Assistance Reporting Entity</b>			\$ <u><u>7,148,107</u></u>

**COUNTY OF FAUQUIER, VIRGINIA**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2008**

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Note 1 - General

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

Note 2 - Basis of Accounting

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 2,639,408
Other Governmental Funds	8,350
Airport Fund	47,352
Total primary government	<u>2,695,110</u>
Component Unit – Public Schools:	
School General Fund	3,150,591
School Special Revenue Fund	984,394
Total component unit public schools	<u>4,134,985</u>
Total federal expenditures per basic financial statements	<u>6,830,095</u>
Noncash expenditures - value of donated commodities	<u>318,012</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 7,148,107</u>

# COUNTY OF FAUQUIER, VIRGINIA

Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

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## I. Summary of Auditors' Results

1. The type of report issued on the basic financial statements: **Unqualified opinions**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **Yes**
3. Noncompliance, which is material to the financial statements: **No**
4. Significant Deficiencies in internal control over major programs: **No**  
Material weaknesses: **No**
5. The type of report issued on compliance for major programs: **Unqualified opinion**
6. Any audit findings which are required to be reported under Section 510(1) of OMB Circular A-133: **No**
7. The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA #</u>
Title I Grants to Local Educational Agencies	84.010
Special Education Cluster	84.027 / 84.173
Improving Teacher Quality State Grants (Title II)	84.367
Temporary Assistance for Needy Families	93.558

8. Dollar threshold to distinguish between Type A and Type B Programs: **\$300,000**
9. The County of Fauquier, Virginia was determined to be a low risk auditee.

## II. Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

### *2008-01 Capital Asset Procedures*

#### **Criteria:**

Management prepares year end journal entries for conversion of governmental fund financial statements to government-wide financial statements in accordance with generally accepted accounting principals (GAAP). These year-end conversion entries include reporting of capital asset additions on the statement of net assets, which are reported as expenditures for governmental fund statements.

#### **Condition:**

Year end conversion entries for capital asset additions included certain items for buildings and improvements already recorded in the previous fiscal year.

# COUNTY OF FAUQUIER, VIRGINIA

## Schedule of Findings and Questioned Costs Year ended June 30, 2008

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### ***Cause:***

The capital asset listing for School component unit duplicated certain items capitalized in prior fiscal year. The County uses a combination of general ledger, capital asset application, and spreadsheets for capital asset financial reporting and control purposes. The current process is cumbersome, requires duplicate entry (expenditure processing and subsequent capital asset recording), and is difficult to review to ensure accuracy. The County also has significant expenditures for multi-year construction projects and the current financial system does not provide multi-year project reporting, requiring the use of spreadsheets to accumulate capitalized construction in progress until project completion.

### ***Effect:***

The County overstated school component unit capital assets for the statement of net assets, and understated education expenses on the statement of activities by \$2,512,663.

### ***Recommendation:***

We recommend capital asset procedures be enhanced to reconcile current year additions to capital expenditures by fund for reasonableness. In addition, the County should evaluate possible system solutions that provide for multi-year project reporting, and allow for increased automation for the identification, recording, monitoring, and reporting of capital assets.

### ***Management Response:***

The County agrees with this significant deficiency as it relates to the risks associated with the numerous manual processes required to ensure financial reporting compliance, especially for CIP transfer items and land purchases. In addition, the current financial reporting system does not have an automated interface between accounts payable and the capital asset system. Numerous spreadsheets have been developed by Finance staff to track capital assets and construction in progress to ensure financial reporting compliance as the current financial reporting system does not provide multi-year project costs used for capitalization requirements for capital improvement projects.

For two years, County Finance staff have aggressively pursued with the current vendor a resolution to the lack of multi-year CIP and the extremely poor financial reporting capabilities of the County's current system which places the County in significant risk as project managers do not have the tools that are essential for managing capital projects. However, the current vendor presently does not have a plan to solve the lack of multi-year CIP.

County Finance staff have thoroughly assessed the multi-year project costs components of the top three vendors who responded to the County's RFI. Because multi-year project reporting is an essential component for governmental financial reporting systems acquisition of one of the three systems evaluated would provide outstanding project tracking and reporting capabilities which would eliminate this point in the future.

### **III. Findings and Questioned Costs Relating to Federal Awards:**

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

### **IV. Resolution of Prior Year's Findings**

There were no findings reported in the prior year.