

COUNTY OF FAUQUIER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012



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, 2012**

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November 12, 2012

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, 2012. 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 Robinson, Farmer, Cox Associates, 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, 2012 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 complement 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., or 95 miles northwest of Richmond, Virginia, and encompasses approximately 660 square miles. Population growth, which for many years hovered around 2.0%, has slowed in the past five years. Since 2003, the population has increased by an average of 1.05% to the current level of 65,780. Despite population growth, the County remains primarily rural in nature. Approximately 53.7% of the land area within the County is comprised of farmlands and woodlands. Interstate Highway 66 runs east-west through the northern portion of the County. Additionally, five U.S. primary routes and two State primary routes traverse the County.

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 town residents pursuant to general provisions of the *Code of Virginia*. Properties in these towns are subject to both town and county taxation.



Government

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.

School Board

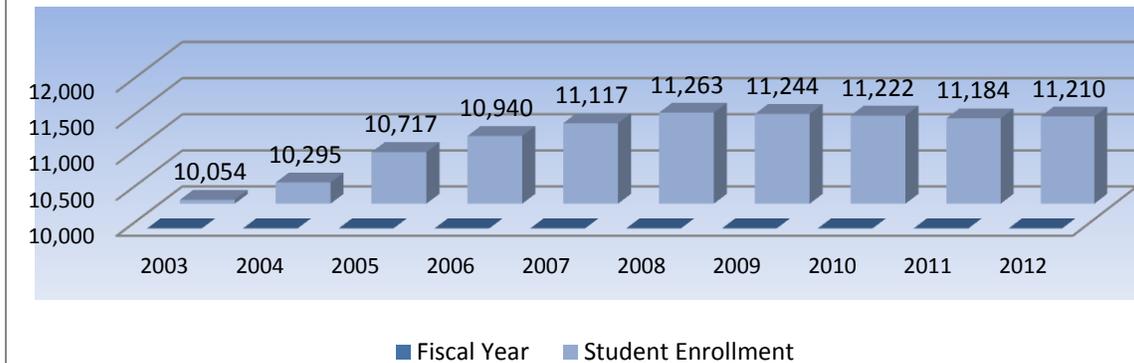
Fauquier County is financially accountable for a legally separate school district, which is reported separately within the financial statements as a component unit. The Fauquier County Public Schools (FCPS) is the single largest service provided by the County. The mission of the FCPS is committed to ensuring the development of confident, responsible, and broadly educated citizens by cultivating the unique potential and character of each learner for a successful future. In order to achieve this mission the Schools are engaged in the implementation of a strategic plan established in 2010.

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. In addition, FCPS participates with five 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 2012 totaled 11,210 students. The FCPS High School Completion Rate as of June 2011 is 94.5%, with 88.0% of graduates seeking higher education. The following chart shows student enrollment (Data Source - Table 13) which grew between fiscal years 2004 and 2008 and declined in fiscal years 2009 to 2011. The student enrollment for FY 2012 was up 26 students over the FY 2011 count of 11,184 students.

Student Enrollment



Budget

Virginia law requires the County to maintain a balanced budget in each fiscal year. The annual budget serves as the foundation for the County's financial planning and control. County departments and agencies begin their budget preparation each year in August. In November, all agencies submit their appropriation requests for the fiscal year commencing the following July 1st. The County Administrator submits a proposed capital improvement program in January and the proposed operating and capital budgets in February. 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 1st, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the fund level and sets budgetary limits for all departments. All budgets are adopted on a basis consistent with GAAP. A budget-to-actual comparison for the general fund is provided in this report 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. The Superintendent submits a budget plan to the School Board for review in January, and 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.

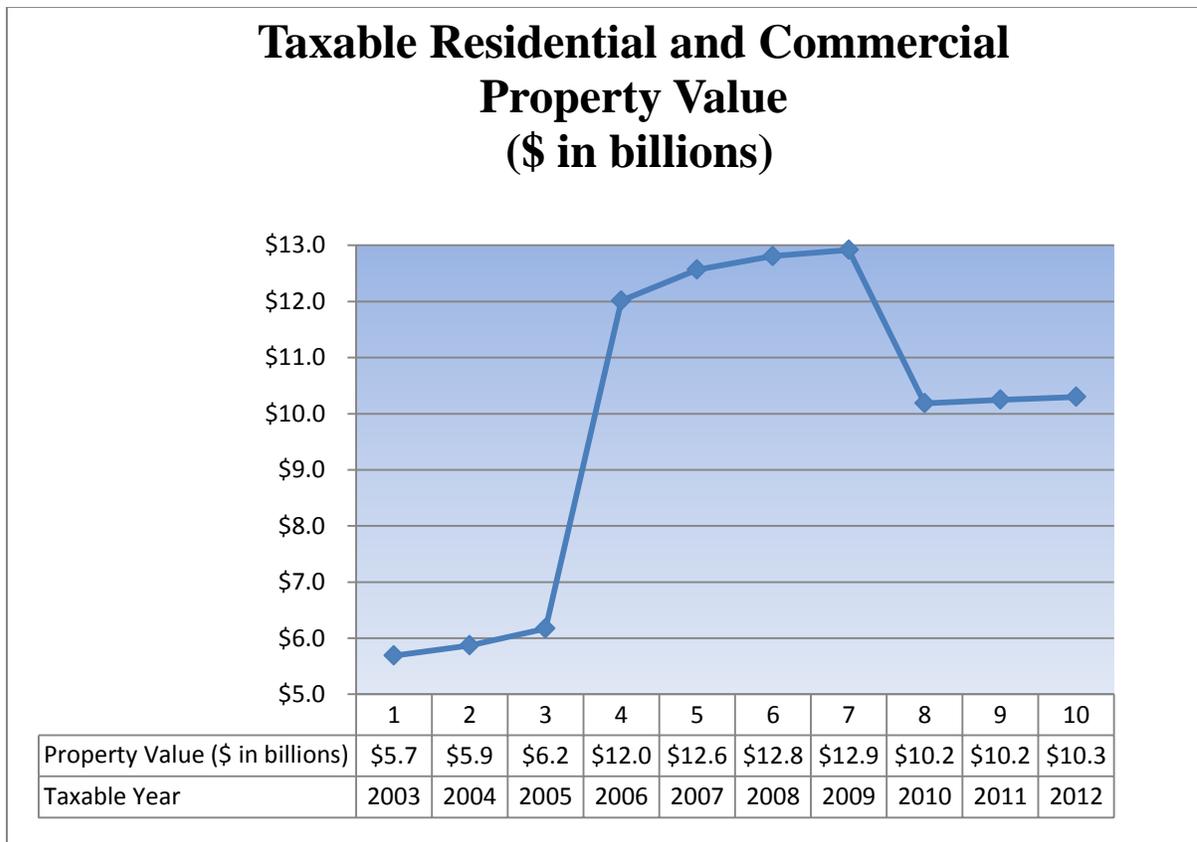
Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which Fauquier County operates.

Local economy

Fauquier County’s housing economy has been significantly impacted by the turmoil in the national housing market in comparison to the unprecedented growth that has characterized the region in past years. After witnessing double-digit annual increases in home values, the local real estate housing market today continues to be impacted by the challenging economic environment.

The County’s real estate valuation is reassessed on a quadrennial basis. The most recent reassessment was conducted in 2009, effective January 1, 2010. It reflected a 21.0% decrease in taxable real property values from a four-year average of \$12.6 billion from 2006 to 2009 to \$10.2 billion in 2010. Property values are slightly up to \$10.3 billion in 2012 and are expected to show slow growth in the coming year. The 2009 reassessment resulted in significantly varying trends among different classes of property, with commercial values up by less than 1.0%, agricultural valuations down by 29.0%, and residential valuations down by 26.0%. This decline was anticipated due to the depressed housing market and necessitated an increase in 2010 in the real property tax rate to 97 cents per \$100 in assessed value, up from 76.5 cents per \$100 in assessed value in 2009, to ensure the County received sufficient revenue to maintain services and meet its obligations. The real property tax rate remains unchanged at 97 cents per \$100 in assessed value in 2012. The graph below shows varying property values for the last ten years.



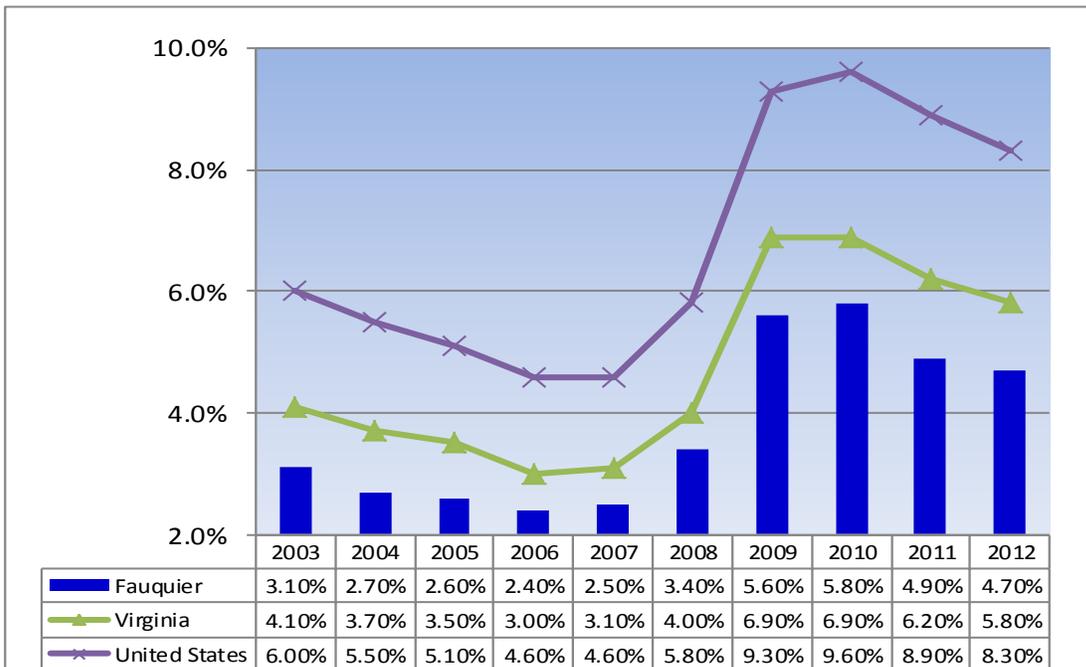
Business real property valuations did not decline to the extent of other property classes in the 2010 valuation. The personal property tax rate for business property was adjusted downward to help offset the relatively large increase in the business real property levy associated with the increased real property tax rate. A new category of personal property, business furniture, fixtures, and equipment, was created with a lower personal property tax

rate to achieve this policy objective of not adversely impacting the business community which experienced a large increase in the real property tax levy. This fiscal year's collection rate for property tax levies, within the fiscal year of the levy, increased to 98.64% from 98.15% in fiscal year 2012.

Economic indicators show that the County's economy has slowed in areas other than housing and the County faces a number of challenges similar to those being experienced by the national and state economies. In the last fiscal year, among many factors impacting Fauquier County's local economy were declining business activity, increasing demand for services, increasing health care costs, residential foreclosures, and shortfalls in State revenue. The County continues to monitor and address the increasing demand for services and the impact of these economic realities on the budget.

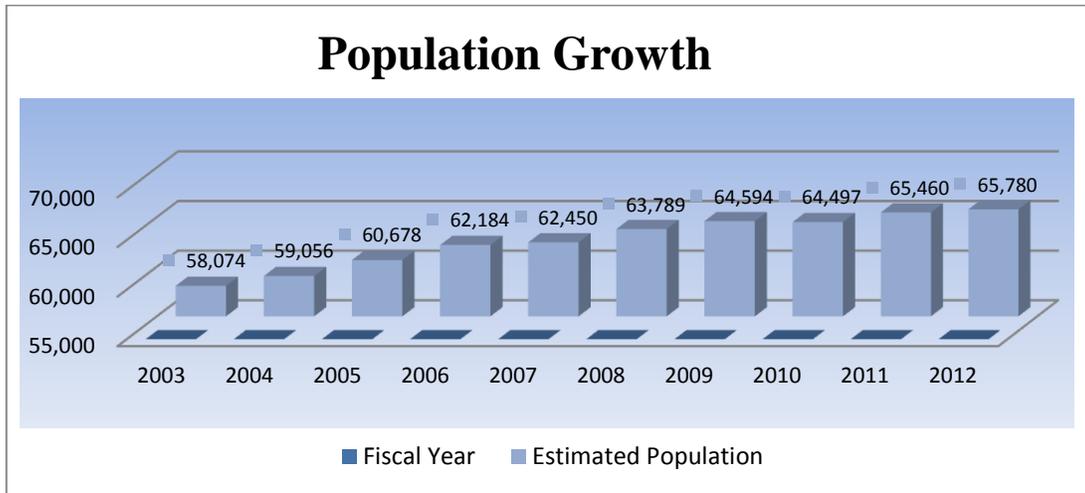
The unfavorable economic conditions have impacted the local job market to a lesser extent than other areas of the country. The County's proximity to the federal government and its affiliated contractor industries has provided some mitigation of the economic decline experienced in other regions. According to 2000 Census Bureau and the Virginia Employment Commission data (as reported on the *Fauquier County Department of Economic Development* website), approximately 58.0% of County residents commute to work outside the County. The majority of these residents commute to Fairfax, Prince William, and Loudoun Counties. The County's six-month average unemployment rate is 4.7% as of June 2012. This figure is below last year's rate of 4.9% and Virginia's six-month average rate of 5.8% and well below the National six-month average of 8.3%. This reflects slight job growth, most particularly in retail trades, health care, and social assistance. The construction industry continues to suffer the bulk of the employment reductions, a casualty of the decline in new home construction.

Annual Unemployment Rates



Economic Development and Industries

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. Preserving the rural nature of the County has resulted in slower population growth. While population growth in some neighboring jurisdictions have experienced increases greater than 25.0%, Fauquier County saw its population increase by approximately 13.3% 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 agricultural nature of the County.



In addition to its growth management policies, the Board of Supervisors has actively sought to preserve the farms and agriculturally related uses in its rural areas by establishing and funding a conservation easement program. The program purchases conservation easements on farms ensuring in perpetuity their availability for agriculture. The County's agricultural community includes dairy, cattle, crop and horse farms, along with vineyards, wineries, orchards and other horticultural uses.

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 91.0% having fewer than 20 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 2012, there were 37 new startup firms in the County. This is a 37.1% increase from the first quarter of 2011.

Below are additional highlights of economic development benefits since 2010:

- Opening of new Infusion Center at Fauquier Hospital. The hospital's new 2,065-square-foot infusion center offers patients a wide variety of services such as chemotherapy, blood transfusions, or intensive antibiotic administration. Fauquier Hospital also expanded its assisted living department and digital technology diagnostics. Fauquier Health's assisted living facility, the Villa at Suffield Meadows, welcomed residents as of September 13, 2010.

- Universal Stones, a leading importer, fabricator, and installer of marble and granite on the East Coast, purchased a 50,000 square foot commercial space and plans to employ at least 50 people. The firm offers a one-stop-shop service for a line of products such as counter and vanity tops with natural and engineered stones. The firm, which has 13 locations nationwide, also undertakes large volume projects such as apartments, high rises, and single family homes.

The County's commitment to maintaining the rural character of Fauquier is captured in the Comprehensive Plan where the "industrial and commercial zoned" acreage amounts to slightly more than 1.0% of total County acreage. Given this land allocation for commercial and industrial uses, the ability of the Fauquier business community to provide over 13.0% of County revenue speaks well for the economic efficiency of this community. Tourism continues to represent a growing segment of the economic sector in Fauquier County with a total of 27 vineyards and wineries in the County, along with driving tours, and getaway packages. Based on Virginia Employment Commission data, Fauquier has the potential to be competitive in the Accommodations and Food Service industry that supports tourism. Also, long-term industry employment projections are strong for health care and social assistance; arts, entertainment, recreation; as well as professional, scientific, and technical services.

The County has recently had its bond rating recalibrated by Moody's Investors Service to Aa1 and Fitch Ratings to AA+. Standard & Poor's bond rating is AA. These ratings are a reflection of the County's sound financial management policies that have helped the County weather the current difficult economic times. 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.

Fund Structure Revisions

FY 2012 marked the second year of a significant revision to the County's fund structure. These changes include the creation of a single debt service fund and the establishment of asset replacement funds for the general government and the school division.

The Debt Service Fund was established to serve as a repository for the funding of principal and interest costs on outstanding debt. Prior to its establishment, most debt service expenses were appropriated to the General Fund and the School Operating Fund. Utilizing a single debt service fund facilitates the tracking of total debt service requirements over time.

The establishment of the County and School asset replacement funds provides a vehicle for the financing of major maintenance and systems replacement, renovations and major asset replacements, principally through the accumulation of cash funding and various grants. The asset replacement funds help mitigate the volume of debt financing and allow the Capital Improvement Program to focus on long-range facility requirements.

Long-term financial planning

County policies balance the need for public facilities, as expressed by the countywide land use plan, with the fiscal capabilities of the County to provide for those needs. The six-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 CIP is a planning document intended to provide an analysis of potential long-range funding needs for the acquisition, construction or total replacement of physical facilities. The fiscal year 2013-2018 capital budget for new County and School projects totals \$62.0 million. These projects include:

- \$15.0 million for school system projects,
- \$21.3 million for the county government,
- \$6.5 million for utility projects
- \$13.0 million for the County's fire and rescue and joint communications system, and
- \$6.2 million for development of the Stafford Site.

The adopted CIP includes \$6.5 million in cash funding (10.5% of total appropriations) reflecting the County's approach to a balanced capital financing plan. The current CIP defers expenditures where possible and recommends funding consistent with the Board of Supervisors' financial policies. The FY 2013 Capital Improvement Fund budget totals \$200,000 (cash funding) for the initial phase of a project to replace the existing joint use facilities of fleet maintenance and general services.

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

The Board of Supervisors adopted a fund balance management policy for the County's General Fund in FY 2003. The policy, which was subsequently updated in FY 2011, sets the minimum level of unassigned fund balance required for the General Fund at 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, updated in 2009, 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 \$25.0 million be subject to voter referendum.

Investments of available funds 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.

In FY 2011, the Board of Supervisors approved two policies on Capital Assets and Fund Balance Management, in support of GASB Statements No. 51 and 54, respectively.

Implementation of New Accounting Requirements

The County did not implement any new accounting requirements in FY 2012. In FY 2013 the County will implement GASB Statements No. 60 through No. 66, as applicable, and will assess the impact of the future implementation of GASB Statements No. 67 and No. 68. Additional information relative to the Statements is contained in Note 24 to the Financial Statements.

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, 2011. This was the fourteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one (1) year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The GFOA has awarded its Distinguished Budget Presentation Award to Fauquier County for FY 2012. Fauquier County has received this award for seventeen years. GFOA also awarded its Distinguished Budget Presentation Award to the Fauquier County School Division for the sixth 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,



Paul McCulla
County Administrator



Curtis F. "Monty" Higgins, Jr.
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, 2011

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.



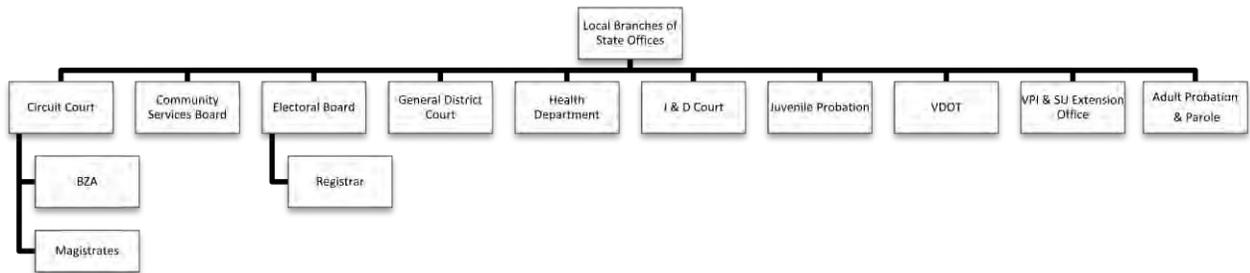
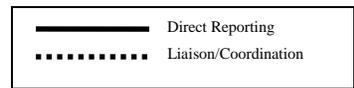
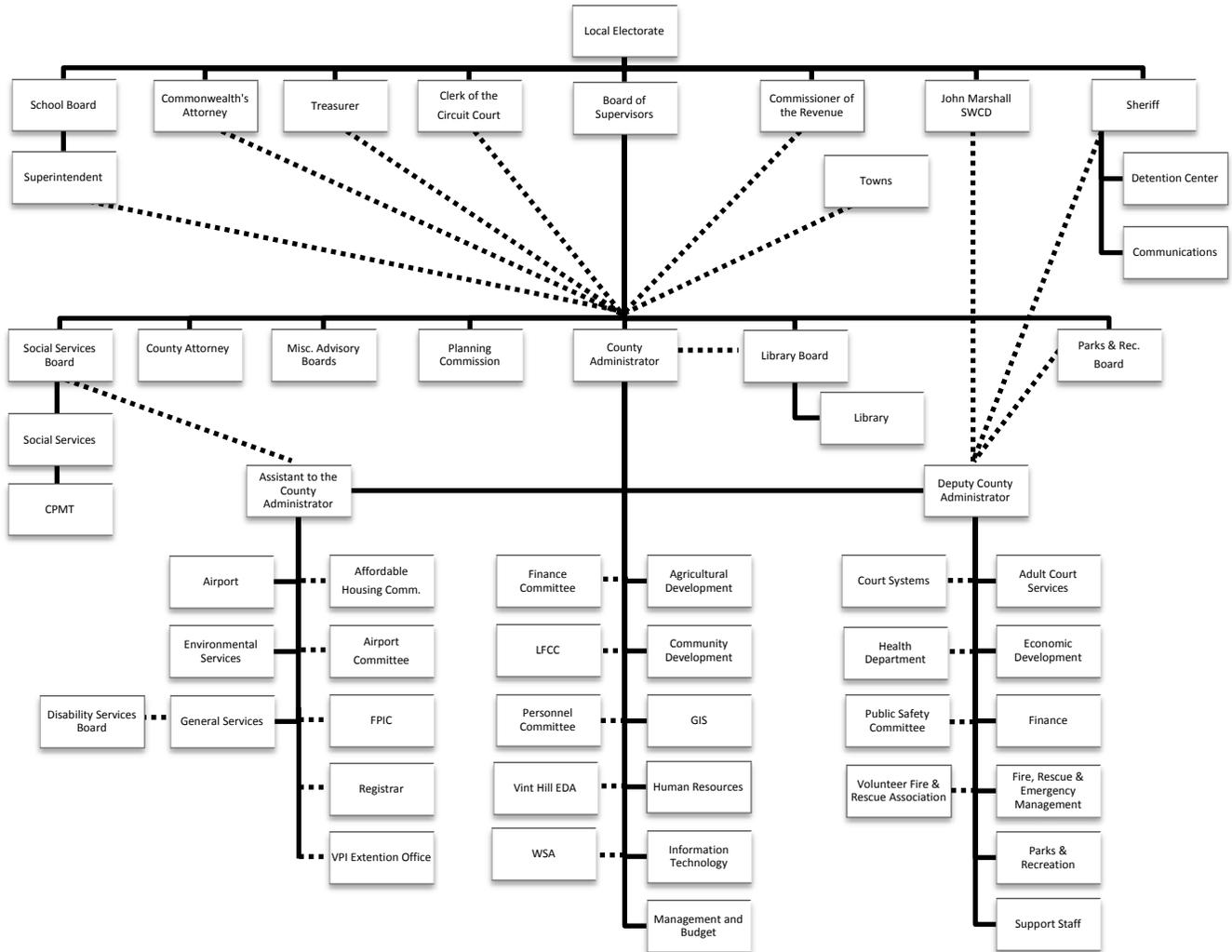
Linda C. Davidson

President

Jeffrey R. Emer

Executive Director

County of Fauquier Organizational Chart



COUNTY OF FAUQUIER, VIRGINIA
PRINCIPAL OFFICIALS

BOARD OF SUPERVISORS

R. Holder Trumbo, Jr., Chairman
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Janice Bourne, Assistant Superintendent for Administration
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Interim Director of Finance Anthony I. Hooper
Commissioner of the Revenue Ross W. D'Urso
Judge of the General District Court J. Gregory Ashwell
Sheriff Charlie Ray Fox, Jr.
Treasurer Elizabeth A. Ledgerton
Commonwealth's Attorney James P. Fisher
Judge of the Circuit Court Jeffrey W. Parker
Judge of Juvenile and Domestic Relations District Court Jonathan S. Lynn

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Fauquier, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Fauquier, Virginia' basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County of Fauquier, Virginia's management. Our responsibility is to express 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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Fauquier, Virginia, as of June 30, 2012, and the respective changes in financial position and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2012 on our consideration of the County of Fauquier, Virginia's of the internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relations to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Fauquier, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Fauquier, Virginia. The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Fauquier, Virginia presents the following discussion and analysis as an overview of the County of Fauquier's financial activities for the fiscal year ending June 30, 2012. 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.

Percentages are calculated based on the rounded numbers in millions as presented in the tables of the Management's Discussion and Analysis section.

FISCAL YEAR 2012 FINANCIAL HIGHLIGHTS

- The assets of the total reporting entity, which includes the School Board component unit, exceeded its liabilities by \$180.1 million at June 30, 2012. Of this amount, \$4.8 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2012, the County has \$142.0 million (\$134.5 million in unpaid principal balance and \$7.5 million in premium) of long-term debt outstanding. This includes \$112.0 million of School Board general obligation bonds and \$4.8 million of capital leases related to assets on the books of the total reporting entity, \$7.5 million of revenue bonds and \$17.7 million of moral obligation commitments related to assets of other entities. The following are highlights of debt activity during FY 2012:
 - The County issued debt to finance a major renovation of Fauquier High School. The final project budget in FY 2012 totals \$32.8 million. In support of this project, two bonds were issued:
 - \$9.9 million, plus \$1.5 million premium, of Virginia Public School Authority (VPSA) bonds.
 - \$10.0 million of Qualified School Construction Bonds (QSCB). The QSCB bond features a federal interest subsidy, effectively reducing the interest payments to 0% and thereby reducing debt service requirements in the future.
 - The County issued \$13.3 million of General Obligation School Refunding Bonds, plus \$2.1 million premium, to advance refund a portion of its Series 2006 General Obligation Bond. Debt service reductions of \$0.6 million were achieved by the transaction. Refer to Note 17 for details regarding the savings.
- To assist in funding new cell construction and leachate treatment system improvements for the Landfill Enterprise Fund, the County issued \$5.2 million in revenue bonds, plus \$0.9 million in premium, through the Virginia Resources Authority (VRA). It is anticipated that the debt service requirements for the bonds will be covered by Landfill revenues.
- The net assets of the total reporting entity decreased by \$0.5 million, or 0.3%, versus a \$4.7 million decrease in FY 2011. This \$4.2 million improvement reflects efforts by the County departments to control expenditures and an increase in revenues of \$1.2 million.
- The County's net assets for governmental activities decreased by \$4.2 million for the year, versus a \$0.9 million decrease in FY 2011. The significant rise in the amount of the decrease is largely

attributable to an increase in Education expenses related to the renovation of Fauquier High School. The rise was partially offset by reductions in expenses in other functional areas, notably Public Safety and Community Development, and by increased valuation and collection rates for general property taxes.

- The total cost of the County's programs was \$167.2 million (governmental activities), an increase of \$6.8 million, or 4.3%, which is due primarily to decreases in Public Safety and Community Development expenses offset by an increase in Education expenses.
- Business-type activities expenses (Airport and Landfill) increased by \$0.8 million due to an increase in the Landfill closure and postclosure liability coupled with certain one-time increases in operating expenses for the Airport. Revenues remained fairly stable.
- The School Board component unit's revenues, including the County contribution, totaled \$118.4 million and expenses totaled \$112.1 million, increasing net assets by \$6.3 million. This increase is due primarily to a net \$5.9 million in capital outlays and depreciation expense offset by \$12.4 million in additions to construction in progress for the Fauquier High School renovation project, which is treated as a contribution to the component unit from the primary government.
- As of June 30, 2012, the County governmental funds reported combined fund balances of \$54.9 million, an increase of \$8.6 million in comparison with the prior year. Refer to Note 19 for details regarding the various components of fund balance.
- General fund revenues were virtually the same as the amended budget. Expenditure savings of \$5.7 million were the result of \$1.3 million savings in the contribution to the School Board component unit and \$4.4 million in savings from County Departments (Exhibit 7).
- The County has approximately \$5.8 million, or 25.0% of the general fund's fund balance in assigned fund balance, \$15.6 million, or 67.2% in unassigned fund balance, and the remaining difference in non-spendable, restricted, and committed fund balance. The unassigned fund balance, or ten percent of general operating revenues, is set aside for emergency needs as approved by the Board of Supervisors. See Exhibits 3 and 5 for more details.

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 letter of transmittal, a copy of the fiscal year 2011 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, the County's organizational chart, and a list of principal officials.
- The financial section includes the Independent Auditors' Report, management's discussion and analysis (this section), the basic financial statements, required supplemental information, and combining and individual fund statements and schedules.
- The statistical section includes selected financial and demographic data related to the County, generally presented on a multi-year basis.
- The compliance section is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget circular A-133, Audits of State, Local Governments and Non-profit Organizations; and includes the auditors' reports on compliance and internal controls.

Financial Section Overview

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

The Independent Auditors' Report reflects the results of the external audit. The auditor expresses an opinion on whether the financial statements have been presented in conformity with Generally Accepted Accounting Principles (GAAP).

The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The government-wide financial statements and the fund financial statements present different views of the County. These two types of statements are discussed in more detail in the following sections.

The required supplementary information includes this discussion and analysis, the Schedule of Funding Progress for the Virginia Retirement System, the Fire and Rescue Pension Trust Length of Service Awards Program, and the Other Postemployment Benefits Program (OPEB) (Exhibit 13).

Finally, the combining and individual fund statements and schedules are included, which present individual statements for major funds other than the General Fund and 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 are the difference between assets and liabilities, which provides a measure of the County's financial health, or financial condition. Over time, changes 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 revenues to emphasize that the government's revenues are 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 revenues 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) 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 three major funds, the General Fund, the Capital Projects Fund, and the Debt Service 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. The Debt Service Fund accounts for financial resources accumulated for the payment of principal and interest. 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, an OPEB 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, 2012 and 2011.

Table 1	County of Fauquier Summary of Net Assets (\$ in millions)							
	Primary Government						Total Reporting Entity Including Component Unit	
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2012	2011	2012	2011	2012	2011	2012	2011
Assets:								
Current and other assets	\$ 71.6	\$ 60.6	\$ 7.4	\$ 1.5	\$ 79.0	\$ 62.1	\$ 93.9	\$ 78.3
Capital assets	74.1	73.7	23.7	25.6	97.8	99.3	279.7	274.7
Total assets	145.7	134.3	31.1	27.1	176.8	161.4	373.6	353.0
Liabilities:								
Other liabilities	10.7	7.6	0.5	0.2	11.2	7.8	23.7	21.6
Long-term liabilities	147.4	134.9	18.0	11.7	165.4	146.6	169.8	150.8
Total liabilities	158.1	142.5	18.5	11.9	176.6	154.4	193.5	172.4
Net assets:								
Invested in capital assets, net of related debt	68.5	68.8	23.4	25.3	91.9	94.1	170.9	171.2
Restricted	4.4	3.6	-	-	4.4	3.6	4.4	3.6
Unrestricted (deficit)	(85.3)	(80.6)	(10.8)	(10.1)	(96.1)	(90.7)	4.8	5.8
Total net assets	\$(12.4)	\$ (8.2)	\$12.6	\$ 15.2	\$0.2	\$7.0	\$180.1	\$180.6

Table 1 may differ from Exhibit 1 due to rounding.

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, which includes the School Board component unit, has positive net assets of \$180.1 million at June 30, 2012, a decrease of \$0.5 million over the prior year. The amount invested in capital assets, net of related debt, decreased by \$0.3 million. This slight decrease reflects the fact that asset additions in the current year coupled with retirement of related debt nearly offset the amount of depreciation expense charged.

In the case of the primary government, total assets exceeded total liabilities by \$0.2 million at June 30, 2012. The largest portion of net assets, \$91.9 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 \$4.4 million of net assets is restricted due to external constraints on the use of those funds. The deficit of unrestricted net assets of the primary government totaled \$96.1

million. This deficit is primarily the result of the primary government issuing debt to finance assets capitalized on the books of other entities. Over the past several years, the County provided moral obligation commitments to the United States Department of Agriculture (USDA) for Rural Development Loans to four volunteer Fire and Rescue companies. Additionally, in prior years, the primary government issued two bonds in support of utility projects undertaken and capitalized by the Fauquier Water and Sanitation Authority. Finally, as noted above, the primary government has issued debt on behalf of the School Board component unit. The total current liability for USDA moral obligations, bonds issued in support of utility projects, and School Board general obligation bonds is \$129.7 million plus \$7.5 million in premium. These debt issuances increase the County's liabilities with no corresponding asset, thereby increasing the amount reported as Unrestricted (deficit). Refer to Note 9 and Note 10 for further details regarding long-term obligations and commitments.

For the business-type activities, total net assets decreased by \$2.6 million, or 17.1%, which is primarily the result of an increase in landfill closure and postclosure costs, depreciation expense for the landfill, and for airport enhancements funded primarily from State and Federal capital contributions in previous fiscal years. The unrestricted net assets showed a deficit of \$10.8 million which is slightly higher than the prior year. Revenues related to construction, demolition and debris, and tipping fees for the landfill decreased slightly, while closure and postclosure expenses rose; in addition to certain other necessary operating expenses. The Airport saw slight improvements in revenues, but had several unplanned expenses in the current year. The unrestricted deficit for business-type activities 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 noncurrent portion of long-term liabilities.

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 as of June 30, 2012 and 2011.

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		2012	2011
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues								
Program revenues:								
Charges for services	\$ 3.9	\$ 3.2	\$ 4.9	\$ 4.9	\$ 8.8	\$ 8.1	\$ 12.4	\$ 11.4
Operating grants and contributions	13.0	13.5	-	0.1	13.0	13.6	26.7	29.3
Capital grants and contributions	-	0.2	-	0.2	-	0.4	0.1	0.4
General revenues:								
Real and personal property taxes	114.3	111.6	-	-	114.3	111.6	114.3	111.6
Other taxes	12.7	12.4	-	-	12.7	12.4	12.7	12.4
Other	2.5	1.6	-	-	2.5	1.6	2.7	1.9
Grants and contributions not restricted to specific programs	16.7	16.8	-	-	16.7	16.8	46.9	47.6
Contribution to schools	-	-	-	-	-	-	88.0	78.6
Total revenues	163.1	159.3	4.9	5.2	168.0	164.5	303.8	293.2
Expenses								
General government	11.7	10.1	-	-	11.7	10.1	11.7	10.1
Judicial	2.9	3.1	-	-	2.9	3.1	2.9	3.1
Public safety	25.5	30.5	-	-	25.5	30.5	25.5	30.5
Public works	8.9	7.4	-	-	8.9	7.4	8.9	7.4
Health and welfare	10.2	9.9	-	-	10.2	9.9	10.2	9.9
Education	90.1	79.6	-	-	90.1	79.6	219.6	210.3
Parks, recreation, and cultural	6.3	6.6	-	-	6.3	6.6	6.3	6.6
Community development	6.3	7.7	-	-	6.3	7.7	6.3	7.7
Interest on long-term debt	5.3	5.5	-	-	5.3	5.5	5.3	5.5
Airport	-	-	2.3	1.9	2.3	1.9	2.3	1.9
Landfill and Recycling	-	-	5.3	4.9	5.3	4.9	5.3	4.9
Total expenses	167.2	160.4	7.6	6.8	174.8	167.2	304.3	297.9
Excess (deficiency) of revenues over (under) expenses								
	(4.1)	(1.1)	(2.7)	(1.6)	(6.8)	(2.7)	(0.5)	(4.7)
Transfers	(0.1)	0.2	0.1	(0.2)	-	-	-	-
Change in net assets	(4.2)	(0.9)	(2.6)	(1.8)	(6.8)	(2.7)	(0.5)	(4.7)
Beginning net assets	(8.2)	(7.3)	15.2	17.0	7.0	9.7	180.6	185.3
Ending net assets	\$(12.4)	\$(8.2)	\$ 12.6	\$ 15.2	\$0.2	\$ 7.0	\$180.1	\$180.6

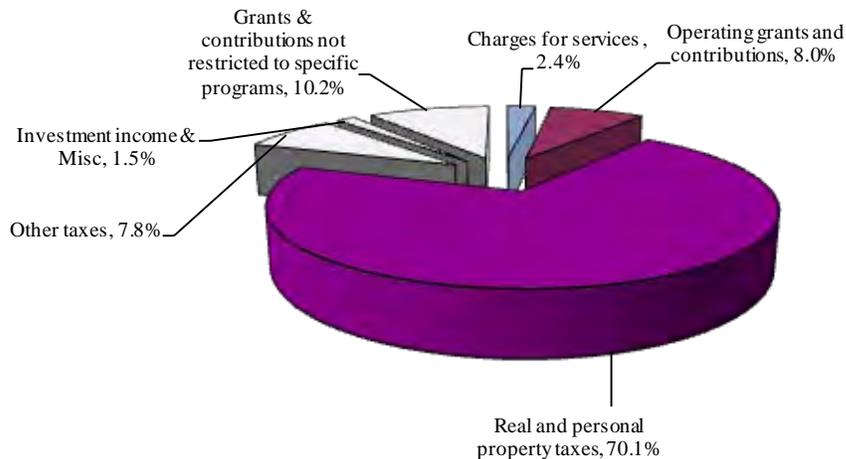
Table 2 may differ from Exhibit 2 due to rounding.

Governmental Activities: As reflected in Table 2, total governmental net assets decreased by \$4.2 million compared to a decrease of \$0.9 million in fiscal year 2011. The decrease in net assets is attributed primarily to an increase in Education expenses owing to the renovation of Fauquier High School. The total reporting entity's net assets decreased \$0.5 million which is a notable improvement over last year's decline of \$4.7 million.

Revenues from governmental activities for FY 2012 (Table 2) totaled \$163.1 million, an increase of \$3.8 million from FY 2011 which is largely due to an improvement of \$2.7 million in real and personal property tax. This improvement results from a slight increase in taxable property valuations combined with an increase in the collection rate.

The following chart provides a breakdown of revenue collections by source. Taxes comprise the largest source of these revenues, totaling \$127.0 million, or 77.9%, of all governmental activities revenues. Of this amount, general property taxes account for \$114.3 million, or 70.1%, of total revenues. Program revenues, consisting of charges for services and operating grants and contributions, generated a total of \$16.9 million, or 10.4% of total revenues. Revenue from grants and contributions not restricted to specific programs, made up the third largest category of revenues, totaling \$16.7 million, or 10.2%.

**Governmental Activities – Revenues by Source
For the Fiscal Year Ended June 30, 2012**



As shown in Table 2, the total expenses for governmental activities for this fiscal year were \$167.2 million, compared to \$160.4 million in fiscal year 2011. The increase of \$6.8 million, or 4.2%, is primarily due to increases in Education expenses of \$10.5 million, offset by a decrease in Public Safety expenses of \$5.0 million. These changes are detailed below:

- Increase in education expenses were due to the construction efforts related to the renovation of Fauquier High School, financed in large part by debt issued by the primary government.
- The decrease in Public Safety expenditures is due to the issuance of long-term commitments in the prior year for the New Baltimore Fire and Rescue station. This is a non-recurring capital expense, and no such obligation was entered into during the current fiscal year.

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 \$90.1 million, or 53.9%, of total expenses. The School Board component unit incurs indirect expenditures, which are

reported in the governmental activities (General Fund). The County provides certain consolidated services to both the County and the Schools. These are the departments of general services (maintenance of buildings, grounds, and vehicles), human resources, finance, and the independent auditor. Approximately 75.0% of the costs of these consolidated functions are associated with educational activities. As shown in Exhibit 7 of the Financial Section of this report, these functions cost approximately \$7.4 million in fiscal year 2012. The portion allocated to education is approximately \$5.5 million. Typically, school systems bear these costs directly. However, with the consolidated departments in Fauquier County, the costs are shown in the General Fund. Recognizing these costs as a function of education increases the schools' share of total expenses to approximately 55.9%. Public safety expenses, which total \$25.5 million, or 15.2%, represent the second largest expense category for governmental activities.

**Governmental Activities
Functional Expenses
For the Fiscal Year Ended June 30, 2012**

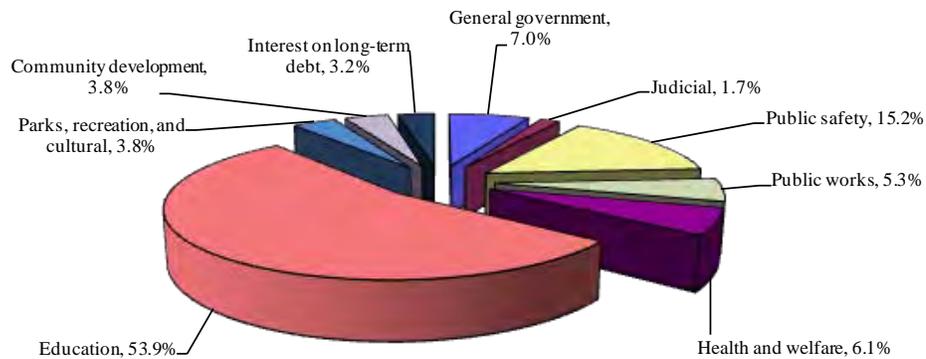


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County's governmental activities.

Table 3				
Net Cost of Governmental Activities				
For the Fiscal Years Ended June 30, 2012 and 2011				
(\$ in millions)				
	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
General government	\$ 11.7	\$ 10.1	\$ 11.0	\$ 9.2
Judicial	2.9	3.1	0.9	1.1
Public safety	25.5	30.5	19.3	24.7
Public works	8.9	7.4	8.7	7.3
Health and welfare	10.2	9.9	4.8	4.1
Education	90.1	79.6	90.1	79.6
Parks, recreation, and cultural	6.3	6.6	5.4	5.8
Community development	6.3	7.7	4.8	6.2
Interest on long-term debt and other	5.3	5.5	5.3	5.5
Total	<u>\$ 167.2</u>	<u>\$ 160.4</u>	<u>\$ 150.3</u>	<u>\$ 143.5</u>

Table 3 may differ from Exhibit 2 due to rounding

As Table 3 demonstrates, governmental activities generate revenues 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 \$16.9 million, the net cost of governmental activities was \$150.3 million, compared to a total cost of \$167.2 million. General revenue, primarily in the form of taxes and State aid, is 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 17.1%, or \$2.6 million, compared to fiscal year 2011. Revenues totaled \$4.9 million, the bulk of which was generated by user fees or charges for services. Business-type activities are generally intended to be self-supporting. Fees are established to recover the cost of providing the services.

The total expenses for business-type activities were \$7.6 million, of which 70.0% was associated with the landfill and recycling program. Business-type activity expenses increased 11.8%, or \$0.8 million, from fiscal year 2011, primarily due to a net increase in landfill closure and postclosure liability of \$0.6 million and an increase in airport operating expenses of \$0.2 million.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2012, the County's governmental funds reported a combined ending fund balance of \$54.9 million (Exhibit 3), an increase of \$8.6 million in comparison with the prior year. This increase is primarily the result of the issuance of debt totaling \$19.9 million plus premium of \$1.5 million offset by the related increase of \$10.5 million in education expenses.

The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund revenues. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$15.6 million (Exhibit 3). This represents 10.0% of general operating revenues budgeted for the coming year in the General Fund. This ten percent is identified as the minimum amount needed to safeguard the County's financial stability and as one component in maintaining its bond ratings. This level, when combined with committed and assigned fund balances, provides the County with sufficient funds to operate in excess of two months without interrupting service levels.

The Board of Supervisors adopted a resolution setting the 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.

The Capital Projects Fund reported a total fund balance of \$24.2 million, up \$11.5 million from the prior year, due to the issuance of bonds in support of capital projects for education.

Significant outlays in fiscal year 2012 included the following:

- The General Fund contributed \$75.7 million in operating funds to finance the Schools operations.
- The Debt Service Fund incurred \$12.5 million in debt service payments for Schools projects previously funded with bond proceeds from the issuance of general obligation bonds.

BUDGETARY HIGHLIGHTS

General Fund

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

Table 4			
Budgetary Comparison			
General Fund			
For the Fiscal Year Ended June 30, 2012			
(\$ in millions)			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
<u>Revenues</u>			
Taxes	\$ 119.5	\$ 119.5	\$ 121.3
Other	3.6	3.6	3.4
Intergovernmental	29.0	29.8	28.2
Total revenues	<u>152.1</u>	<u>152.9</u>	<u>152.9</u>
<u>Expenditures</u>			
Expenditures	<u>139.3</u>	<u>142.0</u>	<u>136.4</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12.8</u>	<u>10.9</u>	<u>16.5</u>
<u>Other financing sources (uses)</u>			
Transfers in	0.9	1.0	0.9
Transfers (out)	<u>(14.9)</u>	<u>(18.7)</u>	<u>(18.6)</u>
Total other financing sources (uses)	<u>(14.0)</u>	<u>(17.7)</u>	<u>(17.7)</u>
Change in fund balance	<u>\$ (1.2)</u>	<u>\$ (6.8)</u>	<u>\$ (1.2)</u>

Table 4 may differ from Exhibit 7 due to rounding.

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 re-appropriated 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 \$0.8 million, primarily due to budget increases for state and federal funding. Actual revenues were in line with the amended budget; however, more tax revenue was received and less other and intergovernmental revenue was received than budgeted. Actual expenditures for the General Fund totaled \$136.4 million or \$5.7 million less

than the amended budget. Of this difference, \$1.3 million is a reduction in the transfer to the School Board component unit and \$4.4 million is from county departmental efforts to control spending (Exhibit 7). A portion of the savings generated by Schools in the form of unexpended appropriations is generally re-appropriated in the new fiscal year. \$1.9 million of fiscal year 2012's unexpended appropriations is expected to be re-appropriated in fiscal year 2013.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

Table 5.1 summarizes capital assets of the governmental activities as of June 30, 2012 and 2011.

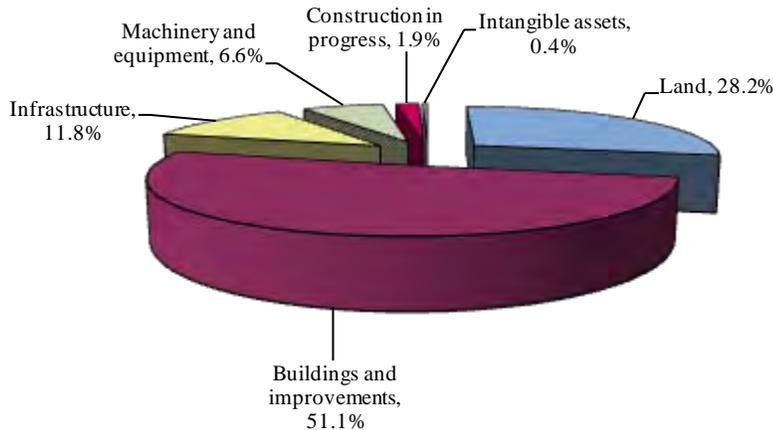
Table 5.1	Change in Capital Assets Governmental Activities (\$ in millions)		
	Balance July 1, 2011	Net Additions and Deletions	Balance June 30, 2012
Land	\$ 20.9	\$ -	\$ 20.9
Construction in progress (CIP)	2.0	(0.6)	1.4
Subtotal capital assets (non-depreciable/non-amortizable)	<u>22.9</u>	<u>(0.6)</u>	<u>22.3</u>
Buildings and improvements	50.5	1.8	52.3
Infrastructure	14.2	-	14.2
Machinery and equipment	12.5	1.9	14.4
Intangible assets	<u>0.3</u>	<u>0.3</u>	<u>0.6</u>
Subtotal capital assets (depreciable/amortizable)	<u>77.5</u>	<u>4.0</u>	<u>81.5</u>
Less: accumulated depreciation/amortization	<u>26.7</u>	<u>3.0</u>	<u>29.7</u>
Net capital assets (depreciable/amortizable)	<u>50.8</u>	<u>1.0</u>	<u>51.8</u>
Governmental activities capital assets, net	\$ <u>73.7</u>	\$ <u>0.4</u>	\$ <u>74.1</u>

Table 5.1 may differ from Note 8 due to rounding.

As illustrated in Table 5.1, for the governmental activities the County's investment in capital assets, not being depreciated totaled \$22.3 million, and \$51.8 million for depreciable capital assets. The net investment in capital assets for governmental activities totaled \$74.1 million, net of accumulated depreciation/amortization of \$29.7 million. This represents a net increase of \$0.4 million, or 0.5%, 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. Included in the intangible asset category is \$0.6 million of computer software and licenses with a three-year term.

The following chart illustrates the County's capital assets, net of depreciation/amortization, by category. Buildings and improvements account for the largest category at 51.1% of the total net capital assets.

**Net Capital Assets Used in the Operation of Governmental Activities
As of June 30, 2012**



The County's Capital Improvements Program Committee (Committee) receives the six-year requests from departments, agencies, and the component unit, Schools. The projects are evaluated, and the Committee prepares a recommended six-year program, which is then sent for action by the Planning Commission to the Board of Supervisors. For the debt funding policy, refer to the section titled "Relevant financial policies" in the Letter of Transmittal for more details.

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

- Acquisition of Self-Contained Breathing Apparatus (SCBA) equipment for \$1.8 million for public safety. This equipment is financed by a capital lease, the proceeds of which were received at the end of the prior fiscal year.
- Completion of the renovations to the Alice Jane Childs building at a total cost of \$0.9 million.
- Completion of the Civil Process Center/Communications Center renovations at a total cost of \$0.3 million.
- Completion of renovations to the Juvenile & Domestic Relations Court at a total cost of \$0.5 million.
- Public safety vehicle acquisitions totaling \$0.5 million.

Table 5.2 summarizes capital assets of the total reporting entity as of fiscal years 2012 and 2011. This information can also be found in Exhibit 1 and Note 8 in the Financial Statement Section.

Change in Capital Assets			
Table 5.2 Total Reporting Entity Including Component Unit			
(\$ in millions)			
	<u>Balance July 1, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
Primary Government			
Governmental Activities	\$ 73.7	\$ 0.4	\$ 74.1
Enterprise Funds	25.6	(1.9)	23.7
Subtotal, Primary Government	<u>99.3</u>	<u>(1.5)</u>	<u>97.8</u>
Component Unit			
School Board	<u>175.4</u>	<u>6.5</u>	<u>181.9</u>
Total Reporting Entity Capital Assets	\$ <u>274.7</u>	\$ <u>5.0</u>	\$ <u>279.7</u>

Table 5.2 may differ from Exhibit 1 and Note 8 due to rounding.

The total reporting entity capital assets increased by \$5.0 million. This increase is primarily due to \$12.6 million in additions to construction in progress for the Fauquier High School renovations, reduced by depreciation expense of \$7.0 million for the School Board component unit.

This year's capital asset additions for the School Board component unit include:

- Addition to construction in progress of \$12.6 million for renovations to Fauquier High School.
- Completion of various small building-related improvement projects at a total cost of \$0.7 million.

More information on the capital assets can be found in Note 8 in the Notes to Financial Statements Section of this report.

Long-term Obligations

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

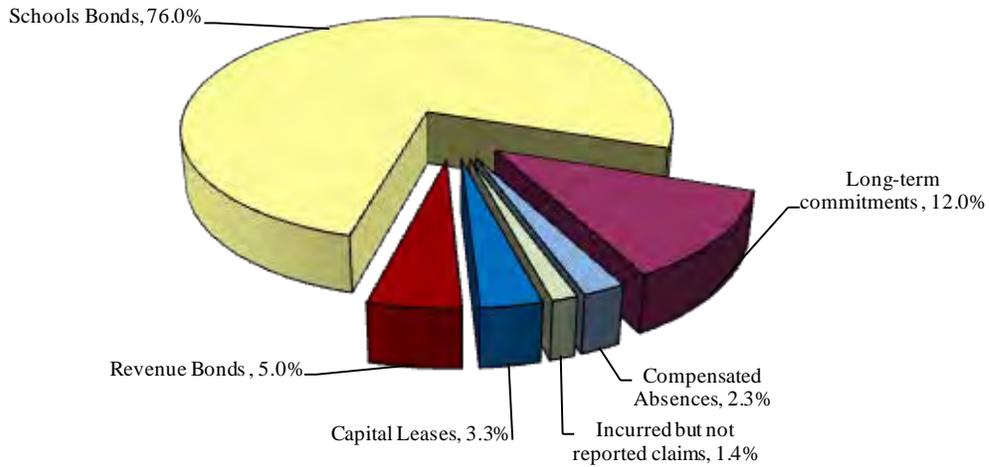
Table 6		Summary of Changes in Long-Term Obligations (\$ in millions)		
	<u>July 1, 2011</u>	<u>Net Increase (Decrease)</u>	<u>June 30, 2012</u>	
Governmental Activities:				
Capital leases	\$ 5.5	\$ (0.7)	\$ 4.8	
Revenue bonds less deferred amount on refunding	7.1	(0.4)	6.7	
County's premium on bonds	1.0	(0.2)	0.8	
School Board's premium on bonds	3.6	3.1	6.7	
General obligation bonds, less deferred amount on refunding	94.7	10.6	105.3	
Long-term commitments	17.8	(0.1)	17.7	
Subtotal	<u>129.7</u>	<u>12.3</u>	<u>142.0</u>	
Compensated absences	3.5	(0.2)	3.3	
Incurred but not reported claims (IBNR)	1.7	0.3	2.0	
Total long-term obligations	<u>134.9</u>	<u>12.4</u>	<u>147.3</u>	
Business-Type Activities:				
Capital leases	0.3	(0.3)	-	
Revenue bonds, including premium	-	6.1	6.1	
Compensated absences	0.1	-	0.1	
Landfill closure and postclosure	11.3	0.5	11.8	
Total long-term obligations	<u>11.7</u>	<u>6.3</u>	<u>18.0</u>	
Total long-term obligations	<u>\$ 146.6</u>	<u>\$ 18.7</u>	<u>\$ 165.3</u>	

Table 6 may differ from Note 9 due to rounding.

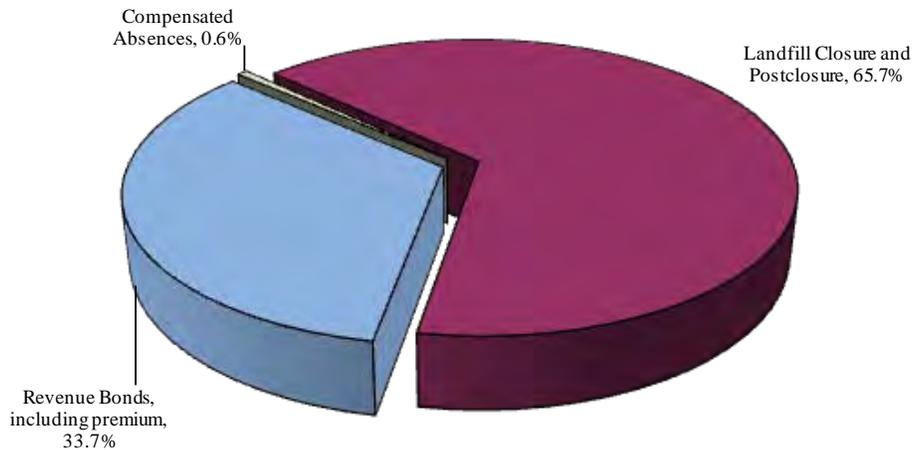
As of June 30, 2012, the County's governmental activities long-term debt, excluding compensated absences and incurred but not reported claims, totaled \$142.0 million. During the year, the County issued \$13.3 million in refunding bonds to advance refund a portion of its Series 2006 General Obligation Bonds, thereby realizing debt service reductions of \$0.6 million. In support of the Fauquier High School renovation project, the County issued \$10.0 million of Qualified School Construction Bonds (QSCB), which feature a federal interest subsidy, effectively reducing the interest payments on the bonds to 0%. Additionally, the County issued \$9.9 million in bonds, plus premium of \$1.5 million, through the Virginia Public School Authority, also in support of the Fauquier High School renovation. For business-type activities, the County issued \$5.2 million of revenue bonds, plus premium of \$0.9 million, through the Virginia Resources Authority to fund improvements at the Landfill.

The charts below illustrate long-term obligations by type and the percentage of each type relative to the total debt outstanding. Schools General Obligation Bonds represent the largest category of debt (including premium) with 76.0% of the County's total governmental obligations.

**Governmental Activities
Long-Term Obligations
As of June 30, 2012**



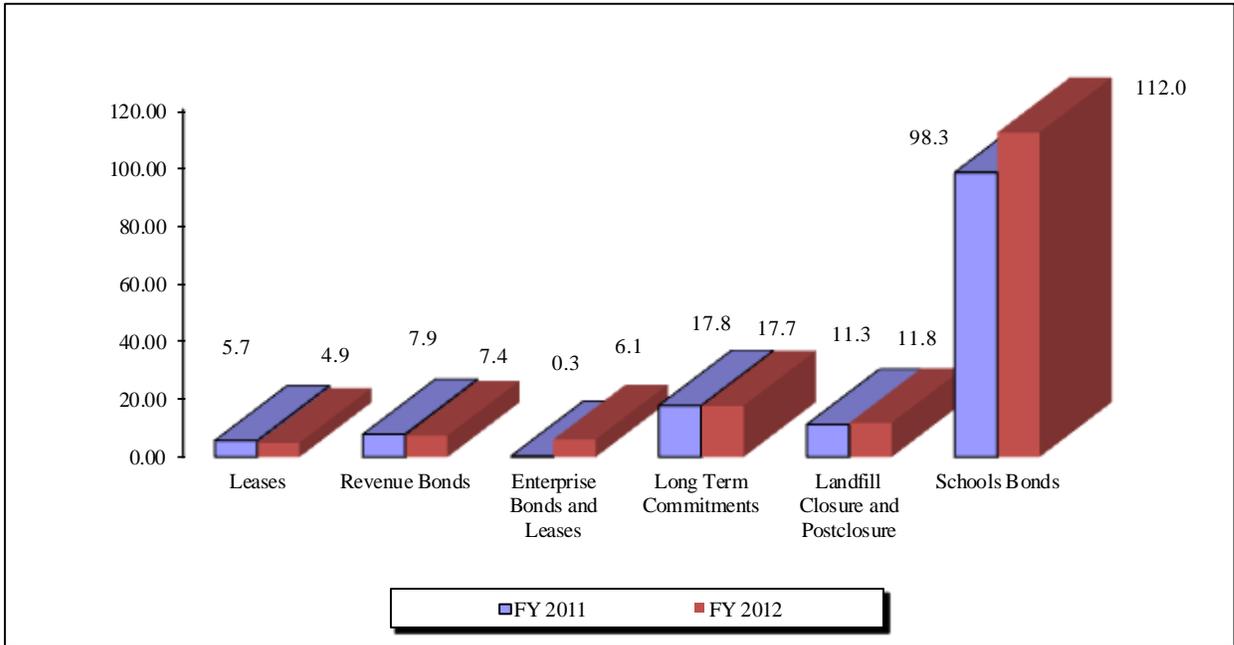
**Business-Type Activities
Long-Term Obligations
As of June 30, 2012**



The following chart compares long-term debts less compensated absences and incurred but not reported claims, for fiscal years 2011 and 2012, by type and amount outstanding. As shown, leases, revenue bonds, and long-term commitments decreased while Enterprise bonds and leases, School bonds, and landfill closure and postclosure liabilities increased.

Long-Term Indebtedness by Obligation Type (\$ in millions)

Totals include premium and deferred amounts as applicable



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 state pooled bond programs such as the Virginia Public School Authority (VPSA) or the Virginia Resources Authority (VRA). The County has participated in the VPSA bond sales for the past several years. The proceeds of these bonds are used exclusively to fund school capital projects.

The County has employed two debt ratios as a management tool. The first ratio has been adopted by the Board of Supervisors and limits annual general government debt service to no more than 10.0% of the aggregate total of budgeted revenues in the General Fund, Volunteer Fire and Rescue Fund and the Conservation Easement Service District Fund. In fiscal year 2012, the County's debt to revenue ratio was 9.2%. The second ratio assessed by management is total debt per capita. This ratio compares current performance to past performance. In fiscal year 2012, the general government debt per capita was \$1,895. This ratio increased from \$1,647 in the prior year (Table 9, Statistical Section of this report), as a result of the issuance of additional long-term debt and only a slight increase in the County's population.

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

- The County does not and 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 financed element for the addition of capital assets.
- The County repays long-term debt over a period that does not exceed the expected useful life of the capital assets being financed.

- The County complies 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 the aggregate total of budgeted revenues in the General Fund, Volunteer Fire and Rescue Fund, and the Conservation Easement Service District Fund according to its policy.

More 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 six-month unemployment rate for the County of Fauquier in June 2012 was 4.7%, down 0.2% from June 2011. This compares favorably to the State's average rate of 5.8% and the National average rate of 8.3%.
- According to the Weldon Cooper Center for Public Service, Fauquier County's population was estimated to be 65,780, an increase of 0.5% 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 2012 by 0.2% from 11,184 to 11,210. Schools enrollment for the last ten years is provided in Table 13, Statistical Section of this report.
- The latest available per capita personal income for Fauquier County was \$51,454 as of 2010, compared to \$44,267 for the Commonwealth of Virginia, as reported by the U.S. Department of Commerce Bureau of Economic Analysis (Table 13, Statistical Section of this report).
- The County Civilian Labor Force increased by 1.2% from 37,311 to 37,775 as of fiscal year 2012. County Civilian Labor Workforce numbers for the last ten years are provided in Table 13, Statistical Section of this report.

Fiscal Year 2013 Budget and Rates

- For 2013, the adopted budget for the General Fund is \$156.8 million, an increase of 1.7% from fiscal year 2012. Revenues are comprised primarily of general property taxes at 69.6%, other local taxes at 8.4%, permits, privilege fees and regulatory licenses at 0.9%, State assistance at 16.5%, Federal assistance at 1.4%, use of money at 0.3%, and other revenues at 2.9%.
- In fiscal year 2013, the County's contribution to the School Board component unit is \$88.5 million which includes the County's contribution to the School Board's operating fund of \$76.9 million and \$11.6 million contributed to the debt service fund on behalf of the Schools. Support to the Schools represents 56.5% 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 1.1% less than fiscal year 2012.
- Public safety accounts for 13.7%, the second largest component of budgeted expenditures. Public safety volunteers are partially funded by a dedicated real property tax of \$0.045 per \$100 of assessed value. This tax partially supports County and volunteer fire and rescue operations (Table 6, Statistical Section of this report).
- The tax rate for real property remained at \$0.97 per \$100 in assessed value the same as last year. 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 Director of Finance, County of Fauquier, 320 Hospital Drive, Suite 32, Warrenton, Virginia 20186, telephone (540) 422-8330, or visit the County's web site at www.fauquiercounty.gov.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements include all funds, the discretely presented component unit, and notes to provide an overview of the financial position and results of operations 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, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
Assets				
Cash, cash equivalents, and investments	\$ 35,509,094	\$ 1,118,930	\$ 36,628,024	\$ 11,079,964
Cash, cash equivalents, and investments - restricted	18,640,550	5,913,938	24,554,488	5,000
Receivables, net of allowance for uncollectibles:				
Taxes, including penalties	4,616,237	-	4,616,237	-
Accounts	2,814,507	441,124	3,255,631	254,784
Internal balances	266,834	(266,834)	-	-
Inventories	615,755	72,757	688,512	114,918
Prepaid assets	3,390,903	700	3,391,603	56,092
Investments	2,000,100	-	2,000,100	-
Due from other governmental units	3,417,088	2,075	3,419,163	3,386,248
Deferred charges (including bond issuance costs)	348,129	96,069	444,198	-
Capital assets (non-depreciable/non-amortizable):				
Land	20,873,378	8,059,127	28,932,505	5,052,116
Construction in progress	1,387,134	536,585	1,923,719	14,121,352
Intangible assets	-	192,690	192,690	-
Capital assets (depreciable/amortizable):				
Cell improvements	-	8,289,523	8,289,523	-
Buildings and improvements	52,331,263	6,990,963	59,322,226	217,568,288
Infrastructure	14,155,834	11,549,745	25,705,579	5,204,865
Machinery and equipment	14,345,636	2,656,230	17,001,866	20,088,620
Intangible assets	663,923	-	663,923	279,687
Accumulated depreciation/amortization	(29,643,371)	(14,585,865)	(44,229,236)	(80,375,690)
Total capital assets	<u>74,113,797</u>	<u>23,688,998</u>	<u>97,802,795</u>	<u>181,939,238</u>
Total assets	<u>145,732,994</u>	<u>31,067,757</u>	<u>176,800,751</u>	<u>196,836,244</u>
Liabilities				
Accounts payable	4,874,676	445,922	5,320,598	523,470
Accrued and other liabilities	1,984,783	42,798	2,027,581	11,919,742
Accrued interest	2,439,835	36,665	2,476,500	-
Unearned revenue	647,512	3,493	651,005	87,680
Customer deposits	746,995	-	746,995	-
Noncurrent liabilities:				
Due within one year	10,368,373	93,035	10,461,408	440,286
Due in more than one year	<u>137,046,243</u>	<u>17,889,545</u>	<u>154,935,788</u>	<u>3,962,569</u>
Total liabilities	<u>158,108,417</u>	<u>18,511,458</u>	<u>176,619,875</u>	<u>16,933,747</u>
Net assets				
Invested in capital assets, net of related debt	68,510,734	23,396,142	91,906,876	181,939,238
Restricted for:				
Parks, recreation, and cultural	302,226	-	302,226	-
Public safety	327,111	-	327,111	-
Public works	33,668	-	33,668	-
Proffers	861,312	-	861,312	-
Affordable housing	529,975	-	529,975	-
Capital projects	1,876,484	-	1,876,484	-
Asset replacement	437,378	-	437,378	-
Education	-	-	-	5,000
Other purposes	4,713	-	4,713	-
Unrestricted (deficit)	<u>(85,259,024)</u>	<u>(10,839,843)</u>	<u>(96,098,867)</u>	<u>(2,041,741)</u>
Total net assets	<u>\$ (12,375,423)</u>	<u>\$ 12,556,299</u>	<u>\$ 180,876</u>	<u>\$ 179,902,497</u>

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

		<u>Reporting Entity</u>		
<u>Reclassifications</u> <u>(See Note 1 - D.14.)</u>		<u>Total</u>		
\$	-	\$	47,707,988	Assets
	-		24,559,488	Cash, cash equivalents, and investments
	-		4,616,237	Cash, cash equivalents, and investments - restricted
	-		3,510,415	Receivables, net of allowances for uncollectibles:
	-		-	Taxes, including penalties
	-		803,430	Accounts
	-		3,447,695	Internal balances
	-		2,000,100	Inventories
	-		6,805,411	Prepaid assets
	-		444,198	Investments
	-		33,984,621	Due from other governmental units
	-		16,045,071	Deferred charges (including bond issuance costs)
	-		192,690	Capital assets (non-depreciable/non-amortizable):
	-		8,289,523	Land
	-		276,890,514	Construction in progress
	-		30,910,444	Intangible assets
	-		37,090,486	Capital assets (depreciable/amortizable):
	-		943,610	Cell improvements
	-		(124,604,926)	Buildings and improvements
	-		279,742,033	Infrastructure
	-			Machinery and equipment
	-			Intangible assets
	-			Accumulated depreciation/amortization
	-			Total capital assets
	-		373,636,995	Total assets
	-			Liabilities
	-		5,844,068	Accounts payable
	-		13,947,323	Accrued and other liabilities
	-		2,476,500	Accrued interest
	-		738,685	Unearned revenue
	-		746,995	Customer deposits
	-			Noncurrent liabilities:
	-		10,901,694	Due within one year
	-		158,898,357	Due in more than one year
	-		193,553,622	Total liabilities
	(102,965,829)		170,880,285	Net assets
	-		302,226	Invested in capital assets, net of related debt
	-		327,111	Restricted for:
	-		33,668	Parks, recreation, and cultural
	-		861,312	Public safety
	-		529,975	Public works
	-		1,876,484	Proffers
	-		437,378	Affordable housing
	-		5,000	Capital projects
	-		4,713	Asset replacement
	-			Education
	-			Other purposes
	102,965,829		4,825,221	Unrestricted (deficit)
\$	-	\$	180,083,373	Total net assets

Statement of Activities
Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 11,751,449	\$ 60,664	\$ 699,129	\$ -
Judicial	2,866,625	609,319	1,373,763	-
Public safety	25,542,703	1,786,469	4,495,092	-
Public works	8,876,778	-	219,753	-
Health and welfare	10,158,861	-	5,321,751	-
Education	90,087,245	-	-	-
Parks, recreation, and cultural	6,275,016	549,697	297,079	9,594
Community development	6,317,724	845,823	626,592	-
Interest on long-term debt	5,315,236	-	-	-
Total governmental activities	<u>167,191,637</u>	<u>3,851,972</u>	<u>13,033,159</u>	<u>9,594</u>
Business-type activities:				
Airport	2,275,363	763,085	22,917	-
Landfill and Recycling	5,337,583	4,101,680	14,135	41,572
Total business-type activities	<u>7,612,946</u>	<u>4,864,765</u>	<u>37,052</u>	<u>41,572</u>
Total primary government	<u>174,804,583</u>	<u>8,716,737</u>	<u>13,070,211</u>	<u>51,166</u>
Component unit				
School Board	<u>129,377,130</u>	<u>3,649,906</u>	<u>13,609,856</u>	<u>-</u>
Total component unit	<u>\$ 129,377,130</u>	<u>\$ 3,649,906</u>	<u>\$ 13,609,856</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 income				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expenses) Revenue and Changes in Net Assets					
Primary Government			Component Unit	Reporting Entity	
Governmental Activities	Business-Type Activities	Total	School Board	Total	Functions/Programs
\$ (10,991,656)	\$ -	\$ (10,991,656)	\$ -	\$ (10,991,656)	Primary Government
(883,543)	-	(883,543)	-	(883,543)	Governmental activities:
(19,261,142)	-	(19,261,142)	-	(19,261,142)	General government
(8,657,025)	-	(8,657,025)	-	(8,657,025)	Judicial
(4,837,110)	-	(4,837,110)	-	(4,837,110)	Public safety
(90,087,245)	-	(90,087,245)	-	(90,087,245)	Public works
(5,418,646)	-	(5,418,646)	-	(5,418,646)	Health and welfare
(4,845,309)	-	(4,845,309)	-	(4,845,309)	Education
(5,315,236)	-	(5,315,236)	-	(5,315,236)	Parks, recreation, and cultural
(150,296,912)	-	(150,296,912)	-	(150,296,912)	Community development
					Interest on long-term debt
					Total governmental activities
	(1,489,361)	(1,489,361)		(1,489,361)	Business-type activities:
	(1,180,196)	(1,180,196)		(1,180,196)	Airport
	(2,669,557)	(2,669,557)		(2,669,557)	Landfill and Recycling
					Total business-type activities
(150,296,912)	(2,669,557)	(152,966,469)			Total primary government
			(112,117,368)	(112,117,368)	Component unit
					School Board
			(112,117,368)	(112,117,368)	Total component unit
114,342,089	-	114,342,089	-	114,342,089	General revenues:
6,637,371	-	6,637,371	-	6,637,371	General property taxes
1,557,435	-	1,557,435	-	1,557,435	Local sales and use taxes
1,185,466	-	1,185,466	-	1,185,466	Consumers' utility taxes
1,773,850	-	1,773,850	-	1,773,850	Business and professional taxes
1,319,617	-	1,319,617	-	1,319,617	Motor vehicle taxes
211,306	-	211,306	-	211,306	Taxes on recordation and wills
-	-	-	87,973,557	87,973,557	Other local taxes
440,373	1,830	442,203	160	442,363	Contribution from primary government
2,077,845	500	2,078,345	225,962	2,304,307	Investment income
16,665,118	-	16,665,118	30,204,708	46,869,826	Miscellaneous
(73,181)	73,181	-	-	-	Grants and contributions not restricted to specific programs
146,137,289	75,511	146,212,800	118,404,387	264,617,187	Transfers
					Total general revenues and transfers
(4,159,623)	(2,594,046)	(6,753,669)	6,287,019	(466,650)	Change in net assets
(8,215,800)	15,150,345	6,934,545	173,615,478	180,550,023	Net assets - beginning
\$ (12,375,423)	\$ 12,556,299	\$ 180,876	\$ 179,902,497	\$ 180,083,373	Net assets - ending

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FUND FINANCIAL STATEMENTS

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2012

	Primary Government				
	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash, cash equivalents, and investments	\$ 15,926,586	\$ 11,130,420	\$ -	\$ 3,963,543	\$ 31,020,549
Cash, cash equivalents, and investments - restricted	165,050	15,753,189	-	2,722,311	18,640,550
Receivables, net of allowance for uncollectibles:					
Taxes, including penalties	4,373,211	-	-	243,026	4,616,237
Accounts	1,105,340	124,397	-	1,260,108	2,489,845
Due from other funds	1,807,739	-	-	-	1,807,739
Inventories	50,162	-	-	365,064	415,226
Prepaid assets	114,882	704,790	2,420,625	150,606	3,390,903
Investments	2,000,100	-	-	-	2,000,100
Due from other governmental units	3,165,142	207,496	-	44,450	3,417,088
Advances to other funds	219,969	-	-	-	219,969
Total assets	28,928,181	27,920,292	2,420,625	8,749,108	68,018,206
Liabilities					
Accounts payable	1,266,384	2,898,672	-	320,482	4,485,538
Accrued liabilities	990,994	595,736	-	4,570	1,591,300
Other liabilities	26,808	251,467	-	-	278,275
Due to other funds	-	-	1,760,874	-	1,760,874
Deferred revenue	3,459,295	-	-	833,255	4,292,550
Escrows	-	-	-	746,995	746,995
Total liabilities	5,743,481	3,745,875	1,760,874	1,905,302	13,155,532
Fund balances					
Nonspendable	385,013	704,790	2,420,625	150,606	3,661,034
Restricted	165,050	15,753,189	-	2,331,333	18,249,572
Committed	1,234,803	7,716,438	-	4,022,105	12,973,346
Assigned	5,843,910	-	-	339,762	6,183,672
Unassigned	15,555,924	-	(1,760,874)	-	13,795,050
Total fund balances	23,184,700	24,174,417	659,751	6,843,806	54,862,674
Total liabilities and fund balances	\$ 28,928,181	\$ 27,920,292	\$ 2,420,625	\$ 8,749,108	\$ 68,018,206

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, 2012

Total fund balances - governmental funds \$ 54,862,674

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 \$56,154 related to internal service fund assets).

Non-depreciable/non-amortizable assets:

Land	20,873,378	
Construction in progress	1,387,134	
Subtotal non-depreciable assets	22,260,512	

Depreciable/amortizable assets:

Buildings and improvements	51,982,263	
Infrastructure	14,155,834	
Equipment	13,953,753	
Less: Accumulated depreciation	(28,601,001)	
Subtotal depreciable assets	51,490,849	

Intangible assets	663,923	
Less: Accumulated amortization	(357,641)	
Subtotal amortizable assets	306,282	74,057,643

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

Deferred tax revenue	3,385,461	
Deferred EMS ambulance billing revenue	632,889	4,018,350

Deferred charges, such as bond issuance costs, are non-capital costs that benefit future periods and therefore are not recognized in the governmental funds. 348,129

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. (2,439,835)

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.

Assets		
Current assets	5,013,736	
Capital assets	740,883	
Less: Accumulated depreciation	(684,729)	
Liabilities	(2,943,229)	2,126,661

Certain liabilities, arbitrage, and installment payments for capital assets, are not recognized as expenditures in the fund statements, but are deferred in the government-wide statements. (100,400)

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	(4,706,680)	
Revenue bonds issued for utility projects	(7,010,000)	
Long term commitments (see Note 10)	(17,636,215)	
General obligation bonds issued for schools	(107,750,000)	
Premium on bonds payable - School Board	(6,740,431)	
Premium on bonds payable - Primary government	(896,383)	
Deferred amount on refunding	2,732,583	
Compensated absences (excludes \$87,533 for internal service funds)	(3,241,519)	(145,248,645)

Net assets of governmental activities \$ (12,375,423)

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, 2012

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 108,603,792	\$ -	\$ -	\$ 5,182,301	\$ 113,786,093
Other local taxes	12,685,045	-	-	-	12,685,045
Permits, privilege fees, and regulatory licenses	900,061	-	-	-	900,061
Fines and forfeitures	447,742	-	-	-	447,742
Revenue from use of money and property	396,934	15,600	137	8,552	421,223
Charges for services	930,703	-	-	1,299,578	2,230,281
Gifts and donations	1,717	-	-	208,916	210,633
Recovered costs	344,507	-	-	97,086	441,593
Miscellaneous revenue	330,744	1,731,739	-	15,362	2,077,845
Intergovernmental:					
Commonwealth of Virginia	25,472,423	188,262	-	273,683	25,934,368
Federal Government	2,778,409	84,623	195,972	503,866	3,562,870
Total revenues	<u>152,892,077</u>	<u>2,020,224</u>	<u>196,109</u>	<u>7,589,344</u>	<u>162,697,754</u>
Expenditures					
Current operating:					
General government	10,831,446	-	-	498,052	11,329,498
Judicial	3,129,590	-	-	-	3,129,590
Public safety	19,172,980	-	-	3,848,879	23,021,859
Public works	7,283,503	523,616	-	476,434	8,283,553
Health and welfare	9,937,121	-	-	-	9,937,121
Education	75,706,018	12,327,138	-	-	88,033,156
Parks, recreation, and cultural	5,286,691	71,998	-	51,154	5,409,843
Community development	4,333,425	-	-	1,654,685	5,988,110
Nondepartmental	681,335	-	-	-	681,335
Capital outlay	-	314,585	-	3,322,518	3,637,103
Debt service:					
Principal retirement	-	205,000	8,413,343	142,551	8,760,894
Interest charges	-	197,311	4,949,658	577,205	5,724,174
Bond issuance costs	-	-	299,881	-	299,881
Fiscal charges	-	435	10,602	-	11,037
Total expenditures	<u>136,362,109</u>	<u>13,640,083</u>	<u>13,673,484</u>	<u>10,571,478</u>	<u>174,247,154</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,529,968</u>	<u>(11,619,859)</u>	<u>(13,477,375)</u>	<u>(2,982,134)</u>	<u>(11,549,400)</u>
Other financing sources (uses)					
Transfers in	931,450	1,984,631	13,492,944	2,416,323	18,825,348
Transfers (out)	(18,680,440)	(215,150)	-	(1,392,827)	(20,288,417)
Issuance of debt	-	19,880,000	-	-	19,880,000
Issuance of refunding bonds	-	-	13,260,000	-	13,260,000
Payments to refunded bond escrow agent	-	-	(15,124,411)	-	(15,124,411)
Premiums on issuance of debt	-	1,500,375	2,062,673	-	3,563,048
Total other financing sources (uses)	<u>(17,748,990)</u>	<u>23,149,856</u>	<u>13,691,206</u>	<u>1,023,496</u>	<u>20,115,568</u>
Net change in fund balances	(1,219,022)	11,529,997	213,831	(1,958,638)	8,566,168
Fund balances, beginning	24,403,722	12,644,420	445,920	8,802,444	46,296,506
Fund balances, ending	<u>\$ 23,184,700</u>	<u>\$ 24,174,417</u>	<u>\$ 659,751</u>	<u>\$ 6,843,806</u>	<u>\$ 54,862,674</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 6

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2012**

Net change in fund balances - total governmental funds	\$	8,566,168
<p>Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense, which is not a use of current financial resources. This is the amount by which the capital outlays exceeded depreciation in the current year.</p>		
Capital outlays (less \$5,970 for internal service funds)	4,215,022	
Depreciation expense (less \$10,295 for internal service funds)	<u>(3,783,474)</u>	431,548
<p>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.</p>		
		(16,514)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add current year's deferred revenue	4,018,350	
Less prior year's deferred revenue	<u>(3,188,466)</u>	829,884
<p>Internal service funds are used by management to charge the costs of fleet maintenance and health insurance to individual funds. The net revenue of certain activities of internal services is reported with governmental activities.</p>		
		(2,032,454)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Add debt principal repayment	21,218,344	
Add amortization of bond payable premiums	597,645	
Add deferred loss on refunding	2,524,411	
Add long term commitment principal repayment	142,551	
Less debt proceeds	(33,140,000)	
Less premium on new debt	(3,563,048)	
Less amortization of deferred loss on refunding	<u>(69,246)</u>	(12,289,343)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:</p>		
Less amortization of bond issuance costs	(41,481)	
Less current year's arbitrage liability	(400)	
Add prior year's arbitrage liability	-	
Less current year's installment liability	(100,000)	
Add prior year's installment liability	116,478	
Less current year's compensated absences (excludes \$5,561 for internal service funds)	(3,334,613)	
Add prior year's compensated absences	3,477,766	
Less current year's accrued interest payable	(2,439,835)	
Add prior year's accrued interest payable	<u>2,673,173</u>	351,088
Change in net assets of governmental activities	\$	<u>(4,159,623)</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 7
Page 1 of 4

Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ 106,833,585	\$ 106,833,585	\$ 108,603,792	\$ 1,770,207
Other local taxes	12,700,000	12,700,000	12,685,045	(14,955)
Permits, privilege fees, and regulatory licenses	1,146,900	1,146,900	900,061	(246,839)
Fines and forfeitures	489,000	489,000	447,742	(41,258)
Revenue from use of money and property	539,877	539,877	396,934	(142,943)
Charges for services	1,001,431	1,016,931	930,703	(86,228)
Gifts and donations	1,500	1,500	1,717	217
Recovered costs	162,562	190,044	344,507	154,463
Miscellaneous revenue	205,055	228,805	330,744	101,939
Intergovernmental:				
Commonwealth of Virginia	26,102,257	26,109,257	25,472,423	(636,834)
Federal Government	2,896,486	3,733,859	2,778,409	(955,450)
Total revenues	<u>152,078,653</u>	<u>152,989,758</u>	<u>152,892,077</u>	<u>(97,681)</u>
Expenditures				
Current operating:				
General government:				
Legislative:				
Board of supervisors	248,923	261,199	261,199	-
General and financial administration:				
County administrator	705,768	726,391	692,605	33,786
General reassessment	-	1,419,108	55,845	1,363,263
County attorney	612,466	642,794	642,794	-
Independent auditor	123,411	135,050	135,050	-
Commissioner of the revenue	1,222,595	1,328,452	1,325,431	3,021
Treasurer	1,053,366	1,069,240	1,056,135	13,105
Information technology	2,854,583	3,077,432	3,032,712	44,720
Human resources	1,633,248	1,402,079	1,256,126	145,953
Finance	1,377,989	1,402,195	1,270,967	131,228
Office of management and budget	393,977	394,997	385,765	9,232
Geographic information systems	280,451	288,249	287,450	799
Total general and financial administration	<u>10,257,854</u>	<u>11,885,987</u>	<u>10,140,880</u>	<u>1,745,107</u>
Board of elections:				
Registrar	395,783	429,367	429,367	-
Total general government	<u>\$ 10,902,560</u>	<u>\$ 12,576,553</u>	<u>\$ 10,831,446</u>	<u>\$ 1,745,107</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, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Expenditures (continued)				
Current operating: (continued)				
Judicial:				
Courts:				
Circuit court	\$ 131,156	\$ 132,960	\$ 118,766	\$ 14,194
General district court	16,485	21,538	21,538	-
Magistrates	87,773	87,773	69,074	18,699
Juvenile and domestic relations district court	13,848	14,894	14,894	-
Clerk of the circuit court	1,054,890	1,074,893	1,044,175	30,718
Adult court services	875,338	886,880	886,880	-
Commissioner of accounts	2,400	2,400	2,400	-
Total courts	<u>2,181,890</u>	<u>2,221,338</u>	<u>2,157,727</u>	<u>63,611</u>
Commonwealth's attorney:				
Commonwealth's attorney	908,650	971,863	971,863	-
Total judicial	<u>3,090,540</u>	<u>3,193,201</u>	<u>3,129,590</u>	<u>63,611</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	11,065,083	11,233,676	11,151,844	81,832
Joint communications	2,125,388	2,131,777	2,112,392	19,385
Total law enforcement and traffic control	<u>13,190,471</u>	<u>13,365,453</u>	<u>13,264,236</u>	<u>101,217</u>
Emergency services administration:				
Emergency services	3,829,576	4,584,645	3,960,248	624,397
Correction and detention:				
Sheriff	567,328	572,355	490,573	81,782
CFW regional jail	1,290,761	1,290,761	1,290,761	-
Probation office	4,284	4,284	2,222	2,062
Juvenile detention and crime control	305,173	305,173	164,940	140,233
Total correction and detention	<u>2,167,546</u>	<u>2,172,573</u>	<u>1,948,496</u>	<u>224,077</u>
Total public safety	<u>19,187,593</u>	<u>20,122,671</u>	<u>19,172,980</u>	<u>949,691</u>
Public works:				
Sanitation and waste removal:				
Solid waste operations	2,505,130	2,532,711	2,532,711	-
General buildings and grounds maintenance:				
General services	4,612,647	4,788,290	4,750,792	37,498
Total public works	<u>\$ 7,117,777</u>	<u>\$ 7,321,001</u>	<u>\$ 7,283,503</u>	<u>\$ 37,498</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 7
Page 3 of 4

Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Expenditures (continued)				
Current operating: (continued)				
Health and welfare:				
Health:				
Supplement of local health department	\$ 503,574	\$ 503,574	\$ 503,574	\$ -
Welfare:				
Institutional care	363,541	363,541	363,541	-
Social services	5,609,260	5,851,314	5,455,411	395,903
Comprehensive services act	3,536,289	3,614,595	3,614,595	-
Total welfare	<u>9,509,090</u>	<u>9,829,450</u>	<u>9,433,547</u>	<u>395,903</u>
Total health and welfare	<u>10,012,664</u>	<u>10,333,024</u>	<u>9,937,121</u>	<u>395,903</u>
Education:				
Contribution to component unit – School Board	76,892,228	76,966,500	75,664,248	1,302,252
Community colleges	41,770	41,770	41,770	-
Total education	<u>76,933,998</u>	<u>77,008,270</u>	<u>75,706,018</u>	<u>1,302,252</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	3,278,629	3,533,748	3,250,282	283,466
Library:				
Public library	1,985,222	2,036,409	2,036,409	-
Total parks, recreation, and cultural	<u>5,263,851</u>	<u>5,570,157</u>	<u>5,286,691</u>	<u>283,466</u>
Community development:				
Planning and community development:				
Community development	3,525,680	3,694,316	3,430,821	263,495
Planning	148,207	148,207	141,353	6,854
Economic development	416,748	429,784	427,193	2,591
Agriculture development	47,938	107,938	81,942	25,996
Total planning and community development	<u>4,138,573</u>	<u>4,380,245</u>	<u>4,081,309</u>	<u>298,936</u>
Environmental management:				
Soil and water conservation district	137,118	137,118	137,118	-
Cooperative extension program:				
VPI extension	126,982	126,982	114,998	11,984
Total community development	<u>\$ 4,402,673</u>	<u>\$ 4,644,345</u>	<u>\$ 4,333,425</u>	<u>\$ 310,920</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, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Expenditures (continued)				
Current operating: (continued)				
Nondepartmental:				
Nondepartmental operations	\$ 2,353,722	\$ 1,315,130	\$ 681,335	\$ 633,795
Total expenditures	<u>139,265,378</u>	<u>142,084,352</u>	<u>136,362,109</u>	<u>5,722,243</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,813,275</u>	<u>10,905,406</u>	<u>16,529,968</u>	<u>5,624,562</u>
Other financing sources (uses)				
Transfers in	942,697	961,450	931,450	(30,000)
Transfers (out)	<u>(14,941,576)</u>	<u>(18,697,099)</u>	<u>(18,680,440)</u>	<u>16,659</u>
Total other financing sources (uses)	<u>(13,998,879)</u>	<u>(17,735,649)</u>	<u>(17,748,990)</u>	<u>(13,341)</u>
Net change in fund balances	(1,185,604)	(6,830,243)	(1,219,022)	5,611,221
Fund balances, beginning	24,403,722	24,403,722	24,403,722	-
Fund balances, ending	<u>\$ 23,218,118</u>	<u>\$ 17,573,479</u>	<u>\$ 23,184,700</u>	<u>\$ 5,611,221</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, 2012

	Business-Type Activities – Enterprise Funds			Governmental Activities Internal Service Funds
	Airport Fund	Landfill and Recycling Fund	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 1,118,930	\$ 1,118,930	\$ 4,488,545
Cash and cash equivalents - restricted	-	5,913,938	5,913,938	-
Receivables, net of allowance for uncollectibles	46,338	304,619	350,957	324,662
Inventories	72,757	-	72,757	200,529
Prepaid assets	700	-	700	-
Due from other governmental units	2,075	-	2,075	-
Deferred charges (including bond issuance costs)	-	96,069	96,069	-
Total current assets	121,870	7,433,556	7,555,426	5,013,736
Noncurrent assets:				
Receivables, net of allowance for uncollectibles	90,167	-	90,167	-
Capital assets (non-depreciable/non-amortizable):				
Land	6,612,678	1,446,449	8,059,127	-
Construction in progress	-	536,585	536,585	-
Intangible assets	192,690	-	192,690	-
Capital assets (depreciable/amortizable):				
Cell improvements	-	8,289,523	8,289,523	-
Buildings and improvements	2,977,276	4,013,687	6,990,963	349,000
Infrastructure	10,695,439	854,306	11,549,745	-
Machinery and equipment	348,953	2,307,277	2,656,230	391,883
Accumulated depreciation/amortization	(7,892,310)	(6,693,555)	(14,585,865)	(684,729)
Total capital assets	12,934,726	10,754,272	23,688,998	56,154
Total noncurrent assets	13,024,893	10,754,272	23,779,165	56,154
Total assets	\$ 13,146,763	\$ 18,187,828	\$ 31,334,591	\$ 5,069,890

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 8
Page 2 of 2

Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-Type Activities – Enterprise Funds			Governmental Activities Internal Service Funds
	Airport Fund	Landfill and Recycling Fund	Total	
Liabilities				
Current liabilities:				
Accounts payable	\$ 61,308	\$ 384,614	\$ 445,922	\$ 389,138
Accrued and other liabilities	8,921	33,877	42,798	14,808
Accrued interest payable	-	36,665	36,665	-
Due to other funds	46,865	-	46,865	-
Unearned revenue	3,493	-	3,493	373,312
Current portion of compensated absences	1,283	8,127	9,410	8,753
Current portion of incurred but not reported claims	-	-	-	519,610
Current portion of long-term bonds payable	-	83,625	83,625	-
Total current liabilities	<u>121,870</u>	<u>546,908</u>	<u>668,778</u>	<u>1,305,621</u>
Noncurrent liabilities:				
Accrued closure and postclosure liability	-	11,840,472	11,840,472	-
Advances from other funds	219,969	-	219,969	-
Noncurrent portion of compensated absences	11,543	73,139	84,682	78,780
Noncurrent portion of incurred but not reported claims	-	-	-	1,558,828
Noncurrent portion of long-term bonds payable	-	5,964,391	5,964,391	-
Total noncurrent liabilities	<u>231,512</u>	<u>17,878,002</u>	<u>18,109,514</u>	<u>1,637,608</u>
Total liabilities	<u>353,382</u>	<u>18,424,910</u>	<u>18,778,292</u>	<u>2,943,229</u>
Net Assets				
Invested in capital assets, net of related debt	12,934,726	10,461,416	23,396,142	56,154
Unrestricted (deficit)	<u>(141,345)</u>	<u>(10,698,498)</u>	<u>(10,839,843)</u>	<u>2,070,507</u>
Total net assets	<u>12,793,381</u>	<u>(237,082)</u>	<u>12,556,299</u>	<u>2,126,661</u>
Total liabilities and net assets	<u>\$ 13,146,763</u>	<u>\$ 18,187,828</u>	<u>\$ 31,334,591</u>	<u>\$ 5,069,890</u>

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, 2012

	Business-Type Activities – Enterprise Funds			Governmental
	Airport Fund	Landfill and Recycling Fund	Total	Activities Internal Service Funds
Operating revenues				
Charges for services	\$ 288,853	\$ 3,241,697	\$ 3,530,550	\$ 24,775,769
Recycling revenues	-	859,983	859,983	-
Fuel	474,232	-	474,232	-
Forfeitures	-	-	-	3,100
Total operating revenues	763,085	4,101,680	4,864,765	24,778,869
Operating expenses				
Cost of goods sold	386,888	-	386,888	-
Personal services	183,124	987,055	1,170,179	613,578
Fringe benefits	42,038	317,449	359,487	234,393
Claims and benefits paid	-	-	-	19,568,749
Premiums	-	-	-	4,431,100
Contractual services	173,744	2,196,847	2,370,591	208,138
Other operating expenses	333,506	420,993	754,499	2,675,143
Closure and postclosure costs	-	586,262	586,262	-
Depreciation	1,156,063	828,977	1,985,040	10,295
Total operating expenses	2,275,363	5,337,583	7,612,946	27,741,396
Operating income (loss)	(1,512,278)	(1,235,903)	(2,748,181)	(2,962,527)
Nonoperating revenues (expenses)				
Interest income	-	1,830	1,830	13,635
Gain on disposal of capital asset	-	500	500	5,515
Operating grants - Commonwealth of Virginia	5,696	14,135	19,831	-
Operating grants - Federal Government	17,221	-	17,221	-
Total nonoperating revenues (expenses)	22,917	16,465	39,382	19,150
Income (loss) before capital contributions and transfers	(1,489,361)	(1,219,438)	(2,708,799)	(2,943,377)
Capital contributions - Commonwealth of Virginia	-	41,572	41,572	-
Transfers in	24,592	48,589	73,181	910,923
Change in net assets	(1,464,769)	(1,129,277)	(2,594,046)	(2,032,454)
Net assets - beginning	14,258,150	892,195	15,150,345	4,159,115
Net assets - ending	\$ 12,793,381	\$ (237,082)	\$ 12,556,299	\$ 2,126,661

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 10

Statement of Cash Flows
 Proprietary Funds
 Fiscal Year Ended June 30, 2012

	Business-Type Activities – Enterprise Funds			Governmental
	Airport Fund	Landfill and Recycling Fund	Total	Activities Internal Service Funds
Cash Flow from Operating Activities				
Receipts from customers and users	\$ 763,665	\$ 4,126,809	\$ 4,890,474	\$ 24,588,441
Payment to suppliers and other operating activities	(873,409)	(2,532,025)	(3,405,434)	(26,396,886)
Payment to employees (including fringes)	(223,351)	(1,312,945)	(1,536,296)	(850,204)
Forfeitures	-	-	-	3,100
Federal COBRA premium subsidy	-	-	-	6,111
Net cash provided by (used for) operating activities	<u>(333,095)</u>	<u>281,839</u>	<u>(51,256)</u>	<u>(2,649,438)</u>
Cash Flow from Noncapital Financing Activities				
Transfers in	24,592	48,589	73,181	910,923
Repayment of interfund obligation	42,672	-	42,672	-
Operating grants	40,055	14,135	54,190	-
Net cash provided by (used for) noncapital financing activities	<u>107,319</u>	<u>62,724</u>	<u>170,043</u>	<u>910,923</u>
Cash Flow from Capital and Related Financing Activities				
Acquisition and construction of capital assets	225,776	(292,430)	(66,654)	(5,970)
Principal paid on debt	-	(298,000)	(298,000)	-
Proceeds from revenue bond	-	6,065,440	6,065,440	-
Gain on disposal of capital asset	-	500	500	5,515
Interest and other fiscal cost on debt	-	19,241	19,241	-
Capital contributions	-	41,572	41,572	-
Net cash provided by (used for) capital and related financing activities	<u>225,776</u>	<u>5,536,323</u>	<u>5,762,099</u>	<u>(455)</u>
Cash Flow from Investing Activities				
Interest	-	1,830	1,830	13,635
Net cash provided by investing activities	<u>-</u>	<u>1,830</u>	<u>1,830</u>	<u>13,635</u>
Net increase (decrease) in cash and cash equivalents	-	5,882,716	5,882,716	(1,725,335)
Cash and cash equivalents - beginning of the year	-	1,150,152	1,150,152	6,213,880
Cash and cash equivalents - end of the year	<u>-</u>	<u>7,032,868</u>	<u>7,032,868</u>	<u>4,488,545</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Cash flows from operations:				
Operating income (loss)	(1,512,278)	(1,235,903)	(2,748,181)	(2,962,527)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,156,063	828,977	1,985,040	10,295
Changes in operating assets and liabilities:				
(Increase) decrease in receivables	(2,913)	25,129	22,216	(221,135)
Increase in incurred but not reported claims	-	-	-	349,459
(Increase) in inventory	(35,735)	-	(35,735)	(28,348)
Decrease in Federal COBRA premium subsidy	-	-	-	6,111
(Increase) in deferred charges	-	(96,069)	(96,069)	-
Increase in accounts payable	56,464	181,884	238,348	165,133
Increase in landfill closure and postclosure costs	-	586,262	586,262	-
Increase in unearned revenue	3,493	-	3,493	33,807
Increase (decrease) in accrued liabilities	1,811	(8,441)	(6,630)	(2,233)
Net cash provided by (used for) operating activities	<u>\$ (333,095)</u>	<u>\$ 281,839</u>	<u>\$ (51,256)</u>	<u>\$ (2,649,438)</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 11

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2012

	Pension (and other employee benefit) Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ -	\$ 246,444
Cash in custody of others	-	97,536
Guaranteed investment contracts	1,413,240	-
Investments at fair value:		
Investment in pooled funds	2,117,852	-
Receivables, net of allowance for uncollectibles:		
Accounts	<u>-</u>	<u>9,425</u>
Total assets	<u><u>3,531,092</u></u>	<u><u>353,405</u></u>
Liabilities		
Accrued liabilities	-	33,362
Amounts held for clients/others	<u>-</u>	<u>320,043</u>
Total liabilities	<u>-</u>	<u>\$ 353,405</u>
Net Assets		
Held in trust for pool participants	1,413,240	
Held in trust for OPEB benefits	<u>2,117,852</u>	
Total net assets	<u>3,531,092</u>	
Total liabilities and net assets	<u>\$ 3,531,092</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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Fauquier have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

A. Financial reporting entity

The County of Fauquier, Virginia (the County) 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 (the 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 School Board does not issue separate financial statements. The School Board consists of the following governmental funds:

The *School General Fund* accounts for and reports financial resources to operate, maintain, and support the School Board programs. Its primary source of revenues is state and federal aid and contributions from the County's General Fund.

The *School Asset Replacement Fund* accounts for and reports financial resources for major maintenance and systems replacement, renovations, and major asset replacements for the schools.

The *School Textbook Fund* accounts for and reports financial resources for the purchase of student textbooks supported by state revenue and transfers from the School General Fund.

The *School Nutrition Fund* accounts for and reports financial resources 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.

The *Crockett Scholarship Private-Purpose Trust Fund* is a private-purpose trust fund established by a private donation. This fund accounts for and reports the principal and income available to provide benefits for scholarships.

The *Mountain Vista Regional Governor's School Fund* is an agency fund used to account for and report funds collected from six school divisions for the purpose of operating the Mountain Vista Governor's School. The County serves as the fiscal agent for these funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The *School Activity Fund* is an agency fund used to account for and report funds collected at the schools in connection with student athletics, clubs, various fundraising activities, and private donations.

B. Government-wide and fund financial statements

Government-wide financial statements – The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Eliminations have been made to avoid the double-counting of inter-fund activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely significantly on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included in program revenues are reported 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 balance, 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 non-major funds.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial, proprietary, and fiduciary fund statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* except for agency funds which are custodial in nature (assets equal liabilities) and do not have a measurement focus. 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.

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 two 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 two 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and reports all financial resources not accounted for and reported in another fund.

The *Capital Projects Fund* accounts for and reports financial resources for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

The *Debt Service Fund* accounts for and reports financial resources for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service.

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

The County reports the following non-major fund types:

The *Asset Replacement Fund* accounts for and reports financial resources for major maintenance and systems replacement, renovations, and major asset replacements for the County.

The *Special Revenue Funds* account for and report the proceeds of specific revenue sources for specified purposes other than debt service or capital projects. Special Revenue Funds consist of the Parks and Recreation Fund, Library Fund, Conservation Easement Service District Fund, Marshall Electric Light and Business Improvement 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 (and other employee benefit) Trust Funds account for assets held in trust by the County for employees and beneficiaries of its Fire and Rescue Pension Trust Length of Service Awards Fund and for the costs of health care and other non-pension benefits offered to retirees in its Other Postemployment Benefit Plans Fund. Agency funds include the Working Together Fund, Special Welfare Fund, Detention Center Fund, and Service to Outside Agencies 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 after November 30, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of inter-fund 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 by a given function, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments, restricted to meeting operational or capital requirements of a particular function. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Taxes and other items not included in program revenues are reported as general revenues.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating 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 fund balance**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 Other Postemployment Benefit Plans Fund, the Working Together Fund, the Special Welfare Fund, the School Board Crockett Scholarship Private-Purpose Trust Fund, and the School Board School Activity 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 Virginia State Non-Arbitrage Program (SNAP). Values of shares in the SNAP reflect fair value.

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the Act) Section 2.2-4400 of the *Code of Virginia*. See Note 2 for further details on public deposits.

2. Inter-fund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of the inter-fund loans). Noncurrent portions of long-term inter-fund loans receivable and amounts due from other governments are equally offset by a fund balance reserve account which indicates 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 at cost using the first-in, first-out method. Inventories of governmental funds, component units, 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 classified as nonspendable fund balance as these funds are not in spendable form. The County participates in the Neighborhood Stabilization Program (NSP). These assets are reported at their lower of cost or market, or net realizable values.

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.

On September 24, 2008, the County agreed to contribute a total of \$938,000 to the SPCA for the construction and secured use of a new intake building in exchange for the SPCA’s impound and care for all animals turned in by residents of the County, in accordance with section 3.2-6546 of the *Code of Virginia*, as amended, and all pertinent County Ordinances. This contribution is a 15 year prepayment of \$62,268 annual rent and constitutes approximately two thirds of the cost of construction of the intake building. As of the end of FY 2012, the unamortized prepaid balance is \$699,285. With the execution of the agreement by the County, the SPCA executed a lease authorizing the County to use the intake building for a period of 15 years for the purpose of performing its animal control functions pursuant to section 3.2-6546 of the *Code of Virginia*.

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 collected 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. 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, intangible assets (e.g., easements and software licenses), 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 one year. 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 when 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 its useful life 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. However, infrastructure that is within the County and is not owned by the Department of Transportation has been included, and is capitalized and reported in the government-wide financial statements at historical cost. This consists of items such as parks and recreational pathways, airport runways, and ballpark lighting.

Impaired capital assets are reported at the lower of carrying value or fair value. Currently, the County does not have any impaired capital assets. 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, equipment, and intangible assets of the primary government, as well as the component unit, are depreciated using the straight line method generally over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40-45
Infrastructure	15-50
Machinery and equipment	5-15
Vehicles	3-12
Intangible assets	3-5

Certain intangible assets with an indefinite useful life are not amortized.

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 of, construction of, 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 capital assets 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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in the asset section (Exhibit 1), net of the amortization 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 on debt issuances are reported as other financing sources while discounts 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. Encumbered amounts lapse at year end, however after review they generally are re-appropriated as part of the following year's budget.

With the implementation of GASB Statement No. 54, encumbrances are no longer separately reported as a component of the fund balance of the fund statements. Significant encumbrances as of June 30, 2012 are:

Encumbrances as of June 30, 2012:

Primary government

General Fund	\$	146,717
Capital Projects Fund		<u>15,268,870</u>
Total primary government encumbrances	\$	<u><u>15,415,587</u></u>

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. Fund balance

In fiscal year 2011, the County implemented GASB Statement No 54, *Fund Balance Reporting and Governmental Type Definitions* as mandated by the Government. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

- *Nonspendable fund balance* - Amounts that cannot be spent because they are not in spendable form (i.e., inventory and prepaids) or are required to remain intact legally or contractually (i.e., corpus of a permanent fund).
- *Restricted fund balance* - Amounts constrained to a specific purpose by their providers (i.e., grantors, bond holders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance* - Amounts constrained to specific purposes by a government, using its highest level of decision-making authority (i.e., Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- *Assigned fund balance* - Amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body itself or by an official, or body, to which the governing body delegates the authority.
- *Unassigned fund balance* - Amounts that are available for any purpose. Positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned.

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the County sets a level of unassigned fund balance at ten percent of general operating revenues. The ten percent level is identified as the minimum amount needed to safeguard the County's financial stability, and when combined with committed and assigned balances, provides the County with sufficient funds to operate in excess of two months without interrupting service levels.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$102,965,829 is reclassified as shown below to present the total reporting entity column of Exhibit 1.

<u>Net assets (summarized)</u>	<u>Primary Government</u>	<u>Component Unit - School Board</u>	<u>Reclassification of Debt Issued for: Public Schools Facilities</u>	<u>Total Reporting Entity</u>
Invested in capital assets, net of related debt	\$ 91,906,876	\$ 181,939,238	\$ (102,965,829)	\$ 170,880,285
Restricted for:				
Parks, recreation, and cultural	302,226	-	-	302,226
Public safety	327,111	-	-	327,111
Public works	33,668	-	-	33,668
Proffers	861,312	-	-	861,312
Affordable housing	529,975	-	-	529,975
Capital projects	1,876,484	-	-	1,876,484
Asset replacement	437,378	-	-	437,378
Education	-	5,000	-	5,000
Other	4,713	-	-	4,713
Unrestricted (deficit)	<u>(96,098,867)</u>	<u>(2,041,741)</u>	<u>102,965,829</u>	<u>4,825,221</u>
Total net assets	<u>\$ 180,876</u>	<u>\$ 179,902,497</u>	<u>\$ -</u>	<u>\$ 180,083,373</u>

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits – Deposits with banks are covered by the Federal Depository Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 of the *Code of Virginia*. Under the act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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) the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers’ acceptances, repurchase agreements, the State Treasurer’s Local Government Investment Pool (LGIP), and the Virginia State Non-Arbitrage Program (SNAP). Bond proceeds subject to arbitrage rebate are invested in the SNAP (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*.

Other Postemployment Benefits (OPEB) – The primary government and component unit’s OPEB trust fund are participants in the Virginia Pooled OPEB Trust. Funds of participating jurisdictions are pooled and invested in the name of the Virginia Pooled OPEB Trust. The primary government’s and component unit’s shares in this pool are reported on the face of the OPEB trust fund statements as found in Exhibit 27 of the CAFR. The Board of Trustees of the Virginia Pooled OPEB Trust has adopted an investment policy to achieve a compounded annualized total rate of return over a market cycle, including current income and capital appreciation, in excess of 5.0% after inflation, consistent with prudent risk-taking. Investment decisions for the funds’ assets are made by the Board of Trustees. The Board of Trustees establishes investment objectives, risk tolerance, and asset allocation policies in light of market and economic conditions, and generally prevailing prudent investment practices. The Board of Trustees also monitors the investments through the appointment and oversight of investment managers and ensures adherence to the adopted policies and guidelines. Specific investment information for the Virginia Pooled OPEB Trust can be obtained by writing to VML/VACo Finance Program, 1108 East Main Street, Richmond, Virginia 23219.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

The County and its discretely presented component unit’s 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 decreasing 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, 2012. WAM expresses investment time horizons, the time when investments become due and payable, weighted to reflect the dollar size of the individual investments within an investment type. The portfolio’s WAM is derived by dollar-weighting the WAM for each investment type. For purposes of the WAM calculation, the County assumes that all of its investments will be held to maturity.

Fair Value and Weighted Average Maturity of Investments at June 30, 2012:

	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Money Market/Money Market Mutual Funds:		
Pooled Investments:		
State Treasurer’s Local Government Investment Pool (LGIP) \$	21,843,315	0.0027
U.S. Government Agency Securities	2,000,100	4.5918
Demand deposit account	30,535,194	0.0027
Restricted Investments:		
USDA Debt Service Reserve	166,774	0.0027
Virginia State Non-Arbitrage Program (SNAP)	19,795,355	0.0027
U.S. Government Agency Securities	1,493	0.0877
SCBA Lease Purchase Reserve	<u>437,378</u>	0.0027
Total Investment	<u>\$ 74,779,609</u>	0.1255

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’s 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 SNAP 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.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

The County’s ratings and policy limits as of June 30, 2012, are as follows:

Investment Type	Investment Policy Limit	Credit Quality (Rating)	Credit Exposure as a % of Total Investment
Money Market/Money Market Mutual Funds:			
State Treasurer’s Local Government Investment Pool (LGIP)	100%	AAA	29%
Virginia State Non-Arbitrage Program (SNAP)	100%	AAA	26%
Demand deposit account	50%	AAA	33%
U.S. Government Agency Securities	100%	AAA	3%
Certificates of deposit	25%	-	9%
			100%

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counter party, the County will not be able to recover the value or collateral securities that are in the possession of an outside party. However, the County’s investment policy requires that all securities purchased by the County be properly and clearly labeled as an asset of Fauquier County and held in safekeeping by a third party custodial bank or institution in compliance with Section 2.2-4514 of the *Code of Virginia*. Therefore the County has no custodial credit risk.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Restricted cash and investments, consisting of amounts for restricted donations, bond covenants, arbitrage rebate, grant funding, and unspent debt proceeds, required to be used for capital projects are as follows:

Restricted Cash and Investments at June 30, 2012:**Primary Government****Governmental Activities:****General Fund:**

Grant and seizure funds	\$ 160,337
SNAP Arbitrage (1996)	<u>4,713</u>
Total General Fund	<u>165,050</u>

Capital Projects Fund:

General Obligation Bond proceeds	13,878,198
Restricted donations	97,919
Performance bonds	251,467
Vint Hill EDA revenue sharing	<u>1,525,605</u>
Total Capital Projects Fund	<u>15,753,189</u>

Other Governmental Funds:

Asset replacement	437,378
Parks, recreation, and cultural donations	182,206
Fire & Rescue USDA Reserve	166,774
Proffers	1,405,339
Affordable housing grants	174,286
Library	120,020
Marshall Electric Light and Business Improvement District	33,340
Vint Hill Transportation	<u>202,968</u>
Total Other Governmental Funds	<u>2,722,311</u>
Total Governmental Activities Restricted Cash and Investments	<u>18,640,550</u>

Business-Type Activities:**Landfill and Recycling Fund:**

Revenue bond proceeds	<u>5,913,938</u>
Total Business-Type Activities Restricted Cash and Investments	<u>5,913,938</u>

Total Primary Government Restricted Cash and Investments 24,554,488

Component unit - School Board**School General Fund:**

Grant funds	<u>5,000</u>
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Total Restricted Cash and Investments \$ 24,559,488

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 Parks and Recreation Special Revenue Fund, the Library Special Revenue Fund, the Marshall Electric Light and Business Improvement District Special Revenue Fund, the Vint Hill Transportation Special Revenue Fund, and all agency funds.

Prior to February 28th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1st. The operating and capital budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain citizen comments. Prior to April 1st, 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 moves budget authority from one line item to another line item in the same department. The Office of Management and Budget approves all intra-departmental transfers. Departments must reconcile personnel, operations, and capital budgets with expenditures on a category basis. An inter-departmental transfer moves budget authority between two departments or agencies in the same fund. The Office of Management and Budget has approval authority for inter-departmental transfers totaling less than \$50,000. The County Administrator has inter-departmental approval authority for transfers equal to or above \$50,000. Transfers between personnel and non-personnel categories are by exception, subject to County Administrator approval. The Board of Supervisors has approval authority for all transfer requests involving new positions, multi-year commitments, and contingency reserves, based on the recommendations of the Finance Committee, and/or the Personnel, Public Safety, and Facilities Planning and Implementation committees, when applicable. Staff is granted authority to carry forward budgets for unexpended grants, encumbrances, and capital project budgets as part of the year-end closeout. A public hearing is required for supplemental appropriations in excess of 1.00% of the total appropriation as specified in Section 15.2-2507 of the *Code of Virginia*. 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 Division's categories. Supplemental appropriations to the School Division and transfers between capital projects require the 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, as well as the Capital Projects Fund. The School Funds are integrated only at the level of legal adoption for the School General Fund, School Asset Replacement Fund, School Textbook Fund, and School Nutrition Fund. All budgetary data presented in the accompanying financial statements reflects the originally adopted budget and the amended budget compared to actual results as of June 30th.

B. Excess of expenditures over appropriations

For the year ended June 30, 2012, there were no departments in which expenditures exceeded appropriations.

C. Deficit fund balance/net assets

As of June 30, 2012, there were no funds with deficit fund balance. As of June 30, 2012 the Landfill fund had deficit net assets.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2012, consist of the following:

Primary Government

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Business-Type Activities - Enterprise Funds	Internal Service Funds	Total
Property taxes	\$ 6,404,317	\$ -	\$ 355,748	-	-	\$ 6,760,065
Accounts	1,105,340	124,397	1,323,728	1,005,419	324,662	3,883,546
Due from other funds	1,807,739	-	-	-	-	1,807,739
Due from other governmental units	3,165,142	207,496	44,450	2,075	-	3,419,163
Advances to other funds	219,969	-	-	-	-	219,969
 Gross receivables	<u>12,702,507</u>	<u>331,893</u>	<u>1,723,926</u>	<u>1,007,494</u>	<u>324,662</u>	<u>16,090,482</u>
 Less:						
Allowance for uncollectible accounts	<u>(2,031,106)</u>	-	<u>(176,342)</u>	<u>(564,295)</u>	-	<u>(2,771,743)</u>
 Net receivables	<u>\$ 10,671,401</u>	<u>\$ 331,893</u>	<u>\$ 1,547,584</u>	<u>\$ 443,199</u>	<u>\$ 324,662</u>	<u>\$ 13,318,739</u>
 Total current receivables	\$ 10,451,432	\$ 331,893	\$ 1,547,584	\$ 353,032	\$ 324,662	\$ 13,008,603
Total noncurrent receivables	<u>219,969</u>	<u>-</u>	<u>-</u>	<u>90,167</u>	<u>-</u>	<u>310,136</u>
Total receivables	<u>\$ 10,671,401</u>	<u>\$ 331,893</u>	<u>\$ 1,547,584</u>	<u>\$ 443,199</u>	<u>\$ 324,662</u>	<u>\$ 13,318,739</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	\$ 3,385,461	\$ -	\$ 3,385,461
EMS ambulance billing revenue	632,889	-	632,889
Prepaid taxes	-	249,798	249,798
Parks and recreation facility rentals	-	24,402	24,402
Airport facility rentals	-	3,493	3,493
Health insurance payroll deductions	-	373,312	373,312
 Total deferred and unearned revenue	<u>\$ 4,018,350</u>	<u>\$ 651,005</u>	<u>\$ 4,669,355</u>

NOTE 4 – RECEIVABLES (CONTINUED)

Component unit – School Board

	School General Fund	School Asset Replacement Fund	Total
Accounts	\$ 253,514	\$ 1,270	\$ 254,784
Due from other governmental units	<u>3,386,248</u>	<u>-</u>	<u>3,386,248</u>
Net receivables	<u>\$ 3,639,762</u>	<u>\$ 1,270</u>	<u>\$ 3,641,032</u>

The School Board's receivables are all short-term. They 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:

	Deferred	Unearned	Total
School General Fund	\$ -	\$ 6,877	\$ 6,877
School Nutrition Fund	<u>-</u>	<u>80,803</u>	<u>80,803</u>
Total deferred and unearned revenue	<u>\$ -</u>	<u>\$ 87,680</u>	<u>\$ 87,680</u>

NOTE 5 – INTERFUND TRANSFERS

Inter-fund transfers for the year ended June 30, 2012, consisted of the following:

Transfers in:								
Transfers out:	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General Fund	\$ -	\$ 1,984,631	\$ 13,492,944	\$ 1,739,796	\$ 73,181	\$ 910,923	\$ 478,965	\$ 18,680,440
Capital Projects Fund	-	-	-	215,150	-	-	-	215,150
Nonmajor Governmental Funds	<u>931,450</u>	<u>-</u>	<u>-</u>	<u>461,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,392,827</u>
Total	<u>\$ 931,450</u>	<u>\$ 1,984,631</u>	<u>\$ 13,492,944</u>	<u>\$ 2,416,323</u>	<u>\$ 73,181</u>	<u>\$ 910,923</u>	<u>\$ 478,965</u>	<u>\$ 20,288,417</u>

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

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of inter-fund obligations as of June 30, 2012:

Current:

Due to / from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ 46,865
General Fund	Debt Service Fund	<u>1,760,874</u>
Total		<u>\$ 1,807,739</u>

Noncurrent:

Advances from/ to other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ <u>219,969</u>
Total		<u>\$ 219,969</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, \$219,969 of the Airport Fund interfund obligation is considered to be long-term in the General Fund – Fund Balance.

NOTE 7 – DUE FROM OTHER GOVERNMENTAL UNITS

The following is a summary of amounts due from other governmental units at June 30, 2012:

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
Commonwealth of Virginia:		
Local sales tax	\$ 1,210,650	\$ -
State sales tax	-	1,886,075
Shared expenses	410,169	-
Comprehensive services	468,891	-
Miscellaneous grants	840,593	574,707
Airport grants	2,075	-
Federal Government:		
School fund grants	-	925,466
Other federal grants	<u>486,785</u>	-
Total	<u>\$ 3,419,163</u>	<u>\$ 3,386,248</u>

NOTE 8 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2012
Primary government – governmental activities				
Capital assets (non-depreciable/non-amortizable):				
Land	\$ 20,873,378	\$ -	\$ -	\$ 20,873,378
Construction in progress	2,009,995	22,003	644,864	1,387,134
Total capital assets (non-depreciable/non-amortizable)	<u>22,883,373</u>	<u>22,003</u>	<u>644,864</u>	<u>22,260,512</u>
Capital assets (depreciable/amortizable):				
Buildings and improvements	50,529,537	1,801,726	-	52,331,263
Infrastructure	14,155,834	-	-	14,155,834
Machinery and equipment	12,435,861	2,727,636	817,861	14,345,636
Intangible assets	349,432	314,491	-	663,923
Total capital assets (depreciable/amortizable)	<u>77,470,664</u>	<u>4,843,853</u>	<u>817,861</u>	<u>81,496,656</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	12,982,656	1,468,970	-	14,451,626
Infrastructure	4,405,219	948,006	-	5,353,225
Machinery and equipment	9,088,359	1,193,867	801,347	9,480,879
Intangible assets	174,715	182,926	-	357,641
Total accumulated depreciation/amortization	<u>26,650,949</u>	<u>3,793,769</u>	<u>801,347</u>	<u>29,643,371</u>
Total capital assets (depreciable/amortizable), net	<u>50,819,715</u>	<u>1,050,084</u>	<u>16,514</u>	<u>51,853,285</u>
Governmental activities capital assets, net	<u>\$ 73,703,088</u>	<u>\$ 1,072,087</u>	<u>\$ 661,378</u>	<u>\$ 74,113,797</u>
	Balance July 1, 2011	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2012
Primary government – enterprise funds				
Landfill and Recycling Fund:				
Capital assets (non-depreciable/non-amortizable):				
Landfill site	\$ 1,446,449	\$ -	\$ -	\$ 1,446,449
Construction in progress	239,837	296,748	-	536,585
Total capital assets (non-depreciable/non-amortizable)	<u>1,686,286</u>	<u>296,748</u>	<u>-</u>	<u>1,983,034</u>
Capital assets (depreciable/amortizable):				
Cell improvements	8,289,523	-	-	8,289,523
Buildings and improvements	4,013,687	-	-	4,013,687
Infrastructure	854,306	-	-	854,306
Machinery and equipment	2,321,313	-	14,036	2,307,277
Total capital assets (depreciable/amortizable)	<u>15,478,829</u>	<u>-</u>	<u>14,036</u>	<u>15,464,793</u>
Less accumulated depreciation/amortization for:				
Cell improvements	2,989,259	370,469	-	3,359,728
Buildings and improvements	1,090,516	261,115	-	1,351,631
Infrastructure	479,301	37,505	-	516,806
Machinery and equipment	1,319,538	159,888	14,036	1,465,390
Total accumulated depreciation/amortization	<u>5,878,614</u>	<u>828,977</u>	<u>14,036</u>	<u>6,693,555</u>
Total capital assets (depreciable/amortizable), net	<u>9,600,215</u>	<u>(828,977)</u>	<u>-</u>	<u>8,771,238</u>
Landfill and Recycling Fund capital assets, net	<u>\$ 11,286,501</u>	<u>\$ (532,229)</u>	<u>\$ -</u>	<u>\$ 10,754,272</u>

NOTE 8 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2011	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2012
Primary government – enterprise funds (continued)				
Airport Fund:				
Capital assets (non-depreciable/non-amortizable):				
Land	\$ 6,612,678	\$ -	\$ -	\$ 6,612,678
Construction in progress	323,193	-	323,193	-
Intangible assets	112,060	80,630	-	192,690
Total capital assets (non-depreciable/non-amortizable)	<u>7,047,931</u>	<u>80,630</u>	<u>323,193</u>	<u>6,805,368</u>
Capital assets (depreciable/amortizable):				
Buildings and improvements	2,977,276	-	-	2,977,276
Infrastructure	10,695,439	-	-	10,695,439
Machinery and equipment	348,953	-	-	348,953
Total capital assets (depreciable/amortizable)	<u>14,021,668</u>	<u>-</u>	<u>-</u>	<u>14,021,668</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	963,233	110,256	-	1,073,489
Infrastructure	5,631,263	1,028,804	-	6,660,067
Machinery and equipment	141,751	17,003	-	158,754
Total accumulated depreciation/amortization	<u>6,736,247</u>	<u>1,156,063</u>	<u>-</u>	<u>7,892,310</u>
Total capital assets, (depreciable/amortizable), net	<u>7,285,421</u>	<u>(1,156,063)</u>	<u>-</u>	<u>6,129,358</u>
Airport Fund capital assets, net	<u>14,333,352</u>	<u>(1,075,433)</u>	<u>323,193</u>	<u>12,934,726</u>
Total enterprise funds capital assets, net	<u>\$ 25,619,853</u>	<u>\$ (1,607,662)</u>	<u>\$ 323,193</u>	<u>\$ 23,688,998</u>
	Balance July 1, 2011	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2012
Component unit – School Board				
Capital assets (non-depreciable/non-amortizable):				
Land	\$ 5,052,116	\$ -	\$ -	\$ 5,052,116
Construction in progress	1,801,493	12,582,403	262,544	14,121,352
Total capital assets (non-depreciable/non-amortizable)	<u>6,853,609</u>	<u>12,582,403</u>	<u>262,544</u>	<u>19,173,468</u>
Capital assets (depreciable/amortizable):				
Buildings and improvements	216,889,342	678,946	-	217,568,288
Infrastructure	4,974,986	229,879	-	5,204,865
Machinery and equipment	20,088,525	308,694	308,599	20,088,620
Intangible assets	338,187	-	58,500	279,687
Total capital assets (depreciable/amortizable)	<u>242,291,040</u>	<u>1,217,519</u>	<u>367,099</u>	<u>243,141,460</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	58,676,543	5,574,585	-	64,251,128
Infrastructure	1,168,514	240,037	-	1,408,551
Machinery and equipment	13,547,399	1,197,524	308,599	14,436,324
Intangible assets	338,187	-	58,500	279,687
Total accumulated depreciation/amortization	<u>73,730,643</u>	<u>7,012,146</u>	<u>367,099</u>	<u>80,375,690</u>
Total capital assets, (depreciable/amortizable), net	<u>168,560,397</u>	<u>(5,794,627)</u>	<u>-</u>	<u>162,765,770</u>
School Board capital assets, net	<u>\$ 175,414,006</u>	<u>\$ 6,787,776</u>	<u>\$ 262,544</u>	<u>\$ 181,939,238</u>

NOTE 8 – CAPITAL ASSETS (CONTINUED)

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

Primary government – governmental activities

General government	\$ 615,621
Judicial	202,804
Public safety	1,861,617
Public works	114,913
Health and welfare	14,605
Parks, recreation, and cultural	968,018
Community development	<u>16,191</u>
 Total governmental activities	 \$ <u><u>3,793,769</u></u>

Primary government – enterprise funds

Landfill and Recycling Fund	\$ 828,977
Airport Fund	<u>1,156,063</u>
 Total enterprise funds	 \$ <u><u>1,985,040</u></u>

Component unit – School Board

\$ 7,012,146

Reconciliation of net assets invested in capital assets, net of related debt:

	<u>Primary Government</u>		<u>Component Unit - School Board</u>	<u>Reporting Entity Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
Total capital assets	\$ <u>74,113,797</u>	\$ <u>23,688,998</u>	\$ <u>181,939,238</u>	\$ <u>279,742,033</u>
Long-term obligations applicable to capital assets:				
Capital leases	4,706,680	-	-	4,706,680
Revenue Bonds	-	5,170,000	-	5,170,000
General obligation school bonds	-	-	107,750,000	107,750,000
Premium on bonds payable	896,383	878,016	6,740,431	8,514,830
Deferred amount on refunding	-	-	(2,524,411)	(2,524,411)
Less unspent proceeds as of June 30, 2012	<u>-</u>	<u>(5,755,160)</u>	<u>(9,000,191)</u>	<u>(14,755,351)</u>
 Subtotal Long-term obligations applicable to capital assets	 <u>5,603,063</u>	 <u>292,856</u>	 <u>102,965,829</u>	 <u>108,861,748</u>
 Net assets invested in capital assets, net of related debt	 \$ <u><u>68,510,734</u></u>	 \$ <u><u>23,396,142</u></u>	 <u><u>78,973,409</u></u>	 <u><u>170,880,285</u></u>

Revenue bonds reported in Note 9 for the primary government-governmental activities are not included in the above reconciliation because the bonds were issued in support of capital projects capitalized by other entities. Only a portion of the deferred amount on refunding from Note 9 is included in this reconciliation; the balance is related to the aforementioned revenue bonds.

NOTE 9 – LONG-TERM OBLIGATIONS

PRIMARY GOVERNMENT

Governmental activities:

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

Fiscal Year	Capital Leases		Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 971,680	\$ 148,393	\$ 360,000	\$ 325,213	\$ 7,495,000	\$ 4,607,933
2014	887,000	117,385	365,000	314,534	7,755,000	4,465,053
2015	918,000	87,944	385,000	299,516	7,015,000	4,113,533
2016	949,000	55,128	405,000	280,722	7,135,000	3,774,296
2017	981,000	19,979	420,000	260,781	7,210,000	3,428,673
2018-2022	-	-	2,180,000	969,231	34,830,000	12,760,731
2023-2027	-	-	1,670,000	510,081	28,420,000	6,167,785
2028-2032	-	-	1,225,000	85,341	7,155,000	2,057,304
2033	-	-	-	-	735,000	16,721
Total	\$ 4,706,680	\$ 428,829	\$ 7,010,000	\$ 3,045,419	\$ 107,750,000	\$ 41,392,029

The following is a summary of long-term obligations of the County for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Amount Due Within One Year
General long-term obligations:					
Capital leases	\$ 5,455,024	\$ -	\$ 748,344	\$ 4,706,680	\$ 971,680
Revenue bonds	7,375,000	-	365,000	7,010,000	360,000
General obligation bonds	94,715,000	33,140,000	20,105,000	107,750,000	7,495,000
Premium on bonds payable	4,671,411	3,563,048	597,645	7,636,814	829,601
Deferred amount on refunding	(277,418)	(2,524,411)	(69,246)	(2,732,583)	(289,002)
Compensated absences	3,477,766	2,233,157	2,381,871	3,329,052	332,905
Long-term commitments	17,778,766	-	142,551	17,636,215	148,579
Incurred but not reported claims	1,728,978	349,460	-	2,078,438	519,610
Total general long-term obligations	\$ 134,924,527	\$ 36,761,254	\$ 24,271,165	\$ 147,414,616	\$ 10,368,373

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

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$1,700,000 Bealeton Library, Series 2002, issued July 15, 2002, due in semiannual installments beginning January 15, 2003 through July 15, 2012, with interest payable semiannually at 4.99%.	\$ 110,680	\$ 110,680
\$3,565,000 Refunding Bond Series 2009B, issued November 19, 2009, maturing annually beginning April 1, 2010 through October 1, 2016, with interest payable semiannually at rates from 3.03% to 5.125%.	3,030,000	560,000
\$1,566,000 SCBA Equipment Lease Series 2011, issued June 24, 2011, due in semiannual installments beginning July 15, 2012 through July 15, 2016, with interest payable semiannually at 1.96%.	<u>1,566,000</u>	<u>301,000</u>
Total Capital Leases	<u>4,706,680</u>	<u>971,680</u>
Revenue Bonds:		
\$2,115,000 Refunding Bond of Series 2001A, issued June 17, 2009 maturing annually beginning October 1, 2009 through October 1, 2020 with interest payable semiannually at rates from 1.13% to 5.13%.	1,785,000	170,000
\$5,430,000 Vint Hill 2011A Refunding VRA Bond, issued May 18, 2011 maturing annually beginning October 1, 2011 through October 1, 2029, with interest payable semiannually at rates from 2.125 % to 5.125%.	<u>5,225,000</u>	<u>190,000</u>
Total Revenue Bonds	<u>7,010,000</u>	<u>360,000</u>
General Obligation Bonds:		
\$9,000,000 Virginia Public School Authority Bonds 1996A, issued November 14, 1996, maturing annually beginning July 15, 1997 through July 15, 2016 with interest payable semiannually at rates from 5.10% to 6.10%.	2,250,000	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%.	\$ 1,050,000	\$ 175,000

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds (continued):		
\$3,500,000 Virginia Public School Authority Bonds, Series 1999A, issued November 29, 1999, maturing annually beginning July 15, 2000 through July 15, 2019, with interest payable semiannually at rates from 5.10% to 6.10%.	\$ 1,400,000	\$ 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%.	2,045,000	230,000
\$8,495,000 General Obligation School Refunding Bonds, Series 2001, issued July 24, 2001, maturing annually from January 15, 2002 through July 15, 2013, with interest payable semiannually at rates from 3.00% to 4.60%.	1,585,000	795,000
\$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 5.35%.	3,200,000	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 3.10% to 5.35%.	6,960,000	580,000
\$3,720,000 Virginia Public School Authority Bonds, Series 2004A, issued November 10, 2004, maturing annually from July 15, 2005 through July 15, 2024, with interest payable semiannually at rates from 4.10% to 5.60%.	2,405,000	185,000
\$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%.	8,060,000	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%.	18,400,000	2,000,000
\$34,075,000 Virginia Public School Authority Bonds, Series 2007A, issued November 8, 2007, maturing annually from July 15, 2008 through July 15, 2027, with interest payable semiannually at rates from 4.35% to 5.10%.	27,255,000	1,705,000
\$10,000,000 Virginia Public School Authority Qualified School Construction Bonds, Series 2011-2, issued December 15, 2011, maturing annually from June 1, 2012 through December 1, 2030, with interest payable semiannually and refunded through a Federal Tax Credit resulting in a 0% interest rate.	\$ 10,000,000	\$ 300,000

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds (continued):		
\$13,260,000 General Obligation School Refunding Bonds, Series 2012, issued February 22, 2012, maturing annually from July 15, 2015 through July 15, 2022, with interest payable semiannually at rates from 2.00% to 4.00%.	\$ 13,260,000	\$ -
\$9,880,000 Virginia Public School Authority Bonds, Series 2012B, issued May 10, 2012, maturing annually from July 15, 2013 through July 15, 2032, with interest payable semiannually at rates from 2.55% to 5.05%.	<u>9,880,000</u>	<u>-</u>
Total General Obligation Bonds	<u>107,750,000</u>	<u>7,495,000</u>
Premium on bonds payable	7,636,814	829,601
Deferred amount on refunding	(2,732,583)	(289,002)
Compensated absences	3,329,052	332,905
Long-term commitments	17,636,215	148,579
Incurred but not reported claims	<u>2,078,438</u>	<u>519,610</u>
Total governmental activity long-term obligations	<u>\$ 147,414,616</u>	<u>\$ 10,368,373</u>

PRIMARY GOVERNMENT

Business-type activities:

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

Fiscal Year	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ -	\$ 212,629
2014	385,000	234,122
2015	400,000	218,481
2016	420,000	198,669
2017	440,000	178,656
2018-2022	2,545,000	551,466
2023-2027	385,000	195,266
2028-2032	480,000	91,968
2033	<u>115,000</u>	<u>2,947</u>
Total	<u>\$ 5,170,000</u>	<u>\$ 1,884,204</u>

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of long-term obligations of the enterprise funds for the year ended June 30, 2012:

	Balance			Balance	Amount
	July 1, 2011	Additions	Retirements	June 30, 2012	Due
					Within
					One Year
Business-type activities long-term obligations:					
Capital leases	\$ 298,000	\$ -	\$ 298,000	\$ -	\$ -
Revenue bonds	-	5,170,000	-	5,170,000	-
Premium on bonds payable		895,440	17,424	878,016	83,625
Compensated absences	100,349	56,561	62,818	94,092	9,410
Landfill closure and postclosure liability	<u>11,254,210</u>	<u>586,262</u>	<u>-</u>	<u>11,840,472</u>	<u>-</u>
Total business-type activity long-term obligations	<u>\$ 11,652,559</u>	<u>\$ 6,708,263</u>	<u>\$ 378,242</u>	<u>\$ 17,982,580</u>	<u>\$ 93,035</u>

Details of long-term obligations are as follows:

	Amount	Amount Due
	Outstanding	Within One Year
Revenue Bonds:		
\$5,170,000 Virginia Resources Authority Revenue bonds, Series 2012A, issued April 30, 2012, maturing annually from October 1, 2013 through October 1, 2032, with interest payable semiannually at rates from 3.424% to 5.125%.	\$ 5,170,000	\$ -
Premium on bonds payable	878,016	83,625
Compensated absences	94,092	9,410
Landfill closure and postclosure liability	<u>11,840,472</u>	<u>-</u>
Total business-type activity long-term obligations	<u>\$ 17,982,580</u>	<u>\$ 93,035</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, 2012:

	Balance			Balance	Amount Due
	July 1, 2011	Additions	Retirements	June 30, 2012	Within One
					Year
General long-term obligations:					
Compensated absences	\$ 4,238,632	\$ 4,290,925	\$ 4,126,702	\$ 4,402,855	\$ 440,286
Total general long-term obligations	<u>\$ 4,238,632</u>	<u>\$ 4,290,925</u>	<u>\$ 4,126,702</u>	<u>\$ 4,402,855</u>	<u>\$ 440,286</u>

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

Details of long-term obligations are as follows:

	Amount <u>Outstanding</u>	Amount Due <u>Within One Year</u>
Compensated absences, component unit	\$ 4,402,855	\$ 440,286
Total component unit long-term obligations	<u>\$ 4,402,855</u>	<u>\$ 440,286</u>

NOTE 10 – LONG-TERM COMMITMENTS

Fauquier County provides annual operating and capital contributions for 11 separately incorporated Volunteer Fire and Rescue Companies through a special Fire and Rescue levy. Four volunteer fire and rescue facilities have finalized loans through the United States Department of Agriculture Rural Development program (USDA) to fund construction and renovations. 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 New Baltimore loan provides for 2 years of interest only payments based on the drawdown of funds. In FY 2013, the second interest only payment is estimated to be \$213,863.

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
2013	\$ 148,579	\$ 718,732
2014	225,009	712,449
2015	234,188	703,270
2016	243,742	693,716
2017	253,688	683,770
2018-2022	1,432,469	3,254,820
2023-2027	1,749,816	2,937,474
2028-2032	2,137,722	2,549,568
2033-2037	2,611,928	2,075,362
2038-2042	3,191,701	1,495,589
2043-2047	3,898,927	788,364
2048-2051	<u>1,508,446</u>	<u>124,636</u>
Total	<u>\$ 17,636,215</u>	<u>\$ 16,737,750</u>

The following is a summary of long-term commitments of the County for the year ended June 30, 2012:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2012</u>	Amount Due <u>Within One Year</u>
General long-term commitments:					
USDA Notes	\$ <u>17,778,766</u>	\$ <u>-</u>	\$ <u>142,551</u>	\$ <u>17,636,215</u>	\$ <u>148,579</u>

NOTE 10 – LONG-TERM COMMITMENTS (CONTINUED)

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%.	\$ 2,797,398	\$ 37,060
\$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%.	963,458	11,483
\$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%.	2,834,785	34,701
\$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%.	1,676,432	20,522
\$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%.	3,661,142	44,813
\$5,703,000 issued to New Baltimore Volunteer Fire and Rescue Company, Inc. on December 21, 2010, due in annual installments for principal and interest beginning December 21, 2013 through December 21, 2050, at 3.750%.	<u>5,703,000</u>	<u>-</u>
Total long-term commitments	\$ <u>17,636,215</u>	\$ <u>148,579</u>

NOTE 11 – CONSTRUCTION COMMITMENTS

At June 30, 2012, the County has several major projects in its capital projects fund under construction which are summarized below. These balances are included in the committed balance for the Capital Projects Fund.

<u>Project Name</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Expended to Date</u>	<u>Balance</u>
Fauquier High School	Whiting Turner	\$ 24,066,585	\$ 11,814,102	\$ 12,252,483
Brookside Parkway	Bay Country Enterprises	<u>1,534,088</u>	<u>128,737</u>	<u>1,405,351</u>
Total		\$ <u>25,600,673</u>	\$ <u>11,942,839</u>	\$ <u>13,657,834</u>

NOTE 12 – COMMITMENTS AND CONTINGENT LIABILITIES

Federal programs in which the County and School Board participate were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests that may result in disallowed expenses. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

NOTE 13 – CLAIMS AND LITIGATION

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

NOTE 14 – DEFINED BENEFIT PENSION PLAN

A. Plan description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried, permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave, and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Plan 1 – Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Plan 2 – Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit. Effective the first day of July 2010, the Fauquier County School Board shall pick up member contributions of its Plan 2 employees to VRS as an additional benefit not paid as salary in an amount equal to 5.00% of creditable compensation subject to the terms and conditions of the employment in effect as described above. However, the Fauquier County Government has elected to have the Plan 2 employees pay the 5.00% member contribution according to the terms of the legislation. This action does not require action by the governing body.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least 5 years of service credit. All other provisions of the member's plan apply.

NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member’s average final compensation multiplied by the member’s total service credit. Under Plan 1, average final compensation is the average of the member’s 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member’s 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.7% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5%; under Plan 2, the COLA cannot exceed 6%. During years of no inflation or deflation, the COLA is 0%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the reports for FY 2011 may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or obtained by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. Fauquier County (County) and the Fauquier County School Board (School Board) have assumed this 5.00% member contribution. In addition, the County and the School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees.

The County and School Board employees’ contribution rates as a percentage of the annual covered payroll for fiscal year ended June 30, 2012 were:

	Annual Required Contribution (ARC)		
	County	Non-Professional School Board	Professional School Board
Employer contribution rates			
July 1, 2011 – June 30, 2012	8.39%	6.31%	6.33 %
Employee contribution rates (paid by employee)			
July 1, 2011 – June 30, 2012	5.00%	-	-
Employee contribution rates (paid by employer)			
July 1, 2011 – June 30, 2012	-	5.00%	5.00%
Total contribution rates			
July 1, 2011 – June 30, 2012	13.39%	11.31%	11.33%

NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Detailed below are current and required contributions to the cost-sharing pool in dollars and the percentage of that amount actually contributed for the current year and each of the two preceding years:

Actual and required contributions to the cost sharing pool for County non-professional employees:

<u>Fiscal year ending</u>	<u>Annual Actual Contribution Amount (a)</u>	<u>Annual Actual Contribution % of Covered Payroll (a/b)</u>	<u>Annual Required Contribution % of Covered Payroll</u>	<u>Covered Payroll (b)</u>
2012	\$ 3,515,820	13.39%	13.39%	\$ 26,257,059
2011	3,511,410	13.39%	13.39%	26,224,123
2010	3,369,065	12.75%	12.75%	26,424,039

Actual and required contributions to the cost-sharing pool for School non-professional employees:

<u>Fiscal year ending</u>	<u>Annual Actual Contribution Amount (a)</u>	<u>Annual Actual Contribution % of Covered Payroll (a/b)</u>	<u>Annual Required Contribution % of Covered Payroll</u>	<u>Covered Payroll (b)</u>
2012	\$ 782,863	11.31%	11.31%	\$ 6,921,864
2011	792,636	11.31%	11.31%	7,008,278
2010	795,271	11.00%	11.00%	7,229,739

Actual and required contributions to the cost-sharing pool for School professional employees:

<u>Fiscal year ending</u>	<u>Annual Actual Contribution Amount (a)</u>	<u>Annual Actual Contribution % of Covered Payroll (a/b)</u>	<u>Annual Required Contribution % of Covered Payroll</u>	<u>Covered Payroll (b)</u>
2012	\$ 7,654,397	11.33%	11.33%	\$ 67,558,666
2011	6,083,334	8.93%	8.93%	68,122,443
2010	8,042,281	11.62%	11.62%	69,214,978

C. Annual pension cost (APC)

For fiscal year 2012, the County's annual pension cost of \$3,515,820 was equal to the County's required and actual contributions which included the 5.00% member contribution and the 8.39% employer's share. The County assumed the 5.00% member contribution for Plan 1 employees and required Plan 2 employees to assume this cost. In fiscal year 2012, the School Board's annual pension cost for non-professional employees was \$782,863 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 6.31% employer's share.

In FY 2012, the required contributions were determined based on the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government and school board employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost of living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the UAAL was 20 years.

NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Trend information

County:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
June 30, 2012	\$ 3,515,820	100%	-
June 30, 2011	3,511,410	100%	-
June 30, 2010	3,369,065	100%	-

Component unit – School Board:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 782,863	100%	-
June 30, 2011	792,636	100%	-
June 30, 2010	795,271	100%	-

E. Funded status and funding progress

The funded status of the Virginia Retirement System pension plan as of June 30, 2011, the most recent actuarial valuation date, is as follows:

County:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio Assets as % of AAL (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2011	\$ 66,514,023	\$ 84,072,944	\$ 17,558,921	79.11%	\$ 26,682,268	65.81%

Component unit – School Board:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio Assets as % of AAL (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2011	\$ 16,951,314	\$ 18,864,453	\$ 1,913,139	89.86%	\$ 6,934,402	27.59%

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

F. 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 less \$4.00 per month per year of service with no maximum credit. As of the end of fiscal year 2012 there were 296 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, 2012, 2011, and 2010 were \$406,505, \$409,127, and \$540,941, respectively.

NOTE 15 – FIRE AND RESCUE PENSION TRUST LENGTH OF SERVICE AWARDS PROGRAM

A. Plan description and provisions

On January 1, 1995, the Fauquier County Board of Supervisors adopted the Fire 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. Benefits and refunds of the postemployment defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan.

As of June 30, 2012, the program membership consisted of the following:

Eligible Members	102
Retirees and beneficiaries	25

No separate financial report is issued for the plan. Per GAAP note disclosure requirements, the following is a summary of financial information held in trust for the Fire and Rescue Pension Trust Length of Service Awards Program:

	Fire and Rescue Pension Trust Length of Service Awards Fund
Assets	
Guaranteed investment contracts	\$ <u>1,413,240</u>
Net Assets	
Held in trust for pool participants	<u>1,413,240</u>
Total net assets	<u>1,413,240</u>
Total net assets	\$ <u><u>1,413,240</u></u>
Additions	
Contribution for beneficiary	\$ 272,501
Investment income	<u>73,515</u>
Total additions	<u>346,016</u>
Deductions	
Members' benefits	60,772
Annuity contracts	49,960
Insurance	74,543
Administrative fees	<u>5,856</u>
Total deductions	<u>191,131</u>
Change in net assets	154,885
Net assets - beginning	<u>1,258,355</u>
Net assets - ending	\$ <u><u>1,413,240</u></u>

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

B. Funding policy

This plan is available to vested volunteer members with no covered payroll. Benefits are amortized on a level dollar basis. They are recognized when due and payable in accordance with the terms of the plan. 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 postretirement increases. The contribution rate is determined using a projected unit credit 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. When actual investment results are less than the assumed rate, additional contributions will be required in future years.

The contributions to the plan for the fiscal year ended June 30, 2012, totaled \$272,501. 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, 2012, the plan had net assets available for benefits totaling \$1,413,240. Unfunded past service costs total \$190,985 and will be fully amortized in 1 year. The plan additions fund the cost of administering the plan.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2012	\$ 272,501	100%
June 30, 2011	283,192	100%
June 30, 2010	273,262	100%

The funded status of the Fire and Rescue Pension Trust Length of Service Awards Program as of June 30, 2012, 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 (UAAL)	Funded Ratio Assets as % of AAL
June 30, 2012	\$ 1,413,138	\$ 1,604,123	\$ 190,985	88.10%

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.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM

A. Plan description and provisions

The Fauquier County Government and Public Schools Postretirement Medical Plan is a single-employer defined benefit healthcare plan which offers health insurance for retired employees. The published insurance rates are based primarily on the healthcare usage of active employees. Retirees pay 100% of the published rates. Since retirees use healthcare at a rate much higher than active employees, using these blended rates creates a hidden subsidy for the retiree group. Employees who terminate prior to employment eligibility are not eligible to participate in the plan. Dependents, including surviving spouses, are permitted access to plan coverage. Disabilities must meet service retirement eligibilities to gain access to the plan.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

General and public safety employees are eligible to retire at age 50 with 15 years of service. School employees must be eligible to retire under the Virginia Retirement System (VRS). Plan participants are eligible for coverage based upon normal retirement at age 65 with 5 years of service or at age 50 with 30 years of service, or early retirement at age 50 with 10 years of service or at age 55 with 5 years of service, in accordance with the eligibility provisions of VRS. The plan is administered by the County and has no separate financial report.

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. Eligible employees receive a retiree health insurance credit for all teachers of \$4.00 per month per year of service with no cap. The plan is financed by payments from the School Board to VRS. Additional information on this plan may be found in Note 14, section F.

The County participates in the Virginia OPEB Trust Fund (Trust Fund), an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions.

The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League (VML) at P.O. Box 12164, Richmond, Virginia 23241.

The following is a summary of financial information held in trust for the Other Postemployment Benefits Program:

	Other Postemployment Benefit Plans Fund
Assets	
Investments at fair value:	
Investment in pooled funds	\$ <u>2,117,852</u>
Net Assets	
Held in trust for OPEB benefits	<u>2,117,852</u>
Total net assets	<u>2,117,852</u>
Total net assets	\$ <u><u>2,117,852</u></u>
Additions	
Contribution for beneficiary	\$ 478,965
Investment income (loss)	<u>(19,231)</u>
Total additions	<u>459,734</u>
Deductions	
Administrative fees	<u>2,409</u>
Total deductions	<u>2,409</u>
Change in net assets	457,325
Net assets - beginning	<u>1,660,527</u>
Net assets - ending	\$ <u><u>2,117,852</u></u>

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

B. Funding policy

Benefit levels, employee contributions, and employer contributions are governed by the County and may be amended by the County. The County establishes employer contribution rates for plan participants and determines annual funding for the plan as part of the budgetary process each year. For participating retirees and their dependents, including surviving spouses, the retiree contributes 100% of the published rates. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed to access the plan.

The following valuation data summarizes the counts of membership reflected in this fiscal year’s funding:

Retirees and beneficiaries	54
Active employees	2,003

C. Annual OPEB cost and net pension obligation (assets)

In accordance with GASB Statement No. 45, an actuarial study was prepared calculating the postemployment healthcare costs as of July 1, 2011. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability (UAAL) at \$6,978,370 and an Annual Required Contribution (ARC) of \$1,019,270. The County and School Board have paid \$540,305 towards this obligation during fiscal year 2012, the estimated pay as you go cost for OPEB benefits, and in addition contributed \$478,965 to the Trust Fund. The actuarial calculation was based on a 7.5% discount rate and the amortization of the UAAL over 30 years.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The County’s and School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 are as follows:

Fiscal Year Ending	Actuarial Valuation Annual OPEB Cost	Percentage of ARC Contributed	Net OPEB Obligation/(Assets)
June 30, 2012	\$ 1,019,270	100%	\$ -
June 30, 2011	970,000	98%	-
June 30, 2010	838,000	102%	(18,000)

D. Trend information

As of July 1, 2011 the annual healthcare cost trend rate is 7.5%, trending down over the next five years to a rate of 5.8% for future years.

E. Funded status and funding progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The funded status of the Other Postemployment Benefits Program (OPEB) as of July 1, 2011, the most recent actuarial valuation date, is as follows:

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2011	\$ 1,660,527	\$ 8,638,897	\$ 6,978,370	19.22%	\$ 101,825,066	6.85%

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.

F. Actuarial methods and assumptions
Actuarial methods

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Actuarial assumptions

The actuarial assumptions of the plan as of July 1, 2011 include a discount rate of 7.5%, payroll growth of 3.5%, and an annual healthcare cost trend rate of 7.5%. A total of 35% of active employees with current health care coverage are assumed to continue coverage at retirement. A total of 100% of retirees with current coverage are assumed to elect coverage at retirement. The UAAL is being amortized over thirty years as a level percentage of projected payroll based on an open group.

NOTE 17 – DEBT DEFEASANCE

At June 30, 2012, \$12,600,000 of outstanding General Obligation Bonds is considered defeased.

On February 22, 2012, the County issued \$15,322,673 (\$13,260,000 par amount plus \$2,062,673 premium) of General Obligation School Refunding Bonds to advance refund \$12,600,000 of outstanding General Obligation Bonds, Series 2006. As a result, the 2006 General Obligation Bonds which mature between July 1, 2017 and July 1, 2022 are considered to be defeased and the liability for these bonds has been removed from the Statement of Net Assets. The County advance refunded this portion of the 2006 bonds to reduce its total debt service payments by \$628,627 and to obtain an economic gain (net present value savings) of \$619,157. The reacquisition price exceeded the carrying value of the old debt by \$2,524,411. This amount is deferred and amortized over the life of the bonds.

NOTE 18 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The County of Fauquier, Virginia owns and operates a landfill site. State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$11,840,472 reported as landfill closure/postclosure care liability at June 30, 2012, represents the cumulative amount reported based on the use of 100% of the estimated capacity of the old landfill, the use of 56.4% of the estimated capacity of the new landfill, and the closure costs for the Construction and Demolition Recycling facility of \$26,835. The County will recognize the remaining estimated cost of closure and postclosure care of \$4,669,053 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 2012. The County is in the process of constructing an additional cell to the new landfill, which will add disposal capacity and defer closure for a minimum of 10 years but potentially 30+ years. While the old landfill has reached 100% 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 20-30 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County demonstrated financial assurance requirements for closure and postclosure care costs through the submission of a local government Financial Test to the Virginia Department of Environment Quality, in accordance with Section 9VAC20-70 of the *Virginia Administrative Code*.

NOTE 19 – FUND BALANCES

The following is a summary of fund balances as of June 30, 2012:

Primary government

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Primary Government
Fund balances:					
Nonspendable:					
Inventories	\$ 50,162	\$ -	\$ -	\$ -	\$ 50,162
Prepaid assets	114,882	704,790	2,420,625	150,606	3,390,903
Advances to other funds	219,969	-	-	-	219,969
Total nonspendable	<u>385,013</u>	<u>704,790</u>	<u>2,420,625</u>	<u>150,606</u>	<u>3,661,034</u>
Restricted:					
Parks, recreation, and cultural	-	-	-	302,226	302,226
Public safety	-	-	-	166,774	166,774
Public works	-	-	-	33,668	33,668
Proffers	-	-	-	861,312	861,312
Affordable housing	-	-	-	529,975	529,975
Grants	160,337	-	-	-	160,337
SNAP arbitrage	4,713	-	-	-	4,713
Capital projects	-	15,753,189	-	-	15,753,189
Asset replacement	-	-	-	437,378	437,378
Total restricted	<u>165,050</u>	<u>15,753,189</u>	<u>-</u>	<u>2,331,333</u>	<u>18,249,572</u>
Committed:					
Public safety	-	-	-	3,515,747	3,515,747
Budgeted use of fund balance	1,234,803	-	-	-	1,234,803
Purchase development rights	-	-	-	253,624	253,624
Affordable housing	-	-	-	218,860	218,860
Capital projects	-	7,716,438	-	-	7,716,438
Asset replacement	-	-	-	33,874	33,874
Total committed	<u>1,234,803</u>	<u>7,716,438</u>	<u>-</u>	<u>4,022,105</u>	<u>12,973,346</u>
Assigned:					
Encumbrances	146,717	-	-	-	146,717
Revenue shortfall	1,000,000	-	-	-	1,000,000
Asset replacement	-	-	-	339,762	339,762
Other purposes	4,697,193	-	-	-	4,697,193
Total assigned	<u>5,843,910</u>	<u>-</u>	<u>-</u>	<u>339,762</u>	<u>6,183,672</u>
Unassigned	<u>15,555,924</u>	<u>-</u>	<u>(1,760,874)</u>	<u>-</u>	<u>13,795,050</u>
Total	<u>\$ 23,184,700</u>	<u>\$ 24,174,417</u>	<u>\$ 659,751</u>	<u>\$ 6,843,806</u>	<u>\$ 54,862,674</u>

Component unit – School Board

	School General Fund	School Asset Replacement Fund	School Textbook Fund	School Nutrition Fund	Total Component unit – School Board
Fund Balances:					
Nonspendable:					
Inventories	\$ -	\$ -	\$ -	\$ 114,918	\$ 114,918
Prepaid assets	56,092	-	-	-	56,092
Total nonspendable	<u>56,092</u>	<u>-</u>	<u>-</u>	<u>114,918</u>	<u>171,010</u>
Restricted:					
Grants	5,000	-	-	-	5,000
Assigned:					
Other purposes	13,254	1,821,014	38,176	372,402	2,244,846
Unassigned:	<u>(54,742)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,742)</u>
Total	<u>\$ 19,604</u>	<u>\$ 1,821,014</u>	<u>\$ 38,176</u>	<u>\$ 487,320</u>	<u>\$ 2,366,114</u>

NOTE 20 – RISK MANAGEMENT

A. County government

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The identification and analysis of exposures to risk, implementation of risk control techniques, and utilization of appropriate risk financing alternatives accomplish management of these risks.

The County Government is a member of the Virginia Association of Counties Risk Pool (VACoRP) insurance programs for its property, automobile, liability, public officials, and workers' compensation coverage. This pool is a non-profit, tax-exempt association. Each Association member jointly and severally agrees to assume, pay, and discharge any liability. The County pays VACoRP contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association 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.

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 workers' compensation coverage.

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, VACoRP, incurs a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

C. Fire and Rescue Association component

The Fire and Rescue Association (Association) contract administration is handled through the Department of Fire, Rescue, and Emergency Management. The Association carries commercial insurance for the property, automobile, and liability coverage. The Cincinnati Insurance Company covers the workers' compensation policy and Provident carries the accident and sickness policy.

D. Health and Dental benefit program component

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.

NOTE 20 – RISK MANAGEMENT (CONTINUED)

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:

	2011	2012
Unpaid claims, beginning of fiscal year	\$ 1,580,725	\$ 1,728,978
Incurred claims, (including IBNR)	15,879,750	19,568,749
Claim payments	15,731,497	19,219,289
Unpaid claims, end of fiscal year	\$ <u>1,728,978</u>	\$ <u>2,078,438</u>

NOTE 21 – RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS

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 (Center) in fiscal year 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 fiscal year 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 14.51% of the regional jail's operating expenses, including debt service, totaling \$1,290,761 in fiscal year 2012.

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.nradc.com.

Fauquier County Industrial Development Authority

The Fauquier County Industrial Development Authority (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, Suite 208, Warrenton, Virginia 20186 or visiting the website at www.fauquiercounty.gov/Government/Committees/inddevauth/.

NOTE 21 – RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

Fauquier County Water and Sanitation Authority

The Fauquier County Water and Sanitation Authority (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 the Board does not have the ability 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.fcwsa.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 2012, Fauquier County contributed a total of \$59,982.

Additional information may be obtained by writing to the Northern Virginia Health Center Commission at 8605 Centreville Road, Manassas, Virginia 20110-8426 or visiting the website at www.birminghamgreen.org.

Birmingham Green Adult Care Residence

The Birmingham Green Adult Care Residence (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 2012, Fauquier County contributed a total of \$245,729.

Additional information may be obtained by writing to the Northern Virginia Health Center Commission at 8605 Centreville Road, Manassas, Virginia 20110-8426 or visiting the website at www.birminghamgreen.org.

Mountain Vista Regional Governor's School

The Mountain Vista Regional Governor's School was established in 2007 by six school divisions (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 six school divisions contribute annually based on the number of students each school board proposes to send to the governor's school. In fiscal year 2012, the Fauquier County School Board contributed a total of \$170,069, with \$435,803 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 mvgshome.org.

NOTE 21 – RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

Rappahannock-Rapidan Regional Commission

The Rappahannock-Rapidan Regional Commission was created by resolution pursuant to state statute and is considered a jointly governed organization. The County appoints two of the twenty-one 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 Regional Commission at 420 Southridge Parkway, Suite 106, Culpeper, Virginia 22701 or visiting the website at 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 three of the fifteen 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, 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.

NOTE 22 – SURETY BONDS

<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 W. 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 Association of Counties Group Self Insurance Risk 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

NOTE 23 – COMMITMENTS UNDER NONCAPITALIZED LEASES

The County leases the following properties:

Properties	Annual Payments
Lee and John Marshall Street, Corner Parking Lot	\$ 6,000
Registrar's Office, 32 Waterloo Street	39,928
Economic Development Office, 35 Culpeper Street	25,224
Department of Social Services, 70 Main Street	23,483
Juvenile and Domestic Relations Court, 98 Alexandria Pike	61,512
Reassessment Office, 98 Alexandria Pike	6,710

All leases are subject to annual appropriation of rental payments.

NOTE 24 – IMPLEMENTED AND PENDING GASB STATEMENTS

In November, 2010 GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. This statement is effective for periods beginning after December 15, 2011. The County will be implementing this statement in fiscal year 2013.

In November, 2010 GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*. The objective of this statement is to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those statements were issued in 1991 and 1999, respectively. This statement is effective for periods beginning after June 15, 2012. The County will be implementing this statement in fiscal year 2013.

In December, 2010 GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. This statement is effective for periods beginning after December 15, 2011. The County will be implementing this statement in fiscal year 2013.

In June, 2011 GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This statement is effective for periods beginning after December 15, 2011. The County will be implementing this statement in fiscal year 2013.

In June, 2011 GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an Amendment of GASB Statement No. 53*. The objective of this statement is to improve financial reporting by state and local governments by clarifying the circumstances in which a hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. This statement is effective for periods beginning after June 15, 2011. The County does not own any derivatives and therefore is not affected by this statement.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is

NOTE 24 – IMPLEMENTED AND PENDING GASB STATEMENTS (CONTINUED)

effective for periods beginning after December 15, 2012. The County will be implementing this statement in fiscal year 2013.

In March 2012, GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012. The County will be implementing this statement in fiscal year 2014.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local government pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of the Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is effective for periods beginning after June 15, 2013. The County will be implementing this statement in fiscal year 2014.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. The Statement is effective for periods beginning after June 15, 2014. The County will be implementing this statement in fiscal year 2015.

REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Funding Progress
 Virginia Retirement System, Fire and Rescue Pension Trust Length of Service Awards Program,
 and Other Postemployment Benefits Program
 Fiscal Year Ended June 30, 2012

Virginia Retirement System

County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2011	\$ 66,514,023	\$ 84,072,944	\$ 17,558,921	79.11%	\$ 26,682,268	65.81%
June 30, 2010	63,078,692	78,115,602	15,036,910	80.75%	26,212,986	57.36%
June 30, 2009	60,812,019	68,173,097	7,361,078	89.20%	26,792,214	27.47%

Component unit – School Board:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2011	\$ 16,951,314	\$ 18,864,453	\$ 1,913,139	89.86%	\$ 6,934,402	27.59%
June 30, 2010	16,273,785	17,409,848	1,136,063	93.47%	7,113,425	15.97%
June 30, 2009	15,791,261	15,453,376	(337,885)	102.19%	7,220,497	-4.68%

Analysis of the dollar amounts of the actuarial value of assets (AVA), actuarial accrued liability (AAL), and unfunded actuarial accrued liability (UAAL) 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 Pension Trust Length of Service Awards Program

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio Assets as % of AAL
June 30, 2012	\$ 1,413,138	\$ 1,604,123	\$ 190,985	88.10%
December 31, 2010	1,242,569	1,429,088	186,519	86.95%
December 31, 2009	1,076,896	1,444,464	367,568	74.55%
December 31, 2008	909,474	1,420,651	511,177	64.02%
December 31, 2007	774,144	1,437,122	662,978	53.87%
December 31, 2006	741,241	1,570,411	829,170	47.20%

Due to the freezing of assets, an actuarial report is no longer being completed. Therefore, the June 30, 2012 report is an annual report.

Other Postemployment Benefits Program

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2011	\$ 1,660,527	\$ 8,638,897	\$ 6,978,370	19.22%	\$ 101,825,066	6.85%
July 1, 2010	1,012,000	7,678,000	6,666,000	13.18%	101,354,844	6.58%
July 1, 2009	488,000	6,544,000	6,544,000	7.46%	102,868,756	6.36%

Historical trend information about these programs is presented above as required supplementary information. This information is intended to help users assess each program's funding status on an on-going basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for and report financial resources for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 14
Page 1 of 2

Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 15,600	\$ 15,600
Miscellaneous	-	1,731,739	1,731,739	-
Intergovernmental:				
Commonwealth of Virginia	-	1,584,737	188,262	(1,396,475)
Federal Government	1,381,057	1,809,057	84,623	(1,724,434)
	<u>1,381,057</u>	<u>5,125,533</u>	<u>2,020,224</u>	<u>(3,105,309)</u>
Total revenues				
	<u>1,381,057</u>	<u>5,125,533</u>	<u>2,020,224</u>	<u>(3,105,309)</u>
Expenditures				
Current operating:				
Capital projects:				
Public works:				
Brookside Parkway extension	-	2,763,000	307,320	2,455,680
Vint Hill Public Streets Network	-	553,476	87,077	466,399
Marshall Main Street	995,094	995,094	92,060	903,034
Salem Meeting House	85,531	85,531	-	85,531
Oak Lake street construction	-	40,000	37,159	2,841
Meadfield street construction	-	44,631	-	44,631
Catlett/Calverton sewer	7,000,000	7,000,000	-	7,000,000
	<u>7,000,000</u>	<u>7,000,000</u>	<u>-</u>	<u>7,000,000</u>
Total public works	<u>8,080,625</u>	<u>11,481,732</u>	<u>523,616</u>	<u>10,958,116</u>
Education:				
Fauquier high school	23,461,052	30,061,052	12,323,313	17,737,739
Kettle Run high school	7,371	7,371	-	7,371
Academic avenue construction	78,133	78,133	3,825	74,308
New elementary school #12	1,731,936	31,936	-	31,936
	<u>1,731,936</u>	<u>31,936</u>	<u>-</u>	<u>31,936</u>
Total education	<u>25,278,492</u>	<u>30,178,492</u>	<u>12,327,138</u>	<u>17,851,354</u>
Parks, recreation, and cultural:				
Land - Walker Jones property	-	1,125	1,125	-
Lord Fairfax Community College	14,066	14,066	-	14,066
Palmer extension	134,875	562,875	-	562,875
Woods of Warrenton	125,841	125,841	12,445	113,396
Northern swimming pool	52,293	52,293	-	52,293
Northern sports complex	162,971	162,971	58,428	104,543
Central sports complex	87,760	87,760	-	87,760
	<u>87,760</u>	<u>87,760</u>	<u>-</u>	<u>87,760</u>
Total parks, recreation, and cultural	<u>\$ 577,806</u>	<u>\$ 1,006,931</u>	<u>\$ 71,998</u>	<u>\$ 934,933</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 14
Page 2 of 2

Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Expenditures (continued)				
Current operating: (continued)				
Capital projects: (continued)				
Community development:				
Airport sewer project	\$ 101,223	\$ 93,223	\$ -	\$ 93,223
Vint hill expansion	148	148	-	148
Total community development	<u>101,371</u>	<u>93,371</u>	<u>-</u>	<u>93,371</u>
Total current operating	<u>34,038,294</u>	<u>42,760,526</u>	<u>12,922,752</u>	<u>29,837,774</u>
Capital outlay:				
Public safety	849,167	834,016	64,768	769,248
Public works	2,011,720	1,810,596	96,089	1,714,507
Education	1,467,889	867,889	11,251	856,638
Parks, recreation, and cultural	3,946	3,946	-	3,946
Community development	15,276	123,276	142,477	(19,201)
Total capital outlay	<u>4,347,998</u>	<u>3,639,723</u>	<u>314,585</u>	<u>3,325,138</u>
Debt service:				
Revenue bond covenant	58,853	58,853	-	58,853
Principal retirement	-	-	205,000	(205,000)
Interest charges	-	-	197,311	(197,311)
Fiscal charges	-	-	435	(435)
Total debt service	<u>58,853</u>	<u>58,853</u>	<u>402,746</u>	<u>(343,893)</u>
Total expenditures	<u>38,445,145</u>	<u>46,459,102</u>	<u>13,640,083</u>	<u>32,819,019</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,064,088)</u>	<u>(41,333,569)</u>	<u>(11,619,859)</u>	<u>29,713,710</u>
Other financing sources (uses)				
Transfers in	200,000	1,984,631	1,984,631	-
Transfers (out)	-	(215,150)	(215,150)	-
Issuance of debt	17,000,000	19,700,000	19,880,000	180,000
Premiums on issuance of debt	-	-	1,500,375	1,500,375
Total other financing sources (uses)	<u>17,200,000</u>	<u>21,469,481</u>	<u>23,149,856</u>	<u>1,680,375</u>
Net change in fund balances	(19,864,088)	(19,864,088)	11,529,997	31,394,085
Fund balances, beginning	12,644,420	12,644,420	12,644,420	-
Fund balances, ending	<u>\$ (7,219,668)</u>	<u>\$ (7,219,668)</u>	<u>\$ 24,174,417</u>	<u>\$ 31,394,085</u>

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DEBT SERVICE FUND

The Debt Service Fund is used to account for and report financial resources for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service.

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COUNTY OF FAUQUIER, VIRGINIA

Exhibit 15

Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Debt Service Fund
Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 137	\$ 137
Intergovernmental:				
Federal Government	-	-	195,972	195,972
Total revenues	-	-	196,109	196,109
Expenditures				
Debt service:				
Principal retirement	8,876,619	8,876,619	8,413,343	463,276
Interest charges	5,055,146	5,055,146	4,949,658	105,488
Bond issuance cost	-	-	299,881	(299,881)
Fiscal charges	7,099	7,099	10,602	(3,503)
Total expenditures	13,938,864	13,938,864	13,673,484	265,380
Excess (deficiency) of revenues over (under) expenditures	(13,938,864)	(13,938,864)	(13,477,375)	461,489
Other financing sources (uses)				
Transfers in	13,492,944	13,492,944	13,492,944	-
Issuance of refunding bonds	-	-	13,260,000	13,260,000
Payments to refunded bond escrow agent	-	-	(15,124,411)	(15,124,411)
Premiums on issuance of debt	-	-	2,062,673	2,062,673
Total other financing sources (uses)	13,492,944	13,492,944	13,691,206	198,262
Net change in fund balances	(445,920)	(445,920)	213,831	659,751
Fund balances, beginning	445,920	445,920	445,920	-
Fund balances, ending	\$ -	\$ -	\$ 659,751	\$ 659,751

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NONMAJOR GOVERNMENTAL FUNDS

The *Asset Replacement Fund* is used to account for and report financial resources for major maintenance and systems replacement, renovations, and major asset replacements for the County.

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

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

The *Marshall Electric Light and Business Improvement District Fund* is used to account for and report an annual tax assessed on real property within the Marshall Electric Light and Business Improvement District to (i) provide for the design, construction, repair, maintenance, operation, and replacement of infrastructure improvements and (ii) promote the district, Marshall generally, and the businesses located therein.

The *Fire and Rescue Fund* is used to account for and report 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 and report transactions related to ambulance services.

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

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

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue					
	Asset Replacement Fund	Parks and Recreation Fund	Library Fund	Conservation Easement Service District Fund	Marshall Electric Light and Business Improvement District Fund	Fire and Rescue Fund
Assets						
Current assets:						
Cash, cash equivalents, and investments	\$ 504,248	\$ -	\$ 75	\$ 250,022	\$ 1,092	\$ 2,426,722
Cash, cash equivalents, and investments - restricted	437,378	182,206	120,020	-	33,340	166,774
Receivables, net of allowance for uncollectibles:						
Taxes, including penalties	-	-	-	28,573	321	214,132
Accounts	2,942	-	-	999	7	437,700
Inventories	-	-	-	-	-	-
Prepaid assets	-	-	-	-	-	150,606
Due from other governmental units	-	-	-	-	-	20,692
Total assets	944,568	182,206	120,095	279,594	34,760	3,416,626
Liabilities						
Accounts payable	133,554	-	75	361	730	93,908
Accrued liabilities	-	-	-	2,136	-	1,398
Deferred revenue	-	-	-	23,473	362	176,531
Escrows	-	-	-	-	-	-
Total liabilities	133,554	-	75	25,970	1,092	271,837
Fund balances						
Nonspendable	-	-	-	-	-	150,606
Restricted	437,378	182,206	120,020	-	33,668	166,774
Committed	33,874	-	-	253,624	-	2,827,409
Assigned	339,762	-	-	-	-	-
Total fund balances	811,014	182,206	120,020	253,624	33,668	3,144,789
Total liabilities and fund balances	944,568	\$ 182,206	\$ 120,095	\$ 279,594	\$ 34,760	\$ 3,416,626

Funds

<u>Ambulance Revenue Fund</u>	<u>Proffer Fund</u>	<u>Affordable Housing Fund</u>	<u>Vint Hill Transportation Fund</u>	<u>Total Nonmajor Governmental Funds</u>	
					Assets
\$ 591,037	\$ -	\$ 190,347	\$ -	\$ 3,963,543	Cash, cash equivalents, and investments
-	1,405,339	174,286	202,968	2,722,311	Cash, cash equivalents, and investments - restricted
-	-	-	-	243,026	Receivables, net of allowance for uncollectibles:
818,460	-	-	-	1,260,108	Taxes, including penalties
-	-	365,064	-	365,064	Accounts
-	-	-	-	150,606	Inventories
-	-	23,758	-	44,450	Prepaid assets
<u>1,409,497</u>	<u>1,405,339</u>	<u>753,455</u>	<u>202,968</u>	<u>8,749,108</u>	Due from other governmental units
					Total assets
87,234	-	4,620	-	320,482	Liabilities
1,036	-	-	-	4,570	Accounts payable
632,889	-	-	-	833,255	Accrued liabilities
-	746,995	-	-	746,995	Deferred revenue
<u>721,159</u>	<u>746,995</u>	<u>4,620</u>	<u>-</u>	<u>1,905,302</u>	Escrows
					Total liabilities
-	-	-	-	150,606	Fund balances
-	658,344	529,975	202,968	2,331,333	Nonspendable
688,338	-	218,860	-	4,022,105	Restricted
-	-	-	-	339,762	Committed
<u>688,338</u>	<u>658,344</u>	<u>748,835</u>	<u>202,968</u>	<u>6,843,806</u>	Assigned
					Total fund balances
\$ <u>1,409,497</u>	\$ <u>1,405,339</u>	\$ <u>753,455</u>	\$ <u>202,968</u>	\$ <u>8,749,108</u>	Total liabilities and fund balances

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2012

	Special Revenue					
	Asset Replacement Fund	Parks and Recreation Fund	Library Fund	Conservation Easement Service District Fund	Marshall Electric Light and Business Improvement District Fund	Fire and Rescue Fund
Revenues						
General property taxes	\$ -	\$ -	\$ -	\$ 609,808	\$ 8,979	\$ 4,563,514
Revenue from use of money and property	1,933	524	296	-	-	2,690
Charges for services	32,560	-	-	-	-	-
Gifts and donations	-	3,448	16,742	100,000	-	-
Recovered costs	97,086	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	1,160
Intergovernmental:						
Commonwealth of Virginia	-	-	-	55,572	-	218,111
Federal Government	-	-	-	-	-	-
Total revenues	<u>131,579</u>	<u>3,972</u>	<u>17,038</u>	<u>765,380</u>	<u>8,979</u>	<u>4,785,475</u>
Expenditures						
Current operating:						
General government	498,052	-	-	-	-	-
Public safety	84,221	-	-	-	-	3,290,900
Public works	467,491	-	-	-	8,943	-
Parks, recreation, and cultural	-	35,828	15,326	-	-	-
Community development	-	-	-	969,278	-	-
Capital outlay	3,322,518	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	142,551
Interest charges	-	-	-	-	-	577,205
Total expenditures	<u>4,372,282</u>	<u>35,828</u>	<u>15,326</u>	<u>969,278</u>	<u>8,943</u>	<u>4,010,656</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,240,703)</u>	<u>(31,856)</u>	<u>1,712</u>	<u>(203,898)</u>	<u>36</u>	<u>774,819</u>
Other financing sources (uses)						
Transfers in	2,207,846	-	-	3,230	-	-
Transfers (out)	-	(3,080)	-	-	-	(613,388)
Total other financing sources (uses)	<u>2,207,846</u>	<u>(3,080)</u>	<u>-</u>	<u>3,230</u>	<u>-</u>	<u>(613,388)</u>
Net change in fund balances	<u>(2,032,857)</u>	<u>(34,936)</u>	<u>1,712</u>	<u>(200,668)</u>	<u>36</u>	<u>161,431</u>
Fund balances, beginning	2,843,871	217,142	118,308	454,292	33,632	2,983,358
Fund balances, ending	<u>\$ 811,014</u>	<u>\$ 182,206</u>	<u>\$ 120,020</u>	<u>\$ 253,624</u>	<u>\$ 33,668</u>	<u>\$ 3,144,789</u>

Funds

Ambulance Revenue Fund	Proffer Fund	Affordable Housing Fund	Vint Hill Transportation Fund	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ 5,182,301	Revenues
-	2,605	-	504	8,552	General property taxes
1,267,018	-	-	-	1,299,578	Revenue from use of money and property
-	86,800	-	1,926	208,916	Charges for services
-	-	-	-	97,086	Gifts and donations
-	-	14,202	-	15,362	Recovered costs
-	-	-	-	273,683	Miscellaneous revenue
-	-	503,866	-	503,866	Intergovernmental:
					Commonwealth of Virginia
					Federal Government
<u>1,267,018</u>	<u>89,405</u>	<u>518,068</u>	<u>2,430</u>	<u>7,589,344</u>	Total revenues
					Expenditures
-	-	-	-	498,052	Current operating:
473,758	-	-	-	3,848,879	General government
-	-	-	-	476,434	Public safety
-	-	-	-	51,154	Public works
-	-	685,407	-	1,654,685	Parks, recreation, and cultural
-	-	-	-	3,322,518	Community development
-	-	-	-	142,551	Capital outlay
-	-	-	-	577,205	Debt service:
					Principal retirement
					Interest charges
<u>473,758</u>	<u>-</u>	<u>685,407</u>	<u>-</u>	<u>10,571,478</u>	Total expenditures
<u>793,260</u>	<u>89,405</u>	<u>(167,339)</u>	<u>2,430</u>	<u>(2,982,134)</u>	Excess (deficiency) of revenues over (under) expenditures
					Other financing sources (uses)
1,615	-	203,632	-	2,416,323	Transfers in
(760,686)	(15,673)	-	-	(1,392,827)	Transfers (out)
<u>(759,071)</u>	<u>(15,673)</u>	<u>203,632</u>	<u>-</u>	<u>1,023,496</u>	Total other financing sources (uses)
34,189	73,732	36,293	2,430	(1,958,638)	Net change in fund balances
<u>654,149</u>	<u>584,612</u>	<u>712,542</u>	<u>200,538</u>	<u>8,802,444</u>	Fund balances, beginning
<u>\$ 688,338</u>	<u>\$ 658,344</u>	<u>\$ 748,835</u>	<u>\$ 202,968</u>	<u>\$ 6,843,806</u>	Fund balances, ending

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 18

Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual
 Nonmajor Governmental Funds – Asset Replacement Fund
 Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 1,933	\$ 1,933
Charges for services	35,000	35,000	32,560	(2,440)
Recovered costs	-	97,086	97,086	-
	<u>35,000</u>	<u>132,086</u>	<u>131,579</u>	<u>(507)</u>
Expenditures				
Current operating:				
Capital projects:				
General government	523,304	498,052	498,052	-
Public safety	13,776	96,074	84,221	11,853
Public works	-	489,512	467,491	22,021
	<u>537,080</u>	<u>1,083,638</u>	<u>1,049,764</u>	<u>33,874</u>
Capital outlay:				
General government	410,038	634,907	526,903	108,004
Public safety	2,658,430	2,658,430	2,537,497	120,933
Public works	534,741	577,869	214,885	362,984
Parks, recreation, and cultural	340,742	340,742	37,733	303,009
Community development	5,500	5,500	5,500	-
	<u>3,949,451</u>	<u>4,217,448</u>	<u>3,322,518</u>	<u>894,930</u>
Total expenditures	<u>4,486,531</u>	<u>5,301,086</u>	<u>4,372,282</u>	<u>928,804</u>
(Deficiency) of revenues (under) expenditures	<u>(4,451,531)</u>	<u>(5,169,000)</u>	<u>(4,240,703)</u>	<u>928,297</u>
Other financing sources				
Transfers in	1,554,000	2,271,469	2,207,846	(63,623)
Issuance of debt	1,575,000	1,575,000	-	(1,575,000)
	<u>3,129,000</u>	<u>3,846,469</u>	<u>2,207,846</u>	<u>(1,638,623)</u>
Net change in fund balances	(1,322,531)	(1,322,531)	(2,032,857)	(710,326)
Fund balances, beginning	2,843,871	2,843,871	2,843,871	-
Fund balances, ending	<u>\$ 1,521,340</u>	<u>\$ 1,521,340</u>	<u>\$ 811,014</u>	<u>\$ (710,326)</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 19

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Conservation Easement Service District Fund
Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ 588,424	\$ 588,424	\$ 609,808	\$ 21,384
Gifts and donations	-	-	100,000	100,000
Intergovernmental:				
Commonwealth of Virginia	<u>40,000</u>	<u>178,121</u>	<u>55,572</u>	<u>(122,549)</u>
Total revenues	<u>628,424</u>	<u>766,545</u>	<u>765,380</u>	<u>(1,165)</u>
Expenditures				
Current operating:				
Community development	<u>628,424</u>	<u>1,224,067</u>	<u>969,278</u>	<u>254,789</u>
Total expenditures	<u>628,424</u>	<u>1,224,067</u>	<u>969,278</u>	<u>254,789</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>(457,522)</u>	<u>(203,898)</u>	<u>253,624</u>
Other financing sources				
Transfers in	<u>-</u>	<u>3,230</u>	<u>3,230</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>3,230</u>	<u>3,230</u>	<u>-</u>
Net change in fund balances	-	(454,292)	(200,668)	253,624
Fund balances, beginning	454,292	454,292	454,292	-
Fund balances, ending	<u>\$ 454,292</u>	<u>\$ -</u>	<u>\$ 253,624</u>	<u>\$ 253,624</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 20

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Fire and Rescue Fund
Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Revenues				
General property taxes	\$ 4,487,380	\$ 4,487,380	\$ 4,563,514	\$ 76,134
Revenue from use of money and property	-	-	2,690	2,690
Miscellaneous revenue	-	-	1,160	1,160
Intergovernmental:				
Commonwealth of Virginia	<u>201,658</u>	<u>218,111</u>	<u>218,111</u>	<u>-</u>
Total revenues	<u>4,689,038</u>	<u>4,705,491</u>	<u>4,785,475</u>	<u>79,984</u>
Expenditures				
Current operating:				
Public safety	3,269,015	3,902,568	3,290,900	611,668
Debt service:				
Principal retirement	-	142,551	142,551	-
Interest charges	<u>-</u>	<u>577,205</u>	<u>577,205</u>	<u>-</u>
Total expenditures	<u>3,269,015</u>	<u>4,622,324</u>	<u>4,010,656</u>	<u>611,668</u>
Excess of revenues over expenditures	<u>1,420,023</u>	<u>83,167</u>	<u>774,819</u>	<u>691,652</u>
Other financing (uses)				
Transfers (out)	<u>(1,945,023)</u>	<u>(1,225,267)</u>	<u>(613,388)</u>	<u>611,879</u>
Total other financing (uses)	<u>(1,945,023)</u>	<u>(1,225,267)</u>	<u>(613,388)</u>	<u>611,879</u>
Net change in fund balances	(525,000)	(1,142,100)	161,431	1,303,531
Fund balances, beginning	2,983,358	2,983,358	2,983,358	-
Fund balances, ending	<u>\$ 2,458,358</u>	<u>\$ 1,841,258</u>	<u>\$ 3,144,789</u>	<u>\$ 1,303,531</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 21

Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual
 Nonmajor Governmental Funds – Ambulance Revenue Fund
 Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Revenues				
Charges for services	\$ 1,588,928	\$ 1,588,928	\$ 1,267,018	\$ (321,910)
Total revenues	<u>1,588,928</u>	<u>1,588,928</u>	<u>1,267,018</u>	<u>(321,910)</u>
Expenditures				
Current operating:				
Public safety	<u>828,242</u>	<u>829,857</u>	<u>473,758</u>	<u>356,099</u>
Total expenditures	<u>828,242</u>	<u>829,857</u>	<u>473,758</u>	<u>356,099</u>
Excess of revenues over expenditures	<u>760,686</u>	<u>759,071</u>	<u>793,260</u>	<u>34,189</u>
Other financing sources (uses)				
Transfers in	-	1,615	1,615	-
Transfers (out)	<u>(760,686)</u>	<u>(760,686)</u>	<u>(760,686)</u>	<u>-</u>
Total other financing sources (uses)	<u>(760,686)</u>	<u>(759,071)</u>	<u>(759,071)</u>	<u>-</u>
Net change in fund balances	-	-	34,189	34,189
Fund balances, beginning	654,149	654,149	654,149	-
Fund balances, ending	<u>\$ 654,149</u>	<u>\$ 654,149</u>	<u>\$ 688,338</u>	<u>\$ 34,189</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 22

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Proffer Fund
Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 2,605	\$ 2,605
Gifts and donations	-	-	86,800	86,800
Total revenues	-	-	89,405	89,405
Expenditures				
Current operating:				
Community development	125,455	109,782	-	109,782
Total expenditures	125,455	109,782	-	109,782
Excess (deficiency) of revenues over (under) expenditures	(125,455)	(109,782)	89,405	199,187
Other financing (uses)				
Transfers (out)	-	(15,673)	(15,673)	-
Total other financing (uses)	-	(15,673)	(15,673)	-
Net change in fund balances	(125,455)	(125,455)	73,732	199,187
Fund balances, beginning	584,612	584,612	584,612	-
Fund balances, ending	\$ 459,157	\$ 459,157	\$ 658,344	\$ 199,187

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 23

Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual
 Nonmajor Governmental Funds – Affordable Housing Fund
 Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance From Amended Positive (Negative)
Revenues				
Miscellaneous revenue	\$ -	\$ -	\$ 14,202	\$ 14,202
Intergovernmental:				
Federal Government	-	603,766	503,866	(99,900)
Total revenues	-	603,766	518,068	(85,698)
Expenditures				
Current operating:				
Community development	203,632	807,398	685,407	121,991
Total expenditures	203,632	807,398	685,407	121,991
(Deficiency) of revenues (under) expenditures	(203,632)	(203,632)	(167,339)	36,293
Other financing sources				
Transfers in	203,632	203,632	203,632	-
Total other financing sources	203,632	203,632	203,632	-
Net change in fund balances	-	-	36,293	36,293
Fund balances, beginning	712,542	712,542	712,542	-
Fund balances, ending	\$ 712,542	\$ 712,542	\$ 748,835	\$ 36,293

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PROPRIETARY FUNDS

The Internal Service Funds are used to account for and report 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 and report 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 and report the provision of a comprehensive health benefits program for County and School employees.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 24

Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 427,097	\$ 4,061,448	\$ 4,488,545
Receivables, net of allowance for uncollectibles	37,001	287,661	324,662
Inventories	200,529	-	200,529
Total current assets	664,627	4,349,109	5,013,736
Noncurrent assets:			
Capital assets (depreciable):			
Buildings and improvements	349,000	-	349,000
Machinery and equipment	391,883	-	391,883
Accumulated depreciation	(684,729)	-	(684,729)
Total capital assets	56,154	-	56,154
Total noncurrent assets	56,154	-	56,154
Total assets	720,781	4,349,109	5,069,890
Liabilities			
Current liabilities:			
Accounts payable	45,411	343,727	389,138
Accrued and other liabilities	14,808	-	14,808
Unearned revenue	-	373,312	373,312
Current portion of compensated absences	8,753	-	8,753
Current portion of incurred but not reported claims	-	519,610	519,610
Total current liabilities	68,972	1,236,649	1,305,621
Noncurrent liabilities:			
Noncurrent portion of compensated absences	78,780	-	78,780
Noncurrent portion of incurred but not reported claims	-	1,558,828	1,558,828
Total noncurrent liabilities	78,780	1,558,828	1,637,608
Total liabilities	147,752	2,795,477	2,943,229
Net Assets			
Invested in capital assets, net of related debt	56,154	-	56,154
Unrestricted (deficit)	516,875	1,553,632	2,070,507
Total net assets	573,029	1,553,632	2,126,661
Total liabilities and net assets	\$ 720,781	\$ 4,349,109	\$ 5,069,890

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 25

**Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
Fiscal Year Ended June 30, 2012**

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Operating revenues			
Charges for services	\$ 3,767,896	\$ 21,007,873	\$ 24,775,769
Forfeitures	-	3,100	3,100
Total operating revenues	<u>3,767,896</u>	<u>21,010,973</u>	<u>24,778,869</u>
Operating expenses			
Personal services	613,578	-	613,578
Fringe benefits	234,393	-	234,393
Claims and benefits paid	-	19,568,749	19,568,749
Premiums	-	4,431,100	4,431,100
Contractual services	123,131	85,007	208,138
Other operating expenses	2,647,023	28,120	2,675,143
Depreciation	10,295	-	10,295
Total operating expenses	<u>3,628,420</u>	<u>24,112,976</u>	<u>27,741,396</u>
Operating income (loss)	<u>139,476</u>	<u>(3,102,003)</u>	<u>(2,962,527)</u>
Nonoperating revenues (expenses)			
Interest income	-	13,635	13,635
Gain on disposal of capital asset	5,515	-	5,515
Total nonoperating revenues (expenses)	<u>5,515</u>	<u>13,635</u>	<u>19,150</u>
Income (loss) before transfers	144,991	(3,088,368)	(2,943,377)
Transfers in	<u>20,992</u>	<u>889,931</u>	<u>910,923</u>
Change in net assets	165,983	(2,198,437)	(2,032,454)
Net assets - beginning	407,046	3,752,069	4,159,115
Net assets - ending	<u>\$ 573,029</u>	<u>\$ 1,553,632</u>	<u>\$ 2,126,661</u>

Combining Statement of Cash Flows
Internal Service Funds
Fiscal Year Ended June 30, 2012

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Cash Flow from Operating Activities			
Receipts from customers and users	\$ 3,764,412	\$ 20,824,029	\$ 24,588,441
Payment to suppliers and other operating activities	(2,864,392)	(23,532,494)	(26,396,886)
Payment to employees (including fringes)	(850,204)	-	(850,204)
Forfeitures	-	3,100	3,100
Federal COBRA premium subsidy	-	6,111	6,111
Net cash provided by (used for) operating activities	49,816	(2,699,254)	(2,649,438)
Cash Flow from Noncapital Financing Activities			
Transfers in	20,992	889,931	910,923
Net cash provided by (used for) noncapital financing activities	20,992	889,931	910,923
Cash Flow from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(5,970)	-	(5,970)
Gain on disposal of capital asset	5,515	-	5,515
Net cash provided by (used for) capital and related financing activities	(455)	-	(455)
Cash Flow from Investing Activities			
Interest	-	13,635	13,635
Net cash provided by (used for) investing activities	-	13,635	13,635
Net increase (decrease) in cash and cash equivalents	70,353	(1,795,688)	(1,725,335)
Cash and cash equivalents - beginning of the year	356,744	5,857,136	6,213,880
Cash and cash equivalents - end of the year	427,097	4,061,448	4,488,545
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Cash flows from operations:			
Operating income (loss)	139,476	(3,102,003)	(2,962,527)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	10,295	-	10,295
Changes in operating assets and liabilities:			
(Increase) in receivables	(3,484)	(217,651)	(221,135)
Increase in incurred but not reported claims	-	349,459	349,459
(Increase) in inventory	(28,348)	-	(28,348)
Decrease in Federal COBRA premium subsidy	-	6,111	6,111
Increase (decrease) in accounts payable	(65,890)	231,023	165,133
Increase in unearned revenue	-	33,807	33,807
(Decrease) in accrued liabilities	(2,233)	-	(2,233)
Net cash provided by (used for) operating activities	\$ 49,816	\$ (2,699,254)	\$ (2,649,438)

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. Pension (and other employee benefit) trust funds account for assets held by the County under terms of a formal trust agreement. 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 *Fire and Rescue Pension Trust Length of Service Awards Fund* is used to account for and report assets held in trust by the County for employees and beneficiaries of the County Fire & Rescue Association and its member companies.

The *Other Postemployment Benefit Plans Fund* is used to account for and report the costs of health care and other non-pension benefits offered to retirees.

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

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

The *Detention Center Fund* is used to account for and report 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.

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

Combining Statement of Fiduciary Net Assets
 Pension (and other employee benefit) Trust Funds
 June 30, 2012

	Pension (and other employee benefit) Trust Funds		
	Fire and Rescue Pension Trust Length of Service Awards Fund	Other Postemployment Benefit Plans Fund	Total
Assets			
Guaranteed investment contracts	\$ 1,413,240	\$ -	\$ 1,413,240
Investments at fair value:			
Investment in pooled funds	-	2,117,852	2,117,852
Total assets	<u>1,413,240</u>	<u>2,117,852</u>	<u>3,531,092</u>
Net Assets			
Held in trust for pool participants	1,413,240	-	1,413,240
Held in trust for OPEB benefits	-	2,117,852	2,117,852
Total net assets	<u>1,413,240</u>	<u>2,117,852</u>	<u>3,531,092</u>
Total net assets	\$ <u>1,413,240</u>	\$ <u>2,117,852</u>	\$ <u>3,531,092</u>

Combining Statement of Changes in Fiduciary Net Assets
 Pension (and other employee benefit) Trust Funds
 Fiscal Year Ended June 30, 2012

	Pension (and other employee benefit) Trust Funds		
	Fire and Rescue Pension Trust Length of Service Awards Fund	Other Postemployment Benefit Plans Fund	Total
Additions			
Contribution for beneficiary	\$ 272,501	\$ 478,965	\$ 751,466
Investment income (loss)	73,515	(19,231)	54,284
Total additions	346,016	459,734	805,750
Deductions			
Members' benefits	60,772	-	60,772
Annuity contracts	49,960	-	49,960
Insurance	74,543	-	74,543
Administrative fees	5,856	2,409	8,265
Total deductions	191,131	2,409	193,540
Change in net assets	154,885	457,325	612,210
Net assets - beginning	1,258,355	1,660,527	2,918,882
Net assets - ending	\$ 1,413,240	\$ 2,117,852	\$ 3,531,092

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 29

**Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012**

	Agency Funds				Total
	Working Together Fund	Special Welfare Fund	Detention Center Fund	Service to Outside Agencies Fund	
Assets					
Cash and cash equivalents	\$ 19,945	\$ 68,344	\$ -	\$ 158,155	\$ 246,444
Cash in custody of others	-	-	97,536	-	97,536
Receivables, net of allowance for uncollectibles:					
Accounts	-	-	-	9,425	9,425
Total assets	<u>19,945</u>	<u>68,344</u>	<u>97,536</u>	<u>167,580</u>	<u>353,405</u>
Liabilities					
Accrued liabilities	-	-	-	33,362	33,362
Amounts held for clients/others	19,945	68,344	97,536	134,218	320,043
Total liabilities	<u>\$ 19,945</u>	<u>\$ 68,344</u>	<u>\$ 97,536</u>	<u>\$ 167,580</u>	<u>\$ 353,405</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 30
Page 1 of 2

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Fiscal Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Working Together Fund				
Assets:				
Cash and cash equivalents	\$ 24,532	\$ 34,988	\$ 39,575	\$ 19,945
Liabilities:				
Amounts held for clients/others	\$ 24,532	\$ 34,988	\$ 39,575	\$ 19,945
Special Welfare Fund				
Assets:				
Cash and cash equivalents	\$ 44,070	\$ 67,018	\$ 42,744	\$ 68,344
Accounts receivable	3,097	-	3,097	-
Total assets	47,167	67,018	45,841	68,344
Liabilities:				
Amounts held for clients/others	\$ 47,167	\$ 67,018	\$ 45,841	\$ 68,344
Detention Center Fund				
Assets:				
Cash in custody of others:				
Cash - canteen account	\$ 79,799	\$ 66,956	\$ 58,272	\$ 88,483
Cash - inmate accounts	3,842	105,583	104,480	4,945
Cash - work release	2,656	96,759	95,307	4,108
Total assets	86,297	269,298	258,059	97,536
Liabilities:				
Amounts held for clients/others	\$ 86,297	\$ 269,298	\$ 258,059	\$ 97,536

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 30
Page 2 of 2

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Fiscal Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Service to Outside Agencies Fund				
Assets:				
Cash and cash equivalents	\$ 101,478	\$ 828,680	\$ 772,003	\$ 158,155
Accounts receivable	13,471	9,425	13,471	9,425
Total assets	<u>114,949</u>	<u>838,105</u>	<u>785,474</u>	<u>167,580</u>
Liabilities:				
Accrued liabilities	16,275	33,362	16,275	33,362
Amounts held for clients/others	98,674	804,743	769,199	134,218
Total liabilities	<u>\$ 114,949</u>	<u>\$ 838,105</u>	<u>\$ 785,474</u>	<u>\$ 167,580</u>
Total - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 170,080	\$ 930,686	\$ 854,322	\$ 246,444
Cash in custody of others	86,297	269,298	258,059	97,536
Accounts receivable	16,568	9,425	16,568	9,425
Total assets	<u>272,945</u>	<u>1,209,409</u>	<u>1,128,949</u>	<u>353,405</u>
Liabilities:				
Accrued liabilities	16,275	33,362	16,275	33,362
Amounts held for clients/others	256,670	1,176,047	1,112,674	320,043
Total liabilities	<u>\$ 272,945</u>	<u>\$ 1,209,409</u>	<u>\$ 1,128,949</u>	<u>\$ 353,405</u>

COMPONENT UNIT – SCHOOL BOARD

The School Board is responsible for the elementary and secondary education in the County. The County provides significant funding for school operating and capital needs through the School Board Governmental Funds.

The *School General Fund* is used to account for and report financial resources 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 Asset Replacement Fund* is used to account for and report financial resources for major maintenance and systems replacement, renovations and major asset replacements for the schools.

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

The *School Nutrition Fund* is used to account for and report financial resources 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 fundraising activities, and private donations.

The *Crockett Scholarship Private-Purpose Trust Fund* is a private-purpose trust fund established by a private donation. It is used to account for and report principal and income available to provide benefits for scholarships.

The *Mountain Vista Regional Governor's School Fund* is an agency fund used to account for and report funds collected from six school divisions for the purpose of operating the Mountain Vista Governor's School. The County serves as the fiscal agent for these funds.

The *School Activity Fund* is an agency fund used to account for and report funds collected at the schools in connection with student athletics, clubs, fundraising activities, and private donations.

Combining Balance Sheet
Discretely Presented Component Unit – School Board
June 30, 2012

	Governmental Funds				
	School General Fund	School Asset Replacement Fund	School Textbook Fund	School Nutrition Fund	Total Governmental Funds
Assets					
Cash and cash equivalents (1)	\$ 8,369,864	\$ 1,917,802	\$ 95,031	\$ 697,267	\$ 11,079,964
Cash and cash equivalents - restricted (1)	5,000	-	-	-	5,000
Accounts receivable	253,514	1,270	-	-	254,784
Inventories	-	-	-	114,918	114,918
Prepaid assets	56,092	-	-	-	56,092
Due from other governmental units	3,386,248	-	-	-	3,386,248
Total assets	<u>12,070,718</u>	<u>1,919,072</u>	<u>95,031</u>	<u>812,185</u>	<u>14,897,006</u>
Liabilities					
Accounts payable	361,357	98,058	56,855	7,200	523,470
Accrued liabilities	11,682,880	-	-	236,862	11,919,742
Deferred revenue	6,877	-	-	80,803	87,680
Total liabilities	<u>12,051,114</u>	<u>98,058</u>	<u>56,855</u>	<u>324,865</u>	<u>12,530,892</u>
Fund balances					
Nonspendable	56,092	-	-	114,918	171,010
Restricted	5,000	-	-	-	5,000
Assigned	13,254	1,821,014	38,176	372,402	2,244,846
Unassigned	(54,742)	-	-	-	(54,742)
Total fund balances	<u>19,604</u>	<u>1,821,014</u>	<u>38,176</u>	<u>487,320</u>	<u>2,366,114</u>
Total liabilities and fund balances	<u>\$ 12,070,718</u>	<u>\$ 1,919,072</u>	<u>\$ 95,031</u>	<u>\$ 812,185</u>	<u>\$ 14,897,006</u>

(1) Cash and cash equivalents on deposit with County of Fauquier, Virginia.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 32

**Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets
Discretely Presented Component Unit – School Board
June 30, 2012**

Total fund balances - discretely presented component unit - School Board	\$ 2,366,114
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.	181,939,238
Long-term liabilities consist of compensated absences which are not due and payable in the current year and therefore not reported as liabilities in the governmental funds.	
Compensated absences	<u>(4,402,855)</u>
Net assets of governmental activities	<u>\$ 179,902,497</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Discretely Presented Component Unit – School Board
 Fiscal Year Ended June 30, 2012

	Governmental Funds				
	School General Fund	School Asset Replacement Fund	School Textbook Fund	School Nutrition Fund	Total Governmental Funds
Revenues					
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ 160	\$ 160
Charges for services	644,589	-	-	3,005,317	3,649,906
Gifts and donations	2,795	10,000	-	-	12,795
Recovered costs	1,383	17,100	-	168,999	187,482
Miscellaneous revenue	187,679	21,000	17,283	-	225,962
Intergovernmental:					
Contribution from primary government	75,664,248	-	-	-	75,664,248
Commonwealth of Virginia	37,985,057	-	175,894	72,329	38,233,280
Federal Government	3,708,592	-	-	1,754,536	5,463,128
Total revenues	118,194,343	48,100	193,177	5,001,341	123,436,961
Expenditures					
Current operating:					
Education	116,750,176	1,011,721	786,030	4,963,024	123,510,951
Total expenditures	116,750,176	1,011,721	786,030	4,963,024	123,510,951
Excess (deficiency) of revenues over (under) expenditures	1,444,167	(963,621)	(592,853)	38,317	(73,990)
Other financing sources (uses)					
Transfers in	-	1,577,427	167,308	-	1,744,735
Transfers (out)	(1,744,735)	-	-	-	(1,744,735)
Total other financing sources (uses)	(1,744,735)	1,577,427	167,308	-	-
Net change in fund balances	(300,568)	613,806	(425,545)	38,317	(73,990)
Fund balances, beginning	320,172	1,207,208	463,721	449,003	2,440,104
Fund balances, ending	\$ 19,604	\$ 1,821,014	\$ 38,176	\$ 487,320	\$ 2,366,114

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 34

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2012**

Net change in fund balances - discretely presented component unit - School Board **\$ (73,990)**

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. 12,309,309

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense, which is not a use of current financial resources.

Capital outlays	1,122,708	
Depreciation	(7,012,146)	(5,889,438)

Donated capital assets - external sources 105,361

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 in the current year. (164,223)

Change in net assets of governmental activities **\$ 6,287,019**

Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2012

	School General Fund				School Asset Replacement Fund			
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues								
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	346,657	346,657	644,589	297,932	-	-	-	-
Gifts and donations	5,000	5,000	2,795	(2,205)	-	10,000	10,000	-
Recovered costs	22,000	22,000	1,383	(20,617)	50,000	19,000	17,100	(1,900)
Miscellaneous revenue	259,500	266,050	187,679	(78,371)	-	21,000	21,000	-
Intergovernmental:								
Contribution from primary government	76,892,228	76,966,500	75,664,248	(1,302,252)	-	-	-	-
Commonwealth of Virginia	38,408,631	38,346,936	37,985,057	(361,879)	-	-	-	-
Federal Government	3,258,218	5,196,620	3,708,592	(1,488,028)	-	-	-	-
Total revenues	119,192,234	121,149,763	118,194,343	(2,955,420)	50,000	50,000	48,100	(1,900)
Expenditures								
Current operating:								
Education:								
Instruction	95,305,659	97,122,718	93,728,188	3,394,530	-	-	-	-
Administration, attendance, and health	4,522,976	4,564,457	4,468,040	96,417	-	-	-	-
Public transportation services	8,236,950	8,291,267	8,429,418	(138,151)	275,934	275,934	-	275,934
Operation and maintenance services	9,456,186	9,740,408	10,124,530	(384,122)	2,480,938	2,480,938	1,011,721	1,469,217
School food services	-	-	-	-	-	-	-	-
Technology	-	-	-	-	-	74,272	-	74,272
Total education	117,521,771	119,718,850	116,750,176	2,968,674	2,756,872	2,831,144	1,011,721	1,819,423
Total expenditures	117,521,771	119,718,850	116,750,176	2,968,674	2,756,872	2,831,144	1,011,721	1,819,423
Excess (deficiency) of revenues over (under) expenditures	1,670,463	1,430,913	1,444,167	13,254	(2,706,872)	(2,781,144)	(963,621)	1,817,523
Other financing sources (uses)								
Transfers in	-	-	-	-	1,503,155	1,577,427	1,577,427	-
Transfers (out)	(1,670,463)	(1,744,735)	(1,744,735)	-	-	-	-	-
Total other financing sources (uses)	(1,670,463)	(1,744,735)	(1,744,735)	-	1,503,155	1,577,427	1,577,427	-
Net change in fund balances	-	(313,822)	(300,568)	13,254	(1,203,717)	(1,203,717)	613,806	1,817,523
Fund balances, beginning	320,172	320,172	320,172	-	1,207,208	1,207,208	1,207,208	-
Fund balances, ending	\$ 320,172	\$ 6,350	\$ 19,604	\$ 13,254	\$ 3,491	\$ 3,491	\$ 1,821,014	\$ 1,817,523

School Textbook Fund				School Nutrition Fund				
Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)	
\$ -	\$ -	\$ -	\$ -	\$ 1,300	\$ 1,300	\$ 160	\$ (1,140)	Revenues
-	-	-	-	3,027,351	3,027,351	3,005,317	(22,034)	Revenue from use of money and property
-	-	-	-	-	-	-	-	Charges for services
-	-	-	-	178,000	178,000	168,999	(9,001)	Gifts and donations
-	-	17,283	17,283	-	-	-	-	Recovered costs
-	-	-	-	-	-	-	-	Miscellaneous revenue
-	-	-	-	-	-	-	-	Intergovernmental:
177,303	177,303	175,894	(1,409)	68,300	68,300	72,329	4,029	Contribution from primary government
-	-	-	-	1,407,840	1,707,840	1,754,536	46,696	Commonwealth of Virginia
-	-	-	-	-	-	-	-	Federal Government
<u>177,303</u>	<u>177,303</u>	<u>193,177</u>	<u>15,874</u>	<u>4,682,791</u>	<u>4,982,791</u>	<u>5,001,341</u>	<u>18,550</u>	Total revenues
								Expenditures
								Current operating:
344,611	808,332	786,030	22,302	-	-	-	-	Education:
-	-	-	-	-	-	-	-	Instruction
-	-	-	-	-	-	-	-	Administration, attendance, and health
-	-	-	-	-	-	-	-	Public transportation services
-	-	-	-	4,713,858	5,016,418	4,963,024	53,394	Operation and maintenance services
-	-	-	-	-	-	-	-	School food services
-	-	-	-	-	-	-	-	Technology
<u>344,611</u>	<u>808,332</u>	<u>786,030</u>	<u>22,302</u>	<u>4,713,858</u>	<u>5,016,418</u>	<u>4,963,024</u>	<u>53,394</u>	Total education
<u>344,611</u>	<u>808,332</u>	<u>786,030</u>	<u>22,302</u>	<u>4,713,858</u>	<u>5,016,418</u>	<u>4,963,024</u>	<u>53,394</u>	Total expenditures
(167,308)	(631,029)	(592,853)	38,176	(31,067)	(33,627)	38,317	71,944	Excess (deficiency) of revenues over (under) expenditures
167,308	167,308	167,308	-	-	-	-	-	Other financing sources (uses)
-	-	-	-	-	-	-	-	Transfers in
-	-	-	-	-	-	-	-	Transfers (out)
<u>167,308</u>	<u>167,308</u>	<u>167,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Total other financing sources (uses)
-	(463,721)	(425,545)	38,176	(31,067)	(33,627)	38,317	71,944	Net change in fund balances
463,721	463,721	463,721	-	449,003	449,003	449,003	-	Fund balances, beginning
<u>\$ 463,721</u>	<u>\$ -</u>	<u>\$ 38,176</u>	<u>\$ 38,176</u>	<u>\$ 417,936</u>	<u>\$ 415,376</u>	<u>\$ 487,320</u>	<u>\$ 71,944</u>	Fund balances, ending

**Statement of Fiduciary Net Assets
Discretely Presented Component Unit – School Board
June 30, 2012**

	<u>Trust Fund</u> <u>Crockett Scholarship</u> <u>Private-Purpose</u> <u>Trust Fund</u>	<u>Agency</u> <u>Funds</u>
Assets		
Cash and cash equivalents	\$ 442,871	\$ 282,771
Cash in custody of others	-	1,506,444
Due from other governmental units	-	28,192
Land	94,200	-
	<u>537,071</u>	<u>1,817,407</u>
Total assets	<u>537,071</u>	<u>1,817,407</u>
Liabilities		
Accounts payable	-	2,316
Accrued liabilities	-	84,047
Amounts held for clients/others	-	1,731,044
	<u>-</u>	<u>1,817,407</u>
Total liabilities	<u>-</u>	<u>\$ 1,817,407</u>
Net Assets		
Held in trust for scholarships	<u>537,071</u>	
Total net assets	<u>537,071</u>	
Total liabilities and net assets	<u>\$ 537,071</u>	

Statement of Changes in Fiduciary Net Assets
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2012

	<u>Crockett Scholarship Private-Purpose Trust Fund</u>
Additions	
Investment	\$ <u>16,925</u>
Total additions	<u>16,925</u>
Deductions	
Scholarships awarded	15,750
Administrative fees	<u>2,139</u>
Total deductions	<u>17,889</u>
Change in net assets	(964)
Net assets - beginning	<u>538,035</u>
Net assets - ending	<u>\$ <u>537,071</u></u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 38

**Combining Statement of Fiduciary Assets and Liabilities
Discretely Presented Component Unit – School Board
Agency Funds
June 30, 2012**

	Agency Funds		
	Mountain Vista Regional Governor's School Fund	School Activity Fund	Total
Assets			
Cash and cash equivalents	\$ 282,771	\$ -	\$ 282,771
Cash in custody of others	-	1,506,444	1,506,444
Due from other governmental units	28,192	-	28,192
Total assets	<u>310,963</u>	<u>1,506,444</u>	<u>1,817,407</u>
Liabilities			
Accounts payable	2,316	-	2,316
Accrued liabilities	84,047	-	84,047
Amounts held for clients/others	224,600	1,506,444	1,731,044
Total liabilities	<u>\$ 310,963</u>	<u>\$ 1,506,444</u>	<u>\$ 1,817,407</u>

**Combining Statement of Changes in Assets and Liabilities
Discretely Presented Component Unit – School Board
Agency Funds
Fiscal Year Ended June 30, 2012**

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Mountain Vista Regional Governor's School Fund				
Assets:				
Cash and cash equivalents	\$ 279,046	\$ 862,081	\$ 858,356	\$ 282,771
Due from other governmental units	<u>29,584</u>	<u>28,192</u>	<u>29,584</u>	<u>28,192</u>
Total assets	<u><u>308,630</u></u>	<u><u>890,273</u></u>	<u><u>887,940</u></u>	<u><u>310,963</u></u>
Liabilities:				
Accounts payable	350	2,316	350	2,316
Accrued liabilities	84,723	84,047	84,723	84,047
Amounts held for clients/others	<u>223,557</u>	<u>803,910</u>	<u>802,867</u>	<u>224,600</u>
Total liabilities	<u><u>\$ 308,630</u></u>	<u><u>\$ 890,273</u></u>	<u><u>\$ 887,940</u></u>	<u><u>\$ 310,963</u></u>
School Activity Fund				
Assets:				
Cash in custody of others	\$ <u>1,459,369</u>	\$ <u>4,403,643</u>	\$ <u>4,356,568</u>	\$ <u>1,506,444</u>
Total assets	<u><u>1,459,369</u></u>	<u><u>4,403,643</u></u>	<u><u>4,356,568</u></u>	<u><u>1,506,444</u></u>
Liabilities:				
Amounts held for clients/others	<u>1,459,369</u>	<u>4,403,643</u>	<u>4,356,568</u>	<u>1,506,444</u>
Total liabilities	<u><u>\$ 1,459,369</u></u>	<u><u>\$ 4,403,643</u></u>	<u><u>\$ 4,356,568</u></u>	<u><u>\$ 1,506,444</u></u>
Total - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 279,046	\$ 862,081	\$ 858,356	\$ 282,771
Cash in custody of others	1,459,369	4,403,643	4,356,568	1,506,444
Due from other governmental units	<u>29,584</u>	<u>28,192</u>	<u>29,584</u>	<u>28,192</u>
Total assets	<u><u>1,767,999</u></u>	<u><u>5,293,916</u></u>	<u><u>5,244,508</u></u>	<u><u>1,817,407</u></u>
Liabilities:				
Accounts payable	350	2,316	350	2,316
Accrued liabilities	84,723	84,047	84,723	84,047
Amounts held for clients/others	<u>1,682,926</u>	<u>5,207,553</u>	<u>5,159,435</u>	<u>1,731,044</u>
Total liabilities	<u><u>\$ 1,767,999</u></u>	<u><u>\$ 5,293,916</u></u>	<u><u>\$ 5,244,508</u></u>	<u><u>\$ 1,817,407</u></u>

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OTHER SUPPLEMENTARY INFORMATION

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Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2012

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 85,032,573	\$ 85,032,573	\$ 86,342,007	\$ 1,309,434
Real and personal public service corporation property taxes	6,203,136	6,203,136	6,261,408	58,272
Personal property taxes	14,327,876	14,327,876	14,805,981	478,105
Penalties	855,000	855,000	796,724	(58,276)
Interest	415,000	415,000	397,672	(17,328)
Total general property taxes	<u>106,833,585</u>	<u>106,833,585</u>	<u>108,603,792</u>	<u>1,770,207</u>
Other local taxes:				
Local sales and use taxes	6,200,000	6,200,000	6,637,371	437,371
Consumers' utility taxes	1,590,000	1,590,000	1,557,435	(32,565)
Business license taxes	1,505,000	1,505,000	1,185,466	(319,534)
Motor vehicle taxes	1,730,000	1,730,000	1,773,850	43,850
Bank stock taxes	100,000	100,000	112,231	12,231
Taxes on recordation and wills	1,475,000	1,475,000	1,319,617	(155,383)
Lodging tax	100,000	100,000	99,075	(925)
Total other local taxes	<u>12,700,000</u>	<u>12,700,000</u>	<u>12,685,045</u>	<u>(14,955)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	15,000	15,000	31,801	16,801
Building and related permits	986,100	986,100	775,326	(210,774)
Weapons permits	4,000	4,000	17,891	13,891
Zoning permits and fees	127,800	127,800	65,705	(62,095)
Land use application fees	14,000	14,000	9,338	(4,662)
Total permits, privilege fees, and regulatory licenses	<u>1,146,900</u>	<u>1,146,900</u>	<u>900,061</u>	<u>(246,839)</u>
Fines and forfeitures:				
Court fines and forfeitures	489,000	489,000	447,742	(41,258)
Revenue from use of money and property:				
Revenue from use of money	310,000	310,000	190,094	(119,906)
Revenue from use of property	229,877	229,877	206,840	(23,037)
Total revenue from use of money and property	<u>539,877</u>	<u>539,877</u>	<u>396,934</u>	<u>(142,943)</u>
Charges for services:				
Charges for commonwealth's and county's attorney	27,300	27,300	12,212	(15,088)
Charges for court services	146,742	146,742	116,805	(29,937)
Charges for public safety	234,200	234,200	245,563	11,363
Charges for parks and recreation	497,589	513,089	476,250	(36,839)
Charges for library	75,000	75,000	73,447	(1,553)
Charges for planning and community development	20,600	20,600	6,426	(14,174)
Total charges for services	<u>\$ 1,001,431</u>	<u>\$ 1,016,931</u>	<u>\$ 930,703</u>	<u>\$ (86,228)</u>

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2012

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
General Fund: (continued)				
Revenue from local sources: (continued)				
Gifts and donations:				
Donations	\$ 1,500	\$ 1,500	\$ 1,717	\$ 217
Recovered costs:				
Warrenton Community Center	15,000	15,000	17,490	2,490
800 MHz Radio - Culpeper County	16,862	16,862	17,597	735
800 MHz Radio - Rappahannock County	9,000	9,000	9,250	250
Medical reimbursement - prisoners	6,500	6,500	4,559	(1,941)
Home incarceration fees	12,000	12,000	17,194	5,194
Board of prisoner - other localities	500	500	-	(500)
Other government charges	10,500	10,500	10,500	-
Work release	80,000	80,000	64,128	(15,872)
CSA shared cost	10,000	10,000	70,417	60,417
Insurance recoveries	-	27,482	47,209	19,727
Advertising	200	200	98	(102)
Miscellaneous recovered costs	2,000	2,000	86,065	84,065
Total recovered costs	162,562	190,044	344,507	154,463
Miscellaneous revenue:				
Sale of salvage and surplus property	30,000	30,000	11,666	(18,334)
Other miscellaneous revenue	175,055	198,805	319,078	120,273
Total miscellaneous revenue	205,055	228,805	330,744	101,939
Total revenue from local sources	123,079,910	123,146,642	124,641,245	1,494,603
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	85,000	85,000	85,087	87
Mobile home titling taxes	57,119	57,119	17,773	(39,346)
Auto rental tax	14,672	14,672	3,734	(10,938)
Recordation tax reimbursement	450,000	450,000	366,235	(83,765)
Commonwealth PPTRA	13,659,496	13,659,496	13,657,516	(1,980)
Communications tax	3,122,765	3,122,765	2,954,728	(168,037)
Local Aid to the Commonwealth revenue reduction	(405,496)	(419,955)	(419,955)	-
Total noncategorical aid	16,983,556	16,969,097	16,665,118	(303,979)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	448,067	448,067	446,801	(1,266)
Sheriff	3,324,299	3,324,299	3,352,042	27,743
Commissioner of the revenue	169,461	169,461	169,783	322
Treasurer	148,082	148,082	147,412	(670)
Registrar/electoral board	48,452	48,452	72,168	23,716
Clerk of the circuit court	462,250	462,250	449,649	(12,601)
Jail	275,000	275,000	217,632	(57,368)
Total shared expenses	\$ 4,875,611	\$ 4,875,611	\$ 4,855,487	\$ (20,124)

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2012

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
General Fund: (continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid: (continued)				
Welfare:				
Welfare administration and assistance	\$ 1,300,883	\$ 1,300,883	\$ 1,292,467	\$ (8,416)
Comprehensive services act	2,093,808	2,093,808	1,753,804	(340,004)
Child support payments	5,000	5,000	32,260	27,260
Total welfare	<u>3,399,691</u>	<u>3,399,691</u>	<u>3,078,531</u>	<u>(321,160)</u>
Other categorical aid:				
Administrative	-	14,459	10,436	(4,023)
Judicial and legal	270,602	270,602	259,681	(10,921)
Comprehensive community corrections act	253,240	253,240	254,328	1,088
Prisoner transportation	15,000	15,000	14,358	(642)
Juvenile community control act and accountability grant	39,289	39,289	36,836	(2,453)
E-911 wireless program	100,000	100,000	127,648	27,648
PSAP education grant	-	2,000	2,000	-
Spay and neuter fund distribution	-	-	1,311	1,311
Armory	8,900	8,900	8,652	(248)
Library aid	156,368	156,368	156,241	(127)
Virginia tourism grant	-	5,000	1,796	(3,204)
Total other categorical aid	<u>843,399</u>	<u>864,858</u>	<u>873,287</u>	<u>8,429</u>
Total categorical aid	<u>9,118,701</u>	<u>9,140,160</u>	<u>8,807,305</u>	<u>(332,855)</u>
Total revenue from the Commonwealth	<u>26,102,257</u>	<u>26,109,257</u>	<u>25,472,423</u>	<u>(636,834)</u>
Revenue from the Federal Government:				
Payments in lieu of taxes	-	-	2,531	2,531
Categorical aid:				
DEA group 33	-	-	997	997
Transportation safety	-	-	23,454	23,454
Emergency management assistance	13,000	13,000	13,000	-
State homeland security program	-	-	17,000	17,000
Criminal alien assistance program	-	6,445	6,445	-
FEMA	-	-	59,366	59,366
SAFER grant	467,875	467,875	321,592	(146,283)
SAFER volunteer recruitment & retention program	-	538,887	28,896	(509,991)
Emergency management performance grant	-	11,378	11,378	-
Polling place accessibility	-	6,330	6,330	-
Welfare administrative and assistance	2,398,611	2,608,444	2,243,220	(365,224)
Beginning farmers grant	-	35,000	10,200	(24,800)
American battlefield protection	17,000	22,500	10,000	(12,500)
Wellhead protection grant	-	24,000	24,000	-
Total categorical aid	<u>2,896,486</u>	<u>3,733,859</u>	<u>2,775,878</u>	<u>(957,981)</u>
Total revenue from the Federal Government	<u>2,896,486</u>	<u>3,733,859</u>	<u>2,778,409</u>	<u>(955,450)</u>
Total General Fund	<u>\$ 152,078,653</u>	<u>\$ 152,989,758</u>	<u>\$ 152,892,077</u>	<u>\$ (97,681)</u>

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2012

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 15,600	\$ 15,600
Miscellaneous revenue:				
Brookside Parkway Extension	-	1,455,001	1,455,001	-
Vint Hill Public Streets Network	-	276,738	276,738	-
Total miscellaneous revenue	-	1,731,739	1,731,739	-
Total revenue from local sources	-	1,731,739	1,747,339	15,600
Revenue from the Commonwealth:				
Other categorical aid:				
VDOT-Brookside Parkway Extension	-	1,307,999	144,724	(1,163,275)
VDOT-Vint Hill Public Streets Network	-	276,738	43,538	(233,200)
Total categorical aid	-	1,584,737	188,262	(1,396,475)
Total revenue from the Commonwealth	-	1,584,737	188,262	(1,396,475)
Revenue from the Federal Government:				
Categorical aid:				
TEA-21 grant - Greenway	5,390	5,390	-	(5,390)
TEA-21 Warrenton Branch Greenway - Palmer Extension	137,900	565,900	-	(565,900)
TEA-21 grant - Woods of Warrenton	130,082	130,082	9,594	(120,488)
TEA-21 grant - Marshall Main Street project	1,022,154	1,022,154	75,029	(947,125)
TEA-21 grant - Salem Meeting House	85,531	85,531	-	(85,531)
Total categorical aid	1,381,057	1,809,057	84,623	(1,724,434)
Total revenue from the Federal Government	1,381,057	1,809,057	84,623	(1,724,434)
Total Capital Projects Fund	1,381,057	5,125,533	2,020,224	(3,105,309)
Debt Service Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	137	137
Total revenue from local sources	-	-	137	137
Revenue from the Federal Government:				
Categorical aid:				
QSCB tax credit	-	-	195,972	195,972
Total revenue from the Federal Government	-	-	195,972	195,972
Total Debt Service Fund	\$ -	\$ -	\$ 196,109	\$ 196,109

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2012

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
Nonmajor Funds				
Asset Replacement Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 1,933	\$ 1,933
Charges for services:				
Courthouse maintenance fees	35,000	35,000	32,560	(2,440)
Recovered costs				
Insurance recoveries	-	97,086	97,086	-
Total revenue from local sources	35,000	132,086	131,579	(507)
Total Asset Replacement Fund	35,000	132,086	131,579	(507)
Nonmajor Funds - Special Revenue Funds:				
Parks and Recreation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	524	524
Gifts and donations:				
Donations	-	-	3,448	3,448
Total revenue from local sources	-	-	3,972	3,972
Total Parks and Recreation Fund	-	-	3,972	3,972
Library Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	296	296
Gifts and donations:				
Donations	-	-	16,742	16,742
Total revenue from local sources	-	-	17,038	17,038
Total Library Fund	-	-	17,038	17,038
Conservation Easement Service District Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	548,598	548,598	564,013	15,415
Real and personal public service corporation property taxes	39,826	39,826	40,753	927
Penalties	-	-	3,139	3,139
Interest	-	-	1,903	1,903
Total general property taxes	588,424	588,424	609,808	21,384
Gifts and donations:				
PDR contributions	-	-	100,000	100,000
Total revenue from local sources	588,424	588,424	709,808	121,384
Revenue from the Commonwealth:				
Other categorical aid:				
Virginia land conservation grant	-	67,169	52,047	(15,122)
Virginia department of agriculture and consumer services	40,000	110,952	1,500	(109,452)
Virginia land conservation foundation	-	-	2,025	2,025
Total categorical aid	40,000	178,121	55,572	(122,549)
Total revenue from the Commonwealth	40,000	178,121	55,572	(122,549)
Total Conservation Easement Service District Fund	\$ 628,424	\$ 766,545	\$ 765,380	\$ (1,165)

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2012

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
Nonmajor Funds - Special Revenue Funds: (continued)				
Marshall Electric Light and Business Improvement District Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ -	\$ -	\$ 8,856	\$ 8,856
Real and personal public service corporation property taxes	-	-	32	32
Penalties	-	-	65	65
Interest	-	-	26	26
Total general property taxes	-	-	8,979	8,979
Total revenue from local sources	-	-	8,979	8,979
Total Marshall Electric Light and Business Improvement District Fund	-	-	8,979	8,979
Fire and Rescue Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	4,159,487	4,159,487	4,221,754	62,267
Real and personal public service corporation property taxes	297,893	297,893	305,477	7,584
Penalty	20,000	20,000	22,999	2,999
Interest	10,000	10,000	13,284	3,284
Total general property taxes	4,487,380	4,487,380	4,563,514	76,134
Revenue from use of money and property:				
Revenue from use of money	-	-	2,690	2,690
Miscellaneous revenue:				
Other miscellaneous revenue	-	-	1,160	1,160
Total revenue from local sources	4,487,380	4,487,380	4,567,364	79,984
Revenue from the Commonwealth:				
Categorical aid:				
Two for life funds	70,393	71,680	71,680	-
Fire programs	131,265	146,431	146,431	-
Total categorical aid	201,658	218,111	218,111	-
Total revenue from the Commonwealth	201,658	218,111	218,111	-
Total Fire and Rescue Fund	4,689,038	4,705,491	4,785,475	79,984
Ambulance Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Charges for emergency medical services care	1,588,928	1,588,928	1,267,018	(321,910)
Total revenue from local sources	1,588,928	1,588,928	1,267,018	(321,910)
Total Ambulance Revenue Fund	\$ 1,588,928	\$ 1,588,928	\$ 1,267,018	\$ (321,910)

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2012

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
Nonmajor Funds - Special Revenue Funds: (continued)				
Proffer Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 2,605	\$ 2,605
Gifts and donations:				
Proffers	-	-	86,800	86,800
Total revenue from local sources	-	-	89,405	89,405
Total Proffer Fund	-	-	89,405	89,405
Affordable Housing Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous revenue	-	-	14,202	14,202
Total revenue from local sources	-	-	14,202	14,202
Revenue from the Federal Government:				
Categorical aid:				
NSP implementation grant	-	603,766	503,866	(99,900)
Total revenue from the Federal Government	-	603,766	503,866	(99,900)
Total Affordable Housing Fund	-	603,766	518,068	(85,698)
Vint Hill Transportation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	504	504
Gifts and donations:				
Proffers	-	-	1,926	1,926
Total revenue from local sources	-	-	2,430	2,430
Total Vint Hill Transportation Fund	-	-	2,430	2,430
Total Nonmajor Funds - Special Revenue Funds	6,906,390	7,664,730	7,457,765	(206,965)
Total Nonmajor Funds	6,941,390	7,796,816	7,589,344	(207,472)
Grand Total Revenue – Primary Government	\$ 160,401,100	\$ 165,912,107	\$ 162,697,754	\$ (3,214,353)

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2012

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Component Unit – School Board				
School General Fund:				
Revenue from local sources:				
Charges for services:				
Charges for education	\$ 346,657	\$ 346,657	\$ 644,589	\$ 297,932
Gifts and donations:				
Flex program	5,000	5,000	2,795	(2,205)
Recovered costs:				
Recovered costs	22,000	22,000	1,383	(20,617)
Miscellaneous revenue:				
Rebates and refunds	201,000	201,000	117,586	(83,414)
Star talk - local	-	-	4,200	4,200
Mental health association grant	31,500	31,500	30,273	(1,227)
Local grants	-	6,550	1,800	(4,750)
Typical peers	25,000	25,000	31,171	6,171
Other miscellaneous revenue	2,000	2,000	2,649	649
Total miscellaneous revenue	259,500	266,050	187,679	(78,371)
Total revenue from local sources	633,157	639,707	836,446	196,739
Intergovernmental:				
Contribution from primary government	76,892,228	76,966,500	75,664,248	(1,302,252)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales taxes	11,775,000	11,775,000	11,827,901	52,901
Basic school aid	18,522,339	18,522,339	18,299,044	(223,295)
Remedial summer school	57,560	57,560	44,511	(13,049)
Regular foster care	56,000	30,410	-	(30,410)
Gifted and talented	201,083	201,083	199,486	(1,597)
Remedial education	209,825	209,825	208,159	(1,666)
Special education	2,548,503	2,548,503	2,528,263	(20,240)
Support costs	565,022	565,022	562,116	(2,906)
Vocational education - SOQ	664,447	664,447	659,170	(5,277)
Social security instructional	1,158,410	1,158,410	1,149,210	(9,200)
Teacher retirement instructional	1,049,126	1,049,126	1,040,794	(8,332)
Group life insurance instructional	43,714	43,714	43,366	(348)
Early reading intervention	64,397	64,397	77,763	13,366
School standards of learning	570,000	570,000	570,000	-
Special education - homebound	22,561	22,561	21,315	(1,246)
Regional programs	51,005	51,005	9,720	(41,285)
Occupational education	81,000	81,000	105,534	24,534
ISAEF	15,717	15,717	15,717	-
Special education - foster children	54,485	54,485	-	(54,485)
Algebra readiness initiative	32,377	32,377	32,377	-
At risk youth	96,469	96,469	95,707	(762)
Alternative education	125,509	125,509	125,509	-
Primary class size	28,772	28,772	36,876	8,104
Summer regional governor school	12,264	14,264	12,264	(2,000)
English as a second language	173,722	173,722	163,594	(10,128)
Other state funds	229,324	191,219	156,661	(34,558)
Total categorical aid	38,408,631	38,346,936	37,985,057	(361,879)
Total revenue from the Commonwealth	\$ 38,408,631	\$ 38,346,936	\$ 37,985,057	\$ (361,879)

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2012

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Component Unit – School Board (continued)				
School General Fund: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
Adult basic education	\$ 59,896	\$ 67,584	\$ 39,507	\$ (28,077)
Title I	417,275	1,114,898	836,816	(278,082)
Forest rescue payment	-	-	1,326	1,326
Title VI-B – special education	2,051,305	3,128,554	2,174,383	(954,171)
Vocational education	99,377	110,784	110,935	151
Title II	285,014	381,786	258,229	(123,557)
Drug free schools	-	7,399	7,399	-
English language acquisition	51,187	58,384	43,750	(14,634)
Pre-school incentive (VI-B)	57,164	59,073	56,024	(3,049)
Homeless grant	10,000	12,971	8,240	(4,731)
ROTC	57,000	57,000	63,258	6,258
Star Talk III grant	70,000	168,925	83,136	(85,789)
Education jobs fund	-	25,589	25,589	-
Other federal funds	100,000	3,673	-	(3,673)
	<u>3,258,218</u>	<u>5,196,620</u>	<u>3,708,592</u>	<u>(1,488,028)</u>
Total categorical aid				
Total revenue from the Federal Government	<u>3,258,218</u>	<u>5,196,620</u>	<u>3,708,592</u>	<u>(1,488,028)</u>
Total School General Fund	<u>119,192,234</u>	<u>121,149,763</u>	<u>118,194,343</u>	<u>(2,955,420)</u>
School Asset Replacement Fund:				
Revenue from local sources:				
Gifts and donations:				
Donations	-	10,000	10,000	-
Recovered costs:				
Insurance recoveries	50,000	19,000	17,100	(1,900)
Miscellaneous revenue:				
Other miscellaneous revenue	-	21,000	21,000	-
Total revenue from local sources	<u>50,000</u>	<u>50,000</u>	<u>48,100</u>	<u>(1,900)</u>
Total School Asset Replacement Fund	<u>50,000</u>	<u>50,000</u>	<u>48,100</u>	<u>(1,900)</u>
School Textbook Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Textbooks	-	-	17,283	17,283
Total revenue from local sources	<u>-</u>	<u>-</u>	<u>17,283</u>	<u>17,283</u>
Revenue from the Commonwealth:				
Categorical aid:				
Textbook program	177,303	177,303	175,894	(1,409)
Total revenue from the Commonwealth	<u>177,303</u>	<u>177,303</u>	<u>175,894</u>	<u>(1,409)</u>
Total School Textbook Fund	<u>\$ 177,303</u>	<u>\$ 177,303</u>	<u>\$ 193,177</u>	<u>\$ 15,874</u>

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2012

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Component Unit – School Board (continued)				
School Nutrition Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,300	\$ 1,300	\$ 160	\$ (1,140)
Charges for services:				
Cafeteria sales	3,027,351	3,027,351	3,005,317	(22,034)
Recovered costs:				
Miscellaneous recovered costs	178,000	178,000	168,999	(9,001)
Total revenue from local sources	<u>3,206,651</u>	<u>3,206,651</u>	<u>3,174,476</u>	<u>(32,175)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program	68,300	68,300	72,329	4,029
Total revenue from the Commonwealth	<u>68,300</u>	<u>68,300</u>	<u>72,329</u>	<u>4,029</u>
Revenue from the Federal Government:				
Categorical aid:				
School food program	1,407,840	1,707,840	1,754,536	46,696
Total revenue from the Federal Government	<u>1,407,840</u>	<u>1,707,840</u>	<u>1,754,536</u>	<u>46,696</u>
Total School Nutrition Fund	<u>4,682,791</u>	<u>4,982,791</u>	<u>5,001,341</u>	<u>18,550</u>
Grand Total Revenues – Component Unit – School Board	<u>124,102,328</u>	<u>126,359,857</u>	<u>123,436,961</u>	<u>(2,922,896)</u>
Grand Total Revenues – Reporting Entity	\$ <u>284,503,428</u>	\$ <u>292,271,964</u>	\$ <u>286,134,715</u>	\$ <u>(6,137,249)</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 Taxable Property
Table 5-B	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 Asset 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.

Table 1

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 18,009,998	\$ 26,618,952	\$ 40,644,055	\$ 53,879,240	\$ 65,945,291
Restricted	44,233,311	37,942,314	18,850,455	12,274,124	11,751,955
Unrestricted (deficit)	<u>(18,111,238)</u>	<u>(23,890,674)</u>	<u>(7,813,527)</u>	<u>(17,383,106)</u>	<u>(33,924,630)</u>
Subtotal governmental activities net assets	<u>44,132,071</u>	<u>40,670,592</u>	<u>51,680,983</u>	<u>48,770,258</u>	<u>43,772,616</u>
Business-type Activities:					
Invested in capital assets, net of related debt	13,520,705	14,850,983	20,621,416	26,282,531	29,787,320
Restricted	-	-	-	1,496,173	-
Unrestricted (deficit)	<u>(1,066,254)</u>	<u>(2,187,668)</u>	<u>(2,956,053)</u>	<u>(6,379,152)</u>	<u>(7,706,668)</u>
Subtotal business-type activities net assets	<u>12,454,451</u>	<u>12,663,315</u>	<u>17,665,363</u>	<u>21,399,552</u>	<u>22,080,652</u>
Primary Government:					
Invested in capital assets, net of related debt	31,530,703	41,469,935	61,265,471	80,161,771	95,732,611
Restricted	44,233,311	37,942,314	18,850,455	13,770,297	11,751,955
Unrestricted (deficit)	<u>(19,177,492)</u>	<u>(26,078,342)</u>	<u>(10,769,580)</u>	<u>(23,762,258)</u>	<u>(41,631,298)</u>
Total Primary Government net assets	<u>56,586,522</u>	<u>53,333,907</u>	<u>69,346,346</u>	<u>70,169,810</u>	<u>65,853,268</u>
Component Unit – School Board: (1)					
Invested in capital assets, net of related debt	80,970,144	93,226,685	95,747,444	107,072,117	129,625,217
Restricted	-	-	-	-	-
Unrestricted (deficit)	<u>(3,177,264)</u>	<u>(3,059,243)</u>	<u>(3,322,698)</u>	<u>(2,377,077)</u>	<u>(3,617,216)</u>
Total Component Unit – School Board net assets	<u>77,792,880</u>	<u>90,167,442</u>	<u>92,424,746</u>	<u>104,695,040</u>	<u>126,008,001</u>
Total Reporting Entity: (2)					
Invested in capital assets, net of related debt	76,325,010	87,881,798	109,038,526	140,141,659	159,597,988
Restricted	44,233,311	37,942,314	18,850,455	13,770,297	11,751,955
Unrestricted	<u>13,821,081</u>	<u>17,677,237</u>	<u>33,882,111</u>	<u>20,952,894</u>	<u>20,511,326</u>
Total Reporting Entity net assets	<u>\$ 134,379,402</u>	<u>\$ 143,501,349</u>	<u>\$ 161,771,092</u>	<u>\$ 174,864,850</u>	<u>\$ 191,861,269</u>

- (1) 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.
- (2) 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.

		Fiscal Year					
2008	2009	2010	2011	2012			
\$ 68,340,059	\$ 69,414,611	\$ 69,217,950	\$ 68,772,203	\$ 68,510,734		Governmental Activities:	
1,736,551	1,841,662	1,953,490	3,654,669	4,372,867		Invested in capital assets, net of related debt	
(81,293,325)	(82,030,711)	(78,530,333)	(80,642,672)	(85,259,024)		Restricted	
						Unrestricted (deficit)	
(11,216,715)	(10,774,438)	(7,358,893)	(8,215,800)	(12,375,423)		Subtotal governmental activities net assets	
						Business-type Activities:	
29,397,086	28,111,135	27,154,708	25,321,853	23,396,142		Invested in capital assets, net of related debt	
-	-	-	-	-		Restricted	
(8,242,666)	(9,514,739)	(10,188,958)	(10,171,508)	(10,839,843)		Unrestricted (deficit)	
						Subtotal business-type activities net assets	
21,154,420	18,596,396	16,965,750	15,150,345	12,556,299			
						Primary Government:	
97,737,145	97,525,746	96,372,658	94,094,056	91,906,876		Invested in capital assets, net of related debt	
1,736,551	1,841,662	1,953,490	3,654,669	4,372,867		Restricted	
(89,535,991)	(91,545,450)	(88,719,291)	(90,814,180)	(96,098,867)		Unrestricted (deficit)	
						Total Primary Government net assets	
9,937,705	7,821,958	9,606,857	6,934,545	180,876			
						Component Unit – School Board: (1)	
179,639,884	182,911,496	179,224,107	175,414,006	181,939,238		Invested in capital assets, net of related debt	
-	-	-	5,000	5,000		Restricted	
(3,537,827)	(3,628,205)	(3,590,789)	(1,803,528)	(2,041,741)		Unrestricted (deficit)	
						Total Component Unit – School Board net assets	
176,102,057	179,283,291	175,633,318	173,615,478	179,902,497			
						Total Reporting Entity: (2)	
167,486,251	168,903,411	169,972,941	171,163,512	170,880,285		Invested in capital assets, net of related debt	
1,736,551	1,841,662	1,953,490	3,659,669	4,377,867		Restricted	
16,816,960	16,360,176	13,313,744	5,726,842	4,825,221		Unrestricted	
						Total Reporting Entity net assets	
\$ 186,039,762	\$ 187,105,249	\$ 185,240,175	\$ 180,550,023	\$ 180,083,373			

Table 2

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Primary Government:					
Expenses					
Governmental activities:					
General government	\$ 7,149,589	\$ 8,056,076	\$ 8,271,548	\$ 9,788,797	\$ 10,004,794
Judicial	2,286,910	2,624,872	2,558,587	2,754,050	3,019,115
Public safety	13,361,055	12,269,680	16,003,921	18,427,447	21,184,526
Public works	6,073,191	8,573,767	5,328,879	6,029,767	6,474,088
Health and welfare	5,837,219	6,457,957	7,047,257	8,003,092	8,661,693
Education	53,385,062	59,085,836	65,320,395	80,157,231	95,181,305
Parks, recreation, and cultural	3,036,023	5,688,379	4,040,458	4,647,337	6,002,774
Community development	3,713,826	4,647,136	5,679,959	5,078,598	6,672,005
Nondepartmental	516,608	552,652	732,410	-	550,225
Interest on long-term debt	2,729,065	2,841,978	3,115,326	3,146,137	4,441,160
Total governmental activities expenses	98,088,548	110,798,333	118,098,740	138,032,456	162,191,685
Business-type activities:					
Airport	157,888	207,616	260,805	850,740	1,450,428
Landfill and recycling	4,226,521	6,098,414	7,952,230	5,531,178	6,486,477
Fleet maintenance (1)	1,753,717	-	-	-	-
Health insurance (1)	8,871,607	-	-	-	-
Total business-type activities expenses	15,009,733	6,306,030	8,213,035	6,381,918	7,936,905
Total primary government expenses	113,098,281	117,104,363	126,311,775	144,414,374	170,128,590
Program Revenues					
Governmental activities:					
Charges for services:					
General government	15,009	12,130	14,022	42,500	266,159
Judicial	924,377	1,020,017	931,368	1,082,951	924,355
Public safety	1,437,682	1,688,883	196,302	187,106	206,511
Parks, recreation, and cultural	454,772	580,611	547,467	513,526	559,001
Community development	176,087	1,609,625	890,346	51,959	2,116,948
Other activities	79,072	308,515	35,135	32,085	39,596
Operating grants and contributions	9,067,002	9,655,656	9,910,495	11,653,274	15,782,480
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	12,154,001	13,355,437	12,525,135	13,563,401	19,895,050
Business type activities:					
Charges for services:					
Airport	146,646	189,279	264,807	217,987	283,402
Landfill and recycling	5,966,800	6,477,831	7,972,909	6,554,404	6,112,788
Fleet maintenance (1)	1,693,002	-	-	-	-
Health insurance (1)	8,889,993	-	-	-	-
Operating grants and contributions	27,630	32,996	22,741	48,633	45,669
Capital grants and contributions	485,967	3,189,469	4,811,819	3,114,018	1,592,253
Total business-type activities program revenues	17,210,038	9,889,575	13,072,276	9,935,042	8,034,112
Total primary government program revenues	29,364,039	23,245,012	25,597,411	23,498,443	27,929,162
Net (expense) revenue (2)					
Governmental activities	(85,934,547)	(97,442,896)	(105,573,605)	(124,469,055)	(142,296,635)
Business-type activities	2,200,305	3,583,545	4,859,241	3,553,124	97,207
Total primary government net (expense) revenue	\$ (83,734,242)	\$ (93,859,351)	\$ (100,714,364)	\$ (120,915,931)	\$ (142,199,428)

- (1) The Fleet Maintenance Fund and the Health Insurance Fund are reflected in the internal service funds beginning in FY 2004.
- (2) 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.
- (3) 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.
- (4) 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.

						Fiscal Year	
2008	2009	2010	2011	2012			
					Primary Government:		
					Expenses		
					Governmental activities:		
\$	\$	\$	\$	\$	General government		
10,896,521	10,878,525	10,354,069	10,086,678	11,751,449	Judicial		
3,348,758	3,383,922	3,278,333	3,116,374	2,866,625	Public safety		
33,382,090	24,167,850	25,090,735	30,469,132	25,542,703	Public works		
7,765,864	7,467,516	8,033,038	7,393,258	8,876,778	Health and welfare		
9,899,394	10,052,834	10,265,321	9,851,616	10,158,861	Education		
129,908,192	90,449,761	81,066,768	79,585,044	90,087,245	Parks, recreation, and cultural		
5,551,667	5,949,804	5,917,529	6,640,464	6,275,016	Community development		
8,178,686	8,734,890	11,342,060	7,718,297	6,317,724	Nondepartmental		
-	-	-	-	-	Interest on long-term debt		
5,397,929	5,687,654	5,463,351	5,517,317	5,315,236	Total governmental activities expenses		
214,329,101	166,772,756	160,811,203	160,378,180	167,191,637			
					Business-type activities:		
1,849,679	1,848,791	2,083,529	1,896,775	2,275,363	Airport		
7,102,357	6,574,806	5,185,773	4,867,277	5,337,583	Landfill and recycling		
-	-	-	-	-	Fleet maintenance (1)		
-	-	-	-	-	Health insurance (1)		
8,952,036	8,423,597	7,269,302	6,764,052	7,612,946	Total business-type activities expenses		
223,281,137	175,196,353	168,080,505	167,142,232	174,804,583	Total primary government expenses		
					Program Revenues		
					Governmental activities:		
					Charges for services:		
43,048	42,618	46,548	41,633	60,664	General government		
733,265	946,883	636,265	643,119	609,319	Judicial		
704,232	1,774,418	1,198,178	1,155,945	1,786,469	Public safety		
548,467	502,195	460,562	466,979	549,697	Parks, recreation, and cultural		
1,675,560	1,185,958	932,809	858,848	845,823	Community development		
24,722	5,583	38,393	-	-	Other activities		
12,678,895	13,892,991	16,108,365	13,447,591	13,033,159	Operating grants and contributions		
810,000	222,000	668,544	216,072	9,594	Capital grants and contributions		
17,218,189	18,572,646	20,089,664	16,830,187	16,894,725	Total governmental activities program revenues		
					Business type activities:		
					Charges for services:		
673,390	674,871	666,582	722,674	763,085	Airport		
6,612,997	5,111,345	4,660,868	4,183,540	4,101,680	Landfill and recycling		
-	-	-	-	-	Fleet maintenance (1)		
-	-	-	-	-	Health insurance (1)		
17,739	50,460	246,768	58,145	37,052	Operating grants and contributions		
34,462	61,585	25,388	210,410	41,572	Capital grants and contributions		
7,338,588	5,898,261	5,599,606	5,174,769	4,943,389	Total business-type activities program revenues		
24,556,777	24,470,907	25,689,270	22,004,956	21,838,114	Total primary government program revenues		
(197,110,912)	(148,200,110)	(140,721,539)	(143,547,993)	(150,296,912)	Net (expense) revenue (2)		
(1,613,448)	(2,525,336)	(1,669,696)	(1,589,283)	(2,669,557)	Governmental activities		
					Business-type activities		
\$	\$	\$	\$	\$	Total primary government net (expense) revenue		
(198,724,360)	(150,725,446)	(142,391,235)	(145,137,276)	(152,966,469)			

Table 2

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Primary Government: (continued)					
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
General property taxes	\$ 68,035,337	\$ 71,787,496	\$ 77,173,781	\$ 86,079,820	\$ 101,852,501
Local sales and use taxes	5,176,688	5,881,564	6,605,989	7,372,629	7,565,111
Consumers' utility taxes	2,579,778	2,953,432	2,891,289	3,247,767	3,804,003
Business and professional taxes	1,051,059	1,113,242	3,499,758	3,360,897	1,286,470
Motor vehicle taxes	1,340,223	1,387,281	1,421,448	1,440,165	69,473
Taxes on recordation and wills	1,290,501	1,599,694	2,771,674	2,974,115	2,082,839
E-911 tax	925,717	797,919	871,924	1,268,347	623,798
Other local taxes	288,896	236,073	408,185	562,967	517,709
Investment income	1,727,060	1,182,326	1,647,513	2,826,208	4,933,147
Miscellaneous	589,654	503,539	216,810	723,786	222,369
Grants and contributions not restricted to specific programs	12,027,839	13,201,048	13,307,038	14,705,161	14,259,811
Transfers	(38,642)	(47,535)	(60,559)	(47,941)	81,762
Special Item - Water and Sewer Authority note receivable	-	-	-	(3,317,857)	-
Total governmental activities general revenues and other changes in net assets	94,994,110	100,596,079	110,754,850	121,196,064	137,298,993
Business-type activities:					
Investment income	97,246	21,482	79,933	133,124	137,687
Miscellaneous	-	-	2,315	-	527,968
Transfers	38,642	47,535	60,559	47,941	(81,762)
Total business-type activities general revenues and other changes in net assets	135,888	69,017	142,807	181,065	583,893
Total primary government general revenues and other changes in net assets	95,129,998	100,665,096	110,897,657	121,377,129	137,882,886
Change in Net Assets					
Governmental activities	9,059,563	3,153,183	5,181,245	(3,272,991)	(4,997,642)
Business-type activities	2,336,193	3,652,562	5,002,048	3,734,189	681,100
Total Primary Government change in net assets	11,395,756	6,805,745	10,183,293	461,198	(4,316,542)
Component Unit – School Board: (3)					
Expenses					
Education	86,982,803	92,811,594	102,222,451	111,366,590	121,838,270
Program Revenues					
Charges for services	2,459,762	2,795,889	3,211,275	3,470,481	3,392,923
Operating grants and contributions (4)	3,148,167	3,778,296	4,487,022	4,740,080	4,863,970
Capital grants and contributions	-	-	-	-	1,000,000
Total component unit - School Board program revenues	5,607,929	6,574,185	7,698,297	8,210,561	9,256,893
Net (expense) revenue (2)	(81,374,874)	(86,237,409)	(94,524,154)	(103,156,029)	(112,581,377)
General Revenues and Other Changes in Net Assets					
Contribution from primary government (4)	56,150,392	58,888,752	65,247,684	81,597,198	95,952,739
Investment income	573	362	700	956	12,932
Miscellaneous	419,675	480,812	43,183	72,953	635,215
Grants and contributions not restricted to specific programs (4)	27,092,226	29,183,685	31,650,343	33,988,935	37,293,452
Total component unit - School Board general revenues and other changes in net assets	83,662,866	88,553,611	96,941,910	115,660,042	133,894,338
Total Component Unit – School Board change in net assets	\$ 2,287,992	\$ 2,316,202	\$ 2,417,756	\$ 12,504,013	\$ 21,312,961

- (1) The Fleet Maintenance Fund and the Health Insurance Fund are reflected in the internal service funds beginning in FY 2004.
- (2) 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.
- (3) 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.
- (4) 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.

		Fiscal Year								
		2008	2009	2010	2011	2012				
							Primary Government: (continued)			
							General Revenues and Other Changes in Net Assets			
							Governmental activities:			
							Taxes			
\$	109,470,150	\$	117,835,182	\$	114,586,709	\$	111,630,849	\$	114,342,089	General property taxes
	7,032,385		6,240,448		5,887,347		6,298,377		6,637,371	Local sales and use taxes
	4,985,109		4,561,422		1,513,680		1,617,137		1,557,435	Consumers' utility taxes
	1,847,520		1,463,055		1,460,805		1,433,739		1,185,466	Business and professional taxes
	1,727,843		1,737,173		1,738,233		1,772,081		1,773,850	Motor vehicle taxes
	1,585,129		1,242,537		1,152,451		1,146,468		1,319,617	Taxes on recordation and wills
	-		-		-		-		-	E-911 tax
	224,995		181,577		202,935		177,595		211,306	Other local taxes
	3,893,181		1,318,260		561,508		526,240		440,373	Investment income
	457,724		169,889		177,939		1,062,845		2,077,845	Miscellaneous
	14,260,569		13,852,748		16,893,482		16,765,178		16,665,118	Grants and contributions not restricted to specific programs
	(463,024)		40,096		(38,005)		228,382		(73,181)	Transfers
	-		-		-		-		-	Special Item - Water and Sewer Authority note receivable
	-		-		-		-		-	Total governmental activities general revenues and other changes in net assets
	145,021,581		148,642,387		144,137,084		142,658,891		146,137,289	
							Business-type activities:			
	39,069		7,408		1,045		2,260		1,830	Investment income
	185,123		-		-		-		500	Miscellaneous
	463,024		(40,096)		38,005		(228,382)		73,181	Transfers
	-		-		-		-		-	Total business-type activities general revenues and other changes in net assets
	687,216		(32,688)		39,050		(226,122)		75,511	
	145,708,797		148,609,699		144,176,134		142,432,769		146,212,800	Total primary government general revenues and other changes in net assets
							Change in Net Assets			
							Governmental activities			
							Business-type activities			
	(52,089,331)		442,277		3,415,545		(889,102)		(4,159,623)	Total Primary Government change in net assets
	(926,232)		(2,558,024)		(1,630,646)		(1,815,405)		(2,594,046)	
	(53,015,563)		(2,115,747)		1,784,899		(2,704,507)		(6,753,669)	
							Component Unit – School Board: (3)			
							Expenses			
							Education			
	126,043,880		133,307,450		131,500,463		130,736,865		129,377,130	
							Program Revenues			
	3,465,276		3,331,139		3,155,966		3,256,125		3,649,906	Charges for services
	4,134,985		11,989,341		13,036,391		15,684,062		13,609,856	Operating grants and contributions (4)
	-		122,965		-		-		-	Capital grants and contributions
	7,600,261		15,443,445		16,192,357		18,940,187		17,259,762	Total component unit - School Board program revenues
	(118,443,619)		(117,864,005)		(115,308,106)		(111,796,678)		(112,117,368)	Net (expense) revenue (2)
							General Revenues and Other Changes in Net Assets			
	129,514,166		90,120,368		81,953,666		78,601,103		87,973,557	Contribution from primary government (4)
	1,416		1,193		1,321		499		160	Investment income
	364,411		471,525		445,596		328,778		225,962	Miscellaneous
	38,657,682		30,452,153		29,257,550		30,848,458		30,204,708	Grants and contributions not restricted to specific programs (4)
	168,537,675		121,045,239		111,658,133		109,778,838		118,404,387	Total component unit - School Board general revenues and other changes in net assets
\$	50,094,056	\$	3,181,234	\$	(3,649,973)	\$	(2,017,840)	\$	6,287,019	Total Component Unit – School Board change in net assets

COUNTY OF FAUQUIER, VIRGINIA

Table 3

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

	Fiscal Year	
	2011	2012
General Fund:		
Nonspendable	\$ 241,578	\$ 385,013
Restricted	129,861	165,050
Committed	1,194,682	1,234,803
Assigned	5,778,089	5,843,910
Unassigned	17,059,512	15,555,924
Total General Fund	24,403,722	23,184,700
Other Governmental Funds:		
Nonspendable		
Capital Projects Fund	761,553	704,790
Debt Service Fund	-	2,420,625
Nonmajor governmental funds	95,244	150,606
Restricted		
Asset Replacement Fund (2)	1,566,000	-
Capital Projects Fund	166,830	15,753,189
Nonmajor governmental funds	1,791,978	2,331,333
Committed		
Asset Replacement Fund (2)	537,079	-
Capital Projects Fund	9,942,526	7,716,438
Debt Service Fund	445,920	-
Nonmajor governmental funds	4,071,351	4,022,105
Assigned		
Asset Replacement Fund (2)	740,792	-
Capital Projects Fund	1,773,511	-
Nonmajor governmental funds	-	339,762
Unassigned		
Debt Service Fund	-	(1,760,874)
Total Other Governmental Funds	21,892,784	31,677,974
Total Governmental Funds	\$ 46,296,506	\$ 54,862,674

- (1) The County implemented GASB 54, the new standard for fund balance reporting, in FY 2011. Restatement for prior year fund balances is not feasible. Therefore, ten years of information is not available, but will be accumulated over time.
- (2) As of FY 2012, the Asset Replacement Fund is classified as a Nonmajor Governmental Fund

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Table 4

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues					
General property and other local taxes	\$ 81,254,445	\$ 86,178,471	\$ 93,092,244	\$ 105,484,892	\$ 117,395,045
Permits, privilege fees, and regulatory licenses	1,508,077	1,598,890	2,212,566	1,921,717	2,287,326
Fines and forfeitures	504,517	504,771	486,847	529,420	526,235
Revenue from use of money and property	1,727,060	1,182,326	1,647,513	2,499,258	4,595,057
Charges for services	1,074,405	1,596,119	1,240,303	1,380,707	1,299,009
Gifts and donations	-	503,539	887,490	1,035,693	4,395,470
Recovered costs	145,617	180,538	154,483	257,337	241,385
Miscellaneous	471,701	-	80,100	723,786	222,369
Intergovernmental:					
Contribution from School Board	3,789,103	1,188,192	526,788	1,316,810	-
Contribution from Culpeper County	-	-	-	369,556	-
Commonwealth of Virginia	18,673,462	19,993,164	20,660,061	22,290,152	22,520,192
Federal Government	2,421,379	2,863,540	2,557,472	2,663,034	3,126,629
Total revenues	111,569,766	115,789,550	123,545,867	140,472,362	156,608,717
Expenditures					
Current operating:					
General government administration	7,688,368	10,000,219	9,133,896	9,391,807	10,820,861
Judicial	2,186,402	2,651,525	5,334,255	4,933,976	2,913,670
Public safety	17,634,118	15,284,971	19,869,721	19,157,429	21,101,417
Public works	6,002,496	8,588,341	5,539,741	6,193,511	6,483,272
Health and welfare	5,787,402	6,498,599	7,201,697	8,024,745	8,618,127
Education	57,933,386	70,255,695	67,244,700	81,797,232	95,373,503
Parks, recreation, and cultural	5,731,577	6,864,198	5,691,502	11,725,937	17,173,878
Community development	3,707,282	4,710,489	5,795,456	5,092,111	6,670,589
Nondepartmental	523,408	552,652	579,410	640,050	550,225
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement (1)	4,484,717	6,066,327	4,976,092	5,138,726	5,711,745
Interest & fiscal charges (1)	2,916,590	2,723,740	3,109,014	2,962,402	3,327,139
Bond issuance costs (2)	-	-	-	-	282,815
Total expenditures	114,595,746	134,196,756	134,475,484	155,057,926	179,027,241
Excess (deficiency) of revenues over (under) expenditures	(3,025,980)	(18,407,206)	(10,929,617)	(14,585,564)	(22,418,524)
Other financing sources (uses)					
Transfers in	8,364,435	7,444,089	9,902,280	7,927,776	11,551,635
Transfers (out)	(8,403,077)	(7,644,624)	(10,115,839)	(8,075,717)	(11,467,873)
Issuance of debt (1)	1,700,000	11,630,000	3,720,000	11,540,000	39,615,000
Issuance of refunding bonds	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-
Premiums on issuance of debt	-	772,947	282,235	643,395	2,262,669
Total other financing sources (uses)	1,661,358	12,202,412	3,788,676	12,035,454	41,961,431
Net change in fund balances	\$ (1,364,622)	\$ (6,204,794)	\$ (7,140,941)	\$ (2,550,110)	\$ 19,542,907

- (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 presentation for FY 2007 through FY 2012 include bond issuance costs.
- (3) The amount reported for "capital outlay primary government only" matches the reconciling item for capital outlay in the reconciliation between the government-wide statement of activities and the statement of revenues, expenditures, and changes in fund balance for governmental funds (Exhibit 6). The amount reported for "capital outlay Component Unit - School Board only" matches the reconciling item for capital outlay in the reconciliation between the government-wide statement of activities and the statement of revenues, expenditures, and changes in fund balance for the Discretely Presented Component Unit - School Board (Exhibit 34).

		Fiscal Year					
2008	2009	2010	2011	2012			
						Revenues	
\$ 125,634,196	\$ 132,573,715	\$ 126,626,266	\$ 124,880,233	\$ 126,471,138		General property and other local taxes	
1,575,699	1,213,148	964,288	889,367	900,061		Permits, privilege fees, and regulatory licenses	
403,870	483,483	515,286	470,323	447,742		Fines and forfeitures	
3,643,296	1,272,923	559,890	507,677	421,223		Revenue from use of money and property	
1,749,725	2,475,872	2,036,829	1,993,776	2,230,281		Charges for services	
140,246	2,441	1,187,725	177,298	210,633		Gifts and donations	
270,601	517,063	216,991	263,985	441,593		Recovered costs	
457,724	169,889	177,939	1,062,845	2,077,845		Miscellaneous	
-	-	-	-	-		Intergovernmental:	
-	-	-	-	-		Contribution from School Board	
23,687,021	23,577,653	26,929,574	26,577,419	25,934,368		Contribution from Culpeper County	
2,647,758	4,165,645	5,553,092	3,674,124	3,562,870		Commonwealth of Virginia	
						Federal Government	
<u>160,210,136</u>	<u>166,451,832</u>	<u>164,767,880</u>	<u>160,497,047</u>	<u>162,697,754</u>		Total revenues	
						Expenditures	
						Current operating:	
10,654,666	10,747,190	10,243,734	10,546,705	11,329,498		General government administration	
3,065,299	2,966,916	3,048,533	2,974,541	3,129,590		Judicial	
23,453,213	24,314,107	24,380,686	23,490,646	23,021,859		Public safety	
8,319,953	6,729,594	7,951,825	7,202,063	8,283,553		Public works	
9,880,305	9,942,056	10,302,171	9,889,115	9,937,121		Health and welfare	
129,784,456	90,092,039	81,245,018	78,883,664	88,033,156		Education	
7,269,368	6,868,414	5,570,383	5,806,542	5,409,843		Parks, recreation, and cultural	
8,186,119	8,553,281	11,366,594	7,652,116	5,988,110		Community development	
391,617	816,428	594,483	649,715	681,335		Nondepartmental	
-	-	-	877,303	3,637,103		Capital outlay	
6,900,170	8,739,019	8,820,698	8,730,851	8,760,894		Debt service:	
5,149,438	6,386,481	6,069,818	5,986,485	5,735,211		Principal retirement (1)	
-	-	169,949	143,778	299,881		Interest & fiscal charges (1)	
						Bond issuance costs (2)	
<u>213,054,604</u>	<u>176,155,525</u>	<u>169,763,892</u>	<u>162,833,524</u>	<u>174,247,154</u>		Total expenditures	
<u>(52,844,468)</u>	<u>(9,703,693)</u>	<u>(4,996,012)</u>	<u>(2,336,477)</u>	<u>(11,549,400)</u>		Excess (deficiency) of revenues over (under) expenditures	
						Other financing sources (uses)	
7,738,049	3,583,913	1,362,514	18,634,518	18,825,348		Transfers in	
(7,772,511)	(3,588,665)	(1,408,590)	(18,648,531)	(20,288,417)		Transfers (out)	
34,075,000	-	6,153,000	1,566,000	19,880,000		Issuance of debt (1)	
-	2,115,000	3,565,000	5,430,000	13,260,000		Issuance of refunding bonds	
-	(2,285,637)	(3,820,154)	(5,962,000)	(15,124,411)		Payments to refunded bond escrow agent	
1,832,846	205,787	335,122	657,736	3,563,048		Premiums on issuance of debt	
<u>35,873,384</u>	<u>30,398</u>	<u>6,186,892</u>	<u>1,677,723</u>	<u>20,115,568</u>		Total other financing sources (uses)	
<u>\$ (16,971,084)</u>	<u>\$ (9,673,295)</u>	<u>\$ 1,190,880</u>	<u>\$ (658,754)</u>	<u>\$ 8,566,168</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				
	2003	2004	2005	2006	2007
Debt Service as a Percentage of Noncapital Expenditures: (1)					
Primary Government:					
Total debt service	\$ 7,401,307	\$ 8,790,067	\$ 8,085,106	\$ 8,101,128	\$ 9,038,884
Total expenditures	114,595,746	134,196,756	134,475,484	155,057,926	179,027,241
Capital outlay primary government only (3)	9,028,008	7,437,757	11,543,894	12,209,038	14,448,161
Non-capital expenditures	105,567,738	126,758,999	122,931,590	142,848,888	164,579,080
Debt service as a percentage of noncapital expenditures: Primary Government only	7.01%	6.93%	6.58%	5.67%	5.49%
Component Unit - School Board:					
Schools expenditures excluding County contribution	32,953,449	36,016,109	39,528,052	41,363,609	47,200,710
Capital outlay Component Unit – School Board only (3)	6,124,463	15,749,994	7,511,716	1,441,275	2,172,271
Non-capital expenditures	26,828,986	20,266,115	32,016,336	39,922,334	45,028,439
Total Reporting Entity:					
Total debt service	7,401,307	8,790,067	8,085,106	8,101,128	9,038,884
Total non-capital expenditures	\$ 132,396,724	\$ 147,025,114	\$ 154,947,926	\$ 182,771,222	\$ 209,607,519
Debt service as a percentage of noncapital expenditures: Total Reporting Entity	5.59%	5.98%	5.22%	4.43%	4.31%

- (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 presentation for FY 2007 through FY 2012 include bond issuance costs.
- (3) The amount reported for "capital outlay primary government only" matches the reconciling item for capital outlay in the reconciliation between the government-wide statement of activities and the statement of revenues, expenditures, and changes in fund balance for governmental funds (Exhibit 6). The amount reported for "capital outlay Component Unit - School Board only" matches the reconciling item for capital outlay in the reconciliation between the government-wide statement of activities and the statement of revenues, expenditures, and changes in fund balance for the Discretely Presented Component Unit - School Board (Exhibit 34).

Fiscal Year					
2008	2009	2010	2011	2012	
					Debt Service as a Percentage of Noncapital Expenditures: (1)
					Primary Government:
\$ 12,049,608	\$ 15,125,500	\$ 14,890,516	\$ 14,717,336	\$ 14,496,105	Total debt service
213,054,604	176,155,525	169,763,892	162,833,524	174,247,154	Total expenditures
4,665,840	3,473,135	2,462,775	4,289,680	4,215,022	Capital outlay primary government only (3)
<u>208,388,764</u>	<u>172,682,390</u>	<u>167,301,117</u>	<u>158,543,844</u>	<u>170,032,132</u>	Non-capital expenditures
5.78%	8.76%	8.90%	9.28%	8.53%	Debt service as a percentage of noncapital expenditures: Primary Government only
					Component Unit - School Board:
47,144,282	46,216,452	46,412,036	48,447,441	47,846,703	Schools expenditures excluding County contribution
<u>2,327,141</u>	<u>1,594,750</u>	<u>1,241,997</u>	<u>2,045,997</u>	<u>1,122,708</u>	Capital outlay Component Unit – School Board only (3)
<u>44,817,141</u>	<u>44,621,702</u>	<u>45,170,039</u>	<u>46,401,444</u>	<u>46,723,995</u>	Non-capital expenditures
					Total Reporting Entity:
12,049,608	15,125,500	14,890,516	14,717,336	14,496,105	Total debt service
<u>\$ 253,205,905</u>	<u>\$ 217,304,092</u>	<u>\$ 212,471,156</u>	<u>\$ 204,945,288</u>	<u>\$ 216,756,127</u>	Total non-capital expenditures
4.76%	6.96%	7.01%	7.18%	6.69%	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 Taxable Property (1)
Last Ten Calendar Years

Page 1 of 2

Taxable Year (2)	Real Property					Add: Tax-Exempt Real Property
	Residential Property	Commercial Property	Agricultural Property	Public Service SCC Assessed	Total Taxable Real Property Assessed Value	
2003	\$ 3,758,119,100	\$ 513,850,300	\$ 1,077,644,800	\$ 339,251,808	\$ 5,688,866,008	\$ 496,561,200
2004	3,949,367,500	520,611,300	1,098,114,300	304,158,721	5,872,251,821	512,628,100
2005	4,153,865,100	537,406,500	1,118,396,200	362,631,919	6,172,299,719	537,928,300
2006	8,619,946,900	1,011,218,000	2,064,283,800	319,941,047	12,015,389,747	846,925,400
2007	8,891,346,700	1,028,164,000	2,078,798,500	569,687,837	12,567,997,037	864,260,500
2008	9,049,864,500	1,058,920,900	2,090,635,900	608,233,836	12,807,655,136	940,499,500
2009	9,128,162,400	1,071,298,800	2,100,370,400	619,755,825	12,919,587,425	967,101,100
2010	6,780,771,400	1,073,501,400	1,706,814,000	625,145,966	10,186,232,766	989,212,900
2011	6,830,579,900	1,063,923,500	1,703,632,900	650,565,523	10,248,701,823	1,006,092,700
2012	6,889,390,800	1,067,953,300	1,716,811,900	692,329,668	10,366,485,668	1,004,592,600

Table 5-B

Tax Relief for the Elderly
Last Ten Calendar Years

Taxable Year (2)	Tax Relief for the Elderly
2003	\$ 92,926,950
2004	92,117,700
2005	94,161,350
2006	237,690,300
2007	259,018,590
2008	267,875,000
2009	305,180,200
2010	222,494,500
2011	237,816,800
2012	242,812,300

Source: Fauquier County Commissioner of the Revenue

- (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.
- (3) The total direct tax rate is calculated using the weighted average method.

Total Value	Personal Property			Total Real and Personal Property Assessed Value	Total Direct Tax Rate (3)	Taxable Year (2)
	General Property	Segregated Properties	Total Personal Property Assessed Value			
\$ 6,185,427,208	\$ 502,499,964	\$ 32,260,379	\$ 534,760,343	\$ 6,223,626,351	\$ 1.290	2003
6,384,879,921	550,408,045	37,082,203	587,490,248	6,459,742,069	1.307	2004
6,710,228,019	572,850,102	42,268,883	615,118,985	6,787,418,704	1.305	2005
12,862,315,147	657,335,103	44,884,530	702,219,633	12,717,609,380	0.856	2006
13,432,257,537	699,277,775	41,418,065	740,695,840	13,308,692,877	0.860	2007
13,748,154,636	699,159,711	44,112,412	743,272,123	13,550,927,259	0.970	2008
13,886,688,525	704,651,911	45,079,146	749,731,057	13,669,318,482	0.970	2009
11,175,445,666	595,929,989	45,275,468	641,205,457	10,827,438,223	1.175	2010
11,254,794,523	541,729,863	118,315,665	660,045,528	10,908,747,351	1.164	2011
11,371,078,268	565,615,974	110,025,693	675,641,667	11,042,127,335	1.180	2012

COUNTY OF FAUQUIER, VIRGINIA

Table 6

Property Tax Rates for Both Direct and Overlapping Governments (1)
Last Ten Calendar Years
(rates per \$100 of assessed value)

Type of Tax	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
FAUQUIER COUNTY										
Countywide tax levies:										
Real property:										
General Fund	\$ 0.920	\$ 0.920	\$ 0.925	\$ 0.600	\$ 0.600	\$ 0.720	\$ 0.720	\$ 0.919	\$ 0.919	\$ 0.919
Fire and Rescue Special Revenue Fund	0.070	0.070	0.045	0.035	0.035	0.035	0.035	0.045	0.045	0.045
Conservation Easement Purchase Levy	-	-	0.020	0.010	0.010	0.010	0.010	0.006	0.006	0.006
Total direct real property tax rate	<u>0.990</u>	<u>0.990</u>	<u>0.990</u>	<u>0.645</u>	<u>0.645</u>	<u>0.765</u>	<u>0.765</u>	<u>0.970</u>	<u>0.970</u>	<u>0.970</u>
Personal property:										
General class	4.650	4.650	4.650	4.650	4.650	4.650	4.650	4.650	4.650	4.650
Airplanes	0.600	0.600	0.600	0.001	0.001	0.001	0.001	0.001	0.001	0.001
Machinery and tools	4.650	4.650	4.650	4.650	4.650	4.650	4.650	2.300	2.300	2.300
Handicapped equipped vehicle	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Camper, trailers, and boats	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Mobile homes	0.990	0.990	0.990	0.645	0.645	0.765	0.765	0.970	0.970	0.970
Buscs with 30 or more passengers	-	-	-	-	-	-	-	1.000	1.000	1.000
Business furniture, fixtures, and equipment	-	-	-	-	-	-	-	2.300	2.300	2.300
Fire and rescue	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Total direct personal property tax rate (2)	<u>4.487</u>	<u>4.476</u>	<u>4.471</u>	<u>4.474</u>	<u>4.514</u>	<u>4.507</u>	<u>4.511</u>	<u>4.434</u>	<u>4.180</u>	<u>4.220</u>
Total direct tax rate (2)	<u>1.290</u>	<u>1.307</u>	<u>1.305</u>	<u>0.856</u>	<u>0.860</u>	<u>0.970</u>	<u>0.970</u>	<u>1.175</u>	<u>1.164</u>	<u>1.180</u>
Special district levies:										
Marshall Street Light Levy (3)	0.020	0.020	0.020	0.005	0.005	0.005	0.005	0.005	0.005	0.005
OVERLAPPING GOVERNMENTS										
Town of Warrenton:										
Real estate	0.030	0.030	0.030	0.015	0.015	0.015	0.015	0.015	0.015	0.015
Personal property	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Town of Remington:										
Real estate	0.140	0.140	0.140	0.100	0.100	0.100	0.100	0.125	0.125	0.125
Personal property	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100
Town of The Plains:										
Real estate	0.075	0.075	0.075	0.040	0.040	0.040	0.040	0.040	0.040	0.040
Personal property	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500

- (1) The County does not have any direct and overlapping debt to report.
- (2) The total direct personal property tax rate and the total direct tax rate are calculated using the taxable property assessed value weighted average method.
- (3) The Marshall Street Light Levy is a special assessment for the Marshall District.

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	2012			2003		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Virginia Electric & Power Company	\$ 322,578,914	1	3.11%	\$ 180,944,820	1	3.18%
Old Dominion Electric Co-op	159,247,202	2	1.54%			
Verizon - Virginia, Inc.	49,075,293	3	0.47%	45,045,630	2	0.79%
Northern Virginia Electric Co-op	32,506,923	4	0.31%	14,723,363	5	0.26%
Warrenton Center LLC, Shopping Center	29,666,400	5	0.29%			
Oak Spring Farms LLC	23,425,800	6	0.23%	18,942,700	4	0.33%
Rappahannock Electric Co-op	19,702,383	7	0.19%	10,308,006	6	0.18%
Saul Holdings Limited Partnership	19,582,100	8	0.19%			
Norfolk Southern Railway Company	19,153,195	9	0.18%			
Warrenton Development Company	18,774,000	10	0.18%	10,099,500	7	0.18%
Jefferson Associates LP				20,190,600	3	0.35%
Warrenton Village LLC Shopping Center				9,445,000	8	0.17%
Walmart Real Estate Business				8,991,800	9	0.16%
Colonial Pipeline Company				8,747,842	10	0.15%
Total	\$ 693,712,210		6.69%	\$ 327,439,261		5.75%

Source: Fauquier County Commissioner of the Revenue

Table 7-B

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

TAXPAYER	2012			2003		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Comcast of CA/MD/PA/VA/WV LLC	\$ 5,196,123	1	0.77%			
Vulcan Materials Company	4,556,258	2	0.67%			
Luck Stone Corporation	2,883,598	3	0.43%	\$ 2,279,867	1	0.43%
H & E Equipment Services Inc.	2,778,760	4	0.41%			
Toyota Motor Credit Corporation	2,237,261	5	0.33%	1,826,513	4	0.34%
Smith-Midland Corporation	1,557,265	6	0.23%			
D. L. Peterson Trust	1,349,158	7	0.20%			
Penske Truck Leasing Company LP	1,183,517	8	0.18%			
Financial Services Vehicles Trust	1,078,600	9	0.16%			
Daimler Trust	1,007,689	10	0.15%			
Piedmont Contracting LLC				1,979,673	2	0.37%
Amerigas Propane LP				1,897,655	3	0.35%
Hawk, Inc.				1,783,650	5	0.33%
Safeway Stores Inc				1,745,988	6	0.33%
Giant of Maryland LLC				1,744,757	7	0.33%
General Motors Acceptance Corporation (GMAC)				1,678,759	8	0.31%
Ford Motor Credit Company				1,662,307	9	0.31%
Trinity Packaging Corporation				1,583,649	10	0.30%
Total	\$ 23,828,229		3.53%	\$ 18,182,818		3.40%

(1) Original TY 2012 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	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 Adjusted Tax Levy	Amount	Amount	Percentage of Adjusted Tax Levy
2003	\$ 79,480,945	\$ (187,229)	\$ 79,293,716	\$ 77,320,736	97.51%	\$ 1,070,325	\$ 78,391,061	98.86%
2004	82,886,242	238,649	83,124,891	81,216,837	97.70%	4,813	81,221,650	97.71%
2005	87,592,939	(114,148)	87,478,791	85,659,133	97.92%	393,261	86,052,394	98.37%
2006	101,562,098	277,503	101,839,601	98,217,478	96.44%	3,025,927	101,243,405	99.41%
2007	113,458,234	73,740	113,531,974	112,279,628	98.90%	288,131	112,567,759	99.15%
2008	121,628,113	186,668	121,814,781	119,513,886	98.11%	2,142,717	121,656,603	99.87%
2009	130,672,014	(16,263)	130,655,751	127,948,474	97.93%	2,246,304	130,194,778	99.65%
2010	125,478,009	198,540	125,676,549	122,961,071	97.84%	2,007,058	124,968,129	99.44%
2011	124,996,220	138,681	125,134,901	122,687,302	98.04%	1,404,617	124,091,919	99.17%
2012	126,178,322	-	126,178,322	124,456,425	98.64%	-	124,456,425	98.64%

Source: Fauquier County Treasurer

COUNTY OF FAUQUIER, VIRGINIA

Table 9

Ratios of Outstanding Debt by Type (1)
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
	Capital Lease	Revenue Bonds	General Obligation Bonds	Virginia Public School Authority Bonds	Capital Lease	Solid Waste Revenue Bonds	Notes Payable			
2003	\$ 10,458,664	\$ 3,075,000	\$ 9,215,000	\$ 31,965,000	\$ -	\$ 2,545,000	\$ -	\$ 57,258,664	2.28%	\$ 986
2004	8,246,174	2,960,000	8,335,000	40,710,000	-	2,220,000	-	62,471,174	2.27%	1,058
2005	7,690,082	2,840,000	7,450,000	41,015,000	-	1,885,000	-	60,880,082	2.00%	1,003
2006	7,116,356	2,715,000	6,580,000	48,985,000	-	1,540,000	-	66,936,356	2.05%	1,076
2007	6,519,611	2,585,000	45,335,000	44,860,000	1,192,000	1,180,000	51,937	101,723,548	3.06%	1,629
2008	5,899,442	2,450,000	43,270,000	74,855,000	1,192,000	805,000	35,656	128,507,098	3.71%	2,015
2009	5,255,423	2,260,000	41,030,000	69,140,000	880,005	410,000	18,362	118,993,790	3.64%	1,842
2010	4,592,107	8,258,000	38,205,000	64,050,000	596,000	-	-	115,701,107	3.44%	1,794
2011	5,455,024	7,375,000	35,390,000	59,325,000	298,000	-	-	107,843,024	*	1,647
2012	4,706,680	7,010,000	33,245,000	74,505,000	-	5,170,000	-	124,636,680	*	1,895

(1) The County does not have any direct and overlapping debt to report.

(2) See the schedule of Demographic and Economic Statistics on Table 13 for personal income and population data.

* Unavailable

COUNTY OF FAUQUIER, VIRGINIA

Table 10

Ratios of General Bonded Debt Outstanding (1)
Last Ten Fiscal Years

Fiscal Year	Schools General Obligation Bonds	Virginia Public School Authority Bonds	Net General Bonded Debt	Percentage of Personal Income	Percentage of Estimated Actual Value of Taxable Property (2)	Per Capita (3)
2003	\$ 9,215,000	\$ 31,965,000	\$ 41,180,000	1.64%	0.66%	709
2004	8,335,000	40,710,000	49,045,000	1.78%	0.76%	830
2005	7,450,000	41,015,000	48,465,000	1.60%	0.71%	799
2006	6,580,000	48,985,000	55,565,000	1.70%	0.44%	894
2007	45,335,000	44,860,000	90,195,000	2.71%	0.68%	1,444
2008	43,270,000	74,855,000	118,125,000	3.41%	0.87%	1,852
2009	41,030,000	69,140,000	110,170,000	3.37%	0.81%	1,706
2010	38,205,000	64,050,000	102,255,000	3.04%	0.94%	1,585
2011	35,390,000	59,325,000	94,715,000	*	0.87%	1,447
2012	33,245,000	74,505,000	107,750,000	*	0.98%	1,638

(1) The County does not have any direct and overlapping debt to report.

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

(3) See the schedule of Demographic and Economic Statistics on Table 13 for population data.

* Unavailable

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Table 11

**Pledged-Revenue Coverage (1)
Last Ten Fiscal Years**

Fiscal Year	Sewer Revenue Bonds				Coverage (2)
	Sewer Tap Fees	Debt Service			
		Principal	Interest	Total	
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
2009	-	140,000	121,138	261,138	-
2010	36,000	155,000	86,649	241,649	0.15
2011	-	351,000	371,035	722,035	-
2012	-	365,000	312,761	677,761	-

- (1) The County does not have any direct and overlapping debt to report.
- (2) Debt Service payments are covered by the General Fund.

Solid Waste Bonds							
Landfill and Recycling Fund Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service			Coverage	Fiscal Year
			Principal	Interest	Total		
\$ 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	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
5,135,953	6,512,598	(1,376,645)	395,000	32,200	427,200	(3.22)	2009
4,676,177	5,152,285	(476,108)	410,000	16,400	426,400	(1.12)	2010
4,202,943	4,867,277	(664,334)	-	-	-	-	2011
4,101,680	5,337,583	(1,235,903)	-	-	-	-	2012

COUNTY OF FAUQUIER, VIRGINIA

Table 12

County Policy Debt Margin (1)
Last Ten Fiscal Years

	Fiscal Year				
	2003	2004	2005	2006	2007
Primary Government general revenues	\$ 101,414,870	\$ 107,742,248	\$ 115,802,686	\$ 130,354,175	\$ 142,714,982
Budgeted revenues (2)	-	-	-	-	-
Debt limit (3)	10,141,487	10,774,225	11,580,269	13,035,418	14,271,498
Total net debt applicable to limit	<u>7,396,557</u>	<u>8,784,217</u>	<u>8,080,098</u>	<u>8,095,810</u>	<u>9,029,884</u>
County policy margin	<u>\$ 2,744,930</u>	<u>\$ 1,990,008</u>	<u>\$ 3,500,171</u>	<u>\$ 4,939,608</u>	<u>\$ 5,241,614</u>
Total net debt applicable to the limit as a percentage of general revenues	7.29%	8.15%	6.98%	6.21%	6.33%

(1) The County does not have any direct and overlapping debt to report.

(2) Effective FY 2010, budgeted revenues include the General Fund, the Conservation Easement Service District Fund, and the Volunteer Fire and Rescue Fund.

(3) The Code of Virginia has no legal debt margin limit set on the Counties. Effective FY 2010, Fauquier County's debt capacity was defined as 10% of the aggregate total of budgeted revenues in the General Fund, the Conservation Easement Service District Fund, and the Volunteer Fire and Rescue Fund.

Fiscal Year					
2008	2009	2010	2011	2012	
\$ 151,241,607	\$ 157,808,035	\$ -	\$ -	\$ -	Primary Government general revenues
-	-	161,131,819	154,965,925	157,396,115	Budgeted revenues (2)
15,124,161	15,780,804	16,113,182	15,496,593	15,739,612	Debt limit (3)
<u>12,044,958</u>	<u>15,119,500</u>	<u>14,881,996</u>	<u>14,710,693</u>	<u>14,485,068</u>	Total net debt applicable to limit
<u>\$ 3,079,203</u>	<u>\$ 661,304</u>	<u>\$ 1,231,186</u>	<u>\$ 785,900</u>	<u>\$ 1,254,544</u>	County policy margin
7.96%	9.58%	9.24%	9.49%	9.20%	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)
2003	58,074	\$ 2,511,815	\$ 41,959	3.1%	32,802	19,369	10,054
2004	59,056	2,755,285	44,934	2.7%	34,194	20,713	10,295
2005	60,678	3,037,650	48,458	2.6%	35,643	21,579	10,717
2006	62,184	3,261,337	51,149	2.4%	36,601	22,022	10,940
2007	62,450	3,325,147	51,857	2.5%	37,041	21,710	11,117
2008	63,789	3,464,126	53,659	3.4%	37,689	21,396	11,263
2009	64,594	3,268,248	50,353	5.6%	37,959	20,271	11,244
2010	64,497	3,364,265	51,454	5.8%	36,684	20,133	11,222
2011	65,460	*	*	4.9%	37,311	20,762	11,184
2012	65,780	*	*	4.7%	37,775	20,815	11,210

- Sources:
- (1) Weldon Cooper Center for Public Service final population estimates for FY 2003 through FY 2011, and provisional estimate for FY 2012.
 - (2) Bureau of Economic Analysis, calendar year data.
 - (3) Virginia Employment Commission calendar year data for 2003 through 2011. Data for 2012 Unemployment Rate and County Civilian Labor Force is the six month average rate for January 2012 through June 2012. Data for 2012 At-Place employment is for the 1st quarter of 2012.
 - (4) Fauquier County Public Schools Adopted Budgets.

* Unavailable

COUNTY OF FAUQUIER, VIRGINIA

Table 14

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

Employer	2012		2003	
	Rank	Number of Employees	Rank	Number of Employees
Fauquier County School Board	1	1000 and over	1	1000 and over
Fauquier Health System	2	1000 and over		
County of Fauquier	3	500 to 999	3	500 to 999
U.S. Department of Transportation	4	250 to 499	4	250 to 499
Walmart	5	100 to 249	5	100 to 249
Food Lion	6	100 to 249	8	100 to 249
Town of Warrenton	7	100 to 249		
Pearson Government Solutions, Inc.	8	100 to 249		
Oak Springs Nursing Home	9	100 to 249		
Smith Midland Corporation	10	100 to 249		
Fauquier Hospital			2	500 to 999
Trinity Packaging Corporation			6	100 to 249
America House Four			7	100 to 249
Giant Food			9	100 to 249
General Excavation			10	100 to 249

Source: Virginia Employment Commission Top 50 Employers (1st Quarter of 2012 and 2nd Quarter of 2003)

COUNTY OF FAUQUIER, VIRGINIA

Table 15

County Government Employees by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	112.4	112.9	117.9	119.1	116.8	114.8	115.2	109.8	112.2	113.2
Judicial administration	36.5	37.5	37.7	39.7	40.7	41.7	38.7	38.8	38.5	38.5
Public safety	138.0	138.0	141.0	153.0	155.0	185.6	192.3	189.5	201.5	203.5
Public works	45.0	47.5	48.5	52.5	56.5	56.5	63.6	67.1	60.1	60.1
Health and welfare	42.0	42.5	43.7	45.5	46.8	47.1	45.1	45.1	45.1	46.5
Parks, recreation, and cultural	47.2	49.7	54.2	58.2	65.4	65.6	63.5	61.7	58.7	60.6
Community development	35.0	36.0	43.6	46.6	52.6	53.0	51.0	42.1	41.0	42.0
Other funds										
Airport	-	1.0	2.1	2.1	2.6	2.0	2.0	2.0	2.0	2.0
Joint Communications (1)	21.0	22.0	22.6	24.6	24.6	-	-	-	-	-
Ambulance billing	-	-	-	-	-	-	-	-	1.0	1.0
Environmental Services	18.8	21.5	21.5	22.0	28.0	31.0	25.0	17.5	16.5	17.5
Fleet Maintenance	16.0	16.0	16.0	16.0	15.0	15.0	15.0	14.0	14.0	14.0
Conservation Easement Service District	-	-	-	-	0.8	1.0	1.0	2.0	2.0	2.0
Subtotal	<u>55.8</u>	<u>60.5</u>	<u>62.2</u>	<u>64.7</u>	<u>71.0</u>	<u>49.0</u>	<u>43.0</u>	<u>35.5</u>	<u>35.5</u>	<u>36.5</u>
Total Primary Government	<u>511.9</u>	<u>524.6</u>	<u>548.8</u>	<u>579.3</u>	<u>604.8</u>	<u>613.3</u>	<u>612.4</u>	<u>589.6</u>	<u>592.6</u>	<u>600.9</u>
Component Unit – School Board										
Education	<u>1,473.0</u>	<u>1,509.8</u>	<u>1,598.5</u>	<u>1,625.1</u>	<u>1,644.2</u>	<u>1,640.0</u>	<u>1,725.0</u>	<u>1,727.5</u>	<u>1,863.1</u>	<u>1,853.3</u>
Total Reporting Entity	<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>2,253.3</u>	<u>2,337.4</u>	<u>2,317.1</u>	<u>2,455.7</u>	<u>2,454.2</u>

(1) As of FY 2008 Joint Communications is no longer reported as a separate fund.

Sources: For County Government employees information: Fauquier County Adopted Budgets

For Component Unit - School Board employees information:
 FY 2004 through FY2012: Fauquier County Public Schools Adopted Budgets
 FY 2003: FY 2003 CAFR

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Table 16

Operating Indicators by Function (1)
Last Ten Fiscal Years

Function	Fiscal Year				
	2003	2004	2005	2006	2007
General government					
Commissioner of the revenue					
Real estate number of parcels	29,691	30,299	30,934	31,402	32,218
Land use number of parcels	4,103	4,048	3,829	3,861	3,855
PPTRA qualifying vehicles	68,569	70,861	72,644	69,280	68,806
County attorney					
Total litigation files opened	44	38	40	73	45
Finance					
Vendor checks issued	19,126	19,227	21,564	19,927	20,227
Payroll annual checks/direct deposits	40,385	41,441	44,676	44,900	47,360
Human resources					
Employment applications received	*	4,436	4,755	7,775	8,626
New employees orientated	*	802	995	1,027	1,147
Information technology					
Web pages updated	2,328	2,500	2,500	2,500	*
Web site hits	9,511,086	7,000,000	7,000,000	7,000,000	1,671,308
Treasurer					
Real estate bills mailed	57,661	59,146	59,652	61,172	60,080
Personal property bills mailed	53,815	57,977	59,843	61,498	59,773
Vehicle decals issued	60,844	62,294	65,085	67,401	-
Dog tags issued	721	725	773	874	969
Judicial administration					
Adult court services					
Average daily caseload	424	403	359	301	395
Circuit court (2)					
Law cases (3)	423	475	438	*	*
Chancery cases (3)	372	427	360	*	*
Civil cases (3)	*	*	938	881	941
Criminal cases	946	983	905	1,028	1,005
Clerk of the circuit court (by calendar year)					
Deed book recording	28,410	23,334	23,807	19,778	15,132
Judgments	2,120	1,767	1,845	1,911	2,461
Criminal cases	946	983	905	1,028	1,005
Concealed weapon permits	364	274	215	224	387

- (1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no FY 2012 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) As of FY 2008 Joint Communications is no longer reported as a separate fund.
- (5) As of FY 2009 CSA revised reporting categories.
- (6) Park attendance revised to include all sites as of FY 2004.
- (7) Writing element added to SAT in FY 2006.
- (8) Prior to FY 2006 number of residents using the landfill included recycling visits.

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

* Unavailable

Fiscal Year					Function
2008	2009	2010	2011	2012(1)	
General government					
					Commissioner of the revenue
32,404	31,484	31,639	32,638	*	Real estate number of parcels
3,886	3,930	3,941	3,953	*	Land use number of parcels
69,141	68,662	67,161	69,326	*	PPTRA qualifying vehicles
					County attorney
45	71	30	32	*	Total litigation files opened
					Finance
19,525	18,604	19,131	17,518	*	Vendor checks issued
48,296	47,434	49,430	52,750	*	Payroll annual checks/direct deposits
					Human resources
13,438	14,690	15,290	18,941	*	Employment applications received
941	996	633	535	*	New employees orientated
					Information technology
*	*	*	*	*	Web pages updated
1,705,740	1,014,468	1,253,348	1,094,809	*	Web site hits
					Treasurer
62,239	63,105	62,080	63,064	*	Real estate bills mailed
60,961	60,942	60,916	61,782	*	Personal property bills mailed
-	-	-	-	-	Vehicle decals issued
2,025	2,941	3,495	3,374	*	Dog tags issued
Judicial administration					
					Adult court services
366	372	385	415	*	Average daily caseload
					Circuit court (2)
*	*	*	*	*	Law cases (3)
*	*	*	*	*	Chancery cases (3)
1,052	906	798	913	*	Civil cases (3)
904	989	1,099	964	*	Criminal cases
					Clerk of the circuit court (by calendar year)
10,928	12,328	11,493	10,858	*	Deed book recording
2,510	2,734	2,706	2,343	*	Judgments
930	1,069	1,000	1,050	*	Criminal cases
644	662	526	593	*	Concealed weapon permits

Table 16

Operating Indicators by Function (1)
Last Ten Fiscal Years

Function	Fiscal Year				
	2003	2004	2005	2006	2007
Public safety					
Detention center					
Prisoner transports	4,122	4,452	7,622	6,237	6,201
Average daily inmate population	67	67	59	75	104
Juvenile detention					
Youth detained	60	67	54	76	98
Child care days	2,001	1,592	922	2,179	3,851
Juvenile probation					
Probation and parole per month	150	211	93	92	97
Community service hours	3,620	2,509	2,793	2,608	2,482
Fire, rescue, and emergency services					
911 calls for service	13,153	14,411	15,298	15,552	16,820
Hazardous material response	600 hrs.	500 hrs.	600 hrs.	500 hrs.	500 hrs.
Emergency response	400 calls	300 calls	300 calls	300 calls	300 calls
Sheriff					
Traffic summonses issued	10,187	7,745	9,511	10,357	9,835
Misdemeanor arrests	1,854	1,609	1,534	1,470	1,880
Felony arrests	575	613	708	807	890
Civil papers served	13,430	13,392	13,969	15,855	14,807
Calls for service	37,921	35,938	38,541	41,182	44,010
Animal control calls for service	1,774	1,947	2,428	3,691	3,917
Joint communications (4)					
Telephone calls processed	-	-	-	-	-
Dispatch actions performed	-	-	-	-	-
Calls for service	-	-	-	-	-
Public works					
Environmental services - convenience sites					
Solid waste - tons	67,426	74,715	74,337	72,682	66,063
Recycled materials - tons	45,273	54,730	49,000	10,855	10,183
Resident visits	718,359	734,091	757,405	672,645	664,778
General services					
Facility work orders completed	8,797	8,410	8,720	9,462	9,553
Fleet vehicles/small engines	522	539	610	671	751
Preventive maintenance schedule	824	931	1,024	1,426	1,811
Surplus property	1,958	2,232	2,318	2,558	*
Health and welfare					
Comprehensive services act					
Comprehensive Services for At-Risk Youth and Families (CSA):					
Congregate care (5)	-	-	-	-	-
Foster care - therapeutic, specialized, regular (5)	-	-	-	-	-
Regular and residential foster care	54	70	80	53	102
Preventive foster care	15	34	38	38	45
Social services					
Adoption assistance	17	21	37	26	29
Adults receiving services	245	268	220	233	263
Approved foster/adoptive homes	32	29	29	*	*

- (1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no FY 2012 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) As of FY 2008 Joint Communications is no longer reported as a separate fund.
- (5) As of FY 2009 CSA revised reporting categories.
- (6) Park attendance revised to include all sites as of FY 2004.
- (7) Writing element added to SAT in FY 2006.
- (8) Prior to FY 2006 number of residents using the landfill included recycling visits.

Sources: Fauquier County Adopted Budgets; Fauquier County Departments; Fauquier County Superintendent's Annual Reports
* Unavailable

Fiscal Year					Function
2008	2009	2010	2011	2012(1)	
					Public safety
					Detention center
5,311	4,835	4,297	4,238	*	Prisoner transports
111	112	110	110	*	Average daily inmate population
					Juvenile detention
45	75	72	53	*	Youth detained
1,000	622	740	788	*	Child care days
					Juvenile probation
100	105	177	116	*	Probation and parole per month
2,482	*	*	*	*	Community service hours
					Fire, rescue, and emergency services
15,773	13,823	10,653	10,693	*	911 calls for service
43 calls	39 calls	22 calls	10 calls	*	Hazardous material response
*	*	*	*	*	Emergency response
					Sheriff
6,862	11,361	9,075	8,183	*	Traffic summonses issued
1,671	2,068	2,159	2,499	*	Misdemeanor arrests
733	850	790	882	*	Felony arrests
16,580	17,365	15,732	16,572	*	Civil papers served
44,421	58,015	59,031	59,448	*	Calls for service
3,845	3,936	3,396	3,501	*	Animal control calls for service
					Joint communications (4)
197,531	176,009	170,553	157,299	*	Telephone calls processed
745,337	776,786	810,569	793,509	*	Dispatch actions performed
85,671	99,211	104,980	101,786	*	Calls for service
					Public works
					Environmental services - convenience sites
100,745	73,027	64,366	53,454	*	Solid waste - tons
34,093	24,677	18,337	20,274	*	Recycled materials - tons
649,384	597,580	555,266	509,204	*	Resident visits
					General services
9,555	8,580	8,620	7,979	*	Facility work orders completed
773	759	770	665	*	Fleet vehicles/small engines
1,492	1,216	1,513	1,699	*	Preventive maintenance schedule
*	*	*	*	*	Surplus property
					Health and welfare
					Comprehensive services act
					Comprehensive Services for At-Risk Youth and Families (CSA):
-	35	25	26	*	Congregate care (5)
-	82	56	71	*	Foster care - therapeutic, specialized, regular (5)
54	-	-	-	*	Regular and residential foster care
40	-	-	-	*	Preventive foster care
					Social services
29	24	34	33	*	Adoption assistance
350	431	386	461	*	Adults receiving services
*	*	*	*	*	Approved foster/adoptive homes

Table 16

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

Function	Fiscal Year				
	2003	2004	2005	2006	2007
Parks, recreation, and cultural					
Library					
Materials cataloged/processed	12,839	15,157	14,344	16,515	14,364
Periodicals cataloged/processed	3,935	3,829	3,758	3,869	4,820
Library patron visits	231,918	222,783	253,533	248,112	268,635
Parks and recreation					
Park attendance (6)	114,352	420,785	624,780	615,263	646,026
Shelter rentals	140	167	208	210	190
Education					
Per pupil expenditures	8,247	8,601	8,878	9,546	10,427
High school completion rate	84%	87%	94%	93%	94%
SAT scores (7)	1,055	1,045	1,057	1,534	1,515
Federal subsidized meals program	14.1%	15.2%	15.7%	15.5%	16.2%
Community development					
Web page updated	116	287	462	462	408
Rezoning/comp plans	24	11	32	9	15
Preliminary/final subdivisions	39	14	29	26	14
Zoning permits issued	1,866	2,189	2,462	2,763	1,416
Building plans reviewed	2,091	2,227	2,407	2,788	2,071
Land disturbing permits issued	43	75	85	83	130
Marketing response to web site	*	202	408	84,118	88,638
Other funds					
Environmental services					
Residents using the landfill (8)	259,498	262,103	250,000	6,979	6,846
Total tons recycled	45,273	54,730	49,000	10,855	10,183
Recycling rate	47%	33%	27%	25%	28%
Fleet maintenance					
Internal service fund county users	29	28	28	26	42
Internal service fund non-county users	9	9	9	7	16
Total vehicles serviced	3,967	3,704	4,200	4,385	4,603
Joint communications (4)					
Telephone calls processed	248,426	246,286	292,750	201,225	203,809
Dispatch actions performed	587,556	631,597	646,312	651,756	737,995
Calls for service	69,243	71,925	74,782	74,232	84,827

- (1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no FY 2012 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) As of FY 2008 Joint Communications is no longer reported as a separate fund.
- (5) As of FY 2009 CSA revised reporting categories.
- (6) Park attendance revised to include all sites as of FY 2004.
- (7) Writing element added to SAT in FY 2006.
- (8) Prior to FY 2006 number of residents using the landfill included recycling visits.

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

* Unavailable

Fiscal Year					Function
2008	2009	2010	2011	2012(1)	
Parks, recreation, and cultural					
Library					
12,793	13,483	12,701	13,642	*	Materials cataloged/processed
4,137	7,882	7,590	3,423	*	Periodicals cataloged/processed
278,842	277,461	278,078	255,009		Library patron visits
Parks and recreation					
890,292	513,813	739,564	714,352	*	Park attendance (6)
257	232	249	283	*	Shelter rentals
Education					
10,925	10,935	11,255	10,902	*	Per pupil expenditures
95%	94%	96%	95%	*	High school completion rate
1,525	1,535	1,529	1,532	*	SAT scores (7)
16.7%	19.8%	22.2%	22.7%	*	Federal subsidized meals program
Community development					
300	*	*	*	*	Web page updated
7	14	10	8	*	Rezoning/comp plans
5	6	2	12	*	Preliminary/final subdivisions
1,723	1,366	1,000	881	*	Zoning permits issued
1,607	1,289	1,134	1,225	*	Building plans reviewed
87	38	42	114	*	Land disturbing permits issued
150,801	165,212	160,420	168,446	*	Marketing response to web site
Other funds					
Environmental services					
6,743	5,456	6,404	3,714	*	Residents using the landfill (8)
34,093	24,677	18,337	20,274	*	Total tons recycled
31%	32%	35%	39%	*	Recycling rate
Fleet maintenance					
28	46	42	46	*	Internal service fund county users
9	26	22	26	*	Internal service fund non-county users
4,338	5,016	5,300	5,016	*	Total vehicles serviced
Joint communications (4)					
-	-	-	-	-	Telephone calls processed
-	-	-	-	-	Dispatch actions performed
-	-	-	-	-	Calls for service

COUNTY OF FAUQUIER, VIRGINIA

Table 17

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Judicial administration										
Detention center capacities	56	56	56	56	56	56	56	56	56	56
Public safety										
Fire and rescue companies	13	13	13	13	13	11	11	11	11	11
Public works										
Active vehicles	240	243	266	279	272	253	260	271	287	263
County owned buildings	41	48	49	49	54	54	57	57	57	57
Sq. ft. in buildings	323,664	381,630	384,174	384,574	392,532	392,532	396,744	396,744	396,744	396,744
Parks, recreation, and cultural										
Libraries	3	3	3	3	3	3	3	3	3	3
Volumes	165,381	181,606	185,951	194,618	202,794	205,791	211,950	211,562	214,029	208,313
Parks and recreation facilities	30	27	32	32	33	34	32	35	35	35
Land acres	576	576	576	576	897	899	732	825	885	899
Water acres	189	189	189	190	190	193	113	113	116	116
Trails (miles)	*	*	8.50	8.50	8.75	12.00	12.75	13	14	14
Fields	*	*	53	58	58	58	71	59	63	63
Boats	36	36	36	36	59	59	33	34	35	58
Shelters	*	*	9	10	20	20	15	19	19	19
Swimming pools	-	-	1	1	1	1	2	2	2	2
Education										
Elementary schools										
Buildings	10	10	10	10	10	10	11	11	11	11
Sq. ft. in buildings	625,222	625,222	625,222	625,222	625,222	625,222	717,016	717,016	717,016	717,016
Capacity	5,495	5,495	5,495	5,495	5,495	5,495	6,095	6,095	6,095	6,095
Middle schools										
Buildings	4	4	5	5	5	5	5	5	5	5
Sq. ft. in buildings	379,865	379,865	493,865	493,865	493,865	493,865	514,110	514,110	514,110	514,110
Capacity	2,583	2,583	3,183	3,183	3,183	3,183	3,183	3,183	3,183	3,183
High schools										
Buildings	2	2	2	2	2	2	3	3	3	3
Sq. ft. in buildings	523,995	523,995	523,995	523,995	523,995	523,995	742,272	742,272	742,272	742,272
Capacity	3,000	3,000	3,000	3,000	3,000	3,000	4,500	4,500	4,500	4,500
Alternative schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Sq. ft. in buildings	17,547	17,547	17,547	17,547	17,547	17,547	17,547	17,547	17,547	19,560
Capacity	191	191	191	191	191	191	191	191	191	191
Number of school buses	154	161	173	164	173	178	174	180	184	178
Airport										
Miles of runways	0.92	0.92	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96
Number of hangars	7	7	7	7	10	10	10	10	10	10

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, Rescue and Emergency Management; Fauquier County Public Schools

* Unavailable

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Fauquier, Virginia as of and for the year ended June 30, 2012, which collectively comprise the County of Fauquier, Virginia' basic financial statements and have issued our report thereon dated October 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*; issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County of Fauquier, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County of Fauquier, Virginia'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 of Fauquier, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Fauquier, Virginia's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Fauquier, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 the management of the County of Fauquier, Virginia in a separate letter dated October 9, 2012.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 9, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the County of Fauquier, Virginia's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of County of Fauquier, Virginia's major federal programs for the year ended June 30, 2012. The County of Fauquier, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Fauquier, Virginia's management. Our responsibility is to express an opinion on the County of Fauquier, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Fauquier, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County of Fauquier, Virginia complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the County of Fauquier, Virginia 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 of Fauquier, Virginia'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, and to test and report on internal controls over compliance in accordance with OMB Circular A-133, 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 of Fauquier's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify deficiencies in internal control over compliance that might be deficiencies, 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 the Board of Supervisors, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 9, 2012

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
 Primary Government and Discretely Presented Component Unit
 For the Year Ended June 30, 2012

Page 1 of 4

Federal Granting Agency/Pass-Through Agency/Grant Program	Federal CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
Primary Government:			
DEPARTMENT OF AGRICULTURE:			
Pass-through payments from Commonwealth of Virginia:			
Department of Agriculture and Consumer Services:			
Beginning Farmer and Rancher Development Program	10.311	422168-19998	\$ 10,200
SNAP Cluster:			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutritional Assistance Program (SNAP)	10.561	0010111 0010112 0040111 0040112	377,027
Total Department of Agriculture			387,227
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass-through payments from Commonwealth of Virginia:			
Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	53305-49380	399,911
Total Department of Housing and Urban Development			399,911
DEPARTMENT OF THE INTERIOR:			
Direct payments:			
Payments in Lieu of Taxes	15.226	Not Applicable	2,531
American Battlefield Protection	15.926	Not Applicable	10,000
Total Department of the Interior			12,531
DEPARTMENT OF JUSTICE:			
Direct payments:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Not Applicable	997
State Criminal Alien Assistance Program	16.606	Not Applicable	6,445
Total Department of Justice			7,442
DEPARTMENT OF TRANSPORTATION:			
Direct payments:			
Airport Improvement Program	20.106	Not Applicable	17,221
Pass-through payments from Commonwealth of Virginia:			
Department of Transportation:			
Highway Planning and Construction	20.205	UPC 70309 UPC 87017 UPC 91228	84,623
Department of Motor Vehicles:			
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	60507-51264 60507-52056	23,454
Total Department of Transportation			\$ 125,298

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
 Primary Government and Discretely Presented Component Unit
 For the Year Ended June 30, 2012

Page 2 of 4

Federal Granting Agency/Pass-Through Agency/Grant Program	Federal CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
Primary Government: (continued)			
ENVIRONMENTAL PROTECTION AGENCY:			
Pass-through payments from Commonwealth of Virginia:			
Department of Environmental Quality:			
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	15152	\$ 24,000
Total Environmental Protection Agency			<u>24,000</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-through payments from Commonwealth of Virginia:			
Department of Social Services:			
Temporary Assistance for Needy Families	93.558	0400111 0400112	335,053
Refugee and Entrant Assistance - State Administered Programs	93.566	0500111 0500112	725
Low-Income Home Energy Assistance	93.568	0600411 0600412	16,890
Child Care and Development Funds Cluster:			
Child Care and Development Block Grant	93.575	0770110 0770111	258,584
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111 0760112	92,609
Chafee Education and Training Vouchers Program (ETV)	93.599	9160111	4,661
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900111 0900112	919
Foster Care-Title IV-E	93.658	1100111 1100112	578,424
Adoption Assistance	93.659	1120111 1120112	122,005
Social Services Block Grant	93.667	1000111 1000112	212,149
Chafee Foster Care Independence Program	93.674	9150111 9150112	4,352
Children's Health Insurance Program	93.767	0540111 0540112	10,992
Medical Assistance Program	93.778	1200111 1200112	228,829
State Board of Elections			
Voting Access for Individuals with Disabilities-Grants to States	93.617	72302-40040	6,330
Total Department of Health and Human Services			<u>\$ 1,872,522</u>

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
 Primary Government and Discretely Presented Component Unit
 For the Year Ended June 30, 2012

Federal Granting Agency/Pass-Through Agency/Grant Program	Federal CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
Primary Government: (continued)			
DEPARTMENT OF HOMELAND SECURITY:			
Direct payments:			
Assistance to Firefighters Grant	97.044	Not Applicable	\$ 28,896
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	Not Applicable	321,592
Pass-through payments from Commonwealth of Virginia:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	77501-52740	24,378
State Homeland Security Program (SHSP)	97.073	77501-52709	<u>17,000</u>
Total Department of Homeland Security			<u>391,866</u>
Total Expenditures of Federal Awards - Primary Government			<u><u>3,220,797</u></u>
Component Unit - School Board:			
DEPARTMENT OF AGRICULTURE:			
Pass-Through Payments from Commonwealth of Virginia:			
Child Nutrition Cluster:			
Department of Education:			
School Breakfast Program (SBP)	10.553	17901-40591	282,307
National School Lunch Program (NSLP)	10.555	17901-40623	1,224,167
Department of Agriculture and Consumer Services:			
National School Lunch Program (NSLP) - Commodities	10.555	Not Applicable	<u>248,061</u> <u>1,472,228</u>
Total Department of Agriculture			<u>1,754,535</u>
DEPARTMENT OF DEFENSE:			
Direct Payments:			
Junior ROTC Program	12.000	Not Applicable	63,258
Mathematical Sciences Grants Program	12.901	Not Applicable	83,136
Pass-through payments from Commonwealth of Virginia:			
Department of Education:			
Department of Defense Payments	12.000	17901-43850	<u>1,326</u>
Total Department of Defense			\$ <u>147,720</u>

Schedule of Expenditures of Federal Awards
 Primary Government and Discretely Presented Component Unit
 For the Year Ended June 30, 2012

Federal Granting Agency/Pass-Through Agency/Grant Program	Federal CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
Component Unit - School Board: (continued)			
DEPARTMENT OF EDUCATION:			
Pass-Through Payments from Commonwealth of Virginia:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	17901-42801	\$ 39,507
Title I Grants to Local Educational Agencies	84.010	17901-42901 17901-42892	836,816
Special Education Cluster (IDEA):			
Special Education-Grants to States (IDEA, Part B)	84.027	17901-43071	2,174,383
Special Education - Preschool Grants (IDEA Preschool)	84.173	17901-62521	56,024
Career and Technical Education - Basic Grants to States	84.048	17901-61095	110,935
Safe and Drug-Free Schools and Communities - State Grants	84.186	17901-60511	7,399
Education Technology State Grants	84.318	17901-61600	7,206
English Language Acquisition Grants	84.365	17901-60509 17901-60512	43,750
Improving Teacher Quality State Grants	84.367	17901-61480	251,023
Education Jobs Fund	84.410	17901-62700	25,590
Pass-Through Payments from The College of William & Mary:			
Education for Homeless Children and Youth	84.196	738092 738532	8,240
Total Department of Education			3,560,873
Total Expenditures of Federal Awards - Component Unit - School Board			5,463,128
Total Expenditures of Federal Awards - Reporting Entity			\$ 8,683,925

COUNTY OF FAUQUIER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Fauquier, Virginia under programs of the Federal Government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Fauquier, Virginia, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the County of Fauquier, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable, or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to Financial Statements

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

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	\$ 2,778,409
Capital Projects Fund	84,623
Debt Service Fund	195,972
Special Revenue Funds	503,866
Airport Fund	17,221
Total primary government	<u>3,580,091</u>

Component Unit – Public Schools:

School General Fund	3,708,592
School Special Revenue Fund	1,754,536
Total component unit public schools	<u>5,463,128</u>
Total federal revenues per basic financial statements	<u>9,043,219</u>

Reconcile Federal revenues to expenditures

Less: FEMA funds for prior year expenditures	(59,367)
Less: Federal Tax Credit Subsidy on QSCB Bond	(195,972)
Less: NSP deferred revenue and administrative deliverables	<u>(103,955)</u>
Total reconciling items	<u>(359,294)</u>

Total expenditures reimbursed by federal revenues 8,683,925

Total federal expenditures per the Schedule of Expenditures
of Federal Awards \$ 8,683,925

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

 Material weaknesses identified? No

 Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

 Material weaknesses identified? No

 Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
93.558	Temporary Assistance for Needy Families
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

There are no prior audit findings and questioned costs from the prior year