

COUNTY OF FAUQUIER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017



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, 2017**

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Fauquier County Government and Public Schools



FINANCE DEPARTMENT
320 Hospital Drive
Suite 32
Warrenton, VA 20186-3037



Telephone (540) 422-8330

Fax (540) 422-8326

November 9, 2017

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, 2017. 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, 2017 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 unmodified opinion that the County's financial statements are fairly presented in conformity with GAAP.

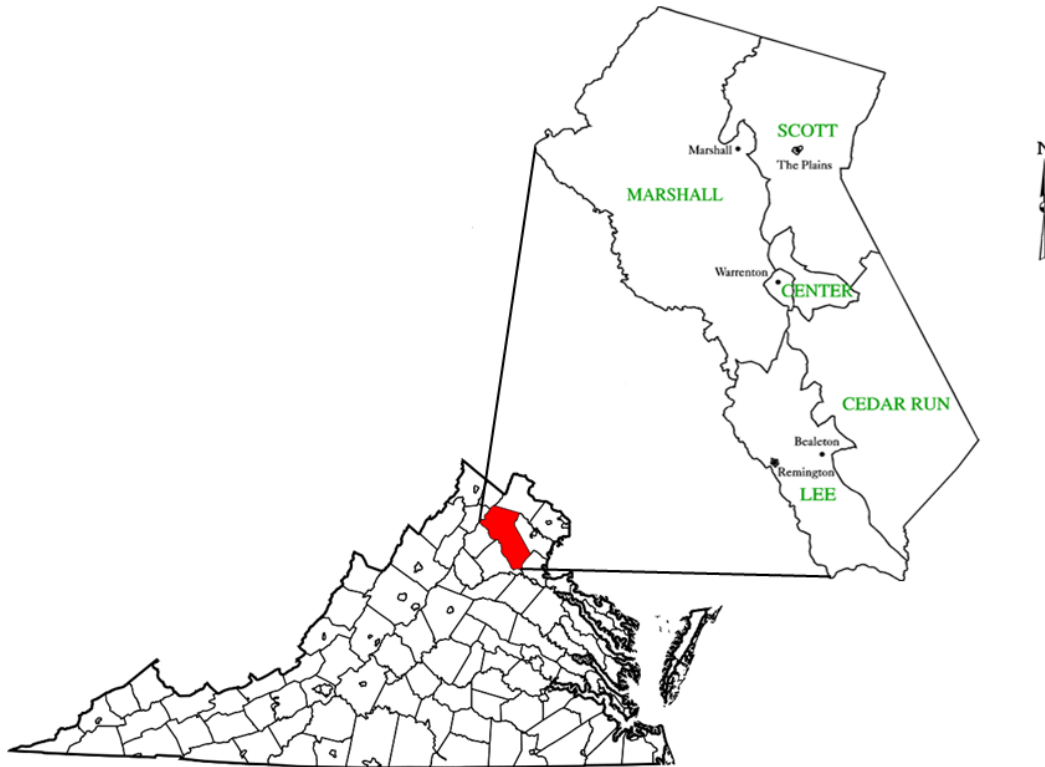
The independent audit of the financial statements of the County was part of a broader federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation 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 ten years. The population has increased by an average of 0.7% since 2008 (last ten years), and 0.8% since 2013 (last five years), to the current level of 68,168. Despite population growth, the County remains primarily rural in nature. More than half 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.

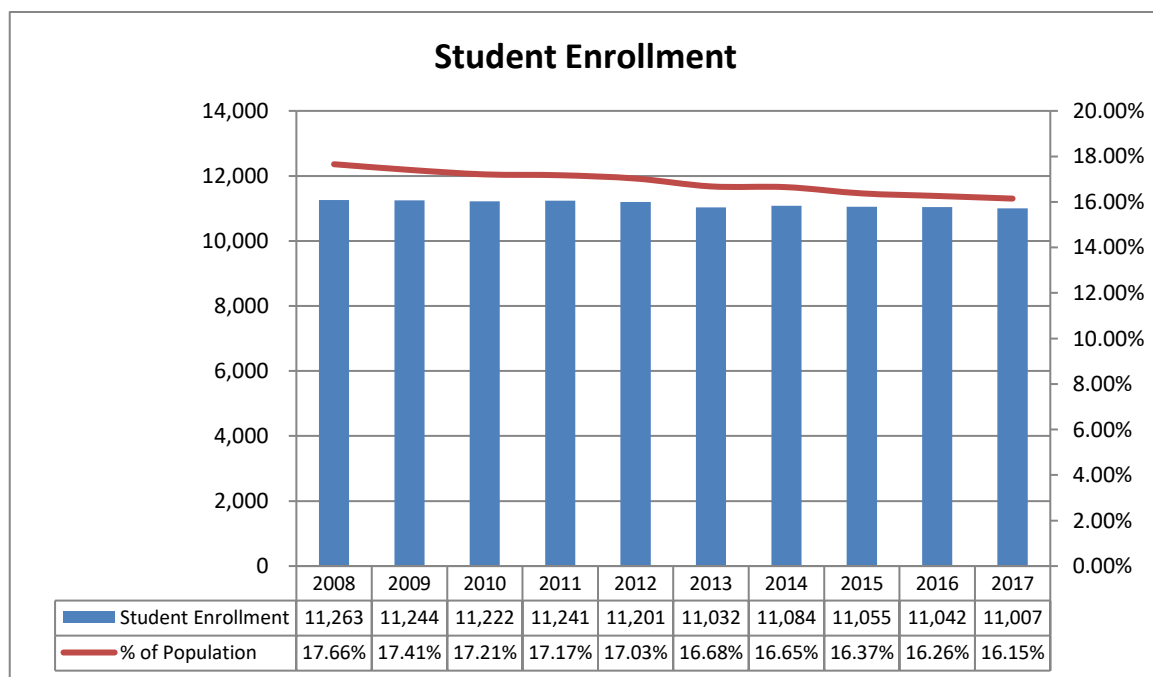
The County provides a full range of services to its residents, including education, public safety, court services, solid waste disposal, community and economic development, parks and recreational activities, public libraries, social services, and general administration. All resources required to support 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. 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 originally established in 2010, and revised in 2015. Aspirations 2.0 contains six strategies (academics, student support, environments, staff, communication, and resources) for achieving FCPS' mission to be an innovative learning community committed to the development of creative, confident, knowledgeable citizens who are globally-competitive by cultivating the potential of each learner.

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 2017 totaled 11,007 students. The FCPS High School Completion Rate as of June 2016 is 95.2%, with 78.4% of graduates seeking higher education. The above

chart shows student enrollment (Data Source - Table 13) which grew from fiscal year 2007 to 2008 to its ten-year peak of 11,263 students, and remained relatively flat between fiscal years 2009 and 2012, with over 11,200 students enrolled each year during that span. The student enrollment for fiscal year 2013 declined to 11,032 students; however, student enrollment has since remained relatively stable, showing modest changes from one year to the next.

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. By November, all agencies have submitted 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. Additional budget-to-actual comparisons can be found in the *Combining and Individual Fund Statements* following the *Notes to Financial Statements*.

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 level of funding determined by the County Board of Supervisors 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

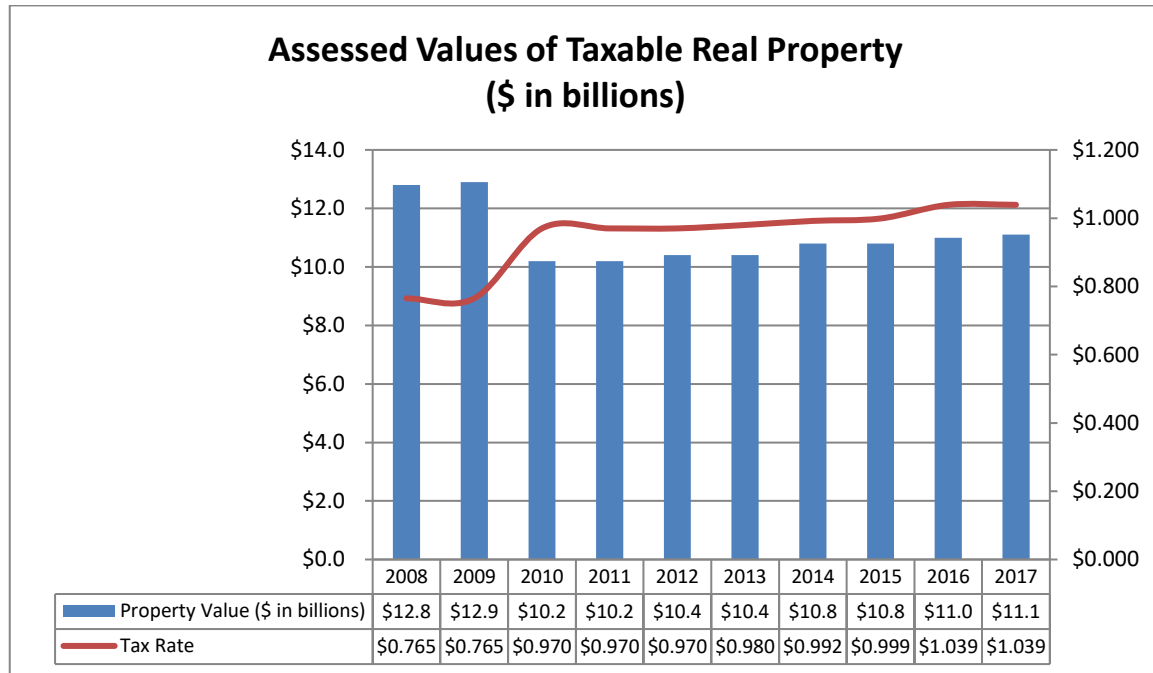
Fauquier County's housing economy, after having been significantly impacted by the turmoil in the national housing market in comparison to the unprecedented growth that characterized the region in the early part of the last decade, is showing signs of a measured recovery from those dramatic losses. After witnessing double-digit annual increases in home values in the early to middle portion of the last decade followed by dramatic declines, the local real estate housing market has shown slow but steady signs of improvement and continues to be impacted by a recovering economic environment.

The County's real estate valuation is reassessed on a quadrennial basis. The most recent reassessment was conducted in 2013, effective January 1, 2014, and resulted in an overall increase in assessed values of 0.94% from previous levels. In addition to the improvement in assessed values, increased values from new construction during the fiscal year contributed to a 5.8% increase in overall taxable real property values from a four-year average of \$10.3 billion from 2010 to 2013 to \$10.9 billion from 2014 to 2017.

The current assessed values show varying trends among different classes of property, with residential and commercial values up by 1.3% and 1.1%, respectively, while agricultural values were up 0.1%, and public service values increased by 0.4% compared with the prior year. This marked the second time since 2012 that the County saw increases in all four classes of real property in the same year. The comparably higher increases associated with residential, commercial, and agricultural values are even more impactful since these classes of real estate comprise approximately 94.1% of the total assessed values of property in the County, while the more modest increase associated with public service properties was less significant since this class of real estate represents only about 5.9% of total assessed values of property in the County.

These trends demonstrate the slow and methodical nature of the economic recovery in the housing market since 2010. In fact, the annualized growth rate of total assessed values of all taxable real estate in the County has been 1.2% since the low point in 2010.

The slow rate of growth in assessed values over the past eight years, coupled with increasing costs of services, necessitated an increase the real property tax rate to \$1.039 per \$100 in assessed value in 2015; this rate increase was necessary to ensure that the County received sufficient revenue to maintain services and meet its obligations. In 2017, the real property tax rate remained at \$1.039 per \$100 in assessed values. The graph below shows varying property values and corresponding tax rates for the last ten years.

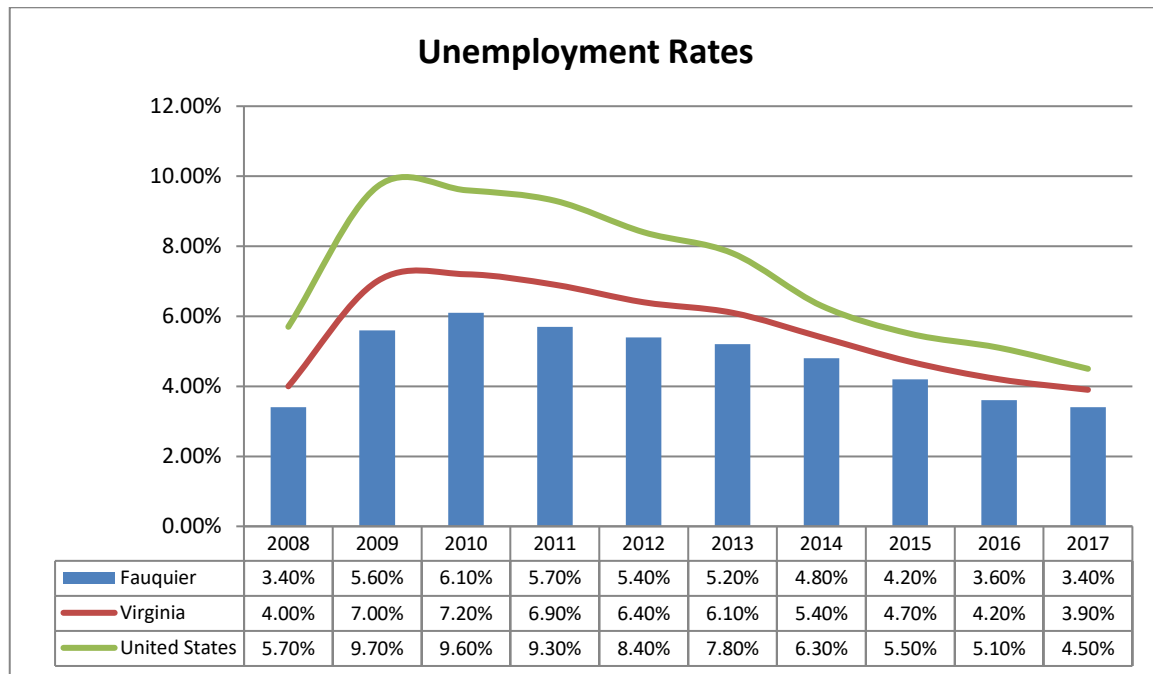


The total direct property tax rate remained equal with the rate from the prior year, while aggregated property values (real and personal) increased 1.5%. Since the low point in 2010, the recovery rate for personal property has been more vigorous, at an annualized increase of 4.6% per year, compared with 1.2% per annum increases for real property. The collection rate for property tax levies within the fiscal year of the levy stayed relatively constant in fiscal year 2017 at 97.68% compared with 98.96% in fiscal year 2016. The next quadrennial reassessment, which will be effective as of January 1, 2018, is currently in process, with early reports indicating a more robust increase in overall assessed values than has been seen in recent years.

Several key economic indicators show that the County's economy has exhibited signs of improvement from the recent downturn of the mid-to-late 2000's. Building and new residential construction permit volumes were up 17% at the end of fiscal year 2017, with new construction permits increasing 13%. Construction value of permits continued their recent increases, up 16%. County sales tax collections continue to experience year-over-year increases, up 11.3% in 2017, which included two one-time payments due to specific business investments. Median home sale prices were up 9% at the end of fiscal year 2017 as compared to the end of fiscal year 2016, while the number of home sales remained relatively stable compared to the same period in the prior year. Additionally, the number of new business licenses issued during fiscal year 2017 was up 2.4% from the prior year, while the estimated number of start-up firms increased 19.0% during the first quarter of calendar year 2017 over the same quarter the previous year.

The County's unemployment rate trends mirror the state and national rate trends; however, the County's rates generally tend to be lower. 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 during the mid-to-late 2000's. As of June 2017, 54.6% of the County's total population participated in the labor force (37,226 out of 68,168), and 96.6% of the civilian labor force was employed (35,960 out of 37,226).

The County's unemployment rate is 3.4% as of June 2017. This figure is below last year's rate of 3.6%, and marks the seventh straight year of improvement since 2010. Additionally, the County unemployment rate continues to be below Virginia's unemployment rate of 3.9% as well as the National unemployment rate of 4.5%, though as those rates continue to fall, the gap between them has shrunk as well. The data reflects modest job growth, as the economy continues its slow recovery from the recent economic downturn of 2009 through 2011.

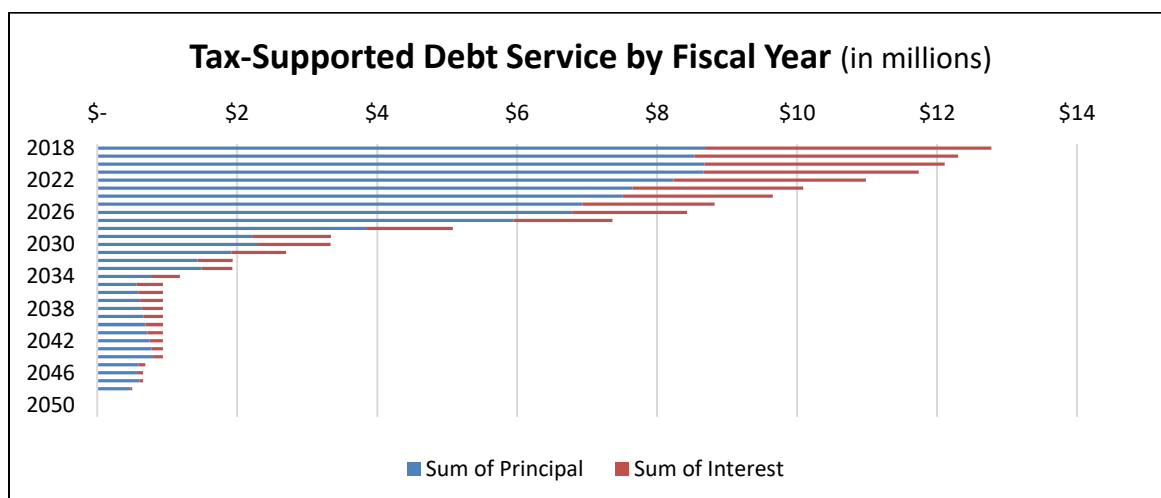


Source: U.S. Bureau of Labor Statistics - June, 2016 (not seasonally adjusted)

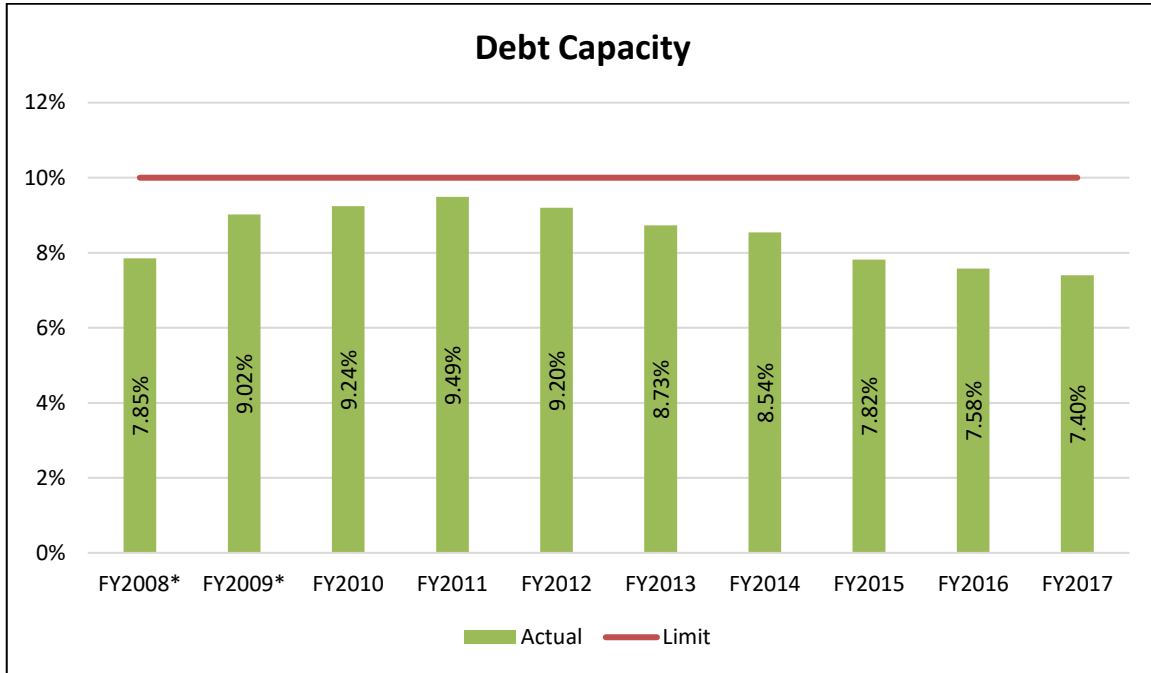
According to 2015 data obtained from the U.S. Census Bureau, approximately 75.4% of the County's employed workers commute to work outside the County. The primary employment destinations for the County's 'out-commuters' are Fairfax, Prince William, and Loudoun Counties.

Tax-Supported Debt

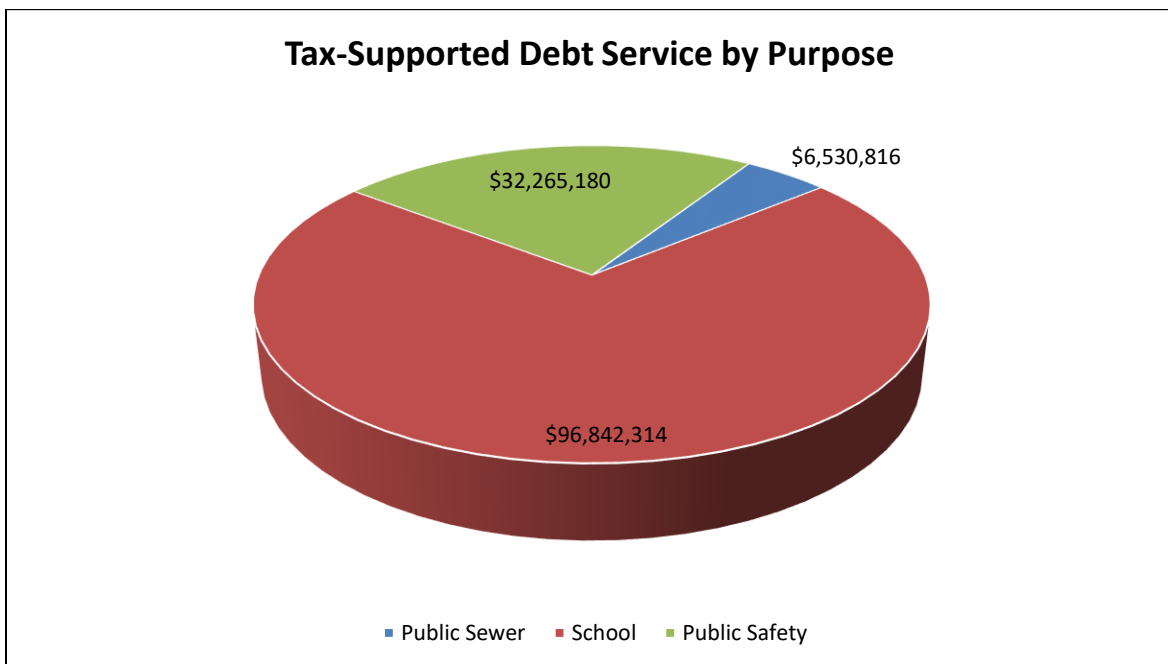
The County's debt portfolio shows a continually improving debt picture with ample capacity to move forward with the adopted Capital Improvement Plan. As of the end of fiscal year 2017, principal balances outstanding on tax-supported debt and commitments were \$100.7 million compared with \$110.5 million at the end of fiscal year 2016 – an 8.9% decrease. Additionally, the County's debt portfolio exhibits rapid amortization, with required debt service on current tax-supported debt and commitments dropping from \$12.8 million for fiscal year 2018 to \$7.4 million by fiscal year 2027.



While not statutorily imposed, the County adheres to a self-imposed debt capacity under which annual debt service payments are prohibited from exceeding 10% of the adopted revenue budget for the fiscal year. The County has maintained ample room in its self-imposed debt capacity, which is currently at 7.40%, down from the ten-year high of 9.49% in FY2011 (see Table 11 of the Statistical Section of this report for further details). The peak years of the debt ratio (FY2009 through FY2012) saw increases which, while impacted by debt issuances, were also the result of lowered revenue budgets due to the economic climate at the time. As the local economy has recovered, coupled with the rapid amortization of debt discussed earlier, the capacity has grown.



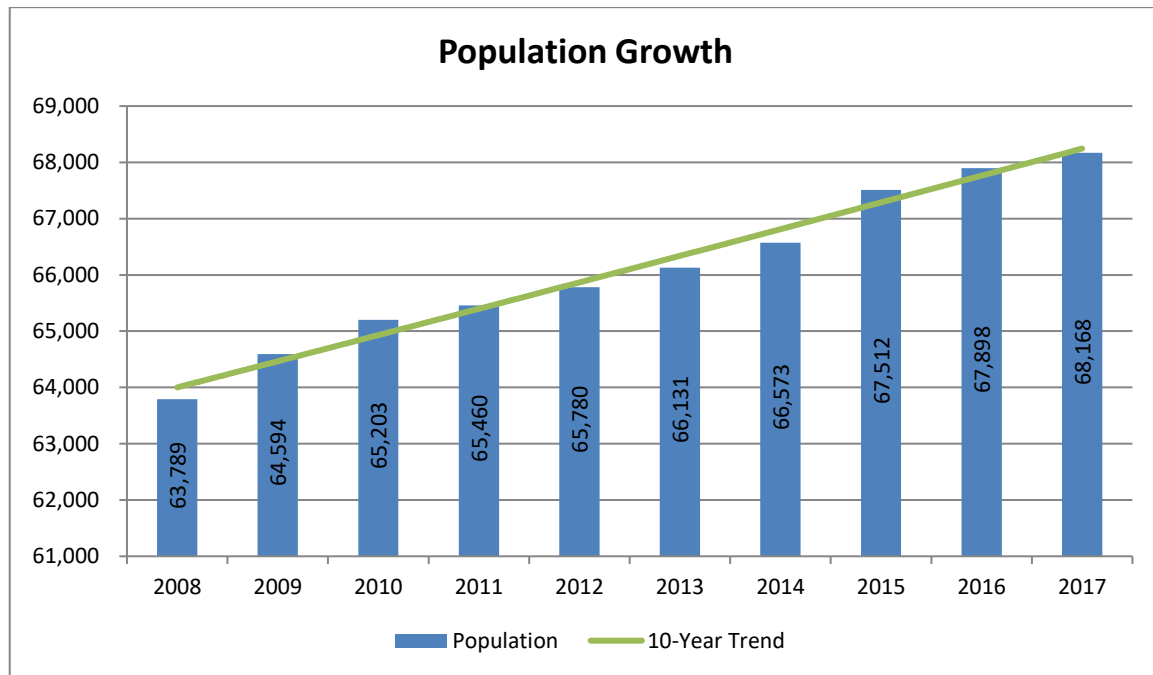
The County has historically been selective on the types of projects it has financed through debt, and the current debt portfolio reflects this, with 71% of remaining tax-supported debt service related to projects in support of Fauquier County Public Schools, 24% related to public safety projects (including commitments to volunteer fire and rescue companies operating in the County), and 5% related to public sewer infrastructure projects, as seen in the graphic below.



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. Over the past ten years, Fauquier County's population has increased by approximately 7.4%, with an average annual growth rate of about 0.7%, though there is some fluctuation in the rate from year to year. Despite the annual fluctuations, the rate of growth has remained relatively steady as of late, with the average annual growth rate over the past five years of 0.8% only slightly higher than the ten-year rate.



These population trends are reflective of 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 90% having fewer than 20 employees. The County's economic development program seeks to attract small to mid-sized companies to locate into nine service districts within the County, which include approved Tourism, Technology, and Defense Production Zones. In fiscal year 2017, there were 101 new startup firms in the County.

Below are additional highlights of economic development benefits during 2017:

- Continued implementation of the Economic Development strategy by adding additional jobs and expansion of the tax base. The business portion of the County's tax revenues increased over the last three fiscal years from \$21.4 million in FY2015 to over \$23.4 million in FY2017.

- George Mason University's Mason Enterprise Center, continues to thrive and has reached full capacity during 2017. Additional office space was leased to meet the demand from Fauquier entrepreneurs. Through this partnership, George Mason University brings its experience and extensive network of business counselors to the new facility in Warrenton.
- The County currently operates two Business Enterprise Centers. The new centers are providing resources to entrepreneurs in Marshall and at Vint Hill. The offices are close to being fully leased.
- The County continues to promote its Defense Industry Production Zones in all Service Districts to attract defense/government contractors to locate in Fauquier County.
- The State approved Green Development Zone legislation which became law on July 1st. Fauquier County was the first to adopt a local program that encompasses the Service Districts.
- The regional marketing initiative – "America's Wine Country" – continues to grow and strengthen with ten other localities in promoting tourism/wineries to attract visitors.
- The County held its third Wine Competition in 2017, expanding the Competition events and increasing ticket sales from 350 to more than 500 attendees. The County is planning to hold another event in February 2018.
- The County began participation with the Shenandoah National Park Tourism Committee, a group of representatives from 21 counties and cities surrounding the Shenandoah National Park (SNP), working to promote the areas that serve as gateways to the SNP.
- The County continues to participate with the Planning District 9 Regional Tourism Committee, with Rappahannock, Culpeper, Orange and Madison counties, working to promote the region to potential visitors.
- The County is in its second year of working with Stafford County and Prince William County to develop an Artisan Trail through the Artisans Center of Virginia and their Artisan Trail Network. The Trail will promote Artists and Artisans in the three-county region.
- The County has completed a study to determine the feasibility of developing an Equestrian Quarantine Facility with the expectation that such a facility would greatly benefit the equestrian industries in Fauquier, Loudoun and the greater region. The results have been reported to the Airport Committee, the Equestrian industry and to private developers. They are working together to complete the steps necessary to build the facility.
- The Micro Loan program continues to provide resources to small businesses and has funded its second loan. Both loans continue to perform well. This program was established with funding support from the Economic Development Authority along with five local banks for the purpose of making \$50,000 available for loans to local businesses. The balance of the loan fund is over \$35,000.
- The Board of Supervisors accepted the infrastructure report recommendations for the Warrenton-Fauquier Airport that would supply the necessary infrastructure to support the Airport future expansion and a significant amount of commercial and industrial development. They have allocated the necessary funding through the Capital Improvements Plan over the next five years.
- The Board of Supervisors accepted the infrastructure report recommendations for the Marshall Service District and has taken it under consideration for future funding.
- The County and Lord Fairfax Community College (LFCC) continued their partnership on a Workforce Development Program. In 2016, a Workforce Development Coordinator was hired to work with business contacts provided by Economic Development to develop classes and training programs through LFCC. The Workforce Development Program has had a 130% increase in employers served thus far. As of June 30, 2017, the program had introduced six new Agribusiness courses, built out the Plumbing, Electrical and HVAC Trades programs with an average of 70 enrollees in the Fall 2017, hosted a Job Fair for employers, and held the largest private V3 ("Virginia Values Veterans") certification to date in Virginia.
- A construction trades program for high school students continues to be in demand in joint cooperation with the school division, Virginia Tech and local contracting business partners.

- Technology, and Tourism Matching Grant programs were administered, with matching grants up to \$2,000 per recipient and the total of each program being \$10,000.
- New business, OVH located in the County received economic development incentives and a grant from the Commonwealth Opportunity Fund in the amount of \$1.25 million, OVH, the third largest data provider internationally establishing their U.S. headquarters at Vint Hill within a Technology Zone, with a five-year projected investment of over \$170 million and the creation of over 100 jobs. Vadata, Inc. continues to exceed their initial investment levels and Wort Hog Brewing Company opened in the Town of Warrenton in a Tourism Zone creating over 15 jobs with estimated five-year investment of over \$2.7 million. Wort Hog Redevelopment Project received a low interest state loan from the Industrial Revitalization Fund allowing for an entire block to be redeveloped.
- Services to our local veterans continues to be expanded. A Memorandum of Understanding with Marine Corps Base Quantico was approved by the Department of the Navy enabling Fauquier County to provide services to transitioning Marines. The initiative and resources continue to expand due to the hiring of a Workforce Development Coordinator.
- The PATH Foundation has invested in the community with over \$3.65 million in grants and programmatic support to various local non-profits and government agencies. An endowment of \$200 million is expected to serve our area for generations to come.
- The County is actively participating in the statewide GO VA program that has funded a regional economic development strategy in all regions of the state. The County's Director of Economic Development sits on the Council for Region 9, is a member of the Executive Committee, and is part of the project development team. GO VA has more than \$20 million for economic development projects for which regions around the state will compete, and Fauquier County has been among the leaders in implementing the program in Region 9, with several projects on the drawing board that could contribute to economic development in Fauquier and surrounding counties.

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 15% 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 26 vineyards and wineries in the County, breweries, 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. More recently, the County has also targeted Defense and other government contractors as a vital sector, with over 100 such firms already doing business in the community.

Credit Rating

The County continues to maintain strong bond ratings, with a rating of 'AAA' from Fitch Ratings and a rating of 'AA+' from Standard & Poor's. These ratings were most recently reviewed by both Fitch Ratings and Standard & Poor's in August 2016 and May 2014, respectively. The rating agencies cited the County's strong economy, budgetary flexibility, high level of liquidity, and strong management practices, among other factors, as reasons for their ratings. Both rating agencies deemed the County's rating outlook to be stable.

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 five-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 and other types of infrastructure. The fiscal year 2018-2022 capital budget for new County and School projects totals approximately \$327.7 million. These projects include:

- \$57.0 million for public safety projects including fire and rescue, the Sheriff's Office, and public safety communications system;
- \$78.1 million for school system projects;
- \$61.3 million for parks, recreation, and cultural projects;
- \$46.0 million for utility projects including water system improvements, broadband development, and public sewer projects;
- \$46.3 million for development of a General Services Joint Use Facility at the Stafford Property; and
- \$39.0 million for other projects including environmental services, airport, and general government administration.

The adopted CIP includes \$14.9 million in cash funding (4.5% 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 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 has adopted and maintains a fund balance management policy for the County's General Fund which sets the minimum level of unassigned fund balance required for the General Fund at not less than ten percent (10%) of the following year's budgeted General Fund revenues, providing for enhanced financial planning and stability.

Due to the potential effects on the County's credit rating, debt availability, tax rates, and the annual operating budget, the Board of Supervisors has established and maintains a debt policy which sets self-imposed debt limitations and encourages public participation in the decision-making process relating to major construction projects. The policy stipulates that annual debt service payments may not exceed 10% of budgeted revenues, and that projects requiring debt issuance 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. Revenue reports are provided on a monthly basis to the County Finance Committee to ensure a careful review of all revenue sources and to provide revenue estimates for budget development.

Implementation of New Accounting Requirements

In fiscal year 2017, the County implemented GASB Statements No. 74, No. 77, No. 78, No. 80, and No. 82, as applicable. In fiscal year 2018, the County will implement GASB Statements No. 75 and No. 81, as applicable. Additional information relative to the Statements is contained in Note 1 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, 2016. This was the nineteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The GFOA has awarded its Distinguished Budget Presentation Award to Fauquier County for fiscal year 2017. Fauquier County has received this award for twenty years.

Acknowledgements

This report was prepared by the professional staff of the Finance Department. Their hard work, dedication, and continuing efforts to improve the quality of this report directly benefit all who read and use it. We also acknowledge the cooperation and assistance of the staff of the School Board, County Treasurer, the Commissioner of the Revenue, and the many other County departments and agencies 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,

A black ink signature of Paul McCulla, consisting of a stylized 'P' followed by a horizontal line and a small flourish.

Paul McCulla
County Administrator

A blue ink signature of Jonathon C. Munch, featuring a large, sweeping 'J' and 'M' with a horizontal line extending to the right.

Jonathon C. Munch
Director of Finance



Government Finance Officers Association

**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, 2016

Executive Director/CEO

COUNTY OF FAUQUIER, VIRGINIA
PRINCIPAL OFFICIALS

BOARD OF SUPERVISORS

Richard R. Gerhardt, Chairman
Christopher T. Butler, Vice-Chairman
Mary Leigh McDaniel
Christopher N. Granger
R. Holder Trumbo, Jr.

COUNTY ADMINISTRATION

Paul S. McCulla, County Administrator
Catherine M. Heritage, Deputy County Administrator

COUNTY SCHOOL BOARD

Brian Gorg, Chairman
Donna Grove, Vice-Chairman
Raymond E. Bland
Suzanne Sloane
Don Mason

SCHOOL ADMINISTRATION

David Jeck, Ed.D., Superintendent
Major Warner, Associate Superintendent for Instruction
Prashant P. Shrestha, Assistant Superintendent for Business & Planning
Frank Finn, Assistant Superintendent for Special Education & Student Services

OTHER OFFICIALS

Clerk of the Circuit Court	Gail H. Barb
Finance Director.....	Jonathon C. Munch
Commissioner of the Revenue	Ross W. D’Urso
Judge of the General District Court	J. Gregory Ashwell
Sheriff	Robert P. Mosier
Treasurer	Tanya Remson Wilcox
Commonwealth’s Attorney	James P. Fisher
Judge of the Circuit Court	Jeffrey W. Parker
Judge of Juvenile and Domestic Relations District Court	Melissa N. Cupp



ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Fire and Rescue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2017, the County adopted new accounting guidance, GASB Statement Nos. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, 77 Tax Abatement Disclosures, and 82 Pension Issues. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules related to pension and OPEB funding on pages 21-36 and 127-134 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 required supplementary information 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information (continued)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2017, on our consideration of the County of Fauquier, Virginia, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Fauquier, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 6, 2017



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, 2017. We encourage readers to read this discussion and analysis in conjunction with the Letter of Transmittal in the Introductory Section of this report and the County's financial statements, which follow this discussion and analysis.

All amounts are expressed in millions and percentages are calculated based on the rounded numbers in millions.

FISCAL YEAR 2017 FINANCIAL HIGHLIGHTS

- The reporting entity, which includes the School Board component unit, had positive net position of \$94.6 million at June 30, 2017, which represents an increase of \$7.2 million, or 8.2% from June 30, 2016.
- The total cost of the County's programs or governmental activities, was \$179.5 million, an increase of \$9.5 million, or 5.6% from the prior year's cost of \$170.0 million. Total revenues for governmental activities increased \$9.4 million or 5.0% to \$196.1 million from the prior year.
- Net position of the County's governmental activities increased by \$15.5 million from the prior year, as compared to an increase of \$17.2 million in fiscal year 2016.
- At June 30, 2017, the County had \$97.5 million (\$92.9 million in unpaid principal balance and \$4.6 million in premium) of long-term debt outstanding. This includes \$77.6 million of School Board general obligation bonds, \$5.1 million of capital leases related to assets on the books of the total reporting entity, \$5.7 million of certificates of participation, and \$9.1 million in revenue bonds for business type activities (including premiums; See Table 6). In addition, the County has \$2.3 million in deferred charges on refundings.
- The County's business-type activities (the Airport and Landfill) had a combined positive net position of \$0.7 million, which is a decrease of \$0.3 million from the prior year. This decrease is due mainly to an increase in internal balances owed to the General fund in the Landfill and Recycling Fund.
- The School Board component unit had positive net position of \$56.0 million at June 30, 2017, which represents a decrease of \$8.0 million, or 12.5% from the prior year. Revenues, including the County contribution, totaled \$139.4 million, an increase of \$1.8 million from the prior year, and expenses totaled \$147.4 million, an increase of \$7.7 million over prior year's expenses. The increase in revenue was due primarily to an increase in the County contribution to the School Board component unit. The increase in expenses is due mainly to an increase in pension expense.
- As of June 30, 2017, the County governmental funds reported combined fund balances of \$54.8 million, an increase of \$7.1 million from the prior year. The County's General Fund had a total fund balance of \$30.3 million at June 30, 2017. Of the General Fund balance, \$8.5 million, or 28.0% was assigned fund balance, \$19.8 million, or 65.3% was unassigned fund balance, and the remaining was nonspendable, restricted, and committed fund balance. The unassigned fund balance, includes the Board of Supervisor's mandated minimum of 10.0% of general operating revenues, which is set aside

for emergency needs as approved by the Board of Supervisors. Refer to Note 15 for details regarding the various components of fund balance.

- General Fund revenues were \$5.2 million over the amended budget. Expenditure savings of \$6.0 million were the result of \$1.4 million savings in the contribution to the School Board component unit and \$4.6 million in savings from County Departments.

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 2016 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 Single Audit Act of 1984 and the U.S. Office of Management and Budget guidance in Title 2 of the Code of Federal Regulations, Part 200 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F 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 and Employer Contributions - Other Postemployment Benefits Program and Virginia Retirement System (Exhibit 14)
- the Schedule of Components of and Changes in the Net OPEB Liability and Related Ratios (Exhibit 15)

- the Schedule of Components of and Changes in the Net Pension Liability and Related Ratios (Exhibit 16)
- the Schedule of the School Board's Proportionate Share of the Net Pension Liability – Teachers' Pension Plan (Exhibit 17)

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 nonmajor 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 position and how it has 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 Position (Exhibit 1) presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities, business-type activities, and activities of the County's component unit, the School Board. Net position is the residual amount remaining after liabilities and deferred inflows of resources are deducted from the balance of assets and deferred outflows of resources, and provides a measure of the County's overall financial health, or financial condition. Over time, changes in the net position 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 reflects how the County's net position 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 administration, 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 include the Landfill and Recycling activities and Airport activities.
- **Component unit:** The County has one component unit for which it is financially accountable, the Fauquier County Public Schools (School Board). A primary government is accountable for an organization if the organization is fiscally dependent and the organization is capable of imposing financial benefits or burdens on the primary government. The County approves debt issuances to finance School Board assets and provides significant funding for its operation. The School Board is a legally separate entity and is discretely presented in this annual financial report. 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 expenditures 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) inflows and outflows 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 four major funds, the General Fund, the Capital Projects Fund, the Debt Service Fund, and the Fire and Rescue 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. 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. All other governmental funds, which include special revenue funds, are collectively referred to as nonmajor 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 the Other Postemployment Benefits (OPEB) Plans 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

The Reporting Entity: 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, had positive net position of \$94.6 million at June 30, 2017. Net position increased from the prior year by \$7.2 million, which reflects current year revenues exceeding expenses by this amount.

County of Fauquier Summary of Net Position (\$ in millions)								
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity Including Component Unit	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets:								
Current and other assets	\$ 78.0	\$ 69.9	\$ (2.2)	\$ 1.3	\$ 75.8	\$ 71.2	95.8	92.6
Capital assets, net	68.8	68.2	27.7	24.5	96.5	92.7	274.0	276.0
Total assets	146.8	138.1	25.5	25.8	172.3	163.9	369.8	368.6
Deferred outflows of resources:								
Total deferred outflows of resources	7.3	5.1	0.5	0.4	7.8	5.5	25.6	15.1
Liabilities:								
Other liabilities	18.5	16.9	1.4	1.4	19.9	18.3	172.2	152.5
Long-term obligations	95.7	100.3	23.8	23.7	119.5	124.0	120.0	128.3
Total liabilities	114.2	117.2	25.2	25.1	139.4	142.3	292.2	280.8
Deferred inflows of resources:								
Total deferred inflows of resources	2.0	3.6	0.1	0.1	2.1	3.7	8.6	15.5
Net position:								
Net investment in capital assets	67.9	66.4	21.9	19.4	89.8	85.8	190.2	184.7
Restricted	9.6	7.8	-	-	9.6	7.8	9.9	7.9
Unrestricted (deficit)	(39.6)	(51.8)	(21.2)	(18.4)	(60.8)	(70.2)	(105.5)	(105.2)
Total net position	\$ 37.9	\$ 22.4	\$ 0.7	\$ 1.0	\$ 38.6	\$ 23.4	\$ 94.6	\$ 87.4

Table 1 may differ from Exhibit 1 due to rounding.

The Primary Government: The primary government had net position of \$38.6 million at June 30, 2017 which reflects an increase of \$15.2 million from the prior year. The largest portion of net position, \$89.8 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. Total restricted and unrestricted net position of the primary government combine for a deficit of \$51.2 million, and is mainly the result of the primary government issuing debt in past years to finance assets capitalized on the books of other entities. The County has long-term commitments related to the issuance of two certificates of participation in support of utility projects undertaken and capitalized by the Fauquier Water and Sanitation Authority and debt the primary government has issued on behalf of the School Board component unit. Because these debts increase the primary government's liabilities with no corresponding asset, the effect is to increase the amount reported as unrestricted (deficit). The County's total of these debts and commitments at June 30, 2017 was \$84.3 million (which includes \$3.7 million in premium). Refer to Note 8 and Note 9 for further details regarding long-term obligations and commitments.

Business-Type Activities: Business-type activities had a combined net position of \$0.7 million at June 30, 2017, which consisted of positive net position of \$12.0 for the Airport Fund and negative net position of \$11.3 million for the Landfill and Recycling Fund. The largest portion of net position, \$21.9 million, reflects investment in capital assets, net of depreciation and outstanding debt. The unrestricted net position for

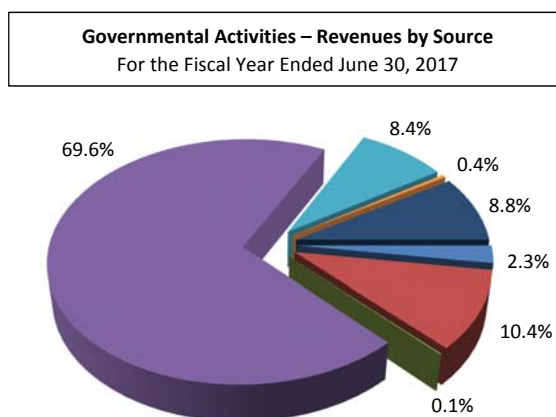
business-type activities at June 30, 2017 was a deficit of \$21.2 million, which reflects a decrease of 15.2% from the deficit of \$18.4 million from the prior year. The unrestricted deficit for the airport and the landfill does not indicate that there were insufficient resources available to pay for operations; but that long-term commitments were greater than currently available resources.

CHANGE IN NET POSITION

Governmental Activities: Total governmental net position (before transfers) increased by \$16.6 million compared to an increase of \$16.7 million in fiscal year 2016.

Revenues from governmental activities for FY 2017 totaled \$196.1 million, an increase of \$9.4 million from fiscal year 2016. Taxes comprised the largest source of revenues, totaling \$153.0 million, of which general property taxes account for \$136.6 million, or 69.6%, of total revenues. Program revenues (charges for services, operating and capital grants and contributions) generated a total of \$25.0 million, or 12.8% of total revenues, while revenues from grants and contributions not restricted to specific programs totaled \$17.3 million, or 8.8% of revenues.

- Charges for services
- Operating grants & contributions
- Capital grants & contributions
- Real & personal property taxes
- Other taxes
- Investment income & Miscellaneous
- Grants & contributions (non-program specific)



Real and personal property tax revenue increased by \$6.2 million, or 4.8% primarily attributable to an increase in the tax rate which supports fiscal year 2017 and continued growth in the tax base.

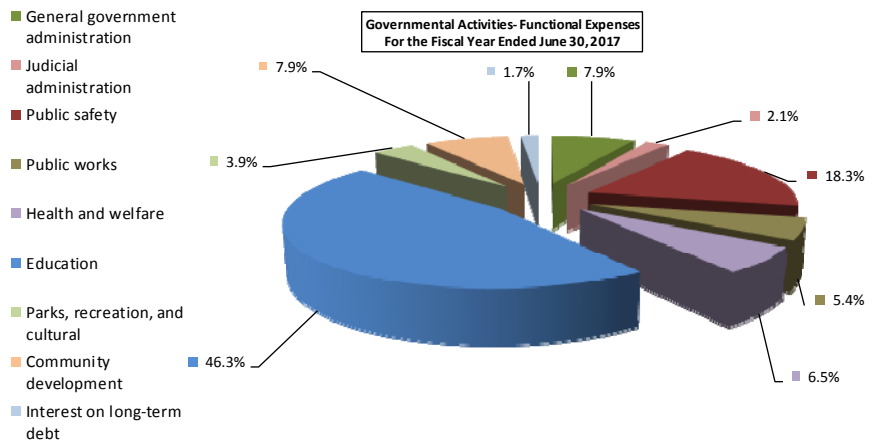
Local sales tax revenue increased by \$0.9 million or 11.3% from the prior year as a result of increasing taxable sales in the County. Consumers' utility taxes, business and professional tax revenue, taxes on recordation and wills, motor vehicle taxes, and other local taxes, collectively increased by \$0.2 million or 25.0% from the prior year. Non-program specific grants and contributions saw a decrease of \$0.6 million while charges for services remained about the same from the prior year.

Table 2 summarizes the changes in net position from Exhibit 2 in the Financial Section for the primary government and its component unit at June 30, 2017 and 2016.

County of Fauquier Changes in Net Position (\$ in millions)									
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity Including Component Unit		
	2017	2016	2017	2016	2017	2016	2017	2016	
Revenues									
Program revenues:									
Charges for services	\$ 4.5	\$ 4.5	\$ 4.4	\$ 4.0	\$ 8.9	\$ 8.5	\$ 12.3	\$ 11.8	
Operating grants and contributions	20.4	15.2	0.3	0.1	20.7	15.3	37.4	33.2	
Capital grants and contributions	0.1	2.5	1.7	1.3	1.8	3.8	1.8	3.8	
General revenues:									
Real and personal property taxes	136.6	130.4	-	-	136.6	130.4	136.6	130.4	
Other taxes	16.4	15.3	-	-	16.4	15.3	16.4	15.3	
Other	0.8	0.9	-	-	0.8	0.9	1.9	1.1	
Grants and contributions	17.3	17.9	-	-	17.3	17.9	51.2	52.1	
Contribution to schools	-	-	-	-	-	-	84.4	82.1	
Total revenues	196.1	186.7	6.4	5.4	202.5	192.1	342.0	329.8	
Expenses									
General government administration	14.2	13.3	-	-	14.2	13.3	14.2	13.3	
Judicial administration	3.7	4.0	-	-	3.7	4.0	3.7	4.0	
Public safety	32.8	31.4	-	-	32.8	31.4	32.8	31.4	
Public works	9.7	10.2	-	-	9.7	10.2	9.7	10.2	
Health and welfare	11.6	12.7	-	-	11.6	12.7	11.6	12.7	
Education	83.2	82.0	-	-	83.2	82.0	230.7	221.8	
Parks, recreation, and cultural	7.0	6.9	-	-	7.0	6.9	7.0	6.9	
Community development	14.2	5.8	-	-	14.2	5.8	14.2	5.8	
Interest on long-term debt	3.1	3.7	-	-	3.1	3.7	3.1	3.7	
Airport	-	-	1.0	1.4	1.0	1.4	1.0	1.4	
Landfill and recycling	-	-	6.9	6.9	6.9	6.9	6.9	6.9	
Total expenses	179.5	170.0	7.9	8.3	187.4	178.3	334.9	318.1	
Increase (decrease) in net position	16.6	16.7	(1.5)	(2.9)	15.1	13.8	7.1	11.7	
Transfers	(1.1)	0.5	1.2	(0.5)	0.1	-	0.1	-	
Change in net position	15.5	17.2	(0.3)	(3.4)	15.2	13.8	7.2	11.7	
Beginning net position, restated	22.4	5.2	1.0	4.4	23.4	9.6	87.4	75.7	
Ending net position	\$ 37.9	\$ 22.4	\$ 0.7	\$ 1.0	\$ 38.6	\$ 23.4	\$ 94.6	\$ 87.4	
Table 2 may differ from Exhibit 2 due to rounding.									

Total expenses for governmental activities for this fiscal year were \$179.5 million, an increase of \$9.5 million from \$170.0 million in fiscal year 2016. Education continued to be the County's largest program and highest priority with the County's contribution totaling \$83.2 million, or 46.3%, of total expenses. Community development expenses increased primarily due to increased spending on the Vint Hill Public Streets project and other revenue share projects. Included in this contribution was approximately \$0.5 million in support of School Board asset acquisitions and grant related

The School Board component unit incurred indirect expenses related to consolidated services provided by County departments to both County and Schools. Typically, school systems bear these costs directly, however with the consolidation of departments in Fauquier County, these costs were reported within the County's governmental activities in the General Fund. These consolidated departments included Human Resources, Finance, the Independent Auditor, and General Services, which provides maintenance of buildings and grounds.



As shown in Exhibit 7 of the Financial Section of this report, these functions totaled approximately \$8.6 million in fiscal year 2017. Allocation of the cost of these consolidated functions associated with educational activities is approximately \$7.0 million based on the County's latest cost allocation plan. Recognizing these costs as a function of education increases educational functional expenses to approximately 50.3% of total expenses. Public safety expenses, which total \$32.8 million or 18.3%, represent the second largest expense category for governmental activities.

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. Fees, such as charges for services and program specific aid from other governmental or outside entities, helped offset the cost of the government services, thereby lessening the burden on the County's taxpayers. The County generated 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 obtained operating grants and contributions primarily for public safety, health and welfare, judicial administration, and community development. Net costs reflect the cost for which tax revenues support the services provided by the County government.

County of Fauquier Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2016 and 2015 (\$ in millions)				
	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
General government administration	\$ 14.2	\$ 13.3	\$ 13.2	\$ 12.7
Judicial administration	3.7	4.0	1.6	2.0
Public safety	32.8	31.4	26.4	25.2
Public works	9.7	10.2	6.7	7.6
Health and welfare	11.6	12.7	4.8	5.5
Education	83.2	82.0	83.2	82.1
Parks, recreation, and cultural	7.0	6.9	6.2	6.1
Community development	14.2	5.8	9.3	2.9
Interest on long-term debt and other	3.1	3.7	3.1	3.7
Total	\$179.5	\$ 170.0	\$ 154.5	\$ 147.8

Table 3 may differ from Exhibit 2 due to rounding.

After recognizing the effect of revenue from these fees, grants, and contributions of \$25.0 million, the net cost of governmental activities was \$154.5 million, compared to a total cost of \$179.5 million.

Business-type activities: Business-type activities are generally intended to be at least partially self-supporting, and fees are established to recover the cost of providing the services. Revenues for the County's business activities, which are primarily user fees or charges for services, increased by 18.5% from the prior year to \$6.4 million. This increase is due primarily to increased state and federal grants in the Airport Fund due to state and federal grants for expansion projects and increase in charges for services in Landfill and Recycling Fund; tipping fees in the Landfill and Recycling Fund increased 5.0%, while recycling revenues also increased 4.5% from the prior year. Fuel sales in the Airport Fund increased 2.9% from the prior year due to an increased gallons sold. Total expenses for business-type activities were \$7.9 million, a decrease of 4.8%, or \$0.4 million, from the prior year. The decrease is primarily due to decreased expenses in the Airport Fund as terminal buildings became fully depreciated and also a decrease in contractual services in Landfill related to decreased spending for leachate hauling in the current fiscal year.

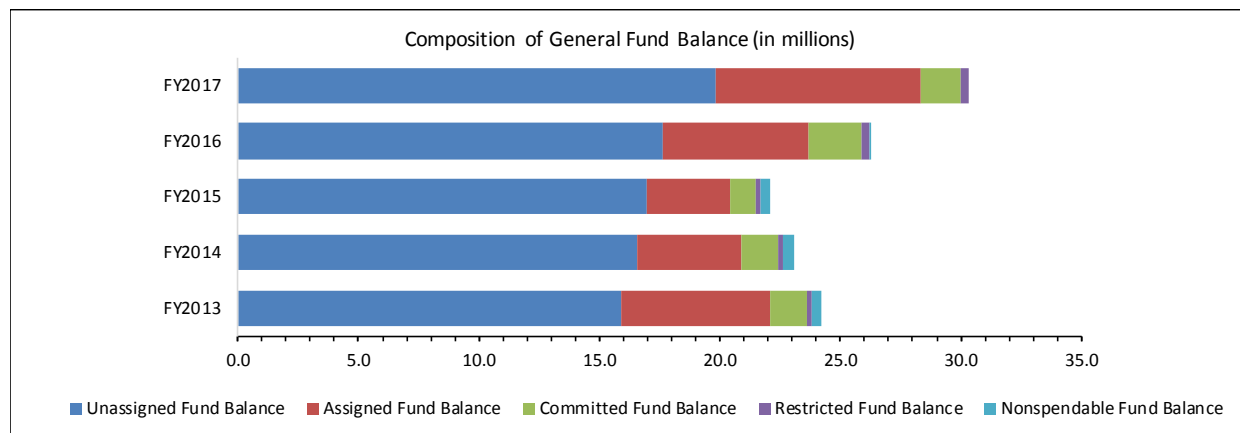
FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds: As of June 30, 2017, the County's governmental funds reported a combined ending fund balance of \$54.8 million (Exhibit 3), an increase of \$7.1 million in comparison with the prior year's fund balance, as restated. This increase reflects the following activity in governmental funds:

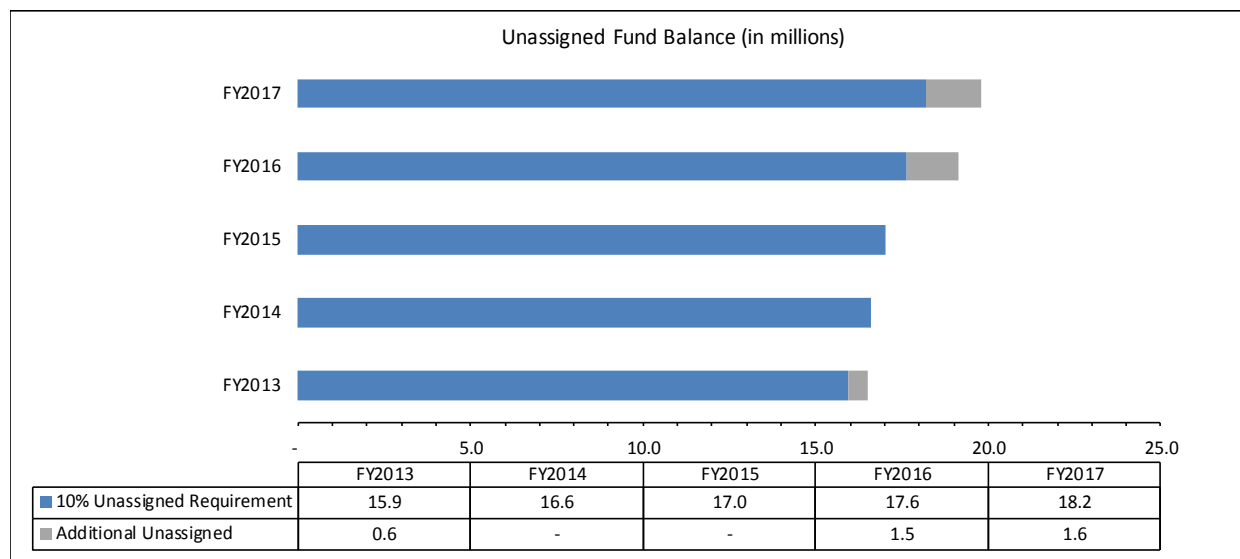
- The Capital Projects Fund reported a total fund balance of \$10.7 million, an increase of \$0.5 million from the prior year, as restated. Expenditures in the Capital Projects Fund increased \$6.5 million and net transfers to the fund decreased by \$1.4 million from the prior fiscal year. Increase in expenditures is due primarily to increased spending on the Vint Hill Public Street Network project in the current fiscal year. Revenues increased by \$4.2 million primarily due to debt issued in the amount of \$3.7 million for the upcoming Public Safety Radio project and increased reimbursements from the Commonwealth of Virginia for revenue sharing and grant funded projects.
- The Debt Service Fund reported a total fund balance of \$0.2 million, a decrease of \$0.2 million from the prior year. During fiscal year 2017, \$13.4 million in debt principal and interest payments were made, of which \$10.8 million of the debt service costs was related to payments on School related debt and obligations.
- The Fire and Rescue Fund, reported a total fund balance of \$5.9 million, an increase of \$0.4 million from the prior fiscal year, as restated. Revenues increased by \$0.8 million, or 13.9% from the prior year primarily due to increased tax revenue. Expenditures increased by \$0.3 million.
- Other Nonmajor Governmental Funds, reported an increase of \$2.5 million in fund balance over prior year, as restated. Revenues increased by \$0.7 million, due mainly to proceeds from a capital lease to purchases ambulances in the Capital Asset Replacement Fund. Increase in expenditures in the nonmajor funds of \$1.1 million was due mainly to increases in outlays for replacements of assets in the Asset Replacement Fund.
- The General Fund had a fund balance of \$30.3 million, an increase of 15.2%, or \$4.0 million from the prior year's fund balance, of \$26.3 million, as restated. Revenues increased mainly due to increased general property tax revenue of \$5.2 million, other local taxes of \$1.2 million and

revenue from the Commonwealth of Virginia and the Federal government of \$2.2 million. Net transfers to other funds to support capital projects, debt service, and asset replacement declined by \$3.9 million from the prior year. In addition, the General Fund contributed \$84.0 million in operating funds to finance the School Board component unit's operations.

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 \$19.8 million (Exhibit 3). The chart below depicts the composition of the County's General Fund balance for the last five fiscal years.



The Board of Supervisors has adopted a minimum fund balance requirement for the General Fund of 10.0% of the subsequent year's General Fund revenues. This 10.0% 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 approximately two months without interrupting service levels. The minimum fund balance target for fiscal year 2017 was \$18.2 million. Amounts in excess of the 10.0% minimum may be available for future uses to be determined by the Board of Supervisors. The chart below depicts the components of unassigned fund balance for the last five years.



GENERAL FUND BUDGETARY HIGHLIGHTS

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

Table 4 County of Fauquier General Fund Budgetary Comparison For the Fiscal Year Ended June 30, 2017 (\$ in millions)			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
<u>Revenues</u>			
Taxes	\$ 140.2	\$ 140.2	\$ 145.8
Other	3.9	4.0	4.1
Intergovernmental	<u>29.7</u>	<u>33.1</u>	<u>32.6</u>
Total revenues	173.8	177.3	182.5
<u>Expenditures</u>	<u>161.2</u>	<u>167.8</u>	<u>161.8</u>
Excess (deficiency) of revenues over (under) expenditures	12.6	9.5	20.7
<u>Other financing sources (uses)</u>			
Transfers in	2.4	2.4	2.1
Transfers out	<u>(16.3)</u>	<u>(18.8)</u>	<u>(18.8)</u>
Total other financing sources (uses)	(13.9)	(16.4)	(16.7)
Change in fund balance	<u>\$ (1.3)</u>	<u>\$ (6.9)</u>	<u>\$ 4.0</u>
<i>Table 4 may differ from Exhibit 7 due to rounding.</i>			

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 supplemental appropriation for grants and other revenues.
- Amendments for transfers and adjustments to support revised priorities and account code restructuring.

Final amended budget revenues exceeded the original budget by \$3.5 million, primarily due to budget increases from state and federal funding sources. Actual revenues were \$5.2 million over the amended budget due mainly to increased taxes and offset by decrease in other fees collected. Actual expenditures for the General Fund totaled \$161.8 million or \$6.0 million less than the amended budget. Of this difference, \$1.4 million less than budgeted was transferred to the School Board component unit and \$4.6 million in savings is due to county departmental efforts to control spending. A portion of the savings

generated by Schools in the form of unexpended appropriations is generally re-appropriated in the new fiscal year.

CAPITAL ASSETS AND LONG-TERM DEBT

The County's capital assets include items such as public safety equipment, buildings, parks and recreation facilities, libraries, public works vehicles, equipment and depreciable and non-depreciable intangible assets.

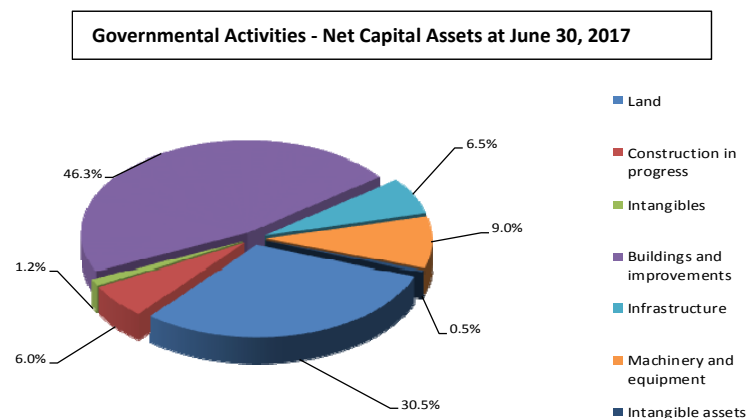
The Capital Improvements Program Committee (Committee) receives project requests from departments, agencies, and the School Board component unit. Potential projects are evaluated in relation to each other to ensure that the highest priority projects receive public funding, while considering construction costs, impact on debt service, and operating expenses in subsequent years. Upon evaluation, the Committee prepares a recommended six-year program, which is then sent for action to the Planning Commission to the Board of Supervisors. For more details on the debt funding policy, refer to the section titled "Relevant financial policies" in the Letter of Transmittal.

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity Including Component Unit	
	2017	2016	2017	2016	2017	2016	2017	2016
Land	\$ 21.0	\$ 21.0	\$ 8.1	\$ 8.1	\$ 29.1	\$ 29.1	\$ 34.3	\$ 34.1
Construction In progress	4.1	2.6	7.0	2.8	11.1	5.4	11.4	5.4
Intangible assets (non-depreciable)	0.9	0.9	0.2	0.2	1.1	1.1	1.1	1.1
Buildings and improvements	53.8	53.4	20.0	20.0	73.8	73.4	329.2	331.4
Infrastructure	14.5	14.2	11.5	11.5	26.0	25.7	31.3	30.9
Machinery and equipment	18.8	17.4	4.3	4.2	23.1	21.6	46.7	44.6
Intangible assets (depreciable)	1.5	1.5	-	-	1.5	1.5	1.7	1.7
Total capital assets	114.6	111.0	51.1	46.8	165.7	157.8	455.7	449.2
Less: Accumulated depreciation/amortization	(45.8)	(42.8)	(23.4)	(22.3)	(69.2)	(65.1)	(181.7)	(173.2)
Net capital assets	\$ 68.8	\$ 68.2	\$ 27.7	\$ 24.5	\$ 96.5	\$ 92.7	\$ 274.0	\$ 276.0

Table 5 may differ from Note 7 due to rounding.

As of June 30, 2017 the total reporting entity had net capital assets of \$274.0 million in capital assets, a decrease of \$2.0 million from the prior year. This decrease is due primarily to additions to capital assets and construction in progress of \$11.3 million, offset by depreciation expense of \$13.3 million.

For governmental activities, the County's investment in non-depreciable assets totaled \$26.0 million, while depreciable assets totaled \$42.8 million (net of depreciation). Total net capital assets for governmental activities increased by \$0.6 million, or 0.9% from the prior year to \$68.8 million. The increases is due to additions and deletions of capital assets for governmental activities exceeding depreciation expense in the current year. During the fiscal year, the following additions were made to capital assets:



- Governmental activity additions included \$2.4 million in machinery and equipment, \$0.8 million in buildings and improvements and infrastructure (including transfers from Construction in Progress), and \$2.2 million to existing projects.
- Business activity additions were approximately \$4.3 million, primarily related to the acquisition of equipment for a transfer station at the Landfill and the T-hangar drainage and design project at the Airport.
- The School Board component unit had additions of \$2.2 million which included the acquisition of school buses under a lease financing arrangement and improvements to school buildings and facilities.

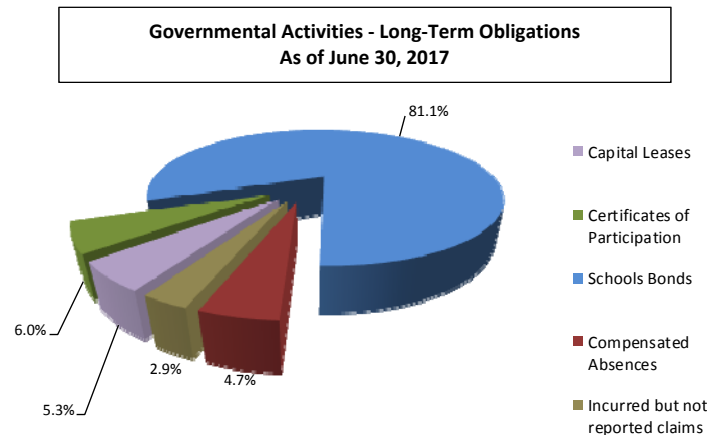
More information on the capital assets can be found in Note 7 in the Notes to Financial Statements Section of this report.

Long-term Obligations

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

Table 6 County of Fauquier Summary of Changes in Long Term Obligations (\$ in millions)			
	<u>July 1, 2016</u>	<u>Net Increase (Decrease)</u>	<u>June 30, 2017</u>
<u>Governmental Activities:</u>			
Capital leases	\$ 2.0	3.1	\$ 5.1
Certificates of participation	5.9	(0.2)	5.7
General obligation Bonds	85.6	(8.0)	77.6
Compensated absences	4.4	0.1	4.5
Incurred but not reported claims (IBNR)	<u>2.4</u>	<u>0.4</u>	<u>2.8</u>
Total long-term obligations	100.3	(4.6)	95.7
<u>Business-Type Activities:</u>			
Revenue bonds	9.4	(0.3)	9.1
Compensated absences	0.1	0.1	0.2
Landfill closure and post closure	<u>14.2</u>	<u>0.3</u>	<u>14.5</u>
Total long-term obligations	23.7	0.1	23.8
Total long-term obligations	<u>\$124.0</u>	<u>\$ (4.5)</u>	<u>\$ 119.5</u>
<i>Table 6 may differ from Note 8 due to rounding.</i>			

As of June 30, 2017, the County's governmental activities had long-term obligations totaling \$95.7 million, of which \$88.4 represents indebtedness related to capital leases, certificates of participation and issuances of bonds. This represents a decrease of \$4.6 million, or 4.6% in long-term obligations from the prior year.

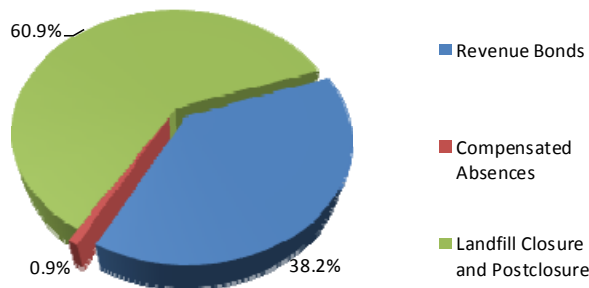


General Obligation Bonds issued to support School Board related projects represent the largest category of debt (including premium) with 81.1% of the County's total governmental obligations.

The net decrease is due primarily to the following activities during the fiscal year:

- On July 15, 2016, the County received lease proceeds under Ambulance Lease Series 2016 capital lease for \$0.8 million to fund the acquisition of three ambulances.
- On July 15, 2016, the County received lease proceeds under School Bus Lease Series 2016 capital lease for \$0.4 million to fund the acquisition of additional school buses for the School Board component unit.
- On September 30, 2016, the County received lease proceeds under Public Safety Radio Lease Series 2016 for \$3.7 million to fund upgrades to public safety radio system.
- On November 16, 2016, the County issued \$2.8 million in Vint Hill 2016C refunding bonds to refund \$2.9 million outstanding on VRA Vint Hill 2011A Bond issued on May 18, 2011.
- The County retired \$13.5 million (\$12.5 million in principal and \$1.0 million in premium) related to capital leases, revenue bonds, and general obligation bonds.
- Compensated absences increased by \$0.1 million from the prior year, as employee balances increased.

**Business-Type Activities - Long-Term Obligations
As of June 30, 2017**



As of June 30, 2017, the County's business activities had long-term obligations of \$23.8 million, which is a minimal change from the prior year.

- The Landfill and Recycling Fund retired \$0.3 million of debt related to revenue bonds with the Virginia Resources Authority.
- The Landfill closure and postclosure liability increased by \$0.3 million from the prior year.

More information on the County's long-term obligations is presented in Note 8, Notes to Financial Statements Section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- The average unemployment rate for the County of Fauquier in June 2017 was 3.4%, which is 0.2% lower than in June 2016. This compares favorably to the State's average rate of 3.9% and the National average rate of 4.5%.
- According to the Weldon Cooper Center for Public Service, Fauquier County's population was estimated to be 68,168, an increase of 0.4% over the prior year. Population estimates for the last ten years are provided in Table 12 of the Statistical Section of this report.
- The enrollment in public schools decreased in fiscal year 2017 by 0.3% from 11,042 to 11,007. School enrollment for the last ten years is provided in Table 12, Statistical Section of this report.
- The latest available per capita personal income for Fauquier County was \$61,780 as of 2015, compared to \$52,957 for the Commonwealth of Virginia, as reported by the U.S. Department of Commerce Bureau of Economic Analysis. Per capita personal income for the last ten years is provided in Table 12 of the Statistical Section of this report.
- The County Civilian Labor Force increased by 1.2% from 35,922 to 36,366 as of fiscal year 2017. County Civilian Labor Workforce numbers for the last ten years are provided in Table 12 of the Statistical Section of this report.

Fiscal Year 2018 Budget and Rates

- For fiscal year 2018, the adopted budget for the General Fund is \$183.1 million, an increase of 3.1% from fiscal year 2017. Revenues are comprised primarily of general property taxes at 71.2%, other local taxes at 8.4%, permits, privilege fees and regulatory licenses at 0.9%, charges for services at 0.5%, State assistance at 14.9%, Federal assistance at 1.2%, use of money at 0.2%, and other revenues at 2.7%.
- For fiscal year 2018, the County's contribution to the School Board component unit is \$96.2 million which includes the County's contribution to the School Board's operating fund of \$86.1 million and \$10.1 million contributed to the Debt Service Fund for school related debt. Support to the Schools represents 49.2% 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 1.7% more than fiscal year 2017.
- Public safety accounts for 14.4% of appropriations in fiscal year 2017, the second largest component of budgeted expenditures. Public safety volunteers are partially funded by a dedicated real property tax of \$0.058 per \$100 of assessed value. This tax partially supports County and volunteer fire and rescue operations.

- The tax rate for real property remained at \$1.039 per \$100 of assessed value for tax year 2017 which is to support fiscal year 2018. 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) 422-8336, 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.



GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF FAUQUIER, VIRGINIA

Statement of Net Position
June 30, 2017

Exhibit 1
Page 1 of 2

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
Assets				
Cash and cash equivalents	\$ 43,754,945	\$ 1,263,382	\$ 45,018,327	\$ 16,196,953
Cash and cash equivalents - restricted	10,887,131	3,099,767	13,986,898	267,564
Receivables, net of allowance for uncollectibles:				
Taxes, including penalties	3,049,727	-	3,049,727	-
Accounts	1,969,122	352,213	2,321,335	53,066
Internal balances	7,225,468	(7,225,468)	-	-
Inventories	194,154	25,875	220,029	110,618
Prepaid items	1,126,412	-	1,126,412	5,386
Investments	4,977,525	-	4,977,525	-
Due from other governmental units	4,864,626	279,092	5,143,718	3,050,884
Net pension asset	-	-	-	283,787
Capital assets (non-depreciable/non-amortizable):				
Land	20,983,201	8,059,127	29,042,328	5,220,408
Construction in progress	4,117,911	7,022,500	11,140,411	246,756
Intangible assets	853,884	228,836	1,082,720	-
Capital assets (depreciable/amortizable):				
Buildings and improvements	53,798,755	19,969,515	73,768,270	255,399,459
Infrastructure	14,559,971	11,549,745	26,109,716	5,214,964
Machinery and equipment	18,824,940	4,293,749	23,118,689	23,630,378
Intangible assets	1,460,946	-	1,460,946	225,458
Accumulated depreciation/amortization	(45,786,198)	(23,453,465)	(69,239,663)	(112,470,431)
Total capital assets, net	68,813,410	27,670,007	96,483,417	177,466,992
Total assets	146,862,520	25,464,868	172,327,388	197,435,250
Deferred outflows of resources				
Deferred charge on refundings	1,976,057	291,532	2,267,589	-
Items related to measurement of pension liability	2,525,232	133,267	2,658,499	8,206,181
Pension contributions subsequent to measurement date	2,735,789	98,524	2,834,313	9,638,813
Total deferred outflows of resources	7,237,078	523,323	7,760,401	17,844,994
Liabilities				
Accounts payable	2,754,637	841,545	3,596,182	1,640,075
Accrued and other liabilities	1,781,315	53,886	1,835,201	13,029,399
Retainage	345,045	62,435	407,480	2,158
Accrued interest payable	1,411,214	91,857	1,503,071	-
Unearned revenue	86,328	9,126	95,454	367,846
Customer deposits	764,327	-	764,327	-
Noncurrent liabilities:				
Due within one year	10,192,962	330,131	10,523,093	494,332
Due in more than one year	85,518,169	23,447,832	108,966,001	4,448,988
Net OPEB obligation	285,897	-	285,897	670,333
Net pension liability	11,087,477	398,566	11,486,043	132,147,499
Total liabilities	114,227,371	25,235,378	139,462,749	152,800,630
Deferred inflows of resources				
Revenue advances	657,929	-	657,929	-
Items related to measurement of pension liability	1,357,243	47,038	1,404,281	6,470,000
Total deferred inflows of resources	2,015,172	47,038	2,062,210	6,470,000
Net position				
Net investment in capital assets	67,897,791	21,932,278	89,830,069	177,466,992
Restricted for:				
Parks, recreation, and cultural	391,272	-	391,272	-
Public works	21,409	-	21,409	-
Proffers	3,317,617	-	3,317,617	-
Capital projects	5,492,607	-	5,492,607	-
Education	-	-	-	267,564
Other purposes	368,924	-	368,924	-
Unrestricted (deficit)	(39,632,565)	(21,226,503)	(60,859,068)	(121,724,942)
Total net position	\$ 37,857,055	\$ 705,775	\$ 38,562,830	\$ 56,009,614

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

		<u>Reporting Entity</u>		
		<u>Total</u>		
<u>Reclassifications</u> <u>(See Note 1 - E.15)</u>				
Assets				
\$	-	\$ 61,215,280	Cash and cash equivalents	
	-	14,254,462	Cash and cash equivalents - restricted	
	-	3,049,727	Receivables, net of allowance for uncollectibles:	
	-	2,374,401	Taxes, including penalties	
	-	-	Accounts	
	-	-	Internal balances	
	-	330,647	Inventories	
	-	1,131,798	Prepaid items	
	-	4,977,525	Investments	
	-	8,194,602	Due from other governmental units	
	-	283,787	Net pension asset	
	-	-	Capital assets (non-depreciable/non-amortizable):	
	-	34,262,736	Land	
	-	11,387,167	Construction in progress	
	-	1,082,720	Intangible assets	
	-	-	Capital assets (depreciable/amortizable):	
	-	329,167,729	Buildings and improvements	
	-	31,324,680	Infrastructure	
	-	46,749,067	Machinery and equipment	
	-	1,686,404	Intangible assets	
	-	(181,710,094)	Accumulated depreciation/amortization	
	-	273,950,409	Total capital assets, net	
	-	369,762,638	Total assets	
Deferred outflows of resources				
	-	2,267,589	Deferred charge on refundings	
	-	10,864,680	Items related to measurement of pension liability	
	-	12,473,126	Pension contributions subsequent to measurement date	
	-	25,605,395	Total deferred outflows of resources	
Liabilities				
	-	5,236,257	Accounts payable	
	-	14,864,600	Accrued and other liabilities	
	-	409,638	Retainage	
	-	1,503,071	Accrued interest payable	
	-	463,300	Unearned revenue	
	-	764,327	Customer deposits	
	-	-	Noncurrent liabilities:	
	-	11,017,425	Due within one year	
	-	113,414,989	Due in more than one year	
	-	956,230	Net OPEB obligation	
	-	143,633,542	Net pension liability	
	-	292,263,379	Total liabilities	
Deferred inflows of resources				
	-	657,929	Revenue advances	
	-	7,874,281	Items related to measurement of pension liability	
	-	8,532,210	Total deferred inflows of resources	
Net position				
(77,044,148)		190,252,913	Net investment in capital assets	
		-	Restricted for:	
	-	391,272	Parks, recreation, and cultural	
	-	21,409	Public works	
	-	3,317,617	Proffers	
	-	5,492,607	Capital projects	
	-	267,564	Education	
	-	368,924	Other purposes	
77,044,148		(105,539,862)	Unrestricted (deficit)	
\$	-	\$ 94,572,444	Total net position	

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

COUNTY OF FAUQUIER, VIRGINIA

Statement of Activities
Fiscal Year Ended June 30, 2017

Exhibit 2
Page 1 of 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government administration	\$ 14,181,564	\$ 107,015	\$ 842,495	\$ -
Judicial administration	3,705,849	590,279	1,548,967	-
Public safety	32,779,545	1,750,616	4,651,071	-
Public works	9,683,693	-	2,970,919	43,432
Health and welfare	11,609,182	-	6,800,013	-
Education	83,246,562	-	-	-
Parks, recreation, and cultural	7,014,440	603,674	213,776	7,173
Community development	14,187,622	1,474,724	3,398,055	-
Interest on long-term debt	3,081,185	-	-	-
Total governmental activities	<u>179,489,642</u>	<u>4,526,308</u>	<u>20,425,296</u>	<u>50,605</u>
Business-type activities:				
Airport	991,550	734,301	60,572	1,671,627
Landfill and recycling	6,860,012	3,667,478	276,991	-
Total business-type activities	<u>7,851,562</u>	<u>4,401,779</u>	<u>337,563</u>	<u>1,671,627</u>
Total primary government	<u>187,341,204</u>	<u>8,928,087</u>	<u>20,762,859</u>	<u>1,722,232</u>
Component unit				
School Board	147,436,229	3,411,390	16,699,061	-
Total component unit	<u>\$ 147,436,229</u>	<u>\$ 3,411,390</u>	<u>\$ 16,699,061</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 position				
Net position - beginning				
Net position - ending				

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

Net (Expenses) Revenue and Changes in Net Position					
Primary Government			Component Unit	Reporting Entity	
Governmental Activities	Business-Type Activities	Total	School Board	Total	Functions/Programs
					Primary government
					Governmental activities:
\$ (13,232,054)	\$ -	\$ (13,232,054)	\$ -	\$ (13,232,054)	General government administration
(1,566,603)	-	(1,566,603)	-	(1,566,603)	Judicial administration
(26,377,858)	-	(26,377,858)	-	(26,377,858)	Public safety
(6,669,342)	-	(6,669,342)	-	(6,669,342)	Public works
(4,809,169)	-	(4,809,169)	-	(4,809,169)	Health and welfare
(83,246,562)	-	(83,246,562)	-	(83,246,562)	Education
(6,189,817)	-	(6,189,817)	-	(6,189,817)	Parks, recreation, and cultural
(9,314,843)	-	(9,314,843)	-	(9,314,843)	Community development
(3,081,185)	-	(3,081,185)	-	(3,081,185)	Interest on long-term debt
(154,487,433)	-	(154,487,433)	-	(154,487,433)	Total governmental activities
					Business-type activities:
-	1,474,950	1,474,950		1,474,950	Airport
-	(2,915,543)	(2,915,543)		(2,915,543)	Landfill and recycling
-	(1,440,593)	(1,440,593)		(1,440,593)	Total business-type activities
(154,487,433)	(1,440,593)	(155,928,026)			Total primary government
					Component unit
					School Board
					Total component unit
					General revenues:
136,643,418	-	136,643,418	-	136,643,418	General property taxes
9,241,227	-	9,241,227	-	9,241,227	Local sales and use taxes
1,608,950	-	1,608,950	-	1,608,950	Consumers' utility taxes
1,632,643	-	1,632,643	-	1,632,643	Business and professional taxes
1,957,392	-	1,957,392	-	1,957,392	Motor vehicle taxes
1,731,125	-	1,731,125	-	1,731,125	Taxes on recordation and wills
260,204	-	260,204	-	260,204	Other local taxes
-	-	-	84,355,571	84,355,571	Contribution from primary government
600,847	9,247	610,094	2,456	612,550	Investment income
156,345	3,304	159,649	1,076,399	1,236,048	Miscellaneous
17,284,375	-	17,284,375	33,864,072	51,148,447	Grants and contributions not restricted to specific programs
(1,155,862)	1,155,862	-	-	-	Transfers
169,960,664	1,168,413	171,129,077	119,298,498	290,427,575	Total general revenues and transfers
15,473,231	(272,180)	15,201,051	(8,027,280)	7,173,771	Change in net position
22,383,824	977,955	23,361,779	64,036,894	87,398,673	Net position - beginning
\$ 37,857,055	\$ 705,775	\$ 38,562,830	\$ 56,009,614	\$ 94,572,444	Net position - ending

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



FUND FINANCIAL STATEMENTS



COUNTY OF FAUQUIER, VIRGINIA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2017

	Primary Government					
	General Fund	Capital Projects Fund	Debt Service Fund	Fire and Rescue Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 14,736,586	\$ 5,853,237	\$ 22,914	\$ 6,047,579	\$ 3,598,237	\$ 30,258,553
Cash and cash equivalents - restricted	368,924	5,777,833	-	-	4,740,374	10,887,131
Receivables, net of allowance for uncollectibles:						
Taxes, including penalties	2,861,651	-	-	170,197	17,879	3,049,727
Accounts	1,190,676	45,757	-	35,374	341,972	1,613,779
Due from other funds	7,225,468	-	-	-	-	7,225,468
Prepaid items	-	-	185,988	-	-	185,988
Investments	4,977,525	-	-	-	-	4,977,525
Due from other governmental units	3,656,239	1,088,604	-	75,883	43,900	4,864,626
Total assets	35,017,069	12,765,431	208,902	6,329,033	8,742,362	63,062,797
Total assets and deferred outflows of resources	35,017,069	12,765,431	208,902	6,329,033	8,742,362	63,062,797
Liabilities						
Accounts payable	1,151,404	832,347	-	260,209	102,537	2,346,497
Accrued liabilities	586,397	-	-	2,044	3,075	591,516
Retainage	54,655	285,226	-	-	5,164	345,045
Other liabilities	513,599	667,674	-	-	-	1,181,273
Due to other funds	-	-	-	-	3,979	3,979
Unearned revenue	83,828	-	-	-	2,500	86,328
Escrows	-	-	-	-	764,327	764,327
Total liabilities	2,389,883	1,785,247	-	262,253	881,582	5,318,965
Deferred inflows of resources						
Revenue advances	617,634	-	-	33,941	6,354	657,929
Unavailable revenue	1,709,518	297,980	-	112,754	131,544	2,251,796
Total deferred inflows of resources	2,327,152	297,980	-	146,695	137,898	2,909,725
Total liabilities and deferred inflows of resources	4,717,035	2,083,227	-	408,948	1,019,480	8,228,690
Fund balances						
Nonspendable	-	-	185,988	-	-	185,988
Restricted	314,269	5,492,607	-	-	3,977,274	9,784,150
Committed	1,697,470	5,189,597	-	5,920,085	1,063,675	13,870,827
Assigned	8,486,368	-	22,914	-	2,681,933	11,191,215
Unassigned	19,801,927	-	-	-	-	19,801,927
Total fund balances	30,300,034	10,682,204	208,902	5,920,085	7,722,882	54,834,107
Total liabilities, deferred inflows of resources, and fund balances	\$ 35,017,069	\$ 12,765,431	\$ 208,902	\$ 6,329,033	\$ 8,742,362	\$ 63,062,797

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 Position
June 30, 2017**

Total fund balance - governmental funds		\$ 54,834,107
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Prepaid items are recorded as expenditures when purchased in governmental funds, but are recorded as assets and the expense is amortized over the period for which it relates in the government-wide statements.		784,045
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds (excludes \$186,886 related to internal service fund assets).		68,626,524
Deferred outflows or resources are recorded as expenditures in the current period in governmental funds.		
Losses on refundings of debt issuances are deferred in the government wide-statements.	1,976,057	
Items related to measurement of the pension liability are deferred in the government-wide statements (excludes \$60,051 for internal service funds).	2,465,181	
Contributions to the agent multiple employer plan in the current year are recognized as expenditures in the fund statements, but are recognized as deferred outflows of resources in the government-wide statements.		
Contributions to the Virginia Retirement System (excludes \$58,575 for internal service funds).	<u>2,677,214</u>	7,118,452
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 Position.		10,903,514
Unavailable taxes, grant, proffer 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.		2,251,796
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		(1,411,214)
Long-term liabilities and deferred inflows of resources are not due and payable in the current period and therefore are not reported as such in the governmental funds.		
Capital leases	(5,113,511)	
Certificates of participation	(4,955,000)	
General obligation bonds issued for schools	(74,674,000)	
Premium on bonds payable	(3,658,798)	
Compensated absences (excludes \$123,648 for internal service funds)	(4,384,065)	
Net pension liability (excludes \$237,762 for internal service funds)	(10,849,715)	
Deferred inflows related to pensions (excludes \$28,060 for internal service funds)	(1,329,183)	
Net OPEB obligation	<u>(285,897)</u>	(105,250,169)
Net position of governmental activities		\$ <u>37,857,055</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Debt Service Fund	Fire and Rescue Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
General property taxes	\$ 129,394,291	\$ -	\$ -	\$ 6,286,524	\$ 1,018,270	\$ 136,699,085
Other local taxes	16,431,541	-	-	-	-	16,431,541
Permits, privilege fees, and regulatory licenses	1,561,027	-	-	-	-	1,561,027
Fines and forfeitures	401,796	-	-	-	57,014	458,810
Revenue from use of money and property	457,917	361	9	43,789	22,945	525,021
Charges for services	984,662	-	-	-	1,575,310	2,559,972
Gifts and donations	97,367	-	-	-	819,728	917,095
Recovered costs	318,692	-	-	27,262	78,566	424,520
Miscellaneous revenue	364,878	243,535	125,113	34,566	31,312	799,404
Intergovernmental:						
Commonwealth of Virginia	26,902,600	2,727,384	-	253,641	289,952	30,173,577
Federal Government	5,681,252	50,605	395,675	-	122,900	6,250,432
Total revenues	182,596,023	3,021,885	520,797	6,645,782	4,015,997	196,800,484
Expenditures						
Current operating:						
General government administration	13,736,444	-	-	-	-	13,736,444
Judicial administration	3,874,425	-	-	-	-	3,874,425
Public safety	26,104,835	-	-	4,678,407	488,477	31,271,719
Public works	7,730,138	443,940	-	-	10,697	8,184,775
Health and welfare	11,667,455	-	-	-	-	11,667,455
Education	84,026,142	-	392,774	-	-	84,418,916
Parks, recreation, and cultural	6,150,212	112,566	-	-	18,764	6,281,542
Community development	7,803,206	5,418,629	-	-	1,041,368	14,263,203
Nondepartmental	754,859	-	-	-	-	754,859
Capital outlay	-	3,168,402	-	-	2,250,596	5,418,998
Debt service:						
Principal retirement	-	-	9,612,158	-	-	9,612,158
Interest charges	-	-	3,796,630	-	-	3,796,630
Issuance costs	-	90,000	79,620	-	-	169,620
Fiscal charges	-	-	6,801	-	-	6,801
Total expenditures	161,847,716	9,233,537	13,887,983	4,678,407	3,809,902	193,457,545
Excess (deficiency) of revenues over (under) expenditures	20,748,307	(6,211,652)	(13,367,186)	1,967,375	206,095	3,342,939
Other financing sources (uses)						
Transfers in	2,102,259	3,452,287	12,694,765	-	2,751,398	21,000,709
Transfers (out)	(18,845,913)	(447,465)	-	(1,597,240)	(1,273,750)	(22,164,368)
Issuance of debt	-	3,700,000	392,774	-	785,606	4,878,380
Issuance of refunding bonds	-	-	2,775,000	-	-	2,775,000
Premium on refunding debt	-	-	704,772	-	-	704,772
Payment to bond escrow agent	-	-	(3,398,341)	-	-	(3,398,341)
Total other financing sources (uses)	(16,743,654)	6,704,822	13,168,970	(1,597,240)	2,263,254	3,796,152
Net change in fund balances/(deficits)	4,004,653	493,170	(198,216)	370,135	2,469,349	7,139,091
Fund balances - beginning, restated	26,295,381	10,189,034	407,118	5,549,950	5,253,533	47,695,016
Fund balances - ending	\$ 30,300,034	\$ 10,682,204	\$ 208,902	\$ 5,920,085	\$ 7,722,882	\$ 54,834,107

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, 2017**

Net change in fund balance - total governmental funds	\$	7,139,091
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense, which is not a use of current financial resources. This is the amount by which the depreciation exceeded capital outlays in the current year.		
Capital outlays	4,606,649	
Depreciation expense (less \$21,857 for internal service funds)	<u>(4,041,907)</u>	564,742
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 position differs from the change in fund balance by the cost of the capital assets sold.		(56,675)
Prepaid items are recorded as expenditures when purchased in governmental funds, but are recorded as assets and the expense is amortized over the period for which it relates in the government-wide statements.		
Add current year prepaid items	784,043	
Less prior year prepaid items	<u>(779,143)</u>	4,900
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Add current year's unavailable revenue	2,251,796	
Less prior year's unavailable revenue	<u>(2,587,351)</u>	(335,555)
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.		
		2,528,899
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Less debt proceeds	(4,878,380)	
Less debt proceeds from refunding	(3,479,772)	
Add payment to bond agent	3,398,341	
Add debt principal repayment	9,693,589	
Add amortization of bond payable premiums	248,356	
Less amortization of deferred loss on refunding	<u>212,410</u>	5,194,544
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Less current year's compensated absences (excludes \$123,648 for internal service funds)	(4,384,066)	
Add prior year's compensated absences (excludes \$113,361 for internal service funds)	4,237,900	
Less current year's accrued interest payable	(1,411,214)	
Add prior year's accrued interest payable	1,591,263	
Add current year's deferred outflow related to pensions (excludes \$60,051 for internal service funds)	2,465,181	
Less prior year's deferred outflow related to pensions	-	
Less current year's net pension liability (excludes \$237,762 for internal service funds)	(10,849,715)	
Add prior year's net pension liability (excludes \$159,974 for internal service funds)	7,750,513	
Less current year's deferred inflow related to pensions (excludes \$28,060 for internal service funds)	(1,329,183)	
Add prior year's deferred inflow related to pensions (excludes \$59,457 for internal service funds)	2,999,245	
Less current year's net OPEB obligation	(285,897)	
Add prior year's net OPEB obligation	<u>141,767</u>	925,794
Governmental funds report current year contributions to the Virginia Retirement System as expenditures. In the Statement of Activities, current year contributions are reported as deferred outflow of resources.		
Add current year contributions to the Virginia Retirement System (excludes \$58,575 for internal service funds)	2,677,214	
Less prior year contributions to the Virginia Retirement System (excludes \$65,463 for internal service funds)	<u>(3,169,723)</u>	(492,509)
Change in net position of governmental activities	\$	<u>15,473,231</u>

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

COUNTY OF FAUQUIER, VIRGINIA

**Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2017**

**Exhibit 7
Page 1 of 4**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ 125,447,902	\$ 125,447,902	\$ 129,394,291	\$ 3,946,389
Other local taxes	14,800,000	14,800,000	16,431,541	1,631,541
Permits, privilege fees, and regulatory licenses	1,510,235	1,510,235	1,561,027	50,792
Fines and forfeitures	457,500	457,500	401,796	(55,704)
Revenue from use of money and property	334,272	334,272	457,917	123,645
Charges for services	978,122	978,122	984,662	6,540
Gifts and donations	1,000	94,790	97,367	2,577
Recovered costs	225,953	289,590	318,692	29,102
Miscellaneous revenue	377,176	384,896	364,878	(20,018)
Intergovernmental:				
Commonwealth of Virginia	27,366,044	27,926,463	26,902,600	(1,023,863)
Federal Government	2,334,305	5,135,082	5,681,252	546,170
Total revenues	173,832,509	177,358,852	182,596,023	5,237,171
Expenditures				
Current operating:				
General government administration:				
Legislative:				
Board of supervisors	274,964	276,174	276,174	-
General and financial administration:				
County administrator	755,158	815,214	767,839	47,375
General reassessment	106,880	1,417,976	754,175	663,801
County attorney	680,044	680,243	680,243	-
Independent auditor	179,005	220,055	119,505	100,550
Commissioner of the revenue	1,423,786	1,425,178	1,425,178	-
Treasurer	1,250,316	1,262,803	1,262,803	-
Information technology	3,767,224	3,859,416	3,786,902	72,514
Human resources	2,698,230	2,434,058	2,098,399	335,659
Finance	1,419,551	1,428,895	1,370,272	58,623
Office of management and budget	424,138	449,399	424,716	24,683
Geographic information systems	329,944	328,072	326,620	1,452
Total general and financial administration	13,034,276	14,321,309	13,016,652	1,304,657
Board of elections:				
Registrar	430,372	448,141	443,618	4,523
Total general government administration	\$ 13,739,612	\$ 15,045,624	\$ 13,736,444	\$ 1,309,180

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

COUNTY OF FAUQUIER, VIRGINIA

**Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2017**

**Exhibit 7
Page 2 of 4**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Current operating: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 145,695	\$ 145,695	\$ 117,597	\$ 28,098
General district court	32,700	32,700	18,476	14,224
Magistrates	87,773	87,773	77,489	10,284
Juvenile and domestic relations district court	17,726	17,726	14,620	3,106
Clerk of the circuit court	1,218,869	1,231,151	1,200,597	30,554
Adult court services	950,963	959,011	959,011	-
Commissioner of accounts	2,400	2,400	2,400	-
Total courts	<u>2,456,126</u>	<u>2,476,456</u>	<u>2,390,190</u>	<u>86,266</u>
Commonwealth's attorney:				
Commonwealth's attorney	<u>1,457,043</u>	<u>1,514,481</u>	<u>1,484,235</u>	<u>30,246</u>
Total judicial administration	<u>3,913,169</u>	<u>3,990,937</u>	<u>3,874,425</u>	<u>116,512</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	13,303,284	13,675,432	13,301,122	374,310
Joint communications	<u>2,719,939</u>	<u>2,711,467</u>	<u>2,489,924</u>	<u>221,543</u>
Total law enforcement and traffic control	<u>16,023,223</u>	<u>16,386,899</u>	<u>15,791,046</u>	<u>595,853</u>
Emergency services administration:				
Emergency services	<u>7,473,821</u>	<u>7,636,525</u>	<u>7,634,125</u>	<u>2,400</u>
Correction and detention:				
Sheriff	571,558	532,741	472,959	59,782
Northwest regional jail	2,167,034	2,167,034	2,069,337	97,697
Probation office	4,284	4,284	2,434	1,850
Juvenile detention and crime control	<u>305,173</u>	<u>305,173</u>	<u>134,934</u>	<u>170,239</u>
Total correction and detention	<u>3,048,049</u>	<u>3,009,232</u>	<u>2,679,664</u>	<u>329,568</u>
Total public safety	<u>26,545,093</u>	<u>27,032,656</u>	<u>26,104,835</u>	<u>927,821</u>
Public works:				
Sanitation and waste removal:				
Solid waste operations	<u>2,582,969</u>	<u>2,748,583</u>	<u>2,729,407</u>	<u>19,176</u>
General buildings and grounds maintenance:				
General services	<u>5,096,498</u>	<u>5,184,133</u>	<u>5,000,731</u>	<u>183,402</u>
Total public works	<u>\$ 7,679,467</u>	<u>\$ 7,932,716</u>	<u>\$ 7,730,138</u>	<u>\$ 202,578</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2017

Exhibit 7
Page 3 of 4

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Current operating: (continued)				
Health and welfare:				
Health:				
Supplement of local health department	\$ 584,328	\$ 584,328	\$ 584,328	\$ -
Welfare:				
Institutional care	460,110	490,110	460,110	30,000
Social services	5,832,839	6,470,427	6,470,427	-
Comprehensive services act	4,707,290	4,706,146	4,152,590	553,556
Total welfare	11,000,239	11,666,683	11,083,127	583,556
Total health and welfare	11,584,567	12,251,011	11,667,455	583,556
Education:				
Contribution to component unit – School Board	84,152,708	85,371,380	83,962,797	1,408,583
Community colleges	63,345	63,345	63,345	-
Total education	84,216,053	85,434,725	84,026,142	1,408,583
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	3,857,670	3,914,239	3,805,830	108,409
Library:				
Public library	2,304,933	2,344,382	2,344,382	-
Total parks, recreation, and cultural	6,162,603	6,258,621	6,150,212	108,409
Community development:				
Planning and community development:				
Community development	4,130,347	6,674,608	6,466,740	207,868
Planning	149,786	184,653	159,939	24,714
Economic development	725,913	854,486	813,665	40,821
Agriculture development	63,033	92,272	76,155	16,117
Total planning and community development	5,069,079	7,806,019	7,516,499	289,520
Environmental management:				
Soil and water conservation district	156,606	157,726	157,726	-
Cooperative extension program:				
VPI extension	145,001	145,001	128,981	16,020
Total community development	\$ 5,370,686	\$ 8,108,746	\$ 7,803,206	\$ 305,540

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

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, 2017**

	<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	\$ <u>2,034,420</u>	\$ <u>1,746,564</u>	\$ <u>754,859</u>	\$ <u>991,705</u>
Total expenditures	<u>161,245,670</u>	<u>167,801,600</u>	<u>161,847,716</u>	<u>5,953,884</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,586,839</u>	<u>9,557,252</u>	<u>20,748,307</u>	<u>11,191,055</u>
Other financing sources (uses)				
Transfers in	2,384,762	2,384,762	2,102,259	(282,503)
Transfers (out)	<u>(16,298,922)</u>	<u>(18,847,773)</u>	<u>(18,845,913)</u>	<u>1,860</u>
Total other financing sources (uses)	<u>(13,914,160)</u>	<u>(16,463,011)</u>	<u>(16,743,654)</u>	<u>(280,643)</u>
Net change in fund balances/(deficits)	(1,327,321)	(6,905,759)	4,004,653	10,910,412
Fund balances - beginning, restated	<u>26,295,381</u>	<u>26,295,381</u>	<u>26,295,381</u>	<u>-</u>
Fund balances - ending	<u>\$ <u>24,968,060</u></u>	<u>\$ <u>19,389,622</u></u>	<u>\$ <u>30,300,034</u></u>	<u>\$ <u>10,910,412</u></u>

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 8

**Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Fire and Rescue Fund
Fiscal Year Ended June 30, 2017**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ 6,234,147	\$ 6,234,147	\$ 6,286,524	\$ 52,377
Revenue from use of money and property	8,000	8,000	43,789	35,789
Recovered costs	-	27,262	27,262	-
Miscellaneous Revenue	-	8,891	34,566	25,675
Intergovernmental:				
Commonwealth of Virginia	260,764	260,764	253,641	(7,123)
Total revenues	6,502,911	6,539,064	6,645,782	106,718
Expenditures				
Current operating:				
Public safety	5,627,583	6,179,061	4,678,407	1,500,654
Total expenditures	5,627,583	6,179,061	4,678,407	1,500,654
Excess (deficiency) of revenues over (under) expenditures	875,328	360,003	1,967,375	1,607,372
Other financing sources (uses)				
Transfers (out)	(1,579,743)	(1,579,743)	(1,597,240)	(17,497)
Total other financing sources (uses)	(1,579,743)	(1,579,743)	(1,597,240)	(17,497)
Net change in fund balances/(deficits)	(704,415)	(1,219,740)	370,135	1,589,875
Fund balances - beginning, restated	5,549,950	5,549,950	5,549,950	-
Fund balances - ending	<u>\$ 4,845,535</u>	<u>\$ 4,330,210</u>	<u>\$ 5,920,085</u>	<u>\$ 1,589,875</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Statement of Net Position
Proprietary Funds
June 30, 2017

Exhibit 9
Page 1 of 2

	Business-Type Activities – Enterprise Funds			Governmental Activities
	Airport Fund	Landfill and Recycling Fund	Total	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 1,263,382	\$ 1,263,382	\$ 13,496,392
Cash and cash equivalents - restricted	-	3,099,767	3,099,767	-
Receivables, net of allowance for uncollectibles	47,817	304,396	352,213	355,343
Inventories	25,875	-	25,875	194,154
Prepaid items	-	-	-	156,379
Due from other governmental units	279,092	-	279,092	-
Total current assets	352,784	4,667,545	5,020,329	14,202,268
Noncurrent assets:				
Capital assets (non-depreciable/non-amortizable):				
Land	6,612,678	1,446,449	8,059,127	-
Construction in progress	3,227,587	3,794,913	7,022,500	-
Intangible assets	228,836	-	228,836	-
Capital assets (depreciable/amortizable):				
Buildings and improvements	2,977,276	16,992,239	19,969,515	349,000
Infrastructure	10,695,439	854,306	11,549,745	-
Machinery and equipment	487,313	3,806,436	4,293,749	624,962
Accumulated depreciation/amortization	(12,164,943)	(11,288,522)	(23,453,465)	(787,076)
Total capital assets, net	12,064,186	15,605,821	27,670,007	186,886
Total noncurrent assets	12,064,186	15,605,821	27,670,007	186,886
Total assets	12,416,970	20,273,366	32,690,336	14,389,154
Deferred outflows of resources				
Deferred charge on refunding	-	291,532	291,532	-
Items related to measurement of pension liability	24,329	108,938	133,267	60,051
Pension contributions subsequent to measurement date	14,771	83,753	98,524	58,575
Total deferred outflows of resources	39,100	484,223	523,323	118,626
Total assets and deferred outflows of resources	\$ 12,456,070	\$ 20,757,589	\$ 33,213,659	\$ 14,507,780

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

COUNTY OF FAUQUIER, VIRGINIA

Statement of Net Position
Proprietary Funds
June 30, 2017

Exhibit 9
Page 2 of 2

	Business-Type Activities – Enterprise Funds			Governmental Activities
	Airport Fund	Landfill and Recycling Fund	Total	Internal Service Funds
Liabilities				
Current liabilities:				
Accounts payable	\$ 147,578	\$ 693,967	\$ 841,545	\$ 404,161
Accrued and other liabilities	3,271	50,615	53,886	8,526
Retainage	-	62,435	62,435	-
Accrued interest payable	-	91,857	91,857	-
Due to other funds	159,320	7,066,148	7,225,468	-
Unearned revenue	9,126	-	9,126	-
Current portion of compensated absences	1,769	14,134	15,903	12,365
Current portion of incurred but not reported claims	-	-	-	700,527
Current portion of long-term bonds payable	-	314,228	314,228	-
Total current liabilities	321,064	8,293,384	8,614,448	1,125,579
Noncurrent liabilities:				
Accrued closure and postclosure liability	-	14,489,899	14,489,899	-
Noncurrent portion of compensated absences	15,925	127,208	143,133	111,283
Noncurrent portion of incurred but not reported claims	-	-	-	2,101,582
Noncurrent portion of long-term bonds payable	-	8,814,800	8,814,800	-
Net pension liability	59,727	338,839	398,566	237,762
Total noncurrent liabilities	75,652	23,770,746	23,846,398	2,450,627
Total liabilities	396,716	32,064,130	32,460,846	3,576,206
Deferred inflows of resources				
Items related to measurement of pension liability	7,049	39,989	47,038	28,060
Total deferred inflows of resources	7,049	39,989	47,038	28,060
Total liabilities and deferred inflows of resources	403,765	32,104,119	32,507,884	3,604,266
Net position				
Net investment in capital assets	12,064,186	9,868,092	21,932,278	186,886
Unrestricted (deficit)	(11,881)	(21,214,622)	(21,226,503)	10,716,628
Total net position	12,052,305	(11,346,530)	705,775	10,903,514
Total liabilities, deferred inflows of resources, and net position	\$ 12,456,070	\$ 20,757,589	\$ 33,213,659	\$ 14,507,780

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 10

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2017

	Business-Type Activities – Enterprise Funds			Governmental Activities
	Airport Fund	Landfill and Recycling Fund	Total	Internal Service Funds
Operating revenues				
Charges for services	\$ 312,728	\$ 3,205,603	\$ 3,518,331	\$ 31,552,131
Recycling revenues	-	461,875	461,875	-
Recovered Cost	-	-	-	3,505,960
Miscellaneous revenue	-	-	-	160,476
Fuel	421,573	-	421,573	-
Forfeitures	-	-	-	6,620
Total operating revenues	734,301	3,667,478	4,401,779	35,225,187
Operating expenses				
Cost of goods sold	300,441	-	300,441	-
Personal services	197,684	1,355,040	1,552,724	703,359
Fringe benefits	52,963	439,541	492,504	237,383
Claims and benefits paid	-	-	-	26,122,473
Premiums	-	-	-	2,656,011
Contractual services	113,332	3,309,561	3,422,893	1,090,953
Other operating expenses	168,965	314,769	483,734	1,893,801
Landfill closure and postclosure liability	-	345,919	345,919	-
Depreciation	146,311	1,004,394	1,150,705	21,857
Pension expense	11,854	90,788	102,642	54,074
Total operating expenses	991,550	6,860,012	7,851,562	32,779,911
Operating income (loss)	(257,249)	(3,192,534)	(3,449,783)	2,445,276
Nonoperating revenues				
Interest income	150	9,097	9,247	75,826
Insurance recoveries	96	3,208	3,304	-
Operating grants - Commonwealth of Virginia	60,515	17,153	77,668	-
Operating grants - Federal Government	57	259,838	259,895	-
Total nonoperating revenues	60,818	289,296	350,114	75,826
Income (loss) before contributions and transfers	(196,431)	(2,903,238)	(3,099,669)	2,521,102
Capital grants and contributions				
Capital contributions	70,051	-	70,051	-
Capital grants - Commonwealth of Virginia	742,173	-	742,173	-
Capital grants - Federal Government	859,403	-	859,403	-
Total capital grants and contributions	1,671,627	-	1,671,627	-
Transfers				
Transfers in	340,177	815,685	1,155,862	7,797
Total transfers in (out)	340,177	815,685	1,155,862	7,797
Change in net position	1,815,373	(2,087,553)	(272,180)	2,528,899
Net position - beginning	10,236,932	(9,258,977)	977,955	8,374,615
Net position - ending	\$ 12,052,305	\$ (11,346,530)	\$ 705,775	\$ 10,903,514

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 11

Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2017

	Business-Type Activities – Enterprise Funds			Governmental Activities
	Airport Fund	Landfill and Recycling Fund	Total	Internal Service Funds
Cash Flow from Operating Activities				
Receipts from customers and users	\$ 744,090	\$ 3,666,657	\$ 4,410,747	\$ (561,110)
Receipts from interfund services provided	-	-	-	35,767,991
Payments to suppliers and other operating activities	(1,018,133)	(3,292,613)	(4,310,746)	(31,255,774)
Payments to employees (including fringes)	(278,324)	(1,856,923)	(2,135,247)	(1,027,314)
Payments for interfund services used	(5,054)	(61,455)	(66,509)	-
Net cash provided by (used for) operating activities	(557,421)	(1,544,334)	(2,101,755)	2,923,793
Cash Flow from Noncapital Financing Activities				
Transfers in	340,177	815,685	1,155,862	7,797
Proceeds from interfund obligation	90,167	2,311,732	2,401,899	-
Repayment of interfund obligation	(65,065)	-	(65,065)	-
Operating grants received	55,399	276,991	332,390	-
Net cash provided by noncapital financing activities	420,678	3,404,408	3,825,086	7,797
Cash Flow from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(1,876,489)	(2,109,238)	(3,985,727)	(163,826)
Capital grants received	1,949,678	-	1,949,678	-
Capital contribution	63,308	-	63,308	-
Principal paid on debt	-	(215,000)	(215,000)	-
Proceeds from disposal of capital assets	96	3,208	3,304	-
Interest and other fiscal cost on debt	-	(350,905)	(350,905)	-
Net cash provided by (used for) capital and related financing activities	136,593	(2,671,935)	(2,535,342)	(163,826)
Cash Flow from Investing Activities				
Interest income	150	9,097	9,247	75,826
Net cash provided by investing activities	150	9,097	9,247	75,826
Net increase (decrease) in cash and cash equivalents	-	(802,764)	(802,764)	2,843,590
Cash and cash equivalents - beginning of the year	-	5,165,913	5,165,913	10,652,802
Cash and cash equivalents - end of the year	-	4,363,149	4,363,149	13,496,392
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Cash flows from operations:				
Operating income (loss)	(257,249)	(3,192,534)	(3,449,783)	2,445,276
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	146,311	939,695	1,086,006	21,857
Changes in operating assets and liabilities:				
(Increase) decrease in receivables	7,932	(821)	7,111	139,518
(Increase) decrease in inventory	(8,680)	-	(8,680)	2,274
(Increase) decrease in prepaid items	-	-	-	(15,932)
(Increase) decrease in deferred outflows of resources	(15,554)	(93,304)	(108,858)	(50,892)
Increase (decrease) in accounts payable	(373,367)	272,526	(100,841)	(28,388)
Increase (decrease) in accrued liabilities	(12,906)	21,411	8,505	(27,997)
Increase (decrease) in retainage	(58,402)	62,435	4,033	-
Increase (decrease) in unearned revenue	1,857	-	1,857	-
Increase (decrease) in incurred but not reported claims	-	-	-	391,686
Increase (decrease) in landfill closure and postclosure liability	-	345,919	345,919	-
Increase (decrease) in net pension liability	17,287	129,895	147,182	77,788
Increase (decrease) in deferred inflows of resources	(4,650)	(29,556)	(34,206)	(31,397)
Net cash provided by (used for) operating activities	\$ (557,421)	\$ (1,544,334)	\$ (2,101,755)	\$ 2,923,793

Noncash, investing, capital, and financing activities:

The Airport Enterprise fund received donated capital assets from a private citizen for use in operations in the amount of \$6,743 during the fiscal year. The assets were recorded at acquisition cost.

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

COUNTY OF FAUQUIER, VIRGINIA**Exhibit 12****Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017**

	Other Postemployment Benefit Plans Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 3,357,771
Cash in custody of others	-	132,333
Receivables, net of allowance for uncollectibles:		
Accounts	-	34
Due from other funds	-	3,979
Investments at fair value:		
Investment in pooled funds	580,132	-
Total assets	580,132	3,494,117
Liabilities		
Accrued liabilities	-	7,801
Amounts held for clients/others	-	3,486,316
Total liabilities	-	\$ 3,494,117
Net position restricted for postemployment benefits other than pensions	580,132	

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

COUNTY OF FAUQUIER, VIRGINIA**Exhibit 13****Statement of Changes in Fiduciary Net Position
Other Postemployment Benefit Plans Fund
Fiscal Year Ended June 30, 2017**

	Other Postemployment Benefit Plans Fund
	<hr/>
Additions	
Investment income	
Net increase in the fair value of investments	\$ (706,996)
Interest and dividends	<hr/> 1,082,424
Net investment income	<hr/> 375,428
Total additions	<hr/> 375,428
Deductions	
Distributions	3,505,960
Administrative fees	<hr/> 4,940
Total deductions	<hr/> 3,510,900
Net decrease in net position	(3,135,472)
Net position restricted for postemployment benefits other than pensions	
Beginning of year	<hr/> 3,715,604
End of year	<hr/> \$ <hr/> 580,132

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



NOTES TO FINANCIAL STATEMENTS



COUNTY OF FAUQUIER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 County's significant accounting principles and policies:

A. The 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 County has one component unit, the Fauquier County School Board, which is a legally separate entity for which the County has financial accountability. 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 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.

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.

The School Board component unit is discretely presented in a separate column in the government-wide statements to emphasize that it is legally and operationally separate from the government and is also reported in the other supplementary information section of this document. The School Board does not issue separate financial statements.

B. Government-wide and fund financial statements

Government-wide financial statements – The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Eliminations have been made to avoid the double-counting of interfund activities. Interfund services provided and used are not eliminated during consolidation. *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 Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of “using up” capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants). 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; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; 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 revenue not specific to programs 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 nonmajor 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 or measurement of the results of operations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within two months of the end of the current fiscal period. Expenditures generally

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 unavailable revenues. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major fund types:

The *General Fund* is the government's primary operating fund. It accounts for 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 *Fire and Rescue Fund* accounts for and reports the fire and rescue levy assessed on real estate to support the volunteer fire and rescue companies.

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 nonmajor 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, Stormwater Management Fund, Ambulance Revenue Fund, Proffer Fund, Vint Hill Transportation Fund, Micro Loan Program Fund, Educational Farm Fund, Treasurer's E-Summons Fund, and Project Lifesaver Fund.

The County reports the following additional fund types:

The *Proprietary Funds* include enterprise funds and internal service funds, and generally account for those operations that are financed and operated in a manner similar to private business enterprises. For proprietary funds, operating revenues generally include charges to customers for sales or services and expenses include cost of sales and service, administrative expenses, and depreciation, while revenues and expenses not meeting

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

these definitions are classified as non-operating. The Internal Service Funds are used to account for goods and services 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.

The County's enterprise funds consist of the Airport Fund and the Landfill and Recycling Fund. The County's internal service funds consist of the Fleet Maintenance Fund, for the provision of vehicle services to County Departments, and the Health Insurance Fund for the provision of health benefits to County employees and retirees.

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 Other Employee Benefit Trust Fund accounts for assets held in trust by the County for the costs of health care and other non-pension benefits offered to retirees. Agency funds include the Working Together Fund, Fire and Rescue Volunteer USDA Debt Service Fund, Volunteer Fire and Rescue Association Fund, Volunteer Fire and Rescue Operations Fund, Special Welfare Fund, Detention Center Fund, Service to Outside Agencies Fund and Commonwealth Opportunity Fund.

D. Stewardship, compliance, and accountability

1. 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 Proffer Fund, the Stormwater Management Fund, the Vint Hill Transportation Special Revenue Fund, the Educational Farm Fund, the Treasurer's E-Summons Fund, the Project Lifesaver 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 15th, the budget is adopted by passage of an Adoption Resolution and funding legally enacted through passage of an Appropriations Resolution, at a time prior to July 1 of each year as deemed appropriated by the Board of Supervisors based on the date of the budget enactment for the Commonwealth of Virginia. If the Commonwealth of Virginia were not to take appropriate action on the State's budget by the Board of Supervisors June meeting of that year, the Board of Supervisors may determine it to be fiscally responsible to enact the upcoming fiscal year's budget on a time-based approach, i.e. monthly, quarterly, or semi-annually. The Appropriations Resolution places a legal level of budgetary control, the level at which expenditures may not legally exceed appropriations, at the department level for the General Fund or at the fund level for all other appropriated funds.

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 specified in Section 15.2-2507 of the *Code of Virginia*. All requests for supplemental appropriations and

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

specified in Section transfers between CIP projects require Board of Supervisors' approval upon recommendation by the Finance Committee, as applicable.

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.

2. Excess of expenditures over appropriations

For the year ended June 30, 2017, there were no departments in which expenditures exceeded appropriations.

3. Deficit fund balance/net position

As of June 30, 2017, there were no funds with deficit fund balance. As of June 30, 2017, the Landfill and Recycling Fund had a deficit net position.

E. Assets, liabilities, deferred outflows and inflows of resources, and fund balance or net position

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 Other Postemployment Benefit Plans Fund, the Working Together Fund, the Special Welfare Fund, the Fire and Rescue Volunteer USDA Debt Service Fund, the Volunteer Fire and Rescue Association 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 account" 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 and LGIP are reported at amortized cost in accordance with GASB 79.

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools in accordance with GASB 79 are measured at amortized cost. All other investments are reported at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

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.

The County has three primary investment objectives: 1) Safety – investing funds to preserve principal and to minimize the potential risk of loss; 2) Liquidity – investing funds to ensure that monies are always available to meet the obligations of the County; and 3) Return – investing funds in an effort to provide a reasonable return within the constraints of the foregoing objectives.

2. Interfund 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 interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of the interfund loans). Noncurrent portions of long-term interfund loans receivable and amounts due from other governments are included in nonspendable fund balance 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 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

In governmental funds with the exception of the Debt Service Fund, the purchases method is used to account for inventory and payments to vendors reflecting costs applicable to future accounting periods. Costs are recorded as expenditures when purchased, rather than consumed.

In the proprietary funds, inventories are valued at cost using the first-in, first-out method. These inventories consist of expendable supplies held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The consumption method is used to allocate asset costs to current and future periods.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 acquisition 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest in the amount of \$348,564 was capitalized during the current year in the Landfill and Recycling Fund. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant, equipment, intangible assets, and infrastructure 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 Position, while the debt is reflected as a liability on the County's Statement of Net Position.

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 these amounts is reported in governmental funds only if they have matured (become payable in the near term), for example, as a result of employee resignations and retirements.

A liability for governmental fund type vacation and sick pay benefits is recorded as a noncurrent liability in the governmental activities column of the government-wide Statement of Net Position. All vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements.

11. Long-term obligations

In the government-wide financial statements debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method and bonds payable is reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt and premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

12. Encumbrances

The County uses encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to set aside 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 are:

Primary government

General Fund	\$	536,485
Asset Replacement Fund		102,046
Capital Projects Fund		6,504,269
Airport Fund		95,729
Landfill and Recycling Fund		<u>1,562,472</u>
Total primary government encumbrances	\$	<u>8,801,001</u>

Component unit - School Board

School General Fund	\$	166,768
School Asset Replacement Fund		<u>377,464</u>
Total component unit - School Board encumbrances	\$	<u>544,232</u>

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has three items that qualify for reporting in this category:

- Deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt
- Certain items related to measurement of the net pension asset or liability. These can include differences between expected and actual experience and net difference between projected and actual earning pension plan investments.
- Contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items that qualify for reporting in this category:

- Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.
- Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments.

14. Fund balance

The County reports fund balance in the following classifications which 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 portion of unassigned fund balance equivalent to ten percent or 10% of general operating revenues. It 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. The remaining unassigned fund balance is for future uses to be determined by the Board of County Supervisors.

15. Net Position

Net position is the difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Net position is comprised of three categories: net investment in capital assets; restricted; and unrestricted. The first category reflects the portion of net position which is associated with non-liquid, capital assets, less the outstanding debt related to these capital assets. The related debt is the debt less the unspent bond proceeds and any associated unamortized costs. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Restricted net position relates to assets whose use is subject to constraints that are either externally imposed by creditors or imposed by law. Examples include

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

proffers, grant funds, and contributions for a specific purpose. Net position which is neither restricted nor related to capital assets is reported as unrestricted net position.

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 Position (Exhibit 1), the debt reduces *unrestricted net position* for the primary government, while the capital assets are reported in *net investment in capital assets* for the School Board. Because this debt is related to capital assets of the reporting entity as a whole, the debt amount of \$77,044,148 is reclassified to present the total reporting entity column of Exhibit 1.

16. Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

17. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) and additions to/deductions from VRS's fiduciary net position have been determined on the same basis as they are reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Change in Accounting Principle

In fiscal year 2017, the County elected to change from the consumption method to the purchases method for accounting for inventory and prepaid items in governmental funds. Due to this change, the County has amortized the ending prepaid balances at FY 2016 and adjusted beginning fund balance as follows:

	Governmental Funds				Total
	General	Fire and Rescue	Capital Project	Asset Replacement	
Fund balance, previously stated	26,393,753	5,736,092	10,639,247	1,364,704	44,133,796
Amortization of prepaids	(98,372)	(186,142)	(450,213)	(44,416)	(779,143)
Fund balance, restated	26,295,381	5,549,950	10,189,034	1,320,288	43,354,653

G. Governmental Accounting Standards Board (GASB) statements

The County has implemented the following GASB Statements in fiscal year 2017:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for financial statements for fiscal years beginning after June 15, 2017. This Statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employers and Agent Multiple Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

Statement No. 77, *Tax Abatement Disclosures*, effective for financial statements for periods beginning after December 15, 2015. This Statement will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present.

Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for periods beginning after June 15, 2017. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The County will implement the following GASB Statements in fiscal year 2018:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for reporting periods starting with the fiscal year ending June 30, 2018. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for reporting periods beginning after December 15, 2016. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

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.

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

Investments – Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of other states not in default, obligations of the International Bank for Reconstruction and Development (World Bank), 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 12 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.

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, 2017. 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.

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

Fair Value and Weighted Average Maturity of Investments at June 30, 2017:

	Measurement Method	Fair Value	Weighted Average Maturity (in years)
Money Market/Money Market Mutual Funds:			
Pooled Investments:			
State Treasurer's Local Government Investment Pool (LGIP)	Amortized Cost	\$ 40,957,795	0.0027
U.S. Government Agency Securities	Fair Value (Level 1)	4,977,525	3.5617
Demand deposit account	Amortized Cost	28,179,331	0.0027
Restricted Investments:			
Virginia State Non-Arbitrage Program (SNAP)	Amortized Cost	3,099,767	0.0027
Master Lease - Restricted Account	Amortized Cost	3,232,849	0.0027
Total Investment		\$ 80,447,267	0.2229

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 and of other political subdivisions 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 or equivalent 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.

The County's ratings and policy limits as of June 30, 2017, 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%	AAAm	51%
Virginia State Non-Arbitrage Program (SNAP)	100%	AAA	4%
Demand deposit account	50%	AAA	31%
U.S. Government Agency Securities	100%	AAA	6%
Certificates of deposit	25%	-	8%
			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 outside 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, 2017:**Primary Government****Governmental Activities:****General Fund:**

Grant and contractual obligations	\$ 314,269
Retainage	<u>54,655</u>
Total General Fund	<u>368,924</u>

Capital Projects Fund:

Debt proceeds	3,230,000
Restricted donations	44,442
Performance bonds	663,676
Revenue Share Projects	1,554,489
Retainage	<u>285,226</u>
Total Capital Projects Fund	<u>5,777,833</u>

Other Governmental Funds:

Asset replacement	2,849
Parks, recreation, and cultural donations	207,375
Proffers	3,820,444
Stormwater management	192,678
Library	183,897
Marshall Electric Light and Business Improvement District	21,142
Vint Hill Transportation	216,000
Educational Farm	628
Treasurer's E-Summons	94,666
Project Lifesaver	<u>695</u>
Total Other Governmental Funds	<u>4,740,374</u>

Total Governmental Activities Restricted Cash and Investments 10,887,131

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

Debt proceeds	<u>3,099,767</u>
Total Business-Type Activities Restricted Cash and Investments	<u>3,099,767</u>

Total Primary Government Restricted Cash and Investments 13,986,898

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

Grant funds	<u>267,564</u>
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Total Restricted Cash and Investments \$ 14,254,462

NOTE 3 – RECEIVABLES

Receivables at June 30, 2017 consist of the following:

Primary Government

	General Fund	Capital Projects Fund	Fire and Rescue Fund	Nonmajor Governmental Funds	Business-Type Activities - Enterprise	Internal Service Funds	Total
Property taxes	\$ 4,921,242	\$ -	\$ 292,710	\$ 30,564	\$ -	\$ -	\$ 5,244,516
Accounts	1,190,676	45,757	35,374	655,512	1,259,622	355,343	3,542,284
Due from other funds	7,225,468	-	-	-	-	-	7,225,468
Due from other governmental units							
	<u>3,656,239</u>	<u>1,088,604</u>	<u>75,883</u>	<u>43,900</u>	<u>279,092</u>	<u>-</u>	<u>5,143,718</u>
Gross receivables	<u>16,993,625</u>	<u>1,134,361</u>	<u>403,967</u>	<u>729,976</u>	<u>1,538,714</u>	<u>355,343</u>	<u>21,155,986</u>
Less allowance for uncollectibles:							
Property taxes	(2,059,591)	-	(122,513)	(12,685)	-	-	(2,194,789)
Accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>(313,540)</u>	<u>(907,409)</u>	<u>-</u>	<u>(1,220,949)</u>
Total allowance for uncollectibles	<u>(2,059,591)</u>	<u>-</u>	<u>(122,513)</u>	<u>(326,225)</u>	<u>(907,409)</u>	<u>-</u>	<u>(3,415,738)</u>
Net receivables	<u>\$ 14,934,034</u>	<u>\$ 1,134,361</u>	<u>\$ 281,454</u>	<u>\$ 403,751</u>	<u>\$ 631,305</u>	<u>\$ 355,343</u>	<u>\$ 17,740,248</u>
Total receivables	<u>\$ 14,934,034</u>	<u>\$ 1,134,361</u>	<u>\$ 281,454</u>	<u>\$ 403,751</u>	<u>\$ 631,305</u>	<u>\$ 355,343</u>	<u>\$ 17,740,248</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. All funds also report unearned revenue in connection with resources that have been received, but not yet earned. Tax revenues received in advance of the due date are recorded as revenue advances. At the end of the current fiscal year, the various components of unavailable revenue, unearned revenue, and revenue advances of the primary government were as follows:

	Unavailable Revenue	Unearned Revenue	Revenue Advances	Total
<u>Governmental</u>				
Tax revenue	\$ 1,728,247	\$ -	\$ 657,929	\$ 2,386,176
Intergovernmental revenue	403,782	6,667	-	410,449
Deposit on account	-	2,500	-	2,500
EMS ambulance billing revenue	77,767	-	-	77,767
Proffer revenue	42,000	-	-	42,000
Parks and recreation facility rentals	-	77,161	-	77,161
<u>Business Type</u>				
Airport hangar deposits	<u>-</u>	<u>9,126</u>	<u>-</u>	<u>9,126</u>
Total	<u>\$ 2,251,796</u>	<u>\$ 95,454</u>	<u>\$ 657,929</u>	<u>\$ 3,005,179</u>

NOTE 3 – RECEIVABLES (CONTINUED)

Component unit – School Board

	<u>School General Fund</u>	<u>School Asset Replacement Fund</u>	<u>School Nutrition Fund</u>	<u>Total</u>
Accounts	\$ 13,792	\$ 35,042	\$ 4,232	\$ 53,066
Due from other governmental units	<u>3,050,884</u>	<u>-</u>	<u>-</u>	<u>3,050,884</u>
Net receivables	\$ <u>3,064,676</u>	\$ <u>35,042</u>	\$ <u>4,232</u>	\$ <u>3,103,950</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 unearned revenue reported in the component unit were as follows:

	<u>Unearned Revenue</u>
School General Fund	\$ 267,564
School Nutrition Fund	<u>100,282</u>
Total unearned revenue	\$ <u>367,846</u>

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of interfund obligations as of June 30, 2017:

Current:

Due to / from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ 159,320
General Fund	Landfill & Recycling Fund	<u>7,066,148</u>
Total		\$ <u>7,225,468</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.

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfers out:	Transfers in:						Total
	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ 3,452,287	\$ 12,694,765	\$ 1,915,745	\$ 775,319	\$ 7,797	\$ 18,845,913
Capital Projects Fund	-	-	-	66,922	380,543	-	447,465
Fire and Rescue Fund	828,509	-	-	768,731	-	-	1,597,240
Other Governmental Funds	<u>1,273,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,273,750</u>
Total	\$ <u>2,102,259</u>	\$ <u>3,452,287</u>	\$ <u>12,694,765</u>	\$ <u>2,751,398</u>	\$ <u>1,155,862</u>	\$ <u>7,797</u>	\$ <u>22,164,368</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 – DUE FROM OTHER GOVERNMENTAL UNITS

The following is a summary of amounts due from other governmental units at June 30, 2017:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 1,611,354	\$ -
State sales tax	-	2,243,421
Shared expenses	486,747	-
Comprehensive services	366,808	-
Miscellaneous grants	1,892,058	44,924
Airport grants	175,197	-
Federal Government:		
School fund grants	-	762,539
Airport grants	103,895	-
Other federal grants	<u>507,659</u>	<u>-</u>
Total	\$ <u>5,143,718</u>	\$ <u>3,050,884</u>

NOTE 7 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Primary government – governmental activities					
Capital assets (non-depreciable/non-amortizable):					
Land	\$ 20,971,421	\$ 11,780	\$ -	\$ -	\$ 20,983,201
Construction in progress	2,643,259	2,222,050	(2,055)	(745,343)	4,117,911
Intangible assets	853,884	-	-	-	853,884
Total capital assets (non-depreciable/non-amortizable)	24,468,564	2,233,830	(2,055)	(745,343)	25,954,996
Capital assets (depreciable/amortizable):					
Buildings and improvements	53,375,755	155,160	(75,934)	343,774	53,798,755
Infrastructure	14,188,219	-	-	371,752	14,559,971
Machinery and equipment	17,434,272	2,383,540	(1,030,639)	37,767	18,824,940
Intangible assets	1,460,946	-	-	-	1,460,946
Total capital assets (depreciable/amortizable)	86,459,192	2,538,700	(1,106,573)	753,293	88,644,612
Less accumulated depreciation/amortization for:					
Buildings and improvements	(20,483,822)	(1,529,810)	58,910	-	(21,954,722)
Infrastructure	(9,110,140)	(937,344)	-	-	(10,047,484)
Machinery and equipment	(12,108,731)	(1,528,021)	988,603	(5,565)	(12,653,714)
Intangible assets	(1,061,689)	(68,589)	-	-	(1,130,278)
Total accumulated depreciation/amortization	(42,764,382)	(4,063,764)	1,047,513	(5,565)	(45,786,198)
Total capital assets (depreciable/amortizable), net	43,694,810	(1,525,064)	(59,060)	747,728	42,858,414
Governmental activities capital assets, net	\$ 68,163,374	\$ 708,766	\$ (61,115)	\$ 2,385	\$ 68,813,410
	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Primary government – business-type activities					
Landfill and Recycling Fund:					
Capital assets (non-depreciable/non-amortizable):					
Landfill site	\$ 1,446,449	\$ -	\$ -	\$ -	\$ 1,446,449
Construction in progress	1,391,468	2,403,445	-	-	3,794,913
Total capital assets (non-depreciable/non-amortizable)	2,837,917	2,403,445	-	-	5,241,362
Capital assets (depreciable/amortizable):					
Buildings and improvements	16,992,239	-	-	-	16,992,239
Infrastructure	854,306	-	-	-	854,306
Machinery and equipment	3,773,827	54,357	(21,748)	-	3,806,436
Total capital assets (depreciable/amortizable)	21,620,372	54,357	(21,748)	-	21,652,981
Less accumulated depreciation/amortization for:					
Buildings and improvements	(7,559,162)	(794,104)	-	-	(8,353,266)
Infrastructure	(666,806)	(37,500)	-	-	(704,306)
Machinery and equipment	(2,079,908)	(172,790)	21,748	-	(2,230,950)
Total accumulated depreciation/amortization	(10,305,876)	(1,004,394)	21,748	-	(11,288,522)
Total capital assets (depreciable/amortizable), net	11,314,496	(950,037)	-	-	10,364,459
Landfill and Recycling Fund capital assets, net	\$ 14,152,413	\$ 1,453,408	\$ -	\$ -	\$ 15,605,821

NOTE 7 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Primary government – business-type activities (continued)					
Airport Fund:					
Capital assets (non-depreciable/non-amortizable):					
Land	\$ 6,612,678	\$ -	\$ -	\$ -	\$ 6,612,678
Construction in progress	1,414,911	1,812,676	-	-	3,227,587
Intangible assets	203,638	25,198	-	-	228,836
Total capital assets (non-depreciable/non-amortizable)	8,231,227	1,837,874	-	-	10,069,101
Capital assets (depreciable/amortizable):					
Buildings and improvements	2,977,276	-	-	-	2,977,276
Infrastructure	10,695,439	-	-	-	10,695,439
Machinery and equipment	441,954	45,359	-	-	487,313
Total capital assets (depreciable/amortizable)	14,114,669	45,359	-	-	14,160,028
Less accumulated depreciation/amortization for:					
Buildings and improvements	(1,517,946)	(96,351)	-	-	(1,614,297)
Infrastructure	(10,267,686)	(13,579)	-	-	(10,281,265)
Machinery and equipment	(233,000)	(36,381)	-	-	(269,381)
Total accumulated depreciation/amortization	(12,018,632)	(146,311)	-	-	(12,164,943)
Total capital assets, (depreciable/amortizable), net	2,096,037	(100,952)	-	-	1,995,085
Airport Fund capital assets, net	10,327,264	1,736,922	-	-	12,064,186
Total business-type activities capital assets, net	\$ 24,479,677	\$ 3,190,330	\$ -	\$ -	\$ 27,670,007
	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Component unit – School Board					
Capital assets (non-depreciable/non-amortizable):					
Land	\$ 5,052,116	\$ 168,292	\$ -	\$ -	\$ 5,220,408
Construction in progress	-	246,756	-	-	246,756
Total capital assets (non-depreciable/non-amortizable)	5,052,116	415,048	-	-	5,467,164
Capital assets (depreciable/amortizable):					
Buildings and improvements	258,046,948	223,771	(2,871,260)	-	255,399,459
Infrastructure	5,204,865	10,099	-	-	5,214,964
Machinery and equipment	22,904,298	1,577,331	(843,301)	(7,950)	23,630,378
Intangible assets	225,458	-	-	-	225,458
Total capital assets (depreciable/amortizable)	286,381,569	1,811,201	(3,714,561)	(7,950)	284,470,259
Less accumulated depreciation/amortization for:					
Buildings and improvements	(88,878,405)	(6,702,293)	2,871,260	-	(92,709,438)
Infrastructure	(2,362,978)	(230,652)	-	-	(2,593,630)
Machinery and equipment	(16,602,811)	(1,176,932)	832,273	5,565	(16,941,905)
Intangible assets	(225,458)	-	-	-	(225,458)
Total accumulated depreciation/amortization	(108,069,652)	(8,109,877)	3,703,533	5,565	(112,470,431)
Total capital assets, (depreciable/amortizable), net	178,311,917	(6,298,676)	(11,028)	(2,385)	171,999,828
School Board capital assets, net	\$ 183,364,033	\$ (5,883,628)	\$ (11,028)	\$ (2,385)	\$ 177,466,992

NOTE 7 – 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 administration	\$ 451,039
Judicial administration	234,172
Public safety	2,085,270
Public works	226,495
Health and welfare	7,677
Parks, recreation, and cultural	1,016,745
Community development	42,366
Total governmental activities	<u>\$ 4,063,764</u>

Primary government – business-type activities

Landfill and Recycling Fund	\$ 1,004,394
Airport Fund	146,311
Total business-type activities	<u>\$ 1,150,705</u>

Component unit – School Board

\$ 8,109,877

Reconciliation of net investment in capital assets:

	Primary Government		Component Unit - School Board	Reporting Entity Total
	Governmental Activities	Business-Type Activities		
Total capital assets	\$ <u>68,813,410</u>	\$ <u>27,670,007</u>	\$ <u>177,466,992</u>	\$ <u>273,950,409</u>
Long-term obligations applicable to capital assets:				
Capital leases	4,148,468	-	965,043	5,113,511
Revenue bonds	-	8,165,000	-	8,165,000
General obligation school bonds	-	-	74,674,000	74,674,000
Premium on bonds payable	-	964,028	2,885,277	3,849,305
Deferred charge on refunding	-	(291,532)	(1,480,172)	(1,771,704)
Less unspent proceeds as of June 30, 2017	<u>(3,232,849)</u>	<u>(3,099,767)</u>	<u>-</u>	<u>(6,332,616)</u>
Subtotal long-term obligations applicable to capital assets	<u>915,619</u>	<u>5,737,729</u>	<u>77,044,148</u>	<u>83,697,496</u>
Net investment in capital assets	\$ <u>67,897,791</u>	\$ <u>21,932,278</u>	\$ <u>100,422,844</u>	\$ <u>190,252,913</u>

Certificates of participation reported in Note 8 for the primary government-governmental activities are not included in the above reconciliation because the certificates were issued in support of capital projects capitalized by other entities. Only a portion of the deferred amount on refunding from Note 8 is included in this reconciliation; the balance is related to the afore-mentioned certificates of participation.

NOTE 8 – LONG-TERM OBLIGATIONS

PRIMARY GOVERNMENT

Governmental activities:

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

	Capital Leases		Certificates of Participation		General Obligation Bonds	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 622,812	\$ 79,794	\$ 440,000	\$ 239,369	\$ 7,334,000	\$ 3,125,413
2019	633,066	69,539	460,000	217,006	7,141,000	2,842,955
2020	643,490	59,116	485,000	193,466	7,242,000	2,546,843
2021	654,086	48,520	510,000	168,669	7,174,000	2,248,191
2022	649,055	37,749	285,000	149,097	6,966,000	1,959,236
2023-2027	1,911,002	64,518	1,595,000	515,704	29,417,000	6,162,682
2028-2032	-	-	1,180,000	92,505	8,195,000	2,236,347
2033-2036	-	-	-	-	1,205,000	33,582
Total	\$ 5,113,511	\$ 359,236	\$ 4,955,000	\$ 1,575,816	\$ 74,674,000	\$ 21,155,249

The following is a summary of long-term obligations of the governmental activities for the year ended June 30, 2017:

	Balance			Balance		
	July 1, 2016	Additions	Retirements	June 30, 2017	Amount Due Within One Year	
General long-term obligations:						
Capital leases	\$ 2,030,290	\$ 4,878,380	\$ 1,795,159	\$ 5,113,511	\$ 622,812	
Certificates of participation	5,495,000	2,775,000	3,315,000	4,955,000	440,000	
General obligation bonds	82,071,000	-	7,397,000	74,674,000	7,334,000	
Premium on bonds payable	3,907,152	704,772	953,126	3,658,798	644,852	
Compensated absences	4,360,902	4,122,528	3,975,717	4,507,713	450,771	
Incurred but not reported claims	2,410,423	437,224	45,538	2,802,109	700,527	
Total general long-term obligations	\$ 100,274,767	\$ 12,917,904	\$ 17,481,540	\$ 95,711,131	\$ 10,192,962	

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

Certain amounts that were paid during refunding are capitalized and amortized over the life of the debt. Deferred charges for the governmental activities as of June 30, 2017 were as follows:

	Balance			Balance		
	July 1, 2016	Additions	Retirements	June 30, 2017	Amount Due Within One Year	
Deferred amount on refunding	\$ (1,883,648)	\$ (503,341)	\$ (410,932)	\$ (1,976,057)	\$ (411,695)	

On November 6, 2016, the County issued \$2,775,000 in refunding bonds with the Virginia Resources Authority, Series 2016C with an effective interest rate of 2.50%. The Series 2016C bonds were issued to refund \$2,895,000 of previously issued bonds, Series 2011A. The bonds are to be repaid in various installments beginning April 1, 2017 to October 1, 2029. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price was less than the carrying amount of the old debt by \$120,000, and reduced the total debt service over the next fourteen years by \$95,656 and resulted in an economic gain of \$96,112. At June 30, 2017 the defeased bonds had balances outstanding of \$2,895,000.

NOTE 8 – 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:		
\$415,000 School Bus Lease Series 2015, issued February 27, 2015, to fund school buses due in quarterly installments beginning May 27, 2015 through February 27, 2022, with interest payable quarterly at 1.789%.	\$ 287,217	\$ 58,460
\$391,658 School Bus Lease Series 2016, issued February 3, 2016, to fund school buses due in quarterly installments beginning May 3, 2016 through February 3, 2023, with interest payable quarterly at 1.734%.	325,152	54,250
\$785,606 Ambulance Lease Series 2016, issued July 15, 2016, due in annual installments beginning October 15, 2016 through July 15, 2023, with interest payable annually at 1.532%.	705,399	108,383
\$392,774 School Bus Lease Series 2016, issued July 15, 2016, to fund school buses due in quarterly installments beginning October 15, 2016 through July 15, 2023 with interest payable quarterly at 1.532%.	352,674	54,188
\$3,700,000 Public Safety Radio System Lease Series 2016, issued on September 30, 2016 to fund upgrades to the public safety radio system in quarterly installments beginning December 30, 2016 through September 30, 2026 with interest payable quarterly at 1.644%	<u>3,443,069</u>	<u>347,531</u>
Total Capital Leases \$	<u>5,113,511</u>	<u>\$ 622,812</u>
Certificates of Participation:		
\$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%.	\$ 880,000	\$ 205,000
\$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%.	1,300,000	235,000
\$2,775,000 Vint Hill 2016C Refunding VRA Bond, issued November 16, 2016, maturing annually beginning October 1, 2022 through October 1, 2029, with interest payable semiannually at a rate of 5.125%.	<u>2,775,000</u>	<u>-</u>
Total Certificates of Participation \$	<u>4,955,000</u>	<u>\$ 440,000</u>

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds:

\$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%. \$	175,000 \$	175,000
\$3,500,000 Virginia Public School Authority Bonds, Series 1999A, issued November 29, 1999, maturing annually beginning July 15, 2000 through July 15, 2019, with interest payable semiannually at rates from 5.10% to 6.10%.	525,000	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%.	900,000	225,000
\$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%.	1,600,000	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%.	4,060,000	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%.	1,480,000	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%.	5,175,000	575,000
\$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%.	18,730,000	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.	8,500,000	600,000
\$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%.	12,985,000	2,240,000

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

	Amount Outstanding	Amount Due Within One Year
General Obligation Bonds (continued):		
\$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%.	\$ 8,610,000	\$ 365,000
\$3,305,000 Virginia Public School Authority Bonds, Series 2013A, issued April 29, 2013, maturing annually from January 15, 2014 through January 15, 2034, with interest payable semiannually at rates from 3.05% to 5.05%.	2,975,000	115,000
\$9,101,000 Carter Bank & Trust Direct Bank Loan, Series 2014, issued August 28, 2014, maturing semi-annually from January 1, 2015 through January 1, 2027, with interest payable semiannually at 2.5%	8,959,000	74,000
Total General Obligation Bonds	\$ 74,674,000	\$ 7,334,000
Premium on bonds payable	3,658,798	644,852
Compensated absences	4,507,713	450,771
Incurred but not reported claims	2,802,109	700,527
Total governmental activities long-term obligations	\$ 95,711,131	\$ 10,192,962

BUSINESS-TYPE ACTIVITIES

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

	Revenue Bonds	
Fiscal Year	Principal	Interest
2018	\$ 230,000	\$ 366,263
2019	240,000	355,044
2020	250,000	344,063
2021	260,000	332,344
2022	275,000	318,859
2023-2027	1,600,000	1,364,299
2028-2032	1,995,000	961,248
2033-2037	1,970,000	532,355
2038-2041	1,345,000	91,041
Total	\$ 8,165,000	\$ 4,665,516

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of long-term obligations of the business-type activities for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Amount Due Within One Year
Business-type activities long-term obligations:					
Revenue bonds	\$ 8,380,000	\$ -	\$ 215,000	\$ 8,165,000	\$ 230,000
Premium on bonds payable	1,050,964	-	86,936	964,028	84,228
Compensated absences	93,351	178,105	112,420	159,036	15,903
Landfill closure and postclosure liability	14,143,980	345,919	-	14,489,899	-
Total business-type activities long-term obligations	\$ 23,668,295	\$ 524,024	\$ 414,356	\$ 23,777,963	\$ 330,131

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Amount Due Within One Year
Deferred amount on refunding	\$ (313,769)	\$ -	\$ (22,237)	\$ (291,532)	\$ (21,699)

Details of long-term obligations are as follows:

	Amount Outstanding	Amount Due 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%.	\$ 1,280,000	\$ 55,000
\$7,130,000 Virginia Resources Authority Revenue bonds, Series 2015A, issued May 28, 2015, maturing annually from October 1, 2015 through October 1, 2039, with interest payable semiannually at rates from 3.062% to 5.125%.	6,885,000	175,000
Total Revenue Bonds	8,165,000	230,000
Premium on bonds payable	964,028	84,228
Compensated absences	159,036	15,903
Landfill closure and postclosure liability	14,489,899	-
Total business-type activities long-term obligations	\$ 23,777,963	\$ 330,131

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

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, 2017:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Amount Due Within One Year
General long-term obligations:					
Compensated absences	\$ 4,322,600	\$ 4,090,926	\$ 3,470,206	\$ 4,943,320	\$ 494,332
Total general long-term obligations	\$ 4,322,600	\$ 4,090,926	\$ 3,470,206	\$ 4,943,320	\$ 494,332

Details of long-term obligations are as follows:

	Amount Outstanding	Amount Due Within One Year
Compensated absences	\$ 4,943,320	\$ 494,332
Total component unit long-term obligations	\$ 4,943,320	\$ 494,332

In prior years, the County has refunded certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the refunded bonds are not included in the County's financial statements. At June 30, 2017, \$30,288,000 of outstanding debt is considered defeased.

NOTE 9 – COMMITMENTS

A. Long-term USDA

Fauquier County provides annual operating and capital contributions for 10 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 Fund as a contribution to the individual stations. The required debt service reserve of 10% annually for 10 years will accumulate in cash accounts in a fiduciary fund. The reserve may be used for capital improvements in the future if approved by USDA in accordance with the loan agreements.

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
2018	\$ 287,408	\$ 650,050
2019	299,060	638,398
2020	311,187	626,271
2021	323,807	613,651
2022	336,941	600,517
2023-2027	1,901,201	2,786,089
2028-2032	2,319,702	2,367,588
2033-2037	2,830,686	1,856,604
2038-2042	3,454,670	1,232,620
2043-2047	3,368,393	501,921
2048-2051	474,829	23,907
Total	\$ 15,907,884	\$ 11,897,616

NOTE 9 – COMMITMENTS (CONTINUED)

The following is a summary of long-term commitments of the County for the year ended June 30, 2017:

	Balance July 1, 2016*	Additions	Retirements	Balance June 30, 2017	Amount Due Within One Year
General long-term commitments:					
USDA Notes	\$ 16,184,094	\$ -	\$ 276,210	\$ 15,907,884	\$ 287,408

*As restated.

Details of long-term commitments are as follows:

	Amount Outstanding	Amount Due Within One Year
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%.	\$ 2,596,165	\$ 45,361
\$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%.	900,797	14,224
\$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%.	2,645,894	42,729
\$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%.	1,564,724	25,269
\$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%.	3,417,202	55,181
\$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%.	4,783,102	104,644
Total long-term commitments	\$ 15,907,884	\$ 287,408

NOTE 9 – COMMITMENTS (CONTINUED)

B. Construction commitments

At June 30, 2017, the County has several major projects in its capital projects fund under construction which are summarized below:

<u>Project Name</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Expended to Date</u>	<u>Balance</u>
Vint Hill Public Street Network	W.C. Spratt, Inc.	\$ 8,632,873	\$ 5,704,516	\$ 2,928,357
Transfer Project - Phase II	Taft Construction	2,574,014	1,248,699	1,325,315
Total		\$ <u>11,206,887</u>	\$ <u>6,953,215</u>	\$ <u>4,253,672</u>

C. Commitments and contingent liabilities

Federal programs in which the County and School Board participate were audited in accordance with the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Title 2, Code of Federal Regulations, Part 200 (2 CFR 200)). 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 10 – COMMITMENTS UNDER NON-CAPITALIZED LEASES

The County leases the following properties:

<u>Properties</u>	<u>Annual Payments</u>
Lee and John Marshall Street, Corner Parking Lot	\$ 6,500
Registrar's Office, 528 Waterloo Street	58,802
Economic Development Office, 35 Culpeper Street	31,353
Reassessment Office, 98 Alexandria Pike	42,949
Mason Enterprise Center, 70 Main Street	93,522
Fauquier Enterprise Center, 8452 Renalds Avenue	29,000

All leases are subject to annual appropriation of rental payments.

NOTE 11 – TAX ABATEMENT DISCLOSURES

Fauquier County has entered into a tax abatement agreement under the authority and through resolution of the Board of Supervisors with a not for profit organization for the construction of an affordable housing project within the County. The purpose of the abatement was to encourage successful and timely completion of the project, improve the financial operation of the housing project and to reduce resident rents. Under the agreement, which began in fiscal year 2012, the organization will provide affordable housing for an estimated sixteen households in return for a tax abatement of 100% of the real estate taxes attributable to the real estate improvements related to the housing project on an annual basis for a period of seven years. The County committed to provide a letter in support of the organization's application for state grant funds to assist in the construction of the project and for low-income housing tax credits. Real estate taxes are paid for each tax year and rebates are made on an annual basis once requested by the not for profit organization.

Fauquier County also enters into tax abatement agreements in accordance with section of the Code of Virginia §58.1-3850 through §58.1-3853 which allows any city, county, or town to establish by ordinance, local technology, tourism,

NOTE 11 – TAX ABATEMENT DISCLOSURES (CONTINUED)

defense production zones, and incentives for green roofing and to grant tax incentives and regulatory flexibility in a zone. These zones are established within §8-113 through §8-128 of the Fauquier County Code. The purpose of these abatement agreements is to encourage economic development and growth by attracting and retaining businesses within the County.

Qualified local technology businesses in a local technology zone are businesses whose primary purpose is the design research, development, utilization or production of technology services, software, or products.

Qualified tourism businesses in a tourism zone are businesses whose primary purpose is to establish a desirable destination to attract tourists from outside the community and create an environment for those visitors that will deliver a memorable experience or promote educational opportunities while increasing travel related revenue.

Qualified defense production businesses are businesses engaged in the design, development or production of materials, components, or equipment required to meet the needs of national defense, including any business that performs functions ancillary to, or in support of, the design, development, or production of such materials, components, or equipment. Defense contractors are businesses other than a defense production business that are primarily engaged in providing services of national defense including, but not limited to, logistics and technical support.

Abatements are granted to new or existing businesses within a zone who commit to the following arrangements:

- Capital investment of a minimum of \$500,000 for new businesses and \$250,000 for existing businesses in land, building and/or machinery unless otherwise authorized by the Board of Supervisors.
- The creation of ten (10) new full time jobs for new businesses and three (3) new jobs for existing businesses. These jobs must have salaries at least 10% above the average county wage level as listed by the Virginia Employment Commission for the previous fiscal year and be created within the first calendar year of operation.

Qualified businesses receive tax incentives of a one hundred percent (100%) rebate on business, professional, and occupational license tax, tangible personal property, and machinery and tools taxes imposed by the County and rebates of permit fees paid to the County for site plan, building, and zoning permits. Rebates are made at the end of each tax year on an annual basis and are rebated for only those taxes and fees that have actually been paid to the County. No interest is paid on any funds rebated.

Abatements within these zones apply for three (3) years from the later of:

- a) the date the business is determined to be a qualified business,
- b) the date the business commences operations, or
- c) the date an existing business completes a qualifying expansion.

In the event that a qualified business ceases to be qualified, ceases to meet the minimum employment and capital investment criteria, or removes itself from operation in the County during any year in the three year incentive period or such longer period, it is required to repay the total amount of incentives received and must sign an agreement to this effect before receiving any incentives.

For certain agreements, the County has committed to facilitate the entry of new businesses into the County by agreeing to finance and construct infrastructure such as public and private utility extensions for water, sewer, fiber optic and other technology infrastructure and to obtain state incentives to further support the economic development goals of the tax abatement agreement. The most significant agreement to date is the County's commitment to build fiber optic infrastructure at an estimated cost of \$1,000,000.

NOTE 11 – TAX ABATEMENT DISCLOSURES (CONTINUED)

For fiscal year ended June 30, 2017, the County had abated taxes as follows:

<u>Tax Abatement Area</u>	<u>Taxes Abated During the Fiscal Year</u>
<u>Affordable Housing</u>	
Real Estate Taxes	\$ 22,409
<u>Local Technology</u>	
Tangible Property Taxes/Machinery and Tools Tax	\$ 954,460
<u>Tourism</u>	
Tangible Property Taxes/Machinery and Tools Tax	\$ 17,453
<u>Defense Production</u>	
Tangible Property Taxes/Machinery and Tools Tax	\$ 1,676

NOTE 12 – 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 \$14,489,899 reported as landfill closure/postclosure care liability at June 30, 2017, represents the cumulative amount reported based on the use of 100% of the estimated capacity of the old landfill, the use of 71.64% of the estimated capacity of the new landfill, and the closure costs for the Construction and Demolition Recycling facility of \$28,709, and the Transfer Station of \$24,210. The County will recognize the remaining estimated cost of closure and postclosure care of \$3,256,610 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 2017.

The County completed construction of 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. In addition, the County has transitioned operations to a transfer station whereby residential and commercial wastes are transported to another landfill entity outside of the County, which further defers closure of the new landfill.

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*.

A. Plan descriptions

Agent Multiple Employer Retirement Plan: The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. All full-time, salaried, permanent employees of Fauquier County and non-professional salaried, permanent employees of the Fauquier County School Board are automatically covered by the VRS Retirement Plan upon employment.

Cost Sharing Retirement Plan: The VRS Teacher Retirement Plan is a multiple employer, cost sharing plan. All full time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment.

These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior public service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active duty military service, certain periods of leave, and previously refunded service.

The system administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the following table:

About Plan 1	Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.
Eligible Members	Employees are in Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.
Hybrid Opt-In Election	VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
Retirement Contribution	Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
Creditable Service	Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Vesting	Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
Calculating the Benefit	The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
Average Final Compensation	A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
Service Retirement Multiplier	VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
Normal Retirement Age	VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.
Earliest Unreduced Retirement Eligibility	VRS: Age 65 with at least five years (60 months) of creditable service or age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years (60 months) of creditable service or age 50 with at least 25 years of creditable service.
Earliest Reduced Retirement Eligibility	VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Political subdivisions hazardous duty employees: Age 50 with at least five years (60 months) of creditable service.
Cost-of-Living Adjustment (COLA) in Retirement	The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
Exceptions to COLA Effective Dates	The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). <i>This does not apply to the VRS Teacher Retirement Plan.</i> • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
Disability Coverage	Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. <i>Disability coverage is not applicable to the VRS Teacher Retirement Plan for Plan 1.</i>

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Purchase of Prior Service	Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.
About Plan 2	Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
Eligible Members	Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
Hybrid Opt-In Election	Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
Retirement Contributions	Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.
Creditable Service	Same as Plan 1.
Vesting	Same as Plan 1.
Calculating the Benefit	See definition under Plan 1.
Average Final Compensation	A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
Service Retirement Multiplier	VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.
Normal Retirement Age	VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.
Earliest Unreduced Retirement Eligibility	VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.
Earliest Reduced Retirement Eligibility	VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.
Cost of Living Adjustment (COLA) in Retirement	The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility: Same as Plan 1.
Exceptions to COLA Effective Dates	Same as Plan 1.
Disability Coverage	Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. Disability coverage is not applicable to the VRS Teacher Retirement Plan for Plan 2.
Purchase of Prior Service	Same as Plan 1.

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

About Hybrid Retirement Plan	<p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members	<p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees.* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014. <p>*Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
Retirement Contributions	<p>A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
Creditable Service	<p><u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
Vesting	<p><u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Calculating the Benefit	<p>Defined Benefit Component: See definition under Plan 1.</p> <p>Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
Average Final Compensation	Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier	<p>Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p>
Normal Retirement Age	<p>Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
Earliest Unreduced Retirement Eligibility	<p>Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
Earliest Reduced Retirement Eligibility	<p>Defined Benefit Component: VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
Cost of Living Adjustment (COLA) in Retirement	<p>Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not Applicable.</p> <p>Eligibility: Same as Plan 1 and Plan 2.</p>
Exceptions to COLA Effective Dates	Same as Plan 1 and Plan 2.
Disability Coverage	<p>Employees of political subdivisions and school divisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
Purchase of Prior Service	<p>Defined Benefit Component: Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the highest of 4% of creditable compensation or average final compensation. • The cost for purchasing refunded service is the highest of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p>Defined Contribution Component: Not applicable.</p>

B. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS Political Subdivision and Teacher Retirement Plans, and the additions to/deductions from the plans' net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

C. Actuarial Assumptions

The net pension liabilities for Fauquier County and the Fauquier County School Board Retirement Plans were measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

The total pension liability for the general employees, public safety employees, and non-professional employees of the School Board in the County Retirement Plan and professional employees of the School Board in the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

	County		School Board	
	General employees	Public safety employees	Non-professional employees	Professional employees
Inflation	2.5%			
Salary increases, including inflation	3.5% - 5.35%	3.5% - 4.75%	3.5% - 5.35%	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*			

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

	General employees and School Board Non- professional employees	Public safety employees	School Board professional employees
Mortality rates:	14% of deaths are assumed to be service related	60% of deaths are assumed to be service related	
Largest 10-Non-LEOS:			
<u>Pre-Retirement:</u> RP-2000 Employee Mortality Table Projected with Scale AA to 2020	Males set forward 4 years and females set back 2 years	Males set back 2 years and females set back 2 years	Males set forward 3 years and females set back 5 years
<u>Post-Retirement:</u> RP-2000 Combined Mortality Table Projected with Scale AA to 2020	Males set forward 1 year	Males set forward 1 year	Males set back 2 years and females set back 3 years
<u>Post-Disablement:</u> RP-2000 Disability Life Mortality Table Projected to 2020	Males set back 3 years and no provision for future mortality improvement	Males set back 3 years and no provision for future mortality improvement	Males set back 1 year and no provision for future mortality improvement
All Others (Non 10 Largest) – Non-LEOS:			
<u>Pre-Retirement:</u> RP-2000 Employee Mortality Table Projected with Scale AA to 2020	Males set forward 4 years and females set back 2 years	Males set forward 2 years and females set back 2 years	
<u>Post-Retirement:</u> RP-2000 Combined Mortality Table Projected with Scale AA to 2020	Males set forward 1 year	Males set forward 1 year	
<u>Post-Disablement:</u> RP-2000 Disability Life Mortality Table Projected to 2020	Males set back 3 years and no provision for future mortality improvement	Males set back 3 years and no provision for future mortality improvement	

General employees and School Board Non-professional employees: The actuarial assumptions for general employees and School Board Non-professional employees used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Public safety employees: The actuarial assumptions for public safety employees used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

School Board professional employees: The actuarial assumptions for School Board professional employees used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in the rates of disability
- Reduce rates of salary increase by 0.25% per year

D. Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long- Term Expected Rate of Return
U. S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non-Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic normal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

E. Discount Rate

The discount rate used to measure the total pension liabilities was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between the actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rates contributed by the County and School Board for the County, the School Board Non- professional, and the VRS Teacher Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers and School Boards are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine total pension liabilities.

F. Employees Covered by the Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the Fauquier County Plan and the School Board Non-professional Plan.

	<u>Fauquier County Plan</u>	<u>School Board Non- professional Plan</u>
Inactive members or their beneficiaries currently receiving benefits	248	149
Inactive members entitled to but not yet receiving benefits		
Vested	122	44
Non-vested	216	148
Active elsewhere in the VRS	216	97
Total inactive members	554	289
Active Members	<u>623</u>	<u>353</u>
Total	1,425	791

G. Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions and School Boards by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Fauquier County: The County's contractually required contribution rate for the year ended June 30, 2017 was 8.28% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and when combined with employee contributions, was expected to finance the costs

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The table below shows contribution rates as a percentage of the annual covered payroll to the agent multiple employer plan for employees of the governmental activities and business-type activities of Fauquier County.

	Governmental Activities		Business-Type Activities		Total Fauquier County
	County	Fleet Maintenance	Airport	Landfill	
Annual Covered Payroll	\$ 34,047,275	\$ 727,113	\$ 188,790	\$ 1,129,971	\$ 36,093,149
Employer contribution rates	8.28%	8.28%	8.28%	8.28%	8.28%
Employee contribution rates	5.00%	5.00%	5.00%	5.00%	5.00%
Total contribution rates	<u>13.28%</u>	<u>13.28%</u>	<u>13.28%</u>	<u>13.28%</u>	<u>13.28%</u>
Contributions recognized, June 30, 2017	2,677,214	58,575	14,771	83,753	2,834,313
Contributions recognized, June 30, 2016	\$ 3,169,723	\$ 65,463	\$ 17,300	\$ 85,193	\$ 3,337,679

School Board: The contractually required contribution rate for the year ended June 30, 2017 was 4.98% of covered employee compensation for Non-professional School Employee Retirement Plan.

For the VRS Teacher Retirement Plan, each school divisions' contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions from the School Board to the Non Professional Employee Retirement Plan and the Teacher Retirement Plan are outlined in the following table:

	School Board		Total School Board
	Non- professional Retirement Plan	Teacher Retirement Plan	
Annual Covered Payroll	\$ 8,667,322	\$ 76,108,017	\$ 84,775,339
Employer contribution rates	4.98%	14.66%	-
Employee contribution rates	5.00%	5.00%	-
Total contribution rates	<u>9.98%</u>	<u>19.66%</u>	<u>-</u>
Contributions recognized, June 30, 2017	299,897	9,338,916	9,638,813
Contributions recognized, June 30, 2016	\$ 392,180	\$ 9,130,527	\$ 9,522,707

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

H. Changes in the Net Pension Liability and Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Fauquier County: Total pension liability, fiduciary net position, net pension liability, pension expense, and deferred outflows and deferred inflows related to pension have been allocated to Governmental Activities, Business Activities and the Fleet Maintenance Internal Service fund based on the proportionate share of contributions to VRS applicable to each.

The following tables present the changes in the net pension liability and the sensitivity of the net pension liability to changes in the discount rate. The net pension liability uses a discount rate of 7.00% and the sensitivity calculates the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

**Schedule of Changes in the Net Pension Liability
Governmental Activities**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 99,187,418	\$ 91,436,905	\$ 7,750,513
Changes for the Year			
Service Cost	3,670,699	-	3,670,699
Interest	6,786,504	-	6,786,504
Difference between expected and actual experience	(1,076,487)	-	(1,076,487)
Change in proportion impact	(522,259)	(481,450)	(40,809)
Contributions- employer	-	3,102,608	(3,102,608)
Contributions- employee	-	1,544,943	(1,544,943)
Net investment income	-	1,649,064	(1,649,064)
Benefit payments, including refunds of employee contributions	(3,430,161)	(3,430,161)	-
Administrative expense	-	(55,222)	55,222
Other changes	-	(688)	688
Net Changes	5,428,296	2,329,094	3,099,202
Balances at June 30, 2016	\$ 104,615,714	\$ 93,765,999	\$ 10,849,715
	1% Decrease 6%	Discount Rate 7%	1% increase 8%
Sensitivity of the Net Pension Liability to changes in discount rate	\$ 25,779,011	\$ 10,849,715	\$ (1,416,020)

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)
**Schedule of Changes in the Net Pension Liability
Fleet Maintenance Internal Service Fund**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 2,047,255	\$ 1,887,281	\$ 159,974
Changes for the Year			
Service Cost	80,440	-	80,440
Interest	148,720	-	148,720
Difference between expected and actual experience	(23,590)	-	(23,590)
Change in proportion impact	114,897	105,919	8,978
Contributions- employer	-	67,991	(67,991)
Contributions- employee	-	33,856	(33,856)
Net investment income	-	36,138	(36,138)
Benefit payments, including refunds of employee contributions	(75,169)	(75,169)	-
Administrative expense	-	(1,210)	1,210
Other changes	-	(15)	15
Net Changes	245,298	167,510	77,788
Balances at June 30, 2016	\$ 2,292,553	\$ 2,054,791	\$ 237,762
	1% Decrease 6%	Discount Rate 7%	1% increase 8%
Sensitivity of the Net Pension Liability to changes in discount rate	\$ 564,922	\$ 237,762	\$ (31,031)

**Schedule of Changes in the Net Pension Liability
Business-Type Activities - Airport**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 543,149	\$ 500,709	\$ 42,440
Changes for the Year			
Service Cost	20,208	-	20,208
Interest	37,360	-	37,360
Difference between expected and actual experience	(5,926)	-	(5,926)
Change in proportion impact	-	-	-
Contributions- employer	-	17,080	(17,080)
Contributions- employee	-	8,505	(8,505)
Net investment income	-	9,078	(9,078)
Benefit payments, including refunds of employee contributions	(18,882)	(18,882)	-
Administrative expense	-	(304)	304
Other changes	-	(4)	4
Net Changes	32,760	15,473	17,287
Balances at June 30, 2016	\$ 575,909	\$ 516,182	\$ 59,727
	1% Decrease 6%	Discount Rate 7%	1% increase 8%
Sensitivity of the Net Pension Liability to changes in discount rate	\$ 141,913	\$ 59,727	\$ (7,795)

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Schedule of Changes in the Net Pension Liability
Business-Type Activities - Landfill

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 2,673,968	\$ 2,465,024	\$ 208,944
Changes for the Year			
Service Cost	114,637	-	114,637
Interest	211,944	-	211,944
Difference between expected and actual experience	(33,619)	-	(33,619)
Change in proportion impact	407,362	375,531	31,831
Contributions- employer	-	96,895	(96,895)
Contributions- employee	-	48,249	(48,249)
Net investment income	-	51,501	(51,501)
Benefit payments, including refunds of employee contributions	(107,124)	(107,124)	-
Administrative expense	-	(1,725)	1,725
Other changes	-	(22)	22
Net Changes	593,200	463,305	129,895
Balances at June 30, 2016	\$ 3,267,168	\$ 2,928,329	\$ 338,839
	1% Decrease 6%	Discount Rate 7%	1% increase 8%
Sensitivity of the Net Pension Liability to changes in discount rate	\$ 805,082	\$ 338,839	\$ (44,223)

School Board: The following table presents the changes in the net pension liability and the sensitivity of the net pension liability to changes in the discount rate for Non-professional Retirement Plan and also the School Board's proportionate share of the total pension liability, plan fiduciary net position and the net pension liability of the Teacher Retirement Plan. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability for the Teacher Retirement Plan was based on the School Board's actuarially determined contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined contributions for all participating employers. At June 30, 2016 the School Board's proportion was .94296% as compared to .94607% at June 30, 2015.

As the School Board is the fiscal agent for the Mountain Vista Governor's School, whose employees are covered by the VRS Teacher Retirement Plan, a portion of the School Board's share of the total pension liability, plan net position, net pension liability, deferred outflows of resources and deferred inflows of resources as reported by VRS has been attributed to the Mountain Vista Governor's School and are therefore not reported by the School Board.

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

**Schedule of Changes in the Net Pension Liability (Asset)
Non- professional Retirement Plan**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2015	\$ 21,726,518	\$ 23,066,821	\$ (1,340,303)
Changes for the Year			
Service Cost	723,642	-	723,642
Interest	1,485,311	-	1,485,311
Difference between expected and actual experience	28,543	-	28,543
Contributions- employer	-	448,949	(448,949)
Contributions- employee	-	345,096	(345,096)
Net investment income	-	401,377	(401,377)
Benefit payments, including refunds of employee contributions	(1,015,580)	(1,015,580)	-
Administrative expense	-	(14,272)	14,272
Other changes	-	(170)	170
Net Changes	1,221,916	165,400	1,056,516
Balances at June 30, 2016	\$ 22,948,434	\$ 23,232,221	\$ (283,787)

Teacher Retirement Plan

Proportionate share (.94296%) of the collective pension liability, fiduciary net position, and net pension liability

	1% Decrease 6%	Discount Rate 7%	1% increase 8%
Sensitivity of the Net Pension Liability (Asset) to changes in discount rate			
Non-professional Retirement Plan	\$ 2,447,974	\$ (283,787)	\$ (2,572,775)
Teacher Retirement Plan	188,376,666	132,147,499	85,828,229

I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Fauquier County: For the year ended June 30, 2017, the County recognized pension expense as follows:

Governmental Activities		Business-Type Activities		
County	Fleet Maintenance	Airport	Landfill	Total Pension Expense
\$ 2,133,682	\$ 54,074	\$ 11,854	\$ 90,788	\$ 2,290,398

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities			
	County		Fleet Maintenance	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (1,280,446)	\$ -	\$ (28,060)
Net difference between projected and actual earnings on pension plan investments	2,465,181	-	54,022	-
Proportionate share impact	-	(48,737)	6,029	-
Contributions subsequent to the measurement date	2,677,214	-	58,575	-
Total	<u>\$ 5,142,395</u>	<u>\$ (1,329,183)</u>	<u>\$ 118,626</u>	<u>\$ (28,060)</u>

	Business-Type Activities			
	Airport		Landfill	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (7,049)	\$ -	\$ (39,989)
Net difference between projected and actual earnings on pension plan investments	13,571	-	76,988	-
Proportionate share impact	10,758	-	31,950	-
Contributions subsequent to the measurement date	14,771	-	83,753	-
Total	<u>\$ 39,100</u>	<u>\$ (7,049)</u>	<u>\$ 192,691</u>	<u>\$ (39,989)</u>

The County reported \$2,834,313 as deferred outflows of resources resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

	Governmental Activities		Business-Type Activities		Total
	County	Fleet Maintenance	Airport	Landfill	
<u>Year ended June 30:</u>					
2018	\$ (447,292)	\$ (9,802)	\$ (2,462)	\$ (13,969)	\$ (473,525)
2019	(422,283)	(9,254)	(2,325)	(13,188)	(447,050)
2020	1,102,616	24,163	6,070	34,435	1,167,284
2021	902,957	26,884	15,997	61,671	1,007,509
2022	-	-	-	-	-

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

School Board: For the year ended June 30, 2017, the School Board recognized pension expense of \$260,421 for Non-professional Retirement Plan and \$10,632,000 for its share of the total pension expense related to the Teacher Retirement Plan. Since there was a change in the proportionate share for the Teacher Retirement Plan between June 30, 2015 and June 30, 2016, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and proportionate share of employer contributions.

At June 30, 2017, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board			
	Non-professional Retirement Plan		Teacher Retirement Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,684	\$ -	\$ -	\$ (4,282,000)
Net difference between projected and actual earnings on pension plan investments	611,497	-	7,549,000	-
Changes in proportion and differences between employer contributions and the proportionate share of contributions	-	-	-	(2,188,000)
Contributions subsequent to the measurement date	299,897	-	9,338,916	-
Total	\$ 957,078	\$ -	\$ 16,887,916	\$ (6,470,000)

The School Board reported \$299,897 for the Non-professional Retirement Plan and \$9,338,916 for the Teacher Retirement Plan as deferred outflows of resources resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	School Board		
	Non-professional Retirement Plan	Teacher Retirement Plan	Total
2018	\$ 45,309	\$ (1,616,000)	\$ (1,570,691)
2019	21,172	(1,616,000)	(1,594,828)
2020	349,691	2,737,000	3,086,691
2021	241,009	1,894,000	2,135,009
2022	-	(320,000)	(320,000)

J. 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 2017 there were 413

NOTE 13 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2017, 2016, and 2015 were \$799,180, \$755,885, and \$729,615, respectively.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM

A. Plan description and provisions

The Fauquier County Government and Public Schools Postretirement Medical Plan (“OPEB Plan”) is a single-employer defined benefit healthcare plan which offers eligible retired employees the option to continue coverage as a member of the group along with active employees in accordance with §15.2-1517.C.1 of the Code of Virginia.

General and public safety employees are eligible to retire at age 50 with 15 years of service. School employees are eligible for retiree health benefits until Medicare eligibility once they meet Virginia Retirement System (VRS) pension eligibility requirements. VRS pension eligibility requirements are for those hired prior to July 1, 2010 and vested before January 1, 2013, earlier of age 55 with 5 years of service or age 50 with 10 years of service. For employees hired on/after July 1, 2010 and not vested before January 1, 2013, eligibility is the earlier of age 60 with 5 years of service; or Sum of age plus years of service is at least 90. Spouses of retirees are allowed to remain on the plan as long as the retiree is alive. If the spouse is named beneficiary they would receive life insurance payments and money from the VRS employee contribution amount.

The published insurance rates are based primarily on the healthcare usage of active employees. Retirees pay 100% of the published rates. Since it is generally assumed that retirees use healthcare at a rate much higher than active employees, using these blended rates creates a presumed 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.

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 13, section J.

The plan is administered by the Fauquier County and Fauquier County School Board and has no separate financial report. The benefit terms are established and can be amended under by the Fauquier County Board of Supervisors or the Fauquier County School Board.

Fauquier County and School Board participate in the Virginia Other Postemployment Benefits Program Trust Fund (Trust), an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions, in the form set forth in the Virginia Pooled OPEB Trust Fund Agreement. The Trust is governed by a Board of Trustees composed of nine members who are elected by participants in the pooled trust, with votes weighted according to each participating employer’s share of total fund assets.

The Trustees establish investment objectives, risk tolerance and asset allocation policies for the Fund in light of the purposes of the Fund, market and economic conditions, and generally prevailing prudent investment practices. The Trustees monitor the Fund to ensure adherence to the Investment Policy & Guidelines and review, monitor, and evaluate the performance of the Fund and its investment advisors in light of available investment opportunities, market conditions, and publicly available indices for the generally accepted evaluation and measurement of such performance. If necessary, the Trustees are responsible for making changes to achieve the objectives.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

The investment objective of the Trust Fund is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. The Fund is segregated and managed as two distinct portfolios that are referred to as Portfolio I and Portfolio II. Portfolio I is structured to achieve a compound annualized total expected rate of return over a market cycle, including current income and capital appreciation, of 7.5%. Portfolio II will be structured to achieve an expected rate of return of 6.5%. The investment performance of each Portfolio will be reviewed quarterly and compared on a rolling three year basis and over other relevant time periods to the following: (a) a composite benchmark comprised of each asset classes' market index benchmarks, weighted by each Portfolio's long-term policy allocations, and (b) a peer group of other similar size fund sponsors.

The Trustees are responsible for setting each Portfolio's long-term asset allocation, after taking into consideration expectations for asset class returns and volatility, risk tolerance and liquidity needs. The Fund's assets are separately managed by professional investment managers or invested in professionally managed investment vehicles. Each Portfolio will be invested in a broadly diversified manner by asset class, style and capitalization, which will control volatility levels.

The Trustees monitor the asset allocation of each Portfolio on a quarterly basis to ensure that each Portfolio remains within the range of targeted asset allocations. Consideration will be given annually, or more often if deemed appropriate, to actively rebalance a Portfolio. Rebalancing will be back to the neutral policy target unless otherwise directed by the Trustees.

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 OPEB Trust Finance Committee meets quarterly to monitor the OPEB Trust and the OPEB plan. The OPEB Trust Finance Committee consists of County Administrator, Finance Director, Treasurer, Office of Management and Budget Director, and School Board Assistant Superintendent of Budget and Planning who each serve a two year term.

B. Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

C. Actuarial Assumptions

The net OPEB liability for the Fauquier County Retiree Health Benefits Plan was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed on June 30, 2017, using the Entry Age Normal Level % of Salary method and following assumptions, as applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

<u>Assumptions</u>	
Inflation	3.00%
Salary increases, including inflation	3.50%
Investment rate of return	7.50%
Healthcare cost trend rates	9.00%, decreasing 0.5% annually to an ultimate rate of 4.5%

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

Mortality rates for healthy retirees were based on the RPH-2015 Total Dataset Mortality Table fully generational using scale MP-2015. Mortality rates for disabled retirees were based on the RPH-2015 Disabled Mortality Table fully generational using scale MP-2015. RPH-2015 table is created from RPH-2014 mortality table with 8 years of MP-2014 mortality improvement backed out, projected to 2015 using scale MP-2015.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016–June 30, 2017.

D. Long Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Long Term Expected Real Rate of Return
U.S. Large Cap Equity	26.00%	7.79%
U.S. Small Cap Equity	10.00%	9.08%
Developed Non U.S. Equity	13.00%	8.79%
Emerging Market Equity	5.00%	10.14%
Private Equity	5.00%	10.43%
Fixed Income	21.00%	2.98%
Real Estate	7.00%	5.84%
Commodities	3.00%	3.90%
Diversified Hedge Funds	10.00%	6.32%
Total	100.00%	6.89%

The money-weighted rate of return on OPEB plan investments for the fiscal year ending June 30, 2017 was 7.51%. A money weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 3.58%. The projection of cash flows used to determine the discount rate reflect Fauquier County's adopted pay-as-you-go funding methodology.

For the current valuation, the discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown. The final equivalent single discount rate used for this year's valuation is 2.96% as of July 1, 2016 and 3.58% as of the end of the fiscal year (June 30, 2017) with the expectation that the County will continue paying the pay-go cost from the OPEB Trust until the Trust balance is exhausted. At that point the plan will become unfunded (i.e. financed on a pay-as-you-go basis).

	Bond Buyer Go 20-Bond Municipal Index	S&P Municipal 20 Year High Grade Rate Index	Fidelity 20-Year Go Municipal Bond Index	Bond Index Range	Actual Discount Rate Used
Yield as of July 1, 2016	2.85%	2.71%	2.92%	2.71%-2.92%	2.96%
Yield as of July 1, 2017	3.53%	3.13%	3.56%	3.13%-3.56%	3.58%

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

F. Employees Covered by the Benefit

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the OPEB Plan:

	<u>OPEB Plan</u>
Retirees currently receiving benefits	44
Active participants	<u>2,559</u>
Total	<u>2,603</u>

G. Contributions

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 published insurance rates are based primarily on the healthcare usage of active employees. Retirees pay 100% of the published rates.

Because the only existing OPEB Program for the County and Schools is the aforementioned implicit rate subsidy, the County Board of Supervisors and School Board have adopted a pay-as-you-go funding methodology and therefore, did not make any contributions to the Trust Fund.

H. Annual OPEB cost and net OPEB obligation (assets)

The actuarial valuation estimated the Unfunded Actuarial Accrued Liability (UAAL) at \$4,052,247 and an Actuarially Determined Contribution (ADC) of \$288,346.

The calculated ADC is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services.

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 2017 and the two preceding years are as follows:

Fiscal Year Ending	Actuarial Valuation Annual OPEB Cost	Percentage of ADC Contributed	Net OPEB Obligation/(Assets)
June 30, 2017	\$ 516,267	0.00%	\$ 956,230
June 30, 2016	674,224	34.75%	439,933
June 30, 2015	827,148	100.00%	-

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.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

The funded status of the OPEB as of June 30, 2017, 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	Annual Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2017	\$ 580,132	\$ 4,632,379	\$ 4,052,247	12.6%	\$ 118,127,856	3.5%

I. Changes in the Net OPEB Liability

The following table presents the changes in the net OPEB liability:

**Schedule of Changes in the Net OPEB Liability
Primary Government**

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2016	\$ 2,747,539	\$ 1,244,829	\$ 1,502,710
Changes for the Year:			
Service Cost	224,155	-	224,155
Interest	80,071	-	80,071
Changes of assumptions	(477,330)	-	(477,330)
Difference between expected and actual experience	(348,615)	-	(348,615)
Contributions- employer	-	-	-
Contributions- retired members	-	-	-
Net investment income	-	125,779	(125,779)
Benefit payments	(85,558)	(1,174,592)	1,089,034
Administrative expense	-	(1,655)	1,655
Net Changes	(607,277)	(1,050,468)	443,191
Balances at June 30, 2017	\$ 2,140,262	\$ 194,361	\$ 1,945,901

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

**Schedule of Changes in the Net OPEB Liability
School Board**

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2016	\$ 5,453,401	\$ 2,470,775	\$ 2,982,626
Changes for the Year:			
Service Cost	444,910	-	444,910
Interest	158,926	-	158,926
Changes of assumptions	(947,418)	-	(947,418)
Difference between expected and actual experience	(691,941)	-	(691,941)
Contributions- employer	-	-	-
Contributions- retired members	-	-	-
Net investment income	-	249,649	(249,649)
Benefit payments	(169,819)	(2,331,368)	2,161,549
Administrative expense	-	(3,285)	3,285
Net Changes	(1,205,342)	(2,085,004)	879,662
Balances at June 30, 2017	\$ 4,248,059	\$ 385,771	\$ 3,862,288

J. Sensitivity of the Net OPEB liability to Changes in the Discount Rate and in the Healthcare Cost Trend

The following tables present the sensitivity of the net OPEB liability to changes in the discount rate and the healthcare cost trend rate using rates that are one percentage point lower and one percentage point higher than the current rate.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend

	Primary Government			School Board		
	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
Sensitivity of the Net OPEB Liability to changes in Discount Rate	\$ 2,131,545	\$ 1,945,901	\$ 1,775,086	\$ 4,230,756	\$ 3,862,288	\$ 3,523,247
	1% Decrease	Current Healthcare Trend Rates	1% Increase	1% Decrease	Current Healthcare Trend Rates	1% Increase
Sensitivity of the Net OPEB Liability to changes in Healthcare Trend Rate	\$ 1,695,668	\$ 1,945,901	\$ 2,242,627	\$ 3,365,616	\$ 3,862,288	\$ 4,451,236

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the County recognized OPEB expense as follows:

	<u>Primary Government</u>	<u>School Board</u>	<u>Total OPEB Expense</u>
\$	171,857	\$ 341,104	\$ 512,961

At June 30, 2017, deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:

	<u>Primary Government</u>		<u>School Board</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (319,563)	\$ -	\$ (634,280)
Changes in assumptions	-	(437,552)	-	(868,467)
Net difference between projected and actual earnings on OPEB plan investments	-	(60,583)	-	(120,246)
Total	\$ -	\$ (817,698)	\$ -	\$ (1,622,993)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>County</u>	<u>School Board</u>
2018	\$ (83,974)	\$ (166,675)
2019	(83,974)	(166,675)
2020	(83,974)	(166,675)
2021	(83,974)	(166,675)
2022	(68,830)	(136,613)
Thereafter	(412,972)	(819,680)
	\$ (817,698)	\$ (1,622,993)

NOTE 15 – FUND BALANCES

The following is a summary of fund balances as of June 30, 2017:

Primary government

	General Fund	Capital Projects Fund	Debt Service Fund	Fire and Rescue Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:						
Nonspendable:						
Prepaid assets	\$ -	\$ -	\$ 185,988	\$ -	\$ -	\$ 185,988
Total nonspendable	-	-	185,988	-	-	185,988
Restricted:						
Parks, recreation, and cultural	-	-	-	-	391,272	391,272
Public Safety	-	-	-	-	95,361	95,361
Public works	-	-	-	-	431,675	431,675
Proffers	-	-	-	-	3,056,117	3,056,117
Grants	314,269	-	-	-	-	314,269
Capital projects	-	5,492,607	-	-	2,849	5,495,456
Total restricted	314,269	5,492,607	-	-	3,977,274	9,784,150
Committed:						
Public safety	-	-	-	5,920,085	129,236	6,049,321
Proffers	-	-	-	-	45,500	45,500
Budgeted use of fund balance	1,697,470	-	-	-	-	1,697,470
Purchase development rights	-	-	-	-	888,939	888,939
Capital projects	-	5,189,597	-	-	-	5,189,597
Total committed	1,697,470	5,189,597	-	5,920,085	1,063,675	13,870,827
Assigned:						
General government administration	5,782,653	-	-	-	-	5,782,653
Judicial administration	4,385	-	-	-	-	4,385
Public safety	565,615	-	-	-	-	565,615
Public works	633,922	-	-	-	-	633,922
Health and welfare	48,995	-	-	-	-	48,995
Education	1,343,561	-	-	-	-	1,343,561
Parks, recreation, and cultural	43,555	-	-	-	-	43,555
Community development	63,682	-	-	-	-	63,682
Asset replacement	-	-	-	-	2,681,933	2,681,933
Other purposes	-	-	22,914	-	-	22,914
Total assigned	8,486,368	-	22,914	-	2,681,933	11,191,215
Unassigned	19,801,927	-	-	-	-	19,801,927
Total	\$ 30,300,034	\$ 10,682,204	\$ 208,902	\$ 5,920,085	\$ 7,722,882	\$ 54,834,107

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	\$ -	\$ -	\$ -	\$ 110,618	\$ 110,618
Restricted:					
Grants	267,564	-	-	-	267,564
Assigned:					
Other purposes	168,118	3,400,568	506,190	186,549	4,261,425
Total	\$ 435,682	\$ 3,400,568	\$ 506,190	\$ 297,167	\$ 4,639,607

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 Anthem Dental 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 prescription coverage is administered by OptumRx. The prescription claims are paid within the same fund established for the medical claims.

NOTE 16 – RISK MANAGEMENT (CONTINUED)

The stop loss coverage was also carved out of the Anthem policy and is administered by Symetra. Symetra insures both medical and prescription claims that are in excess of \$150,000. Symetra reimburses the County or School Board for the amount. The premiums are based on covered employees at the rate of \$82.20 per person.

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

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 liability during the past two fiscal years are as follows:

	2016	2017
Unpaid claims, beginning of fiscal year	\$ 2,152,163	\$ 2,410,423
Incurred claims, (including IBNR)	24,243,239	26,122,473
Claim payments	<u>(23,984,979)</u>	<u>(25,730,787)</u>
Unpaid claims, end of fiscal year	\$ <u>2,410,423</u>	\$ <u>2,802,109</u>

NOTE 17 – 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 16.84% of the regional jail's operating expenses, including debt service, totaling \$2,069,337 in fiscal year 2017.

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 Economic Development Authority

The Fauquier County Economic 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 Fauquier County Board of Supervisors. 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.

NOTE 17 – RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

Additional information may be obtained by writing to the Fauquier County Economic 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/boards.committees/economic-development-authority.

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, 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 2017, Fauquier County contributed a total of \$75,791.

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 2017, Fauquier County contributed a total of \$327,353.

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. Currently seven divisions (Clarke County, Culpeper County, Fauquier County, Frederick County, Rappahannock County, Warren County, and the City of Winchester) jointly own and operate a regional governor's school. The governing board has appointed Fauquier County to serve as fiscal agent of the governor's school. Each of the seven school divisions contribute annually based on the number of students each school board proposes to send to the governor's school. In fiscal year 2017, the Fauquier County School Board contributed a total of \$331,864, with \$722,052 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 17 – 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 18 – SURETY BONDS

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</u>
Gail H. Barb, Clerk of the Circuit Court	\$ 480,000
Tanya Remson Wilcox, Treasurer	750,000
Ross W. D'Urso, Commissioner of the Revenue	3,000
Robert Mosier, Sheriff	30,000
Above constitutional officers' employees – blanket bond	500,000

Virginia Association of Counties Group Self Insurance Risk Pool – Public Employees Dishonesty
Coverage

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

All School employees including Clerk of the School Board	\$ 250,000
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NOTE 19 – CLAIMS AND LITIGATION

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. There is one potential claim against the County which has been determined to have a potentially material effect on the financial statements of the County.

The claim seeks \$2 million from the County pertaining to the issuance of a zoning violation related to the sale of agricultural products which were not produced on the property. The claim is being defended by the County's self-insured

NOTE 19 – CLAIMS AND LITIGATION (CONTINUED)

risk pool administered by the Virginia Association of Counties (VACO). The County’s legal representative has filed appropriate responsive pleadings including a motion to remove the damage claim to federal court, which was granted. The Plaintiff has not actively pursued the litigation subsequent to argument on the removal of the federal claim. The County intends to vigorously defend against the claim.

NOTE 20 – SUBSEQUENT EVENTS

Subsequent to the end of the fiscal year, the Board of Supervisors established the Fauquier County Broadband Authority (“Authority”). The purpose of the Authority is to exercise all powers conferred by the Virginia Wireless Service Authorities Act, Chapter 54.1, §§ 15.2-5431.1 and 15.2-5431.23 of the Code of Virginia 1950 as amended, in order to provide qualifying communications services as authorized by Article 5.1 (§ 56-484.7:1 et seq.) of Chapter 15 of Title 56.

The Authority board consists of the five members of the Fauquier County Board of Supervisors, whose terms of office are concurrent with their terms of office as supervisors.

REQUIRED SUPPLEMENTARY INFORMATION



Schedule of Funding Progress and Employer Contributions
Other Postemployment Benefits Program and Virginia Retirement System
Fiscal Year Ended June 30, 2017

Other Postemployment Benefits Program

Primary Government:		Contributions in Relation to Contractually Required Contribution			Contributions as a % of Covered Employee Payroll	
Date	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll		
June 30, 2017	\$ 96,604	\$ -	\$ (96,604)	\$ 39,576,059	0.00%	
June 30, 2016	225,883	78,494	(147,390)	31,429,290	0.25%	
June 30, 2015	277,117	277,117	-	32,417,730	0.85%	
June 30, 2014	271,191	271,191	-	31,321,478	0.87%	
June 30, 2013	311,760	271,191	(40,569)	35,308,175	0.77%	
June 30, 2012	341,483	341,483	-	34,114,179	1.00%	
June 30, 2011	324,977	318,946	(6,030)	33,956,642	0.94%	
June 30, 2010	280,753	286,783	6,030	34,463,844	0.83%	
June 30, 2009	268,692	268,692	-	-	0.00%	

School Board:	Contributions in Relation to Contractually Required Contribution				Contributions as a % of Covered Employee Payroll
Date	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	
June 30, 2017	\$ 191,742	\$ -	\$ (191,742)	\$ 78,551,797	0.00%
June 30, 2016	448,341	155,797	(292,543)	62,381,836	0.25%
June 30, 2015	550,031	550,031	-	64,343,722	0.85%
June 30, 2014	538,268	538,268	-	62,167,848	0.87%
June 30, 2013	618,791	538,268	(80,523)	70,080,768	0.77%
June 30, 2012	677,787	677,787	-	67,710,887	1.00%
June 30, 2011	645,023	633,054	(11,970)	67,398,202	0.94%
June 30, 2010	557,247	569,217	11,970	68,404,912	0.83%
June 30, 2009	533,308	533,308	-	-	0.00%

Notes to the Required Supplementary Information - OPEB
For the Year Ended June 30, 2017

There have been no substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2016.

The following assumptions are used for the current valuation:

The actuarial cost method used is Entry Age Normal Level % of Salary.

The expected Trust rate of return is 7.5%. The discount rate of 7.5% was used in calculating the Actuarially Determined Contribution.

The payroll growth rate used is 3.5% and the inflation rate is 3.0% per year.

The healthcare coverage election rate was 35% for active employees with current coverage and 0% for active employees with no coverage.

Mortality rates for healthy retirees were based on the RPH-2015 Total Dataset Mortality Table fully generational using scale MP-2015.

Mortality rates for disabled retirees were based on the RPH-2015 Disabled Mortality Table fully generational using scale MP-2015.

RPH-2015 table is created from RPH-2014 mortality table with 8 years of MP-2014 mortality improvement backed out, projected to 2015 using scale MP-2015.

Virginia Retirement System

Fauquier County:

		Contributions in Relation to Contractually Required Contribution			Contributions as a % of Covered Employee Payroll	
Date	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll		
June 30, 2017	\$ 2,834,313	\$ 2,834,313	\$ -	\$ 36,093,149	7.85%	
June 30, 2016	3,337,679	3,337,679	-	33,900,156	9.85%	
June 30, 2015	3,199,599	3,199,599	-	33,588,676	9.53%	

Component unit – School Board – Non- professional:

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
June 30, 2017	\$ 299,897	\$ 299,897	\$ -	\$ 8,667,322	3.46%
June 30, 2016	392,180	392,180	-	7,816,456	5.02%
June 30, 2015	428,328	428,328	-	7,685,393	5.57%

Component unit – School Board – Professional:

		Contributions in Relation to Contractually Required Contribution		Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
Date	Contractually Required Contribution		Contractually Required Contribution			
June 30, 2017	\$ 9,338,916	\$	9,338,916	\$ -	\$ 76,108,017	12.27%
June 30, 2016	9,130,527		9,130,527	-	72,678,253	12.56%
June 30, 2015	9,707,992		9,707,992	-	71,522,996	13.57%

Schedule is intended to show information for 10 years. Information prior to June 30, 2015 is not available. Additional years will be included as they become available.

**Notes to the Required Supplementary Information - Virginia Retirement System
For the Year Ended June 30, 2017**

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – non-LEOS: Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS: Update mortality table; decrease in male rates of disability

All others (non 10 largest) – non-LEOS: update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year

All others (non 10 largest) – LEOS: update mortality table; adjustments to rates of service retirement for females; increase in rates of withdrawal; decrease in male and female rates of disability

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 15

**Schedule of Components of and Changes in Net OPEB Liability
and Related Ratios
Fiscal Year Ended June 30, 2017**

Page 1 of 2

Primary Government:

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 224,155
Interest	80,071
Changes in assumptions	(477,330)
Differences between expected and actual experience	(348,615)
Benefit payments	(85,558)
Net change in total pension liability	<u>(607,277)</u>
Total OPEB liability – beginning	<u>2,747,539</u>
Total OPEB liability – ending (a)	<u><u>2,140,262</u></u>
Plan fiduciary net position	
Contributions – employer	-
Contributions – retired members	-
Net investment income	125,779
Benefit payments	(1,174,592)
Administrative expenses	(1,655)
Net change in plan fiduciary net position	<u>(1,050,468)</u>
Plan fiduciary net position – beginning	<u>1,244,829</u>
Plan fiduciary net position – ending (b)	<u><u>\$ 194,361</u></u>
Net OPEB liability – ending (a) - (b)	\$ 1,945,901
Fiduciary net position as a percentage of the total OPEB liability	9.08%
Covered payroll	\$ 39,576,059
Net OPEB liability as a percentage of covered payroll	4.92%

Schedule is intended to show information for 10 years. Information prior to 2017 is not available.
Additional years will be included as they become available.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 15

**Schedule of Components of and Changes in Net OPEB Liability
and Related Ratios
Fiscal Year Ended June 30, 2017**

Page 2 of 2

School Board:

	2017
Total OPEB liability	
Service cost	\$ 444,910
Interest	158,926
Changes in assumptions	(947,418)
Differences between expected and actual experience	(691,941)
Benefit payments	(169,819)
Net change in total pension liability	<u>(1,205,342)</u>
Total OPEB liability – beginning	<u>5,453,401</u>
Total OPEB liability – ending (a)	<u><u>4,248,059</u></u>
Plan fiduciary net position	
Contributions – employer	-
Contributions – retired members	-
Net investment income	249,649
Benefit payments	(2,331,368)
Administrative expenses	(3,285)
Net change in plan fiduciary net position	<u>(2,085,004)</u>
Plan fiduciary net position – beginning	<u>2,470,775</u>
Plan fiduciary net position – ending (b)	<u><u>\$ 385,771</u></u>
Net OPEB liability – ending (a) - (b)	\$ 3,862,288
Fiduciary net position as a percentage of the total OPEB liability	9.08%
Covered payroll	\$ 78,551,797
Net OPEB liability as a percentage of covered payroll	4.92%

Schedule is intended to show information for 10 years. Information prior to 2017 is not available.
Additional years will be included as they become available.

Money-weighted rate of return on OPEB Plan Investments

2017 7.51%

A money weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Schedule is intended to show information for 10 years. Information prior to 2017 is not available.
Additional years will be included as they become available.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 16

Page 1 of 3

**Schedule of Components of and Changes in Net Pension Liability
and Related Ratios
Last Three Fiscal Years
Fiscal Year Ended June 30, 2017**

Governmental Activities:

	2014	2015	2016
Total pension liability			
Service cost	\$ 3,566,038	\$ 3,695,651	\$ 3,751,139
Interest	6,129,463	6,557,274	6,935,225
Differences between expected and actual experience	-	(1,000,635)	(1,100,077)
Benefit payments, including refunds of employee contributions	(3,073,415)	(3,385,928)	(3,505,330)
Change in proportion impact	-	(354,236)	(407,362)
Net change in total pension liability	<u>6,622,086</u>	<u>5,512,126</u>	<u>5,673,595</u>
Total pension liability – beginning	<u>89,100,460</u>	<u>95,722,546</u>	<u>101,234,672</u>
Total pension liability – ending (a)	<u><u>95,722,546</u></u>	<u><u>101,234,672</u></u>	<u><u>106,908,267</u></u>
Plan fiduciary net position			
Contributions – employer	3,458,523	3,079,155	3,170,599
Contributions – employee	1,489,279	1,573,132	1,578,799
Net investment income	11,937,417	4,080,982	1,685,202
Benefit payments, including refunds of employee contributions	(3,073,415)	(3,385,928)	(3,505,330)
Administrative expense	(62,172)	(53,765)	(56,432)
Other	629	(870)	(702)
Change in proportion impact	-	(326,984)	(375,531)
Net change in plan fiduciary net position	<u>13,750,261</u>	<u>4,965,722</u>	<u>2,496,605</u>
Plan fiduciary net position – beginning	<u>74,608,202</u>	<u>88,358,463</u>	<u>93,324,185</u>
Plan fiduciary net position – ending (b)	<u><u>\$ 88,358,463</u></u>	<u><u>\$ 93,324,185</u></u>	<u><u>\$ 95,820,790</u></u>
Net pension liability – ending (a) - (b)	<u>\$ 7,364,083</u>	<u>\$ 7,910,487</u>	<u>\$ 11,087,477</u>
Plan fiduciary net position as a percentage of the total pension liability	92.31%	92.19%	89.63%
Covered payroll	<u>\$ 32,843,556</u>	<u>\$ 32,843,556</u>	<u>\$ 34,774,388</u>
Net pension liability as a percentage of covered payroll	22.42%	24.09%	31.88%

Schedule is intended to show information for 10 years. Information prior to 2014 is not available.
Additional years will be included as they become available.

**Schedule of Components of and Changes in Net Pension Liability
and Related Ratios
Last Three Fiscal Years
Fiscal Year Ended June 30, 2017**

Business Type Activities:

	2014	2015	2016
Total pension liability			
Service cost	\$ 99,709	\$ 117,443	\$ 134,845
Interest	171,383	208,382	249,304
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	(31,799)	(39,545)
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(85,933)	(107,601)	(126,006)
Change in proportion impact		354,237	407,362
Net change in total pension liability	<u>185,159</u>	<u>540,662</u>	<u>625,960</u>
Total pension liability – beginning	<u>2,491,296</u>	<u>2,676,455</u>	<u>3,217,117</u>
Total pension liability – ending (a)	<u><u>2,676,455</u></u>	<u><u>3,217,117</u></u>	<u><u>3,843,077</u></u>
Plan fiduciary net position			
Contributions – employer	96,702	97,852	113,975
Contributions – employee	41,641	49,992	56,754
Net investment income	333,776	129,689	60,579
Benefit payments, including refunds of employee contributions	(85,934)	(107,601)	(126,006)
Administrative expense	(1,738)	(1,708)	(2,029)
Other	18	(26)	(26)
Change in proportion impact	-	326,985	375,531
Net change in plan fiduciary net position	<u>384,465</u>	<u>495,183</u>	<u>478,778</u>
Plan fiduciary net position – beginning	<u>2,086,085</u>	<u>2,470,550</u>	<u>2,965,733</u>
Plan fiduciary net position – ending (b)	<u><u>\$ 2,470,550</u></u>	<u><u>\$ 2,965,733</u></u>	<u><u>\$ 3,444,511</u></u>
Net pension liability – ending (a) - (b)	<u>\$ 205,905</u>	<u>\$ 251,384</u>	<u>\$ 398,566</u>
Plan fiduciary net position as a percentage of the total pension liability	92.31%	92.19%	89.63%
Covered payroll	<u>\$ 913,731</u>	<u>\$ 1,056,600</u>	<u>\$ 1,318,761</u>
Net pension liability as a percentage of covered payroll	22.53%	23.79%	30.22%

Schedule is intended to show information for 10 years. Information prior to 2014 is not available.
Additional years will be included as they become available.

**Schedule of Components of and Changes in Net Pension Liability
and Related Ratios
Last Three Fiscal Years
Fiscal Year Ended June 30, 2017**

Component Unit - School Board - Non-professional:

	2014	2015	2016
Total pension liability			
Service cost	\$ 790,454	\$ 779,639	\$ 723,642
Interest	1,314,303	1,397,986	1,485,311
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	76,425	28,543
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(821,036)	(997,534)	(1,015,580)
Net change in total pension liability	<u>1,283,721</u>	<u>1,256,516</u>	<u>1,221,916</u>
Total pension liability – beginning	<u>19,186,281</u>	<u>20,470,002</u>	<u>21,726,518</u>
Total pension liability – ending (a)	<u><u>20,470,002</u></u>	<u><u>21,726,518</u></u>	<u><u>22,948,434</u></u>
Plan fiduciary net position			
Contributions – employer	634,627	422,140	448,949
Contributions – employee	367,367	326,614	345,096
Net investment income	3,029,074	1,016,928	401,377
Benefit payments, including refunds of employee contributions	(821,036)	(997,534)	(1,015,580)
Administrative expense	(16,035)	(13,964)	(14,272)
Other	160	(215)	(170)
Net change in plan fiduciary net position	<u>3,194,157</u>	<u>753,969</u>	<u>165,400</u>
Plan fiduciary net position – beginning	<u>19,118,695</u>	<u>22,312,852</u>	<u>23,066,821</u>
Plan fiduciary net position – ending (b)	<u><u>\$ 22,312,852</u></u>	<u><u>\$ 23,066,821</u></u>	<u><u>\$ 23,232,221</u></u>
Net pension (asset) liability – ending (a) - (b)	\$ (1,842,850)	\$ (1,340,303)	\$ (283,787)
Plan fiduciary net position as a percentage of the total pension liability	109.00%	106.17%	101.24%
Covered payroll	\$ 7,685,393	\$ 7,816,456	\$ 8,667,322
Net pension (asset) liability as a percentage of covered payroll	-23.98%	-17.15%	-3.27%

Schedule is intended to show information for 10 years. Information prior to 2014 is not available.
Additional years will be included as they become available.

Schedule of the School Board's Proportionate Share of the Net
Pension Liability – Teachers Pension Plan
Fiscal Year Ended June 30, 2017

Component Unit - School Board - Professional:

Date*	Employer's Proportion of the Net Pension Liability (asset)	Employer's Proportionate Share of the Net Pension Liability (asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (asset) as a Percentage of its Covered-Employee Payroll	Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.94296%	\$ 132,147,499	\$ 76,108,017	173.63%	68.28%
2016	0.94607%	117,860,528	72,678,253	162.17%	70.68%
2015	0.95944%	114,805,836	71,522,996	160.52%	70.88%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no other data is available. However, additional years will be included as they become available.

*The amounts presented have a measurement date of the previous fiscal year end.

COMBINING AND INDIVIDUAL FINANCIAL FUND STATEMENTS



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 18

Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2017

Page 1 of 2

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 361	\$ 361
Miscellaneous revenue	65,000	308,535	243,535	(65,000)
Intergovernmental:				
Commonwealth of Virginia	5,233,265	6,022,639	2,727,384	(3,295,255)
Federal Government	5,222,673	5,558,349	50,605	(5,507,744)
Total revenues	10,520,938	11,889,523	3,021,885	(8,867,638)
Expenditures				
Current operating:				
Capital projects:				
Public works:				
Landfill Expansion	1,542,000	1,298,248	-	1,298,248
Midland Service District Improvements	-	400,000	-	400,000
Marshall Main Street	3,622,496	4,506,648	19,763	4,486,885
Winchester Sidewalk	127,330	127,330	121,236	6,094
Catlett/Calverton Sewer	7,282,716	7,345,616	302,941	7,042,675
Greenville/Kettle Run second entrance	300,000	300,000	-	300,000
Total public works	12,874,542	13,977,842	443,940	13,533,902
Parks, recreation, and cultural:				
Lord Fairfax Community College	14,066	14,066	-	14,066
Palmer extension	561,219	561,219	133	561,086
Woods of Warrenton	540,973	540,973	2,133	538,840
M M Pierce trail project	341,500	341,500	-	341,500
Safe routes to school	456,046	456,046	2,538	453,508
Northern swimming pool	1,677,293	1,552,293	-	1,552,293
Northern sports complex	42,740	42,740	-	42,740
Central sports complex	6,554,063	6,669,063	107,762	6,561,301
Total parks, recreation, and cultural	10,187,900	10,177,900	112,566	10,065,334
Community development:				
Vint Hill Public Streets network	8,885,631	9,122,131	5,367,971	3,754,160
Mill Run Business Park	103,788	103,788	22,237	81,551
Salem Avenue	-	250,570	28,421	222,149
Total community development	8,989,419	9,476,489	5,418,629	4,057,860
Total current operating expenditures	\$ 32,051,861	\$ 33,632,231	\$ 5,975,135	\$ 27,657,096

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 18

Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2017

Page 2 of 2

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Capital outlay:				
General government administration	\$ 501,710	\$ 501,710	\$ 500,000	\$ 1,710
Public safety	3,997,258	3,997,258	1,178,119	2,819,139
Public works	1,488,237	2,187,767	1,264,212	923,555
Education	259,592	259,592	-	259,592
Parks, recreation, and cultural	5,971,074	5,964,474	217,373	5,747,101
Community development	8,698	8,698	8,698	-
Total capital outlay	<u>12,226,569</u>	<u>12,919,499</u>	<u>3,168,402</u>	<u>9,751,097</u>
Debt service:				
Debt covenant	58,853	58,853	-	58,853
Issuance costs	-	90,000	90,000	-
Total debt service	<u>58,853</u>	<u>148,853</u>	<u>90,000</u>	<u>58,853</u>
Total expenditures	<u>44,337,283</u>	<u>46,700,583</u>	<u>9,233,537</u>	<u>37,467,046</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(33,816,345)</u>	<u>(34,811,060)</u>	<u>(6,211,652)</u>	<u>28,599,408</u>
Other financing sources (uses)				
Transfers in	1,162,924	3,352,288	3,452,287	99,999
Transfers (out)	(137,550)	(448,224)	(447,465)	759
Issuance of debt	<u>21,281,500</u>	<u>21,371,500</u>	<u>3,700,000</u>	<u>(17,671,500)</u>
Total other financing sources (uses)	<u>22,306,874</u>	<u>24,275,564</u>	<u>6,704,822</u>	<u>(17,570,742)</u>
Net change in fund balances/(deficits)	(11,509,471)	(10,535,496)	493,170	11,028,666
Fund balances - beginning, restated	<u>10,189,034</u>	<u>10,189,034</u>	<u>10,189,034</u>	<u>-</u>
Fund balances/(deficits) - ending	<u>\$ (1,320,437)</u>	<u>\$ (346,462)</u>	<u>\$ 10,682,204</u>	<u>\$ 11,028,666</u>



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.



**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Debt Service Fund
Fiscal Year Ended June 30, 2017**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 9	\$ 9
Miscellaneous revenue	125,113	125,113	125,113	-
Intergovernmental:				
Federal Government	393,975	393,975	395,675	1,700
Total revenues	519,088	519,088	520,797	1,709
Expenditures				
Current operating:				
Education	-	392,774	392,774	-
Debt service:				
Principal retirement	9,605,532	9,629,637	9,612,158	17,479
Interest charges	3,860,315	3,805,813	3,796,630	9,183
Issuance costs	-	111,828	79,620	32,208
Fiscal charges	8,300	8,300	6,801	1,499
Total expenditures	13,474,147	13,948,352	13,887,983	60,369
Excess (deficiency) of revenues over (under) expenditures	(12,955,059)	(13,429,264)	(13,367,186)	62,078
Other financing sources (uses)				
Transfers in	12,694,765	12,694,765	12,694,765	-
Issuance of debt	-	392,774	392,774	-
Issuance of refunding debt	-	2,775,000	2,775,000	-
Premium on refunding debt	-	704,772	704,772	-
Payment to bond escrow agent	-	(3,398,341)	(3,398,341)	-
Total other financing sources (uses)	12,694,765	13,168,970	13,168,970	-
Net change in fund balances/(deficits)	(260,294)	(260,294)	(198,216)	62,078
Fund balances - beginning	407,118	407,118	407,118	-
Fund balances - ending	\$ 146,824	\$ 146,824	\$ 208,902	\$ 62,078

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

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

The *Stormwater Management Fund* is used to account for and report on Stormwater fees collected to be used to support a State-mandated stormwater management program.

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.

The *Micro Loan Fund* is used to account for and report transactions related to the Northern Piedmont Microenterprise Project which establishes a revolving loan fund to serve entrepreneurs in the Northern Piedmont Region. Loans provide low-to-moderate income individuals the opportunity to access capital for new business startup or expansion of existing businesses.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

The *Educational Farm Fund* is used to account for and report the County paying personnel and benefits on behalf of a not-for-profit outside organization.

The *Treasurer's E-Summons Fund* is used to account for fees collected on each criminal and traffic case within the County to be used to implement and maintain an electronic summons (e-summons) system.

The *Project Lifesaver Fund* is used to account for and provide police, fire/rescue and other first responders with a comprehensive program on the use of specialized electronic search and rescue equipment, technology and procedures, as well as teaching rescuers how to effectively communicate with people afflicted with cognitive conditions, all of which are essential to a successful rescue.

COUNTY OF FAUQUIER, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

Exhibit 20
Page 1 of 2

	Special Revenue Funds						
	Asset Replacement Fund	Conservation Easement Service District Fund	Ambulance Revenue Fund	Parks and Recreation Fund	Library Fund	Marshall Electric Light and Business Improvement District Fund	Proffer Fund
Assets							
Cash and cash equivalents	\$ 2,687,376	\$ 888,374	\$ 21,396	\$ -	\$ -	\$ 1,091	\$ -
Cash and cash equivalents - restricted	2,849	-	-	207,375	183,897	21,142	3,820,444
Receivables, net of allowance for uncollectibles:							
Taxes, including penalties	-	17,624	-	-	-	255	-
Accounts	63	781	246,904	-	-	14	87,500
Due from other governmental units	-	-	-	-	-	-	-
Total assets	2,690,288	906,779	268,300	207,375	183,897	22,502	3,907,944
Total assets and deferred outflows of resources	2,690,288	906,779	268,300	207,375	183,897	22,502	3,907,944
Liabilities							
Accounts payable	342	1,216	56,131	-	-	875	-
Accrued liabilities	-	1,469	1,187	-	-	-	-
Retainage	5,164	-	-	-	-	-	-
Due to other funds	-	-	3,979	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Escrows	-	-	-	-	-	-	764,327
Total liabilities	5,506	2,685	61,297	-	-	875	764,327
Deferred inflows of resources							
Revenue advances	-	3,514	-	-	-	82	-
Unavailable revenue	-	11,641	77,767	-	-	136	42,000
Total deferred inflows of resources	-	15,155	77,767	-	-	218	42,000
Total liabilities and deferred inflows of resources	5,506	17,840	139,064	-	-	1,093	806,327
Fund balances							
Restricted	2,849	-	-	207,375	183,897	21,409	3,056,117
Committed	-	888,939	129,236	-	-	-	45,500
Assigned	2,681,933	-	-	-	-	-	-
Total fund balances	2,684,782	888,939	129,236	207,375	183,897	21,409	3,101,617
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,690,288	\$ 906,779	\$ 268,300	\$ 207,375	\$ 183,897	\$ 22,502	\$ 3,907,944

Special Revenue Funds							
Stormwater Management Fund	Vint Hill Transportation Fund	Micro Loan Program Fund	Educational Farm Fund	Treasurer's E- Summons Fund	Project Lifesaver Fund	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	3,598,237	Assets
192,678	216,000	-	628	94,666	695	4,740,374	Cash and cash equivalents
-	-	-	-	-	-	17,879	Cash and cash equivalents - restricted
4,346	-	-	2,364	-	-	341,972	Receivables, net of allowance for uncollectibles:
-	-	43,900	-	-	-	43,900	Taxes, including penalties
							Accounts
							Due from other governmental units
197,024	216,000	43,900	2,992	94,666	695	8,742,362	Total assets
197,024	216,000	43,900	2,992	94,666	695	8,742,362	Total assets and deferred outflows of resources
-	-	43,900	73	-	-	102,537	Liabilities
-	-	-	419	-	-	3,075	Accounts payable
-	-	-	-	-	-	5,164	Accrued liabilities
-	-	-	-	-	-	3,979	Retainage
-	-	-	2,500	-	-	2,500	Due to other funds
-	-	-	-	-	-	764,327	Unearned revenue
							Escrows
-	-	43,900	2,992	-	-	881,582	Total liabilities
2,758	-	-	-	-	-	6,354	Deferred inflows of resources
-	-	-	-	-	-	131,544	Revenue advances
2,758	-	-	-	-	-	137,898	Unavailable revenue
2,758	-	43,900	2,992	-	-	1,019,480	Total deferred inflows of resources
194,266	216,000	-	-	94,666	695	3,977,274	Total liabilities and deferred inflows of resources
-	-	-	-	-	-	1,063,675	Restricted
-	-	-	-	-	-	2,681,933	Committed
194,266	216,000	-	-	94,666	695	7,722,882	Assigned
							Total fund balances
\$ 197,024	\$ 216,000	\$ 43,900	\$ 2,992	\$ 94,666	\$ 695	\$ 8,742,362	Total liabilities, deferred inflows of resources, and fund balances

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2017

Page 1 of 2

	Special Revenue Funds						
	Asset Replacement Fund	Conservation Easement Service District Fund	Ambulance Revenue Fund	Parks and Recreation Fund	Library Fund	Marshall Electric Light and Business Improvement District Fund	Proffer Fund
Revenues							
General property taxes	\$ -	\$ 651,679	\$ -	\$ -	\$ -	\$ 7,934	\$ -
Fines and forfeitures	-	-	-	-	-	-	-
Revenue from use of money and property	-	-	-	1,608	1,451	-	18,182
Charges for services	25,100	-	1,550,210	-	-	-	-
Gifts and donations	-	-	-	10,534	20,402	-	785,017
Recovered costs	23,499	-	-	-	-	-	-
Miscellaneous revenue	31,232	-	80	-	-	-	-
Intergovernmental:							
Commonwealth of Virginia	-	289,952	-	-	-	-	-
Federal Government	-	-	-	-	-	-	-
Total revenues	79,831	941,631	1,550,290	12,142	21,853	7,934	803,199
Expenditures							
Current operating:							
Public safety	-	-	487,028	-	-	-	-
Public works	-	-	-	-	-	10,697	-
Parks, recreation, and cultural	-	-	-	4,323	14,441	-	-
Community development	-	866,119	-	-	-	-	-
Capital outlay	2,250,596	-	-	-	-	-	-
Total expenditures	2,250,596	866,119	487,028	4,323	14,441	10,697	-
Excess (deficiency) of revenues over (under) expenditures	(2,170,765)	75,512	1,063,262	7,819	7,412	(2,763)	803,199
Other financing sources (uses)							
Transfers in	2,749,653	992	753	-	-	-	-
Transfers (out)	-	-	(934,779)	-	-	-	-
Issuance of debt	785,606	-	-	-	-	-	-
Total other financing sources (uses)	3,535,259	992	(934,026)	-	-	-	-
Net change in fund balances/(deficits)	1,364,494	76,504	129,236	7,819	7,412	(2,763)	803,199
Fund balances/(deficits) - beginning, restated	1,320,288	812,435	-	199,556	176,485	24,172	2,298,418
Fund balances - ending	\$ 2,684,782	\$ 888,939	\$ 129,236	\$ 207,375	\$ 183,897	\$ 21,409	\$ 3,101,617

Special Revenue Funds

Stormwater Management Fund	Vint Hill Transportation Fund	Micro Loan Program Fund	Educational Farm Fund	Treasurer's E- Summons Fund	Project Lifesaver Fund	Total Nonmajor Governmental Funds	
							Revenues
\$ 358,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,018,270	General property taxes
-	-	-	-	57,014	-	57,014	Fines and forfeitures
-	1,704	-	-	-	-	22,945	Revenue from use of money and property
-	-	-	-	-	-	1,575,310	Charges for services
-	3,305	-	-	-	470	819,728	Gifts and donations
-	-	-	55,067	-	-	78,566	Recovered costs
-	-	-	-	-	-	31,312	Miscellaneous revenue
-	-	-	-	-	-	289,952	Intergovernmental:
-	-	122,900	-	-	-	122,900	Commonwealth of Virginia
-	-	-	-	-	-	-	Federal Government
358,657	5,009	122,900	55,067	57,014	470	4,015,997	Total revenues
							Expenditures
-	-	-	-	-	1,449	488,477	Current operating:
-	-	-	-	-	-	10,697	Public safety
-	-	-	-	-	-	18,764	Public works
-	-	122,900	52,349	-	-	1,041,368	Parks, recreation, and cultural
-	-	-	-	-	-	2,250,596	Community development
-	-	-	-	-	-	-	Capital outlay
-	-	122,900	52,349	-	1,449	3,809,902	Total expenditures
358,657	5,009	-	2,718	57,014	(979)	206,095	Excess (deficiency) of revenues over (under) expenditures
							Other financing sources (uses)
-	-	-	-	-	-	2,751,398	Transfers in
(338,971)	-	-	-	-	-	(1,273,750)	Transfers (out)
-	-	-	-	-	-	785,606	Issuance of debt
(338,971)	-	-	-	-	-	2,263,254	Total other financing sources (uses)
19,686	5,009	-	2,718	57,014	(979)	2,469,349	Net change in fund balances/(deficits)
174,580	210,991	-	(2,718)	37,652	1,674	5,253,533	Fund balances/(deficits) - beginning, restated
\$ 194,266	\$ 216,000	\$ -	\$ -	\$ 94,666	\$ 695	\$ 7,722,882	Fund balances - ending

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 22

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Asset Replacement Fund
Fiscal Year Ended June 30, 2017**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Charges for services	\$ 30,000	\$ 30,000	\$ 25,100	\$ (4,900)
Recovered costs	-	23,499	23,499	-
Miscellaneous revenue	-	8,630	31,232	22,602
Total revenues	30,000	62,129	79,831	17,702
Expenditures				
Capital outlay:				
General government administration	855,591	855,591	253,994	601,597
Public safety	2,328,510	2,384,145	1,350,027	1,034,118
Public works	1,149,601	1,199,075	475,581	723,494
Parks, recreation, and cultural	305,928	312,528	170,994	141,534
Total capital outlay	4,639,630	4,751,339	2,250,596	2,500,743
Total expenditures	4,639,630	4,751,339	2,250,596	2,500,743
Excess (deficiency) of revenues over (under) expenditures	(4,609,630)	(4,689,210)	(2,170,765)	2,518,445
Other financing sources (uses)				
Transfers in	2,514,000	2,580,922	2,749,653	168,731
Issuance of debt	785,606	785,606	785,606	-
Total other financing sources (uses)	3,299,606	3,366,528	3,535,259	168,731
Net change in fund balances/(deficits)	(1,310,024)	(1,322,682)	1,364,494	2,687,176
Fund balances - beginning, restated	1,320,288	1,320,288	1,320,288	-
Fund balances/(deficits) - ending	\$ 10,264	\$ (2,394)	\$ 2,684,782	\$ 2,687,176

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 23

**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, 2017**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ 642,264	\$ 642,264	\$ 651,679	\$ 9,415
Intergovernmental:				
Commonwealth of Virginia	265,000	441,473	289,952	(151,521)
Federal Government	-	212,500	-	(212,500)
Total revenues	<u>907,264</u>	<u>1,296,237</u>	<u>941,631</u>	<u>(354,606)</u>
Expenditures				
Current operating:				
Community development	<u>932,966</u>	<u>2,109,664</u>	<u>866,119</u>	<u>1,243,545</u>
Total expenditures	<u>932,966</u>	<u>2,109,664</u>	<u>866,119</u>	<u>1,243,545</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,702)</u>	<u>(813,427)</u>	<u>75,512</u>	<u>888,939</u>
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>992</u>	<u>992</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>992</u>	<u>992</u>	<u>-</u>
Net change in fund balances/(deficits)	(25,702)	(812,435)	76,504	888,939
Fund balances - beginning	<u>812,435</u>	<u>812,435</u>	<u>812,435</u>	<u>-</u>
Fund balances - ending	<u>\$ 786,733</u>	<u>\$ -</u>	<u>\$ 888,939</u>	<u>\$ 888,939</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 24

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Ambulance Revenue Fund
Fiscal Year Ended June 30, 2017**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Charges for services	\$ 1,412,439	\$ 1,421,054	\$ 1,550,210	\$ 129,156
Miscellaneous revenue	-	-	80	80
Total revenues	1,412,439	1,421,054	1,550,290	129,236
Expenditures				
Current operating:				
Public safety	477,660	487,028	487,028	-
Total expenditures	477,660	487,028	487,028	-
Excess (deficiency) of revenues over (under) expenditures	934,779	934,026	1,063,262	129,236
Other financing sources (uses)				
Transfers in	-	753	753	-
Transfers (out)	(934,779)	(934,779)	(934,779)	-
Total other financing sources (uses)	(934,779)	(934,026)	(934,026)	-
Net change in fund balances	-	-	129,236	129,236
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 129,236	\$ 129,236

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 25

Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Micro Loan Program Fund
Fiscal Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Intergovernmental:				
Federal Government	\$ -	\$ 198,000	\$ 122,900	\$ (75,100)
Total revenues	-	198,000	122,900	(75,100)
Expenditures				
Current operating:				
Community development	-	198,000	122,900	75,100
Total expenditures	-	198,000	122,900	75,100
Excess of revenues over expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -



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 26

Combining Statement of Net Position
Internal Service Funds
June 30, 2017

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 277,839	\$ 13,218,553	\$ 13,496,392
Receivables, net of allowance for uncollectibles	16,633	338,710	355,343
Inventories	194,154	-	194,154
Prepaid items	-	156,379	156,379
Total current assets	488,626	13,713,642	14,202,268
Noncurrent assets:			
Capital assets (depreciable):			
Buildings and improvements	349,000	-	349,000
Machinery and equipment	624,962	-	624,962
Accumulated depreciation	(787,076)	-	(787,076)
Total capital assets	186,886	-	186,886
Total noncurrent assets	186,886	-	186,886
Total assets	675,512	13,713,642	14,389,154
Deferred outflow of resources			
Items related to measurement of pension liability	60,051	-	60,051
Pension contributions subsequent to measurement date	58,575	-	58,575
Total deferred outflow of resources	118,626	-	118,626
Total assets and deferred outflows of resources	794,138	13,713,642	14,507,780
Liabilities			
Current liabilities:			
Accounts payable	21,147	383,014	404,161
Accrued and other liabilities	8,526	-	8,526
Current portion of compensated absences	12,365	-	12,365
Current portion of incurred but not reported claims	-	700,527	700,527
Total current liabilities	42,038	1,083,541	1,125,579
Noncurrent liabilities:			
Noncurrent portion of compensated absences	111,283	-	111,283
Noncurrent portion of incurred but not reported claims	-	2,101,582	2,101,582
Net pension liability	237,762	-	237,762
Total noncurrent liabilities	349,045	2,101,582	2,450,627
Total liabilities	391,083	3,185,123	3,576,206
Deferred inflow of resources			
Items related to measurement of pension liability	28,060	-	28,060
Total deferred inflow of resources	28,060	-	28,060
Total liabilities and deferred inflows of resources	419,143	3,185,123	3,604,266
Net position			
Investment in capital assets	186,886	-	186,886
Unrestricted	188,109	10,528,519	10,716,628
Total net position	374,995	10,528,519	10,903,514
Total liabilities, deferred inflows of resources, and net position	\$ 794,138	\$ 13,713,642	\$ 14,507,780

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 27

**Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
Fiscal Year Ended June 30, 2017**

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Operating revenues			
Charges for services	\$ 2,781,770	\$ 28,770,361	\$ 31,552,131
Recovered Cost	-	3,505,960	3,505,960
Miscellaneous revenue	2,652	157,824	160,476
Forfeitures	-	6,620	6,620
Total operating revenues	<u>2,784,422</u>	<u>32,440,765</u>	<u>35,225,187</u>
Operating expenses			
Personal services	703,359	-	703,359
Fringe benefits	237,383	-	237,383
Claims and benefits paid	-	26,122,473	26,122,473
Premiums	-	2,656,011	2,656,011
Contractual services	139,541	951,412	1,090,953
Other operating expenses	1,620,876	272,925	1,893,801
Depreciation	21,857	-	21,857
Pension expense	54,074	-	54,074
Total operating expenses	<u>2,777,090</u>	<u>30,002,821</u>	<u>32,779,911</u>
Operating income (loss)	<u>7,332</u>	<u>2,437,944</u>	<u>2,445,276</u>
Nonoperating revenues (expenses)			
Interest income	-	75,826	75,826
Total nonoperating revenues	<u>-</u>	<u>75,826</u>	<u>75,826</u>
Income (loss)	<u>7,332</u>	<u>2,513,770</u>	<u>2,521,102</u>
Transfers			
Transfers in	<u>7,797</u>	<u>-</u>	<u>7,797</u>
Total transfers	<u>7,797</u>	<u>-</u>	<u>7,797</u>
Change in net position	15,129	2,513,770	2,528,899
Net position - beginning	359,866	8,014,749	8,374,615
Net position - ending	<u>\$ 374,995</u>	<u>\$ 10,528,519</u>	<u>\$ 10,903,514</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 28

Combining Statement of Cash Flows

Internal Service Funds

Fiscal Year Ended June 30, 2017

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Cash Flow from Operating Activities			
Receipts from customers and users	\$ 226,378	\$ (787,488)	\$ (561,110)
Receipts from interfund services provided	2,559,910	33,208,081	35,767,991
Payment to suppliers and other operating activities	(1,792,073)	(29,463,701)	(31,255,774)
Payment to employees (including fringes)	(1,027,314)	-	(1,027,314)
Net cash provided by (used for) operating activities	(33,099)	2,956,892	2,923,793
Cash Flow from Noncapital Financing Activities			
Transfers in	7,797	-	7,797
Net cash provided by noncapital financing activities	7,797	-	7,797
Cash Flow from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(163,826)	-	(163,826)
Net cash provided by (used in) capital and related financing activities	(163,826)	-	(163,826)
Cash Flow from Investing Activities			
Interest income	-	75,826	75,826
Net cash provided by investing activities	-	75,826	75,826
Net increase (decrease) in cash and cash equivalents	(189,128)	3,032,718	2,843,590
Cash and cash equivalents - beginning of the year	466,967	10,185,835	10,652,802
Cash and cash equivalents - end of the year	277,839	13,218,553	13,496,392
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Cash flows from operations:			
Operating income (loss)	7,332	2,437,944	2,445,276
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	21,857	-	21,857
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	1,866	137,652	139,518
(Increase) decrease in inventory	2,274	-	2,274
(Increase) decrease in prepaid items	-	(15,932)	(15,932)
(Increase) decrease in deferred outflows of resources	(50,892)	-	(50,892)
Increase (decrease) in accounts payable	(33,930)	5,542	(28,388)
Increase (decrease) in accrued liabilities	(27,997)	-	(27,997)
Increase (decrease) in incurred but not reported claims	-	391,686	391,686
Increase (decrease) in net pension liability	77,788	-	77,788
Increase (decrease) in deferred inflows of resources	(31,397)	-	(31,397)
Net cash provided by (used for) operating activities	\$ (33,099)	\$ 2,956,892	\$ 2,923,793



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.

Pension and Employer Benefit Trust Fund:

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. No combining statement is presented because this fund is the only Pension and Employee Benefit Trust fund.

Agency Funds:

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 *Fire and Rescue Volunteer USDA Debt Service Fund* is used to account for the required debt service reserve of 10% annually for 10 years which 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 *Volunteer Fire and Rescue Association Fund* is used to account for funds of the Volunteer Fire and Rescue Association that are managed and administered by the Treasurer of Fauquier County.

The *Volunteer Fire and Rescue Operations Fund* is used to account for funds on behalf of Upperville Volunteer Fire and Rescue Company, for which the County has assumed financial management and accounting 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.

FIDUCIARY FUNDS (CONTINUED)

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.

The *Commonwealth Opportunity Fund* is used to account for funds received from the Virginia Economic Development Partnership's Commonwealth Opportunity Fund grant program to aid in the infrastructure costs including public and private utility extension for fiber, water, and sewer.

Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2017

	Agency Funds								Total
	Working Together Fund	Fire and Rescue USDA Debt Service Fund	Volunteer Fire and Rescue Association Fund	Volunteer Fire and Rescue Operations Fund	Special Welfare Fund	Detention Center Fund	Service to Outside Agencies Fund	Commonwealth Opportunity Fund	
Assets									
Cash and cash equivalents	\$ 22,122	\$ 613,178	\$ 99,781	\$ 208,284	\$ 59,476	\$ -	\$ 104,930	\$ 2,250,000	\$ 3,357,771
Cash in custody of others	-	-	-	-	-	132,333	-	-	132,333
Receivables, net of allowance for uncollectibles:									
Accounts	34	-	-	-	-	-	-	-	34
Due from other funds	-	-	-	3,979	-	-	-	-	3,979
Total assets and deferred outflows of resources	<u>22,156</u>	<u>613,178</u>	<u>99,781</u>	<u>212,263</u>	<u>59,476</u>	<u>132,333</u>	<u>104,930</u>	<u>2,250,000</u>	<u>3,494,117</u>
Liabilities									
Accrued liabilities	-	-	-	3,917	-	-	3,884	-	7,801
Amounts held for clients/others	<u>22,156</u>	<u>613,178</u>	<u>99,781</u>	<u>208,346</u>	<u>59,476</u>	<u>132,333</u>	<u>101,046</u>	<u>2,250,000</u>	<u>3,486,316</u>
Total liabilities and deferred inflows of resources	\$ <u>22,156</u>	\$ <u>613,178</u>	\$ <u>99,781</u>	\$ <u>212,263</u>	\$ <u>59,476</u>	\$ <u>132,333</u>	\$ <u>104,930</u>	\$ <u>2,250,000</u>	\$ <u>3,494,117</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 30
Page 1 of 2

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Working Together Fund				
Assets:				
Cash and cash equivalents	\$ 19,795	\$ 43,244	\$ 40,917	\$ 22,122
Accounts receivable	33	34	33	34
Total assets	<u>19,828</u>	<u>43,278</u>	<u>40,950</u>	<u>22,156</u>
Liabilities:				
Amounts held for clients/others	<u>\$ 19,828</u>	<u>\$ 43,278</u>	<u>\$ 40,950</u>	<u>\$ 22,156</u>
Fire and Rescue USDA Debt Service Fund				
Assets:				
Cash and cash equivalents	<u>\$ 514,813</u>	<u>\$ 1,035,823</u>	<u>\$ 937,458</u>	<u>\$ 613,178</u>
Liabilities:				
Amounts held for clients/others	<u>\$ 514,813</u>	<u>\$ 1,035,823</u>	<u>\$ 937,458</u>	<u>\$ 613,178</u>
Volunteer Fire and Rescue Association Fund				
Assets:				
Cash and cash equivalents	<u>\$ 99,810</u>	<u>\$ 6,227</u>	<u>\$ 6,256</u>	<u>\$ 99,781</u>
Liabilities:				
Amounts held for clients/others	<u>\$ 99,810</u>	<u>\$ 6,227</u>	<u>\$ 6,256</u>	<u>\$ 99,781</u>
Volunteer Fire and Rescue Operations Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 213,497	\$ 5,213	\$ 208,284
Due from other Funds	-	3,979	-	3,979
Total assets	<u>-</u>	<u>217,476</u>	<u>5,213</u>	<u>212,263</u>
Liabilities:				
Accrued liabilities	-	3,917	-	3,917
Amounts held for clients/others	-	213,559	5,213	208,346
Total liabilities	<u>\$ -</u>	<u>\$ 217,476</u>	<u>\$ 5,213</u>	<u>\$ 212,263</u>
Special Welfare Fund				
Assets:				
Cash and cash equivalents	<u>\$ 40,946</u>	<u>\$ 61,655</u>	<u>\$ 43,125</u>	<u>\$ 59,476</u>
Liabilities:				
Amounts held for clients/others	<u>\$ 40,946</u>	<u>\$ 61,655</u>	<u>\$ 43,125</u>	<u>\$ 59,476</u>
Detention Center Fund				
Assets:				
Cash in custody of others:				
Cash - canteen account	\$ 123,449	\$ 76,436	\$ 71,104	\$ 128,781
Cash - inmate accounts	7,258	125,797	131,849	1,206
Cash - work release	4,210	91,430	93,294	2,346
Total assets	<u>134,917</u>	<u>293,663</u>	<u>296,247</u>	<u>132,333</u>
Liabilities:				
Amounts held for clients/others	<u>\$ 134,917</u>	<u>\$ 293,663</u>	<u>\$ 296,247</u>	<u>\$ 132,333</u>

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Service to Outside Agencies Fund				
Assets:				
Cash and cash equivalents	\$ 104,377	\$ 421,294	\$ 420,741	\$ 104,930
Accounts receivable	14,749	-	14,749	-
Total assets	<u>119,126</u>	<u>421,294</u>	<u>435,490</u>	<u>104,930</u>
Liabilities:				
Accrued liabilities	16,311	3,884	16,311	3,884
Amounts held for clients/others	<u>102,815</u>	<u>417,410</u>	<u>419,179</u>	<u>101,046</u>
Total liabilities	<u>\$ 119,126</u>	<u>\$ 421,294</u>	<u>\$ 435,490</u>	<u>\$ 104,930</u>
Commonwealth Opportunity Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 2,250,000	\$ -	\$ 2,250,000
Liabilities:				
Amounts held for clients/others	<u>\$ -</u>	<u>\$ 2,250,000</u>	<u>\$ -</u>	<u>\$ 2,250,000</u>
Total - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 779,741	\$ 4,031,740	\$ 1,453,710	\$ 3,357,771
Cash in custody of others	134,917	293,663	296,247	132,333
Accounts receivable	14,782	34	14,782	34
Due from other funds	-	3,979	-	3,979
Total assets	<u>929,440</u>	<u>4,329,416</u>	<u>1,764,739</u>	<u>3,494,117</u>
Liabilities:				
Accrued liabilities	16,311	7,801	16,311	7,801
Amounts held for clients/others	<u>913,129</u>	<u>4,321,615</u>	<u>1,748,428</u>	<u>3,486,316</u>
Total liabilities	<u>\$ 929,440</u>	<u>\$ 4,329,416</u>	<u>\$ 1,764,739</u>	<u>\$ 3,494,117</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.

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 31

Combining Balance Sheet
Discretely Presented Component Unit – School Board
June 30, 2017

	Governmental Funds				
	School General Fund	School Asset Replacement Fund	School Textbook Fund	School Nutrition Fund	Total Governmental Funds
Assets					
Cash and cash equivalents (1)	\$ 11,585,747	\$ 3,590,030	\$ 506,190	\$ 514,986	\$ 16,196,953
Cash and cash equivalents - restricted (1)	267,564	-	-	-	267,564
Accounts receivable	13,792	35,042	-	4,232	53,066
Inventories	-	-	-	110,618	110,618
Due from other governmental units	3,050,884	-	-	-	3,050,884
Total assets and deferred outflows of resources	<u>14,917,987</u>	<u>3,625,072</u>	<u>506,190</u>	<u>629,836</u>	<u>19,679,085</u>
Liabilities					
Accounts payable	1,413,385	222,346	-	4,344	1,640,075
Accrued liabilities	12,801,356	-	-	228,043	13,029,399
Retainage payable	-	2,158	-	-	2,158
Unearned revenue	267,564	-	-	100,282	367,846
Total liabilities and deferred inflows of resources	<u>14,482,305</u>	<u>224,504</u>	<u>-</u>	<u>332,669</u>	<u>15,039,478</u>
Fund balances					
Nonspendable	-	-	-	110,618	110,618
Restricted	267,564	-	-	-	267,564
Assigned	168,118	3,400,568	506,190	186,549	4,261,425
Total fund balances	<u>435,682</u>	<u>3,400,568</u>	<u>506,190</u>	<u>297,167</u>	<u>4,639,607</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,917,987</u>	<u>\$ 3,625,072</u>	<u>\$ 506,190</u>	<u>\$ 629,836</u>	<u>\$ 19,679,085</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 Position
Discretely Presented Component Unit – School Board
June 30, 2017**

Total fund balances - discretely presented component unit - School Board	\$	4,639,607
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Prepaid items are recorded as expenditures when purchased in governmental funds, but are recorded as assets and the expense is amortized over the period for which the it relates in the government-wide statements.		5,386
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.		177,466,992
Net pension asset is not a current financial resource and therefore not reported in the governmental funds.		283,787
Deferred outflows of resources are not current financial resources and therefore not reported in the governmental funds.		8,206,181
Long-term liabilities and deferred inflows of resources which are not due and payable in the current year and therefore not reported as such in the governmental funds.		
Compensated absences	(4,943,320)	
Net pension liability	(132,147,499)	
Deferred inflows of resources related to pensions	(6,470,000)	
Net OPEB obligation	<u>(670,333)</u>	(144,231,152)
Contributions to the agent multiple and cost sharing plans in the current year are recognized as expenditures in the fund statements, but are deferred in the government-wide statements.		
Contributions to the Virginia Retirement System		<u>9,638,813</u>
Net position of governmental activities	\$	<u>56,009,614</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 33

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2017

	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	\$ -	\$ -	\$ -	\$ 2,456	\$ 2,456
Charges for services	651,878	-	-	2,759,512	3,411,390
Gifts and donations	54,950	51,176	-	-	106,126
Recovered costs	-	71,323	-	-	71,323
Miscellaneous revenue	765,817	101,657	5,857	203,068	1,076,399
Intergovernmental:					
Contribution from primary government	83,962,797	392,774	-	-	84,355,571
Commonwealth of Virginia	44,098,984	78,866	498,484	72,433	44,748,767
Federal Government	3,561,832	14,500	-	2,131,908	5,708,240
Total revenues	133,096,258	710,296	504,341	5,169,377	139,480,272
Expenditures					
Current operating:					
Education	129,535,734	3,044,489	1,163,991	5,182,559	138,926,773
Total expenditures	129,535,734	3,044,489	1,163,991	5,182,559	138,926,773
Excess (deficiency) of revenues over (under) expenditures	3,560,524	(2,334,193)	(659,650)	(13,182)	553,499
Other financing sources (uses)					
Transfers in	20,000	2,843,733	267,308	139,969	3,271,010
Transfers (out)	(3,251,010)	(20,000)	-	-	(3,271,010)
Total other financing sources (uses)	(3,231,010)	2,823,733	267,308	139,969	-
Net change in fund balances/(deficits)	329,514	489,540	(392,342)	126,787	553,499
Fund balances - beginning	106,168	2,911,028	898,532	170,380	4,086,108
Fund balances - ending	\$ 435,682	\$ 3,400,568	\$ 506,190	\$ 297,167	\$ 4,639,607

**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, 2017**

Net change in fund balances - discretely presented component unit - School Board	\$	553,499
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 position in the Statement of Activities, but do not appear in the governmental funds		
Prepaid items are recorded as expenditures when purchased in governmental funds, but are recorded as assets and the expense is amortized over the period for which the it relates in the government-wide statements.		5,386
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense, which is not a use of current financial resources.		
Capital outlays	2,226,249	
Depreciation	<u>(8,109,877)</u>	(5,883,628)
Governmental funds report only proceeds from the sale of capital assets. However, in the Statement of Activities, gains or losses resulting from the sale or disposal of capital assets is reported. This amount reflects the gain/(loss) related to the disposal of capital assets.		
		(13,413)
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 compensated absences in the current year.		
Less current year's compensated absences	(4,943,320)	
Add prior year's compensated absences	4,322,600	
Add current year's net pension asset	283,787	
Less prior year's net pension asset	(1,340,303)	
Add current year's deferred outflow related to pensions	8,206,181	
Less prior year's deferred outflow related to pensions	(51,285)	
Less current year's net pension liability	(132,147,499)	
Add prior year's net pension liability	117,860,528	
Less current year's deferred inflow related to pensions	(6,470,000)	
Add prior year's deferred inflow related to pensions	11,846,248	
Less current year's net OPEB obligation	(670,333)	
Add prior year's net OPEB obligation	<u>298,166</u>	(2,805,230)
Governmental funds report current year contributions to the Virginia Retirement System as expenditures. In the Statement of Activities, current year contributions are reported as deferred outflow of resources.		
Add current year contributions to the Virginia Retirement System	9,638,813	
Less prior year contributions to the Virginia Retirement System	<u>(9,522,707)</u>	<u>116,106</u>
Change in net position of governmental activities	\$	<u>(8,027,280)</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 35
Page 1 of 4

Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2017

	School General Fund			
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Charges for services	\$ 433,200	\$ 449,820	\$ 651,878	\$ 202,058
Gifts and donations	11,800	14,333	54,950	40,617
Recovered costs	500	500	-	(500)
Miscellaneous revenue	221,900	987,709	765,817	(221,892)
Intergovernmental:				
Contribution from primary government	84,152,708	85,371,380	83,962,797	(1,408,583)
Commonwealth of Virginia	45,141,065	45,626,062	44,098,984	(1,527,078)
Federal Government	3,720,367	5,605,174	3,561,832	(2,043,342)
Total revenues	133,681,540	138,054,978	133,096,258	(4,958,720)
Expenditures				
Current operating:				
Education:				
Instruction	102,343,492	104,447,496	100,999,822	3,447,674
Administration, attendance, and health	5,453,929	6,201,740	5,941,948	259,792
Public transportation services	8,843,076	9,043,076	8,841,557	201,519
Operation and maintenance services	10,246,536	10,199,617	9,897,722	301,895
Technology	4,454,044	4,982,039	3,854,685	1,127,354
Total education	131,341,077	134,873,968	129,535,734	5,338,234
Total expenditures	131,341,077	134,873,968	129,535,734	5,338,234
Excess (deficiency) of revenues over (under) expenditures	2,340,463	3,181,010	3,560,524	379,514
Other financing sources (uses)				
Transfers in	-	20,000	20,000	-
Transfers (out)	(2,340,463)	(3,201,010)	(3,251,010)	(50,000)
Total other financing sources (uses)	(2,340,463)	(3,181,010)	(3,231,010)	(50,000)
Net change in fund balances	-	-	329,514	329,514
Fund balances - beginning	106,168	106,168	106,168	-
Fund balances - ending	\$ 106,168	\$ 106,168	\$ 435,682	\$ 329,514

COUNTY OF FAUQUIER, VIRGINIA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2017**

**Exhibit 35
Page 2 of 4**

	School Asset Replacement Fund			
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Gifts and donations	\$ -	\$ 51,226	\$ 51,176	\$ (50)
Recovered costs	40,000	75,590	71,323	(4,267)
Miscellaneous revenue	495,500	411,818	101,657	(310,161)
Intergovernmental:				
Contribution from primary government	400,000	400,000	392,774	(7,226)
Commonwealth of Virginia	-	78,866	78,866	-
Federal Government	-	14,500	14,500	-
Total revenues	935,500	1,032,000	710,296	(321,704)
Expenditures				
Current operating:				
Education:				
Instruction	-	627,370	240,691	386,679
Administration, attendance, and health	-	48,426	48,426	-
Public transportation services	970,000	970,000	926,244	43,756
Operation and maintenance services	1,503,155	3,941,895	1,288,272	2,653,623
School food services	-	61,423	23,755	37,668
Technology	-	631,235	348,809	282,426
District-wide	535,500	486,412	168,292	318,120
Total education	3,008,655	6,766,761	3,044,489	3,722,272
Total expenditures	3,008,655	6,766,761	3,044,489	3,722,272
Excess (deficiency) of revenues over (under) expenditures	(2,073,155)	(5,734,761)	(2,334,193)	3,400,568
Other financing sources (uses)				
Transfers in	2,073,155	2,843,733	2,843,733	-
Transfers (out)	-	(20,000)	(20,000)	-
Total other financing sources (uses)	2,073,155	2,823,733	2,823,733	-
Net change in fund balances/(deficits)	-	(2,911,028)	489,540	3,400,568
Fund balances - beginning	2,911,028	2,911,028	2,911,028	-
Fund balances - ending	\$ 2,911,028	\$ -	\$ 3,400,568	\$ 3,400,568

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 35
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Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2017

	School Textbook Fund			
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Miscellaneous revenue	\$ -	\$ -	\$ 5,857	\$ 5,857
Intergovernmental:				
Commonwealth of Virginia	498,425	498,425	498,484	59
Total revenues	498,425	498,425	504,341	5,916
Expenditures				
Current operating:				
Education:				
Instruction	1,092,346	1,664,265	1,163,991	500,274
Total education	1,092,346	1,664,265	1,163,991	500,274
Total expenditures	1,092,346	1,664,265	1,163,991	500,274
Excess (deficiency) of revenues over (under) expenditures	(593,921)	(1,165,840)	(659,650)	506,190
Other financing sources (uses)				
Transfers in	267,308	267,308	267,308	-
Total other financing sources (uses)	267,308	267,308	267,308	-
Net change in fund balances/(deficits)	(326,613)	(898,532)	(392,342)	506,190
Fund balances - beginning	898,532	898,532	898,532	-
Fund balances - ending	\$ 571,919	\$ -	\$ 506,190	\$ 506,190

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 35
Page 4 of 4

Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2017

School Nutrition Fund				
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Revenue from use of money and property	\$ 150	\$ 150	\$ 2,456	\$ 2,306
Charges for services	2,998,933	2,998,933	2,759,512	(239,421)
Miscellaneous revenue	218,000	218,000	203,068	(14,932)
Intergovernmental:				
Commonwealth of Virginia	64,939	64,274	72,433	8,159
Federal Government	2,265,939	2,266,604	2,131,908	(134,696)
Total revenues	5,547,961	5,547,961	5,169,377	(378,584)
Expenditures				
Current operating:				
Education:				
School food services	5,564,940	5,654,909	5,182,559	472,350
Total education	5,564,940	5,654,909	5,182,559	472,350
Total expenditures	5,564,940	5,654,909	5,182,559	472,350
Excess (deficiency) of revenues over (under) expenditures	(16,979)	(106,948)	(13,182)	93,766
Other financing sources (uses)				
Transfers in	-	89,969	139,969	50,000
Total other financing sources (uses)	-	89,969	139,969	50,000
Net change in fund balances/(deficits)	(16,979)	(16,979)	126,787	143,766
Fund balances - beginning	170,380	170,380	170,380	-
Fund balances - ending	\$ 153,401	\$ 153,401	\$ 297,167	\$ 143,766

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 36

**Statement of Fiduciary Net Position
Discretely Presented Component Unit – School Board
June 30, 2017**

	Trust Fund Crockett Scholarship Private-Purpose Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 416,495	\$ 323,547
Cash in custody of others	-	1,809,370
Due from other governmental units	-	58,285
Land	420,000	-
	<u>836,495</u>	<u>2,191,202</u>
Total assets and deferred outflows of resources	<u>836,495</u>	<u>2,191,202</u>
Liabilities		
Accounts payable	-	2,795
Accrued liabilities	-	152,041
Amounts held for clients/others	-	2,036,366
	<u>-</u>	<u>2,191,202</u>
Total liabilities and deferred inflows of resources	<u>-</u>	<u>2,191,202</u>
Net position		
Held in trust for scholarships	<u>836,495</u>	
Total net position	<u>836,495</u>	
Total liabilities, deferred inflows of resources, and net position	<u>\$ 836,495</u>	

COUNTY OF FAUQUIER, VIRGINIA**Exhibit 37****Statement of Changes in Fiduciary Net Position
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2017**

	Crockett Scholarship Private-Purpose Trust Fund
Additions	
Investment income	\$ 327,537
Total additions	327,537
Deductions	
Scholarships awarded	9,000
Administrative fees	2,025
Total deductions	11,025
Change in net position	316,512
Net position - beginning	519,983
Net position - ending	\$ 836,495

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 38

**Combining Statement of Fiduciary Assets and Liabilities
Discretely Presented Component Unit – School Board
Agency Funds
June 30, 2017**

	Agency Funds		
	Mountain Vista Regional Governor's School Fund	School Activity Fund	Total
Assets			
Cash and cash equivalents	\$ 323,547	\$ -	\$ 323,547
Cash in custody of others	-	1,809,370	1,809,370
Due from other governmental units	58,285	-	58,285
Total assets	<u>381,832</u>	<u>1,809,370</u>	<u>2,191,202</u>
Liabilities			
Accounts payable	2,795	-	2,795
Accrued liabilities	152,041	-	152,041
Amounts held for clients/others	226,996	1,809,370	2,036,366
Total liabilities	<u>\$ 381,832</u>	<u>\$ 1,809,370</u>	<u>\$ 2,191,202</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 39

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Discretely Presented Component Unit – School Board
Agency Funds
Fiscal Year Ended June 30, 2017**

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Mountain Vista Regional Governor's School Fund				
Assets:				
Cash and cash equivalents	\$ 290,078	\$ 1,589,479	\$ 1,556,010	\$ 323,547
Due from other governmental units	<u>68,579</u>	<u>58,285</u>	<u>68,579</u>	<u>58,285</u>
Total assets	<u>358,657</u>	<u>1,647,764</u>	<u>1,624,589</u>	<u>381,832</u>
Liabilities:				
Accounts payable	72,309	2,795	72,309	2,795
Accrued liabilities	121,445	152,041	121,445	152,041
Amounts held for clients/others	<u>164,903</u>	<u>1,492,928</u>	<u>1,430,835</u>	<u>226,996</u>
Total liabilities	<u>\$ 358,657</u>	<u>\$ 1,647,764</u>	<u>\$ 1,624,589</u>	<u>\$ 381,832</u>
School Activity Fund				
Assets:				
Cash in custody of others	<u>\$ 1,733,726</u>	<u>\$ 4,445,310</u>	<u>\$ 4,369,666</u>	<u>\$ 1,809,370</u>
Liabilities:				
Amounts held for clients/others	<u>\$ 1,733,726</u>	<u>\$ 4,445,310</u>	<u>\$ 4,369,666</u>	<u>\$ 1,809,370</u>
Total - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 290,078	\$ 1,589,479	\$ 1,556,010	\$ 323,547
Cash in custody of others	1,733,726	4,445,310	4,369,666	1,809,370
Due from other governmental units	<u>68,579</u>	<u>58,285</u>	<u>68,579</u>	<u>58,285</u>
Total assets	<u>2,092,383</u>	<u>6,093,074</u>	<u>5,994,255</u>	<u>2,191,202</u>
Liabilities:				
Accounts payable	72,309	2,795	72,309	2,795
Accrued liabilities	121,445	152,041	121,445	152,041
Amounts held for clients/others	<u>1,898,629</u>	<u>5,938,238</u>	<u>5,800,501</u>	<u>2,036,366</u>
Total liabilities	<u>\$ 2,092,383</u>	<u>\$ 6,093,074</u>	<u>\$ 5,994,255</u>	<u>\$ 2,191,202</u>



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 express 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 Position by Component
Table 2	Changes in Net Position
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	County Policy Debt Margin

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 12	Demographic and Economic Statistics
Table 13	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 14	County Government Employees by Function
Table 15	Operating Indicators by Function
Table 16	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.

Table 1

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

Page 1 of 2

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental Activities:					
Net investment in capital assets	\$ 68,340,059	\$ 69,414,611	\$ 69,217,950	\$ 68,772,203	\$ 68,510,734
Restricted	1,736,551	1,841,662	1,917,704	3,553,440	4,206,094
Unrestricted (deficit)	(69,008,410)	(69,990,998)	(66,693,564)	(63,253,517)	(67,970,939)
Subtotal governmental activities net position	1,068,200	1,265,275	4,442,090	9,072,126	4,745,889
Business-type Activities:					
Net investment in capital assets	29,397,086	28,111,135	27,154,708	25,321,853	23,396,142
Restricted	-	-	-	-	-
Unrestricted (deficit)	(8,242,666)	(9,514,739)	(10,188,958)	(10,171,508)	(10,935,912)
Subtotal business-type activities net position	21,154,420	18,596,396	16,965,750	15,150,345	12,460,230
Primary Government:					
Net investment in capital assets	97,737,145	97,525,746	96,372,658	94,094,056	91,906,876
Restricted	1,736,551	1,841,662	1,917,704	3,553,440	4,206,094
Unrestricted (deficit)	(77,251,076)	(79,505,737)	(76,882,522)	(73,425,025)	(78,906,851)
Total Primary Government net position	22,222,620	19,861,671	21,407,840	24,222,471	17,206,119
Component Unit - School Board: (1)					
Net investment in capital assets	179,639,884	182,911,496	179,224,107	175,414,006	181,939,238
Restricted	-	-	-	5,000	5,000
Unrestricted (deficit)	(3,537,827)	(3,628,205)	(3,590,789)	(1,803,528)	(2,041,741)
Total Component Unit - School Board net position	176,102,057	179,283,291	175,633,318	173,615,478	179,902,497
Total Reporting Entity: (2)					
Net investment in capital assets	167,486,251	168,903,411	169,972,941	171,163,512	170,880,285
Restricted	1,736,551	1,841,662	1,917,704	3,558,440	4,211,094
Unrestricted	29,101,875	28,399,889	25,150,513	23,115,997	22,017,237
Total Reporting Entity net position (3)	\$ 198,324,677	\$ 199,144,962	\$ 197,041,158	\$ 197,837,949	\$ 197,108,616

(1) Component Unit - School Board net position components are included in this table due to the School Board being a significant portion of the County.

In Virginia, School Boards do not have borrowing or taxing authority; therefore, the County issues debt on behalf of the School Board to finance school facilities projects.

(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 position row reducing unrestricted net position. The assets are reflected in the Component Unit - School Board row as net investment in capital assets. The total reporting entity row matches the asset with the debt and reports the net amount on the net investment in capital assets line.

(3) Total reporting entity net position reflects the implementation of GASB Statement No. 65 for FY2009 - FY2013 and the implementation of GASB Statement No. 68 for FY2014 - FY2017.

Fiscal Year					
2013	2014	2015	2016	2017	
\$ 67,043,310	\$ 67,186,543	\$ 66,912,078	\$ 66,424,250	\$ 67,897,791	Governmental Activities:
2,405,814	6,078,884	5,964,927	7,776,690	9,591,829	Net investment in capital assets
(75,750,205)	(79,527,398)	(67,694,758)	(51,817,116)	(39,632,565)	Restricted
					Unrestricted (deficit)
(6,301,081)	(6,261,971)	5,182,247	22,383,824	37,857,055	Subtotal governmental activities net position
					Business-type Activities:
21,784,510	20,424,303	19,381,379	19,399,111	21,932,278	Net investment in capital assets
2,584,793	1,855,575	-	-	-	Restricted
(15,182,972)	(15,102,238)	(14,944,300)	(18,421,156)	(21,226,503)	Unrestricted (deficit)
9,186,331	7,177,640	4,437,079	977,955	705,775	Subtotal business-type activities net position
					Primary Government:
88,827,820	87,610,846	86,293,457	85,823,361	89,830,069	Net investment in capital assets
4,990,607	7,934,459	5,964,927	7,776,690	9,591,829	Restricted
(90,933,177)	(94,629,636)	(82,639,058)	(70,238,272)	(60,859,068)	Unrestricted (deficit)
2,885,250	915,669	9,619,326	23,361,779	38,562,830	Total Primary Government net position
					Component Unit - School Board: (1)
193,459,026	192,761,193	188,842,434	183,364,033	177,466,992	Net investment in capital assets
5,000	5,000	500	73,567	267,564	Restricted
(1,156,996)	(124,379,628)	(122,774,417)	(119,400,706)	(121,724,942)	Unrestricted (deficit)
192,307,030	68,386,565	66,068,517	64,036,894	56,009,614	Total Component Unit - School Board net position
					Total Reporting Entity: (2)
174,520,072	180,852,943	183,877,351	184,755,961	190,252,913	Net investment in capital assets
4,995,607	7,939,459	5,969,927	7,850,257	9,859,393	Restricted
15,676,601	(119,490,168)	(114,154,935)	(105,227,545)	(105,539,862)	Unrestricted
\$ 195,192,280	\$ 69,302,234	\$ 75,692,343	\$ 87,378,673	\$ 94,572,444	Total Reporting Entity net position (3)

Table 2

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

Page 1 of 4

	Fiscal Year				
	2008	2009	2010	2011	2012
Primary Government:					
Expenses					
Governmental activities:					
General government administration	\$ 10,896,521	\$ 10,878,525	\$ 10,354,069	\$ 10,086,678	\$ 11,751,449
Judicial administration	3,348,758	3,383,922	3,278,333	3,116,374	2,866,625
Public safety	33,382,090	24,167,850	25,479,386	31,188,024	26,328,003
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	81,066,767	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
Interest on long-term debt	5,397,929	5,932,856	5,313,430	5,014,483	4,696,550
Total governmental activities expenses	214,329,101	167,017,958	161,049,933	160,594,238	167,358,251
Business-type activities:					
Airport	1,849,679	1,848,791	2,083,529	1,896,775	2,275,363
Landfill and recycling	7,102,357	6,574,806	5,185,773	4,867,277	5,337,583
Total business-type activities expenses	8,952,036	8,423,597	7,269,302	6,764,052	7,612,946
Total primary government expenses	223,281,137	175,441,555	168,319,235	167,358,290	174,971,197
Program Revenues					
Governmental activities:					
Charges for services:					
General government administration	43,048	42,618	46,548	41,633	60,664
Judicial administration	733,265	946,883	636,265	643,119	609,319
Public safety	704,232	1,774,418	1,198,178	1,155,945	1,786,469
Parks, recreation, and cultural	548,467	502,195	460,562	466,979	549,697
Community development	1,675,560	1,185,958	932,809	858,848	845,823
Other activities	24,722	5,583	38,393	-	-
Operating grants and contributions	12,678,895	13,892,991	16,108,365	13,447,591	13,033,159
Capital grants and contributions	810,000	222,000	668,544	216,072	9,594
Total governmental activities program revenues	17,218,189	18,572,646	20,089,664	16,830,187	16,894,725
Business type activities:					
Charges for services:					
Airport	673,390	674,871	666,582	722,674	763,085
Landfill and recycling	6,612,997	5,111,345	4,660,868	4,183,540	4,101,680
Operating grants and contributions	17,739	50,460	246,768	58,145	37,052
Capital grants and contributions	34,462	61,585	25,388	210,410	41,572
Total business-type activities program revenues	7,338,588	5,898,261	5,599,606	5,174,769	4,943,389
Total primary government program revenues	24,556,777	24,470,907	25,689,270	22,004,956	21,838,114
Net (expense) revenue (1)					
Governmental activities	(197,110,912)	(148,445,312)	(140,960,269)	(143,764,051)	(150,463,526)
Business-type activities	(1,613,448)	(2,525,336)	(1,669,696)	(1,589,283)	(2,669,557)
Total primary government net (expense) revenue	\$ (198,724,360)	\$ (150,970,648)	\$ (142,629,965)	\$ (145,353,334)	\$ (153,133,083)

(1) 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.

(2) Total Primary Government change in net position reflects the implementation of GASB Statement No. 65 for FY2009 - FY2013 and the implementation of GASB Statement No. 68 for FY2014 - FY2017.

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

Fiscal Year						
2013	2014	2015	2016	2017		
						Primary Government:
						Expenses
						Governmental activities:
\$ 12,180,275	\$ 11,821,952	\$ 12,413,433	\$ 13,319,869	\$ 14,181,564		General government administration
3,841,643	3,455,862	3,821,911	3,952,902	3,705,849		Judicial administration
28,929,500	28,306,613	30,694,266	31,471,801	32,779,545		Public safety
10,222,875	8,118,419	8,270,407	10,220,949	9,683,693		Public works
9,739,043	10,908,372	12,452,676	12,675,215	11,609,182		Health and welfare
93,650,633	80,837,759	81,999,731	82,056,536	83,246,562		Education
6,601,379	6,342,901	6,302,270	6,870,409	7,014,440		Parks, recreation, and cultural
5,998,815	5,836,086	5,947,344	5,811,825	14,187,622		Community development
4,657,567	4,271,495	2,741,174	3,671,366	3,081,185		Interest on long-term debt
175,821,730	159,899,459	164,643,212	170,050,872	179,489,642		Total governmental activities expenses
						Business-type activities:
2,450,840	1,979,636	2,023,113	1,393,026	991,550		Airport
6,138,446	6,170,182	5,990,480	6,930,685	6,860,012		Landfill and recycling
8,589,286	8,149,818	8,013,593	8,323,711	7,851,562		Total business-type activities expenses
184,411,016	168,049,277	172,656,805	178,374,583	187,341,204		Total primary government expenses
						Program Revenues
						Governmental activities:
						Charges for services:
508,129	87,779	84,459	133,838	107,015		General government administration
788,467	703,704	649,606	629,947	590,279		Judicial administration
1,650,787	1,366,598	1,251,234	1,664,088	1,750,616		Public safety
551,243	547,585	598,233	620,519	603,674		Parks, recreation, and cultural
1,042,011	1,341,645	1,459,245	1,481,973	1,474,724		Community development
-	-	-	-	-		Other activities
13,199,292	13,969,611	13,831,352	15,246,647	20,425,296		Operating grants and contributions
672	3,783,195	185,290	2,546,055	50,605		Capital grants and contributions
17,740,601	21,800,117	18,059,419	22,323,067	25,002,209		Total governmental activities program revenues
						Business type activities:
						Charges for services:
737,208	752,750	685,894	639,442	734,301		Airport
4,056,293	4,191,457	3,614,670	3,357,317	3,667,478		Landfill and recycling
482,326	91,673	136,594	53,611	337,563		Operating grants and contributions
-	-	-	1,298,432	1,671,627		Capital grants and contributions
5,275,827	5,035,880	4,437,158	5,348,802	6,410,969		Total business-type activities program revenues
23,016,428	26,835,997	22,496,577	27,671,869	31,413,178		Total primary government program revenues
						Net (expense) revenue (1)
(158,081,129)	(138,099,342)	(146,583,793)	(147,727,805)	(154,487,433)		Governmental activities
(3,313,459)	(3,113,938)	(3,576,435)	(2,974,909)	(1,440,593)		Business-type activities
\$ (161,394,588)	\$ (141,213,280)	\$ (150,160,228)	\$ (150,702,714)	\$ (155,928,026)		Total primary government net (expense) revenue

Table 2

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

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	Fiscal Year				
	2008	2009	2010	2011	2012
Primary Government: (continued)					
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
General property taxes	\$ 109,470,150	\$ 117,835,182	\$ 114,586,709	\$ 111,630,849	\$ 114,342,089
Local sales and use taxes	7,032,385	6,240,448	5,887,347	6,298,377	6,637,371
Consumers' utility taxes	4,985,109	4,561,422	1,513,680	1,617,137	1,557,435
Business and professional taxes	1,847,520	1,463,055	1,460,805	1,433,739	1,185,466
Motor vehicle taxes	1,727,843	1,737,173	1,738,233	1,772,081	1,773,850
Taxes on recordation and wills	1,585,129	1,242,537	1,152,451	1,146,468	1,319,617
Other local taxes	224,995	181,577	202,935	177,595	211,306
Investment income	3,893,181	1,318,260	561,508	526,240	440,373
Miscellaneous	457,724	169,889	177,939	1,062,845	2,077,845
Grants and contributions not restricted to specific programs	14,260,569	13,852,748	16,893,482	16,765,178	16,665,118
Transfers	(463,024)	40,096	(38,005)	228,382	(73,181)
Total governmental activities general revenues and other changes in net position	145,021,581	148,642,387	144,137,084	142,658,891	146,137,289
Business-type activities:					
Investment income (loss)	39,069	7,408	1,045	2,260	(94,239)
Miscellaneous	185,123	-	-	-	500
Transfers	463,024	(40,096)	38,005	(228,382)	73,181
Total business-type activities general revenues and other changes in net position	687,216	(32,688)	39,050	(226,122)	(20,558)
Total primary government general revenues and other changes in net position	145,708,797	148,609,699	144,176,134	142,432,769	146,116,731
Change in Net Position (2)					
Governmental activities	(52,089,331)	197,075	3,176,815	(1,105,160)	(4,326,237)
Business-type activities	(926,232)	(2,558,024)	(1,630,646)	(1,815,405)	(2,690,115)
Total Primary Government change in net position	(53,015,563)	(2,360,949)	1,546,169	(2,920,565)	(7,016,352)
Component Unit - School Board: (3)					
Expenses					
Education	126,043,880	133,307,450	131,500,463	130,736,865	129,377,130
Program Revenues					
Charges for services	3,465,276	3,331,139	3,155,966	3,256,125	3,649,906
Operating grants and contributions	4,134,985	11,989,341	13,036,391	15,684,062	13,609,856
Capital grants and contributions	-	122,965	-	-	-
Total component unit - School Board program revenues	7,600,261	15,443,445	16,192,357	18,940,187	17,259,762
Net (expense) revenue (1)	(118,443,619)	(117,864,005)	(115,308,106)	(111,796,678)	(112,117,368)
General Revenues and Other Changes in Net Position					
Contribution from primary government	129,514,166	90,120,368	81,953,666	78,601,103	87,973,557
Investment income	1,416	1,193	1,321	499	160
Miscellaneous	364,411	471,525	445,596	328,778	225,962
Grants and contributions not restricted to specific programs	38,657,682	30,452,153	29,257,550	30,848,458	30,204,708
Total component unit - School Board general revenues and other changes in net position	168,537,675	121,045,239	111,658,133	109,778,838	118,404,387
Total Component Unit - School Board change in net position	\$ 50,094,056	\$ 3,181,234	\$ (3,649,973)	\$ (2,017,840)	\$ 6,287,019

- (1) 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.
- (2) Total Primary Government change in net position reflects the implementation of GASB Statement No. 65 for FY2009 - FY2013 and the implementation of GASB Statement No. 68 for FY2014 - FY2017.
- (3) Component unit - School Board change in net position is included in this table due to the School Board being a significant portion of the County.

Fiscal Year					
2013	2014	2015	2016	2017	
					Primary Government: (continued)
					General Revenues and Other Changes in Net Position
					Governmental activities:
					Taxes:
\$ 115,379,407	\$ 120,882,416	\$ 125,741	\$ 130,409,532	\$ 136,643,418	General property taxes
7,151,477	7,558,981	8,024,703	8,305,286	9,241,227	Local sales and use taxes
1,576,645	1,650,054	1,658,205	1,631,861	1,608,950	Consumers' utility taxes
1,381,176	1,436,850	1,353,040	1,444,902	1,632,643	Business and professional taxes
1,786,005	1,826,612	1,870,836	1,911,876	1,957,392	Motor vehicle taxes
1,576,702	1,656,673	1,514,756	1,720,164	1,731,125	Taxes on recordation and wills
210,656	198,096	259,151	235,719	260,204	Other local taxes
312,455	348,189	301,739	408,673	600,847	Investment income
882,876	977,300	389,682	481,040	156,345	Miscellaneous
16,819,694	17,555,313	17,705,302	17,867,956	17,284,375	Grants and contributions not restricted to specific programs
(42,934)	(1,459,775)	(790,828)	512,373	(1,155,862)	Transfers
147,034,159	152,630,709	32,412,327	164,929,382	169,960,664	Total governmental activities general revenues and other changes in net position
7,710	50,683	1,057	3,524	9,247	Business-type activities:
(11,084)	-	43,989	24,634	3,304	Investment income (loss)
42,934	1,459,775	790,828	(512,373)	1,155,862	Miscellaneous
39,560	1,510,458	835,874	(484,215)	1,168,413	Transfers
147,073,719	154,141,167	33,248,201	164,445,167	171,129,077	Total business-type activities general revenues and other changes in net position
(11,046,970)	14,531,367	(114,171,466)	17,201,577	15,473,231	Total primary government general revenues and other changes in net position
(3,273,899)	(1,603,480)	(2,740,561)	(3,459,124)	(272,180)	Change in Net Position (2)
(14,320,869)	12,927,887	(116,912,027)	13,742,453	15,201,051	Governmental activities
134,714,730	127,821,631	139,471,754	139,806,883	147,436,229	Business-type activities
3,308,029	3,204,445	3,402,127	3,277,727	3,411,390	Total Primary Government change in net position
16,425,197	16,929,078	15,910,673	17,904,582	16,699,061	Component Unit - School Board: (3)
-	-	-	-	-	Expenses
19,733,226	20,133,523	19,312,800	21,182,309	20,110,451	Education
(114,981,504)	(107,688,108)	(120,158,954)	(118,624,574)	(127,325,778)	Program Revenues
92,996,302	81,889,891	83,276,115	82,152,277	84,355,571	Charges for services
96	94	65	809	2,456	Operating grants and contributions
341,789	321,631	272,457	159,900	1,076,399	Capital grants and contributions
34,047,850	33,940,698	34,296,769	34,275,494	33,864,072	Total component unit - School Board program revenues
127,386,037	116,152,314	117,845,406	116,588,480	119,298,498	Net (expense) revenue (1)
\$ 12,404,533	\$ 8,464,206	\$ (2,313,548)	\$ (2,036,094)	\$ (8,027,280)	General Revenues and Other Changes in Net Position
					Contribution from primary government
					Investment income
					Miscellaneous
					Grants and contributions not restricted to specific programs
					Total component unit - School Board general revenues and other changes in net position
					Total Component Unit - School Board change in net position



COUNTY OF FAUQUIER, VIRGINIA

Table 3

Fund Balances - Governmental Funds
Last Seven Fiscal Years (1)
(modified accrual basis of accounting)

	Fiscal Year						
	2011	2012	2013	2014	2015	2016 (4)	2017
General Fund:							
Nonspendable	\$ 241,578	\$ 385,013	\$ 350,816	\$ 492,533	\$ 426,775	\$ 50,162	\$ -
Restricted	129,861	165,050	212,918	205,588	210,291	337,264	314,269
Committed	1,194,682	1,234,803	1,459,328	1,458,931	1,119,654	2,201,888	1,697,470
Assigned	5,778,089	5,396,734	5,661,633	4,290,578	3,383,573	4,555,618	8,486,368
Unassigned	17,059,512	16,003,100	16,506,543	16,622,908	17,031,448	19,150,449	19,801,927
Total General Fund	<u>24,403,722</u>	<u>23,184,700</u>	<u>24,191,238</u>	<u>23,070,538</u>	<u>22,171,741</u>	<u>26,295,381</u>	<u>30,300,034</u>
Other Governmental Funds:							
Nonspendable							
Capital Projects Fund	761,553	704,790	642,522	580,254	512,481	-	-
Debt Service Fund	-	2,420,625	2,370,625	-	-	-	185,988
Fire and Rescue Fund (3)	-	-	-	-	168,138	-	-
Nonmajor governmental funds	95,244	150,606	187,775	201,934	-	-	-
Restricted							
Asset Replacement Fund (2)	1,566,000	-	-	-	-	-	-
Capital Projects Fund	166,830	15,753,189	4,503,238	4,214,963	3,835,930	4,529,804	5,492,607
Nonmajor governmental funds	1,690,748	2,164,559	1,477,487	1,658,333	2,098,674	3,080,914	3,977,274
Committed							
Asset Replacement Fund (2)	537,079	-	-	-	-	-	-
Capital Projects Fund	9,942,526	7,716,438	4,736,630	5,248,626	4,791,049	5,659,230	5,189,597
Debt Service Fund	445,920	-	-	-	-	-	-
Fire and Rescue Fund (3)	-	-	-	-	4,650,941	5,549,950	5,920,085
Nonmajor governmental funds	4,071,351	4,022,105	4,821,958	5,434,684	795,049	855,493	1,063,675
Assigned							
Asset Replacement Fund (2)	740,792	-	-	-	-	-	-
Capital Projects Fund	1,773,511	-	-	-	-	-	-
Debt Service Fund	-	-	-	565,240	886,092	407,118	22,914
Nonmajor governmental funds	-	339,762	1,372,457	1,328,924	994,558	1,320,288	2,681,933
Unassigned							
Debt Service Fund	-	(1,760,874)	(2,150,688)	-	-	-	-
Nonmajor governmental funds	-	-	-	-	-	(3,162)	-
Total Other Governmental Funds	<u>21,791,554</u>	<u>31,511,200</u>	<u>17,962,004</u>	<u>19,232,958</u>	<u>18,732,912</u>	<u>21,399,635</u>	<u>24,534,073</u>
Total Governmental Funds	<u>\$ 46,195,276</u>	<u>\$ 54,695,900</u>	<u>\$ 42,153,242</u>	<u>\$ 42,303,496</u>	<u>\$ 40,904,653</u>	<u>\$ 47,695,016</u>	<u>\$ 54,834,107</u>

- (1) The County implemented GASB 54, the new standard for fund balance reporting, in FY2011. 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 FY2012, the Asset Replacement Fund is classified as a Nonmajor Governmental Fund.
- (3) As of FY2015, the Fire and Rescue Fund is classified as a Major Governmental Fund.
- (4) In FY2017 the County elected to change from the consumption method to the purchase method for accounting for inventory and prepaid items in governmental funds. FY2016 fund balance has been restated to reflect this change.

Table 4

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

Page 1 of 4

	Fiscal Year				
	2008	2009	2010	2011	2012
Revenues					
General property and other local taxes	\$ 125,634,196	\$ 132,573,715	\$ 126,626,266	\$ 124,880,233	\$ 126,471,138
Permits, privilege fees, and regulatory licenses	1,575,699	1,213,148	964,288	889,367	900,061
Fines and forfeitures	403,870	483,483	515,286	470,323	447,742
Revenue from use of money and property	3,643,296	1,272,923	559,890	507,677	421,223
Charges for services	1,749,725	2,475,872	2,036,829	1,993,776	2,230,281
Gifts and donations	140,246	2,441	1,187,725	177,298	210,633
Recovered costs	270,601	517,063	216,991	263,985	441,593
Miscellaneous	457,724	169,889	177,939	1,062,845	2,077,845
Intergovernmental:					
Commonwealth of Virginia	23,687,021	23,577,653	26,929,574	26,577,419	25,934,368
Federal Government	2,647,758	4,165,645	5,553,092	3,674,124	3,562,870
Total revenues	160,210,136	166,451,832	164,767,880	160,497,047	162,697,754
Expenditures					
Current operating:					
General government administration	10,654,666	10,747,190	10,243,734	10,546,705	11,329,498
Judicial	3,065,299	2,966,916	3,048,533	2,974,541	3,129,590
Public safety	23,453,213	24,314,107	24,416,472	23,556,090	23,087,303
Public works	8,319,953	6,729,594	7,951,825	7,202,063	8,283,553
Health and welfare	9,880,305	9,942,056	10,302,171	9,889,115	9,937,121
Education	129,784,456	90,092,039	81,245,018	78,883,664	88,033,156
Parks, recreation, and cultural	7,269,368	6,868,414	5,570,383	5,806,542	5,409,843
Community development	8,186,119	8,553,281	11,366,594	7,652,116	5,988,110
Nondepartmental	391,617	816,428	594,483	649,715	681,335
Capital outlay	-	-	-	877,303	3,637,103
Debt service:					
Principal retirement (1)	6,900,170	8,739,019	8,820,698	8,730,851	8,760,894
Interest & fiscal charges (1)	5,149,438	6,386,481	6,069,818	5,986,485	5,735,211
Bond issuance costs (2)	-	-	169,949	143,778	299,881
Total expenditures	213,054,604	176,155,525	169,799,678	162,898,968	174,312,598
Excess (deficiency) of revenues over (under) expenditures	(52,844,468)	(9,703,693)	(5,031,798)	(2,401,921)	(11,614,844)
Other financing sources (uses)					
Transfers in	7,738,049	3,583,913	1,362,514	18,634,518	18,825,348
Transfers (out)	(7,772,511)	(3,588,665)	(1,408,590)	(18,648,531)	(20,288,417)
Issuance of debt (1)	34,075,000	-	6,153,000	1,566,000	19,880,000
Issuance of refunding bonds	-	2,115,000	3,565,000	5,430,000	13,260,000
Premium on refunding debt	-	-	-	-	-
Payments to refunded bond escrow agent	-	(2,285,637)	(3,820,154)	(5,962,000)	(15,124,411)
Premiums on issuance of debt	1,832,846	205,787	335,122	657,736	3,563,048
Total other financing sources (uses)	35,873,384	30,398	6,186,892	1,677,723	20,115,568
Net change in fund balances	\$ (16,971,084)	\$ (9,673,295)	\$ 1,155,094	\$ (724,198)	\$ 8,500,724

(1) In Virginia, School Boards do not have borrowing or taxing authority, therefore the County issues debt on behalf of the School Board to finance school facilities projects. Because of this, 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 FY2008 through FY2013 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						
2013	2014	2015	2016	2017		
\$						Revenues
130,570,935	\$ 135,160,010	\$ 140,265,298	\$ 145,958,511	\$ 153,130,626		General property and other local taxes
1,541,522	1,418,324	1,532,066	1,569,769	1,561,027		Permits, privilege fees, and regulatory licenses
548,076	499,746	465,431	431,902	458,810		Fines and forfeitures
289,678	335,394	284,998	367,166	525,021		Revenue from use of money and property
2,468,314	2,295,264	2,394,233	2,466,019	2,559,972		Charges for services
167,862	221,411	515,976	1,031,810	917,095		Gifts and donations
434,215	427,366	568,798	389,486	424,520		Recovered costs
882,876	4,068,300	389,682	2,407,938	799,404		Miscellaneous
						Intergovernmental:
26,922,538	28,049,395	27,752,268	28,376,246	30,173,577		Commonwealth of Virginia
2,929,258	3,946,313	3,242,138	3,867,596	6,250,432		Federal Government
<u>166,755,274</u>	<u>176,421,523</u>	<u>177,410,888</u>	<u>186,866,443</u>	<u>196,800,484</u>		
						Expenditures
						Current operating:
11,678,971	12,457,887	12,190,628	12,802,295	13,736,444		General government administration
3,541,030	3,642,931	3,749,075	3,890,324	3,874,425		Judicial
26,542,674	28,645,320	29,595,738	31,383,502	31,271,719		Public safety
9,706,397	7,915,339	8,006,917	9,998,893	8,184,775		Public works
9,586,398	11,328,226	12,594,333	12,817,543	11,667,455		Health and welfare
93,017,474	82,208,303	83,339,470	82,217,289	84,418,916		Education
5,500,954	5,776,405	6,057,766	6,179,184	6,281,542		Parks, recreation, and cultural
5,729,630	6,142,311	6,292,928	6,163,981	14,263,203		Community development
753,584	754,421	738,963	390,751	754,859		Nondepartmental
1,464,968	1,924,000	3,472,214	1,903,204	5,418,998		Capital outlay
						Debt service:
8,826,681	9,007,000	8,767,748	9,053,340	9,612,158		Principal retirement (1)
5,136,165	5,000,529	4,563,842	4,165,161	3,803,431		Interest & fiscal charges (1)
34,284	-	111,700	-	169,620		Bond issuance costs (2)
<u>181,519,210</u>	<u>174,802,672</u>	<u>179,481,322</u>	<u>180,965,467</u>	<u>193,457,545</u>		Total expenditures
<u>(14,763,936)</u>	<u>1,618,851</u>	<u>(2,070,434)</u>	<u>5,900,976</u>	<u>3,342,939</u>		Excess (deficiency) of revenues over (under) expenditures
						Other financing sources (uses)
16,942,106	19,714,744	20,805,913	20,111,099	21,000,709		Transfers in
(18,479,808)	(21,183,341)	(21,596,741)	(19,613,370)	(22,164,368)		Transfers (out)
3,305,000	-	1,386,719	391,658	4,878,380		Issuance of debt (1)
-	-	9,101,000	-	2,775,000		Issuance of refunding bonds
-	-	-	-	704,772		Premium on refunding debt
-	-	(9,025,300)	-	(3,398,341)		Payments to refunded bond escrow agent
453,980	-	-	-	-		Premiums on issuance of debt
<u>2,221,278</u>	<u>(1,468,597)</u>	<u>671,591</u>	<u>889,387</u>	<u>3,796,152</u>		Total other financing sources (uses)
\$ <u>(12,542,658)</u>	\$ <u>150,254</u>	\$ <u>(1,398,843)</u>	\$ <u>6,790,363</u>	\$ <u>7,139,091</u>		Net change in fund balances

Table 4

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

Page 3 of 4

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt Service as a Percentage of Noncapital Expenditures: (1)					
Primary Government:					
Total debt service	\$ 12,049,608	\$ 15,125,500	\$ 14,890,516	\$ 14,717,336	\$ 14,496,105
Total expenditures	213,054,604	176,155,525	169,799,678	162,898,968	174,312,598
Capital outlay primary government only (3)	4,665,840	3,473,135	2,462,775	4,289,680	4,215,022
Non-capital expenditures	208,388,764	172,682,390	167,336,903	158,609,288	170,097,576
Debt service as a percentage of noncapital expenditures: Primary Government only	5.78%	8.76%	8.90%	9.28%	8.52%
Component Unit - School Board:					
Schools expenditures excluding County contribution	47,144,282	46,216,452	46,412,036	48,447,441	47,846,703
Capital outlay Component Unit - School Board only (3)	2,327,141	1,594,750	1,241,997	2,045,997	1,122,708
Non-capital expenditures	44,817,141	44,621,702	45,170,039	46,401,444	46,723,995
Total Reporting Entity:					
Total debt service	12,049,608	15,125,500	14,890,516	14,717,336	14,496,105
Total non-capital expenditures	\$ 253,205,905	\$ 217,304,092	\$ 212,506,942	\$ 205,010,732	\$ 216,821,571
Debt service as a percentage of noncapital expenditures: Total Reporting Entity	4.76%	6.96%	7.01%	7.18%	6.69%

(1) In Virginia, School Boards do not have borrowing or taxing authority, therefore the County issues debt on behalf of the School Board to finance school facilities projects. Because of this, 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 FY2008 through FY2013 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					
2013	2014	2015	2016	2017	
					Debt Service as a Percentage of Noncapital Expenditures: (1)
					Primary Government:
\$ <u>13,962,846</u>	\$ <u>14,007,529</u>	\$ <u>13,331,590</u>	\$ <u>13,218,501</u>	\$ <u>13,415,589</u>	Total debt service
181,519,210	174,802,672	179,481,322	180,965,467	193,457,545	Total expenditures
<u>1,162,088</u>	<u>3,146,923</u>	<u>3,672,064</u>	<u>1,846,546</u>	<u>4,606,649</u>	Capital outlay primary government only (3)
<u>180,357,122</u>	<u>171,655,749</u>	<u>175,809,258</u>	<u>179,118,921</u>	<u>188,850,896</u>	Non-capital expenditures
7.74%	8.16%	7.58%	7.38%	7.10%	Debt service as a percentage of noncapital expenditures: Primary Government only
					Component Unit - School Board:
53,594,864	54,160,921	53,805,742	55,915,274	54,571,202	Schools expenditures excluding County contribution
<u>1,524,264</u>	<u>2,549,290</u>	<u>2,658,590</u>	<u>2,784,141</u>	<u>(8,109,877)</u>	Capital outlay Component Unit - School Board only (3)
<u>52,070,600</u>	<u>51,611,631</u>	<u>51,147,152</u>	<u>53,131,133</u>	<u>62,681,079</u>	Non-capital expenditures
					Total Reporting Entity:
<u>13,962,846</u>	<u>14,007,529</u>	<u>13,331,590</u>	<u>13,218,501</u>	<u>13,415,589</u>	Total debt service
\$ <u>232,427,722</u>	\$ <u>223,267,380</u>	\$ <u>226,956,410</u>	\$ <u>232,250,054</u>	\$ <u>251,531,975</u>	Total non-capital expenditures
6.01%	6.27%	5.87%	5.69%	5.33%	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	Real Property					Add:	
	Residential Property	Commercial Property	Agricultural Property	Public Service SCC Assessed	Total Taxable Real Property Assessed Value	Tax-Exempt Real Property	Total Value
2008	\$ 9,049,864,500	\$ 1,058,920,900	\$ 2,090,635,900	\$ 608,233,836	\$ 12,807,655,136	\$ 940,499,500	\$ 13,748,154,636
2009	9,128,162,400	1,071,298,800	2,100,370,400	619,755,825	12,919,587,425	967,101,100	13,886,688,525
2010	6,780,771,400	1,073,501,400	1,706,814,000	625,145,966	10,186,232,766	989,212,900	11,175,445,666
2011	6,830,579,900	1,063,923,500	1,703,632,900	650,565,523	10,248,701,823	1,006,092,700	11,254,794,523
2012	6,889,390,800	1,067,953,300	1,716,811,900	692,329,668	10,366,485,668	1,004,592,600	11,371,078,268
2013	6,951,154,200	1,081,100,700	1,711,068,100	692,329,732	10,435,652,732	1,006,955,100	11,442,607,832
2014	7,266,298,800	1,133,663,200	1,690,497,600	661,631,726	10,752,091,326	928,023,400	11,680,114,726
2015	7,349,773,300	1,144,905,900	1,701,191,600	650,126,899	10,845,997,699	915,822,500	11,761,820,199
2016	7,445,077,000	1,163,896,000	1,718,320,400	654,744,149	10,982,037,549	919,663,200	11,901,700,749
2017	7,538,017,200	1,176,883,900	1,720,140,700	657,629,104	11,092,670,904	912,299,000	12,004,969,904

Table 5-B

Tax Relief for the Elderly
Last Ten Calendar Years

Taxable Year	Tax Relief for the Elderly
2008	\$ 267,875,000
2009	305,180,200
2010	222,494,500
2011	237,816,800
2012	242,812,300
2013	238,370,300
2014	245,089,100
2015	245,484,600
2016	252,923,550
2017	265,523,200

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 total direct tax rate is calculated using the weighted average method.

Personal Property			Total Real and Personal Property Assessed Value	Total Direct Tax Rate (2)	Taxable Year
General Property	Segregated Properties	Total Personal Property Assessed Value			
\$ 699,159,711	\$ 44,112,412	\$ 743,272,123	\$ 13,550,927,259	0.970	2008
704,651,911	45,079,146	749,731,057	13,669,318,482	0.970	2009
595,929,989	45,275,468	641,205,457	10,827,438,223	1.175	2010
541,729,863	118,315,665	660,045,528	10,908,747,351	1.164	2011
565,615,974	110,025,693	675,641,667	11,042,127,335	1.169	2012
596,389,332	104,311,182	700,700,514	11,136,353,246	1.186	2013
613,509,167	112,808,209	726,317,376	11,478,408,702	1.197	2014
638,448,282	120,276,397	758,724,679	11,604,722,378	1.211	2015
663,841,809	140,649,248	804,491,057	11,786,528,606	1.254	2016
705,905,506	169,961,267	875,866,773	11,968,537,677	1.254	2017

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	Calendar Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
FAUQUIER COUNTY										
Countywide tax levies:										
Real property:										
General Fund	\$ 0.720	\$ 0.720	\$ 0.919	\$ 0.919	\$ 0.919	\$ 0.929	\$ 0.941	\$ 0.948	\$ 0.975	\$ 0.975
Fire and Rescue Special Revenue Fund	0.035	0.035	0.045	0.045	0.045	0.045	0.045	0.045	0.058	0.058
Conservation Easement Purchase Levy	0.010	0.010	0.006	0.006	0.006	0.006	0.006	0.006	0.006	0.006
Total direct real property tax rate	0.765	0.765	0.970	0.970	0.970	0.980	0.992	0.999	1.039	1.039
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	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
Machinery and tools	4.650	4.650	2.300	2.300	2.300	2.300	2.300	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	1.039
Mobile homes	0.765	0.765	0.970	0.970	0.970	0.980	0.992	0.999	1.039	1.000
Buses with 30 or more passengers	-	-	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Business furniture, fixtures, and equipment	-	-	2.300	2.300	2.300	2.300	2.300	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)	4.507	4.511	4.434	4.180	4.220	4.255	4.255	4.241	4.200	4.200
Total direct tax rate (2)	0.970	0.970	1.175	1.164	1.169	1.186	1.197	1.211	1.254	1.254
Special district levies:										
Marshall Street Light Levy (3)	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005
Bethel Academy Levy (4)	-	522.06	522.06	522.06	522.06	522.06	522.06	522.06	522.06	522.06
Stormwater Management Levy (5)	-	-	-	-	-	-	13.64	13.64	13.64	13.64
OVERLAPPING GOVERNMENTS										
Town of Warrenton:										
Real estate	0.015	0.015	0.015	0.015	0.015	0.015	0.015	0.015	0.050	0.050
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	0.100	0.100	0.125	0.125	0.125	0.125	0.125	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	0.040	0.040	0.040	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.
- (4) The Bethel Academy Levy is a fixed amount per lot for a period of ten years beginning in 2009.
- (5) The Stormwater Management Levy is a special assessment per parcel on certain parcels.

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	2017			2008		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Virginia Electric & Power Company	\$ 340,853,545	1	3.07%	\$ 254,758,676	1	1.99%
Old Dominion Electric Co-op	124,784,708	2	1.12%	173,244,752	2	1.35%
Fauquier Medical Center LLC	76,564,600	3	0.69%			
Northern Virginia Electric Co-op	36,375,740	4	0.33%	22,116,401	6	0.17%
Warrenton Center LLC	34,170,600	5	0.31%	27,714,500	4	0.22%
Verizon - Virginia LLC	27,590,474	6	0.25%	63,631,978	3	0.50%
Vint Hill Village LLC	25,883,100	7	0.23%			
Fauquier Long-Term Care, LLC	23,915,500	8	0.22%			
Rappahannock Electric Co-op	20,674,810	9	0.19%	17,021,805	9	0.13%
Northrock Center LLC	19,118,800	10	0.17%			
Oak Spring Farms LLC				26,938,800	5	0.21%
Warrenton Development Company				21,008,800	7	0.16%
Edward P. Evans Farm				17,726,000	8	0.14%
Airlie Foundation				16,889,300	10	0.13%
Total	\$ 729,931,877		6.58%	\$ 641,051,012		5.00%

Source: Fauquier County Commissioner of the Revenue

Table 7-B

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

TAXPAYER	2017			2008		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
VADATA Inc	\$ 41,498,265	1	4.74%			
Sunbelt Rentals Inc	6,883,217	2	0.79%			
Fauquier Medical Center LLC	6,687,729	3	0.76%			
H & E Equipment Services Inc	6,025,776	4	0.69%			
Toyota Motor Credit Corp (TLT)	5,268,079	5	0.60%	\$ 2,049,358	9	0.28%
Extreme Steel Crane and Rigging Inc	4,001,241	6	0.46%			
Comcast of CA/MD/PA/VA/WV LLC	3,368,761	7	0.38%			
Luck Stone Corp	2,888,783	8	0.33%	4,420,981	2	0.59%
HGS LLC	2,754,854	9	0.31%			
Amerigas Propane LP	2,642,175	10	0.30%			
Prince William Construction Co, LLC				5,171,846	1	0.70%
Vulcan Materials Co				3,705,998	3	0.50%
Food Lion Inc				3,094,103	4	0.42%
Kips Erosion Control				2,533,129	5	0.34%
Hawk, Inc				2,431,844	6	0.33%
DCFS Trust				2,609,213	7	0.35%
Eastern Clearing				2,345,118	8	0.32%
S. W. Rodgers Company				1,987,763	10	0.27%
Total	\$ 82,018,880		9.36%	\$ 30,349,353		4.10%

(1) Original TY 2016 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				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					
										Adjustments	Total Adjusted Levy			
2008	\$	121,628,113	\$	174,816	\$	121,802,929	\$	119,513,886	98.12%	\$	2,227,765	\$	121,741,651	99.95%
2009		130,672,014		(150,546)		130,521,468		127,948,474	98.03%		2,402,093		130,350,567	99.87%
2010		125,478,009		(108,736)		125,369,273		122,961,071	98.08%		2,247,757		125,208,828	99.87%
2011		124,996,220		(71,673)		124,924,547		122,687,302	98.21%		1,975,431		124,662,733	99.79%
2012		126,178,322		409,239		126,587,561		124,456,425	98.32%		2,058,517		126,514,942	99.94%
2013		129,385,080		(145,081)		129,239,999		127,508,397	98.66%		1,254,937		128,763,334	99.63%
2014		134,056,098		(191,520)		133,864,578		131,810,247	98.47%		1,162,464		132,972,711	99.33%
2015		137,426,955		(7,272)		137,419,683		136,106,494	99.04%		1,297,276		137,403,770	99.99%
2016		143,008,327		(165,930)		142,842,397		141,524,709	99.08%		1,048,961		142,573,670	99.81%
2017		150,951,961		-		150,951,961		147,447,104	97.68%		-		147,447,104	97.68%

The Personal Property Tax Relief Act amounts received for tax years 2011 to 2017 are as follows:

FY 2011	\$	13,659,460	CY 2011
FY 2012		13,657,516	CY 2012
FY 2013		13,657,516	CY 2013
FY 2014		13,566,372	CY 2014
FY 2015		13,570,923	CY 2015
FY 2016		13,758,849	CY 2016
FY 2017		13,707,834	CY 2017

COUNTY OF FAUQUIER, VIRGINIA

Table 9

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

Fiscal Year	Governmental Activities					Business-type Activities					Percentage of Personal Income (2)	Per Capita (2)
	Capital Lease	Certificates of Participation	General Obligation Bonds	Virginia Public School Authority Bonds		Capital Lease	Solid Waste Revenue Bonds	Notes Payable	Total Primary Government	Personal Income		
2008	\$ 5,899,442	\$ 2,450,000	\$ 45,071,088	\$ 77,880,952	\$	1,192,000	\$ 830,182	\$ 35,656	\$ 133,359,320	\$ 3,572,303,000	3.73%	2,091
2009	5,255,423	2,465,787	42,465,543	71,818,244		880,005	421,446	18,362	123,324,810	3,459,006,000	3.57%	1,909
2010	8,444,774	2,286,065	39,289,520	66,431,981		596,000	-	-	117,048,340	3,593,026,000	3.26%	1,795
2011	9,235,569	8,186,317	36,140,583	61,428,505		298,000	-	-	115,288,974	3,823,425,000	3.02%	1,761
2012	4,870,290	7,742,774	35,743,215	77,848,199		-	6,065,440	-	132,269,918	4,096,730,000	3.23%	2,011
2013	3,843,205	7,301,780	32,555,866	76,580,596		-	5,925,854	-	126,207,301	3,992,753,000	3.16%	1,908
2014	2,911,274	6,858,665	29,368,052	71,241,989		-	5,387,159	-	115,767,139	4,078,731,000	2.84%	1,739
2015	3,001,296	6,399,539	27,727,283	65,756,480		-	9,646,698	-	112,531,296	4,249,353,000	2.65%	1,667
2016	2,038,177	5,925,420	25,267,136	60,272,709		-	9,430,964	-	102,934,406	*	*	1,516
2017	5,113,511	5,728,520	22,762,210	54,797,067		-	9,129,028	-	97,530,336	*	*	1,431

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

(2) See the schedule of Demographic and Economic Statistics on Table 12 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	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)
2008	\$ 45,071,088	\$ 77,880,952	\$ 122,952,040	3.44%	0.91%	\$ 1,927
2009	42,465,543	71,818,244	114,283,787	3.30%	0.84%	1,769
2010	39,289,520	66,431,981	105,721,501	2.94%	0.98%	1,621
2011	36,140,583	61,428,505	97,569,088	2.55%	0.89%	1,491
2012	35,743,215	77,848,199	113,591,414	2.77%	1.03%	1,727
2013	32,555,866	76,580,596	109,136,462	2.73%	0.98%	1,650
2014	29,368,052	71,241,989	100,610,041	2.47%	0.88%	1,511
2015	27,727,283	65,756,480	93,483,763	2.20%	0.81%	1,385
2016	25,267,136	60,272,709	85,539,845	*	0.73%	1,260
2017	22,762,210	54,797,067	77,559,277	*	0.65%	1,138

(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 12 for population data.

* Unavailable

Table 11

**County Policy Debt Margin
Last Ten Fiscal Years**

	Fiscal Year				
	2008	2009	2010	2011	2012
Primary Government general revenues	\$ 151,241,607	\$ 157,808,035	\$ -	\$ -	\$ -
Budgeted revenues (1)	-	-	161,131,819	154,965,925	157,396,115
Debt limit (2)	15,124,161	15,780,804	16,113,182	15,496,593	15,739,612
Total net debt applicable to limit	<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>
County policy margin	\$ <u>3,079,203</u>	\$ <u>661,304</u>	\$ <u>1,231,186</u>	\$ <u>785,900</u>	\$ <u>1,254,544</u>
Total net debt applicable to the limit as a percentage of general revenues	7.96%	9.58%	9.24%	9.49%	9.20%

- (1) Effective FY2010, budgeted revenues include the General Fund, the Conservation Easement Service District Fund, and the Volunteer Fire and Rescue Fund.
- (2) The Code of Virginia has no legal debt margin limit set on the Counties. Effective FY2010, Fauquier County's annual debt service capacity was defined as 10% of the aggregate total of original budgeted revenues in the General Fund, the Conservation Easement Service District Fund, and the Volunteer Fire and Rescue Fund.

Fiscal Year					
2013	2014	2015	2016	2017	
\$ -	\$ -	\$ -	\$ -	\$ -	Primary Government general revenues
159,945,659	163,855,490	170,353,442	174,239,206	181,242,684	Budgeted revenues (1)
15,994,566	16,385,549	17,035,344	17,423,921	18,124,268	Debt limit (2)
<u>13,955,896</u>	<u>13,999,129</u>	<u>13,322,440</u>	<u>13,210,751</u>	<u>13,408,788</u>	Total net debt applicable to limit
\$ <u><u>2,038,670</u></u>	\$ <u><u>2,386,420</u></u>	\$ <u><u>3,712,904</u></u>	\$ <u><u>4,213,170</u></u>	\$ <u><u>4,715,480</u></u>	County policy margin
8.73%	8.54%	7.82%	7.58%	7.40%	Total net debt applicable to the limit as a percentage of general revenues

COUNTY OF FAUQUIER, VIRGINIA

Table 12

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)
2008	\$ 63,789	\$ 3,572,303	\$ 55,335	3.4%	\$ 38,105	\$ 21,396	11,263
2009	64,594	3,459,006	53,292	5.6%	37,699	20,271	11,244
2010	65,203	3,593,026	54,871	6.1%	36,270	20,133	11,222
2011	65,460	3,823,425	57,791	5.7%	36,637	20,771	11,241
2012	65,780	4,096,730	61,437	5.4%	36,761	21,381	11,201
2013	66,131	3,992,753	59,320	5.2%	36,732	21,212	11,032
2014	66,573	4,078,731	59,646	4.8%	36,712	21,070	11,084
2015	67,512	4,249,353	61,780	4.2%	36,549	21,517	11,055
2016	67,898	*	*	3.6%	36,277	22,043	11,042
2017	68,168	*	*	3.4%	37,226	22,674	11,007

Sources: (1) Weldon Cooper Center for Public Service final population estimates as of July 1st for FY2008 through FY2016, and provisional estimate for FY2017, as of July 1, 2016.
(2) Bureau of Economic Analysis, calendar year data.
(3) Data for the Unemployment Rate and County Civilian Labor Force is the rate at June of the corresponding year.
Data for At-Place Employment is for the 1st quarter of each year.
(4) School enrollment from the Fauquier County Public Schools Adopted Budgets.

* Unavailable

COUNTY OF FAUQUIER, VIRGINIA

Table 13

**Principal Employers (1)
Current Year and Nine Years Ago**

Employer	2017		2008	
	Rank	Number of Employees	Rank	Number of Employees
Fauquier County School Board	1	1000 and over	1	1000 and over
Fauquier Health System	2	500 to 999	2	500 to 999
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	250 to 499	5	100 to 249
Town of Warrenton	6	100 to 249	8	100 to 249
Food Lion	7	100 to 249	6	100 to 249
Warrenton Operations, LLC	8	100 to 249		
Airlie Foundation	9	100 to 249	9	100 to 249
Country Chevrolet, Peugeot	10	100 to 249		
General Excavation			7	100 to 249
McDonald's			10	100 to 249

(1) Fauquier County is prohibited from publishing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act of 2002 – Title V of Public Law 107-347.

Source: Virginia Employment Commission Top 50 Employers (1st Quarter of 2017 and 2nd Quarter of 2008)



Table 14

County Government Employees by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government administration	114.8	115.2	109.8	112.2	113.2	113.5	114.5	116.8	117.5	119.6
Judicial administration	39.7	38.7	38.8	38.5	38.8	42.8	42.8	44.1	45.1	45.1
Public safety	184.6	192.3	189.5	190.5	206.5	237.5	237.5	247.9	247.9	259.5
Public works	58.6	63.6	67.1	60.1	60.1	62.1	61.5	65.5	64.5	64.5
Health and welfare	47.1	45.1	45.1	45.1	46.5	47.5	47.5	48.5	48.5	48.5
Parks, recreation, and cultural	65.6	63.5	61.7	58.7	60.6	61.9	61.9	62.9	63.2	64.2
Community development	51.0	51.0	42.0	41.0	42.0	40.6	40.6	44.6	44.6	45.6
Other funds										
Airport	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0
Ambulance billing	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Environmental Services	31.0	25.0	17.5	16.5	17.5	17.5	17.5	23.5	25.5	25.5
Fleet Maintenance	15.0	15.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	15.0
Conservation Easement Service District	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Subtotal	49.0	43.0	35.5	35.5	36.5	36.5	36.5	42.5	45.5	46.5
Total Primary Government	610.4	612.4	589.5	581.6	604.2	642.4	642.8	672.8	676.8	693.5
Component Unit - School Board										
Education	1,640.0	1,725.0	1,853.3	1,863.1	1,863.1	1,816.3	1,819.5	1,831.1	1,836.1	1,898.1
Total Reporting Entity	2,250.4	2,337.4	2,442.8	2,444.7	2,467.3	2,458.7	2,462.3	2,503.9	2,512.9	2,591.6

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

For Component Unit - School Board employees information:
FY2008 through FY2009: Fauquier County Public Schools Adopted Budgets
FY2010 through FY2017: Fauquier County Adopted Budgets

Table 15

Operating Indicators by Function
Last Ten Fiscal Years

Page 1 of 6

Function	Fiscal Year				
	2008	2009	2010	2011	2012
General government administration					
Commissioner of the revenue					
Real estate number of parcels	32,404	31,484	31,639	32,638	32,805
Land use number of parcels	3,886	3,930	3,941	3,953	3,941
PPTRA qualifying vehicles	69,141	68,662	67,161	69,326	70,846
County attorney					
Total litigation files opened	45	71	30	32	32
Finance					
Vendor checks issued	19,525	18,604	19,131	17,518	16,349
Human resources					
Employment applications received	13,438	14,690	15,290	18,941	15,248
New employees orientated	941	996	633	535	607
Payroll annual checks/direct deposits	48,296	47,434	49,430	52,750	53,826
Information technology					
Web site hits	1,705,740	1,014,468	1,253,348	1,094,809	1,154,107
Treasurer					
Real estate bills mailed	62,239	63,105	62,080	63,064	63,165
Personal property bills mailed	60,961	60,942	60,916	61,782	62,500
Dog tags issued	2,025	2,941	3,495	3,374	3,293
Judicial administration					
Adult court services					
Average daily caseload	366	372	385	415	522
Circuit court (2)					
Civil cases	1,052	906	798	1,002	699
Criminal cases	904	989	1,099	964	1,165
Clerk of the circuit court (by calendar year)					
Deed book recording	10,928	12,328	11,493	10,858	13,883
Judgments	2,510	2,734	2,706	2,343	2,129
Criminal cases	930	1,069	1,000	1,054	1,187
Concealed weapon permits	644	662	526	593	958
Public safety					
Detention center					
Prisoner transports	5,311	4,835	4,297	4,238	5,370
Average daily inmate population	111	112	110	110	110
Juvenile detention					
Youth detained	45	75	72	53	44
Child care days	1,000	622	740	788	258
Juvenile probation					
Probation and paroles per month	100	105	177	116	62
Intakes	1,420	1,283	1,203	1,212	1,026

(1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget.
Therefore, no FY2017 information is available.

(2) Circuit court data based on calendar year.

(3) As of FY2009, CSA revised reporting categories.

(4) Updated Recycled Materials - Tons rate in FY2016 to reflect correct statistic.

(5) Transfer station operations began in FY2016.

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

* Unavailable

Fiscal Year					Function
2013	2014	2015	2016	2017 (1)	
General government administration					
					Commissioner of the revenue
32,897	32,967	33,276	33,466	*	Real estate number of parcels
3,925	3,950	3,914	3,867	*	Land use number of parcels
71,931	70,800	74,556	75,741	*	PPTRA qualifying vehicles
					County attorney
11	9	13	13	*	Total litigation files opened
					Finance
17,555	17,971	17,071	16,981	*	Vendor checks issued
					Human resources
11,814	9,125	9,668	9,065	*	Employment applications received
548	526	841	737	*	New employees orientated
53,104	68,750	43,467	66,835	*	Payroll annual checks/direct deposits
					Information technology
1,043,798	1,056,552	1,582,195	1,199,765	*	Web site hits
					Treasurer
63,101	63,486	64,548	64,550	*	Real estate bills mailed
63,494	64,910	66,643	68,310	*	Personal property bills mailed
3,340	3,434	3,737	3,576	*	Dog tags issued
Judicial administration					
					Adult court services
564	425	450	315	*	Average daily caseload
					Circuit court (2)
884	640	561	687	*	Civil cases
1,168	1,211	1,123	974	*	Criminal cases
					Clerk of the circuit court (by calendar year)
14,153	10,188	11,986	12,515	*	Deed book recording
1,758	1,927	1,555	1,290	*	Judgments
1,166	1,221	950	1,082	*	Criminal cases
1,607	1,078	1,218	1,417	*	Concealed weapon permits
Public safety					
					Detention center
6,119	6,967	7,441	6,958	*	Prisoner transports
103	104	102	91	*	Average daily inmate population
					Juvenile detention
44	50	50	50	*	Youth detained
259	300	300	300	*	Child care days
					Juvenile probation
102	75	110	110	*	Probation and paroles per month
1,108	1,250	1,200	1,200	*	Intakes

Table 15

Operating Indicators by Function
Last Ten Fiscal Years

Page 3 of 6

Function	Fiscal Year				
	2008	2009	2010	2011	2012
Public safety (continued)					
Fire, rescue, and emergency services					
911 calls for service	15,773	13,823	10,653	10,693	27,180
Hazardous material response	43 calls	39 calls	22 calls	10 calls	8 calls
Emergency Response - EMS	7,205	6,880	6,664	7,187	7,032
Emergency Response - Fire	4,308	4,146	3,935	4,420	3,931
Sheriff					
Traffic summonses issued	6,862	11,361	9,075	8,183	7,224
Misdemeanor arrests	1,671	2,068	2,159	2,499	3,082
Felony arrests	733	850	790	882	1,068
Civil papers served	16,580	17,365	15,732	16,572	15,667
Calls for service	44,421	58,015	59,031	59,448	66,260
Animal control calls for service	3,845	3,936	3,396	3,501	3,765
Joint communications					
Telephone calls processed	197,531	176,009	170,553	157,299	158,821
Dispatch actions performed	745,337	776,786	810,569	793,509	857,133
Calls for service	85,671	99,211	104,980	101,786	110,305
Public works					
Environmental services - convenience sites					
Trash - tons	18,060	17,607	18,495	16,963	17,307
Recycled materials - tons (4)	2,563	2,824	2,858	2,564	2,413
Resident visits	649,384	597,580	555,266	509,204	512,827
General services					
Facility work orders completed	9,555	8,580	8,620	7,979	8,499
Fleet vehicles/small engines	773	759	770	665	641
Preventive maintenance schedule	1,492	1,216	1,513	1,699	1,891
Health and welfare					
Children's Services Act (CSA)					
Congregate care (3)	-	-	35	25	26
Foster care - therapeutic, specialized, regular (3)	-	-	82	56	71
Community based services	*	153	138	146	104
Special Education Day Placements	*	27	36	35	27
SPED Wraps	*	11	14	8	52
Social services					
Adoption assistance	29	29	24	34	33
Long term care screenings	85	101	107	122	102

- (1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no FY2017 information is available.
- (2) Circuit court data based on calendar year.
- (3) As of FY2009, CSA revised reporting categories.
- (4) Updated Recycled Materials - Tons rate in FY2016 to reflect correct statistic.
- (5) Transfer station operations began in FY2016.

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

* Unavailable

Fiscal Year					Function
2013	2014	2015	2016	2017 (1)	
Public safety (continued)					
Fire, rescue, and emergency services					
26,553	24,196	27,607	26,593	*	911 calls for service
20 calls	25 calls	7 calls	10 calls	*	Hazardous material response
7,187	7,230	7,533	7,706	*	Emergency Response - EMS
3,938	3,964	4,386	4,648	*	Emergency Response - Fire
Sheriff					
6,992	6,864	5,952	6,421	*	Traffic summonses issued
2,283	2,345	1,937	1,811	*	Misdemeanor arrests
930	1,089	1,028	937	*	Felony arrests
15,364	21,548	19,342	14,325	*	Civil papers served
71,048	65,565	68,577	77,064	*	Calls for service
3,177	3,116	2,589	2,825	*	Animal control calls for service
Joint communications					
158,493	160,078	157,410	141,730	*	Telephone calls processed
886,108	912,691	921,379	914,143	*	Dispatch actions performed
133,542	116,948	114,435	111,563	*	Calls for service
Public works					
Environmental services - convenience sites					
17,702	17,841	17,608	19,368	*	Trash - tons
2,446	2,654	2,634	2,878	*	Recycled materials - tons (4)
523,106	527,506	526,812	578,393	*	Resident visits
General services					
8,405	8,500	7,542	8,500	*	Facility work orders completed
618	725	800	817	*	Fleet vehicles/small engines
2,009	2,000	2,029	2,000	*	Preventive maintenance schedule
Health and welfare					
Children's Services Act (CSA)					
28	45	65	51	*	Congregate care (3)
81	112	75	75	*	Foster care - therapeutic, specialized, regular (3)
155	196	195	196	*	Community based services
29	35	46	52		Special Education Day Placements
26	13	20	10	*	SPED Wraps
Social services					
42	44	59	68	*	Adoption assistance
102	135	136	141	*	Long term care screenings

Table 15

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2008	2009	2010	2011	2012
Parks, recreation, and cultural					
Library					
Materials cataloged/processed	12,793	13,483	12,701	13,642	16,443
Periodicals cataloged/processed	4,137	7,882	7,590	3,423	3,514
Library patron visits	278,842	277,461	278,078	255,009	265,770
Parks and recreation					
Park attendance	890,292	513,813	739,564	714,352	791,948
Shelter rentals	257	232	249	283	334
Education					
Per pupil expenditures	10,925	10,935	10,804	11,284	11,014
High school completion rate	95%	94%	90%	91%	93%
SAT scores	1,525	1,535	1,528	1,532	1,537
Federal subsidized meals program	16.7%	19.8%	22.2%	21.6%	24.9%
Community development					
Tourism e-newsletter distribution	*	*	7,120	8,260	15,296
Rezoning/comp plans	7	14	10	8	7
Preliminary/final subdivisions	5	6	2	12	3
Building permits issued	1,723	1,366	1,000	881	1,021
Building plans reviewed	1,607	1,289	1,134	1,225	1,103
Land disturbing permits issued	87	38	42	114	82
Marketing response to web site	150,801	165,212	160,420	168,446	169,088
Other funds					
Environmental services					
Residents using the landfill	6,743	5,456	6,404	3,714	2,615
Total tons recycled	34,093	24,677	18,337	20,274	21,980
Solid waste - tons to the landfill	100,745	73,027	64,366	53,454	52,245
Solid waste - tons to the transfer station (5)	-	-	-	-	-
Recycling rate	31%	32%	35%	39%	44%
Fleet maintenance					
Internal service fund county users	28	46	42	46	42
Internal service fund non-county users	9	26	22	26	12
Total vehicles serviced	4,338	5,016	5,300	5,016	5,908

(1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget.

Therefore, no FY2017 information is available.

(2) Circuit court data based on calendar year.

(3) As of FY2009, CSA revised reporting categories.

(4) Updated Recycled Materials - Tons rate in FY2016 to reflect correct statistic.

(5) Transfer station operations began in FY2016.

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

* Unavailable

Fiscal Year					Function
2013	2014	2015	2016	2017 (1)	
Parks, recreation, and cultural					
Library					
11,562	11,981	11,014	11,892	*	Materials cataloged/processed
3,455	3,336	3,387	3,208	*	Periodicals cataloged/processed
264,436	261,090	266,496	259,773	*	Library patron visits
Parks and recreation					
729,807	667,485	789,325	840,326	*	Park attendance
336	357	343	356	*	Shelter rentals
Education					
11,746	11,920	12,173	12,479	*	Per pupil expenditures
96%	97%	95%	97%	*	High school completion rate
1,532	1,549	1,546	1,569	*	SAT scores
23.4%	24.8%	24.3%	24.7%	*	Federal subsidized meals program
Community development					
22,640	39,578	44,217	50,407	*	Tourism e-newsletter distribution
4	12	8	70	*	Rezoning/comp plans
5	20	2	1	*	Preliminary/final subdivisions
1,493	1,583	1,544	1,458	*	Building permits issued
1,288	1,446	1,312	1,490	*	Building plans reviewed
109	111	230	281	*	Land disturbing permits issued
191,150	217,750	225,588	232,355	*	Marketing response to web site
Other funds					
Environmental services					
2,581	1,877	1,630	1,705	*	Residents using the landfill
24,470	25,240	17,011	15,756	*	Total tons recycled
52,749	52,588	47,957	5,821	*	Solid waste - tons to the landfill
-	-	-	44,962	*	Solid waste - tons to the transfer station (5)
43%	43%	40%	43%	*	Recycling rate
Fleet maintenance					
40	42	46	46	*	Internal service fund county users
12	12	12	15	*	Internal service fund non-county users
5,471	6,000	6,031	6,500	*	Total vehicles serviced

COUNTY OF FAUQUIER, VIRGINIA

Table 16

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Judicial administration										
Detention center capacities	56	56	56	56	56	56	56	56	56	56
Public safety										
Fire and rescue companies	11	11	11	11	11	11	11	11	11	10
Public works (1)										
Active vehicles	253	260	271	287	263	270	277	454	494	362
County owned buildings	54	57	57	57	57	57	57	57	57	64
Sq. ft. in buildings	392,532	396,744	396,744	396,744	396,744	396,744	396,744	455,883	540,986	422,325
Parks, recreation, and cultural										
Libraries	3	3	3	3	3	3	3	3	3	3
Volumes	205,791	211,950	211,562	214,029	208,313	208,691	210,698	210,356	210,933	207,989
Parks and recreation facilities	34	32	35	35	35	35	35	35	36	35
Land acres	899	732	825	885	899	932	932	886	890	892
Water acres	193	113	113	116	116	110	110	115	115	115
Trails (miles)	12.00	12.75	13	14	14	14	20	20	20	20
Fields	58	71	59	63	63	58	58	57	57	57
Boats	59	33	34	35	58	35	36	34	34	34
Shelters	20	15	19	19	19	21	21	19	19	18
Swimming pools	1	2	2	2	2	2	2	2	2	2
Education										
Elementary schools										
Buildings	10	11	11	11	11	11	11	11	11	11
Sq. ft. in buildings	625,222	717,016	717,016	717,016	717,016	717,016	717,016	717,016	717,016	717,016
Capacity	5,495	6,095	6,095	6,095	6,095	6,095	6,176	6,176	6,176	6,176
Middle schools										
Buildings	5	5	5	5	5	5	5	5	5	5
Sq. ft. in buildings	493,865	514,110	514,110	514,110	514,110	514,110	514,110	514,110	514,110	514,110
Capacity	3,183	3,183	3,183	3,183	3,183	3,183	3,045	3,194	3,194	3,194
High schools										
Buildings	2	3	3	3	3	3	3	3	3	3
Sq. ft. in buildings	523,995	742,272	742,272	742,272	742,272	817,163	834,710	848,210	848,210	848,210
Capacity	3,000	4,500	4,500	4,500	4,500	4,554	4,342	4,342	4,342	4,342
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	19,563	19,563	19,563	19,563	19,563	19,563
Capacity	191	191	191	191	191	191	191	191	220	220
Number of school buses	178	174	180	184	178	181	182	170	179	179
Airport										
Miles of runways	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.95	0.95	0.95
Number of hangars	10	10	10	10	10	10	11	11	11	11

Sources: 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

(1) The County implemented a new methodology for better calculating public works statistical data in FY2017.

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, 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 County of Fauquier, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise County of Fauquier, Virginia's basic financial statements, and have issued our report thereon dated November 6, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Fauquier, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Fauquier, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Fauquier, Virginia's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Fauquier, Virginia's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 6, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the County of Fauquier, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Fauquier, Virginia's major federal programs for the year ended June 30, 2017. County of Fauquier, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Fauquier, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Fauquier, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Fauquier, Virginia complied, in all material respects, with the types of compliance 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, 2017.

Report on Internal Control over Compliance

Management of the County of Fauquier, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Fauquier, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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, Virginia'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 6, 2017

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
Primary Government and Discretely Presented Component Unit
For the Period Ended June 30, 2017

Page 1 of 2

Federal Granting Agency/Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
Primary Government:				
DEPARTMENT OF AGRICULTURE:				
Passed through Virginia Polytechnic Institute and State University: Beginning Farmer and Rancher Development Program	10.311	545930-19998	\$ 17,374	\$ 17,374
Passed through the Commonwealth of Virginia: <u>Department of Social Services</u> State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	10.561	10117,40117	487,653	-
Total Department of Agriculture			<u>505,027</u>	<u>17,374</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through the Commonwealth of Virginia: <u>Department of Social Services:</u> Promoting Safe and Stable Families	93.556	950116	416	-
Temporary Assistance for Needy Families	93.558	400117	267,750	-
		CVS-16-056-16	85,738	-
Refugee and Entrant Assistance - State Administered Programs	93.566	500117	717	-
Low-Income Home Energy Assistance	93.568	600417	24,267	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	760117	44,233	-
Chafee Education and Training Vouchers Program (ETV)	93.599	9160115	1,364	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900116	608	-
Foster Care-Title IV-E	93.658	1100117	542,775	-
Adoption Assistance	93.659	1120117	467,490	-
Social Services Block Grant	93.667	1000117	304,260	-
Children's Health Insurance Program	93.767	540117	20,824	-
Medical Assistance Program	93.778	1200117	630,263	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	CVS-16-056-16	10,000	-
Total Department of Health and Human Services			<u>2,400,705</u>	<u>-</u>
DEPARTMENT OF HOMELAND SECURITY:				
Passed through the Commonwealth of Virginia: <u>Department of Emergency Services:</u> Emergency Management Performance Grants	97.042	EMP-2016-EP-00007	17,174	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-03-VA-4262-PW-00120	114,982	-
		PA-03-VA-4262-PW-00120	38,327	-
		PA-03-VA-4262-PW-00007	1,500	-
		PA-03-VA-4262-PW-00125	259,838	-
Total Department of Homeland Security			<u>431,821</u>	<u>-</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Direct payments: Continuum of Care Program	14.267	Not Applicable	50,442	50,442
Passed through the Commonwealth of Virginia: <u>Department of Housing and Community Development:</u> Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	14-22	122,900	122,900
Total Department of Housing and Urban Development			<u>173,342</u>	<u>173,342</u>
DEPARTMENT OF THE INTERIOR				
Direct Payments: Civil War Battlefield Land Acquisition Grants	15.928	Not Applicable	2,300,000	2,300,000
Total Department of Defense			<u>2,300,000</u>	<u>2,300,000</u>
DEPARTMENT OF JUSTICE:				
Direct payments: State Criminal Alien Assistance Program	16.606	Not Applicable	6,431	-
Bulletproof Vest Partnership Program	16.607	Not Applicable	3,336	-
Passed through the Commonwealth of Virginia: <u>Department of Criminal Justice Services</u> Crime Victim Assistance	16.575	17-A3423SA15	152,931	152,931
Juvenile Justice and Delinquency Prevention	16.540	17-A3406JJ13	27,267	-
Total Department of Justice			<u>\$ 189,965</u>	<u>\$ 152,931</u>

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
Primary Government and Discretely Presented Component Unit
For the Period Ended April 30, 2017

Page 2 of 2

Federal Granting Agency/Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
DEPARTMENT OF TRANSPORTATION:				
Direct payments:				
Airport Improvement Program	20.106	Not Applicable	\$ 859,460	\$ -
Passed through the Commonwealth of Virginia:				
<u>Department of Transportation:</u>				
Highway Planning and Construction	20.205	UPC 91228	1,766	-
	20.205	UPC 91227	15,486	-
	20.205	UPC 102828	4,259	-
	20.205	UPC 105922	26,967	-
	20.205	UPC 103577	256	-
	20.205	UPC 87017	189	-
<u>Department of Motor Vehicles:</u>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	SC-2017-57105-6754	4,484	-
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	K8-2016-56042-6242	13,074	-
Total Highway Safety Cluster			17,558	-
Alcohol Open Container Requirements	20.607	154AL-2017-57101-6750	29,013	-
Total Department of Transportation			954,954	-
DEPARTMENT OF THE TREASURY				
Direct Payments:				
Secret Service Task Force	21.000	Not Applicable	4,052	-
Total Department of the Treasury			4,052	-
Total Expenditures of Federal Awards - Primary Government			6,959,866	2,643,647
Component Unit - School Board:				
DEPARTMENT OF AGRICULTURE:				
Passed through the Commonwealth of Virginia:				
<u>Department of Education</u>				
Child Nutrition Discretionary Grants Limited Availability	10.579	DOE86804	14,500	-
Child Nutrition Cluster:				
<u>Department of Education:</u>				
School Breakfast Program	10.553	APE40253	410,633	-
<u>Department of Education:</u>				
National School Lunch Program	10.555	APE40254	1,424,104	-
<u>Department of Agriculture and Consumer Services:</u>				
National School Lunch Program - Commodities	10.555	Not Applicable	297,171	-
Total National School Lunch Program			1,721,275	-
Total Child Nutrition Cluster			2,131,908	-
Total Department of Agriculture			2,146,408	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Direct Payments:				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Not Applicable	20,197	-
Total Department of Health and Human Services			20,197	-
DEPARTMENT OF DEFENSE:				
Direct Payments:				
Junior ROTC Program	12.000	Not Applicable	43,908	-
Mathematical Sciences Grants Program	12.901	Not Applicable	71,796	-
Total Department of Defense			115,704	-
DEPARTMENT OF EDUCATION:				
Passed through the Commonwealth of Virginia:				
<u>Department of Education:</u>				
Title I Grants to Local Educational Agencies	84.010	APE42901	829,465	-
Special Education Cluster (IDEA):				
Special Education Grants to States (IDEA, Part B)	84.027	APE43071, APE61172, APE60180	2,131,042	-
Special Education Preschool Grants (IDEA Preschool)	84.173	APE62521	55,297	-
Total Special Education Cluster (IDEA)			2,186,339	-
Special Education- State Personnel Development	84.323	DOE87152	13,579	-
Career and Technical Education -- Basic Grants to States	84.048	APE61095	106,301	-
English Language Acquisition State Grants	84.365	APE60760, APE60509, APE60512	62,235	-
Supporting Effective Instruction State Grant	84.367	APE61480	216,762	-
Total Department of Education			3,414,681	-
Total Expenditures of Federal Awards - Component Unit - School Board			5,696,990	-
Total Expenditures of Federal Awards - Reporting Entity			\$ 12,656,856	\$ 2,643,647

COUNTY OF FAUQUIER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2017

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, 2017. The information in this Schedule is presented in accordance with the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Title 2, Code of Federal Regulations, Part 200 (2 CFR 200))*. Because the Schedule presents only a selected portion of operations of the County of Fauquier, Virginia, it is not intended to, and does not, present the financial position, changes in net position, 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 the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Title 2, Code of Federal Regulations, Part 200 (2 CFR 200))*, wherein certain types of expenditures are not allowable, or are limited as to reimbursement.

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

(3) The County did not elect to use the 10% de minimus indirect cost rate.

Note 3- Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 5,681,252
Capital Projects Fund	50,605
Debt Service Fund	395,675
Other Governmental Funds	122,900
Landfill and Recycling Fund	259,838
Airport Fund	859,460
Total primary government	<u>7,369,730</u>
Component Unit – School Board:	
School General Fund	3,561,832
School Nutrition Fund	2,131,908
School Capital Projects Fund	14,500
Total component unit school board	<u>5,708,240</u>
Total federal revenues per basic financial statements	<u>13,077,970</u>

Reconcile Federal revenues to expenditures

Add: Federal expenditures in the current fiscal year for which associated revenue was unavailable.	56,377
Less: Federal expenditures from the prior fiscal year for which the associated revenue became available in the current fiscal year.	(62,846)
Less: Payments in Lieu of Taxes	(2,721)
Less: Federal Tax Credit Subsidy on QSCB Bond	(395,675)
Less: Memo of Understanding with Homeland Security Investigations	(4,999)
Less: FEMA reimbursement to Schools for bus use during emergency exercise	(11,250)
Total reconciling items	<u>(421,114)</u>
Total expenditures reimbursed by federal revenues	<u>12,656,856</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 12,656,856</u>
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COUNTY OF FAUQUIER, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with
2 CFR Section 200.516(a)? No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
20.106	Airport Improvement Program
15.928	Civil War Battlefield Land Acquisition Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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 - Prior Year Findings

There are no prior year findings to report.

