

COUNTY OF FAUQUIER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2016



Prepared by:

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



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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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November 18, 2016

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, 2016. 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, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements are fairly presented in conformity with GAAP.

The independent audit of the financial statements of the County was part of a broader federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The reports are presented in the Compliance Section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's

MD&A is included in the Financial Section of this report immediately following the report of the independent auditors.

Profile of Fauquier County, Virginia

Fauquier County (the County), incorporated in 1759, is located in the north-central Piedmont region of Virginia, approximately 40 miles southwest of Washington D.C., or 95 miles northwest of Richmond, Virginia, and encompasses approximately 660 square miles.



Population growth, which for many years hovered around 2.0%, has slowed in the past ten years. The population has increased by an average of 0.9% since 2007 (last ten years), and 0.8% since 2012 (last five years), to the current level of 67,898. 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.

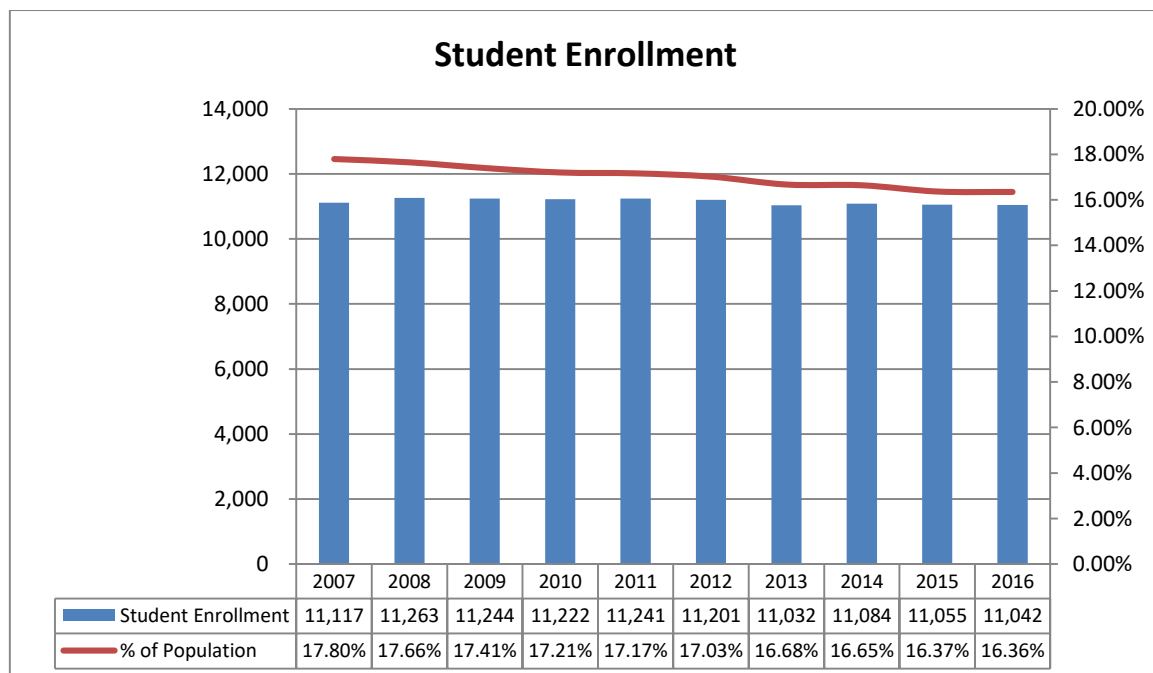
The County provides a full range of services to its residents, including education, public safety, court services, solid waste disposal, community and economic development, parks and recreational activities, public libraries, social services, and general administration. All resources required to support 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 2016 totaled 11,042 students. The FCPS High School Completion Rate as of June 2015 is 96.89%, 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 recently shown slow but steady signs of improvement and continues to be impacted by a recovering, yet still challenging, economic environment.

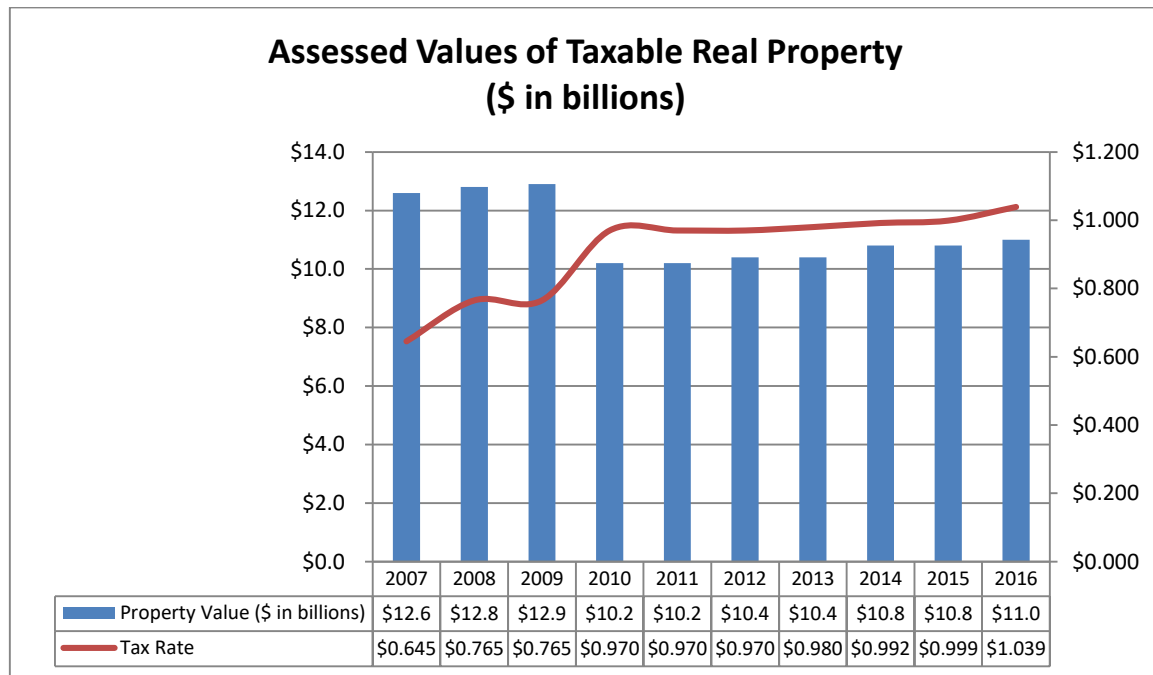
The County's real estate valuation is reassessed on a quadrennial basis. The most recent reassessment was conducted in 2013, effective January 1, 2014, and resulted in an overall increase in assessed values of 0.94% from previous levels. In addition to the improvement in assessed values, increased values 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 2016.

The current assessed values show varying trends among different classes of property, with residential and commercial values up by 1.3% and 1.7%, respectively, while agricultural values were up 1.0%, and public service values increased by 0.7% compared with the prior year. This marked the first 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 94.0% 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 6.0% 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 1.26% since the low point in 2010.

The slow rate of growth in assessed values over the past seven years, coupled with increasing costs of services, necessitated an increase the real property tax rate to \$1.039 per \$100 in assessed value, up from \$0.999 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. The graph below shows varying property values and corresponding tax rates for the last ten years.



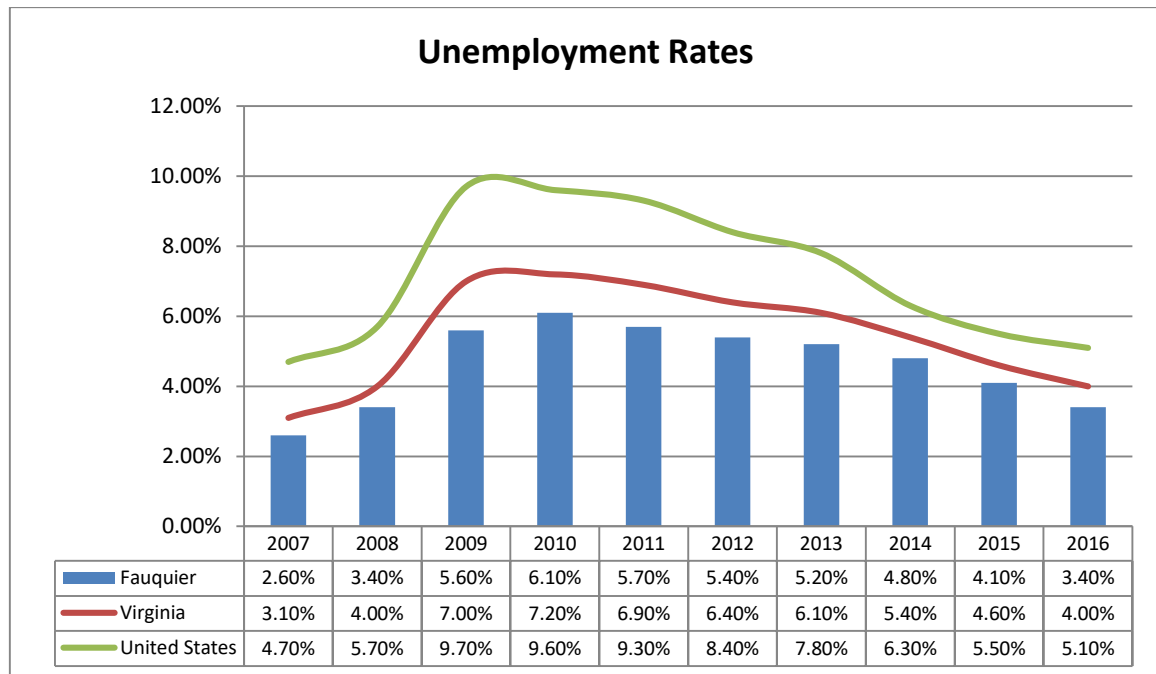
The total direct personal property tax rate declined slightly from the prior year, while property values increased 6.0%. Since the low point in 2010, the recovery rate for personal property has been more vigorous than that of real property, at an annualized increase of 4.6% per year.

The collection rate for property tax levies, within the fiscal year of the levy, decreased slightly in fiscal year 2016 to 98.96% from 99.04% in fiscal year 2015.

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. Community development fees were up 45% during the fourth quarter of fiscal year 2016 compared with the same period in the prior year. County sales tax collections continue to experience year-over-year increases, up 3.5% in 2016. Median home sale prices remained stable, while home sales saw a marked increase at the end of fiscal year 2016, up approximately 40% compared to the same period in the prior year. Additionally, the number of new business licenses issued during fiscal year 2016 was up 2.5% from the prior year, while the estimated number of start-up firms increased 4.0% over 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 2016, 53.3% of the County's total population participated in the labor force (36,172 out of 67,898), and 96.6% of the civilian labor force was employed (34,942 out of 36,172).

The County's unemployment rate is 3.4% as of June 2016. This figure is below last year's rate of 4.1%, and marks the sixth straight year of improvement since 2010. Additionally, the County unemployment rate continues to be below Virginia's unemployment rate of 4.0% as well as the National unemployment rate of 5.1%, 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 2014 data obtained from the U.S. Census Bureau, approximately 76.9% 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.

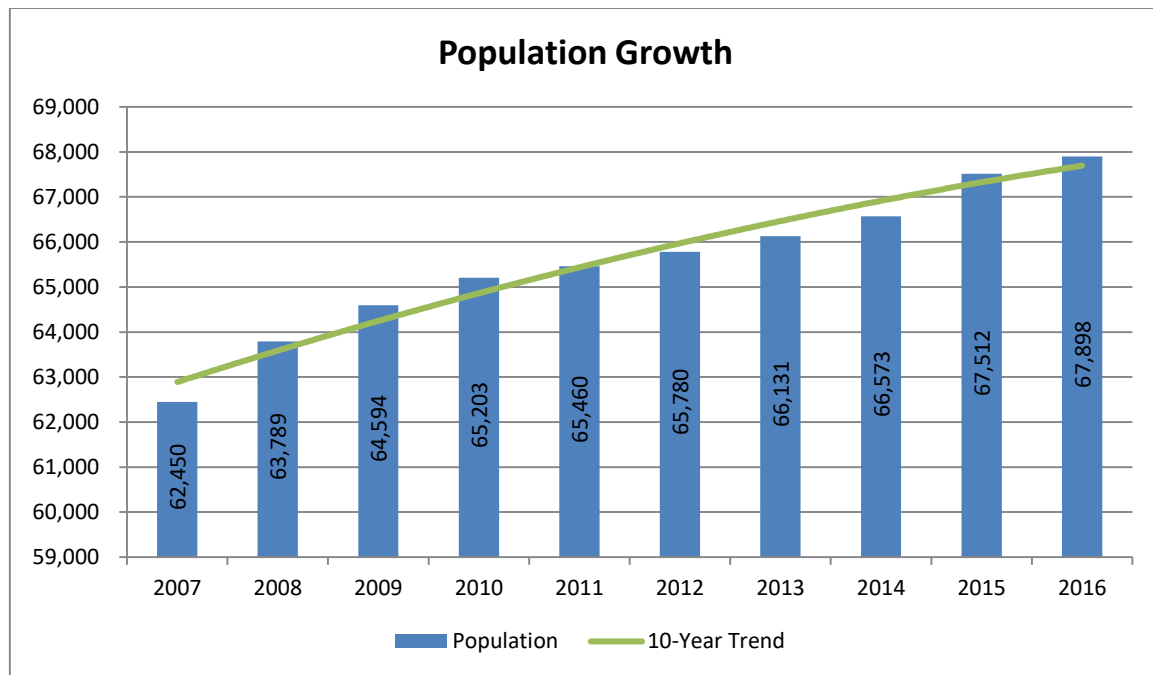
Economic Development and Industries

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 8.7%, with an average annual growth rate of about 0.9%, though there is a high degree of fluctuation in the rate from year to year. However, the rate of growth has slowed more recently, with the average annual growth rate over the past five years decreasing to 0.8%.

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 93% 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 2016, there were 145 new startup firms in the County.

Below are additional highlights of economic development benefits during 2016:

- Continued implementation of the Comprehensive Economic Development strategy that was presented to the Board of Supervisors in June 2014, illustrating a strategic approach in the pursuit of job creation and tax base expansion.
- George Mason University's Mason Enterprise Center continues to thrive and reached full capacity during 2015. Additional office space has been 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 County continues to promote its Defense Industry Production Zones in all Service Districts to attract defense/government contractors to locate in Fauquier County.
- 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 second Wine Competition in 2016, expanding the Competition events and increasing ticket sales from 250 to more than 350 attendees. Plans for the 2017 event include expansion of activities and increasing ticket sales to 500 attendees.
- 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 began 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 initiated a study to determine the feasibility of development of 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 Micro-Loan program continues to provide resources to small businesses and is close to funding its second loan. The previous loan that was issued is performing well and increasing the fund balance. 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 Board of Supervisors accepted the infrastructure report recommendations for the Warrenton-Fauquier Airport that would supply the necessary infrastructure to support the Airport's future expansion and a significant amount of commercial and industrial development.
- The County continues to finalize infrastructure report recommendations for Marshall Service District.
- The County continues to work with colleges, universities, FCPS, and the human resources department to address workforce needs of the community. The County and Lord Fairfax partnered together to hire a Workforce and Economic Development Coordinator to address the needs of its businesses and residents.
- A construction trades program for high school students continues to be in demand in joint cooperation with FCPS, 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.
- The trend of new businesses locating in the County was bolstered with the announcement by OVH, the third largest data provider internationally, that they would establish their U.S. headquarters at Vint Hill within a Technology Zone. This planned investment received economic development incentives and a grant from the Commonwealth Opportunity Fund in the amount of \$1.25 million, and includes 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 will open soon 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.
- 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. This will enable Fauquier County to provide services to transitioning Marines. The initiative and resources continue to expand due to the hiring of a Workforce and Economic Development Coordinator.
- The PATH Foundation, previously the Fauquier Health Foundation, provided more than \$2.5 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'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 27 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 six-year Capital Improvement Program (CIP) submitted annually to the Board of Supervisors is the vehicle through which stated need for public facilities is analyzed against the County's ability to pay.

The CIP is a planning document intended to provide an analysis of potential long-range funding needs for the acquisition, construction or total replacement of physical facilities and other types of infrastructure. The fiscal year 2017-2021 capital budget for new County and School projects totals approximately \$229.1 million. These projects include:

- \$59.6 million for public safety projects including fire and rescue, the Sheriff's Office, and public safety communications system;
- \$33.7 million for school system projects;
- \$60.7 million for parks, recreation, and cultural projects;
- \$25.3 million for utility projects;
- \$6.4 million for development of the Stafford Site; and
- \$43.4 million for other projects including environmental services and general government administration.

The adopted CIP includes \$12.3 million in cash funding (5.4% 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 adopted a fund balance management policy for the County's General Fund in fiscal year 2003. The policy, which was subsequently updated in fiscal year 2011, sets the minimum level of unassigned fund balance required for the General Fund at not less than ten percent (10%) of General Fund revenues, providing for enhanced financial planning and stability.

The Board of Supervisors established a debt referendum policy in 2001, updated in 2009, to encourage public participation in the decision-making process relating to major construction projects due to the potential effects on the County's credit rating, debt availability, tax rates, and the annual operating budget. The policy requires projects costing in excess of \$25.0 million be subject to voter referendum.

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

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

Implementation of New Accounting Requirements

In fiscal year 2016, the County implemented GASB Statements No. 72, No. 76, and No. 79, as applicable. In fiscal year 2017, the County will implement GASB Statements No. 74, No. 77, No. 78, No. 80, and No. 82, 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, 2015. This was the eighteenth 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 2016. Fauquier County has received this award for twenty-one 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 handwritten signature in black ink, appearing to read 'Paul McCulla', with a long horizontal stroke extending to the right.

Paul McCulla
County Administrator

A handwritten signature in blue ink, appearing to read 'Jonathon C. Munch', with a long horizontal stroke extending to the right.

Jonathon C. Munch
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**County of Fauquier
Virginia**

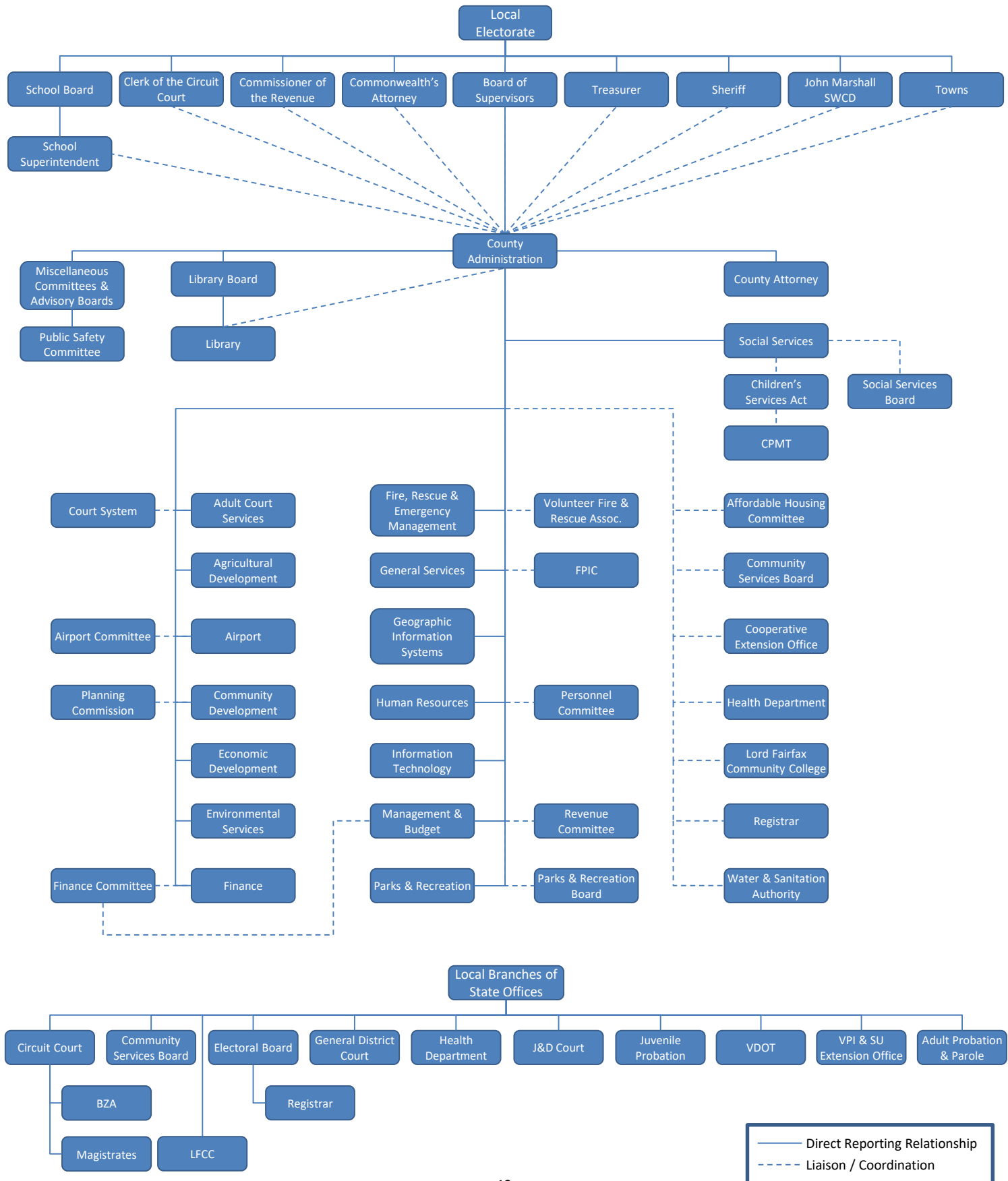
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



County of Fauquier, Virginia Organizational Chart



COUNTY OF FAUQUIER, VIRGINIA
PRINCIPAL OFFICIALS

BOARD OF SUPERVISORS

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

COUNTY ADMINISTRATION

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

COUNTY SCHOOL BOARD

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

SCHOOL ADMINISTRATION

David Jeck, Ed.D., Superintendent
Sandra P. Mitchell, Associate Superintendent for Instruction
Janice Bourne, Assistant Superintendent for Administration
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	Jonathan S. Lynn



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, 2016, 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, 2016, 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 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, and 79 Certain External Investment Pools and Pool Participants. 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 19-34 and 121-125 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 17, 2016, 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 17, 2016



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, 2016. 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 2016 FINANCIAL HIGHLIGHTS

- The reporting entity, which includes the School Board component unit, had positive net position of \$87.4 million at June 30, 2016, which represents an increase of \$11.7 million, or 15.5% from June 30, 2015.
- The total cost of the County's programs or governmental activities, was \$170.0 million, an increase of \$5.4 million, or 3.3% from the prior year's cost of \$164.6 million. Total revenues for governmental activities increased \$9.8 million or 5.5% to \$186.7 million from the prior year.
- Net position of the County's governmental activities increased by \$17.2 million from the prior year, as compared to an increase of \$11.5 million in fiscal year 2015.
- At June 30, 2016, the County had \$102.9 million (\$98.0 million in unpaid principal balance and \$4.9 million in premium) of long-term debt outstanding. This includes \$85.6 million of School Board general obligation bonds, \$2.0 million of capital leases related to assets on the books of the total reporting entity, \$5.9 million of certificates of participation, and \$9.4 million in revenue bonds for business type activities (including premiums; See Table 6). In addition, the County has \$2.2 million in deferred charges on refundings.
- The County's business-type activities (the Airport and Landfill) had a combined positive net position of \$1.0 million, which is a decrease of \$3.4 million from the prior year. Decrease is due mainly to increased contractual services and transfers to the General Fund in the Landfill and Recycling Fund.
- The School Board component unit had positive net position of \$64.0 million at June 30, 2016, which represents a decrease of \$2.1 million, or 3.2% from the prior year. Revenues, including the County contribution, totaled \$137.7 million, an increase of \$0.5 million from the prior year, and expenses totaled \$139.8 million, an increase of \$0.3 million over prior year's expenses. The increase in revenue was due primarily to an increase in operating grants and contributions offset by a decrease in the County contribution to the School Board component unit.
- As of June 30, 2016, the County governmental funds reported combined fund balances of \$48.5 million, an increase of \$7.6 million from the prior year. The County's General Fund had a total fund balance of \$26.4 million at June 30, 2016. Of the General Fund balance, \$6.1 million, or 23.1% was assigned fund balance, \$17.6 million, or 66.7% was unassigned fund balance, and the remaining was nonspendable, restricted, and committed fund balance. The unassigned fund balance, or 10.0% percent of general operating revenues, is set aside for emergency needs as approved by the Board of Supervisors. Refer to Note 13 for details regarding the various components of fund balance.

- General Fund revenues were \$3.8 million over the amended budget. Expenditure savings of \$4.2 million were the result of \$1.5 million savings in the contribution to the School Board component unit and \$2.7 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 2015 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 Pension Liability and Related Ratios (Exhibit 15)
- the Schedule of the School Board's Proportionate Share of the Net Pension Liability – Teachers' Pension Plan (Exhibit 16)

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, liabilities, and deferred inflows 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 are deducted from the balance of assets and deferred outflows, 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 of Fauquier County are intended to be self-supporting and include the Landfill and Recycling activities and Airport activities.
- **Component unit:** The County has one component unit 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 expenses for particular purposes. The County has three kinds of funds:

- **Governmental Funds** – Most of the County's basic services are included in governmental funds, which focus on (1) 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 \$87.4 million at June 30, 2016. Net position increased from the prior year by \$11.7 million, which reflects current year revenues exceeding expenses by this amount.

<div>Table 1</div> <div>County of Fauquier</div> <div>Summary of Net Position</div> <div>(\$ in millions)</div>								
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity Including Component Unit	
	2016	2015	2016	2015	2016	2015	2016	2015
Assets:								
Current and other assets	\$ 69.9	\$ 60.1	\$ 1.3	\$ 5.9	\$ 71.2	\$ 66.0	92.6	\$ 87.3
Capital assets	68.2	70.4	24.5	23.0	92.7	93.4	276.0	282.3
Total assets	138.1	130.5	25.8	28.9	163.9	159.4	368.6	369.6
Deferred outflows of resources:								
Total deferred outflows of resources	5.1	5.4	0.4	0.4	5.5	5.8	15.1	16.0
Liabilities:								
Other liabilities	16.9	15.5	1.4	1.1	18.3	16.6	152.5	146.7
Long-term obligations	100.3	109.5	23.7	23.7	124.0	133.2	128.3	137.7
Total liabilities	117.2	125.0	25.1	24.8	142.3	149.8	280.8	284.4
Deferred inflows of resources:								
Total deferred inflows of resources	3.6	5.7	0.1	0.1	3.7	5.8	15.5	25.5
Net position:								
Net investment in capital assets	66.4	66.9	19.4	19.3	85.8	86.2	184.7	183.8
Restricted	7.8	6.0	-	-	7.8	6.0	7.9	6.0
Unrestricted (deficit)	(51.8)	(67.7)	(18.4)	(14.9)	(70.2)	(82.6)	(105.2)	(114.1)
Total net position	\$ 22.4	\$ 5.2	\$ 1.0	\$ 4.4	\$ 23.4	\$ 9.6	\$ 87.4	\$ 75.7
Table 1 may differ from Exhibit 1 due to rounding.								

The Primary Government: The primary government had net position of \$23.4 million at June 30, 2016 which reflects an increase of \$13.8 million from the prior year. The largest portion of net position, \$85.8 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 \$62.4 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, 2016 was \$91.5 million (which includes \$3.9 million in premium). Refer to Note 8 and Note 9 for further details regarding long-term obligations and commitments.

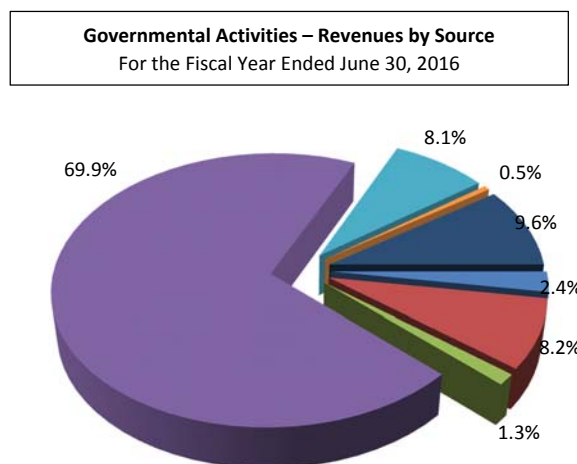
Business-Type Activities: Business-type activities had a combined net position of \$1.0 million at June 30, 2016, which consisted of positive net position of \$10.2 for the Airport Fund and negative net position of \$9.2 million for the Landfill and Recycling Fund. The largest portion of net position, \$19.4 million, reflects investment in capital assets, net of depreciation and outstanding debt. The unrestricted net position for business-type activities at June 30, 2016 was a deficit of \$18.4 million, which reflects an increase of 23.5% from the deficit of \$14.9 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 \$16.8 million compared to an increase of \$12.3 million in fiscal year 2015.

Revenues from governmental activities for FY 2016 totaled \$186.7 million, an increase of \$9.8 million from fiscal year 2015. Taxes comprised the largest source of revenues, totaling \$145.7 million, of which general property taxes account for \$130.4 million, or 69.9%, of total revenues. Program revenues (charges for services, operating and capital grants and contributions) generated a total of \$22.2 million, or 11.9% of total revenues, while revenues from grants and contributions not restricted to specific programs totaled \$17.9 million, or 9.6% 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 \$4.7 million, or 3.7% primarily attributable to an increase in tax rate for fiscal year 2016 and continued growth in the tax base.

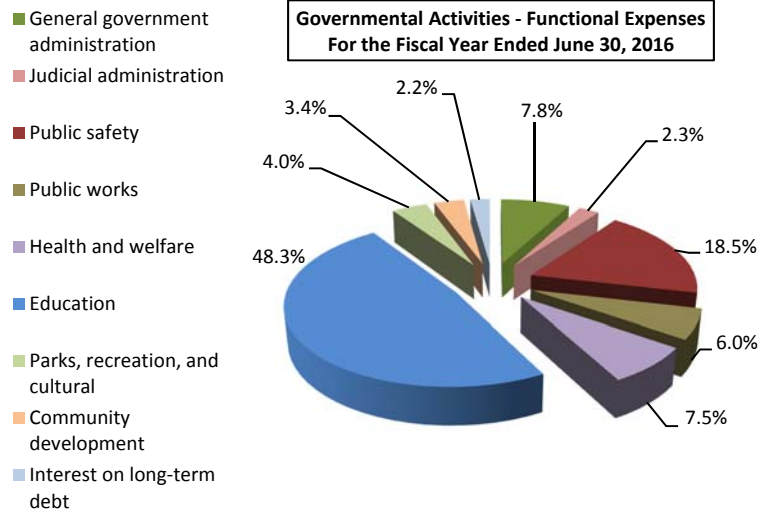
Local sales and tax revenue increased by \$0.3 million or 3.5% from the prior year as a result of increasing taxable sales in the County, signifying a recovering economy. Business and professional tax revenue, taxes on recordation and wills, motor vehicle taxes and miscellaneous revenue collectively increased by \$0.4 million or 46.0 % from the prior year. Non program specific grants and contributions saw an increase of \$0.2 million while other revenue increased \$0.2 million. Charges for services experienced increased \$0.4 million 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, 2016 and 2015.

Table 2 County of Fauquier Changes in Net Position (\$ in millions)								
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity Including Component Unit	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues								
Program revenues:								
Charges for services	\$ 4.5	\$ 4.1	\$ 4.0	\$ 4.3	\$ 8.5	\$ 8.4	\$ 11.8	\$ 11.8
Operating grants and contributions	15.2	13.8	0.1	0.1	15.3	13.9	33.2	29.8
Capital grants and contributions	2.5	0.2	1.3	-	3.8	0.2	3.8	0.2
General revenues:			-	-	-	-	-	-
Real and personal property taxes	130.4	125.7	-	-	130.4	125.7	130.4	125.7
Other taxes	15.3	14.7	-	-	15.3	14.7	15.3	14.7
Other	0.9	0.7	-	-	0.9	0.7	1.1	1.0
Grants and contributions	17.9	17.7	-	-	17.9	17.7	52.1	52.0
Contribution to schools	-	-	-	-	-	-	82.1	83.3
Total revenues	186.7	176.9	5.4	4.4	192.1	181.3	329.8	318.5
Expenses								
General government administration	13.3	12.4	-	-	13.3	12.4	13.3	12.4
Judicial administration	4.0	3.8	-	-	4.0	3.8	4.0	3.8
Public safety	31.4	30.7	-	-	31.4	30.7	31.4	30.7
Public works	10.2	8.3	-	-	10.2	8.3	10.2	8.3
Health and welfare	12.7	12.5	-	-	12.7	12.5	12.7	12.5
Education	82.0	82.0	-	-	82.0	82.0	221.8	221.5
Parks, recreation, and cultural	6.9	6.3	-	-	6.9	6.3	6.9	6.3
Community development	5.8	5.9	-	-	5.8	5.9	5.8	5.9
Interest on long-term debt	3.7	2.7	-	-	3.7	2.7	3.7	2.7
Airport	-	-	1.4	2.0	1.4	2.0	1.4	2.0
Landfill and recycling	-	-	6.9	6.0	6.9	6.0	6.9	6.0
Total expenses	170.0	164.6	8.3	8.0	178.3	172.6	318.1	312.1
Increase (decrease) in net position	16.7	12.3	(2.9)	(3.6)	13.8	8.7	11.7	6.4
Transfers	0.5	(0.8)	(0.5)	0.8	-	-	-	-
Change in net position	17.2	11.5	(3.4)	(2.8)	13.8	8.7	11.7	6.4
Beginning net position, restated	5.2	(6.3)	4.4	7.2	9.6	0.9	75.7	69.3
Ending net position	\$ 22.4	\$ 5.2	\$ 1.0	\$ 4.4	\$ 23.4	\$ 9.6	\$ 87.4	\$ 75.7
Table 2 may differ from Exhibit 1 due to rounding.								

Total expenses for governmental activities for this fiscal year were \$170.0 million, an increase of \$5.4 million from \$164.6 million in fiscal year 2015. Education continued to be the County's largest program and highest priority with the County's contribution totaling \$82.0 million, or 48.3%, of total expenses. Included in this contribution was approximately \$0.4 million in support of School Board capital projects and asset acquisitions.

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 \$8.7 million in fiscal year 2016. Approximately 75.0% of the costs of these consolidated functions were associated with educational activities so that the portion allocated to the education function is approximately \$6.5 million. Recognizing these costs as a function of education increases educational functional expenses to approximately 52.1% of total expenses. Public safety expenses, which total \$31.4 million or 18.5%, 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.

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
General government administration	\$ 13.3	\$ 12.4	\$ 12.7	\$ 11.9
Judicial administration	4.0	3.8	2.0	1.8
Public safety	31.4	30.7	25.2	25.0
Public works	10.2	8.3	7.6	8.1
Health and welfare	12.7	12.5	5.5	5.9
Education	82.0	82.0	82.1	82.0
Parks, recreation, and cultural	6.9	6.3	6.1	5.5
Community development	5.8	5.9	2.9	3.7
Interest on long-term debt and other	3.7	2.7	3.7	2.7
Total	\$170.0	\$ 164.6	\$ 147.8	\$ 146.6

Table 3 may differ from Exhibit 2 due to rounding.

After recognizing the effect of revenue from these fees, grants, and contributions of \$22.2 million, the net cost of governmental activities was \$147.8 million, compared to a total cost of \$170.0 million.

Business-type activities: Business-type activities are generally intended to be 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 22.7% from the prior year to \$5.4 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 offset by declines in charges for services in Landfill and Recycling Fund; tipping fees in the Landfill and Recycling Fund were down 1.8%, while recycling revenues were down 49.3% from the prior year. Fuel sales in the Airport Fund declined 15.2% from the prior year due to falling fuel prices and sales. Total expenses for business-type activities were \$8.3 million, an increase of 3.8%, or \$0.3 million, from the prior year. The increase is primarily reflective of an increase in Landfill contractual services related to conversion to transfer station operations of \$1.2 million offset by decreased depreciation and expenses in the Airport Fund.

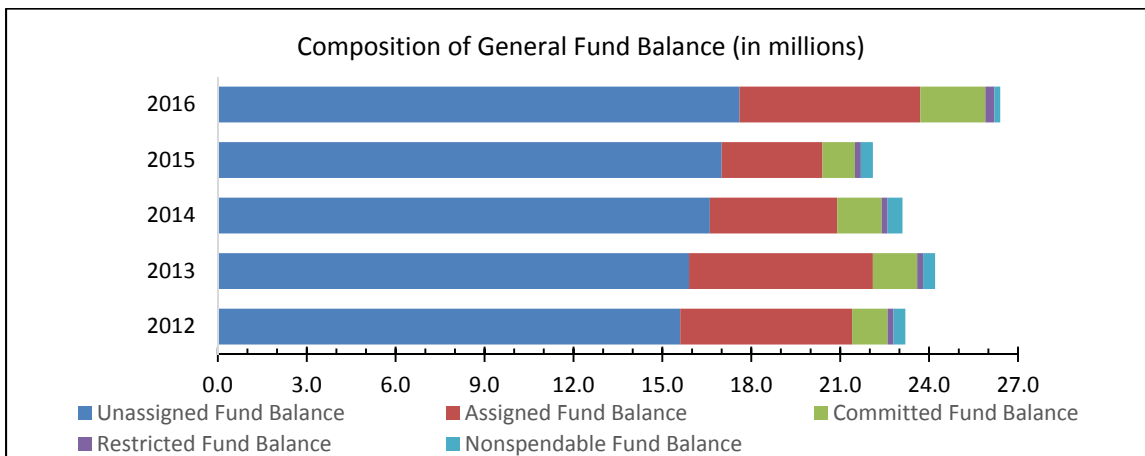
FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds: As of June 30, 2016, the County's governmental funds reported a combined ending fund balance of \$48.5 million (Exhibit 3), an increase of \$7.6 million in comparison with the prior year's fund balance. This increase reflects the following activity in governmental funds:

- The Capital Projects Fund reported a total fund balance of \$10.6 million, an increase of \$1.5 million from the prior year. Expenditures in the Capital Projects Fund decreased \$0.4 million and net transfers to the fund decreased by \$0.4 million from the prior fiscal year. Revenues increased by \$2.3 million primarily due to contributions received to support the Vint Hill Public Street Network project in the current year and increased reimbursements from the Virginia Department of Transportation for revenue sharing and grant funded projects.
- The Debt Service Fund reported a total fund balance of \$0.4 million, a decrease of \$0.5 million from the prior year. During fiscal year 2016, \$13.2 million in debt principal and interest payments were made, of which \$11.1 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 \$5.7 million, an increase of \$0.9 million from the prior fiscal year. Revenues increased by \$0.6 million, or 12.2% from the prior year primarily due to increased tax revenue. Expenditures decreased minimally by 0.4%.
- Other Nonmajor Governmental Funds, reported an increase of \$1.4 million in fund balance over prior year. Revenues increased by \$0.6 million mainly due to an increase of \$0.6 million in gifts and donations in the Proffer fund. Decrease in expenditures in the nonmajor funds of \$2.2 million was due mainly to decreases in outlays for replacements of assets in the Asset Replacement Fund and a decrease in the Conservation Easement Fund for the purchase of development rights.
- The General Fund had a fund balance of \$26.4 million, an increase of 19.0%, or \$4.2 million from the prior year's fund balance of \$22.2 million. Revenues, which exceeded total expenditures by \$2.2 million, increased revenues mainly due to increased general property tax revenue of \$4.6 million and revenue from the Commonwealth of Virginia and the Federal government of \$0.6 million. Net transfers to other funds to support capital projects, debt service, and asset replacement declined by \$3.0 million from the prior year. In addition, the General Fund

contributed \$81.8 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 \$17.6 million (Exhibit 3). This represents 10.0% of general operating revenues budgeted for the coming year in the General Fund. This ten percent is identified as the minimum amount needed to safeguard the County's financial stability and as one component in maintaining its bond ratings. This level, when combined with committed and assigned fund balances, provides the County with sufficient funds to operate approximately two months without interrupting service levels. The chart below depicts the composition of the County's General Fund balance for the last five fiscal years.



The Board of Supervisors adopted a resolution setting the minimum fund balance target for the General Fund of 10.0% of the subsequent year's General Fund revenues. Unless the Board of Supervisors determines to retain fund balance in the General Fund above the minimum target, amounts in excess of the target will be transferred to the construction reserve account in the Capital Projects Fund for future capital needs, contributed to the School Board component unit, or appropriated in the County's General Fund in the subsequent 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, 2016 (\$ in millions)			
	Original Budget	Amended Budget	Actual
<u>Revenues</u>			
Taxes	\$ 135.1	\$ 135.1	\$ 139.4
Other	4.0	4.1	4.1
Intergovernmental	<u>29.3</u>	<u>30.9</u>	<u>30.4</u>
Total revenues	168.4	170.1	173.9
<u>Expenditures</u>	<u>156.1</u>	<u>161.0</u>	<u>156.9</u>
Excess (deficiency) of revenues over (under) expenditures	12.3	9.1	17.0
<u>Other financing sources (uses)</u>			
Transfers in	1.7	2.3	3.6
Transfers out	<u>(15.3)</u>	<u>(17.0)</u>	<u>(16.4)</u>
Total other financing sources (uses)	(13.6)	(14.7)	(12.8)
Change in fund balance	<u>\$ (1.3)</u>	<u>\$ (5.6)</u>	<u>\$ 4.2</u>
Table 4 may differ from Exhibit 7 due to rounding.			

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

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

Final amended budget revenues exceeded the original budget by \$1.7 million, primarily due to budget increases from state and federal funding sources. Actual revenues were \$3.8 million over the amended budget due mainly to increased taxes and other fees collected. Actual expenditures for the General Fund totaled \$156.9 million or \$4.1 million less than the amended budget. Of this difference, \$1.5 million less than budgeted was transferred to the School Board component unit and \$2.6 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.

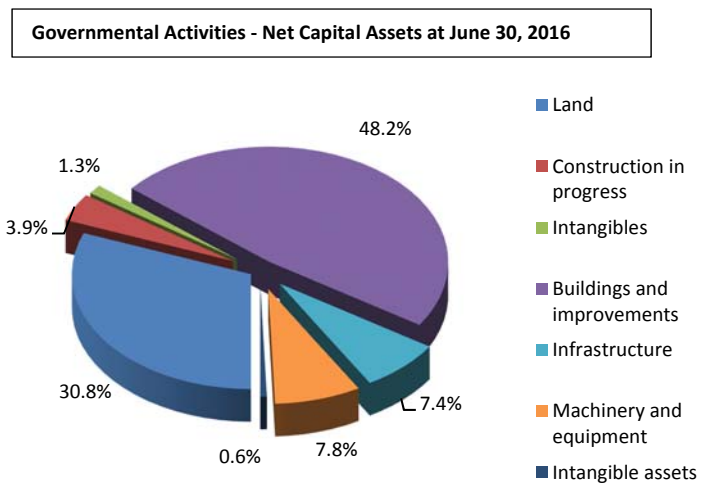
The Capital Improvements Program Committee (Committee) receives project requests from departments, agencies, and the School Board component unit. Potential projects are evaluated in relation to each other to ensure that the highest priority projects receive public funding, while considering construction 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	
	2016	2015	2016	2015	2016	2015	2016	2015
Land	\$ 21.0	\$ 20.9	\$ 8.1	\$ 8.1	\$ 29.1	\$ 29.0	\$ 34.1	\$ 34.0
Construction In progress	2.6	2.2	2.8	0.6	5.4	2.8	5.5	3.1
Intangible assets (non-depreciable)	0.9	0.9	0.2	0.2	1.1	1.1	1.1	1.1
Buildings and improvements	53.4	53.1	20.0	20.0	73.4	73.1	331.4	329.3
Infrastructure	14.2	14.2	11.5	11.5	25.7	25.7	30.9	30.9
Machinery and equipment	17.4	17.0	4.2	3.2	21.6	20.2	44.5	42.4
Intangible assets (depreciable)	1.5	1.5	-	-	1.5	1.5	1.7	1.7
Total capital assets	111.0	109.8	46.8	43.6	157.8	153.4	449.2	442.5
Less: Accumulated depreciation/amortization	(42.8)	(39.4)	(22.3)	(20.6)	(65.1)	(60.0)	(173.2)	(160.2)
Net capital assets	\$ 68.2	\$ 70.4	\$ 24.5	\$ 23.0	\$ 92.7	\$ 93.4	\$ 276.0	\$ 282.3

Table 5 may differ from Note 7 due to rounding.

As of June 30, 2016, the total reporting entity had net capital assets of \$276.0 million in capital assets, a decrease of \$6.3 million from the prior year. This decrease is due primarily to additions to capital assets and construction in progress of \$8.0 million, offset by depreciation expense of \$14.0 million and deletions of \$0.3 million for the reporting entity.

For governmental activities, the County’s investment in non-depreciable assets totaled \$24.5 million, while depreciable assets totaled \$43.7 million (net of depreciation). Total net capital assets for governmental activities decreased by \$2.2 million, or 3.3% from the prior year to \$68.2 million. The decrease is due to depreciation expense for governmental activities exceeding additions and deletions of capital assets in the current year. During the fiscal year, the following additions were made to capital assets:



- Governmental activity additions included \$1.1 million in machinery and equipment, \$0.1 million in buildings, improvements, and infrastructure, and \$0.8 million to existing projects.
- Business activity additions were primarily related to \$3.1 million in additions. These additions were primarily related to the acquisition of equipment for a transfer station at the landfill and the T-hanger drainage and design project at the airport.
- The School Board component unit had additions of \$2.8 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

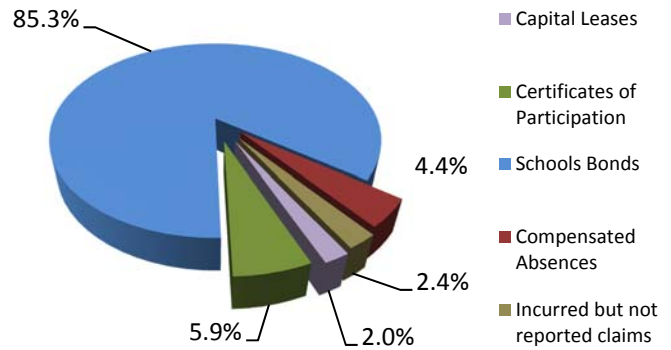
Table 6 provides an overview of the long-term obligations for the primary government.

Table 6 County of Fauquier Summary of Changes in Long Term Obligations (\$ in millions)			
	<u>July 1, 2015</u>	<u>Net Increase (Decrease)</u>	<u>June 30, 2016</u>
<u>Governmental Activities:</u>			
Capital leases	\$ 3.0	-1.0	\$ 2.0
Certificates of participation	6.4	-0.5	\$ 5.9
General obligation Bonds	93.5	-7.9	\$ 85.6
Compensated absences	4.5	-0.1	\$ 4.4
Incurred but not reported claims (IBNR)	<u>2.1</u>	<u>0.3</u>	<u>\$ 2.4</u>
Total long-term obligations	109.5	-9.2	\$ 100.3
<u>Business-Type Activities:</u>			
Revenue bonds	9.6	-0.2	\$ 9.4
Compensated absences	0.1	0.0	\$ 0.1
Landfill closure and post closure	<u>14.0</u>	<u>0.2</u>	<u>\$ 14.2</u>
Total long-term obligations	23.7	0.0	\$ 23.7
Total long-term obligations	<u>\$133.2</u>	<u>\$ (9.2)</u>	<u>\$ 124.0</u>

Table 6 may differ from Note 8 due to rounding.

**Governmental Activities - Long-Term Obligations
As of June 30, 2016**

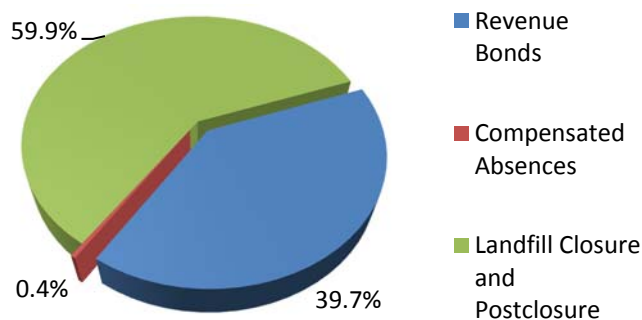
As of June 30, 2016, the County's governmental activities had long-term obligations totaling \$100.3 million, of which \$93.5 represents indebtedness related to capital leases, certificates of participation and issuances of bonds. This represents a decrease of \$9.2 million, or 8.4% in long-term obligations from the prior year. The net decrease is due primarily to the following activities during the fiscal year:



General Obligation Bonds issued to support School Board related projects represent the largest category of debt (including premium) with 85.3% of the County's total governmental obligations.

- On February 23, 2016, the County received lease proceeds under the Series 2015 capital lease for \$0.4 million to fund the acquisition of additional school buses for the School Board component unit.
- The County retired \$9.8 million (\$9.1 million in principal and \$0.7 million in premium) related to capital leases, revenue bonds, and general obligation bonds.
- Compensated absences decreased by \$0.1 million from the prior year, as employee balances decreased.

**Business-Type Activities - Long-Term Obligations
As of June 30, 2016**



As of June 30, 2016, the County's business activities had long-term obligations of \$23.7 million, which is a minimal changes from the prior year.

- The Landfill and Recycling Fund retired \$0.2 million of debt related to revenue bonds with the Virginia Resources Authority.
- The Landfill closure and postclosure liability increased by \$0.2 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 six-month unemployment rate for the County of Fauquier in June 2016 was 3.4%, down 0.7% from June 2015. This compares favorably to the State's average rate of 4.0% and the National average rate of 5.1%.

- According to the Weldon Cooper Center for Public Service, Fauquier County's population was estimated to be 67,898, an increase of 0.6% 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 2016 by 0.1% from 11,055 to 11,042. 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 \$61,982 as of 2014, compared to \$50,105 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 decreased by 0.9% from 35,985 to 35,652 as of fiscal year 2016. County Civilian Labor Workforce numbers for the last ten years are provided in Table 12 of the Statistical Section of this report.

Fiscal Year 2017 Budget and Rates

- For fiscal year 2017, the adopted budget for the General Fund is \$177.5 million, an increase of 3.6% from fiscal year 2016. Revenues are comprised primarily of general property taxes at 70.7%, other local taxes at 8.3%, permits, privilege fees and regulatory licenses at 0.9%, charges for services at 0.6%, State assistance at 15.4%, Federal assistance at 1.3%, use of money at 0.2%, and other revenues at 2.6%.
- In fiscal year 2017, the County's contribution to the School Board component unit is \$94.6 million which includes the County's contribution to the School Board's operating fund of \$84.1 million and \$10.5 million contributed to the Debt Service Fund for school related debt. Support to the Schools represents 53.3% of the General Fund appropriations not including the allocation of shared services, which represents an additional 4.0% of local support. The percentage of General Fund appropriations supporting Schools is 0.9% less than fiscal year 2016.
- Public safety accounts for 15.0% of appropriations in fiscal year 2016, 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 increased to \$1.039 per \$100 of assessed value for tax year 2016 which is to support fiscal year 2017. 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, 2016

Exhibit 1
Page 1 of 2

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
Assets				
Cash and cash equivalents	\$ 42,679,067	\$ 1,129,284	\$ 43,808,351	\$ 16,227,214
Cash and cash equivalents - restricted	8,756,797	4,036,629	12,793,426	73,567
Receivables, net of allowance for uncollectibles:				
Taxes, including penalties	3,002,739	-	3,002,739	-
Accounts	2,085,789	449,491	2,535,280	23,411
Internal balances	4,978,801	(4,978,801)	-	-
Inventories	246,590	17,195	263,785	128,017
Prepaid items	919,590	-	919,590	599
Investments	3,000,600	-	3,000,600	-
Due from other governmental units	4,220,447	622,022	4,842,469	3,657,621
Net pension asset	-	-	-	1,340,303
Capital assets (non-depreciable/non-amortizable):				
Land	20,971,421	8,059,127	29,030,548	5,052,116
Construction in progress	2,643,259	2,806,379	5,449,638	-
Intangible assets	853,884	203,638	1,057,522	-
Capital assets (depreciable/amortizable):				
Buildings and improvements	53,375,755	19,969,515	73,345,270	258,046,948
Infrastructure	14,188,219	11,549,745	25,737,964	5,204,865
Machinery and equipment	17,434,272	4,215,781	21,650,053	22,904,298
Intangible assets	1,460,946	-	1,460,946	225,458
Accumulated depreciation/amortization	(42,764,382)	(22,324,508)	(65,088,890)	(108,069,652)
Total capital assets, net	68,163,374	24,479,677	92,643,051	183,364,033
Total assets	138,053,794	25,755,497	163,809,291	204,814,765
Deferred outflows of resources				
Deferred charge on refundings	1,883,648	313,769	2,197,417	-
Items related to measurement of pension liability	2,271	20,440	22,711	51,285
Pension contributions subsequent to measurement date	3,235,186	102,493	3,337,679	9,522,707
Total deferred outflows of resources	5,121,105	436,702	5,557,807	9,573,992
Liabilities				
Accounts payable	3,285,053	942,386	4,227,439	998,964
Accrued and other liabilities	3,092,360	111,066	3,203,426	14,862,274
Retainage	59,671	58,402	118,073	-
Accrued interest payable	1,591,263	94,198	1,685,461	-
Unearned revenue	43,434	7,269	50,703	163,083
Customer deposits	764,327	-	764,327	-
Noncurrent liabilities:				
Due within one year	10,928,868	311,272	11,240,140	432,260
Due in more than one year	89,345,899	23,357,023	112,702,922	3,890,340
Net OPEB obligation	141,767	-	141,767	298,166
Net pension liability	7,910,487	251,384	8,161,871	117,860,528
Total liabilities	117,163,129	25,133,000	142,296,129	138,505,615
Deferred inflows of resources				
Revenue advances	569,244	-	569,244	-
Items related to measurement of pension liability	3,058,702	81,244	3,139,946	11,846,248
Total deferred inflows of resources	3,627,946	81,244	3,709,190	11,846,248
Net position				
Net investment in capital assets	66,424,250	19,399,111	85,823,361	183,364,033
Restricted for:				
Parks, recreation, and cultural	376,041	-	376,041	-
Public works	24,172	-	24,172	-
Proffers	2,509,409	-	2,509,409	-
Capital projects	4,529,804	-	4,529,804	-
Education	-	-	-	73,567
Other purposes	337,264	-	337,264	-
Unrestricted (deficit)	(51,817,116)	(18,421,156)	(70,238,272)	(119,400,706)
Total net position	\$ 22,383,824	\$ 977,955	\$ 23,361,779	\$ 64,036,894

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			
\$ -	\$ 60,035,565		Cash and cash equivalents
-	12,866,993		Cash and cash equivalents - restricted
-	3,002,739		Receivables, net of allowance for uncollectibles:
-	2,558,691		Taxes, including penalties
-	-		Accounts
-	391,802		Internal balances
-	920,189		Inventories
-	3,000,600		Prepaid items
-	8,500,090		Investments
-	1,340,303		Due from other governmental units
-	-		Net pension asset
-	34,082,664		Capital assets (non-depreciable/non-amortizable):
-	5,449,638		Land
-	1,057,522		Construction in progress
-	-		Intangible assets
-	331,392,218		Capital assets (depreciable/amortizable):
-	30,942,829		Buildings and improvements
-	44,554,351		Infrastructure
-	1,686,404		Machinery and equipment
-	(173,158,542)		Intangible assets
-	276,007,084		Accumulated depreciation/amortization
-	-		Total capital assets, net
-	368,624,056		Total assets
Deferred outflows of resources			
-	2,197,417		Deferred charge on refundings
-	73,996		Items related to measurement of pension liability
-	12,860,386		Pension contributions subsequent to measurement date
-	15,131,799		Total deferred outflows of resources
Liabilities			
-	5,226,403		Accounts payable
-	18,065,700		Accrued and other liabilities
-	118,073		Retainage
-	1,685,461		Accrued interest payable
-	213,786		Unearned revenue
-	764,327		Customer deposits
-	-		Noncurrent liabilities:
-	11,672,400		Due within one year
-	116,593,262		Due in more than one year
-	439,933		Net OPEB obligation
-	126,022,399		Net pension liability
-	280,801,744		Total liabilities
Deferred inflows of resources			
-	569,244		Revenue advances
-	14,986,194		Items related to measurement of pension liability
-	15,555,438		Total deferred inflows of resources
Net position			
(84,411,433)	184,775,961		Net investment in capital assets
-	-		Restricted for:
-	376,041		Parks, recreation, and cultural
-	24,172		Public works
-	2,509,409		Proffers
-	4,529,804		Capital projects
-	73,567		Education
-	337,264		Other purposes
84,411,433	(105,227,545)		Unrestricted (deficit)
\$ -	\$ 87,398,673		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, 2016

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	\$ 13,319,869	\$ 133,838	\$ 447,543	\$ -
Judicial administration	3,952,902	629,947	1,282,958	-
Public safety	31,471,801	1,664,088	4,588,922	-
Public works	10,220,949	-	108,846	2,541,642
Health and welfare	12,675,215	-	7,186,282	-
Education	82,056,536	-	-	-
Parks, recreation, and cultural	6,870,409	620,519	208,540	4,413
Community development	5,811,825	1,481,973	1,423,556	-
Interest on long-term debt	3,671,366	-	-	-
Total governmental activities	<u>170,050,872</u>	<u>4,530,365</u>	<u>15,246,647</u>	<u>2,546,055</u>
Business-type activities:				
Airport	1,393,026	639,442	35,840	1,298,432
Landfill and recycling	6,930,685	3,357,317	17,771	-
Total business-type activities	<u>8,323,711</u>	<u>3,996,759</u>	<u>53,611</u>	<u>1,298,432</u>
Total primary government	<u>178,374,583</u>	<u>8,527,124</u>	<u>15,300,258</u>	<u>3,844,487</u>
Component unit				
School Board	<u>139,806,883</u>	<u>3,277,727</u>	<u>17,904,582</u>	<u>-</u>
Total component unit	<u>\$ 139,806,883</u>	<u>\$ 3,277,727</u>	<u>\$ 17,904,582</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					Functions/Programs
Primary Government			Component Unit	Reporting Entity	
Governmental Activities	Business-Type Activities	Total	School Board	Total	
\$ (12,738,488)	\$ -	\$ (12,738,488)	\$ -	\$ (12,738,488)	Primary government
(2,039,997)	-	(2,039,997)	-	(2,039,997)	Governmental activities:
(25,218,791)	-	(25,218,791)	-	(25,218,791)	General government administration
(7,570,461)	-	(7,570,461)	-	(7,570,461)	Judicial administration
(5,488,933)	-	(5,488,933)	-	(5,488,933)	Public safety
(82,056,536)	-	(82,056,536)	-	(82,056,536)	Public works
(6,036,937)	-	(6,036,937)	-	(6,036,937)	Health and welfare
(2,906,296)	-	(2,906,296)	-	(2,906,296)	Education
(3,671,366)	-	(3,671,366)	-	(3,671,366)	Parks, recreation, and cultural
(147,727,805)	-	(147,727,805)	-	(147,727,805)	Community development
					Interest on long-term debt
					Total governmental activities
-	580,688	580,688		580,688	Business-type activities:
-	(3,555,597)	(3,555,597)		(3,555,597)	Airport
-	(2,974,909)	(2,974,909)		(2,974,909)	Landfill and recycling
					Total business-type activities
(147,727,805)	(2,974,909)	(150,702,714)			Total primary government
			(118,624,574)	(118,624,574)	Component unit
			(118,624,574)	(118,624,574)	School Board
					Total component unit
130,409,532	-	130,409,532	-	130,409,532	General revenues:
8,305,286	-	8,305,286	-	8,305,286	General property taxes
1,631,861	-	1,631,861	-	1,631,861	Local sales and use taxes
1,444,902	-	1,444,902	-	1,444,902	Consumers' utility taxes
1,911,876	-	1,911,876	-	1,911,876	Business and professional taxes
1,720,164	-	1,720,164	-	1,720,164	Motor vehicle taxes
235,719	-	235,719	-	235,719	Taxes on recordation and wills
-	-	-	82,152,277	82,152,277	Other local taxes
408,673	3,524	412,197	809	413,006	Contribution from primary government
481,040	24,634	505,674	159,900	665,574	Investment income
17,867,956	-	17,867,956	34,275,494	52,143,450	Miscellaneous
512,373	(512,373)	-	-	-	Grants and contributions not restricted to specific programs
164,929,382	(484,215)	164,445,167	116,588,480	281,033,647	Transfers
					Total general revenues and transfers
17,201,577	(3,459,124)	13,742,453	(2,036,094)	11,706,359	Change in net position
5,182,247	4,437,079	9,619,326	66,072,988	75,692,314	Net position - beginning
\$ 22,383,824	\$ 977,955	\$ 23,361,779	\$ 64,036,894	\$ 87,398,673	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, 2016

	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	\$ 16,681,208	\$ 6,712,750	\$ 407,118	\$ 5,951,045	\$ 2,274,144	\$ 32,026,265
Cash and cash equivalents - restricted	337,264	4,584,999	-	-	3,834,534	8,756,797
Receivables, net of allowance for uncollectibles:						
Taxes, including penalties	2,819,682	-	-	165,640	17,417	3,002,739
Accounts	972,052	54,197	-	52,158	512,521	1,590,928
Due from other funds	5,039,000	-	-	-	-	5,039,000
Inventories	50,162	-	-	-	-	50,162
Prepaid items	98,372	450,213	-	186,142	44,416	779,143
Investments	3,000,600	-	-	-	-	3,000,600
Due from other governmental units	3,781,753	438,694	-	-	-	4,220,447
Advances to other funds	21,038	-	-	-	-	21,038
Total assets	32,801,131	12,240,853	407,118	6,354,985	6,683,032	58,487,119
Total assets and deferred outflows of resources	32,801,131	12,240,853	407,118	6,354,985	6,683,032	58,487,119
Liabilities						
Accounts payable	1,535,981	636,474	-	476,852	203,197	2,852,504
Accrued liabilities	1,856,224	-	-	3,587	10,927	1,870,738
Retainage	-	55,195	-	-	4,476	59,671
Other liabilities	707,262	477,191	-	-	-	1,184,453
Due to other funds	-	-	-	-	81,237	81,237
Unearned revenue	43,434	-	-	-	-	43,434
Escrows	-	-	-	-	764,327	764,327
Total liabilities	4,142,901	1,168,860	-	480,439	1,064,164	6,856,364
Deferred inflows of resources						
Revenue advances	535,435	-	-	28,467	5,342	569,244
Unavailable revenue	1,729,042	432,746	-	109,987	315,576	2,587,351
Total deferred inflows of resources	2,264,477	432,746	-	138,454	320,918	3,156,595
Total liabilities and deferred inflows of resources	6,407,378	1,601,606	-	618,893	1,385,082	10,012,959
Fund balances						
Nonspendable	148,534	450,213	-	186,142	44,416	829,305
Restricted	337,264	4,529,804	-	-	3,080,914	7,947,982
Committed	2,201,888	5,659,230	-	5,549,950	855,494	14,266,562
Assigned	6,084,340	-	407,118	-	1,320,288	7,811,746
Unassigned	17,621,727	-	-	-	(3,162)	17,618,565
Total fund balances	26,393,753	10,639,247	407,118	5,736,092	5,297,950	48,474,160
Total liabilities, deferred inflows of resources, and fund balances	\$ 32,801,131	\$ 12,240,853	\$ 407,118	\$ 6,354,985	\$ 6,683,032	\$ 58,487,119

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, 2016**

Total fund balance - governmental funds	\$	48,474,160
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds (excludes \$44,917 related to internal service fund assets).		
Non-depreciable/non-amortizable assets:		
Land	20,971,421	
Intangible Assets	853,884	
Construction in progress	2,643,259	
Subtotal non-depreciable assets	24,468,564	
Depreciable/amortizable assets:		
Buildings and improvements	53,026,755	
Infrastructure	14,188,219	
Equipment	16,952,471	
Intangible assets	1,460,946	
Less: Accumulated depreciation/amortization	(41,978,498)	
Subtotal depreciable assets	43,649,893	68,118,457
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.		
Unavailable tax revenue	1,783,913	
Unavailable grant revenue	499,228	
Unavailable proffer revenue	170,442	
Unavailable other revenue	2,500	
Unavailable EMS ambulance billing revenue	131,268	2,587,351
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
		(1,591,263)
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.		
Assets		
Current assets	11,484,538	
Capital assets	830,801	
Less: Accumulated depreciation	(785,884)	
Deferred outflows of resources	67,734	
Liabilities	(3,163,117)	
Deferred inflows of resources	(59,457)	8,374,615
Long-term liabilities, including bonds payable, 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	(1,307,175)	
Capital leases issued for schools	(723,115)	
Lease certificates of participation issued for utility projects	(5,495,000)	
General obligation bonds issued for schools	(82,071,000)	
Premium on bonds payable - School Board	(3,468,844)	
Premium on bonds payable - Primary government	(438,308)	
Deferred charge on refunding	1,883,648	
Compensated absences (excludes \$123,002 for internal service funds).	(4,237,900)	
Net pension liability (excludes \$159,974 for internal service funds).	(7,750,513)	
Deferred inflows related to pensions (excludes \$59,457 for internal service funds).	(2,999,245)	
Net OPEB obligation	(141,767)	(106,749,219)
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 \$65,463 for internal service funds).		3,169,723
Net position of governmental activities	\$	22,383,824

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, 2016

	General Fund	Capital Projects Fund	Debt Service Fund	Fire and Rescue Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
General property taxes	\$ 124,172,634	\$ -	\$ -	\$ 5,525,622	\$ 1,010,447	\$ 130,708,703
Other local taxes	15,249,808	-	-	-	-	15,249,808
Permits, privilege fees, and regulatory licenses	1,569,769	-	-	-	-	1,569,769
Fines and forfeitures	394,250	-	-	-	37,652	431,902
Revenue from use of money and property	340,900	219	-	16,632	9,415	367,166
Charges for services	1,052,285	-	-	-	1,413,734	2,466,019
Gifts and donations	28,512	-	-	-	1,003,298	1,031,810
Recovered costs	330,813	9,290	-	8,865	40,518	389,486
Miscellaneous revenue	372,676	1,900,000	89,192	26,898	19,172	2,407,938
Intergovernmental:						
Commonwealth of Virginia	27,213,195	367,580	-	254,450	541,021	28,376,246
Federal Government	3,191,021	278,475	396,100	-	2,000	3,867,596
Total revenues	173,915,863	2,555,564	485,292	5,832,467	4,077,257	186,866,443
Expenditures						
Current operating:						
General government administration	12,734,277	-	-	-	-	12,734,277
Judicial administration	3,890,324	-	-	-	-	3,890,324
Public safety	25,987,248	-	-	4,379,543	519,682	30,886,473
Public works	7,894,428	1,890,667	-	-	11,119	9,796,214
Health and welfare	12,817,543	-	-	-	-	12,817,543
Education	81,825,631	-	391,658	-	-	82,217,289
Parks, recreation, and cultural	6,068,769	93,994	-	-	16,421	6,179,184
Community development	5,264,948	-	-	-	887,615	6,152,563
Nondepartmental	390,751	-	-	-	-	390,751
Capital outlay	-	661,062	-	-	1,242,142	1,903,204
Debt service:						
Principal retirement	-	-	9,053,340	-	-	9,053,340
Interest charges	-	-	4,157,411	-	-	4,157,411
Fiscal charges	-	-	7,750	-	-	7,750
Total expenditures	156,873,919	2,645,723	13,610,159	4,379,543	2,676,979	180,186,323
Excess (deficiency) of revenues over (under) expenditures	17,041,944	(90,159)	(13,124,867)	1,452,924	1,400,278	6,680,120
Other financing sources (uses)						
Transfers in	3,630,244	2,274,989	12,254,235	-	1,951,631	20,111,099
Transfers (out)	(16,450,176)	(685,043)	-	(535,911)	(1,942,240)	(19,613,370)
Issuance of debt	-	-	391,658	-	-	391,658
Total other financing sources (uses)	(12,819,932)	1,589,946	12,645,893	(535,911)	9,391	889,387
Net change in fund balances	4,222,012	1,499,787	(478,974)	917,013	1,409,669	7,569,507
Fund balances - beginning	22,171,741	9,139,460	886,092	4,819,079	3,888,281	40,904,653
Fund balances - ending	\$ 26,393,753	\$ 10,639,247	\$ 407,118	\$ 5,736,092	\$ 5,297,950	\$ 48,474,160

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, 2016**

Net change in fund balance - total governmental funds	\$	7,569,507
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	1,846,546	
Depreciation expense (less \$11,226 for internal service funds)	(3,962,187)	(2,115,641)
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.		
		(122,728)
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	2,587,351	
Less prior year's unavailable revenue	(2,363,239)	224,112
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.		
		710,413
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	(391,658)	
Add debt principal repayment	9,053,340	
Add amortization of bond payable premiums	719,475	
Less amortization of deferred loss on refunding	(401,574)	8,979,583
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 \$123,002 for internal service funds)	(4,237,900)	
Add prior year's compensated absences (excludes \$113,361 for internal service funds)	4,350,986	
Less current year's accrued interest payable	(1,591,263)	
Add prior year's accrued interest payable	1,767,157	
Less current year's net pension liability (excludes \$159,974 for internal service funds)	(7,750,513)	
Add prior year's net pension liability (excludes \$145,343 for internal service funds)	7,218,740	
Less current year's deferred inflow related to pensions (excludes \$59,457 for internal service funds)	(2,999,245)	
Add prior year's deferred inflow related to pensions (excludes \$105,022 for internal service funds)	5,216,090	
Less current year's net OPEB obligation	(141,767)	
Add prior year's net OPEB obligation	-	1,832,285
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 \$65,463 for internal service funds).	3,169,723	
Less prior year contributions to the Virginia Retirement System.	(3,045,677)	124,046
Change in net position of governmental activities	\$	17,201,577

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 7
Page 1 of 4

**Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2016**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ 120,566,027	\$ 120,566,027	\$ 124,172,634	\$ 3,606,607
Other local taxes	14,497,500	14,497,500	15,249,808	752,308
Permits, privilege fees, and regulatory licenses	1,510,679	1,510,679	1,569,769	59,090
Fines and forfeitures	457,300	457,300	394,250	(63,050)
Revenue from use of money and property	346,149	346,149	340,900	(5,249)
Charges for services	1,085,842	1,089,729	1,052,285	(37,444)
Gifts and donations	1,500	26,910	28,512	1,602
Recovered costs	220,937	310,304	330,813	20,509
Miscellaneous revenue	338,601	340,676	372,676	32,000
Intergovernmental:				
Commonwealth of Virginia	27,225,741	28,276,083	27,213,195	(1,062,888)
Federal Government	2,107,391	2,668,578	3,191,021	522,443
Total revenues	<u>168,357,667</u>	<u>170,089,935</u>	<u>173,915,863</u>	<u>3,825,928</u>
Expenditures				
Current operating:				
General government administration:				
Legislative:				
Board of supervisors	<u>277,641</u>	<u>283,803</u>	<u>276,404</u>	<u>7,399</u>
General and financial administration:				
County administrator	719,620	799,826	647,151	152,675
General reassessment	-	555,000	-	555,000
County attorney	678,226	689,020	684,292	4,728
Independent auditor	198,094	198,094	143,970	54,124
Commissioner of the revenue	1,405,845	1,428,019	1,428,019	-
Treasurer	1,181,324	1,248,222	1,248,222	-
Information technology	3,686,798	3,708,923	3,699,916	9,007
Human resources	2,458,335	2,180,165	2,083,412	96,753
Finance	1,365,848	1,367,250	1,341,692	25,558
Office of management and budget	412,610	417,058	399,198	17,860
Geographic information systems	<u>324,782</u>	<u>325,627</u>	<u>323,071</u>	<u>2,556</u>
Total general and financial administration	<u>12,431,482</u>	<u>12,917,204</u>	<u>11,998,943</u>	<u>918,261</u>
Board of elections:				
Registrar	<u>416,407</u>	<u>458,930</u>	<u>458,930</u>	<u>-</u>
Total general government administration	<u>\$ 13,125,530</u>	<u>\$ 13,659,937</u>	<u>\$ 12,734,277</u>	<u>\$ 925,660</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 7
Page 2 of 4

**Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Expenditures (continued)				
Current operating: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 146,398	\$ 146,398	\$ 130,698	\$ 15,700
General district court	32,700	32,700	21,793	10,907
Magistrates	87,773	87,773	86,083	1,690
Juvenile and domestic relations district court	17,726	17,726	13,448	4,278
Clerk of the circuit court	1,220,702	1,238,451	1,203,377	35,074
Adult court services	959,758	961,949	950,027	11,922
Commissioner of accounts	2,400	2,400	2,400	-
Total courts	<u>2,467,457</u>	<u>2,487,397</u>	<u>2,407,826</u>	<u>79,571</u>
Commonwealth's attorney:				
Commonwealth's attorney	<u>1,417,551</u>	<u>1,482,498</u>	<u>1,482,498</u>	<u>-</u>
Total judicial administration	<u>3,885,008</u>	<u>3,969,895</u>	<u>3,890,324</u>	<u>79,571</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	12,705,131	13,392,979	13,382,596	10,383
Joint communications	<u>2,623,322</u>	<u>2,617,990</u>	<u>2,492,069</u>	<u>125,921</u>
Total law enforcement and traffic control	<u>15,328,453</u>	<u>16,010,969</u>	<u>15,874,665</u>	<u>136,304</u>
Emergency services administration:				
Emergency services	<u>6,843,614</u>	<u>7,600,259</u>	<u>7,600,259</u>	<u>-</u>
Correction and detention:				
Sheriff	571,558	477,941	448,869	29,072
Northwest regional jail	1,836,912	1,836,912	1,819,790	17,122
Probation office	2,284	4,284	4,282	2
Juvenile detention and crime control	<u>307,173</u>	<u>305,173</u>	<u>239,383</u>	<u>65,790</u>
Total correction and detention	<u>2,717,927</u>	<u>2,624,310</u>	<u>2,512,324</u>	<u>111,986</u>
Total public safety	<u>24,889,994</u>	<u>26,235,538</u>	<u>25,987,248</u>	<u>248,290</u>
Public works:				
Sanitation and waste removal:				
Solid waste operations	<u>2,642,431</u>	<u>2,763,707</u>	<u>2,763,707</u>	<u>-</u>
General buildings and grounds maintenance:				
General services	<u>5,068,059</u>	<u>5,175,966</u>	<u>5,130,721</u>	<u>45,245</u>
Total public works	<u>\$ 7,710,490</u>	<u>\$ 7,939,673</u>	<u>\$ 7,894,428</u>	<u>\$ 45,245</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 7
Page 3 of 4

Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Current operating: (continued)				
Health and welfare:				
Health:				
Supplement of local health department	\$ 584,327	\$ 584,327	\$ 584,327	\$ -
Welfare:				
Institutional care	452,285	482,285	429,285	53,000
Social services	5,546,749	6,724,103	6,723,879	224
Comprehensive services act	4,542,256	5,290,089	5,080,052	210,037
Total welfare	10,541,290	12,496,477	12,233,216	263,261
Total health and welfare	11,125,617	13,080,804	12,817,543	263,261
Education:				
Contribution to component unit – School Board	82,152,708	83,252,025	81,760,619	1,491,406
Community colleges	65,012	65,012	65,012	-
Total education	82,217,720	83,317,037	81,825,631	1,491,406
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	3,690,173	3,902,298	3,772,992	129,306
Library:				
Public library	2,284,462	2,295,807	2,295,777	30
Total parks, recreation, and cultural	5,974,635	6,198,105	6,068,769	129,336
Community development:				
Planning and community development:				
Community development	3,925,103	4,263,816	3,998,249	265,567
Planning	149,786	149,786	126,815	22,971
Economic development	508,161	852,928	790,546	62,382
Agriculture development	62,643	106,312	59,955	46,357
Total planning and community development	4,645,693	5,372,842	4,975,565	397,277
Environmental management:				
Soil and water conservation district	154,971	154,971	154,971	-
Cooperative extension program:				
VPI extension	140,467	140,702	134,412	6,290
Total community development	\$ 4,941,131	\$ 5,668,515	\$ 5,264,948	\$ 403,567

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, 2016

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Current operating: (continued)				
Nondepartmental:				
Nondepartmental operations	\$ 2,185,699	\$ 980,120	\$ 390,751	\$ 589,369
Total expenditures	156,055,824	161,049,624	156,873,919	4,175,705
Excess (deficiency) of revenues over (under) expenditures	12,301,843	9,040,311	17,041,944	8,001,633
Other financing sources (uses)				
Transfers in	1,656,817	2,301,680	3,630,244	1,328,564
Transfers (out)	(15,258,659)	(16,954,903)	(16,450,176)	504,727
Total other financing sources (uses)	(13,601,842)	(14,653,223)	(12,819,932)	1,833,291
Net change in fund balances/(deficits)	(1,299,999)	(5,612,912)	4,222,012	9,834,924
Fund balances - beginning	22,171,741	22,171,741	22,171,741	-
Fund balances - ending	\$ 20,871,742	\$ 16,558,829	\$ 26,393,753	\$ 9,834,924

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, 2016**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ 4,808,363	\$ 4,808,363	\$ 5,525,622	\$ 717,259
Revenue from use of money and property	2,000	2,000	16,632	14,632
Recovered costs	-	8,688	8,865	177
Miscellaneous Revenue	-	24,587	26,898	2,311
Intergovernmental:				
Commonwealth of Virginia	244,954	242,695	254,450	11,755
Total revenues	5,055,317	5,086,333	5,832,467	746,134
Expenditures				
Current operating:				
Public safety	4,880,279	5,899,371	4,379,543	1,519,828
Total expenditures	4,880,279	5,899,371	4,379,543	1,519,828
Excess (deficiency) of revenues over (under) expenditures	175,038	(813,038)	1,452,924	2,265,962
Other financing sources (uses)				
Transfers (out)	(175,038)	(500,284)	(535,911)	(35,627)
Total other financing sources (uses)	(175,038)	(500,284)	(535,911)	(35,627)
Net change in fund balances/(deficits)	-	(1,313,322)	917,013	2,230,335
Fund balances - beginning	4,819,079	4,819,079	4,819,079	-
Fund balances - ending	\$ 4,819,079	\$ 3,505,757	\$ 5,736,092	\$ 2,230,335

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, 2016

Exhibit 9
Page 1 of 2

	Business-Type Activities – Enterprise Funds			Governmental
	Airport Fund	Landfill and Recycling Fund	Total	Activities Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 1,129,284	\$ 1,129,284	\$ 10,652,802
Cash and cash equivalents - restricted	-	4,036,629	4,036,629	-
Receivables, net of allowance for uncollectibles	55,749	303,575	359,324	494,861
Inventories	17,195	-	17,195	196,428
Prepaid items	-	-	-	140,447
Due from other governmental units	622,022	-	622,022	-
Total current assets	694,966	5,469,488	6,164,454	11,484,538
Noncurrent assets:				
Receivables, net of allowance for uncollectibles	90,167	-	90,167	-
Capital assets (non-depreciable/non-amortizable):				
Land	6,612,678	1,446,449	8,059,127	-
Construction in progress	1,414,911	1,391,468	2,806,379	-
Intangible assets	203,638	-	203,638	-
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	441,954	3,773,827	4,215,781	481,801
Accumulated depreciation/amortization	(12,018,632)	(10,305,876)	(22,324,508)	(785,884)
Total capital assets, net	10,327,264	14,152,413	24,479,677	44,917
Total noncurrent assets	10,417,431	14,152,413	24,569,844	44,917
Total assets	11,112,397	19,621,901	30,734,298	11,529,455
Deferred outflows of resources				
Deferred charge on refunding	-	313,769	313,769	2,271
Items related to measurement of pension liability	6,246	14,194	20,440	-
Pension contributions subsequent to measurement date	17,300	85,193	102,493	65,463
Total deferred outflows of resources	23,546	413,156	436,702	67,734
Total assets and deferred outflows of resources	\$ 11,135,943	\$ 20,035,057	\$ 31,171,000	\$ 11,597,189

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, 2016

Exhibit 9
Page 2 of 2

	Business-Type Activities – Enterprise Funds			Governmental Activities Internal Service Funds
	Airport Fund	Landfill and Recycling Fund	Total	
Liabilities				
Current liabilities:				
Accounts payable	\$ 520,945	\$ 421,441	\$ 942,386	\$ 432,549
Accrued and other liabilities	18,217	92,849	111,066	37,169
Retainage	58,402	-	58,402	-
Accrued interest payable	-	94,198	94,198	-
Due to other funds	203,347	4,754,416	4,957,763	-
Unearned revenue	7,269	-	7,269	-
Current portion of compensated absences	1,565	7,770	9,335	12,300
Current portion of incurred but not reported claims	-	-	-	602,606
Current portion of long-term bonds payable	-	301,937	301,937	-
Total current liabilities	809,745	5,672,611	6,482,356	1,084,624
Noncurrent liabilities:				
Accrued closure and postclosure liability	-	14,143,980	14,143,980	-
Advances from other funds	21,038	-	21,038	-
Noncurrent portion of compensated absences	14,089	69,927	84,016	110,702
Noncurrent portion of incurred but not reported claims	-	-	-	1,807,817
Noncurrent portion of long-term bonds payable	-	9,129,027	9,129,027	-
Net pension liability	42,440	208,944	251,384	159,974
Total noncurrent liabilities	77,567	23,551,878	23,629,445	2,078,493
Total liabilities	887,312	29,224,489	30,111,801	3,163,117
Deferred inflows of resources				
Items related to measurement of pension liability	11,699	69,545	81,244	59,457
Total liabilities and deferred inflows of resources	899,011	29,294,034	30,193,045	3,222,574
Net position				
Net investment in capital assets	10,327,264	9,071,847	19,399,111	44,917
Unrestricted (deficit)	(90,332)	(18,330,824)	(18,421,156)	8,329,698
Total net position	10,236,932	(9,258,977)	977,955	8,374,615
Total liabilities, deferred inflows of resources, and net position	\$ 11,135,943	\$ 20,035,057	\$ 31,171,000	\$ 11,597,189

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, 2016

	Business-Type Activities – Enterprise Funds			Governmental Activities Internal Service Funds
	Airport Fund	Landfill and Recycling Fund	Total	
Operating revenues				
Charges for services	\$ 311,904	\$ 3,038,430	\$ 3,350,334	\$ 31,924,758
Recycling revenues	-	318,887	318,887	-
Miscellaneous revenue	23,786	-	23,786	168,759
Fuel	327,538	-	327,538	-
Forfeitures	-	-	-	1,216
Total operating revenues	663,228	3,357,317	4,020,545	32,094,733
Operating expenses				
Cost of goods sold	270,105	-	270,105	-
Personal services	215,654	1,088,758	1,304,412	703,471
Fringe benefits	55,251	411,063	466,314	225,688
Claims and benefits paid	-	-	-	24,243,239
Premiums	-	-	-	2,548,338
Contractual services	92,115	3,791,820	3,883,935	1,503,071
Other operating expenses	89,469	342,847	432,316	2,174,388
Landfill closure and postclosure liability	-	166,032	166,032	-
Depreciation	662,245	1,091,183	1,753,428	11,226
Pension expense	8,187	38,982	47,169	31,050
Total operating expenses	1,393,026	6,930,685	8,323,711	31,440,471
Operating loss	(729,798)	(3,573,368)	(4,303,166)	654,262
Nonoperating revenues				
Interest income	31	3,493	3,524	41,507
Capital contributions	85,248	-	85,248	-
Insurance recoveries	-	848	848	-
Operating grants - Commonwealth of Virginia	17,711	17,771	35,482	-
Operating grants - Federal Government	18,129	-	18,129	-
Capital grants - Commonwealth of Virginia	593,342	-	593,342	-
Capital grants - Federal Government	619,842	-	619,842	-
Total nonoperating revenues	1,334,303	22,112	1,356,415	41,507
Income (loss) before transfers	604,505	(3,551,256)	(2,946,751)	695,769
Transfers				
Transfers in	301,697	479,214	780,911	15,141
Transfers (out)	-	(1,293,284)	(1,293,284)	(497)
Total transfers in (out)	301,697	(814,070)	(512,373)	14,644
Change in net position	906,202	(4,365,326)	(3,459,124)	710,413
Net position - beginning	9,330,730	(4,893,651)	4,437,079	7,664,202
Net position - ending	\$ 10,236,932	\$ (9,258,977)	\$ 977,955	\$ 8,374,615

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, 2016

	Business-Type Activities – Enterprise Funds			Governmental Activities Internal Service Funds
	Airport Fund	Landfill and Recycling Fund	Total	
Cash Flow from Operating Activities				
Receipts from customers and users	\$ 657,344	\$ 3,345,343	\$ 4,002,687	\$ -
Receipts from County departments	-	-	-	30,669,213
Receipts from outside entities	-	-	-	1,141,036
Payments to suppliers and other operating activities	135,588	(4,430,421)	(4,294,833)	(30,018,680)
Payments to employees (including fringes)	(279,145)	(1,569,280)	(1,848,425)	(980,843)
Payments to County departments	(11,970)	(61,905)	(73,875)	-
Net cash provided by (used for) operating activities	501,817	(2,716,263)	(2,214,446)	810,726
Cash Flow from Noncapital Financing Activities				
Transfers in	301,697	479,214	780,911	15,141
Transfers out	-	-	-	(497)
Repayment of interfund obligation	(19,174)	(1,293,284)	(1,312,458)	-
Proceeds from interfund obligation	-	2,426,070	2,426,070	-
Operating grants	41,356	17,771	59,127	-
Net cash provided by noncapital financing activities	323,879	1,629,771	1,953,650	14,644
Cash Flow from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(1,418,279)	(1,316,219)	(2,734,498)	(23,695)
Capital grants	592,552	-	592,552	-
Principal paid on debt	-	(130,000)	(130,000)	-
Proceeds from disposal of capital assets	-	848	848	-
Interest and other fiscal cost on debt	-	(343,400)	(343,400)	-
Net cash provided by (used for) capital and related financing activities	(825,727)	(1,788,771)	(2,614,498)	(23,695)
Cash Flow from Investing Activities				
Interest income	31	3,493	3,524	41,507
Net cash provided by investing activities	31	3,493	3,524	41,507
Net increase (decrease) in cash and cash equivalents	-	(2,871,770)	(2,871,770)	843,182
Cash and cash equivalents - beginning of the year	-	8,037,683	8,037,683	9,809,620
Cash and cash equivalents - end of the year	-	5,165,913	5,165,913	10,652,802
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Cash flows from operations:				
Operating income (loss)	(729,798)	(3,573,368)	(4,303,166)	654,262
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	662,245	1,028,156	1,690,401	11,226
Changes in operating assets and liabilities:				
(Increase) in receivables	(10,873)	(11,974)	(22,847)	(116,873)
Increase in incurred but not reported claims	-	-	-	258,260
Decrease in inventory	9,987	-	9,987	6,289
(Increase) in deferred outflows of resources	(3,542)	(9,285)	(12,827)	(1,207)
(Increase) in prepaid items	-	-	-	(16,313)
Increase (decrease) in accounts payable	506,918	(320,882)	186,036	34,509
Increase in landfill closure and postclosure liability	-	166,032	166,032	-
Increase in unearned revenue	4,989	-	4,989	-
Increase in accrued liabilities	9,061	41,984	51,045	13,778
Increase in retainage	58,402	-	58,402	-
Increase in net pension liability	11,402	34,077	45,479	14,631
(Decrease) in deferred inflows of resources	(16,974)	(71,003)	(87,977)	(47,836)
Net cash provided by (used for) operating activities	\$ 501,817	\$ (2,716,263)	\$ (2,214,446)	\$ 810,726

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, 2016**

	Other Postemployment Benefit Plans Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 779,741
Cash in custody of others	-	134,917
Investments at fair value:		
Investment in pooled funds	3,715,604	-
Receivables, net of allowance for uncollectibles:		
Accounts	-	14,782
	<u>-</u>	<u>14,782</u>
Total assets and deferred outflows of resources	<u>3,715,604</u>	<u>929,440</u>
Liabilities		
Accrued liabilities	-	16,311
Amounts held for clients/others	-	913,129
	<u>-</u>	<u>913,129</u>
Total liabilities and deferred inflows of resources	<u>-</u>	<u>\$ 929,440</u>
Net Position		
Held in trust for OPEB benefits	<u>3,715,604</u>	
	<u>3,715,604</u>	
Total net position	<u>3,715,604</u>	
Total liabilities and net position	<u>\$ 3,715,604</u>	

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, 2016**

	Other Postemployment Benefit Plans Fund
	<hr/>
Additions	
Contribution for beneficiary	\$ -
Net investment income	(16,021)
Less investment related expenses	<hr/> (4,811)
Total additions	<hr/> (20,832)
Deductions	
Total deductions	<hr/> -
Change in net position	(20,832)
Net position - beginning	3,736,436
Net position - ending	<hr/> \$ <hr/> 3,715,604

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, 2016

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (government 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

to be available if they are collected within two months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within two months after year-end are reflected as 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, Affordable Housing 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

cost of sales and service, administrative expenses, and depreciation, while revenues and expenses not meeting 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 Fund, Special Welfare Fund, Detention Center Fund, and Service to Outside Agencies 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Facilities Planning and Implementation committees, when applicable. Staff is granted authority to carry forward budgets for unexpended grants, encumbrances, and capital project budgets as part of the year-end appropriation as specified in Section 15.2-2507 of the *Code of Virginia*. All requests for supplemental appropriations and transfers between CIP projects require Board of Supervisors' approval upon recommendation by the Finance Committee, 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, 2016, there were no departments in which expenditures exceeded appropriations.

3. Deficit fund balance/net position

As of June 30, 2016, there were no funds with deficit fund balance. As of June 30, 2016 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 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 are measured at amortized cost in accordance with GASB 79. All other investments are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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

Inventory is valued at cost using the first-in, first-out method. Inventories of governmental funds, the component unit, certain internal service funds, and enterprise funds consist of expendable supplies held for consumption. The costs are recorded as expenditures when purchased rather than when consumed. Reported inventories for governmental funds and the component unit are classified as nonspendable fund balance as these funds are not in spendable form.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The County uses the consumption method to allocate asset costs to current and future periods.

On September 24, 2008, the County agreed to contribute a total of \$938,000 to the Fauquier Society for the Prevention of Cruelty to Animals (SPCA) for the construction and secured use of a new intake building in exchange for the SPCA’s impound and care for all animals turned in by residents of the County, in accordance

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

with section 3.2-6546 of the *Code of Virginia*, as amended, and all pertinent County Ordinances. This contribution is a 15 year prepayment of \$62,268 annual rent and constitutes approximately two thirds of the cost of construction of the intake building. As of the end of FY 2016, the unamortized prepaid balance is \$450,213. With the execution of the agreement by the County, the SPCA executed a lease authorizing the County to use the intake building for a period of 15 years for the purpose of performing its animal control functions pursuant to section 3.2-6546 of the *Code of Virginia*.

4. Property taxes

Property is assessed at its value on January 1. Unpaid taxes automatically constitute liens on real property which must be satisfied prior to sale or transfer. Real estate taxes are payable in two installments on June 5th and December 5th. Personal property is assessed at its value on January 1 or when it is acquired or brought into the County. Personal property taxes are due and collected annually on October 5th. The County bills and collects its own property taxes.

5. Allowance for uncollectible accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

6. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Restricted assets

Governmental activities include the unspent proceeds of bond issuance that are restricted for use in construction. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

8. Capital assets

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

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 \$353,975 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Infrastructure within the County (such as roads, streets, bridges, etc.) is owned and maintained by the Commonwealth of Virginia (Department of Transportation) and is not recorded in the County's financial statements. However, infrastructure that is within the County and is not owned by the Department of Transportation has been included, and is capitalized and reported in the government-wide financial statements at historical cost. This consists of items such as parks and recreational pathways, airport runways, and ballpark lighting.

Impaired capital assets are reported at the lower of carrying value or fair value. Currently, the County does not have any impaired capital assets. An asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life of the capital asset.

Property, plant, equipment, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2016 are:

Primary government

General Fund	\$ 302,412
Capital Projects Fund	<u>8,427,449</u>
 Total primary government encumbrances	 \$ <u><u>8,729,861</u></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 two items that qualify for reporting in this category. One is the 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. The other item is comprised of 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. For more detailed information, see Note 11.

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 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. For more detailed information on these items, see Note 11.

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

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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County issues debt to finance the construction of school facilities for the School Board because the School Board does not have borrowing or taxing authority. The County reports this debt, whereas the School Board reports the related capital assets. As a result, in the Statement of Net 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 \$84,411,433 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.

G. Governmental accounting standards board (GASB) statements**The County has implemented the following GASB Statements in fiscal year 2016:**

Statement No. 72, *Fair Value Measurement and Application*, effective for periods beginning after June 15, 2015. This Statement improves accounting and financial reporting for state and local governments by enhancing comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for periods beginning after June 15, 2015. This Statement improves accounting and financial reporting for state and local governments by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes.

The County will implement 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, 2016. 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 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. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for reporting periods beginning after December 15, 2015. This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, effective for reporting periods beginning after June 15, 2016. This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended.

Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for periods beginning after June 15, 2016. 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.

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

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

compliance with the collateralization and reporting requirements of the Act and notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Funds deposited in accordance with the requirements of the Act are considered fully secured and thus are not categorized below.

Investments – Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of other states not in default, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers’ acceptances, repurchase agreements, the State Treasurer’s Local Government Investment Pool (LGIP), and the Virginia State Non-Arbitrage Program (SNAP). Bond proceeds subject to arbitrage rebate are invested in the SNAP (See Note 1). Capital lease proceeds are held in escrow and invested in money market funds.

External Investment Pools – The County invests in an externally managed investment pool, the LGIP, which is not SEC-registered. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and regulatory oversight of the pools rests with the Virginia State Treasury. The LGIP reports to the Treasury Board at their regularly scheduled meetings, and the fair value of the position in the LGIP is the same as the value of the pool shares. Investments authorized by the LGIP are the same as those authorized for local governments in Section 2.2-4500 et seq. of the *Code of Virginia*.

Other Postemployment Benefits (OPEB) – The primary government and component unit’s OPEB trust fund are participants in the Virginia Pooled OPEB Trust. Funds of participating jurisdictions are pooled and invested in the name of the Virginia Pooled OPEB Trust. The primary government’s and component unit’s shares in this pool are reported on the face of the OPEB trust fund statements as found in Exhibit 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, 2016. 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, 2016:

	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	\$ 40,244,163	0.0027
U.S. Government Agency Securities	Fair Value (Level 1)	3,000,600	4.9708
Demand deposit account	Amortized Cost	29,046,274	0.0027
Restricted Investments:			
Virginia State Non-Arbitrage Program (SNAP)	Amortized Cost	4,049,275	0.0027
U.S. Government Agency Securities	Fair Value (Level 1)	<u>1,493</u>	0.0219
Total Investment		<u>\$ 76,341,805</u>	0.1980

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, 2016, 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	53%
Virginia State Non-Arbitrage Program (SNAP)	100%	AAA	5%
Demand deposit account	50%	AAA	30%
U.S. Government Agency Securities	100%	AAA	4%
Certificates of deposit	25%	-	<u>8%</u>
			100%

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

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

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, 2016:

Primary Government

Governmental Activities:

General Fund:

Grant and contractual obligations	\$ <u>337,264</u>
Total General Fund	<u>337,264</u>

Capital Projects Fund:

General obligation bond proceeds	14,139
Restricted donations	44,089
Performance bonds	477,115
Vint Hill EDA revenue sharing	3,994,460
Retainage	<u>55,196</u>
Total Capital Projects Fund	<u>4,584,999</u>

Other Governmental Funds:

Parks, recreation, and cultural donations	199,556
Proffers	3,019,687
Stormwater management	169,862
Library	176,485
Marshall Electric Light and Business Improvement District	18,183
Vint Hill Transportation	210,991
Educational Farm	444
Treasurer's E-Summons	37,652
Project Lifesaver	<u>1,674</u>
Total Other Governmental Funds	<u>3,834,534</u>

Total Governmental Activities Restricted Cash and Investments 8,756,797

Business-Type Activities:

Landfill and Recycling Fund:

Revenue bond proceeds	<u>4,036,629</u>
Total Business-Type Activities Restricted Cash and Investments	<u>4,036,629</u>

Total Primary Government Restricted Cash and Investments 12,793,426

Component unit - School Board

School General Fund:

Grant funds	<u>73,567</u>
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Total Restricted Cash and Investments \$ 12,866,993

NOTE 3 – RECEIVABLES

Receivables at June 30, 2016 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	\$ 4,758,587	\$ -	\$ 280,974	\$ 29,359	\$ -	\$ -	\$ 5,068,920
Accounts	972,052	54,197	52,158	1,324,932	1,275,287	494,861	4,173,487
Due from other funds	5,039,000	-	-	-	-	-	5,039,000
Due from other governmental units	3,781,753	438,694	-	-	622,022	-	4,842,469
Advances to other funds	21,038	-	-	-	-	-	21,038
Gross receivables	14,572,430	492,891	333,132	1,354,291	1,897,309	494,861	19,144,914
Less allowance for uncollectibles:							
Property taxes	(1,938,905)	-	(115,334)	(11,942)	-	-	(2,066,181)
Accounts	-	-	-	(812,411)	(825,796)	-	(1,638,207)
Total allowance for uncollectibles	(1,938,905)	-	(115,334)	(824,353)	(825,796)	-	(3,704,388)
Net receivables	\$ 12,633,525	\$ 492,891	\$ 217,798	\$ 529,938	\$ 1,071,513	\$ 494,861	\$ 15,440,526
Total current receivables	\$ 12,612,487	\$ 492,891	\$ 217,798	\$ 529,938	\$ 981,346	\$ 494,861	\$ 15,329,321
Total noncurrent receivables	21,038	-	-	-	90,167	-	111,205
Total receivables	\$ 12,633,525	\$ 492,891	\$ 217,798	\$ 529,938	\$ 1,071,513	\$ 494,861	\$ 15,440,526

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	\$ 1,783,913	\$ -	\$ 569,244	\$ 2,353,157
Intergovernmental revenue	499,228	1,332	-	500,560
EMS ambulance billing revenue	131,268	-	-	131,268
Proffer revenue	170,442	-	-	170,442
Other Revenue	2,500	700	-	3,200
Parks and recreation facility rentals	-	41,402	-	41,402
<u>Business Type</u>				
Airport hangar deposits	-	7,269	-	7,269
Total	\$ 2,587,351	\$ 50,703	\$ 569,244	\$ 3,207,298

NOTE 3 – RECEIVABLES (CONTINUED)

Component unit – School Board

	<u>School General Fund</u>	<u>School Asset Replacement Fund</u>	<u>Total</u>
Accounts	\$ 19,813	\$ 3,598	\$ 23,411
Due from other governmental units	<u>3,657,621</u>	<u>-</u>	<u>3,657,621</u>
Net receivables	\$ <u>3,677,434</u>	\$ <u>3,598</u>	\$ <u>3,681,032</u>

The School Board's receivables are all short-term. They are considered fully collectible and therefore an allowance for uncollectible accounts is not applicable to those receivables.

At the end of the current fiscal year, the various components of unearned revenue reported in the component unit were as follows:

	<u>Unearned Revenue</u>
School General Fund	\$ 75,431
School Nutrition Fund	<u>87,652</u>
Total unearned revenue	\$ <u>163,083</u>

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of interfund obligations as of June 30, 2016:

Current:

Due to / from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ambulance Fund	\$ 81,237
General Fund	Airport Fund	203,347
General Fund	Landfill & Recycling Fund	<u>4,754,416</u>
Total		\$ <u>5,039,000</u>

Noncurrent:

Advances from / to other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ <u>21,038</u>
Total		\$ <u>21,038</u>

Interfund receivables and payables are recorded when funds overdraw their share of pooled cash. All amounts are considered short term receivables of the General Fund; however, \$21,038 of the Airport Fund interfund obligation is considered to be long-term in the General Fund – Fund Balance.

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2016, 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	\$ -	\$ 2,229,575	\$ 12,254,235	\$ 1,537,774	\$ 413,451	\$ 15,141	\$ 16,450,176
Capital Projects Fund	306,083	-	-	100,000	278,960	-	685,043
Fire and Rescue Fund	222,054	-	-	313,857	-	-	535,911
Other Governmental Funds	1,808,326	45,414	-	-	88,500	-	1,942,240
Enterprise Fund	1,293,284	-	-	-	-	-	1,293,284
Internal Service Funds	497	-	-	-	-	-	497
Total	\$ <u>3,630,244</u>	\$ <u>2,274,989</u>	\$ <u>12,254,235</u>	\$ <u>1,951,631</u>	\$ <u>780,911</u>	\$ <u>15,141</u>	\$ <u>20,907,151</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, 2016:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 1,457,220	\$ -
State sales tax	-	2,184,595
Shared expenses	485,322	-
Comprehensive services	762,933	-
Miscellaneous grants	1,134,116	731,645
Airport grants	364,839	-
Federal Government:		
School fund grants	-	741,381
Airport grants	257,183	-
Other federal grants	380,856	-
Total	\$ <u>4,842,469</u>	\$ <u>3,657,621</u>

NOTE 7 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Primary government – governmental activities					
Capital assets (non-depreciable/non-amortizable):					
Land	\$ 20,960,294	\$ 11,127	\$ -	\$ -	\$ 20,971,421
Intangible assets	853,884	-	-	-	853,884
Construction in progress	2,230,673	784,340	(159,328)	(212,426)	2,643,259
Total capital assets (non-depreciable/non-amortizable)	24,044,851	795,467	(159,328)	(212,426)	24,468,564
Capital assets (depreciable/amortizable):					
Buildings and improvements	53,059,894	121,987	-	193,874	53,375,755
Infrastructure	14,188,219	-	-	-	14,188,219
Machinery and equipment	17,002,694	1,112,116	(650,995)	(29,543)	17,434,272
Intangible assets	1,460,946	-	-	-	1,460,946
Total capital assets (depreciable/amortizable)	85,711,753	1,234,103	(650,995)	164,331	86,459,192
Less accumulated depreciation/amortization for:					
Buildings and improvements	(18,959,052)	(1,524,770)	-	-	(20,483,822)
Infrastructure	(8,180,231)	(929,909)	-	-	(9,110,140)
Machinery and equipment	(11,251,396)	(1,433,697)	528,267	48,095	(12,108,731)
Intangible assets	(976,652)	(85,037)	-	-	(1,061,689)
Total accumulated depreciation/amortization	(39,367,331)	(3,973,413)	528,267	48,095	(42,764,382)
Total capital assets (depreciable/amortizable), net	46,344,422	(2,739,310)	(122,728)	212,426	43,694,810
Governmental activities capital assets, net	\$ 70,389,273	\$ (1,943,843)	\$ (282,056)	\$ -	\$ 68,163,374
	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
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	608,628	716,558	-	66,282	1,391,468
Total capital assets (non-depreciable/non-amortizable)	2,055,077	716,558	-	66,282	2,837,917
Capital assets (depreciable/amortizable):					
Buildings and improvements	17,058,521	-	-	(66,282)	16,992,239
Infrastructure	854,306	-	-	-	854,306
Machinery and equipment	2,897,745	953,636	(125,649)	48,095	3,773,827
Total capital assets (depreciable/amortizable)	20,810,572	953,636	(125,649)	(18,187)	21,620,372
Less accumulated depreciation/amortization for:					
Buildings and improvements	(6,765,106)	(794,056)	-	-	(7,559,162)
Infrastructure	(629,306)	(37,500)	-	-	(666,806)
Machinery and equipment	(1,896,015)	(259,627)	123,829	(48,095)	(2,079,908)
Total accumulated depreciation/amortization	(9,290,427)	(1,091,183)	123,829	(48,095)	(10,305,876)
Total capital assets (depreciable/amortizable), net	11,520,145	(137,547)	(1,820)	(66,282)	11,314,496
Landfill and Recycling Fund capital assets, net	\$ 13,575,222	\$ 579,011	\$ (1,820)	\$ -	\$ 14,152,413

NOTE 7 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Primary government – business-type activities (continued)					
Airport Fund:					
Capital assets (non-depreciable/non-amortizable):					
Land	\$ 6,612,678	\$ -	\$ -	\$ -	\$ 6,612,678
Construction in progress	4,385	1,410,526	-	-	1,414,911
Intangible assets	203,638	-	-	-	203,638
Total capital assets					
(non-depreciable/non-amortizable)	6,820,701	1,410,526	-	-	8,231,227
Capital assets (depreciable/amortizable):					
Buildings and improvements	2,977,276	-	-	-	2,977,276
Infrastructure	10,695,439	-	-	-	10,695,439
Machinery and equipment	348,953	93,001	-	-	441,954
Total capital assets (depreciable/amortizable)	14,021,668	93,001	-	-	14,114,669
Less accumulated depreciation/amortization for:					
Buildings and improvements	(1,402,193)	(115,753)	-	-	(1,517,946)
Infrastructure	(9,746,479)	(521,207)	-	-	(10,267,686)
Machinery and equipment	(207,715)	(25,285)	-	-	(233,000)
Total accumulated depreciation/amortization	(11,356,387)	(662,245)	-	-	(12,018,632)
Total capital assets, (depreciable/amortizable), net	2,665,281	(569,244)	-	-	2,096,037
Airport Fund capital assets, net	9,485,982	841,282	-	-	10,327,264
Total business-type activities capital assets, net	\$ 23,061,204	\$ 1,420,293	\$ (1,820)	\$ -	\$ 24,479,677
	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Component unit – School Board					
Capital assets (non-depreciable/non-amortizable):					
Land	\$ 5,052,116	\$ -	\$ -	\$ -	\$ 5,052,116
Construction in progress	279,721	454,705	-	(734,426)	-
Total capital assets					
(non-depreciable/non-amortizable)	5,331,837	454,705	-	(734,426)	5,052,116
Capital assets (depreciable/amortizable):					
Buildings and improvements	256,134,094	1,178,428	-	734,426	258,046,948
Infrastructure	5,204,865	-	-	-	5,204,865
Machinery and equipment	22,177,598	1,151,007	(424,307)	-	22,904,298
Intangible assets	225,458	-	-	-	225,458
Total capital assets (depreciable/amortizable)	283,742,015	2,329,435	(424,307)	734,426	286,381,569
Less accumulated depreciation/amortization for:					
Buildings and improvements	(82,072,166)	(6,806,239)	-	-	(88,878,405)
Infrastructure	(2,132,729)	(230,249)	-	-	(2,362,978)
Machinery and equipment	(15,801,065)	(1,223,508)	421,762	-	(16,602,811)
Intangible assets	(225,458)	-	-	-	(225,458)
Total accumulated depreciation/amortization	(100,231,418)	(8,259,996)	421,762	-	(108,069,652)
Total capital assets, (depreciable/amortizable), net	183,510,597	(5,930,561)	(2,545)	734,426	178,311,917
School Board capital assets, net	\$ 188,842,434	\$ (5,475,856)	\$ (2,545)	\$ -	\$ 183,364,033

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	\$ 495,114
Judicial administration	217,318
Public safety	2,018,892
Public works	184,646
Health and welfare	15,168
Parks, recreation, and cultural	1,004,351
Community development	<u>37,924</u>

Total governmental activities \$ 3,973,413

Primary government – business-type activities

Landfill and Recycling Fund	\$ 1,091,183
Airport Fund	<u>662,245</u>

Total business-type activities \$ 1,753,428

Component unit – School Board

\$ 8,259,996

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>68,163,374</u>	\$ <u>24,479,677</u>	\$ <u>183,364,033</u>	\$ <u>276,007,084</u>
Long-term obligations applicable to capital assets:				
Capital leases	1,307,175	-	723,115	2,030,290
Revenue bonds	-	8,380,000	-	8,380,000
General obligation school bonds	-	-	82,071,000	82,071,000
Premium on bonds payable	438,308	1,050,964	3,468,844	4,958,116
Deferred charge on refunding	(6,359)	(313,769)	(1,851,526)	(2,171,654)
Less unspent proceeds as of June 30, 2016	<u>-</u>	<u>(4,036,629)</u>	<u>-</u>	<u>(4,036,629)</u>
Subtotal long-term obligations applicable to capital assets	<u>1,739,124</u>	<u>5,080,566</u>	<u>84,411,433</u>	<u>91,231,123</u>
Net investment in capital assets	\$ <u>66,424,250</u>	\$ <u>19,399,111</u>	\$ <u>98,952,600</u>	\$ <u>184,775,961</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
2017	\$ 1,417,920	\$ 41,613	\$ 420,000	\$ 260,781	\$ 7,397,000	\$ 3,442,664
2018	112,710	10,032	440,000	239,694	7,334,000	3,125,413
2019	114,710	8,033	460,000	217,331	7,141,000	2,842,955
2020	116,744	5,998	485,000	193,791	7,242,000	2,546,843
2021	118,815	3,927	510,000	168,994	7,174,000	2,248,191
2022-2026	149,391	2,203	1,585,000	591,491	31,305,000	7,300,228
2027-2031	-	-	1,595,000	153,353	12,343,000	2,987,877
2032-2035	-	-	-	-	2,135,000	103,742
Total	\$ 2,030,290	\$ 71,806	\$ 5,495,000	\$ 1,825,435	\$ 82,071,000	\$ 24,597,913

The following is a summary of long-term obligations of the governmental activities for the year ended June 30, 2016:

	Balance			Amount Due	
	July 1, 2015	Additions	Retirements	June 30, 2016	Within One Year
General long-term obligations:					
Capital leases	\$ 2,971,972	\$ 391,658	\$ 1,333,340	\$ 2,030,290	\$ 1,417,920
Certificates of participation	5,900,000	-	405,000	5,495,000	420,000
General obligation bonds	89,386,000	-	7,315,000	82,071,000	7,397,000
Premium on bonds payable	4,626,627	-	719,475	3,907,152	655,251
Compensated absences	4,464,846	4,996,516	5,100,460	4,360,902	436,090
Incurring but not reported claims	2,152,163	591,366	333,106	2,410,423	602,607
Total general long-term obligations	\$ 109,501,608	\$ 5,979,540	\$ 15,206,381	\$ 100,274,767	\$ 10,928,868

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, 2016 were as follows:

	Balance			Amount Due	
	July 1, 2015	Additions	Retirements	June 30, 2016	Within One Year
Deferred amount on refunding	\$ (2,285,222)	\$ -	\$ (401,574)	\$ (1,883,648)	\$ (386,618)

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:		
\$3,565,000 Refunding Bond Series 2009B, issued November 19, 2009, to fund public safety radios maturing annually beginning April 1, 2010 through October 1, 2016, with interest payable semiannually at rates from 3.03% to 5.125%.	\$ 655,000	\$ 655,000
\$1,566,000 SCBA Equipment Lease Series 2011, issued June 24, 2011, due in semiannual installments beginning July 15, 2012 through July 15, 2016, with interest payable semiannually at 1.96%.	326,000	326,000
\$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%.	344,643	57,426
\$971,719 AED Equipment Lease Series 2015, issued April 1, 2015, due in annual installments beginning June 30, 2015 through June 30, 2017, with interest payable annually at 2.96%.	326,174	326,174
\$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%.	378,473	53,320
Total Capital Leases	<u>2,030,290</u>	<u>1,417,920</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%.	1,075,000	195,000
\$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%.	4,420,000	225,000
Total Certificates of Participation	<u>5,495,000</u>	<u>420,000</u>
General Obligation Bonds:		
\$9,000,000 Virginia Public School Authority Bonds 1996A, issued November 14, 1996, maturing annually beginning July 15, 1997 through July 15, 2016, with interest payable semiannually at rates from 5.10% to 6.10%.	450,000	450,000
\$3,500,000 Virginia Public School Authority Bonds, Series 1997B, issued November 20, 1997, maturing annually beginning July 15, 1998 through July 15, 2017, with interest payable semiannually at rates from 4.35% to 5.35%.	\$ 350,000	\$ 175,000

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds (continued):		
\$3,500,000 Virginia Public School Authority Bonds, Series 1999A, issued November 29, 1999, maturing annually beginning July 15, 2000 through July 15, 2019, with interest payable semiannually at rates from 5.10% to 6.10%. \$	700,000 \$	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%.	1,125,000	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%.	1,920,000	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%.	4,640,000	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%.	1,665,000	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%.	5,750,000	575,000
\$39,615,000 General Obligation Bond, Series 2006, issued October 11, 2006, maturing annually from July 1, 2007 through July 1, 2026, with interest payable semiannually at rates from 4.125% to 5.00%.	2,000,000	2,000,000
\$34,075,000 Virginia Public School Authority Bonds, Series 2007A, issued November 8, 2007, maturing annually from July 15, 2008 through July 15, 2027, with interest payable semiannually at rates from 4.35% to 5.10%.	20,435,000	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.	8,800,000	300,000
\$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%. \$	13,155,000 \$	170,000

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
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%.	\$ 8,960,000	\$ 350,000
\$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%.	3,090,000	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%	<u>9,031,000</u>	<u>72,000</u>
Total General Obligation Bonds	<u>82,071,000</u>	<u>7,397,000</u>
Premium on bonds payable	3,907,152	655,251
Compensated absences	4,360,902	436,090
Incurred but not reported claims	<u>2,410,423</u>	<u>602,607</u>
Total governmental activities long-term obligations	<u>\$ 100,274,767</u>	<u>\$ 10,928,868</u>

BUSINESS-TYPE ACTIVITIES

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

Fiscal Year	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 215,000	\$ 376,291
2018	230,000	366,263
2019	240,000	355,044
2020	250,000	344,063
2021	260,000	332,344
2022-2026	1,525,000	1,443,602
2027-2031	1,915,000	1,040,723
2031-2036	1,995,000	621,570
2037-2040	<u>1,750,000</u>	<u>161,907</u>
Total	<u>\$ 8,380,000</u>	<u>\$ 5,041,807</u>

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, 2016:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Amount Due Within One Year
Business-type activities long-term obligations:					
Revenue bonds	\$ 8,510,000	\$ -	\$ 130,000	\$ 8,380,000	\$ 215,000
Premium on bonds payable	1,136,698	-	85,734	1,050,964	86,937
Compensated absences	88,469	138,790	133,908	93,351	9,335
Landfill closure and postclosure liability	13,977,948	166,032	-	14,143,980	-
Total business-type activities long-term obligations	\$ 23,713,115	\$ 304,822	\$ 349,642	\$ 23,668,295	\$ 311,272

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Amount Due Within One Year
Deferred amount on refunding	\$ (334,655)	\$ -	\$ (20,886)	\$ (313,769)	\$ (20,886)

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%.	\$ 1,330,000	\$ 50,000
\$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%.	7,050,000	165,000
Total Revenue Bonds	8,380,000	215,000
Premium on bonds payable	1,050,964	86,937
Compensated absences	93,351	9,335
Landfill closure and postclosure liability	14,143,980	-
Total business-type activities long-term obligations	\$ 23,668,295	\$ 311,272

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, 2016:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Amount Due Within One Year
General long-term obligations:					
Compensated absences	\$ 4,498,863	\$ 6,528,539	\$ 6,704,802	\$ 4,322,600	\$ 432,260
Total general long-term obligations	\$ 4,498,863	\$ 6,528,539	\$ 6,704,802	\$ 4,322,600	\$ 432,260

Details of long-term obligations are as follows:

	Amount Outstanding	Amount Due Within One Year
Compensated absences	\$ 4,322,600	\$ 432,260
Total component unit long-term obligations	\$ 4,322,600	\$ 432,260

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, 2016, \$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 11 separately incorporated Volunteer Fire and Rescue Companies through a special Fire and Rescue levy. Four volunteer fire and rescue facilities have finalized loans through the United States Department of Agriculture Rural Development program (USDA) to fund construction and renovations. The County has provided USDA moral obligation letters guaranteeing funding support for each of the four volunteer fire and rescue companies. All assets are owned by the respective volunteer fire and rescue companies. Payment for annual debt service will be made from the Fire and Rescue 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
2017	\$ 253,688	\$ 683,770
2018	264,041	673,417
2019	274,817	662,641
2020	286,034	651,424
2021	297,711	639,747
2022-2026	1,681,152	3,006,138
2027-2031	2,053,786	2,633,504
2032-2036	2,509,315	2,177,975
2037-2041	3,066,239	1,621,051
2042-2046	3,747,204	940,086
2047-2051	2,350,711	219,830
Total	\$ 16,784,698	\$ 13,909,583

NOTE 9 – COMMITMENTS (CONTINUED)

The following is a summary of long-term commitments of the County for the year ended June 30, 2016:

	Balance July 1, 2015*	Additions	Retirements	Balance June 30, 2016	Amount Due Within One Year
General long-term commitments:					
USDA Notes	\$ 17,028,440	\$ -	\$ 243,742	\$ 16,784,698	\$ 253,688

*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%.	\$ 2,639,730	\$ 43,564
\$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%.	914,424	13,628
\$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%.	2,686,880	40,987
\$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%.	1,588,963	24,239
\$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%.	3,470,133	52,931
\$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%.	5,484,568	78,339
Total long-term commitments	\$ 16,784,698	\$ 253,688

NOTE 9 – COMMITMENTS (CONTINUED)

B. Construction commitments

At June 30, 2016, the County has several major projects in its capital projects fund under construction which are summarized below. These balances are included in the committed balance for the Capital Projects Fund.

Project Name	Contractor	Contract Amount	Expended to Date	Balance
Larry Weeks Pool	Nvblu Inc.	\$ 94,260	\$ 89,520	\$ 4,740
Winchester Road Sidewalks	Toro Concrete	344,997	243,098	101,899
Airport T-Hangar Taxilanes	Sargent Corporation	2,116,450	1,168,036	948,414
Vint Hill Public Street Network	W.C. Spratt, Inc.	<u>8,478,100</u>	<u>1,103,918</u>	<u>7,374,182</u>
Total		<u>\$ 11,033,807</u>	<u>\$ 2,604,572</u>	<u>\$ 8,429,235</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 – 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 \$14,143,980 reported as landfill closure/postclosure care liability at June 30, 2016, represents the cumulative amount reported based on the use of 100% of the estimated capacity of the old landfill, the use of 70.82% of the estimated capacity of the new landfill, and the closure costs for the Construction and Demolition Recycling facility of \$28,341. The County will recognize the remaining estimated cost of closure and postclosure care of \$3,301,527 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 2016. 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. While the old landfill has reached 100% capacity, the County's intention is to partially reclaim capacity through mining a significant portion of the landfill recyclable construction and demolition materials. The County expects to add 10-20 years of disposal capacity and defer closure of the old landfill area by approximately 20-30 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

NOTE 11 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS

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 tables:

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 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 will be paying the full 5% by 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.

NOTE 11 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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.
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 at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years 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: 50 with at least five years 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%. <u>Eligibility:</u> 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.

NOTE 11 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Exceptions to COLA Effective Dates	<p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <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	<p>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.</p> <p>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></p>
Purchase of Prior Service	<p>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.</p>
About Plan 2	<p>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.</p>
Eligible Members	<p>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.</p>
Hybrid Opt-In Election	<p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>
Retirement Contributions	<p>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 will be paying the full 5% by July 1, 2016.</p>
Creditable Service	<p>Same as Plan 1.</p>

NOTE 11 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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	<p>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.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>
Normal Retirement Age	<p>VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>
Earliest Unreduced Retirement Eligibility	<p>VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>
Earliest Reduced Retirement Eligibility	<p>VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>
Cost of Living Adjustment (COLA) in Retirement	<p>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%.</p> <p>Eligibility: Same as Plan 1</p>
Exceptions to COLA Effective Dates	Same as Plan 1
Disability Coverage	<p>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.</p> <p>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 2.</i></p>
Purchase of Prior Service	Same as Plan 1.
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.

NOTE 11 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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. Members are always 100% vested in the contributions that they make. 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 11 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Calculating the Benefit	<p><u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> 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><u>Defined Benefit Component:</u> 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><u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
Earliest Unreduced Retirement Eligibility	<p><u>Defined Benefit Component:</u> 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><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
Earliest Reduced Retirement Eligibility	<p><u>Defined Benefit Component:</u> 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><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
Cost of Living Adjustment (COLA) in Retirement	<p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not Applicable</p> <p><u>Eligibility:</u> 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 Plan 2 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><u>Defined Benefit Component:</u> 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 higher of 4% of creditable compensation or average final compensation. • The cost for purchasing refunded service is the higher 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><u>Defined Contribution Component:</u> Not applicable.</p>

NOTE 11 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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, 2014, 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, 2015.

	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 11 – 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, 2014 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, 2014 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 male rates of disability

NOTE 11 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2014 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	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic normal return	<u>8.33%</u>

* 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 11 – 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, 2014 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	229	129
Inactive members entitled to but not yet receiving benefits		
Vested	120	39
Non-vested	222	200
Active elsewhere in the VRS	211	99
Total inactive members	553	338
Active Members	<u>593</u>	<u>343</u>
Total	1,375	810

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, 2016 was 15.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014 and 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. The table below shows contribution rates as a percentage of the annual covered payroll to the

NOTE 11 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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	\$ 32,183,671	\$ 659,885	\$ 176,415	\$ 880,185	\$ 33,900,156
Employer contribution rates	10.06%	10.06%	10.06%	10.06%	10.06%
Employee contribution rates	5.00%	5.00%	5.00%	5.00%	5.00%
Total contribution rates	<u>15.06%</u>	<u>15.06%</u>	<u>15.06%</u>	<u>15.06%</u>	<u>15.06%</u>
Contributions recognized, June 30, 2016	3,169,723	65,463	17,300	85,193	3,337,679
Contributions recognized, June 30, 2015	\$ 3,045,677	\$ 64,256	\$ 13,758	\$ 75,908	\$ 3,199,599

School Board: The contractually required contribution rate for the year ended June 30, 2016 was 11.47% of covered employee compensation for Non-professional School Employee Retirement Plan. Each school Board's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for 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 18.20%, however, it was reduced to 17.64% as a result of the transfer. 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 79.69% of the actuarial rate for the year ended June 30, 2016. 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	\$ 7,816,456	\$ 72,678,253	\$ 80,494,709
Employer contribution rates	6.47%	14.06%	-
Employee contribution rates	<u>5.00%</u>	<u>5.00%</u>	<u>-</u>
Total contribution rates	<u>11.47%</u>	<u>19.06%</u>	<u>-</u>
Contributions recognized, June 30, 2016	392,180	9,130,527	9,522,707
Contributions recognized, June 30, 2015	\$ 428,328	\$ 9,707,992	\$ 10,136,320

NOTE 11 – 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 covered payroll 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, 2014	\$ 93,833,287	\$ 86,614,547	\$ 7,218,740
Changes for the Year			
Service Cost	3,620,914	-	3,620,914
Interest	6,424,667	-	6,424,667
Difference between expected and actual experience	(980,399)	-	(980,399)
Change in proportion impact	(393,596)	(363,316)	(30,280)
Contributions- employer	-	3,016,886	(3,016,886)
Contributions- employee	-	1,541,319	(1,541,319)
Net investment income	-	3,998,453	(3,998,453)
Benefit payments, including refunds of employee contributions	(3,317,455)	(3,317,455)	-
Administrative expense	-	(52,677)	52,677
Other changes	-	(852)	852
Net Changes	5,354,131	4,822,358	531,773
Balances at June 30, 2015	\$ 99,187,418	\$ 91,436,905	\$ 7,750,513
	1% Decrease 6%	Discount Rate 7%	1% increase 8%
Sensitivity of the Net Pension Liability to changes in discount rate	\$ 22,093,699	\$ 7,750,513	\$ (4,015,620)

NOTE 11 – 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, 2014	\$ 1,889,260	\$ 1,743,917	\$ 145,343
Changes for the Year			
Service Cost	74,737	-	74,737
Interest	132,607	-	132,607
Difference between expected and actual experience	(20,236)	-	(20,236)
Change in proportion impact	39,360	36,332	3,028
Contributions- employer	-	62,269	(62,269)
Contributions- employee	-	31,813	(31,813)
Net investment income	-	82,529	(82,529)
Benefit payments, including refunds of employee contributions	(68,473)	(68,473)	-
Administrative expense	-	(1,088)	1,088
Other changes	-	(18)	18
Net Changes	157,995	143,364	14,631
Balances at June 30, 2015	\$ 2,047,255	\$ 1,887,281	\$ 159,974
	1% Decrease 6%	Discount Rate 7%	1% increase 8%
Sensitivity of the Net Pension Liability to changes in discount rate	\$ 456,020	\$ 159,974	\$ (82,883)

**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, 2014	\$ 403,437	\$ 372,399	\$ 31,038
Changes for the Year			
Service Cost	19,828	-	19,828
Interest	35,181	-	35,181
Difference between expected and actual experience	(5,369)	-	(5,369)
Change in proportion impact	108,239	99,912	8,327
Contributions- employer	-	16,521	(16,521)
Contributions- employee	-	8,440	(8,440)
Net investment income	-	21,896	(21,896)
Benefit payments, including refunds of employee contributions	(18,167)	(18,167)	-
Administrative expense	-	(288)	288
Other changes	-	(4)	4
Net Changes	139,712	128,310	11,402
Balances at June 30, 2015	\$ 543,149	\$ 500,709	\$ 42,440
	1% Decrease 6%	Discount Rate 7%	1% increase 8%
Sensitivity of the Net Pension Liability to changes in discount rate	\$ 120,985	\$ 42,440	\$ (21,989)

NOTE 11 – 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, 2014	\$ 2,273,018	\$ 2,098,151	\$ 174,867
Changes for the Year			
Service Cost	97,615	-	97,615
Interest	173,201	-	173,201
Difference between expected and actual experience	(26,430)	-	(26,430)
Change in proportion impact	245,998	227,073	18,925
Contributions- employer	-	81,331	(81,331)
Contributions- employee	-	41,552	(41,552)
Net investment income	-	107,793	(107,793)
Benefit payments, including refunds of employee contributions	(89,434)	(89,434)	-
Administrative expense	-	(1,420)	1,420
Other changes	-	(22)	22
Net Changes	400,950	366,873	34,077
Balances at June 30, 2015	\$ 2,673,968	\$ 2,465,024	\$ 208,944
	1% Decrease 6%	Discount Rate 7%	1% increase 8%
Sensitivity of the Net Pension Liability to changes in discount rate	\$ 595,618	\$ 208,944	\$ (108,256)

School Board: The following represents 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, 2015 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, 2015 relative to the total of the actuarially determined contributions for all participating employers. At June 30, 2015, the School Board's proportion was .94607% as compared to .95944% at June 30, 2014.

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 11 – 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, 2014	\$ 20,470,002	\$ 22,312,852	\$ (1,842,850)
Changes for the Year			
Service Cost	779,639	-	779,639
Interest	1,397,986	-	1,397,986
Difference between expected and actual experience	76,425	-	76,425
Contributions- employer	-	422,140	(422,140)
Contributions- employee	-	326,614	(326,614)
Net investment income	-	1,016,928	(1,016,928)
Benefit payments, including refunds of employee contributions	(997,534)	(997,534)	-
Administrative expense	-	(13,964)	13,964
Other changes	-	(215)	215
Net Changes	1,256,516	753,969	502,547
Balances at June 30, 2015	\$ 21,726,518	\$ 23,066,821	\$ (1,340,303)

Teacher Retirement Plan

Proportionate share (.94607%) of the collective pension liability, fiduciary net position, and net pension liability	402,007,115	284,146,587	117,860,528
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	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	\$ 1,306,896	\$ (1,340,303)	\$ (3,555,839)
Teacher Retirement Plan	172,477,692	117,860,528	72,899,027

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

Fauquier County: For the year ended June 30, 2016, the County recognized pension expense as follows:

Governmental Activities		Business-Type Activities			
County	Fleet Maintenance	Airport	Landfill	Total Pension Expense	
\$ 1,360,604	\$ 31,050	\$ 8,186	\$ 38,983	\$ 1,438,823	

NOTE 11 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

At June 30, 2016, 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	\$ -	\$ (729,015)	\$ -	\$ (15,047)
Net difference between projected and actual earnings on pension plan investments	-	(2,247,520)	-	(44,410)
Proportionate share impact	-	(22,710)	2,271	-
Contributions subsequent to the measurement date	3,169,723	-	65,463	-
Total	<u>\$ 3,169,723</u>	<u>\$ (2,999,245)</u>	<u>\$ 67,734</u>	<u>\$ (59,457)</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	\$ -	\$ (3,992)	\$ -	\$ (19,653)
Net difference between projected and actual earnings on pension plan investments	-	(7,707)	-	(49,892)
Proportionate share impact	6,246	-	14,194	-
Contributions subsequent to the measurement date	17,300	-	85,193	-
Total	<u>\$ 23,546</u>	<u>\$ (11,699)</u>	<u>\$ 99,387</u>	<u>\$ (69,545)</u>

The County reported \$3,337,679 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, 2016. 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:	Governmental Activities		Business-Type Activities		
	Fleet		Airport	Landfill	Total
	County	Maintenance			
2017	\$ (1,133,801)	\$ (23,402)	\$ (6,208)	\$ (30,566)	\$ (1,193,977)
2018	(1,133,801)	(23,402)	(6,208)	(30,566)	(1,193,977)
2019	(1,108,660)	(22,883)	(6,071)	(29,888)	(1,167,502)
2020	377,017	12,501	13,034	35,669	438,221
2021	-	-	-	-	-

NOTE 11 – VIRGINIA RETIREMENT SYSTEM PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

School Board: For the year ended June 30, 2016, the School Board recognized pension expense of \$113,979 for Non-professional Retirement Plan and \$7,998,745 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, 2014 and June 30, 2015, 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, 2016, 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	Deferred	Deferred	Deferred
	Outflows of	Inflows of	Outflows of	Inflows of
	Resources	Resources	Resources	Resources
Differences between expected and actual experience	\$ 51,285	\$ -	\$ -	\$ (1,623,264)
Net difference between projected and actual earnings on pension plan investments	-	(582,379)	-	(7,217,585)
Changes in proportion and differences between employer contributions and the proportionate share of contributions	-	-	-	(2,423,020)
Contributions subsequent to the measurement date	392,180	-	9,130,527	-
Total	\$ 443,465	\$ (582,379)	\$ 9,130,527	\$ (11,263,869)

The School Board reported \$443,465 for the Non-professional Retirement Plan and \$9,130,527 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, 2016. 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
2017	\$ (204,703)	\$ (3,956,103)	\$ (4,160,806)
2018	(204,703)	(3,956,103)	(4,160,806)
2019	(228,840)	(3,956,103)	(4,184,943)
2020	107,152	604,440	711,592
2021	-	-	-

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 2016 there were 396

NOTE 11 – 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, 2016, 2015, and 2014 were \$755,885, \$729,615, and \$767,014, respectively.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM

A. Plan description and provisions

The Fauquier County Government and Public Schools Postretirement Medical Plan is a single-employer defined benefit healthcare plan which offers 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. 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.

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

The School Board provides limited postretirement health and dental benefits, as provided for in Virginia state law, to retirees who have 15 or more years of creditable VRS service. Eligible employees receive a retiree health insurance credit for all teachers of \$4.00 per month per year of service with no cap. The plan is financed by payments from the School Board to VRS. Additional information on this plan may be found in Note 11, section H.

The County participates in the Virginia Other Postemployment Benefits Program Trust Fund (OPEB), an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League (VML) at P.O. Box 12164, Richmond, Virginia 23241.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

The following is a summary of financial information held in trust for the OPEB:

	Other Postemployment Benefit Plans Fund
Assets	
Investments at fair value:	
Investment in pooled funds	\$ <u>3,715,604</u>
Net Position	
Held in trust for OPEB benefits	<u>3,715,604</u>
Total net position	\$ <u>3,715,604</u>
Additions	
Investment income	\$ <u>(16,021)</u>
Total additions	<u>(16,021)</u>
Deductions	
Administrative fees	<u>4,811</u>
Total deductions	<u>4,811</u>
Change in net position	(20,832)
Net position - beginning	<u>3,736,436</u>
Net position - ending	\$ <u>3,715,604</u>

B. Funding policy

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

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

Retirees and beneficiaries	40
Active employees	2,556

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

In accordance with GASB Statement No. 45, an actuarial study was prepared calculating the postemployment healthcare costs as of July 1, 2015. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability (UAAL) at \$3,256,222 and an Annual Required Contribution (ARC) of \$674,224. The County and School Board have paid \$234,291 towards this obligation during fiscal year 2016, the estimated pay as you go cost for OPEB benefits. Because the only existing OPEB Program for the County and Schools is the aforementioned implicit rate subsidy, and due to impending implementation of new accounting standards (GASB Statement No. 74 and GASB Statement No. 75), during fiscal year 2016, the County and School Board decided to alter the funding methodology for OPEB

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

from a pre-funding strategy to a pay-as-you-go strategy, and therefore, did not make any contributions to the Trust Fund. The actuarial calculation was based on a 3.9% discount rate, which was reduced from 7.5% due to the change in funding methodology, and the amortization of the UAAL over 30 years. The discount rate is calculated using discounted cash flow projections using 7.5% expected asset return while the Trust Fund has sufficient balance to pay for projected benefit payments and 2.92% general obligation rate of return when the Trust Fund has been exhausted.

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

The County's and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding years are as follows:

Fiscal Year Ending	Actuarial Valuation Annual OPEB Cost	Percentage of ARC Contributed	Net OPEB Obligation/(Assets)
June 30, 2016	\$ 674,224	34.75%	\$ 439,933
June 30, 2015	827,148	100.00%	-
June 30, 2014	809,459	100.00%	-

D. Trend information

As of July 1, 2015, the annual healthcare cost trend rate is 9.0%, decreasing by 0.5% annually to an ultimate rate of 4.5% for future years.

E. Funded status and funding progress

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

The funded status of the OPEB as of July 1, 2015, 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, 2016	\$ 3,736,436	\$ 6,992,658	\$ 3,256,222	53.4%	\$ 93,811,126	3.5%

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

F. Actuarial methods and assumptionsActuarial methods

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

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the allocation of Actuarial Present Value of Future Benefits for services prior to and after the Measurement Date was determined using the Entry Age Normal Level Percent of Salary method where service cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement, and annual service cost is a constant percentage of the participant's salary that is assumed to increase according to the payroll growth.

Actuarial assumptions

The actuarial assumptions of the plan as of July 1, 2016 include a discount rate of 3.9%, inflation rate of 3.0%, payroll growth of 3.5%, and an annual healthcare cost trend rate of 9.0%. A total of 35% of active employees with current health care coverage are assumed to continue coverage at retirement. A total of 100% of retirees with current coverage are assumed to elect coverage at retirement. The UAAL is being amortized over thirty years as a level percentage of projected payroll based on an open group.

NOTE 13 – FUND BALANCES

The following is a summary of fund balances as of June 30, 2016:

Primary government

	General Fund	Capital Projects Fund	Debt Service Fund	Fire and Rescue Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:						
Nonspendable:						
Inventories	\$ 50,162	\$ -	\$ -	\$ -	\$ -	\$ 50,162
Prepaid assets	98,372	450,213	-	186,142	44,416	779,143
Total nonspendable	148,534	450,213	-	186,142	44,416	829,305
Restricted:						
Parks, recreation, and cultural	-	-	-	-	376,041	376,041
Community development	-	-	-	-	444	444
Public Safety	-	-	-	-	39,326	39,326
Public works	-	-	-	-	409,743	409,743
Proffers	-	-	-	-	2,255,360	2,255,360
Grants	337,264	-	-	-	-	337,264
Capital projects	-	4,529,804	-	-	-	4,529,804
Total restricted	337,264	4,529,804	-	-	3,080,914	7,947,982
Committed:						
Community development	-	-	-	-	-	-
Public safety	-	-	-	5,549,950	-	5,549,950
Proffers	-	-	-	-	43,058	43,058
Budgeted use of fund balance	2,201,888	-	-	-	-	2,201,888
Purchase development rights	-	-	-	-	812,436	812,436
Capital projects	-	5,659,230	-	-	-	5,659,230
Total committed	2,201,888	5,659,230	-	5,549,950	855,494	14,266,562
Assigned:						
General government administration	4,617,274	-	-	-	-	4,617,274
Judicial administration	15,112	-	-	-	-	15,112
Public safety	33,833	-	-	-	-	33,833
Education	1,191,405	-	-	-	-	1,191,405
Parks, recreation, and cultural	68,904	-	-	-	-	68,904
Community development	157,812	-	-	-	-	157,812
Asset replacement	-	-	-	-	1,320,288	1,320,288
Other purposes	-	-	407,118	-	-	407,118
Total assigned	6,084,340	-	407,118	-	1,320,288	7,811,746
Unassigned	17,621,727	-	-	-	(3,162)	17,618,565
Total	\$ 26,393,753	\$ 10,639,247	\$ 407,118	\$ 5,736,092	\$ 5,297,950	\$ 48,474,160

NOTE 13 – FUND BALANCES (CONTINUED)

Component unit – School Board

	<u>School General Fund</u>	<u>School Asset Replacement Fund</u>	<u>School Textbook Fund</u>	<u>School Nutrition Fund</u>	<u>Total Component Unit School Board</u>
Fund Balances:					
Nonspendable:					
Inventories	\$ -	\$ -	\$ -	\$ 128,017	\$ 128,017
Prepaid assets	599	-	-	-	599
Total nonspendable	<u>599</u>	<u>-</u>	<u>-</u>	<u>128,017</u>	<u>128,616</u>
Restricted:					
Grants	<u>73,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,567</u>
Assigned:					
Other purposes	<u>32,002</u>	<u>2,911,028</u>	<u>898,532</u>	<u>42,363</u>	<u>3,883,925</u>
Total	\$ <u>106,168</u>	\$ <u>2,911,028</u>	\$ <u>898,532</u>	\$ <u>170,380</u>	\$ <u>4,086,108</u>

NOTE 14 – RISK MANAGEMENT

A. County government

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

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

The County carries commercial insurance for all other risks of loss, including airport liability. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

B. Component unit – School Board

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

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

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

NOTE 14 – RISK MANAGEMENT (CONTINUED)

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.

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:

	2015	2016
Unpaid claims, beginning of fiscal year	\$ 2,115,241	\$ 2,152,163
Incurred claims, (including IBNR)	20,612,054	24,243,239
Claim payments	<u>(20,575,132)</u>	<u>(23,984,979)</u>
Unpaid claims, end of fiscal year	\$ <u>2,152,163</u>	\$ <u>2,410,423</u>

NOTE 15 – 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

NOTE 15 – RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

operating contributions for 15.69% of the regional jail's operating expenses, including debt service, totaling \$1,819,790 in fiscal year 2016.

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 Board. The Authority is empowered to, among other things, issue tax-exempt revenue bonds in accordance with the Act, acquire, own, lease, and dispose of properties, promote industry, and develop trade in the County.

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

Additional information may be obtained by writing to the Fauquier County 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 – Vint Hill Farms, Warrenton, Virginia 20187 or visiting the website at www.fcwsa.org.

Northern Virginia Health Center Commission

The Northern Virginia Health Center Commission (NVHCC) is a legal entity established in 1987 by five Northern Virginia jurisdictions (Fauquier County, Fairfax County, Prince William County, Loudoun County, and the City of Alexandria) to develop and operate a nursing facility. Each of the five jurisdictions contributes annually to Birmingham Green Nursing Center and Birmingham Green Assisted Living Unit based on budgeted utilization for a percentage of nursing home beds for low income residents of each locality. In fiscal year 2016, Fauquier County contributed a total of \$81,388.

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 2016, Fauquier County contributed a total of \$306,669.

NOTE 15 – RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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 2016, the Fauquier County School Board contributed a total of \$248,751, with \$578,178 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.

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 16 – 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 17 – COMMITMENTS UNDER NONCAPITALIZED LEASES

The County leases the following properties:

<u>Properties</u>	<u>Annual Payments</u>
Lee and John Marshall Street, Corner Parking Lot	\$ 6,000
Registrar’s Office, 528 Waterloo Street	49,734
Economic Development Office, 35 Culpeper Street	27,978
Mason Enterprise Center, 70 Main Street	79,049

All leases are subject to annual appropriation of rental payments.

NOTE 18 – 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 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 19 – SUBSEQUENT EVENTS

Subsequent to the end of the fiscal year, the County entered into three financing agreements with Banc of America Public Capital Corp (BAPCC). On July 15, 2016, the County entered into a \$392,774 seven year financing lease for the purchase of four school buses and a \$785,606 seven year financing lease for the purchase of three ambulances. On September 30, 2016, the County entered into a \$3,700,000 ten year financing lease for the upgrade and replacement of the County's public safety radio system.

On July 8, 2016, the Fauquier County School Board received a notice of violation from the Virginia Department of Environmental Quality (DEQ) related to ammonia levels above the legal limit at the sewage treatment plant at Mary Walter Elementary School. School Board staff are in the process of working with the DEQ to address future actions to ensure compliance with state law and regulations and to determine any obligations as a result of the notice of violation.

REQUIRED SUPPLEMENTARY INFORMATION



Schedule of Funding Progress and Employer Contributions
Other Postemployment Benefits Program and Virginia Retirement System
Fiscal Year Ended June 30, 2016

Other Postemployment Benefits Program

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2015	\$ 3,736,436	\$ 6,992,658	\$ 3,256,222	53.40%	\$ 93,811,126	3.50%
July 1, 2014	3,340,382	7,919,888	4,579,506	42.20%	96,761,452	4.70%
July 1, 2013	2,662,549	7,323,314	4,660,765	36.40%	93,489,326	5.00%
July 1, 2012	2,117,852	8,248,645	6,130,793	25.70%	105,388,943	5.80%
July 1, 2011	1,660,527	8,638,897	6,978,370	19.22%	101,825,066	6.85%
July 1, 2010	1,012,000	7,678,000	6,666,000	13.18%	101,354,844	6.58%
July 1, 2009	488,000	6,544,000	6,056,000	7.46%	102,868,756	5.89%

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

Virginia Retirement System

Fauquier County:

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, 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, 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:

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, 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
For the Year Ended June 30, 2016

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, 2015 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

**Schedule of Components of and Changes in Net Pension Liability
and Related Ratios**

Last Two Fiscal Years

Fiscal Year Ended June 30, 2016

Governmental Activities:

	2014	2015
Total pension liability		
Service cost	\$ 3,566,038	3,695,651
Interest	6,129,463	6,557,274
Differences between expected and actual experience	-	(1,000,635)
Benefit payments, including refunds of employee contributions	(3,073,415)	(3,385,928)
Change in proportion impact		(354,236)
Net change in total pension liability	6,622,086	5,512,126
Total pension liability – beginning	89,100,460	95,722,546
Total pension liability – ending (a)	<u>\$ 95,722,546</u>	<u>101,234,672</u>
Plan fiduciary net position		
Contributions – employer	\$ 3,458,523	3,079,155
Contributions – employee	1,489,279	1,573,132
Net investment income	11,937,417	4,080,982
Benefit payments, including refunds of employee contributions	(3,073,415)	(3,385,928)
Administrative expense	(62,172)	(53,765)
Other	629	(870)
Change in proportion impact	-	(326,984)
Net change in plan fiduciary net position	13,750,261	4,965,722
Plan fiduciary net position – beginning	74,608,202	88,358,463
Plan fiduciary net position – ending (b)	<u>\$ 88,358,463</u>	<u>93,324,185</u>
Political subdivision's net pension liability – ending (a) - (b)	\$ 7,364,083	7,910,487
Plan fiduciary net position as a percentage of the total pension liability	92.31%	92.19%
Covered payroll	\$ 32,843,556	32,843,556
Political subdivision's net pension liability as a percentage of covered payroll	22.42%	24.09%

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 Two Fiscal Years

Fiscal Year Ended June 30, 2016

Business Type Activities:

	2014	2015
Total pension liability		
Service cost	\$ 99,709	117,443
Interest	171,383	208,382
Changes in benefit terms	-	
Differences between expected and actual experience	-	(31,799)
Changes in assumptions	-	
Benefit payments, including refunds of employee contributions	(85,933)	(107,601)
Change in proportion impact		354,237
Net change in total pension liability	185,159	540,662
Total pension liability – beginning	2,491,296	2,676,455
Total pension liability – ending (a)	<u>\$ 2,676,455</u>	<u>3,217,117</u>
Plan fiduciary net position		
Contributions – employer	\$ 96,702	97,852
Contributions – employee	41,641	49,992
Net investment income	333,776	129,689
Benefit payments, including refunds of employee contributions	(85,934)	(107,601)
Administrative expense	(1,738)	(1,708)
Other	18	(26)
Change in proportion impact	-	326,985
Net change in plan fiduciary net position	384,465	495,183
Plan fiduciary net position – beginning	2,086,085	2,470,550
Plan fiduciary net position – ending (b)	<u>\$ 2,470,550</u>	<u>2,965,733</u>
Political subdivision's net pension liability – ending (a) - (b)	\$ 205,905	251,384
Plan fiduciary net position as a percentage of the total pension liability	92.31%	92.19%
Covered payroll	\$ 913,731	1,056,600
Political subdivision's net pension liability as a percentage of covered payroll	22.53%	23.79%

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 Two Fiscal Years

Fiscal Year Ended June 30, 2016

Component Unit - School Board - Non-professional:

	2014	2015
Total pension liability		
Service cost	\$ 790,454	779,639
Interest	1,314,303	1,397,986
Changes in benefit terms	-	-
Differences between expected and actual experience	-	76,425
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(821,036)	(997,534)
Net change in total pension liability	1,283,721	1,256,516
Total pension liability – beginning	19,186,281	20,470,002
Total pension liability – ending (a)	<u>\$ 20,470,002</u>	<u>21,726,518</u>
Plan fiduciary net position		
Contributions – employer	\$ 634,627	422,140
Contributions – employee	367,367	326,614
Net investment income	3,029,074	1,016,928
Benefit payments, including refunds of employee contributions	(821,036)	(997,534)
Administrative expense	(16,035)	(13,964)
Other	160	(215)
Net change in plan fiduciary net position	3,194,157	753,969
Plan fiduciary net position – beginning	19,118,695	22,312,852
Plan fiduciary net position – ending (b)	<u>\$ 22,312,852</u>	<u>23,066,821</u>
Political subdivision's net pension (asset) liability – ending (a) - (b)	\$ (1,842,850)	(1,340,303)
Plan fiduciary net position as a percentage of the total pension liability	109.00%	106.17%
Covered payroll	\$ 7,685,393	7,816,456
Political subdivision's net pension (asset) liability as a percentage of covered payroll	-23.98%	-17.15%

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, 2016

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	Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability
				Proportionate Share of the Net Pension Liability (asset) as a Percentage of its Covered-Employee Payroll	
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.



COMBINING AND INDIVIDUAL 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 17

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Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 219	\$ 219
Recovered costs	-	9,290	9,290	-
Miscellaneous revenue	2,831,000	1,965,000	1,900,000	(65,000)
Intergovernmental:				
Commonwealth of Virginia	3,901,549	5,600,847	367,580	(5,233,267)
Federal Government	4,930,471	5,494,969	278,475	(5,216,494)
Total revenues	11,663,020	13,070,106	2,555,564	(10,514,542)
Expenditures				
Current operating:				
Capital projects:				
Public works:				
Landfill Expansion	5,080,000	5,080,000	-	5,080,000
Marshall Main Street	3,019,945	3,606,813	1,850	3,604,963
Winchester Sidewalk	198,988	307,803	180,471	127,332
Catlett/Calverton Sewer	7,029,188	7,336,588	53,871	7,282,717
Brookside Parkway extension	501,113	107,800	107,800	-
Vint Hill Public Streets Network	6,438,352	10,427,027	1,541,395	8,885,632
Mill Run Business Park	109,068	109,068	5,280	103,788
Second entrance	300,000	300,000	-	300,000
Total public works	22,676,654	27,275,099	1,890,667	25,384,432
Education:				
Fauquier high school	212	212	-	212
New elementary school #12	31,936	31,936	-	31,936
Total education	32,148	32,148	-	32,148
Parks, recreation, and cultural:				
Lord Fairfax Community College	14,066	14,066	-	14,066
Palmer extension	561,219	561,219	-	561,219
Woods of Warrenton	545,241	545,241	4,267	540,974
M M Pierce trail project	341,500	341,500	-	341,500
Safe routes to school	496,509	498,132	42,084	456,048
Northern swimming pool	1,552,293	1,552,293	-	1,552,293
Northern sports complex	42,740	42,740	-	42,740
Central sports complex	6,601,706	6,601,706	47,643	6,554,063
Total parks, recreation, and cultural	10,155,274	10,156,897	93,994	10,062,903
Total current operating expenditures	\$ 32,864,076	\$ 37,464,144	\$ 1,984,661	\$ 35,479,483

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2016

Exhibit 17
Page 2 of 2

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Capital outlay:				
General government administration	\$ 577,500	\$ 760,666	\$ 258,955	\$ 501,711
Public safety	4,527,489	4,527,489	80,018	4,447,471
Public works	1,247,293	1,273,199	184,961	1,088,238
Education	227,656	227,656	-	227,656
Parks, recreation, and cultural	5,548,913	5,558,203	137,128	5,421,075
Community development	8,698	8,698	-	8,698
Total capital outlay	12,137,549	12,355,911	661,062	11,694,849
Debt service:				
Debt covenant	58,853	58,853	-	58,853
Total debt service	58,853	58,853	-	58,853
Total expenditures	45,060,478	49,878,908	2,645,723	47,233,185
Excess (deficiency) of revenues over (under) expenditures	(33,397,458)	(36,808,802)	(90,159)	36,718,643
Other financing sources (uses)				
Transfers in	728,991	2,292,363	2,274,989	(17,374)
Transfers (out)	(318,500)	(724,583)	(685,043)	39,540
Issuance of debt	20,311,500	20,311,500	-	(20,311,500)
Total other financing sources (uses)	20,721,991	21,879,280	1,589,946	(20,289,334)
Net change in fund balances/(deficits)	(12,675,467)	(14,929,522)	1,499,787	16,429,309
Fund balances - beginning	9,139,460	9,139,460	9,139,460	-
Fund balances/(deficits) - ending	\$ (3,536,007)	\$ (5,790,062)	\$ 10,639,247	\$ 16,429,309



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, 2016

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Miscellaneous revenue	\$ 89,192	\$ 89,192	\$ 89,192	\$ -
Intergovernmental:				
Federal Government	393,975	393,975	396,100	2,125
Total revenues	483,167	483,167	485,292	2,125
Expenditures				
Current operating:				
Education	-	391,658	391,658	-
Debt service:				
Principal retirement	9,181,340	9,181,469	9,053,340	128,129
Interest charges	4,264,089	4,271,446	4,157,411	114,035
Fiscal charges	8,300	8,300	7,750	550
Total expenditures	13,453,729	13,852,873	13,610,159	242,714
Excess (deficiency) of revenues over (under) expenditures	(12,970,562)	(13,369,706)	(13,124,867)	244,839
Other financing sources (uses)				
Transfers in	12,540,017	12,754,235	12,254,235	(500,000)
Issuance of debt	-	391,658	391,658	-
Total other financing sources (uses)	12,540,017	13,145,893	12,645,893	(500,000)
Net change in fund balances/(deficits)	(430,545)	(223,813)	(478,974)	(255,161)
Fund balances - beginning	886,092	886,092	886,092	-
Fund balances/(deficits) - ending	\$ 455,547	\$ 662,279	\$ 407,118	\$ (255,161)

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

The *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.

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.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

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 *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.

	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
Assets						
Cash and cash equivalents	\$ 1,455,061	\$ 814,085	\$ -	\$ 1,500	\$ 30	\$ 1,182
Cash and cash equivalents - restricted	-	-	-	199,556	176,485	18,183
Receivables, net of allowance for uncollectibles:						
Taxes, including penalties	-	17,152	-	-	-	265
Accounts	2,335	783	284,259	-	-	5,724
Prepaid items	44,416	-	-	-	-	-
Total assets	1,501,812	832,020	284,259	201,056	176,515	25,354
Total assets and deferred outflows of resources	1,501,812	832,020	284,259	201,056	176,515	25,354
Liabilities						
Accounts payable	132,632	259	67,865	1,500	30	911
Accrued liabilities	-	5,174	3,889	-	-	-
Retainage	4,476	-	-	-	-	-
Due to other funds	-	-	81,237	-	-	-
Escrows	-	-	-	-	-	-
Total liabilities	137,108	5,433	152,991	1,500	30	911
Deferred inflows of resources						
Revenue advances	-	2,948	-	-	-	108
Unavailable revenue	-	11,203	131,268	-	-	163
Total deferred inflows of resources	-	14,151	131,268	-	-	271
Total liabilities and deferred inflows of resources	137,108	19,584	284,259	1,500	30	1,182
Fund balances/(deficits)						
Nonspendable	44,416	-	-	-	-	-
Restricted	-	-	-	199,556	176,485	24,172
Committed	-	812,436	-	-	-	-
Assigned	1,320,288	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances/(deficits)	1,364,704	812,436	-	199,556	176,485	24,172
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,501,812	\$ 832,020	\$ 284,259	\$ 201,056	\$ 176,515	\$ 25,354

Proffer Fund	Stormwater Management Fund	Vint Hill Transportation Fund	Educational Farm Fund	Treasurer's E- Summons Fund	Project Lifesaver Fund	Total Nonmajor Governmental Funds	
\$ -	\$ 2,286	\$ -	\$ -	\$ -	\$ -	\$ 2,274,144	Assets
3,019,687	169,862	210,991	444	37,652	1,674	3,834,534	Cash and cash equivalents
-	-	-	-	-	-	17,417	Cash and cash equivalents - restricted
213,500	4,718	-	1,202	-	-	512,521	Receivables, net of allowance for uncollectibles:
-	-	-	-	-	-	44,416	Taxes, including penalties
							Accounts
							Prepaid items
3,233,187	176,866	210,991	1,646	37,652	1,674	6,683,032	Total assets
3,233,187	176,866	210,991	1,646	37,652	1,674	6,683,032	Total assets and deferred outflows of resources
-	-	-	-	-	-	203,197	Liabilities
-	-	-	1,864	-	-	10,927	Accounts payable
-	-	-	-	-	-	4,476	Accrued liabilities
-	-	-	-	-	-	81,237	Retainage
764,327	-	-	-	-	-	764,327	Due to other funds
							Escrows
764,327	-	-	1,864	-	-	1,064,164	Total liabilities
-	2,286	-	-	-	-	5,342	Deferred inflows of resources
170,442	-	-	2,500	-	-	315,576	Revenue advances
							Unavailable revenue
170,442	2,286	-	2,500	-	-	320,918	Total deferred inflows of resources
934,769	2,286	-	4,364	-	-	1,385,082	Total liabilities and deferred inflows of resources
-	-	-	-	-	-	44,416	Nonspendable
2,255,360	174,580	210,991	444	37,652	1,674	3,080,914	Restricted
43,058	-	-	-	-	-	855,494	Committed
-	-	-	-	-	-	1,320,288	Assigned
-	-	-	(3,162)	-	-	(3,162)	Unassigned
2,298,418	174,580	210,991	(2,718)	37,652	1,674	5,297,950	Total fund balances/(deficits)
\$ 3,233,187	176,866	\$ 210,991	\$ 1,646	\$ 37,652	\$ 1,674	\$ 6,683,032	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, 2016

Page 1 of 2

	Special Revenue						
	Asset Replacement Fund	Conservation Easement Service District Fund	Ambulance Revenue Fund	Affordable Housing Fund	Micro Loan Program Fund	Parks and Recreation Fund	Library Fund
Revenues							
General property taxes	\$ -	\$ 645,496	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-	-
Revenue from use of money and property	-	-	-	-	-	777	672
Charges for services	27,893	-	1,385,841	-	-	-	-
Gifts and donations	-	-	-	-	-	10,939	17,323
Recovered costs	33,150	-	-	-	-	-	-
Miscellaneous revenue	19,172	-	-	-	-	-	-
Intergovernmental:							
Commonwealth of Virginia	108,846	432,175	-	-	-	-	-
Federal Government	-	-	-	-	2,000	-	-
Total revenues	189,061	1,077,671	1,385,841	-	2,000	11,716	17,995
Expenditures							
Current operating:							
Public safety	64,430	-	454,901	-	-	-	-
Public works	-	-	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-	9,607	6,814
Community development	-	875,529	-	-	2,000	-	-
Capital outlay	1,242,142	-	-	-	-	-	-
Total expenditures	1,306,572	875,529	454,901	-	2,000	9,607	6,814
Excess (deficiency) of revenues over (under) expenditures	(1,117,511)	202,142	930,940	-	-	2,109	11,181
Other financing sources (uses)							
Transfers in	1,747,330	1,169	1,500	201,632	-	-	-
Transfers (out)	(259,673)	(6,659)	(1,111,705)	(201,632)	-	-	-
Total other financing sources (uses)	1,487,657	(5,490)	(1,110,205)	-	-	-	-
Net change in fund balances/(deficits)	370,146	196,652	(179,265)	-	-	2,109	11,181
Fund balances - beginning	994,558	615,784	179,265	-	-	197,447	165,304
Fund balances/(deficits) - ending	\$ 1,364,704	\$ 812,436	\$ -	\$ -	\$ -	\$ 199,556	\$ 176,485

Funds								
Marshall Electric Light and Business Improvement District Fund	Proffer Fund	Stormwater Management Fund	Vint Hill Transportation Fund	Educational Farm Fund	Treasurer's E- Summons Fund	Project Lifesaver Fund	Total Nonmajor Governmental Funds	
\$ 7,768	\$ -	\$ 357,183	\$ -	\$ -	\$ -	\$ -	\$ 1,010,447	Revenues
-	-	-	-	-	37,652	-	37,652	General property taxes
-	7,147	-	819	-	-	-	9,415	Fines and forfeitures
-	-	-	-	-	-	-	1,413,734	Revenue from use of money and property
-	970,739	-	2,272	-	-	2,025	1,003,298	Charges for services
-	-	-	-	7,368	-	-	40,518	Gifts and donations
-	-	-	-	-	-	-	19,172	Recovered costs
-	-	-	-	-	-	-	541,021	Miscellaneous revenue
-	-	-	-	-	-	-	2,000	Intergovernmental:
								Commonwealth of Virginia
								Federal Government
<u>7,768</u>	<u>977,886</u>	<u>357,183</u>	<u>3,091</u>	<u>7,368</u>	<u>37,652</u>	<u>2,025</u>	<u>4,077,257</u>	Total revenues
-	-	-	-	-	-	351	519,682	Expenditures
11,119	-	-	-	-	-	-	11,119	Current operating:
-	-	-	-	-	-	-	16,421	Public safety
-	-	-	-	10,086	-	-	887,615	Public works
-	-	-	-	-	-	-	1,242,142	Parks, recreation, and cultural
								Community development
								Capital outlay
<u>11,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,086</u>	<u>-</u>	<u>351</u>	<u>2,676,979</u>	Total expenditures
<u>(3,351)</u>	<u>977,886</u>	<u>357,183</u>	<u>3,091</u>	<u>(2,718)</u>	<u>37,652</u>	<u>1,674</u>	<u>1,400,278</u>	Excess (deficiency) of revenues over (under) expenditures
-	-	-	-	-	-	-	1,951,631	Other financing sources (uses)
-	-	(362,571)	-	-	-	-	(1,942,240)	Transfers in
-	-	(362,571)	-	-	-	-	9,391	Transfers (out)
								Total other financing sources (uses)
<u>(3,351)</u>	<u>977,886</u>	<u>(5,388)</u>	<u>3,091</u>	<u>(2,718)</u>	<u>37,652</u>	<u>1,674</u>	<u>1,409,669</u>	Net change in fund balances/(deficits)
<u>27,523</u>	<u>1,320,532</u>	<u>179,968</u>	<u>207,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,888,281</u>	Fund balances - beginning
<u>\$ 24,172</u>	<u>\$ 2,298,418</u>	<u>\$ 174,580</u>	<u>\$ 210,991</u>	<u>\$ (2,718)</u>	<u>\$ 37,652</u>	<u>\$ 1,674</u>	<u>\$ 5,297,950</u>	Fund balances/(deficits) - ending

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 21

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Asset Replacement Fund
Fiscal Year Ended June 30, 2016**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Charges for services	\$ 46,065	\$ 35,000	\$ 27,893	\$ (7,107)
Recovered costs	-	33,150	33,150	-
Miscellaneous revenue	-	-	19,172	19,172
Intergovernmental:				
Commonwealth of Virginia	147,416	108,846	108,846	-
Total revenues	193,481	176,996	189,061	12,065
Expenditures				
Current operating:				
Capital projects:				
Public safety	147,416	108,846	64,430	44,416
Total current operating	147,416	108,846	64,430	44,416
Capital outlay:				
General government administration	560,677	866,595	341,003	525,592
Public safety	451,295	1,273,988	77,740	1,196,248
Public works	960,824	858,528	672,737	185,791
Parks, recreation, and cultural	356,591	356,591	150,662	205,929
Total capital outlay	2,329,387	3,355,702	1,242,142	2,113,560
Total expenditures	2,476,803	3,464,548	1,306,572	2,157,976
Excess (deficiency) of revenues over (under) expenditures	(2,283,322)	(3,287,552)	(1,117,511)	2,170,041
Other financing sources (uses)				
Transfers in	1,299,000	1,747,330	1,747,330	-
Transfers (out)	-	(259,673)	(259,673)	-
Issuance of debt	-	793,443	-	(793,443)
Total other financing sources (uses)	1,299,000	2,281,100	1,487,657	(793,443)
Net change in fund balances/(deficits)	(984,322)	(1,006,452)	370,146	1,376,598
Fund balances - beginning	994,558	994,558	994,558	-
Fund balances/(deficits) - ending	\$ 10,236	\$ (11,894)	\$ 1,364,704	\$ 1,376,598

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 22

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, 2016

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ 636,222	\$ 636,222	\$ 645,496	\$ 9,274
Intergovernmental:				
Commonwealth of Virginia	190,000	784,631	432,175	(352,456)
Total revenues	826,222	1,420,853	1,077,671	(343,182)
Expenditures				
Current operating:				
Community development	826,222	2,037,806	875,529	1,162,277
Total expenditures	826,222	2,037,806	875,529	1,162,277
Excess (deficiency) of revenues over (under) expenditures	-	(616,953)	202,142	819,095
Other financing sources (uses)				
Transfers in	-	1,169	1,169	-
Transfers (out)	-	-	(6,659)	(6,659)
Total other financing sources (uses)	-	1,169	(5,490)	(6,659)
Net change in fund balances/(deficits)	-	(615,784)	196,652	812,436
Fund balances - beginning	615,784	615,784	615,784	-
Fund balances - ending	\$ 615,784	\$ -	\$ 812,436	\$ 812,436

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 23

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Ambulance Revenue Fund
Fiscal Year Ended June 30, 2016**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Charges for services	\$ 1,401,808	\$ 1,401,808	\$ 1,385,841	\$ (15,967)
Total revenues	1,401,808	1,401,808	1,385,841	(15,967)
Expenditures				
Current operating:				
Public safety	492,756	494,256	454,901	39,355
Total expenditures	492,756	494,256	454,901	39,355
Excess (deficiency) of revenues over (under) expenditures	909,052	907,552	930,940	23,388
Other financing sources (uses)				
Transfers in	-	1,500	1,500	-
Transfers (out)	(1,119,208)	(1,119,208)	(1,111,705)	7,503
Total other financing sources (uses)	(1,119,208)	(1,117,708)	(1,110,205)	7,503
Net change in fund balances/(deficits)	(210,156)	(210,156)	(179,265)	30,891
Fund balances - beginning	179,265	179,265	179,265	-
Fund balances/(deficits) - ending	\$ (30,891)	\$ (30,891)	\$ -	\$ 30,891

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 24

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Affordable Housing Fund
Fiscal Year Ended June 30, 2016**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Intergovernmental:				
Federal Government	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current operating:				
Community development	201,632	-	-	-
Total expenditures	201,632	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(201,632)	-	-	-
Other financing sources (uses)				
Transfers in	201,632	201,632	201,632	-
Transfers (out)	-	(201,632)	(201,632)	-
Total other financing sources (uses)	201,632	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Micro Loan Program Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Revenue from the Federal government	\$ -	\$ 200,000	\$ 2,000	\$ (198,000)
Total revenues	-	200,000	2,000	(198,000)
Expenditures				
Current operating:				
Community development	-	200,000	2,000	198,000
Total expenditures	-	200,000	2,000	198,000
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, 2016

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 466,967	\$ 10,185,835	\$ 10,652,802
Receivables, net of allowance for uncollectibles	18,499	476,362	494,861
Inventories	196,428	-	196,428
Prepaid items	-	140,447	140,447
Total current assets	681,894	10,802,644	11,484,538
Noncurrent assets:			
Capital assets (depreciable):			
Buildings and improvements	349,000	-	349,000
Machinery and equipment	481,801	-	481,801
Accumulated depreciation	(785,884)	-	(785,884)
Total capital assets	44,917	-	44,917
Total noncurrent assets	44,917	-	44,917
Total assets	726,811	10,802,644	11,529,455
Deferred outflow of resources			
Items related to measurement of pension liability	2,271	-	2,271
Pension contributions subsequent to measurement date	65,463	-	65,463
Total deferred outflow of resources	67,734	-	67,734
Total assets and deferred outflows of resources	794,545	10,802,644	11,597,189
Liabilities			
Current liabilities:			
Accounts payable	55,077	377,472	432,549
Accrued and other liabilities	37,169	-	37,169
Current portion of compensated absences	12,300	-	12,300
Current portion of incurred but not reported claims	-	602,606	602,606
Total current liabilities	104,546	980,078	1,084,624
Noncurrent liabilities:			
Noncurrent portion of compensated absences	110,702	-	110,702
Noncurrent portion of incurred but not reported claims	-	1,807,817	1,807,817
Net pension liability	159,974	-	159,974
Total noncurrent liabilities	270,676	1,807,817	2,078,493
Total liabilities	375,222	2,787,895	3,163,117
Deferred inflow of resources			
Items related to measurement of pension liability	59,457	-	59,457
Total deferred inflow of resources	59,457	-	59,457
Total liabilities and deferred inflows of resources	434,679	2,787,895	3,222,574
Net position			
Investment in capital assets	44,917	-	44,917
Unrestricted	314,949	8,014,749	8,329,698
Total net position	359,866	8,014,749	8,374,615
Total liabilities, deferred inflows of resources, and net position	\$ 794,545	\$ 10,802,644	\$ 11,597,189

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 27

Combining Statement of Revenues, Expenses, and Changes in Net Position

Internal Service Funds

Fiscal Year Ended June 30, 2016

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Operating revenues			
Charges for services	\$ 3,250,009	\$ 28,674,749	\$ 31,924,758
Miscellaneous revenue	1,147	167,612	168,759
Forfeitures	-	1,216	1,216
Total operating revenues	3,251,156	28,843,577	32,094,733
Operating expenses			
Personal services	703,471	-	703,471
Fringe benefits	225,688	-	225,688
Claims and benefits paid	-	24,243,239	24,243,239
Premiums	-	2,548,338	2,548,338
Contractual services	141,156	1,361,915	1,503,071
Other operating expenses	2,128,287	46,101	2,174,388
Depreciation	11,226	-	11,226
Pension expense	31,050	-	31,050
Total operating expenses	3,240,878	28,199,593	31,440,471
Operating income (loss)	10,278	643,984	654,262
Nonoperating revenues (expenses)			
Interest income	-	41,507	41,507
Total nonoperating revenues	-	41,507	41,507
Income (loss)	10,278	685,491	695,769
Transfers			
Transfers in	15,141	-	15,141
Transfers (out)	(497)	-	(497)
Total transfers	14,644	-	14,644
Change in net position	24,922	685,491	710,413
Net position - beginning	334,944	7,329,258	7,664,202
Net position - ending	\$ 359,866	\$ 8,014,749	\$ 8,374,615

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 28

Combining Statement of Cash Flows
Internal Service Funds
Fiscal Year Ended June 30, 2016

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Cash Flow from Operating Activities			
Receipts from County departments	\$ 3,007,877	\$ 27,661,336	\$ 30,669,213
Receipts from outside entities	255,671	885,365	1,141,036
Payment to suppliers and other operating activities	(2,294,492)	(27,724,188)	(30,018,680)
Payment to employees (including fringes)	(980,843)	-	(980,843)
Net cash provided by (used for) operating activities	(11,787)	822,513	810,726
Cash Flow from Noncapital Financing Activities			
Transfers in	15,141	-	15,141
Transfers out	(497)	-	(497)
Net cash provided by noncapital financing activities	14,644	-	14,644
Cash Flow from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(23,695)	-	(23,695)
Net cash provided by capital and related financing activities	(23,695)	-	(23,695)
Cash Flow from Investing Activities			
Interest income	-	41,507	41,507
Net cash provided by investing activities	-	41,507	41,507
Net increase (decrease) in cash and cash equivalents	(20,838)	864,020	843,182
Cash and cash equivalents - beginning of the year	487,805	9,321,815	9,809,620
Cash and cash equivalents - end of the year	466,967	10,185,835	10,652,802
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Cash flows from operations:			
Operating income (loss)	10,278	643,984	654,262
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	11,226	-	11,226
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	12,392	(129,265)	(116,873)
Decrease in inventory	6,289	-	6,289
(Increase) in prepaid items	-	(16,313)	(16,313)
Increase (decrease) in accounts payable	(31,338)	65,847	34,509
Increase in incurred but not reported claims	-	258,260	258,260
(Decrease) in deferred inflows of resources	(47,836)	-	(47,836)
Net cash provided by (used for) operating activities	\$ (11,787)	\$ 822,513	\$ 810,726

FIDUCIARY FUNDS

The Fiduciary Funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Pension (and other employee benefit) trust funds account for assets held by the County under terms of a formal trust agreement. Agency Funds are custodial in nature and are maintained to account for funds received and disbursed by the County on behalf of various organizations.

The *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.

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

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

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 29

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

	Agency Funds						Total
	Working Together Fund	Fire and Rescue USDA Debt Service Fund	Volunteer Fire and Rescue Fund	Special Welfare Fund	Detention Center Fund	Service to Outside Agencies Fund	
Assets							
Cash and cash equivalents	\$ 19,795	\$ 514,813	\$ 99,810	\$ 40,946	\$ -	\$ 104,377	\$ 779,741
Cash in custody of others	-	-	-	-	134,917	-	134,917
Receivables, net of allowance for uncollectibles:							
Accounts	33	-	-	-	-	14,749	14,782
Total assets and deferred outflows of resources	<u>19,828</u>	<u>514,813</u>	<u>99,810</u>	<u>40,946</u>	<u>134,917</u>	<u>119,126</u>	<u>929,440</u>
Liabilities							
Accrued liabilities	-	-	-	-	-	16,311	16,311
Amounts held for clients/others	<u>19,828</u>	<u>514,813</u>	<u>99,810</u>	<u>40,946</u>	<u>134,917</u>	<u>102,815</u>	<u>913,129</u>
Total liabilities and deferred inflows of resources	<u>\$ 19,828</u>	<u>\$ 514,813</u>	<u>\$ 99,810</u>	<u>\$ 40,946</u>	<u>\$ 134,917</u>	<u>\$ 119,126</u>	<u>\$ 929,440</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 30

Combining Statement of Changes in Assets and Liabilities

Page 1 of 2

Agency Funds

Fiscal Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Working Together Fund				
Assets:				
Cash and cash equivalents	\$ 19,956	\$ 41,267	\$ 41,428	\$ 19,795
Accounts receivable	11	33	11	33
Total assets	<u>19,967</u>	<u>41,300</u>	<u>41,439</u>	<u>19,828</u>
Liabilities:				
Amounts held for clients/others	<u>\$ 19,967</u>	<u>\$ 41,300</u>	<u>\$ 41,439</u>	<u>\$ 19,828</u>
Fire and Rescue USDA Debt Service Fund				
Assets:				
Cash and cash equivalents	<u>\$ 419,609</u>	<u>\$ 1,032,662</u>	<u>\$ 937,458</u>	<u>\$ 514,813</u>
Liabilities:				
Amounts held for clients/others	<u>\$ 419,609</u>	<u>\$ 1,032,662</u>	<u>\$ 937,458</u>	<u>\$ 514,813</u>
Volunteer Fire and Rescue Association Fund				
Assets:				
Cash and cash equivalents	<u>\$ 95,683</u>	<u>\$ 9,222</u>	<u>\$ 5,095</u>	<u>\$ 99,810</u>
Liabilities:				
Amounts held for clients/others	<u>\$ 95,683</u>	<u>\$ 9,222</u>	<u>\$ 5,095</u>	<u>\$ 99,810</u>
Special Welfare Fund				
Assets:				
Cash and cash equivalents	\$ 68,033	\$ 41,636	\$ 68,723	\$ 40,946
Accounts receivable	14	-	14	-
Total assets	<u>68,047</u>	<u>41,636</u>	<u>68,737</u>	<u>40,946</u>
Liabilities:				
Amounts held for clients/others	<u>\$ 68,047</u>	<u>\$ 41,636</u>	<u>\$ 68,737</u>	<u>\$ 40,946</u>
Detention Center Fund				
Assets:				
Cash in custody of others:				
Cash - canteen account	\$ 117,535	\$ 73,356	\$ 67,442	\$ 123,449
Cash - inmate accounts	6,533	135,099	134,374	7,258
Cash - work release	6,459	110,261	112,510	4,210
Total assets	<u>130,527</u>	<u>318,716</u>	<u>314,326</u>	<u>134,917</u>
Liabilities:				
Amounts held for clients/others	<u>\$ 130,527</u>	<u>\$ 318,716</u>	<u>\$ 314,326</u>	<u>\$ 134,917</u>

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Fiscal Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Service to Outside Agencies Fund				
Assets:				
Cash and cash equivalents	\$ 103,674	\$ 385,870	\$ 385,167	\$ 104,377
Accounts receivable	10,224	14,749	10,224	14,749
Total assets	<u>113,898</u>	<u>400,619</u>	<u>395,391</u>	<u>119,126</u>
Liabilities:				
Accrued liabilities	12,640	16,311	12,640	16,311
Amounts held for clients/others	101,258	384,308	382,751	102,815
Total liabilities	<u>\$ 113,898</u>	<u>\$ 400,619</u>	<u>\$ 395,391</u>	<u>\$ 119,126</u>
Total - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 706,955	\$ 1,510,657	\$ 1,437,871	\$ 779,741
Cash in custody of others	130,527	318,716	314,326	134,917
Accounts receivable	10,249	14,782	10,249	14,782
Total assets	<u>847,731</u>	<u>1,844,155</u>	<u>1,762,446</u>	<u>929,440</u>
Liabilities:				
Accrued liabilities	12,640	16,311	12,640	16,311
Amounts held for clients/others	835,091	1,827,844	1,749,806	913,129
Total liabilities	<u>\$ 847,731</u>	<u>\$ 1,844,155</u>	<u>\$ 1,762,446</u>	<u>\$ 929,440</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, 2016

	Governmental Funds				
	School General Fund	School Asset Replacement Fund	School Textbook Fund	School Nutrition Fund	Total Governmental Funds
Assets					
Cash and cash equivalents (1)	\$ 11,545,329	\$ 3,349,110	\$ 918,648	\$ 414,127	\$ 16,227,214
Cash and cash equivalents - restricted (1)	73,567	-	-	-	73,567
Accounts receivable	19,813	3,598	-	-	23,411
Inventories	-	-	-	128,017	128,017
Prepaid assets	599	-	-	-	599
Due from other governmental units	3,657,621	-	-	-	3,657,621
Total assets and deferred outflows of resources	<u>15,296,929</u>	<u>3,352,708</u>	<u>918,648</u>	<u>542,144</u>	<u>20,110,429</u>
Liabilities					
Accounts payable	535,712	441,680	20,116	1,456	998,964
Accrued liabilities	14,579,618	-	-	282,656	14,862,274
Unearned revenue	75,431	-	-	87,652	163,083
Total liabilities and deferred inflows of resources	<u>15,190,761</u>	<u>441,680</u>	<u>20,116</u>	<u>371,764</u>	<u>16,024,321</u>
Fund balances					
Nonspendable	599	-	-	128,017	128,616
Restricted	73,567	-	-	-	73,567
Assigned	32,002	2,911,028	898,532	42,363	3,883,925
Total fund balances	<u>106,168</u>	<u>2,911,028</u>	<u>898,532</u>	<u>170,380</u>	<u>4,086,108</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,296,929</u>	<u>\$ 3,352,708</u>	<u>\$ 918,648</u>	<u>\$ 542,144</u>	<u>\$ 20,110,429</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, 2016**

Total fund balances - discretely presented component unit - School Board	\$	4,086,108
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Net pension asset is not a current financial resource and therefore not reported in the governmental funds.		1,340,303
Deferred outflows of resources are not current financial resources and therefore are not reported in the governmental funds.		51,285
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.		183,364,033
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	(4,322,600)	
Net pension liability	(117,860,528)	
Deferred inflows of resources related to pensions	(11,846,248)	
Net OPEB obligation	(298,166)	(134,327,542)
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		9,522,707
Net position of governmental activities	\$	64,036,894

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, 2016

	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	\$ -	\$ -	\$ -	\$ 809	\$ 809
Charges for services	570,720	-	-	2,707,007	3,277,727
Gifts and donations	63,382	23,600	-	-	86,982
Recovered costs	20,051	68,550	-	168,996	257,597
Miscellaneous revenue	136,377	13,878	9,645	-	159,900
Intergovernmental:					
Contribution from primary government	81,749,369	402,908	-	-	82,152,277
Commonwealth of Virginia	45,763,768	4,326	463,114	69,116	46,300,324
Federal Government	3,823,094	-	-	1,969,676	5,792,770
Total revenues	132,126,761	513,262	472,759	4,915,604	138,028,386
Expenditures					
Current operating:					
Education	128,763,412	3,730,548	467,567	5,106,024	138,067,551
Total expenditures	128,763,412	3,730,548	467,567	5,106,024	138,067,551
Excess (deficiency) of revenues over (under) expenditures	3,363,349	(3,217,286)	5,192	(190,420)	(39,165)
Other financing sources (uses)					
Transfers in	-	2,932,079	267,308	100,000	3,299,387
Transfers (out)	(3,299,387)	-	-	-	(3,299,387)
Total other financing sources (uses)	(3,299,387)	2,932,079	267,308	100,000	-
Net change in fund balances/(deficits)	63,962	(285,207)	272,500	(90,420)	(39,165)
Fund balances - beginning	42,206	3,196,235	626,032	260,800	4,125,273
Fund balances - ending	\$ 106,168	\$ 2,911,028	\$ 898,532	\$ 170,380	\$ 4,086,108

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 34

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2016**

Net change in fund balances - discretely presented component unit - School Board **\$ (39,165)**

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.

Capital outlays	2,784,141	
Depreciation	<u>(8,259,996)</u>	(5,475,855)

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. (2,545)

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	(4,322,600)	
Add prior year's compensated absences	4,498,863	
Add current year's net pension asset	1,340,303	
Less prior year's net pension asset	(1,842,851)	
Add current year's deferred outflow related to pensions	51,285	
Less prior year's deferred outflow related to pensions	-	
Less current year's net pension liability	(117,860,528)	
Add prior year's net pension liability	114,805,836	
Less current year's deferred inflow related to pensions	(11,846,248)	
Add prior year's deferred inflow related to pensions	19,569,190	
Less current year's net OPEB obligation	(298,166)	4,095,084
Add prior year's net OPEB obligation		

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.	9,522,707	
Less prior year contributions to the Virginia Retirement System.	(10,136,320)	<u>(613,613)</u>

Change in net position of governmental activities **\$ (2,036,094)**

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, 2016**

**Exhibit 35
Page 1 of 4**

	School General Fund			
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Charges for services	\$ 432,000	\$ 437,000	\$ 570,720	\$ 133,720
Gifts and donations	12,000	73,300	63,382	(9,918)
Recovered costs	500	20,376	20,051	(325)
Miscellaneous revenue	186,100	233,652	136,377	(97,275)
Intergovernmental:				
Contribution from primary government	82,152,708	83,240,775	81,749,369	(1,491,406)
Commonwealth of Virginia	45,101,348	45,674,482	45,763,768	89,286
Federal Government	3,765,578	5,493,614	3,823,094	(1,670,520)
Total revenues	131,650,234	135,173,199	132,126,761	(3,046,438)
Expenditures				
Current operating:				
Education:				
Instruction	100,591,261	102,522,321	100,114,714	2,407,607
Administration, attendance, and health	5,375,614	5,500,925	5,286,942	213,983
Public transportation services	9,140,074	8,890,078	8,832,244	57,834
Operation and maintenance services	10,110,150	10,130,026	9,870,095	259,931
Technology	4,302,672	4,958,782	4,659,417	299,365
Total education	129,519,771	132,002,132	128,763,412	3,238,720
Total expenditures	129,519,771	132,002,132	128,763,412	3,238,720
Excess (deficiency) of revenues over (under) expenditures	2,130,463	3,171,067	3,363,349	192,282
Other financing sources (uses)				
Transfers (out)	(2,130,463)	(3,199,387)	(3,299,387)	(100,000)
Total other financing sources (uses)	(2,130,463)	(3,199,387)	(3,299,387)	(100,000)
Net change in fund balances/(deficits)	-	(28,320)	63,962	92,282
Fund balances - beginning	42,206	42,206	42,206	-
Fund balances - ending	\$ 42,206	\$ 13,886	\$ 106,168	\$ 92,282

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 35
Page 2 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, 2016**

	School Asset Replacement Fund			
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Charges for services	\$ -	\$ -	\$ -	-
Gifts and donations	-	23,600	23,600	-
Recovered costs	50,000	100,500	68,550	(31,950)
Miscellaneous revenue	485,500	407,074	13,878	(393,196)
Intergovernmental:				
Contribution from primary government	-	402,908	402,908	-
Commonwealth of Virginia	-	4,326	4,326	-
Total revenues	535,500	938,408	513,262	(425,146)
Expenditures				
Current operating:				
Education:				
Instruction	-	309,681	3,325	306,356
Public transportation services	760,000	1,215,876	783,823	432,053
Operation and maintenance services	1,503,155	3,702,294	2,280,504	1,421,790
School food services	-	134,610	117,187	17,423
Technology	-	988,595	545,709	442,886
District-wide	535,500	724,008	-	724,008
Total education	2,798,655	7,075,064	3,730,548	3,344,516
Total expenditures	2,798,655	7,075,064	3,730,548	3,344,516
Excess (deficiency) of revenues over (under) expenditures	(2,263,155)	(6,136,656)	(3,217,286)	2,919,370
Other financing sources (uses)				
Transfers in	1,863,155	2,932,079	2,932,079	-
Total other financing sources (uses)	1,863,155	2,932,079	2,932,079	-
Net change in fund balances/(deficits)	(400,000)	(3,204,577)	(285,207)	2,919,370
Fund balances - beginning	3,196,235	3,196,235	3,196,235	-
Fund balances/(deficits) - ending	\$ 2,796,235	\$ (8,342)	\$ 2,911,028	\$ 2,919,370

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, 2016

	School Textbook Fund			
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Miscellaneous revenue	\$ -	\$ -	\$ 9,645	\$ 9,645
Intergovernmental:				
Commonwealth of Virginia	465,997	465,997	463,114	(2,883)
Total revenues	465,997	465,997	472,759	6,762
Expenditures				
Current operating:				
Education:				
Instruction	1,059,918	1,359,337	467,567	891,770
Total education	1,059,918	1,359,337	467,567	891,770
Total expenditures	1,059,918	1,359,337	467,567	891,770
Excess (deficiency) of revenues over (under) expenditures	(593,921)	(893,340)	5,192	898,532
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)	(626,032)	272,500	898,532
Fund balances - beginning	626,032	626,032	626,032	-
Fund balances - ending	\$ 299,419	\$ -	\$ 898,532	\$ 898,532

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, 2016

School Nutrition Fund				
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Revenue from use of money and property	\$ 150	\$ 150	\$ 809	\$ 659
Charges for services	3,031,905	3,031,905	2,707,007	(324,898)
Miscellaneous revenue	210,000	210,000	168,996	(41,004)
Intergovernmental:				
Commonwealth of Virginia	68,213	68,213	69,116	903
Federal Government	2,130,278	2,130,278	1,969,676	(160,602)
Total revenues	5,440,546	5,440,546	4,915,604	(524,942)
Expenditures				
Current operating:				
Education:				
School food services	5,440,546	5,440,546	5,106,024	334,522
Total education	5,440,546	5,440,546	5,106,024	334,522
Total expenditures	5,440,546	5,440,546	5,106,024	334,522
Excess (deficiency) of revenues over (under) expenditures	-	-	(190,420)	(190,420)
Other financing sources (uses)				
Transfers in	-	-	100,000	100,000
Total other financing sources (uses)	-	-	100,000	100,000
Net change in fund balances/(deficits)	-	-	(90,420)	(90,420)
Fund balances - beginning	260,800	260,800	260,800	-
Fund balances/(deficits) - ending	\$ 260,800	\$ 260,800	\$ 170,380	\$ (90,420)

Statement of Fiduciary Net Position
Discretely Presented Component Unit – School Board
June 30, 2016

	Trust Fund Crockett Scholarship Private-Purpose Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 425,783	\$ 290,078
Cash in custody of others	-	1,733,726
Due from other governmental units	-	68,579
Land	94,200	-
Total assets and deferred outflows of resources	<u>519,983</u>	<u>2,092,383</u>
Liabilities		
Accounts payable	-	72,309
Accrued liabilities	-	121,445
Amounts held for clients/others	-	1,898,629
Total liabilities and deferred inflows of resources	-	\$ <u>2,092,383</u>
Net position		
Held in trust for scholarships	<u>519,983</u>	
Total liabilities, deferred inflows of resources, and net position	\$ <u>519,983</u>	

Statement of Changes in Fiduciary Net Position
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2016

	Crockett Scholarship Private-Purpose Trust Fund
Additions	
Investment income	\$ 5,573
Total additions	5,573
Deductions	
Administrative fees	2,068
Total deductions	2,068
Change in net position	3,505
Net position - beginning	516,478
Net position - ending	\$ 519,983

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 38

**Combining Statement of Fiduciary Assets and Liabilities
Discretely Presented Component Unit – School Board
Agency Funds
June 30, 2016**

	Agency Funds		
	Mountain Vista Regional Governor's School Fund	School Activity Fund	Total
Assets			
Cash and cash equivalents	\$ 290,078	\$ -	\$ 290,078
Cash in custody of others	-	1,733,726	1,733,726
Due from other governmental units	68,579	-	68,579
Total assets and deferred outflows of resources	<u>358,657</u>	<u>1,733,726</u>	<u>2,092,383</u>
Liabilities			
Accounts payable	72,309	-	72,309
Accrued liabilities	121,445	-	121,445
Amounts held for clients/others	164,903	1,733,726	1,898,629
Total liabilities and deferred inflows of resources	<u>\$ 358,657</u>	<u>\$ 1,733,726</u>	<u>\$ 2,092,383</u>

Combining Statement of Changes in Assets and Liabilities
Discretely Presented Component Unit – School Board
Agency Funds
Fiscal Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Mountain Vista Regional Governor's School Fund				
Assets:				
Cash and cash equivalents	\$ 207,854	\$ 1,149,694	\$ 1,067,470	\$ 290,078
Receivables	4,275	-	4,275	-
Due from other governmental units	11,469	68,579	11,469	68,579
Total assets and deferred outflows of resources	<u>223,598</u>	<u>1,218,273</u>	<u>1,083,214</u>	<u>358,657</u>
Liabilities:				
Accounts payable	2,442	72,309	2,442	72,309
Accrued liabilities	114,433	121,445	114,433	121,445
Amounts held for clients/others	106,723	1,024,519	966,339	164,903
Total liabilities and deferred inflows of resources	<u>\$ 223,598</u>	<u>\$ 1,218,273</u>	<u>\$ 1,083,214</u>	<u>\$ 358,657</u>
School Activity Fund				
Assets:				
Cash in custody of others	\$ 1,761,340	\$ 4,338,760	\$ 4,366,374	\$ 1,733,726
Liabilities:				
Amounts held for clients/others	\$ 1,761,340	\$ 4,338,760	\$ 4,366,374	\$ 1,733,726
Total - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 207,854	\$ 1,149,694	\$ 1,067,470	\$ 290,078
Receivables	4,275	-	4,275	-
Cash in custody of others	1,761,340	4,338,760	4,366,374	1,733,726
Due from other governmental units	11,469	68,579	11,469	68,579
Total assets and deferred outflows of resources	<u>1,984,938</u>	<u>5,557,033</u>	<u>5,449,588</u>	<u>2,092,383</u>
Liabilities:				
Accounts payable	2,442	72,309	2,442	72,309
Accrued liabilities	114,433	121,445	114,433	121,445
Amounts held for clients/others	1,868,063	5,363,279	5,332,713	1,898,629
Total liabilities and deferred inflows of resources	<u>\$ 1,984,938</u>	<u>\$ 5,557,033</u>	<u>\$ 5,449,588</u>	<u>\$ 2,092,383</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 say about the County's overall financial health. This information has not been audited by the independent auditor.

Financial Trends

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

Table 1	Net 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

STATISTICAL SECTION (CONTINUED)

Economic and Demographic Information

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

Table 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				
	2007	2008	2009	2010	2011
Governmental Activities:					
Net investment in capital assets	\$ 65,945,291	\$ 68,340,059	\$ 69,414,611	\$ 69,217,950	\$ 68,772,203
Restricted	11,751,955	1,736,551	1,841,662	1,917,704	3,553,440
Unrestricted (deficit)	(31,024,630)	(69,008,410)	(69,990,998)	(66,693,564)	(63,253,517)
Subtotal governmental activities net position	46,672,616	1,068,200	1,265,275	4,442,090	9,072,126
Business-type Activities:					
Net investment in capital assets	29,787,320	29,397,086	28,111,135	27,154,708	25,321,853
Restricted	-	-	-	-	-
Unrestricted (deficit)	(7,706,668)	(8,242,666)	(9,514,739)	(10,188,958)	(10,171,508)
Subtotal business-type activities net position	22,080,652	21,154,420	18,596,396	16,965,750	15,150,345
Primary Government:					
Net investment in capital assets	95,732,611	97,737,145	97,525,746	96,372,658	94,094,056
Restricted	11,751,955	1,736,551	1,841,662	1,917,704	3,553,440
Unrestricted (deficit)	(38,731,298)	(77,251,076)	(79,505,737)	(76,882,522)	(73,425,025)
Total Primary Government net position	68,753,268	22,222,620	19,861,671	21,407,840	24,222,471
Component Unit - School Board: (1)					
Net investment in capital assets	129,625,217	179,639,884	182,911,496	179,224,107	175,414,006
Restricted	-	-	-	-	5,000
Unrestricted (deficit)	(3,617,216)	(3,537,827)	(3,628,205)	(3,590,789)	(1,803,528)
Total Component Unit - School Board net position	126,008,001	176,102,057	179,283,291	175,633,318	173,615,478
Total Reporting Entity: (2)					
Net investment in capital assets	159,597,988	167,486,251	168,903,411	169,972,941	171,163,512
Restricted	11,751,955	1,736,551	1,841,662	1,917,704	3,558,440
Unrestricted	23,411,326	29,101,875	28,399,889	25,150,513	23,115,997
Total Reporting Entity net position (3)	\$ 194,761,269	\$ 198,324,677	\$ 199,144,962	\$ 197,041,158	\$ 197,837,949

(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 - FY2016.

Fiscal Year						
2012	2013	2014	2015	2016		
\$ 68,510,734	\$ 67,043,310	\$ 67,186,543	\$ 66,912,078	\$ 66,424,250	Governmental Activities:	
4,206,094	2,405,814	6,078,884	5,964,927	7,776,690	Net investment in capital assets	
(67,970,939)	(75,750,205)	(79,527,398)	(67,694,758)	(51,817,116)	Restricted	
					Unrestricted (deficit)	
4,745,889	(6,301,081)	(6,261,971)	5,182,247	22,383,824	Subtotal governmental activities net position	
					Business-type Activities:	
23,396,142	21,784,510	20,424,303	19,381,379	19,399,111	Net investment in capital assets	
-	2,584,793	1,855,575	-	-	Restricted	
(10,935,912)	(15,182,972)	(15,102,238)	(14,944,300)	(18,421,156)	Unrestricted (deficit)	
12,460,230	9,186,331	7,177,640	4,437,079	977,955	Subtotal business-type activities net position	
					Primary Government:	
91,906,876	88,827,820	87,610,846	86,293,457	85,823,361	Net investment in capital assets	
4,206,094	4,990,607	7,934,459	5,964,927	7,776,690	Restricted	
(78,906,851)	(90,933,177)	(94,629,636)	(82,639,058)	(70,238,272)	Unrestricted (deficit)	
17,206,119	2,885,250	915,669	9,619,326	23,361,779	Total Primary Government net position	
					Component Unit - School Board: (1)	
181,939,238	193,459,026	192,761,193	188,842,434	183,364,033	Net investment in capital assets	
5,000	5,000	5,000	500	73,567	Restricted	
(2,041,741)	(1,156,996)	(124,379,628)	(122,774,417)	(119,400,706)	Unrestricted (deficit)	
179,902,497	192,307,030	68,386,565	66,068,517	64,036,894	Total Component Unit - School Board net position	
					Total Reporting Entity: (2)	
170,880,285	174,520,072	180,852,943	183,877,351	184,775,961	Net investment in capital assets	
- 4,211,094	4,995,607	7,939,459	5,969,927	7,850,257	Restricted	
22,017,237	15,676,601	(119,490,168)	(114,154,935)	(105,227,545)	Unrestricted	
\$ 197,108,616	\$ 195,192,280	\$ 69,302,234	\$ 75,692,343	\$ 87,398,673	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				
	2007	2008	2009	2010	2011
Primary Government:					
Expenses					
Governmental activities:					
General government administration	\$ 10,004,794	\$ 10,896,521	\$ 10,878,525	\$ 10,354,069	\$ 10,086,678
Judicial administration	3,019,115	3,348,758	3,383,922	3,278,333	3,116,374
Public safety	21,184,526	33,382,090	24,167,850	25,479,386	31,188,024
Public works	6,474,088	7,765,864	7,467,516	8,033,038	7,393,258
Health and welfare	8,661,693	9,899,394	10,052,834	10,265,321	9,851,616
Education	95,181,305	129,908,192	90,449,761	81,066,767	79,585,044
Parks, recreation, and cultural	6,002,774	5,551,667	5,949,804	5,917,529	6,640,464
Community development	6,672,005	8,178,686	8,734,890	11,342,060	7,718,297
Nondepartmental	550,225	-	-	-	-
Interest on long-term debt	4,441,160	5,397,929	5,932,856	5,313,430	5,014,483
Total governmental activities expenses	162,191,685	214,329,101	167,017,958	161,049,933	160,594,238
Business-type activities:					
Airport	1,450,428	1,849,679	1,848,791	2,083,529	1,896,775
Landfill and recycling	6,486,477	7,102,357	6,574,806	5,185,773	4,867,277
Total business-type activities expenses	7,936,905	8,952,036	8,423,597	7,269,302	6,764,052
Total primary government expenses	170,128,590	223,281,137	175,441,555	168,319,235	167,358,290
Program Revenues					
Governmental activities:					
Charges for services:					
General government administration	266,159	43,048	42,618	46,548	41,633
Judicial administration	924,355	733,265	946,883	636,265	643,119
Public safety	206,511	704,232	1,774,418	1,198,178	1,155,945
Parks, recreation, and cultural	559,001	548,467	502,195	460,562	466,979
Community development	2,116,948	1,675,560	1,185,958	932,809	858,848
Other activities	39,596	24,722	5,583	38,393	-
Operating grants and contributions	15,782,480	12,678,895	13,892,991	16,108,365	13,447,591
Nonmajor governmental funds	-	-	-	-	-
Capital grants and contributions	-	810,000	222,000	668,544	216,072
Total governmental activities program revenues	19,895,050	17,218,189	18,572,646	20,089,664	16,830,187
Business type activities:					
Charges for services:					
Airport	283,402	673,390	674,871	666,582	722,674
Landfill and recycling	6,112,788	6,612,997	5,111,345	4,660,868	4,183,540
Operating grants and contributions	45,669	17,739	50,460	246,768	58,145
Capital grants and contributions	1,592,253	34,462	61,585	25,388	210,410
Total business-type activities program revenues	8,034,112	7,338,588	5,898,261	5,599,606	5,174,769
Total primary government program revenues	27,929,162	24,556,777	24,470,907	25,689,270	22,004,956
Net (expense) revenue (1)					
Governmental activities	(142,296,635)	(197,110,912)	(148,445,312)	(140,960,269)	(143,764,051)
Business-type activities	97,207	(1,613,448)	(2,525,336)	(1,669,696)	(1,589,283)
Total primary government net (expense) revenue	\$ (142,199,428)	\$ (198,724,360)	\$ (150,970,648)	\$ (142,629,965)	\$ (145,353,334)

- (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 - FY2016.
- (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						
2012	2013	2014	2015	2016		
						Primary Government:
						Expenses
						Governmental activities:
\$ 11,751,449	\$ 12,180,275	\$ 11,821,952	\$ 12,413,433	\$ 13,319,869		General government administration
2,866,625	3,841,643	3,455,862	3,821,911	3,952,902		Judicial administration
26,328,003	28,929,500	28,306,613	30,694,266	31,471,801		Public safety
8,876,778	10,222,875	8,118,419	8,270,407	10,220,949		Public works
10,158,861	9,739,043	10,908,372	12,452,676	12,675,215		Health and welfare
90,087,245	93,650,633	80,837,759	81,999,731	82,056,536		Education
6,275,016	6,601,379	6,342,901	6,302,270	6,870,409		Parks, recreation, and cultural
6,317,724	5,998,815	5,836,086	5,947,344	5,811,825		Community development
-	-	-	-	-		Nondepartmental
4,696,550	4,657,567	4,271,495	2,741,174	3,671,366		Interest on long-term debt
167,358,251	175,821,730	159,899,459	164,643,212	170,050,872		Total governmental activities expenses
						Business-type activities:
2,275,363	2,450,840	1,979,636	2,023,113	1,393,026		Airport
5,337,583	6,138,446	6,170,182	5,990,480	6,930,685		Landfill and recycling
7,612,946	8,589,286	8,149,818	8,013,593	8,323,711		Total business-type activities expenses
174,971,197	184,411,016	168,049,277	172,656,805	178,374,583		Total primary government expenses
						Program Revenues
						Governmental activities:
						Charges for services:
60,664	508,129	87,779	84,459	133,838		General government administration
609,319	788,467	703,704	649,606	629,947		Judicial administration
1,786,469	1,650,787	1,366,598	1,251,234	1,664,088		Public safety
549,697	551,243	547,585	598,233	620,519		Parks, recreation, and cultural
845,823	1,042,011	1,341,645	1,459,245	1,481,973		Community development
-	-	-	-	-		Other activities
13,033,159	13,199,292	13,969,611	13,831,352	15,246,647		Operating grants and contributions
9,594	672	3,783,195	185,290	2,546,055		Capital grants and contributions
16,894,725	17,740,601	21,800,117	18,059,419	22,323,067		
						Business type activities:
						Charges for services:
763,085	737,208	752,750	685,894	639,442		Airport
4,101,680	4,056,293	4,191,457	3,614,670	3,357,317		Landfill and recycling
37,052	482,326	91,673	136,594	53,611		Operating grants and contributions
41,572	-	-	-	1,298,432		Capital grants and contributions
4,943,389	5,275,827	5,035,880	4,437,158	5,348,802		Total business-type activities program revenues
21,838,114	23,016,428	26,835,997	22,496,577	27,671,869		Total primary government program revenues
						Net (expense) revenue (1)
(150,463,526)	(158,081,129)	(138,099,342)	(146,583,793)	(147,727,805)		Governmental activities
(2,669,557)	(3,313,459)	(3,113,938)	(3,576,435)	(2,974,909)		Business-type activities
\$ (153,133,083)	\$ (161,394,588)	\$ (141,213,280)	\$ (150,160,228)	\$ (150,702,714)		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				
	2007	2008	2009	2010	2011
Primary Government: (continued)					
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
General property taxes	\$ 101,852,501	\$ 109,470,150	\$ 117,835,182	\$ 114,586,709	\$ 111,630,849
Local sales and use taxes	7,565,111	7,032,385	6,240,448	5,887,347	6,298,377
Consumers' utility taxes	3,804,003	4,985,109	4,561,422	1,513,680	1,617,137
Business and professional taxes	1,286,470	1,847,520	1,463,055	1,460,805	1,433,739
Motor vehicle taxes	69,473	1,727,843	1,737,173	1,738,233	1,772,081
Taxes on recordation and wills	2,082,839	1,585,129	1,242,537	1,152,451	1,146,468
E-911 tax	623,798	-	-	-	-
Other local taxes	517,709	224,995	181,577	202,935	177,595
Investment income	4,933,147	3,893,181	1,318,260	561,508	526,240
Miscellaneous	222,369	457,724	169,889	177,939	1,062,845
Grants and contributions not restricted to specific programs	14,259,811	14,260,569	13,852,748	16,893,482	16,765,178
Transfers	81,762	(463,024)	40,096	(38,005)	228,382
Special Item - Water and Sewer Authority note receivable	-	-	-	-	-
Total governmental activities general revenues and other changes in net position	<u>137,298,993</u>	<u>145,021,581</u>	<u>148,642,387</u>	<u>144,137,084</u>	<u>142,658,891</u>
Business-type activities:					
Investment income (loss)	137,687	39,069	7,408	1,045	2,260
Miscellaneous	527,968	185,123	-	-	-
Transfers	(81,762)	463,024	(40,096)	38,005	(228,382)
Total business-type activities general revenues and other changes in net position	<u>583,893</u>	<u>687,216</u>	<u>(32,688)</u>	<u>39,050</u>	<u>(226,122)</u>
Total primary government general revenues and other changes in net position	<u>137,882,886</u>	<u>145,708,797</u>	<u>148,609,699</u>	<u>144,176,134</u>	<u>142,432,769</u>
Change in Net Position (2)					
Governmental activities	(4,997,642)	(52,089,331)	197,075	3,176,815	(1,105,160)
Business-type activities	<u>681,100</u>	<u>(926,232)</u>	<u>(2,558,024)</u>	<u>(1,630,646)</u>	<u>(1,815,405)</u>
Total Primary Government change in net position	<u>(4,316,542)</u>	<u>(53,015,563)</u>	<u>(2,360,949)</u>	<u>1,546,169</u>	<u>(2,920,565)</u>
Component Unit - School Board: (3)					
Expenses					
Education	<u>121,838,270</u>	<u>126,043,880</u>	<u>133,307,450</u>	<u>131,500,463</u>	<u>130,736,865</u>
Program Revenues					
Charges for services	3,392,923	3,465,276	3,331,139	3,155,966	3,256,125
Operating grants and contributions	4,863,970	4,134,985	11,989,341	13,036,391	15,684,062
Capital grants and contributions	<u>1,000,000</u>	<u>-</u>	<u>122,965</u>	<u>-</u>	<u>-</u>
Total component unit - School Board program revenues	<u>9,256,893</u>	<u>7,600,261</u>	<u>15,443,445</u>	<u>16,192,357</u>	<u>18,940,187</u>
Net (expense) revenue (1)	<u>(112,581,377)</u>	<u>(118,443,619)</u>	<u>(117,864,005)</u>	<u>(115,308,106)</u>	<u>(111,796,678)</u>
General Revenues and Other Changes in Net Position					
Contribution from primary government	95,952,739	129,514,166	90,120,368	81,953,666	78,601,103
Investment income	12,932	1,416	1,193	1,321	499
Miscellaneous	635,215	364,411	471,525	445,596	328,778
Grants and contributions not restricted to specific programs	<u>37,293,452</u>	<u>38,657,682</u>	<u>30,452,153</u>	<u>29,257,550</u>	<u>30,848,458</u>
Total component unit - School Board general revenues and other changes in net position	<u>133,894,338</u>	<u>168,537,675</u>	<u>121,045,239</u>	<u>111,658,133</u>	<u>109,778,838</u>
Total Component Unit - School Board change in net position	<u>\$ 21,312,961</u>	<u>\$ 50,094,056</u>	<u>\$ 3,181,234</u>	<u>\$ (3,649,973)</u>	<u>\$ (2,017,840)</u>

(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 - FY2016.

(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										
2012	2013	2014	2015	2016						
					Primary Government: (continued)					
					General Revenues and Other Changes in Net Position					
					Governmental activities:					
					Taxes:					
\$	114,342,089	\$	115,379,407	\$	120,882,416	\$	125,741	\$	130,409,532	General property taxes
	6,637,371		7,151,477		7,558,981		8,024,703		8,305,286	Local sales and use taxes
	1,557,435		1,576,645		1,650,054		1,658,205		1,631,861	Consumers' utility taxes
	1,185,466		1,381,176		1,436,850		1,353,040		1,444,902	Business and professional taxes
	1,773,850		1,786,005		1,826,612		1,870,836		1,911,876	Motor vehicle taxes
	1,319,617		1,576,702		1,656,673		1,514,756		1,720,164	Taxes on recordation and wills
	-		-		-		-		-	E-911 tax
	211,306		210,656		198,096		259,151		235,719	Other local taxes
	440,373		312,455		348,189		301,739		408,673	Investment income
	2,077,845		882,876		977,300		389,682		481,040	Miscellaneous
	16,665,118		16,819,694		17,555,313		17,705,302		17,867,956	Grants and contributions not restricted to specific programs
	(73,181)		(42,934)		(1,459,775)		(790,828)		512,373	Transfers
	-		-		-		-		-	Special Item - Water and Sewer Authority note receivable
	146,137,289		147,034,159		152,630,709		32,412,327		164,929,382	Total governmental activities general revenues and other changes in net position
										Business-type activities:
	(94,239)		7,710		50,683		1,057		3,524	Investment income (loss)
	500		(11,084)		-		43,989		24,634	Miscellaneous
	73,181		42,934		1,459,775		790,828		(512,373)	Transfers
	(20,558)		39,560		1,510,458		835,874		(484,215)	Total business-type activities general revenues and other changes in net position
	146,116,731		147,073,719		154,141,167		33,248,201		164,445,167	Total primary government general revenues and other changes in net position
										Change in Net Position (2)
	(4,326,237)		(11,046,970)		14,531,367		(114,171,466)		17,201,577	Governmental activities
	(2,690,115)		(3,273,899)		(1,603,480)		(2,740,561)		(3,459,124)	Business-type activities
	(7,016,352)		(14,320,869)		12,927,887		(116,912,027)		13,742,453	Total Primary Government change in net position
										Component Unit - School Board: (3)
										Expenses
	129,377,130		134,714,730		127,821,631		139,471,754		139,806,883	Education
										Program Revenues
	3,649,906		3,308,029		3,204,445		3,402,127		3,277,727	Charges for services
	13,609,856		16,425,197		16,929,078		15,910,673		17,904,582	Operating grants and contributions
	-		-		-		-		-	Capital grants and contributions
	17,259,762		19,733,226		20,133,523		19,312,800		21,182,309	Total component unit - School Board program revenues
	(112,117,368)		(114,981,504)		(107,688,108)		(120,158,954)		(118,624,574)	Net (expense) revenue (1)
										General Revenues and Other Changes in Net Position
	87,973,557		92,996,302		81,889,891		83,276,115		82,152,277	Contribution from primary government
	160		96		94		65		809	Investment income
	225,962		341,789		321,631		272,457		159,900	Miscellaneous
	30,204,708		34,047,850		33,940,698		34,296,769		34,275,494	Grants and contributions not restricted to specific programs
	118,404,387		127,386,037		116,152,314		117,845,406		116,588,480	Total component unit - School Board general revenues and other changes in net position
\$	6,287,019	\$	12,404,533	\$	8,464,206	\$	(2,313,548)	\$	(2,036,094)	Total Component Unit - School Board change in net position



COUNTY OF FAUQUIER, VIRGINIA

Table 3

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

	Fiscal Year					
	2011	2012	2013	2014	2015	2016
General Fund:						
Nonspendable	\$ 241,578	\$ 385,013	\$ 350,816	\$ 492,533	\$ 426,775	\$ 148,534
Restricted	129,861	165,050	212,918	205,588	210,291	337,264
Committed	1,194,682	1,234,803	1,459,328	1,458,931	1,119,654	2,201,888
Assigned	5,778,089	5,843,910	6,219,010	4,290,578	3,383,573	6,084,340
Unassigned	17,059,512	15,555,924	15,949,166	16,622,908	17,031,448	17,621,727
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>26,393,753</u>
Other Governmental Funds:						
Nonspendable						
Capital Projects Fund	761,553	704,790	642,522	580,254	512,481	450,213
Debt Service Fund	-	2,420,625	2,370,625	-	-	-
Fire and Rescue Fund (3)	-	-	-	-	168,138	186,142
Nonmajor governmental funds	95,244	150,606	187,775	201,934	-	44,416
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
Nonmajor governmental funds	1,690,748	2,164,559	1,477,487	1,658,333	2,098,674	3,080,914
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
Debt Service Fund	445,920	-	-	-	-	-
Fire and Rescue Fund (3)	-	-	-	-	4,650,941	5,549,950
Nonmajor governmental funds	4,071,351	4,022,105	4,821,958	5,434,684	795,049	855,494
Assigned						
Asset Replacement Fund (2)	740,792	-	-	-	-	-
Capital Projects Fund	1,773,511	-	-	-	-	-
Debt Service Fund	-	-	-	565,240	886,092	407,118
Nonmajor governmental funds	-	339,762	1,372,457	1,328,924	994,558	1,320,288
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>22,080,407</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>48,474,160</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.

Table 4

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

Page 1 of 4

	Fiscal Year				
	2007	2008	2009	2010	2011
Revenues					
General property and other local taxes	\$ 117,395,045	\$ 125,634,196	\$ 132,573,715	\$ 126,626,266	\$ 124,880,233
Permits, privilege fees, and regulatory licenses	2,287,326	1,575,699	1,213,148	964,288	889,367
Fines and forfeitures	526,235	403,870	483,483	515,286	470,323
Revenue from use of money and property	4,595,057	3,643,296	1,272,923	559,890	507,677
Charges for services	1,299,009	1,749,725	2,475,872	2,036,829	1,993,776
Gifts and donations	4,395,470	140,246	2,441	1,187,725	177,298
Recovered costs	241,385	270,601	517,063	216,991	263,985
Miscellaneous	222,369	457,724	169,889	177,939	1,062,845
Intergovernmental:					
Commonwealth of Virginia	22,520,192	23,687,021	23,577,653	26,929,574	26,577,419
Federal Government	3,126,629	2,647,758	4,165,645	5,553,092	3,674,124
Total revenues	156,608,717	160,210,136	166,451,832	164,767,880	160,497,047
Expenditures					
Current operating:					
General government administration	10,820,861	10,654,666	10,747,190	10,243,734	10,546,705
Judicial	2,913,670	3,065,299	2,966,916	3,048,533	2,974,541
Public safety	21,101,417	23,453,213	24,314,107	24,416,472	23,556,090
Public works	6,483,272	8,319,953	6,729,594	7,951,825	7,202,063
Health and welfare	8,618,127	9,880,305	9,942,056	10,302,171	9,889,115
Education	95,373,503	129,784,456	90,092,039	81,245,018	78,883,664
Parks, recreation, and cultural	17,173,878	7,269,368	6,868,414	5,570,383	5,806,542
Community development	6,670,589	8,186,119	8,553,281	11,366,594	7,652,116
Nondepartmental	550,225	391,617	816,428	594,483	649,715
Capital outlay	-	-	-	-	877,303
Debt service:					
Principal retirement (1)	5,711,745	6,900,170	8,739,019	8,820,698	8,730,851
Interest & fiscal charges (1)	3,327,139	5,149,438	6,386,481	6,069,818	5,986,485
Bond issuance costs (2)	282,815	-	-	169,949	143,778
Total expenditures	179,027,241	213,054,604	176,155,525	169,799,678	162,898,968
Excess (deficiency) of revenues over (under) expenditures	(22,418,524)	(52,844,468)	(9,703,693)	(5,031,798)	(2,401,921)
Other financing sources (uses)					
Transfers in	11,551,635	7,738,049	3,583,913	1,362,514	18,634,518
Transfers (out)	(11,467,873)	(7,772,511)	(3,588,665)	(1,408,590)	(18,648,531)
Issuance of debt (1)	39,615,000	34,075,000	-	6,153,000	1,566,000
Issuance of refunding bonds	-	-	2,115,000	3,565,000	5,430,000
Payments to refunded bond escrow agent	-	-	(2,285,637)	(3,820,154)	(5,962,000)
Premiums on issuance of debt	2,262,669	1,832,846	205,787	335,122	657,736
Total other financing sources (uses)	41,961,431	35,873,384	30,398	6,186,892	1,677,723
Net change in fund balances	\$ 19,542,907	\$ (16,971,084)	\$ (9,673,295)	\$ 1,155,094	\$ (724,198)

(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 FY2007 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						
2012	2013	2014	2015	2016		
\$	\$	\$	\$	\$		Revenues
126,471,138	130,570,935	135,160,010	140,265,298	145,958,511		General property and other local taxes
900,061	1,541,522	1,418,324	1,532,066	1,569,769		Permits, privilege fees, and regulatory licenses
447,742	548,076	499,746	465,431	431,902		Fines and forfeitures
421,223	289,678	335,394	284,998	367,166		Revenue from use of money and property
2,230,281	2,468,314	2,295,264	2,394,233	2,466,019		Charges for services
210,633	167,862	221,411	515,976	1,031,810		Gifts and donations
441,593	434,215	427,366	568,798	389,486		Recovered costs
2,077,845	882,876	4,068,300	389,682	2,407,938		Miscellaneous
						Intergovernmental:
25,934,368	26,922,538	28,049,395	27,752,268	28,376,246		Commonwealth of Virginia
3,562,870	2,929,258	3,946,313	3,242,138	3,867,596		Federal Government
162,697,754	166,755,274	176,421,523	177,410,888	186,866,443		Total revenues
						Expenditures
						Current operating:
11,329,498	11,678,971	12,457,887	12,190,628	12,734,277		General government administration
3,129,590	3,541,030	3,642,931	3,749,075	3,890,324		Judicial administration
23,087,303	26,542,674	28,645,320	29,595,738	30,886,473		Public safety
8,283,553	9,706,397	7,915,339	8,006,917	9,796,214		Public works
9,937,121	9,586,398	11,328,226	12,594,333	12,817,543		Health and welfare
88,033,156	93,017,474	82,208,303	83,339,470	82,217,289		Education
5,409,843	5,500,954	5,776,405	6,057,766	6,179,184		Parks, recreation, and cultural
5,988,110	5,729,630	6,142,311	6,292,928	6,152,563		Community development
681,335	753,584	754,421	738,963	390,751		Nondepartmental
3,637,103	1,464,968	1,924,000	3,472,214	1,903,204		Capital outlay
						Debt service:
8,760,894	8,826,681	9,007,000	8,767,748	9,053,340		Principal retirement (1)
5,735,211	5,136,165	5,000,529	4,563,842	4,165,161		Interest & fiscal charges (1)
- 299,881	34,284	-	111,700	-		Bond issuance costs (2)
174,312,598	181,519,210	174,802,672	179,481,322	180,186,323		Total expenditures
(11,614,844)	(14,763,936)	1,618,851	(2,070,434)	6,680,120		Excess (deficiency) of revenues over (under) expenditures
						Other financing sources (uses)
18,825,348	16,942,106	19,714,744	20,805,913	20,111,099		Transfers in
(20,288,417)	(18,479,808)	(21,183,341)	(21,596,741)	(19,613,370)		Transfers (out)
19,880,000	3,305,000	-	1,386,719	391,658		Issuance of debt (1)
13,260,000	-	-	9,101,000	-		Issuance of refunding bonds
(15,124,411)	-	-	(9,025,300)	-		Payments to refunded bond escrow agent
3,563,048	453,980	-	-	-		Premiums on issuance of debt
20,115,568	2,221,278	(1,468,597)	671,591	889,387		Total other financing sources (uses)
\$ 8,500,724	\$ (12,542,658)	\$ 150,254	\$ (1,398,843)	\$ 7,569,507		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				
	2007	2008	2009	2010	2011
Debt Service as a Percentage of Noncapital Expenditures: (1)					
Primary Government:					
Total debt service	\$ 9,038,884	\$ 12,049,608	\$ 15,125,500	\$ 14,890,516	\$ 14,717,336
Total expenditures	179,027,241	213,054,604	176,155,525	169,799,678	162,898,968
Capital outlay primary government only (3)	14,448,161	4,665,840	3,473,135	2,462,775	4,289,680
Non-capital expenditures	164,579,080	208,388,764	172,682,390	167,336,903	158,609,288
Debt service as a percentage of noncapital expenditures: Primary Government only	5.49%	5.78%	8.76%	8.90%	9.28%
Component Unit - School Board:					
Schools expenditures excluding County contribution	47,200,710	47,144,282	46,216,452	46,412,036	48,447,441
Capital outlay Component Unit - School Board only (3)	2,172,271	2,327,141	1,594,750	1,241,997	2,045,997
Non-capital expenditures	45,028,439	44,817,141	44,621,702	45,170,039	46,401,444
Total Reporting Entity:					
Total debt service	9,038,884	12,049,608	15,125,500	14,890,516	14,717,336
Total non-capital expenditures	\$ 209,607,519	\$ 253,205,905	\$ 217,304,092	\$ 212,506,942	\$ 205,010,732
Debt service as a percentage of noncapital expenditures: Total Reporting Entity	4.31%	4.76%	6.96%	7.01%	7.18%

(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 FY2007 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					
2012	2013	2014	2015	2016	
					Debt Service as a Percentage of Noncapital Expenditures: (1)
					Primary Government:
\$ <u>14,496,105</u>	\$ <u>13,962,846</u>	\$ <u>14,007,529</u>	\$ <u>13,331,590</u>	\$ <u>13,218,501</u>	Total debt service
174,312,598	181,519,210	174,802,672	179,481,322	180,186,323	Total expenditures
<u>4,215,022</u>	<u>1,162,088</u>	<u>3,146,923</u>	<u>3,672,064</u>	<u>1,846,546</u>	Capital outlay primary government only (3)
<u>170,097,576</u>	<u>180,357,122</u>	<u>171,655,749</u>	<u>175,809,258</u>	<u>178,339,777</u>	Non-capital expenditures
8.52%	7.74%	8.16%	7.58%	7.41%	Debt service as a percentage of noncapital expenditures: Primary Government only
					Component Unit - School Board:
47,846,703	53,594,864	54,160,921	53,805,742	55,915,274	Schools expenditures excluding County contribution
<u>1,122,708</u>	<u>1,524,264</u>	<u>2,549,290</u>	<u>2,658,590</u>	<u>2,784,141</u>	Capital outlay Component Unit - School Board only (3)
<u>46,723,995</u>	<u>52,070,600</u>	<u>51,611,631</u>	<u>51,147,152</u>	<u>53,131,133</u>	Non-capital expenditures
					Total Reporting Entity:
<u>14,496,105</u>	<u>13,962,846</u>	<u>14,007,529</u>	<u>13,331,590</u>	<u>13,218,501</u>	Total debt service
\$ <u>216,821,571</u>	\$ <u>232,427,722</u>	\$ <u>223,267,380</u>	\$ <u>226,956,410</u>	\$ <u>231,470,910</u>	Total non-capital expenditures
6.69%	6.01%	6.27%	5.87%	5.71%	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					
	Residential Property	Commercial Property	Agricultural Property	Public Service SCC Assessed	Total Taxable Real Property Assessed Value	Add: Tax-Exempt Real Property
2007	\$ 8,891,346,700	\$ 1,028,164,000	\$ 2,078,798,500	\$ 569,687,837	\$ 12,567,997,037	\$ 864,260,500
2008	9,049,864,500	1,058,920,900	2,090,635,900	608,233,836	12,807,655,136	940,499,500
2009	9,128,162,400	1,071,298,800	2,100,370,400	619,755,825	12,919,587,425	967,101,100
2010	6,780,771,400	1,073,501,400	1,706,814,000	625,145,966	10,186,232,766	989,212,900
2011	6,830,579,900	1,063,923,500	1,703,632,900	650,565,523	10,248,701,823	1,006,092,700
2012	6,889,390,800	1,067,953,300	1,716,811,900	692,329,668	10,366,485,668	1,004,592,600
2013	6,951,154,200	1,081,100,700	1,711,068,100	692,329,732	10,435,652,732	1,006,955,100
2014	7,266,298,800	1,133,663,200	1,690,497,600	661,631,726	10,752,091,326	928,023,400
2015	7,349,773,300	1,144,905,900	1,701,191,600	650,126,899	10,845,997,699	915,822,500
2016	7,445,077,000	1,163,896,000	1,718,320,400	654,744,149	10,982,037,549	919,663,200

Table 5-B

Tax Relief for the Elderly
Last Ten Calendar Years

Taxable Year	Tax Relief for the Elderly
2007	\$ 259,018,590
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

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.

Total Value	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			
\$ 13,432,257,537	\$ 699,277,775	\$ 41,418,065	\$ 740,695,840	\$ 13,308,692,877	0.860	2007
13,748,154,636	699,159,711	44,112,412	743,272,123	13,550,927,259	0.970	2008
13,886,688,525	704,651,911	45,079,146	749,731,057	13,669,318,482	0.970	2009
11,175,445,666	595,929,989	45,275,468	641,205,457	10,827,438,223	1.175	2010
11,254,794,523	541,729,863	118,315,665	660,045,528	10,908,747,351	1.164	2011
11,371,078,268	565,615,974	110,025,693	675,641,667	11,042,127,335	1.169	2012
11,442,607,832	596,389,332	104,311,182	700,700,514	11,136,353,246	1.186	2013
11,680,114,726	613,509,167	112,808,209	726,317,376	11,478,408,702	1.197	2014
11,761,820,199	638,448,282	120,276,397	758,724,679	11,604,722,378	1.211	2015
11,901,700,749	663,841,809	140,649,248	804,491,057	11,786,528,606	1.254	2016

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
FAUQUIER COUNTY										
Countywide tax levies:										
Real property:										
General Fund	\$ 0.600	\$ 0.720	\$ 0.720	\$ 0.919	\$ 0.919	\$ 0.919	\$ 0.929	\$ 0.941	\$ 0.948	\$ 0.975
Fire and Rescue Special Revenue Fund	0.035	0.035	0.035	0.045	0.045	0.045	0.045	0.045	0.045	0.058
Conservation Easement Purchase Levy	0.010	0.010	0.010	0.006	0.006	0.006	0.006	0.006	0.006	0.006
Total direct real property tax rate	0.645	0.765	0.765	0.970	0.970	0.970	0.980	0.992	0.999	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	4.650	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	1.500
Mobile homes	0.645	0.765	0.765	0.970	0.970	0.970	0.980	0.992	0.999	1.039
Buses with 30 or more passengers	-	-	-	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
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)	4.514	4.507	4.511	4.434	4.180	4.220	4.255	4.255	4.241	4.200
Total direct tax rate (2)	0.860	0.970	0.970	1.175	1.164	1.169	1.186	1.197	1.211	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
Stormwater Management Levy (5)	-	-	-	-	-	-	-	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	0.015	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	0.100	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 Plain

COUNTY OF FAUQUIER, VIRGINIA

Table 7-A

Principal Real Property Taxpayers
Current Year and Nine Years Ago

TAXPAYER	2016			2007		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Virginia Electric & Power Company	\$ 328,847,188	1	2.99%	\$ 238,244,439	1	1.90%
Old Dominion Electric Co-op	135,426,392	2	1.23%	163,203,635	2	1.30%
Fauquier Medical Center LLC	76,564,600	3	0.70%			
Northern Virginia Electric Co-op	34,497,903	4	0.31%	21,181,817	6	0.17%
Warrenton Center LLC	34,170,600	5	0.31%	27,046,700	5	0.22%
Verizon - Virginia LLC	30,617,155	6	0.28%	59,280,916	3	0.47%
Fauquier Long-Term Care, LLC	23,915,500	7	0.22%			
Rappahannock Electric Co-op	21,888,107	8	0.20%	15,369,589	10	0.12%
Northrock Center LLC	19,118,800	9	0.17%			
Norfolk Southern Railway Co	18,528,276	10	0.17%			
Warrenton Development Company				21,008,800	7	0.17%
Warrenton Village LLC				16,871,600	8	0.13%
Airlie Foundation				16,095,000	9	0.13%
Oak Spring Farms LLC				27,713,000	4	0.22%
Total	\$ 723,574,521		6.58%	\$ 606,015,496		4.83%

Source: Fauquier County Commissioner of the Revenue

Table 7-B

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

TAXPAYER	2016			2007		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
VADATA Inc	\$ 15,493,777	1	1.93%			
Fauquier Medical Center LLC	7,148,387	2	0.89%			
H & E Equipment Services Inc	6,794,491	3	0.84%			
Toyota Motor Credit Corp (TLT)	4,586,887	4	0.57%			
Comcast of CA/MD/PA/VA/WV LLC	4,060,428	5	0.50%			
Luck Stone Corporation	2,934,318	6	0.36%	\$ 5,169,704	2	0.70%
RCS Trucking & Freight Inc	2,691,706	7	0.33%			
Vulcan Construction Materials LP	2,630,624	8	0.33%	2,727,088	5	0.37%
HGS LLC	2,547,431	9	0.32%			
Walmart Stores East LP	2,410,897	10	0.30%			
Prince William Construction				5,982,484	1	0.81%
Hawk, Inc.				2,880,450	3	0.39%
Kips Erosion Control				2,797,215	4	0.38%
Piedmont Contracting, LLC				2,707,068	6	0.37%
Scenic America				2,096,873	7	0.28%
TAC Ceramic Tile Co, Inc.				2,071,948	8	0.28%
DCFS Trust				2,356,739	9	0.32%
Eastern Clearing				1,804,586	10	0.24%
Total	\$ 51,298,946		6.37%	\$ 30,594,155		4.14%

(1) Original TY 2015 Book Assessments.

Source: Fauquier County Commissioner of the Revenue

COUNTY OF FAUQUIER, VIRGINIA

Table 8

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Tax Levied for the Tax Year	Adjustments	Total Adjusted Levy	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Adjusted Tax Levy		Amount	Percentage of Adjusted Tax Levy
2007	\$ 113,458,234	\$ 64,790	\$ 113,523,024	\$ 112,279,628	98.90%	\$ 332,484	\$ 112,612,112	99.20%
2008	121,628,113	174,816	121,802,929	119,513,886	98.12%	2,223,268	121,737,154	99.95%
2009	130,672,014	(43,448)	130,628,566	127,948,474	97.95%	2,397,754	130,346,228	99.78%
2010	125,478,009	148,466	125,626,475	122,961,071	97.88%	2,238,683	125,199,754	99.66%
2011	124,996,220	(54,997)	124,941,223	122,687,302	98.20%	1,952,913	124,640,215	99.76%
2012	126,178,322	316,837	126,495,159	124,456,425	98.39%	2,033,385	126,489,810	100.00%
2013	129,385,080	(127,440)	129,257,640	127,508,397	98.65%	1,200,385	128,708,782	99.58%
2014	134,056,098	(180,687)	133,875,411	131,810,247	98.46%	1,095,856	132,906,103	99.28%
2015	137,426,955	(137,656)	137,289,299	136,106,494	99.14%	1,147,696	137,254,190	99.97%
2016	143,008,327	-	143,008,327	141,524,709	98.96%	-	141,524,709	98.96%

The Personal Property Tax Relief Act amounts received for tax years 2011 to 2016 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

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		
2007	\$ 6,519,611	\$ 2,585,000	\$ 47,597,670	\$ 46,199,866	\$	1,192,000	\$ 1,218,917	\$ 51,937	\$ 105,365,001	\$ 3,487,074,000	3.02%	1,687
2008	5,899,442	2,450,000	45,071,088	77,880,952		1,192,000	830,182	35,656	133,359,320	3,554,644,000	3.75%	2,091
2009	5,255,423	2,465,787	42,465,543	71,818,244		880,005	421,446	18,362	123,324,810	3,443,697,000	3.58%	1,909
2010	8,444,774	2,286,065	39,289,520	66,431,981		596,000	-	-	117,048,340	3,540,743,000	3.31%	1,795
2011	9,235,569	8,186,317	36,140,583	61,428,505		298,000	-	-	115,288,974	3,794,669,000	3.04%	1,761
2012	4,870,290	7,742,774	35,743,215	77,848,199		-	6,065,440	-	132,269,918	4,081,260,000	3.24%	2,011
2013	3,843,205	7,301,780	32,555,866	76,580,596		-	5,925,854	-	126,207,301	4,068,089,000	3.10%	1,908
2014	2,911,274	6,858,665	29,368,052	71,241,989		-	5,387,159	-	115,767,139	4,230,159,000	2.74%	1,739
2015	3,001,296	6,399,539	27,727,283	65,756,480		-	9,646,698	-	112,531,296	*	*	1,667
2016	2,038,177	5,925,420	25,267,136	60,272,709		-	9,430,964	-	102,934,406	*	*	1,516

(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)
2007	\$ 47,597,670	\$ 46,199,866	\$ 93,797,536	2.69%	0.70%	\$ 1,502
2008	45,071,088	77,880,952	122,952,040	3.46%	0.91%	1,927
2009	42,465,543	71,818,244	114,283,787	3.32%	0.84%	1,769
2010	39,289,520	66,431,981	105,721,501	2.99%	0.98%	1,621
2011	36,140,583	61,428,505	97,569,088	2.57%	0.89%	1,491
2012	35,743,215	77,848,199	113,591,414	2.78%	1.03%	1,727
2013	32,555,866	76,580,596	109,136,462	2.68%	0.98%	1,650
2014	29,368,052	71,241,989	100,610,041	2.38%	0.88%	1,511
2015	27,727,283	65,756,480	93,483,763	*	0.81%	1,385
2016	25,267,136	60,272,709	85,539,845	*	0.73%	1,260

(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				
	2007	2008	2009	2010	2011
Primary Government general revenues	\$ 142,714,982	\$ 151,241,607	\$ 157,808,035	\$ -	\$ -
Budgeted revenues (1)	-	-	-	161,131,819	154,965,925
Debt limit (2)	14,271,498	15,124,161	15,780,804	16,113,182	15,496,593
Total net debt applicable to limit	<u>9,029,884</u>	<u>12,044,958</u>	<u>15,119,500</u>	<u>14,881,996</u>	<u>14,710,693</u>
County policy margin	\$ <u>5,241,614</u>	\$ <u>3,079,203</u>	\$ <u>661,304</u>	\$ <u>1,231,186</u>	\$ <u>785,900</u>
Total net debt applicable to the limit as a percentage of general revenues	6.33%	7.96%	9.58%	9.24%	9.49%

- (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					
2012	2013	2014	2015	2016	
\$ -	\$ -	\$ -	\$ -	\$ -	Primary Government general revenues
157,396,115	159,945,659	163,855,490	170,353,442	169,183,889	Budgeted revenues (1)
15,739,612	15,994,566	16,385,549	17,035,344	16,918,389	Debt limit (2)
<u>14,485,068</u>	<u>13,955,896</u>	<u>13,999,129</u>	<u>13,322,440</u>	<u>13,210,751</u>	Total net debt applicable to limit
\$ <u>1,254,544</u>	\$ <u>2,038,670</u>	\$ <u>2,386,420</u>	\$ <u>3,712,904</u>	\$ <u>3,707,638</u>	County policy margin
9.20%	8.73%	8.54%	7.82%	7.81%	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)
2007	\$ 62,450	\$ 3,487,074	\$ 54,382	2.6%	\$ 36,930	\$ 21,710	11,117
2008	63,789	3,554,644	55,061	3.4%	37,829	21,396	11,263
2009	64,594	3,443,697	53,056	5.6%	37,407	20,271	11,244
2010	65,203	3,540,743	54,104	6.1%	35,763	20,133	11,222
2011	65,460	3,794,669	57,404	5.7%	36,128	20,771	11,241
2012	65,780	4,081,260	61,277	5.4%	36,035	21,381	11,201
2013	66,131	4,068,089	60,507	5.2%	35,931	21,212	11,032
2014	66,573	4,230,159	61,982	4.8%	36,055	21,070	11,084
2015	67,512	*	*	4.1%	35,985	21,521	11,055
2016	67,898	*	*	3.4%	35,652	21,569	11,042

Sources: (1) Weldon Cooper Center for Public Service final population estimates as of July 1st for FY2006 through FY2015, and provisional estimate for FY2016, as of July 1, 2015.
(2) Bureau of Economic Analysis, calendar year data.
(3) Data for 2016 Unemployment Rate and County Civilian Labor Force is the six month average rate for January 2016 through June 2016. Data for 2016 At-Place Employment is for the 1st quarter of 2016.
(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	2016		2007	
	Rank	Number of Employees	Rank	Number of Employees
Fauquier County School Board	1	1000 and over	1	1000 and over
Fauquier Health System	2	1000 and over	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	250 to 499
Food Lion	6	100 to 249	6	100 to 249
Town of Warrenton	7	100 to 249		
Country Chevrolet, Peugeot	8	100 to 249		
Smith Midland Corporation	9	100 to 249		
Airlie Foundation	10	100 to 249	9	100 to 249
General Excavation			7	100 to 249
America House Four			8	100 to 249
The Home Depot			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 2016 and 2nd Quarter of 2007)



COUNTY OF FAUQUIER, VIRGINIA

Table 14

County Government Employees by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government administration	116.6	114.8	115.2	109.8	112.2	113.2	113.5	114.5	116.8	117.5
Judicial administration	39.5	39.7	38.7	38.8	38.4	38.8	42.8	42.8	44.1	45.1
Public safety	158.0	184.6	192.3	189.5	190.5	206.5	237.5	237.5	247.9	247.9
Public works	56.5	58.6	63.6	67.1	60.1	60.1	62.1	61.5	65.5	64.5
Health and welfare	46.8	47.1	45.1	45.1	45.1	46.5	47.5	47.5	48.5	48.5
Parks, recreation, and cultural	65.6	65.6	63.5	61.7	58.7	60.6	62.0	62.0	62.9	63.2
Community development	52.7	51.0	51.0	42.1	41.1	42.1	40.6	40.6	44.6	44.6
Other funds										
Airport	2.6	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0
Joint Communications (1)	24.6	-	-	-	-	-	-	-	-	-
Ambulance billing	-	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0
Environmental Services	28.0	31.0	25.0	17.5	16.5	17.5	17.5	17.5	23.5	25.5
Fleet Maintenance	15.0	15.0	15.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Conservation Easement Service District	0.8	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Subtotal	71.0	49.0	43.0	35.5	35.5	36.5	36.5	36.5	42.5	45.5
Total Primary Government	606.7	610.4	612.4	589.6	581.6	604.3	642.5	642.9	672.9	676.9
Education										
Component Unit - School Board										
Education	1,644.2	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
Total Reporting Entity	2,250.9	2,250.4	2,337.4	2,442.9	2,444.7	2,467.4	2,458.8	2,462.4	2,504.0	2,513.0

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

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

For Component Unit - School Board employees information:
FY2007 through FY2009: Fauquier County Public Schools Adopted Budgets
FY2010 through FY2016: Fauquier County Adopted Budgets

Table 15

Operating Indicators by Function
Last Ten Fiscal Years

Page 1 of 6

Function	Fiscal Year				
	2007	2008	2009	2010	2011
General government administration					
Commissioner of the revenue					
Real estate number of parcels	32,218	32,404	31,484	31,639	32,638
Land use number of parcels	3,855	3,886	3,930	3,941	3,953
PPTRA qualifying vehicles	68,806	69,141	68,662	67,161	69,326
County attorney					
Total litigation files opened	45	45	71	30	32
Finance					
Vendor checks issued	20,227	19,525	18,604	19,131	17,518
Human resources					
Employment applications received	8,626	13,438	14,690	15,290	18,941
New employees orientated	1,147	941	996	633	535
Payroll annual checks/direct deposits	47,360	48,296	47,434	49,430	52,750
Information technology					
Web site hits	1,671,308	1,705,740	1,014,468	1,253,348	1,094,809
Treasurer					
Real estate bills mailed	60,080	62,239	63,105	62,080	63,064
Personal property bills mailed	59,773	60,961	60,942	60,916	61,782
Dog tags issued	969	2,025	2,941	3,495	3,374
Judicial administration					
Adult court services					
Average daily caseload	395	366	372	385	415
Circuit court (2)					
Civil cases	941	1,052	906	798	1,002
Criminal cases	1,005	904	989	1,099	964
Clerk of the circuit court (by calendar year)					
Deed book recording	15,132	10,928	12,328	11,493	10,858
Judgments	2,461	2,510	2,734	2,706	2,343
Criminal cases	1,005	930	1,069	1,000	1,054
Concealed weapon permits	387	644	662	526	593
Public safety					
Detention center					
Prisoner transports	6,201	5,311	4,835	4,297	4,238
Average daily inmate population	104	111	112	110	110
Juvenile detention					
Youth detained	98	45	75	72	53
Child care days	3,851	1,000	622	740	788
Juvenile probation					
Probation and parole per month	97	100	105	177	116
Intakes	1,160	1,420	1,283	1,203	1,212

(1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no FY2016 information is available.

(2) Circuit court data based on calendar year.

(3) Prior to FY2008 Joint Communications was reported as a separate fund.

(4) As of FY2009 CSA revised reporting categories.

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

* Unavailable

Fiscal Year					Function
2012	2013	2014	2015	2016 (1)	
General government administration					
					Commissioner of the revenue
32,805	32,897	32,967	33,276	*	Real estate number of parcels
3,941	3,925	3,950	3,914	*	Land use number of parcels
70,846	71,931	70,800	74,556	*	PPTRA qualifying vehicles
					County attorney
32	11	9	13	*	Total litigation files opened
					Vendor checks issued
16,349	17,555	17,971	17,071	*	Human resources
15,248	11,814	9,125	9,668	*	Employment applications received
607	548	526	841	*	New employees orientated
53,826	53,104	68,750	43,467	*	Payroll annual checks/direct deposits
					Information technology
1,154,107	1,043,798	1,056,552	1,582,195	*	Web site hits
					Treasurer
63,165	63,101	63,486	64,548	*	Real estate bills mailed
62,500	63,494	64,910	66,643	*	Personal property bills mailed
3,293	3,340	3,434	3,737	*	Dog tags issued
Judicial administration					
					Adult court services
522	564	425	450	*	Average daily caseload
					Circuit court (2)
699	884	640	561	*	Civil cases
1,165	1,168	1,211	1,123	*	Criminal cases
					Clerk of the circuit court (by calendar year)
13,883	14,153	10,188	11,986	*	Deed book recording
2,129	1,758	1,927	1,555	*	Judgments
1,187	1,166	1,221	950	*	Criminal cases
958	1,607	1,078	1,218	*	Concealed weapon permits
Public safety					
					Detention center
5,370	6,119	6,967	7,441	*	Prisoner transports
110	103	104	102	*	Average daily inmate population
					Juvenile detention
44	44	50	50	*	Youth detained
258	259	300	300	*	Child care days
					Juvenile probation
62	102	75	110	*	Probation and parole per month
1,026	1,108	1,250	1,200	*	Intakes

Table 15

Operating Indicators by Function
Last Ten Fiscal Years

Page 3 of 6

Function	Fiscal Year				
	2007	2008	2009	2010	2011
Public safety (continued)					
Fire, rescue, and emergency services					
911 calls for service	16,820	15,773	13,823	10,653	10,693
Hazardous material response	500 hrs.	43 calls	39 calls	22 calls	10 calls
Emergency response	300 calls	*	*	*	*
Sheriff					
Traffic summonses issued	9,835	6,862	11,361	9,075	8,183
Misdemeanor arrests	1,880	1,671	2,068	2,159	2,499
Felony arrests	890	733	850	790	882
Civil papers served	14,807	16,580	17,365	15,732	16,572
Calls for service	44,010	44,421	58,015	59,031	59,448
Animal control calls for service	3,917	3,845	3,936	3,396	3,501
Joint communications (3)					
Telephone calls processed	203,809	197,531	176,009	170,553	157,299
Dispatch actions performed	737,995	745,337	776,786	810,569	793,509
Calls for service	84,827	85,671	99,211	104,980	101,786
Public works					
Environmental services - convenience sites					
Solid waste - tons	66,063	100,745	73,027	64,366	53,454
Recycled materials - tons	10,183	34,093	24,677	18,337	20,274
Resident visits	664,778	649,384	597,580	555,266	509,204
General services					
Facility work orders completed	9,553	9,555	8,580	8,620	7,979
Fleet vehicles/small engines	751	773	759	770	665
Preventive maintenance schedule	1,811	1,492	1,216	1,513	1,699
Health and welfare					
Comprehensive services act					
Comprehensive Services for At-Risk Youth and Families (CSA):					
Congregate care (4)	-	-	-	35	25
Foster care - therapeutic, specialized, regular (4)	-	-	-	82	56
Community based services	*	*	153	138	146
Special Education Day Placements	*	*	27	36	35
SPED Wraps	*	*	11	14	8
Social services					
Adoption assistance	26	29	29	24	34
Long term care screenings	51	85	101	107	122

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

Therefore, no FY2016 information is available.

(2) Circuit court data based on calendar year.

(3) Prior to FY2008 Joint Communications was reported as a separate fund.

(4) As of FY2009 CSA revised reporting categories.

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

* Unavailable

Fiscal Year					Function
2012	2013	2014	2015	2016 (1)	
Public safety					
					Fire, rescue, and emergency services
27,180	26,553	24,196	27,607	*	911 calls for service
8 calls	20 calls	25 calls	7 calls	*	Hazardous material response
*	*	*	*	*	Emergency response
Sheriff					
7,224	6,992	6,864	5,952	*	Traffic summonses issued
3,082	2,283	2,345	1,937	*	Misdemeanor arrests
1,068	930	1,089	1,028	*	Felony arrests
15,667	15,364	21,548	19,342	*	Civil papers served
66,260	71,048	65,565	68,577	*	Calls for service
3,765	3,177	3,116	2,589	*	Animal control calls for service
Joint communications (3)					
158,821	158,493	160,078	157,410	*	Telephone calls processed
857,133	886,108	912,691	921,379	*	Dispatch actions performed
110,305	133,542	116,948	114,435	*	Calls for service
Public works					
Environmental services - convenience sites					
52,245	52,749	52,588	47,957	*	Solid waste - tons
21,980	24,470	25,240	17,011	*	Recycled materials - tons
512,827	523,106	527,506	526,812	*	Resident visits
General services					
8,499	8,405	8,500	7,542	*	Facility work orders completed
641	618	725	800	*	Fleet vehicles/small engines
1,891	2,009	2,000	2,029	*	Preventive maintenance schedule
Health and welfare					
Comprehensive services act					
Comprehensive Services for At-Risk Youth and Families (CSA):					
26	28	45	65	*	Congregate care (4)
71	81	112	75	*	Foster care - therapeutic, specialized, regular (4)
104	155	196	195	*	Community based services
27	29	35	46		Special Education Day Placements
52	26	13	20	*	SPED Wraps
Social services					
33	42	44	59	*	Adoption assistance
102	102	135	136	*	Long term care screenings

Table 15

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2007	2008	2009	2010	2011
Parks, recreation, and cultural					
Library					
Materials cataloged/processed	14,364	12,793	13,483	12,701	13,642
Periodicals cataloged/processed	4,820	4,137	7,882	7,590	3,423
Library patron visits	268,635	278,842	277,461	278,078	255,009
Parks and recreation					
Park attendance	646,026	890,292	513,813	739,564	714,352
Shelter rentals	190	257	232	249	283
Education					
Per pupil expenditures	10,427	10,925	10,935	10,804	11,284
High school completion rate	94%	95%	94%	90%	91%
SAT scores	1,515	1,525	1,535	1,528	1,532
Federal subsidized meals program	16.2%	16.7%	19.8%	22.2%	21.6%
Community development					
Tourism e-newsletter distribution	*	*	*	7,120	8,260
Rezoning/comp plans	15	7	14	10	8
Preliminary/final subdivisions	14	5	6	2	12
Building permits issued	1,416	1,723	1,366	1,000	881
Building plans reviewed	2,071	1,607	1,289	1,134	1,225
Land disturbing permits issued	130	87	38	42	114
Marketing response to web site	88,638	150,801	165,212	160,420	168,446
Other funds					
Environmental services					
Residents using the landfill	6,846	6,743	5,456	6,404	3,714
Total tons recycled	10,183	34,093	24,677	18,337	20,274
Recycling rate	28%	31%	32%	35%	39%
Fleet maintenance					
Internal service fund county users	42	28	46	42	46
Internal service fund non-county users	16	9	26	22	26
Total vehicles serviced	4,603	4,338	5,016	5,300	5,016

- (1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no FY2016 information is available.
- (2) Circuit court data based on calendar year.
- (3) Prior to FY2008 Joint Communications was reported as a separate fund.
- (4) As of FY2009 CSA revised reporting categories.

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

* Unavailable

Fiscal Year					Function
2012	2013	2014	2015	2016 (1)	
Parks, recreation, and cultural					
Library					
16,443	11,562	11,981	11,014	*	Materials cataloged/processed
3,514	3,455	3,336	3,387	*	Periodicals cataloged/processed
265,770	264,436	261,090	266,496	*	Library patron visits
Parks and recreation					
791,948	729,807	667,485	789,325	*	Park attendance
334	336	357	343	*	Shelter rentals
Education					
11,014	11,746	11,920	12,173	*	Per pupil expenditures
93%	96%	97%	95%	*	High school completion rate
1,537	1,532	1,549	1,546	*	SAT scores
24.9%	23.4%	24.8%	24.3%	*	Federal subsidized meals program
Community development					
15,296	22,640	39,578	44,217	*	Tourism e-newsletter distribution
7	4	12	8	*	Rezoning/comp plans
3	5	20	2	*	Preliminary/final subdivisions
1,021	1,493	1,583	1,544	*	Building permits issued
1,103	1,288	1,446	1,312	*	Building plans reviewed
82	109	111	230	*	Land disturbing permits issued
169,088	191,150	217,750	225,588	*	Marketing response to web site
Other funds					
Environmental services					
2,615	2,581	1,877	1,630	*	Residents using the landfill
21,980	24,470	25,240	17,011	*	Total tons recycled
44%	43%	43%	40%	*	Recycling rate
Fleet maintenance					
42	40	42	46	*	Internal service fund county users
12	12	12	12	*	Internal service fund non-county users
5,908	5,471	6,000	6,031	*	Total vehicles serviced

COUNTY OF FAUQUIER, VIRGINIA

Table 16

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Judicial administration										
Detention center capacities	56	56	56	56	56	56	56	56	56	56
Public safety										
Fire and rescue companies	13	11	11	11	11	11	11	11	11	11
Public works										
Active vehicles	272	253	260	271	287	263	270	277	454	494
County owned buildings	54	54	57	57	57	57	57	57	57	57
Sq. ft. in buildings	392,532	392,532	396,744	396,744	396,744	396,744	396,744	396,744	455,883	540,986
Parks, recreation, and cultural										
Libraries	3	3	3	3	3	3	3	3	3	3
Volumes	202,794	205,791	211,950	211,562	214,029	208,313	208,691	210,698	210,356	210,933
Parks and recreation facilities	33	34	32	35	35	35	35	35	35	36
Land acres	897	899	732	825	885	899	932	932	886	892
Water acres	190	193	113	113	116	116	110	110	115	115
Trails (miles)	8.75	12.00	12.75	13	14	14	14	20	20	20
Fields	58	58	71	59	63	63	58	58	57	57
Boats	59	59	33	34	35	58	35	36	34	34
Shelters	20	20	15	19	19	19	21	21	19	19
Swimming pools	1	1	2	2	2	2	2	2	2	2
Education										
Elementary schools										
Buildings	10	10	11	11	11	11	11	11	11	11
Sq. ft. in buildings	625,222	625,222	717,016	717,016	717,016	717,016	717,016	717,016	717,016	717,016
Capacity	5,495	5,495	6,095	6,095	6,095	6,095	6,095	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	493,865	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	3,183	3,045	3,194	3,194
High schools										
Buildings	2	2	3	3	3	3	3	3	3	3
Sq. ft. in buildings	523,995	523,995	742,272	742,272	742,272	742,272	817,163	834,710	848,210	848,210
Capacity	3,000	3,000	4,500	4,500	4,500	4,500	4,554	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	17,547	19,563	19,563	19,563	19,563	19,563
Capacity	191	191	191	191	191	191	191	191	191	220
Number of school buses	173	178	174	180	184	178	181	182	170	179
Airport										
Miles of runways	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.95	0.95
Number of hangars	10	10	10	10	10	10	10	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

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, 2016, 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 17, 2016.

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 17, 2016

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, 2016. 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, 2016.

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 17, 2016

Schedule of Expenditures of Federal Awards
Primary Government and Discretely Presented Component Unit
Fiscal Year Ended June 30, 2016

Federal Granting Agency/Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
Primary Government:			
DEPARTMENT OF AGRICULTURE:			
Passed through Virginia Polytechnic Institute and State University:			
Beginning Farmer and Rancher Development Program	10.311	545930-19998	\$ 20,750
Passed through the Commonwealth of Virginia:			
<u>Department of Social Services</u>			
State Administrative Matching Grants for the Supplemental Nutritional Assistance Program (SNAP)	10.561	10116	480,276
Total Department of Agriculture			<u>501,026</u>
DEPARTMENT OF DEFENSE:			
Passed through the Commonwealth of Virginia:			
<u>Department of Military Affairs</u>			
National Guard Military Operations and Maintenance (O&M) Projects	12.401	Unknown	3,798
Total Department of Defense			<u>3,798</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	950115	554
Temporary Assistance for Needy Families	93.558	CVS-15-073-16/400116	290,042
Refugee and Entrant Assistance - State Administered Programs	93.566	500116	1,210
Low-Income Home Energy Assistance	93.568	600416	24,432
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	760116	41,884
Chafee Education and Training Vouchers Program (ETV)	93.599	9160115	4,000
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900115	2,134
Foster Care - Title IV-E	93.658	1100116	613,442
Adoption Assistance	93.659	1120116	376,010
Social Services Block Grant	93.667	CVS-15-073-16/1000116	356,198
Chafee Foster Care Independence Program	93.674	9150116	6,290
Children's Health Insurance Program	93.767	540116	20,876
Medical Assistance Program	93.778	1200116	620,635
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	CVS-15-073-16	29,498
<u>State Board of Elections:</u>			
Voting Access for Individuals with Disabilities_Grants to States	93.617	Unknown	3,500
Total Department of Health and Human Services			<u>2,390,705</u>
DEPARTMENT OF HOMELAND SECURITY:			
Direct payments:			
Assistance to Firefighters Grant	97.044	Not Applicable	79,976
Passed through the Commonwealth of Virginia:			
<u>Department of Emergency Services:</u>			
Emergency Management Performance Grants	97.042	Unknown	17,588
Total Department of Homeland Security			<u>\$ 97,564</u>

Schedule of Expenditures of Federal Awards
Primary Government and Discretely Presented Component Unit
Fiscal Year Ended June 30, 2016

Federal Granting Agency/Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
Primary Government (continued)			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Direct payments:			
Continuum of Care Program	14.267	VA0254L3F211400	\$ 24,543
Passed through the Commonwealth of Virginia:			
<u>Department of Housing and Community Development:</u>			
Emergency Solutions Grant Program	14.231	16-VHSP-028	83,965
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	14-22	2,000
Total Department of Housing and Urban Development			<u>110,508</u>
DEPARTMENT OF JUSTICE:			
Direct payments:			
State Criminal Alien Assistance Program	16.606	Not Applicable	6,789
Bulletproof Vest Partnership Program	16.607	Not Applicable	6,960
Passed through the Commonwealth of Virginia:			
<u>Department of Criminal Justice Services</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15-G1217LO14	1,019
Recovery Act: Internet Crimes Against Children Task Force Program (ICAC)	16.800	Unknown	6,000
<u>Department of Social Services</u>			
Crime Victim Assistance	16.575	CVS-15-073-16	35,929
Total Department of Justice			<u>56,697</u>
DEPARTMENT OF TRANSPORTATION:			
Direct payments:			
Airport Improvement Program	20.106	Not Applicable	637,971
Passed through the Commonwealth of Virginia:			
<u>Department of Transportation:</u>			
Highway Planning and Construction	20.205	UPC 91228	2,873
	20.205	UPC 91227	1,448
	20.205	UPC 102828	26,602
	20.205	UPC 105922	176,252
	20.205	UPC 103577	561
	20.205	UPC 87017	976
Total Highway Planning and Construction			<u>208,712</u>
<u>Department of Motor Vehicles:</u>			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	K8-2016-56042-6242	41,073
Total Department of Transportation			<u>887,756</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Direct Payments:			
Promotion of the Humanities_Division of Preservation and Access	45.149	Not Applicable	5,750
Total National Endowment for the Humanities			<u>5,750</u>
Total Expenditures of Federal Awards - Primary Government			<u>\$ 4,053,804</u>

Schedule of Expenditures of Federal Awards
Primary Government and Discretely Presented Component Unit
Fiscal Year Ended June 30, 2016

Federal Granting Agency/Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
Component Unit - School Board:			
DEPARTMENT OF AGRICULTURE:			
Passed through the Commonwealth of Virginia:			
Child Nutrition Cluster:			
<u>Department of Education:</u>			
School Breakfast Program (SBP)	10.553	17901-40591,40253	\$ 357,748
<u>Department of Education:</u>			
National School Lunch Program (NSLP)	10.555	17901-40623,40254	1,318,210
<u>Department of Agriculture and Consumer Services:</u>			
National School Lunch Program (NSLP) - Commodities	10.555	Not Applicable	293,718
Total National School Lunch Program (NSLP)			<u>1,611,928</u>
Total Child Nutrition Cluster			<u>1,969,676</u>
Total Department of Agriculture			<u>1,969,676</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Payments:			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Not Applicable	22,625
Total Department of Health and Human Services			<u>22,625</u>
DEPARTMENT OF DEFENSE:			
Direct Payments:			
Junior ROTC Program	12.000	Not Applicable	71,218
Language Grant Program	12.900	Not Applicable	84,776
Total Department of Defense			<u>155,994</u>
DEPARTMENT OF EDUCATION:			
Passed through the Commonwealth of Virginia:			
<u>Department of Education:</u>			
Title I Grants to Local Educational Agencies	84.010	17901-42901	794,389
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027	17901-43071	2,345,071
Special Education - Preschool Grants (IDEA Preschool)	84.173	17901-62521,61136	79,556
Total Special Education Cluster (IDEA)			<u>2,424,627</u>
Special Education- State Personnel Development	84.323	180201-87152	8,650
Career and Technical Education - Basic Grants to States	84.048	17901-61095	107,852
English Language Acquisition State Grants	84.365	17901-60512	90,964
Supporting Effective Instruction State Grant	84.367	17901-61480	217,993
Total Department of Education			<u>3,644,475</u>
Total Expenditures of Federal Awards - Component Unit - School Board			<u>5,792,770</u>
Total Expenditures of Federal Awards - Reporting Entity			<u>\$ 9,846,574</u>

COUNTY OF FAUQUIER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2016

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, 2016. 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.

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	\$	3,191,021
Capital Projects Fund		278,475
Debt Service Fund		396,100
Other Governmental Funds		2,000
Airport Fund		637,971
Total primary government		<u>4,505,567</u>

Component Unit – School Board:

School General Fund		3,823,094
School Nutrition Fund		1,969,676
Total component unit school board		<u>5,792,770</u>
Total federal revenues per basic financial statements		<u>10,298,337</u>

Reconcile Federal revenues to expenditures

Add: Federal expenditures in the current fiscal year for which associated revenue was unavailable.		62,846
Less: Federal expenditures from the prior fiscal year for which the associated revenue became available in the current fiscal year.		(94,381)
Less: Federal Tax Credit Subsidy on QSCB Bond		(396,100)
Less: Payments in lieu of taxes		(2,867)
Less: Incentive payment from the Social Security Administration		(400)
Less: Refund payment for completed program of the Virginia Department of Housing and Community Development- Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii (CFDA 14.228)		(1,996)
Less: Payment from Department of Homeland Security for Assistance to Firefighters Grant (CFDA 97.044) for expenditures of prior fiscal year deemed allowable and reimbursable		(18,865)
Total reconciling items		<u>(451,763)</u>
Total expenditures reimbursed by federal revenues		<u>9,846,574</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u>9,846,574</u>

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

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
84.010	Title I Grants to Local Educational Agencies
93.778	Medical Assistance Program
93.658	Foster Care - Title IV-E

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.

