

COUNTY OF FAUQUIER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011



Prepared by:

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



COUNTY OF FAUQUIER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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November 14, 2011

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, 2011. 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, 2011 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 with a population of 65,460. On average, population growth has been greater than 2% per year. Despite population growth, the County remains primarily rural in nature. Approximately 53.7% of the land area within the County is comprised of farmlands and woodlands. Interstate Highway 66 runs east-west through the northern portion of the County. Additionally, five U.S. primary routes and two State primary routes traverse the County.

The County seat is located in the Town of Warrenton in central Fauquier County. In addition to Warrenton, Fauquier County includes the towns of Remington and The Plains. The County provides certain governmental services, such as public education, to the town residents pursuant to general provisions of the *Code of Virginia*. Properties in these towns are subject to both town and county taxation.



Government

Fauquier County operates under the traditional (modified) Board of Supervisors/County Administrator form of government as defined under Virginia law. The governing body of the County is the Board of Supervisors, which establishes policies for the administration of the County. The Board of Supervisors consists of five members representing the five magisterial districts in the County: Cedar Run, Center, Lee, Marshall, and Scott. The Chairman of the Board of Supervisors is elected from within the Board of Supervisors and serves generally for a term of one year in addition to being a District Supervisor. The Board of Supervisors appoints a County Administrator to serve as the administrative manager of the County. The County Administrator serves at the pleasure of the Board of Supervisors, carries out the policies established by the Board of Supervisors, and directs business and administrative procedures within the County government.

In addition to the elected Board of Supervisors, five constitutional officers are elected. These officers include the Sheriff, the Commonwealth's Attorney, the Clerk of the Circuit Court, the Treasurer, and the Commissioner of the Revenue.

The County provides a full range of services to its residents, including education, public safety, court services, solid waste disposal, community and economic development, parks and recreational activities, public libraries, social services, and general administration. All resources required to support these services are reflected in this report.

School Board

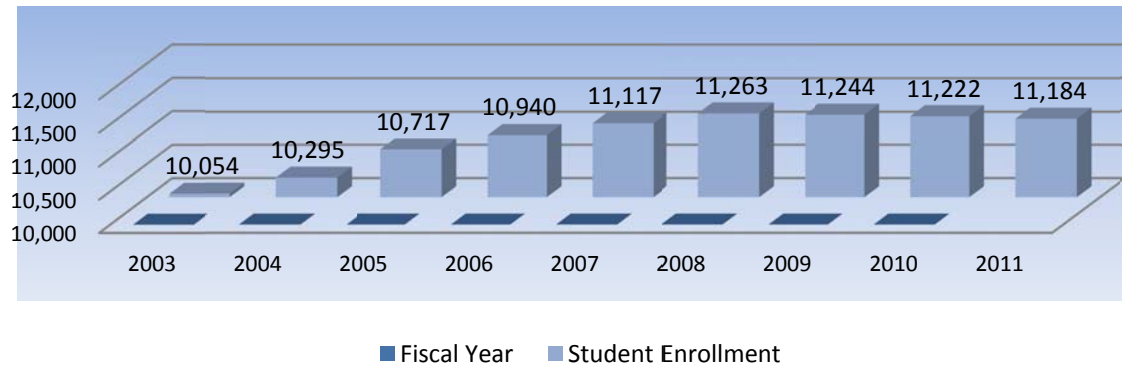
Fauquier County is financially accountable for a legally separate school district, which is reported separately within the financial statements as a component unit. The Fauquier County Public Schools (FCPS) is the single largest service provided by the County. The mission of the FCPS is committed to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

The elected School Board is composed of five members who represent the five magisterial districts. The School Board members serve a term of four years, with the Chairman and Vice Chairman of the Board selected annually by the members.

The School Board appoints a Superintendent to administer the policies of the School Board. The school system is comprised of three high schools, five middle schools, eleven elementary schools, and one alternative school. In addition, FCPS participates with six other school divisions in the Mountain Vista Regional Governor's School. The Mountain Vista Regional Governor's School was established in fiscal year 2007. FCPS is the fiscal agent for the school.

The combined enrollment of FCPS as of June 2011 totaled 11,184 students. The FCPS High School Completion Rate as of June 2010 is 95.6%, with 86.0% of graduates seeking higher education. The following chart shows student enrollment (Data Source - Table 13) which grew between fiscal years 2003 and 2008, but has declined between 0.2% and 0.3% for fiscal years 2009 to 2011. The student enrollment for FY 2011 was down slightly from FY 2010.

Student Enrollment



Budget

Virginia law requires the County to maintain a balanced budget in each fiscal year. The annual budget serves as the foundation for the County's financial planning and control. County departments and agencies begin their budget preparation each year in August. In November, all agencies submit their appropriation requests for the fiscal year commencing the following July 1st. The County Administrator submits a proposed capital improvement program in January and the proposed operating and capital budgets in February. The operating and capital budgets include proposed expenditures and the means of financing such expenditures. Public hearings are conducted to obtain citizen comments. Prior to April 1st, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the fund level and sets budgetary limits for all departments. All budgets are adopted on a basis consistent with GAAP. A budget-to-actual comparison for the general fund is provided in this report in Exhibit 7.

The *Code of Virginia* requires the appointed Superintendent of the FCPS to submit a budget to the County Board of Supervisors with approval of the School Board. The Superintendent submits a budget plan to the School Board for review in January, and the School Board discusses the budget plan in a series of work sessions and public hearings. In February, the School Board adopts its requested budget and forwards it to the County for inclusion in the County Administrator's proposed budget plan. The County Board of Supervisors reviews the School Board's budget during the month of March, and determines the level of funding for the Schools by the end of the month. If the requested level of funding is less than requested, the budget is reworked by the FCPS staff in coordination with the School Board to develop and adopt a revised budget. The approved budget is the basis for operating FCPS in the next fiscal year.

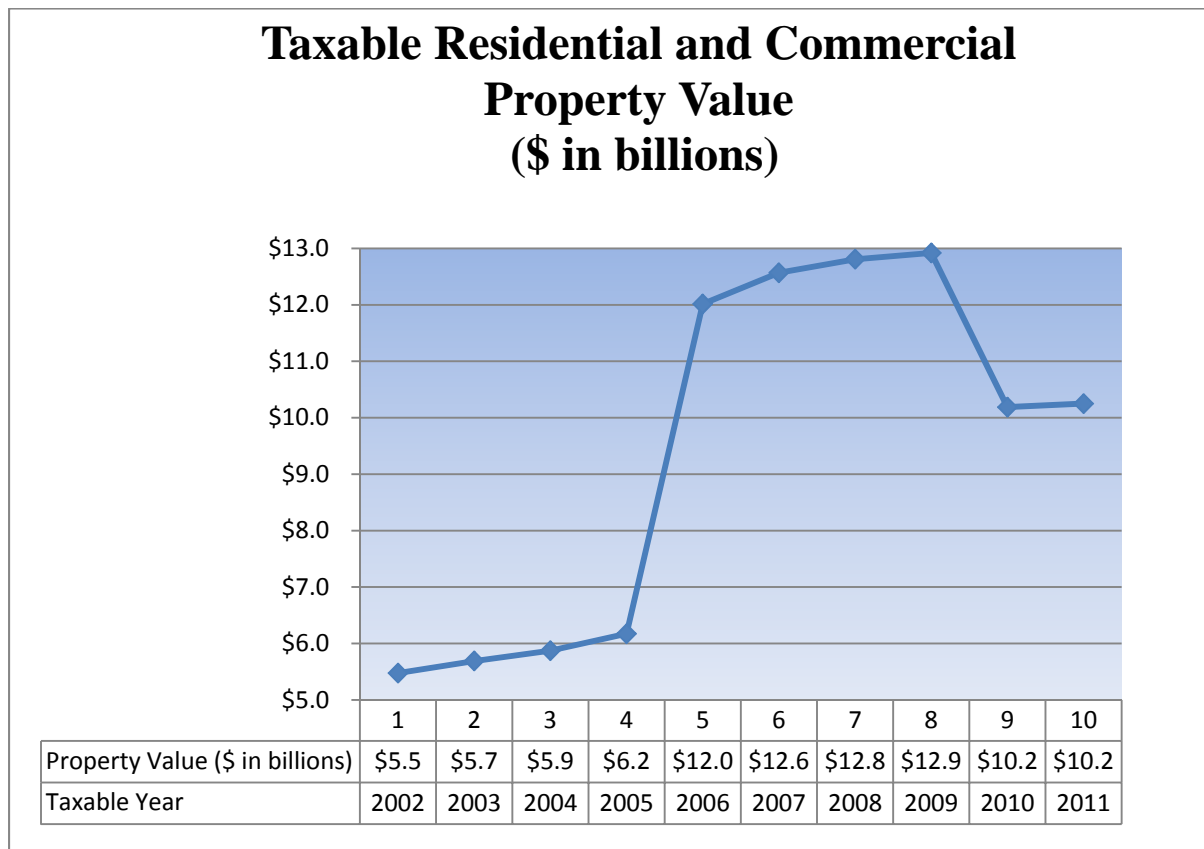
Factors Affecting Financial Condition

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

Local economy

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

The County's real estate valuation is reassessed on a quadrennial basis. The most recent reassessment was conducted in 2009, effective January 1, 2010. It reflected a 21.0% decrease in taxable real property values from a four-year average of \$12.0 billion from 2006 to 2009 to \$10.2 billion in 2010. These property values remain flat and are expected to show slow growth in the coming year. The 2009 reassessment resulted in significantly varying trends among different classes of property, with commercial values up by less than 1.0%, agricultural valuations down by 29.0%, and residential valuations down by 26.0%. This decline was anticipated due to the depressed housing market and necessitated an increase in 2010 in the real property tax rate to 97 cents per \$100 in assessed value, up from 76.5 cents per \$100 in assessed value in 2009, to ensure the County received sufficient revenue to maintain services and meet its obligations. The real property tax rate remains unchanged at 97 cents in 2011. The graph below shows varying property values for the last ten years.



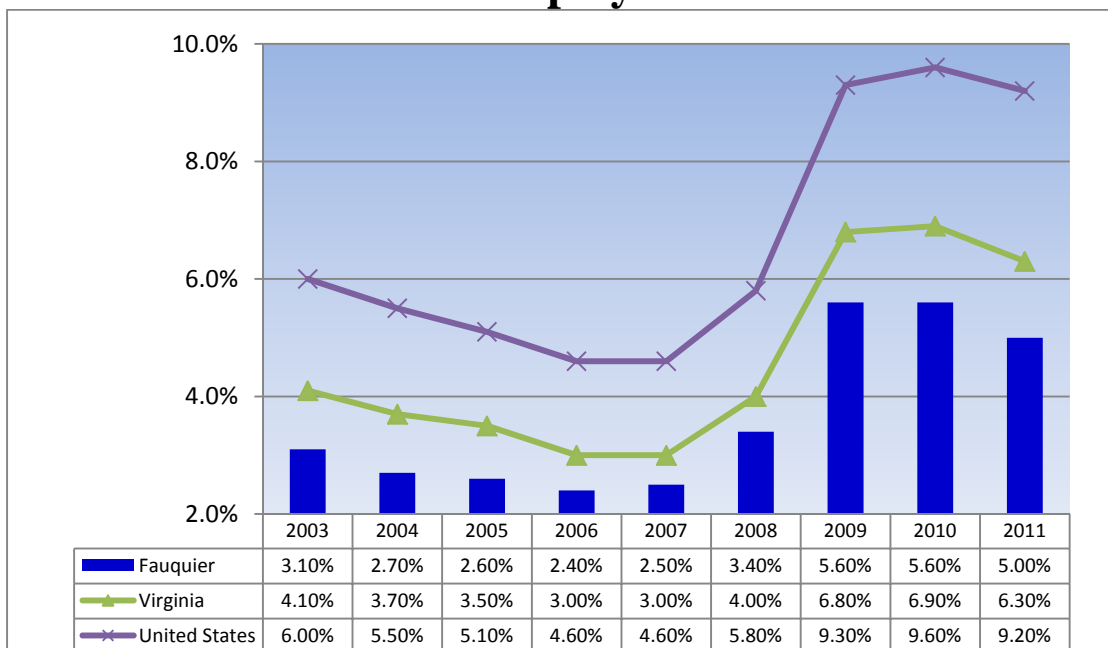
Business real property valuations did not decline to the extent of other property classes in the 2010 valuation. The personal property tax rate for business property was adjusted downward to help offset the relatively large increase in the business real property levy associated with the increased real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

rate to achieve this policy objective of not adversely impacting the business community which experienced a large increase in the real property tax levy. This fiscal year's collection rate for property tax levies, within the fiscal year of the levy, increased to 98.15% from 97.98% in fiscal year 2011.

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

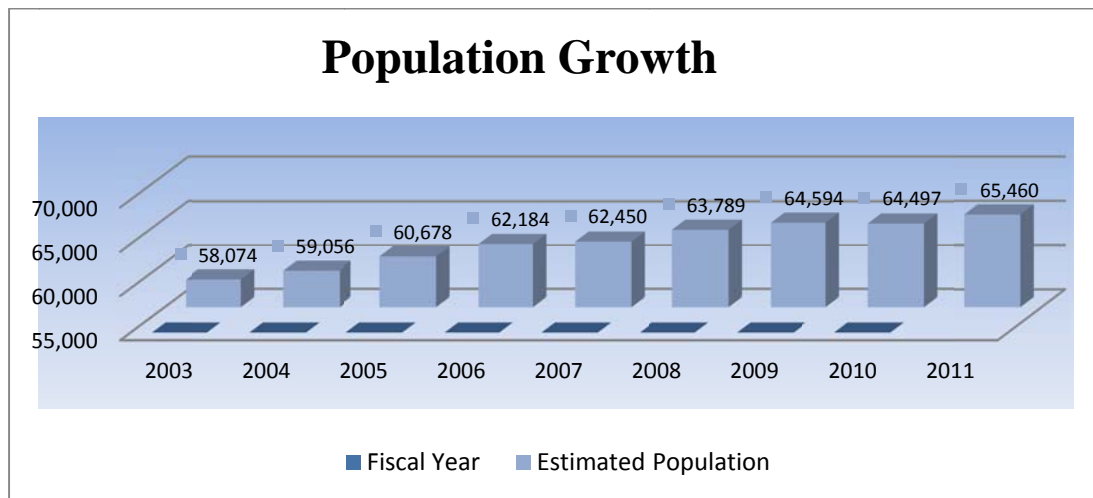
The unfavorable economic conditions have impacted the local job market to a lesser extent than other areas of the country. The County's proximity to the federal government and its affiliated contractor industries has provided some mitigation of the economic decline experienced in other regions. According to 2000 Census Bureau and the Virginia Employment Commission data (as reported on the *Fauquier County Department of Economic Development* website), approximately 58.0% of County residents commute to work outside the County. The majority of these residents commute to Fairfax, Prince William, and Loudoun Counties. The County's six-month average unemployment rate is 5.0% as of June 2011. This figure is below last year's rate of 5.6% and Virginia's six-month average rate of 6.3% and well below the National six-month average of 9.2%. This reflects slight job growth, most particularly in retail trades, health care, and social assistance. The construction industry continues to suffer the bulk of the employment reductions, a casualty of the decline in new home construction.

Annual Unemployment Rates



Economic Development and Industries

Fauquier County's Board of Supervisors has defined in the County's mission statement that the Board seeks, within the bounds of fiscal integrity, to preserve the physical beauty, historical heritage, and environmental quality of the County. Preserving the rural nature of the County has resulted in slower population growth. While population growth in some neighboring jurisdictions have experienced increases greater than 25.0%, Fauquier County saw its population increase by approximately 12.7% since 2003 reflecting the County's stabilizing focus on long-term planning through land use policies that have been in place since the 1960's. The County manages growth by directing residential, commercial, and industrial development into nine service districts to preserve the rural agricultural nature of the County.



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

The primary goal of the County's economic development efforts is to assist existing businesses as they grow and expand within the County. The majority of businesses in Fauquier County are small, with 91.0% having fewer than 20 employees. The County's economic development program seeks to attract small to mid-sized companies to locate into planned development sites within the county. In the first quarter of 2011, there were 27 new startup firms in the County. This is a slight increase from the fourth quarter of 2010.

The Vint Hill Economic Development Authority, created in 1996, is responsible for guiding the redevelopment of the former Army communications base. Vint Hill has 232 acres of zoned land available for commercial and light industrial development. As of 2011, Vint Hill is home to 60 growing businesses occupying 550,000 square feet of commercial space with 1,000+ employees. Over the past few years Vint Hill has experienced increased commercial investment. The Federal Aviation Administration completed construction of a major \$50 million expansion doubling its workforce to 600.

Below are additional highlights of economic development benefits since 2010:

- ☐ Expansion by Smith-Midland Corporation, a Midland-based contractor of Pre-Cast Concrete, for the \$20 million Hahn Hurst basketball practice facility at Virginia Tech.
- ☐ Opening of new Infusion Center is open at Fauquier Hospital. The hospital's new 2,065-square-foot infusion center offers patients a wide variety of services such as chemotherapy, blood transfusions, or intensive antibiotic administration. Fauquier Hospital also expanded its assisted living department and digital technology diagnostics. Fauquier Health's assisted living facility, the Villa at Suffield Meadows, welcomed residents as of September 13, 2010.
- ☐ Buccaneer Computer Systems & Service, Inc. was awarded American Recovery and Reinvestment Act of 2009 (ARRA) funds to establish a Center of Excellence in Research on Disability Services, Care Coordination and Integration. The contract awarded was valued at \$126.0 million over the next five years with the Centers for Medicare & Medicaid Services.
- ☐ Pepsi Cola Bottling Center plans approved for expansion of facility.

The County's commitment to maintaining the rural character of Fauquier is captured in the Comprehensive Plan where the "industrial and commercial zoned" acreage amounts to slightly more than 1.0% of total County acreage. Given this land allocation for commercial and industrial uses, the ability of the Fauquier business community to provide over 13.0% of County revenue speaks well for the economic efficiency of this community. Tourism continues to represent a growing segment of the economic sector in Fauquier County with 5 new wineries opening, for a total of 27 vineyards and wineries in the County, along with driving tours, and getaway packages. Based on Virginia Employment Commission data, Fauquier has the potential to be competitive in the Accommodations and Food Service industry that supports tourism.

The County has recently had its bond rating recalibrated by Moody's Investors Service to Aa1 and Fitch Ratings to AA+. Standard & Poor's bond rating is AA. These ratings are a reflection of the County's sound financial management policies that have helped the County weather the current difficult economic times. In addition, Standard & Poor's has given the County its highest Financial Management Assessment rating of "strong" due to the County's formal fiscal policies reflecting the County's commitment to maintain a fiscally conservative position.

Fund Structure Revisions

FY 2011 marked the first year of a significant revision to the County's fund structure. These changes include the creation of a single debt service fund and the establishment of asset replacement funds for the general government and the school division.

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

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

Long-term financial planning

County policies balance the need for public facilities, as expressed by the countywide land use plan, with the fiscal capabilities of the County to provide for those needs. The six-year Capital Improvement Program (CIP) submitted annually to the Board of Supervisors is the vehicle through which stated need for public facilities is analyzed against the County's ability to pay.

The CIP is a planning document intended to provide an analysis of potential long-range funding needs for the acquisition, construction or total replacement of physical facilities. The fiscal year 2012-2017 capital budget for new County and School projects totals \$77.4 million. These projects include:

- ☐ \$21.6 million for school system projects,
- ☐ \$36.3 million for the county government,
- ☐ \$13.8 million for utility projects (Vint Hill Wastewater and Opal Water), and
- ☐ \$ 5.7 million for the County's Fire and Rescue system.

The adopted CIP includes \$14 million in cash funding (18.1% of total appropriations) reflecting the County's approach to a balanced capital financing plan. The current CIP defers expenditures where possible and recommends funding consistent with the Board of Supervisors' financial policies. The FY 2012 Capital Improvement Fund budget totals \$17.2 million and includes funding for:

- ☐ the final portion of funding for renovations to Fauquier High School - \$10 million, and
- ☐ a project to provide public sewer to the Catlett/Calverton service district - \$7 million.

The Board of Supervisors and the Planning Commission of Fauquier County have in place a 20 year Comprehensive Plan to ensure adequate planning as the County continues to grow. The plan acknowledges the importance of balancing agriculture, urban development, and conservation uses.

Relevant financial policies

The Board of Supervisors adopted a fund balance management policy for the County's General Fund in FY 2003. The policy, which was subsequently updated in FY 2011, sets the minimum level of unassigned fund balance required for the General Fund at not less than ten percent (10%) of General Fund revenues, providing for enhanced financial planning and stability.

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

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

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

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

Implementation of New Accounting Requirements

In FY 2011 Fauquier County implemented GASB 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes standards for the measurement, recognition of fund balance, note disclosures, and required supplementary information. Additional information relative to the Statement is contained in Note 27 to the Financial Statements.

In FY 2012, the County will be assessing the impact and implementing GASB Statements No. 60 to 64, as applicable, in preparing future Comprehensive Annual Financial Reports. Refer to Note 27 on *Implemented and Pending GASB Statements* for further details.

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, 2010. This was the thirteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The Association of School Business Officials International (ASBO) awarded its Certificate of Excellence in Financial Reporting Award for FY 2010. This is the fifth time Fauquier County Government & Public Schools has achieved this award.

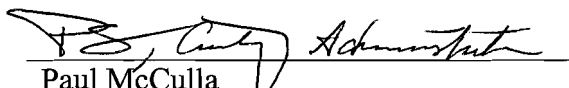
The GFOA has awarded its Distinguished Budget Presentation Award to Fauquier County for FY 2011. Fauquier County has received this award for sixteen years. GFOA also awarded its Distinguished Budget Presentation Award to the Fauquier County School Division for the fifth consecutive year.

Acknowledgements

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

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

Respectfully submitted,


Paul McCulla
County Administrator


Janet Romanchyk
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Fauquier
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



President

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

FAUQUIER COUNTY SCHOOL BOARD

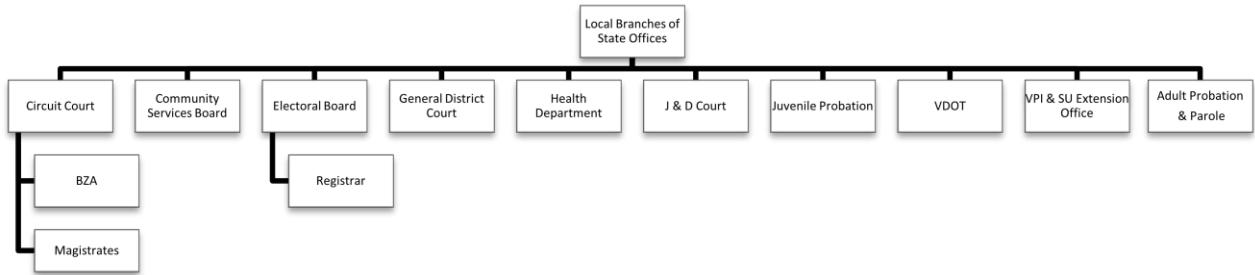
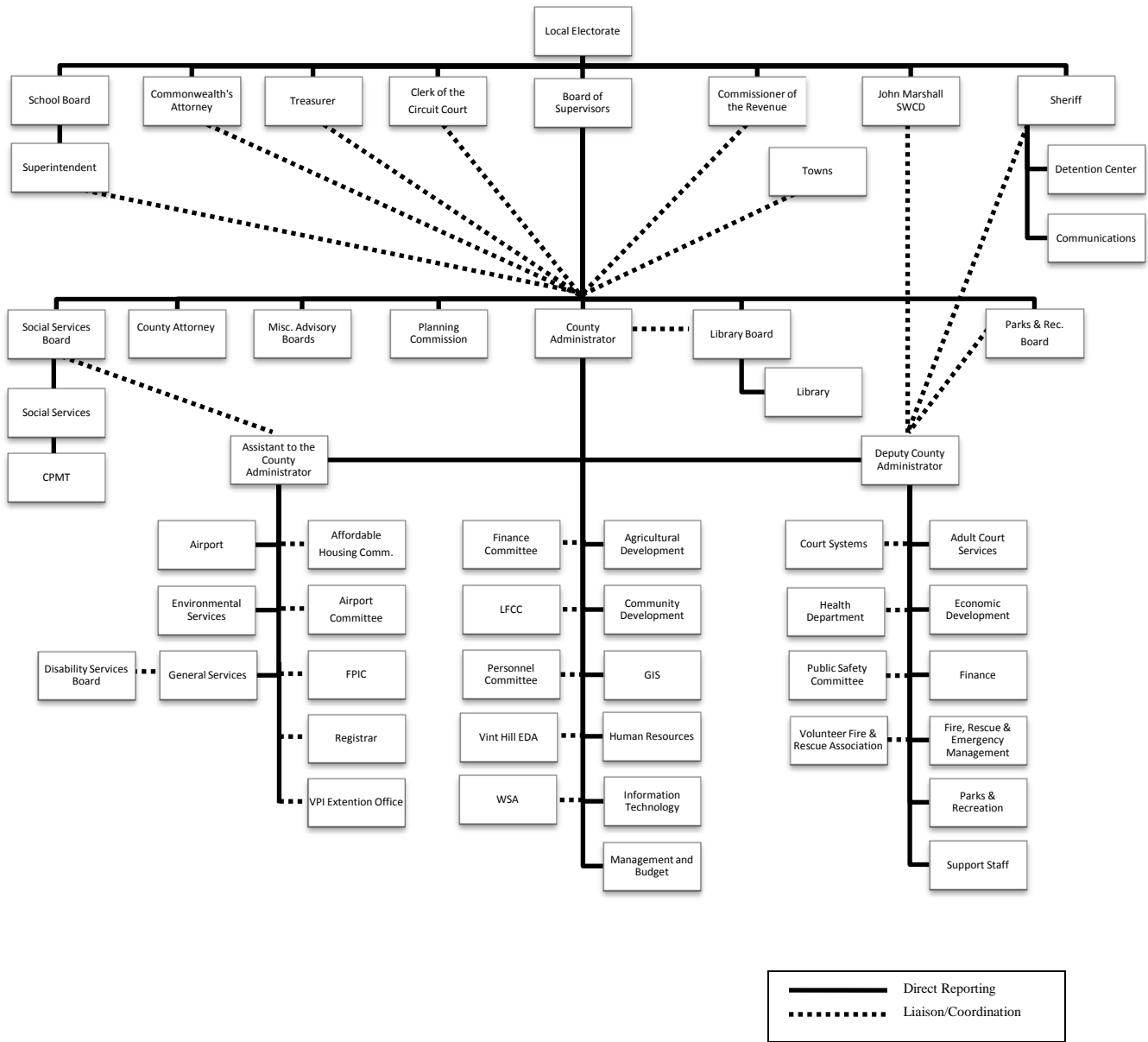
For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2010

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

President

Executive Director

County of Fauquier Organizational Chart



COUNTY OF FAUQUIER, VIRGINIA
PRINCIPAL OFFICIALS

BOARD OF SUPERVISORS

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

COUNTY ADMINISTRATION

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

COUNTY SCHOOL BOARD

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

SCHOOL ADMINISTRATION

Jonathan Lewis, 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
Director of Finance	Janet Romanchyk
Commissioner of the Revenue	Ross W. D'Urso
Judge of the General District Court	Dean S. Worcester
Sheriff	Charlie Ray Fox, Jr.
Treasurer	Elizabeth A. Ledgerton
Commonwealth's Attorney	James P. Fisher
Judge of the Circuit Court	Jeffrey W. Parker
Judge of Juvenile and Domestic Relations District Court	Jonathan S. Lynn

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Fauquier, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Fauquier, Virginia' basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County of Fauquier, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Fauquier, Virginia, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County of Fauquier, Virginia adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011 on our consideration of the County of Fauquier, Virginia's of the internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Fauquier, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Fauquier, Virginia. The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
October 21, 2011

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, 2011. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report and the County's financial statements, which follow this discussion and analysis.

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

FISCAL YEAR 2011 FINANCIAL HIGHLIGHTS

- The assets of the total reporting entity, which includes the School Board component unit, exceeded its liabilities by \$180.6 million at June 30, 2011. Of this amount, \$5.8 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- In FY 2011, the County implemented cash and debt financing plans for a major project to renovate Fauquier High School. The project budget finalized in FY 2012 totals \$32.8 million dollars. The County was fortunate to receive a \$10.0 million allocation of QSCB (Qualified School Construction Bonds) to partially fund the project and to reduce debt service requirements in the future.
- The County issues bonds for the School Board component unit. The debt is reflected as a liability for the primary government while the related capital asset is shown as an asset for the School Board component unit. At June 30, 2011, the County has \$129.7 million (\$125.1 million in unpaid principal balance and \$4.6 million in premium) of long-term debt outstanding. This includes:
 - \$98.3 million of School Board general obligation bonds related to assets on the books and \$17.8 million of County moral obligation commitments.
 - \$5.4 million of refunding bonds issued by the County during fiscal year 2011 through the Virginia Resources Authority for a present value savings of \$0.5 million. (refer to Note 17 for further details).
 - \$1.6 million of capital leases issued by the County during fiscal year 2011 as a Tax-Exempt private placement with SunTrust Bank to finance the purchase of self-contained breathing apparatus equipment for use by the County's Department of Fire, Rescue, and Emergency Management with no corresponding asset in FY 2011, as the equipment will not be purchased and delivered until FY 2012.
 - \$5.7 million of funding with the United States Department of Agriculture (USDA) to support the construction of the New Baltimore Fire and Rescue Station. The Fauquier Volunteer Fire and Rescue Association requested a "letter of moral obligation" from Fauquier County to guarantee such funding. The Board of Supervisors approved the debt funding for the New Baltimore Fire & Rescue Station by USDA in December 2005. Debt service will be paid from the County's fire and rescue tax levy.

- The net assets of the total reporting entity decreased by \$4.7 million, or 2.5%, and reflects the combination of policy decisions made by the Board of Supervisors to lower the tax burden on County businesses, partially offset by an increase in sales tax revenue.
- The County's net assets for governmental activities decreased by \$0.9 million for the year, versus a \$3.5 million increase in FY2010. This decrease is primarily due to the reduction in revenues of \$5.0 million coupled with a reduction in expenses of \$0.4 million. One significant contributor to the revenue decline is the business property tax which decreased by \$3.0 million, due to the Board of Supervisors' policy decisions in response to the countywide quadrennial reassessment.
- The total cost of the County's programs was \$160.4 million (governmental activities), a decrease of \$0.4 million, or 0.2%, which is due primarily to decreases in Education and Community Development expenses offset by an increase in Public Safety expenses.
- Business-type activities expenses (Airport and Landfill) decreased by \$0.5 million due to a reduction in operating costs. Revenues decreased by \$0.5 million due primarily to the economic slowdown impacting construction, demolition and debris, and tipping fee revenues at the landfill.
- The School Board component unit's revenues, including the County contribution, totaled \$128.7 million and expenses totaled \$130.7 million. Schools net assets decreased by \$2.0 million during fiscal year 2011 due primarily to a net \$3.8 million in capital outlays and depreciation offset with \$1.8 million in net operating grants and other general government activities.
- General fund revenues were greater than the amended budget by \$0.2 million. Expenditure savings of \$5.1 million were the result of \$0.9 million savings in the contribution to the School Board component unit and \$4.2 million in savings from County Departments (Exhibit 7).
- As of June 30, 2011, the County governmental funds reported combined fund balances of \$46.3 million, a decrease of \$0.6 million in comparison with the prior year.
- The County has approximately \$5.8 million, or 23.7% of the general fund's fund balance in assigned fund balance, \$17.1 million, or 70.1% in unassigned fund balance, and the remaining difference in non-spendable, restricted, and committed fund balance. Approximately \$15.3 million of the unassigned fund balance or ten percent of general operating revenues is set aside for emergency needs as approved by the Board of Supervisors. See Exhibits 3 and 5 for more details.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of four sections: introductory, financial, statistical, and compliance.

- The introductory section includes the letter of transmittal, a copy of the fiscal year 2010 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, the fiscal year 2010 Association of School Business Officials International Certificate of Excellence in Financial Reporting, the County's organizational chart, and a list of principal officials.
- The financial section includes the Independent Auditors' Report, management's discussion and analysis (this section), the basic financial statements, required supplemental information, and combining and individual fund statements and schedules.
- The statistical section includes selected financial and demographic data related to the County, generally presented on a multi-year basis.

- The compliance section is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget circular A-133, Audits of State, Local Governments and Non-profit Organizations; and includes the auditors' reports on compliance and internal controls.

Financial Section Overview

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

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

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

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

Finally, the combining and individual fund statements and schedules are included, which present individual statements for major funds other than the General Fund and combining statements for non-major governmental funds, internal service funds, fiduciary funds, and the component unit as well as other supporting schedules.

Government-wide Financial Statements

The government-wide financial statements (Exhibits 1 and 2) report information about the County as a whole using accounting methods similar to those found in the private sector. They also report the County's net assets and how they have changed during the fiscal year. These statements provide both short-term and long-term information about the County's overall financial status.

The Statement of Net Assets (Exhibit 1) presents information on all of the County's assets and liabilities, including governmental activities, business-type activities, and School Board activities. Net assets are the difference between assets and liabilities, which provides a measure of the County's financial health, or financial condition. Over time, changes in the net assets may serve as an indicator of whether the County's financial condition is improving or deteriorating. Other non-financial factors will also need to be considered, such as changes in the County's property tax base and the condition of the County's facilities.

The Statement of Activities (Exhibit 2) presents information using the accrual basis of accounting, and shows how the County's net assets changed during the fiscal year. All of the current year's revenues and expenses are shown in this statement, regardless of when cash is received or paid. The Statement of Activities presents expenses before revenues to emphasize that the government's revenues are generated for the express purpose of providing services.

In the government-wide financial statements, the County's activities are divided into three categories:

- **Governmental activities:** Most of the County's basic services are reported here, including general government; judicial administration; public safety; public works; health and welfare; education; parks, recreation and cultural; and community development. These activities are financed primarily by property taxes, other local taxes, and Federal and State grants. Governmental funds and internal service funds are included in the governmental activities.
- **Business-type activities:** The County charges fees to users to cover all, or a significant portion, of the costs associated with the provision of certain services. These business-type activities of Fauquier County are intended to be self-supporting and include the Landfill and Recycling activities and Airport activities.
- **Component unit:** The County has one component unit, the Fauquier County Public Schools (School Board), which is included in this annual financial report. Although legally separate, this discretely presented component unit is important because the County is financially accountable for it. A primary government is accountable for an organization if the primary government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. The County approves debt issuances to finance School Board assets and provides significant funding for its operation. Additional information on the component unit can be found in Note 1 of the Notes to Financial Statements section of this report.

Fund Financial Statements

These statements focus on individual parts of the County's government, reporting the County's operations in more detail than the government-wide statements. Funds are used to ensure compliance with finance-related legal requirements and are used to keep track of specific sources of revenues and expenses for particular purposes. The County has three kinds of funds:

- **Governmental Funds** – Most of the County's basic services are included in governmental funds, which focus on (1) in flows and out flows of cash and other financial assets that can be readily converted to cash and (2) the balances remaining at year-end that are available for spending. The governmental funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the fund financial statements to explain the relationship (or differences). The County has four major funds, the General Fund, the Asset Replacement Fund, the Capital Projects Fund, and the Debt Service Fund. The General Fund is the main operating account of the County and therefore, the largest of the governmental funds. The Asset Replacement Fund accounts for major maintenance and systems replacement, renovations and major asset replacements for the County. The Capital Projects Fund is used to account for major capital projects, primarily construction related. It provides control over resources that have been segregated for specific capital projects. The Debt Service Fund accounts for financial resources accumulated for the payment of principal and interest. All other governmental funds, which include special revenue funds, are collectively referred to as non-major governmental funds.
- **Proprietary Funds** – The County's proprietary funds consist of two enterprise funds and two internal service funds, which operate in a manner similar to private business enterprises in which costs are recovered primarily through user charges or fees. Proprietary fund financial statements provide both short-term and long-term financial information. The County's enterprise funds include the Landfill and Recycling Fund and the Airport Fund. The County's internal service funds include the Fleet Maintenance Fund and the Health Insurance Fund.

- **Fiduciary Funds** – Fiduciary funds are used to account for resources held by the County for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statements because the funds are not available to support the County's programs. The County's fiduciary funds consist of a pension trust fund, an OPEB fund, and agency funds. The funds are used to account for monies received, held, and disbursed on behalf of certain retirees, external beneficiaries, detention center inmates, and certain other agencies and governments.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Assets

Table 1 summarizes the Statement of Net Assets (Exhibit 1 in the Financial Section of the CAFR) for the primary government and component unit as of June 30, 2011 and 2010.

Table 1								
County of Fauquier Summary of Net Assets (\$ in millions)								
	Primary Government						Total Reporting Entity Including Component Unit	
	Governmental Activities		Business-Type Activities		Total Primary Government			
	2011	2010	2011	2010	2011	2010		
Assets:								
Current and other assets	\$ 60.6	\$ 63.9	\$ 1.5	\$ 1.3	\$ 62.1	\$ 65.2	\$ 78.3	\$ 78.9
Capital assets	73.7	73.8	25.6	27.5	99.3	101.3	274.7	280.5
Total assets	134.3	137.7	27.1	28.8	161.4	166.5	353.0	359.4
Liabilities:								
Other liabilities	7.6	8.5	0.2	0.3	7.8	8.8	21.6	21.9
Long-term liabilities	134.9	136.5	11.7	11.5	146.6	148.0	150.8	152.2
Total liabilities	142.5	145.0	11.9	11.8	154.4	156.8	172.4	174.1
Net assets:								
Invested in capital assets, net of related debt	68.8	69.2	25.3	27.2	94.1	96.4	171.2	170.0
Restricted	3.6	2.0	-	-	3.6	2.0	3.6	2.0
Unrestricted (deficit)	(80.6)	(78.5)	(10.1)	(10.2)	(90.7)	(88.7)	5.8	13.3
Total net assets	\$ (8.2)	\$ (7.3)	\$15.2	\$ 17.0	\$ 7.0	\$ 9.7	\$180.6	\$185.3

Table 1 may differ from Exhibit 1 due to rounding.

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

The total reporting entity, which includes the School Board component unit, has positive net assets of \$180.6 million at June 30, 2011. Net assets decreased by \$4.7 million. The invested in capital assets, net of related debt, increased by \$1.2 million. This increase is mainly due to a reduction in amount of

long-term debt outstanding applicable to capital assets, as more payments are applied toward the loan balance.

In the case of the primary government, total assets exceeded total liabilities by \$7.0 million at June 30, 2011. The largest portion of net assets, \$94.1 million, represents the County's investment in capital assets (e.g., land, buildings, and equipment) less the depreciation and outstanding debt associated with asset acquisitions. An additional \$3.6 million of net assets is restricted due to external constraints on the use of those funds. The deficit of unrestricted net assets of the primary government totaled \$90.7 million. This deficit is primarily the result of the County providing moral obligation commitments to USDA for construction loans for four volunteer Fire and Rescue companies guaranteeing the companies' debt service payments will be paid by the County with no corresponding asset, as the fire and rescue buildings are the assets of the individual companies. During FY 2011, the County issued \$5.4 million in refunding bonds, \$1.6 million in capital leases, and signed a moral obligation letter for \$5.7 million of funding with the United States Department of Agriculture (USDA) to support the construction of the New Baltimore Fire and Rescue Station. For further information refer to Note 9. In addition, the County has outstanding long-term obligations of \$98.3 million, \$94.7 million in bonds plus \$3.6 million of bond premiums, (see Table 6) for the School Board component unit's assets which, when combined with the primary government obligations results in a decrease of \$4.7 million of net assets for total reporting entity.

For the business-type activities, total net assets decreased by \$1.8 million, or 10.6%, which is primarily the result of an increase in landfill closure and post-closure costs and depreciation expense for the airport enhancements funded primarily from State and Federal capital contributions in previous fiscal years. The unrestricted net assets showed a deficit of \$10.1 million which is slightly lower than the prior year. This reflects the continued slowdown in construction, demolition and debris, tipping fee revenues, and an increase in closure and post closure expenses at the landfill. This deficit does not mean that there are insufficient resources available to pay the bills; but that long-term commitments are greater than currently available resources. Specifically, the Landfill and Recycling Fund did not receive user fees sufficient to finance the noncurrent portion of long-term liabilities.

Statement of Activities

Table 2 summarizes the Statement of Activities (Exhibit 2 in the Financial Section of the CAFR) for the primary government and component unit as of June 30, 2011 and 2010.

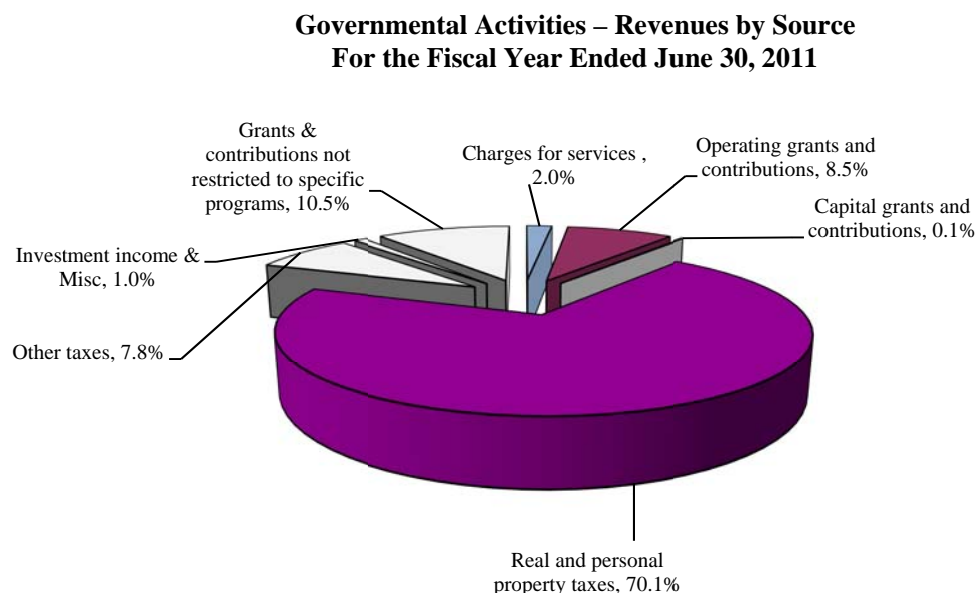
Table 2	County of Fauquier Change in Net Assets (\$ in millions)							
	Primary Government						Total	
	Governmental Activities		Business-Type Activities		Total Primary Government		Reporting Entity Including Component Unit	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenues								
Program revenues:								
Charges for services	\$ 3.2	\$ 3.3	\$ 4.9	\$ 5.4	\$ 8.1	\$ 8.7	\$ 11.4	\$ 11.8
Operating grants and contributions	13.5	16.1	0.1	0.3	13.6	16.4	29.3	29.4
Capital grants and contributions	0.2	0.7	0.2	-	0.4	0.7	0.4	0.7
General revenues:								
Real and personal property taxes	111.6	114.6	-	-	111.6	114.6	111.6	114.6
Other taxes	12.4	11.9	-	-	12.4	11.9	12.4	11.9
Other	1.6	0.8	-	-	1.6	0.8	1.9	1.3
Grants and contributions not restricted to specific programs	16.8	16.9	-	-	16.8	16.9	47.6	46.2
Contribution to schools	-	-	-	-	-	-	78.6	82.0
Total revenues	159.3	164.3	5.2	5.7	164.5	170.0	293.2	297.9
Expenses								
General government	10.1	10.3	-	-	10.1	10.3	10.1	10.3
Judicial	3.1	3.3	-	-	3.1	3.3	3.1	3.3
Public safety	30.5	25.1	-	-	30.5	25.1	30.5	25.1
Public works	7.4	8.0	-	-	7.4	8.0	7.4	8.0
Health and welfare	9.9	10.3	-	-	9.9	10.3	9.9	10.3
Education	79.6	81.1	-	-	79.6	81.1	210.3	212.7
Parks, recreation, and cultural	6.6	5.9	-	-	6.6	5.9	6.6	5.9
Community development	7.7	11.3	-	-	7.7	11.3	7.7	11.3
Interest on long-term debt	5.5	5.5	-	-	5.5	5.5	5.5	5.5
Airport	-	-	1.9	2.1	1.9	2.1	1.9	2.1
Landfill and Recycling	-	-	4.9	5.2	4.9	5.2	4.9	5.2
Total expenses	160.4	160.8	6.8	7.3	167.2	168.1	297.9	299.7
Excess (deficiency) of revenues over (under) expenses	(1.1)	3.5	(1.6)	(1.6)	(2.7)	1.9	(4.7)	(1.8)
Transfers	0.2	-	(0.2)	-	-	-	-	-
Change in net assets	(0.9)	3.5	(1.8)	(1.6)	(2.7)	1.9	(4.7)	(1.8)
Beginning net assets, as restated	(7.3)	(10.8)	17.0	18.6	9.7	7.8	185.3	187.1
Ending net assets	\$(8.2)	\$(7.3)	\$ 15.2	\$ 17.0	\$ 7.0	\$ 9.7	\$ 180.6	\$ 185.3
Table 2 may differ from Exhibit 2 due to rounding.								

Governmental Activities: As reflected in Table 2, total governmental net assets decreased by \$0.9 million compared to an increase of \$3.5 million in fiscal year 2010. The decrease in net assets is attributed primarily to a reduction in Operating grants and contributions received in the current year and lower general property tax revenues. The total reporting entity's net assets decreased \$4.7 million.

Revenues from governmental activities (Table 2) totaled \$159.3 million, down \$5.0 million from FY 2010 which consists of \$3.2 million reduction in program revenues and \$1.8 million reduction in general revenues. For program revenues, operating grants and contributions are down \$2.6 million. For general revenues, revenues from real and personal property taxes are down \$3.0 million while other taxes improved.

In fiscal year 2011, \$16.9 million, or 10.6%, of the total revenues was generated from program revenues. General revenues such as Commonwealth of Virginia aid, miscellaneous revenue, and investment income accounted for the remaining revenues.

The following chart provides a breakdown of revenue collections by source. Taxes comprise the largest source of these revenues, totaling \$124.0 million, or 77.9%, of all governmental activities revenues. Of this amount, general property taxes account for \$111.6 million, or 70.1%, of total revenues.



As shown in Table 2, the total expenses for governmental activities for this fiscal year were \$160.4 million, down slightly from \$160.8 million in fiscal year 2010. The decrease of \$0.4 million, or 0.2%, is primarily due to decreases in Education expenses of \$1.5 million, and Community Development of \$3.6 million, offset with an increase in Public Safety expenses of \$5.4 million. These changes are detailed below:

- Reductions in education expenses were largely due to reductions in General Fund support enacted by the Board of Supervisors in response to changes implemented by the State to the school division's funding obligations under the Virginia Retirement System.
- Community Development funding in FY 2010 reflects debt issuance for improvements to the Vint Hill water treatment plant by the Fauquier Water and Sanitation Authority. This is a non-recurring capital expense.

- The increase in Public Safety expenditures compared to the prior year reflects the issuance of debt for the New Baltimore Fire and Rescue station. This is a non-recurring capital expense.

Table 2 and the following chart illustrate total expenses by function. Education continues to be the County's largest program and highest priority with the County's contribution totaling \$79.6 million, or 49.7%, of total expenses. In addition, the School Board component unit incurs indirect expenditures, which are reported in the governmental activities (General Fund). The County has consolidated the services provided by the departments of general services (maintenance of buildings, grounds, and vehicles), human resources, finance, and the independent auditor. Approximately 75.0% of the costs of these consolidated functions are associated with educational activities. As shown in Exhibit 7 of the Financial Section of this report, these functions cost approximately \$7.1 million in fiscal year 2011. The portion allocated to education is approximately \$5.3 million. Typically, school systems bear these costs directly. However, with the consolidated departments in Fauquier County, the costs are shown in the General Fund. Recognizing these costs as a function of education increases the schools' share of total expenses to approximately 52.3%. Public safety expenses, which total \$30.5 million, or 19.0%, represent the second largest expense category for governmental activities.

**Governmental Activities
Functional Expenses
For the Fiscal Year Ended June 30, 2011**

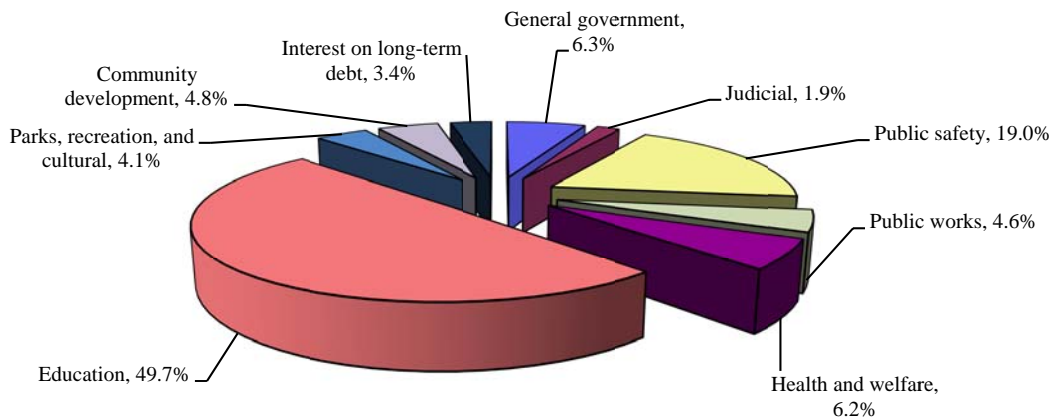


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County's governmental activities.

Table 3 Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2011 and 2010 (\$ in millions)				
	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General government	\$ 10.1	\$ 10.3	\$ 9.2	\$ 9.5
Judicial	3.1	3.3	1.1	1.2
Public safety	30.5	25.1	24.7	18.8
Public works	7.4	8.0	7.3	8.0
Health and welfare	9.9	10.3	4.1	3.7
Education	79.6	81.1	79.6	81.1
Parks, recreation, and cultural	6.6	5.9	5.8	4.4
Community development	7.7	11.3	6.2	8.5
Interest on long-term debt and other	5.5	5.5	5.5	5.5
Total	\$ <u>160.4</u>	\$ <u>160.8</u>	\$ <u>143.5</u>	\$ <u>140.7</u>
<i>Table 3 may differ from Exhibit 2 due to rounding</i>				

As Table 3 demonstrates, governmental activities generate revenues that helps offset the cost of these services. Program revenues generated include charges for services and program grants. The County generates charges for services primarily from fees for certain court services, public safety fees, community development services, library fees, and parks and recreation activities. The County obtains grants primarily for public safety, health and welfare, and judicial administration. After recognizing the revenue from these fees, grants, and contributions of \$16.9 million, the net cost of governmental activities was \$143.5 million, compared to a total cost of \$160.4 million. General revenue, primarily in the form of taxes and State aid, is needed to support the services that are not fee supported.

Business-type activities: Table 2 also summarizes the business-type activities. Total net assets decreased by 10.6%, or \$1.8 million, compared to fiscal year 2010. Revenues totaled \$5.2 million of which \$4.9 million, or 94.2%, was generated by user fees or charges for services. Business-type activities are generally intended to be self-supporting. Fees are established to recover the cost of providing the services.

The total expenses for business-type activities were \$6.8 million, of which 72.1% was associated with the landfill and recycling program. Business-type activity expenses decreased 6.8%, or \$0.5 million, from fiscal year 2010, primarily due to a net decrease in landfill contractual services of \$0.3 million and a net decrease in airport operating expenses of \$0.2 million.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2011, the County's governmental funds reported a combined ending fund balance of \$46.3 million (Exhibit 3), a decrease of \$0.6 million in comparison with the prior year. This decrease is a result of i) diminished revenues caused by the economic downturn, ii) reduced state and federal funding, and iii) increased demand for government assistance.

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 \$17.1 million (Exhibit 3). Approximately \$15.3 million of the unassigned fund balance represents 10.0% of general operating revenues in the General Fund. This ten percent is identified as the minimum amount needed to safeguard the County's financial stability and as one component in maintaining its bond ratings. This level, when combined with committed and assigned fund balances, provides the County with sufficient funds to operate in excess of two months without interrupting service levels.

The Board of Supervisors adopted a resolution setting a minimum fund balance target for the General Fund of 10.0% of the subsequent year's General Fund revenues. Unless the Board of Supervisors determines to retain fund balance in the General Fund above the minimum target, amounts in excess of the target will be transferred to the construction reserve account in the Capital Projects Fund for future capital needs, contributed to the School Board component unit, or appropriated in the County's General Fund in the subsequent year.

The Capital Projects Fund reported a total fund balance of \$12.6 million, down \$2.8 million from the prior year, due to the completion of ongoing projects. In response to declining revenues resulting from the national recession, nonessential capital projects have been deferred resulting in a lessening of activity in that fund.

Significant outlays in fiscal year 2011 included the following:

- The General Fund contributed \$78.3 million in operating funds to finance the Schools operations.
- The Debt Service Fund incurred \$12.4 million in debt service payments for Schools projects previously funded with bond proceeds from the issuance of general obligation bonds.

In FY 2011, the County implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Additional information on fund balance components may be found in Note 19.

BUDGETARY HIGHLIGHTS

General Fund

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

Table 4 Budgetary Comparison General Fund For the Fiscal Year Ended June 30, 2011 (\$ in millions)			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
<u>Revenues</u>			
Taxes	\$ 120.8	\$ 117.6	\$ 119.7
Other	3.6	3.7	3.2
Intergovernmental	25.3	30.0	28.6
Total revenues	<u>149.7</u>	<u>151.3</u>	<u>151.5</u>
<u>Expenditures</u>			
Expenditures	<u>136.7</u>	<u>141.7</u>	<u>136.6</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13.0</u>	<u>9.6</u>	<u>14.9</u>
<u>Other financing sources (uses)</u>			
Transfers in	0.6	0.9	0.9
Transfers (out)	<u>(15.0)</u>	<u>(16.3)</u>	<u>(16.3)</u>
Total other financing sources (uses)	<u>(14.4)</u>	<u>(15.4)</u>	<u>(15.4)</u>
Change in fund balance	\$ <u>(1.4)</u>	\$ <u>(5.8)</u>	\$ <u>(0.5)</u>
<i>Table 4 may differ from Exhibit 7 due to rounding.</i>			

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

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

Final amended budget revenues exceeded the original budget by \$1.6 million, primarily due to budget increases for state and federal funding. Actual revenues were higher than the amended budget by \$0.2 million due primarily to receipts of real and personal property taxes exceeding amended budget amounts. Actual expenditures for the General Fund totaled \$136.6 million or \$5.1 million less than

the amended budget. Of this difference, \$0.9 million is a reduction in the transfer to the School Board component unit and \$4.2 million savings from county departmental spending due to hiring and travel freezes, staff reductions, and departmental savings and consolidations (Exhibit 7). A portion of the savings generated by Schools in the form of unexpended appropriations is generally re-appropriated in the new fiscal year. \$1.7 million of fiscal year 2011's unexpended appropriations is expected to be re-appropriated in fiscal year 2012 to support one-time operating needs and one-time capital projects. A total of \$1.5 million has been identified to support the fiscal year 2012 budget.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

Table 5.1 summarizes capital assets of the governmental activities as of June 30, 2011 and 2010.

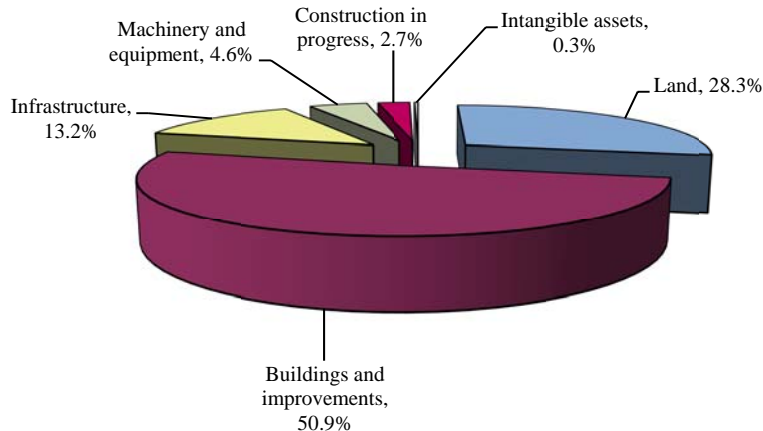
Table 5.1	Change in Capital Assets Governmental Activities (\$ in millions)		
	Balance July 1, 2010	Net Additions and Deletions	Balance June 30, 2011
Land	\$ 19.6	\$ 1.3	\$ 20.9
Construction in progress (CIP)	2.2	(0.2)	2.0
Subtotal capital assets (non-depreciable/non-amortizable)	21.8	1.1	22.9
Buildings and improvements	49.0	1.5	50.5
Infrastructure	14.2	-	14.2
Machinery and equipment	12.3	0.2	12.5
Intangible assets	0.3	-	0.3
Subtotal capital assets (depreciable/amortizable)	75.8	1.7	77.5
Less: accumulated depreciation/amortization	23.8	2.9	26.7
Net capital assets (depreciable/amortizable)	52.0	(1.2)	50.8
Governmental activities capital assets, net	\$ 73.8	\$ (0.1)	\$ 73.7

Table 5.1 may differ from Note 8 due to rounding.

As illustrated in Table 5.1, for the governmental activities the County's investment in capital assets, not being depreciated totaled \$22.9 million, and \$50.8 million for depreciable capital assets. The net investment in capital assets for governmental activities totaled \$73.7 million, net of accumulated depreciation/amortization of \$26.7 million. This represents a net decrease of \$0.1 million, or 0.1%, below the prior year. The County's capital assets include items such as public safety equipment, buildings, parks and recreation facilities, libraries, and public works vehicles and equipment. Included in the implemented intangible asset category is \$0.3 million of computer software and licenses with a three-year term.

The following chart illustrates the County's capital assets, net of depreciation/amortization, by category. Buildings and improvements account for the largest category at 50.9% of the total net capital assets.

**Net Capital Assets Used in the Operation of Governmental Activities
As of June 30, 2011**



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

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

- Completion of the Fire Training facility in the amount of \$0.9 million.
- Completion of the Bealeton Depot restoration in the amount of \$0.4 million.
- Addition to construction in progress of \$0.3 million for renovations to the Alice Jane Childs building.
- Addition to construction in progress of \$0.3 million for renovations to the Civil Process Center/Communications Center.

Table 5.2 summarizes capital assets of the total reporting entity as of fiscal years 2011 and 2010. This information can also be found in Exhibit 1 and Note 8 in the Financial Statement Section.

Table 5.2 Change in Capital Assets Total Reporting Entity Including Component Unit (\$ in millions)			
	Balance July 1, 2010	Net Additions and Deletions	Balance June 30, 2011
Primary Government			
Governmental Activities	\$ 73.8	\$ (0.1)	\$ 73.7
Enterprise Funds	27.5	(1.9)	25.6
Subtotal, Primary Government	<u>101.3</u>	<u>(2.0)</u>	<u>99.3</u>
Component Unit			
School Board	<u>179.2</u>	<u>(3.8)</u>	<u>175.4</u>
Total Reporting Entity Capital Assets	\$ <u>280.5</u>	\$ <u>(5.8)</u>	\$ <u>274.7</u>
<i>Table 5.2 may differ from Exhibit 1 and Note 8 due to rounding.</i>			

The total reporting entity capital assets decreased \$5.8 million. This reduction is primarily due to \$12.6 million in depreciation expense.

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

- Completion of installation of telephone VOIP for \$0.4 million.
- Addition to construction in progress of \$1.3 million for renovations to Fauquier High School.

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

Long-term Obligations

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

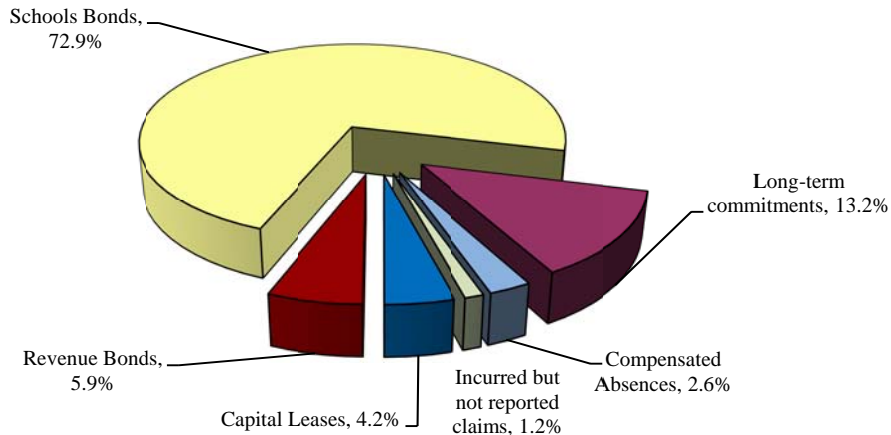
Table 6 Summary of Changes in Long-Term Obligations (\$ in millions)			
	July 1, 2010	Net Increase (Decrease)	June 30, 2011
Governmental Activities:			
Capital leases	\$ 4.6	\$ 0.9	\$ 5.5
Revenue bonds less deferred amount on refunding	7.9	(0.8)	7.1
County's premium on bonds payable	0.5	0.5	1.0
School Board's premium on bonds payable	4.1	(0.5)	3.6
General obligation on bonds payable	102.3	(7.6)	94.7
Long-term commitments	12.2	5.6	17.8
Subtotal	131.6	(1.9)	129.7
Compensated absences	3.4	0.1	3.5
Incurred but not reported claims (IBNR)	1.5	0.2	1.7
Total long-term obligations	136.5	(1.6)	134.9
Business-Type Activities:			
Capital leases	0.6	(0.3)	0.3
Compensated absences	0.1	-	0.1
Landfill closure and post-closure	10.8	0.5	11.3
Total long-term obligations	11.5	0.2	11.7
Total long-term obligations	\$ 148.0	\$ (1.4)	\$ 146.6

Table 6 may differ from Note 9 due to rounding.

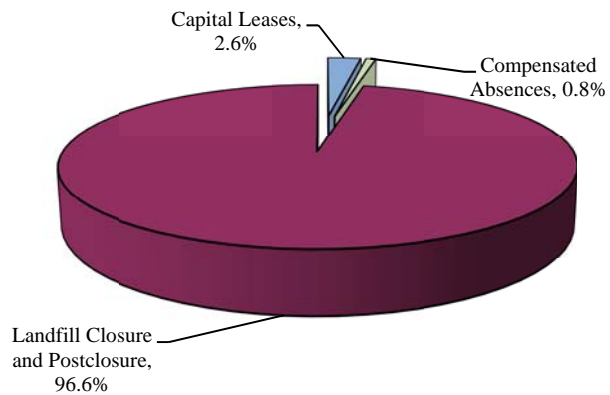
As of June 30, 2011, the County's governmental activities long-term debt, excluding compensated absences and incurred but not reported claims, totaled \$129.7 million. During the year, the County issued \$5.4 million of revenue bonds through the Virginia Resources Authority to advance refund the \$6.2 million revenue bonds issued last fiscal year (see Note 17 for further details). The County also entered into a capital lease in the amount of \$1.6 million as a Tax-Exempt Private Placement with SunTrust Bank to finance the purchase of self-contained breathing apparatus equipment for use by the County's Department of Fire, Rescue, and Emergency Management. The County issued a "letter of moral obligation" to secure \$5.7 million of funding with the United States Department of Agriculture (USDA) to support the construction of the New Baltimore Fire and Rescue Station. The Board of Supervisors approved the debt funding for the New Baltimore Fire & Rescue Station by USDA in December 2005. USDA debt service payments will be paid from the County's Fire and Rescue Levy Fund. The County's long term commitments related to these loans is \$17.8 million.

The charts below illustrate long-term obligations by type and the percentage of each type relative to the total debt outstanding. Schools General Obligation Bonds represent the largest category of debt (including premium) with 72.9% of the County's total governmental obligations.

**Governmental Activities
Long-Term Obligations
As of June 30, 2011**

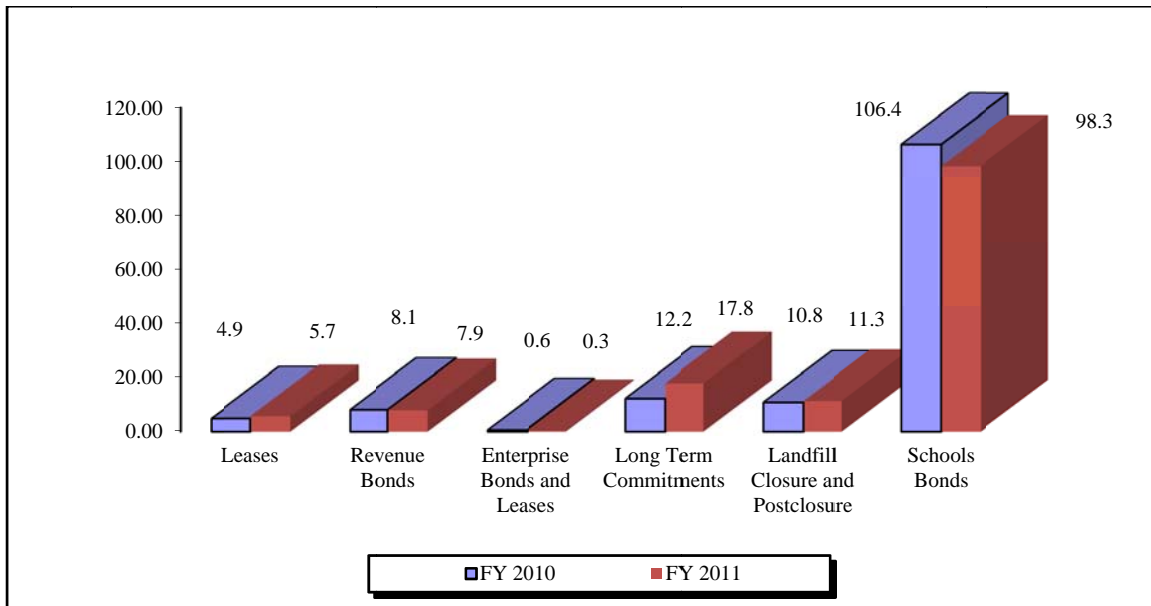


**Business-Type Activities
Long-Term Obligations
As of June 30, 2011**



The following chart compares long-term debts less compensated absences and incurred but not recorded claims, for fiscal years 2010 and 2011, by type and amount outstanding. As shown, revenue bonds, enterprise bonds, and school-related debt obligations decreased while lease obligations, long term commitments and landfill closure and post-closure debt increased.

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



The County does not have a legal limit on the amount of general obligation bonded indebtedness that it can incur or have outstanding. However, by State law general obligation indebtedness must be approved by voter referendum prior to issuance except for debt incurred from state pooled bond programs such as the Virginia Public School Authority (VPSA) or the Virginia Resources Authority (VRA). The County has participated in the VPSA bond sales for the past several years. The proceeds of these bonds are used exclusively to fund school capital projects.

The County has employed two debt ratios as a management tool. The first ratio has been adopted by the Board of Supervisors and limits annual general government debt service to no more than 10.0% of the aggregate total of budgeted revenues in the General Fund, Volunteer Fire and Rescue Fund and the Conservation Easement Service District Fund. In fiscal year 2011, the County's debt to revenue ratio was 9.5%. The second ratio assessed by management is total debt per capita. This ratio compares current performance to past performance. In fiscal year 2011, the general government debt per capita was \$1,647. This ratio decreased from \$1,794 in the prior year (Table 9, Statistical Section of this report), as a result of a reduction in total primary government's long-term debt outstanding and an increase in the County's population.

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

- The County does not and will not fund current or ongoing operations from debt proceeds.
- The County's capital improvements planning process includes both a pay-as-you-go element (cash funded) and a debt financed element for the addition of capital assets.
- The County repays long-term debt over a period that does not exceed the expected useful life of the capital assets being financed.
- The County complies with finance industry standards for disclosure related to debt offerings.

- The County has set a debt service limit of no more than 10.0% of the aggregate total of budgeted revenues in the General Fund, Volunteer Fire and Rescue Fund, and the Conservation Easement Service District Fund according to its policy.

More information on the County's long-term obligations is presented in Note 9, Notes to Financial Statements Section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- The average six-month unemployment rate for the County of Fauquier in June 2011 was 5.0%, down 0.6% from June 2010. This compares favorably to the State's average rate of 6.3% and the National average rate of 9.2%.
- According to the Weldon Cooper Center for Public Service, Fauquier County's population was estimated to be 65,460, an increase of 1.5% over the prior year. Population estimates for the last ten years are provided in Table 13, Statistical Section of this report.
- The enrollment in public schools decreased in fiscal year 2011 by 0.3% from 11,222 to 11,184. Schools enrollment for the last ten years is provided in Table 13, Statistical Section of this report.
- The latest available per capita personal income for Fauquier County was \$48,822 as of 2009, compared to \$44,057 for the Commonwealth of Virginia, as reported by the U.S. Department of Commerce Bureau of Economic Analysis (Table 13, Statistical Section of this report).
- The County Civilian Labor Force increased by 0.1% from 38,360 to 38,387 as of fiscal year 2011. County Civilian Labor Workforce numbers for the last ten years are provided in Table 13, Statistical Section of this report.

Fiscal Year 2012 Budget and Rates

- For fiscal year 2012, the adopted budget for the General Fund is \$154.2 million, an increase of 1.7% from fiscal year 2011. Revenues are comprised primarily of general property taxes at 69.3%, other local taxes at 8.2%, permits, privilege fees and regulatory licenses at 0.7%, State assistance at 16.9%, Federal assistance at 1.9%, use of money at 0.4%, and other revenues at 2.6%.
- In fiscal year 2012, the County's contribution to the School Board component unit is \$88.9 million which includes the County's contribution to the School Board's operating fund of \$76.9 million and \$12.0 million contributed to the debt service fund on behalf of the Schools. Support to the Schools represents 57.7% of the General Fund appropriations not including the allocation of shared services, which represents an additional 3.8% of local support. The percentage of General Fund appropriations supporting Schools is 1.5% less than fiscal year 2011.
- Public safety accounts for 12.4%, the second largest component of budgeted expenditures. Public safety volunteers are partially funded by a dedicated real property tax of \$0.045 per \$100 of assessed value. This tax partially supports County and volunteer fire and rescue operations (Table 6, Statistical Section of this report).
- The tax rate for real property remained at \$0.97 per \$100 in assessed value the same as last year. Detail on the tax rates is provided in Table 6, Statistical Section of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Fauquier County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Director of Finance, County of Fauquier, 320 Hospital Drive, Suite 32, Warrenton, Virginia 20186, telephone (540) 422-8330, or visit the County's web site at www.fauquiercounty.gov.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements include all funds, the discretely presented component unit, and notes to provide an overview of the financial position and results of operations for the County as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF FAUQUIER, VIRGINIA

Statement of Net Assets
June 30, 2011

Exhibit 1
Page 1 of 2

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
Assets				
Cash, cash equivalents, and investments	\$ 44,593,707	\$ 1,150,152	\$ 45,743,859	\$ 10,682,468
Cash, cash equivalents, and investments - restricted	3,188,714	-	3,188,714	5,000
Receivables, net of allowance for uncollectibles:				
Taxes, including penalties	4,083,929	-	4,083,929	-
Accounts	2,339,075	463,340	2,802,415	106,229
Internal balances	224,162	(224,162)	-	-
Inventories	687,930	37,022	724,952	178,553
Prepaid assets	893,559	700	894,259	49,433
Investments	999,910	-	999,910	-
Due from other governmental units	3,164,531	19,213	3,183,744	5,181,755
Deferred charges (including bond issuance costs)	389,610	-	389,610	-
Capital assets (non-depreciable/non-amortizable):				
Land	20,873,378	8,059,127	28,932,505	5,052,116
Construction in progress	2,009,995	563,030	2,573,025	1,801,493
Intangible assets	-	112,060	112,060	-
Capital assets (depreciable/amortizable):				
Cell improvements	-	8,289,523	8,289,523	-
Buildings and improvements	50,529,537	6,990,963	57,520,500	216,889,342
Infrastructure	14,155,834	11,549,745	25,705,579	4,974,986
Machinery and equipment	12,435,861	2,670,266	15,106,127	20,088,525
Intangible assets	349,432	-	349,432	338,187
Accumulated depreciation/amortization	(26,650,949)	(12,614,861)	(39,265,810)	(73,730,643)
Total capital assets	73,703,088	25,619,853	99,322,941	175,414,006
Total assets	134,268,215	27,066,118	161,334,333	191,617,444
Liabilities				
Accounts payable	2,335,049	222,867	2,557,916	1,442,522
Accrued and other liabilities	1,232,065	40,347	1,272,412	12,239,842
Accrued interest	2,673,173	-	2,673,173	-
Unearned revenue	572,206	-	572,206	80,970
Customer deposits	746,995	-	746,995	-
Noncurrent liabilities:				
Due within one year	10,067,401	308,035	10,375,436	423,863
Due in more than one year	124,857,126	11,344,524	136,201,650	3,814,769
Total liabilities	142,484,015	11,915,773	154,399,788	18,001,966
Net assets				
Invested in capital assets, net of related debt	68,772,203	25,321,853	94,094,056	175,414,006
Restricted for:				
Parks, recreation, and cultural	334,450	-	334,450	-
Public safety	226,390	-	226,390	-
Public works	33,632	-	33,632	-
Proffers	785,150	-	785,150	-
Affordable housing	537,516	-	537,516	-
Capital projects	166,830	-	166,830	-
Asset replacement	1,566,000	-	1,566,000	-
Education	-	-	-	5,000
Other purposes	4,701	-	4,701	-
Unrestricted (deficit)	(80,642,672)	(10,171,508)	(90,814,180)	(1,803,528)
Total net assets	\$ (8,215,800)	\$ 15,150,345	\$ 6,934,545	\$ 173,615,478

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

		<u>Reporting Entity</u>		
<u>Reclassifications</u> <u>(See Note 1 - D.14.)</u>		<u>Total</u>		
				Assets
\$	-	\$	56,426,327	Cash and cash equivalents
	-		3,193,714	Cash and cash equivalents - restricted
	-		4,083,929	Receivables, net of allowances for uncollectibles:
	-		2,908,644	Taxes, including penalties
	-		-	Accounts
	-		903,505	Internal balances
	-		943,692	Inventories
	-		999,910	Prepaid assets
	-		8,365,499	Investments
	-		389,610	Due from other governmental units
	-			Deferred charges (including bond issuance costs)
	-		33,984,621	Capital assets (non-depreciable/non-amortizable):
	-		4,374,518	Land
	-		112,060	Construction in progress
	-			Intangible assets
	-		8,289,523	Capital assets (depreciable/amortizable):
	-		274,409,842	Cell improvements
	-		30,680,565	Buildings and improvements
	-		35,194,652	Infrastructure
	-		687,619	Machinery and equipment
	-		(112,996,453)	Intangible assets
	-		274,736,947	Accumulated depreciation/amortization
	-			Total capital assets
	-		352,951,777	Total assets
				Liabilities
	-		4,000,438	Accounts payable
	-		13,512,254	Accrued and other liabilities
	-		2,673,173	Accrued interest
	-		653,176	Unearned revenue
	-		746,995	Customer deposits
	-			Noncurrent liabilities:
	-		10,799,299	Due within one year
	-		140,016,419	Due in more than one year
	-		172,401,754	Total liabilities
				Net assets
(98,344,550)		171,163,512		Invested in capital assets, net of related debt
				Restricted for:
	-	334,450		Parks, recreation, and cultural
	-	226,390		Public safety
	-	33,632		Public works
	-	785,150		Proffers
	-	537,516		Affordable housing
	-	166,830		Capital projects
	-	1,566,000		Asset replacement
	-	5,000		Education
	-	4,701		Other purposes
98,344,550		5,726,842		Unrestricted (deficit)
\$	-	\$	180,550,023	Total net assets

COUNTY OF FAUQUIER, VIRGINIA

Statement of Activities
Fiscal Year Ended June 30, 2011

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	\$ 10,086,678	\$ 41,633	\$ 815,882	\$ -
Judicial	3,116,374	643,119	1,383,341	-
Public safety	30,469,132	1,155,945	4,484,111	147,781
Public works	7,393,258	-	117,782	-
Health and welfare	9,851,616	-	5,744,563	-
Education	79,585,044	-	-	-
Parks, recreation, and cultural	6,640,464	466,979	287,895	68,291
Community development	7,718,297	858,848	614,017	-
Interest on long-term debt	5,517,317	-	-	-
Total governmental activities	<u>160,378,180</u>	<u>3,166,524</u>	<u>13,447,591</u>	<u>216,072</u>
Business-type activities:				
Airport	1,896,775	722,674	41,002	210,410
Landfill and Recycling	4,867,277	4,183,540	17,143	-
Total business-type activities	<u>6,764,052</u>	<u>4,906,214</u>	<u>58,145</u>	<u>210,410</u>
Total primary government	<u>167,142,232</u>	<u>8,072,738</u>	<u>13,505,736</u>	<u>426,482</u>
Component unit				
School Board	<u>130,736,865</u>	<u>3,256,125</u>	<u>15,684,062</u>	<u>-</u>
Total component unit	<u>\$ 130,736,865</u>	<u>\$ 3,256,125</u>	<u>\$ 15,684,062</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Local sales and use taxes				
Consumers' utility taxes				
Business and professional taxes				
Motor vehicle taxes				
Taxes on recordation and wills				
Other local taxes				
Contribution from primary government				
Investment income				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning, as restated				
Net assets - ending				

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

Net (Expenses) Revenue and Changes in Net Assets						
Primary Government			Component Unit	Reporting Entity		
Governmental Activities	Business-Type Activities	Total	School Board	Total	Functions/Programs	
					Primary Government	
					Governmental activities:	
\$ (9,229,163)	\$ -	\$ (9,229,163)	\$ -	\$ (9,229,163)	General government	
(1,089,914)	-	(1,089,914)	-	(1,089,914)	Judicial	
(24,681,295)	-	(24,681,295)	-	(24,681,295)	Public safety	
(7,275,476)	-	(7,275,476)	-	(7,275,476)	Public works	
(4,107,053)	-	(4,107,053)	-	(4,107,053)	Health and welfare	
(79,585,044)	-	(79,585,044)	-	(79,585,044)	Education	
(5,817,299)	-	(5,817,299)	-	(5,817,299)	Parks, recreation, and cultural	
(6,245,432)	-	(6,245,432)	-	(6,245,432)	Community development	
(5,517,317)	-	(5,517,317)	-	(5,517,317)	Interest on long-term debt	
(143,547,993)	-	(143,547,993)	-	(143,547,993)	Total governmental activities	
					Business-type activities:	
-	(922,689)	(922,689)		(922,689)	Airport	
-	(666,594)	(666,594)		(666,594)	Landfill and Recycling	
-	(1,589,283)	(1,589,283)		(1,589,283)	Total business-type activities	
(143,547,993)	(1,589,283)	(145,137,276)			Total primary government	
					Component unit	
					School Board	
					Total component unit	
					General revenues:	
111,630,849	-	111,630,849	-	111,630,849	General property taxes	
6,298,377	-	6,298,377	-	6,298,377	Local sales and use taxes	
1,617,137	-	1,617,137	-	1,617,137	Consumers' utility taxes	
1,433,739	-	1,433,739	-	1,433,739	Business and professional taxes	
1,772,081	-	1,772,081	-	1,772,081	Motor vehicle taxes	
1,146,468	-	1,146,468	-	1,146,468	Taxes on recordation and wills	
177,595	-	177,595	-	177,595	Other local taxes	
-	-	-	78,601,103	78,601,103	Contribution from primary government	
526,240	2,260	528,500	499	528,999	Investment income	
1,062,845	-	1,062,845	328,778	1,391,623	Miscellaneous	
16,765,178	-	16,765,178	30,848,458	47,613,636	Grants and contributions not restricted to specific programs	
228,382	(228,382)	-	-	-	Transfers	
142,658,891	(226,122)	142,432,769	109,778,838	252,211,607	Total general revenues and transfers	
(889,102)	(1,815,405)	(2,704,507)	(2,017,840)	(4,722,347)	Change in net assets	
(7,326,698)	16,965,750	9,639,052	175,633,318	185,272,370	Net assets - beginning, as restated	
\$ (8,215,800)	\$ 15,150,345	\$ 6,934,545	\$ 173,615,478	\$ 180,550,023	Net assets - ending	

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FUND FINANCIAL STATEMENTS

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2011

	Primary Government					
	General Fund	Asset Replacement Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash, cash equivalents, and investments	\$ 19,975,431	\$ 1,750,844	\$ 11,895,048	\$ 445,920	\$ 4,312,584	\$ 38,379,827
Cash, cash equivalents, and investments - restricted	129,861	1,566,000	166,830	-	1,326,023	3,188,714
Receivables, net of allowance for uncollectibles:						
Taxes, including penalties	3,868,862	-	-	-	215,067	4,083,929
Accounts	1,043,311	3,597	100,932	-	1,067,708	2,215,548
Community organizations	20,000	-	-	-	-	20,000
Due from other funds	69,508	-	-	-	-	69,508
Inventories	50,162	-	-	-	465,587	515,749
Prepaid assets	36,762	-	761,553	-	95,244	893,559
Investments	999,910	-	-	-	-	999,910
Due from other governmental units	3,052,993	-	53,424	-	52,004	3,158,421
Advances to other funds	154,654	-	-	-	-	154,654
Total assets	29,401,454	3,320,441	12,977,787	445,920	7,534,217	53,679,819
Liabilities						
Accounts payable	1,315,553	453,981	57,810	-	283,700	2,111,044
Accrued liabilities	764,326	22,589	-	-	16,672	803,587
Other liabilities	24,963	-	275,557	-	-	300,520
Deferred revenue	2,892,890	-	-	-	528,277	3,421,167
Escrows	-	-	-	-	746,995	746,995
Total liabilities	4,997,732	476,570	333,367	-	1,575,644	7,383,313
Fund balances						
Nonspendable	241,578	-	761,553	-	95,244	1,098,375
Restricted	129,861	1,566,000	166,830	-	1,791,978	3,654,669
Committed	1,194,682	537,079	9,942,526	445,920	4,071,351	16,191,558
Assigned	5,778,089	740,792	1,773,511	-	-	8,292,392
Unassigned	17,059,512	-	-	-	-	17,059,512
Total fund balances	24,403,722	2,843,871	12,644,420	445,920	5,958,573	46,296,506
Total liabilities and fund balances	\$ 29,401,454	\$ 3,320,441	\$ 12,977,787	\$ 445,920	\$ 7,534,217	\$ 53,679,819

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 4

**Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets
June 30, 2011**

Total fund balances - governmental funds	\$	46,296,506
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Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds (excludes \$60,479 related to internal service fund assets and \$116,477 for future installment payments related to intangible assets.)

Non-depreciable/non-amortizable assets:

Land	20,873,378	
Construction in progress	2,009,995	

Depreciable/amortizable assets:

Buildings and improvements	50,180,537	
Infrastructure	14,155,834	
Equipment	12,049,948	

Less: Accumulated depreciation	(25,801,800)	
Subtotal depreciable assets	50,584,519	

Intangible assets	232,954	
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Less: Accumulated amortization	(174,715)	
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Subtotal amortizable assets	58,239	73,526,131
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Deferred taxes and EMS ambulance billing revenue represent amounts that were not available to fund current expenditures and therefore are not reported as revenue in the governmental funds.

Deferred tax revenue	2,829,465	
Deferred EMS ambulance billing revenue	359,001	3,188,466

Deferred charges, such as bond issuance costs, are non-capital costs that benefit future periods and therefore are not recognized in the governmental funds.	389,610
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Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(2,673,173)
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Internal service funds are used by management to charge the costs of fleet maintenance and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Assets

Current assets	6,495,698	
Capital assets	734,913	
Less: Accumulated depreciation	(674,434)	

Liabilities	(2,397,062)	4,159,115
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Capital leases	(5,455,024)	
Revenue bonds issued for utility projects	(1,945,000)	
Long term commitments (see note 10)	(17,778,766)	
General obligation bonds issued for schools	(94,715,000)	
Revenue bond	(5,430,000)	
Premium on bonds payable - School Board	(3,629,550)	
Premium on bonds payable - Primary government	(1,041,861)	
Deferred amount on refunding	277,418	
Compensated absences (excludes \$93,094 for internal service funds)	(3,384,672)	(133,102,455)

Net assets of governmental activities	\$	<u>(8,215,800)</u>
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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, 2011

	General Fund	Asset Replacement Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
General property taxes	\$ 107,302,091	\$ -	\$ -	\$ -	\$ 5,132,745	\$ 112,434,836
Other local taxes	12,445,397	-	-	-	-	12,445,397
Permits, privilege fees, and regulatory licenses	889,367	-	-	-	-	889,367
Fines and forfeitures	470,323	-	-	-	-	470,323
Revenue from use of money and property	497,761	-	3,320	-	6,596	507,677
Charges for services	885,938	33,591	-	-	1,074,247	1,993,776
Gifts and donations	2,604	-	-	-	174,694	177,298
Recovered costs	263,985	-	-	-	-	263,985
Miscellaneous revenue	179,550	250	-	445,672	437,373	1,062,845
Intergovernmental:						
Commonwealth of Virginia	25,675,673	-	297,781	-	603,965	26,577,419
Federal Government	2,937,173	-	219,523	-	517,428	3,674,124
Total revenues	151,549,862	33,841	520,624	445,672	7,947,048	160,497,047
Expenditures						
Current operating:						
General government	10,205,738	340,967	-	-	-	10,546,705
Judicial	2,974,541	-	-	-	-	2,974,541
Public safety	18,412,524	290,170	498,827	-	4,289,125	23,490,646
Public works	7,048,924	-	144,842	-	8,297	7,202,063
Health and welfare	9,889,115	-	-	-	-	9,889,115
Education	78,322,651	-	561,013	-	-	78,883,664
Parks, recreation, and cultural	4,722,277	68,334	992,678	-	23,253	5,806,542
Community development	4,361,011	-	303,567	-	2,987,538	7,652,116
Nondepartmental	649,715	-	-	-	-	649,715
Capital outlay	-	577,405	299,898	-	-	877,303
Debt service:						
Principal retirement	-	-	191,000	8,403,083	136,768	8,730,851
Interest charges	-	-	306,204	5,156,958	516,680	5,979,842
Bond issuance costs	-	43,500	100,278	-	-	143,778
Fiscal charges	-	-	41	6,602	-	6,643
Total expenditures	136,586,496	1,320,376	3,398,348	13,566,643	7,961,661	162,833,524
Excess (deficiency) of revenues over (under) expenditures	14,963,366	(1,286,535)	(2,877,724)	(13,120,971)	(14,613)	(2,336,477)
Other financing sources (uses)						
Transfers in	905,525	2,564,406	1,350,000	13,566,891	247,696	18,634,518
Transfers (out)	(16,368,696)	-	(1,374,310)	-	(905,525)	(18,648,531)
Issuance of debt	-	1,566,000	-	-	-	1,566,000
Issuance of refunding bonds	-	-	5,430,000	-	-	5,430,000
Payments to refunded bonds escrow agent	-	-	(5,962,000)	-	-	(5,962,000)
Premiums on issuance of debt	-	-	657,736	-	-	657,736
Total other financing sources (uses)	(15,463,171)	4,130,406	101,426	13,566,891	(657,829)	1,677,723
Net change in fund balances	(499,805)	2,843,871	(2,776,298)	445,920	(672,442)	(658,754)
Fund balances, beginning, as restated	24,903,527	-	15,420,718	-	6,631,015	46,955,260
Fund balances, ending	\$ 24,403,722	\$ 2,843,871	\$ 12,644,420	\$ 445,920	\$ 5,958,573	\$ 46,296,506

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, 2011**

Net change in fund balances - total governmental funds	\$	(658,754)
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Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

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

Capital outlays	4,289,680	
Depreciation expense (less \$10,643 for internal service funds)	<u>(3,604,548)</u>	685,132

In the statement of activities, only the gain (loss) on capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold (excludes \$6,229 related to an asset transfer from an internal service fund to a governmental fund).

(934,943)

Governmental funds do not record the receipt of capital assets transferred from proprietary funds, but the transfer of these assets is recorded in the Statement of Activities.

276,192

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 deferred revenue	3,188,466	
Less prior year's deferred revenue	<u>(4,179,395)</u>	(990,929)

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.

(1,112,129)

The reduction in the payment for the Annual Required Contribution to the Other Postemployment Benefits Plan is due to a net OPEB asset from the prior year. This amount is not recorded as an expenditure in the governmental funds.

(18,000)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Add debt principal repayment	14,556,084	
Add amortization of bond payable premiums	581,357	
Add deferred loss on refunding	1,534	
Add long term commitment principal repayment	136,768	
Less debt proceeds	(6,996,000)	
Less premium on new debt	(657,736)	
Less amortization of deferred loss on refunding	<u>(74,252)</u>	7,547,754

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 addition to long term commitments	(5,703,000)	
Add current year bond issuance costs	143,778	
Less amortization of bond issuance costs	(129,933)	
Add prior year's arbitrage liability	2,586	
Less current year's compensated absences (excludes \$1,275 for internal service funds)	(3,479,041)	
Add prior year's compensated absences	3,394,309	
Less current year's accrued interest payable	(2,673,173)	
Add prior year's accrued interest payable	<u>2,761,049</u>	(5,683,425)

Change in net assets of governmental activities	\$	<u>(889,102)</u>
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The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF FAUQUIER, VIRGINIA

**Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2011**

**Exhibit 7
Page 1 of 4**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ 105,023,472	\$ 105,023,472	\$ 107,302,091	\$ 2,278,619
Other local taxes	15,772,765	12,550,000	12,445,397	(104,603)
Permits, privilege fees, and regulatory licenses	1,156,735	1,156,735	889,367	(267,368)
Fines and forfeitures	489,000	489,000	470,323	(18,677)
Revenue from use of money and property	700,646	700,646	497,761	(202,885)
Charges for services	1,012,652	1,012,652	885,938	(126,714)
Gifts and donations	1,000	2,600	2,604	4
Recovered costs	135,200	164,572	263,985	99,413
Miscellaneous revenue	124,930	197,230	179,550	(17,680)
Intergovernmental:				
Commonwealth of Virginia	22,903,716	26,486,126	25,675,673	(810,453)
Federal Government	2,347,322	3,549,273	2,937,173	(612,100)
Total revenues	149,667,438	151,332,306	151,549,862	217,556
Expenditures				
Current operating:				
General government:				
Legislative:				
Board of supervisors	255,785	259,241	251,203	8,038
General and financial administration:				
County administrator	701,756	713,779	691,526	22,253
County attorney	607,416	694,694	691,980	2,714
Independent auditor	123,411	125,374	125,374	-
Commissioner of the revenue	1,215,289	1,240,425	1,223,023	17,402
Treasurer	984,747	1,006,149	986,671	19,478
Information technology	2,436,490	2,958,163	2,788,452	169,711
Human resources	1,546,004	1,396,276	1,149,229	247,047
Finance	1,361,326	1,348,350	1,342,778	5,572
Office of management and budget	395,955	395,955	380,220	15,735
Geographic information systems	279,525	279,525	272,397	7,128
Total general and financial administration	9,651,919	10,158,690	9,651,650	507,040
Board of elections:				
Registrar	394,997	394,997	302,885	92,112
Total general government	\$ 10,302,701	\$ 10,812,928	\$ 10,205,738	\$ 607,190

COUNTY OF FAUQUIER, VIRGINIA

**Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2011**

**Exhibit 7
Page 2 of 4**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance From Amended Positive (Negative)</u>
Expenditures (continued)				
Current operating: (continued)				
Judicial:				
Courts:				
Circuit court	\$ 131,156	\$ 131,156	\$ 127,282	\$ 3,874
General district court	16,485	19,298	19,298	-
Magistrates	87,773	87,773	65,165	22,608
Juvenile and domestic relations district court	11,366	15,242	11,032	4,210
Clerk of the circuit court	1,045,858	1,034,847	1,014,172	20,675
Adult court services	876,167	865,071	843,688	21,383
Commissioner of accounts	2,400	2,400	2,400	-
Total courts	<u>2,171,205</u>	<u>2,155,787</u>	<u>2,083,037</u>	<u>72,750</u>
Commonwealth's attorney:				
Commonwealth's attorney	907,363	915,735	891,504	24,231
Total judicial	<u>3,078,568</u>	<u>3,071,522</u>	<u>2,974,541</u>	<u>96,981</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	11,013,060	11,046,830	10,811,984	234,846
Joint communications	2,077,878	2,059,069	1,988,815	70,254
Total law enforcement and traffic control	<u>13,090,938</u>	<u>13,105,899</u>	<u>12,800,799</u>	<u>305,100</u>
Emergency services administration:				
Emergency services	2,911,898	3,952,165	3,425,119	527,046
Correction and detention:				
Sheriff	567,328	570,250	535,886	34,364
CFW regional jail	1,409,816	1,409,816	1,409,816	-
Probation office	4,284	4,284	2,643	1,641
Juvenile detention and crime control	305,173	305,173	238,261	66,912
Total correction and detention	<u>2,286,601</u>	<u>2,289,523</u>	<u>2,186,606</u>	<u>102,917</u>
Total public safety	<u>18,289,437</u>	<u>19,347,587</u>	<u>18,412,524</u>	<u>935,063</u>
Public works:				
Sanitation and waste removal:				
Solid waste operations	2,696,873	2,600,689	2,590,736	9,953
General buildings and grounds maintenance:				
General services	5,027,724	4,804,820	4,458,188	346,632
Total public works	<u>\$ 7,724,597</u>	<u>\$ 7,405,509</u>	<u>\$ 7,048,924</u>	<u>\$ 356,585</u>

COUNTY OF FAUQUIER, VIRGINIA

Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2011

Exhibit 7
Page 3 of 4

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Current operating: (continued)				
Health and welfare:				
Health:				
Supplement of local health department	\$ 490,063	\$ 490,063	\$ 490,063	\$ -
Welfare:				
Institutional care	347,009	347,009	347,009	-
Social services	5,519,619	6,022,912	5,797,767	225,145
Comprehensive services act	3,002,380	3,254,276	3,254,276	-
Total welfare	8,869,008	9,624,197	9,399,052	225,145
Total health and welfare	9,359,071	10,114,260	9,889,115	225,145
Education:				
Contribution to component unit – School Board	76,892,228	79,204,072	78,280,881	923,191
Community colleges	41,770	41,770	41,770	-
Total education	76,933,998	79,245,842	78,322,651	923,191
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	3,248,014	3,282,667	2,822,093	460,574
Library:				
Public library	1,922,097	1,905,444	1,900,184	5,260
Total parks, recreation, and cultural	5,170,111	5,188,111	4,722,277	465,834
Community development:				
Planning and community development:				
Water resource management	45,836	19,634	19,634	-
Community development	3,406,369	3,733,966	3,490,649	243,317
Planning	148,207	154,207	130,724	23,483
Economic development	415,200	425,300	416,300	9,000
Agriculture development	37,980	60,007	60,007	-
Total planning and community development	4,053,592	4,393,114	4,117,314	275,800
Environmental management:				
Soil and water conservation district	137,118	137,118	137,118	-
Cooperative extension program:				
VPI extension	126,982	129,982	106,579	23,403
Total community development	\$ 4,317,692	\$ 4,660,214	\$ 4,361,011	\$ 299,203

COUNTY OF FAUQUIER, VIRGINIA

**Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
General Fund
Fiscal Year Ended June 30, 2011**

**Exhibit 7
Page 4 of 4**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Current operating: (continued)				
Nondepartmental:				
Nondepartmental operations	\$ 1,530,393	\$ 1,822,964	\$ 649,715	\$ 1,173,249
Total expenditures	136,706,568	141,668,937	136,586,496	5,082,441
Excess (deficiency) of revenues over (under) expenditures	12,960,870	9,663,369	14,963,366	5,299,997
Other financing sources (uses)				
Transfers in	585,453	935,525	905,525	(30,000)
Transfers (out)	(14,960,823)	(16,370,683)	(16,368,696)	1,987
Total other financing sources (uses)	(14,375,370)	(15,435,158)	(15,463,171)	(28,013)
Net change in fund balances	(1,414,500)	(5,771,789)	(499,805)	5,271,984
Fund balances, beginning	24,903,527	24,903,527	24,903,527	-
Fund balances, ending	\$ 23,489,027	\$ 19,131,738	\$ 24,403,722	\$ 5,271,984

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

COUNTY OF FAUQUIER, VIRGINIA

**Exhibit 8
Page 1 of 2**

**Statement of Net Assets
Proprietary Funds
June 30, 2011**

	Business-Type Activities – Enterprise Funds			Governmental Activities Internal Service Funds
	Airport Fund	Landfill and Recycling Fund	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 1,150,152	\$ 1,150,152	\$ 6,213,880
Receivables, net of allowance for uncollectibles	43,425	329,748	373,173	103,527
Inventories	37,022	-	37,022	172,181
Prepaid assets	700	-	700	-
Due from other governmental units	19,213	-	19,213	6,110
Total current assets	100,360	1,479,900	1,580,260	6,495,698
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	323,193	239,837	563,030	-
Intangible assets	112,060	-	112,060	-
Capital assets (depreciable/amortizable):				
Cell improvements	-	8,289,523	8,289,523	-
Buildings and improvements	2,977,276	4,013,687	6,990,963	349,000
Infrastructure	10,695,439	854,306	11,549,745	-
Machinery and equipment	348,953	2,321,313	2,670,266	385,913
Accumulated depreciation/amortization	(6,736,247)	(5,878,614)	(12,614,861)	(674,434)
Total capital assets	14,333,352	11,286,501	25,619,853	60,479
Total noncurrent assets	14,423,519	11,286,501	25,710,020	60,479
Total assets	\$ 14,523,879	\$ 12,766,401	\$ 27,290,280	\$ 6,556,177

COUNTY OF FAUQUIER, VIRGINIA

**Statement of Net Assets
Proprietary Funds
June 30, 2011**

**Exhibit 8
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	\$ 20,137	\$ 202,730	\$ 222,867	\$ 224,005
Accrued and other liabilities	9,524	30,823	40,347	11,480
Due to other funds	69,508	-	69,508	-
Unearned revenue	-	-	-	339,505
Current portion of compensated absences	1,191	8,844	10,035	9,309
Current portion of incurred but not reported claims	-	-	-	432,245
Current portion of capital leases payable	-	298,000	298,000	-
Total current liabilities	100,360	540,397	640,757	1,016,544
Noncurrent liabilities:				
Accrued closure and post-closure liability	-	11,254,210	11,254,210	-
Advances from other funds	154,654	-	154,654	-
Non current portion of compensated absences	10,715	79,599	90,314	83,785
Noncurrent portion of incurred but not reported claims	-	-	-	1,296,733
Total noncurrent liabilities	165,369	11,333,809	11,499,178	1,380,518
Total liabilities	265,729	11,874,206	12,139,935	2,397,062
Net Assets				
Invested in capital assets, net of related debt	14,333,352	10,988,501	25,321,853	60,479
Unrestricted (deficit)	(75,202)	(10,096,306)	(10,171,508)	4,098,636
Total net assets	14,258,150	892,195	15,150,345	4,159,115
Total liabilities and net assets	\$ 14,523,879	\$ 12,766,401	\$ 27,290,280	\$ 6,556,177

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 9

**Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
Fiscal Year Ended June 30, 2011**

	Business-Type Activities – Enterprise Funds			Governmental Activities Internal Service Funds
	Airport Fund	Landfill and Recycling Fund	Total	
Operating revenues				
Charges for services	\$ 296,585	\$ 3,283,714	\$ 3,580,299	\$ 22,447,115
Recycling revenues	-	899,826	899,826	-
Fuel	426,089	-	426,089	-
Total operating revenues	722,674	4,183,540	4,906,214	22,447,115
Operating expenses				
Cost of goods sold	338,896	-	338,896	-
Personal services	159,970	907,418	1,067,388	562,418
Fringe benefits	44,933	292,083	337,016	220,124
Claims and benefits paid	-	-	-	15,879,750
Premiums	-	-	-	3,925,250
Contractual services	77,537	1,967,403	2,044,940	206,145
Other operating expenses	104,252	408,288	512,540	2,261,680
Contribution to OPEB Trust Fund	-	-	-	478,000
Closure and post closure costs	-	457,813	457,813	-
Depreciation	1,171,187	834,272	2,005,459	10,643
Total operating expenses	1,896,775	4,867,277	6,764,052	23,544,010
Operating income (loss)	(1,174,101)	(683,737)	(1,857,838)	(1,096,895)
Nonoperating revenues (expenses)				
Interest income	-	2,260	2,260	18,563
Operating grants - Local	15,856	1,000	16,856	-
Operating grants - Commonwealth of Virginia	9,166	16,143	25,309	-
Operating grants - Federal Government	15,980	-	15,980	-
Total nonoperating revenues (expenses)	41,002	19,403	60,405	18,563
Income (loss) before capital contributions and transfers	(1,133,099)	(664,334)	(1,797,433)	(1,078,332)
Capital contributions - Commonwealth of Virginia	6,441	-	6,441	-
Capital contributions - Federal Government	203,969	-	203,969	-
Transfers in	14,013	-	14,013	-
Transfers (out)	-	(242,395)	(242,395)	(33,797)
Change in net assets	(908,676)	(906,729)	(1,815,405)	(1,112,129)
Net assets - beginning	15,166,826	1,798,924	16,965,750	5,271,244
Net assets - ending	\$ 14,258,150	\$ 892,195	\$ 15,150,345	\$ 4,159,115

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 10

Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2011

	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	\$ 757,116	\$ 4,226,293	\$ 4,983,409	\$ 22,434,459
Payment to suppliers and other operating activities	(525,942)	(2,434,730)	(2,960,672)	(22,116,386)
Payment to employees (including fringes)	(209,001)	(1,186,413)	(1,395,414)	(782,154)
Contribution to OPEB Trust Fund	-	-	-	(478,000)
Federal COBRA premium subsidy	-	-	-	2,289
Net cash provided by (used in) operating activities	22,173	605,150	627,323	(939,792)
Cash Flow from Noncapital Financing Activities				
Transfers in	14,013	-	14,013	-
Transfers (out)	-	(242,395)	(242,395)	(33,797)
Repayment of interfund obligation	(96,865)	-	(96,865)	-
Operating grants	44,719	17,143	61,862	-
Net cash provided by (used in) noncapital financing activities	(38,133)	(225,252)	(263,385)	(33,797)
Cash Flow from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(199,174)	31,797	(167,377)	6,229
Principal paid on debt	-	(298,000)	(298,000)	-
Interest and other fiscal cost on debt	-	(22,946)	(22,946)	-
Capital contributions	215,134	-	215,134	-
Net cash provided by (used in) capital and related financing activities	15,960	(289,149)	(273,189)	6,229
Cash Flow from Investing Activities				
Interest	-	2,260	2,260	18,563
Net cash provided by investing activities	-	2,260	2,260	18,563
Net increase (decrease) in cash and cash equivalents	-	93,009	93,009	(948,797)
Cash and cash equivalents - beginning of the year	-	1,057,143	1,057,143	7,162,677
Cash and cash equivalents - end of the year	-	1,150,152	1,150,152	6,213,880
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Cash flows from operations:				
Operating income (loss)	(1,174,101)	(683,737)	(1,857,838)	(1,096,895)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,171,187	834,272	2,005,459	10,643
Changes in operating assets and liabilities:				
Decrease in receivables	34,442	42,753	77,195	11,083
Increase in incurred but not reported claims	-	-	-	148,254
Decrease in inventory	3,152	-	3,152	59,347
Decrease in Federal COBRA premium subsidy	-	-	-	2,289
Decrease in prepaid assets	3,600	89	3,689	-
(Decrease) in accounts payable	(12,009)	(59,128)	(71,137)	(51,162)
Increase in landfill closure and post-closure costs	-	457,813	457,813	-
(Decrease) in unearned revenue	-	-	-	(23,739)
Increase (decrease) in accrued liabilities	(4,098)	13,088	8,990	388
Net cash provided by (used in) operating activities	\$ 22,173	\$ 605,150	\$ 627,323	\$ (939,792)

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

COUNTY OF FAUQUIER, VIRGINIA**Exhibit 11****Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011**

	Pension (and other employee benefit) Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 170,080
Cash in custody of others	-	86,297
Assets held in trust for pool participants	1,258,355	-
Assets held in trust for OPEB	1,660,527	-
Receivables, net of allowance for uncollectibles:		
Accounts	-	16,568
Total assets	<u>2,918,882</u>	<u>272,945</u>
Liabilities		
Accrued liabilities	-	16,275
Amounts held for clients/others	-	256,670
Total liabilities	<u>-</u>	<u>\$ 272,945</u>
Net Assets		
Held in trust for pool participants	1,258,355	
Held in trust for OPEB benefits	<u>1,660,527</u>	
Total net assets	<u>2,918,882</u>	
Total liabilities and net assets	<u>\$ 2,918,882</u>	

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

Statement of Changes in Fiduciary Net Assets
Pension (and other employee benefit) Trust Funds
Fiscal Year Ended June 30, 2011

	Pension (and other employee benefit) Trust Funds
	<hr/>
Additions	
Contribution for beneficiary	\$ 761,192
Investment income	<hr/> 261,783
Total additions	<hr/> 1,022,975
Deductions	
Members' benefits	95,576
Annuity contracts	59,000
Insurance	81,837
Administrative fees	<hr/> 7,714
Total deductions	<hr/> 244,127
Change in net assets	778,848
Net assets - beginning	<hr/> 2,140,034
Net assets - ending	\$ <hr/> <hr/> 2,918,882

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

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NOTES TO FINANCIAL STATEMENTS

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COUNTY OF FAUQUIER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting entity

The County of Fauquier, Virginia (the County) is organized under the traditional (modified) form of government. The governing body of the County is the Board of Supervisors (the Board), which establishes policies for the administration of the County. The Board appoints a County Administrator to serve as the administrative manager of the County. The accompanying financial statements present the government and its component unit; the Fauquier County School Board, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements and is reported in the supplemental information section.

Component Units – Component Units are entities for which the primary government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The County has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the government. The Fauquier County School Board (the School Board) is the only component unit of the County.

The School Board is responsible for the elementary and secondary education in the County. School Board members are elected by the voters by magisterial districts. The School Board does not have separate taxing authority and is therefore fiscally dependent upon the County. The County provides significant funding for school operating and capital needs, approves the School Board's budget, levies taxes as necessary, and approves all debt issuances. The Fauquier County School Board does not issue separate financial statements. The School Board consists of the following governmental funds:

The *School General Fund* accounts for and reports financial resources that are restricted or assigned to expenditure 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 that are restricted or assigned to expenditure for major maintenance and systems replacement, renovations, and major asset replacements for the schools.

The *School Textbook Fund* accounts for and reports financial resources that are restricted or assigned to 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 that are restricted or assigned to expenditure 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 seven school divisions for the purpose of operating the Mountain Vista Governor's School. The County serves as the fiscal agent for these funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

B. Government-wide and fund financial statements

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

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

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

Fund financial statements – The accounts of the reporting entity are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for in a set of self-balancing accounts comprised of assets, liabilities, fund balance, revenue and expenditures or expenses, as appropriate. The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate financial statements are provided for each fund category (governmental funds, proprietary funds, and fiduciary funds). The emphasis of fund financial statements is on major governmental and enterprise fund categories with each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

The government-wide financial, proprietary, and fiduciary fund statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* except for agency funds which are custodial in nature (assets equal liabilities) and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds are custodial in nature and do not include measurement of results of operations.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within two months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within two months after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the County.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The County reports the following major fund types:

The *General Fund* is the government's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

The *Asset Replacement Fund* accounts for and reports financial resources that are restricted, committed, or assigned to the expenditure for major maintenance and systems replacement, renovations, and major asset replacements for the County.

The *Capital Projects Fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure 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 that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service.

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

The County reports the following non-major fund types:

The *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. Special Revenue Funds consist of the Parks and Recreation Fund, Library Fund, Conservation Easement Service District Fund, Marshall Electric Light and Business Improvement District Fund, Fire and Rescue Fund, Ambulance Revenue Fund, Proffer Fund, Affordable Housing Fund, and Vint Hill Transportation Proffer Fund.

The County reports the following additional fund types:

The *Fiduciary Funds* account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The Pension (and other employee benefit) Trust Funds account for assets held in trust by the County for employees and beneficiaries of its Fire and Rescue Pension Trust Length of Service Awards Fund and for the costs of health care and other non-pension benefits offered to retirees in its Other Postemployment Benefit Plans Fund. Agency funds include the Working Together Fund, Special Welfare Fund, Detention Center Fund, and Service to Outside Agencies Fund.

The *Internal Service Funds* are proprietary funds used to account for the provision of vehicle services and health benefits for employees and retirees that are provided to County departments on a cost reimbursement basis. These funds are included in the governmental activities for government-wide reporting purposes. Any excess revenue over expenses for these funds is allocated to the appropriate functional activity. The operations of these funds are generally intended to be self-supporting.

Private-sector standards of accounting and financial reporting issued after November 30, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments, restricted to meeting operational or capital requirements of a particular function. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Taxes and other items not included in program revenues are reported as general revenues.

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

D. Assets, liabilities, and net assets or fund balance

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The County maintains a single cash and investment pool for use by all funds and its component unit, except for the Fire and Rescue Pension Trust Length of Service Awards Fund, the Other Postemployment Benefit Plans Fund, the Working Together Fund, the Special Welfare Fund, the School Board Crockett Scholarship Private-Purpose Trust Fund, and the School Board School Activity Fund. Investments for the government, as well as for its component unit, are reported at fair value based on quoted market prices. Each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed quarterly based on average daily balances of specific funds receiving interest income. A "zero balance accounts" mechanism provides for daily sweeps of deposits made to the County's checking accounts, resulting in an instantaneous transfer to the investment account. Hence, the majority of the County's funds are invested at all times. The State Treasurer's Local Government Investment Pool (LGIP) operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Bond proceeds are maintained to comply with the provisions of the Internal Revenue Tax Code and various bond indentures. Bond proceeds are deposited in the Virginia State Non-Arbitrage Program (SNAP). Values of shares in the SNAP reflect fair value.

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

2. Inter-fund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of the inter-fund loans). Noncurrent portions of long-term inter-fund loans receivable and amounts due from other governments are equally offset by a fund balance reserve account which indicates they do not constitute available expendable resources and therefore are not available for appropriation. All other outstanding balances between funds are reported as "due to/from other

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

3. Inventory and prepaid items

Inventory is valued at cost using the first-in, first-out method. Inventories of governmental funds, component units, certain internal service funds, and enterprise funds consist of expendable supplies held for consumption. The costs are recorded as expenditures when purchased rather than when consumed. Reported inventories for governmental funds and component units are classified as nonspendable fund balance as these funds are not in spendable form. The County participates in the Neighborhood Stabilization Program (NSP). These assets are reported at their lower of cost or market, or net realizable values.

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

On September 24, 2008, the County agreed to contribute a total of \$938,000 to the SCPA for the construction and secured use of a new intake building in exchange for the SCPA’s impound and care for all animals turned in by residents of the County, in accordance with section 3.2-6546 of the *Code of Virginia*, as amended, and all pertinent County Ordinances. This contribution is a 15 year prepayment of \$62,268 annual rent and constitutes approximately two thirds of the cost of construction of the intake building. As of the end of FY 2011, the unamortized prepaid balance is \$761,553. With the execution of the agreement by the County, the SCPA executed a lease authorizing the County to use the intake building for a period of 15 years for the purpose of performing its animal control functions pursuant to section 3.2-6546 of the *Code of Virginia*.

4. Property taxes

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

5. Allowance for uncollectible accounts

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

6. Use of estimates

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

7. Restricted assets

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

8. Capital assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government defines capital assets, other than infrastructure assets, as assets with an initial, individual cost of at least \$5,000 per unit (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital projects are defined as acquisition and improvements of assets with an initial cost of at least \$50,000. Major outlays for capital assets and improvements are capitalized when completed. No interest was capitalized during the current or previous year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

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

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

Property, plant, equipment, and intangible assets of the primary government, as well as the component unit, are depreciated using the straight line method generally over the following estimated useful lives:

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

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

9. Component unit capital assets

By law, the School Board does not have taxing authority. As such, it cannot incur debt through general obligation bonds to fund the acquisition of, construction of, or improvements to its capital assets. That responsibility lies with the local governing body, the County, who issues the debt on behalf of the School Board. The School Board holds title to the capital assets (buildings and equipment) and is responsible for maintenance and insurance. The book value of all school capital assets is reflected as an asset in the School Board Statement of Net Assets, while the debt is reflected as a liability on the County's statement of net assets.

10. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In governmental fund types, the cost of vacation and sick pay benefits (compensated absences) is recognized when payments are made to employees. A liability for all governmental fund type vacation and sick pay benefits is recorded as a liability in the government-wide statement of net assets. All vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in the asset section (Exhibit 1), net of the amortization over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Encumbrances

The County uses encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Encumbrances represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders are completed. Encumbered amounts lapse at year end, however after review they generally are re-appropriated as part of the following year's budget.

With the implementation of GASB Statement No. 54, encumbrances are no longer separately reported as a component of the fund balance of the fund statements. Significant encumbrances as of June 30, 2011 are:

	<u>Committed</u>	<u>Assigned</u>	<u>Total</u>
Primary government			
General Fund	\$ -	\$ 396,104	\$ 396,104
Capital Projects Fund	<u>1,616,577</u>	<u>-</u>	<u>1,616,577</u>
Total primary government encumbrances	<u>\$ 1,616,577</u>	<u>\$ 396,104</u>	<u>\$ 2,012,681</u>
 Component unit - School Board			
School General Fund	\$ -	\$ 265,739	\$ 265,739
Total component unit - School Board encumbrances	<u>\$ -</u>	<u>\$ 265,739</u>	<u>\$ 265,739</u>

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. Fund balance

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

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

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

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

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

14. Net assets

Net assets are comprised of three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The first category reflects the portion of net assets which is associated with non-liquid, capital assets, less the outstanding debt (net) related to these capital assets. The related debt (net) is the debt less the unspent bond proceeds and any associated unamortized costs. Restricted net assets are assets whose use is subject to constraints that are either externally imposed by creditors or imposed by law. Examples include proffers, grant funds, and contributions for a specific purpose. Net assets which are neither restricted nor related to capital assets are reported as unrestricted net assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County issues debt to finance the construction of school facilities for the School Board because the School Board does not have borrowing or taxing authority. The County reports this debt, whereas the School Board reports the related capital assets. As a result, in the Statement of Net Assets (Exhibit 1), the debt reduces *unrestricted net assets* for the primary government, while the capital assets are reported in *net assets invested in capital assets, net of related debt* for the School Board. Because this debt is related to capital assets of the reporting entity as a whole, the debt amount of \$98,344,550 is reclassified as shown below to present the total reporting entity column of Exhibit 1.

Net assets (summarized)	Primary Government	Component Unit	Reclassification of Debt Issued for:		Total Reporting Entity
			Public Schools	Facilities	
Invested in capital assets, net of related debt	\$ 94,094,056	\$ 175,414,006	\$ (98,344,550)		\$ 171,163,512
Restricted for:					
Parks, recreation, and cultural	334,450	-	-		334,450
Public safety	226,390	-	-		226,390
Public works	33,632	-	-		33,632
Proffers	785,150	-	-		785,150
Affordable housing	537,516	-	-		537,516
Capital projects	166,830	-	-		166,830
Asset replacement	1,566,000	-	-		1,566,000
Education	-	5,000	-		5,000
Other	4,701	-	-		4,701
Unrestricted (deficit)	<u>(90,814,180)</u>	<u>(1,803,528)</u>	<u>98,344,550</u>		<u>5,726,842</u>
Total net assets	\$ <u>6,934,545</u>	\$ <u>173,615,478</u>	\$ <u>-</u>		\$ <u>180,550,023</u>

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits – All cash of the primary government and its discretely presented component unit is maintained in bank accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 of the *Code of Virginia* or covered by federal depository insurance (FDIC).

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

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

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

Other Postemployment Benefits (OPEB) – The primary government and component unit's OPEB trust fund are participants in the Virginia Pooled OPEB Trust. Funds of participating jurisdictions are pooled and invested in the name of the Virginia Pooled OPEB Trust. The primary government's and component unit's shares in this pool are reported on the face of the OPEB trust fund statements as found in Exhibit 29 of the CAFR. The Board of Trustees of the Virginia Pooled OPEB Trust has adopted an investment policy to achieve a compounded annualized total rate of return over a market cycle, including current income and capital appreciation, in excess of 5.0% after inflation, consistent with prudent risk-taking. Investment decisions for the funds' assets are made by the Board of Trustees. The Board of Trustees establishes investment objectives, risk tolerance, and asset allocation policies in light of market and economic conditions, and generally prevailing prudent investment practices. The Board of Trustees also monitors the investments through the appointment and oversight of investment managers and ensures adherence to the adopted policies and guidelines. Specific investment information for the Virginia Pooled OPEB Trust can be obtained by writing to VML/VACo Finance Program, 1108 East Main Street, Richmond, Virginia 23219.

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

The County and its discretely presented component units' investments are subject to interest rate, credit, concentration of credit, and custodial credit risk as described below.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from 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, 2011. WAM expresses investment time horizons, the time when investments become due and payable, weighted to reflect the dollar size of the individual investments within an investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type. For purposes of the WAM calculation, the County assumes that all of its investments will be held to maturity.

Fair Value and Weighted Average Maturity of Investments at June 30, 2011:

	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Money Market/Money Market Mutual Funds:		
Pooled Investments:		
State Treasurer's Local Government Investment Pool (LGIP) \$	27,795,633	0.0027
U.S. Government Agency Securities	999,910	3.9068
Restricted Investments:		
Virginia State Non-Arbitrage Program (SNAP)	<u>24,697</u>	0.0027
Total Investments	<u>\$ 28,820,240</u>	0.1382

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

Concentration of Credit Risk – The County places a limit on the amount it may invest with any one issuer as follows: 25% certificates of deposit and municipal securities; 35% commercial paper; 40% bankers acceptances; 50% repurchase agreements; and up to 100% for state investment pools, US treasury bills and notes, and other U.S. Government agencies.

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

The County's ratings and policy limits as of June 30, 2011, are as follows:

Investment Type	Investment Policy Limit	Credit Quality (Rating)	Credit Exposure as a % of Total Investment
Money Market/Money Market Mutual Funds:			
State Treasurer's Local Government Investment Pool (LGIP)	100%	AAA	61%
Virginia State Non-Arbitrage Program (SNAP)	100%	AAA	1%
 Demand deposit account	 50%	 AAA	 36%
U.S. Government Agency Securities	100%	AAA	2%
Certificates of deposit	25%	-	
			<hr/> 100%

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

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

Reconciliation of total cash, cash equivalents, and investments to the entity-wide financial statements at June 30, 2011, are as follows:

	Total Cash, Cash Equivalents, and Investments
Primary Government and discretely presented component unit – School Board:	
Total Investments	\$ 28,820,240
Add: Cash on Hand – Treasurer’s Office	1,000
Cash on Hand – Departments	16,340
Cash – Detention Center	86,297
Deposits and certificates of deposit	<u>35,150,379</u>
Total Reporting Entity Cash, Cash Equivalents, and Investments	<u>\$ 64,074,256</u>

	Exhibit 1			Component Unit	Reporting Entity
	Primary Government			School Board	Total
	Governmental Activities	Business- Type Activities	Total		
Cash, cash equivalents, and investments	\$ 44,593,707	\$ 1,150,152	\$ 45,743,859	\$ 10,682,468	\$ 56,426,327
Cash, cash equivalents, and investments- restricted	3,188,714	-	3,188,714	5,000	3,193,714
Investments	<u>999,910</u>	<u>-</u>	<u>999,910</u>	<u>-</u>	<u>999,910</u>
Total	<u>\$ 48,782,331</u>	<u>\$ 1,150,152</u>	<u>\$ 49,932,483</u>	<u>\$ 10,687,468</u>	<u>\$ 60,619,951</u>

	Exhibit 11			Exhibit 40 Component Unit	
	Primary Government			Fiduciary Unit	Total Fiduciary Funds
	Fiduciary Funds (held by County)	Fiduciary Funds (cash on deposit with County)	Total	Fiduciary Funds (cash on deposit with County)	
Cash and cash equivalents	\$ -	\$ 170,080	\$ 170,080	\$ 279,046	\$ 449,126
Cash in custody of others	86,297	-	86,297	-	86,297
Assets held in trust for pool participants	1,258,355	-	1,258,355	-	1,258,355
Assets held in trust for OPEB	<u>1,660,527</u>	<u>-</u>	<u>1,660,527</u>	<u>-</u>	<u>1,660,527</u>
Total	<u>\$ 3,005,179</u>	<u>\$ 170,080</u>	<u>\$ 3,175,259</u>	<u>\$ 279,046</u>	<u>\$ 3,454,305</u>

Total Reporting Entity \$ 64,074,256

School Activity Funds (Exhibit 40) cash in custody of others \$ 1,459,369

The amount of \$279,046 reported for Exhibit 40 represents cash on deposit with the County for the Mountain Vista Regional Governor’s School.

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

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

Restricted Cash and Investments at June 30, 2011:**Primary Government****General Fund:**

Grant and seizure funds	\$ 125,160
SNAP Arbitrage (1996)	<u>4,701</u>
Total General Fund	<u>129,861</u>

Asset Replacement Fund:

SCBA Equipment Lease	<u>1,566,000</u>
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Capital Projects Fund:

General Obligation Bond Proceeds	19,996
Restricted donations	<u>146,834</u>
Total Capital Projects Fund	<u>166,830</u>

Other Governmental Funds:

Parks & Recreation donations	216,142
Library donations	118,308
Marshall Electric Light and Business Improvement District	33,264
Fire & Rescue USDA Reserve	101,230
Proffers	584,612
Affordable housing grants	71,929
Vint Hill Transportation Proffer	<u>200,538</u>

Total Other Governmental Funds	<u>1,326,023</u>
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Total Primary Government Restricted Cash and Investments	<u>3,188,714</u>
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Component unit - School Board**School General Fund:**

Grant funds	<u>5,000</u>
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Total Restricted Cash and Investments	<u><u>\$ 3,193,714</u></u>
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NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are legally adopted for all governmental funds on a basis consistent with generally accepted accounting principles (GAAP) except for the Parks and Recreation Special Revenue Fund, the Marshall Electric Light and Business Improvement District Special Revenue Fund, and all agency funds.

Prior to February 28th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1st. The operating and capital budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain citizen comments. Prior to April 1st, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places a legal level of budgetary control, the level at which expenditures may not legally exceed appropriations, at the department level.

To address changes to the fiscal plan, the Board of Supervisors has adopted a policy for processing adjustments to the adopted budget. An intra-departmental transfer moves budget authority from one line item to another line item in the same department. The Office of Management and Budget approves all intra-departmental transfers. Departments must reconcile personnel, operations, and capital budgets with expenditures on a category basis. An inter-departmental transfer moves budget authority between two departments or agencies in the same fund. The Office of Management and Budget has approval authority for inter-departmental transfers totaling less than \$50,000. The County Administrator has inter-departmental approval authority for transfers equal to or above \$50,000. Transfers between personnel and non-personnel categories are by exception, subject to County Administrator approval. The Board of Supervisors has approval authority for all transfer requests involving new positions, multi-year commitments, and contingency reserves, based on the recommendations of the Finance Committee, and/or the Personnel, Public Safety, and Facilities Planning and Implementation committees, when applicable. Staff is granted authority to carry forward budgets for unexpended grants, encumbrances, and capital project budgets as part of the year-end closeout. A public hearing is required for supplemental appropriations in excess of 1.00% of the total appropriation as specified in Section 15.2-2507 of the *Code of Virginia*. All requests for supplemental appropriations and transfers between CIP projects require Board of Supervisors' approval upon recommendation by the Finance Committee.

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

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds subject to the Board of Supervisors' expenditure authority, as well as the Capital Projects Fund. The School Funds are integrated only at the level of legal adoption for the School General Fund, School Textbook Fund, and School Nutrition Fund. All budgetary data presented in the accompanying financial statements reflects the originally adopted budget and the amended budget compared to actual results as of June 30th.

B. Excess of expenditures over appropriations

For the year ended June 30, 2011, the School Nutrition Fund had expenditures exceeding appropriations by \$6,762.

C. Deficit fund balance

As of June 30, 2011, there were no funds with deficit fund balance.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2011, consist of the following:

Primary Government

	General Fund	Asset Replacement Fund	Capital Projects Fund	Nonmajor Governmental Funds	Business-Type Activities - Enterprise Funds	Internal Service Funds	Total
Property taxes	\$ 6,430,710	\$ -	\$ -	\$ 357,245	\$ -	\$ -	\$ 6,787,955
Accounts	1,043,311	3,597	100,932	1,103,203	990,971	103,527	3,345,541
Community organizations	20,000	-	-	-	-	-	20,000
Due from other funds	69,508	-	-	-	-	-	69,508
Due from other governmental units	3,052,993	-	53,424	52,004	19,213	6,110	3,183,744
Advances to other funds	154,654	-	-	-	-	-	154,654
Gross receivables	<u>10,771,176</u>	<u>3,597</u>	<u>154,356</u>	<u>1,512,452</u>	<u>1,010,184</u>	<u>109,637</u>	<u>13,561,402</u>
Less:							
Allowance for uncollectible accounts	<u>(2,561,848)</u>	<u>-</u>	<u>-</u>	<u>(177,673)</u>	<u>(527,631)</u>	<u>-</u>	<u>(3,267,152)</u>
Net receivables	<u>\$ 8,209,328</u>	<u>\$ 3,597</u>	<u>\$ 154,356</u>	<u>\$ 1,334,779</u>	<u>\$ 482,553</u>	<u>\$ 109,637</u>	<u>\$ 10,294,250</u>
Total current receivables	\$ 8,054,674	\$ 3,597	\$ 154,356	\$ 1,334,779	\$ 392,386	\$ 109,637	\$ 10,049,429
Total noncurrent receivables	154,654	-	-	-	90,167	-	244,821
Total receivables	<u>\$ 8,209,328</u>	<u>\$ 3,597</u>	<u>\$ 154,356</u>	<u>\$ 1,334,779</u>	<u>\$ 482,553</u>	<u>\$ 109,637</u>	<u>\$ 10,294,250</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Deferred tax revenue	\$ 2,829,465	\$ -	\$ 2,829,465
EMS ambulance billing revenue	359,001	-	359,001
Prepaid taxes	-	204,075	204,075
Parks and recreation facility rentals	-	15,626	15,626
Deferred grant revenue	13,000	-	13,000
Health insurance payroll deductions	<u>-</u>	<u>339,505</u>	<u>339,505</u>
Total deferred and unearned revenue	<u>\$ 3,201,466</u>	<u>\$ 559,206</u>	<u>\$ 3,760,672</u>

NOTE 4 – RECEIVABLES (CONTINUED)

Component unit – School Board

	<u>School General Fund</u>	<u>School Nutrition Fund</u>	<u>Total</u>
Accounts	\$ 106,138	\$ 91	\$ 106,229
Due from other governmental units	<u>4,953,149</u>	<u>228,606</u>	<u>5,181,755</u>
Net receivables	\$ <u>5,059,287</u>	\$ <u>228,697</u>	\$ <u>5,287,984</u>

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

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

	<u>Deferred</u>	<u>Unearned</u>	<u>Total</u>
School General Fund	\$ -	\$ 6,979	\$ 6,979
School Nutrition Fund	<u>-</u>	<u>73,991</u>	<u>73,991</u>
Total deferred and unearned revenue	\$ <u>-</u>	\$ <u>80,970</u>	\$ <u>80,970</u>

NOTE 5 – INTERFUND TRANSFERS

Inter-fund transfers for the year ended June 30, 2011, consisted of the following:

Transfers out:	Transfers in:						Total
	General Fund	Asset Replacement Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Enterprise Funds	
General Fund	\$ -	\$ 1,220,602	\$ 1,350,000	\$ 13,566,891	\$ 217,190	\$ 14,013	\$ 16,368,696
Capital Projects Fund	-	1,343,804	-	-	30,506	-	1,374,310
Nonmajor Governmental Funds	905,525	-	-	-	-	-	905,525
Total	\$ 905,525	\$ 2,564,406	\$ 1,350,000	\$ 13,566,891	\$ 247,696	\$ 14,013	\$ 18,648,531

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.

Capital assets are reported in financial statements prepared using the economic resources measurement focus (i.e., government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements). Governmental funds, however, use the current financial resources measurement focus, and so, do not report capital assets. In fiscal year 2011, there were two transfers of capital assets from proprietary funds to governmental funds. The Landfill and Recycling Enterprise Fund transferred land to the General Fund in the amount of \$242,395. The Fleet Maintenance Internal Service Fund transferred vehicles to the General Fund in the amount of \$33,797. These transactions were recorded as transfers out in the proprietary fund statements, but due to the difference in measurement focus, there was not a corresponding transfer in for the governmental fund statements. Since the entity-wide financial statements include assets for governmental activities, those statements reflect both sides of the transaction.

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of inter-fund obligations as of June 30, 2011:

Current:

Due to / from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ <u>69,508</u>
Total		\$ <u><u>69,508</u></u>

Noncurrent:

Advances from/ to other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ <u>154,654</u>
Total		\$ <u><u>154,654</u></u>

Interfund receivables and payables are recorded when funds overdraw their share of pooled cash. All amounts are considered short term receivables of the General Fund; however, \$154,654 of the Airport Fund interfund obligation is considered to be long-term in the General Fund – Fund Balance.

NOTE 7 – DUE FROM OTHER GOVERNMENTAL UNITS

The following is a summary of amounts due from other governmental units at June 30, 2011:

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
Commonwealth of Virginia:		
Local sales tax	\$ 1,134,601	\$ -
State sales tax	-	1,962,261
Shared expenses	399,885	-
Comprehensive services	507,647	-
Miscellaneous grants	616,995	4,383
Airport grants	3,233	-
Federal Government:		
School fund grants	-	3,215,111
Other federal grants	499,293	-
Airport grants	15,980	-
COBRA Health Insurance Continuation Premium Subsidy	<u>6,110</u>	<u>-</u>
Total	\$ <u><u>3,183,744</u></u>	\$ <u><u>5,181,755</u></u>

NOTE 8 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2011:

	Balance July 1, 2010	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2011
Primary government – governmental activities				
Capital assets (non-depreciable/non-amortizable):				
Land	\$ 19,594,625	\$ 2,162,261	\$ 883,508	\$ 20,873,378
Construction in progress	2,184,457	712,344	886,806	2,009,995
Total capital assets (non-depreciable/non-amortizable)	21,779,082	2,874,605	1,770,314	22,883,373
Capital assets (depreciable/amortizable):				
Buildings and improvements	48,992,540	1,536,997	-	50,529,537
Infrastructure	14,153,831	2,003	-	14,155,834
Machinery and equipment	12,270,318	922,595	757,052	12,435,861
Intangible assets	349,432	-	-	349,432
Total capital assets (depreciable/amortizable)	75,766,121	2,461,595	757,052	77,470,664
Less accumulated depreciation/amortization for:				
Buildings and improvements	11,518,679	1,463,977	-	12,982,656
Infrastructure	3,454,123	951,096	-	4,405,219
Machinery and equipment	8,704,106	1,083,641	699,388	9,088,359
Intangible assets	58,238	116,477	-	174,715
Total accumulated depreciation/amortization	23,735,146	3,615,191	699,388	26,650,949
Total capital assets (depreciable/amortizable), net	52,030,975	(1,153,596)	57,664	50,819,715
Governmental activities capital assets, net	\$ 73,810,057	\$ 1,721,009	\$ 1,827,978	\$ 73,703,088
	Balance July 1, 2010	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2011
Primary government – enterprise funds				
Landfill and Recycling Fund:				
Capital assets (non-depreciable/non-amortizable):				
Land	\$ 1,688,844	\$ -	\$ 242,395	\$ 1,446,449
Construction in progress	150,770	89,067	-	239,837
Total capital assets (non-depreciable/non-amortizable)	1,839,614	89,067	242,395	1,686,286
Capital assets (depreciable/amortizable):				
Cell improvements	8,289,523	-	-	8,289,523
Buildings and improvements	4,013,687	-	-	4,013,687
Infrastructure	854,306	-	-	854,306
Machinery and equipment	2,263,231	121,532	63,450	2,321,313
Total capital assets (depreciable/amortizable)	15,420,747	121,532	63,450	15,478,829
Less accumulated depreciation/amortization for:				
Cell improvements	2,618,790	370,469	-	2,989,259
Buildings and improvements	829,401	261,115	-	1,090,516
Infrastructure	431,371	47,930	-	479,301
Machinery and equipment	1,228,230	154,758	63,450	1,319,538
Total accumulated depreciation/amortization	5,107,792	834,272	63,450	5,878,614
Total capital assets (depreciable/amortizable), net	10,312,955	(712,740)	-	9,600,215
Landfill and Recycling Fund capital assets, net	\$ 12,152,569	\$ (623,673)	\$ 242,395	\$ 11,286,501

NOTE 8 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2010	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2011
Primary government – enterprise funds (continued)				
Airport Fund:				
Capital assets (non-depreciable/non-amortizable):				
Land	\$ 6,612,678	\$ -	\$ -	\$ 6,612,678
Construction in progress	230,853	92,340	-	323,193
Intangible assets	-	112,060	-	112,060
Total capital assets (non-depreciable/non-amortizable)	6,843,531	204,400	-	7,047,931
Capital assets (depreciable/amortizable):				
Buildings and improvements	2,977,276	-	-	2,977,276
Infrastructure	10,695,439	-	-	10,695,439
Machinery and equipment	348,953	-	-	348,953
Total capital assets (depreciable/amortizable)	14,021,668	-	-	14,021,668
Less accumulated depreciation/amortization for:				
Buildings and improvements	837,852	125,381	-	963,233
Infrastructure	4,602,460	1,028,803	-	5,631,263
Machinery and equipment	124,748	17,003	-	141,751
Total accumulated depreciation/amortization	5,565,060	1,171,187	-	6,736,247
Total capital assets, (depreciable/amortizable), net	8,456,608	(1,171,187)	-	7,285,421
Airport Fund capital assets, net	15,300,139	(966,787)	-	14,333,352
Total enterprise funds capital assets, net	\$ 27,452,708	\$ (1,590,460)	\$ 242,395	\$ 25,619,853
	Balance July 1, 2010	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2011
Component unit – School Board				
Capital assets (non-depreciable/non-amortizable):				
Land	\$ 5,161,809	\$ 60,000	\$ 169,693	\$ 5,052,116
Construction in progress	398,596	1,575,493	172,596	1,801,493
Total capital assets (non-depreciable/non-amortizable)	5,560,405	1,635,493	342,289	6,853,609
Capital assets (depreciable/amortizable):				
Buildings and improvements	217,418,926	129,916	659,500	216,889,342
Infrastructure	4,758,671	216,315	-	4,974,986
Machinery and equipment	19,003,526	1,630,390	545,391	20,088,525
Intangible assets	392,416	-	54,229	338,187
Total capital assets (depreciable/amortizable)	241,573,539	1,976,621	1,259,120	242,291,040
Less accumulated depreciation/amortization for:				
Buildings and improvements	53,740,955	5,551,074	615,486	58,676,543
Infrastructure	930,763	237,751	-	1,168,514
Machinery and equipment	12,845,703	1,231,747	530,051	13,547,399
Intangible assets	392,416	-	54,229	338,187
Total accumulated depreciation/amortization	67,909,837	7,020,572	1,199,766	73,730,643
Total capital assets, (depreciable/amortizable), net	173,663,702	(5,043,951)	59,354	168,560,397
School Board capital assets, net	\$ 179,224,107	\$ (3,408,458)	\$ 401,643	\$ 175,414,006

NOTE 8 – CAPITAL ASSETS (CONTINUED)

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

Primary government – governmental activities

General government	\$	597,689
Judicial		165,236
Public safety		1,689,287
Public works		186,183
Health and welfare		19,622
Parks, recreation, and cultural		936,930
Community development		<u>20,244</u>
Total governmental activities	\$	<u><u>3,615,191</u></u>

Primary government – enterprise funds

Landfill and Recycling Fund	\$	834,272
Airport Fund		<u>1,171,187</u>
Total enterprise funds	\$	<u><u>2,005,459</u></u>

Component unit – School Board

\$ 7,020,572

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

	<u>Primary Government</u>		<u>Component Unit</u>	<u>Reporting Entity</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>School Board</u>	<u>Total</u>
Total capital assets	\$ <u>73,703,088</u>	\$ <u>25,619,853</u>	\$ <u>175,414,006</u>	\$ <u>274,736,947</u>
Long-term debt applicable to capital assets at June 30, 2011:				
Capital leases	3,889,024	298,000	-	4,187,024
General obligation school bonds	-	-	94,715,000	94,715,000
Premium on bonds payable	<u>1,041,861</u>	<u>-</u>	<u>3,629,550</u>	<u>4,671,411</u>
	4,930,885	298,000	98,344,550	103,573,435
Net assets invested in capital assets, net of related debt	\$ <u><u>68,772,203</u></u>	\$ <u><u>25,321,853</u></u>	\$ <u><u>77,069,456</u></u>	\$ <u><u>171,163,512</u></u>

The capital leases amount for governmental activities differs from the total capital leases on Note 9 by \$1,566,000 for proceeds received but not spent as of June 30, 2011.

NOTE 9 – LONG-TERM OBLIGATIONS

PRIMARY GOVERNMENT

Governmental activities:

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

	Capital Leases		Revenue Bonds		General Obligation Bonds	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 748,344	\$ 173,099	\$ 365,000	\$ 312,761	\$ 7,505,000	\$ 4,497,055
2013	971,680	148,393	360,000	325,213	7,195,000	4,128,037
2014	887,000	117,385	365,000	314,534	7,190,000	3,768,517
2015	918,000	87,944	385,000	299,516	6,395,000	3,425,256
2016	949,000	55,128	405,000	280,722	6,395,000	3,098,732
2017-2021	981,000	19,979	2,315,000	1,080,591	29,850,000	10,788,275
2022-2026	-	-	1,585,000	591,491	24,685,000	4,019,426
2027-2030	-	-	1,595,000	153,352	5,500,000	216,712
Total	\$ 5,455,024	\$ 601,928	\$ 7,375,000	\$ 3,358,180	\$ 94,715,000	\$ 33,942,010

The following is a summary of long-term obligations of the County for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Amount Due Within One Year
General long-term obligations:					
Capital leases	\$ 4,592,107	\$ 1,566,000	\$ 703,083	\$ 5,455,024	\$ 748,343
Revenue bonds	8,258,000	5,430,000	6,313,000	7,375,000	365,000
General obligation bonds	102,255,000	-	7,540,000	94,715,000	7,505,000
Premium on bonds payable	4,595,032	657,736	581,357	4,671,411	597,647
Deferred amount on refunding	(350,136)	(1,534)	(74,252)	(277,418)	(71,162)
Compensated absences	3,394,309	2,264,713	2,181,256	3,477,766	347,777
Long-term commitments	12,212,534	5,703,000	136,768	17,778,766	142,551
Incurred but not reported claims	1,580,725	148,253	-	1,728,978	432,245
Total general long-term obligations	\$ 136,537,571	\$ 15,768,168	\$ 17,381,212	\$ 134,924,527	\$ 10,067,401

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

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
 \$3,565,000 Refunding Bond Series 2009B, issued November 19, 2009, maturing annually beginning April 1, 2010 through October 1, 2016, with interest payable semiannually at rates from 3.03% to 5.125%.	 \$ 3,565,000	 \$ 535,000
 \$1,700,000 Bealeton Library, issued July 15, 2002, due in semiannual installments beginning January 15, 2003 through July 15, 2012, with interest payable semiannually at 4.99%.	 324,024	 213,343
 \$1,566,000 SCBA Equipment Lease Series 2011, issued June 24, 2011, due in semiannual installments beginning July 15, 2012 through July 15, 2016, with interest payable semiannually at 1.96%.	 <u>1,566,000</u>	 <u>-</u>
Total Capital Leases	<u>5,455,024</u>	<u>748,343</u>

Revenue Bonds:

 \$2,115,000 Refunding Bond of Series 2001A, issued June 17, 2009 maturing annually beginning October 1, 2009 through October 1, 2020 with interest payable semiannually at rates from 1.13% to 5.13%.	 1,945,000	 160,000
 \$5,430,000 Vint Hill 2011A Refunding VRA Bond, issued May 18, 2011 maturing annually beginning October 1, 2011 through October 1, 2029, with interest payable semiannually at rates from 2.125 % to 5.125%.	 <u>5,430,000</u>	 <u>205,000</u>
Total Revenue Bonds	<u>7,375,000</u>	<u>365,000</u>

General Obligation Bonds:

 \$24,630,000 Virginia Public School Authority Bonds, Refunding Series 1994A, issued January 3, 1994, maturing annually beginning June 15, 1994 through December 15, 2011, with interest payable semiannually at rates from 6.40% to 7.62%.	 300,000	 300,000
 \$9,000,000 Virginia Public School Authority Bonds 1996A, issued November 14, 1996, maturing annually beginning July 15, 1997 through July 15, 2016 with interest payable semiannually at rates from 5.10% to 6.10%.	 \$ 2,700,000	 \$ 450,000

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds (continued):		
\$3,500,000 Virginia Public School Authority Bonds, Series 1997B, issued November 20, 1997, maturing annually beginning July 15, 1998 through July 15, 2017, with interest payable semiannually at rates from 4.35% to 5.35%.	\$ 1,225,000	\$ 175,000
\$3,500,000 Virginia Public School Authority Bonds, Series 1999A, issued November 29, 1999, maturing annually beginning July 15, 2000 through July 15, 2019, with interest payable semiannually at rates from 5.10% to 6.10%.	1,575,000	175,000
\$4,575,000 Virginia Public School Authority Bonds, Series 2000A, issued November 16, 2000, maturing annually beginning July 15, 2001 through July 15, 2020, with interest payable semiannually at rates from 4.975% to 5.85%.	2,275,000	230,000
\$8,495,000 General Obligation School Refunding Bonds, Series 2001, issued July 24, 2001, maturing annually from January 15, 2002 through July 15, 2013, with interest payable semiannually at rates from 3.00% to 4.60%.	2,390,000	805,000
\$6,410,000 Virginia Public School Authority Bonds, Series 2001C, issued November 15, 2001, maturing annually from July 15, 2002 through July 15, 2021 with interest payable semiannually at rates from 3.10% to 5.35%.	3,520,000	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%.	7,540,000	580,000
\$3,720,000 Virginia Public School Authority Bonds, Series 2004A, issued November 10, 2004, maturing annually from July 15, 2005 through July 15, 2024, with interest payable semiannually at rates from 4.10% to 5.60%.	2,590,000	185,000
\$11,540,000 Virginia Public School Authority Bonds, Series 2005D, issued November 10, 2005, maturing annually from July 15, 2006 through July 15, 2025, with interest payable semiannually at rates from 4.60% to 5.10%.	8,640,000	580,000
\$39,615,000 General Obligation Bond, Series 2006, issued October 11, 2006, maturing annually from July 1, 2007 through July 1, 2026, with interest payable semiannually at rates from 4.125% to 5.00%.	\$ 33,000,000	\$ 2,000,000

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds (continued):		
\$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%.	\$ 28,960,000	\$ 1,705,000
Total General Obligation Bonds	<u>94,715,000</u>	<u>7,505,000</u>
 Premium on bonds payable	 4,671,411	 597,647
Deferred amount on refunding	(277,418)	(71,162)
Compensated absences	3,477,766	347,777
Long-term commitments	17,778,766	142,551
Incurring but not reported claims	<u>1,728,978</u>	<u>432,245</u>
Total governmental activity long-term obligations	<u>\$ 134,924,527</u>	<u>\$ 10,067,401</u>

PRIMARY GOVERNMENT

Business-type activities:

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

	<u>Capital Leases</u>	
Fiscal Year	<u>Principal</u>	<u>Interest</u>
2012	\$ 298,000	\$ 11,473
Total	<u>\$ 298,000</u>	<u>\$ 11,473</u>

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of long-term obligations of the enterprise funds for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Amount Due Within One Year
Business-type activities long-term obligations:					
Capital leases	\$ 596,000	\$ -	\$ 298,000	\$ 298,000	\$ 298,000
Compensated absences	97,875	64,598	62,124	100,349	10,035
Landfill closure and postclosure liability	10,796,397	457,813	-	11,254,210	-
Total business-type activity long-term obligations	\$ 11,490,272	\$ 522,411	\$ 360,124	\$ 11,652,559	\$ 308,035

Details of long-term obligations are as follows:

	Amount Outstanding	Amount Due Within One Year
Capital Leases:		
\$1,490,000 Equipment capital lease dated November 30, 2006, payable in annual installments beginning July 1, 2007 through July 1, 2011, with interest payable annually at 3.850%.	\$ 298,000	\$ 298,000
Compensated absences	100,349	10,035
Landfill closure and postclosure liability	11,254,210	-
Total business-type activity long-term obligations	\$ 11,652,559	\$ 308,035

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, 2011:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Amount Due Within One Year
General long-term obligations:					
Compensated absences	\$ 4,169,478	\$ 3,915,184	\$ 3,846,030	\$ 4,238,632	\$ 423,863
Total general long-term obligations	\$ 4,169,478	\$ 3,915,184	\$ 3,846,030	\$ 4,238,632	\$ 423,863

Details of long-term obligations are as follows:

	Amount Outstanding	Amount Due Within One Year
Compensated absences, component unit	\$ 4,238,632	\$ 423,863
Total component unit long-term obligations	\$ 4,238,632	\$ 423,863

NOTE 10 – LONG-TERM COMMITMENTS

Fauquier County provides annual operating and capital contributions for 11 separately incorporated Volunteer Fire and Rescue Companies through a special Fire and Rescue levy. Four volunteer fire and rescue facilities have finalized loans through the United States Department of Agriculture Rural Development program (USDA) to fund construction and renovations. The County has provided USDA moral obligation letters guaranteeing funding support for each of the four volunteer fire and rescue companies. All assets are owned by the respective volunteer fire and rescue companies. Payment for annual debt service will be made from the Fire and Rescue Special Revenue Fund as a contribution to the individual stations. The required debt service reserve of 10% annually for 10 years will be funded from the Fire and Rescue Levy and will accumulate in restricted cash accounts in the fund. The reserve may be used for capital improvements in the future if approved by USDA in accordance with the loan agreements. The New Baltimore loan provides for 2 years of interest only payments based on the drawdown of funds. In addition, the New Baltimore loan has not been fully disbursed. Out of the \$5,703,000 total loan amount, \$1,895,657 has been received as of June 30, 2011.

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
2012	\$ 142,551	\$ 510,897
2013	218,726	718,732
2014	227,639	709,819
2015	236,917	700,541
2016	246,574	690,884
2017-2021	1,392,123	3,295,167
2022-2026	1,700,183	2,987,106
2027-2031	2,076,665	2,610,625
2032-2036	2,536,817	2,150,473
2037-2041	3,099,299	1,587,991
2042-2046	3,786,946	900,344
2047-2050	2,114,326	164,588
Total	\$ 17,778,766	\$ 17,027,167

The following is a summary of long-term commitments of the County for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Amount Due Within One Year
General long-term commitments:					
USDA Notes	\$ 12,212,534	\$ 5,703,000	\$ 136,768	\$ 17,778,766	\$ 142,551

NOTE 10 – LONG-TERM COMMITMENTS (CONTINUED)

Details of long-term commitments are as follows:

	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
USDA Loans:		
\$2,900,000 issued to Warrenton Volunteer Fire Company, Inc., on March 12, 2007, due in annual installments for principal and interest beginning March 12, 2010 through March 12, 2047, with interest payable annually at 4.125%.	\$ 2,868,071	\$ 35,592
\$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%.	974,460	11,001
\$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%.	2,832,990	33,286
\$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%.	1,696,117	19,685
\$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%.	3,704,128	42,987
\$5,703,000 issued to New Baltimore Volunteer Fire and Rescue Company, Inc. on December 21, 2010, with interest only due on December 21, 2011 and December 21, 2012, and due in annual installments for principal and interest beginning December 21, 2013 through December 21, 2050, at 3.750%.	<u>5,703,000</u>	<u>-</u>
Total long-term commitments	\$ <u>17,778,766</u>	\$ <u>142,551</u>

NOTE 11 – CONSTRUCTION COMMITMENTS

At June 30, 2011, the County has several major projects in its capital projects fund under construction which are summarized below. These balances are included in the committed balance for the Capital Projects Fund.

<u>Project Name</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Expended to Date</u>	<u>Balance</u>
Alice Jane Childs Building	J. Crowder Corp.	\$ 610,857	\$ 240,097	\$ 370,760
Warrenton/Fauquier Joint Communication	Asil Services	224,366	211,686	12,680
Fauquier High School Bleachers	Dant Clayton Corp.	<u>162,396</u>	<u>8,835</u>	<u>153,561</u>
Total		\$ <u>997,619</u>	\$ <u>460,618</u>	\$ <u>537,001</u>

NOTE 12 – COMMITMENTS AND CONTINGENT LIABILITIES

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

NOTE 13 – CLAIMS AND LITIGATION

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

NOTE 14 – DEFINED BENEFIT PENSION PLAN

A. Plan description

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

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

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

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

NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least 5 years of service credit. All other provisions of the member's plan apply.

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

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the reports for FY 2010 may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding policy

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

The County and School Board employees' contribution rates as a percentage of the annual covered payroll for fiscal year ended June 30, 2011 were:

	Annual Required Contribution (ARC)		
	County	Non-Professional School Board	Professional School Board
Employer contribution rates			
July 1, 2010 – June 30, 2011	8.39%	6.31%	3.93%
Employee contribution rates (paid by employee)			
July 1, 2010 – June 30, 2011	5.00%	-	-
Employee contribution rates (paid by employer)			
July 1, 2010 – June 30, 2011	-	5.00%	5.00%
Total contribution rates			
July 1, 2010 – June 30, 2011	13.39%	11.31%	8.93%

NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Fiscal year ending	Annual Actual Contribution Amount (a)	Annual Actual Contribution % of Covered Payroll (a/b)	Annual Required Contribution % of Covered Payroll	Covered Payroll (b)
2011	\$ 3,511,410	13.39%	13.39%	\$ 26,224,123
2010	3,369,065	12.75%	12.75%	26,424,039
2009	3,467,198	13.81%	13.81%	25,106,430

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

Fiscal year ending	Annual Actual Contribution Amount (a)	Annual Actual Contribution % of Covered Payroll (a/b)	Annual Required Contribution % of Covered Payroll	Covered Payroll (b)
2011	\$ 792,636	11.31%	11.31%	\$ 7,008,278
2010	795,271	11.00%	11.00%	7,229,739
2009	786,648	10.89%	10.89%	7,220,497

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

Fiscal year ending	Annual Actual Contribution Amount (a)	Annual Actual Contribution % of Covered Payroll (a/b)	Annual Required Contribution % of Covered Payroll	Covered Payroll (b)
2011	\$ 6,083,334	8.93%	8.93%	\$ 68,122,443
2010	8,042,281	11.62%	11.62%	69,214,978
2009	9,585,544	13.81%	13.81%	69,410,167

C. Annual pension cost (APC)

For fiscal year 2011, the County's annual pension cost of \$3,511,410 was equal to the County's required and actual contributions which included the 5.00% member contribution assumed by the County on behalf of the employees and the 8.39% employer's share. In fiscal year 2011, the School Board's annual pension cost for non-professional employees was \$792,636 which was equal to the School Board's required and actual contributions, which included the 5.00% member contribution assumed by the School Board on behalf of the employees and the 6.31% employer's share. The required contributions were determined based on the June 30, 2009 actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions at June 30, 2010 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government and school board employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost of living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010 for the UAAL was 20 years.

NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Trend information
County:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
June 30, 2011	\$ 3,511,410	100%	-
June 30, 2010	3,369,065	100%	-
June 30, 2009	3,467,198	100%	-

Component unit – School Board:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 792,636	100%	-
June 30, 2010	795,271	100%	-
June 30, 2009	786,648	100%	-

E. Funded status and funding progress

The funded status of the Virginia Retirement System pension plan as of June 30, 2010, the most recent actuarial valuation date, is as follows:

County:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio Assets as % of AAL (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2010	\$ 63,078,692	\$ 78,115,602	\$ 15,036,910	80.75%	\$ 26,212,986	57.36%

Component unit – School Board:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio Assets as % of AAL (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2010	\$ 16,273,785	\$ 17,409,848	\$ 1,136,063	93.47%	\$ 7,113,425	15.97%

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

F. Postemployment benefits

The School Board provides limited postretirement health and dental benefits, as provided for in Virginia state law, to retirees who have 15 or more years of creditable VRS service. Retirees are granted the option to participate by paying 100% of their monthly health insurance premium to Fauquier County or to the carrier of their choice less \$4.00 per month per year of service with no maximum credit. As of the end of fiscal year 2011 there were 281 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, 2011, 2010, and 2009 were \$409,127, \$540,941 and \$749,947, respectively.

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

A. Plan description and provisions

On January 1, 1995, the Fauquier County Board of Supervisors adopted the Fire and Rescue Pension Trust Length of Service Awards Program for the Fauquier County Fire and Rescue Association and its member companies to recognize the service provided by the volunteers. The plan was active until January 1, 2002, at which time the Fauquier County Board of Supervisors, at the recommendation of the Fire and Rescue Association, froze all member benefits in the plan. The plan is a single employer defined benefit pension plan which was open to any volunteer firefighter over the age of eighteen. Participants vested in five years and earned a fixed dollar benefit based on years of service. The amortization period is closed. Benefits and refunds of the postemployment defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan.

As of January 1, 2011, the program membership consisted of the following:

Eligible Members	112
Retirees and beneficiaries	32

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

	Fire and Rescue Pension Trust Length of Service Awards Fund
Assets	
Assets held in trust for pool participants	\$ 1,258,355
Liabilities	-
Net Assets	
Held in trust for pool benefits	1,258,355
Total net assets	1,258,355
Total liabilities and net assets	\$ 1,258,355
Additions	
Contribution for beneficiary	\$ 283,192
Investment income	56,734
Total additions	339,926
Deductions	
Benefits	95,576
Annuity contracts	59,000
Insurance	81,837
Administrative fees	5,908
Total deductions	242,321
Change in net assets	97,605
Net assets - beginning	1,160,750
Net assets - ending	\$ 1,258,355

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

B. Funding policy

This plan is available to vested volunteer members with no covered payroll. Benefits are amortized on a level dollar basis. They are recognized when due and payable in accordance with the terms of the plan. Benefits accrue at the rate of \$10 per month for each two years of active service prior to January 1, 1985, and \$10 per year of service completed between January 1, 1985 and January 1, 1995, with a maximum of \$250 per month. Since the County fully funds the plan, refunds are not paid. The plan does not provide for post-retirement increases. The contribution rate is determined using a projected unit credit funding method. The actuarial value of the plan assets is equal to the market value of the assets. Present and future assets in the plan are assumed to earn an investment rate of return of 5.00% (versus actual interest rate of 4.25%) compounded annually which reflects the actuary's best estimate of long-term investment results. There is no inflation factor or salary increase factor used since there is no covered payroll. When actual investment results are less than the assumed rate, additional contributions will be required in future years.

The contributions to the plan for the fiscal year ended June 30, 2011, totaled \$283,192. The program's funding policy provides for periodic County contributions at actuarially determined rates that are sufficient to accumulate adequate assets to pay benefits when due. At June 30, 2011, the plan had net assets available for benefits totaling \$1,258,355. Unfunded past service costs total \$186,519 and will be fully amortized in 1 year. The plan additions fund the cost of administering the plan.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2011	\$ 283,192	100%
June 30, 2010	273,262	100%
June 30, 2009	248,749	100%

The funded status of the Fire and Rescue Pension Trust Length of Service Awards Program as of December 31, 2010, 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
December 31, 2010	\$ 1,242,569	\$ 1,429,088	\$ 186,519	86.95%

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

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM

A. Plan description and provisions

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

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

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

The School Board provides limited post-retirement health and dental benefits, as provided for in Virginia state law, to retirees who have 15 or more years of creditable VRS service. Eligible employees receive a retiree health insurance credit for all teachers of \$4.00 per month per year of service with no cap. The plan is financed by payments from the School Board to VRS. Additional information on this plan may be found in Note 14, section F. The County participates in the Virginia OPEB Trust Fund (Trust Fund), an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions.

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

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

	Other Postemployment Benefit Plans Fund
Assets	
Assets held in trust for OPEB benefits	\$ 1,660,527
Liabilities	-
Net Assets	
Held in trust for OPEB benefits	1,660,527
Total net assets	1,660,527
Total liabilities and net assets	\$ 1,660,527
Additions	
Contribution for beneficiary	\$ 478,000
Investment income	205,049
Total additions	683,049
Deductions	
Administrative fees	1,806
Total deductions	1,806
Change in net assets	681,243
Net assets - beginning	979,284
Net assets - ending	\$ 1,660,527

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

B. Funding policy

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

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

Retirees and beneficiaries	48
Active employees	1939

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

In accordance with GASB Statement No. 45, an actuarial study was prepared calculating the postemployment healthcare costs as of July 1, 2010. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability (UAAL) at \$6,666,000 and an Annual Required Contribution (ARC) of \$970,000. The County and School Board have paid \$474,000 towards this obligation during fiscal year 2011, the estimated pay as you go cost for OPEB benefits, and in addition contributed \$478,000 to the Trust Fund, net of \$18,000 prepaid. The actuarial calculation was based on a 7.5% discount rate and the amortization of the UAAL over 28 years.

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

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual requirement contribution	\$ 970,000
Interest on net OPEB obligation	-
Adjustment to annual contribution	-
Annual OPEB cost (expense)	<u>970,000</u>
Estimated annual employer contribution for pay-go cost	(474,000)
Actual annual employer contributions made to pre-funding	<u>(478,000)</u>
Increase in net OPEB obligation	18,000
Net OPEB obligation/(asset) - beginning of year	<u>(18,000)</u>
Net OPEB obligation/(asset) - end of year	<u><u>\$ -</u></u>

For fiscal year 2011, the County's and School Board's actual cash payment was \$18,000 less than the expected cash payment of \$970,000 and that of the OPEB cost. 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 2011 are as follows:

Fiscal Year Ending	Actuarial Valuation Annual OPEB Cost	Percentage of ARC Contributed	Net OPEB Obligation/(Assets)
June 30, 2011	\$ 970,000	98%	\$ -
June 30, 2010	838,000	102%	(18,000)
June 30, 2009	802,000	100%	-

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS PROGRAM (CONTINUED)

D. Trend information

As of July 1, 2010 the annual healthcare cost trend rate is 8.0%, trending down over the next five years to a rate of 5.7% for future years.

E. Funded status and funding progress

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

The funded status of the Other Postemployment Benefits Program as of July 1, 2010, 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, 2010	\$ 1,012,000	\$ 7,678,000	\$ 6,666,000	13.18%	\$ 101,354,844	6.58%

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

In the July 1, 2010 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Actuarial assumptions

The actuarial assumptions of the plan as of July 1, 2010 include a discount rate of 7.5%, payroll growth of 3.5%, and an annual healthcare cost trend rate of 8.0 %. The remaining amortization period at June 30, 2011 for the UAAL is 28 years. The UAAL is being amortized as a level percentage of projected payroll on a closed amortization period basis.

NOTE 17 – DEBT DEFEASANCE

At June 30, 2011, \$5,962,000 of outstanding IDA Lease Revenue bonds (or \$6,153,000 of original loan amount) is considered defeased.

On June 2, 2011 the County issued \$6,087,736 (\$5,430,000 par amount plus \$657,736 premium) of Refunding Bonds through the Virginia Resource Authority (VRA) to refund \$5,962,000 of outstanding Lease Revenue Bonds, Series 2009A plus accrued interest of \$23,924. As a result, the IDA Lease Revenue Bonds which mature between May 1, 2010 and November 1, 2029, are considered to be defeased and the liability for these bonds has been removed from the statement of net assets. The County refunded the 2009 bonds to reduce its total debt service payments maturing on November 1, 2029 with an approximate annual principal and interest payment of \$473,000 and to obtain an economic gain (net present value savings) of \$513,893. The reacquisition price exceeded the carrying value of the old debt by \$1,534. This amount is deferred and amortized over the life of the loan.

NOTE 18 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The County of Fauquier, Virginia owns and operates a landfill site. State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$11,254,210 reported as landfill closure and postclosure care liability at June 30, 2011, represents the cumulative amount reported based on the use of 100% of the estimated capacity of the old landfill, the use of 53.5% of the estimated capacity of the new landfill, and the closure costs for the Construction and Demolition Recycling facility of \$26,206. The County will recognize the remaining estimated cost of closure and post-closure care of \$4,868,373 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 2011. The County expects to construct an additional cell to the new landfill in 2013 which will add disposal capacity and defer closure for a minimum of 10 years but potentially 30+ years. While the old landfill has reached 100% capacity, the County's intention is to partially reclaim capacity through mining a significant portion of the landfill recyclable Construction and Demolition materials. The County expects to add 10-20 years of disposal capacity and defer closure of the old landfill area by approximately 20-30 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

NOTE 19 – FUND BALANCES

The following is a summary of fund balances as of June 30, 2011:

Primary government

	General Fund	Asset Replacement Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Primary Government
Fund balances:						
Nonspendable:						
Inventories	\$ 50,162	\$ -	\$ -	\$ -	\$ -	\$ 50,162
Prepaid assets	36,762	-	761,553	-	95,244	893,559
Advances to other funds	154,654	-	-	-	-	154,654
Total nonspendable	<u>241,578</u>	<u>-</u>	<u>761,553</u>	<u>-</u>	<u>95,244</u>	<u>1,098,375</u>
Restricted:						
Parks, recreation, and cultural	-	-	-	-	334,450	334,450
Public safety	-	-	-	-	101,230	101,230
Public works	-	-	-	-	33,632	33,632
Proffers	-	-	-	-	785,150	785,150
Affordable housing	-	-	-	-	537,516	537,516
Grants	125,160	-	-	-	-	125,160
SNAP arbitrage	4,701	-	-	-	-	4,701
Capital projects	-	-	166,830	-	-	166,830
Asset replacement	-	1,566,000	-	-	-	1,566,000
Total restricted	<u>129,861</u>	<u>1,566,000</u>	<u>166,830</u>	<u>-</u>	<u>1,791,978</u>	<u>3,654,669</u>
Committed:						
Parks, recreation, and cultural	-	-	-	-	1,000	1,000
Public safety	-	-	-	-	3,441,033	3,441,033
Budgeted use of fund balance	1,185,604	-	-	-	-	1,185,604
Donations	9,078	-	-	-	-	9,078
Purchase development rights	-	-	-	-	454,292	454,292
Affordable housing	-	-	-	-	175,026	175,026
Capital projects	-	-	9,942,526	-	-	9,942,526
Debt service	-	-	-	445,920	-	445,920
Asset replacement	-	537,079	-	-	-	537,079
Total committed	<u>1,194,682</u>	<u>537,079</u>	<u>9,942,526</u>	<u>445,920</u>	<u>4,071,351</u>	<u>16,191,558</u>
Assigned:						
Capital projects	-	-	1,773,511	-	-	1,773,511
Revenue shortfall	1,500,000	-	-	-	-	1,500,000
Asset replacement	-	740,792	-	-	-	740,792
Other purposes	4,278,089	-	-	-	-	4,278,089
Total assigned	<u>5,778,089</u>	<u>740,792</u>	<u>1,773,511</u>	<u>-</u>	<u>-</u>	<u>8,292,392</u>
Unassigned	<u>17,059,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,059,512</u>
Total	<u>\$ 24,403,722</u>	<u>\$ 2,843,871</u>	<u>\$ 12,644,420</u>	<u>\$ 445,920</u>	<u>\$ 5,958,573</u>	<u>\$ 46,296,506</u>

Component unit – School Board

	School General Fund	School Asset Replacement Fund	School Textbook Fund	School Nutrition Fund	Total Component unit – School Board
Fund Balances:					
Nonspendable:					
Inventories	\$ -	\$ -	\$ -	\$ 178,553	\$ 178,553
Prepaid assets	49,433	-	-	-	49,433
Total nonspendable	<u>49,433</u>	<u>-</u>	<u>-</u>	<u>178,553</u>	<u>227,986</u>
Restricted:					
Grants	5,000	-	-	-	5,000
Assigned:					
Other purposes	<u>265,739</u>	<u>1,207,208</u>	<u>463,721</u>	<u>270,450</u>	<u>2,207,118</u>
Total	<u>\$ 320,172</u>	<u>\$ 1,207,208</u>	<u>\$ 463,721</u>	<u>\$ 449,003</u>	<u>\$ 2,440,104</u>

NOTE 20 – RISK MANAGEMENT

A. County government

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

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

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

B. Component unit – School Board

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

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

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

C. Fire and Rescue Association component

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

D. Health and Dental benefit program component

Health and Dental Insurance: The group medical and dental insurance programs for the County and the School Board are combined into one overall funding program. Anthem Blue Cross Blue Shield administers the group health insurance program and Delta Dental of Virginia administers the group dental insurance for employees, their dependents, and retirees.

The Anthem plans are self-insured by the County and the School Board. A fund has been established into which payroll medical insurance deductions, as well as the employer's contribution, are deposited. Anthem processes claims from the hospitals, doctors, and other health care providers. The employer is then billed for these paid claims and must reimburse Anthem for these costs. The program is a minimum premium design subject to an aggregate attachment point and a specific stop loss of \$150,000.

The Delta Plans are fully insured by Delta Dental of Virginia. This means that the employer has to set up a fund into which payroll dental insurance deductions, as well as the employer's share of the premiums are deposited.

NOTE 20 – RISK MANAGEMENT (CONTINUED)

Delta processes claims, from dentists and other dental providers, and pays these claims. The employer is only responsible for the premiums set by Delta Dental of Virginia.

Liabilities for unpaid claims and claim adjustment expenses are estimated based on the estimated ultimate cost of settling the claims, including the effects of trend factors including inflation and other societal and economic factors.

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	2010	2011
Unpaid claims, beginning of fiscal year	\$ 1,800,203	\$ 1,580,725
Incurred claims, (including IBNR)	14,125,488	15,879,750
Claim payments	14,344,966	15,731,497
Unpaid claims, end of fiscal year	\$ <u>1,580,725</u>	\$ <u>1,728,978</u>

NOTE 21 – RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS

Northwestern Regional Adult Detention Center

The Clarke-Fauquier-Frederick-Winchester Jail Board was created in 1987 to construct and operate the Clarke-Fauquier-Frederick-Winchester Regional Adult Detention Center, renamed the Northwestern Regional Adult Detention Center (Center) in fiscal year 2006. The Center charges, on an inmate per diem basis, other localities and the Federal Government for their prisoners placed in the jail. The fourteen member board consists of four members each from the County of Frederick and the City of Winchester, and three each from the Counties of Clarke and Fauquier. In fiscal year 2006, the Northwestern Regional Jail Authority was created for the purpose of issuing revenue bonds for the construction of a new facility. The County and other participants have no equity interest in the jail. The County made operating contributions for 16.05% of the regional jail's operating expenses, including debt service, totaling \$1,409,816 in fiscal year 2011.

Additional information may be obtained by writing to the Northwestern Regional Adult Detention Center at 141 Fort Collier Road, Winchester, Virginia 22603 or visiting the website at www.nradc.com.

Fauquier County Industrial Development Authority

The Fauquier County Industrial Development Authority (Authority) is empowered to issue bonds to finance facilities qualifying under the Virginia Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2 of the *Code of Virginia*. The Authority is a political subdivision of the Commonwealth governed by seven directors appointed by the Board. The Authority is empowered to, among other things, issue tax-exempt revenue bonds in accordance with the Act, acquire, own, lease, and dispose of properties, promote industry, and develop trade in the County.

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

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

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

Fauquier County Water and Sanitation Authority

The Fauquier County Water and Sanitation Authority (Authority) is authorized under the Virginia Water and Waste Authorities Act, Section 15.2-5100 of the *Code of Virginia*. The Authority is governed by a five member board appointed by the Fauquier County Board of Supervisors to serve a four year term, however the Board does not have the ability to direct the members of the Authority with respect to carrying out the Authority's fiscal and management functions. The Authority is authorized to acquire, construct, operate, and maintain an integrated water and sewer system in the County and set the rates and charges for these services. User charges and bond issues principally finance the Authority's operations and capital funds. The Authority is not fiscally dependent on the County and is solely responsible for all of its outstanding debt.

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

Northern Virginia Health Center Commission

The Northern Virginia Health Center Commission (NVHCC) is a legal entity established in 1987 by five Northern Virginia jurisdictions (Fauquier County, Fairfax County, Prince William County, Loudoun County, and the City of Alexandria) to develop and operate a nursing facility. Each of the five jurisdictions contributes annually to Birmingham Green Nursing Center and Birmingham Green Assisted Living Unit based on budgeted utilization for a percentage of nursing home beds for low income residents of each locality. In fiscal year 2011, Fauquier County contributed a total of \$56,308.

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 2011, Fauquier County contributed a total of \$228,951.

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

Mountain Vista Regional Governor's School

The Mountain Vista Regional Governor's School was established in 2007 by seven school divisions (Clarke County, Culpeper County, Fauquier County, Frederick County, Rappahannock County, Warren County, and the City of Winchester) to jointly own and operate a regional governor's school. The governing board has appointed Fauquier County to serve as fiscal agent of the governor's school. Each of the seven school divisions contribute annually based on the number of students each school board proposes to send to the governor's school. In fiscal year 2011, the Fauquier County School Board contributed a total of \$170,069, with \$441,117 contributed from the other participating counties.

Additional information may be obtained by writing to the Mountain Vista Regional Governor's School at Lord Fairfax Community College, 6480 College Street, Warrenton, Virginia 20187 or Lord Fairfax Community College, 173 Skirmisher Lane, Middletown, Virginia 22645 or visiting the website at mvgshome.org.

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

Rappahannock-Rapidan Regional Commission

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

Additional information may be obtained by writing to the Rappahannock-Rapidan Regional Commission at 420 Southridge Parkway, Suite 106, Culpeper, Virginia 22701 or visiting the website at www.rrregion.org.

Rappahannock-Rapidan Community Services Board and Area Agency on Aging

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

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

NOTE 22 – SURETY BONDS

<u>Commonwealth of Virginia Faithful Performance of Duty Bond Plan (Obligee) by and through Travelers Casualty and Surety Company of America of Hartford, Connecticut – Surety</u>	Amount
--	--------

Gail H. Barb, Clerk of the Circuit Court	\$ 480,000
Elizabeth A. Ledgerton, Treasurer	750,000
Ross W. D'Urso, Commissioner of the Revenue	3,000
Charlie Ray Fox, Jr., Sheriff	30,000
Above constitutional officers' employees – blanket bond	500,000

<u>Virginia Association of Counties Group Self Insurance Risk Pool – Public Employees Dishonesty Coverage</u>

All County employees and volunteers	\$ 500,000
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<u>Virginia Association of Counties Group Self Insurance Risk Pool</u>
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All School employees including Clerk of the School Board	\$ 250,000
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NOTE 23 – 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, 32 Waterloo Street	39,338
Economic Development Office, 35 Culpeper Street	24,858
Department of Social Services, 70 Main Street	70,451

All leases are subject to annual appropriation of rental payments.

NOTE 24 – SUBSEQUENT EVENTS

On June 9, 2011, the Board of Supervisors authorized Fauquier County to enter into a lease / purchase financing for a Self-Contained Breathing Apparatus (SCBA) for the Department of Fire, Rescue and Emergency Management in the maximum principal amount of \$1,600,000. On June 24, 2011, the County entered into a Master Lease agreement with SunTrust Equipment Finance & Leasing Corporation. The acquisition cost of this SCBA under the lease is \$1,566,000. The partial shipment in the amount of \$1,087,055 came in October 2011. The remaining shipment is expected to come in no later than December 2011. The annual interest rate applicable to the Equipment is 1.96%. Rental payments consisting of principal and interest for a term of 61 months are due semi-annually on January 15 and July 15. The first rental payment is due on January 15, 2012 and subsequent payments are due semi-annually on like date thereafter with the last rental payment on July 15, 2016.

In a resolution dated May 31, 2011, the Board of Supervisors approved a total budget for the renovation of Fauquier High School and authorized the acceptance of Qualified School Construction Bonds (QSCBs) in an amount of \$10,000,000 to partially fund the project. The School Board approved a resolution on August 22, 2011 requesting the Board of Supervisors to issue QSCB bonds through a Fall, 2011 Virginia Public School Authority pooled bond sale. These QSCB bonds will receive a refundable credit through VPSA to offset the interest payment made by the County.

NOTE 25 – NET ASSETS ADJUSTMENT

Net assets were adjusted as of June 30, 2010 as follows:

	<u>Governmental Activities</u>
Net assets, as previously reported	\$ <u>(7,358,893)</u>
Adjustment for Marshall Electric Light and Business Improvement District Fund	<u>32,195</u>
Net assets, as restated	\$ <u><u>(7,326,698)</u></u>

NOTE 26 – RESTATEMENT OF BEGINNING FUND BALANCES

Certain amounts in the beginning fund balances have been restated in fiscal year 2010 due to addition, combination, and/or reclassification of individual funds. Beginning fund balances of these funds have been restated as follows:

	Other Governmental Funds
	<u> </u>
Beginning fund balance, as previously reported	\$ <u>6,598,820</u>
Adjustment for Marshall Electric Light and Business Improvement District Fund	<u>32,195</u>
Beginning fund balance, as restated	\$ <u><u>6,631,015</u></u>

NOTE 27 – IMPLEMENTED AND PENDING GASB STATEMENTS

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. It clarifies the existing governmental fund type definitions and improves the comparability of governmental fund financial statements. This statement is effective for periods beginning after June 15, 2010. The County implemented this standard in fiscal year 2011.

In March 2009, GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments in the Governmental Accounting Standards Board's (GASB) authoritative literature. The requirements of this statement are effective upon issuance and do not result in a change of current practice.

In March 2009, GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This statement incorporates into the GASB authoritative literature existing guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The requirements of this statement are effective upon issuance and do not result in a change of current practice.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit an agent employer that has an individual employer OPEB plan fewer than 100 total plan members to use an alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan it participates. This statement also addresses issues related to the use of the alternative measurement method, frequency, and timing of measurements. It is effective for financial statements for periods beginning after June 15, 2011. The County implemented this standard in fiscal year 2011.

In December, 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. This statement is effective for reporting periods beginning after June 15, 2009. The requirements of this statement are effective upon issuance and do not impact the County's current practice.

NOTE 27 – IMPLEMENTED AND PENDING GASB STATEMENTS (CONTINUED)

In June, 2010 GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this statement is to update and improve existing standards regarding reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement is effective for periods beginning after June 15, 2010. The County implemented this standard in fiscal year 2011.

In November, 2010 GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. This statement is effective for periods beginning after December 15, 2011. The County will be implementing this standard in fiscal year 2012.

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

In December, 2010 GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. This statement is effective for periods beginning after December 15, 2011. The County will be implementing this standard in fiscal year 2012.

In June, 2011 GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This statement is effective for periods beginning after December 15, 2011. The County will be implementing this standard in fiscal year 2012.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Funding Progress

Virginia Retirement System, Fire and Rescue Pension Trust Length of Service Awards Program,
and Other Postemployment Benefits Program

Fiscal Year Ended June 30, 2011

Virginia Retirement System

County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2010	\$ 63,078,692	\$ 78,115,602	\$ 15,036,910	80.75%	\$ 26,212,986	57.36%
June 30, 2009	60,812,019	68,173,097	7,361,078	89.20%	26,792,214	27.47%
June 30, 2008	57,496,637	63,966,121	6,469,484	89.89%	26,828,399	24.11%

Component unit – School Board:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2010	\$ 16,273,785	\$ 17,409,848	\$ 1,136,063	93.47%	\$ 7,113,425	15.97%
June 30, 2009	15,791,261	15,453,376	(337,885)	102.19%	7,220,497	-4.68%
June 30, 2008	14,985,994	14,225,287	(760,707)	105.35%	6,507,043	-11.69%

Analysis of the dollar amounts of the actuarial value of assets (AVA), actuarial accrued liability (AAL), and unfunded actuarial accrued liability (UAAL) in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (see funded ratio) provides one indication of the program's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker.

Fire and Rescue Pension Trust Length of Service Awards Program

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio Assets as % of AAL
December 31, 2010	\$ 1,242,569	\$ 1,429,088	\$ 186,519	86.95%
December 31, 2009	1,076,896	1,444,464	367,568	74.55%
December 31, 2008	909,474	1,420,651	511,177	64.02%

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, 2010	\$ 1,012,000	\$ 7,678,000	\$ 6,666,000	13.18%	\$ 101,354,844	6.58%
July 1, 2009	488,000	6,544,000	6,544,000	7.46%	102,868,756	6.36%
July 1, 2008	-	6,452,000	6,452,000	0.00%	103,755,221	6.22%

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

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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ASSET REPLACEMENT FUND

The *Asset Replacement Fund* is used to account for and report financial resources that are restricted, committed, or assigned to the expenditure for major maintenance and systems replacement, renovations, and major asset replacements for the County.

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COUNTY OF FAUQUIER, VIRGINIA

Exhibit 14

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Asset Replacement Fund
Fiscal Year Ended June 30, 2011**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Charges for services	\$ 35,000	\$ 35,000	\$ 33,591	\$ (1,409)
Miscellaneous revenue	-	-	250	250
Total revenues	35,000	35,000	33,841	(1,159)
Expenditures				
Current operating:				
Capital projects:				
General government	-	864,270	340,967	523,303
Public safety	-	303,946	290,170	13,776
Parks, recreation, and cultural	-	68,334	68,334	-
Total current operating	-	1,236,550	699,471	537,079
Capital outlay:				
General government	200,000	223,938	13,900	210,038
Public safety	369,000	485,959	296,529	189,430
Public works	238,500	452,959	213,218	239,741
Parks, recreation, and cultural	200,000	194,500	53,758	140,742
Community development	-	5,500	-	5,500
Total capital outlay	1,007,500	1,362,856	577,405	785,451
Debt service:				
Bond issuance costs	-	-	43,500	(43,500)
Total expenditures	1,007,500	2,599,406	1,320,376	1,279,030
(Deficiency) of revenues (under) expenditures	(972,500)	(2,564,406)	(1,286,535)	1,277,871
Other financing sources				
Transfers in	972,500	2,564,406	2,564,406	-
Issuance of debt	-	-	1,566,000	1,566,000
Total other financing sources	972,500	2,564,406	4,130,406	1,566,000
Net change in fund balances	-	-	2,843,871	2,843,871
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	\$ -	\$ 2,843,871	\$ 2,843,871

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CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure 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 15

Page 1 of 2

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2011**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Revenue from use of money	\$ 11,000,000	\$ -	\$ 3,320	\$ 3,320
Gifts and donations	500,000	-	-	-
Intergovernmental:				
Commonwealth of Virginia	297,781	297,781	297,781	-
Federal Government	1,729,896	1,600,580	219,523	(1,381,057)
Total revenues	13,527,677	1,898,361	520,624	(1,377,737)
Expenditures				
Current operating:				
Capital projects:				
Public safety:				
Fire training center	629,332	378,068	378,068	-
SPCA facility expansion	823,821	823,821	62,268	761,553
Radio safety	97,504	97,504	25,041	72,463
VDEM grant 800 MHz upgrades	34,385	33,450	33,450	-
Total public safety	1,585,042	1,332,843	498,827	834,016
Public works:				
Marshall main street	1,139,936	1,139,936	144,842	995,094
Salem meeting house	85,531	85,531	-	85,531
Total public works	1,225,467	1,225,467	144,842	1,080,625
Education:				
Fauquier high school	14,774,000	13,875,394	414,342	13,461,052
Kettle Run high school	1,174,622	24,622	17,251	7,371
Academic avenue construction	1,107,507	207,507	129,374	78,133
New elementary school #12	1,731,936	1,731,936	-	1,731,936
Southeastern high school	27,660	46	46	-
Total education	18,815,725	15,839,505	561,013	15,278,492
Parks, recreation, and cultural:				
Land - Walker Jones property	11,002	876,733	876,733	-
Bealeton depot	204,815	45,599	45,599	-
Northern swimming pool	52,293	52,293	-	52,293
Sports complex	733,318	233,318	70,346	162,972
Total parks, recreation, and cultural	\$ 1,001,428	\$ 1,207,943	\$ 992,678	\$ 215,265

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 15

Page 2 of 2

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2011**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Expenditures (continued)				
Current operating: (continued)				
Capital projects: (continued)				
Community development:				
Airport sewer project	\$ 164,250	\$ 164,250	\$ 47,750	\$ 116,500
Route 605 easement	125,557	8,212	8,212	-
Vint hill expansion	243,496	247,753	247,605	148
Total community development	533,303	420,215	303,567	116,648
Total current operating	23,160,965	20,025,973	2,500,927	17,525,046
Capital outlay:				
Public safety	291,852	188,319	173,168	15,151
Public works	3,086,272	2,089,804	87,790	2,002,014
Education	2,091,526	1,478,241	10,352	1,467,889
Parks, recreation, and cultural	389,077	395,077	28,588	366,489
Total capital outlay	5,858,727	4,151,441	299,898	3,851,543
Debt service:				
Revenue bond covenant	532,684	58,853	-	58,853
Principal retirement	-	191,000	191,000	-
Interest charges	-	282,280	306,204	(23,924)
Bond issuance costs	-	-	100,278	(100,278)
Fiscal charges	(551)	-	41	(41)
Total debt service	532,133	532,133	597,523	(65,390)
Total expenditures	29,551,825	24,709,547	3,398,348	21,311,199
(Deficiency) of revenues (under) expenditures	(16,024,148)	(22,811,186)	(2,877,724)	19,933,462
Other financing sources (uses)				
Transfers in	200,000	1,350,000	1,350,000	-
Transfers (out)	-	(1,374,310)	(1,374,310)	-
Issuance of debt	-	8,600,000	-	(8,600,000)
Issuance of refunding bonds	-	-	5,430,000	5,430,000
Payments to refunded bonds escrow agent	-	-	(5,962,000)	(5,962,000)
Premiums on issuance of debt	-	-	657,736	657,736
Total other financing sources (uses)	200,000	8,575,690	101,426	(8,474,264)
Net change in fund balances	(15,824,148)	(14,235,496)	(2,776,298)	11,459,198
Fund balances, beginning	15,420,718	15,420,718	15,420,718	-
Fund balances, ending	\$ (403,430)	\$ 1,185,222	\$ 12,644,420	\$ 11,459,198

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DEBT SERVICE FUND

The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service.

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COUNTY OF FAUQUIER, VIRGINIA

Exhibit 16

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Debt Service Fund
Fiscal Year Ended June 30, 2011**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Miscellaneous	\$ -	\$ -	\$ 445,672	\$ 445,672
Total revenues	-	-	445,672	445,672
Expenditures				
Debt service:				
Principal retirement	863,083	863,083	863,083	-
Interest charges	287,137	287,137	287,137	-
Fiscal charges	-	-	602	(602)
Principal retirement - education	7,540,000	7,540,000	7,540,000	-
Interest charges - education	4,869,821	4,869,821	4,869,821	-
Fiscal charges - education	6,850	6,850	6,000	850
Total expenditures	13,566,891	13,566,891	13,566,643	248
(Deficiency) of revenues (under) expenditures	(13,566,891)	(13,566,891)	(13,120,971)	445,920
Other financing sources				
Transfers in	13,566,891	13,566,891	13,566,891	-
Total other financing sources	13,566,891	13,566,891	13,566,891	-
Net change in fund balances	-	-	445,920	445,920
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	\$ -	\$ 445,920	\$ 445,920

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NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

The *Fire and Rescue Fund* is used to account for and report the fire and rescue levy assessed on real estate to support the volunteer fire and rescue companies.

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

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

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

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

COUNTY OF FAUQUIER, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

Exhibit 17
Page 1 of 2

	Special Revenue				
	Parks and Recreation Fund	Library Fund	Conservation Easement Service District Fund	Marshall Electric Light and Business Improvement District Fund	Fire and Rescue Fund
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,367	\$ 321	\$ 450,019	\$ 749	\$ 2,356,567
Cash and cash equivalents - restricted	216,142	118,308	-	33,264	101,230
Receivables, net of allowance for uncollectibles:					
Taxes, including penalties	-	-	25,309	321	189,437
Accounts	1,000	-	859	47	422,699
Inventories	-	-	-	-	-
Prepaid assets	-	-	-	-	95,244
Due from other governmental units	-	-	-	-	15,669
Total assets	<u>219,509</u>	<u>118,629</u>	<u>476,187</u>	<u>34,381</u>	<u>3,180,846</u>
Liabilities					
Accounts payable	2,367	321	188	703	43,840
Accrued liabilities	-	-	1,816	-	4,309
Deferred revenue	-	-	19,891	46	149,339
Escrows	-	-	-	-	-
Total liabilities	<u>2,367</u>	<u>321</u>	<u>21,895</u>	<u>749</u>	<u>197,488</u>
Fund balances					
Nonspendable	-	-	-	-	95,244
Restricted	216,142	118,308	-	33,632	101,230
Committed	1,000	-	454,292	-	2,786,884
Total fund balances	<u>217,142</u>	<u>118,308</u>	<u>454,292</u>	<u>33,632</u>	<u>2,983,358</u>
Total liabilities and fund balances	<u>\$ 219,509</u>	<u>\$ 118,629</u>	<u>\$ 476,187</u>	<u>\$ 34,381</u>	<u>\$ 3,180,846</u>

Funds

Ambulance Revenue Fund	Proffer Fund	Affordable Housing Fund	Vint Hill Transportation Proffer Fund	Total Nonmajor Governmental Funds	
					Assets
\$ 530,979	\$ 784,617	\$ 186,965	\$ -	\$ 4,312,584	Cash, cash equivalents, and investments
-	584,612	71,929	200,538	1,326,023	Cash, cash equivalents, and investments - restricted
-	-	-	-	215,067	Receivables, net of allowance for uncollectibles:
643,103	-	-	-	1,067,708	Taxes, including penalties
-	-	465,587	-	465,587	Accounts
-	-	-	-	95,244	Inventories
-	-	36,335	-	52,004	Prepaid assets
					Due from other governmental units
<u>1,174,082</u>	<u>1,369,229</u>	<u>760,816</u>	<u>200,538</u>	<u>7,534,217</u>	Total assets
					Liabilities
160,150	27,857	48,274	-	283,700	Accounts payable
782	9,765	-	-	16,672	Accrued liabilities
359,001	-	-	-	528,277	Deferred revenue
-	746,995	-	-	746,995	Escrows
<u>519,933</u>	<u>784,617</u>	<u>48,274</u>	<u>-</u>	<u>1,575,644</u>	Total liabilities
					Fund balances
-	-	-	-	95,244	Nonspendable
-	584,612	537,516	200,538	1,791,978	Restricted
<u>654,149</u>	<u>-</u>	<u>175,026</u>	<u>-</u>	<u>4,071,351</u>	Committed
<u>654,149</u>	<u>584,612</u>	<u>712,542</u>	<u>200,538</u>	<u>5,958,573</u>	Total fund balances
<u>\$ 1,174,082</u>	<u>\$ 1,369,229</u>	<u>\$ 760,816</u>	<u>\$ 200,538</u>	<u>\$ 7,534,217</u>	Total liabilities and fund balances

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 18

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2011

Page 1 of 2

	Special Revenue				
	Parks and Recreation Fund	Library Fund	Conservation Easement Service District Fund	Marshall Electric Light and Business Improvement District Fund	Fire and Rescue Fund
Revenues					
General property taxes	\$ -	\$ -	\$ 603,997	\$ 9,734	\$ 4,519,014
Revenue from use of money and property	499	217	-	-	2,607
Charges for services	-	-	-	-	-
Gifts and donations	43,027	18,578	40,000	-	-
Miscellaneous revenue	-	-	-	-	420,772
Intergovernmental:					
Commonwealth of Virginia	-	-	390,413	-	213,552
Federal Government	-	-	-	-	-
Total revenues	43,526	18,795	1,034,410	9,734	5,155,945
Expenditures					
Current operating:					
General government	-	-	-	-	-
Public safety	-	-	-	-	3,895,541
Public works	-	-	-	8,297	-
Parks, recreation, and cultural	12,808	10,445	-	-	-
Community development	-	-	1,562,621	-	-
Debt service:					
Principal retirement	-	-	-	-	136,768
Interest charges	-	-	-	-	516,680
Total expenditures	12,808	10,445	1,562,621	8,297	4,548,989
Excess (deficiency) of revenues over (under) expenditures	30,718	8,350	(528,211)	1,437	606,956
Other financing sources (uses)					
Transfers in	-	30,506	-	-	11,758
Transfers (out)	-	-	-	-	(151,983)
Total other financing sources (uses)	-	30,506	-	-	(140,225)
Net change in fund balances	30,718	38,856	(528,211)	1,437	466,731
Fund balances, beginning, as restated	186,424	79,452	982,503	32,195	2,516,627
Fund balances, ending	\$ 217,142	\$ 118,308	\$ 454,292	\$ 33,632	\$ 2,983,358

Funds

Ambulance Revenue Fund	Proffer Fund	Affordable Housing Fund	Vint Hill Transportation Proffer Fund	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ 5,132,745	Revenues
-	2,690	-	583	6,596	General property taxes
1,074,247	-	-	-	1,074,247	Revenue from use of money and property
-	71,400	-	1,689	174,694	Charges for services
-	-	16,601	-	437,373	Gifts and donations
-	-	-	-	603,965	Miscellaneous revenue
-	-	517,428	-	517,428	Intergovernmental:
					Commonwealth of Virginia
					Federal Government
1,074,247	74,090	534,029	2,272	7,947,048	Total revenues
					Expenditures
-	-	-	-	-	Current operating:
393,584	-	-	-	4,289,125	General government
-	-	-	-	8,297	Public safety
-	-	-	-	23,253	Public works
-	514,545	910,372	-	2,987,538	Parks, recreation, and cultural
-	-	-	-	136,768	Community development
-	-	-	-	516,680	Debt service:
					Principal retirement
					Interest charges
393,584	514,545	910,372	-	7,961,661	Total expenditures
680,663	(440,455)	(376,343)	2,272	(14,613)	Excess (deficiency) of revenues over (under) expenditures
-	-	205,432	-	247,696	Other financing sources (uses)
(692,944)	(30,299)	-	(30,299)	(905,525)	Transfers in
(692,944)	(30,299)	205,432	(30,299)	(657,829)	Transfers (out)
(12,281)	(470,754)	(170,911)	(28,027)	(672,442)	Total other financing sources (uses)
666,430	1,055,366	883,453	228,565	6,631,015	Net change in fund balances
\$ 654,149	\$ 584,612	\$ 712,542	\$ 200,538	\$ 5,958,573	Fund balances, beginning, as restated
					Fund balances, ending

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 19

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Library Fund
Fiscal Year Ended June 30, 2011**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 217	\$ 217
Gifts and donations	-	-	18,578	18,578
Total revenues	-	-	18,795	18,795
Expenditures				
Current operating:				
Parks, recreation, and cultural	-	30,506	10,445	20,061
Total expenditures	-	30,506	10,445	20,061
Excess (deficiency) of revenues over (under) expenditures	-	(30,506)	8,350	38,856
Other financing sources				
Transfers in	-	30,506	30,506	-
Total other financing sources (uses)	-	30,506	30,506	-
Net change in fund balances	-	-	38,856	38,856
Fund balances, beginning	79,452	79,452	79,452	-
Fund balances, ending	<u>\$ 79,452</u>	<u>\$ 79,452</u>	<u>\$ 118,308</u>	<u>\$ 38,856</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 20

**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, 2011**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ 577,314	\$ 577,314	\$ 603,997	\$ 26,683
Gifts and donations	-	40,000	40,000	-
Intergovernmental:				
Commonwealth of Virginia	90,000	495,535	390,413	(105,122)
Total revenues	667,314	1,112,849	1,034,410	(78,439)
Expenditures				
Current operating:				
Community development	667,314	2,095,352	1,562,621	532,731
Total expenditures	667,314	2,095,352	1,562,621	532,731
(Deficiency) of revenues (under) expenditures	-	(982,503)	(528,211)	454,292
Net change in fund balances	-	(982,503)	(528,211)	454,292
Fund balances, beginning	982,503	982,503	982,503	-
Fund balances, ending	<u>\$ 982,503</u>	<u>\$ -</u>	<u>\$ 454,292</u>	<u>\$ 454,292</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 21

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Fire and Rescue Fund
Fiscal Year Ended June 30, 2011**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
General property taxes	\$ 4,400,037	\$ 4,400,037	\$ 4,519,014	\$ 118,977
Revenue from use of money and property	29,478	29,478	2,607	(26,871)
Miscellaneous revenue	-	3,530	420,772	417,242
Intergovernmental:				
Commonwealth of Virginia	201,658	197,883	213,552	15,669
Total revenues	<u>4,631,173</u>	<u>4,630,928</u>	<u>5,155,945</u>	<u>525,017</u>
Expenditures				
Current operating:				
Public safety	3,211,178	4,512,642	3,895,541	617,101
Debt service:				
Principal retirement	-	136,768	136,768	-
Interest charges	<u>-</u>	<u>516,680</u>	<u>516,680</u>	<u>-</u>
Total expenditures	<u>3,211,178</u>	<u>5,166,090</u>	<u>4,548,989</u>	<u>617,101</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,419,995</u>	<u>(535,162)</u>	<u>606,956</u>	<u>1,142,118</u>
Other financing sources (uses)				
Transfers in	-	11,758	11,758	-
Transfers (out)	<u>(1,419,995)</u>	<u>(766,547)</u>	<u>(151,983)</u>	<u>614,564</u>
Total other financing sources (uses)	<u>(1,419,995)</u>	<u>(754,789)</u>	<u>(140,225)</u>	<u>614,564</u>
Net change in fund balances	-	(1,289,951)	466,731	1,756,682
Fund balances, beginning	<u>2,516,627</u>	<u>2,516,627</u>	<u>2,516,627</u>	<u>-</u>
Fund balances, ending	<u>\$ 2,516,627</u>	<u>\$ 1,226,676</u>	<u>\$ 2,983,358</u>	<u>\$ 1,756,682</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 22

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Ambulance Revenue Fund
Fiscal Year Ended June 30, 2011**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Charges for services	\$ 1,220,000	\$ 1,220,000	\$ 1,074,247	\$ (145,753)
Total revenues	1,220,000	1,220,000	1,074,247	(145,753)
Expenditures				
Current operating:				
Public safety	816,530	527,056	393,584	133,472
Total expenditures	816,530	527,056	393,584	133,472
Excess of revenues over expenditures	403,470	692,944	680,663	(12,281)
Other financing (uses)				
Transfers (out)	(403,470)	(692,944)	(692,944)	-
Total other financing (uses)	(403,470)	(692,944)	(692,944)	-
Net change in fund balances	-	-	(12,281)	(12,281)
Fund balances, beginning	666,430	666,430	666,430	-
Fund balances, ending	\$ 666,430	\$ 666,430	\$ 654,149	\$ (12,281)

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 23

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Proffer Fund
Fiscal Year Ended June 30, 2011**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 2,690	\$ 2,690
Gifts and donations	-	620,299	71,400	(548,899)
Total revenues	-	620,299	74,090	(546,209)
Expenditures				
Current operating:				
Community development	-	590,000	514,545	75,455
Total expenditures	-	590,000	514,545	75,455
Excess (deficiency) of revenues over (under) expenditures	-	30,299	(440,455)	(470,754)
Other financing (uses)				
Transfers (out)	-	(30,299)	(30,299)	-
Total other financing (uses)	-	(30,299)	(30,299)	-
Net change in fund balances	-	-	(470,754)	(470,754)
Fund balances, beginning	1,055,366	1,055,366	1,055,366	-
Fund balances, ending	<u>\$ 1,055,366</u>	<u>\$ 1,055,366</u>	<u>\$ 584,612</u>	<u>\$ (470,754)</u>

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, 2011**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Miscellaneous revenue	\$ -	\$ -	\$ 16,601	\$ 16,601
Intergovernmental:				
Federal Government	-	589,365	517,428	(71,937)
Total revenues	-	589,365	534,029	(55,336)
Expenditures				
Current operating:				
Community development	205,432	1,069,055	910,372	158,683
Total expenditures	205,432	1,069,055	910,372	158,683
(Deficiency) of revenues (under) expenditures	(205,432)	(479,690)	(376,343)	103,347
Other financing sources				
Transfers in	205,432	205,432	205,432	-
Total other financing sources	205,432	205,432	205,432	-
Net change in fund balances	-	(274,258)	(170,911)	103,347
Fund balances, beginning	883,453	883,453	883,453	-
Fund balances, ending	\$ 883,453	\$ 609,195	\$ 712,542	\$ 103,347

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Vint Hill Transportation Proffer Fund
Fiscal Year Ended June 30, 2011**

	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 583	\$ 583
Gifts and donations	-	-	1,689	1,689
Total revenues	-	-	2,272	2,272
Expenditures				
Current operating:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	2,272	2,272
Other financing (uses)				
Transfers (out)	-	(30,299)	(30,299)	-
Total other financing (uses)	-	(30,299)	(30,299)	-
Net change in fund balances	-	(30,299)	(28,027)	2,272
Fund balances, beginning	228,565	228,565	228,565	-
Fund balances, ending	<u>\$ 228,565</u>	<u>\$ 198,266</u>	<u>\$ 200,538</u>	<u>\$ 2,272</u>

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 Assets
Internal Service Funds
June 30, 2011**

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 356,744	\$ 5,857,136	\$ 6,213,880
Receivables, net of allowance for uncollectibles	33,517	70,010	103,527
Inventories	172,181	-	172,181
Due from other governmental units	-	6,110	6,110
Total current assets	562,442	5,933,256	6,495,698
Noncurrent assets:			
Capital assets (depreciable):			
Buildings and improvements	349,000	-	349,000
Machinery and equipment	385,913	-	385,913
Accumulated depreciation	(674,434)	-	(674,434)
Total capital assets	60,479	-	60,479
Total noncurrent assets	60,479	-	60,479
Total assets	622,921	5,933,256	6,556,177
Liabilities			
Current liabilities:			
Accounts payable	111,301	112,704	224,005
Accrued liabilities	11,480	-	11,480
Unearned revenue	-	339,505	339,505
Current portion of compensated absences	9,309	-	9,309
Current portion of incurred but not reported claims	-	432,245	432,245
Total current liabilities	132,090	884,454	1,016,544
Noncurrent liabilities:			
Noncurrent portion of compensated absences	83,785	-	83,785
Noncurrent portion of incurred but not reported claims	-	1,296,733	1,296,733
Total noncurrent liabilities	83,785	1,296,733	1,380,518
Total liabilities	215,875	2,181,187	2,397,062
Net Assets			
Invested in capital assets	60,479	-	60,479
Unrestricted	346,567	3,752,069	4,098,636
Total net assets	407,046	3,752,069	4,159,115
Total liabilities and net assets	\$ 622,921	\$ 5,933,256	\$ 6,556,177

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 27

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

Internal Service Funds

Fiscal Year Ended June 30, 2011

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Operating revenues			
Charges for services	\$ 3,303,574	\$ 19,143,541	\$ 22,447,115
Total operating revenues	3,303,574	19,143,541	22,447,115
Operating expenses			
Personal services	562,418	-	562,418
Fringe benefits	220,124	-	220,124
Claims and benefits paid	-	15,879,750	15,879,750
Premiums	-	3,925,250	3,925,250
Contractual services	137,196	68,949	206,145
Other operating expenses	2,233,680	28,000	2,261,680
Contribution to OPEB Trust Fund	-	478,000	478,000
Depreciation	10,643	-	10,643
Total operating expenses	3,164,061	20,379,949	23,544,010
Operating income (loss)	139,513	(1,236,408)	(1,096,895)
Nonoperating revenues (expenses)			
Interest income	-	18,563	18,563
Total nonoperating revenues (expenses)	-	18,563	18,563
Income (loss) before transfers	139,513	(1,217,845)	(1,078,332)
Transfers out	(33,797)	-	(33,797)
Change in net assets	105,716	(1,217,845)	(1,112,129)
Net assets - beginning	301,330	4,969,914	5,271,244
Net assets - ending	\$ 407,046	\$ 3,752,069	\$ 4,159,115

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 28

Combining Statement of Cash Flows

Internal Service Funds

Fiscal Year Ended June 30, 2011

	Internal Service Funds		
	Fleet Maintenance Fund	Health Insurance Fund	Total
Cash Flow from Operating Activities			
Receipts from customers and users	\$ 3,292,549	\$ 19,141,910	\$ 22,434,459
Payment to suppliers and other operating activities	(2,292,772)	(19,823,614)	(22,116,386)
Payment to employees (including fringes)	(782,154)	-	(782,154)
Contribution to OPEB Trust Fund	-	(478,000)	(478,000)
Federal COBRA premium subsidy	-	2,289	2,289
Net cash provided by operating activities	217,623	(1,157,415)	(939,792)
Cash Flow from Noncapital Financing Activities			
Transfers (out)	(33,797)	-	(33,797)
Net cash provided by (used in) noncapital financing activities	(33,797)	-	(33,797)
Cash Flow from Capital and Related Financing Activities			
Acquisition and construction of capital assets	6,229	-	6,229
Net cash (used in) capital and related financing activities	6,229	-	6,229
Cash Flow from Investing Activities			
Interest	-	18,563	18,563
Net cash provided by investing activities	-	18,563	18,563
Net increase in cash and cash equivalents	190,055	(1,138,852)	(948,797)
Cash and cash equivalents - beginning of the year	166,689	6,995,988	7,162,677
Cash and cash equivalents - end of the year	356,744	5,857,136	6,213,880
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities			
Cash flows from operations:			
Operating income	139,513	(1,236,408)	(1,096,895)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	10,643	-	10,643
Changes in operating assets and liabilities:			
(Increase) Decrease in receivables	(11,025)	22,108	11,083
Increase in incurred but not reported claims	-	148,254	148,254
Decrease in inventory	59,347	-	59,347
Decrease in Federal COBRA premium subsidy	-	2,289	2,289
Increase (decrease) in accounts payable	18,757	(69,919)	(51,162)
(Decrease) in unearned revenue	-	(23,739)	(23,739)
Increase in accrued liabilities	388	-	388
Net cash provided by operating activities	\$ 217,623	\$ (1,157,415)	\$ (939,792)

FIDUCIARY FUNDS

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

The *Fire and Rescue Pension Trust Length of Service Awards Fund* is used to account for and report assets held in trust by the County for employees and beneficiaries of the County Fire & Rescue Association and its member companies.

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

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

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

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

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

Combining Statement of Fiduciary Net Assets
Pension (and other employee benefit) Trust Funds
June 30, 2011

	Pension (and other employee benefit) Trust Funds		
	Fire and Rescue Pension Trust Length of Service Awards Fund	Other Postemployment Benefit Plans Fund	Total
Assets			
Assets held in trust for pool participants	\$ 1,258,355	\$ -	\$ 1,258,355
Assets held in trust for OPEB benefits	-	1,660,527	1,660,527
Total assets	1,258,355	1,660,527	2,918,882
Liabilities	-	-	-
Net Assets			
Held in trust for pool participants	1,258,355	-	1,258,355
Held in trust for OPEB benefits	-	1,660,527	1,660,527
Total net assets	1,258,355	1,660,527	2,918,882
Total liabilities and net assets	\$ 1,258,355	\$ 1,660,527	\$ 2,918,882

COUNTY OF FAUQUIER, VIRGINIA**Exhibit 30**
Combining Statement of Changes in Fiduciary Net Assets
Pension (and other employee benefit) Trust Funds
Fiscal Year Ended June 30, 2011

	Pension (and other employee benefit) Trust Funds		
	Fire and Rescue Pension Trust Length of Service Awards Fund	Other Postemployment Benefit Plans Fund	Total
Additions			
Contribution for beneficiary	\$ 283,192	\$ 478,000	\$ 761,192
Investment income	56,734	205,049	261,783
Total additions	339,926	683,049	1,022,975
Deductions			
Benefits	95,576	-	95,576
Annuity contracts	59,000	-	59,000
Insurance	81,837	-	81,837
Administrative fees	5,908	1,806	7,714
Total deductions	242,321	1,806	244,127
Change in net assets	97,605	681,243	778,848
Net assets - beginning	1,160,750	979,284	2,140,034
Net assets - ending	\$ 1,258,355	\$ 1,660,527	\$ 2,918,882

COUNTY OF FAUQUIER, VIRGINIA**Exhibit 31****Combining Statement of Fiduciary Assets and Liabilities****Agency Funds****June 30, 2011**

	Agency Funds				Total
	Working Together Fund	Special Welfare Fund	Detention Center Fund	Service to Outside Agencies Fund	
Assets					
Cash and cash equivalents	\$ 24,532	\$ 44,070	\$ -	\$ 101,478	\$ 170,080
Cash in custody of others	-	-	86,297	-	86,297
Receivables, net of allowance for uncollectibles:					
Accounts	-	3,097	-	13,471	16,568
Total assets	<u>24,532</u>	<u>47,167</u>	<u>86,297</u>	<u>114,949</u>	<u>272,945</u>
Liabilities					
Accrued liabilities	-	-	-	16,275	16,275
Amounts held for clients/others	<u>24,532</u>	<u>47,167</u>	<u>86,297</u>	<u>98,674</u>	<u>256,670</u>
Total liabilities	<u>\$ 24,532</u>	<u>\$ 47,167</u>	<u>\$ 86,297</u>	<u>\$ 114,949</u>	<u>\$ 272,945</u>

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 32
Page 1 of 2

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Working Together Fund				
Assets:				
Cash and cash equivalents	\$ 21,709	\$ 37,577	\$ 34,754	\$ 24,532
Liabilities:				
Amounts held for clients/others	\$ 21,709	\$ 37,577	\$ 34,754	\$ 24,532
Special Welfare Fund				
Assets:				
Cash and cash equivalents	\$ 52,904	\$ 123,763	\$ 132,597	\$ 44,070
Accounts receivable	3,890	3,097	3,890	3,097
Total assets	56,794	126,860	136,487	47,167
Liabilities:				
Amounts held for clients/others	\$ 56,794	\$ 126,860	\$ 136,487	\$ 47,167
Detention Center Fund				
Assets:				
Cash in custody of others:				
Cash - canteen account	\$ 65,898	\$ 95,900	\$ 81,999	\$ 79,799
Cash - inmate accounts	7,578	126,880	130,616	3,842
Cash - work release	2,661	95,733	95,738	2,656
Total assets	76,137	318,513	308,353	86,297
Liabilities:				
Amounts held for clients/others	\$ 76,137	\$ 318,513	\$ 308,353	\$ 86,297

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 32
Page 2 of 2

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Service to Outside Agencies Fund				
Assets:				
Cash and cash equivalents	\$ 100,683	\$ 904,623	\$ 903,828	\$ 101,478
Accounts receivable	3,524	13,471	3,524	13,471
Total assets	<u>104,207</u>	<u>918,094</u>	<u>907,352</u>	<u>114,949</u>
Liabilities:				
Accrued liabilities	18,005	16,275	18,005	16,275
Amounts held for clients/others	86,202	901,819	889,347	98,674
Total liabilities	<u>\$ 104,207</u>	<u>\$ 918,094</u>	<u>\$ 907,352</u>	<u>\$ 114,949</u>
Total - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 175,296	\$ 1,065,963	\$ 1,071,179	\$ 170,080
Cash in custody of others	76,137	318,513	308,353	86,297
Accounts receivable	7,414	16,568	7,414	16,568
Total assets	<u>258,847</u>	<u>1,401,044</u>	<u>1,386,946</u>	<u>272,945</u>
Liabilities:				
Accrued liabilities	18,005	16,275	18,005	16,275
Amounts held for clients/others	240,842	1,384,769	1,368,941	256,670
Total liabilities	<u>\$ 258,847</u>	<u>\$ 1,401,044</u>	<u>\$ 1,386,946</u>	<u>\$ 272,945</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 that are restricted or assigned to expenditure 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 that are restricted or assigned to expenditure 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 that are restricted or assigned to 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 that are restricted or assigned to expenditure 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 seven 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 33

Combining Balance Sheet
Discretely Presented Component Unit – School Board
June 30, 2011

	Governmental Funds				
	School General Fund	School Asset Replacement Fund	School Textbook Fund	School Nutrition Fund	Total Governmental Funds
Assets					
Cash and cash equivalents (1)	\$ 7,950,112	\$ 1,717,952	\$ 655,678	\$ 358,726	\$ 10,682,468
Cash and cash equivalents - restricted (1)	5,000	-	-	-	5,000
Accounts receivable	106,138	-	-	91	106,229
Inventories	-	-	-	178,553	178,553
Prepaid assets	49,433	-	-	-	49,433
Due from other governmental units	4,953,149	-	-	228,606	5,181,755
Total assets	<u>13,063,832</u>	<u>1,717,952</u>	<u>655,678</u>	<u>765,976</u>	<u>16,203,438</u>
Liabilities					
Accounts payable	747,735	499,745	191,957	3,085	1,442,522
Accrued liabilities	11,988,946	10,999	-	239,897	12,239,842
Deferred revenue	6,979	-	-	73,991	80,970
Total liabilities	<u>12,743,660</u>	<u>510,744</u>	<u>191,957</u>	<u>316,973</u>	<u>13,763,334</u>
Fund balances					
Nonspendable	49,433	-	-	178,553	227,986
Restricted	5,000	-	-	-	5,000
Assigned	265,739	1,207,208	463,721	270,450	2,207,118
Total fund balances	<u>320,172</u>	<u>1,207,208</u>	<u>463,721</u>	<u>449,003</u>	<u>2,440,104</u>
Total liabilities and fund balances	<u>\$ 13,063,832</u>	<u>\$ 1,717,952</u>	<u>\$ 655,678</u>	<u>\$ 765,976</u>	<u>\$ 16,203,438</u>

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

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 34

**Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets**

Discretely Presented Component Unit – School Board

June 30, 2011

Total fund balances - discretely presented component unit - School Board **\$ 2,440,104**

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds. 175,414,006

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

Compensated absences (4,238,632)

Net assets of governmental activities **\$ 173,615,478**

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 35

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2011

	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	\$ -	\$ -	\$ -	\$ 499	\$ 499
Charges for services	340,329	-	-	2,915,796	3,256,125
Gifts and donations	7,585	-	-	-	7,585
Recovered costs	17,447	15,240	-	163,247	195,934
Miscellaneous revenue	323,432	-	5,346	-	328,778
Intergovernmental:					
Contribution from primary government	77,167,275	-	215,000	-	77,382,275
Commonwealth of Virginia	36,299,442	-	228,301	68,262	36,596,005
Federal Government	8,226,495	-	-	1,697,435	9,923,930
Total revenues	122,382,005	15,240	448,647	4,845,239	127,691,131
Expenditures					
Current operating:					
Education	118,913,885	2,035,231	152,234	4,728,366	125,829,716
Total expenditures	118,913,885	2,035,231	152,234	4,728,366	125,829,716
Excess (deficiency) of revenues over (under) expenditures	3,468,120	(2,019,991)	296,413	116,873	1,861,415
Other financing sources (uses)					
Transfers in	-	3,227,199	167,308	-	3,394,507
Transfers (out)	(3,394,507)	-	-	-	(3,394,507)
Total other financing sources (uses)	(3,394,507)	3,227,199	167,308	-	-
Net change in fund balances	73,613	1,207,208	463,721	116,873	1,861,415
Fund balances, beginning	246,559	-	-	332,130	578,689
Fund balances, ending	\$ 320,172	\$ 1,207,208	\$ 463,721	\$ 449,003	\$ 2,440,104

The contribution from the primary government is reduced by \$898,606 which was returned to the Capital Projects Fund, thus it will not match Exhibit 7.

COUNTY OF FAUQUIER, VIRGINIA**Exhibit 36****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, 2011**

Net change in fund balances - discretely presented component unit - School Board	\$	1,861,415
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Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

The primary government donates school board capital assets constructed in the primary government's capital improvement fund. Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	1,218,828
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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	2,045,997	
Depreciation	<u>(7,020,572)</u>	(4,974,575)

Donated capital assets - external sources	5,000
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Loss on disposal of asset	(59,354)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount reflects the change in accrued leave in the current year.	<u>(69,154)</u>
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Change in net assets of governmental activities	\$	<u><u>(2,017,840)</u></u>
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COUNTY OF FAUQUIER, VIRGINIA

Exhibit 37
Page 1 of 2

Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2011

	School General Fund				School Asset Replacement Fund			
	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Revenues								
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	360,657	360,657	340,329	(20,328)	-	-	-	-
Gifts and donations	5,000	5,000	7,585	2,585	-	-	-	-
Recovered costs	30,000	30,000	17,447	(12,553)	-	11,750	15,240	3,490
Miscellaneous revenue	298,500	317,650	323,432	5,782	-	-	-	-
Intergovernmental:								
Contribution from primary government	76,892,228	78,090,466	77,167,275	(923,191)	-	-	-	-
Commonwealth of Virginia	36,638,743	36,311,692	36,299,442	(12,250)	-	-	-	-
Federal Government	3,670,117	8,477,728	8,226,495	(251,233)	-	-	-	-
Total revenues	117,895,245	123,593,193	122,382,005	(1,211,188)	-	11,750	15,240	3,490
Expenditures								
Current operating:								
Education:								
Instruction	94,101,790	96,309,819	95,934,878	374,941	-	-	-	-
Administration, attendance, and health	4,432,982	6,208,673	4,545,790	1,662,883	-	-	-	-
Public transportation services	8,301,705	8,301,705	8,613,788	(312,083)	-	751,750	475,816	275,934
Operation and maintenance services	9,388,305	9,618,698	9,629,905	(11,207)	1,503,155	2,487,199	1,559,415	927,784
School food services	-	-	189,524	(189,524)	-	-	-	-
Total education	116,224,782	120,438,895	118,913,885	1,525,010	1,503,155	3,238,949	2,035,231	1,203,718
Total expenditures	116,224,782	120,438,895	118,913,885	1,525,010	1,503,155	3,238,949	2,035,231	1,203,718
Excess (deficiency) of revenues over (under) expenditures	1,670,463	3,154,298	3,468,120	313,822	(1,503,155)	(3,227,199)	(2,019,991)	1,207,208
Other financing sources (uses)								
Transfers in	-	-	-	-	1,503,155	3,227,199	3,227,199	-
Transfers (out)	(167,308)	(3,394,507)	(3,394,507)	-	-	-	-	-
Total other financing sources (uses)	(167,308)	(3,394,507)	(3,394,507)	-	1,503,155	3,227,199	3,227,199	-
Net change in fund balances	1,503,155	(240,209)	73,613	313,822	-	-	1,207,208	1,207,208
Fund balances, beginning	246,559	246,559	246,559	-	-	-	-	-
Fund balances, ending	\$ 1,749,714	\$ 6,350	\$ 320,172	\$ 313,822	\$ -	\$ -	\$ 1,207,208	\$ 1,207,208

School Textbook Fund				School Nutrition Fund				
Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)	
\$ -	\$ -	\$ -	\$ -	\$ 1,200	\$ 1,200	\$ 499	\$ (701)	Revenues
-	-	-	-	3,145,381	3,145,381	2,915,796	(229,585)	Revenue from use of money and property
-	-	-	-	-	-	-	-	Charges for services
-	-	-	-	178,000	178,000	163,247	(14,753)	Gifts and donations
-	-	5,346	5,346	-	-	-	-	Recovered costs
-	215,000	215,000	-	-	-	-	-	Miscellaneous revenue
227,620	227,620	228,301	681	67,030	67,030	68,262	1,232	Intergovernmental:
-	-	-	-	1,329,993	1,329,993	1,697,435	367,442	Contribution from primary government
227,620	442,620	448,647	6,027	4,721,604	4,721,604	4,845,239	123,635	Commonwealth of Virginia
								Federal Government
								Total revenues
								Expenditures
								Current operating:
394,928	609,928	152,234	457,694	-	-	-	-	Education:
-	-	-	-	-	-	-	-	Instruction
-	-	-	-	-	-	-	-	Administration, attendance, and health
-	-	-	-	-	-	-	-	Public transportation services
-	-	-	-	-	-	-	-	Operation and maintenance services
-	-	-	-	4,721,604	4,721,604	4,728,366	(6,762)	School food services
394,928	609,928	152,234	457,694	4,721,604	4,721,604	4,728,366	(6,762)	Total education
394,928	609,928	152,234	457,694	4,721,604	4,721,604	4,728,366	(6,762)	Total expenditures
(167,308)	(167,308)	296,413	463,721	-	-	116,873	116,873	Excess (deficiency) of revenues over (under) expenditures
167,308	167,308	167,308	-	-	-	-	-	Other financing sources (uses)
-	-	-	-	-	-	-	-	Transfers in
167,308	167,308	167,308	-	-	-	-	-	Transfers (out)
-	-	463,721	463,721	-	-	116,873	116,873	Total other financing sources (uses)
-	-	-	-	332,130	332,130	332,130	-	Net change in fund balances
\$ -	\$ -	\$ 463,721	\$ 463,721	\$ 332,130	\$ 332,130	\$ 449,003	\$ 116,873	Fund balances, beginning
								Fund balances, ending

Statement of Fiduciary Net Assets
Discretely Presented Component Unit – School Board
June 30, 2011

	Trust Fund Crockett Scholarship Private-Purpose Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 443,835	\$ 279,046
Cash in custody of others	-	1,459,369
Due from other governmental units	-	29,584
Land	94,200	-
Total assets	<u>538,035</u>	<u>1,767,999</u>
Liabilities		
Accounts payable	-	350
Accrued liabilities	-	84,723
Amounts held for clients/others	-	1,682,926
Total liabilities	-	<u>\$ 1,767,999</u>
Net Assets		
Held in trust for scholarships	<u>538,035</u>	
Total net assets	<u>538,035</u>	
Total liabilities and net assets	<u>\$ 538,035</u>	

Statement of Changes in Fiduciary Net Assets
Discretely Presented Component Unit – School Board
Fiscal Year Ended June 30, 2011

	Crockett Scholarship Private-Purpose Trust Fund
Additions	
Investment (loss)	\$ (5,028)
Total additions	(5,028)
Deductions	
Scholarships awarded	29,250
Administrative fees	2,203
Total deductions	31,453
Change in net assets	(36,481)
Net assets - beginning	574,516
Net assets - ending	\$ 538,035

COUNTY OF FAUQUIER, VIRGINIA**Exhibit 40****Combining Statement of Fiduciary Assets and Liabilities
Discretely Presented Component Unit – School Board
Agency Funds
June 30, 2011**

	Agency Funds		
	Mountain Vista Regional Governor's School Fund	School Activity Fund	Total
Assets			
Cash and cash equivalents	\$ 279,046	\$ -	\$ 279,046
Cash in custody of others	-	1,459,369	1,459,369
Due from other governmental units	29,584	-	29,584
Total assets	<u>308,630</u>	<u>1,459,369</u>	<u>1,767,999</u>
Liabilities			
Accounts payable	350	-	350
Accrued liabilities	84,723	-	84,723
Amounts held for clients/others	223,557	1,459,369	1,682,926
Total liabilities	<u>\$ 308,630</u>	<u>\$ 1,459,369</u>	<u>\$ 1,767,999</u>

Combining Statement of Changes in Assets and Liabilities

Discretely Presented Component Unit – School Board

Agency Funds

Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Mountain Vista Regional Governor's School Fund				
Assets:				
Cash and cash equivalents	\$ 279,071	\$ 855,786	\$ 855,811	\$ 279,046
Due from other governmental units	16,734	29,584	16,734	29,584
Total assets	<u>295,805</u>	<u>885,370</u>	<u>872,545</u>	<u>308,630</u>
Liabilities:				
Accounts payable	391	350	391	350
Accrued liabilities	79,805	84,723	79,805	84,723
Amounts held for clients/others	215,609	800,297	792,349	223,557
Total liabilities	<u>\$ 295,805</u>	<u>\$ 885,370</u>	<u>\$ 872,545</u>	<u>\$ 308,630</u>
School Activity Fund				
Assets:				
Cash in custody of others	\$ 1,529,786	\$ 3,842,893	\$ 3,913,310	\$ 1,459,369
Total assets	<u>1,529,786</u>	<u>3,842,893</u>	<u>3,913,310</u>	<u>1,459,369</u>
Liabilities:				
Amounts held for clients/others	1,529,786	3,842,893	3,913,310	1,459,369
Total liabilities	<u>\$ 1,529,786</u>	<u>\$ 3,842,893</u>	<u>\$ 3,913,310</u>	<u>\$ 1,459,369</u>
Total - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 279,071	\$ 855,786	\$ 855,811	\$ 279,046
Cash in custody of others	1,529,786	3,842,893	3,913,310	1,459,369
Due from other governmental units	16,734	29,584	16,734	29,584
Total assets	<u>1,825,591</u>	<u>4,728,263</u>	<u>4,785,855</u>	<u>1,767,999</u>
Liabilities:				
Accounts payable	391	350	391	350
Accrued liabilities	79,805	84,723	79,805	84,723
Amounts held for clients/others	1,745,395	4,643,190	4,705,659	1,682,926
Total liabilities	<u>\$ 1,825,591</u>	<u>\$ 4,728,263</u>	<u>\$ 4,785,855</u>	<u>\$ 1,767,999</u>

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OTHER SUPPLEMENTARY INFORMATION

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COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2011

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Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 84,330,318	\$ 84,330,318	\$ 85,645,847	\$ 1,315,529
Real and personal public service corporation property taxes	5,252,570	5,252,570	6,133,207	880,637
Personal property taxes	14,170,584	14,170,584	14,325,723	155,139
Penalties	855,000	855,000	786,259	(68,741)
Interest	415,000	415,000	411,055	(3,945)
Total general property taxes	105,023,472	105,023,472	107,302,091	2,278,619
Other local taxes:				
Local sales and use taxes	6,100,000	6,100,000	6,298,377	198,377
Consumers' utility taxes	4,812,765	1,590,000	1,617,137	27,137
Business license taxes	1,505,000	1,505,000	1,433,739	(71,261)
Motor vehicle taxes	1,730,000	1,730,000	1,772,081	42,081
Bank stock taxes	100,000	100,000	90,690	(9,310)
Taxes on recordation and wills	1,425,000	1,425,000	1,146,468	(278,532)
Lodging tax	100,000	100,000	86,905	(13,095)
Total other local taxes	15,772,765	12,550,000	12,445,397	(104,603)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	15,000	15,000	23,625	8,625
Building and related permits	1,011,535	1,011,535	752,116	(259,419)
Weapons permits	2,000	2,000	7,233	5,233
Zoning permits and fees	108,200	108,200	97,252	(10,948)
Land use application fees	20,000	20,000	9,141	(10,859)
Total permits, privilege fees, and regulatory licenses	1,156,735	1,156,735	889,367	(267,368)
Fines and forfeitures:				
Court fines and forfeitures	489,000	489,000	470,323	(18,677)
Revenue from use of money and property:				
Revenue from use of money	450,000	450,000	232,811	(217,189)
Revenue from use of property	250,646	250,646	264,950	14,304
Total revenue from use of money and property	700,646	700,646	497,761	(202,885)
Charges for services:				
Charges for commonwealth's and county's attorney	27,300	27,300	23,310	(3,990)
Charges for court services	146,742	146,742	115,895	(30,847)
Charges for public safety	255,700	255,700	268,640	12,940
Charges for parks and recreation	486,739	486,739	394,634	(92,105)
Charges for library	75,000	75,000	72,345	(2,655)
Charges for planning and community development	21,171	21,171	11,114	(10,057)
Total charges for services	\$ 1,012,652	\$ 1,012,652	\$ 885,938	\$ (126,714)

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2011

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Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
General Fund: (continued)				
Revenue from local sources: (continued)				
Gifts and donations:				
Donations	\$ 1,000	\$ 2,600	\$ 2,604	\$ 4
Recovered costs:				
Warrenton Community Center	-	18,496	18,351	(145)
800 MHz Radio - Culpeper County	-	-	18,629	18,629
Medical reimbursement - prisoners	6,500	6,500	5,694	(806)
Home incarceration fees	12,000	12,000	19,287	7,287
Board of prisoner - other localities	500	500	40	(460)
Other government charges	10,500	10,500	10,500	-
Work release	80,000	80,000	62,361	(17,639)
CSA shared cost	25,000	25,000	46,566	21,566
Insurance recoveries	-	8,876	28,536	19,660
Advertising	700	700	148	(552)
Miscellaneous recovered costs	-	2,000	53,873	51,873
Total recovered costs	135,200	164,572	263,985	99,413
Miscellaneous revenue:				
Sale of salvage and surplus property	30,000	30,000	37,400	7,400
Other miscellaneous revenue	94,930	167,230	142,150	(25,080)
Total miscellaneous revenue	124,930	197,230	179,550	(17,680)
Total revenue from local sources	124,416,400	121,296,907	122,937,016	1,640,109
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	85,000	85,000	78,426	(6,574)
Mobile home titling taxes	57,119	57,119	13,519	(43,600)
Auto rental tax	14,672	14,672	2,280	(12,392)
Recordation tax reimbursement	450,000	450,000	403,006	(46,994)
Commonwealth PPTRA	13,659,496	13,659,496	13,657,421	(2,075)
Communications tax	-	3,222,765	3,016,022	(206,743)
Local Aid to the Commonwealth revenue reduction	(360,000)	(405,496)	(405,496)	-
Total noncategorical aid	13,906,287	17,083,556	16,765,178	(318,378)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	467,848	467,848	445,687	(22,161)
Sheriff	3,574,551	3,574,551	3,383,819	(190,732)
Commissioner of the revenue	178,505	178,505	171,501	(7,004)
Treasurer	156,489	156,489	151,511	(4,978)
Registrar/electoral board	51,002	51,002	45,912	(5,090)
Clerk of the circuit court	476,378	476,378	447,801	(28,577)
Jail	340,000	340,000	213,798	(126,202)
Total shared expenses	\$ 5,244,773	\$ 5,244,773	\$ 4,860,029	\$ (384,744)

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2011

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Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
General Fund: (continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid: (continued)				
Welfare:				
Welfare administration and assistance	\$ 1,200,129	\$ 1,444,871	\$ 1,295,329	\$ (149,542)
Comprehensive services act	1,700,000	1,845,000	1,801,284	(43,716)
Child support payments	-	-	22,640	22,640
Total welfare	2,900,129	3,289,871	3,119,253	(170,618)
Other categorical aid:				
Administrative	-	7,778	51,461	43,683
Judicial and legal	270,602	273,223	276,055	2,832
Comprehensive community corrections act	253,240	253,240	254,328	1,088
Prisoner transportation	15,000	15,000	3,854	(11,146)
Juvenile community control act and accountability grant	47,681	47,681	36,606	(11,075)
E-911 wireless program	98,000	98,000	141,747	43,747
Armory	9,500	9,500	8,541	(959)
Library aid	158,504	158,504	158,621	117
Virginia tourism grant	-	5,000	-	(5,000)
Total other categorical aid	852,527	867,926	931,213	63,287
Total categorical aid	8,997,429	9,402,570	8,910,495	(492,075)
Total revenue from the Commonwealth	22,903,716	26,486,126	25,675,673	(810,453)
Revenue from the Federal Government:				
Payments in lieu of taxes	-	-	2,480	2,480
Categorical aid:				
Edward Byrne (JAG)	-	11,982	11,982	-
DEA group 33	-	-	1,711	1,711
Transportation safety	-	35,000	33,491	(1,509)
Emergency management assistance	-	13,000	13,000	-
Criminal alien assistance program	-	3,746	3,746	-
Secret service task force	-	288	288	-
ARRA - NOVA - DC ICAC	-	7,463	7,463	-
SAFER grant	-	757,349	195,074	(562,275)
Welfare administrative and assistance	2,347,322	2,643,817	2,523,856	(119,961)
ARRA IV-E - foster care	-	-	25,381	25,381
ARRA IV-E - adoption assistance	-	-	6,206	6,206
ARRA - SNAP	-	-	15,278	15,278
ARRA - child care and development	-	-	54,589	54,589
USDA specialty crop block grant	-	19,128	19,128	-
American battlefield protection	-	25,000	15,000	(10,000)
Wellhead protection grant	-	32,500	8,500	(24,000)
Total categorical aid	2,347,322	3,549,273	2,934,693	(614,580)
Total revenue from the Federal Government	2,347,322	3,549,273	2,937,173	(612,100)
Total General Fund	\$ 149,667,438	\$ 151,332,306	\$ 151,549,862	\$ 217,556

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2011

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Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
Asset Replacement Fund:				
Revenue from local sources:				
Charges for services:				
Courthouse maintenance fees	\$ 35,000	\$ 35,000	\$ 33,591	\$ (1,409)
Miscellaneous revenue:				
Other miscellaneous revenue	-	-	250	250
Total revenue from local sources	35,000	35,000	33,841	(1,159)
Total Asset Replacement Fund	35,000	35,000	33,841	(1,159)
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	11,000,000	-	3,320	3,320
Gifts and donations:				
Mellon contribution	500,000	-	-	-
Total revenue from local sources	11,500,000	-	3,320	3,320
Revenue from the Commonwealth:				
Other categorical aid:				
Training burn building	147,781	147,781	147,781	-
PSAP grant	150,000	150,000	150,000	-
Total revenue from the Commonwealth	297,781	297,781	297,781	-
Revenue from the Federal Government:				
Categorical aid:				
VDEM grant/800 MHz P25 upgrades	34,385	33,450	33,450	-
TEA-21 grant - Greenway	23,752	23,752	18,362	(5,390)
TEA-21 grant - Library	169,235	40,854	40,854	-
TEA-21 Warrenton Branch Greenway - Palmer Extension	293,900	137,900	-	(137,900)
TEA-21 grant - Woods of Warrenton	(16,843)	139,157	9,075	(130,082)
TEA-21 grant - Marshall Main Street project	1,139,936	1,139,936	117,782	(1,022,154)
TEA-21 grant - Salem Meeting House	85,531	85,531	-	(85,531)
Total revenue from the Federal Government	1,729,896	1,600,580	219,523	(1,381,057)
Total Capital Projects Fund	13,527,677	1,898,361	520,624	(1,377,737)
Debt Service Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
VPSSA Refunding	-	-	445,672	445,672
Total revenue from local sources	-	-	445,672	445,672
Total Debt Service Fund	\$ -	\$ -	\$ 445,672	\$ 445,672

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
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Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive Negative
Primary Government (continued)				
Nonmajor Funds - Special Revenue Funds:				
Parks and Recreation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 499	\$ 499
Gifts and donations:				
Donations	-	-	43,027	43,027
Total revenue from local sources	-	-	43,526	43,526
Total Parks and Recreation Fund	-	-	43,526	43,526
Library Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	217	217
Gifts and donations:				
Donations	-	-	18,578	18,578
Total revenue from local sources	-	-	18,795	18,795
Total Library Fund	-	-	18,795	18,795
Conservation Easement Service District Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	577,314	577,314	559,658	(17,656)
Real and personal public service corporation property taxes	-	-	39,767	39,767
Penalties	-	-	2,965	2,965
Interest	-	-	1,607	1,607
Total general property taxes	577,314	577,314	603,997	26,683
Gifts and donations:				
Wilson PEC restricted donation	-	40,000	40,000	-
Total revenue from local sources	577,314	617,314	643,997	26,683
Revenue from the Commonwealth:				
Other categorical aid:				
Virginia land conservation grant	-	198,400	183,278	(15,122)
Virginia department of agriculture and consumer services	90,000	297,135	207,135	(90,000)
Total revenue from the Commonwealth	90,000	495,535	390,413	(105,122)
Total Conservation Easement Service District Fund	\$ 667,314	\$ 1,112,849	\$ 1,034,410	\$ (78,439)

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2011

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Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
Nonmajor Funds - Special Revenue Funds: (continued)				
Marshall Electric Light and Business Improvement District Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ -	\$ -	\$ 9,625	\$ 9,625
Real and personal public service corporation property taxes	-	-	31	31
Penalties	-	-	51	51
Interest	-	-	27	27
Total general property taxes	-	-	9,734	9,734
Total revenue from local sources	-	-	9,734	9,734
Total Marshall Electric Light and Business Improvement District Fund	-	-	9,734	9,734
Fire and Rescue Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	4,121,268	4,121,268	4,187,818	66,550
Real and personal public service corporation property taxes	250,979	250,979	298,043	47,064
Penalty	20,068	20,068	21,529	1,461
Interest	7,722	7,722	11,624	3,902
Total general property taxes	4,400,037	4,400,037	4,519,014	118,977
Revenue from use of money and property:				
Revenue from use of money	29,478	29,478	2,607	(26,871)
Miscellaneous revenue:				
Other miscellaneous revenue	-	3,530	420,772	417,242
Total revenue from local sources	4,429,515	4,433,045	4,942,393	509,348
Revenue from the Commonwealth:				
Categorical aid:				
Two for life funds	70,393	75,374	75,374	-
Fire programs	131,265	122,509	138,178	15,669
Total categorical aid	201,658	197,883	213,552	15,669
Total revenue from the Commonwealth	201,658	197,883	213,552	15,669
Total Fire and Rescue Fund	4,631,173	4,630,928	5,155,945	525,017
Ambulance Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Charges for emergency medical services care	1,220,000	1,220,000	1,074,247	(145,753)
Total charges for services	1,220,000	1,220,000	1,074,247	(145,753)
Total Ambulance Revenue Fund	\$ 1,220,000	\$ 1,220,000	\$ 1,074,247	\$ (145,753)

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
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Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Primary Government (continued)				
Nonmajor Funds - Special Revenue Funds: (continued)				
Proffer Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 2,690	\$ 2,690
Gifts and donations:				
Proffers	-	620,299	71,400	(548,899)
Total revenue from local sources	-	620,299	74,090	(546,209)
Total Proffer Fund	-	620,299	74,090	(546,209)
Affordable Housing Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous revenue	-	-	16,601	16,601
Total revenue from local sources	-	-	16,601	16,601
Revenue from the Federal Government:				
Categorical aid:				
NSP implementation grant	-	589,365	517,428	(71,937)
Total categorical aid	-	589,365	517,428	(71,937)
Total revenue from the Federal Government	-	589,365	517,428	(71,937)
Total Affordable Housing Fund	-	589,365	534,029	(55,336)
Vint Hill Transportation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	583	583
Gifts and donations:				
Proffers	-	-	1,689	1,689
Total revenue from local sources	-	-	2,272	2,272
Total Vint Hill Transportation Fund	-	-	2,272	2,272
Total Nonmajor Funds - Special Revenue Funds	6,518,487	8,173,441	7,947,048	(226,393)
Grand Total Revenue – Primary Government	\$ 169,748,602	\$ 161,439,108	\$ 160,497,047	\$ (942,061)

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2011

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Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Component Unit – School Board				
School General Fund:				
Revenue from local sources:				
Charges for services:				
Charges for education	\$ 360,657	\$ 360,657	\$ 340,329	\$ (20,328)
Gifts and donations:				
Flex program	5,000	5,000	7,585	2,585
Recovered costs:				
Recovered costs	30,000	30,000	17,447	(12,553)
Miscellaneous revenue:				
Rebates and refunds	203,000	203,000	214,249	11,249
Mental health association grant	31,500	31,500	27,671	(3,829)
Dream it do it grant	-	19,150	17,981	(1,169)
Typical peers	-	-	35,650	35,650
Other miscellaneous revenue	64,000	64,000	27,881	(36,119)
Total miscellaneous revenue	298,500	317,650	323,432	5,782
Total revenue from local sources	694,157	713,307	688,793	(24,514)
Intergovernmental:				
Contribution from primary government	76,892,228	78,090,466	77,167,275	(923,191)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales taxes	11,037,793	11,386,890	11,489,009	102,119
Basic school aid	18,596,978	17,908,054	17,790,623	(117,431)
Remedial summer school	31,461	31,461	57,560	26,099
Regular foster care	110,406	110,406	28,203	(82,203)
Gifted and talented	199,287	199,287	199,883	596
Remedial education	207,952	207,952	208,573	621
Special education	2,525,748	2,525,748	2,533,296	7,548
Vocational education - SOQ	658,514	658,514	660,482	1,968
Social security instructional	1,148,067	1,148,067	1,151,498	3,431
Teacher retirement instructional	680,176	680,176	682,208	2,032
Group life insurance instructional	43,323	43,323	43,453	130
Early reading intervention	71,688	71,688	64,397	(7,291)
School standard of learning	570,000	570,000	570,000	-
Special education - homebound	29,092	29,092	21,284	(7,808)
Regional programs	89,503	89,503	41,153	(48,350)
Occupational education	83,851	83,851	76,742	(7,109)
ISAEF	15,717	15,717	15,717	-
Special education - foster children	-	-	71,684	71,684
Algebra readiness initiative	32,377	32,377	32,377	-
At risk youth	95,373	95,373	95,666	293
Alternative education	121,418	121,418	121,418	-
Primary class size	27,849	27,849	28,177	328
Summer regional governor school	-	-	12,264	12,264
English as a second language	135,346	135,346	154,774	19,428
Other state funds	126,824	139,600	149,001	9,401
Total categorical aid	36,638,743	36,311,692	36,299,442	(12,250)
Total revenue from the Commonwealth	\$ 36,638,743	\$ 36,311,692	\$ 36,299,442	\$ (12,250)

COUNTY OF FAUQUIER, VIRGINIA

Governmental Funds and Discretely Presented Component Unit – School Board
Schedule of Revenues – Budget and Actual
Fiscal Year Ended June 30, 2011

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Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Component Unit – School Board (continued)				
School General Fund: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
Adult basic education	\$ 59,896	\$ 69,720	\$ 53,517	\$ (16,203)
Title I	417,275	1,019,889	842,032	(177,857)
Forest rescue payment	-	-	84	84
Title VI-B – special education	2,051,305	2,427,691	2,513,794	86,103
Vocational education	99,377	124,846	130,262	5,416
Title II	285,014	301,910	263,268	(38,642)
Drug free schools	23,305	43,324	32,936	(10,388)
English language acquisition	51,187	54,282	54,812	530
Pre-school incentive (VI-B)	57,164	57,164	34,496	(22,668)
Homeless grant	-	10,000	9,345	(655)
ROTC	56,000	56,000	70,536	14,536
ARRA - Title VI-B	569,594	884,020	884,020	-
ARRA - Pre-school	-	16,986	16,986	-
Star Talk III grant	-	139,069	66,284	(72,785)
ARRA - State fiscal stabilization - basic	-	1,587,530	1,568,826	(18,704)
Education jobs fund	-	1,685,297	1,685,297	-
				-
Total categorical aid	3,670,117	8,477,728	8,226,495	(251,233)
Total revenue from the Federal Government	3,670,117	8,477,728	8,226,495	(251,233)
Total School General Fund	117,895,245	123,593,193	122,382,005	(1,211,188)
School Asset Replacement Fund:				
Revenue from local sources:				
Recovered costs:				
Insurance recoveries	-	11,750	15,240	3,490
Total revenue from local sources	-	11,750	15,240	3,490
Total School Asset Replacement Fund	-	11,750	15,240	3,490
School Textbook Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Textbooks	-	-	5,346	5,346
Intergovernmental:				
Contribution from primary government	-	215,000	215,000	-
Total revenue from local sources	-	215,000	220,346	5,346
Revenue from the Commonwealth:				
Categorical aid:				
Textbook program	227,620	227,620	228,301	681
Total revenue from the Commonwealth	227,620	227,620	228,301	681
Total School Textbook Fund	\$ 227,620	\$ 442,620	\$ 448,647	\$ 6,027

Governmental Funds and Discretely Presented Component Unit – School Board

Schedule of Revenues – Budget and Actual

Fiscal Year Ended June 30, 2011

Fund, Major, and Minor Revenue Sources	Original Budget	Amended Budget	Actual	Variance From Amended Positive (Negative)
Component Unit – School Board (continued)				
School Nutrition Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,200	\$ 1,200	\$ 499	\$ (701)
Charges for services:				
Cafeteria sales	3,145,381	3,145,381	2,915,796	(229,585)
Recovered costs:				
Miscellaneous recovered costs	178,000	178,000	163,247	(14,753)
Total revenue from local sources	3,324,581	3,324,581	3,079,542	(245,039)
Revenue from the Commonwealth:				
Categorical aid:				
School food program	67,030	67,030	68,262	1,232
Total revenue from the Commonwealth	67,030	67,030	68,262	1,232
Revenue from the Federal Government:				
Categorical aid:				
School food program	1,329,993	1,329,993	1,697,435	367,442
Total revenue from the Federal Government	1,329,993	1,329,993	1,697,435	367,442
Total School Nutrition Fund	4,721,604	4,721,604	4,845,239	123,635
Grand Total Revenues – Component Unit – School Board	122,844,469	128,769,167	127,691,131	(1,078,036)
Grand Total Revenues – Reporting Entity	\$ 292,593,071	\$ 290,208,275	\$ 288,188,178	\$ (2,020,097)

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STATISTICAL SECTION

This section of the County's CAFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the County's overall financial health. This information has not been audited by the independent auditor.

Financial Trends

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

Table 1	Net Assets by Component
Table 2	Changes in Net Assets
Table 3	Fund Balances – Governmental Funds
Table 4	Changes in Fund Balances – Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the County's significant local revenue sources, the property tax, as well as other revenue sources.

Table 5-A	Assessed Value and Estimated Actual Value of Taxable Property
Table 5-B	Tax Relief for the Elderly
Table 6	Property Tax Rates for Both Direct and Overlapping Governments
Table 7-A	Principal Real Property Taxpayers
Table 7-B	Principal Personal Property Taxpayers
Table 8	Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt, and the County's ability to issue additional debt in the future.

Table 9	Ratios of Outstanding Debt by Type
Table 10	Ratios of General Bonded Debt Outstanding
Table 11	Pledged-Revenue Coverage
Table 12	County Policy Debt Margin

STATISTICAL SECTION (CONTINUED)

Economic and Demographic Information

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

Table 13	Demographic and Economic Statistics
Table 14	Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Table 15	County Government Employees by Function
Table 16	Operating Indicators by Function
Table 17	Capital Asset Statistics by Function

Sources: Unless otherwise noted, the information in this section is derived from the County's comprehensive annual financial reports for the relevant year. The County implemented the new reporting model, GASB 34, in the fiscal year ending June 30, 2003.

COUNTY OF FAUQUIER, VIRGINIA

Table 1

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

Page 1 of 2

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

(1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB 34, the new reporting standard, in FY 2003. Therefore, ten years of data is not available but will be accumulated over time.

(2) Component Unit - School Board net asset components are included in this table due to the School Board being a significant portion of the County. In Virginia, the County issues debt to finance the construction of school facilities for the School Board because the School Board does not have borrowing or taxing authority.

(3) The sum of the rows does not equal the total reporting entity rows because the debt related to the Component Unit - School Board is reflected in the Primary Government's net asset row reducing unrestricted net assets. The assets are reflected in the Component Unit - School Board row as invested in capital assets, net of related debt. The total reporting entity row matches the asset with the debt and reports the net amount on the invested in capital assets, net of related debt line.

Fiscal Year						
2007	2008	2009	2010	2011		
\$ 65,945,291	\$ 68,340,059	\$ 69,414,611	\$ 69,217,950	\$ 68,772,203	Governmental Activities:	
11,751,955	1,736,551	1,841,662	1,953,490	3,654,669	Invested in capital assets, net of related debt	
(33,924,630)	(81,293,325)	(82,030,711)	(78,530,333)	(80,642,672)	Restricted	
					Unrestricted (deficit)	
43,772,616	(11,216,715)	(10,774,438)	(7,358,893)	(8,215,800)	Subtotal governmental activities net assets	
					Business-type Activities:	
29,787,320	29,397,086	28,111,135	27,154,708	25,321,853	Invested in capital assets, net of related debt	
-	-	-	-	-	Restricted	
(7,706,668)	(8,242,666)	(9,514,739)	(10,188,958)	(10,171,508)	Unrestricted (deficit)	
22,080,652	21,154,420	18,596,396	16,965,750	15,150,345	Subtotal business-type activities net assets	
					Primary Government:	
95,732,611	97,737,145	97,525,746	96,372,658	94,094,056	Invested in capital assets, net of related debt	
11,751,955	1,736,551	1,841,662	1,953,490	3,654,669	Restricted	
(41,631,298)	(89,535,991)	(91,545,450)	(88,719,291)	(90,814,180)	Unrestricted (deficit)	
65,853,268	9,937,705	7,821,958	9,606,857	6,934,545	Total Primary Government net assets	
					Component Unit – School Board: (2)	
129,625,217	179,639,884	182,911,496	179,224,107	175,414,006	Invested in capital assets, net of related debt	
-	-	-	-	5,000	Restricted	
(3,617,216)	(3,537,827)	(3,628,205)	(3,590,789)	(1,803,528)	Unrestricted (deficit)	
126,008,001	176,102,057	179,283,291	175,633,318	173,615,478	Total Component Unit – School Board net assets	
					Total Reporting Entity: (3)	
159,597,988	167,486,251	168,903,411	169,972,941	171,163,512	Invested in capital assets, net of related debt	
11,751,955	1,736,551	1,841,662	1,953,490	3,659,669	Restricted	
20,511,326	16,816,960	16,360,176	13,313,744	5,726,842	Unrestricted	
<u>\$ 191,861,269</u>	<u>\$ 186,039,762</u>	<u>\$ 187,105,249</u>	<u>\$ 185,240,175</u>	<u>\$ 180,550,023</u>	Total Reporting Entity net assets	

Table 2

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

Page 1 of 4

	Fiscal Year			
	2003	2004	2005	2006
Primary Government:				
Expenses				
Governmental activities:				
General government	\$ 7,149,589	\$ 8,056,076	\$ 8,271,548	\$ 9,788,797
Judicial	2,286,910	2,624,872	2,558,587	2,754,050
Public safety	13,361,055	12,269,680	16,003,921	18,427,447
Public works	6,073,191	8,573,767	5,328,879	6,029,767
Health and welfare	5,837,219	6,457,957	7,047,257	8,003,092
Education	53,385,062	59,085,836	65,320,395	80,157,231
Parks, recreation, and cultural	3,036,023	5,688,379	4,040,458	4,647,337
Community development	3,713,826	4,647,136	5,679,959	5,078,598
Nondepartmental	516,608	552,652	732,410	-
Interest on long-term debt	2,729,065	2,841,978	3,115,326	3,146,137
Total governmental activities expenses	98,088,548	110,798,333	118,098,740	138,032,456
Business-type activities:				
Airport	157,888	207,616	260,805	850,740
Landfill and recycling	4,226,521	6,098,414	7,952,230	5,531,178
Fleet maintenance (2)	1,753,717	-	-	-
Health insurance (2)	8,871,607	-	-	-
Total business-type activities expenses	15,009,733	6,306,030	8,213,035	6,381,918
Total primary government expenses	113,098,281	117,104,363	126,311,775	144,414,374
Program Revenues				
Governmental activities:				
Charges for services:				
General government	15,009	12,130	14,022	42,500
Judicial	924,377	1,020,017	931,368	1,082,951
Public safety	1,437,682	168,883	196,302	187,106
Parks, recreation, and cultural	454,772	580,611	547,467	513,526
Community development	176,087	1,609,625	890,346	51,959
Other activities	79,072	308,515	35,135	32,085
Operating grants and contributions	9,067,002	9,655,656	9,910,495	11,653,274
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	12,154,001	13,355,437	12,525,135	13,563,401
Business type activities:				
Charges for services:				
Airport	146,646	189,279	264,807	217,987
Landfill and recycling	5,966,800	6,477,831	7,972,909	6,554,404
Fleet maintenance (2)	1,693,002	-	-	-
Health insurance (2)	8,889,993	-	-	-
Operating grants and contributions	27,630	32,996	22,741	48,633
Capital grants and contributions	485,967	3,189,469	4,811,819	3,114,018
Total business-type activities program revenues	17,210,038	9,889,575	13,072,276	9,935,042
Total primary government program revenues	29,364,039	23,245,012	25,597,411	23,498,443
Net (expense) revenue (3)				
Governmental activities	(85,934,547)	(97,442,896)	(105,573,605)	(124,469,055)
Business-type activities	2,200,305	3,583,545	4,859,241	3,553,124
Total primary government net (expense) revenue	\$ (83,734,242)	\$ (93,859,351)	\$ (100,714,364)	\$ (120,915,931)

(1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB 34, the new reporting standard, in FY 2003. Therefore, ten years of data is not available but will be accumulated over time.

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

(3) Net (expense) revenue is the difference between the expenses and program revenues. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. A number in parentheses is net expenses indicating that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, meaning that program revenues were more than sufficient to cover expenses.

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

(5) From the FY 2003 and FY 2004 CAFRs for Commonwealth of Virginia noncategorical aid which was included in Program Revenues in FY 2003 and Contribution from primary government and Commonwealth of Virginia noncategorical aid which were included in Program Revenues in FY 2004 have been restated as general revenues.

Fiscal Year					
2007	2008	2009	2010	2011	
					Primary Government:
					Expenses
					Governmental activities:
\$	\$	\$	\$	\$	General government
10,004,794	10,896,521	10,878,525	10,354,069	10,086,678	Judicial
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	25,090,735	30,469,132	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	81,066,768	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	5,687,654	5,463,351	5,517,317	Total governmental activities expenses
162,191,685	214,329,101	166,772,756	160,811,203	160,378,180	
					Business-type activities:
1,450,428	1,849,679	1,848,791	2,083,529	1,896,775	Airport
6,486,477	7,102,357	6,574,806	5,185,773	4,867,277	Landfill and recycling
-	-	-	-	-	Fleet maintenance (2)
-	-	-	-	-	Health insurance (2)
7,936,905	8,952,036	8,423,597	7,269,302	6,764,052	Total business-type activities expenses
170,128,590	223,281,137	175,196,353	168,080,505	167,142,232	Total primary government expenses
					Program Revenues
					Governmental activities:
					Charges for services:
266,159	43,048	42,618	46,548	41,633	General government
924,355	733,265	946,883	636,265	643,119	Judicial
206,511	704,232	1,774,418	1,198,178	1,155,945	Public safety
559,001	548,467	502,195	460,562	466,979	Parks, recreation, and cultural
2,116,948	1,675,560	1,185,958	932,809	858,848	Community development
39,596	24,722	5,583	38,393	-	Other activities
15,782,480	12,678,895	13,892,991	16,108,365	13,447,591	Operating grants and contributions
-	810,000	222,000	668,544	216,072	Capital grants and contributions
19,895,050	17,218,189	18,572,646	20,089,664	16,830,187	Total governmental activities program revenues
					Business type activities:
					Charges for services:
283,402	673,390	674,871	666,582	722,674	Airport
6,112,788	6,612,997	5,111,345	4,660,868	4,183,540	Landfill and recycling
-	-	-	-	-	Fleet maintenance (2)
-	-	-	-	-	Health insurance (2)
45,669	17,739	50,460	246,768	58,145	Operating grants and contributions
1,592,253	34,462	61,585	25,388	210,410	Capital grants and contributions
8,034,112	7,338,588	5,898,261	5,599,606	5,174,769	Total business-type activities program revenues
27,929,162	24,556,777	24,470,907	25,689,270	22,004,956	Total primary government program revenues
					Net (expense) revenue (3)
(142,296,635)	(197,110,912)	(148,200,110)	(140,721,539)	(143,547,993)	Governmental activities
97,207	(1,613,448)	(2,525,336)	(1,669,696)	(1,589,283)	Business-type activities
\$ (142,199,428)	\$ (198,724,360)	\$ (150,725,446)	\$ (142,391,235)	\$ (145,137,276)	Total primary government net (expense) revenue

Table 2

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

Page 3 of 4

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

(1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB 34, the new reporting standard, in FY 2003. Therefore, ten years of data is not available but will be accumulated over time.

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

(3) Net (expense) revenue is the difference between the expenses and program revenues. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. A number in parentheses is net expenses indicating that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, meaning that program revenues were more than sufficient to cover expenses.

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

(5) From the FY 2003 and FY 2004 CAFRs for Commonwealth of Virginia noncategorical aid which was included in Program Revenues in FY 2003 and Contribution from primary government and Commonwealth of Virginia noncategorical aid which were included in Program Revenues in FY 2004 have been restated as general revenues.

Fiscal Year						
2007	2008	2009	2010	2011		
						Primary Government: (continued)
						General Revenues and Other Changes in Net Assets
						Governmental activities:
						Taxes
\$ 101,852,501	\$ 109,470,150	\$ 117,835,182	\$ 114,586,709	\$ 111,630,849		General property taxes
7,565,111	7,032,385	6,240,448	5,887,347	6,298,377		Local sales and use taxes
3,804,003	4,985,109	4,561,422	1,513,680	1,617,137		Consumers' utility taxes
1,286,470	1,847,520	1,463,055	1,460,805	1,433,739		Business and professional taxes
69,473	1,727,843	1,737,173	1,738,233	1,772,081		Motor vehicle taxes
2,082,839	1,585,129	1,242,537	1,152,451	1,146,468		Taxes on recordation and wills
623,798	-	-	-	-		E-911 tax
517,709	224,995	181,577	202,935	177,595		Other local taxes
4,933,147	3,893,181	1,318,260	561,508	526,240		Investment income
222,369	457,724	169,889	177,939	1,062,845		Miscellaneous
14,259,811	14,260,569	13,852,748	16,893,482	16,765,178		Grants and contributions not restricted to specific programs
81,762	(463,024)	40,096	(38,005)	228,382		Transfers
-	-	-	-	-		Special Item - Water and Sewer Authority note receivable
137,298,993	145,021,581	148,642,387	144,137,084	142,658,891		Total governmental activities general revenues and other changes in net assets
137,687	39,069	7,408	1,045	2,260		Business-type activities:
527,968	185,123	-	-	-		Investment income
(81,762)	463,024	(40,096)	38,005	(228,382)		Miscellaneous
583,893	687,216	(32,688)	39,050	(226,122)		Transfers
137,882,886	145,708,797	148,609,699	144,176,134	142,432,769		Total business-type activities general revenues and other changes in net assets
(4,997,642)	(52,089,331)	442,277	3,415,545	(889,102)		Total primary government general revenues and other changes in net assets
681,100	(926,232)	(2,558,024)	(1,630,646)	(1,815,405)		Change in Net Assets
(4,316,542)	(53,015,563)	(2,115,747)	1,784,899	(2,704,507)		Governmental activities
121,838,270	126,043,880	133,307,450	131,500,463	130,736,865		Business-type activities
3,392,923	3,465,276	3,331,139	3,155,966	3,256,125		Total Primary Government change in net assets
4,863,970	4,134,985	11,989,341	13,036,391	15,684,062		Component Unit— School Board: (4)
1,000,000	-	122,965	-	-		Expenses
9,256,893	7,600,261	15,443,445	16,192,357	18,940,187		Education
(112,581,377)	(118,443,619)	(117,864,005)	(115,308,106)	(111,796,678)		Program Revenues
95,952,739	129,514,166	90,120,368	81,953,666	78,601,103		Charges for services
12,932	1,416	1,193	1,321	499		Operating grants and contributions (5)
635,215	364,411	471,525	445,596	328,778		Capital grants and contributions
37,293,452	38,657,682	30,452,153	29,257,550	30,848,458		Total component unit - School Board program revenues
133,894,338	168,537,675	121,045,239	111,658,133	109,778,838		Net (expense) revenue (3)
\$ 21,312,961	\$ 50,094,056	\$ 3,181,234	\$ (3,649,973)	\$ (2,017,840)		General Revenues and Other Changes in Net Assets
						Contribution from primary government (5)
						Investment income
						Miscellaneous
						Grants and contributions not restricted to specific programs (5)
						Total component unit - School Board general revenues and other changes in net assets
						Total Component Unit — School Board change in net assets

COUNTY OF FAUQUIER, VIRGINIA

Table 3

Fund Balances — Governmental Funds

Fiscal Year 2011 (1)

(modified accrual basis of accounting)

	Fiscal Year
	2011
General Fund:	
Nonspendable	\$ 241,578
Restricted	129,861
Committed	1,194,682
Assigned	5,778,089
Unassigned	17,059,512
Total General Fund	<u>24,403,722</u>
Other Governmental Funds:	
Nonspendable	
Capital Projects Fund	761,553
Nonmajor governmental funds	95,244
Restricted	
Asset Replacement Fund	1,566,000
Capital Projects Fund	166,830
Nonmajor governmental funds	1,791,978
Committed	
Asset Replacement Fund	537,079
Capital Projects Fund	9,942,526
Debt Service Fund	445,920
Nonmajor governmental funds	4,071,351
Assigned	
Asset Replacement Fund	740,792
Capital Projects Fund	1,773,511
Total Other Governmental Funds	<u>21,892,784</u>
Total Governmental Funds	<u>\$ 46,296,506</u>

- (1) The County implemented GASB 54, the new standard for fund balance reporting, in FY 2011. Restatement for prior year fund balances is not feasible. Therefore, ten years of information is not available, but will be accumulated over time.

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Table 4

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

Page 1 of 4

	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues					
General property and other local taxes	\$ 74,762,676	\$ 81,254,445	\$ 86,178,471	\$ 93,092,244	\$ 105,484,892
Permits, privilege fees, and regulatory licenses	1,169,124	1,508,077	1,598,890	2,212,566	1,921,717
Fines and forfeitures	432,297	504,517	504,771	486,847	529,420
Revenue from use of money and property	1,599,080	1,727,060	1,182,326	1,647,513	2,499,258
Charges for services	790,848	1,074,405	1,596,119	1,240,303	1,380,707
Gifts and donations	-	-	503,539	887,490	1,035,693
Recovered costs	461,620	145,617	180,538	154,483	257,337
Miscellaneous	10,130,575	471,701	-	80,100	723,786
Intergovernmental:					
Contribution from School Board (1)	9,450,982	3,789,103	1,188,192	526,788	1,316,810
Commonwealth of Virginia	18,695,882	18,673,462	19,993,164	20,660,061	22,290,152
Contribution from Culpeper County	-	-	-	-	369,556
Federal Government	1,914,743	2,421,379	2,863,540	2,557,472	2,663,034
Total revenues	119,407,827	111,569,766	115,789,550	123,545,867	140,472,362
Expenditures					
Current operating:					
General government administration	7,729,740	7,688,368	10,000,219	9,133,896	9,391,807
Judicial	2,107,733	2,186,402	2,651,525	5,334,255	4,933,976
Public safety	12,684,365	17,634,118	15,284,971	19,869,721	19,157,429
Public works	6,152,615	6,002,496	8,588,341	5,539,741	6,193,511
Health and welfare	5,324,034	5,787,402	6,498,599	7,201,697	8,024,745
Education (1)	58,276,418	57,933,386	70,255,695	67,244,700	81,797,232
Parks, recreation, and cultural	4,241,026	5,731,577	6,864,198	5,691,502	11,725,937
Community development	3,124,838	3,707,282	4,710,489	5,795,456	5,092,111
Nondepartmental	365,507	523,408	552,652	579,410	640,050
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement (2)	3,737,074	4,484,717	6,066,327	4,976,092	5,138,726
Interest & fiscal charges (2)	2,451,475	2,916,590	2,723,740	3,109,014	2,962,402
Bond issuance costs (3)	-	-	-	-	-
Total expenditures	106,194,825	114,595,746	134,196,756	134,475,484	155,057,926
Excess (deficiency) of revenues over (under) expenditures	13,213,002	(3,025,980)	(18,407,206)	(10,929,617)	(14,585,564)
Other financing sources (uses)					
Transfers in (1)	6,601,874	8,364,435	7,444,089	9,902,280	7,927,776
Transfers (out) (1)	(6,710,683)	(8,403,077)	(7,644,624)	(10,115,839)	(8,075,717)
Issuance of debt (2)	14,043,998	1,700,000	11,630,000	3,720,000	11,540,000
Issuance of refunding bonds	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-
Premiums on issuance of debt	-	-	772,947	282,235	643,395
Total other financing sources (uses)	13,935,189	1,661,358	12,202,412	3,788,676	12,035,454
Net change in fund balances	\$ 27,148,191	\$ (1,364,622)	\$ (6,204,794)	\$ (7,140,941)	\$ (2,550,110)

- (1) The County implemented GASB 34, the new reporting standard, in FY 2003. Prior to the implementation of GASB 34, the County's contribution to the School Board was reported as a transfer out. Implementation of GASB 34 required that the contribution to the School Board be reported as an education expenditure. For comparability FY 2002 has been restated to reflect contribution to the School Board as education expenditures. In addition, debt service payments have been restated to reduce education and increase debt service for FY 2002.
- (2) In Virginia, the County issues debt to finance the construction of school facilities for the School Board because the School Board does not have borrowing or taxing authority, therefore the debt service payments related to School facilities are presented as debt service of the Primary Government. Debt service as a percentage of noncapital expenditures for the Total Reporting Entity more appropriately reflects the unique Virginia school debt requirements.
- (3) The presentation for FY 2007 through FY 2011 have been revised to reflect bond issuance costs.
- (4) 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 36).

Fiscal Year					
2007	2008	2009	2010	2011	
Revenues					
\$ 117,395,045	\$ 125,634,196	\$ 132,573,715	\$ 126,626,266	\$ 124,880,233	General property and other local taxes
2,287,326	1,575,699	1,213,148	964,288	889,367	Permits, privilege fees, and regulatory licenses
526,235	403,870	483,483	515,286	470,323	Fines and forfeitures
4,595,057	3,643,296	1,272,923	559,890	507,677	Revenue from use of money and property
1,299,009	1,749,725	2,475,872	2,036,829	1,993,776	Charges for services
4,395,470	140,246	2,441	1,187,725	177,298	Gifts and donations
241,385	270,601	517,063	216,991	263,985	Recovered costs
222,369	457,724	169,889	177,939	1,062,845	Miscellaneous
-	-	-	-	-	Intergovernmental:
22,520,192	23,687,021	23,577,653	26,929,574	26,577,419	Contribution from School Board (1)
-	-	-	-	-	Commonwealth of Virginia
3,126,629	2,647,758	4,165,645	5,553,092	3,674,124	Contribution from Culpeper County
-	-	-	-	-	Federal Government
156,608,717	160,210,136	166,451,832	164,767,880	160,497,047	Total revenues
Expenditures					
Current operating:					
10,820,861	10,654,666	10,747,190	10,243,734	10,546,705	General government administration
2,913,670	3,065,299	2,966,916	3,048,533	2,974,541	Judicial
21,101,417	23,453,213	24,314,107	24,380,686	23,490,646	Public safety
6,483,272	8,319,953	6,729,594	7,951,825	7,202,063	Public works
8,618,127	9,880,305	9,942,056	10,302,171	9,889,115	Health and welfare
95,373,503	129,784,456	90,092,039	81,245,018	78,883,664	Education (1)
17,173,878	7,269,368	6,868,414	5,570,383	5,806,542	Parks, recreation, and cultural
6,670,589	8,186,119	8,553,281	11,366,594	7,652,116	Community development
550,225	391,617	816,428	594,483	649,715	Nondepartmental
-	-	-	-	877,303	Capital outlay
Debt service:					
5,711,745	6,900,170	8,739,019	8,820,698	8,730,851	Principal retirement (2)
3,327,139	5,149,438	6,386,481	6,069,818	5,986,485	Interest & fiscal charges (2)
282,815	-	-	169,949	143,778	Bond issuance costs (3)
179,027,241	213,054,604	176,155,525	169,763,892	162,833,524	Total expenditures
(22,418,524)	(52,844,468)	(9,703,693)	(4,996,012)	(2,336,477)	Excess (deficiency) of revenues over (under) expenditures
Other financing sources (uses)					
11,551,635	7,738,049	3,583,913	1,362,514	18,634,518	Transfers in (1)
(11,467,873)	(7,772,511)	(3,588,665)	(1,408,590)	(18,648,531)	Transfers (out) (1)
39,615,000	34,075,000	-	6,153,000	1,566,000	Issuance of debt (2)
-	-	2,115,000	3,565,000	5,430,000	Issuance of refunding bonds
-	-	(2,285,637)	(3,820,154)	(5,962,000)	Payments to refunded bond escrow agent
2,262,669	1,832,846	205,787	335,122	657,736	Premiums on issuance of debt
41,961,431	35,873,384	30,398	6,186,892	1,677,723	Total other financing sources (uses)
\$ 19,542,907	\$ (16,971,084)	\$ (9,673,295)	\$ 1,190,880	\$ (658,754)	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				
	2002	2003	2004	2005	2006
Debt Service as a Percentage of Noncapital Expenditures: (2)					
Primary Government:					
Total debt service	\$ 6,188,549	\$ 7,401,307	\$ 8,790,067	\$ 8,085,106	\$ 8,101,128
Total expenditures	106,194,825	114,595,746	134,196,756	134,475,484	155,057,926
Capital outlay primary government only (4)	7,593,418	9,028,008	7,437,757	11,543,894	12,209,038
Non-capital expenditures	98,601,407	105,567,738	126,758,999	122,931,590	142,848,888
Debt service as a percentage of noncapital expenditures: Primary Government only	6.28%	7.01%	6.93%	6.58%	5.67%
Component Unit - School Board:					
Schools expenditures excluding County contribution	21,294,224	32,953,449	36,016,109	39,528,052	41,363,609
Capital outlay Component Unit— School Board only (4)	4,852,106	6,124,463	15,749,994	7,511,716	1,441,275
Non-capital expenditures	16,442,118	26,828,986	20,266,115	32,016,336	39,922,334
Total Reporting Entity:					
Total debt service	6,188,549	7,401,307	8,790,067	8,085,106	8,101,128
Total non-capital expenditures	\$ 115,043,525	\$ 132,396,724	\$ 147,025,114	\$ 154,947,926	\$ 182,771,222
Debt service as a percentage of noncapital expenditures: Total Reporting Entity	5.38%	5.59%	5.98%	5.22%	4.43%

- (1) The County implemented GASB 34, the new reporting standard, in FY 2003. Prior to the implementation of GASB 34, the County's contribution to the School Board was reported as a transfer out. Implementation of GASB 34 required that the contribution to the School Board be reported as an education expenditure. For comparability FY 2002 has been restated to reflect contribution to the School Board as education expenditures. In addition, debt service payments have been restated to reduce education and increase debt service for FY 2002.
- (2) In Virginia, the County issues debt to finance the construction of school facilities for the School Board because the School Board does not have borrowing or taxing authority, therefore the debt service payments related to School facilities are presented as debt service of the Primary Government. Debt service as a percentage of noncapital expenditures for the Total Reporting Entity more appropriately reflects the unique Virginia school debt requirements.
- (3) The presentation for FY 2007 through FY 2011 have been revised to reflect bond issuance costs.
- (4) 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 36).

Fiscal Year					
2007	2008	2009	2010	2011	
					Debt Service as a Percentage of Noncapital Expenditures: (2)
					Primary Government:
\$ 9,038,884	\$ 12,049,608	\$ 15,125,500	\$ 14,890,516	\$ 14,717,336	Total debt service
179,027,241	213,054,604	176,155,525	169,763,892	162,833,524	Total expenditures
14,448,161	4,665,840	3,473,135	2,462,775	4,289,680	Capital outlay primary government only (4)
<u>164,579,080</u>	<u>208,388,764</u>	<u>172,682,390</u>	<u>167,301,117</u>	<u>158,543,844</u>	Non-capital expenditures
					Debt service as a percentage of noncapital
5.49%	5.78%	8.76%	8.90%	9.28%	expenditures: Primary Government only
					Component Unit - School Board:
47,200,710	47,144,282	46,216,452	46,412,036	48,447,441	Schools expenditures excluding County contribution
2,172,271	2,327,141	1,594,750	1,241,997	2,045,997	Capital outlay Component Unit— School Board only (4)
<u>45,028,439</u>	<u>44,817,141</u>	<u>44,621,702</u>	<u>45,170,039</u>	<u>46,401,444</u>	Non-capital expenditures
					Total Reporting Entity:
9,038,884	12,049,608	15,125,500	14,890,516	14,717,336	Total debt service
<u>\$ 209,607,519</u>	<u>\$ 253,205,905</u>	<u>\$ 217,304,092</u>	<u>\$ 212,471,156</u>	<u>\$ 204,945,288</u>	Total non-capital expenditures
					Debt service as a percentage of noncapital
4.31%	4.76%	6.96%	7.01%	7.18%	expenditures: Total Reporting Entity

COUNTY OF FAUQUIER, VIRGINIA

Table 5-A

Assessed Value and Estimated Actual Value of Taxable Property (1)
Last Ten Calendar Years

Page 1 of 2

Taxable Year (2)	Real Property					
	Residential Property	Commercial Property	Agricultural Property	Public Service SCC Assessed	Total Taxable Real Property Assessed Value	Add: Tax-Exempt Real Property
2002	\$ 3,572,379,700	\$ 504,421,900	\$ 1,057,149,600	\$ 340,899,267	\$ 5,474,850,467	\$ 484,348,200
2003	3,758,119,100	513,850,300	1,077,644,800	339,251,808	5,688,866,008	496,561,200
2004	3,949,367,500	520,611,300	1,098,114,300	304,158,721	5,872,251,821	512,628,100
2005	4,153,865,100	537,406,500	1,118,396,200	362,631,919	6,172,299,719	537,928,300
2006	8,619,946,900	1,011,218,000	2,064,283,800	319,941,047	12,015,389,747	846,925,400
2007	8,891,346,700	1,028,164,000	2,078,798,500	569,687,837	12,567,997,037	864,260,500
2008	9,049,864,500	1,058,920,900	2,090,635,900	608,233,836	12,807,655,136	940,499,500
2009	9,128,162,400	1,071,298,800	2,100,370,400	619,755,825	12,919,587,425	967,101,100
2010	6,780,771,400	1,073,501,400	1,706,814,000	625,145,966	10,186,232,766	989,212,900
2011	6,830,579,900	1,063,923,500	1,703,632,900	650,565,523	10,248,701,823	1,006,092,700

Table 5-B

Tax Relief for the Elderly
Last Ten Calendar Years

(2) Taxable Year	Tax Relief for the Elderly
2002	\$ 91,532,575
2003	92,926,950
2004	92,117,700
2005	94,161,350
2006	237,690,300
2007	259,018,590
2008	267,875,000
2009	305,180,200
2010	222,494,500
2011	237,816,800

Source: Fauquier County Commissioner
of the Revenue

(1) Property in Fauquier County is reassessed once every four years at actual market value. Property is assessed at 100 percent of estimated actual value. Tax rates are per \$100 of assessed value.

(2) The Statement requires that the information in these schedules be shown for each period for which levied.

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

Total Value	Personal Property			Total Real and Personal Property Assessed Value	Total Direct Tax Rate (3)	Taxable Year (2)
	General Property	Segregated Properties	Total Personal Property Assessed Value			
\$ 5,959,198,667	\$ 468,636,375	\$ 29,042,629	\$ 497,679,004	\$ 5,972,529,471	\$ 1.282	2002
6,185,427,208	502,499,964	32,260,379	534,760,343	6,223,626,351	1.290	2003
6,384,879,921	550,408,045	37,082,203	587,490,248	6,459,742,069	1.307	2004
6,710,228,019	572,850,102	42,268,883	615,118,985	6,787,418,704	1.305	2005
12,862,315,147	657,335,103	44,884,530	702,219,633	12,717,609,380	0.856	2006
13,432,257,537	699,277,775	41,418,065	740,695,840	13,308,692,877	0.860	2007
13,748,154,636	699,159,711	44,112,412	743,272,123	13,550,927,259	0.970	2008
13,886,688,525	704,651,911	45,079,146	749,731,057	13,669,318,482	0.970	2009
11,175,445,666	595,929,989	45,275,468	641,205,457	10,827,438,223	1.175	2010
11,254,794,523	541,729,863	118,315,665	660,045,528	10,908,747,351	1.170	2011

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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FAUQUIER COUNTY										
Countywide tax levies:										
Real property:										
General Fund	\$ 0.920	\$ 0.920	\$ 0.920	\$ 0.925	\$ 0.600	\$ 0.600	\$ 0.720	\$ 0.720	\$ 0.919	\$ 0.919
Fire and Rescue Special Revenue Fund	0.070	0.070	0.070	0.045	0.035	0.035	0.035	0.035	0.045	0.045
Conservation Easement Purchase Levy	-	-	-	0.020	0.010	0.010	0.010	0.010	0.006	0.006
Total direct real property tax rate	0.990	0.990	0.990	0.990	0.645	0.645	0.765	0.765	0.970	0.970
Personal property:										
General class	4.650	4.650	4.650	4.650	4.650	4.650	4.650	4.650	4.650	4.650
Airplanes	0.600	0.600	0.600	0.600	0.001	0.001	0.001	0.001	0.001	0.001
Machinery and tools	4.650	4.650	4.650	4.650	4.650	4.650	4.650	4.650	2.300	2.300
Handicapped equipped vehicle	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Camper, trailers, and boats	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Mobile homes	0.990	0.990	0.990	0.990	0.645	0.645	0.765	0.765	0.970	0.970
Buses with 30 or more passengers	-	-	-	-	-	-	-	-	1.000	1.000
Business furniture, fixtures, and equipment	-	-	-	-	-	-	-	-	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)	4.500	4.487	4.476	4.471	4.474	4.514	4.507	4.511	4.434	4.180
Total direct tax rate (2)	1.282	1.290	1.307	1.305	0.856	0.860	0.970	0.970	1.175	1.170
Special district levies:										
Marshall Street Light Levy (3)	-	0.020	0.020	0.020	0.005	0.005	0.005	0.005	0.005	0.005
OVERLAPPING GOVERNMENTS										
Town of Warrenton:										
Real estate	0.050	0.030	0.030	0.030	0.015	0.015	0.015	0.015	0.015	0.015
Personal property	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Town of Remington:										
Real estate	0.140	0.140	0.140	0.140	0.100	0.100	0.100	0.100	0.125	0.125
Personal property	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100
Town of The Plains:										
Real estate	0.075	0.075	0.075	0.075	0.040	0.040	0.040	0.040	0.040	0.040
Personal property	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500

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

(2) The total direct personal property tax rate and the total direct tax rate are calculated using the taxable property assessed value weighted average method.

(3) The Marshall Street Light Levy is a special assessment for the Marshall District.

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

COUNTY OF FAUQUIER, VIRGINIA

Table 7-A

Principal Real Property Taxpayers
Current Year and Nine Years Ago

TAXPAYER	2011			2002		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Virginia Electric & Power Company	\$ 299,065,806	1	2.92%	\$ 208,171,208	1	3.80%
Old Dominion Electric Co-op	163,382,262	2	1.59%			
Verizon - Virginia, Inc.	54,889,198	3	0.54%	48,027,777	2	0.88%
Northern Virginia Electric Co-op	30,748,505	4	0.30%	16,469,707	5	0.30%
Warrenton Center LLC, Shopping Center	29,666,400	5	0.29%			
Oak Spring Farms LLC	22,968,300	6	0.22%	18,931,000	4	0.35%
Saul Holdings Limited Partnership	19,582,100	7	0.19%			
Rappahannock Electric Co-op	19,085,220	8	0.19%	11,309,084	6	0.21%
Warrenton Development Company	18,774,000	9	0.18%	10,099,500	7	0.18%
Norfolk Southern Railway Company	17,407,337	10	0.17%	9,774,971	8	0.18%
Walmart Real Estate Business				8,991,800	10	0.16%
Jefferson Associates LP				27,276,200	3	0.50%
Colonial Pipeline Company				9,642,210	9	0.18%
Total	\$ 675,569,128		6.59%	\$ 368,693,457		6.74%

Source: Fauquier County Commissioner of the Revenue

Table 7-B

Principal Personal Property Taxpayers (1)
Current Year and Nine Years Ago (2)

TAXPAYER	2011		
	Assessed Valuation	Rank	% of Total Assessed Valuation
Comcast of CA/MD/PA/VA/WV LLC	\$ 5,914,136	1	0.90%
Vulcan Materials Co.	4,841,831	2	0.73%
Luck Stone Corp.	3,090,651	3	0.47%
Toyota Motor Credit Corporation	2,724,123	4	0.41%
H & E Equipment Services Inc.	2,638,322	5	0.40%
Harris Teeter Inc. #329	1,930,732	6	0.29%
Smith-Midland Corp	1,739,931	7	0.26%
Financial Services Vehicles Trust	1,412,054	8	0.21%
D. L. Peterson Trust	1,380,613	9	0.21%
Penske Truck Leasing Co LP	1,085,580	10	0.16%
Total	\$ 26,757,973		4.04%

(1) Original TY 2011 Book Assessments.

(2) The principal personal property taxpayers information is unavailable for fiscal year 2002 for historical comparison.

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 Tax Levy	Amount	Amount	Percentage of Tax Levy
2002	\$ 72,191,444	\$ 1,832,005	\$ 74,023,449	\$ 70,762,226	98.02%	\$ 1,031,586	\$ 71,793,812	96.99%
2003	79,480,945	(187,229)	79,293,716	77,320,736	97.28%	1,067,179	78,387,915	98.86%
2004	82,886,242	238,649	83,124,891	81,216,837	97.99%	(660)	81,216,177	97.70%
2005	87,592,939	(114,148)	87,478,791	85,659,133	97.79%	389,230	86,048,363	98.36%
2006	101,562,098	277,503	101,839,601	98,217,478	96.71%	3,019,193	101,236,671	99.41%
2007	113,458,234	81,039	113,539,273	112,279,628	98.96%	277,731	112,557,359	99.14%
2008	121,628,113	193,350	121,821,463	119,513,886	98.26%	2,081,759	121,595,645	99.81%
2009	130,672,014	(5,911)	130,666,103	127,948,474	97.92%	2,103,100	130,051,574	99.53%
2010	125,478,009	235,988	125,713,997	122,961,071	97.99%	1,697,566	124,658,637	99.16%
2011	124,996,220	-	124,996,220	122,687,302	98.15%	-	122,687,302	98.15%

Source: Fauquier County Treasurer

COUNTY OF FAUQUIER, VIRGINIA

Table 9

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

Fiscal Year	Governmental Activities				Business-type Activities				Percentage of Personal Income (3)	Per Capita (3)
	Capital Lease (2)	Revenue Bonds (2)	General Obligation Bonds	Virginia Public School Authority Bonds	Capital Lease	Solid Waste Revenue Bonds	Notes Payable	Total Primary Government		
2002	\$ 9,443,381	\$ 3,075,000	\$ 10,095,000	\$ 34,885,000	\$ -	\$ 2,790,000	\$ -	\$ 60,288,381	2.51%	\$ 1,057
2003	10,458,664	3,075,000	9,215,000	31,965,000	-	2,545,000	-	57,258,664	2.28%	986
2004	8,246,174	2,960,000	8,335,000	40,710,000	-	2,220,000	-	62,471,174	2.27%	1,058
2005	7,690,082	2,840,000	7,450,000	41,015,000	-	1,885,000	-	60,880,082	2.00%	1,003
2006	7,116,356	2,715,000	6,580,000	48,985,000	-	1,540,000	-	66,936,356	2.05%	1,076
2007	6,519,611	2,585,000	45,335,000	44,860,000	1,192,000	1,180,000	51,937	101,723,548	3.06%	1,629
2008	5,899,442	2,450,000	43,270,000	74,855,000	1,192,000	805,000	35,656	128,507,098	3.80%	2,015
2009	5,255,423	2,260,000	41,030,000	69,140,000	880,005	410,000	18,362	118,993,790	3.58%	1,842
2010	4,592,107	8,258,000	38,205,000	64,050,000	596,000	-	-	115,701,107	*	1,794
2011	5,455,024	7,375,000	35,390,000	59,325,000	298,000	-	-	107,843,024	*	1,647

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

(2) In FY 2011 the County issued a \$1,566,000 SCBA Equipment Lease and a \$5,430,000 Vint Hill 2011A Refunding VRA Bond.

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

* Unavailable

COUNTY OF FAUQUIER, VIRGINIA

Table 10

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

Fiscal Year	Schools General Obligation Bonds	Virginia Public School Authority Bonds	Net General Bonded Debt	Percentage of Personal Income	Percentage of Estimated Actual Value of Taxable Property (2)	Per Capita (3)
2002	\$ 10,095,000	\$ 34,885,000	\$ 44,980,000	1.87%	0.75%	\$ 788
2003	9,215,000	31,965,000	41,180,000	1.64%	0.66%	709
2004	8,335,000	40,710,000	49,045,000	1.78%	0.76%	830
2005	7,450,000	41,015,000	48,465,000	1.60%	0.71%	799
2006	6,580,000	48,985,000	55,565,000	1.70%	0.44%	894
2007	45,335,000	44,860,000	90,195,000	2.71%	0.68%	1,444
2008	43,270,000	74,855,000	118,125,000	3.49%	0.87%	1,852
2009	41,030,000	69,140,000	110,170,000	3.32%	0.81%	1,706
2010	38,205,000	64,050,000	102,255,000	*	0.94%	1,585
2011	35,390,000	59,325,000	94,715,000	*	0.87%	1,447

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

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

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

* Unavailable

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COUNTY OF FAUQUIER, VIRGINIA

Table 11

Page 1 of 2

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

Fiscal Year	Sewer Revenue Bonds				
	Sewer Tap Fees	Debt Service			Coverage (2)
		Principal	Interest	Total	
2002	\$ -	\$ -	\$ -	\$ -	-
2003	15,000	-	147,425	147,425	0.10
2004	10,500	115,000	147,425	262,425	0.04
2005	6,000	120,000	142,710	262,710	0.02
2006	42,500	125,000	137,790	262,790	0.16
2007	57,983	130,000	132,665	262,665	0.22
2008	114,500	135,000	127,010	262,010	0.44
2009	-	140,000	121,138	261,138	-
2010	36,000	155,000	86,649	241,649	0.15
2011	-	351,000	371,035	722,035	-

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

(2) Debt Service payments are covered by the General Fund.

Solid Waste Bonds							
Landfill and Recycling Fund Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service			Coverage	Fiscal Year
			Principal	Interest	Total		
\$ 5,220,443	\$ 3,200,280	\$ 2,020,163	\$ 275,000	\$ 162,001	\$ 437,001	4.62	2002
5,966,800	4,070,045	1,896,755	250,000	156,476	406,476	4.67	2003
6,531,316	5,967,652	563,664	325,000	103,675	428,675	1.31	2004
8,075,461	7,855,360	220,101	335,000	90,675	425,675	0.52	2005
6,736,161	5,449,334	1,286,827	345,000	77,275	422,275	3.05	2006
6,788,579	6,375,659	412,920	360,000	63,475	423,475	0.98	2007
6,762,973	7,011,980	(249,007)	375,000	49,075	424,075	(0.59)	2008
5,135,953	6,512,598	(1,376,645)	395,000	32,200	427,200	(3.22)	2009
4,676,177	5,152,285	(476,108)	410,000	16,400	426,400	(1.12)	2010
4,202,943	4,867,277	(664,334)	-	-	-	-	2011

COUNTY OF FAUQUIER, VIRGINIA

Table 12

Page 1 of 2

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

	2002	2003	2004	2005	2006
Primary Government general revenues	\$ 95,068,229	\$ 101,414,870	\$ 107,742,248	\$ 115,802,686	\$ 130,354,175
Budgeted revenues (2)	-	-	-	-	-
Debt limit (3)	9,506,823	10,141,487	10,774,225	11,580,269	13,035,418
Total net debt applicable to limit (4)	6,183,499	7,396,557	8,784,217	8,080,098	8,095,810
County policy margin	<u>\$ 3,323,324</u>	<u>\$ 2,744,930</u>	<u>\$ 1,990,008</u>	<u>\$ 3,500,171</u>	<u>\$ 4,939,608</u>
Total net debt applicable to the limit as a percentage of general revenues	6.50%	7.29%	8.15%	6.98%	6.21%

- (1) The County does not have any direct and overlapping debt to report.
- (2) Effective FY 2010, budgeted revenues include the General Fund, the Conservation Easement Service District Fund, and the Volunteer Fire and Rescue Fund.
- (3) The Code of Virginia has no legal debt margin limit set on the Counties. Effective FY 2010, Fauquier County's debt capacity was defined as 10% of the aggregate total of budgeted revenues in the General Fund, the Conservation Easement Service District Fund, and the Volunteer Fire and Rescue Fund.
- (4) FY 2002 to FY 2010 revised to exclude fiscal charges that were previously included.

Fiscal Year					
2007	2008	2009	2010	2011	
\$ 142,714,982	\$ 151,241,607	\$ 157,808,035	\$ -	\$ -	Primary Government general revenues
-	-	-	161,131,819	154,965,925	Budgeted revenues (2)
14,271,498	15,124,161	15,780,804	16,113,182	15,496,593	Debt limit (3)
<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>	Total net debt applicable to limit (4)
<u>\$ 5,241,614</u>	<u>\$ 3,079,203</u>	<u>\$ 661,304</u>	<u>\$ 1,231,186</u>	<u>\$ 785,900</u>	County policy margin
6.33%	7.96%	9.58%	9.24%	9.49%	Total net debt applicable to the limit as a percentage of general revenues

COUNTY OF FAUQUIER, VIRGINIA

Table 13

**Demographic and Economic Statistics
Last Ten Fiscal Years**

Year	Estimated Population (1)	Personal Income (expressed in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)	County Civilian Labor Force (3)	At-Place Employment Annual Average (3)	School Enrollment (4)
2002	57,062	\$ 2,404,840	\$ 40,606	3.1%	31,987	18,766	9,675
2003	58,074	2,511,815	41,286	3.1%	32,802	19,369	10,054
2004	59,056	2,755,285	44,006	2.7%	34,194	20,713	10,295
2005	60,678	3,037,650	47,251	2.6%	35,643	21,579	10,717
2006	62,184	3,261,337	49,638	2.4%	36,601	22,022	10,940
2007	62,450	3,325,147	50,069	2.5%	37,041	21,710	11,117
2008	63,789	3,380,287	50,272	3.4%	37,689	21,396	11,263
2009	64,594	3,320,398	48,822	5.6%	37,959	20,271	11,244
2010	64,497	*	*	5.6%	38,360	20,139	11,222
2011	65,460	*	*	5.0%	38,387	19,949	11,184

Sources: (1) Weldon Cooper Center for Public Service final population estimates for FY 2002 through FY 2010, and provisional estimate for FY 2011.

(2) Bureau of Economic Analysis, calendar year data.

(3) Virginia Employment Commission calendar year data for 2002 through 2010. Data for 2011 Unemployment Rate and County Civilian Labor Force is the six month average rate for January 2011 through June 2011. Data for 2011 At-Place employment is for the 1st quarter of 2011.

(4) Fauquier County Public Schools FY2012 Budget actual enrollment for FY 2002 through FY 2010, projected enrollment for FY 2011.

* Unavailable

COUNTY OF FAUQUIER, VIRGINIA

Table 14

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

Employer	2011		2002	
	Rank	Number of Employees	Rank	Number of Employees
Fauquier County School Board	1	1000 and over	1	1000 and over
Fauquier Hospital	2	500 to 999	2	500 to 999
County of Fauquier	3	500 to 999	3	500 to 999
U.S. Department of Transportation	4	250 to 499		
Walmart	5	100 to 249	4	100 to 249
Warrenton Overlook Health and Rehabilitation Center	6	100 to 249	10	100 to 249
Pearson Government Solutions, Inc.	7	100 to 249		
Food Lion	8	100 to 249	7	100 to 249
Oak Springs Nursing Home	9	100 to 249		
Town of Warrenton	10	100 to 249		
Trinity Packaging Corporation			5	100 to 249
Community Landscape Service			6	100 to 249
America House Four			8	100 to 249
Giant Food			9	100 to 249

Source: Virginia Employment Commission Top 50 Employers (1st Quarter of 2011 and 2nd Quarter of 2002)

COUNTY OF FAUQUIER, VIRGINIA

Table 15

County Government Employees by Function
Last Ten Fiscal Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	113.1	112.4	112.9	117.9	119.1	116.8	114.8	115.2	109.8	107.7
Judicial administration	34.5	36.5	37.5	37.7	39.7	40.7	41.7	38.7	38.8	38.5
Public safety	125.0	138.0	138.0	141.0	153.0	155.0	185.6	192.3	189.5	190.5
Public works	49.0	45.0	47.5	48.5	52.5	56.5	56.5	63.6	67.1	65.1
Health and welfare	39.0	42.0	42.5	43.7	45.5	46.8	47.1	45.1	45.1	45.1
Parks, recreation, and cultural	46.3	47.2	49.7	54.2	58.2	65.4	65.6	63.5	61.7	58.7
Community development	30.0	35.0	36.0	43.6	46.6	52.6	53.0	51.0	42.1	41.0
Other funds										
Airport	-	-	1.0	2.1	2.1	2.6	2.0	2.0	2.0	2.0
Joint Communications (1)	20.0	21.0	22.0	22.6	24.6	24.6	-	-	-	-
Ambulance billing	-	-	-	-	-	-	-	-	-	1.0
Environmental Services	8.5	18.8	21.5	21.5	22.0	28.0	31.0	25.0	17.5	16.5
Fleet Maintenance	16.0	16.0	16.0	16.0	16.0	15.0	15.0	15.0	14.0	14.0
Conservation Easement Service District	-	-	-	-	-	0.8	1.0	1.0	2.0	2.0
Subtotal	44.5	55.8	60.5	62.2	64.7	71.0	49.0	43.0	35.5	35.5
Total Primary Government	<u>481.4</u>	<u>511.9</u>	<u>524.6</u>	<u>548.8</u>	<u>579.3</u>	<u>604.8</u>	<u>613.3</u>	<u>612.4</u>	<u>589.6</u>	<u>582.1</u>
Component Unit – School Board										
Education	<u>1,487.0</u>	<u>1,473.0</u>	<u>1,509.8</u>	<u>1,598.5</u>	<u>1,625.1</u>	<u>1,644.2</u>	<u>1,640.0</u>	<u>1,725.0</u>	<u>1,727.5</u>	<u>1,730</u>
Total Reporting Entity	<u>1,968.4</u>	<u>1,984.9</u>	<u>2,034.4</u>	<u>2,147.3</u>	<u>2,204.4</u>	<u>2,249.0</u>	<u>2,253.3</u>	<u>2,337.4</u>	<u>2,317.1</u>	<u>2,312.1</u>

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

Sources: For County Government employees information:
FY 2010 and FY 2011 -FY 2012 Adopted Budget - Actual numbers for FY 2010 and Budget numbers for FY 2011
FY 2009 -FY 2011 Adopted Budget
FY 2008 -FY 2010 Adopted Budget
FY 2005 to FY 2007 -FY 2009 Adopted Budget
FY 2004 -FY 2008 Adopted Budget
FY 2003 -FY 2007 Adopted Budget
FY 2002 -FY 2006 Adopted Budget

For Component Unit - School Board employees information:
FY 2011 -FY 2012 Fauquier County Public Schools Adopted Budget
FY 2010 -FY 2011 Fauquier County Public Schools Adopted Budget
FY 2009 -FY 2010 Fauquier County Public Schools Adopted Budget
FY 2004 to FY 2008 -FY 2009 Fauquier County Public Schools Adopted Budget
FY 2002 and FY 2003 -CAFRs

* Unavailable

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Table 16

Operating Indicators by Function (1)
Last Ten Fiscal Years

Page 1 of 6

Function	2002	2003	2004	2005	2006
General government					
Commissioner of the revenue					
Real estate number of parcels	28,421	29,691	30,299	30,934	31,402
Land use number of parcels	4,046	4,103	4,048	3,829	3,861
PPTRA qualifying vehicles	70,016	68,569	70,861	72,644	69,280
County attorney					
Total litigation files opened	61	44	38	40	73
Finance					
Vendor checks issued	25,200	19,126	19,227	21,564	19,927
Payroll annual checks/direct deposits	35,572	40,385	41,441	44,676	44,900
Human resources					
Employment applications received	*	*	4,436	4,755	7,775
New employees orientated	*	*	802	995	1,027
Information technology					
Web pages updated	1,200	2,328	2,500	2,500	2,500
Web site hits	*	9,511,086	7,000,000	7,000,000	7,000,000
Treasurer					
Real estate bills mailed	56,005	57,661	59,146	59,652	61,172
Personal property bills mailed	57,928	53,815	57,977	59,843	61,498
Vehicle decals issued	58,923	60,844	62,294	65,085	67,401
Dog tags issued	902	721	725	773	874
Judicial administration					
Adult court services					
Average daily caseload	305	424	403	359	301
Circuit court (2)					
Law cases (3)	450	423	475	438	*
Chancery cases (3)	450	372	427	360	*
Civil cases (3)	*	*	*	938	881
Criminal cases	900	946	983	905	1,028
Clerk of the circuit court (by calendar year)					
Deed book recording	22,000	28,410	23,334	23,807	19,778
Judgments	1,593	2,120	1,767	1,845	1,911
Criminal cases	864	946	983	905	1,028
Concealed weapon permits	342	364	274	215	224

(1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no FY 2011 information is available.

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

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

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

(5) As of FY 2009 CSA revised reporting categories.

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

(7) Writing element added to SAT in FY 2006.

(8) Prior to FY 2006 number of residents using the landfill included recycling visits.

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

* Unavailable

Fiscal Year					Function
2007	2008	2009	2010	2011(1)	
General government					
					Commissioner of the revenue
32,218	32,404	31,484	31,639	*	Real estate number of parcels
3,855	3,886	3,930	3,941	*	Land use number of parcels
68,806	69,141	68,662	67,161	*	PPTRA qualifying vehicles
					County attorney
45	45	71	30	*	Total litigation files opened
Finance					
20,227	19,525	18,604	19,131	*	Vendor checks issued
47,360	48,296	47,434	49,430	*	Payroll annual checks/direct deposits
Human resources					
8,626	13,438	14,690	15,290	*	Employment applications received
1,147	941	996	633	*	New employees orientated
Information technology					
*	*	*	*	*	Web pages updated
1,671,308	1,705,740	1,014,468	1,253,348	*	Web site hits
Treasurer					
60,080	62,239	63,105	62,080	*	Real estate bills mailed
59,773	60,961	60,942	60,916	*	Personal property bills mailed
-	-	-	-	-	Vehicle decals issued
969	2,025	2,941	3,495	*	Dog tags issued
Judicial administration					
Adult court services					
395	366	372	385	*	Average daily caseload
Circuit court (2)					
*	*	*	*	*	Law cases (3)
*	*	*	*	*	Chancery cases (3)
941	1,133	1,170	1,100	*	Civil cases (3)
1,005	930	1,069	900	*	Criminal cases
Clerk of the circuit court (by calendar year)					
15,132	10,928	12,328	12,000	*	Deed book recording
2,461	2,510	2,734	2,706	*	Judgments
1,005	930	1,069	900	*	Criminal cases
387	644	662	550	*	Concealed weapon permits

Table 16

Operating Indicators by Function (1)
Last Ten Fiscal Years

Page 3 of 6

Function	2002	2003	2004	2005	2006
Public safety					
Detention center					
Prisoner transports	5,612	4,122	4,452	7,622	6,237
Average daily inmate population	142	67	67	59	75
Juvenile detention					
Youth detained	*	60	67	54	76
Child care days	*	2,001	1,592	922	2,179
Juvenile probation					
Probation and parole per month	200	150	211	93	92
Community service hours	4,699	3,620	2,509	2,793	2,608
Fire, rescue, and emergency services					
911 calls for service	10,296	13,153	14,411	15,298	15,552
Hazardous material response	1200 hrs.	600 hrs.	500 hrs.	600 hrs.	500 hrs.
Emergency response	750 calls	400 calls	300 calls	300 calls	300 calls
Sheriff					
Traffic summonses issued	5,912	10,187	7,745	9,511	10,357
Misdemeanor arrests	1,929	1,854	1,609	1,534	1,470
Felony arrests	1,186	575	613	708	807
Civil papers served	26,912	13,430	13,392	13,969	15,855
Calls for service	39,912	37,921	35,938	38,541	41,182
Animal control calls for service	1,421	1,774	1,947	2,428	3,691
Joint communications (4)					
Telephone calls processed	-	-	-	-	-
Dispatch actions performed	-	-	-	-	-
Calls for service	-	-	-	-	-
Public works					
Environmental services - convenience sites					
Solid waste - tons	*	67,426	74,715	74,337	72,682
Recycled materials - tons	*	45,273	54,730	49,000	10,855
Resident visits	*	718,359	734,091	757,405	672,645
General services					
Facility work orders completed	7,894	8,797	8,410	8,720	9,462
Fleet vehicles/small engines	*	522	539	610	671
Preventive maintenance schedule	744	824	931	1,024	1,426
Surplus property	*	1,958	2,232	2,318	2,558
Health and welfare					
Comprehensive services act					
Comprehensive Services for At-Risk Youth and Families (CSA):					
Congregate care (5)	-	-	-	-	-
Foster care - therapeutic, specialized, regular (5)	-	-	-	-	-
Regular and residential foster care	51	54	70	80	53
Preventive foster care	22	15	34	38	38
Social services					
Adoption assistance	15	17	21	37	26
Adults receiving services	245	245	268	220	233
Approved foster/adoptive homes	45	32	29	29	*

(1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no FY 2011 information is available.

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

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

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

(5) As of FY 2009 CSA revised reporting categories.

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

(7) Writing element added to SAT in FY 2006.

(8) Prior to FY 2006 number of residents using the landfill included recycling visits.

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

* Unavailable

Fiscal Year					Function
2007	2008	2009	2010	2011(1)	
Public safety					
					Detention center
6,201	5,311	4,835	4,297	*	Prisoner transports
104	111	112	110	*	Average daily inmate population
					Juvenile detention
98	45	75	82	*	Youth detained
3,851	1,000	622	740	*	Child care days
					Juvenile probation
97	100	105	177	*	Probation and parole per month
2,482	2,482	*	*	*	Community service hours
					Fire, rescue, and emergency services
16,820	15,773	13,823	10,653	*	911 calls for service
500 hrs.	43 calls	39 calls	22 calls	*	Hazardous material response
300 calls	*	*	*	*	Emergency response
					Sheriff
9,835	6,862	11,361	9,075	*	Traffic summonses issued
1,880	1,671	2,068	2,159	*	Misdemeanor arrests
890	733	850	790	*	Felony arrests
14,807	16,580	17,365	15,732	*	Civil papers served
44,010	44,421	58,015	59,031	*	Calls for service
3,917	3,845	3,936	3,396	*	Animal control calls for service
					Joint communications (4)
-	197,531	176,009	170,553	*	Telephone calls processed
-	745,337	776,786	810,569	*	Dispatch actions performed
-	85,671	99,211	104,980	*	Calls for service
Public works					
					Environmental services - convenience sites
66,063	100,745	73,027	64,366	*	Solid waste - tons
10,183	34,093	24,677	18,337	*	Recycled materials - tons
664,778	649,384	597,580	555,266	*	Resident visits
					General services
9,553	9,555	8,580	8,620	*	Facility work orders completed
751	773	759	770	*	Fleet vehicles/small engines
1,811	1,492	1,216	1,513	*	Preventive maintenance schedule
*	*	*	*	*	Surplus property
Health and welfare					
					Comprehensive services act
					Comprehensive Services for At-Risk Youth and Families (CSA):
-	-	35	25	*	Congregate care (5)
-	-	82	56	*	Foster care - therapeutic, specialized, regular (5)
102	54	-	-	*	Regular and residential foster care
45	40	-	-	*	Preventive foster care
					Social services
29	29	24	34	*	Adoption assistance
263	350	431	386	*	Adults receiving services
*	*	*	*	*	Approved foster/adoptive homes

Table 16

Operating Indicators by Function (1)
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006
Parks, recreation, and cultural					
Library					
Materials cataloged/processed	14,235	12,839	15,157	14,344	16,515
Periodicals cataloged/processed	3,921	3,935	3,829	3,758	3,869
Library patron visits	225,506	231,918	222,783	253,533	248,112
Parks and recreation					
Park attendance (6)	108,669	114,352	420,785	624,780	615,263
Shelter rentals	149	140	167	208	210
Education					
Per pupil expenditures	8,726	8,247	8,601	8,878	9,546
High school completion rate	86%	84%	87%	94%	93%
SAT scores (7)	1,046	1,055	1,045	1,057	1,534
Federal subsidized meals program	14.2%	14.1%	15.2%	15.7%	15.5%
Community development					
Web page updated	89	116	287	462	462
Rezoning/comp plans	17	24	11	32	9
Preliminary/final subdivisions	42	39	14	29	26
Zoning permits issued	1,729	1,866	2,189	2,462	2,763
Building plans reviewed	1,913	2,091	2,227	2,407	2,788
Land disturbing permits issued	50	43	75	85	83
Marketing response to web site	*	*	202	408	84,118
Other funds					
Environmental services					
Residents using the landfill (8)	174,850	259,498	262,103	250,000	6,979
Total tons recycled	41,153	45,273	54,730	49,000	10,855
Recycling rate	44%	47%	33%	27%	25%
Fleet maintenance					
Internal service fund county users	29	29	28	28	26
Internal service fund non-county users	8	9	9	9	7
Total vehicles serviced	2,940	3,967	3,704	4,200	4,385
Joint communications (4)					
Telephone calls processed	*	248,426	246,286	292,750	201,225
Dispatch actions performed	*	587,556	631,597	646,312	651,756
Calls for service	*	69,243	71,925	74,782	74,232

(1) Operating indicators for the current year-end will not be available until the publication of the subsequent year's budget. Therefore, no FY 2011 information is available.

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

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

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

(5) As of FY 2009 CSA revised reporting categories.

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

(7) Writing element added to SAT in FY 2006.

(8) Prior to FY 2006 number of residents using the landfill included recycling visits.

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

* Unavailable

Fiscal Year					Function
2007	2008	2009	2010	2011(1)	
Parks, recreation, and cultural					
					Library
14,364	12,793	13,483	12,701	*	Materials cataloged/processed
4,820	4,137	7,882	7,590	*	Periodicals cataloged/processed
268,635	278,842	277,461	278,078		Library patron visits
					Parks and recreation
646,026	890,292	513,813	738,770	*	Park attendance (6)
190	257	678	748	*	Shelter rentals
Education					
10,427	10,925	10,935	10,804	*	Per pupil expenditures
94%	95%	94%	96%	*	High school completion rate
1,515	1,525	1,535	1,529	*	SAT scores (7)
16.2%	16.7%	19.8%	22.2%	*	Federal subsidized meals program
Community development					
408	300	*	*	*	Web page updated
15	7	14	10	*	Rezoning/comp plans
14	5	6	2	*	Preliminary/final subdivisions
1,416	1,723	1,366	1,000	*	Zoning permits issued
2,071	1,607	1,289	1,134	*	Building plans reviewed
130	87	38	42	*	Land disturbing permits issued
88,638	150,801	165,212	160,425	*	Marketing response to web site
Other funds					
					Environmental services
6,846	6,743	5,456	6,404	*	Residents using the landfill (8)
10,183	34,093	24,677	18,337	*	Total tons recycled
28%	31%	32%	35%	*	Recycling rate
					Fleet maintenance
42	28	46	42	*	Internal service fund county users
16	9	26	22	*	Internal service fund non-county users
4,603	4,338	5,016	5,300	*	Total vehicles serviced
					Joint communications (4)
203,809	-	-	-	-	Telephone calls processed
737,995	-	-	-	-	Dispatch actions performed
84,827	-	-	-	-	Calls for service

COUNTY OF FAUQUIER, VIRGINIA

Table 17

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Judicial administration										
Detention center capacities	56	56	56	56	56	56	56	56	56	56
Public safety										
Fire and rescue companies	13	13	13	13	13	13	11	11	11	11
Public works										
Active vehicles	219	240	243	266	279	272	253	260	271	287
County owned buildings	41	41	48	49	49	54	54	57	57	57
Sq. ft. in buildings	318,164	323,664	381,630	384,174	384,574	392,532	392,532	396,744	396,744	396,744
Parks, recreation, and cultural										
Libraries	3	3	3	3	3	3	3	3	3	3
Volumes	157,059	165,381	181,606	185,951	194,618	202,794	205,791	211,950	211,562	214,029
Parks and recreation facilities	30	30	27	32	32	33	34	32	35	35
Land acres	*	576	576	576	576	897	899	732	825	885
Water acres	*	189	189	189	190	190	193	113	113	116
Trails (miles)	*	*	*	8.50	8.50	8.75	12.00	12.75	13	14
Fields	*	*	*	53	58	58	58	71	59	63
Boats	*	36	36	36	36	59	59	33	34	35
Shelters	*	*	*	9	10	20	20	15	19	19
Swimming pools	-	-	-	1	1	1	1	2	2	2
Education										
Elementary schools										
Buildings	10	10	10	10	10	10	10	11	11	11
Sq. ft. in buildings	625,222	625,222	625,222	625,222	625,222	625,222	625,222	717,016	717,016	717,016
Capacity	5,495	5,495	5,495	5,495	5,495	5,495	5,495	6,095	6,095	6,095
Middle schools										
Buildings	4	4	4	5	5	5	5	5	5	5
Sq. ft. in buildings	379,865	379,865	379,865	493,865	493,865	493,865	493,865	514,110	514,110	514,110
Capacity	2,583	2,583	2,583	3,183	3,183	3,183	3,183	3,183	3,183	3,183
High schools										
Buildings	2	2	2	2	2	2	2	3	3	3
Sq. ft. in buildings	523,995	523,995	523,995	523,995	523,995	523,995	523,995	742,272	742,272	742,272
Capacity	3,000	3,000	3,000	3,000	3,000	3,000	3,000	4,500	4,500	4,500
Alternative schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Sq. ft. in buildings	17,547	17,547	17,547	17,547	17,547	17,547	17,547	17,547	17,547	17,547
Capacity	191	191	191	191	191	191	191	191	191	191
Number of school buses	155	154	161	173	164	173	178	174	180	184
Airport										
Miles of runways	0.92	0.92	0.92	0.96	0.96	0.96	0.96	0.96	0.96	0.96
Number of hangars	6	7	7	7	7	10	10	10	10	10

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

* Unavailable

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Fauquier, Virginia as of and for the year ended June 30, 2011, which collectively comprise the County of Fauquier, Virginia' basic financial statements and have issued our report thereon dated October 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*; issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Fauquier, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County of Fauquier, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Fauquier, Virginia's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Fauquier, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

October 21, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Compliance

We have audited the County of Fauquier, Virginia's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The County of Fauquier, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Fauquier, Virginia's management. Our responsibility is to express an opinion on the County of Fauquier, Virginia's compliance based on our audit.

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

In our opinion, the County of Fauquier, Virginia complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the County of Fauquier, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Fauquier, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 21, 2011

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
Primary Government and Discretely Presented Component Unit
For the Year Ended June 30, 2011

Page 1 of 5

Federal Granting Agency/Pass-Through Agency/Grant Program	Federal CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
Primary Government:			
DEPARTMENT OF AGRICULTURE:			
Pass-through payments from Commonwealth of Virginia:			
Department of Agriculture and Consumer Services:			
Specialty Crop Block Grant Program - Farm Bill	10.170	2008-413	\$ 19,128
SNAP Cluster:			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutritional Assistance Program (SNAP)	10.561	0010110 0010111 0040110 0040111	363,670
ARRA - State Administrative Matching Grants for the Supplemental Nutritional Assistance Program (SNAP)	10.561	0010110 0010111 0040110 0040111	15,278
			378,948
Total Department of Agriculture			398,076
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass-through payments from Commonwealth of Virginia:			
Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	53305-49380	809,079
Total Department of Housing and Urban Development			809,079
DEPARTMENT OF THE INTERIOR:			
Direct payments:			
Payments in Lieu of Taxes	15.226	Not Applicable	2,480
American Battlefield Protection	15.926	Not Applicable	15,000
Total Department of the Interior			17,480
DEPARTMENT OF JUSTICE:			
Direct payments:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Not Applicable	13,693
State Criminal Alien Assistance Program	16.606	Not Applicable	3,746
Pass-through payments from Commonwealth of Virginia:			
Department of State Police			
ARRA - Internet Crimes against Children Task Force Program (ICAC)	16.800	Interagency Agreement	7,463
Total Department of Justice			\$ 24,902

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
Primary Government and Discretely Presented Component Unit
For the Year Ended June 30, 2011

Page 2 of 5

Federal Granting Agency/Pass-Through Agency/Grant Program	Federal CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
Primary Government: (continued)			
DEPARTMENT OF TRANSPORTATION:			
Direct payments:			
Airport Improvement Program	20.106	Not Applicable	\$ 219,949
Pass-through payments from Commonwealth of Virginia:			
Department of Transportation:			
Transportation Enhancement Program (TEA-21)	20.000	UPC 59803 UPC 70309 UPC 87017 UPC 91228	186,073
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	60507-50120 60507-51264	33,491
Total Department of Transportation			439,513
DEPARTMENT OF THE TREASURY:			
Direct payments:			
Secret Service Task Force	21.000	Not Applicable	288
Total Department of the Treasury			288
ENVIRONMENTAL PROTECTION AGENCY:			
Pass-through payments from Commonwealth of Virginia:			
Department of Environmental Quality			
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	15152	8,500
Total Environmental Protection Agency			8,500
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-through payments from Commonwealth of Virginia:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950110	2,006
Temporary Assistance for Needy Families	93.558	0400110 0400111	315,023
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110 0500111	692
Low-Income Home Energy Assistance	93.568	0600410 0600411	14,074
Child Care and Development Funds Cluster:			
Child Care and Development Block Grant	93.575	0770110	496,859
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110 0760111	244,795
ARRA - Child Care and Development Block Grant	93.713	0740109	54,589
Chafee Education and Training Vouchers Program (ETV)	93.599	9160110	\$ 4,000

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
Primary Government and Discretely Presented Component Unit
For the Year Ended June 30, 2011

Page 3 of 5

Federal Granting Agency/Pass-Through Agency/Grant Program	Federal CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
Primary Government: (continued)			
DEPARTMENT OF HEALTH AND HUMAN SERVICES: (CONTINUED)			
Pass-through payments from Commonwealth of Virginia: (continued)			
Department of Social Services: (continued)			
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110	\$ 1,688
Foster Care-Title IV-E	93.658	1100110 1100111	521,871
ARRA - Foster Care-Title IV-E	93.658	1100110 1100111	<u>25,381</u>
Adoption Assistance	93.659	1120110 1120111	109,435
ARRA - Adoption Assistance	93.659	1120110 1120111	<u>6,206</u>
Social Services Block Grant	93.667	1000110 1000111	213,388
Chafee Foster Care Independence Program	93.674	9150110	3,870
Children's Health Insurance Program	93.767	0540110 0540111	11,184
Medical Assistance Program	93.778	1200110 1200111	<u>221,301</u>
Total Department of Health and Human Services			<u>2,246,362</u>
DEPARTMENT OF HOMELAND SECURITY:			
Direct payments:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	Not Applicable	195,074
Pass-through payments from Commonwealth of Virginia:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	77501-52740	13,000
State Homeland Security Program (SHSP)	97.073	77501-52709	<u>33,450</u>
Total Department of Homeland Security			<u>241,524</u>
Total Expenditures of Federal Awards - Primary Government			<u><u>\$ 4,185,724</u></u>

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
Primary Government and Discretely Presented Component Unit
For the Year Ended June 30, 2011

Page 4 of 5

Federal Granting Agency/Pass-Through Agency/Grant Program	Federal CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
Component Unit - School Board:			
DEPARTMENT OF AGRICULTURE:			
Pass-Through Payments from Commonwealth of Virginia:			
Child Nutrition Cluster:			
Department of Education:			
School Breakfast Program (SBP)	10.553	17901-40591	\$ 255,188
National School Lunch Program (NSLP)	10.555	17901-40623	1,138,237
Department of Agriculture and Consumer Services:			
National School Lunch Program (NSLP) - Commodities	10.555	Not Applicable	<u>304,010</u> 1,442,247
Total Department of Agriculture			<u>1,697,435</u>
DEPARTMENT OF DEFENSE:			
Direct Payments:			
Junior ROTC Program	12.000	Not Applicable	70,536
Mathematical Sciences Grants Program	12.901	Not Applicable	66,284
Pass-through payments from Commonwealth of Virginia:			
Department of Education:			
Department of Defense Payments	12.000	17901-43850	<u>84</u>
Total Department of Defense			<u>136,904</u>
DEPARTMENT OF EDUCATION:			
Pass-Through Payments from Commonwealth of Virginia:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	17901-42801	53,517
Title I Grants to Local Educational Agencies	84.010	17901-42901	799,054
Special Education Cluster (IDEA):			
Special Education-Grants to States (IDEA, Part B)	84.027	17901-43071 17901-87138	2,513,794
Special Education - Preschool Grants (IDEA Preschool)	84.173	17901-62521	34,496
ARRA - Special Education Grants to States (IDEA, Part B)	84.391	17901-61245	884,020
ARRA - Special Education - Preschool Grants (IDEA Preschool)	84.392	17901-61247	16,986
Career and Technical Education - Basic Grants to States	84.048	17901-61095 17901-61159	130,262
Safe and Drug-Free Schools and Communities - State Grants	84.186	17901-60511	32,936
Education Technology State Grants	84.318	17901-61600	4,180
English Language Acquisition Grants	84.365	17901-60509 17901-60512	54,812
Improving Teacher Quality State Grants	84.367	17901-61480	\$ 259,088

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Expenditures of Federal Awards
Primary Government and Discretely Presented Component Unit
For the Year Ended June 30, 2011

Page 5 of 5

Federal Granting Agency/Pass-Through Agency/Grant Program	Federal CFDA Number	Pass-Through Agency Identifying Number	Total Federal Expenditures
Component Unit - School Board: (continued)			
DEPARTMENT OF EDUCATION: (continued)			
Pass-Through Payments from Commonwealth of Virginia: (continued)			
Department of Education: (continued)			
School Improvement Grants	84.377	17901-43040	\$ 42,978
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	17901-62532	1,568,826
Education Jobs Fund	84.410	17901-62700	1,685,297
Pass-Through Payments from The College of William & Mary: Education for Homeless Children and Youth	84.196	738092 738532	<u>9,345</u>
Total Department of Education			<u>8,089,591</u>
Total Expenditures of Federal Awards - Component Unit - School Board			<u><u>9,923,930</u></u>
Total Expenditures of Federal Awards - Reporting Entity			<u><u>\$ 14,109,654</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

COUNTY OF FAUQUIER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2011

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, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Fauquier, Virginia, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the County of Fauquier, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Non-cash and Other Programs

The State Homeland Security Program (CFDA 97.073) is granted by the Department of Homeland Security to build capabilities to prevent, deter, respond to, and recover from incidents of terrorism at the State and local levels through planning, equipment, training, and exercise activities and support the implementation of State homeland security strategies and key elements of the national preparedness architecture. In addition to purchasing equipment or supplies for their own jurisdiction, they may purchase these items for surrounding jurisdictions and then transfer, or donate, the items to other jurisdictions per the federal Government or pass-through entity's instructions. For the year ended June 30, 2011 the County of Fauquier paid \$33,450 for the installation of equipment purchased and transferred in the prior year.

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	\$ 2,937,173
Capital Projects Fund	219,523
Special Revenue Funds	517,428
Plus: NSP deferred revenue and administrative deliverables	291,651
Airport Fund	219,949
Total primary government	<u>4,185,724</u>

Component Unit – Public Schools:

School General Fund	8,226,495
School Special Revenue Fund	1,697,435
Total component unit public schools	<u>9,923,930</u>
Total federal expenditures per basic financial statements	<u>14,109,654</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 14,109,654

COUNTY OF FAUQUIER, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiency(ies) identified? None reported

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

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027/84.173/84.391/84.392	Special Education Cluster (IDEA)
84.394	ARRA - State Fiscal Stabilization Fund Education State Grants
84.410	ARRA - Education Jobs Fund
93.659	Adoption Assistance
93.659	ARRA - Adoption Assistance
93.658	Foster Care - Title IV-E
93.658	ARRA - Foster Care - Title IV-E

Dollar threshold used to distinguish between Type A and Type B programs \$423,290

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 - Financial Statement Findings - Prior Year

There are no financial statement findings from the prior year

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