

# STAFFORD COUNTY, VIRGINIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



**Fiscal Year 2006**  
**(July 1, 2005 - June 30, 2006)**

# **STAFFORD COUNTY, VIRGINIA**

## **COMPREHENSIVE**

### **ANNUAL FINANCIAL REPORT**

**FISCAL YEAR 2006**

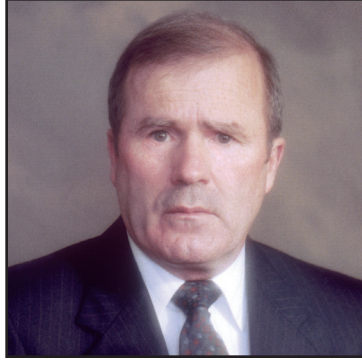


**(July 1, 2005 - June 30, 2006)**

**Steve Crosby, County Administrator**  
**Anthony J. Romanello, Deputy County Administrator**  
**Shelley Carmichael, Acting Director of Finance**  
**Mickey Kwiatkowski, Acting Assistant Director of Finance**  
**Deborah King, Debt, Securities and Records Manager**  
**Carol J. Atkinson, Risk Manager**  
**Susan M. Fitzgibbon, Accountant**



# BOARD OF SUPERVISORS



Robert C. Gibbons, Chairman  
Rock Hill District



Jack R. Cavalier, Vice Chairman  
Griffis-Widewater District



Paul V. Milde III  
Aquia District



George H. Schwartz  
Falmouth District



M. S. "Joe" Brito  
Hartwood District



Mark Dudenhefer  
Garrisonville District



Peter J. Fields  
George Washington District



Steve Crosby  
County Administrator



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

**COUNTY OF STAFFORD, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2006**

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# **INTRODUCTORY SECTION**



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

BOARD OF SUPERVISORS

ROBERT C. GIBBONS  
CHAIRMAN

JACK R. CAVALIER  
VICE CHAIRMAN

M.S. "JOE" BRITO  
MARK DUDENHEFER  
PETER J. FIELDS  
PAUL V. MILDE, III  
GEORGE H. SCHWARTZ



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COUNTY ADMINISTRATOR  
STEVE CROSBY

November 27, 2006

To Members of the Board of Supervisors and Citizens of Stafford County:

We are herewith submitting the Comprehensive Annual Financial Report (CAFR) of the County of Stafford, Virginia (County) for Fiscal Year (FY) 2006 in compliance with Section 15.2-2511 of the *Code of Virginia* (1950), as amended. The County has used professionally accepted standards to prepare its financial statements. The report is designed to fairly present the financial position and results of financial operations of the County in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain maximum understanding of the County's financial affairs.

The Finance Department has prepared this report in accordance with the following standards:

- Accounting principles generally accepted in the United States of America, which are uniform minimum standards and guidelines for financial accounting and reporting.
- Governmental accounting and financial reporting statements and interpretations issued by the Governmental Accounting Standards Board (GASB) and;
- Uniform financial reporting standards for counties, cities and towns issued by the Commonwealth of Virginia's Auditor of Public Accounts (APA).

The responsibility for the accuracy, completeness and fairness of the data presented in the report, including all disclosures, rests with the County.

PBGH LLP, a firm of licensed certified public accountants, audited the County's financials statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2006, were 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 on their audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the year ended June 30, 2006, and are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements 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 auditors 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 and

internal controls involving the administration of federal awards. These reports are available in the compliance section of this report.

GAAP requires that management provide a narrative 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 can be found immediately following the report of the independent auditors at the beginning of the financial section.

## **PROFILE OF STAFFORD COUNTY**

Stafford County was formed in 1664 and was named for Staffordshire, England. The county is located in northeastern Virginia, approximately 40 miles south of Washington, D.C. and 55 miles north of Richmond, Virginia. It encompasses 277 square miles and is bordered by the Potomac River on the east and the Rappahannock River on the south.

Stafford County operates under the board of supervisors/administrator form of government. The Board of Supervisors (the Board) consists of seven members elected by district who have authority over local taxation, budgets, borrowing, local ordinances and policy. The Board appoints a County Administrator to act as the administrative head of the County. The County Administrator serves at the pleasure of the Board of Supervisors and carries out the policies established by the Board.

The government of the County provides a full range of services to its residents. These include general administration, judicial administration, public safety, public works, health and welfare, parks and recreation, education, and community and economic development. Funds required to support these services are reflected in this report.

### **Public Schools**

Stafford County is financially accountable for a legally separate school district which is reported within the financial statements as a discreet component unit. Stafford County Public Schools is the largest service provided by the County. The school system is operated by an elected school board consisting of seven members elected by district. The School Board appoints a superintendent to administer its policies. The school system is comprised of five high schools, six middle schools, and sixteen elementary schools. Two new schools opened in September 2006 – an elementary and a middle school. The combined enrollment as of June 2006 was 25,917 students.

### **Higher Education**

Opportunities for higher education exist in the County. The University of Mary Washington's College of Graduate and Professional Studies campus is located in Stafford County. It offers a variety of career advancement and professional development programs for working adults. Approximately 800 students were enrolled in these programs during 2005-2006.

### **Budgetary Control**

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 October. Appropriation requests are submitted in December for the fiscal year beginning the following July 1<sup>st</sup>. The County Administrator submits a proposed operating and capital budget to the Board of Supervisors by March 1 each year. The budget includes proposed expenditures and the means of financing them. Work sessions are scheduled to further refine the proposal and align it with goals and objectives. A public hearing is conducted to obtain citizen comments. Property tax rates are set by passage of a resolution. Prior to June 30<sup>th</sup>, the budget is legally enacted through passage of an appropriations resolution. This resolution places legal restrictions on expenditures at the department level. Budget-to-actual comparisons are provided in this document in the section labeled "Other Supplementary Information".

The *Code of Virginia* requires the school superintendent to submit a School Board approved budget to the County Board of Supervisors. In December the superintendent submits a budget plan to the School Board for review.

During January the School Board discusses the budget plan in a series of work sessions and public hearings. In February the School Board adopts its requested budget and forwards it to the County Administrator. The County Board of Supervisors reviews the School Board's budget and determines the level of local funding.

### **Accounting System**

In developing and maintaining the County's overall accounting and financial management system, adequacy of internal accounting controls has been considered. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss and the reliability of financial records. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management. In this regard, we believe that the County's internal accounting controls are adequate. In addition, the external auditors evaluate these controls during the course of the annual audit. We are committed to deriving the maximum benefits from this review process and will continue to actively pursue implementation of all recommended policy and procedural changes which are deemed practicable.

The County operates a fully automated accounting and financial management information system. This system represents the important foundation required to support the "central accounting" function and represents a cooperative effort of both County and School Board financial staffs to advance this policy. Budgetary control is maintained primarily at the fund level and at the department level by the encumbrance of estimated purchases. Purchase orders are reviewed for adequate appropriations prior to release to vendors. Open encumbrances, which represent commitments for the purchase of goods or services in a future period, are reported as reservations of fund balances at the end of the fiscal year.

### **Cash Management**

As custodian of County funds, the Treasurer is responsible for investing those funds to safeguard principal, meet liquidity objectives and maximize return. The Treasurer uses the pooled cash concept to maximize investment return. Investments and deposits during the year consisted of a variety of securities, durations and increments as allowable by the Code of Virginia and the County's investment policy. These include savings accounts, certificates of deposits, repurchase agreements, bankers' acceptances, commercial paper, money market accounts, the State-maintained Local Government Investment Pool and the State-maintained State Non-Arbitrage Pool.

### **Risk Management**

The risks of loss to which the County and School Board are exposed include, but are not limited to, property loss, machinery and equipment breakdown, general liability, personal injury, vehicle liability, theft, embezzlement, harassment, law enforcement liability, zoning and code enforcement. Risks of loss are mitigated by insurance, insurance consulting services and safety policies. The County and the School Board are self insured and participate in various public entity loss pools. The County also has a risk manager who, with the County's insurance consultant, oversees the identified areas of risk. The position also administers the County's safety program.

### **Relevant Financial Policies**

In fiscal year 2005, the Board of Supervisors adopted a fund balance policy for the County's General Fund. The policy sets the minimum undesignated, unreserved fund balance for the General Fund at ten percent (10%) of General Fund revenues, in order to provide for overall stability and financial planning purposes. At June 30, 2006 the undesignated, unreserved fund balance in the General Fund was \$19.2 million or 9.5% of the fiscal year 2006 general revenues. We have undertaken monthly and quarterly analysis during fiscal year 2007 in order to restore the undesignated, unreserved fund balance to the policy levels.

In addition, the Board of Supervisors established a policy to limit net tax supported bonded debt to no more than 4.5% of assessed real property value and debt service to 12% of budgeted general government expenditures.



For the fiscal year ended June 30, 2006, net bonded debt was 2.0% of assessed real property value. Debt service expenditures were 7.8% of budgeted general government expenditures.

### **Long-Term Financial Planning**

The County annually prepares a five-year Capital Improvement Plan (CIP). The CIP serves as a planning tool to analyze initiatives, formulate service levels, provide public comment during public hearings, and phase-in funding needed public facilities. The 2005-2010 CIP totals \$558.6 million and is comprised of County projects of \$144.5 million, school projects of \$241.3 million and Utilities Fund projects of \$172.8 million. A variety of funding sources including general obligation bonds, revenue bonds, capital leases and General Fund revenues will fund the projects.

The County's five-year financial plan represents the County's attempt to quantify the impacts of future needs matched with a projection of available resources. The plan is illustrated with detailed assumptions in a separate section of the budget document. The plan seeks to maintain or enhance budgetary objectives of the Board of Supervisors. Conservative revenue forecasting has enabled the County to meet future targets. To assist policy makers and staff with foreseeing future needs and projected growth, the County has acquired a fiscal impact model. It uses current and trend information to calculate multi-year projections of revenues and expenditures.

### **ECONOMIC CONDITION AND OUTLOOK**

Stafford County's location, rural character, suburban conveniences, strong educational system and superior quality of life combine to make it an attractive, vital community. The County enjoys a healthy and stable economy characterized by a relatively high skilled and educated labor force and very low unemployment.

According to the Virginia Employment Commission, unemployment in Stafford County decreased slightly from the previous year figure of 2.4 percent to 2.3 percent. The area continues to have one of the lowest unemployment rates when compared to the 3.1 percent Virginia and 4.4 percent national unemployment rates.

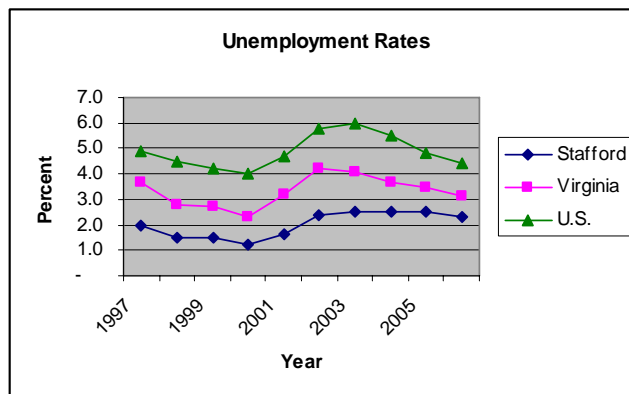
At Place Employment continued to grow in 2005-2006 with over 500 jobs added at County businesses. There are now more than 1,990 businesses located in Stafford County. Job growth in the County is driven in part by Federal spending. Marine Corps Base Quantico and the FBI Academy are located in the northern sector of the County. There has been a significant increase in

construction of office space (in excess of two million square feet) to accommodate defense contractors and related businesses with the desire to locate offices in Stafford area.

The County also has established a commercial and industrial area in its southern sector. It is located near the I-95 and Route 17 interchange. A nationally recognized commercial developer, is constructing a corporate center known as Celebrate Virginia North. Flexible zoning within the campus will accommodate approximately three million square feet of office and retail space.

In August 2006, Mediacorp Health Systems was granted permission to construct a full service, acute care Stafford Hospital Center. It will be located in central Stafford near the Courthouse. It is scheduled to open in 2009. A medical office park will also be constructed on the site.

Transportation issues are being addressed in all areas of the County. In December 2005, a new I-95 interchange and an airport connector road opened in central Stafford County. These projects relieve some of the traffic on other County roads and encourage economic development.



In north Stafford, planning and engineering for improvements to the major transportation corridor (Rt. 610) widening project is complete. Construction began in early autumn. In south Stafford, preliminary engineering for the widening of Route 17 to accommodate development is underway. Planning continues for the leveraging of local, state, federal and private resources to facilitate needed improvements.

Efforts continue to develop the tourism sector of our economy. In November 2005, the Stafford Visitor Center officially opened its doors inside the Wingate Inn South, near the I-95 – Route 17 interchange. The center is technology focused with large screen televisions and information kiosks.

## **MAJOR INITIATIVES**

In June 2006, the County broke ground for the construction of its new Public Safety Building. The 120,000 square foot building will be located near the County Courthouse and Administration Center and will cost approximately \$38 million. When complete it will house fire and rescue administrative offices, the County Sheriff's Department and the emergency communications center. The County has also broken ground for two new fire and rescue stations at an average cost of \$4 million each. A new simulcast UF digital radio system is also planned for next year.

## **OTHER INFORMATION**

The Certificate of Achievement for Excellence in Financial Reporting - The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Stafford County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This was the County's twenty-fourth consecutive award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish a Comprehensive Annual Financial Report (CAFR) that is easy to read, efficiently organized and whose contents conform to program standards. The CAFR must satisfy accounting principles generally accepted in the United States of America and applicable legal requirements. We believe that our current report continues to conform to the Certificate of Achievement program requirements and will be submitted to GFOA.

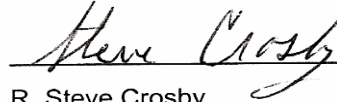
Distinguished Budget Presentation Award - The GFOA has also awarded the County its Distinguished Budget Award for the last eighteen years, including the 2007 fiscal year budget. In order to receive this award, a governmental unit must publish a budget document that is an exceptional policy document, operations guide, financial plan and communications medium.

For an overview of the County's financial condition and financial highlights for FY2006, please refer to the Management's Discussion and Analysis, located in the Financial Section of this document.

## **ACKNOWLEDGEMENTS**

Stafford County has a sound record in financial management and continues to maintain a strong and stable financial reporting system. Appreciation is expressed to the members of the Stafford County Board of Supervisors, the School Board, the Treasurer, and the Commissioner of the Revenue for their interest and support in planning and conducting the financial operations of the County in a progressive and responsible manner.

Preparation of the Comprehensive Annual Financial Report was made possible by the dedicated and professional staff of the Department of Finance, the School Board Financial Services staff, the Commissioner of the Revenue and the Treasurer. All of these individuals have our sincere thanks and appreciation for the timeliness and high quality of work reflected in this report.



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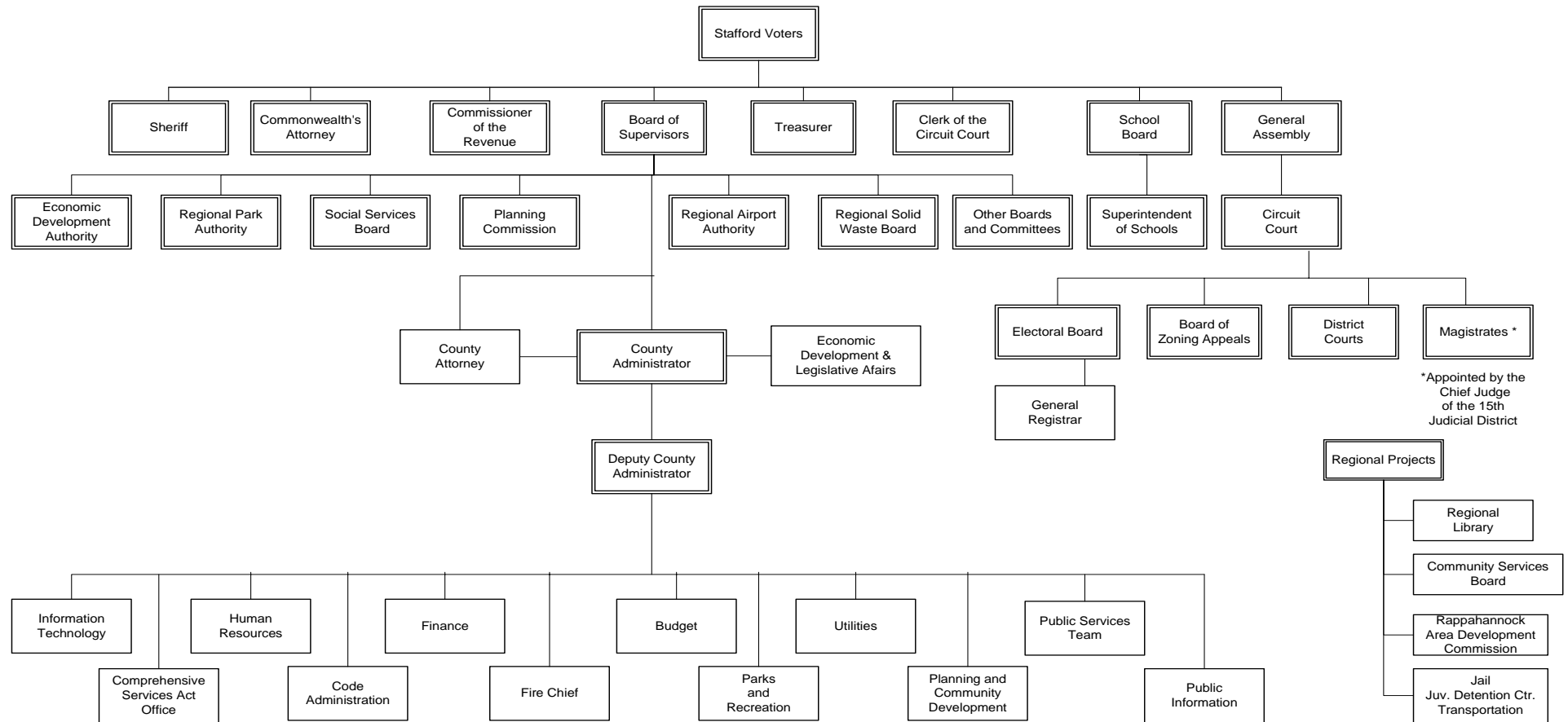
R. Steve Crosby  
County Administrator



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Shelley K. Carmichael  
Acting Director of Finance

# County of Stafford, Virginia Organizational Chart



COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS

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**BOARD OF SUPERVISORS**

Robert C. Gibbons, Chairman	Rock Hill District
Jack R. Cavalier, Vice Chairman	Griffis-Widewater District
M. S. "Joe" Brito	Hartwood District
Mark Dudenhefer	Garrisonville District
Peter J. Fields	George Washington District
Paul V. Milde, III	Aquia District
George H. Schwartz	Falmouth District

**CONSTITUTIONAL OFFICERS**

Barbara G. Decatur	Clerk of Circuit Court
Scott A. Mayausky	Commissioner of the Revenue
Daniel M. Chichester	Commonwealth's Attorney
Charles E. Jett	Sheriff
Bill D. Colvin	Treasurer



COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS  
(continued)

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**COUNTY ADMINISTRATIVE OFFICERS**

Steve Crosby	County Administrator
Anthony J. Romanello	Deputy County Administrator
Joseph L. Howard, Jr.	County Attorney
Robert E. Bos	Public Utilities Administrator
Cheryl L. Beagle	Director, Budget
Daniel J. Schardein, III	Director, Code Administration
David W. Noel	Director, Information Technology
J. Robert Brown	Fire Chief
Shelley K. Carmichael	Acting Director, Finance
Tammi W. Ellis	Director, Human Resources
R. Greg Sager	Director, Parks and Recreation
Jeffrey A. Harvey	Director, Planning and Community Development
Michael J. Muse	Director, Social Services
Timothy J. Baroody	Director, Economic Development and Legislative Affairs

COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS  
(continued)

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**SCHOOL BOARD**

Edward Sullivan, Chairman	George Washington District
Dana Reinboldt, Vice-Chairman	Griffis-Widewater District
Robert S. Belman	Falmouth District
Patricia Healy	Rock Hill District
Nanette Kidby	Garrisonville District
John Ledoux	Aquia District
Doreen Phillips	Hartwood District

**SCHOOL BOARD ADMINISTRATIVE OFFICERS**

Andre' Nougaret, Ph.D.	Interim Superintendent
Andrea Bengier, Ed. D.	Assistant Superintendent for Instruction
Wayne C. Carruthers, CPA	Assistant Superintendent for Finance
Don Upperco	Interim Assistant Superintendent for Support Services

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Stafford County  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

## **FINANCIAL SECTION**

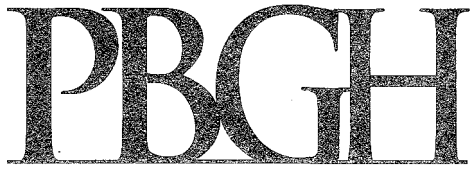


# **INDEPENDENT AUDITORS' REPORT**



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork



CERTIFIED PUBLIC ACCOUNTANTS  
A LIMITED LIABILITY PARTNERSHIP

[www.pbgh.com](http://www.pbgh.com)

Mensel D. Dean  
Gregory W. Geisert  
Herman W. Hale  
John L. Vincie, III  
Keith L. Wampler  
Daniel B. Martin  
Sean R. O'Connell

Kevin D. Humphries  
Bradford R. Jones  
Virginia B. Miller  
John E. Zigler, Jr  
Michael T. Kennison  
Michael A. Garber  
Donald W. Knotts  
Daniel J. Bender

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Stafford, Virginia (County), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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.

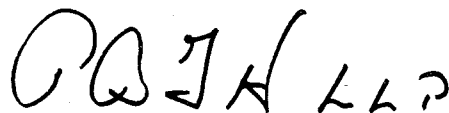
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Stafford, Virginia, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2006 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis (pages 5 to 18) and the required supplementary information (pages 70 to 74) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Stafford, Virginia's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the Table of Contents as other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures for Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, appearing to read "O. B. J. A. L. L. P." with a stylized, cursive script.

Harrisonburg, Virginia  
November 9, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

## Management's Discussion and Analysis

As management of the County of Stafford, VA (County) we offer users of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the transmittal letter, financial statements, and the accompanying notes.

### Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$55.6 million (*net assets*).
- The County's total net assets decreased by \$18.7 million, with governmental activities decreasing by \$41.6 million and business-type activities increasing by \$22.9 million.
- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$85.4 million, an increase of \$35.4 million from prior year. Of the \$85.4 million, \$20.9 million is available for spending at the County's discretion (*unreserved fund balances*).
- Undesignated fund balance for the General Fund was \$19.1 million or 9.5% of total General Fund revenues, representing a decrease of \$6.1 million. This falls just below the County's undesignated fund balance policy goal of 10% of total General Fund revenues.
- The County's net debt increased by \$92.8 million during the current fiscal year. This net increase was the result of new debt less principal payments made during the year. New debt consisted of \$47 million of lease revenue bonds and \$2.7 million in commercial paper for a new public safety building and two fire and rescue stations, \$50.8 million of VPSA debt for school projects, \$6.3 million in capital leases for school buses, fire and rescue vehicles and technology upgrades in schools.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of how the financial position of the County may be changing. Increases in net assets may indicate an improved financial position; however, even decreases in net assets may reflect the changing manner in which the County may have used previously accumulated funds.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other activities that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government administration; judicial administration; public safety; public works; health and social services; parks, recreation and cultural; community development; appropriation to School Board; transportation; and interest on long-term debt. The business-type activities consist of public utilities (water and sewer services).

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate school board and a legally separate community development authority for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financials, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, users may better understand the long-term impact of the County's near-term financing decisions. Reconciliations between the governmental funds Balance Sheet and the Statement of Net Assets and between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities are provided to facilitate this comparison between governmental funds and governmental activities.

The County maintains ten individual governmental funds. Information is reported separately in the governmental funds balance sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Transportation Fund, and the General Capital Projects Fund; all three of which are considered to be major funds. Data from the other seven County funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplementary Information Section of this report. The County adopts an annual appropriated General Fund and Transportation Fund budget, for which budgetary comparison statements have been provided to demonstrate compliance with the respective budgets.

The Component Unit - School Board maintains four governmental funds. The School Operating Fund and the School Capital Projects Fund are considered major funds. The Component Unit - School Board's nonmajor funds are the School Nutrition Fund and the School Construction, Renovation and Maintenance Fund.

The County maintains two different types of **Proprietary Funds**. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its public utilities. Internal service



funds are an accounting device used to accumulate and allocate costs internally among the County's and School's various functions. Internal service funds are used by the Component Unit - School Board to account for fleet maintenance, school healthcare benefit self-insurance activities and school workers' compensation insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the Other Supplementary Information Section of this report.

**Fiduciary funds** are used to account for resources received and held in a fiduciary capacity for the benefit of individuals or other governments. Fiduciary funds are not reflected in the government-wide financial statements because resources of these funds are not available to support the County's and School Board's programs. However, the County and School Board are responsible for ensuring fund assets are used for their intended purposes. The County has two fiduciary funds – Celebrate Virginia North Fund and Lake Arrowhead Sanitary District Fund – and the Component Unit - School Board has one – School Activities Fund. Separate statements of fiduciary net assets and statements of changes in fiduciary assets and liabilities are presented elsewhere in this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the pension related required supplementary information.

This report also contains a statistical section that supplements the basic financial statements by presenting detailed trend information, to assist readers in assessing the economic condition of the County. The County implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section* in fiscal year 2006, which resulted in the reformatting and addition of new information in the statistical section. The new statistical section contains five categories of trend information about the County – financial trend information, revenue capacity information, debt capacity information, demographic and economic information, and operating information. The most significant additions to the statistical section is the historical trend information on governmental fund balances, net assets and changes in net assets, operating indicators, and capital asset statistics. We encourage readers to review the statistical section to better understand the County's operations, services and financial condition.

## Government-wide Financial Analysis

### Statement of Net Assets

As noted earlier, over time, changes in net assets may serve as an indicator of the County's financial position. The County's assets exceeded liabilities by \$55.6 million at the close of fiscal year 2006. By far, the largest portion of the County's net assets (\$156.9 million) reflects its investment in capital assets net of depreciation (e.g., land, buildings, vehicles, distribution and collections systems, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its citizens (e.g., law enforcement, fire and emergency medical services, libraries, water and wastewater services). Consequently, these assets are not available for future spending. Although the investment in

capital assets is reported net of related debt, it should be noted that the resources needed to repay the related debt must be provided by other sources since the capital assets cannot be used to liquidate the liabilities (the assets are not generally sold or otherwise disposed of during their useful life).

An additional portion of the County's net assets (\$12.7 million) represents resources that are subject to external restrictions on how they may be used. These restrictions include debt reserves and Federal drug enforcement constraints. The remaining balance of unrestricted net assets may be used for ongoing obligations.

As mentioned earlier, the County increased long-term liabilities, resulting in a net decrease in net assets of \$18.7 million. This is principally due to the issuance of new debt. There was \$50.8 million in new debt issued for school construction projects. Also, in June 2006 the County issued debt in the amount of \$47 million for construction of a public safety building and two fire and rescue stations. Ground was broken for these facilities at the end of June and in mid-July, respectively, so that no assets were recorded during fiscal year 2006.

Another significant point to note regarding school assets and their related debt is that in the State of Virginia, school boards cannot issue debt; however, they hold title to the assets acquired through debt issued by their respective primary governments. They are custodians of the assets and maintain the property. Therefore, the County reports a significant liability for debt related to school construction.

The increase in business-type activities net assets includes \$12.4 million in donated capital assets accepted into the water and sewer utility system and \$11.8 million in nonoperating availability fees also for the water and sewer utility system. These fees help offset the cost of upgrading and replacing infrastructure.

The following table presents the condensed Statement of Net Assets and compares the prior year to the current year.

#### Summary of Net Assets

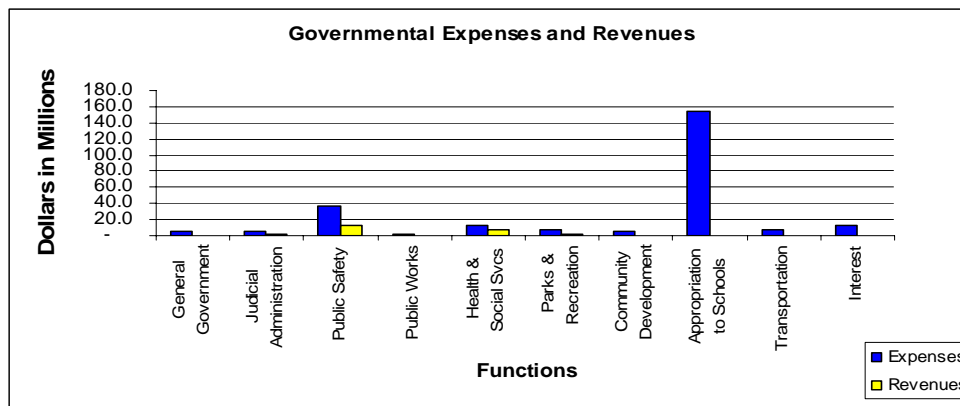
(in millions)	Governmental		Business-type		Total		Component Unit	
	Activities		Activities		Primary Government		School Board	
	2006	2005	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 148.2	\$ 100.3	\$ 89.9	\$ 79.2	\$ 238.1	\$ 179.1	\$ 86.5	\$ 52.4
Capital assets	<u>76.8</u>	<u>70.0</u>	<u>183.5</u>	<u>174.4</u>	<u>260.3</u>	<u>244.4</u>	<u>328.1</u>	<u>318.6</u>
Total assets	<u>225.0</u>	<u>170.3</u>	<u>273.4</u>	<u>253.6</u>	<u>498.4</u>	<u>423.9</u>	<u>414.6</u>	<u>371.0</u>
Current liabilities	82.6	77.9	12.3	12.3	94.9	90.2	37.3	43.4
Noncurrent liabilities	<u>328.7</u>	<u>237.1</u>	<u>19.2</u>	<u>22.3</u>	<u>347.9</u>	<u>259.4</u>	<u>3.7</u>	<u>3.9</u>
Total liabilities	<u>411.3</u>	<u>315.0</u>	<u>31.5</u>	<u>34.6</u>	<u>442.8</u>	<u>349.6</u>	<u>41.0</u>	<u>47.3</u>
Net Assets:								
Invested in capital assets, net of related debt	6.8	33.4	150.1	138.0	156.9	171.4	328.1	282.3
Restricted	1.3	1.5	11.4	11.1	12.7	12.6	.1	0.1
Unrestricted	<u>(194.4)</u>	<u>(179.6)</u>	<u>80.4</u>	<u>69.9</u>	<u>(114.0)</u>	<u>(109.7)</u>	<u>45.4</u>	<u>41.3</u>
Total net assets	<u>\$ (186.3)</u>	<u>\$ (144.7)</u>	<u>\$ 241.9</u>	<u>\$ 219.0</u>	<u>\$ 55.6</u>	<u>\$ 74.3</u>	<u>\$ 373.6</u>	<u>\$ 323.7</u>

#### Statement of Activities Governmental Activities

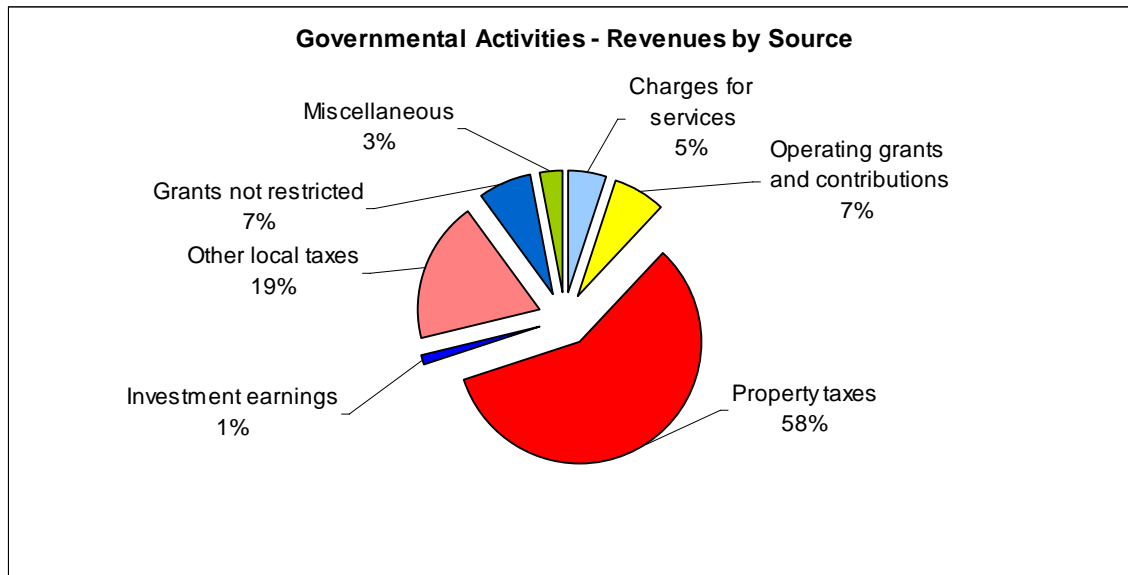
The decrease in net assets attributable to the County's governmental activities totaled \$41.6 million for fiscal year 2006. Generally, net asset changes are the result of the difference between revenues and expenses. For fiscal year 2006 revenues of \$207 million represent an increase of \$15.4 million over the prior year, while expenses of \$248.6 million increased \$59.8 million for the same period. A summary of key elements follows:

- The net change in program revenues was a decrease of \$0.8 million. Charges for services increased by \$1.5 million over the prior year. Public safety building permits and fines generated by law enforcement activities accounted for this increase.
- Operating grants and contributions (State and Federal grants for specific programs) remained stable at \$14.4 million. There were no capital grants and contributions supporting governmental activities during fiscal year 2006, which accounts for the \$2.3 million decrease in that category.
- General property taxes were \$119.3 million, an increase of \$6.9 million. The increase was primarily due to growth in the tax base from residential construction and reassessment of existing real property.
- Other local taxes increased by \$5 million. The greatest single increase for this source of revenue occurred in the collection of recordation taxes, an increase of \$2.2 million. Other significant increases occurred in sales taxes and meals taxes (\$0.9 million and \$0.5 million, respectively) reflecting new retail establishments in the County and fuel taxes (\$0.7 million) reflecting the national trend of higher fuel prices.
- Grants and contributions not restricted to specific programs increased by \$1.2 million over the prior year. This reflects the increase in the payments received from the State as reimbursement under its personal property tax relief program.
- Expenses increased for several functions included in governmental activities. The local appropriation to the School Board accounts for the largest increases – reported increases were \$16.6 million for schools operations and \$34.8 million for school capital projects. The school system opened two new schools in fiscal year 2006 which accounts for the increase in operating expenses. School capital projects expenses are attributed to construction of the two additional schools plus several renovation projects.
- Other significant increases in expenses occurred in the public safety function (\$5.3 million) for the purchase of land for a new public safety building and replacement capital assets; the parks, recreation and cultural function (\$1.5 million) for completion of renovations to the administrative center; transportation function (\$5.4 million) for the completion of a new interstate highway exchange and access road; and interest on long-term debt function (\$.6 million) for debt issuances that occurred during fiscal year 2005.

The following graph illustrates the County's fiscal year 2006 expenses and program revenues by functional area comprising its governmental activities.



The following graph illustrates the County's fiscal year 2006 governmental revenues by source.



### Business-type Activities

The increase in net assets attributable to the County's business-type activities totaled \$22.9 million for fiscal year 2006. Similar to the changes in net assets attributable to government activities, changes in business-type activity net assets also result from the difference between revenues and expenses. However, unlike governmental activities, which primarily rely on general tax revenues to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided. The County's business-type activities consist of a Water and Sewer Fund. Like all business-type activities, the Water and Sewer Fund attempts to recover as much of the operating expenses it incurs to meet service demands through user charges. Nevertheless, operating revenues were less than operating expenses for fiscal year 2006, resulting in a net loss of \$3.7 million, primarily due to user fees failing to keep pace with operating costs. The net asset increase was primarily due to nonoperating availability fees of \$11.8 million and donated capital assets of \$12.4 million. The following is a summary of relevant financial results for fiscal year 2006:

- The Water and Sewer Fund implemented a rate increase of 9% in fiscal 2006 as identified by a recently completed rate study. The methodology of the rate study aligns the cost for provision of water and sewer services to the appropriate user fee (charges for services) and calculates the value of a connection to the system (availability fees) based on the cost of current and future infrastructure.
- Charges for services totaled \$18.9 million, which were \$ 2.6 million more than the prior fiscal year. This increase was primarily due to the user rate increase mentioned above, but also includes additional service to new customers.
- Availability fees totaled \$11.8 million which is a \$4.4 million decrease from the prior year. Availability fees are usually paid by the developer of a subdivision and then passed on to the new homeowner. The decrease is indicative of the recent downturn in residential construction.

- Donated capital assets totaled \$12.4 million, a \$6.3 million increase over the prior year, and resulted from the construction of water and sewer lines by developers as part of residential and commercial development.
- Expenses totaled \$23.5 million which were \$ 2.1 million higher than the prior year. The increase can be attributed to increases in personnel and benefits costs and materials and supplies. Depreciation expense also increased \$0.5 million over the previous year.

The following table compares current and prior year revenues and expenses of the County's governmental and business-type activities and the Component Unit – School Board.

#### Summary of Activities

(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit School Board	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenues:								
Program revenues:								
Charges for services	\$ 11.4	\$ 9.8	\$ 18.9	\$ 16.3	\$ 30.3	\$ 26.1	\$ 10.1	\$ 9.2
Operating grants and contributions	14.4	14.5	-	-	14.4	14.5	125.2	117.8
Capital grants and contributions	-	2.3	24.3	22.3	24.3	24.6	-	-
General Revenues:								
General property taxes	119.3	112.4	-	-	119.3	112.4	-	-
Other local taxes	40.4	35.4	-	-	40.4	35.4	-	-
Grants not restricted	14.1	12.9	-	-	14.1	12.9	153.7	102.3
Investment earnings	1.8	1.2	3.0	1.8	4.8	3.0	1.1	0.9
Miscellaneous	5.3	3.1	.2	0.2	5.5	3.3	.5	5.8
Extraordinary item	.3	-	-	-	.3	-	-	-
Total revenues	<u>207.0</u>	<u>191.6</u>	<u>46.4</u>	<u>40.6</u>	<u>253.4</u>	<u>232.2</u>	<u>290.6</u>	<u>236.0</u>
Expenses:								
General government	5.9	11.5	-	-	5.9	11.5	-	-
Judicial administration	5.5	4.6	-	-	5.5	4.6	-	-
Public safety	36.4	31.1	-	-	36.4	31.1	-	-
Public works	2.1	3.6	-	-	1.9	3.6	-	-
Health and social services	12.5	12.2	-	-	12.5	12.2	-	-
Parks, recreation and cultural	7.9	6.3	-	-	8.0	6.3	-	-
Community development	5.4	3.8	-	-	5.4	3.8	-	-
Appropriation to schools	153.7	102.3	-	-	153.7	102.3	238.9	210.5
Transportation	7.3	2.0	-	-	7.3	2.0	-	-
Interest	11.9	11.4	-	-	12.0	11.4	-	-
Water and sewer	-	-	23.5	21.4	23.5	21.4	-	-
Total expenses	<u>248.6</u>	<u>188.8</u>	<u>23.5</u>	<u>21.4</u>	<u>272.1</u>	<u>210.2</u>	<u>238.9</u>	<u>210.5</u>
Change in net assets before transfers	(41.6)	2.8	22.9	19.2	( 18.7)	22.0	51.7	25.5
Transfers	-	(0.1)	-	0.1	-	-	-	-
Change in net assets	<u>( 41.6)</u>	<u>2.7</u>	<u>22.9</u>	<u>19.3</u>	<u>( 18.7)</u>	<u>22.0</u>	<u>51.7</u>	<u>25.5</u>
Net assets, (deficit) beginning, restated	<u>( 144.7)</u>	<u>(147.4)</u>	<u>219.0</u>	<u>199.7</u>	<u>74.3</u>	<u>52.3</u>	<u>321.9</u>	<u>296.4</u>
Net assets, (deficit) ending	<u>\$ (186.3)</u>	<u>\$ (144.7)</u>	<u>\$ 241.9</u>	<u>\$ 219.0</u>	<u>\$ 55.6</u>	<u>\$ 74.3</u>	<u>\$ 373.6</u>	<u>\$ 321.9</u>

## Financial Analysis of the County's Funds

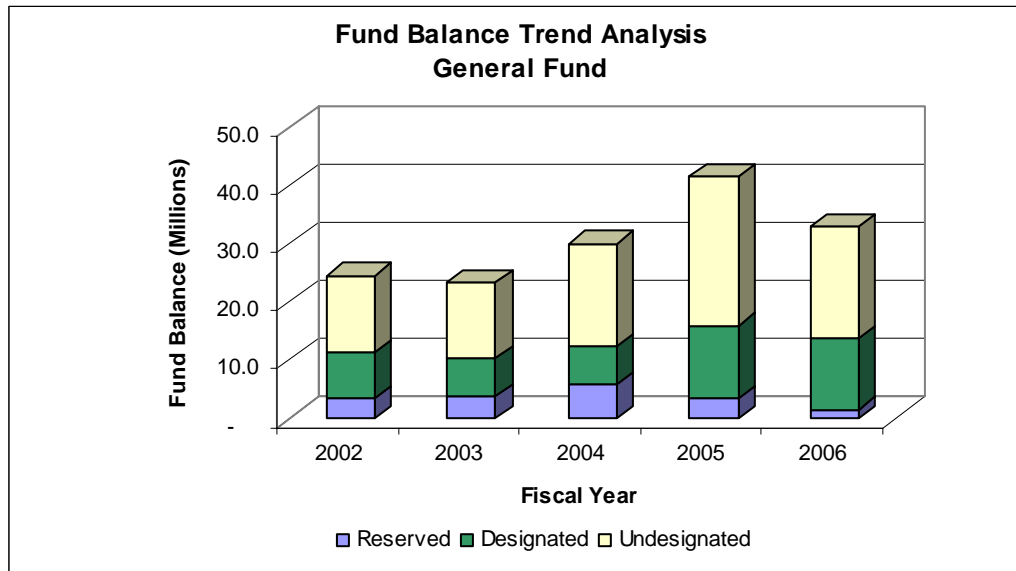
As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds:** The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, the unreserved, undesignated fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$85.4 million, an increase of \$35.4 million in comparison with the prior year. Of the \$85.4 million, \$20.9 million constitutes unreserved, undesignated fund balance, which is available for spending at the County's discretion. The County reserves portions of its fund balances for specific purposes, such as debt service covenants. Reserved amounts are not available for new spending. Designated portions of its fund balances are established to indicate tentative plans for use of financial resources. Designations include plans for future capital improvements and the intent to liquidate contracts and purchase orders (encumbrances) of the prior fiscal year.

The General Fund is the primary operating fund of the County. The fund balance of the County's General Fund decreased \$8.9 million during fiscal year 2006. This was due primarily to the acquisition of property for future expansion of County facilities (\$3.6 million) and upgrading the County's communication system (\$1.5 million). Overall, the County's General Fund undesignated fund balance is reported at 9.5% of revenues. This is just below the minimum 10% stated in the County's fund balance policy. Monthly and quarterly monitoring and analysis have been implemented to restore the balance to stated policy levels.

The following graph illustrates fund balance trends for the General Fund for fiscal years 2002 through 2006.



**Proprietary fund:** The County's proprietary fund financial statements provide the same type of information presented in the business-type activities on the government-wide financial statements, but in more detail. The Water and Sewer Fund total net assets increased \$22.9 million during fiscal year 2006. The majority of this increase is attributed to the fund's investment in capital assets, net of depreciation and related debt, which resulted primarily from increased construction in progress (\$11 million) and net additions to distribution and collection systems (\$14 million). Restricted net assets remained stable at \$11 million and unrestricted net assets decreased by \$.5 million. A summary of the Water and Sewer Fund operations for the year was previously provided in the discussion of business-type activities.

**Component Unit – School Board:** The change in net assets for the component unit School Board was \$51.7 million. This was due in large part to the increase in the annual appropriation transferred from the County General Fund. The transfer included bond proceeds to offset facility construction expenditures. A portion of the increase in program expenditures was funded by the \$7.4 million increase in State and Federal grants.

## General Fund Budgetary Highlights

Budget amendments resulted in an increase of \$22.3 million between the original budget and the final budget, with \$4.5 million of the increase resulting from reappropriation of prior fiscal year-end encumbered and unencumbered fund balance amounts for completion of ongoing projects in the current fiscal year. Significant reappropriations included:

- \$930,000 for emergency vehicle replacement
- \$600,000 for facilities site improvements
- \$505,000 for community development technology upgrades and consulting services
- \$284,000 for code administration technology upgrades
- \$263,000 for legal services
- \$177,000 for phone system replacement
- \$145,000 for sheriff's department equipment and computers

Other significant budget amendments from fund balance included:

- \$7.9 million for unexpended prior year schools operating funds appropriated for one-time capital acquisitions
- \$3.6 million for purchase of land for future County facilities
- \$2.9 million for a radio communications system upgrade

\$4.9 million in budget amendments were funded by various revenue sources. Significant sources included:

- \$1,400,000 in contributions from developers in the form of proffers
- \$552,000 in Homeland Security grants
- \$410,000 in additional funds for social services programs

General Fund revenues, excluding transfers, increased \$18.6 million over the prior year amount. All categories reported increases. General property taxes increased \$10.3 million due to the biennial reassessment of real property and continuing residential growth. Other local taxes increased by \$2.8 million due to growth in sales and meals tax receipts which is attributed to new businesses locating in the County. New state and federal grant funds accounted for the \$2.6 million increase in intergovernmental revenues.

General Fund expenditures, excluding transfers, increased \$8.8 million over the prior year amount. Of this amount, capital outlay increased \$3.5 million for a one-time purchase of property for future County facilities. Expenditures for the public safety function increased \$2.9 million due to an increase in personnel for law enforcement and emergency services. Expenditures for contracted legal services and equipment replacement in several general government departments accounted for the \$1.3 million increase in this category.

The following tables compare General Fund revenues and expenditures for fiscal year 2006 with the previous fiscal year.

General Fund Revenues	(in millions)		
	<u>FY 2006</u>	<u>FY 2005</u>	<u>Increase (Decrease)</u>
General property taxes	\$ 121.6	\$ 111.3	\$ 10.3
Other local taxes	31.6	28.8	2.8
Licenses and permits	7.2	5.9	1.3
Use of money and property	1.4	.9	.5
Charges for services	4.3	4.1	.2
Other	4.9	4.0	.9
Intergovernmental	<u>28.1</u>	<u>25.5</u>	<u>2.6</u>
Total revenues	<u>\$ 199.1</u>	<u>\$ 180.5</u>	<u>\$ 18.6</u>

General Fund Expenditures	(in millions)		
	<u>FY 2006</u>	<u>FY 2005</u>	<u>Increase (Decrease)</u>
General government	\$ 11.7	\$ 10.4	\$ 1.3
Judicial administration	5.4	4.5	.9
Public safety	31.1	28.2	2.9
Public works	3.2	2.7	.5
Health and social services	12.5	12.1	.4
Parks, recreation and cultural	8.5	7.8	.7
Community development	3.3	3.1	.2
Education	96.0	98.5	( 2.5)
Capital outlay	6.9	3.4	3.5
Debt service	<u>28.4</u>	<u>27.5</u>	<u>.9</u>
Total expenditures	<u>\$ 207.0</u>	<u>\$ 198.2</u>	<u>\$ 8.8</u>

### Component Unit – School Board Budgetary Highlights

The Component Unit – School Board adopts budgets for its general operating and school nutrition funds. Budget amendments for the Schools Operating Fund resulted in an increase of \$10.4 million between the original budget and the final budget. \$7.4 million of this amount was for prior fiscal year-end encumbered amounts for completion of ongoing projects. There were budget amendments for \$1.5 million related to increases in various state and federal funded programs. Budget amendments for the School Nutrition Fund were immaterial.

The School Capital Projects Fund is project based, with projects (school construction and renovation) spanning multiple years. The budget for the current year is typically recorded as an amended budget once the prior year ending balances are determined.

Revenues for the School Operating Fund increased \$28.2 million over the prior year. \$20.9 million of the increase is attributable to the increase in the appropriation from the Primary Government. There was a \$7.0 million increase in state and federal funds for school programs. Operating expenditures increased \$28.0 million. Of that amount, \$25.7 million was for increases in instruction, administration, facilities and maintenance, and transportation expenditures. There was also a \$2.3 million increase in capital outlay expenditures for new and replacement operating equipment and computers.



Revenues and expenditures for the School Nutrition Fund increased approximately \$1 million over the prior year. The increases are attributable to increased meal prices and 450 additional students.

The Schools Capital Projects Fund recorded a revenue increase of \$30.5 million over the prior year. This accounts for bond proceeds appropriated from the Primary Government to finance school construction and renovation projects. Expenditures for this fund increased by \$9.1 million.

The following tables compare Component Unit – School Board revenues and expenditures for fiscal year 2006 with the previous fiscal year.

Component Unit – School Board Revenues  
by fund

	(in millions) FY 2006	FY 2005	Increase (Decrease)
School Operating Fund:			
Charges for services	\$ .9	\$ .9	\$ -
Miscellaneous	.5	.2	.3
Appropriation from Primary Government	93.8	72.9	20.9
Intergovernmental	<u>122.3</u>	<u>115.3</u>	<u>7.0</u>
Total revenues School Operating Fund	<u>\$ 217.5</u>	<u>\$ 189.3</u>	<u>\$ 28.2</u>
School Nutrition Fund:			
Charges for services	\$ 6.3	\$ 5.7	\$ .6
Intergovernmental	<u>2.9</u>	<u>2.5</u>	<u>.4</u>
Total revenues School Nutrition Fund	<u>\$ 9.2</u>	<u>\$ 8.2</u>	<u>\$ 1.0</u>
School Capital Projects Fund:			
Use of money and property	\$ .9	\$ .8	\$ .1
Appropriation from Primary Government	<u>59.8</u>	<u>29.4</u>	<u>30.4</u>
Total revenues School Capital Projects Fund	<u>\$ 60.7</u>	<u>\$ 30.6</u>	<u>\$ 30.5</u>

Component Unit – School Board Expenditures  
by fund

	(in millions) FY 2006	FY 2005	Increase (Decrease)
School Operating Fund:			
Education	\$ 195.2	\$ 169.5	\$ 25.7
Capital outlay	8.9	6.6	2.3
Debt service	<u>.2</u>	<u>.2</u>	<u>-</u>
Total expenditures School Operating Fund	<u>\$ 204.3</u>	<u>\$ 176.3</u>	<u>\$ 28.0</u>
School Nutrition Fund:			
Education	\$ 8.5	\$ 7.5	\$ 1.0
Capital outlay	<u>.1</u>	<u>.1</u>	<u>-</u>
Total expenditures School Nutrition Fund	<u>\$ 8.6</u>	<u>\$ 7.6</u>	<u>\$ 1.0</u>
School Capital Projects Fund:			
Capital outlay	<u>\$ 53.9</u>	<u>\$ 44.8</u>	<u>\$ 9.1</u>

## Capital Asset and Debt Administration

**Capital assets:** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2006, totals \$260.3 million, net of accumulated depreciation. This represents an increase of \$41.5 million over the prior year. The investment in capital assets includes land, buildings, distribution and collection systems, equipment, vehicles, construction in

progress and equity in joint venture – R-Board. Major capital asset events during the current fiscal year included the following:

- Governmental activities acquisition of land and buildings for future County facilities and parks.
- Governmental activities construction in progress for a radio communications system upgrade and parks construction.
- Business-type activities acquisition of land for future construction of a reservoir.
- Business-type activities construction in progress for distribution and collection systems.
- Business-type activities acceptance of developer constructed distribution and collection systems.

The following table summarizes the changes in the County's governmental and business-type capital assets for fiscal year 2006. Additional information on the County's capital assets can be found in Note 4.

Primary Government Capital Assets (in millions)	Balance June 30, 2005	Net Additions/ Deletions	Balance June 30, 2006
<b>Governmental Activities:</b>			
Capital assets not being depreciated:			
Land	\$ 9.3	\$ 9.3	\$ 18.6
Construction in progress	7.7	7.9	15.6
Investment in R-Board	6.7	( .6)	6.1
Capital assets being depreciated:			
Land improvements	10.9	.4	11.3
Buildings and building improvements	24.5	5.5	30.0
Furniture, fixtures and equipment	8.6	.8	9.4
Vehicles	9.1	.5	9.6
Accumulated depreciation	( 21.1)	( 2.7)	( 23.8)
Total governmental capital assets	<u>\$ 55.7</u>	<u>\$ 21.1</u>	<u>\$ 76.8</u>
<b>Business-type Activities:</b>			
Capital assets not being depreciated:			
Land	\$ 8.3	\$ .4	\$ 8.7
Construction in progress	19.9	11.0	30.9
Capital assets being depreciated:			
Land improvements	.4	-	.4
Buildings and building improvements	3.7	-	3.7
Distribution and collection systems	193.0	14.0	207.0
Furniture, fixtures and equipment	8.4	2.1	10.5
Vehicles	2.3	.2	2.5
Accumulated depreciation	( 72.9)	( 7.3)	( 80.2)
Total business-type capital assets	<u>\$ 163.1</u>	<u>\$ 20.4</u>	<u>\$ 183.5</u>

The Component Unit – School Board's investment in capital assets for its governmental and business-type activities as of June 30, 2006, totals \$327.7 million, net of accumulated depreciation. This represents an increase of \$45.8 million over the prior year. The investment in capital assets includes land, buildings, distribution and collection systems, equipment, vehicles, and construction in progress. State law grants the County a "tenancy in common" with the Component Unit - School Board for school capital assets wherein the County incurs an obligation payable and the School Board owns and maintains the assets. Major capital asset events during the current fiscal year for School Board governmental activities included the following:

- Acquisition of land for future school sites

- Construction in progress for construction of middle school 2008, elementary school 2009, high school 2010; additions to two middle schools; and renovations to two elementary schools.
- Acquisition of replacement school buses.

Additional information on the School's capital assets can be found in Note 4. The following table summarizes the changes in the Component Unit – School Board's governmental and business-type capital assets for fiscal year 2006.

Component Unit – School Board Capital Assets (in millions)	Balance <u>June 30, 2005</u>	Net Additions/ <u>Deletions</u>	Balance <u>June 30, 2006</u>
<b>Governmental Activities:</b>			
Capital assets not being depreciated:			
Land	\$ 12.4	\$ .9	\$ 13.3
Construction in progress	61.4	(5.5)	55.9
Capital assets being depreciated:			
Land improvements	8.3	8.0	16.3
Buildings and building improvements	255.1	48.0	303.1
Furniture, fixtures and equipment	5.0	.5	5.5
Vehicles	14.8	1.4	16.2
Distribution and collection systems	.4	-	.4
Accumulated depreciation	<u>( 75.5)</u>	<u>( 7.5)</u>	<u>( 83.0)</u>
Total governmental capital assets	<u>\$ 281.9</u>	<u>\$ 45.8</u>	<u>\$ 327.7</u>
<b>Business-type Activities:</b>			
Capital assets not being depreciated:			
Land	\$ .04	\$ -	\$ .04
Capital assets being depreciated:			
Land improvements	.02	-	.02
Buildings and building improvements	.90	-	.90
Furniture, fixtures and equipment	.06	.005	.06
Accumulated depreciation	<u>( .56)</u>	<u>( .03)</u>	<u>( .59)</u>
Total business-type capital assets	<u>\$ .46</u>	<u>\$ ( .03)</u>	<u>\$ .43</u>

**Long-term debt:** At the end of the current fiscal year, County governmental activities reported total bonded debt outstanding of \$320.5 million. Of this amount, \$266.4 million is debt backed by the full faith and credit of the County. The remainder of the County's debt is secured by specific revenue sources (i.e. revenue bonds, certificates of participation and obligations under capital leases). County governmental activities had a net increase in total debt of \$95.8 million during the fiscal year. This resulted from issuing \$47.0 million in lease revenue bonds for construction of a public safety building and two fire and rescue stations, \$50.8 million in general obligation bonds for School construction and renovation projects, \$8.4 million in capital leases for School vehicles and technology enhancements (the School Board has no taxing authority and therefore cannot incur general obligation debt), less principal payments.

The County's bond rating remains stable at:

- AA- Fitch Ratings
- Aa3 Moody's
- AA- Standard and Poors

The County is in compliance with all debt policy requirements as illustrated in Table S-12 in the Statistical Section of this report.

The County's business-type activities reported total bonded debt of \$21.9 million at the end of the current fiscal year. These bonds are secured by water and sewer revenues. The net decrease of \$3.0 million resulted from principal payments.

Additional information on the County's long-term debt can be found in Note 5 of this report. The following table compares summarized bonded debt for the primary government for the current year with the prior year.

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
Bonds Payable (in millions)	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2005</u>
General obligation bonds, net	\$ 273.5	\$ 233.3	\$ -	\$ -	\$ 273.5	\$ 233.3
Lease revenue bonds	47.0	-	-	-	47.0	-
Revenue bonds	-	-	21.9	24.9	21.9	24.9
Total bonds payable	<u>\$ 320.5</u>	<u>\$ 233.3</u>	<u>\$ 21.9</u>	<u>\$ 24.9</u>	<u>\$ 342.4</u>	<u>\$ 258.2</u>

## Factors Influencing Future Budgets

Key factors that are expected to impact future budgets include:

- Projected increases in health insurance premiums.
- Funding for capital improvements.
- Implementation of the requirements of GASB Statement No. 45 – Postemployment Benefits Other than Pensions (OPEB).

## Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Acting Director of Finance, County of Stafford, P.O. Box 339, Stafford, VA 22555-0339.

# **BASIC FINANCIAL STATEMENTS**



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

**STATEMENT OF NET ASSETS**  
**June 30, 2006**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	School Board	Widewater CDA
<b>ASSETS</b>					
Current assets:					
Cash, cash equivalents and temporary cash investments	\$ 66,315,411	\$ 73,447,131	\$ 139,762,542	\$ 17,497,014	\$ -
Receivables, net of allowance for uncollectibles	21,782,303	3,558,429	25,340,732	6,681,013	5,608
Accrued interest	186,076	337,869	523,945	-	-
Due from primary government	-	-	-	26,606,024	-
Internal balances	(559,123)	559,123	-	-	-
Inventory	-	458,303	458,303	509,252	-
Prepays	490,550	-	490,550	-	-
Total current assets	<u>88,215,217</u>	<u>78,360,855</u>	<u>166,576,072</u>	<u>51,293,303</u>	<u>5,608</u>
Noncurrent assets:					
Restricted cash and cash equivalents	58,910,215	11,396,183	70,306,398	35,204,267	1,488,990
Financing costs, net of accumulated amortization	1,100,115	194,117	1,294,232	-	-
Capital assets:					
Land	18,618,988	8,683,105	27,302,093	13,323,164	-
Construction in progress	15,578,170	30,944,410	46,522,580	55,932,103	-
Other non-depreciable assets	6,194,632	-	6,194,632	-	-
Land improvements	11,290,804	399,000	11,689,804	16,292,543	-
Buildings and building improvements	29,972,049	3,708,384	33,680,433	303,986,711	-
Distribution and collection systems	-	206,981,261	206,981,261	396,936	-
Furniture, fixtures and equipment	9,416,598	10,510,673	19,927,271	5,573,561	-
Vehicles	9,585,172	2,498,411	12,083,583	16,244,307	-
Less accumulated depreciation	<u>(23,831,845)</u>	<u>(80,205,738)</u>	<u>(104,037,583)</u>	<u>(83,598,397)</u>	<u>-</u>
Total noncurrent assets	<u>136,834,898</u>	<u>195,109,806</u>	<u>331,944,704</u>	<u>363,355,195</u>	<u>1,488,990</u>
Total assets	<u>\$ 225,050,115</u>	<u>\$273,470,661</u>	<u>\$ 498,520,776</u>	<u>\$ 414,648,498</u>	<u>\$ 1,494,598</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 11,129,116	\$ 1,703,955	\$ 12,833,071	\$ 4,193,694	\$ -
Retainage payable	149,411	376,744	526,155	3,746,304	-
Accrued salaries and benefits	1,730,859	236,176	1,967,035	25,193,506	-
Accrued insurance claims	661,564	-	661,564	3,241,000	-
Accrued interest	5,621,596	208,365	5,829,961	-	-
Arbitrage liability	62,913	-	62,913	-	-
Other accrued liabilities	442,343	187,513	629,856	221,220	-
Unearned revenue	1,978,163	51,946	2,030,109	-	3,371
Due to component unit	26,606,024	-	26,606,024	-	-
Deposits	12,455,105	5,981,376	18,436,481	-	1,068,856
Current portion of long-term debt	<u>21,800,540</u>	<u>3,560,257</u>	<u>25,360,797</u>	<u>579,357</u>	<u>-</u>
Total current liabilities	<u>82,637,634</u>	<u>12,306,332</u>	<u>94,943,966</u>	<u>37,175,081</u>	<u>1,072,227</u>
Noncurrent liabilities:					
Noncurrent portion of long-term debt	<u>328,704,182</u>	<u>19,243,932</u>	<u>347,948,114</u>	<u>3,783,403</u>	<u>-</u>
Total liabilities	<u>411,341,816</u>	<u>31,550,264</u>	<u>442,892,080</u>	<u>40,958,484</u>	<u>1,072,227</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	6,822,858	150,066,102	156,888,960	328,150,928	-
Restricted:					
Debt service	1,061,179	4,870,182	5,931,361	-	422,371
Drug enforcement	257,039	-	257,039	-	-
Construction and maintenance	-	6,526,001	6,526,001	800	-
Grants	-	-	-	20,588	-
Unrestricted	<u>(194,432,777)</u>	<u>80,458,112</u>	<u>(113,974,665)</u>	<u>45,517,698</u>	<u>-</u>
Total net assets (deficit)	<u>(186,291,701)</u>	<u>241,920,397</u>	<u>55,628,696</u>	<u>373,690,014</u>	<u>422,371</u>
Total liabilities and net assets	<u>\$ 225,050,115</u>	<u>\$273,470,661</u>	<u>\$ 498,520,776</u>	<u>\$ 414,648,498</u>	<u>\$ 1,494,598</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 5,934,279	\$ 214,435	\$ 549,804	\$ -
Judicial administration	5,484,964	1,218,732	1,471,532	-
Public safety	36,405,012	7,469,813	5,053,688	-
Public works	2,050,631	-	-	-
Health and social services	12,534,771	72,325	7,324,716	-
Parks, recreation and cultural	7,898,191	1,465,902	9,000	-
Community development	5,417,064	915,784	5,000	-
Appropriation to School Board:				
School operating	89,547,690	-	-	-
School capital projects	64,172,028	-	-	-
Transportation	7,333,030	-	-	-
Interest	11,864,125	-	-	-
Total governmental activities	<u>248,641,785</u>	<u>11,356,991</u>	<u>14,413,740</u>	<u>-</u>
Business-type activities:				
Water and Sewer	<u>23,528,349</u>	<u>18,908,872</u>	<u>15,000</u>	<u>24,254,354</u>
Total primary government	<u>\$272,170,134</u>	<u>\$ 30,265,863</u>	<u>\$ 14,428,740</u>	<u>\$ 24,254,354</u>
<b>Component units:</b>				
Stafford County School Board	<u>\$239,085,262</u>	<u>\$ 10,253,513</u>	<u>\$ 125,172,680</u>	<u>\$ -</u>
Total component units	<u>\$239,085,262</u>	<u>\$ 10,253,513</u>	<u>\$ 125,172,680</u>	<u>\$ -</u>

## General revenues:

## Taxes:

General property taxes

Other local taxes:

Sales

Fuels

Consumer utility

Motor vehicle decals

Bank stock

Recordation

Occupancy

Meals

Short-term rental

Cable franchise

Road impact fees

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Extraordinary item

Total general revenues

Change in net assets

Net assets (deficit), beginning, as restated

Net assets (deficit), ending

*The accompanying notes are an integral part of these financial statements.*



Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Totals	School Board	Widewater CDA
\$ (5,170,040)	\$ -	\$ (5,170,040)	\$ -	\$ -
(2,794,700)	-	(2,794,700)	-	-
(23,881,511)	-	(23,881,511)	-	-
(2,050,631)	-	(2,050,631)	-	-
(5,137,730)	-	(5,137,730)	-	-
(6,423,289)	-	(6,423,289)	-	-
(4,496,280)	-	(4,496,280)	-	-
(89,547,690)	-	(89,547,690)	-	-
(64,172,028)	-	(64,172,028)	-	-
(7,333,030)	-	(7,333,030)	-	-
(11,864,125)	-	(11,864,125)	-	-
<u>(222,871,054)</u>	<u>-</u>	<u>(222,871,054)</u>	<u>-</u>	<u>-</u>
-	19,649,877	19,649,877	-	-
<u>(222,871,054)</u>	<u>19,649,877</u>	<u>(203,221,177)</u>	<u>-</u>	<u>-</u>
-	-	-	(103,659,069)	-
-	-	-	<u>(103,659,069)</u>	<u>-</u>
119,255,939	-	119,255,939	-	80,865
10,242,024	-	10,242,024	-	-
3,819,856	-	3,819,856	-	-
9,020,869	-	9,020,869	-	-
2,268,866	-	2,268,866	-	-
260,620	-	260,620	-	-
7,150,902	-	7,150,902	-	-
1,037,087	-	1,037,087	-	-
4,804,578	-	4,804,578	-	-
49,262	-	49,262	-	-
1,032,210	-	1,032,210	-	-
666,196	-	666,196	-	-
14,141,680	-	14,141,680	153,719,718	-
1,849,825	3,061,335	4,911,160	1,123,206	-
5,340,574	200,344	5,540,918	516,691	-
336,580	-	336,580	-	-
<u>181,277,068</u>	<u>3,261,679</u>	<u>184,538,747</u>	<u>155,359,615</u>	<u>80,865</u>
(41,593,986)	22,911,556	(18,682,430)	51,700,546	80,865
<u>(144,697,715)</u>	<u>219,008,841</u>	<u>74,311,126</u>	<u>321,989,468</u>	<u>341,506</u>
<u>\$(186,291,701)</u>	<u>\$241,920,397</u>	<u>\$ 55,628,696</u>	<u>\$ 373,690,014</u>	<u>\$ 422,371</u>

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Equity in pooled cash and investments	\$ 62,707,696	\$ -	\$ -	\$ 3,607,715	\$ 66,315,411
Restricted assets:					
Cash	2,056,842	-	-	-	2,056,842
Cash with fiscal agents	5,000	2,919,498	49,550,482	4,378,393	56,853,373
Receivables, net of allowance for uncollectibles:					
Property taxes	14,428,902	-	-	-	14,428,902
Accounts	2,516,478	-	-	222,376	2,738,854
Intergovernmental	3,673,460	927,895	-	13,192	4,614,547
Accrued interest	181,839	-	4,237	-	186,076
Due from other funds	440,663	-	-	-	440,663
Prepaid expenditures	307,019	-	-	183,531	490,550
Total assets	<u>\$ 86,317,899</u>	<u>\$ 3,847,393</u>	<u>\$ 49,554,719</u>	<u>\$ 8,405,207</u>	<u>\$ 148,125,218</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 2,527,832	\$ 2,934,722	\$ 5,350,121	\$ 316,441	\$ 11,129,116
Retainage payable	48,361	-	17,369	83,681	149,411
Deposits	12,455,105	-	-	-	12,455,105
Accrued salaries and benefits	1,667,877	3,037	-	59,945	1,730,859
Other accrued liabilities	432,343	10,000	-	-	442,343
Due to other funds	559,123	35,311	-	405,352	999,786
Due to component unit	26,606,024	-	-	-	26,606,024
Unearned revenue	9,170,808	-	-	-	9,170,808
Total liabilities	<u>53,467,473</u>	<u>2,983,070</u>	<u>5,367,490</u>	<u>865,419</u>	<u>62,683,452</u>
Fund Balances:					
Reserved for:					
Debt service	1,061,179	-	-	-	1,061,179
Drug enforcement	-	-	-	257,039	257,039
Prepaid items	307,019	-	-	-	307,019
Unreserved:					
Designated:					
Encumbrances	3,697,465	221,828	38,806,111	770,132	43,495,536
Capital improvements:					
General Fund	1,469,440	-	-	-	1,469,440
Special Revenue Funds					
Transportation	-	529,208	-	-	529,208
Community Development	-	-	-	2,264,252	2,264,252
Capital Projects Funds	-	-	5,381,118	2,659,218	8,040,336
Future expenditures:					
General Fund	7,126,074	-	-	-	7,126,074
Undesignated	19,189,249	-	-	-	19,189,249
Undesignated, Special Revenue Funds	-	113,287	-	979,970	1,093,257
Undesignated, Capital Projects Fund	-	-	-	609,177	609,177
Total fund balances	<u>32,850,426</u>	<u>864,323</u>	<u>44,187,229</u>	<u>7,539,788</u>	<u>85,441,766</u>
Total liabilities and fund balances	<u>\$ 86,317,899</u>	<u>\$ 3,847,393</u>	<u>\$ 49,554,719</u>	<u>\$ 8,405,207</u>	<u>\$ 148,125,218</u>

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006**

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**Total fund balances- total governmental funds** **\$ 85,441,766**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Governmental capital assets	\$ 94,461,781	
Other non-depreciable assets	6,194,632	
Less accumulated depreciation	<u>(23,831,845)</u>	
Net capital assets		76,824,568

Deferred revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.

7,192,645

Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Financing costs	1,151,265	
Less accumulated amortization	<u>(51,150)</u>	
		1,100,115

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.

Commercial paper	(2,715,000)	
Revenue bonds	(47,030,000)	
General obligation bonds	(266,483,041)	
Literary loans	(7,678,378)	
Certificates of participation	(4,310,000)	
Capital leases	(11,062,986)	
Compensated absences	(4,247,180)	
Deferred amounts for bond premiums	(7,050,414)	
Deferred loss on refunding	72,277	
Arbitrage liability	(62,913)	
Accrued insurance claims	(661,564)	
Interest payable	<u>(5,621,596)</u>	
		<u>(356,850,795)</u>

**Net Assets (Deficit) of Governmental Activities** **\$ (186,291,701)**

*The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2006**

	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
General property taxes	\$ 121,622,651	\$ -	\$ -	\$ -	\$ 121,622,651
Other local taxes	31,587,693	3,819,856	-	2,904,727	38,312,276
Permits, privilege fees and regulatory licenses	7,174,717	-	-	-	7,174,717
Fines and forfeitures	867,114	-	-	-	867,114
Use of money and property	1,387,139	167,863	43,435	251,388	1,849,825
Charges for services	4,349,136	-	-	-	4,349,136
Miscellaneous	3,987,512	313,289	1,374,327	260	5,675,388
Intergovernmental	28,116,153	1,007,984	-	439,266	29,563,403
Total revenues	<u>199,092,115</u>	<u>5,308,992</u>	<u>1,417,762</u>	<u>3,595,641</u>	<u>209,414,510</u>
<b>EXPENDITURES</b>					
Current operating:					
General government	11,702,874	1,362,418	-	-	13,065,292
Judicial administration	5,415,346	-	-	3,716	5,419,062
Public safety	31,086,037	-	-	2,237,125	33,323,162
Public works	3,304,353	-	-	-	3,304,353
Health and social services	12,549,758	-	-	-	12,549,758
Parks, recreation and cultural	8,483,121	-	-	-	8,483,121
Community development	3,324,755	-	-	1,739,824	5,064,579
Appropriation to School Board:					
School operating	89,547,690	-	-	-	89,547,690
School capital projects	6,457,270	200,000	57,514,758	-	64,172,028
Capital outlay	6,939,471	7,328,128	8,398,655	-	22,666,254
Debt service:					
Principal	16,233,105	-	-	-	16,233,105
Interest and fiscal charges	12,142,734	-	-	-	12,142,734
Total expenditures	<u>207,186,514</u>	<u>8,890,546</u>	<u>65,913,413</u>	<u>3,980,665</u>	<u>285,971,138</u>
Deficiency of revenues under expenditures	<u>(8,094,399)</u>	<u>(3,581,554)</u>	<u>(64,495,651)</u>	<u>(385,024)</u>	<u>(76,556,628)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	32,005	109,291	125,000	661,435	927,731
Transfers out	(895,726)	(32,005)	-	-	(927,731)
Issuance of debt:					
Commercial Paper	-	-	2,715,000	-	2,715,000
Bonds	-	-	97,875,000	-	97,875,000
Capital leases	-	-	8,434,211	-	8,434,211
Bond premium	-	-	2,949,267	-	2,949,267
Total other financing sources (uses), net	<u>(863,721)</u>	<u>77,286</u>	<u>112,098,478</u>	<u>661,435</u>	<u>111,973,478</u>
Net change in fund balances	(8,958,120)	(3,504,268)	47,602,827	276,411	35,416,850
Fund balance, beginning, as restated	<u>41,808,546</u>	<u>4,368,591</u>	<u>(3,415,598)</u>	<u>7,263,377</u>	<u>50,024,916</u>
Fund balance, ending	<u>\$ 32,850,426</u>	<u>\$ 864,323</u>	<u>\$ 44,187,229</u>	<u>\$ 7,539,788</u>	<u>\$ 85,441,766</u>

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006**

**Net change in fund balances - total governmental funds** **\$ 35,416,850**

Reconciliation of amounts reported for governmental activities in the Statement of Activities:

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. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 26,514,511	
Less depreciation expense	<u>(2,914,978)</u>	
Excess of capital outlay over depreciation		23,599,533

The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.

Loss on disposal of assets	(1,961,176)	
Change in R-Board equity investment	<u>(551,668)</u>	
		(2,512,844)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unearned revenue		(2,366,712)
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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 and issuance costs are expenditures in the governmental funds, but the repayment reduces long-term liabilities and the issue costs are capitalized in the Statement of Net Assets. This is the amount by which proceeds were more than repayments.

Debt issued or incurred:		
Commercial paper	(2,715,000)	
General obligation bonds	(50,845,000)	
Lease revenue bonds	(47,030,000)	
Bond premium	(2,949,267)	
Capital lease financing	(8,434,211)	
Debt issuance costs	910,324	
Arbitrage	(62,913)	
Principal repayments:		
General obligation debt	15,160,479	
Capital leases	<u>1,072,626</u>	
		(94,892,962)

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.

Accrued interest	(755,820)	
Compensated absences	(269,049)	
Amortization of premium, financing costs and deferred loss on refunding, net	<u>187,018</u>	
		(837,851)

**Change in net assets of governmental activities** **\$ (41,593,986)**

*The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2006**

	Business Type Activity - Enterprise Fund
	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Equity in pooled cash and investments	\$ 73,447,131
Receivables, net of allowance for uncollectibles	3,558,429
Accrued interest	337,869
Due from other funds	559,123
Inventory	458,303
Total current assets	<u>78,360,855</u>
Noncurrent assets:	
Restricted cash and cash equivalents	11,396,183
Financing costs, net of accumulated amortization	194,117
Capital assets:	
Land	8,683,105
Construction in progress	30,944,410
Land improvements	399,000
Buildings and building improvements	3,708,384
Distribution and collection systems	206,981,261
Furniture, fixtures and equipment	10,510,673
Vehicles	2,498,411
Less accumulated depreciation	<u>(80,205,738)</u>
Total capital assets (net of accumulated depreciation)	<u>183,519,506</u>
Total noncurrent assets	<u>195,109,806</u>
Total assets	<u>\$ 273,470,661</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 1,703,955
Retainage payable	376,744
Accrued salaries and benefits	236,176
Accrued interest	208,365
Other accrued liabilities	187,513
Unearned revenue	51,946
Deposits	5,981,376
Current portion of long-term debt	<u>3,560,257</u>
Total current liabilities	<u>12,306,332</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>19,243,932</u>
Total liabilities	<u>31,550,264</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	150,066,102
Restricted	11,396,183
Unrestricted	<u>80,458,112</u>
Total net assets	<u>241,920,397</u>
Total liabilities and net assets	<u>\$ 273,470,661</u>

*The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2006**

	Business-Type Activity - Enterprise Fund
	<u>Water and Sewer Fund</u>
Operating revenues:	
Charges for services	\$ 18,908,872
Miscellaneous	200,344
Total operating revenues	<u>19,109,216</u>
Operating expenses:	
Personnel services	8,328,949
Contractual services	1,280,502
Materials and supplies	3,174,570
Heat, light and power	1,246,999
Telecommunication and internal services	1,309,307
Miscellaneous	69,297
Depreciation and amortization	<u>7,433,986</u>
Total operating expenses	<u>22,843,610</u>
Operating loss	<u>(3,734,394)</u>
Nonoperating revenues (expenses):	
Interest and investment revenue	3,061,335
Interest expense	(350,374)
Gain on disposal of fixed assets	191,755
Capital contribution to the airport commission	<u>(526,120)</u>
Total nonoperating revenues, net	<u>2,376,596</u>
Loss before contributions	<u>(1,357,798)</u>
Capital contributions:	
Donated capital assets	12,439,960
State reimbursement for capital project	15,000
Availability fees	9,415,909
Prorata fees	<u>2,398,485</u>
Total capital contributions	<u>24,269,354</u>
Change in net assets	22,911,556
Total net assets, beginning, as restated	<u>219,008,841</u>
Total net assets, ending	<u>\$ 241,920,397</u>

*The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2006**

	Business-Type Activity - Enterprise Fund Water and Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 17,983,130
Other receipts, net	131,047
Payments to suppliers	(7,036,620)
Payments to employees	(8,289,851)
Net cash provided by operating activities	<u>2,787,706</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contribution to the airport commission	(526,120)
Advance to other fund	(31,260)
Net cash used in noncapital and related financing activities	<u>(557,380)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(16,848,417)
Principal paid on revenue bond maturities and equipment leases	(3,085,000)
Interest paid on revenue bonds and equipment leases	(372,829)
Proceeds from sale of capital assets	1,700,002
State reimbursement	15,000
Availability fees and prorata fees	11,814,394
Net cash used in capital and related financing activities	<u>(6,776,850)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends on investments	<u>3,119,763</u>
Net decrease in cash and cash equivalents	(1,426,762)
Cash and cash equivalents, beginning	86,270,076
Cash and cash equivalents, ending	<u>\$ 84,843,314</u>
Equity in pooled cash and investments	\$ 73,447,131
Restricted cash and cash equivalents	11,396,183
Total cash and cash equivalents	<u>\$ 84,843,314</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (3,734,394)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	7,433,986
Change in assets and liabilities:	
Increase in accounts receivable	(925,742)
Decrease in inventory	9,149
Increase in accounts payable and accrued liabilities	4,707
Total adjustments	<u>6,522,100</u>
Net cash provided by operating activities	<u>\$ 2,787,706</u>
Supplemental disclosure of noncash capital and related financing activities:	
The Water and Sewer Fund received donated assets in 2006 valued at \$12,439,960.	
Cash payments for interest include capitalized interest of \$797,807.	

*The accompanying notes are an integral part of these financial statements.*



**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2006**

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Agency Funds**ASSETS**

## Current assets:

Cash and short-term investments

\$ 1,139,688

Property taxes receivable

319,312

Total current assets

1,459,000

## Noncurrent assets:

Cash with fiscal agent

657,582

Total assets

\$ 2,116,582**LIABILITIES**

Reserve for bondholders

\$ 2,116,582*The accompanying notes are an integral part of these financial statements.*



Working To Be The Best Local Government In Virginia

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# **NOTES TO FINANCIAL STATEMENTS**

## COUNTY OF STAFFORD, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2006

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#### Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Narrative Profile**

The County of Stafford is located in northeastern Virginia, approximately 40 miles south of Washington, DC, and 55 miles north of Richmond, Virginia. It was founded in 1664 and was named for Staffordshire, England. It encompasses 277 square miles and has a population of 120,100.

The government of the County provides a full range of local government services including public safety, public works, public education, health and social services, parks and recreation, and community development. The County operates under the board of supervisors/administrator form of government.

The financial statements of the County of Stafford (County) conform to accounting principles generally accepted in the United States of America applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the County's more significant accounting policies:

##### **A. THE FINANCIAL REPORTING ENTITY**

GASB has established requirements and a reporting model for the annual financial reports of state and local governments. The reporting model was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. The reporting model includes:

**Management's Discussion and Analysis** – The financial statements are accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

**Government-wide financial statements** – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities, except for fiduciary funds. This approach includes current assets and liabilities (such as cash and accounts payable) and capital assets and long-term liabilities (such as buildings and general obligation debt). Full accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

**Statement of Net Assets** – The Statement of Net Assets displays the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets and their related debt in the government-wide Statement of Net Assets. The net assets of a government are broken down into three categories – (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted.

**Statement of Activities** – The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each governmental function. The expense of individual functions is compared to the revenues generated directly by that function, thereby demonstrating the degree to which direct expenses are offset by program revenues.

Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

**Fund Financial Statements** – The fund financial statements report detailed information about the County's operations. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting by fund type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

## **Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgetary Comparison Schedules** – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have an interest in following the actual financial progress of their governments over the course of the year. The County revises its original budget over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered financially accountable. The discretely presented component units are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County. Each discretely presented component unit has a June 30 fiscal year-end.

### **Discretely Presented Component Units:**

#### **County of Stafford School Board**

The County of Stafford School Board (School Board) is included as a component unit of the County because the County has accountability for all significant fiscal matters. The significant factors for inclusion are the following: approving the School Board's budget, funding deficits and issuing bonds to finance capital facilities. Also, the School Board provides services, which primarily benefit the citizens of the County. The School Board consists of the following funds:

#### **Governmental Fund Types**

**School Operating Fund** – accounts for the operations of the County's public school system.

**School Nutrition Fund** – accounts for the revenues and expenditures associated with the provision of food services within the County's school system.

**School Capital Projects Fund** – accounts for the acquisition, construction and equipping of new schools and renovations and additions to older schools.

**School Construction, Renovation and Maintenance Fund** – accounts for the revenues and expenditures associated with the sale of a portion of Trigon stock to be used solely for the purposes as stated in the fund name.

#### **Proprietary Funds – Internal Service Funds**

**Fleet Services Fund** – accounts for the revenue and expenses associated with providing vehicle maintenance services to departments and agencies of the school district on a cost reimbursement basis.

**School Health Benefits Fund** – accounts for the revenues and expenses associated with the provision of health-related benefits to employees of Stafford County Public Schools.

**School Workers' Compensation Fund** – accounts for the revenues and expenses associated with the administration of the workers' compensation insurance program for school board employees.

## **Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Fiduciary Fund**

**School Activities Fund** (Agency Fund) – accounts for the activity funds of the individual schools. The Stafford County School Board is liable if any school is unable to meet its obligations. The agency fund is purely custodial (assets equal liabilities) and thus does not involve measurement of results of operations.

The Component Unit – School Board does not issue a separate set of financial statements. All audited financial information of the School Board is presented within this Comprehensive Annual Financial Report.

Financial statements for the School Activities Fund can be obtained from:

Stafford County School Board  
Attention: Wayne C. Carruthers, CPA  
Assistant Superintendent for Finance  
31 Stafford Avenue  
Stafford, Virginia 22554

### **Widewater Community Development Authority**

The Widewater Community Development Authority (Authority), an independent entity, was created for the purpose of financing the construction of the Widewater Parkway and related road improvements on the Widewater Peninsula of Stafford County. The five members of the Authority's Board of Directors are appointed by the County's Board of Supervisors. By statute, the Authority has the power to issue tax-exempt revenue bonds to provide funding for these transportation improvements. Revenues of the Authority are generated by a special tax levied by the Board of Supervisors in a Special Tax District on the Widewater Peninsula. This District was created to provide funds for payment of the debt service on the bonds to be issued by the Authority. Additional Authority revenue that may be available to pay debt service is provided by pro rata fees assessed as a result of rezoning of new subdivisions in the Widewater Transportation District, also created by the Board of Supervisors. The County acts as fiscal agent for the Authority and collects both the special tax and pro rata assessment fees on behalf of the Authority, which are then transferred to the Authority. The County also provides staff support for the Authority. The County does not, however, approve the issuance of bonds. The Authority does not issue financial statements.

## **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. The focus is on either the County as a whole (within the government-wide statements) or on major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The County generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The County may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities is reported using the economic resources measurement focus and accrual basis of accounting which reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. 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 and (2) grants and

## Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants column includes operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's Water and Sewer Fund and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements emphasize the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column. Each fund is considered to be an independent fiscal accounting entity, with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental fund statements are presented on a current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The County's fiduciary funds are presented in the fund financial statements by type (agency). Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities of the government, these funds are not incorporated into the government-wide statements.

The following is a brief description of the specific funds used by the County in fiscal year 2006.

### **(1) Governmental Funds**

The focus of governmental funds (in the Fund Financial Statements) is on determination of financial position and changes in financial position. The County has the following governmental funds:

- a. General Fund** is the primary operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major governmental fund.
- b. Special Revenue Funds** are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The County's Special Revenue Funds consist of the following:
  - 1. Transportation Fund** – accounts for the receipt and disbursement of the regional two percent motor fuels tax and developer contributions to be used for a variety of County transportation projects. The Transportation Fund is a major governmental fund.
  - 2. Road Impact Fee - West Fund** – accounts for impact fee receipts from new development in a designated service area in the western portion of the County. Disbursements from this fund are for road improvements attributable to the new development.
  - 3. Road Impact Fee - South East Fund** – accounts for impact fee receipts from new development in a designated service area in the southeastern portion of the County. Disbursements from this fund are for road improvements attributable to the new development.
  - 4. E-911 Fund** – accounts for the receipt of E-911 service taxes. Disbursements from this fund are for the operation, maintenance, repair and upgrade of the County's E-911 dispatch system.
  - 5. Asset Forfeiture Fund** – accounts for the receipts and disbursements associated with the County's drug enforcement activities.

## Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. **Tourism Fund** – accounts for the receipts of a local five percent transient lodging tax used to fund the promotion of tourist venues in the County.

**c. Capital Projects Funds** are used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by Proprietary Funds).

1. **General Capital Projects Fund** – accounts for capital expenditures for land, new structures and the major repair, renovation and maintenance of existing structures. The General Capital Projects Fund is a major governmental fund.

2. **Parks and Recreation Bond Fund** – accounts for revenues and capital expenditures associated with the construction of County parks.

3. **Lake Arrowhead Sanitary District Fund** – accounts for the cost of street improvements in the Lake Arrowhead Sanitary District.

### **(2) Proprietary Funds**

Proprietary Funds are used to account for activities that are similar to those found in the private sector. All assets, liabilities, equities, revenues, and expenses related to the government's business activities are accounted for through proprietary funds. The measurement focus of proprietary funds is on determination of net income, financial position and cash flows. The following is the County's Proprietary Fund type:

- a. **Enterprise Funds** are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The Water and Sewer Fund is the only Enterprise Fund. The Water and Sewer Fund is a major enterprise fund.

### **(3) Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. The agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The following are the County's Fiduciary Fund types:

- a. **Lake Arrowhead Sanitary District Fund (Agency Fund)** - accounts for a special assessment collection used to service a bond issue for road improvements in the District.

- b. **Celebrate Virginia North Fund (Agency Fund)** – accounts for a special assessment collection used to service bonded debt for infrastructure improvements in the assessment district.

## **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. Generally, only current assets and current liabilities are included on the balance sheet for this measurement focus. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets for this measurement focus.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these



## Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

activities are included on the Statement of Net Assets. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net assets.

The Statement of Net Assets, Statement of Activities, and financial statements of the Proprietary and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes due before June 30, but not collected within 45 days after fiscal year end are reflected as deferred revenue. Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 75 days after year-end. Certain other intergovernmental revenues and sales and services, other than utility customer receivables, are not susceptible to accrual. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Licenses, permits, fines and rents are recorded as revenue when received. General purpose entitlement revenues are recognized in the period to which the entitlement applies.

The County recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return.

Expenditures of governmental funds are recorded when the related fund liabilities are incurred. Principal and interest on long-term debt are recognized when due.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund and the component unit's internal service funds are charges to internal customers for sales and services. Operating expenses for the aforementioned enterprise fund and internal service 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 nonoperating revenues and expenses.

### **D. BUDGETS AND BUDGETARY ACCOUNTING**

The County follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to April 1, the County Administrator submits a proposed budget (operating and capital) to the Board of Supervisors for the fiscal year commencing the following July 1. The budget includes proposed obligations and the means of financing them. The budget embodies estimates of specific amounts of revenue.
2. Public hearings are conducted by the Board of Supervisors to obtain taxpayer and citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution. Budgets are legally adopted for the following governmental funds:

#### **Primary Government**

General Fund  
Transportation Fund  
E-911 Fund  
Asset Forfeiture Fund  
Tourism Fund

#### **Component Unit – School Board**

School Operating Fund  
School Nutrition Fund  
School Health Benefits Fund  
School Capital Projects Fund

## **Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

4. The budget for the proprietary fund serves as a guide to the County and not as legally binding limitations.
5. The County Administrator is authorized to transfer budgeted amounts among departments within any fund; however, any revisions that alter the total expenditures of any fund or exceed \$20,000 between departments must be approved by the Board of Supervisors.
6. Although legal restrictions on expenditures are established at the departmental level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets.
7. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
8. The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare actual revenue and expenditures with budgeted amounts as originally adopted, and as amended by the Board of Supervisors through June 30, 2006. Individual amendments were not material in relation to the original appropriations.
9. By law, total expenditures by fund may not, and did not, exceed appropriations in fiscal year 2006.
10. All appropriations lapse at year-end.

### **E. DEPOSITS AND INVESTMENTS**

Cash resources of the individual funds, excluding cash held with fiscal agents in the General Fund, Special Revenue Fund, Capital Projects Fund, Proprietary Fund, and Fiduciary Fund, are combined to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of repurchase agreements, commercial paper and obligations of the federal government and are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. Investment earnings are allocated to the various funds based on equity in the investment pool.

The fair value of investments is based on quoted market prices; no investments are valued at cost. All investments in external investment pools are reported at fair value.

### **F. INVENTORIES AND PREPAID ITEMS**

#### **Primary Government:**

The Water and Sewer Fund inventory is stated at cost (first-in, first-out), which is not in excess of market value. It consists primarily of operating materials held for consumption.

#### **Component Units:**

The School Nutrition Fund inventory is stated at cost (first-in, first-out), which is not in excess of market value. It consists of food service supplies.

The Fleet Services Fund inventory is stated at cost (first-in, first-out), which is not in excess of market value. It consists of materials and supplies for repairs and maintenance.

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

## Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **G. RESTRICTED ASSETS – CASH AND INVESTMENTS**

Restricted cash in the General Fund represents a reserve account held by the County's health insurance administrator and a debt service reserve account required to be set aside from proceeds of the Certificates of Participation.

Restricted cash in the Transportation Fund represents funds collected from a two percent motor fuel sales tax for Stafford County and held by the Potomac and Rappahannock Transportation Commission as fiscal agent for the County. The funds are used for transportation projects.

Restricted cash in the General Capital Projects Fund represents the unspent proceeds from lease revenue bonds issued in June 2006.

Restricted cash in the Parks and Recreation Bond Fund represents the unspent proceeds from the 2002 \$11 million Parks and Recreation Bond issue. The proceeds are used for various park construction and improvement projects.

Restricted cash and investments in the Water and Sewer Fund represent assets set aside to meet debt sinking fund requirements, project construction payments pursuant to bond covenants and customer advance payments.

For the Component Unit - School Board, the amount in the School Health Benefits Fund is restricted for health-related benefits for employees; the School Nutrition Fund amount is reserved for meals for children from impoverished families; the School Capital Projects Fund amount relates to the proceeds from school bonds held by the Virginia State Non-Arbitrage Program; and the amount for the School Construction, Renovation and Maintenance Fund must be used for school capital projects.

Restricted cash in the Lake Arrowhead Sanitary District Agency Fund is the amount accumulated from the Sanitary District special assessment to pay debt service on debt issued for road improvements.

### **H. CAPITAL ASSETS**

Capital outlays are recorded as expenditures of the primary government and component unit governmental type funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold of \$5,000 is met. Infrastructure within the County (roads, streets, bridges, etc.) is owned and maintained by the Commonwealth of Virginia (Department of Transportation), and is therefore not recorded in the County's financial statements. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

	Primary Government	Component Unit – School Board
	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Land improvements	20 years	20 years
Buildings and building improvements	25 – 50 years	20 – 50 years
Distribution and collection systems	-	20 years
Furniture, fixtures and equipment	5 – 10 years	5 – 20 years
Vehicles	5 years	8 years

## Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

To the extent the County's and School Board's capitalization thresholds of \$5,000 are met, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis for the following useful lives:

	<u>Primary Government</u> <u>Water and Sewer</u> <u>Fund</u>	<u>Component Unit –</u> <u>School Board</u> <u>Fleet Services Fund</u>
Land improvements	20 years	-
Buildings and building improvements	20 – 100 years	15 – 40 years
Distribution and collection systems	20 – 80 years	-
Furniture, fixtures and equipment	5 – 10 years	5 – 15 years
Vehicles	5 years	-

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is recorded in the results of operations.

### **I. REAL ESTATE AND PERSONAL PROPERTY DATA**

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	June 5 / December 5 (50% each date)	June 5 / December 5 (50% each date)
Lien Date	June 6 / December 6	June 6 / December 6

### **J. COMPENSATED ABSENCES**

County employees accumulate vacation time and sick leave depending upon their length of service. The County has established accumulated leave balance thresholds for vacation and compensatory leave. There is no threshold on accumulated sick leave. Vacation leave up to the established threshold and a portion of sick leave time is payable upon termination of employment. Compensatory time earned by County employees up to the established threshold is also payable upon termination of employment. The current and long-term portions of the governmental funds' accumulated vacation, sick leave, and compensatory time for both the primary government and the component units are recorded as liabilities in the government-wide financial statements. Current and long-term compensated absences liabilities for proprietary funds are recorded in the government-wide and fund financial statements.

### **K. LONG-TERM OBLIGATIONS**

In the government-wide and proprietary 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, discounts and deferred losses, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium, discount and deferred loss. Bond issuance costs are reported as deferred charges.

## **Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

### **L. NET ASSET DEFICIT**

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement to its capital assets. That responsibility lies with the local governing body that issues the debt on behalf of the School Board. However, the *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintenance and insurance.

In the Statement of Net Assets, this scenario presents a dilemma for the primary government. Debt issued on behalf of the School Board is reported with the County debt as a liability of the primary government, thereby reducing the net assets of the primary government. The corresponding capital assets are reported as assets of the Component Unit – School Board (title holder), thereby increasing their net assets.

The Virginia General Assembly amended the *Code of Virginia* to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt. The legislation allows local governments to elect not to acquire a tenancy in common by adopting a resolution to that effect.

The County concluded that while joint tenancy would resolve a deficit in the primary government's net assets, the continual computation process that would be required to allocate principal, interest, asset amount and depreciation between the County and School Board would be cumbersome and not provide any added benefit to the financial statements. Therefore, the Board of Supervisors adopted a resolution declining tenancy in common for current and future financial obligations.

### **M. RESERVED AND DESIGNATED FUND BALANCES**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of portions of the fund balance are established to indicate tentative plans for financial resource utilization in a future period.

#### **Reservations of Fund Balance**

Debt Service – legally segregated for satisfying debt service requirements.

Drug Enforcement – asset forfeiture funds legally restricted for the purchase of drug enforcement supplies and equipment.

#### **Designations of Fund Balance**

Encumbrances – designated for goods and services ordered before the end of the fiscal year, for which delivery had not been made prior to the close of the fiscal year.

Capital Improvements – designated for capital projects that the Board of Supervisors has already approved.

Future Expenditures – amount budgeted from fund balance for one-time capital expenditures in succeeding fiscal years.

## **Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **N. CASH FLOWS**

In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, the County has presented a statement of cash flows for the Water and Sewer Fund and the Component Unit – School Board Fleet Services Fund. The cash amounts used in these statements of cash flows are the equivalent of all demand deposits as well as short-term investments. For purposes of these statements, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less.

### **O. PROPRIETARY FUND ACCOUNTING**

The County has chosen to adopt for all governmental and business-type activities and enterprise funds all applicable GASB pronouncements, as well as all Financial Accounting Standards Board statements and interpretations (issued prior to November 30, 1989) except for those that conflict with or contradict GASB pronouncements. Business-type activities also apply FASB pronouncements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

### **P. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## **Note 2. DEPOSITS AND INVESTMENTS**

**DEPOSITS:** All cash of the County, School Board, Widewater Community Development Authority and Celebrate Virginia North Community Development Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

**INVESTMENTS:** Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, 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 Commonwealth of Virginia State Non-Arbitrage Program (SNAP).

The Treasurer has invested proceeds of the Water and Sewer System Refunding Bonds-Series 2002, Parks and Recreation Bonds-Series 2002, Public Safety-Series 2006 and all of the proceeds of the School Board VPSA bonds in the SNAP Fund (the Fund) to ensure compliance with certain arbitrage requirements of the *Internal Revenue Code* of 1986, as amended. The Fund is a professionally managed money market fund which provides Virginia issuers of tax-exempt borrowings investment management, accounting and arbitrage rebate calculation services. The Fund invests in qualifying obligations and securities as permitted by Virginia statutes. The fair value of the position in the SNAP external investment pool is the same as the value of the pool's shares, \$1 per share.

The Treasurer also has investments in the LGIP. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share.

**Custodial Credit Risk:** The County's investments at June 30, 2006 were held by the County or in the County's name by the County's custodial banks, except \$2,374,411 of a reverse agreement where the underlying securities were uninsured and held by the investment's counterparty not in the name of Stafford County.

## Note 2. DEPOSITS AND INVESTMENTS (Continued)

**Credit Risk of Debt Securities:** Standard & Poor's rated The County's debt investments as of June 30, 2006 and the ratings are presented below using the Standard & Poor's rating scale.

At year-end the Primary Government's investment balances were as follows:

<u>Investments</u> <u>Value</u>	<u>AAAm</u>	<u>AAA</u>	<u>AA1</u>	<u>AA3</u>	<u>Aa1</u>	<u>Aa2</u>	<u>Aaa</u>	<u>A1</u>	<u>P1</u>	<u>Unrated</u>
U. S. Agencies	\$ -	\$ 5,037,924	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,971,960	\$ -	\$ 7,065,929
Commercial Paper	-	-	-	-	-	-	-	-	2,259,173	-
Repurchase Agreements	-	-	-	-	-	-	2,374,411	-	-	-
Municipal Bonds	-	220,570	-	-	-	497,620	-	-	-	-
Corporate Notes and Bonds	-	1,556,401	2,087,875	2,080,948	1,524,477	1,812,566	-	300,000	11,521,032	-
Money Market	-	8,670,634	-	-	-	-	-	-	-	-
LGIP	69,570,190	-	-	-	-	-	-	-	-	-
SNAP	53,928,919	-	-	-	-	-	-	-	-	-

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's Investors Service, Standard & Poor's or Fitch Investor's Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service.

**Concentration of Credit Risk:** Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represents 5% of total investments, there must be a disclosure for the amount and the issuer. The County had investments at June 30, 2006 with more than 5% of the total in securities of United States agencies and Prudential Financial Incorporated. These investments are below:

<u>Issuer</u>	<u>Percent of Portfolio</u>
Federal Home Loan Bank	13%
UBS AG	8%



## Note 2. DEPOSITS AND INVESTMENTS (Continued)

**Interest Rate Risk:** Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Due to market conditions, the County's investment policy is to "buy and hold". This strategy, which involves holding all investments until maturity, guards against market fluctuations. By holding until maturity and not selling "short" the County is guaranteed the face value of the investment.

<u>Investment Type</u>	<u>Investment Maturities</u>		
	<u>&lt;90 days</u>	<u>91-365 days</u>	<u>365+ days</u>
Certificates of Deposit	\$ -	\$ 5,085,335	\$ -
Corporate Obligations	11,165,768	7,387,174	3,065,058
Commercial Paper	2,266,000	-	-
Discount Notes	18,370,925	9,461,142	8,448,584
Municipal Obligations	-	737,708	-
Repurchase Agreement	-	-	3,130,650

At year-end, the Component Unit – School Board's investment balances were as follows:

**Credit Risk of Debt Securities:** Standard & Poor's rated The School Board's debt investments as of June 30, 2006 and the ratings are presented below using the Standard & Poor's rating scale.

	<u>AAAm</u>	<u>AAA</u>	<u>A1</u>
Commercial Paper	\$ -	\$ -	\$ 409,300
Money Market	-	910	-
LGIP	4,193,335	-	-
SNAP	34,786,762	-	-

**Interest Rate Risk of Debt Securities:** All of the School Board's debt securities are invested in 2a-7 like funds, except for one investment in commercial paper which matures at \$395,000 in less than 30 days.

At year-end, the Widewater Community Development Authority's investment balances were as follows:

	<u>Fair Value</u>	<u>Standard &amp; Poor's Rating</u>
Investments Not Subject to Categorization:		
State Treasurer's Local Government Investment Pool (LGIP)	<u>\$ 1,488,990</u>	AAAm

### Note 3. RECEIVABLES

Receivables at June 30, 2006 consist of the following:

#### Primary Government

	General Fund	Transportation Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Totals
Property taxes	\$ 18,672,482	\$ -	\$ -	\$ -	\$ 18,672,482
Accounts	2,516,478	-	222,376	3,760,591	6,499,445
Intergovernmental	<u>3,673,460</u>	<u>927,895</u>	<u>13,192</u>	<u>-</u>	<u>4,614,547</u>
Gross Receivables	24,862,420	927,895	235,568	3,760,591	29,786,474
Less:					
Allowance for uncollectible accounts	<u>(4,243,580)</u>	<u>-</u>	<u>-</u>	<u>(202,162)</u>	<u>(4,445,742)</u>
Net Receivables	<u>\$ 20,618,840</u>	<u>\$ 927,895</u>	<u>\$ 235,568</u>	<u>\$ 3,558,429</u>	<u>\$ 25,340,732</u>

Governmental funds report unearned 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 unearned revenue reported in the General Fund were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 7,192,645	\$ -
Advance collection of 2006-2007 taxes	-	191,595
Ground lease	-	1,774,286
Other	<u>-</u>	<u>12,282</u>
	<u>\$ 7,192,645</u>	<u>\$ 1,978,163</u>

#### Component Unit – School Board

	School Operating Fund	School Nutrition Fund	Fleet Services Fund	Totals
Accounts	\$ 224,370	\$ -	\$ 250	\$ 224,620
Intergovernmental	<u>6,330,228</u>	<u>126,165</u>	<u>-</u>	<u>6,456,393</u>
Net Receivables	<u>\$ 6,554,598</u>	<u>\$ 126,165</u>	<u>\$ 250</u>	<u>\$ 6,681,013</u>

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

#### Note 4. CAPITAL ASSETS

The following is a summary of changes in capital assets for the Primary Government's governmental activities for the fiscal year ended June 30, 2006:

##### PRIMARY GOVERNMENT Governmental Activities

	Balance June 30, 2005*	Increases	Reclassifications/ Decreases	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 9,332,507	\$ 10,932,381	\$ (1,645,900)	\$ 18,618,988
Construction in progress	7,674,872	11,378,277	(3,474,979)	15,578,170
Joint venture – R-Board	<u>6,746,300</u>	<u>-</u>	<u>(551,668)</u>	<u>6,194,632</u>
Total capital assets not being depreciated	<u>23,753,679</u>	<u>22,310,658</u>	<u>(5,672,547)</u>	<u>40,391,790</u>
Capital assets being depreciated:				
Land improvements	10,906,443	336,361	48,000	11,290,804
Buildings and building improvements	24,510,341	2,029,304	3,432,404	29,972,049
Furniture, fixtures and equipment	8,569,132	847,466	-	9,416,598
Vehicles	<u>9,085,826</u>	<u>990,722</u>	<u>(491,376)</u>	<u>9,585,172</u>
Total capital assets being depreciated	<u>53,071,742</u>	<u>4,203,853</u>	<u>2,989,028</u>	<u>60,264,623</u>
Less accumulated depreciation for:				
Land improvements	(4,000,198)	(499,517)	48,000	(4,451,715)
Buildings and building improvements	(6,921,279)	(566,678)	-	(7,487,957)
Furniture, fixtures and equipment	(5,326,793)	(861,350)	-	(6,188,143)
Vehicles	<u>(4,839,272)</u>	<u>(987,433)</u>	<u>122,675</u>	<u>(5,704,030)</u>
Total accumulated depreciation	<u>(21,087,542)</u>	<u>(2,914,978)</u>	<u>170,675</u>	<u>(23,831,845)</u>
Total capital assets being depreciated, net	<u>31,984,200</u>	<u>1,288,875</u>	<u>3,159,703</u>	<u>36,432,778</u>
Total capital assets, governmental activities	<u>\$ 55,737,879</u>	<u>\$ 23,599,533</u>	<u>\$ (2,512,844)</u>	<u>\$ 76,824,568</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 357,448
Judicial administration	51,963
Public safety	1,273,573
Public works	555,328
Health and social services	7,911
Parks, recreation and cultural	611,897
Community development	<u>56,868</u>
Total	<u>\$ 2,914,978</u>

\* The June 30, 2005 balance has been restated to reflect the removal of expenditures for roads that will ultimately be transferred to the Virginia Department of Transportation.

**Note 4. CAPITAL ASSETS (Continued)**

The following is a summary of changes in capital assets for Primary Government's business-type activities for the fiscal year ended June 30, 2006:

**PRIMARY GOVERNMENT  
Business-type Activities  
Water and Sewer Fund**

	Balance <u>June 30, 2005</u>	<u>Increases</u>	Reclassifications/ <u>Decreases</u>	Balance <u>June 30, 2006</u>
Capital assets not being depreciated:				
Land	\$ 8,306,980	\$ 1,884,370	\$( 1,508,245)	\$ 8,683,105
Construction in progress	<u>19,929,698</u>	<u>13,492,753</u>	<u>(2,478,041)</u>	<u>30,944,410</u>
Total capital assets not being depreciated	<u>28,236,678</u>	<u>15,377,123</u>	<u>(3,986,286)</u>	<u>39,627,515</u>
Capital assets being depreciated:				
Land improvements	399,000	-	-	399,000
Buildings and building improvements	3,653,938	54,446	-	3,708,384
Distribution and collection systems	192,977,311	13,117,606	886,344	206,981,261
Furniture, fixtures and equipment	8,391,597	527,381	1,591,695	10,510,673
Vehicles	<u>2,303,116</u>	<u>211,821</u>	<u>(16,526)</u>	<u>2,498,411</u>
Total capital assets being depreciated	<u>207,724,962</u>	<u>13,911,254</u>	<u>2,461,513</u>	<u>224,097,729</u>
Less accumulated depreciation for:				
Land improvements	(180,451)	(16,513)	-	(196,964)
Buildings and building improvements	(1,020,689)	(103,443)	-	(1,124,132)
Distribution and collection systems	(65,676,234)	(6,287,965)	-	(71,964,199)
Furniture, fixtures and equipment	(4,399,839)	(729,195)	-	(5,129,034)
Vehicles	<u>(1,575,331)</u>	<u>(232,604)</u>	<u>16,526</u>	<u>(1,791,409)</u>
Total accumulated depreciation	<u>(72,852,544)</u>	<u>(7,369,720)</u>	<u>16,526</u>	<u>(80,205,738)</u>
Total capital assets being depreciated, net	<u>134,872,418</u>	<u>6,541,534</u>	<u>2,478,039</u>	<u>143,891,991</u>
Total capital assets, business-type activities	<u>\$ 163,109,096</u>	<u>\$ 21,918,657</u>	<u>\$ (1,508,247)</u>	<u>\$ 183,519,506</u>

**Note 4. CAPITAL ASSETS (Continued)**

The following is a summary of changes in capital assets for the Component Unit – School Board's governmental activities for the fiscal year ended June 30, 2006:

**COMPONENT UNIT – School Board  
Governmental Activities**

	Balance June 30, 2005	Increases	Reclassifications/ Decreases	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 12,373,638	\$ 912,170	\$ -	\$ 13,285,808
Construction in progress	<u>61,422,690</u>	<u>47,047,788</u>	<u>(52,538,375)</u>	<u>55,932,103</u>
Total capital assets not being depreciated	<u>73,796,328</u>	<u>47,959,958</u>	<u>(52,538,375)</u>	<u>69,217,911</u>
Capital assets being depreciated:				
Land improvements	8,279,914	503,045	7,487,652	16,270,611
Buildings and building improvements	255,071,156	2,966,823	45,050,723	303,088,702
Furniture, fixtures and equipment	5,023,622	822,630	(339,867)	5,506,385
Vehicles	14,755,818	2,682,305	(1,193,816)	16,244,307
Distribution and collection systems	<u>396,936</u>	<u>-</u>	<u>-</u>	<u>396,936</u>
Total capital assets being depreciated	<u>283,527,446</u>	<u>6,974,803</u>	<u>51,004,692</u>	<u>341,506,941</u>
Less accumulated depreciation for:				
Land improvements	(1,051,365)	(614,566)	-	(1,665,931)
Buildings and building improvements	(63,086,981)	(6,380,949)	-	(69,467,930)
Furniture, fixtures and equipment	(2,267,161)	(550,599)	314,384	(2,503,376)
Vehicles	(8,886,394)	(1,426,175)	1,144,605	(9,167,964)
Distribution and collection systems	<u>(176,365)</u>	<u>(21,354)</u>	<u>-</u>	<u>(197,719)</u>
Total accumulated depreciation	<u>(75,468,266)</u>	<u>(8,993,643)</u>	<u>1,458,989</u>	<u>(83,002,920)</u>
Total capital assets being depreciated, net	<u>208,059,180</u>	<u>(2,018,840)</u>	<u>52,463,681</u>	<u>258,504,021</u>
Total capital assets, governmental activities	<u>\$ 281,855,508</u>	<u>\$ 45,941,118</u>	<u>\$ (74,694)</u>	<u>\$ 327,721,932</u>

Depreciation expense was charged to governmental functions as follows:

**School Operating Fund:**

Total School Operating Fund \$ 8,981,792

**School Nutrition Fund:**

Other operations 11,851  
Total \$ 8,993,643

#### Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for the Component Unit – School Board's business-type activities for the fiscal year ended June 30, 2006:

##### COMPONENT UNIT – School Board Business-type Activities Fleet Services Fund

	Balance June 30, 2005	Increases	Reclassifications/ Decreases	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 37,356	\$ -	\$ -	\$ 37,356
Capital assets being depreciated:				
Land improvements	21,932	-	-	21,932
Buildings and building improvements	898,009	-	-	898,009
Furniture, fixtures and equipment	62,176	5,000	-	67,176
Total capital assets being depreciated	982,117	5,000	-	987,117
Less accumulated depreciation for:				
Land improvements	(10,234)	(1,462)	-	(11,696)
Buildings and building improvements	(536,435)	(25,427)	-	(561,862)
Furniture, fixtures and equipment	(17,071)	(4,848)	-	(21,919)
Total accumulated depreciation	(563,740)	(31,737)	-	(595,477)
Total capital assets being depreciated, net	418,377	(26,737)	-	391,640
Total capital assets, business-type activities	\$ 455,733	\$ (26,737)	\$ -	\$ 428,996

#### Note 5. LONG-TERM DEBT

##### A. PRIMARY GOVERNMENT – GOVERNMENTAL ACTIVITIES

The following is a summary of long-term liability activity of the primary government for the year ended June 30, 2006:

	Amounts Payable at June 30, 2005	Increases	Decreases	Amounts Payable at June 30, 2006	Amounts Due within One Year
Bonds Payable:					
General obligation bonds	\$ 229,012,371	\$ 50,845,000	\$(13,374,330)	\$ 266,483,041	\$13,690,212
Lease revenue Bonds	-	47,030,000	-	47,030,000	-
Plus deferred amounts for bond premiums	4,309,928	2,949,267	(208,781)	7,050,414	-
Bonds payable including deferred amounts for bond premiums	233,322,299	100,824,267	(13,583,111)	320,563,455	13,690,212
Less deferred loss on refunding	(80,537)	8,260	-	(72,277)	-
Total bonds payable	233,241,762	100,832,527	(13,583,111)	320,491,178	13,690,212
Commercial paper	-	2,715,000	-	2,715,000	2,715,000
Literary loans	8,509,527	-	(831,149)	7,678,378	756,149
Certificates of participation	5,265,000	-	(955,000)	4,310,000	1,000,000
Capital leases	3,701,401	8,434,211	(1,072,626)	11,062,986	1,866,247
**Compensated absences	3,978,131	2,714,471	(2,445,422)	4,247,180	1,772,932
Governmental activities long- term liabilities	\$ 254,695,821	\$ 114,696,209	\$ (18,887,308)	\$ 350,504,722	\$ 21,800,540

\*\* The following governmental funds, wherein associated payroll expenditures are recorded, are used to liquidate their portion of the liability for compensated absences: General Fund, Transportation Fund, and E-911 Fund.

## Note 5. LONG-TERM DEBT (Continued)

Annual requirements to amortize long-term debt and related interest, exclusive of premiums and deferred losses are as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>	
	Principal	Interest	Principal	Interest
2007	\$ 13,690,212	\$ 12,680,284	\$ -	\$ -
2008	14,586,566	12,483,022	-	-
2009	14,522,457	11,708,345	815,000	2,298,325
2010	14,236,866	10,940,027	850,000	2,265,025
2011	13,917,306	10,197,064	885,000	2,230,325
2012-2016	63,309,364	40,755,698	4,980,000	10,580,725
2017-2021	54,598,239	25,230,657	6,090,000	9,419,075
2022-2026	39,292,031	13,707,873	7,735,000	7,721,750
2027-2031	35,590,000	5,236,538	9,905,000	5,490,713
2032-2036	2,740,000	63,020	12,785,000	2,530,369
2037	-	-	2,985,000	78,356
	<u>\$ 266,483,041</u>	<u>\$ 143,002,528</u>	<u>\$ 47,030,000</u>	<u>\$ 42,614,663</u>

Year Ending June 30,	<u>Literary Loans</u>		<u>Certificates of Participation</u>	
	Principal	Interest	Principal	Interest
2007	\$ 756,149	\$ 230,351	\$ 1,000,000	\$ 190,500
2008	756,149	207,667	1,050,000	139,250
2009	756,149	184,982	1,105,000	85,375
2010	656,149	162,298	1,155,000	28,875
2011	581,149	142,613	-	-
2012-2016	2,375,745	482,001	-	-
2017-2021	1,580,745	152,189	-	-
2022	216,143	6,484	-	-
Total	<u>\$ 7,678,378</u>	<u>\$ 1,568,585</u>	<u>\$ 4,310,000</u>	<u>\$ 440,000</u>

Year Ending June 30,	<u>Capital Leases</u>	
	Principal	Interest
2007	\$ 1,866,247	\$ 410,019
2008	1,844,063	339,836
2009	1,910,665	268,896
2010	1,904,926	195,839
2011	1,773,264	121,578
2012-2016	1,763,821	100,378
Total	<u>\$ 11,062,986</u>	<u>\$1,436,546</u>

**Note 5. LONG-TERM DEBT (Continued)**

	<b>Outstanding Balance <u>June 30, 2006</u></b>
<b>General Obligation Bonds</b>	
\$11,000,000 Parks and Recreation bonds issued April 1, 2002, maturing annually in installments of \$550,000 through January 1, 2022; interest at 3.00% to 5.00%, payable semi-annually, including net premium of \$29,652 .....	\$ 8,829,652
\$4,122,053 Refunding bonds issued April 1, 2002, maturing annually in varying installments of \$185,000 – \$432,000 through January 1, 2015; interest at 3.00% to 4.75%, payable semi-annually, net of premium and deferred loss on refunding of \$(63,748).....	<u>2,481,252</u>
<b>Total General Obligation Bonds</b>	<b><u>\$ 11,310,904</u></b>
<b>Virginia Public School Authority General Obligation Bonds</b>	
\$2,875,000 issued August 30, 1990, maturing annually in varying installments of \$150,000 - \$190,000 through July 15, 2010; interest at 6.47% to 7.10%, payable semiannually .....	\$ 885,000
\$3,990,000 issued May 23, 1991, maturing annually in varying installments of \$185,000 - \$210,000 through December 15, 2010; interest at 6.35%, payable semiannually .....	1,030,000
\$3,790,997 issued July 31, 1991, maturing annually in varying installments of \$196,729 - \$245,547 through July 15, 2011; interest at 6.60%, payable semiannually .....	1,357,129
\$1,001,932 issued November 12, 1992, maturing annually in varying installments of \$49,812 - \$61,880 through July 15, 2012; interest at 5.70% to 6.35%, payable semiannually .....	396,213
\$8,350,000 issued December 17, 1992, maturing annually in varying installments of \$255,000 - \$445,000 through December 15, 2012; interest at 5.70% to 5.85%, payable semiannually .....	2,390,000
\$5,375,000 issued April 29, 1993, maturing annually in varying installments of \$175,000 - \$255,000 through December 15, 2012; interest at 5.30% to 5.50%, payable semiannually .....	1,595,000
\$6,260,000 issued November 18, 1993, maturing annually in varying installments of \$30,000 - \$325,000 through December 15, 2013; interest at 4.70% to 5.00%, payable semiannually .....	1,165,000
\$30,905,000 issued January 3, 1994, maturing annually in varying installments of \$350,000 - \$1,975,000 through December 15, 2011; interest at 6.38% to 7.15%, payable semiannually .....	6,095,000
\$7,880,000 issued May 5, 1994, maturing semi-annually in varying installments of \$400,000 - \$405,000 through July 15, 2013; interest at 6.10% to 6.30%, payable semiannually .....	3,235,000



**Note 5. LONG-TERM DEBT (Continued)**

	<b>Outstanding Balance <u>June 30, 2006</u></b>
\$2,794,068 issued November 22, 1994, maturing annually in varying installments of \$134,520 - \$178,092 through July 15, 2014; interest at 6.10% to 6.60%, payable semiannually .....	\$ 1,416,604
\$4,615,000 issued November 22, 1994, maturing annually in installments of \$230,000 through July 15, 2014; interest at 6.10% to 6.60%, payable semiannually .....	2,070,000
\$650,000 issued May 18, 1995, maturing annually in varying installments of \$30,000 - \$35,000 through July 15, 2015, interest at 5.40% to 5.98%, payable semiannually .....	300,000
\$2,805,000 issued December 21, 1995, maturing annually in installments of \$140,000 through July 2015; interest at 5.10% to 6.10%, payable semiannually .....	1,400,000
\$2,096,324 issued December 21, 1995, maturing annually in varying installments of \$100,695 - \$123,720 through July 2015; interest at 5.10% to 6.10%, payable semiannually .....	1,138,552
\$6,370,000 issued May 2, 1996, maturing annually in installments of \$320,000 through July 2016; interest at 5.30% to 6.10%, payable semiannually .....	3,520,000
\$6,585,000 issued November 14, 1996, maturing annually in varying installments of \$325,000 - \$330,000 through July 2016; interest at 5.10% to 6.10%, payable semiannually .....	3,615,000
\$5,280,000 issued May 30, 1997, maturing annually in varying installments of \$230,000 - \$295,000 through July 2017; interest at 5.35% to 6.10%, payable semiannually .....	2,925,000
\$8,450,000 issued November 20, 1997, maturing annually in varying installments of \$420,000 - \$425,000 through January 15, 2018; interest varying from 4.60% to 5.35%, payable semiannually .....	5,050,000
\$11,560,000 issued April 30, 1998, maturing annually in varying installments of \$575,000 - \$580,000 through July 15, 2018; interest varying from 4.35% to 5.30%, payable semiannually .....	7,500,000
\$4,345,729 issued November 19, 1998, maturing annually in varying installments of \$206,382 - \$247,440 through July 15, 2018; interest at 4.35% to 5.10%, payable semiannually .....	2,923,281
\$9,845,000 issued November 19, 1998, maturing annually in varying installments of \$490,000 - \$495,000 through July 15, 2018; interest at 4.35% to 5.10%, payable semiannually .....	6,380,000
\$18,000,000 issued May 13, 1999, maturing annually in installments of \$900,000 through July 15, 2019; interest at 4.10% to 5.23%, payable semiannually .....	12,600,000

**Note 5. LONG-TERM DEBT (Continued)**

	<b>Outstanding Balance <u>June 30, 2006</u></b>
\$9,805,170 issued November 18, 1999, maturing annually in varying installments of \$461,285 - \$554,360 through July 15, 2019; interest varying from 5.10% to 6.10%, payable semiannually .....	\$ 7,062,667
\$9,240,000 issued May 18, 2000, maturing annually in varying installments of \$460,000 - \$465,000 through July 15, 2020; interest at 5.10% to 5.60%, payable semiannually .....	6,915,000
\$4,260,000 issued November 16, 2000, maturing annually in varying installments of \$210,000 - \$215,000 through July 15, 2020; interest varying from 4.98% to 5.85%, payable semiannually .....	3,185,000
\$10,135,000 issued May 17, 2001, maturing annually in varying installments of \$505,000 - \$510,000 through July 15, 2021; interest varying from 4.85% to 5.60%, payable semiannually .....	8,095,000
\$9,257,513 issued November 15, 2001, maturing annually in varying installments of \$439,585 - \$506,160 through July 15, 2021; interest varying from 3.10% to 5.35%, payable semiannually, including net premium of \$137,390 .....	7,639,005
\$2,685,000 issued May 16, 2002, maturing annually in varying installments of \$130,000 - \$135,000 through July 15, 2022; interest varying from 5.10% to 5.60%, payable semiannually, including net premium of \$89,364 .....	2,369,364
\$1,815,000 issued November 7, 2002, maturing annually in varying installments of \$90,000 - \$95,000 through July 15, 2022; interest varying from 4.10% to 5.10%, payable semiannually, including net premium of \$59,270 .....	1,589,270
\$6,905,000 issued May 15, 2003, maturing annually in varying installments of \$345,000 - \$350,000 through July 15, 2023; interest varying from 3.10% to 5.35%, payable semiannually, including net premium of \$428,631 .....	6,638,631
\$54,070,000 issued November 1, 2003, maturing annually in varying installments of \$1,100,000 - \$3,710,000 through July 15, 2028; interest varying from 3.10% to 5.35%, payable semiannually, including net premium of \$1,727,985 .....	53,542,985
\$5,494,768 issued November 1, 2003, maturing annually in varying installments of \$235,058 - \$321,672 through July 15, 2023; interest varying from 3.10% to 5.35%, payable semiannually, including net premium of \$305,500 .....	5,322,480
\$8,470,000 issued May 13, 2004, maturing annually in varying installments of \$175,000 - \$590,000 through July 15, 2029; interest varying from 4.85% to 5.10%, payable semiannually, including net premium of \$306,864 .....	8,601,864
\$9,700,000 issued November 10, 2004, maturing annually in varying installments of \$195,000 - \$645,000 through July 15, 2029; interest varying from 4.1% to 5.6%, payable semi-annually, including net premium of \$365,543 .....	9,870,543
\$17,895,000 issued May 12, 2005, maturing annually in varying installments of \$375,000 to \$1,195,000 through July 15, 2030, interest varying from 4.1% to 5.1%, payable semi-annually, including premium of \$653,379 .....	18,548,379

**Note 5. LONG-TERM DEBT (Continued)**

	<b>Outstanding Balance <u>June 30, 2006</u></b>
\$9,810,000 issued November 10, 2005, maturing annually in varying installments of \$205,000 to 655,000 through July 15, 2030, interest varying from 4.35% to 5.1%, payable semi-annually, including premium of \$279,949 .....	\$ 10,089,949
\$41,035,000 issued May 12, 2006, maturing annually in varying installments of \$855,000 to 2,740,000 through July 15, 2031, interest varying from 4.10% to 5.1%, payable semi-annually, including premium of \$664,371 .....	<u>41,699,371</u>
<b>Total Virginia Public School Authority General Obligation Bonds</b>	<b><u>\$ 260,156,287</u></b>
<b>Lease Revenue Bonds</b>	
\$47,030,000 issued June 27, 2006, maturing annually in varying installments of \$815,000 to \$2,985,000 through August 1, 2036, interest varying from 4.00% to 5.25%, payable semi-annually, including net premium of \$1,993,987 .....	\$ 49,023,987
<b>Total Bonds Payable</b>	<b><u>\$ 320,491,178</u></b>
<b>State Literary Fund Loans</b>	
These loans bear interest at 3.00%, payable semiannually, the proceeds of which were used for school construction.	
\$2,000,000 issued August 15, 1988, due in annual installments of \$100,000 through August 15, 2008.....	\$ 300,000
\$1,500,000 issued July 15, 1990, due in annual installments of \$75,000 through July 15, 2010 .....	300,000
\$1,400,000 issued November 1, 1990, due in annual installments of \$70,000 through November 1, 2011 .....	350,000
\$900,000 issued May 15, 1992, due in annual installments of \$45,000 through May 15, 2012 .....	270,000
\$5,000,000 issued November 1, 1997 due in annual installments of \$250,000 through November 1, 2017 .....	3,000,000
\$4,322,974 issued August 15, 2001, due in annual installments of \$216,149 through August 15, 2021 .....	<u>3,458,378</u>
<b>Total State Literary Fund Loans</b>	<b><u>\$ 7,678,378</u></b>

**Note 5. LONG-TERM DEBT (Continued)**

	<b>Outstanding Balance <u>June 30, 2006</u></b>
<b>Capital Leases</b>	
\$478,000 issued February 23, 1999, maturing annually in varying installments of \$20,973 to \$44,973 through June 30, 2014; interest at 5.4%, payable semi-annually .....	\$ 301,202
\$530,000 issued January 1, 2001, maturing annually in installments of \$53,000 through December 1, 2011; interest at 4.45%, payable semi-annually.....	318,000
\$582,000 issued June 14, 2001, maturing semi-annually in varying installments of \$19,790 to \$40,481 through June 14, 2011; interest at 6.27%, payable semi-annually .....	228,245
\$367,335 issued February 15, 2002, maturing monthly in varying installments of \$5,471 to \$6,883 through February 15, 2007; interest at 4.5%; payable monthly .....	20,346
\$554,000 issued February 28, 2002, maturing quarterly in varying installments of \$8,450 to \$19,250 through March 1, 2012; interest at 5.77% payable quarterly .....	226,755
\$346,107 issued April 30, 2004, maturing semi-annually in varying installments of \$32,560 to \$36,736 through April 30, 2009; interest at 2.7%, payable semi-annually.....	213,205
\$842,500 issued April 30, 2004, maturing semi-annually in varying installments of \$54,223 to \$66,520 through April 30, 2009; interest at 3.14%, payable semi-annually .....	620,979
\$89,960 issued July 30, 2004, maturing semi-annually in varying installments of \$5,763 to \$7,133 through July 30, 2011; interest at 3.31%, payable semi-annually .....	72,479
\$1,012,740 issued March 15, 2005, maturing semi-annually in varying installments of \$42,115 to \$60,175; through March 15, 2015, interest at 3.79%, payable semi-annually .....	927,712
\$2,006,870 issued October 7, 2005, maturing semi-annually in varying installments of \$128,430 to 159,287 through October 30, 2012; interest at 3.34%, payable semi-annually .....	1,878,440
\$1,848,231 issued October 7, 2005, maturing semi-annually in varying installments of \$171,830 to \$198,381 through October 30, 2010; interest at 3.22%, payable semi-annually .....	1,676,513
\$2,073,705 issued May 19, 2006, maturing semi-annually in varying installments of \$189,415 to \$226,298 through October 30, 2011; interest at 3.99%, payable semi-annually .....	2,073,705
\$203,121 issued May 19, 2006, maturing semi-annually in varying installments of \$17,625 to \$23,228 through June 1, 2011; interest at 6.23%, payable semi-annually .....	203,121

## Note 5. LONG-TERM DEBT (Continued)

	<b>Outstanding Balance <u>June 30, 2006</u></b>
\$203,121 issued May 19, 2006, maturing semi-annually in varying installments of \$18,553 to \$22,166 June 1, 2011; interest at 6.22%, payable semi-annually .....	\$ 203,121
\$2,099,163 issued May 19, 2006, maturing semi-annually in varying installments of \$130,955 to \$170,531 through June 1, 2013; interest at 4.10%, payable semi-annually .....	<u>2,099,163</u>
<b>Total Capital Leases</b>	<b><u>\$11,062,986</u></b>

The County has entered into lease agreements as lessee for financing the acquisition of buildings, software systems and vehicles. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>
Asset:	
Land	\$ 89,386
Building	916,859
Software systems	4,437,506
Vehicles	7,248,397
Less: Accumulated depreciation	<u>(3,324,814)</u>
Total	<u>\$ 9,367,334</u>

In June, 2006, the County was a participant in the Virginia Municipal League/Virginia Association of Counties (VML/VACO) Finance Program. In this transaction, the Industrial Development Authority of the County of Stafford and the City of Staunton sold bonds totaling \$59,490,000. The County's share of this transaction was \$47,030,000 in Lease Revenue bonds for the purpose of constructing a new Public Safety Building and two (2) Fire Stations. The bonds sold at a premium, yielding an additional \$1,993,987 for construction purposes. Prior to the bond sale, the County acquired interim financing in the form of Commercial Paper from VML/VACO in the amount of \$2,715,000. This interim financing was repaid with proceeds from the bond sale on July 6, 2006.

Under a trust agreement dated November 15, 1989, the County issued \$13,000,000 in Certificates of Participation. These Certificates were issued to finance the acquisition, construction, renovation and equipping of an administration building and certain courthouse facilities which were leased to the County by the Industrial Development Authority of the County, under a Lease Purchase Agreement. A portion of these Certificates was refunded February 1, 1994 with \$9,995,000 in Refunding Certificates of Participation. These Certificates mature in variable annual installments of \$955,000 to \$1,155,000 through November 1, 2009 with interest at 4.5% to 5.00%, payable annually. Outstanding balance at June 30, 2006 is \$4,310,000.

The County is acting as an agent for the Lake Arrowhead property owners in collecting the assessments, forwarding the collections to the bondholders and initiating foreclosure proceedings, if necessary. Should the property owners default on their obligation to repay the \$837,000 remaining special assessment debt, the County has guaranteed to pay this debt.

The County has a moral obligation for a \$750,000 Virginia Resources Authority loan secured by the Stafford Regional Airport to fund various site improvements.

## Note 5. LONG-TERM DEBT (Continued)

### B. PRIMARY GOVERNMENT – BUSINESS-TYPE ACTIVITIES

The following is a summary of long-term liability activity of the business-type activities of the government for the year ended June 30, 2006.

	<u>Amounts Payable at June 30, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2006</u>	<u>Amounts Due within One Year</u>
Bonds Payable:					
Revenue bonds	\$ 25,145,000	\$ -	\$ (3,085,000)	\$ 22,060,000	\$ 3,185,000
Plus deferred amounts for bond premiums	<u>786,022</u>	<u>-</u>	<u>(121,929)</u>	<u>664,093</u>	<u>-</u>
Bonds payable including deferred amounts for bond premiums/ (discounts)	25,931,022	-	(3,206,929)	22,724,093	3,185,000
Less deferred loss on refunding	<u>(1,012,928)</u>	<u>151,939</u>	<u>-</u>	<u>(860,989)</u>	<u>-</u>
Total bonds payable	<u>24,918,094</u>	<u>151,939</u>	<u>(3,206,929)</u>	<u>21,863,104</u>	<u>3,185,000</u>
Compensated absences	<u>901,987</u>	<u>585,226</u>	<u>(546,129)</u>	<u>941,085</u>	<u>375,257</u>
Business-type activities long- term liabilities	<u>\$ 25,820,081</u>	<u>\$ 737,165</u>	<u>\$ (3,753,058)</u>	<u>\$ 22,804,189</u>	<u>\$ 3,560,257</u>

Annual requirements to amortize long-term debt, exclusive of unamortized premiums and deferred losses, and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 3,185,000	\$ 877,635
2008	3,285,000	747,220
2009	3,350,000	544,823
2010	3,435,000	533,268
2011	2,920,000	411,580
2012-2016	<u>5,885,000</u>	<u>545,500</u>
Total	<u>\$ 22,060,000</u>	<u>\$ 3,660,026</u>

<u>Revenue Bonds</u>	<u>Outstanding Balance June 30, 2006</u>
\$13,420,000 Water and Sewer Revenue Bond, issued March 7, 1996, maturing in annual installments of \$670,000 through July 1, 2015; interest at 4.2% to 5.0%, payable semiannually, net of discount of \$64,860 .....	\$ 6,635,140
\$22,915,000 Revenue Refunding Bond, issued April 9, 2003 maturing in variable annual installments of \$2,415,000 - \$2,765,000 through June 30, 2012; interest at 2.75% to 5.00%, payable semiannually, net of premium and deferred loss on refunding of \$132,036 .....	<u>15,227,964</u>
<b>Total Bonds Payable</b>	<b><u>\$ 21,863,104</u></b>

**Note 5. LONG-TERM DEBT (Continued)**

**C. COMPONENT UNIT – SCHOOL BOARD**

The following is a summary of long-term liability activity of the component unit- School Board for the year ended June 30, 2006:

**Governmental Activities**

	<b>Amounts Payable at June 30, 2005</b>	<b>Increases</b>	<b>Decreases</b>	<b>Amounts Payable at June 30, 2006</b>	<b>Amounts Due within One Year</b>
Taxable refunding bonds	\$ 784,976	\$ -	\$ 228,562	\$ 556,414	\$ 216,627
**Compensated absences	<u>3,586,337</u>	<u>109,253</u>	<u>-</u>	<u>3,695,590</u>	<u>359,291</u>
School Board long-term liabilities	<u>\$ 4,371,313</u>	<u>\$ 109,253</u>	<u>\$ 228,562</u>	<u>\$ 4,252,004</u>	<u>\$ 575,918</u>

\*\* The Component Unit – School Board School Operating Fund is used to liquidate the liability for compensated absences.

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

<b>Year Ending June 30,</b>	<b>Taxable Refunding Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2007	\$ 216,627	\$ 37,724
2008	230,361	21,543
2009	<u>109,426</u>	<u>6,938</u>
Total	<u>\$ 556,414</u>	<u>\$ 66,205</u>

**Component Unit – School Board**

**Outstanding  
Balance  
June 30, 2006**

\$1,868,205 Refunding bonds issued April 30, 1999, maturing annually in varying installments through June 30, 2009; interest at 6.34%, payable semiannually..... **\$ 556,414**

The following is a summary of long-term liability activity of the component unit- School Board's Fleet Services Fund for the year ended June 30, 2006:

**Business-Type Activities**

	<b>Amounts Payable at June 30, 2005</b>	<b>Increases</b>	<b>Decreases</b>	<b>Amounts Payable at June 30, 2006</b>	<b>Amounts Due within One Year</b>
Compensated absences	<u>\$ 97,617</u>	<u>\$ 13,139</u>	<u>\$ -</u>	<u>\$ 110,756</u>	<u>\$ 3,439</u>

## **Note 6. 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 the County and School Board must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers, firefighters and sheriffs) or at age 50 with 30 years of service for participating employers (age 50 with 25 years of service for participating law enforcement officers, firefighters and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. The increase is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/2005annurept.pdf> or obtained by writing to the System 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% of their annual reported compensation to the VRS. The County and the School Board have assumed this 5% 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's contribution rate for the fiscal year ended 2006 was 14.25% of annual covered payroll. The School Board's contribution rate for non-professional employees for the fiscal year ended 2006 was 12.75% of annual covered payroll.

Total contributions to the VRS State Teachers Pool for the years ended June 30, 2004, June 30, 2005, and June 30, 2006 were \$8,934,097, \$12,055,397, and \$14,212,166 respectively, representing 8.77%, 11.03%, and 11.62% respectively, of the covered payroll for the three years then ended.

### **C. ANNUAL PENSION COST**

For fiscal year 2006, the County's annual pension cost of \$4,563,248 was equal to the County's required and actual contributions. For fiscal year 2006, the School Board's annual pension cost for non-professional employees of \$1,003,094 was equal to the School Board's required and actual contributions. The required contributions were determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4% to 7% per year, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the County's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and the School Board's unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.



**Note 6. DEFINED BENEFIT PENSION PLAN (Continued)**

Trend Information for Stafford County is as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2004	\$ 2,521,137	100.00%	\$ -
June 30, 2005	3,954,420	100.00%	-
June 30, 2006	4,563,248	100.00%	-

Trend Information for the Component Unit-School Board non-professional employees is as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2004	\$ 507,001	100.00%	\$ -
June 30, 2005	682,347	100.00%	-
June 30, 2006	1,003,094	100.00%	-

**Note 7. INTERFUND AND COMPONENT UNIT RECEIVABLE / PAYABLE**

Individual fund receivable and payable balances at June 30, 2006 are summarized as follows:

	Payable Fund:			<u>Total Receivable</u>
	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Nonmajor Governmental Funds</u>	
<u>Receivable Fund:</u>				
Primary Government				
General Fund	\$ -	\$ 35,311	\$ 405,352	\$ 440,663
Water and Sewer Fund	<u>559,123</u>	<u>-</u>	<u>-</u>	<u>559,123</u>
Total Primary Government	<u>559,123</u>	<u>35,311</u>	<u>405,352</u>	<u>999,786</u>
Component Unit – School Board				
School Operating Fund	<u>26,606,024</u>	<u>-</u>	<u>-</u>	<u>26,606,024</u>
Total Component Unit – School Board	<u>26,606,024</u>	<u>-</u>	<u>-</u>	<u>26,606,024</u>
Total Payable	<u>\$ 27,165,147</u>	<u>\$ 35,311</u>	<u>\$ 405,352</u>	<u>\$ 27,605,810</u>

The interfund payable from the General Fund to the Water and Sewer Fund represents a temporary loan to fund a start-up stormwater utility.

The interfund payable from the General Fund to the Transportation Fund and the Nonmajor Governmental Funds were to cover year-end operating expenditures.

The interfund payable from the General Fund to the Component Unit – School Board, School Operating Fund represents the accrued portion of the local appropriation.

**Note 8. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues for the County and its component units totaled \$154,736,083 for fiscal year 2006. Sources of these revenues were as follows:

	<u>Commonwealth</u>	<u>Federal</u>
<b>Primary Government</b>		
Governmental Funds:		
General Fund	\$ 23,597,865	\$ 4,518,288
Transportation Fund	1,007,984	-
E-911	355,777	-
Asset Forfeiture Fund	77,456	1,033
Tourism Fund	<u>5,000</u>	<u>-</u>
Total Primary Government	<u>25,044,082</u>	<u>4,519,321</u>
<b>Component Unit – School Board</b>		
Governmental Funds:		
School Operating Fund	112,431,019	9,850,333
School Nutrition Fund	<u>145,725</u>	<u>2,745,603</u>
Total Component Unit	<u>112,576,744</u>	<u>12,595,936</u>
Grand Total Intergovernmental Revenue	<u>\$ 137,620,826</u>	<u>\$ 17,115,257</u>

## Note 9. INTERFUND AND COMPONENT UNIT TRANSFERS

A summary of interfund transfer activity is presented as follows:

	Primary Government		Component Unit – School Board				
	General Fund	Transportation Fund	School Operating Fund	School Nutrition Fund	School Capital Projects Fund	Fleet Services Fund	Total Transferred In
<b>Transfer To Fund:</b>							
<b>Primary Government</b>							
General Fund	\$ -	\$ 32,005	\$ -	\$ -	\$ -	\$ -	\$ 32,005
Transportation Fund	109,291	-	-	-	-	-	109,291
E-911 Fund	166,435	-	-	-	-	-	166,435
General Capital Projects Fund	125,000	-	-	-	-	-	125,000
Parks & Recreation Bond Fund	<u>495,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>495,000</u>
Total Primary Government	<u>895,726</u>	<u>32,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>927,731</u>
<b>Component Unit - School Board</b>							
School Health Benefits Fund	-	-	14,355,081	388,432	16,400	102,287	14,862,200
School Workers' Compensation Fund	<u>-</u>	<u>-</u>	<u>826,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>826,990</u>
Total Component Unit – School Board	<u>-</u>	<u>-</u>	<u>15,182,071</u>	<u>388,432</u>	<u>16,400</u>	<u>102,287</u>	<u>15,689,190</u>
<b>Total Transferred Out</b>	<u>\$ 895,726</u>	<u>\$ 32,005</u>	<u>\$ 15,182,071</u>	<u>\$ 388,432</u>	<u>\$ 16,400</u>	<u>\$ 102,287</u>	<u>\$ 16,616,921</u>

The transfer from the General Fund to the Transportation Fund was recordation proffer funds for pre-emption equipment and an emergency traffic signal.

The transfer from the General Fund to the E-911 Fund was for operating expenditures.

The transfer from the General Fund to the General Capital Projects Fund was proffer funds for drainage improvements in several subdivisions.

The transfer from the General Fund to the Parks and Recreation Bond Fund was proffer funds for a parking lot and landscaping at Willomere Park.

The transfer from the Transportation Fund to the General Fund was a reimbursement for Social Services client transportation expenditures.

Transfers from other Component Unit – School Board Funds (School Nutrition Fund, School Capital Projects Fund, Fleet Services Fund) to the School Health Benefits Fund were reimbursements for health benefits expenditures.

The transfer from Schools Operating Fund to the School Workers' Compensation Fund was a reimbursement for workers' compensation insurance expense.

## **Note 10. COMMITMENTS AND CONTINGENT LIABILITIES**

The County has several operating leases. Payments on these leases are made from the General Fund. Minimum annual payments for capital lease commitments are scheduled in Note 5. Rent expenditures relating to the General Fund operating leases aggregated \$173,513 in Fiscal Year 2006. Other funds had no significant leases.

At June 30, 2006, the Component Unit-School Board had contractual commitments of \$23.6 million for the School Capital Projects Fund for construction and renovation of several schools.

At June 30, 2006, the County had contractual commitments of \$31.3 million for the construction of additions to the water and sewer system.

The County receives grant funds, principally from the U.S. Government, for education programs and various other County programs. Expenditures from certain of these funds are subject to audit by the grantor and the County is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the County, no material refunds will be required as a result of expenditures disallowed by the grantors.

On September 19, 2006 the Stafford County Board of Supervisors authorized participation in the Fall 2006 Virginia Public School Authority issuance and sale of General Obligation School Bonds, in a principal amount not to exceed \$6,375,000. Proceeds of this issue will be used to finance a portion of construction costs for a high school and pre-construction site work for two proposed middle schools.

The County and School Board are named as defendants in several cases for which the outcome of such claims is currently not predictable. It is the opinion of County management, based on the advice of the County Attorney, that any losses incurred related to claims existing at June 30, 2006 will not be material to the County's financial position.

## **Note 11. JOINT VENTURES**

### **A. RAPPAHANNOCK REGIONAL SOLID WASTE MANAGEMENT BOARD**

The Rappahannock Regional Solid Waste Management Board (the Board) is a joint venture of the County and the City of Fredericksburg (the City). The Board was formed under an agreement dated December 9, 1987, for the purpose of operating and maintaining the Regional Landfill for the use and benefit of the citizens of the County and the City. The Board is administered by a six-member board currently comprised of three members from the County and three members from the City made up as follows:

- The County Administrator of the County of Stafford
- Two members of the County of Stafford, Board of Supervisors, to be appointed by the Board of Supervisors
- The City Manager of Fredericksburg
- Two members of the City Council of Fredericksburg, to be appointed by the City Council

The Board adopts an annual operating budget and sets user fees for the landfill. The Board has the authority to enter into written agreements with any contracting party for the operation and maintenance of the landfill. The Board has entered into an operating agreement with the County of Stafford, which will expire December 31, 2024. The County and the City fund operating deficits equally. The title to all real property acquired, held or leased is also allocated equally between the County and City, except for 30 acres owned by Stafford County. The County's net investment is recorded on the Statement of Net Assets as an other non-depreciable asset. The County's equity interest as of June 30, 2006 was \$6,194,632.

State and federal laws and regulations require the Board 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 the waste, the Board reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$7.9 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2006 represents the cumulative amount reported to date based on the percentage of use

## **Note 11. JOINT VENTURES (Continued)**

method for the estimated capacity of the landfill. One-hundred percent of the liability has been recorded for the cells that are currently closed. These amounts are based on the estimated cost to perform all closure and postclosure care in 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Both Stafford County and the City of Fredericksburg have demonstrated financial assurance for these costs.

Complete financial statements for the Board can be obtained from the Director of Solid Waste Management, Rappahannock Regional Solid Waste Management Board, P.O. Box 339, Stafford, Virginia 22555-0339.

### **B. RAPPAHANNOCK REGIONAL JAIL AUTHORITY**

The Rappahannock Regional Jail Authority (Authority) was created in January 1995, to share the cost of operating the existing Security Center and constructing, equipping, maintaining and operating a new regional facility. Member jurisdictions are the City of Fredericksburg, and the Counties of Stafford, Spotsylvania and King George. A twelve-member board consisting of three representatives from each of the member jurisdictions, as follows, governs the Authority:

- The Sheriff of each jurisdiction
- A member of each jurisdiction's governing body
- A representative from each member jurisdiction, appointed by their governing body

When the Authority was created, Stafford County operated a jail facility. In November 1996, a transitional agreement between the Authority and Stafford County was signed. This agreement transferred operation of the Stafford County Jail to the Authority from January 1997, until the date the new regional facility opened, when Stafford's prisoners would be housed in the joint facility. The Rappahannock Regional Jail is located in Stafford County and opened in June 2000. In accordance with the Authority Agreement, member jurisdictions pay operating (per diem) and debt service costs based on percentage of inmate population. The County retains an ongoing financial responsibility for this joint venture due to this requirement of the agreement. The County's payments for the year ended June 30, 2006 totaled \$4,184,119.

Complete financial statements for the Rappahannock Regional Jail Authority can be obtained from the Director of Support Services, Rappahannock Regional Jail, P.O. Box 3300, Stafford, VA 22555.

### **C. CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**

The Central Rappahannock Regional Library (Library) was organized July 1, 1971, pursuant to the provisions of Title 42.1 of the *Code of Virginia* (1950), as amended. Member jurisdictions are the City of Fredericksburg, and the Counties of Stafford, Spotsylvania, and Westmoreland. It provides library and related services to the participating jurisdictions. The Library operates under a Regional Library Board consisting of representatives from each of the member jurisdictions, as follows:

- 2 appointed by the governing body of the City of Fredericksburg
- 2 appointed by the governing body of the County of Stafford
- 2 appointed by the governing body of the County of Spotsylvania
- 1 appointed by the governing body of the County of Westmoreland

The Regional Library Board is empowered to budget and expend funds and to execute contracts. Eighty percent of the Library's operating revenues are derived from annual appropriations by the participating jurisdictions. The remaining twenty percent is derived from fines, fees, donations and State grants. For the year ended June 30, 2006, Stafford County's appropriation to the Regional Library was \$3,781,388.

Complete financial statements for the Central Rappahannock Regional Library can be obtained from the Library Director, Central Rappahannock Regional Library, 1201 Caroline St., Fredericksburg, VA 22401.

## Note 12. RISK MANAGEMENT

### A. PRIMARY GOVERNMENT

The County is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by a combination of commercial insurance purchased from independent third parties and participation in public entity risk pools. There have not been any significant reductions in insurance coverage as compared to the previous year. Settled claims from these risks have not exceeded commercial coverage for the past three fiscal years.

The County participates in VaCorp, which is a public entity risk pool that provides commercial general liability, property, automobile, and other types of insurance coverage to Virginia localities. The County also participates in the Virginia Municipal League Pool for its workers' compensation coverage. In the case of both pools, if there is a loss deficit and depletion of all assets and available insurance of the pool, 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.

The County has chosen to partially retain the risk associated with the employees' health and dental insurance plan. Risk is retained up to the limits based on monthly claims paid per employee and a 115% aggregate stop loss for total claims paid during the year. The risk financing is accounted for in the General Fund. Premiums are paid for all full-time employees of the County (excluding the School Board) to a claims administrator, which processes all claims. Any excess funds at the end of the year are deposited in a reserve account with the claims administrator. This reserve account is used to fund losses in future years. At June 30, 2006, the account had a balance of \$1,039,462.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering recent settlement trends including frequency and amount of pay-outs. The change in the claims liabilities balance during the past two years is as follows:

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning	\$ 703,723	\$ 534,493
Incurred claims (including IBNR)	6,261,685	6,134,372
Claim payments	<u>(6,303,844)</u>	<u>(5,965,142)</u>
Unpaid claims, ending	<u>\$ 661,564</u>	<u>\$ 703,723</u>

### B. COMPONENT UNIT – SCHOOL BOARD

The School Board carries commercial insurance for all risks of loss, except for workers' compensation. Like the County, the School Board participates in the VML public entity risk pool. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year.

Beginning in fiscal year 2002, the School Board revised its health insurance plan to fully retain the associated risk. The risk financing is accounted for in the School Health Benefits Fund. Premiums are paid for all full-time employees of the School Board to a claims administrator, which processes all claims.

Liabilities are reported when it is possible that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include any amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering recent settlement trends including frequency and amount of payouts. The change in the claims liabilities balance during the past two years is as follows:

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning	\$ 1,561,000	\$ 2,928,000
Incurred claims (including IBNR)	18,598,569	13,057,704
Claim payments	<u>(16,918,569)</u>	<u>(14,424,704)</u>
Unpaid claims, ending	<u>\$ 3,241,000</u>	<u>\$ 1,561,000</u>

### Note 13. AUTHORIZED BUT UNISSUED BONDS

On October 20, 1998, the Board of Supervisors, acting on behalf of the Lake Arrowhead Sanitary District, authorized the issuance of the District's Street Improvement Refunding Bond in the maximum principal amount of \$2,200,000 to refund a portion of the District's \$2,530,000 Street Improvement Bond, Series 1989. At June 30, 2006, this issue was pending.

### Note 14. PENDING GASB STATEMENTS

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*. This statement establishes standards for the measurement, recognition, and display of OPEB expenditures and related liabilities, note disclosures and required supplementary information. The statement is effective for fiscal periods beginning after December 15, 2007. The statement has not been implemented by the County. The County has issued a contract for actuarial valuation services. The County will be working with the actuary to determine appropriate funding options.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. It is effective for fiscal periods beginning after December 15, 2006. The statement has not been implemented by the County.

### Note 15. Restatement of Fund Balance / Net Assets

The following table shows the change to beginning fund balance/net assets from the amounts previously reported:

	<u>General Fund</u>	<u>Water and Sewer Fund and Business- type Activities</u>	<u>Governmental Activities</u>	<u>Component Unit - School Board</u>
Fund balance/net assets (deficit), June 30, 2005 as previously reported	\$ 41,565,519	\$ 218,590,304	\$ (140,827,493)	\$ 323,745,458
Effect of recording due to/from other fund	(418,537)	418,537	(418,537)	-
Effect of removing capital assets that will be dedicated to the State	-	-	(3,451,685)	-
Effect of removing accrued insurance claims from the General Fund	661,564	-	-	-
Effect of classifying school activities fund as an agency fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,755,990)</u>
Fund balance/net assets, June 30, 2005, as restated	<u>\$ 41,808,546</u>	<u>\$ 219,008,841</u>	<u>\$ (144,697,715)</u>	<u>\$ 321,989,468</u>

### Note 16. Extraordinary Item

The Extraordinary Item listed in the government-wide Statement of Activities for the primary government represents a receivable from the County's insurance carrier for the value (less deductible) of a fire truck that was destroyed in a vehicle accident.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(unaudited)**



**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
General property taxes	\$ 123,679,540	\$ 123,679,540	\$ 121,622,651	\$ (2,056,889)
Other local taxes	29,739,362	29,739,362	31,587,693	1,848,331
Permits, privilege fees and regulatory licenses	6,476,900	6,476,900	7,174,717	697,817
Fines and forfeitures	846,500	846,500	867,114	20,614
Use of money and property	812,430	812,430	1,387,139	574,709
Charges for services	3,961,693	4,311,693	4,349,136	37,443
Miscellaneous	2,511,583	5,926,263	3,987,512	(1,938,751)
Intergovernmental	26,167,726	27,345,851	28,116,153	770,302
Total revenues	194,195,734	199,138,539	199,092,115	(46,424)
Expenditures				
Current operating:				
General government:				
Board of Supervisors	508,348	543,228	515,206	(28,022)
Clerk of the Board	188,993	192,493	192,484	(9)
County Administrator	640,022	593,571	486,940	(106,631)
Public Information	440,397	440,132	416,259	(23,873)
County Attorney	841,850	1,266,859	1,160,234	(106,625)
Human Resources	495,593	565,593	555,492	(10,101)
Commissioner of the Revenue	2,317,847	2,385,488	2,340,981	(44,507)
Treasurer	1,806,474	1,942,151	1,742,701	(199,450)
Finance	1,386,564	1,401,662	1,356,618	(45,044)
Budget	348,245	343,504	311,804	(31,700)
Computer Services	1,770,959	1,777,469	1,761,141	(16,328)
Geographic Information Systems	580,450	620,312	553,619	(66,693)
Electoral Board and Registrar	344,989	344,989	309,395	(35,594)
	11,670,731	12,417,451	11,702,874	(714,577)
Judicial administration:				
Circuit Court	130,439	82,315	61,989	(20,326)
General District Court	96,400	99,400	86,551	(12,849)
Juvenile and Domestic Relations District Court	65,700	65,700	54,381	(11,319)
Clerk of the Circuit Court	1,400,461	1,444,142	1,268,727	(175,415)
Court Deputies	2,034,083	2,030,083	1,934,045	(96,038)
Magistrate	12,750	12,750	4,891	(7,859)
Commonwealth Attorney	1,847,757	2,005,205	2,004,762	(443)
	5,587,590	5,739,595	5,415,346	(324,249)
Public safety:				
Policing and investigating	11,733,860	12,412,611	12,126,951	(285,660)
Emergency management	5,877,535	6,338,690	6,223,276	(115,414)
Volunteer rescue squads	318,315	323,073	272,519	(50,554)
Volunteer fire departments	1,324,989	1,509,933	1,509,837	(96)
Care and confinement of prisoners	4,184,119	4,184,119	4,184,119	-
Rappahannock Juvenile Detention	1,435,409	1,435,409	1,296,053	(139,356)
15th District Court Unit	190,268	262,656	220,339	(42,317)
Code compliance	4,812,929	5,140,612	4,337,195	(803,417)
Animal control	724,303	734,803	697,077	(37,226)
Litter control	204,841	220,008	218,671	(1,337)
	30,806,568	32,561,914	31,086,037	(1,475,877)
Public works:				
Engineering	288,136	347,094	448,681	101,587
Maintenance of general buildings and grounds and general properties	2,875,211	3,553,515	2,855,672	(697,843)
	3,163,347	3,900,609	3,304,353	(596,256)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Health and social services:				
Local health department	\$ 544,410	\$ 544,410	\$ 544,410	\$ -
Public assistance	11,277,757	11,653,828	10,722,839	(930,989)
Other	1,916,393	1,573,430	1,282,509	(290,921)
	<u>13,738,560</u>	<u>13,771,668</u>	<u>12,549,758</u>	<u>(1,221,910)</u>
Parks, recreation and cultural:				
Administration	3,150,418	3,100,825	3,026,784	(74,041)
Gymnastics program	575,000	587,034	494,050	(92,984)
Pool program	508,989	564,038	561,478	(2,560)
Senior citizens	95,749	95,749	90,510	(5,239)
Seasonal	238,062	241,702	241,698	(4)
Cultural programs	287,213	287,213	287,213	-
Regional library	3,781,388	3,781,388	3,781,388	-
	<u>8,636,819</u>	<u>8,657,949</u>	<u>8,483,121</u>	<u>(174,828)</u>
Community development:				
Planning and community development	1,750,241	2,246,187	1,470,495	(775,692)
Planning commission	225,210	226,343	65,847	(160,496)
Zoning board	454,237	463,010	450,069	(12,941)
Economic development	662,293	701,921	698,585	(3,336)
Other	452,056	478,093	478,092	(1)
Cooperative extension program	196,102	196,102	161,667	(34,435)
	<u>3,740,139</u>	<u>4,311,656</u>	<u>3,324,755</u>	<u>(986,901)</u>
Appropriation to School Board:				
School operating	91,373,919	94,680,818	89,547,690	(5,133,128)
School capital projects	165,000	6,622,270	6,457,270	(165,000)
	<u>91,538,919</u>	<u>101,303,088</u>	<u>96,004,960</u>	<u>(5,298,128)</u>
Capital outlay	<u>900,000</u>	<u>10,450,868</u>	<u>6,939,471</u>	<u>(3,511,397)</u>
Debt service:				
Principal	17,051,454	16,233,106	16,233,105	(1)
Interest and fiscal charges	12,356,478	12,152,285	12,142,734	(9,551)
	<u>29,407,932</u>	<u>28,385,391</u>	<u>28,375,839</u>	<u>(9,552)</u>
Total expenditures	<u>199,190,605</u>	<u>221,500,189</u>	<u>207,186,514</u>	<u>(14,313,675)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,994,871)</u>	<u>(22,361,650)</u>	<u>(8,094,399)</u>	<u>14,267,251</u>
Other Financing Sources (Uses)				
Transfers in	40,000	40,000	32,005	(7,995)
Transfers out	-	(3,629,265)	(895,726)	2,733,539
Total other financing sources (uses), net	<u>40,000</u>	<u>(3,589,265)</u>	<u>(863,721)</u>	<u>2,725,544</u>
Net change in fund balance	(4,954,871)	(25,950,915)	(8,958,120)	16,992,795
Fund balance, beginning, as restated	4,954,871	25,950,915	41,808,546	15,857,631
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,850,426</u>	<u>\$ 32,850,426</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
TRANSPORTATION FUND  
YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Other local taxes - fuel sales tax	\$ 2,733,600	\$ 2,733,600	\$ 3,819,856	\$ 1,086,256
Use of money	104,000	104,000	167,863	63,863
Miscellaneous	-	235,323	313,289	77,966
Intergovernmental	1,240,000	1,240,000	1,007,984	(232,016)
Total revenues	<u>4,077,600</u>	<u>4,312,923</u>	<u>5,308,992</u>	<u>996,069</u>
Expenditures				
Current operating:				
General government	1,152,641	1,282,344	1,362,418	80,074
Appropriation to School Board	-	200,000	200,000	-
Capital outlay	4,800,000	10,021,326	7,328,128	(2,693,198)
Total expenditures	<u>5,952,641</u>	<u>11,503,670</u>	<u>8,890,546</u>	<u>(2,613,124)</u>
Deficiency of revenues under expenditures	<u>(1,875,041)</u>	<u>(7,190,747)</u>	<u>(3,581,554)</u>	<u>3,609,193</u>
Other Financing Sources (Uses)				
Transfers in	4,500,000	4,609,291	109,291	(4,500,000)
Transfers out	(40,000)	(40,000)	(32,005)	7,995
Total other financing sources, net	<u>4,460,000</u>	<u>4,569,291</u>	<u>77,286</u>	<u>(4,492,005)</u>
Net change in fund balance	2,584,959	(2,621,456)	(3,504,268)	(882,812)
Fund balance, beginning	<u>(2,584,959)</u>	<u>2,621,456</u>	<u>4,368,591</u>	<u>1,747,135</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 864,323</u>	<u>\$ 864,323</u>

**SCHEDULE OF FUNDING PROGRESS**

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## Virginia Retirement System

## For the Primary Government:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2003	\$ 50,745,739	\$ 55,319,672	\$ 4,573,933	91.73%	\$ 22,269,680	20.54%
June 30, 2004	53,212,804	61,993,961	8,781,157	85.84%	24,947,360	35.20%
June 30, 2005	57,982,005	75,944,924	17,962,919	76.35%	28,585,983	62.84%

## For Component Unit School Board Non-Professional Employees:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2003	\$ 8,712,515	\$ 10,051,304	\$ 1,338,789	86.68%	\$ 4,883,626	27.41%
June 30, 2004	9,082,137	10,817,509	1,735,372	83.96%	5,106,798	33.98%
June 30, 2005	9,665,736	12,288,811	2,623,075	78.65%	5,354,505	48.99%

**COUNTY OF STAFFORD, VIRGINIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006**

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**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Board of Supervisors annually adopts budgets for the General Fund, and Special Revenue Funds of the primary government. All appropriations are legally controlled at the department level for the General Fund and Special Revenue Funds. On April 28, 2005, the Board of Supervisors approved the original budget reflected in the financial statements.

The budgets are integrated into the accounting system, and budgetary data, as presented in the financial statements, compare the revenues and expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedules for the General Fund and Transportation Fund present actual revenues and expenditures in accordance with accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations for annual budgets lapse at the end of each fiscal year.

**Note 2. MATERIAL VIOLATIONS**

There were no material violations of the annual appropriated budget for the General Fund or Transportation Fund for the fiscal year ended June 30, 2006.

## **OTHER SUPPLEMENTARY INFORMATION**



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

COMBINING SCHEDULES  
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Road Impact Fee – West Fund

Accounts for impact fee receipts from new development in a designated service area in the western portion of the County. Disbursements from this fund are for road improvements attributable to the new development.

Road Impact Fee – South East Fund

Accounts for impact fee receipts from new development in a designated service area in the southeastern portion of the County. Disbursements from this fund are for road improvements attributable to the new development.

E-911 Fund

Accounts for the receipt of E-911 service taxes. Disbursements from this fund are for the operation, maintenance, repair and upgrade of the County's E-911 dispatch system.

Asset Forfeiture Fund

Accounts for the revenues and expenditures associated with the County's drug enforcement activities.

Tourism Fund

Accounts for the revenues and expenditures associated with promoting tourist venues in the County.

CAPITAL PROJECTS FUNDS:

Parks and Recreation Construction Fund

Accounts for revenues and capital expenditures associated with the construction of County parks.

Lake Arrowhead Sanitary District Fund

Accounts for the cost of street improvements in the Lake Arrowhead Sanitary District.



**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	Special Revenue				
	Road Impact Fee - West Fund	Road Impact Fee - SE Fund	E-911 Fund	Asset Forfeiture Fund	Tourism Fund
<b>ASSETS</b>					
Equity in pooled cash and investments	\$ 1,732,724	\$ 339,234	\$ -	\$ 255,446	\$ 988,969
Accounts receivable	-	-	116,511	-	105,865
Intergovernmental receivables	-	-	11,599	1,593	-
Prepaid expenditures	-	-	-	-	183,531
Total assets	<u>\$ 1,732,724</u>	<u>\$ 339,234</u>	<u>\$ 128,110</u>	<u>\$ 257,039</u>	<u>\$ 1,278,365</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other current liabilities	\$ -	\$ -	\$ 2,508	\$ -	\$ 104,033
Accrued salaries and benefits	-	-	57,875	-	2,070
Due to other funds	-	-	67,725	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>128,108</u>	<u>-</u>	<u>106,103</u>
Fund Balances:					
Reserved for:					
Drug enforcement	-	-	-	257,039	-
Unreserved:					
Designated:					
Community development	1,732,724	339,234	-	-	192,294
Undesignated	-	-	2	-	979,968
Total fund balances	<u>1,732,724</u>	<u>339,234</u>	<u>2</u>	<u>257,039</u>	<u>1,172,262</u>
Total liabilities and fund balances	<u>\$ 1,732,724</u>	<u>\$ 339,234</u>	<u>\$ 128,110</u>	<u>\$ 257,039</u>	<u>\$ 1,278,365</u>

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	Capital Projects		Total Nonmajor Governmental Funds
	Parks and Recreation Bond Fund	Lake Arrowhead Sanitary District Fund	
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 287,872	\$ 3,470	\$ 3,607,715
Restricted assets:			
Cash	4,378,393	-	4,378,393
Accounts receivable	-	-	222,376
Intergovernmental receivables	-	-	13,192
Prepaid expenditures	-	-	183,531
Total assets	<u>\$ 4,666,265</u>	<u>\$ 3,470</u>	<u>\$ 8,405,207</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and other current liabilities	\$ 209,900	\$ -	\$ 316,441
Retainage payable	83,681	-	83,681
Accrued salaries and benefits	-	-	59,945
Due to other funds	<u>337,627</u>	<u>-</u>	<u>405,352</u>
Total liabilities	<u>631,208</u>	<u>-</u>	<u>865,419</u>
Fund Balances:			
Reserved for:			
Drug enforcement	-	-	257,039
Unreserved:			
Designated:			
Encumbrances	770,132	-	770,132
Community development	-	-	2,264,252
Capital improvements	2,655,748	3,470	2,659,218
Undesignated	<u>609,177</u>	<u>-</u>	<u>1,589,147</u>
Total fund balances	<u>4,035,057</u>	<u>3,470</u>	<u>7,539,788</u>
Total liabilities and fund balances	<u>\$ 4,666,265</u>	<u>\$ 3,470</u>	<u>\$ 8,405,207</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

**YEAR ENDED JUNE 30, 2006**

	Special Revenue				
	Road Impact Fee - West Fund	Road Impact Fee - SE Fund	E-911 Fund	Asset Forfeiture Fund	Tourism Fund
<b>REVENUES</b>					
Other local taxes	\$ 335,252	\$ 330,944	\$ 1,377,948	\$ -	\$ 860,583
Use of money and property	41,605	8,290	-	4,118	2,818
Miscellaneous	-	-	260	-	-
Intergovernmental	-	-	355,777	78,489	5,000
Total revenues	<u>376,857</u>	<u>339,234</u>	<u>1,733,985</u>	<u>82,607</u>	<u>868,401</u>
<b>EXPENDITURES</b>					
Current operating:					
Judicial administration	-	-	-	3,716	-
Public safety	-	-	2,221,280	15,845	-
Community development	-	-	-	-	573,805
Total expenditures	<u>-</u>	<u>-</u>	<u>2,221,280</u>	<u>19,561</u>	<u>573,805</u>
Excess (deficiency) of revenues over (under) expenditures	<u>376,857</u>	<u>339,234</u>	<u>(487,295)</u>	<u>63,046</u>	<u>294,596</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in	<u>-</u>	<u>-</u>	<u>166,435</u>	<u>-</u>	<u>-</u>
Net change in fund balances	376,857	339,234	(320,860)	63,046	294,596
Fund balance, beginning	<u>1,355,867</u>	<u>-</u>	<u>320,862</u>	<u>193,993</u>	<u>877,666</u>
Fund balance ending	<u>\$ 1,732,724</u>	<u>\$ 339,234</u>	<u>\$ 2</u>	<u>\$ 257,039</u>	<u>\$ 1,172,262</u>

**COMBINING STATEMENT OF REVENUES,  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

**YEAR ENDED JUNE 30, 2006**

	Capital Projects		Total
	Parks and Recreation Bond Fund	Lake Arrowhead Sanitary District Fund	Nonmajor Governmental Funds
<b>REVENUES</b>			
Other local taxes	\$ -	\$ -	\$ 2,904,727
Use of money and property	194,557	-	251,388
Miscellaneous	-	-	260
Intergovernmental	-	-	439,266
Total revenues	<u>194,557</u>	<u>-</u>	<u>3,595,641</u>
<b>EXPENDITURES</b>			
Current operating:			
Judicial administration	-	-	3,716
Public safety	-	-	2,237,125
Community development	<u>1,166,019</u>	<u>-</u>	<u>1,739,824</u>
Total expenditures	<u>1,166,019</u>	<u>-</u>	<u>3,980,665</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(971,462)</u>	<u>-</u>	<u>(385,024)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>495,000</u>	<u>-</u>	<u>661,435</u>
Net change in fund balances	<u>(476,462)</u>	<u>-</u>	<u>276,411</u>
Fund balance, beginning	<u>4,511,519</u>	<u>3,470</u>	<u>7,263,377</u>
Fund balance ending	<u>\$ 4,035,057</u>	<u>\$ 3,470</u>	<u>\$ 7,539,788</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT  
YEAR ENDED JUNE 30, 2006**

PRIMARY GOVERNMENT	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Special Revenue Funds:				
E-911 Fund:				
Revenues				
Other local taxes - E-911 service tax	\$ 1,400,000	\$ 1,400,000	\$ 1,377,948	\$ (22,052)
Miscellaneous	-	-	260	260
Intergovernmental	374,000	374,000	355,777	(18,223)
Total revenues	1,774,000	1,774,000	1,733,985	(40,015)
Expenditures				
Current operating:				
Public safety	2,296,384	2,431,497	2,221,280	(210,217)
Excess (deficiency) of revenues over (under) expenditures	(522,384)	(657,497)	(487,295)	170,202
Other financing sources (uses)				
Transfers in	-	166,435	166,435	-
Net change in fund balance	(522,384)	(491,062)	(320,860)	170,202
Fund balance, beginning	522,384	491,062	320,862	(170,200)
Fund balance, ending	\$ -	\$ -	\$ 2	\$ 2
Asset Forfeiture Fund:				
Revenues				
Use of money and property	\$ -	\$ -	\$ 4,118	\$ 4,118
Intergovernmental	15,915	15,915	78,489	62,574
Total revenues	15,915	15,915	82,607	66,692
Expenditures				
Current operating:				
Judicial administration	17,630	17,630	3,716	(13,914)
Public safety	21,400	21,400	15,845	(5,555)
Total expenditures	39,030	39,030	19,561	(19,469)
Excess (deficiency) of revenues over (under) expenditures	(23,115)	(23,115)	63,046	86,161
Net change in fund balance	(23,115)	(23,115)	63,046	86,161
Fund balance, beginning	23,115	23,115	193,993	170,878
Fund balance, ending	\$ -	\$ -	\$ 257,039	\$ 257,039

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT  
YEAR ENDED JUNE 30, 2006**

PRIMARY GOVERNMENT	Budgeted Amounts		Actual Amounts	Final Budget Over (Under)
	Original	Final		
Special Revenue Funds:				
Tourism Fund:				
Revenues				
Other local taxes	\$ 595,000	\$ 595,000	\$ 860,583	\$ 265,583
Use of money and property	-	-	2,818	2,818
Intergovernmental	5,000	5,000	5,000	-
Total revenues	<u>600,000</u>	<u>600,000</u>	<u>868,401</u>	<u>268,401</u>
Expenditures				
Current operating:				
Community development	<u>600,000</u>	<u>965,590</u>	<u>573,805</u>	<u>(391,785)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(365,590)</u>	<u>294,596</u>	<u>660,186</u>
Net change in fund balance	-	(365,590)	294,596	660,186
Fund balance, beginning	-	365,590	877,666	512,076
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,172,262</u>	<u>\$ 1,172,262</u>
Capital Projects Funds:				
Parks and Recreation Bond Fund:				
Revenues				
Use of money	\$ -	\$ -	\$ 194,557	\$ 194,557
Expenditures				
Current operating:				
Capital Outlay	<u>-</u>	<u>4,634,426</u>	<u>1,166,019</u>	<u>(3,468,407)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(4,634,426)</u>	<u>(971,462)</u>	<u>(3,662,964)</u>
Other financing sources				
Transfers in	<u>-</u>	<u>495,000</u>	<u>495,000</u>	<u>-</u>
Net change in fund balance	-	(4,139,426)	(476,462)	3,662,964
Fund balance, beginning	-	4,139,426	4,511,519	372,093
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,035,057</u>	<u>\$ 4,035,057</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>PRIMARY GOVERNMENT</b>				
Capital Projects Funds:				
General Capital Projects Fund:				
Revenues				
Use of money	\$ -	\$ -	\$ 43,435	\$ 43,435
Miscellaneous	-	-	1,374,327	1,374,327
Total revenues	-	-	1,417,762	1,417,762
Expenditures				
Current operating:				
Capital Outlay	-	54,798,195	8,398,655	(46,399,540)
Appropriation to School Board	-	67,769,219	57,514,758	(10,254,461)
Total expenditures	-	122,567,414	65,913,413	(56,654,001)
Deficiency of revenues under expenditures	-	(122,567,414)	(64,495,651)	58,071,763
Other financing sources				
Transfers in	-	2,858,539	125,000	(2,733,539)
Issuance of debt:				
Commercial paper	-	-	2,715,000	2,715,000
Bonds	-	111,277,000	97,875,000	(13,402,000)
Capital leases	-	8,431,875	8,434,211	2,336
Bond premium	-	-	2,949,267	2,949,267
Total other financing sources	-	122,567,414	112,098,478	(10,468,936)
Net change in fund balance	-	-	47,602,827	47,602,827
Fund balance (deficit), beginning	-	-	(3,415,598)	(3,415,598)
Fund balance, ending	\$ -	\$ -	\$ 44,187,229	\$ 44,187,229

FIDUCIARY FUNDS:

*Celebrate Virginia North Fund*

This fund accounts for assets held by the County in a trustee capacity. It accounts for a special assessment collection used to retire debt incurred by the Celebrate Virginia North Community Development Authority for public infrastructure improvements in the district.

*Lake Arrowhead Sanitary District Fund*

This fund accounts for assets held by the County in a trustee capacity. It accounts for a special assessment collection used to service a bond issue for road improvements in the District.



**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006**

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	<u>Agency Funds</u>		
	<u>Celebrate Virginia North</u>	<u>Lake Arrowhead Sanitary District</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash and short-term investments	\$ 1,008,850	\$ 130,838	\$ 1,139,688
Property taxes receivable	<u>-</u>	<u>319,312</u>	<u>319,312</u>
Total current assets	<u>1,008,850</u>	<u>450,150</u>	<u>1,459,000</u>
Noncurrent assets:			
Cash with fiscal agent	<u>-</u>	<u>657,582</u>	<u>657,582</u>
Total assets	<u>\$ 1,008,850</u>	<u>\$ 1,107,732</u>	<u>\$ 2,116,582</u>
<b>LIABILITIES</b>			
Reserve for bondholders	<u>\$ 1,008,850</u>	<u>\$ 1,107,732</u>	<u>\$ 2,116,582</u>

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
<u>Celebrate Virginia North Fund</u>				
ASSETS				
Cash and short-term investments	\$ 997,649	\$2,002,357	\$(1,991,156)	\$ 1,008,850
LIABILITIES				
Reserve for bondholders	\$ 997,649	\$2,002,357	\$(1,991,156)	\$ 1,008,850
 <u>Lake Arrowhead Sanitary District Fund</u>				
ASSETS				
Cash and short-term investments	\$ 519,965	\$ 218,960	\$ (608,087)	\$ 130,838
Property taxes receivable	402,886	73,605	(157,179)	319,312
Cash with fiscal agent	296,252	610,218	(248,888)	657,582
	<u>\$ 1,219,103</u>	<u>\$ 902,783</u>	<u>\$(1,014,154)</u>	<u>\$ 1,107,732</u>
LIABILITIES				
Reserve for bondholders	\$ 1,219,103	\$ 902,783	\$(1,014,154)	\$ 1,107,732
 <u>Totals - All Fiduciary Funds</u>				
ASSETS				
Cash and short-term investments	\$ 1,517,614	\$2,221,317	\$(2,599,243)	\$ 1,139,688
Property taxes receivable	402,886	73,605	(157,179)	319,312
Cash with fiscal agent	296,252	610,218	(248,888)	657,582
	<u>\$ 2,216,752</u>	<u>\$2,905,140</u>	<u>\$(3,005,310)</u>	<u>\$ 2,116,582</u>
LIABILITIES				
Reserve for bondholders	\$ 2,216,752	\$2,905,140	\$(3,005,310)	\$ 2,116,582



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

COMBINING SCHEDULES  
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

GOVERNMENTAL FUNDS:

School Operating Fund

Accounts for the operations of the County's public school system.

School Nutrition Fund

Accounts for the revenues and expenditures associated with the provision of food services within the County school system.

School Capital Projects Fund

Accounts for the acquisition, construction and equipping of new schools and renovations and additions to older schools.

School Construction, Renovation and Maintenance Fund

Accounts for the revenues from the sale of Trigon stock that are used solely to offset the costs described in the title of the fund and related expenditures.

PROPRIETARY FUNDS:

Fleet Services

Accounts for the revenue and expenses associated with providing vehicle maintenance services to County and School departments.

School Health Benefits Fund

Accounts for the revenues and expenditures associated with the provision of health-related benefits to employees of Stafford County Public Schools.

School Workers' Compensation Fund

Accounts for the revenues and expenses associated with the administration of the workers' compensation insurance program for school board employees.

AGENCY FUND:

School Activities Fund

Accounts for the receipts and expenditures of the individual schools' activities. The fund is maintained on a cash basis. The Stafford County School Board is liable for its expenditures.

**COMBINING BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	School Operating	School Capital Projects	Other Governmental Funds	Totals
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 1,000	\$ 7,121,002	\$ 1,833,855	\$ 8,955,857
Restricted asset:				
Cash and investments	-	34,786,762	8,094	34,794,856
Accounts receivable	224,370	-	-	224,370
Intergovernmental receivables	6,330,228	-	126,165	6,456,393
Due from primary government	26,606,024	-	-	26,606,024
Inventory	-	-	230,612	230,612
Total assets	<u>\$ 33,161,622</u>	<u>\$ 41,907,764</u>	<u>\$ 2,198,726</u>	<u>\$ 77,268,112</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,258,887	\$ 1,849,125	\$ 5,485	\$ 4,113,497
Retainage	-	3,746,304	-	3,746,304
Accrued salaries and benefits	24,500,856	6,117	621,395	25,128,368
Other accrued liabilities	126,042	-	-	126,042
Due to other funds	-	-	34,922	34,922
Total liabilities	<u>26,885,785</u>	<u>5,601,546</u>	<u>661,802</u>	<u>33,149,133</u>
Fund Balances:				
Reserved for:				
Construction and maintenance	-	-	800	800
Grants	20,588	-	-	20,588
Unreserved:				
Designated:				
Encumbrances	6,255,249	23,646,442	17,872	29,919,563
Designated for future expenditures	-	12,659,776	1,518,252	14,178,028
Total fund balance	<u>6,275,837</u>	<u>36,306,218</u>	<u>1,536,924</u>	<u>44,118,979</u>
Total liabilities and fund balances	<u>\$ 33,161,622</u>	<u>\$ 41,907,764</u>	<u>\$ 2,198,726</u>	<u>\$ 77,268,112</u>

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
JUNE 30, 2006**

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**Total fund balances** **\$ 44,118,979**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Governmental capital assets	\$ 410,724,852	
Less accumulated depreciation	(83,002,920)	
Net Capital Assets		327,721,932

Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.

Assets	9,693,376	
Liabilities	(3,592,269)	
Net Assets		6,101,107

Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Taxable refunding bonds	(556,414)	
Compensated absences	(3,695,590)	
		(4,252,004)

Net assets of governmental activities		<u>\$373,690,014</u>
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**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS OF THE DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**JUNE 30, 2006**

	Special Revenue		
	School Nutrition	School Construction, Renovation & Maintenance	Totals
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 1,833,855	\$ -	\$ 1,833,855
Restricted asset:			
Cash and investments	7,294	800	8,094
Intergovernmental receivables	126,165	-	126,165
Inventory	<u>230,612</u>	<u>-</u>	<u>230,612</u>
Total assets	<u>\$ 2,197,926</u>	<u>\$ 800</u>	<u>\$ 2,198,726</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 5,485	\$ -	\$ 5,485
Accrued salaries and benefits	621,395	-	621,395
Due to other funds	<u>34,922</u>	<u>-</u>	<u>34,922</u>
Total liabilities	<u>661,802</u>	<u>-</u>	<u>661,802</u>
<b>Fund Balances:</b>			
Reserved for:			
Construction and maintenance	-	800	800
Unreserved:			
Designated:			
Encumbrances	17,872	-	17,872
Designated for future expenditures	<u>1,518,252</u>	<u>-</u>	<u>1,518,252</u>
Total fund balance	<u>1,536,124</u>	<u>800</u>	<u>1,536,924</u>
Total liabilities and fund balances	<u>\$ 2,197,926</u>	<u>\$ 800</u>	<u>\$ 2,198,726</u>

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2006**

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Agency Funds**ASSETS**

## Current assets:

Cash and short-term investments

\$ 1,139,688

Property taxes receivable

319,312

Total current assets

1,459,000

## Noncurrent assets:

Cash with fiscal agent

657,582

Total assets

\$ 2,116,582**LIABILITIES**

Reserve for bondholders

\$ 2,116,582*The accompanying notes are an integral part of these financial statements.*



**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
General property taxes	\$ 123,679,540	\$ 123,679,540	\$ 121,622,651	\$ (2,056,889)
Other local taxes	29,739,362	29,739,362	31,587,693	1,848,331
Permits, privilege fees and regulatory licenses	6,476,900	6,476,900	7,174,717	697,817
Fines and forfeitures	846,500	846,500	867,114	20,614
Use of money and property	812,430	812,430	1,387,139	574,709
Charges for services	3,961,693	4,311,693	4,349,136	37,443
Miscellaneous	2,511,583	5,926,263	3,987,512	(1,938,751)
Intergovernmental	26,167,726	27,345,851	28,116,153	770,302
Total revenues	194,195,734	199,138,539	199,092,115	(46,424)
<b>Expenditures</b>				
Current operating:				
General government:				
Board of Supervisors	508,348	543,228	515,206	(28,022)
Clerk of the Board	188,993	192,493	192,484	(9)
County Administrator	640,022	593,571	486,940	(106,631)
Public Information	440,397	440,132	416,259	(23,873)
County Attorney	841,850	1,266,859	1,160,234	(106,625)
Human Resources	495,593	565,593	555,492	(10,101)
Commissioner of the Revenue	2,317,847	2,385,488	2,340,981	(44,507)
Treasurer	1,806,474	1,942,151	1,742,701	(199,450)
Finance	1,386,564	1,401,662	1,356,618	(45,044)
Budget	348,245	343,504	311,804	(31,700)
Computer Services	1,770,959	1,777,469	1,761,141	(16,328)
Geographic Information Systems	580,450	620,312	553,619	(66,693)
Electoral Board and Registrar	344,989	344,989	309,395	(35,594)
	11,670,731	12,417,451	11,702,874	(714,577)
Judicial administration:				
Circuit Court	130,439	82,315	61,989	(20,326)
General District Court	96,400	99,400	86,551	(12,849)
Juvenile and Domestic Relations District Court	65,700	65,700	54,381	(11,319)
Clerk of the Circuit Court	1,400,461	1,444,142	1,268,727	(175,415)
Court Deputies	2,034,083	2,030,083	1,934,045	(96,038)
Magistrate	12,750	12,750	4,891	(7,859)
Commonwealth Attorney	1,847,757	2,005,205	2,004,762	(443)
	5,587,590	5,739,595	5,415,346	(324,249)
Public safety:				
Policing and investigating	11,733,860	12,412,611	12,126,951	(285,660)
Emergency management	5,877,535	6,338,690	6,223,276	(115,414)
Volunteer rescue squads	318,315	323,073	272,519	(50,554)
Volunteer fire departments	1,324,989	1,509,933	1,509,837	(96)
Care and confinement of prisoners	4,184,119	4,184,119	4,184,119	-
Rappahannock Juvenile Detention	1,435,409	1,435,409	1,296,053	(139,356)
15th District Court Unit	190,268	262,656	220,339	(42,317)
Code compliance	4,812,929	5,140,612	4,337,195	(803,417)
Animal control	724,303	734,803	697,077	(37,226)
Litter control	204,841	220,008	218,671	(1,337)
	30,806,568	32,561,914	31,086,037	(1,475,877)
Public works:				
Engineering	288,136	347,094	448,681	101,587
Maintenance of general buildings and grounds and general properties	2,875,211	3,553,515	2,855,672	(697,843)
	3,163,347	3,900,609	3,304,353	(596,256)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Health and social services:				
Local health department	\$ 544,410	\$ 544,410	\$ 544,410	\$ -
Public assistance	11,277,757	11,653,828	10,722,839	(930,989)
Other	1,916,393	1,573,430	1,282,509	(290,921)
	<u>13,738,560</u>	<u>13,771,668</u>	<u>12,549,758</u>	<u>(1,221,910)</u>
Parks, recreation and cultural:				
Administration	3,150,418	3,100,825	3,026,784	(74,041)
Gymnastics program	575,000	587,034	494,050	(92,984)
Pool program	508,989	564,038	561,478	(2,560)
Senior citizens	95,749	95,749	90,510	(5,239)
Seasonal	238,062	241,702	241,698	(4)
Cultural programs	287,213	287,213	287,213	-
Regional library	3,781,388	3,781,388	3,781,388	-
	<u>8,636,819</u>	<u>8,657,949</u>	<u>8,483,121</u>	<u>(174,828)</u>
Community development:				
Planning and community development	1,750,241	2,246,187	1,470,495	(775,692)
Planning commission	225,210	226,343	65,847	(160,496)
Zoning board	454,237	463,010	450,069	(12,941)
Economic development	662,293	701,921	698,585	(3,336)
Other	452,056	478,093	478,092	(1)
Cooperative extension program	196,102	196,102	161,667	(34,435)
	<u>3,740,139</u>	<u>4,311,656</u>	<u>3,324,755</u>	<u>(986,901)</u>
Appropriation to School Board:				
School operating	91,373,919	94,680,818	89,547,690	(5,133,128)
School capital projects	165,000	6,622,270	6,457,270	(165,000)
	<u>91,538,919</u>	<u>101,303,088</u>	<u>96,004,960</u>	<u>(5,298,128)</u>
Capital outlay	<u>900,000</u>	<u>10,450,868</u>	<u>6,939,471</u>	<u>(3,511,397)</u>
Debt service:				
Principal	17,051,454	16,233,106	16,233,105	(1)
Interest and fiscal charges	12,356,478	12,152,285	12,142,734	(9,551)
	<u>29,407,932</u>	<u>28,385,391</u>	<u>28,375,839</u>	<u>(9,552)</u>
Total expenditures	<u>199,190,605</u>	<u>221,500,189</u>	<u>207,186,514</u>	<u>(14,313,675)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,994,871)</u>	<u>(22,361,650)</u>	<u>(8,094,399)</u>	<u>14,267,251</u>
Other Financing Sources (Uses)				
Transfers in	40,000	40,000	32,005	(7,995)
Transfers out	-	(3,629,265)	(895,726)	2,733,539
Total other financing sources (uses), net	<u>40,000</u>	<u>(3,589,265)</u>	<u>(863,721)</u>	<u>2,725,544</u>
Net change in fund balance	(4,954,871)	(25,950,915)	(8,958,120)	16,992,795
Fund balance, beginning, as restated	4,954,871	25,950,915	41,808,546	15,857,631
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,850,426</u>	<u>\$ 32,850,426</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
TRANSPORTATION FUND  
YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Other local taxes - fuel sales tax	\$ 2,733,600	\$ 2,733,600	\$ 3,819,856	\$ 1,086,256
Use of money	104,000	104,000	167,863	63,863
Miscellaneous	-	235,323	313,289	77,966
Intergovernmental	1,240,000	1,240,000	1,007,984	(232,016)
Total revenues	<u>4,077,600</u>	<u>4,312,923</u>	<u>5,308,992</u>	<u>996,069</u>
Expenditures				
Current operating:				
General government	1,152,641	1,282,344	1,362,418	80,074
Appropriation to School Board	-	200,000	200,000	-
Capital outlay	4,800,000	10,021,326	7,328,128	(2,693,198)
Total expenditures	<u>5,952,641</u>	<u>11,503,670</u>	<u>8,890,546</u>	<u>(2,613,124)</u>
Deficiency of revenues under expenditures	<u>(1,875,041)</u>	<u>(7,190,747)</u>	<u>(3,581,554)</u>	<u>3,609,193</u>
Other Financing Sources (Uses)				
Transfers in	4,500,000	4,609,291	109,291	(4,500,000)
Transfers out	(40,000)	(40,000)	(32,005)	7,995
Total other financing sources, net	<u>4,460,000</u>	<u>4,569,291</u>	<u>77,286</u>	<u>(4,492,005)</u>
Net change in fund balance	2,584,959	(2,621,456)	(3,504,268)	(882,812)
Fund balance, beginning	<u>(2,584,959)</u>	<u>2,621,456</u>	<u>4,368,591</u>	<u>1,747,135</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 864,323</u>	<u>\$ 864,323</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
MAJOR FUNDS OF DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual Amounts	
School Operating Fund:				
Revenues				
Charges for services	\$ 1,227,095	\$ 1,227,095	\$ 882,554	\$ (344,541)
Miscellaneous	3,057,150	1,507,993	512,646	(995,347)
Appropriation from Primary Government	91,373,919	95,297,666	93,887,838	(1,409,828)
Intergovernmental	123,609,447	125,082,211	122,281,352	(2,800,859)
Total revenues	219,267,611	223,114,965	217,564,390	(5,550,575)
Expenditures				
Current operating:				
Education	205,220,348	206,553,755	195,170,795	(11,382,960)
Capital outlay	2,646,160	11,656,052	8,847,339	(2,808,713)
Debt service:				
Principal	191,567	191,567	228,562	36,995
Interest and fiscal charges	61,913	61,913	48,994	(12,919)
Total expenditures	208,119,988	218,463,287	204,295,690	(14,167,597)
Excess of revenues over expenditures	11,147,623	4,651,678	13,268,700	8,617,022
Other Financing Uses				
Transfers out	(11,146,823)	(15,173,813)	(15,182,071)	(8,258)
Net change in fund balance	800	(10,522,135)	(1,913,371)	8,608,764
Fund balance, beginning	(800)	10,522,135	8,189,208	(2,332,927)
Fund balance, ending	\$ -	\$ -	\$ 6,275,837	\$ 6,275,837
School Capital Projects Fund:				
Revenues				
Use of money and property	\$ -	\$ 83,000	\$ 924,967	\$ 841,967
Miscellaneous	-	-	4,045	4,045
Appropriation from Primary Government	-	27,247,870	59,831,880	32,584,010
Total revenues	-	27,330,870	60,760,892	33,430,022
Expenditures				
Current operating:				
Capital outlay	-	88,379,043	53,916,281	(34,462,762)
Excess (deficiency) of revenues over (under) expenditures	-	(61,048,173)	6,844,611	67,892,784
Other Financing Uses				
Transfers out	-	(22,769)	(16,400)	6,369
Net change in fund balance	-	(61,070,942)	6,828,211	67,899,153
Fund balance, beginning	-	61,070,942	29,478,007	(31,592,935)
Fund balance, ending	\$ -	\$ -	\$ 36,306,218	\$ 36,306,218

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
NONMAJOR FUNDS OF DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
School Nutrition Fund:				
Revenues				
Use of money and property	\$ 12,000	\$ 12,000	\$ 12,848	\$ 848
Charges for services	6,254,088	6,254,088	6,286,732	32,644
Intergovernmental	2,061,808	2,061,808	2,891,328	829,520
Total revenues	<u>8,327,896</u>	<u>8,327,896</u>	<u>9,190,908</u>	<u>863,012</u>
Expenditures				
Current operating:				
Education	7,917,516	7,919,843	8,464,225	544,382
Capital outlay	112,000	147,568	147,247	(321)
Total expenditures	<u>8,029,516</u>	<u>8,067,411</u>	<u>8,611,472</u>	<u>544,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>298,380</u>	<u>260,485</u>	<u>579,436</u>	<u>318,951</u>
Other Financing Sources (Uses)				
Transfers in	-	18,971	-	(18,971)
Transfers out	<u>(349,110)</u>	<u>(407,403)</u>	<u>(388,432)</u>	<u>18,971</u>
Total other financing uses, net	<u>(349,110)</u>	<u>(388,432)</u>	<u>(388,432)</u>	<u>-</u>
Net change in fund balance	(50,730)	(127,947)	191,004	318,951
Fund balance, beginning	<u>50,730</u>	<u>127,947</u>	<u>1,345,120</u>	<u>1,217,173</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,536,124</u>	<u>\$ 1,536,124</u>

## COUNTY OF STAFFORD, VIRGINIA

Schedule XV

## STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS OF THE DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

## INTERNAL SERVICE FUNDS

JUNE 30, 2006

	Business Type Activities Component Unit - School Board			
	Fleet Services Fund	School Health Benefits Fund	School Workers' Compensation Fund	Totals
<b>ASSETS</b>				
Current assets:				
Cash, cash equivalents and temporary cash investments	\$ 360,930	\$ 7,655,346	\$ 524,881	\$ 8,541,157
Receivables	250	-	-	250
Due from other funds	-	34,922	-	34,922
Inventory	278,640	-	-	278,640
Total current assets	639,820	7,690,268	524,881	8,854,969
Noncurrent assets:				
Restricted cash and cash equivalents	-	409,411	-	409,411
Capital assets:				
Land	37,356	-	-	37,356
Land improvements	21,932	-	-	21,932
Buildings and building improvements	898,009	-	-	898,009
Furniture, fixtures and equipment	67,176	-	-	67,176
Less accumulated depreciation	(595,477)	-	-	(595,477)
Total noncurrent assets	428,996	409,411	-	838,407
Total assets	\$ 1,068,816	\$ 8,099,679	\$ 524,881	\$ 9,693,376
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 56,518	\$ 2,971	\$ 20,708	\$ 80,197
Accrued salaries and benefits	53,299	10,163	1,676	65,138
Accrued insurance claims	-	3,241,000	-	3,241,000
Compensated absences	3,439	-	-	3,439
Other accrued liabilities	-	95,178	-	95,178
Total current liabilities	113,256	3,349,312	22,384	3,484,952
Noncurrent liabilities:				
Compensated absences	107,317	-	-	107,317
Total liabilities	220,573	3,349,312	22,384	3,592,269
<b>NET ASSETS</b>				
Invested in capital assets	428,996	-	-	428,996
Unrestricted	419,247	4,750,367	502,497	5,672,111
Total net assets	848,243	4,750,367	502,497	6,101,107
Total liabilities and net assets	\$ 1,068,816	\$ 8,099,679	\$ 524,881	\$ 9,693,376

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS OF THE DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2006**

	Business Type Activities Component Unit - School Board			Totals
	Fleet Services Fund	School Health Benefits Fund	School Workers' Compensation Fund	
Operating revenues:				
Charges for services	\$ 3,084,227	\$ -	\$ -	\$ 3,084,227
Operating expenses:				
Personnel services	1,406,007	15,070,883	324,493	16,801,383
Contractual services	493,508	-	-	493,508
Materials and supplies	878,721	-	-	878,721
Heat, light and power	34,818	-	-	34,818
Telecommunication and internal services	7,385	-	-	7,385
Depreciation	31,737	-	-	31,737
Total operating expenses	2,852,176	15,070,883	324,493	18,247,552
Operating income (loss)	232,051	(15,070,883)	(324,493)	(15,163,325)
Nonoperating revenues (expenses):				
Interest and investment revenue	-	185,360	-	185,360
Transfers in	-	14,862,200	826,990	15,689,190
Transfers out	(102,287)	-	-	(102,287)
Total nonoperating revenues (expenses), net	(102,287)	15,047,560	826,990	15,772,263
Change in net assets	129,764	(23,323)	502,497	608,938
Total net assets, beginning	718,479	4,773,690	-	5,492,169
Total net assets, ending	\$ 848,243	\$ 4,750,367	\$ 502,497	\$ 6,101,107

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS OF THE DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2006**

	Business Type Activities - Component Unit - School Board			Totals
	Fleet Services Fund	School Health Benefits Fund	School Workers' Compensation Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 3,084,227	\$ -	\$ -	\$ 3,084,227
Payments to suppliers	(1,571,577)	(13,378,040)	(302,109)	(15,251,726)
Payments to employees	(1,392,868)	-	-	(1,392,868)
Net cash provided by (used in) operating activities	<u>119,782</u>	<u>(13,378,040)</u>	<u>(302,109)</u>	<u>(13,560,367)</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfers from other funds	-	14,827,278	826,990	15,654,268
Transfers to other funds	(101,004)	-	-	(101,004)
Net cash provided by (used in) noncapital and related financing activities	<u>(101,004)</u>	<u>14,827,278</u>	<u>826,990</u>	<u>15,553,264</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(5,000)	-	-	(5,000)
Net cash used in capital and related financing activities	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	-	185,360	-	185,360
Net increase in cash and cash equivalents	13,778	1,634,598	524,881	2,173,257
Cash and cash equivalents, beginning	347,152	6,430,159	-	6,777,311
Cash and cash equivalents, ending	<u>\$ 360,930</u>	<u>\$ 8,064,757</u>	<u>\$ 524,881</u>	<u>\$ 8,950,568</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 232,051	\$ (15,070,883)	\$ (324,493)	\$ (15,163,325)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	31,737	-	-	31,737
Changes in assets and liabilities:				
Increase in inventory	(41,499)	-	-	(41,499)
Increase (decrease) in accounts payable and accrued expenses	(115,646)	1,692,843	22,384	1,599,581
Increase in compensated absences	13,139	-	-	13,139
Total adjustments	<u>(112,269)</u>	<u>1,692,843</u>	<u>22,384</u>	<u>1,602,958</u>
Net cash provided by (used in) operating activities	<u>\$ 119,782</u>	<u>\$ (13,378,040)</u>	<u>\$ (302,109)</u>	<u>\$ (13,560,367)</u>



**STATEMENT OF FIDUCIARY NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**FIDUCIARY FUND**  
**JUNE 30, 2006**

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Agency Fund

School Activities Fund

**ASSETS**

Current assets:

Cash and short-term investments

\$ 1,802,465

**LIABILITIES**

Reserved for future expenditures

\$ 1,802,465

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
YEAR ENDED JUNE 30, 2006**

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	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
<u>School Activities Fund</u>				
ASSETS				
Cash and short-term investments	<u>\$ 1,755,990</u>	<u>\$ 6,282,724</u>	<u>\$ (6,236,249)</u>	<u>\$ 1,802,465</u>
LIABILITIES				
Reserved for future expenditures	<u>\$ 1,755,990</u>	<u>\$ 6,282,724</u>	<u>\$ (6,236,249)</u>	<u>\$ 1,802,465</u>

COMBINING SCHEDULES  
DISCRETELY PRESENTED COMPONENT UNIT –  
WIDEWATER COMMUNITY DEVELOPMENT AUTHORITY

GOVERNMENTAL FUND:

Widewater Community Development Authority

As fiscal agent for the Authority, the County collects special tax district revenues and pro rata assessment fees for payment of debt service on transportation improvement bonds. Collections are transferred to the Authority.

**STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNIT  
WIDewater COMMUNITY DEVELOPMENT AUTHORITY  
JUNE 30, 2006**

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**ASSETS**

## Current assets:

Receivables	\$ 5,608
Total current assets	<u>5,608</u>

## Noncurrent assets:

Restricted cash and cash equivalents	<u>1,488,990</u>
Total noncurrent assets	<u>1,488,990</u>
Total assets	<u><u>\$ 1,494,598</u></u>

**LIABILITIES**

## Current liabilities:

Deferred revenue	\$ 3,371
Deposits	<u>1,068,856</u>
Total current liabilities	<u>1,072,227</u>

**NET ASSETS**

## Restricted:

Debt service	<u>422,371</u>
Total net assets	<u>422,371</u>
Total liabilities and net assets	<u><u>\$ 1,494,598</u></u>

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**WIDEWATER COMMUNITY DEVELOPMENT AUTHORITY**  
**YEAR ENDED JUNE 30, 2006**

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Operating revenues:	
Property taxes	<u>\$         80,865</u>
 Operating income	 <u>80,865</u>
 Change in net assets	 80,865
Total net assets, beginning	<u>341,506</u>
Total net assets, ending	<u>\$      422,371</u>



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

## **STATISTICAL SECTION**

## **STATISTICAL SECTION**

### **(unaudited)**

This section of Stafford County's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the County's overall financial health.

### **Contents**

#### **Financial Trends S-1 thru S-4**

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

#### **Revenue Capacity S-5 thru S-8**

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.

#### **Debt Capacity S-9 thru S-13**

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

#### **Demographic & Economic Information S-14 thru S-16**

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

#### **Operation Information S-17 thru S-19**

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. The County implemented GASB Statement 34 in fiscal year 2002; tables presenting government-wide information include information beginning in that year.



COUNTY OF STAFFORD, VIRGINIA

Table S-1

NET ASSETS BY COMPONENT

Fiscal Years 2002 - 2006 (1)

(accrual basis of accounting)

(unaudited) (2)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Primary government:					
Governmental activities:					
Invested in capital assets, net of related debt	\$ 25,419,105	\$ 30,947,474	\$ 28,107,367	\$ 36,936,581	\$ 6,822,858
Restricted	1,052,067	1,023,400	1,614,704	1,545,450	1,318,218
Unrestricted (deficit)	(134,119,298)	(131,139,071)	(173,293,436)	(179,309,524)	(194,432,777)
Total governmental activities net assets	<u><u>\$ (107,648,126)</u></u>	<u><u>\$ (99,168,197)</u></u>	<u><u>\$ (143,571,365)</u></u>	<u><u>\$ (140,827,493)</u></u>	<u><u>\$ (186,291,701)</u></u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 101,869,701	\$ 108,814,671	\$ 123,056,793	\$137,964,096	\$ 150,066,102
Restricted	979,716	2,011,415	-	11,065,752	11,396,183
Unrestricted	69,533,013	75,507,706	76,283,039	69,560,456	80,458,112
Total business-type activities net assets	<u><u>\$ 172,382,430</u></u>	<u><u>\$ 186,333,792</u></u>	<u><u>\$ 199,339,832</u></u>	<u><u>\$ 218,590,304</u></u>	<u><u>\$ 241,920,397</u></u>
Total Primary government					
Invested in capital assets, net of related debt	\$127,288,806	\$139,762,145	\$151,164,160	\$174,900,677	\$156,888,960
Restricted	2,031,783	3,034,815	1,614,704	12,611,202	12,714,401
Unrestricted (deficit)	(64,586,285)	(55,631,365)	(97,010,397)	(109,749,068)	(113,974,665)
Total primary government net assets	<u><u>\$ 64,734,304</u></u>	<u><u>\$ 87,165,595</u></u>	<u><u>\$ 55,768,467</u></u>	<u><u>\$ 77,762,811</u></u>	<u><u>\$ 55,628,696</u></u>
Component Units: (3)					
Component Unit - School Board					
Invested in capital assets	\$216,818,156	\$220,327,241	\$246,141,147	\$282,311,241	\$ 328,150,928
Restricted	1,318,050	821,559	148,007	769	21,388
Unrestricted	13,644,483	12,872,594	51,909,210	41,433,448	45,517,698
Total component unit - School Board net assets	<u><u>\$ 231,780,689</u></u>	<u><u>\$ 234,021,394</u></u>	<u><u>\$ 298,198,364</u></u>	<u><u>\$ 323,745,458</u></u>	<u><u>\$ 373,690,014</u></u>
Component Unit - Widdewater CDA					
Restricted	\$ 129,440	\$ 157,185	\$ 208,653	\$ 341,506	\$ 422,371
Total component unit - Widdewater CDA net assets	<u><u>\$ 129,440</u></u>	<u><u>\$ 157,185</u></u>	<u><u>\$ 208,653</u></u>	<u><u>\$ 341,506</u></u>	<u><u>\$ 422,371</u></u>

(1) In fiscal year 2002, the County implemented new reporting requirements to comply with GASB 34. Therefore, ten years of data is unavailable, but will be accumulated going forward.

(2) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(3) Component units are included in this table because the Component unit - School Board holds title to the assets associated with the construction of schools, although the County, not the School Board is obligated for the debt.  
(School Boards in the State of Virginia are not permitted to issue debt.)

COUNTY OF STAFFORD, VIRGINIA

Table S-2  
Page 1 of 3

**CHANGES IN NET ASSETS**  
**Fiscal Years 2002 - 2006 (1)**  
**(accrual basis of accounting)**  
**(unaudited) (2)**

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Primary government:</b>					
<b>Expenses</b>					
Governmental activities:					
General government	\$ 8,815,778	\$ 9,501,695	\$ 9,380,584	\$ 11,537,549	\$ 5,934,279
Judicial administration	3,242,523	3,645,112	4,051,602	4,575,589	5,484,964
Public safety	21,554,310	25,017,855	27,018,180	31,085,473	36,405,012
Public works	2,124,067	2,435,958	2,658,003	3,666,239	2,050,631
Health and social services	9,718,333	10,690,114	10,860,558	12,172,857	12,534,771
Parks, recreation and cultural	6,523,471	5,846,435	6,980,492	6,364,800	7,898,191
Community development	2,057,321	2,594,082	2,682,723	3,763,355	5,417,064
Appropriation to School Board	76,945,140	74,469,124	135,344,754	102,306,484	153,719,718
Transportation	1,409,410	1,043,080	3,444,264	1,998,682	7,333,030
Interest	8,766,244	9,804,562	10,369,246	11,367,776	11,864,125
Change in equity - joint venture	-	(186,518)	391,306	-	-
Total governmental activities expenses	<u>141,156,597</u>	<u>144,861,499</u>	<u>213,181,712</u>	<u>188,838,804</u>	<u>248,641,785</u>
Total business-type activities expenses	<u>18,513,910</u>	<u>20,790,301</u>	<u>20,237,165</u>	<u>21,402,265</u>	<u>23,528,349</u>
Total primary government expenses	<u>\$ 159,670,507</u>	<u>\$ 165,651,800</u>	<u>\$ 233,418,877</u>	<u>\$ 210,241,069</u>	<u>\$ 272,170,134</u>
<b>Program revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ -	\$ 176,550	\$ 160,199	\$ 405,787	\$ 214,435
Judicial administration	479,048	771,383	905,839	1,077,149	1,218,732
Public safety	3,886,048	4,891,277	5,724,699	6,159,315	7,469,813
Health and social services	76,875	72,345	80,625	72,088	72,325
Parks, recreation and cultural	1,041,836	1,144,581	1,306,205	1,421,089	1,465,902
Community development	683,579	170,993	380,965	684,653	915,784
Operating grants and contributions					
General government	536,879	489,410	514,665	529,116	549,804
Judicial administration	1,344,975	1,035,512	1,035,082	1,197,742	1,471,532
Public safety	3,802,350	3,831,876	4,377,325	4,488,873	5,053,688
Public works	-	-	-	272,722	-
Health and social services	5,389,947	6,198,646	6,705,538	6,804,248	7,324,716
Parks, recreation and cultural	-	-	-	31,000	9,000
Community development	125,279	194,429	13,983	5,000	5,000
Transportation	-	22,400	-	1,117,486	-
Capital grants and contributions					
General government	-	407,800	-	1,312,406	-
Public works	-	800,000	-	-	-
Parks, recreation and cultural	-	-	-	1,016,158	-
Total governmental activities program revenues	<u>17,366,816</u>	<u>20,207,202</u>	<u>21,205,125</u>	<u>26,594,832</u>	<u>25,770,731</u>

COUNTY OF STAFFORD, VIRGINIA

Table S-2  
Page 2 of 3

**CHANGES IN NET ASSETS**  
**Fiscal Years 2002 - 2006 (1)**  
**(accrual basis of accounting)**  
**(unaudited) (2)**

	Fiscal Year				
	2002	2003	2004	2005	2006
Business-type activities:					
Charges for services	\$ 15,350,637	\$ 14,879,161	\$ 15,882,524	\$ 16,349,586	\$ 18,908,872
Operating grants and contributions	-	-	87,713	-	15,000
Capital grants and contributions	22,255,450	18,367,766	16,463,535	22,302,622	24,254,354
Total business-type activities program revenues	37,606,087	33,246,927	32,433,772	38,652,208	43,178,226
Total primary government program revenues	\$ 54,972,903	\$ 53,454,129	\$ 53,638,897	\$ 65,247,040	\$ 68,948,957
<b>Net (expense)/revenue (3)</b>					
Governmental activities	\$ (123,789,781)	\$ (124,654,297)	\$ (191,976,587)	\$ (162,243,972)	\$ (222,871,054)
Business activities	19,092,177	12,456,626	12,196,607	17,249,943	19,649,877
Total primary government net expense	\$ (104,697,604)	\$ (112,197,671)	\$ (179,779,980)	\$ (144,994,029)	\$ (203,221,177)
<b>General revenues and other changes in net assets</b>					
Governmental activities:					
Taxes					
General property taxes	\$ 85,426,081	\$ 93,176,182	\$ 102,313,689	\$ 112,385,362	\$ 119,255,939
Other local taxes	23,658,116	24,816,046	29,694,805	35,434,590	40,352,470
Unrestricted grants and contributions	9,634,265	12,132,969	12,903,423	12,925,795	14,141,680
Investment earnings	703,383	953,799	442,784	1,151,048	1,849,825
Miscellaneous	2,742,452	2,366,015	2,072,290	3,138,769	5,340,574
Gain (loss) on sale of property	(7,980)	(14,321)	-	-	-
Transfers	388,761	76,572	146,428	(47,720)	-
Extraordinary items	-	-	-	-	336,580
Total governmental activities	122,545,078	133,507,262	147,573,419	164,987,844	181,277,068
Business-type activities					
Investment earnings	2,473,016	1,423,391	796,090	1,751,827	3,061,335
Miscellaneous	-	147,917	159,771	200,982	200,344
Transfers	(388,761)	(76,572)	(146,428)	47,720	-
Total business-type activities	2,084,255	1,494,736	809,433	2,000,529	3,261,679
Total primary government	\$ 124,629,333	\$ 135,001,998	\$ 148,382,852	\$ 166,988,373	\$ 184,538,747
<b>Change in net assets</b>					
Primary government:					
Governmental activities	\$ (1,244,703)	\$ 8,852,965	\$ (44,403,168)	\$ 2,743,872	\$ (41,593,986)
Business-type activities	21,176,432	13,951,362	13,006,040	19,250,472	22,911,556
Total primary government	\$ 19,931,729	\$ 22,804,327	\$ (31,397,128)	\$ 21,994,344	\$ (18,682,430)
Total primary government					
Net assets, beginning (5)	\$ 44,802,575	\$ 64,734,304	\$ 87,538,631	\$ 56,141,503	\$ 74,311,126
<b>Net assets, ending</b>	\$ 64,734,304	\$ 87,538,631	\$ 56,141,503	\$ 78,135,847	\$ 55,628,696

**CHANGES IN NET ASSETS**  
**Fiscal Years 2002 - 2006 (1)**  
**(accrual basis of accounting)**  
**(unaudited) (2)**

Component units: (4)	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Component unit - School Board</b>					
<b>Expenses</b>					
Component - School Board activities expenses	\$ 159,370,980	\$ 178,564,591	\$ 189,771,910	\$ 210,467,443	\$ 239,085,262
<b>Program revenues</b>					
Charges for services	6,404,230	7,015,108	8,340,615	9,194,694	10,253,513
Operating grants and contributions	85,823,770	94,654,976	104,217,967	117,798,055	125,172,680
Total component unit activities program revenues	92,228,000	101,670,084	112,558,582	126,992,749	135,426,193
<b>Net (Expense)/Revenue (3)</b>	(67,142,980)	(76,894,507)	(77,213,328)	(83,474,694)	(103,659,069)
<b>General revenues and other changes in net assets</b>					
Unrestricted grants and contributions	76,945,140	74,469,124	135,344,754	102,306,484	153,719,718
Investment earnings	444,694	158,960	455,878	892,160	1,123,206
Miscellaneous	4,612,207	4,840,185	5,589,666	5,823,144	516,691
Gain (loss) on sale of property	2,864	(333,057)	-	-	-
Total component unit - School Board activities	\$ 82,004,905	\$ 79,135,212	\$ 141,390,298	\$ 109,021,788	\$ 155,359,615
Change in net assets	\$ 14,861,925	\$ 2,240,705	\$ 64,176,970	\$ 25,547,094	\$ 51,700,546
Net assets, beginning (5)	216,918,764	231,780,689	234,021,394	298,198,364	321,989,468
<b>Net assets, ending</b>	<b>\$ 231,780,689</b>	<b>\$ 234,021,394</b>	<b>\$ 298,198,364</b>	<b>\$ 323,745,458</b>	<b>\$ 373,690,014</b>
<b>Component unit - Widewater CDA</b>					
Total change in net assets	\$ 29,471	\$ 27,745	\$ 51,468	\$ 132,853	\$ 80,865
Net assets, beginning	99,969	129,440	157,185	208,653	341,506
<b>Net assets, ending</b>	<b>\$ 129,440</b>	<b>\$ 157,185</b>	<b>\$ 208,653</b>	<b>\$ 341,506</b>	<b>\$ 422,371</b>

- (1) In fiscal year 2002, the County implemented new reporting requirements to comply with GASB 34. Therefore, ten years of data is unavailable, but will be accumulated going forward.
- (2) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
- (3) Net (expense) revenue is the difference between the expenses and program revenues. A positive number indicates that the program can be supported by program revenues. A negative number indicates that general revenues are needed to support or supplement the program.
- (4) Component units are included in this table because the Component unit - School Board holds title to a significant portion of the County's assets.
- (5) In 2006, the beginning net assets balance was restated to exclude road construction projects from the County's fixed asset balance. These road projects will eventually be turned over to the State to maintain.

**FUNDS BALANCES, GOVERNMENTAL FUNDS**

Fiscal Years 1997-2006

(modified accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund										
Reserved	\$ 2,565,050	\$ 1,976,465	\$ 2,640,220	\$ 4,667,769	\$ 5,592,201	\$ 3,036,123	\$ 3,372,419	\$ 4,254,360	\$ 3,222,625	\$ 1,368,198
Unreserved										
Designated	4,041,598	4,360,594	517,451	254,024	1,031,583	8,022,118	6,354,494	6,457,203	12,703,770	12,292,979
Undesignated	5,582,790	3,298,589	2,982,818	6,663,682	11,716,705	13,511,420	13,704,601	19,224,667	25,639,124	19,189,249
Total General Fund	<u>12,189,438</u>	<u>9,635,648</u>	<u>6,140,489</u>	<u>11,585,475</u>	<u>18,340,489</u>	<u>24,569,661</u>	<u>23,431,514</u>	<u>29,936,230</u>	<u>41,565,519</u>	<u>32,850,426</u>
All Other Governmental Funds										
Reserved	2,665,104	1,779,980	2,369,011	233,800	542,533	901,499	3,544,233	1,674,452	1,710,935	257,039
Unreserved										
Designated										
Special revenue funds	73,500	-	-	55,650	46,819	2,057,720	1,230,743	4,669,633	3,873,957	3,015,288
Capital projects funds	94,995	103,793	116,453	2,113,030	3,195,881	10,897,638	6,994,625	5,857,033	544,868	47,616,579
Undesignated										
Special revenue funds	1,262,238	2,079,941	986,785	1,945,446	1,736,865	2,888,397	5,427,520	1,444,164	1,670,990	1,093,257
Capital projects funds	-	-	-	-	-	-	151,034	243,988	415,620	609,177
Total all other government funds	<u>4,095,837</u>	<u>3,963,714</u>	<u>3,472,249</u>	<u>4,347,926</u>	<u>5,522,098</u>	<u>16,745,254</u>	<u>17,348,155</u>	<u>13,889,270</u>	<u>8,216,370</u>	<u>52,591,340</u>
Total fund balances (2)	<u>\$ 16,285,275</u>	<u>\$ 13,599,362</u>	<u>\$ 9,612,738</u>	<u>\$ 15,933,401</u>	<u>\$ 23,862,587</u>	<u>\$ 41,314,915</u>	<u>\$ 40,779,669</u>	<u>\$ 43,825,500</u>	<u>\$ 49,781,889</u>	<u>\$ 85,441,766</u>

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) See the Management's Discussion and Analysis at the beginning of this report for an explanation of the increase in 2006.

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 1997-2006

(modified accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenues</b>										
General property taxes	\$ 60,792,923	\$ 64,556,594	\$ 67,107,740	\$ 71,989,953	\$ 78,377,578	\$ 83,210,821	\$ 91,456,045	\$ 101,258,961	\$ 111,353,798	\$ 121,622,651
Other local taxes	14,243,406	14,579,513	15,623,794	18,206,189	21,058,168	23,658,116	24,816,046	29,694,805	34,543,355	38,312,276
Permits, privilege fees and regulatory licenses	1,561,467	1,689,938	1,846,647	2,154,090	3,042,396	3,383,535	3,689,647	4,431,676	5,847,703	7,174,717
Fines and forfeitures	266,545	277,131	292,386	272,436	395,582	482,193	657,077	833,105	772,566	867,114
Use of money and property	871,071	683,114	829,774	754,797	1,029,403	703,383	953,799	442,784	1,151,048	1,849,825
Charges for services	1,021,671	1,131,161	1,205,884	1,238,935	1,449,347	2,301,658	2,880,405	3,293,751	4,090,615	4,349,136
Miscellaneous	1,870,715	2,045,829	1,775,279	3,379,985	2,736,752	2,681,086	2,366,015	2,072,290	3,138,769	5,675,388
Intergovernmental	8,099,851	7,586,647	12,690,940	13,908,978	19,973,827	20,833,695	23,905,242	25,550,016	27,099,260	29,563,403
Total revenues	88,727,649	92,549,927	101,372,444	111,905,363	128,063,053	137,254,487	150,724,276	167,577,388	187,997,114	209,414,510
<b>Expenditures</b>										
Current operating:										
General government	6,673,137	7,547,954	8,797,427	7,915,037	8,723,252	8,814,108	9,664,490	10,282,188	11,444,218	13,065,292
Judicial administration	1,900,652	2,309,567	2,409,099	2,750,110	3,221,424	3,179,481	3,560,595	4,002,419	4,525,802	5,419,062
Public safety	13,260,895	14,986,339	15,809,426	18,181,433	20,080,311	21,894,334	25,414,534	27,021,222	30,125,219	33,323,162
Public works	1,211,937	1,329,327	1,366,416	1,482,619	1,615,966	1,681,590	1,996,871	2,265,499	2,805,045	3,304,353
Health and social services	5,218,178	5,764,545	7,068,974	6,867,439	6,978,259	9,648,764	10,674,505	10,859,186	12,132,314	12,549,758
Parks, recreation and cultural	4,084,064	4,224,318	4,465,235	4,808,796	5,932,445	6,195,911	6,575,213	6,601,474	7,780,027	8,483,121
Community development	1,701,936	1,990,938	1,900,127	1,998,985	2,144,110	1,962,153	2,481,699	2,698,930	3,513,087	5,064,579
Appropriation to school board:										
School operation	-	-	-	-	-	67,944,160	66,325,132	71,114,803	72,932,530	89,547,690
School capital projects	-	-	-	-	-	8,127,383	8,143,992	64,229,951	29,373,954	64,172,028
Capital outlay	2,999,339	1,346,405	265,124	319,908	898,293	2,425,317	3,250,016	8,508,047	9,650,094	22,666,254
Debt service										
Principal	1,248,016	1,228,518	1,406,406	1,385,802	1,453,046	1,396,068	13,596,057	20,078,351	15,438,223	16,233,105
Interest and fiscal charges	1,034,315	964,272	834,662	841,371	807,529	832,574	9,156,119	8,859,992	12,045,756	12,142,734
Total expenditures	39,332,469	41,692,183	44,322,896	46,551,500	51,854,635	134,101,843	160,839,223	236,522,062	211,766,269	285,971,138
Excess of revenues over (under) expenditures	49,395,180	50,857,744	57,049,548	65,353,863	76,208,418	3,152,644	(10,114,947)	(68,944,674)	(23,769,155)	(76,556,628)
<b>Other Financing Sources (Uses)</b>										
Issuance of debt	-	-	-	-	-	-	-	-	27,595,000	100,590,000
Issuance of capital leases	767,289	642,869	478,000	-	-	-	-	-	1,102,700	8,434,211
Bond premium	-	-	-	-	-	50,324	580,512	2,620,702	1,075,564	2,949,267
Payments to fiscal agent	-	-	-	-	-	(4,077,382)	-	-	-	-
Transfers in	1,365,979	377,327	32,892	396,600	867,769	421,988	212,712	348,385	390,109	927,731
Transfers out	(52,189,485)	(54,612,447)	(61,547,064)	(59,429,800)	(70,295,023)	(33,227)	(136,140)	(201,957)	(437,829)	(927,731)
Proceeds from indebtedness	-	-	-	-	1,087,764	15,122,053	8,720,000	68,034,768	-	-
Proceeds from capital leases	-	-	-	-	-	1,619,499	202,617	1,188,607	-	-
Total other financing sources(uses)	(50,056,217)	(53,592,251)	(61,036,172)	(59,033,200)	(68,339,490)	13,103,255	9,579,701	71,990,505	29,725,544	111,973,478
<b>Net change in fund balances</b>	<b>\$ (661,037)</b>	<b>\$ (2,734,507)</b>	<b>\$ (3,986,624)</b>	<b>\$ 6,320,663</b>	<b>\$ 7,868,928</b>	<b>16,255,899</b>	<b>(535,246)</b>	<b>3,045,831</b>	<b>5,956,389</b>	<b>35,416,850</b>
Fund balance, beginning (3)	n/a	n/a	n/a	n/a	n/a	25,059,016	41,314,915	40,779,669	43,825,500	50,024,916
Fund balance, ending (3)	n/a	n/a	n/a	n/a	n/a	\$ 41,314,915	\$ 40,779,669	\$ 43,825,500	\$ 49,781,889	\$ 85,441,766

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 1997-2006

(modified accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Primary government:</b>										
Total debt service	\$ 2,282,331	\$ 2,192,790	\$ 2,241,068	\$ 2,227,173	\$ 2,260,575	\$ 2,228,642	\$ 22,752,176	\$ 28,938,343	\$ 27,483,979	\$ 28,375,839
Total expenditures	\$ 39,332,469	\$ 41,692,183	\$ 44,322,896	\$ 46,551,500	\$ 51,854,635	\$ 134,101,843	\$ 160,839,223	\$ 236,522,062	\$ 211,766,269	\$ 285,971,138
Less: Capital outlay	8,431,401	4,510,500	2,545,049	1,742,507	3,019,575	2,854,263	5,267,975	7,484,816	10,768,840	26,514,511
Non-capital expenditures	\$ 30,901,068	\$ 37,181,683	\$ 41,777,847	\$ 44,808,993	\$ 48,835,060	\$ 131,247,580	\$ 155,571,248	\$ 229,037,246	\$ 200,997,429	\$ 259,456,627
Debt service as a percentage of noncapital expenditures	7.39%	5.90%	5.36%	4.97%	4.63%	1.70%	14.62%	12.63%	13.67%	10.94%
<b>Component unit - School Board: (4)</b>										
Revenues:										
Use of money and property	\$ 635,409	\$ 1,973,574	\$ 1,040,325	\$ 1,202,554	\$ 1,023,381	\$ 444,694	\$ 158,960	\$ 455,878	\$ 892,160	\$ 937,846
Charges for services	3,276,732	3,405,188	3,429,728	3,744,358	4,483,446	4,943,405	5,250,444	6,095,848	6,641,939	7,169,286
Miscellaneous	1,499,010	588,039	3,511,751	3,941,911	4,309,720	4,612,207	4,840,185	5,588,895	5,823,144	516,691
Appropriation from primary government				-	-	76,071,543	74,469,124	135,344,754	102,306,484	153,719,718
Intergovernmental	51,665,522	55,539,026	63,066,545	74,205,298	79,653,279	85,454,423	94,287,581	103,774,470	117,798,055	125,172,680
Total revenues-School Board	57,076,673	61,505,827	71,048,349	83,094,121	89,469,826	171,526,272	179,006,294	251,259,845	233,461,782	287,516,221
Expenditures:										
Education	92,680,333	99,879,551	113,684,680	127,601,918	142,704,554	152,135,254	170,471,577	177,959,830	192,531,074	203,635,020
Capital Outlay	11,826,131	16,837,173	33,074,321	32,953,802	12,133,220	21,911,108	9,196,648	35,120,154	51,691,615	62,910,867
Debt Service										
Principal	6,791,550	7,488,926	9,709,667	9,029,802	9,622,321	10,352,616	169,405	180,145	191,566	228,562
Interest	5,227,098	5,534,061	6,057,477	7,044,925	7,666,466	8,019,550	83,757	73,185	61,913	48,994
Total expenditures - School Board	116,525,112	129,739,711	162,526,145	176,630,447	172,126,561	192,418,528	179,921,387	213,333,314	244,476,168	266,823,443
Excess of revenues over (under) expenditures - School Board	(59,448,439)	(68,233,884)	(91,477,796)	(93,536,326)	(82,656,735)	(20,892,256)	(915,093)	37,926,531	(11,014,386)	20,692,778
Other Financing Sources (Uses)										
Proceeds from indebtedness	12,147,936	25,010,000	34,058,934	19,045,170	18,747,823	18,640,021	-	-	-	-
Transfers in	51,257,483	56,165,196	63,510,069	60,011,923	71,960,138	507,202	256,364	13,086,082	13,609,165	-
Transfers out	(433,977)	(1,930,076)	(1,304,872)	(978,723)	(2,497,280)	(507,202)	(245,487)	(12,988,739)	(13,494,095)	(15,586,903)
Bond premium	-	-	-	-	-	291,256	-	-	-	-
Total other financing sources (uses)	62,971,442	79,245,120	96,264,131	78,078,370	88,210,681	18,931,277	10,877	97,343	115,070	(15,586,903)
<b>Net change in fund balances</b>	<b>\$ 3,523,003</b>	<b>\$ 11,011,236</b>	<b>\$ 4,786,335</b>	<b>\$ (15,457,956)</b>	<b>\$ 5,553,946</b>	<b>(1,960,979)</b>	<b>(904,216)</b>	<b>38,023,874</b>	<b>(10,899,316)</b>	<b>5,105,875</b>
Fund balance, beginning (3)	n/a	n/a	n/a	n/a	n/a	21,283,421	19,322,442	18,418,226	56,442,100	39,013,104
Fund balance, ending (3)	n/a	n/a	n/a	n/a	n/a	\$ 19,322,442	\$ 18,418,226	\$ 56,442,100	\$ 45,542,784	\$ 44,118,979

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 1997-2006

(modified accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Component unit - School Board:</b>										
Total debt service	\$ 12,018,648	\$ 13,022,987	\$ 15,767,144	\$ 16,074,727	\$ 17,288,787	\$ 18,372,166	\$ 253,162	\$ 253,330	\$ 253,479	\$ 277,556
Total expenditures	\$ 116,525,112	\$ 129,739,711	\$ 162,526,145	\$ 176,630,447	\$ 172,126,561	\$ 192,418,528	\$ 179,921,387	\$ 213,333,314	\$ 244,476,168	\$ 266,823,443
Less: Capital outlay	16,360,071	19,362,742	45,356,071	36,022,689	12,908,112	23,555,236	10,285,657	33,245,775	45,416,097	54,934,761
Non-capital expenditures	\$ 100,165,041	\$ 110,376,969	\$ 117,170,074	\$ 140,607,758	\$ 159,218,449	\$ 168,863,292	\$ 169,635,730	\$ 180,087,539	\$ 199,060,071	\$ 211,888,682
Debt service as a percentage of noncapital expenditures	12.00%	11.80%	13.46%	11.43%	10.86%	10.88%	0.15%	0.14%	0.13%	0.13%
<hr/>										
<b>Total reporting entity:</b>										
Total debt service	\$ 14,300,979	\$ 15,215,777	\$ 18,008,212	\$ 18,301,900	\$ 19,549,362	\$ 20,600,808	\$ 23,005,338	\$ 29,191,673	\$ 27,737,458	\$ 28,653,395
Total expenditures	\$ 155,857,581	\$ 171,431,894	\$ 206,849,041	\$ 223,181,947	\$ 223,981,196	\$ 250,448,828	\$ 266,291,486	\$ 314,510,622	\$ 353,935,953	\$ 399,074,863
Less: Capital outlay	24,791,472	23,873,242	47,901,120	37,765,196	15,927,687	26,409,499	15,553,632	40,730,591	56,184,937	81,449,272
Non-capital expenditures	\$ 131,066,109	\$ 147,558,652	\$ 158,947,921	\$ 185,416,751	\$ 208,053,509	\$ 224,039,329	\$ 250,737,854	\$ 273,780,031	\$ 297,751,016	\$ 317,625,591
Debt service as a percentage of noncapital expenditures	10.91%	10.31%	11.33%	9.87%	9.40%	9.20%	9.18%	10.66%	9.32%	9.02%

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) For the years 1997 through 2001, the amount used for capital outlay was obtained from the increase to the General Fixed Asset Accounts. For the years 2002 through 2006, the amounts used for capital outlay was obtained from the Reconciliation of the Statement of revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.

(3) The beginning fund balances were restated in 2002 to reflect changes required with the implementation of GASB 34. Therefore, beginning and ending fund balances are shown only for years 2002 through current. In 2006, the beginning fund balance was restated. See Footnote 15 of the Financial Statements.

(4) Component units are included in this table because the Component unit - School Board holds title to the assets associated with the construction of schools, although the County, not the School Board is obligated for the debt. (School Boards in the State of Virginia are not permitted to issue debt.)



**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE REAL PROPERTY****Calendar Years 1997 - 2006****(unaudited) (1)**

<b>Calendar Year</b>	<b>Residential Real Property</b>	<b>Commercial and Industrial Real Property</b>	<b>Agricultural Real Property</b>	<b>Total Taxable Assessed Real Property</b>	<b>Percentage Growth Total Taxable Assessed Real Property</b>	<b>Nontaxable Real Property</b>	<b>Total Direct Real Estate Tax Rate (3)</b>
1997	\$ 3,351,799,900	\$ 587,861,900	\$ 360,180,100	\$ 4,299,841,900	n/a	\$ 658,894,100	\$1.08
1998 (2)	3,637,268,000	649,389,200	383,193,500	4,669,850,700	8.6%	727,257,700	1.08
1999	3,802,531,300	677,170,400	368,141,000	4,847,842,700	3.8%	742,815,600	1.08
2000 (2)	4,110,562,320	759,885,000	379,563,500	5,250,010,820	8.3%	899,752,300	1.18
2001	4,352,709,820	814,764,500	368,899,400	5,536,373,720	5.5%	912,650,300	1.18
2002 (2)	5,143,139,800	914,306,300	386,353,100	6,443,799,200	16.4%	1,071,966,600	1.14
2003	5,558,075,479	974,267,800	377,963,600	6,910,306,879	7.2%	1,101,844,400	1.14
2004 (2)	7,720,109,900	1,044,385,900	446,627,300	9,211,123,100	33.3%	1,190,906,100	0.97
2005	8,218,284,370	1,102,051,850	451,249,400	9,771,585,620	6.1%	1,197,340,200	0.97
2006 (2)	14,085,066,863	1,700,599,860	1,136,810,550	16,922,477,273	73.2%	1,414,690,900	0.63

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) The county reassesses property every two years. Real property is assessed at 100% of the fair market value.

(3) Per \$100 of value.

**Source:** Office of the Commissioner of Revenue.

**COUNTY OF STAFFORD, VIRGINIA**

**Table S-6**

**DIRECT AND OVERLAPPING TAX RATES (1)**  
**Calendar Years 1997 - 2006**  
**(unaudited) (2)**

Calendar Year	Real Estate	Personal Property (4)	Merchants Capital	Machinery and Tools	Mobile Homes (5)	Aircraft (6)
1997	\$1.08	\$5.49	\$0.50	\$0.75	\$1.08	\$5.49
1998 (3)	1.08	5.49	0.50	0.75	1.08	5.49
1999	1.08	5.49	0.50	0.75	1.08	5.49
2000 (3)	1.18	5.49	0.50	0.75	1.18	5.49
2001	1.18	5.49	0.50	0.75	1.18	5.49
2002 (3)	1.14	5.49	0.50	0.75	1.14	3.00
2003	1.14	5.49	0.50	0.75	1.14	3.00
2004 (3)	0.97	5.49	0.50	0.75	0.97	3.00
2005	0.97	5.49	0.50	0.75	0.97	3.00
2006 (3)	0.63	5.49	0.50	0.75	0.63	3.00

(1) All the rates listed on this page are direct rates, meaning the primary government has the authority to set, modify or approve. Although the County does support some regional activities, there are no rates set or charged by any overlapping governmental bodies.

(2) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(3) Years of General Reassessments. Real estate is assessed at 100% of fair market value. Rates are charged per \$100 of assessed value.

(4) Personal property is assessed at 40% of fair market value.  
Hence, the effective tax rate is approximately \$2.20 per \$100 of fair market value.

(5) Mobile homes are assessed at 100% of fair market value.

(6) Beginning in calendar year 2002, aircraft is taxed at \$3.00 per \$100 of assessed value.  
In years prior to 2002, aircraft was taxed at the personal property rate.

**Source:** Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA

Table S-7

PRINCIPAL PROPERTY TAX PAYERS

Calendar Years 2006 vs 1997

(unaudited) (1)

Tax Payer	Type of Business	Calendar Year 2006			Calendar Year 1997		
		Assessed Valuation	Rank	% Total Assessed Valuation	Assessed Valuation	Rank	% Total Assessed Valuation
Silver Companies, Inc.	Commercial	\$ 191,888,600	1	1.1%	\$ 20,954,400	5	0.5%
Andrew S. Garrett, Inc.	Commercial	104,383,302	2	0.6%	-		
Northern Stafford Associates LC	Commercial	97,889,200	3	0.6%	-		
Virginia Electric Power	Utility	87,999,879	4	0.5%	67,377,216	1	1.6%
Stafford Marketplace LLC	Commercial	81,637,600	5	0.5%	36,612,730	3	0.9%
McLane Mid Atlantic	Retail	68,949,380	6	0.4%	48,697,600	2	1.1%
Government Employees Insurance Co	Commercial	55,082,600	7	0.3%	-		
Augustine Land & Development LLC	Commercial	51,891,500	8	0.3%	-		
Leeland Station LLC	Commercial	44,786,200	9	0.3%	-		
Vine Place II Associates LP	Commercial	39,971,100	10	0.2%	-		
GTE South, Inc.	Utility	-			23,524,776	4	0.5%
Bell Atlantic	Utility	-			19,537,651	6	0.5%
Salem Properties	Commercial	-			18,745,270	7	0.4%
United Dominion Realty Trust	Commercial	-			17,069,140	8	0.4%
Wal-Mart Real Estate Business Trust	Retail	-			15,645,180	9	0.4%
Northern Virginia Electric Coop.	Utility	-			12,810,905	10	0.3%
Totals		<u>\$ 824,479,361</u>		4.9%	<u>\$ 280,974,868</u>		6.5%
Total taxable assessed real property		\$ 16,922,477,273			\$ 4,299,841,900		

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

Source: Office of the Commissioner of Revenue.

## REAL PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Years 1997 - 2006

(unaudited) (1)

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments (2)	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
1997	\$ n/a	\$ n/a	\$ 43,615,885	\$ 41,941,424	96.16%	\$ 1,665,738	\$ 43,607,162	99.98%
1998	n/a	n/a	46,477,633	44,481,591	95.71%	1,800,586	46,282,177	99.58%
1999	n/a	n/a	49,115,044	46,886,932	95.46%	2,204,621	49,091,553	99.95%
2000	54,199,011	1,044,375	55,243,386	54,171,912	99.95%	1,060,426	55,232,338	99.98%
2001	60,507,182	784,610	61,291,792	59,221,983	97.88%	2,057,551	61,279,534	99.98%
2002	66,563,806	1,527,739	68,091,545	65,933,432	99.05%	1,785,559	67,718,991	99.45%
2003	72,814,193	2,142,646	74,956,839	72,357,037	99.37%	2,099,948	74,456,985	99.33%
2004	81,251,276	2,439,327	83,690,603	80,586,156	99.18%	2,601,036	83,187,192	99.40%
2005	89,366,328	1,869,954	91,236,282	88,671,724	99.22%	2,422,970	91,094,694	99.84%
2006	98,469,052	573,162	99,042,214	96,169,510	97.66%	n/a	96,169,510	97.10%

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Adjustments available separately within financial system beginning with year 2000.

**Source:** Data provided by the Stafford County Treasurer's Office.

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING

## Direct Debt Ratios

Fiscal Years 1997 - 2006

(unaudited) (1)

Fiscal Year	Governmental Activities					Business-Type Activities	Component Unit School-Board	Total Direct Debt	Total Direct Debt		
	General Obligation Bonds (3)	Lease Revenue Bonds (3)	Literary Loans	Certificates of Participation	Capital Leases	General Obligation Bonds (3)	VRS Taxable Refunding Bonds	General Bonded Direct Debt Outstanding	Percentage of Assessed Real Property Value (4)	Percentage of Personal Income (5)	Outstanding Debt Per Capita (6)
1997 (2)	\$ 94,083,438	\$ -	\$ 4,211,500	\$ 11,555,000	\$ 896,780	\$ 2,849,406	\$ -	\$ 113,596,124	2.64%	5.19%	\$ 1,315
1998 (2)	106,868,921	-	8,790,000	10,905,000	1,217,568	2,432,285	-	130,213,774	2.79%	5.64%	1,437
1999 (2)	131,744,100	-	8,150,000	10,215,000	1,304,423	2,005,000	1,868,205	155,286,728	3.20%	6.16%	1,645
2000 (2)	142,455,238	-	7,510,000	9,475,000	985,645	1,533,043	1,485,396	163,444,322	3.11%	6.15%	1,768
2001 (2)	147,477,917	-	11,045,466	8,700,000	1,711,663	1,045,922	1,485,396	171,466,364	3.10%	5.84%	1,743
2002	160,729,171	6,500,000	10,702,974	7,895,000	2,930,094	552,947	1,326,092	190,636,278	2.96%	6.14%	1,829
2003	157,970,215	6,500,000	9,946,825	7,055,000	2,611,758	-	1,156,687	185,240,485	2.68%	5.56%	1,694
2004	214,581,437	-	9,190,676	6,180,000	3,276,709	-	976,542	234,205,364	2.54%	6.32%	2,045
2005	229,012,371	-	8,509,527	5,265,000	3,701,401	-	784,976	247,273,275	2.53%	6.29%	2,098
2006 (7)	266,483,041	47,030,000	7,678,378	4,310,000	11,062,986	-	556,414	337,120,819	1.99%	8.17%	2,807

(1) The scope of the independent audit does not include the tables displayed in the Statistical section of the CAFR.

(2) General obligation bonds were restated to include school debt that was reported within the Component Unit -School Board prior to 2002.

(3) Bond numbers shown do not include the impact of deferred amounts for premiums or losses on refunding.

(4) Percentage of Assessed Taxable Real Property = Total Direct Debt/Total Assessed Taxable Real Property Value (See Table S-14).

(5) Percentage of Personal Income = Outstanding Debt Per Capita/Total Per Capita Personal Income (See Table S-14).

(6) Percentage of Assessed Real Property = Total Direct Debt/Population (See Table S-14).

(7) In 2006, \$47M of lease revenue bonds were issued for the construction of public safety projects. \$2.7M was used to pay back commercial paper that was obtained until the \$47M transaction could be executed. Although the \$2.7M of commercial paper was not redeemed until July 2006, it has been excluded from this report so as to provide a more accurate view of the debt ratios.

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING

## Direct &amp; Overlapping Debt Ratios

Fiscal Years 1997 - 2006

(unaudited) (1)

Fiscal Year		Total Direct Debt General Bonded Direct Debt Outstanding	Stafford County Portion of Overlapping Debt		Total Direct & Overlapping Debt General Bonded Direct & Overlapping Debt Outstanding	Total Direct & Overlapping Debt		
			Joint Activity Rappahannock Regional Jail (2)	Joint Activity Juvenile Detention Center (3)		Percentage of Assessed Real Property Value (4)	Percentage of Personal Income (5)	Outstanding Debt Per Capita (6)
1997	(7)	\$ 113,596,124	\$ -	\$ -	\$ 113,596,124	2.64%	5.19%	\$ 1,315
1998	(7)	130,213,774	-	-	130,213,774	2.79%	5.64%	1,437
1999	(7)	155,286,728	18,940,040	-	174,226,768	3.59%	6.91%	1,846
2000	(7)	163,444,322	18,940,040	2,688,000	185,072,362	3.53%	6.96%	2,002
2001	(7)	171,466,364	18,940,040	2,605,649	193,012,053	3.49%	6.58%	1,962
2002		190,636,278	18,642,540	2,523,298	211,802,116	3.29%	6.82%	2,032
2003		185,240,485	18,333,140	2,440,947	206,014,572	2.98%	6.18%	1,884
2004		234,205,364	18,009,460	2,358,596	254,573,420	2.76%	6.87%	2,223
2005		247,273,275	17,673,880	2,276,247	267,223,402	2.73%	6.80%	2,267
2006		337,120,819	17,334,939	2,160,080	356,615,838	2.11%	8.64%	2,969

(1) The scope of the independent audit does not include the tables displayed in the Statistical section of the CAFR.

(2) Overlapping debt portion represents 47.6% of the total debt liability for the Rappahannock Regional Jail.

(3) Overlapping debt portion represents 33.6% of the total debt liability for the Juvenile Detention Center.

(4) Percentage of Assessed Taxable Real Property = Total Direct &amp; Overlapping Debt/Total Assessed Taxable Real Property Value (See Table S-14).

(5) Percentage of Personal Income = Outstanding Debt Per Capita/Total Per Capita Personal Income (See Table S-14).

(6) Percentage of Assessed Real Property = Total Direct &amp; Overlapping Debt/Population (See Table S-14).

(7) General obligation bonds were restated to include school debt that was reported within the Component Unit -School Board prior to 2002.

COUNTY OF STAFFORD, VIRGINIA

Table S-11

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

As of June 30, 2006

(unaudited) (1)

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Direct debt:			
General Government			
General obligation bonds (2)	\$ 266,483,041	100.0%	\$ 266,483,041
Lease revenue bonds (2)	47,030,000	100.0%	47,030,000
Literary loans	7,678,378	100.0%	7,678,378
Certificates of participation	4,310,000	100.0%	4,310,000
Capital leases	11,062,986	100.0%	11,062,986
Total general government direct debt	<u>336,564,405</u>		<u>336,564,405</u>
Component Unit - School Board			
VRS taxable refunding bonds (2)	556,414	100.0%	556,414
Total component unit-school board direct debt	<u>556,414</u>		<u>556,414</u>
Total direct debt:	<u>337,120,819</u>		<u>337,120,819</u>
Overlapping Debt:			
Regional Joint Activities			
Rappahannock Regional Jail	36,395,000	47.6%	17,334,939
Juvenile Detention Center	6,428,810	33.6%	2,160,080
Total regional joint ventures	<u>42,823,810</u>		<u>19,495,019</u>
Total overlapping debt	<u>42,823,810</u>		<u>19,495,019</u>
Total direct and overlapping debt	<u>\$ 379,944,629</u>		<u>\$ 356,615,838</u>

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Bond numbers shown do not include the impact of any deferred amounts for premiums or losses on refunding.

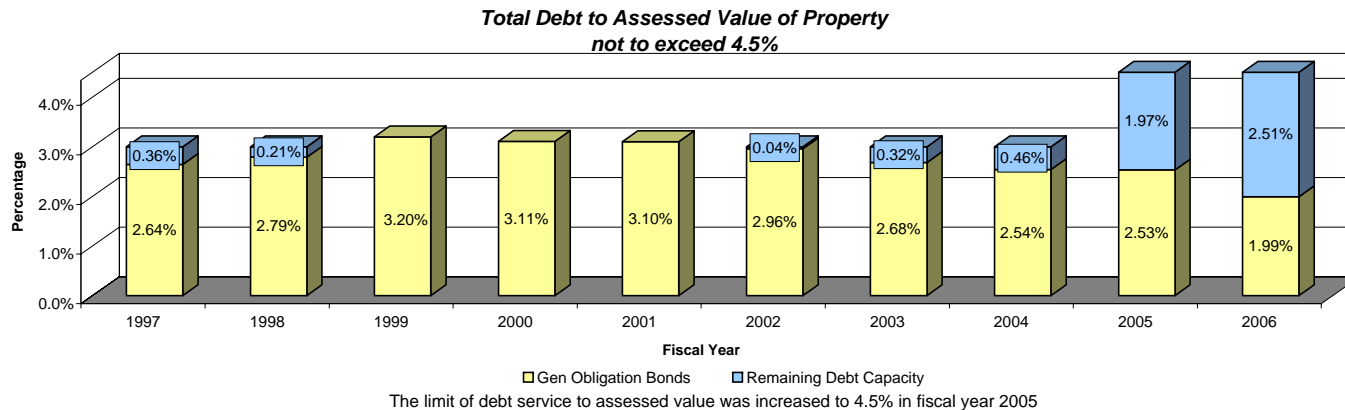
**DEBT MARGIN INFORMATION**  
**Fiscal Years 1997 - 2006**  
**(unaudited) (1)**

On June 21, 2005, the Board of Supervisors adopted new "Principles of High Performance Financial Management" as a means to strategically plan and account for the County's financial resources, ensure a balanced tax burden from residential and commercial resources and to maintain or upgrade the County's bond rating. The principles include three significant debt limitations as follows:

## Debt Limitation 1:

The (tax-supported) general obligation debt shall not exceed 4.5% of the assessed valuation of taxable real property.

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Assessed value of taxable real property	\$ 4,299,842,900	\$ 4,669,850,700	\$ 4,847,842,700	\$ 5,250,010,820	\$ 5,536,373,720	\$ 6,443,799,200	\$ 6,910,306,879	\$ 9,211,123,100	\$ 9,771,585,620	\$ 16,922,477,273
Debt limit, 4.5% of assessed value* * (3% prior to June 21, 2005)	\$128,995,287	\$140,095,521	\$145,435,281	\$157,500,325	\$166,091,212	\$193,313,976	\$207,309,206	\$276,333,693	\$439,721,353	\$761,511,477
Tax-supported general obligation debt (2)	\$113,596,124	\$130,213,774	\$155,286,728	\$163,444,322	\$171,466,364	\$190,636,278	\$185,240,485	\$234,205,364	\$247,273,275	\$337,120,819
% of assessed real property	2.64%	2.79%	3.20%	3.11%	3.10%	2.96%	2.68%	2.54%	2.53%	1.99%
Debt margin (3)	\$ 15,399,163	\$ 9,881,747	\$ (9,851,447)	\$ (5,943,997)	\$ (5,375,152)	\$ 2,677,698	\$ 22,068,721	\$ 42,128,329	\$ 192,448,078	\$ 424,390,658



(1) The scope of the independent audit does not include the tables/charts displayed in the Statistical section of the CAFR.

(2) The tax-supported general obligation debt includes general obligation bonds (including VPSPA), lease-revenue bonds (issued for the construction of public safety projects), literary loans, certificates of participation, capital leases and VRS taxable refunding bonds. Any impact of premiums and/or losses on refunding are excluded from these numbers.

(3) Counties in Virginia are not subject to state imposed debt margins. The debt margin above represents a self-imposed debt limitation established by the Board of Supervisors.



COUNTY OF STAFFORD, VIRGINIA

Table S-12  
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DEBT MARGIN INFORMATION

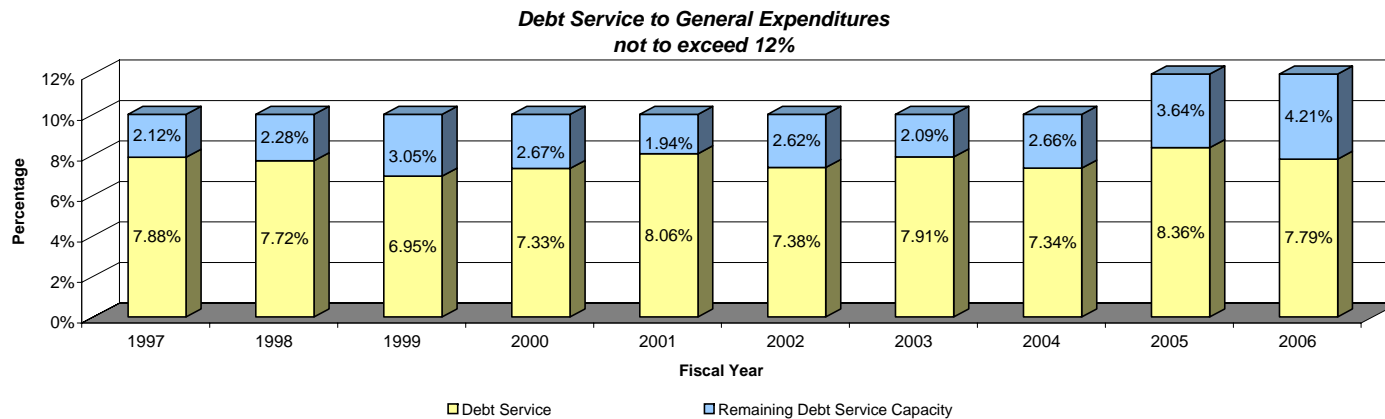
Fiscal Years 1997 - 2006

(unaudited) (1)

Debt Limitation 2:

General fund debt service expenditures (County and Schools) shall not exceed 12% of the general government budget.

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government budget	\$ 155,857,581	\$ 171,431,894	\$ 203,684,271	\$ 219,799,752	\$ 220,254,239	\$ 246,297,712	\$ 261,684,257	\$ 278,816,785	\$ 303,822,605	\$ 364,107,872
Debt limit, 12% of general government budget*										
* (10% prior to June 21, 2005)	\$15,585,758	\$17,143,189	\$20,368,427	\$21,979,975	\$22,025,424	\$24,629,771	\$26,168,426	\$27,881,679	\$36,458,713	\$43,692,945
Debt service expenditure (2)	\$12,287,824	\$13,237,168	\$14,154,799	\$16,117,059	\$17,759,023	\$18,178,458	\$20,688,234	\$20,475,624	\$25,413,847	\$28,375,839
Percentage of the general government budget	7.88%	7.72%	6.95%	7.33%	8.06%	7.38%	7.91%	7.34%	8.36%	7.79%
Debt service margin (3)	\$ 3,297,934	\$ 3,906,021	\$ 6,213,628	\$ 5,862,916	\$ 4,266,401	\$ 6,451,313	\$ 5,480,192	\$ 7,406,055	\$ 11,044,866	\$ 15,317,106



The limit of debt service expenditure to the general government budget was increased to 12% in fiscal year 2005

(1) The scope of the independent audit does not include the tables/charts displayed in the Statistical section of the CAFR.

(2) Debt service expenditures = principal payments plus interest.

(3) Counties in Virginia are not subject to state imposed debt margins. The debt margin above represents a self-imposed debt limitation established by the Board of Supervisors.

(4) General government is defined in the adopted Principles of High Performance Financial Management as General Fund plus the School Operating Fund less the School Transfer.

COUNTY OF STAFFORD, VIRGINIA

Table S-12  
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DEBT MARGIN INFORMATION

Fiscal Years 1997 - 2006

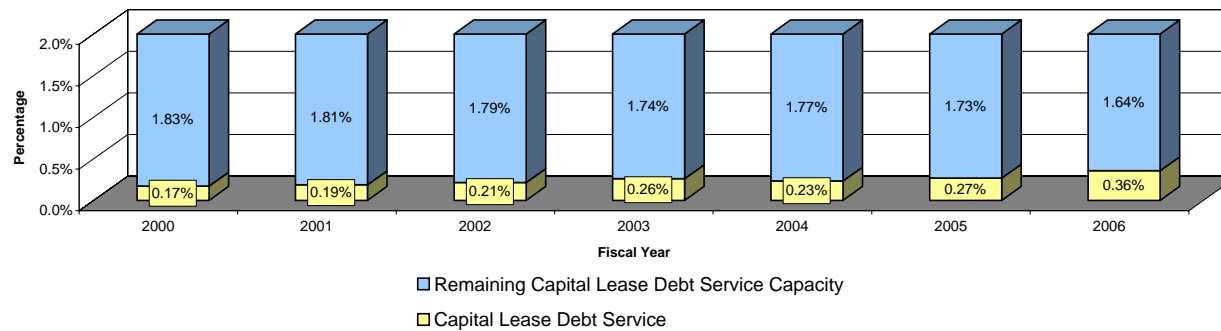
(unaudited) (1)

Debt Limitation 3:

Capital lease debt service shall not exceed 2% of the general government budget, with 2/3 allocated to Schools and 1/3 to the County.

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government budget	\$ 155,857,581	\$ 171,431,894	\$ 203,684,271	\$ 219,799,752	\$ 220,254,239	\$ 246,297,712	\$ 261,684,257	\$ 278,816,785	\$ 303,822,605	\$ 364,107,872
Capital lease debt service limit, 2% of general government budget										
County limit	1,039,051	1,142,879	1,357,895	1,465,332	1,468,362	1,641,985	1,744,562	1,858,779	2,025,484	2,427,386
School Board limit	2,078,101	2,285,759	2,715,790	2,930,663	2,936,723	3,283,969	3,489,123	3,717,557	4,050,968	4,854,771
Total debt service limitation	3,117,152	3,428,638	4,073,685	4,395,995	4,405,085	4,925,954	5,233,685	5,576,336	6,076,452	7,282,157
Amount of debt service applicable to limit										
County	n/a	n/a	n/a	376,050	408,023	523,313	678,408	650,134	665,675	774,517
School Board	n/a	n/a	n/a	-	-	-	-	-	149,652	519,333
Total debt service applicable to limit	n/a	n/a	n/a	376,050	408,023	523,313	678,408	650,134	815,327	1,293,850
Capital lease debt service as a percentage of general government budget	n/a	n/a	n/a	0.17%	0.19%	0.21%	0.26%	0.23%	0.27%	0.36%
Debt service margin (2)	\$ 3,117,152	\$ 3,428,638	\$ 4,073,685	\$ 4,019,945	\$ 3,997,062	\$ 4,402,641	\$ 4,555,277	\$ 4,926,202	\$ 5,261,125	\$ 5,988,307

Capital Lease Debt Service to General Government Budget  
not to exceed 2%



(1) The scope of the independent audit does not include the tables/charts displayed in the Statistical section of the CAFR.

(2) Counties in Virginia are not subject to state imposed debt margins. The debt margin above represents a self-imposed debt limitation established by the Board of Supervisors.

**PLEDGED REVENUE COVERAGE: WATER AND SEWER FUND****Fiscal Years 1997 - 2006****(unaudited) (1)**

Fiscal Year	Water and Sewer Fund							Coverage (Times) (4)
	Gross Revenue (2)	Less: Expenses (3)	Net Available Revenue	Debt Service				
				Principal	Interest	Total		
1997	\$ 20,791,210	\$ 7,607,964	\$ 13,183,246	\$ 3,015,000	\$ 2,759,869	\$ 5,774,869	2.28	
1998	22,517,551	7,562,970	14,954,581	3,105,000	2,632,781	5,737,781	2.61	
1999	23,624,565	9,294,481	14,330,084	3,180,000	2,494,777	5,674,777	2.53	
2000	25,808,750	8,974,999	16,833,751	3,285,000	2,357,037	5,642,037	2.98	
2001	29,908,260	10,640,467	19,267,793	3,285,000	2,240,611	5,525,611	3.49	
2002	31,749,543	11,041,968	20,707,575	3,405,000	2,100,585	5,505,585	3.76	
2003	29,458,875	12,435,144	17,023,731	3,005,000	1,265,260	4,270,260	3.99	
2004	28,124,153	12,696,935	15,427,218	3,190,000	950,253	4,140,253	3.73	
2005	34,484,411	13,958,320	20,526,091	3,290,000	1,128,783	4,418,783	4.65	
2006	33,984,945	15,409,624	18,575,321	3,085,000	1,148,181	4,233,181	4.39	

(1) The scope of the independent audit does not include the tables displayed in the Statistical section of the CAFR.

(2) Includes availability fees and any other revenue sources pledged for the retirement of debt which is consistent with Stafford County's Master Bond Covenants.

(3) Total expenses are exclusive of depreciation, amortization and bond interest.

(4) Net revenue coverage required by the covenants is 1.2 times the debt service.

## DEMOGRAPHIC AND ECONOMIC STATISTICS

Fiscal Years 1997 - 2006

(unaudited) (1)

Fiscal Year	Population (2)	Civilian Labor Force (3)	At Place Employment(4)	Unemployment Rate (5)	Personal Income (in thousands)(6)	Per Capita Personal Income (7)	School Average Daily Membership(8)	Total Taxable Assessed Real Property (9)
1997	86,400	43,265	18,239	2.0%	\$ 2,187,907	\$ 25,323	17,326	\$ 4,299,841,900
1998	90,600	44,547	20,417	1.5%	2,309,303	25,489	18,107	4,669,850,700
1999	94,400	46,664	22,328	1.5%	2,522,462	26,721	19,027	4,847,842,700
2000	92,446	48,134	24,246	1.7%	2,657,545	28,747	19,946	5,250,010,820
2001	98,376	50,469	24,938	2.2%	2,935,540	29,840	21,109	5,536,373,720
2002	104,232	53,713	25,874	2.9%	3,105,592	29,795	22,332	6,443,799,200
2003	109,341	56,872	26,164	2.9%	3,332,276	30,476	23,698	6,910,306,879
2004	114,513	59,954	28,837	2.5%	3,707,702	32,378	24,639	9,211,123,100
2005	117,874	61,803	30,398	2.4%	3,930,980	33,349	25,419	9,771,585,620
2006	120,100	63,349	31,631	2.3%	4,125,435	34,350	25,871	16,922,477,273

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Population figures (1997 - 1999) provided by the Weldon Cooper Center for Public service, University of Virginia. Population figures (2000 - 2004) provided by the U.S. Census Count and (2005 - 2006) Estimate provided by Stafford County Economic Development & Legislation Department.

(3) The Civilian Labor Force represents the number of people that live in Stafford County and are currently employed, either within or outside the county. Figures are based on a calendar year. Source: Virginia Employment Commission. (Current year: Year-To-Date average).

(4) The At Place Employment numbers represent the number of jobs in Stafford County. It includes people that commute into Stafford County to work and excludes those that travel out of the county to work. Figures are based on a calendar year. Source: Virginia Employment Commission

(5) Unemployment rates are provided by Virginia Employment Commission and represent a calendar year average. (Current year: Year-to-date Average)

(6) Personal Income figures are based on a calculation of per capita and population numbers.

(7) Per capita Personal Income figures (1997-2004) provided by the Virginia Employment Commission (VEC). (<http://velma.virtuallmi.com>)  
Per capita personal income figures (2005-2006): Estimate provided by Stafford County Finance Department assuming continued growth of 3%.

(8) School Average Daily Membership figures provided by Stafford County School Board.

(9) Total taxable assessed real property figures are based on a calendar year. Source: Stafford County Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA

Table S-15

COMPARATIVE DEMOGRAPHIC AND ECONOMIC STATISTICS

Census Years 1990 & 2000

(unaudited) (1)

	1990 Census	2000 Census			
	Stafford County	Stafford County	Virginia	United States	
Population:					
Median age	29.9	33.0	35.7	35.3	
Persons under 18 years old	29.6%	28.6% (2)	24.2% (2)	25.0% (2)	
Persons 19 to 64 years old	64.5%	65.8% (2)	64.4% (2)	62.6% (2)	
Persons 65 years old and over	5.9%	5.6% (2)	11.4% (2)	12.4% (2)	
Persons per square mile	226.5	341.9	178.8	79.6	
Education:					
High school or higher	80.9%	88.6%	81.5%	80.4%	
Bachelor's degree or higher	21.6%	29.6%	29.5%	24.4%	
Income:					
Median household income	\$47,526	\$75,456 (3)	\$50,028 (3)	\$43,318 (3)	
Housing:					
Number persons/household	3.1	3.0	2.5	2.6	
Percent owner occupied	81.9%	80.6%	68.1%	66.2%	
Owner occupied median value (4)	\$125,000	\$156,400	\$125,400	\$119,600	

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Census numbers reflect percentages for year 2004. (Source: <http://quickfacts.census.gov>)

(3) Census numbers reflect median household income for year 2003. (Source: <http://quickfacts.census.gov>)

(4) The County reassesses property every two years. The most recent reassessment (done in 2006) resulted in a significant increase in the value of assessed real property as compared to the 2000 Census number shown above.

Source: US Census, 1990 & 2000.

COUNTY OF STAFFORD, VIRGINIA

Table S-16

PRINCIPAL EMPLOYERS

Fiscal Years 2006 vs 1997

(unaudited) (1)

Employer	Industry	Fiscal Year 2006			Fiscal Year 1997		
		Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Geico Insurance	Insurance	3,900	1	6.2%	3,000	1	6.9%
Stafford County School System	Education	3,477	2	5.5%	2,220	2	5.1%
FBI Academy (Stafford Facilities)	Government Services	900	3	1.4%	-		
McLane Mid-Atlantic	Retail Distribution	850	4	1.3%	850	3	2.0%
Stafford County Government	County Government	768	5	1.2%	473	5	1.1%
Intuit, Inc.	Computer Services	600	6	0.9%	600	4	1.4%
Northrop Grumman	IT Services/Engineering	300	7	0.5%	-		
Hilldrup United Moving & Storage	Van Line Services	300	8	0.5%	300	7	0.7%
BAE Systems	Weapon Systems	285	9	0.4%	150	9	0.3%
Lifecare	Medical Transports	250	10	0.4%	-		
Capital One	Financial Services	-			390	6	0.9%
Friction, Inc.	Brake Remanufacturer	-			180	8	0.4%
Cardinal Concrete	Construction	-			140	10	0.3%
Total of top 10 Employers		<u>11,630</u>		<u>18.4%</u>	<u>8,303</u>		<u>19.2%</u>
Total Civilian Labor Force		<u>63,349</u>			<u>43,265</u>		

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(The data above does not include the 6,700 Marines or 6,900 civilians stationed/employed at the Quantico Marine Corps Base.)

Source: Stafford County Economic Development & Legislation Department.

**FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION****Fiscal Years 1997 - 2006****(unaudited) (1)**

<b>Function/Program Employees:</b>	<b>Full-time Equivalent Employees as of June 30</b>									
	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
Primary Government:										
Governmental activities:										
General government	92	96	111	110	111	115	117	117	123	131
Judicial administration	23	23	25	29	30	30	35	35	39	46
Public safety (2)	140	141	148	167	187	187	216	219	243	265
Public services	9	8	8	10	10	10	14	14	20	24
Health and welfare	44	44	45	48	48	50	50	52	55	60
Parks, recreation and cultural (3)	22	22	23	23	24	24	25	25	29	32
Community development	45	47	48	48	51	51	59	59	66	75
Transportation	-	-	-	-	-	-	-	-	1	1
Total governmental activities employees	375	381	408	435	461	467	516	521	576	634
Business-type activities:										
Utilities	98	99	93	105	113	117	120	120	133	134
Total business-type activities employees										
Total primary government employees	473	480	501	540	574	584	636	641	709	768
Component Units:										
Component Unit - School Board										
Licensed Instructional	1,312	1,375	1,475	1,536	1,635	1,711	1,818	1,907	1,993	2,013
Other Employees	908	963	1,027	1,087	1,232	1,281	1,352	1,357	1,455	1,464
Total component unit - School Board employees	2,220	2,338	2,502	2,623	2,867	2,992	3,170	3,264	3,448	3,477
<b>Volunteers:</b>										
Public safety	665	700	600	600	300	300	300	300	300	250

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Includes E-911 Fund employees.

(3) Does not include seasonal employees.

## OPERATING INDICATORS BY FUNCTION

Fiscal Years 1997 - 2006

(unaudited) (1)

Function/Program	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental Activities:</b>										
<b>General government</b>										
Commissioner of Revenue										
Taxpayers assisted at real estate and personal property counters	17,811	19,837	19,000	19,831	19,919	21,000	23,000	17,983	23,000	24,000
Building permits reviewed	3,469	3,415	3,299	3,200	3,461	3,500	4,168	3,500	4,000	3,300
State income tax returns processed	23,038	18,061	28,641	23,761	22,853	23,000	21,530	16,082	20,000	18,000
Personal property records processed	41,545	45,557	46,720	46,720	48,444	51,500	53,000	55,000	65,000	65,000
Finance										
Landfill bills processed	212	212	212	212	212	248	242	250	300	252
Water and sewer bills generated	240,000	252,000	257,000	267,000	283,523	297,000	314,609	326,265	341,670	358,993
Accounts payable checks processed	32,700	32,700	43,500	45,000	49,848	50,000	27,416	64,881	61,501	55,094
Department of Human Resources										
Number of new hires	n/a	n/a	n/a	274	221	290	263	264	249	332
Number of positions recruited	100	100	239	85	65	95	91	137	294	264
Public Services										
Total facilities maintained (sq ft)	180,200	180,200	186,250	186,250	186,250	220,335	186,250	220,335	222,696	231,999
Registrar										
Voters served at polling places	27,464	19,075	11,974	27,423	33,876	21,779	23,480	14,112	45,970	26,497
Treasurer										
Real estate and personal property bills processed	151,174	158,732	163,089	165,026	165,777	174,585	215,219	221,758	237,971	241,148
Auto decals processed	71,354	75,000	75,910	77,000	78,030	79,000	83,570	85,000	115,725	133,249
Water and sewer bills processed	235,000	247,000	252,000	260,000	260,400	261,000	241,000	320,000	331,703	339,528
<b>Judicial administration</b>										
Victims' services, both direct & indirect	n/a	n/a	1,115	775	1,200	1,000	915	1,000	805	849
Number of court cases (2)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10,088
<b>Public safety</b>										
Requests for law enforcement service	53,284	56,442	60,314	64,983	65,188	66,904	72,531	73,759	70,611	73,390
Number of arrests	4,379	4,702	5,675	4,676	5,568	6,232	6,381	6,764	7,170	6,144
Number of fire and EMS calls (3)	14,352	16,361	16,051	16,422	17,220	18,218	17,945	20,698	21,799	21,806



COUNTY OF STAFFORD, VIRGINIA

Table S-18  
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OPERATING INDICATORS BY FUNCTION

Fiscal Years 1997 - 2006

(unaudited) (1)

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Social Services</b>										
Benefit applications received	n/a	n/a	3,500	3,700	4,000	4,000	4,080	4,275	4,369	7,612
CPS complaints investigated (4)	400	400	385	415	415	400	338	395	395	400
Food stamp households served	n/a	n/a	789	800	820	900	1,025	1,200	1,341	1,413
Foster care children served	120	120	150	160	160	158	158	157	140	138
<b>Parks, recreational and cultural</b>										
Programs offered: gymnastics	75	78	100	115	400	420	1,280	915	1,250	1,210
Programs offered: senior citizens	70	73	75	78	80	82	87	90	95	102
Programs offered: sports/recreation	115	125	125	135	145	150	165	325	335	340
Programs offered: aquatics	77	115	115	120	325	325	452	531	556	572
Acres maintained	690	750	750	760	775	775	872	906	906	1,000
<b>Community development</b>										
Code Administration										
Permits issues	20,181	19,947	24,374	24,715	28,131	19,230	20,093	22,676	21,817	21,396
Building inspections performed	40,917	43,036	36,043	35,220	47,260	39,626	42,659	43,306	43,503	53,709
Zoning site development inspections	n/a	n/a	316	225	270	439	257	377	477	205
E&S control inspections performed (5)	n/a	13,976	9,268	10,517	10,493	23,634	20,898	14,247	22,709	11,336
Zoning enforcement inspections performed	707	1,042	977	1,014	822	392	807	811	965	1,075
Economic Development/Legislative Affairs										
At-place employment	18,239	20,417	22,328	24,246	24,938	25,874	26,164	28,837	30,398	31,631
Unemployment rate	2.0%	1.5%	1.5%	1.7%	2.2%	2.9%	2.9%	2.5%	2.4%	2.3%
Businesses in the County	1,328	1,336	1,365	1,406	1,478	1,561	1,640	1,793	1,948	2,030
Legislative bills reviewed for action/response	2,625	2,979	2,802	3,175	2,856	2,907	2,827	3,108	2,950	3,287
Planning										
Chesapeake bay building permits reviewed (6)	1,200	1,300	1,335	1,200	1,250	1,350	2,000	2,560	2,400	3,650
Addresses issued (7)	n/a	1,300	2,860	2,600	2,500	2,600	2,600	3,000	3,000	2,512
Subdivision applications processed	n/a	n/a	264	250	268	250	275	300	370	390
Site plans processed (8)	n/a	n/a	114	102	67	80	80	80	66	138

## OPERATING INDICATORS BY FUNCTION

Fiscal Years 1997 - 2006

(unaudited) (1)

Function/Program	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Business-Type Activities:</b>										
<b>Water &amp; Sewer Utilities</b>										
Billions of gallons of water treated per year	2.391	2.340	2.798	3.057	3.288	2.986	3.310	3.361	3.280	3.768
Water storage (mg)	14.295	14.295	14.295	14.295	14.295	15.295	15.800	15.800	15.800	15.800
Billions of gallons of wastewater treated per year	2.045	2.241	2.290	2.465	2.581	2.138	2.229	2.784	2.983	2.973
Number of customer accounts served	18,568	19,833	21,035	21,781	21,781	24,762	26,472	27,745	29,116	30,553
<b>Component Unit Activities:</b>										
<b>School Board</b>										
Average daily membership as of March 30	17,326	18,107	19,027	19,946	21,109	22,332	23,698	24,639	25,419	25,871
Average SAT scores - math	497	504	503	503	509	509	520	513	531	n/a
Average SAT scores - verbal	518	520	511	511	522	514	519	521	521	n/a
Average per pupil expenditures	\$5,205	\$5,359	\$5,675	\$6,093	\$6,742	\$6,539	\$6,939	\$7,028	\$7,562	n/a
Average teacher salary	\$34,935	\$35,690	\$37,186	\$37,461	\$41,751	\$43,812	\$43,109	\$44,161	\$46,212	n/a
Composite index (9)	0.3663	0.3663	0.3530	0.3530	0.3429	0.3429	0.3296	0.3296	0.3274	0.3274
Students receiving free/reduced lunches	2,426	2,713	2,681	2,635	2,872	3,009	3,315	3,248	3,500	3,910
Students enrolled in special ed programs	1,960	1,955	2,087	2,169	2,440	2,589	2,721	2,652	2,543	2,412
Students enrolled in ESL programs (10)	120	155	184	203	214	270	317	414	697	791
Students enrolled in grades K-3	5,312	5,457	5,759	5,985	5,986	6,708	7,031	7,169	7,303	7,181
Average daily ridership	11,316	12,050	12,877	13,288	14,752	15,877	15,947	15,419	17,749	18,124
Special needs average daily ridership	320	391	388	521	538	660	615	598	429	533
Students served in alternative education	n/a	231	202	225	260	292	277	288	269	274
Schools meeting state accreditation	n/a	n/a	n/a	n/a	n/a	n/a	100%	100%	100%	100%

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Number of court cases includes Circuit Court, General District Court, Juvenile &amp; Domestic Relations Court and Probation Violation Cases Tried.

(3) EMS = Emergency Medical Services

(4) CPS = Child Protection Services

(5) E&amp;S = Erosion &amp; Sediment

(6) The number of permits reviewed in 2006 increased significantly due to applications for home additions now being reviewed, in addition to new construction.

(7) The number of new addresses decreased in 2006, which is reflective of an overall slow down in new home starts.

(8) The number of site plans processed increased significantly in 2006 due to a significant increase in commercial development within the County.

(9) The composite index uses various factors to measure the County's wealth. The higher the index, the less money the County receives (per pupil) from the state.

(10) ESL = English as a second language

COUNTY OF STAFFORD, VIRGINIA

Table S-19

Page 1 of 2

CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Years 1997 - 2006

(unaudited) (1)

Function/Program	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Public services</b>										
Total facilities maintained (sq ft)	180,200	180,200	186,250	186,250	186,250	220,335	220,335	220,335	222,696	225,046
<b>Public safety (2)</b>										
Number of Fire & Rescue Stations	5	5	5	5	5	5	5	5	5	5
Number of Fire Stations	4	4	4	4	4	4	4	4	4	4
Number of Rescue Squads	5	5	5	5	5	5	5	5	5	5
<b>Utilities</b>										
Water Plant Capacity (mgd)	11	11	11	13.5	13.5	19	19	19	19	19
Water Lines (miles)	388	388	388	400	400	400	475	475	484	491
Wastewater Plant Capacity (mgd)	10	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Sewer Lines (miles)	312	327	327	340	340	340	382	387	400	433
Pumping Stations	79	80	80	80	80	80	82	83	83	82
<b>Parks, recreation and cultural</b>										
Number of County parks	7	7	7	7	7	7	9	11	12	12
Acreage of County parks	872	872	872	872	872	872	900	925	1002	1002
Number of Regional parks	2	2	2	2	2	2	2	3	3	3
Acreage of Regional parks	215	215	215	215	215	215	215	315	315	315
State and National parks (84 acres)	1	1	1	1	1	1	1	1	1	1
Playgrounds	14	14	15	15	17	19	22	24	24	24
Athletic fields	50	50	50	50	50	50	55	72	75	75
Tennis courts	20	20	20	20	20	20	20	19	19	19
Campgrounds (48 acres)	1	1	1	1	1	1	1	1	1	1
Private golf courses (9 holes)	1	1	1	1	1	1	1	1	1	1
Public golf courses (18 holes)	2	2	2	2	2	2	3	3	3	3
National historic attractions	10	10	10	10	10	10	10	10	10	10
Public beaches (43 acres)	2	2	2	2	2	2	2	2	2	2
Public swimming pools	2	2	2	2	2	2	2	2	2	2
Public fishing lakes	3	3	3	3	3	3	3	3	3	3
Public boat ramps	1	1	2	2	2	2	2	2	2	2

## CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Years 1997 - 2006

(unaudited) (1)

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Parks, recreation and cultural (cont.)</b>										
Private marinas	5	5	5	5	5	5	5	5	5	5
Skateboard parks	0	0	0	0	0	2	2	2	2	2
Senior Citizens centers	1	1	1	1	1	1	1	1	1	1
Gymnastics training centers	1	1	1	1	1	1	1	1	1	1
Community centers	0	0	0	0	0	3	4	4	4	4
<b>Community development</b>										
Libraries (3)	1	1	1	1	1	1	1	1	1	1
<b>Component Units:</b>										
<b>Schools</b>										
Elementary Schools	11	12	12	12	13	13	14	15	15	16
Secondary/Elementary Schools	5	5	5	5	6	6	6	6	6	6
High Schools (4)	3	3	3	4	4	4	4	4	4	5

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Although the County supports the Fire and Rescue stations, the stations are not owned by the County.

(3) The Central Rappahannock Regional Library (CRRL) is a shared facility serving the Central Rappahannock area.

(4) Mountain View High School was opened in fiscal year 2006.

## **COMPLIANCE SECTION**



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the basic financial statements of the County of Stafford, Virginia (County), as of and for the year ended June 30, 2006, and have issued our report thereon dated November 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Stafford, Virginia's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 06-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable condition referred to above to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the County in a separate letter dated November 9, 2006.

### Compliance and Other Matters

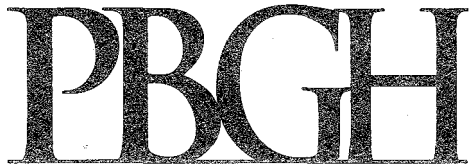
As part of obtaining reasonable assurance about whether the County of Stafford, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also performed tests of compliance with the following program specific requirements as set forth in the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; the Virginia Department of Education's requirements and the Virginia Department of Social Services' requirements, including the requirements for the Comprehensive Services Act. However, providing an opinion on compliance with those provisions and specifications 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated November 9, 2006.

This report is intended solely for the information and use of the Board of Supervisors, management, the Auditor of Public Accounts, and other Federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "P. Q. J. H. L. L. P." with a stylized, cursive script.

Harrisonburg, Virginia  
November 9, 2006





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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Members of the Soard of Supervisors  
County of Stafford, Virginia  
Stafford, Virginia

Compliance

We have audited the compliance of the County of Stafford, Virginia (County), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2006. The County's major Federal programs are identified in the Summary of Independent Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County of Stafford, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006.

### Internal Control Over Compliance

The management of the County of Stafford, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants, caused by error or fraud, that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Supervisors, management, the Auditor of Public Accounts and other Federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "P. J. H. L. L. P." with a stylized, cursive script.

Harrisonburg, Virginia  
November 9, 2006

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2006**

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Expenditures	
U.S. DEPARTMENT OF AGRICULTURE			
Pass Through Payments:			
Department of Social Services			
State Administrative Matching Grants for	10.561	\$ 452,357	
Food Stamp Program			
Department of Education			
School Breakfast Program	10.553	399,534	
National School Lunch Program	10.555	1,700,779	
Schools and Roads Grants to States	10.665	1,516	
Virginia Department of Agriculture and Consumer Services			
Commodities	10.555	<u>645,290</u>	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 3,199,476</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Payments:			
Impact Aid	84.041	1,381,456	
Fund for the Improvement of Education	84.215	477,076	
Safe and Drug-Free Schools and Communities -			
Safety Grant	84.184	<u>187,350</u>	
			<u>2,045,882</u>
Pass Through Payments:			
Department of Education			
Special Education - Grants to States	84.027	3,755,940	
Special Education - Preschool Grants	84.173	21,058	
Title I Grants to Local Educational Agencies	84.010	783,806	
Vocational Education - Basic Grants to States	84.048	130,496	
Safe and Drug-Free Schools and Communities State Grants	84.186	76,142	
State Grants for Innovative Programs	84.298	82,179	
Education Technology State Grants	84.318	27,360	
English Language Acquisition Grants	84.365	51,999	
Improving Teacher Quality State Grants	84.367	372,201	
Emergency Impact Aid for Displaced Students	84.938	161,494	
Title X - Homeless Education	84.196	40,000	
North Tier Grant	84.318	10,205	
State Assessments and Related Activities - NUB	84.369	5,289	
Office of Innovation and Improvement -			
Advance Placement Program	84.330	780	
Title II - Teacher Quality Enhancement Grant	84.336	<u>150</u>	
			<u>5,519,099</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>7,564,981</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2006**

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Expenditures	
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Payments:			
Head Start	93.600	\$ 1,659,297	
Medical Assistance Program (Medicaid; Title XIX)	93.778	<u>183,656</u>	
			<u>\$ 1,842,953</u>
Pass Through Payments:			
Department of Social Services			
Social Services Block Grant	93.667	323,461	
Child Care Assistance			
Child Care and Development Block Grant	93.575	507,722	
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596	511,497	
Promoting Safe and Stable Families	93.556	34,052	
Temporary Assistance for Needy Families	93.558	629,206	
Refugee and Entrant Assistance -			
State Administered Programs	93.566	529	
Low-Income Home Energy Assistance	93.568	14,055	
Foster Care Title IV-E	93.658	529,605	
Adoption Incentive Payments	93.603	1,260	
Adoption Assistance	93.659	201,167	
Refugee Impact Grant Payments	93.576	3,644	
Chafee Foster Care Independent Living	93.674	27,111	
State Children's Insurance Program	93.767	319	
Medical Assistance Program (Medicaid; Title XIX)	93.778	<u>396,558</u>	
			<u>3,180,186</u>
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>5,023,139</u>
 <b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Pass Through Payments:			
Americorp	94.006		<u>20,127</u>
 <b>DEPARTMENT OF DEFENSE</b>			
Pass Through Payments:			
Department of the Navy			
North Star Grant	12.300		<u>226,773</u>
 <b>U.S. DEPARTMENT OF JUSTICE</b>			
Direct Payments:			
Public Safety Partnership and Community Policing Grant	16.710		<u>283,725</u>
Pass Through Payments:			
Department of Criminal Justice Services			
Local Law Enforcement Block Grant Program	16.592	998	
Gang Task Force	16.580	<u>71,063</u>	
			<u>72,061</u>
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<u>355,786</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2006**

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION		
Pass Through Payments:		
Department of Motor Vehicles		
State and Community Highway Safety (154 Funds)	20.000	\$ 2,538
State and Community Highway Safety (Section 402)	20.600	65,738
National Highway Traffic Safety Administration		
Safety Incentive Grants for Use of Seatbelts	20.604	1,500
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	1,706
Alcohol Open Container Requirements	20.607	<u>18,220</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>\$ 89,702</u>
DEPARTMENT OF HOMELAND SECURITY		
Pass Through Payments:		
Department of Emergency Management		
State Domestic Preparedness Equipment Support Program	97.004	390,151
Emergency Management Performance Grants	97.042	<u>24,623</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY		<u>414,774</u>
DEPARTMENT OF THE INTERIOR		
Pass Through Payments:		
National Park Service		
Land and Water Conservation Fund Grants		
Historic Preservation Fund Grants	15.904	<u>9,000</u>
FEDERAL COMMUNICATIONS COMMISSION		
Direct Payments:		
Communications Information and Assistance and		
Investigation of Complaints	32.001	<u>220,180</u>
<b>GRAND TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b><u>\$ 17,123,938</u></b>

## COUNTY OF STAFFORD, VIRGINIA

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2006

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#### Note 1. Significant Accounting Policies

##### A. BASIS OF PRESENTATION

The accompanying "Schedule of Expenditures of Federal Awards" includes the federal grant activity of the County of Stafford, Virginia, and the Component Unit - School Board and is presented on the modified accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

*Federal Financial Assistance* – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the "Schedule of Expenditures of Federal Awards." Federal financial assistance does not include direct federal cash assistance to individuals.

*Direct Payments* – Assistance received directly from the Federal government is classified as direct payments on the "Schedule of Expenditures of Federal Awards."

*Pass Through Payments* – Assistance received in a pass through relationship from entities other than the Federal government is classified as pass through payments on the "Schedule of Expenditures of Federal Awards."

*Major Programs* – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the County of Stafford, Virginia were determined using a risk-based approach in accordance with OMB Circular A-133.

*Catalog of Federal Domestic Assistance* – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

*Cluster of Programs* – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the County of Stafford, Virginia: Child Nutrition, Special Education, and Child Care.

**Note 1. Significant Accounting Policies (Continued)**

**B. NON CASH ASSISTANCE**

The County of Stafford, Virginia participated in a federal program in which non-cash benefits are provided through the state to eligible program participants.

*Food Distribution Program* (CFDA Number 10.555) – The value of food commodities was calculated using the U.S. Department of Agriculture's Food and Nutrition Service commodity price lists. The accompanying schedule includes commodity distributions of \$645,290 for CFDA Number 10.555.

COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Page 1

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I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- |  |        |     |        |    |
|--|--------|-----|--------|----|
| • Material weaknesses identified   | _____  | Yes | _____✓ | No |
| • Reportable conditions identified that are not considered to be material weaknesses | ✓_____ | Yes | _____  | No |
| • Noncompliance material to financial statements                                     | _____  | Yes | _____✓ | No |

Federal awards

Internal control over major programs:

- |  |       |     |        |    |
|--|-------|-----|--------|----|
| • Material weaknesses identified   | _____ | Yes | _____✓ | No |
| • Reportable conditions identified that are not considered to be material weaknesses | _____ | Yes | _____✓ | No |

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 section 510(a) of Circular A-133? | _____ | Yes | _____✓ | No |
|--|-------|-----|--------|----|



COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Page 2

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027 / 84.173	Special Education Cluster
93.575 / 93.596	Child Care Cluster

Dollar threshold used to distinguish between type A and type B programs \$513,718

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE  
REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING  
STANDARDS

A. Reportable Conditions in Internal Control

06-01 Cash reconciliations are an essential internal control to ensure transactions are recorded in a timely and accurate manner. Cash reconciliations are also an essential internal control to guard against the misappropriations of assets. Our audit procedures indicated that complete and accurate reconciliations had not been completed throughout the year. We recommend that monthly reconciliations be completed in a timely fashion between the bank account, cash accountability, and individual funds.

B. Compliance Findings

None Reported

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Reported

**COUNTY OF STAFFORD, VIRGINIA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2006**

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The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from prior audit's Summary Schedule of Prior Audit Findings.