

STAFFORD COUNTY, VIRGINIA
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FISCAL YEAR 2008



(July 1, 2007 - June 30, 2008)

Prepared by Stafford County, Virginia Finance Department

Anthony J. Romanello, County Administrator
Michael P. Neuhard, Deputy County Administrator
Timothy J. Baroody, Deputy County Administrator
Tammi W. Ellis, Acting Executive Director of Administration
Maria J. Perrotte, Chief Financial Officer
Shelley K. Carmichael, Controller
Mickey A. Kwiatkowski, Accounting Manager
Carol J. Atkinson, Risk Manager



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

BOARD OF SUPERVISORS



George H. Schwartz, Chairman
Falmouth District



M. S. "Joe" Brito, Vice Chairman
Hartwood District



Paul V. Milde III
Aquia District



Mark Dudenhefer
Garrisonville District



Harry E. Crisp
George Washington District



Robert "Bob" Woodson
Griffis-Widewater District



Cord A. Sterling
Rock Hill District



Anthony J. Romanello
County Administrator



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**COUNTY OF STAFFORD, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008**

TABLE OF CONTENTS

INTRODUCTORY SECTION

| | |
|--|-----------|
| Letter of Transmittal | Page i |
| Organizational Chart | vii |
| Principal Officials | viii |
| Certificate of Achievement for Excellence in Financial Reporting | x |

FINANCIAL SECTION

| | |
|-------------------------------------|---|
| Independent Auditors' Report | 1 |
|-------------------------------------|---|

| | |
|---|---|
| Management's Discussion and Analysis | 3 |
|---|---|

Basic Financial Statements

Government-wide Financial Statements

| | | |
|------------|-------------------------|----|
| Exhibit I | Statement of Net Assets | 17 |
| Exhibit II | Statement of Activities | 18 |

Fund Financial Statements

Governmental Funds Financial Statements

| | | |
|-------------|---|----|
| Exhibit III | Balance Sheet – Governmental Funds | 20 |
| Exhibit IV | Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets | 21 |
| Exhibit V | Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 22 |
| Exhibit VI | Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 23 |

Proprietary Funds Financial Statements

| | | |
|--------------|---|----|
| Exhibit VII | Statement of Net Assets – Proprietary Fund | 24 |
| Exhibit VIII | Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund | 25 |
| Exhibit IX | Statement of Cash Flows – Proprietary Fund | 26 |

Fiduciary Funds Financial Statements

| | | |
|-----------|---|----|
| Exhibit X | Statement of Fiduciary Net Assets – Fiduciary Funds | 27 |
|-----------|---|----|

| | |
|--------------------------------------|----|
| Notes to Financial Statements | 29 |
|--------------------------------------|----|

FINANCIAL SECTION (continued)

Required Supplementary Information other than Management's Discussion and Analysis

Budgetary Comparison Schedules

| | | |
|-------------|--|----|
| Exhibit XI | Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund | 67 |
| Exhibit XII | Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Transportation Fund | 69 |

Pension Schedules

| | | |
|--------------|--|----|
| Exhibit XIII | Schedule of Funding Progress – Pension Plan | 70 |
| Exhibit XIV | Schedule of Funding Progress – Other Post-employment Benefits Plan | 71 |

| | |
|--|-----------|
| Notes to Required Supplementary Information | 72 |
|--|-----------|

Other Supplementary Information

Combining Schedules

| | | |
|---------------|--|----|
| Schedule I | Combining Balance Sheet Nonmajor Governmental Funds | 74 |
| Schedule II | Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds | 76 |
| Schedule III | Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Nonmajor Governmental Funds | 78 |
| Schedule IV | Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Capital Projects Fund | 80 |
| Schedule V | Combining Statement of Fiduciary Net Assets – Fiduciary Funds | 82 |
| Schedule VI | Combining Statement of Changes in Fiduciary Net Assets | 83 |
| Schedule VII | Statement of Net Assets Discretely Presented Component Unit – Wideswater Community Development Authority | 85 |
| Schedule VIII | Statement of Revenues, Expenses and Changes in Net Assets Discretely Presented Component Unit – Wideswater Community Development Authority | 86 |

STATISTICAL SECTION

| | |
|--|-----|
| Statistical Section Overview | 87 |
| Table S-1 Net Assets by Component | 88 |
| Table S-2 Changes in Net Assets | 89 |
| Table S-3 Fund Balances, Governmental Funds | 92 |
| Table S-4 Changes in Fund Balances, Governmental Funds | 93 |
| Table S-5 Assessed Value and Actual Value of Taxable Real Property | 95 |
| Table S-6 Direct and Overlapping Tax Rates | 96 |
| Table S-7 Principal Property Tax Payers | 97 |
| Table S-8 Property Tax Levies and Collections | 98 |
| Table S-9 Ratios of General Bonded Debt Outstanding, Direct Debt Ratios | 99 |
| Table S-10 Ratios of General Bonded Debt Outstanding, Direct and Overlapping Debt Ratios | 100 |
| Table S-11 Direct and Overlapping Governmental Activities Debt | 101 |
| Table S-12 Debt Margin Information | 102 |
| Table S-13 Pledged Revenue Coverage: Water and Sewer Fund | 105 |
| Table S-14 Demographic and Economic Statistics | 106 |
| Table S-15 Comparative Demographic and Economic Statistics | 107 |
| Table S-16 Principal Employers | 108 |
| Table S-17 Full-Time Equivalent County Government Employees by Function | 109 |
| Table S-18 Operating Indicators by Function | 110 |
| Table S-19 Capital Asset Statistics by Function | 113 |

COMPLIANCE SECTION

| | |
|---|-----|
| 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 <i>Government Auditing Standards</i> | 115 |
| Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 | 117 |
| Schedule of Expenditures of Federal Awards | 119 |
| Notes to Schedule of Expenditures of Federal Awards | 121 |
| Schedule of Findings and Questioned Costs | 122 |
| Summary Schedule of Prior Audit Findings | 125 |



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INTRODUCTORY SECTION

BOARD OF SUPERVISORS

GEORGE H. SCHWARTZ
CHAIRMAN

M. S. "JOE" BRITO
VICE CHAIRMAN

HARRY E. CRISP, II

MARK DUDENHEFER

PAUL V. MILDE, III

CORD A. STERLING

ROBERT "BOB" WOODSON



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COUNTY ADMINISTRATOR
ANTHONY J. ROMANELLO, ICMA-CM

January 16, 2009

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) 2008 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 present fairly 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.

Clifton Gunderson 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, 2008, 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, 2008, 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 government-wide 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 Board is audited by separate auditors and issues a separate annual financial report.

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 1,000 students were enrolled in these programs during 2007-2008.

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 1st. The County Administrator submits a proposed operating and capital budget to the Board of Supervisors in March of 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 on the proposed budget and tax rates. Property tax rates are set by passage of a resolution. Prior to June 30th, 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 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 designations 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 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 participates 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

Financial statement users analyze fund balance to identify available resources that can be used to maintain the fiscal stability of the government. Reserved fund balance is legally restricted and is not an available expendable resource. Designated fund balance represents management's tentative plans for future use of financial resources. The General Fund usually contains the bulk of funds which can be appropriated for general government activities.

The County's General fund reserves fund balance for debt service. Funds are designated for encumbrances, with the intention to request reappropriation subsequent to mid-year financial review. Funds are also designated for future expenditures such as capital improvements and special programs or projects.

During 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, 2008 the undesignated, unreserved fund balance in the General Fund was \$18.4 million or 8.2% of the fiscal year 2008 general revenues. At year-end, the Component Unit – School Board's operating fund is carrying a fund

balance of \$9.2 million. \$1.8 million of that amount is unused, non-categorical funds that were neither returned to the County's General Fund, nor requested for reappropriation. Had this amount been included in the General Fund balance, the County's unreserved, undesignated fund balance would have been just over nine percent (9%) of General Fund revenues.

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, 2008, net bonded debt was 2.38% of assessed real property value. Debt service expenditures were 9.15% of budgeted general government expenditures.

Long-Term Financial Planning

The County prepares a five-year Capital Improvement Plan (CIP) annually. The CIP serves as a planning tool to analyze initiatives, formulate service levels and phase-in funding needed public facilities. The 2008-2012 CIP totals \$487.6 million and is comprised of County projects of \$162.1 million, school projects of \$126.4 million and Utilities Fund projects of \$199.1 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 presented 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.

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 stable economy characterized by a relatively high skilled and educated labor force and low unemployment.

According to the Virginia Employment Commission, Stafford's unemployment rate through the third quarter of 2008 was 3.7%, while the State of Virginia and national rates were 4.2% and 5.7% respectively. This low unemployment rate is due to continued business growth in the County. There are more than 2,200 businesses located in Stafford, employing nearly 35,000 people. The private sector professional and business services industries have contributed significantly to that growth, increasing from 270 to 412 firms over the five-year period 2002-2007. Overall, nearly one million square feet of new commercial space was added in calendar year 2007, with an additional three million square feet in various stages of development. There has also been above average wage growth. These key economic indicators have made Stafford a leader in the Commonwealth:

- 3rd highest employment growth
- 4th highest business growth
- 4th highest wage growth

Because Stafford is quickly developing as a business center, in February 2008, Forbes.com labeled the County as one of the "best places to get ahead".

The County realizes that most new jobs and investment in the community come from existing business. It has focused considerably energy on business retention and expansion. A full time business retention and development manager was hired. A survey was developed to gauge outreach opportunities and follow-up visits were made to respondents.

The County also has established commercial and industrial areas in its northern, central and southern sectors. Quantico Corporate Center located near the Marine Base at Boswell's Corner in the northern area of the County has been attracting defense related contractors. The first office building is complete and is 100% leased and a second building is under construction. Additional plans for the Boswell's Corner area include mixed-use commercial (hotel and retail establishments) and office space.

The Town Center at Aquia, located just north of the central courthouse area, represents a complete redevelopment of an older strip retail center into a mixed-use retail, office, entertainment and residential center.

The first building is complete and is a defense contractor is the major tenant. The historic courthouse area is envisioned as a pedestrian-friendly community center. Government services are currently provided there. The County has been awarded a \$535,000 grant for streetscaping improvements in the area. Proposed future construction includes a retail center and cultural facilities. Medix Health Systems will open the full service, 100-bed acute care Stafford Hospital Center in February 2009. Future construction at the site will include a medical office park.

The Falmouth area in south Stafford provides an opportunity to preserve and enhance an historic riverfront community. Bike and pedestrian trails are proposed to link the area to other area historic sites.

The southern business corridor is located near the I-95 and Route 17 interchange. A nationally recognized commercial developer is constructing a mixed-use corporate center known as Celebrate Virginia North. Flexible zoning within the campus will accommodate approximately three million square feet of office and retail space. Some adjacent retail centers have been constructed and are in the process of being occupied. The concept for future development is for a town center southern gateway to the County.

Transportation issues are being addressed in all areas of the County. In north Stafford, construction continues on a project to widen the major transportation corridor (Rt. 610). 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. The Tourism Office uses a combination of Information resources, such as the Stafford Visitor Center, a tourism website and a comprehensive brochure, to attract visitors to many historical and recreational venues.

MAJOR INITIATIVES

In January 2008, the County completed construction of its new Public Safety Building. The 120,000 square foot building is located near the County Courthouse and Administration Center and cost approximately \$38 million. It houses fire and rescue administrative offices, the County Sheriff's Department and the emergency communications center. In February 2008, the County completed construction of a new \$4.1 million fire and rescue station to serve the southwest area of the County. Not long after that facility opened it served as a community operations and information center during the recovery process from a F-2 tornado that struck the area on May 8. Construction continues on a \$4.6 million fire and rescue station located in the courthouse area. This facility will replace an aging fire station and consolidate fire and rescue services for the central Stafford area. Projected completion date is July 2009. A new simulcast UF digital radio system is also planned for next year.

Other major capital initiatives include completing construction of a 180-acre park in north Stafford and on-going renovations to school facilities.

OTHER INFORMATION

The Certificate of Achievement for Excellence in Financial Reporting - The Government Finance Officers Association (GFOA) 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, 2007. This was the County's twenty-sixth 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.

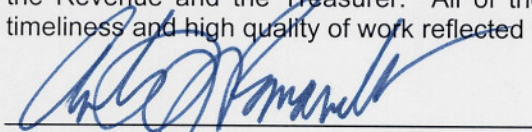
Distinguished Budget Presentation Award - The GFOA has also awarded the County its Distinguished Budget Award for the last nineteen years, including the 2008 fiscal year budget. In order to receive this award, a governmental unit must publish a budget document that is an exceptional policy document, operations guide, financial plan and communications medium.

For an overview of the County's financial condition and financial highlights for FY2008, please refer to the Management's Discussion and Analysis, located in the Financial Section of this document.

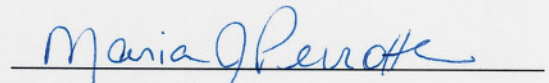
ACKNOWLEDGEMENTS

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.

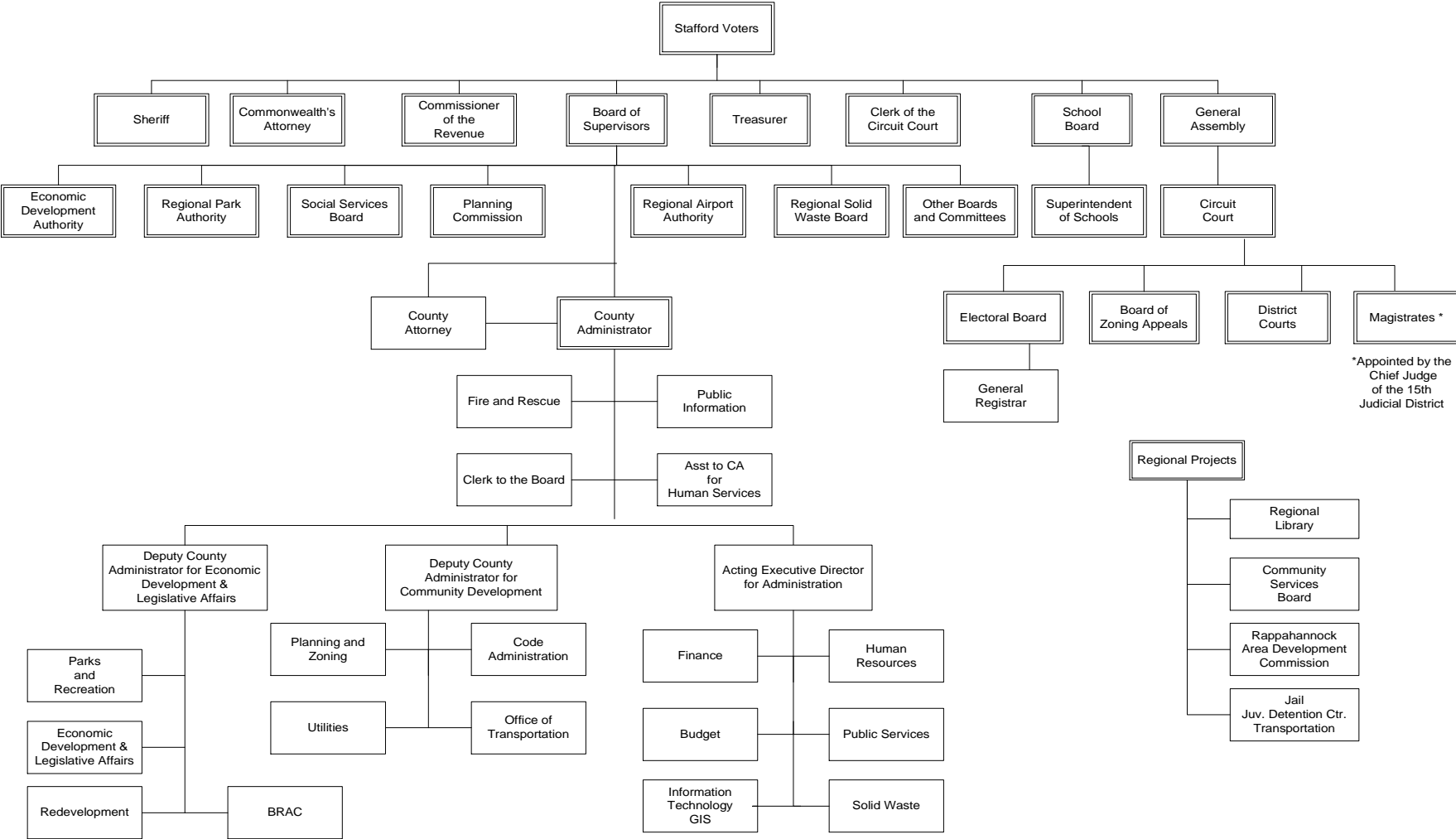


Anthony J. Romanello
County Administrator



Maria J. Perrotte
Chief Financial Officer

County of Stafford, Virginia Organizational Chart



COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS

BOARD OF SUPERVISORS

| | |
|----------------------------------|----------------------------|
| George H. Schwartz, Chairman | Falmouth District |
| M. S. "Joe" Brito, Vice Chairman | Hartwood District |
| Harry E. Crisp, II | George Washington District |
| Mark Dudenhefer | Garrisonville District |
| Paul V. Milde, III | Aquia District |
| Cord A. Sterling | Rock Hill District |
| Robert "Bob" Woodson | Griffis-Widewater 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 |
| Laura M. Rudy | Treasurer |

COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS
(continued)

COUNTY ADMINISTRATIVE OFFICERS

| | |
|-----------------------|--|
| Anthony J. Romanello | County Administrator |
| Michael P. Neuhard | Deputy County Administrator |
| Timothy J. Baroody | Deputy County Administrator Director, Economic Development and Legislative Affairs |
| Tammi W. Ellis | Acting Executive Director of Administration |
| Joseph L. Howard, Jr. | County Attorney |
| Steve Crosby | Interim Director of Public Utilities |
| Nancy A. Collins | Acting Director, Budget |
| Keith C. Dayton | Director, Code Administration |
| David W. Noel | Director, Information Technology |
| J. Robert Brown | Fire Chief |
| Maria J. Perrotte | Chief Financial Officer |
| Joseph K. Gilkerson | Acting Director, Human Resources |
| Christopher J. Hoppe | Director, Parks and Recreation |
| Jeffrey A. Harvey | Director, Planning and Community Development |
| Michael J. Muse | Director, Social 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, 2007

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.



A handwritten signature in black ink, appearing to read "K. L. R. R.", is written above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is written above the title "Executive Director".

Executive Director

FINANCIAL SECTION



Independent Auditor's Report

The Honorable Members of the Board of
Supervisors 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, 2008, 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 did not audit the financial statements of the County of Stafford School Board, a discretely presented component unit, which represents 44.3 percent of the assets and 30.6 percent of the revenues of the total reporting entity. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for this discretely presented component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards 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, 2008, 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.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2009 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 and the required supplementary information are not a required part of the basic financial statements but is 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 accompanying other supplementary information, such as the introductory section, combining schedules, and statistical section, 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. The combining schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Gundersen LLP

Calverton, Maryland
January 16, 2009

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, 2008. 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 \$67.9 million (*net assets*).
- The County's total net assets increased by \$0.1 million, with governmental activities decreasing by \$12.6 million and business-type activities increasing by \$12.7 million.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$79.3 million. Of the \$79.3 million, \$36.3 million is available for spending at the County's discretion (*undesignated fund balances*).
- Undesignated fund balance for the General Fund increased by \$1.2 million to \$18.4 million.
- The County's net debt increased by \$59.0 million during the current fiscal year. The net increase was the result of new debt less principal payments made during the year. New debt consisted of \$22.1 million of VPSA debt for school projects, \$2.7 million in capital leases for fire and rescue vehicles, \$46 million in lease revenue bonds for capital projects, and \$9.5 million for purchase of land.

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 fourteen 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 eleven 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 County maintains one **Proprietary Fund** – an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its public utilities. Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail.

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 programs. However, the County is responsible for ensuring fund assets are used for their intended purposes. The County has three fiduciary funds – Celebrate Virginia North Fund, Lake Arrowhead Sanitary District Fund and the George Washington Regional

Commission 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 statistical section contains five categories of trend information about the County – financial trend information (including governmental fund balances, net assets and changes in net assets, operating indicators, and capital asset statistics), revenue capacity information, debt capacity information, demographic and economic information, and operating information. 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 \$67.9 million at the close of fiscal year 2008. By far, the largest portion of the County's net assets (\$219.1 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 (\$13.4 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.

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 \$8.4 million in donated capital assets accepted into the water and sewer utility system, a \$1.9 million State water quality improvement grant and \$6 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 | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current and other assets | \$ 156.4 | \$ 122.1 | \$ 75.4 | \$ 86.3 | \$ 231.8 | \$ 208.4 | \$ 91.1 | \$ 69.6 |
| Capital assets | <u>130.4</u> | <u>103.6</u> | <u>224.1</u> | <u>202.7</u> | <u>354.5</u> | <u>306.3</u> | <u>375.7</u> | <u>363.5</u> |
| Total assets | <u>286.8</u> | <u>225.0</u> | <u>299.5</u> | <u>289.0</u> | <u>586.3</u> | <u>514.7</u> | <u>466.8</u> | <u>433.1</u> |
| Current liabilities | 94.5 | 84.3 | 13.5 | 12.9 | 108.0 | 97.2 | 52.7 | 39.3 |
| Noncurrent liabilities | <u>397.1</u> | <u>333.7</u> | <u>13.3</u> | <u>16.1</u> | <u>410.4</u> | <u>349.8</u> | <u>13.5</u> | <u>7.2</u> |
| Total liabilities | <u>491.6</u> | <u>418.0</u> | <u>26.8</u> | <u>29.0</u> | <u>518.4</u> | <u>447.0</u> | <u>66.2</u> | <u>46.5</u> |
| Net Assets: | | | | | | | | |
| Invested in capital assets, net of related debt | 10.6 | 32.9 | 208.5 | 183.8 | 219.1 | 216.7 | 372.8 | 360.2 |
| Restricted | 1.5 | 1.4 | 11.9 | 11.7 | 13.4 | 13.1 | - | - |
| Unrestricted | <u>(216.8)</u> | <u>(226.4)</u> | <u>52.3</u> | <u>64.5</u> | <u>(164.5)</u> | <u>(161.9)</u> | <u>27.8</u> | <u>26.4</u> |
| Total net assets | <u>\$ (204.7)</u> | <u>\$ (192.1)</u> | <u>\$ 272.7</u> | <u>\$ 260.0</u> | <u>\$ 68.0</u> | <u>\$ 67.9</u> | <u>\$ 400.6</u> | <u>\$ 386.6</u> |

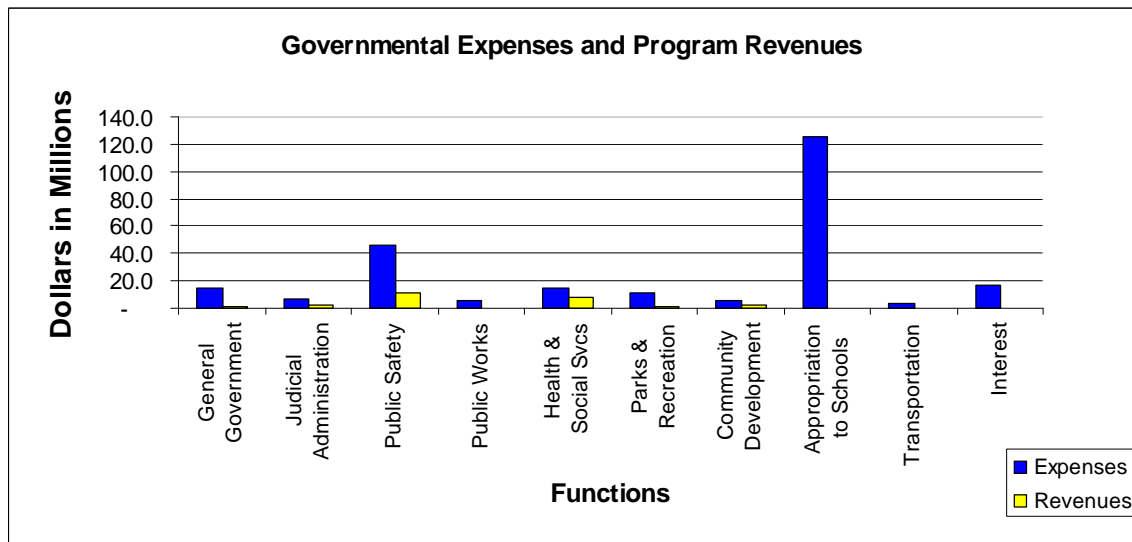
**Statement of Activities
Governmental Activities**

The decrease in net assets attributable to the County's governmental activities totaled \$12.6 million for fiscal year 2008. Generally, net asset changes are the result of the difference between revenues and expenses. For fiscal year 2007 revenues of \$237 million represent an increase of \$15 million over the prior year, while expenses of \$249.6 million increased \$21.8 million for the same period. A summary of key elements follows:

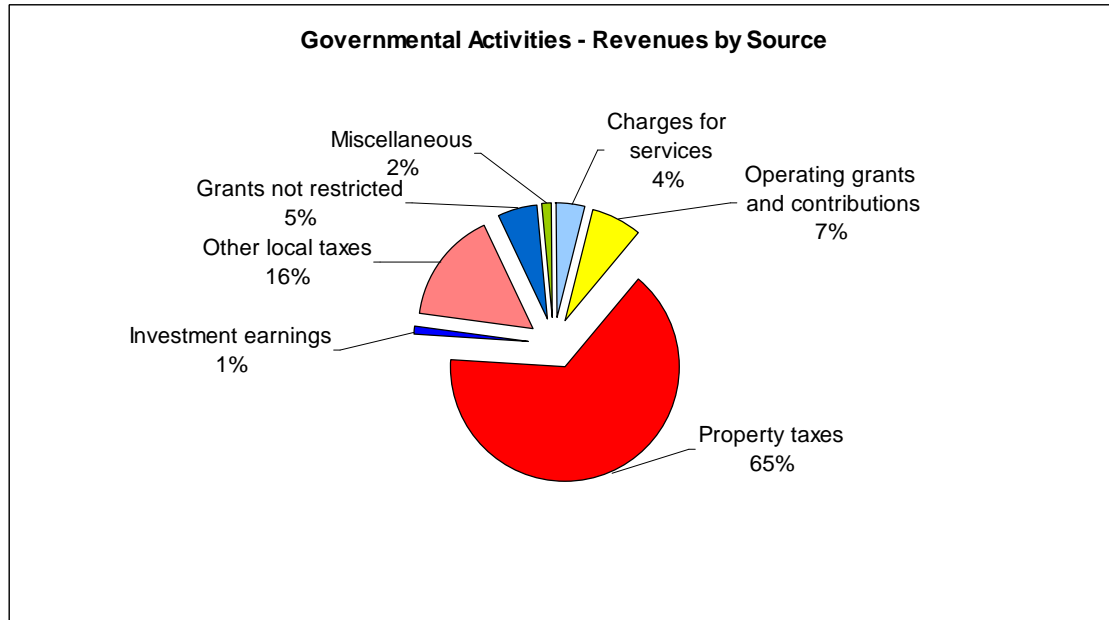
- Program revenues increased from prior year \$200 thousand. Charges for services and operating grants each increased by \$100 thousand. Allocations between expenditure functions changed some due to some internal re-organization.
- General property taxes were \$154 million, an increase of \$19.4 million. The increase was due to growth in the tax base from property reassessments and additional ad valorem taxes for property owners in newly created service districts.
- Other local taxes decreased by approximately \$200 thousand. Sales taxes, bank stock taxes, recordation fees, cable franchise fees and road impact fees all experienced decreases. These can be attributed to the general economic slowdown. Other categories of local taxes experienced modest increases or were flat when compared to the prior year.
- Grants and contributions not restricted to specific programs decreased by \$200 thousand from the prior year. Revenues in this category are derived from State sources. One component of this category is the State's portion of recordation fees. While the revenues in this category were either flat or posted small increases, the recordation fees, like their local component, reported a decrease.
- Investment earnings decreased \$2.1 million from the prior year due to declining interest rates; and the decrease in miscellaneous revenue, also approximately \$2.1 million, is attributed to a decline in proffers recognized and VPSA refunding savings.

- Expenses for governmental activities recorded an increase of \$21.8 million from the prior year. The appropriation to schools function accounts for \$6.8 million of this increase. This function has two components – school operations and school capital projects. School operations increased \$4.8 million (a new middle school was opened) while school capital projects increased \$2 million (there were several on-going facility renovation projects).
- All functions recorded increases, related to salaries and benefits due to the second step of the phased implementation of the employee compensation plan. The public safety function recorded increases (\$7.2 million) related to the completion of the public safety building, a new fire station and upgrades to the communications system. Other significant increases in expenses occurred in the parks, recreation and cultural function (\$1.3 million) for construction of a new park facility financed with lease revenue bond proceeds. Interest expense for the 2007 debt issuances issues account for the \$500 thousand increase over the previous year.

The following graph illustrates the County's fiscal year 2008 expenses and program revenues by functional area comprising its governmental activities.



The following graph illustrates the County's fiscal year 2008 governmental revenues by source.



Business-type Activities

The increase in net assets attributable to the County's business-type activities totaled \$12.7 million for fiscal year 2008. 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 2008, resulting in a net loss of \$7.5 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 \$4.9 million and donated capital assets of \$8.4 million. The following is a summary of relevant financial results for fiscal year 2008:

- The Water and Sewer Fund implemented a rate increase of 9% in fiscal 2008 as identified by the adopted rate study guidelines. 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 \$21.2 million, which were \$.7 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 \$4.9 million which is a \$1.9 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 continuing slowdown in residential construction.
- Donated capital assets totaled \$8.4 million, a \$1.3 million decrease from the prior year, again reflecting the slowdown in residential development.
- Expenses totaled \$28.1 million which were \$2.4 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 \$0.8 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 | | Business-type | | Total | | Component Unit School Board | |
|------------------------------------|-------------------|-------------------|-----------------|-----------------|--------------------|----------------|-----------------------------|-----------------|
| | Activities | | Activities | | Primary Government | | | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenues: | | | | | | | | |
| Program revenues: | | | | | | | | |
| Charges for services | \$ 9.9 | \$ 9.8 | \$ 21.2 | \$ 20.5 | \$ 31.1 | \$ 30.3 | \$ 10.7 | \$ 12.9 |
| Operating grants and contributions | 16.2 | 16.1 | 1.8 | - | 18.0 | 16.1 | 146.1 | 141.0 |
| Capital grants and contributions | - | - | 14.5 | 18.8 | 14.5 | 18.8 | - | - |
| General Revenues: | | | | | | | | |
| General property taxes | 154.0 | 134.6 | - | - | 154.0 | 134.6 | - | - |
| Other local taxes | 37.6 | 37.8 | - | - | 37.6 | 37.8 | - | - |
| Grants not restricted | 12.9 | 13.1 | - | - | 12.9 | 13.1 | 124.0 | 111.0 |
| Investment earnings | 2.9 | 5.0 | 3.2 | 3.7 | 6.1 | 8.7 | 1.0 | 1.6 |
| Miscellaneous | 3.5 | 5.6 | .1 | 0.7 | 3.6 | 6.3 | 1.5 | 1.2 |
| Total revenues | <u>237.0</u> | <u>222.0</u> | <u>40.8</u> | <u>43.74</u> | <u>277.8</u> | <u>265.7</u> | <u>283.3</u> | <u>267.7</u> |
| Expenses: | | | | | | | | |
| General government | 15.0 | 14.3 | - | - | 15.0 | 14.3 | - | - |
| Judicial administration | 7.1 | 6.2 | - | - | 7.1 | 6.3 | - | - |
| Public safety | 47.6 | 40.4 | - | - | 47.6 | 40.4 | - | - |
| Public works | 4.9 | 3.4 | - | - | 4.9 | 3.4 | - | - |
| Health and social services | 14.3 | 12.9 | - | - | 14.3 | 12.9 | - | - |
| Parks, recreation and cultural | 11.4 | 10.1 | - | - | 11.4 | 10.1 | - | - |
| Community development | 5.5 | 5.1 | - | - | 5.5 | 5.1 | - | - |
| Appropriation to schools | 124.0 | 117.2 | - | - | 124.0 | 117.2 | 269.3 | 254.9 |
| Transportation | 3.4 | 2.3 | - | - | 3.4 | 2.3 | - | - |
| Interest | 16.4 | 15.9 | - | - | 16.4 | 15.9 | - | - |
| Water and sewer | - | - | 28.1 | 25.7 | 28.1 | 25.7 | - | - |
| Total expenses | <u>249.6</u> | <u>227.8</u> | <u>28.1</u> | <u>25.7</u> | <u>277.7</u> | <u>253.5</u> | <u>269.3</u> | <u>254.9</u> |
| Change in net assets | (12.6) | (5.8) | 12.7 | 18.0 | .1 | 12.2 | 14.0 | 12.8 |
| Net assets, (deficit) beginning | (192.1) | (186.3) | 259.9 | 241.9 | 67.8 | 55.6 | 386.6 | 373.8 |
| Net assets, (deficit) ending | <u>\$ (204.7)</u> | <u>\$ (192.1)</u> | <u>\$ 272.7</u> | <u>\$ 259.9</u> | <u>\$ 67.9</u> | <u>\$ 67.8</u> | <u>\$ 400.6</u> | <u>\$ 386.6</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 \$79.3 million, an increase of \$1.5 million in comparison with the prior year. Of the \$79.3 million, \$36.3 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.

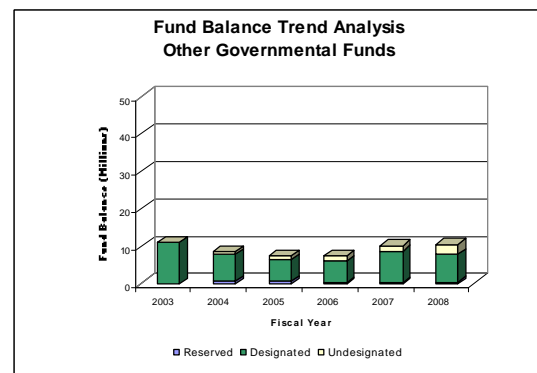
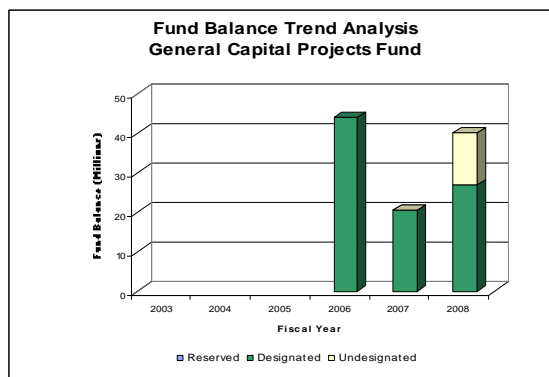
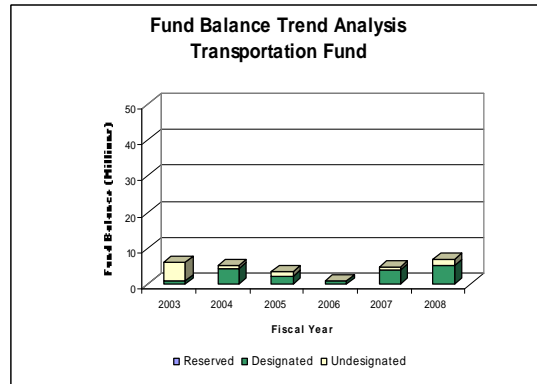
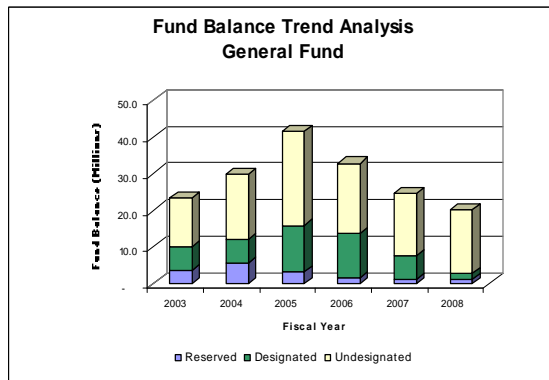
The General Fund is the primary operating fund of the County. The total fund balance of the County's General Fund increased \$1.2 million during fiscal year 2008. This was due primarily to voluntary department budget reductions in the face of declining sales taxes, recordation and building permit related revenues coupled with the implementation of the second phase of the County's compensation plan and debt service. The prior year undesignated fund balance fell below policy guidelines by 1.9%. At the end of fiscal year 2008, the General Fund undesignated fund balance was 8.2% of revenue. Management is committed to restoring it to the policy minimum of 10%. Going forward, budget reductions, a reduction-in-force and a hiring freeze were put in place after the beginning of fiscal year 2009, and monthly and quarterly analysis and monitoring continues.

In addition to the General Fund the County has two major governmental funds, the Transportation Fund and the General Capital projects Fund. Total fund balance for the Transportation Fund at year end was \$6.9 million, a decrease of \$3.1 million over the prior year. This represents funds drawn down from the fiscal agent holding State fuels tax receipts for eligible County transportation projects. Of the \$6.9 million, \$0.2 million is designated for encumbrances and \$4.7 million is designated for transportation capital projects. The remaining, \$2.0 million is undesignated.

Total fund balance for the General Capital Projects Fund at year end was \$40.2 million, a \$19.6 million increase from prior year. The increase is due to the issuance of lease revenue bonds for various capital projects. The entire amount is designated with \$27.0 million for encumbrances and \$13.2 million for anticipated project expenditures.

The County also has eleven non-major governmental funds. In total, fund balance is \$10.5 million, a \$.4 million increase over the prior year. Of the \$10.5 million, \$.3 is reserved, \$7.4 million is designated for encumbrances, capital improvements and community development projects, and \$2.8 million is undesignated.

The following graphs illustrate fund balance trends for the County's governmental funds for fiscal years 2003 through 2008.



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 \$12.7 million during fiscal year 2008. 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 (\$12.0 million) and net additions to distribution and collection systems (\$15.4 million). Restricted net assets increased by at \$100 thousand and unrestricted net assets decreased by \$12.2 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 \$14.0 million. This was due in large part to the increase in the local appropriation. Funds transferred from the County General Fund include bond proceeds used to offset facility construction expenditures. The School Board issues a separate set of financial statements which may be obtained directly from the School Board.

General Fund Budgetary Highlights

Budget amendments resulted in a net increase of \$1.2 million between the original budget and the final budget. Increases included \$1.8 million in temporary funding for capital acquisitions while permanent funding was arranged:

- \$1 million for the acquisition of environmentally sensitive property to become a State park
- \$510,000 for a all-hazards fire truck
- \$260,000 for park construction

Other significant budget amendments included:

- \$3.7 million in re-appropriated encumbrances and incomplete commitments to allow completion of ongoing projects.
- \$400,000 in State and Federal grants for public safety and community development activities.
- \$4.7 million budget reductions across all functions.

General Fund revenues, excluding transfers, increased \$12.3 million over the prior year amount. General property taxes increased \$15.8 million due to general property reassessments. Other local taxes decreased by \$0.7 million due to the decline in sales tax revenue and property transfer recordation. Licenses and permits decreased \$1.3 million due to declining construction activity. Other miscellaneous revenues decreased \$2.0 million from the prior year due to a decline in proffers and VPSA refunding savings.

General Fund expenditures, excluding transfers, recorded an increase of \$14.8 million over the prior year amount. Expenditures for the public safety function increased \$3.2 million due to an increase in personnel for law enforcement and career emergency services, as well as for expenditures associated with operating the new public safety building and a new fire and rescue station. Expenditures for education increased \$8.2 million due to start-up costs for a new middle school and renovations to several other facilities.

The following tables compare General Fund revenues and expenditures for fiscal year 2007 with the previous fiscal year.

| General Fund Revenues | (in millions) | | Increase (Decrease) |
|---------------------------|-----------------|-----------------|------------------------|
| | <u>FY 2008</u> | <u>FY 2007</u> | |
| General property taxes | \$ 151.7 | \$ 135.9 | \$ 15.8 |
| Other local taxes | 28.1 | 28.8 | (.7) |
| Licenses and permits | 5.0 | 6.3 | (1.3) |
| Use of money and property | 1.6 | 2.3 | (.7) |
| Charges for services | 5.2 | 4.1 | 1.1 |
| Other | 3.7 | 5.7 | (2.0) |
| Intergovernmental | <u>28.1</u> | <u>28.0</u> | <u>.1</u> |
| Total revenues | <u>\$ 223.4</u> | <u>\$ 211.1</u> | <u>\$ 12.3</u> |

| General Fund Expenditures | (in millions) | | |
|--------------------------------|-----------------|-----------------|--------------------------------|
| | <u>FY 2008</u> | <u>FY 2007</u> | <u>Increase (Decrease)</u> |
| General government | \$ 14.2 | \$ 13.8 | \$.4 |
| Judicial administration | 7.0 | 6.2 | .8 |
| Public safety | 39.9 | 36.7 | 3.2 |
| Public works | 4.0 | 3.5 | .5 |
| Health and social services | 14.0 | 13.0 | 1.0 |
| Parks, recreation and cultural | 10.5 | 9.5 | 1.0 |
| Community development | 4.5 | 4.3 | .2 |
| Education | 102.7 | 94.5 | 8.2 |
| Capital outlay | 1.5 | 2.3 | (.8) |
| Debt service | <u>35.5</u> | <u>35.2</u> | <u>.3</u> |
| Total expenditures | <u>\$ 233.8</u> | <u>\$ 219.0</u> | <u>\$ 14.8</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, 2008, totals \$354.3 million, net of accumulated depreciation. This represents an increase of \$54.8 million over the prior year. The investment in capital assets includes land, buildings, distribution and collection systems, equipment, vehicles, construction in progress. Major capital asset events during the current fiscal year included the following:

- Governmental activities acquisition of land and buildings for County facilities and parks.
- Governmental activities construction in progress for a radio communications system upgrade, public safety facilities 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 2008. Additional information on the County's capital assets can be found in Note 4.

| Primary Government Capital Assets (in millions) | Balance <u>June 30, 2007</u> | Net Additions/ <u>Deletions</u> | Balance <u>June 30, 2008</u> |
|--|---------------------------------|---------------------------------------|---------------------------------|
| Governmental Activities: | | | |
| Capital assets not being depreciated: | | | |
| Land | \$ 19.5 | \$ 9.6 | \$ 29.1 |
| Construction in progress | 40.2 | (24.6) | 15.6 |
| Capital assets being depreciated: | | | |
| Land improvements | 11.3 | 2.4 | 13.7 |
| Buildings and building improvements | 31.2 | 45.4 | 76.6 |
| Furniture, fixtures and equipment | 10.4 | 1.2 | 11.6 |
| Vehicles | 10.4 | 3.7 | 14.1 |
| Accumulated depreciation | <u>(26.2)</u> | <u>(4.2)</u> | <u>(30.4)</u> |
| Total governmental capital assets | <u>\$ 96.8</u> | <u>\$ 33.5</u> | <u>\$ 130.3</u> |

| | Balance <u>June 30, 2007</u> | Net Additions/ Deletions | Balance <u>June 30, 2008</u> |
|---------------------------------------|---------------------------------|--------------------------------|---------------------------------|
| Business-type Activities: | | | |
| Capital assets not being depreciated: | | | |
| Land | \$ 11.3 | \$ 1.9 | \$ 13.2 |
| Construction in progress | 37.5 | 11.9 | 49.4 |
| Capital assets being depreciated: | | | |
| Land improvements | .4 | - | .4 |
| Buildings and building improvements | 3.7 | - | 3.7 |
| Distribution and collection systems | 223.0 | 15.4 | 238.4 |
| Furniture, fixtures and equipment | 12.1 | 1.0 | 13.1 |
| Vehicles | 3.0 | (.1) | 2.9 |
| Accumulated depreciation | <u>(88.3)</u> | <u>(8.8)</u> | <u>(97.1)</u> |
| Total business-type capital assets | <u>\$ 202.7</u> | <u>\$ 21.3</u> | <u>\$ 224.0</u> |

Long-term debt: At the end of the current fiscal year, County governmental activities reported total bonded debt outstanding of \$381.1 million. Of this amount, \$280.1 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 \$62.8 million during the fiscal year. This resulted from issuing \$22.1 million in general obligation bonds for School construction and renovation projects, \$2.7 million in capital leases for fire and rescue vehicles, 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 \$15.6 million at the end of the current fiscal year. These bonds are secured by water and sewer revenues. The net decrease of \$3.2 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 2008</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2007</u> |
| General obligation bonds, net | \$ 288.1 | \$ 279.9 | \$ - | \$ - | \$ 288.1 | \$ 279.9 |
| Lease revenue bonds | 93.0 | 47.0 | - | - | 93.0 | 47.0 |
| Revenue bonds | - | - | 15.6 | 18.7 | 15.6 | 18.7 |
| Total bonds payable | <u>\$ 381.1</u> | <u>\$ 326.9</u> | <u>\$ 15.6</u> | <u>\$ 18.7</u> | <u>\$ 396.7</u> | <u>\$ 345.6</u> |

Factors Influencing Future Budgets

Key factors that are expected to impact future budgets include:

- Declining local and State revenue sources.
- Projected increases in health insurance premiums.
- Citizen demands for maintaining service levels.
- Funding for capital improvements.
- Funding the annual required contribution for post-employment benefits other than pensions (OPEB).
- Increased local support of schools operations in light of decreasing State funding.
- Allocation of funds from BPOL receipts for transportation improvements.

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 Chief Financial Officer, County of Stafford, P.O. Box 339, Stafford, VA 22555-0339.



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
June 30, 2008

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|-----------------------|-----------------------|---------------------|
| | Governmental Activities | Business-type Activities | Totals | School Board | Widewater CDA |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash, cash equivalents and temporary cash investments | \$ 72,868,985 | \$ 58,519,698 | \$ 131,388,683 | \$ 20,311,672 | \$ - |
| Receivables, net of allowance for uncollectibles | 23,025,708 | 3,909,801 | 26,935,509 | 5,642,740 | - |
| Due from primary government | - | - | - | 42,076,901 | - |
| Internal balances | (418,536) | 418,536 | - | - | - |
| Inventory | 24,618 | 553,199 | 577,817 | 596,851 | - |
| Prepays | 31,473 | - | 31,473 | 2,009 | - |
| Total current assets | <u>95,532,248</u> | <u>63,401,234</u> | <u>158,933,482</u> | <u>68,630,173</u> | <u>-</u> |
| Noncurrent assets: | | | | | |
| Restricted cash and cash equivalents | 52,064,295 | 11,912,732 | 63,977,027 | 22,544,690 | 1,260,267 |
| Investment in joint venture | 7,062,301 | - | 7,062,301 | - | - |
| Financing costs, net of accumulated amortization | 1,839,634 | 125,605 | 1,965,239 | - | - |
| Capital assets: | | | | | |
| Land | 29,136,817 | 13,170,950 | 42,307,767 | 25,540,999 | - |
| Construction in progress | 15,579,406 | 49,430,543 | 65,009,949 | 35,558,822 | - |
| Land improvements | 13,683,141 | 409,598 | 14,092,739 | 25,728,644 | - |
| Buildings and building improvements | 76,643,535 | 3,736,150 | 80,379,685 | 366,600,376 | - |
| Distribution and collection systems | - | 238,433,212 | 238,433,212 | 635,154 | - |
| Furniture, fixtures and equipment | 11,633,786 | 13,075,987 | 24,709,773 | 6,893,197 | - |
| Vehicles | 14,075,714 | 2,859,011 | 16,934,725 | 18,946,943 | - |
| Less accumulated depreciation | <u>(30,414,362)</u> | <u>(97,052,281)</u> | <u>(127,466,643)</u> | <u>(104,210,553)</u> | <u>-</u> |
| Total noncurrent assets | <u>191,304,267</u> | <u>236,101,507</u> | <u>427,405,774</u> | <u>398,238,272</u> | <u>1,260,267</u> |
| Total assets | <u>\$ 286,836,515</u> | <u>\$ 299,502,741</u> | <u>\$ 586,339,256</u> | <u>\$ 466,868,445</u> | <u>\$ 1,260,267</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 2,648,419 | \$ 1,066,353 | \$ 3,714,772 | \$ 8,072,430 | \$ - |
| Retainage payable | 564,920 | 585,072 | 1,149,992 | 2,115,633 | - |
| Accrued salaries and benefits | 1,963,716 | 322,827 | 2,286,543 | 36,835,270 | - |
| Accrued insurance claims | 1,061,020 | 81,483 | 1,142,503 | 3,805,719 | - |
| Accrued interest | 7,927,433 | 164,174 | 8,091,607 | - | - |
| Arbitrage liability | 434,944 | 124,631 | 559,575 | 115,372 | - |
| Other accrued liabilities | 1,467,854 | 9,927 | 1,477,781 | - | - |
| Unearned revenue | 1,926,958 | 27,232 | 1,954,190 | 67,415 | - |
| Due to component unit | 42,076,901 | - | 42,076,901 | - | - |
| Deposits | 10,656,423 | 7,274,825 | 17,931,248 | - | 1,275,228 |
| Current portion of long-term debt | <u>23,762,003</u> | <u>3,854,419</u> | <u>27,616,422</u> | <u>1,720,730</u> | <u>-</u> |
| Total current liabilities | <u>94,490,591</u> | <u>13,510,943</u> | <u>108,001,534</u> | <u>52,732,569</u> | <u>1,275,228</u> |
| Noncurrent liabilities: | | | | | |
| Noncurrent portion of long-term debt | 393,807,700 | 12,640,704 | 406,448,404 | 7,442,251 | - |
| Other post-employment benefits | <u>3,271,000</u> | <u>695,000</u> | <u>3,966,000</u> | <u>6,064,225</u> | <u>-</u> |
| Total noncurrent liabilities | <u>397,078,700</u> | <u>13,335,704</u> | <u>410,414,404</u> | <u>13,506,476</u> | <u>-</u> |
| Total liabilities | <u>491,569,291</u> | <u>26,846,647</u> | <u>518,415,938</u> | <u>66,239,045</u> | <u>1,275,228</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 10,604,891 | 208,473,170 | 219,078,061 | 372,811,891 | - |
| Restricted: | | | | | |
| Debt service | 1,187,718 | 4,886,732 | 6,074,450 | - | - |
| Drug enforcement | 297,111 | - | 297,111 | - | - |
| Construction and maintenance | - | 7,026,000 | 7,026,000 | - | - |
| Unrestricted | <u>(216,822,496)</u> | <u>52,270,192</u> | <u>(164,552,304)</u> | <u>27,817,509</u> | <u>(14,961)</u> |
| Total net assets (deficit) | <u>(204,732,776)</u> | <u>272,656,094</u> | <u>67,923,318</u> | <u>400,629,400</u> | <u>(14,961)</u> |
| Total liabilities and net assets | <u>\$ 286,836,515</u> | <u>\$ 299,502,741</u> | <u>\$ 586,339,256</u> | <u>\$ 466,868,445</u> | <u>\$ 1,260,267</u> |

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

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

| Functions/Programs | Expenses | Program Revenues | | |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 14,985,255 | \$ 3,619 | \$ 681,802 | \$ - |
| Judicial administration | 7,134,996 | 482,221 | 1,737,551 | - |
| Public safety | 47,572,866 | 5,772,896 | 5,231,094 | - |
| Public works | 4,925,416 | - | - | - |
| Health and social services | 14,279,036 | 34,375 | 7,960,391 | - |
| Parks, recreation and cultural | 11,386,966 | 1,370,845 | - | - |
| Community development | 5,537,404 | 2,207,172 | 84,908 | - |
| Appropriation to School Board: | | | | |
| School operating | 100,817,432 | - | - | - |
| School capital projects | 23,190,898 | - | - | - |
| Transportation | 3,438,628 | - | 452,413 | - |
| Interest | 16,383,754 | - | - | - |
| Total governmental activities | <u>249,652,651</u> | <u>9,871,128</u> | <u>16,148,159</u> | <u>-</u> |
| Business-type activities: | | | | |
| Water and Sewer | <u>28,186,943</u> | <u>21,204,730</u> | <u>1,857,407</u> | <u>14,462,419</u> |
| Total primary government | <u>\$ 277,839,594</u> | <u>\$ 31,075,858</u> | <u>\$ 18,005,566</u> | <u>\$ 14,462,419</u> |
| Component units: | | | | |
| Stafford County School Board | <u>\$ 269,258,983</u> | <u>\$ 10,738,470</u> | <u>\$ 146,067,195</u> | <u>\$ -</u> |
| Widewater Community Development Authority | <u>441,119</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total component units | <u>\$ 269,700,102</u> | <u>\$ 10,738,470</u> | <u>\$ 146,067,195</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

Transfers

Total general revenues and transfers

Change in net assets

Net assets (deficit), beginning

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 |
| \$ (14,299,834) | \$ - | \$ (14,299,834) | \$ - | \$ - |
| (4,915,224) | - | (4,915,224) | - | - |
| (36,568,876) | - | (36,568,876) | - | - |
| (4,925,416) | - | (4,925,416) | - | - |
| (6,284,270) | - | (6,284,270) | - | - |
| (10,016,121) | - | (10,016,121) | - | - |
| (3,245,324) | - | (3,245,324) | - | - |
| (100,817,432) | - | (100,817,432) | - | - |
| (23,190,898) | - | (23,190,898) | - | - |
| (2,986,215) | - | (2,986,215) | - | - |
| (16,383,754) | - | (16,383,754) | - | - |
| (223,633,364) | - | (223,633,364) | - | - |
| - | 9,337,613 | 9,337,613 | - | - |
| (223,633,364) | 9,337,613 | (214,295,751) | - | - |
| - | - | - | (112,453,318) | - |
| - | - | - | - | (441,119) |
| - | - | - | (112,453,318) | (441,119) |
| 154,022,352 | - | 154,022,352 | - | 12 |
| 9,639,629 | - | 9,639,629 | - | - |
| 4,600,260 | - | 4,600,260 | - | - |
| 9,443,149 | - | 9,443,149 | - | - |
| 2,257,174 | - | 2,257,174 | - | - |
| 193,933 | - | 193,933 | - | - |
| 3,838,660 | - | 3,838,660 | - | - |
| 1,231,717 | - | 1,231,717 | - | - |
| 5,088,892 | - | 5,088,892 | - | - |
| 46,402 | - | 46,402 | - | - |
| 1,096,409 | - | 1,096,409 | - | - |
| 184,866 | - | 184,866 | - | - |
| 12,918,794 | - | 12,918,794 | 124,008,330 | - |
| 2,960,670 | 3,266,902 | 6,227,572 | 954,628 | - |
| 3,507,598 | 79,940 | 3,587,538 | 1,487,210 | - |
| (13,713) | 13,713 | - | - | - |
| 211,016,792 | 3,360,555 | 214,377,347 | 126,450,168 | 12 |
| (12,616,573) | 12,698,168 | 81,595 | 13,996,850 | (441,107) |
| (192,116,203) | 259,957,926 | 67,841,723 | 386,632,550 | 426,146 |
| \$ (204,732,776) | \$ 272,656,094 | \$ 67,923,318 | \$ 400,629,400 | \$ (14,961) |

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

| | General Fund | Special Revenue Transportation Fund | Capital Projects General Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---|--|-----------------------------|--------------------------------|
| ASSETS | | | | | |
| Equity in pooled cash and investments | \$ 64,289,682 | \$ 2,243,547 | \$ - | \$ 6,335,757 | \$ 72,868,986 |
| Restricted assets: | | | | | |
| Cash | 2,255,954 | - | - | 248,849 | 2,504,803 |
| Cash with fiscal agents | 5,000 | 3,351,942 | 41,753,897 | 4,448,653 | 49,559,492 |
| Receivables, net of allowance for uncollectibles: | | | | | |
| Property taxes | 14,469,352 | - | - | 36,351 | 14,505,703 |
| Accounts | 2,390,733 | - | - | 126,816 | 2,517,549 |
| Intergovernmental | 4,266,276 | 1,676,884 | - | 59,295 | 6,002,455 |
| Due from other funds | 337,627 | - | - | - | 337,627 |
| Inventory | 24,618 | - | - | - | 24,618 |
| Prepaid expenditures | 30,273 | - | - | 1,200 | 31,473 |
| Total assets | <u>\$ 88,069,515</u> | <u>\$ 7,272,373</u> | <u>\$ 41,753,897</u> | <u>\$ 11,256,921</u> | <u>\$ 148,352,706</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 1,956,668 | \$ 311,994 | \$ 307,000 | \$ 72,757 | \$ 2,648,419 |
| Retainage payable | 34,186 | 4,250 | 238,742 | 287,742 | 564,920 |
| Deposits | 10,654,323 | - | - | 2,100 | 10,656,423 |
| Accrued salaries and benefits | 1,878,992 | 9,471 | 6,459 | 68,795 | 1,963,717 |
| Other accrued liabilities | 463,050 | - | 1,004,804 | - | 1,467,854 |
| Due to other funds | 418,536 | - | - | 337,627 | 756,163 |
| Due to component unit | 42,076,901 | - | - | - | 42,076,901 |
| Unearned revenue | 8,937,715 | - | - | 24,549 | 8,962,264 |
| Total liabilities | <u>66,420,371</u> | <u>325,715</u> | <u>1,557,005</u> | <u>793,570</u> | <u>69,096,661</u> |
| Fund Balances: | | | | | |
| Reserved for: | | | | | |
| Debt service | 1,187,718 | - | - | 60,288 | 1,248,006 |
| Drug enforcement | - | - | - | 295,985 | 295,985 |
| Unreserved: | | | | | |
| Designated: | | | | | |
| Encumbrances: | | | | | |
| General Fund | 1,655,393 | - | - | - | 1,655,393 |
| Special Revenue Funds: | | | | | |
| Transportation | - | 259,376 | - | - | 259,376 |
| Community Development | - | - | - | 830,888 | 830,888 |
| Capital Projects Funds | - | - | 27,042,072 | 296,700 | 27,338,772 |
| Capital improvements: | | | | | |
| Special Revenue Funds: | | | | | |
| Transportation | - | 4,698,369 | - | - | 4,698,369 |
| Community Development | - | - | - | 4,117,397 | 4,117,397 |
| Capital Projects Funds | - | - | - | 2,107,912 | 2,107,912 |
| Future expenditures: | | | | | |
| General Fund - renovations | 92,591 | - | - | - | 92,591 |
| General Fund - PDR program | 299,242 | - | - | - | 299,242 |
| General Fund - park site study | 25,000 | - | - | - | 25,000 |
| Undesignated | 18,389,200 | - | 13,154,820 | 862,003 | 32,406,023 |
| Undesignated, Special Revenue Funds | - | 1,988,913 | - | 1,892,178 | 3,881,091 |
| Total fund balances | <u>21,649,144</u> | <u>6,946,658</u> | <u>40,196,892</u> | <u>10,463,351</u> | <u>79,256,045</u> |
| Total liabilities and fund balances | <u>\$ 88,069,515</u> | <u>\$ 7,272,373</u> | <u>\$ 41,753,897</u> | <u>\$ 11,256,921</u> | <u>\$ 148,352,706</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, 2008**

Total fund balances- total governmental funds **\$ 79,256,045**

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 | \$ 160,752,399 | |
| Less accumulated depreciation | <u>(30,414,362)</u> | |
| Net capital assets | | 130,338,037 |

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

7,035,308

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

| | | |
|-------------------------------|------------------|-----------|
| Investment in joint venture | 7,062,301 | |
| Financing costs | 1,987,462 | |
| Less accumulated amortization | <u>(147,828)</u> | |
| | | 8,901,935 |

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.

| | | |
|---|---------------|----------------------|
| Revenue bonds | (92,995,000) | |
| General obligation bonds | (289,601,263) | |
| Literary loans | (6,241,080) | |
| Certificates of participation | (2,260,000) | |
| Capital leases | (12,687,152) | |
| Compensated absences | (5,822,180) | |
| Deferred amounts for bond premiums | (8,018,785) | |
| Deferred loss on refunding | 55,756 | |
| Arbitrage liability | (434,944) | |
| Accrued insurance claims | (1,061,020) | |
| Interest payable | (7,927,433) | |
| Net other post-employment benefits obligation | (3,271,000) | |
| | | <u>(430,264,101)</u> |

Net Assets (Deficit) of Governmental Activities **\$ (204,732,776)**

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, 2008

| | General Fund | Special Revenue Transportation Fund | Capital Projects General Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---|--|-----------------------------|--------------------------------|
| REVENUES | | | | | |
| General property taxes | \$ 151,725,707 | \$ - | \$ - | \$ 1,221,257 | \$ 152,946,964 |
| Other local taxes | 28,130,198 | 4,600,260 | - | 3,030,545 | 35,761,003 |
| Permits, privilege fees and regulatory licenses | 5,011,135 | - | - | - | 5,011,135 |
| Fines and forfeitures | 729,448 | - | - | - | 729,448 |
| Use of money and property | 1,587,283 | 103,988 | 1,206,212 | 261,526 | 3,159,009 |
| Charges for services | 5,226,463 | - | - | 492 | 5,226,955 |
| Miscellaneous | 2,794,023 | 446,543 | - | 30,237 | 3,270,803 |
| Intergovernmental | 28,127,700 | 1,216,091 | - | 486,840 | 29,830,631 |
| Total revenues | <u>223,331,957</u> | <u>6,366,882</u> | <u>1,206,212</u> | <u>5,030,897</u> | <u>235,935,948</u> |
| EXPENDITURES | | | | | |
| Current operating: | | | | | |
| General government | 14,208,609 | 3,395,011 | - | - | 17,603,620 |
| Judicial administration | 6,951,870 | - | - | 9,974 | 6,961,844 |
| Public safety | 41,272,722 | - | - | 2,734,719 | 44,007,441 |
| Public works | 4,019,189 | - | - | - | 4,019,189 |
| Health and social services | 13,968,888 | - | - | - | 13,968,888 |
| Parks, recreation and cultural | 10,457,876 | - | - | 4,882,312 | 15,340,188 |
| Community development | 4,516,398 | - | - | 695,256 | 5,211,654 |
| Appropriation to School Board: | | | | | |
| School operating | 100,817,432 | - | - | - | 100,817,432 |
| School capital projects | 328,948 | - | 22,861,950 | - | 23,190,898 |
| Capital outlay | 1,490,888 | 603,574 | 29,675,168 | - | 31,769,630 |
| Debt service: | | | | | |
| Principal | 18,820,682 | - | - | - | 18,820,682 |
| Interest and fiscal charges | 15,316,836 | - | 980,525 | 37,272 | 16,334,633 |
| Total expenditures | <u>232,170,338</u> | <u>3,998,585</u> | <u>53,517,643</u> | <u>8,359,533</u> | <u>298,046,099</u> |
| Deficiency of revenues under expenditures | <u>(8,838,381)</u> | <u>2,368,297</u> | <u>(52,311,431)</u> | <u>(3,328,636)</u> | <u>(62,110,151)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 7,917,204 | 44,380 | 2,500,301 | 671,651 | 11,133,536 |
| Transfers out | (3,230,045) | (32,114) | (5,452,197) | (2,432,893) | (11,147,249) |
| Issuance of debt: | | | | | |
| Bonds | 1,099,263 | - | 70,985,335 | 5,480,402 | 77,565,000 |
| Bond premiums | - | - | 1,179,286 | - | 1,179,286 |
| Capital leases | - | - | 2,655,519 | - | 2,655,519 |
| Total other financing sources (uses), net | <u>5,786,422</u> | <u>12,266</u> | <u>71,868,244</u> | <u>3,719,160</u> | <u>81,386,092</u> |
| Net change in fund balances | (3,051,959) | 2,380,563 | 19,556,813 | 390,524 | 19,275,941 |
| Fund balance, beginning | 24,701,103 | 4,566,095 | 20,640,079 | 10,072,827 | 59,980,104 |
| Fund balance, ending | <u>\$ 21,649,144</u> | <u>\$ 6,946,658</u> | <u>\$ 40,196,892</u> | <u>\$ 10,463,351</u> | <u>\$ 79,256,045</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, 2008**

Net change in fund balances - total governmental funds **\$ 19,275,941**

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 | \$ 38,200,394 | |
| Less depreciation expense | <u>(4,595,578)</u> | |
| Excess of capital outlay over depreciation | | 33,604,816 |

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 | | (82,374) |
|----------------------------|--|----------|

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 | 1,075,388 | |
| Change in joint venture investment | <u>162,814</u> | |
| | | 1,238,202 |

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: | | |
| General obligation bonds | (77,565,000) | |
| Bond premium | (1,179,286) | |
| Capital lease financing | (2,655,519) | |
| Debt issuance costs | 820,414 | |
| Arbitrage | (115,372) | |
| Principal repayments: | | |
| General obligation debt | 16,452,715 | |
| Capital leases | <u>2,367,967</u> | |
| | | (61,874,081) |

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 | (1,027,380) | |
| Compensated absences | (485,901) | |
| Accrued insurance claims | (306,467) | |
| Amortization of premium, financing costs and deferred loss on refunding, net | 311,671 | |
| Change in net other post-employment benefits obligation | <u>(3,271,000)</u> | |
| | | (4,779,077) |

Change in net assets of governmental activities **\$ (12,616,573)**

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

| | Business Type Activity - Enterprise Fund <u>Water and Sewer Fund</u> |
|--|--|
| ASSETS | |
| Current assets: | |
| Equity in pooled cash and investments | \$ 58,519,698 |
| Receivables, net of allowance for uncollectibles | 3,909,801 |
| Due from other funds | 418,536 |
| Inventory | 553,199 |
| Total current assets | <u>63,401,234</u> |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | 11,912,732 |
| Financing costs, net of accumulated amortization | 125,605 |
| Capital assets: | |
| Land | 13,170,950 |
| Construction in progress | 49,430,543 |
| Land improvements | 409,598 |
| Buildings and building improvements | 3,736,150 |
| Distribution and collection systems | 238,433,212 |
| Furniture, fixtures and equipment | 13,075,987 |
| Vehicles | 2,859,011 |
| Less accumulated depreciation | <u>(97,052,281)</u> |
| Total capital assets (net of accumulated depreciation) | <u>224,063,170</u> |
| Total noncurrent assets | <u>236,101,507</u> |
| Total assets | <u>\$ 299,502,741</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 1,066,353 |
| Retainage payable | 585,072 |
| Accrued salaries and benefits | 322,827 |
| Accrued interest | 164,174 |
| Other liabilities | 216,041 |
| Unearned revenue | 27,232 |
| Deposits | 7,274,825 |
| Current portion of long-term debt | <u>3,854,419</u> |
| Total current liabilities | <u>13,510,943</u> |
| Noncurrent liabilities: | |
| Noncurrent portion of long-term debt | 12,640,704 |
| Other post-employment benefits | 695,000 |
| | <u>13,335,704</u> |
| Total liabilities | <u>26,846,647</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 208,473,170 |
| Restricted: | |
| Debt service | 4,886,732 |
| Construction and maintenance | 7,026,000 |
| Unrestricted | <u>52,270,192</u> |
| Total net assets | <u>272,656,094</u> |
| Total liabilities and net assets | <u>\$ 299,502,741</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, 2008

| | Business-Type Activity - Enterprise Fund <u>Water and Sewer Fund</u> |
|---|--|
| Operating revenues: | |
| Charges for services | \$ 21,204,730 |
| Miscellaneous | 79,940 |
| Total operating revenues | <u>21,284,670</u> |
| Operating expenses: | |
| Personnel services | 10,992,288 |
| Contractual services | 2,028,717 |
| Materials and supplies | 3,344,597 |
| Heat, light and power | 1,504,619 |
| Telecommunication and internal services | 1,607,960 |
| Miscellaneous | 426,360 |
| Depreciation and amortization | 8,929,659 |
| Total operating expenses | <u>28,834,200</u> |
| Operating loss | <u>(7,549,530)</u> |
| Nonoperating revenues (expenses): | |
| Interest and investment revenue | 3,266,902 |
| Interest expense | 649,028 |
| Net transfers | 13,713 |
| Gain on disposal of capital assets | (1,770) |
| Total nonoperating revenues, net | <u>3,927,873</u> |
| Loss before contributions | <u>(3,621,657)</u> |
| Capital contributions: | |
| Donated capital assets | 8,446,184 |
| State reimbursement for capital project | 1,857,407 |
| Availability fees | 4,972,255 |
| Prorata fees | 1,043,979 |
| Total capital contributions | <u>16,319,825</u> |
| Change in net assets | 12,698,168 |
| Total net assets, beginning | <u>259,957,926</u> |
| Total net assets, ending | <u>\$ 272,656,094</u> |

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

| | Business-Type Activity - Enterprise Fund |
|---|---|
| | Water and Sewer Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 21,669,643 |
| Other receipts, net | 348,005 |
| Payments to suppliers | (8,177,918) |
| Payments to employees | (10,997,076) |
| Net cash provided by operating activities | <u>2,842,654</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | |
| Transfers from other funds | <u>13,713</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition and construction of capital assets | (21,820,939) |
| Principal paid on revenue bond maturities | (3,285,000) |
| Capital facility contribution - Fleet Services | (34,300) |
| Interest paid on revenue bonds | 627,962 |
| State reimbursement | 1,857,407 |
| Availability fees and prorata fees | <u>6,016,234</u> |
| Net cash used in capital and related financing activities | <u>(16,638,636)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest and dividends on investments | <u>3,649,972</u> |
| Net increase in cash and cash equivalents | (10,132,297) |
| Cash and cash equivalents, beginning | <u>80,564,727</u> |
| Cash and cash equivalents, ending | <u>\$ 70,432,430</u> |
| Equity in pooled cash and investments | \$ 58,519,698 |
| Restricted cash and cash equivalents | <u>11,912,732</u> |
| Total cash and cash equivalents | <u>\$ 70,432,430</u> |
| Reconciliation of operating loss to net cash provided by operating activities | |
| Operating loss | \$ (7,515,230) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation and amortization expense | 8,929,659 |
| Change in assets and liabilities: | |
| Increase in accounts receivable | 443,272 |
| Decrease in inventory | (124,888) |
| Increase in accounts payable and accrued liabilities | 880,889 |
| Decrease in unearned revenue | (12,659) |
| Increase in deposits | 268,065 |
| Decrease in compensated absences | (26,454) |
| Total adjustments | <u>10,357,884</u> |
| Net cash provided by operating activities | <u>\$ 2,842,654</u> |

Supplemental disclosure of noncash capital and related financing activities:
The Water and Sewer Fund received donated assets in 2008 valued at \$8,446,184.
Cash payments for interest include capitalized interest of \$1,452,848.

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

| | <u>Agency Funds</u> |
|---------------------------------|----------------------------|
| ASSETS | |
| Current assets: | |
| Cash and short-term investments | \$ 1,721,113 |
| Receivables: | |
| Property taxes | 173,666 |
| Accounts | <u>66,823</u> |
| Total current assets | <u>1,961,602</u> |
| Noncurrent assets: | |
| Cash with fiscal agent | <u>198,541</u> |
| Total assets | <u>\$ 2,160,143</u> |
| LIABILITIES | |
| Accrued salaries and benefits | \$ 44,534 |
| Reserve for future expenditures | 120 |
| Reserve for bondholders | <u>2,115,489</u> |
| Total liabilities | <u><u>\$ 2,160,143</u></u> |

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



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NOTES TO THE FINANCIAL STATEMENTS

COUNTY OF STAFFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

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 122,800.

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:

Discretely presented component units are entities that are legally separate from the primary government, and for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government's financial statements to be misleading or incomplete. The component units are presented in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government. The County has two component units.

County of Stafford School Board

The County of Stafford School Board (School Board) operates the public education system in the County for grades kindergarten through twelve. The County is accountable for all significant fiscal matters - 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 has separately issued financial statements which may be obtained as follows:

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. Audited financial information about the Authority is presented within this Comprehensive Annual Financial Report.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 2008.

(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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. **Garrisonville Road Service District Fund** – accounts for ad valorem tax receipts from property owners in the district to pay debt service for road improvements in the district.
5. **Warrenton Road Service District Fund** – accounts for ad valorem tax receipts from property owners in the district to pay debt service for road improvements in the district.
6. **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.
7. **Asset Forfeiture Fund** – accounts for the receipts and disbursements associated with the County's drug enforcement activities.
8. **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.
9. **Wetlands Fund** – accounts for wetlands mitigation fees and associated disbursements.
10. **Hidden Lake Dam Fund** – accounts for ad valorem tax receipts from property owners in the Hidden Lake subdivision to pay debt service for replacement of the dam.

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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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. George Washington Regional Commission (Agency Fund) – accounts for the assets, liabilities, revenues and expenditures associated with a contractual arrangement to process the agency's payroll.

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 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 60 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,

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

finances 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 Workers Compensation Insurance Fund
School Capital Projects Fund

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, 2008. Individual amendments were not material in relation to the original appropriations.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. By law, total expenditures by fund may not, and did not, exceed appropriations in fiscal year 2008.
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 Funds, Capital Projects Funds, Proprietary Fund, and Fiduciary Funds, 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 General Fund inventory is stated at cost (first-in, first-out), which is not in excess of market value. It consists primarily of small dollar office supplies held for consumption.

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 carries its inventory on a cost basis (first-in, first-out), which is not in excess of market value. The inventory consists of food service supplies and perishable and non-perishable food products.

The Fleet Services Fund carries its inventory on a cost basis (first-in, first-out), which is not in excess of market value. It consists of parts, materials and supplies for repairs and maintenance of school and County vehicles.

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.

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 July 2007 and June 2008.

Restricted cash in the Parks and Recreation Bond Fund represents the unspent proceeds from the 2002 \$11 million Parks and Recreation Bond issue and the portion of the 2008 lease revenue bonds designated for parks projects. The proceeds are used for various park construction and improvement projects.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

For the Component Unit – Stafford County Public Schools, cash amounts in the Health Benefits Fund are restricted for health-related benefits for employees. Restricted cash in the Food and Nutrition Services Fund are reserved as a result of a restricted cash donation in prior years. Capital Projects Fund restricted cash represents the proceeds from school bonds held by the Virginia State Non-Arbitrage Program (SNAP). The School Construction, Renovation and Maintenance Fund has restricted cash that must be used for school capital projects.

H. CAPITAL ASSETS

Capital outlays are recorded as expenditures of the primary government for 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:

| | <u>Primary Government</u> <u>Governmental Funds</u> | <u>Component Unit – School Board</u> <u>Governmental Funds</u> |
|-------------------------------------|--|---|
| Land improvements | 20 years | 20 years |
| Buildings and building improvements | 25 – 50 years | 15 -50 years |
| Furniture, fixtures and equipment | 5 – 10 years | 5 – 15 years |
| Vehicles | 5 years | 8 – 14 years |

To the extent the County's capitalization threshold of \$5,000 is met, capital outlays of the Proprietary Fund 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 – School Board</u> <u>Fleet Services</u> <u>Fund</u> |
|-------------------------------------|--|--|
| Land improvements | 20 years | 20 years |
| Buildings and building improvements | 20 – 100 years | 15 – 50 years |
| Distribution and collection systems | 20 – 80 years | - |
| Furniture, fixtures and equipment | 5 – 10 years | 5 – 15 years |
| Vehicles | 5 years | 6 – 14 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the primary government 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.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. The cash amounts used in this statement of cash flows is the equivalent of all demand deposits as well as short-term investments. For purposes of this statement, 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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, Lease Revenue Bonds Series 2008 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, 2008 were held by the County or in the County's name by the County's custodial banks.

Credit Risk of Debt Securities: Standard & Poor's rated The County's debt investments as of June 30, 2008 and the ratings are presented below using the Standard & Poor's rating scale.

Note 2. DEPOSITS AND INVESTMENTS (Continued)

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>AA</u> | <u>AA+</u> | <u>AA-</u> | <u>A+</u> | <u>A</u> | <u>A-1+</u> | <u>BBB-</u> |
|------------------------------------|-------------|--------------|-----------|------------|------------|-----------|----------|-------------|-------------|
| U. S. Agencies | \$ - | \$24,103,430 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Commercial Paper | - | - | - | - | - | - | - | 1,194,850 | - |
| Municipal Bonds | - | - | 400,900 | - | - | - | - | - | - |
| Corporate Notes and Bonds | - | 6,418,153 | 3,323,600 | 918,291 | 7,076,224 | 369,397 | 219,140 | - | 285,909 |
| Money Market | - | 7,244,558 | - | - | - | - | - | - | - |
| LGIP | 95,257,707 | - | - | - | - | - | - | - | - |
| SNAP | 67,684,034 | - | - | - | - | - | - | - | - |

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. At June 30, 2008, the County had no investments with any one issuer that was greater than 5% of the total investments.

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><90 days</u> | <u>91-365 days</u> | <u>365+ days</u> |
| US Agencies | \$ 2,984,540 | \$ 1,321,134 | \$ 1,999,614 |
| Commercial Paper | 1,194,850 | - | - |
| Municipal Bonds | - | 400,900 | - |
| Corporate Obligations | 1,365,098 | 8,309,113 | 8,734,635 |
| Money Market | 7,244,568 | - | - |

Note 2. DEPOSITS AND INVESTMENTS (Continued)

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

| | <u>Fair Value</u> | <u>Standard & Poor's Rating</u> |
|--|---------------------|---|
| Investments Not Subject to Categorization: | | |
| State Treasurer's Local Government Investment Pool (LGIP) | <u>\$ 1,260,267</u> | AAAm |

At year-end, the Component Unit - Stafford County Public Schools debt investments were rated by Standard and Poor's and/or an equivalent national rating organization as follows:

| | <u>AAAm</u> | <u>AAA</u> | <u>A1</u> |
|------------------|-------------|------------|-----------|
| US Agencies | \$ 64 | \$ - | \$ - |
| Commercial Paper | - | - | 454,242 |
| LGIP | 4,610,170 | - | - |
| SNAP | 21,478,042 | - | - |

Note 3. RECEIVABLES

Receivables at June 30, 2008 consist of the following:

Primary Government

| | <u>General Fund</u> | <u>Transportation Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Water and Sewer Fund</u> | <u>Totals</u> |
|---|-------------------------|--------------------------------|--|-------------------------------------|----------------------|
| Property taxes | \$ 20,046,685 | \$ - | \$ 36,351 | \$ - | \$ 20,083,036 |
| Accounts | 2,390,733 | - | 126,816 | 4,240,047 | 6,757,596 |
| Intergovernmental | <u>4,266,276</u> | <u>1,676,884</u> | <u>59,295</u> | <u>-</u> | <u>6,002,455</u> |
| Gross Receivables | 26,703,694 | 1,676,884 | 222,462 | 4,240,047 | 32,843,087 |
| Less: | | | | | |
| Allowance for uncollectible accounts | <u>(5,577,333)</u> | <u>-</u> | <u>-</u> | <u>(330,246)</u> | <u>(5,907,579)</u> |
| Net Receivables | <u>\$ 21,126,361</u> | <u>\$ 1,676,884</u> | <u>\$ 222,462</u> | <u>\$ 3,909,801</u> | <u>\$ 26,935,508</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 | \$ 7,010,758 | \$ - |
| Advance collection of 2008-2009 taxes | - | 194,400 |
| Ground lease | - | 1,722,857 |
| Other | <u>-</u> | <u>9,700</u> |
| | <u>\$ 7,010,758</u> | <u>\$ 1,926,957</u> |

Note 3. RECEIVABLES (Continued)**Component Unit – Stafford County Public Schools**

| | Operating Fund | Food and Nutrition Services Fund | Fleet Services Fund | Totals |
|-----------------------------|----------------------|--|------------------------|---------------------|
| Accounts receivable | \$ 217,007 | \$ 13,466 | \$ 636 | \$ 231,109 |
| Intergovernmental | 5,247,150 | 120,623 | - | 5,367,773 |
| Due from Primary Government | <u>42,076,901</u> | <u>-</u> | <u>-</u> | <u>42,076,901</u> |
| Net Receivables | <u>\$ 47,541,058</u> | <u>\$ 134,089</u> | <u>\$ 636</u> | <u>\$47,675,783</u> |

Stafford County Public Schools' receivables are considered fully collectible and therefore an allowance for uncollectible accounts is not applicable to these 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, 2008:

**PRIMARY GOVERNMENT
Governmental Activities**

| | Balance June 30, 2007 | Increases | Reclassifications/ Decreases | Balance June 30, 2008 |
|---|--------------------------|----------------------|---------------------------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 19,540,817 | \$ 9,500,000 | \$ 96,000 | \$ 29,136,817 |
| Construction in progress | <u>40,235,243</u> | <u>9,627,732</u> | <u>(34,283,569)</u> | <u>15,579,406</u> |
| Total capital assets not being depreciated | <u>59,776,060</u> | <u>19,127,732</u> | <u>(34,187,569)</u> | <u>44,716,223</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 11,338,961 | 107,668 | 2,236,512 | 13,683,141 |
| Buildings and building improvements | 31,164,178 | 14,707,441 | 30,771,916 | 76,643,535 |
| Furniture, fixtures and equipment | 10,407,020 | 1,020,168 | 206,598 | 11,633,786 |
| Vehicles | <u>10,379,393</u> | <u>3,237,385</u> | <u>458,936</u> | <u>14,075,714</u> |
| Total capital assets being depreciated | <u>63,289,552</u> | <u>19,072,662</u> | <u>33,673,962</u> | <u>116,036,176</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (4,982,652) | (621,521) | - | (5,604,173) |
| Buildings and building improvements | (8,132,990) | (1,612,926) | - | (9,745,916) |
| Furniture, fixtures and equipment | (7,134,286) | (1,012,201) | - | (8,146,487) |
| Vehicles | <u>(6,000,089)</u> | <u>(1,348,930)</u> | <u>431,233</u> | <u>(6,917,786)</u> |
| Total accumulated depreciation | <u>(26,250,017)</u> | <u>(4,595,578)</u> | <u>431,233</u> | <u>(30,414,362)</u> |
| Total capital assets being depreciated, net | <u>37,039,535</u> | <u>14,477,084</u> | <u>34,105,195</u> | <u>85,621,814</u> |
| Total capital assets, governmental activities | <u>\$ 96,815,595</u> | <u>\$ 33,604,816</u> | <u>\$ (82,374)</u> | <u>\$ 130,338,037</u> |

Note 4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|--------------------------------|---------------------|
| General government | \$ 425,593 |
| Judicial administration | 52,597 |
| Public safety | 1,757,277 |
| Public works | 1,578,044 |
| Health and social services | 10,309 |
| Parks, recreation and cultural | 715,045 |
| Community development | 56,713 |
| Total | <u>\$ 4,595,578</u> |

The following is a summary of changes in capital assets for Primary Government's business-type activities for the fiscal year ended June 30, 2008:

PRIMARY GOVERNMENT Business-type Activities Water and Sewer Fund

| | Balance June 30, 2007 | Increases | Reclassifications/ Decreases | Balance June 30, 2008 |
|--|--------------------------|----------------------|---------------------------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 11,333,566 | \$ 1,837,384 | \$ - | \$ 13,170,950 |
| Construction in progress | <u>37,445,904</u> | <u>17,915,968</u> | <u>(5,931,329)</u> | <u>49,430,543</u> |
| Total capital assets not being depreciated | <u>48,779,470</u> | <u>19,753,352</u> | <u>(5,931,329)</u> | <u>62,601,493</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 399,000 | 10,598 | - | 409,598 |
| Buildings and building improvements | 3,708,384 | 27,766 | - | 3,736,150 |
| Distribution and collection systems | 223,002,118 | 10,022,414 | 5,408,680 | 238,433,212 |
| Furniture, fixtures and equipment | 12,126,265 | 457,996 | 491,726 | 13,075,987 |
| Vehicles | <u>2,942,675</u> | <u>13,327</u> | <u>(96,991)</u> | <u>2,859,011</u> |
| Total capital assets being depreciated | <u>242,178,442</u> | <u>10,532,101</u> | <u>5,803,415</u> | <u>258,513,958</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (212,532) | (14,888) | - | (227,420) |
| Buildings and building improvements | (1,229,100) | (105,781) | - | (1,334,881) |
| Distribution and collection systems | (78,803,482) | (7,336,888) | 10,823 | (86,129,547) |
| Furniture, fixtures and equipment | (6,092,787) | (1,156,400) | - | (7,249,187) |
| Vehicles | <u>(1,956,801)</u> | <u>(251,436)</u> | <u>96,991</u> | <u>(2,111,246)</u> |
| Total accumulated depreciation | <u>(88,294,702)</u> | <u>(8,865,393)</u> | <u>107,814</u> | <u>(97,052,281)</u> |
| Total capital assets being depreciated, net | <u>153,883,740</u> | <u>1,666,708</u> | <u>5,911,229</u> | <u>161,461,677</u> |
| Total capital assets, business-type activities | <u>\$ 202,663,210</u> | <u>\$ 21,420,060</u> | <u>\$ (20,100)</u> | <u>\$ 224,063,170</u> |

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for Stafford County Public Schools' governmental activities for the fiscal year ended June 30, 2008:

COMPONENT UNIT – Stafford County Public Schools
Governmental Activities

| | Balance June 30, 2007 | Increases | Reclassifications/ Decreases | Balance June 30, 2008 |
|--|--------------------------|----------------------|---------------------------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 25,470,721 | \$ 32,921 | \$ - | \$ 25,503,642 |
| Construction in progress | <u>28,708,043</u> | <u>16,870,340</u> | <u>(10,019,561)</u> | <u>35,558,822</u> |
| Total capital assets not being depreciated | <u>54,178,764</u> | <u>16,903,261</u> | <u>(10,019,561)</u> | <u>61,062,464</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 23,032,904 | 2,045,496 | (292,727) | 24,785,673 |
| Buildings and building improvements | 353,156,245 | 12,476,008 | (232,617) | 365,399,636 |
| Furniture, fixtures and equipment | 5,908,529 | 900,352 | (19,739) | 6,789,142 |
| Vehicles | 17,765,667 | 1,617,169 | (469,167) | 18,913,669 |
| Distribution and collection systems | <u>594,028</u> | <u>41,126</u> | <u>-</u> | <u>635,154</u> |
| Total capital assets being depreciated | <u>400,457,373</u> | <u>17,080,151</u> | <u>(1,014,250)</u> | <u>416,523,274</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (2,632,181) | (1,252,298) | 21,955 | (3,862,524) |
| Buildings and building improvements | (76,982,424) | (8,387,451) | 2,326 | (85,367,549) |
| Furniture, fixtures and equipment | (3,043,758) | (674,024) | 19,740 | (3,698,042) |
| Vehicles | (9,716,893) | (1,033,597) | 469,165 | (10,281,325) |
| Distribution and collection systems | <u>(225,643)</u> | <u>(35,864)</u> | <u>-</u> | <u>(261,507)</u> |
| Total accumulated depreciation | <u>(92,600,899)</u> | <u>(11,383,234)</u> | <u>513,186</u> | <u>(103,470,947)</u> |
| Total capital assets being depreciated, net | <u>307,856,474</u> | <u>5,696,917</u> | <u>(501,064)</u> | <u>313,052,327</u> |
| Total capital assets, governmental activities | <u>\$ 362,035,238</u> | <u>\$ 22,600,178</u> | <u>\$ (10,520,625)</u> | <u>\$ 374,114,791</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|-----------------------------------|----------------------|
| Operating Fund: | |
| Total School Operating Fund | \$ 11,364,785 |
| Food and Nutrition Services Fund: | |
| Other operations | <u>18,449</u> |
| Total | <u>\$ 11,383,234</u> |

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for Stafford County Public Schools' proprietary fund for the fiscal year ended June 30, 2008:

COMPONENT UNIT – Stafford County Public Schools
Business-type Activities
Proprietary Fund – Fleet Services

| Proprietary Fund - Fleet Services | Balance June 30, 2007 | Increases | Reclassifications/ Decreases | Balance June 30, 2008 |
|---|----------------------------------|------------------|---|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 37,357 | \$ - | \$ - | \$ 37,357 |
| Construction in progress | 69,031 | - | (69,031) | - |
| Total capital assets not being depreciated | 106,388 | - | (69,031) | 37,357 |
| Capital assets being depreciated: | | | | |
| Land improvements | 942,971 | - | - | 942,971 |
| Buildings and building improvements | 898,009 | 302,730 | - | 1,200,739 |
| Furniture, fixtures and equipment | 73,113 | 30,941 | - | 104,054 |
| Vehicles | 19,910 | 13,367 | - | 33,277 |
| Total capital assets being depreciated | 1,934,003 | 347,038 | - | 2,281,041 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (36,184) | (47,514) | - | (83,698) |
| Buildings and building improvements | (587,291) | (30,508) | - | (617,799) |
| Furniture, fixtures and equipment | (26,918) | (6,623) | - | (33,541) |
| Vehicles | (1,244) | (3,324) | - | (4,568) |
| Total accumulated depreciation | (651,637) | (87,969) | - | (739,606) |
| Total capital assets being depreciated, net | 1,282,366 | 259,069 | - | 1,541,435 |
| Total capital assets, business-type activities | \$ 1,388,754 | \$ 259,069 | \$ (69,031) | \$ 1,578,792 |

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, 2008:

| | <u>Amounts Payable at June 30, 2007</u> | <u>Increases</u> | <u>Decreases</u> | <u>Amounts Payable at June 30, 2008</u> | <u>Amounts Due within One Year</u> |
|--|---|----------------------|------------------------|---|--|
| Bonds Payable: | | | | | |
| General obligation bonds | \$ 272,722,829 | \$ 22,100,000 | \$ (14,721,566) | \$ 280,101,263 | \$15,152,457 |
| Lease revenue Bonds | 47,030,000 | 45,965,000 | - | 92,995,000 | 1,105,000 |
| Plus deferred amounts for bond premiums | <u>7,173,965</u> | <u>1,179,286</u> | <u>(334,469)</u> | <u>8,018,782</u> | <u>-</u> |
| Bonds payable including deferred amounts for bond premiums | 326,926,794 | 69,244,286 | (15,056,035) | 381,115,045 | 16,257,457 |
| Less deferred loss on refunding | <u>(64,017)</u> | <u>8,260</u> | <u>-</u> | <u>(55,756)</u> | <u>-</u> |
| Total bonds payable | <u>326,862,777</u> | <u>69,252,546</u> | <u>(15,056,035)</u> | <u>381,059,287</u> | <u>16,257,457</u> |
| Literary loans | 6,922,229 | - | (681,149) | 6,241,080 | 756,149 |
| Certificates of participation | 3,310,000 | - | (1,050,000) | 2,260,000 | 1,155,000 |
| VRA loan | - | 9,500,000 | - | 9,500,000 | 352,741 |
| Capital leases | 12,399,600 | 2,655,519 | (2,367,967) | 12,687,152 | 2,734,483 |
| **Compensated absences | <u>5,336,278</u> | <u>5,055,450</u> | <u>(4,569,549)</u> | <u>5,822,179</u> | <u>2,506,173</u> |
| Governmental activities long- term liabilities | <u>\$ 354,830,884</u> | <u>\$ 86,463,515</u> | <u>\$ (23,724,700)</u> | <u>\$ 417,569,698</u> | <u>\$ 23,762,003</u> |

** 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, E-911 Fund and Tourism.

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

| <u>Year Ending June 30,</u> | <u>General Obligation Bonds</u> | | <u>Revenue Bonds</u> | |
|---------------------------------|---------------------------------|-----------------------|----------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2009 | \$ 15,152,457 | \$ 13,621,929 | \$ 1,105,000 | \$ 4,437,789 |
| 2010 | 15,146,866 | 12,905,125 | 3,685,000 | 4,334,850 |
| 2011 | 14,872,306 | 12,115,835 | 3,735,000 | 4,158,850 |
| 2012 | 14,379,536 | 11,348,243 | 3,785,000 | 4,008,810 |
| 2013 | 13,914,830 | 10,613,416 | 3,490,000 | 3,856,805 |
| 2014-2018 | 67,020,619 | 42,492,511 | 18,060,000 | 17,069,609 |
| 2019-2023 | 55,172,977 | 26,485,735 | 19,380,000 | 12,892,640 |
| 2024-2028 | 49,646,672 | 14,205,301 | 13,230,000 | 8,734,016 |
| 2029-2033 | 34,020,000 | 3,145,313 | 15,480,000 | 5,066,892 |
| 2034-2037 | <u>775,000</u> | <u>17,825</u> | <u>11,045,000</u> | <u>1,197,656</u> |
| Total | <u>\$ 280,101,263</u> | <u>\$ 146,951,233</u> | <u>\$ 92,995,000</u> | <u>\$ 65,757,917</u> |

Note 5. LONG-TERM DEBT (Continued)

| Year Ending June 30, | <u>Literary Loans</u> | | <u>Certificates of Participation</u> | |
|-------------------------|-----------------------|---------------------|--------------------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2009 | \$ 756,149 | \$ 187,232 | \$ 1,105,000 | \$ 85,375 |
| 2010 | 656,149 | 164,548 | 1,155,000 | 28,875 |
| 2011 | 656,149 | 144,863 | - | - |
| 2012 | 511,149 | 126,529 | - | - |
| 2013 | 466,149 | 109,845 | - | - |
| 2014-2018 | 2,330,745 | 339,456 | - | - |
| 2019-2022 | <u>864,590</u> | <u>64,844</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 6,241,080</u> | <u>\$ 1,338,234</u> | <u>\$ 2,260,000</u> | <u>\$ 114,250</u> |

| Year Ending June 30, | <u>Capital Leases</u> | | <u>VRA Loan</u> | |
|-------------------------|-----------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2009 | \$ 2,734,483 | \$ 529,805 | \$ 352,741 | \$ 269,707 |
| 2010 | 2,770,126 | 415,363 | 363,402 | 271,713 |
| 2011 | 2,440,997 | 300,109 | 374,386 | 260,729 |
| 2012 | 1,570,486 | 205,234 | 385,702 | 249,413 |
| 2013 | 1,267,003 | 137,012 | 397,360 | 237,755 |
| 2014-2018 | 1,904,057 | 206,431 | 2,174,379 | 1,001,195 |
| 2019-2023 | - | - | 2,523,456 | 652,119 |
| 2024-2028 | <u>-</u> | <u>-</u> | <u>2,928,574</u> | <u>247,001</u> |
| Total | <u>\$ 12,687,152</u> | <u>\$ 1,793,954</u> | <u>\$ 9,500,000</u> | <u>\$ 3,189,632</u> |

General Obligation Bonds

**Outstanding
Balance
June 30, 2008**

| | |
|--|-------------------------|
| \$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 \$25,886 | \$ 7,725,886 |
| \$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 (\$49,177) | <u>1,760,823</u> |
| Total General Obligation Bonds | <u>9,486,709</u> |

Virginia Public School Authority General Obligation Bonds

| | |
|--|------------|
| \$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..... | \$ 550,000 |
| \$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..... | 630,000 |
| \$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 | 933,739 |
| \$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 | 290,894 |

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2008**

| | |
|---|--------------|
| \$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 | \$ 1,605,000 |
| \$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 | 1,085,000 |
| \$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 | 650,000 |
| \$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 | 3,095,000 |
| \$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 | 2,430,000 |
| \$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 | 1,132,464 |
| \$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 | 1,610,000 |
| \$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 | 240,000 |
| \$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 | 1,120,000 |
| \$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 | 926,407 |
| \$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 | 2,880,000 |
| \$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 | 2,955,000 |
| \$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 | 2,345,000 |
| \$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 | 4,200,000 |

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2008**

| | |
|---|--------------|
| \$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..... | \$ 6,340,000 |
| \$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 | 2,502,693 |
| \$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 | 5,390,000 |
| \$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 | 10,800,000 |
| \$9,805,170 issued November 18, 1999, maturing annually in varying installments of \$461,285 to \$554,360 through July 15, 2019; interest varying from 5.10% to 6.10%, payable semiannually | 6,124,787 |
| \$9,240,000 issued May 18, 2000, maturing annually in varying installments of \$460,000 to \$465,000 through July 15, 2020; interest at 5.10% to 5.60%, payable semiannually | 5,985,000 |
| \$4,260,000 issued November 16, 2000, maturing annually in varying installments of \$210,000 to \$215,000 through July 15, 2020; interest varying from 4.98% to 5.85%, payable semiannually | 2,755,000 |
| \$10,135,000 issued May 17, 2001, maturing annually in varying installments of \$505,000 to \$510,000 through July 15, 2021; interest varying from 4.85% to 5.60%, payable semiannually..... | 7,075,000 |
| \$9,257,513 issued November 15, 2001, maturing annually in varying installments of \$439,585 to \$506,160 through July 15, 2021; interest varying from 3.10% to 5.35%, payable semiannually, including net premium of \$119,522 | 6,736,516 |
| \$2,685,000 issued May 16, 2002, maturing annually in varying installments of \$130,000 to \$135,000 through July 15, 2022; interest varying from 5.10% to 5.60%, payable semiannually, including net premium of \$78,107 | 2,088,107 |
| \$1,815,000 issued November 7, 2002, maturing annually in varying installments of \$90,000 to \$95,000 through July 15, 2022; interest varying from 4.10% to 5.10%, payable semiannually, including net premium of \$52,023 | 1,402,023 |
| \$6,905,000 issued May 15, 2003, maturing annually in varying installments of \$345,000 to \$350,000 through July 15, 2023; interest varying from 3.10% to 5.35%, payable semiannually, including net premium of \$377,827 | 5,897,827 |
| \$54,070,000 issued November 1, 2003, maturing annually in varying installments of \$1,100,000 to \$3,710,000 through July 15, 2028; interest varying from 3.10% to 5.35%, payable semiannually, including net premium of \$1,573,360 | 50,898,360 |

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2008**

| | |
|--|--------------------|
| \$5,494,768 issued November 1, 2003, maturing annually in varying installments of \$235,058 to \$321,672 through July 15, 2023; interest varying from 3.10% to 5.35%, payable semiannually, including net premium of \$270,258 | \$ 4,793,543 |
| \$8,470,000 issued May 13, 2004, maturing annually in varying installments of \$175,000 to \$590,000 through July 15, 2029; interest varying from 4.85% to 5.10%, payable semiannually, including net premium of \$280,027 | 8,205,027 |
| \$9,700,000 issued November 10, 2004, maturing annually in varying installments of \$195,000 to \$645,000 through July 15, 2029; interest varying from 4.1% to 5.6%, payable semi-annually, including net premium of \$334,252 | 9,414,252 |
| \$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 net premium of \$598,625 | 17,723,625 |
| \$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 net premium of \$257,553 | 9,647,553 |
| \$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 net premium of \$611,221 | 40,791,221 |
| \$6,310,000 November 9, 2006, maturing annually in varying installments of \$135,000 to \$415,000 through July 15, 2032 interest varying from 4.225% to 5.1%, payable semi-annually, including net premium of \$63,373 | 6,238,373 |
| \$13,620,000 issued May 10, 2007, maturing annually in varying installments of \$275,000 to \$1,590,000 through July 15, 2032, interest varying from 4.1% to 5.1%, payable semi-annually, including net premium of \$345,065..... | 13,965,065 |
| \$10,600,000 issued November 8, 2007, maturing annually in varying installments of \$210,000 to \$715,000 through January 15, 2033, interest varying from 4.4% to 5.1%, payable semi-annually, including net premium of \$341,086..... | 10,941,086 |
| \$11,500,000 issued May 19, 2008, maturing annually in varying installments of \$235,000 to \$775,000 through July 15, 2033, interest varying from 4.1% to 5.1%, payable semi-annually, including net premium of \$409,952 | <u>11,909,952</u> |
| Total Virginia Public School Authority General Obligation Bonds | <u>276,303,514</u> |

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2008****Lease Revenue Bonds**

| | |
|--|-----------------------|
| \$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 premium of \$1,861,051 | \$ 48,891,051 |
| \$45,165,000 issued March 20, 2008, maturing annually in varying installments of \$290,000 to \$2,835,000 through April 1, 2033, interest varying from 4.00% to 5.00%, payable semi-annually, including premium of \$377,665..... | 45,542,665 |
| \$800,000 issued June 19, 2008, maturing annually in varying installments of \$25,000 to \$60,000 through October 1, 2028, interest 3.0% to 4.93%, payable semi-annually, including premium of \$35,348..... | <u>835,348</u> |
| Total Lease Revenue Bonds | <u>95,269,064</u> |
| Total Bonds Payable | <u>\$ 381,059,287</u> |

State Literary Fund Loans

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 | \$ 100,000 |
| \$1,500,000 issued July 15, 1990, due in annual installments of \$75,000 through July 15, 2010..... | 225,000 |
| \$1,400,000 issued November 1, 1990, due in annual installments of \$70,000 through November 1, 2011 | 210,000 |
| \$900,000 issued May 15, 1992, due in annual installments of \$45,000 through May 15, 2012 | 180,000 |
| \$5,000,000 issued November 1, 1997 due in annual installments of \$250,000 through November 1, 2017 | 2,500,000 |
| \$4,322,974 issued August 15, 2001, due in annual installments of \$216,149 through August 15, 2021 | <u>3,026,080</u> |
| Total State Literary Fund Loans | <u>\$ 6,241,080</u> |

Certificates of Participation

| | |
|--|----------------------------|
| \$9.995,000 issued February 1, 1994, maturing annually in varying installments of \$955,000 to \$1,155,000 through November 1, 2009, interest varying from 4.5 % to 5.0%, payable annually | <u>\$ 2,260,000</u> |
|--|----------------------------|

Note 5. LONG-TERM DEBT (Continued)**VRA Loan****Outstanding
Balance
June 30, 2008**

\$9,500,000 issued April 18, 2008, maturing semi-annually in varying installments of \$175,057 to \$312,864 through April 1, 2028, interest at 3.0%; payable semi-annually **\$ 9,500,000**

Capital Leases

\$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 \$ 237,335

\$530,000 issued January 1, 2001, maturing annually in installments of \$53,000 through December 1, 2011; interest at 4.45%, payable semi-annually 212,000

\$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 145,288

\$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 126,754

\$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 72,983

\$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 383,877

\$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 47,560

\$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 496,689

\$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 1,342,908

\$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 960,979

\$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 1,293,053

\$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 129,258

\$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 126,656

\$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 1,558,996

\$533,800 issued June 28, 2007, maturing semi-annually in varying installments of \$30,496 to \$46,836, interest at 6.711%, payable semi-annually 471,784

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2008**

| | |
|---|------------|
| \$600,525 issued June 28, 2007, maturing semi-annually in varying installments of \$34,308 to \$52,691, interest at 6.711%, payable semi-annually | \$ 530,757 |
| \$586,560 issued June 28, 2007, maturing semi-annually in varying installments of \$33,510 to \$51,465, interest at 6.711%, payable semi-annually | 518,415 |
| \$664,183 issued June 28, 2007, maturing semi-annually in varying installments of \$104,857 to \$116,707, interest at 4.329%, payable semi-annually | 452,200 |
| \$247,345 issued June 28, 2007, maturing semi-annually in varying installments of \$9,950 to \$15,126, interest at 4.458%, payable semi-annually | 227,224 |
| \$118,217 issued June 28, 2007, maturing semi-annually in varying installments of \$10,733 to \$12,974, interest at 4.259%, payable semi-annually | 96,523 |
| \$273,936 issued June 28, 2007, maturing semi-annually in varying installments of \$11,020 to \$16,752, interest at 4.458%, payable semi-annually | 251,651 |
| \$427,124 issued June 28, 2007, maturing semi-annually in varying installments of \$38,777 to \$46,875, interest at 4.259%, payable semi-annually | 348,743 |
| \$410,245 issued June 27, 2008, maturing semi-annually in varying installments of \$37,578 to \$44,652, interest at 3.87%, payable semi-annually | 410,245 |
| \$1,104,603 issued June 27, 2008, maturing semi-annually in varying installments of \$44,630 to \$67,296, interest at 4.37%, payable semi-annually | 1,104,603 |
| \$140,651 issued June 27, 2008, maturing semi-annually in varying installments of \$12,883 to \$15,309, interest at 3.87%, payable semi-annually | 140,651 |
| \$350,020 issued June 27, 2008, maturing semi-annually in varying installments of \$12,492 to \$23,622, interest at 6.82%, payable semi-annually | 350,020 |
| \$650,000 issued June 6, 2008, maturing semi-annually in varying installments of \$26,939 to \$38,736, interest at 3.86%, payable semi-annually | 650,000 |

Total Capital Leases**\$ 12,687,152**

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:

| | Governmental Activities |
|--------------------------------|------------------------------------|
| Asset: | |
| Land | \$ 89,386 |
| Building | 918,614 |
| Software systems | 5,101,690 |
| Vehicles | 13,461,044 |
| Less: Accumulated depreciation | (6,290,483) |
| Total | <u>\$ 13,280,751</u> |

Note 5. LONG-TERM DEBT (Continued)

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.

In March, 2008 the Economic Development Authority of Stafford, Virginia issued \$45,165,000 in Lease Revenue bonds to finance various public facility projects, including the acquisition and construction of new courthouse facilities, the construction of the Falls Run library, and the acquisition and installation of an emergency radio communications system. The bonds sold at a premium, yielding an additional \$381,934 for project purposes.

In April, 2008, the County partnered with the Commonwealth of Virginia Department of Conservation and Recreation to purchase 1,770 acres of environmentally sensitive land on the Potomac River. Total cost of the land was \$19,000,000. The County's 50 percent share was \$9,500,000. The County financed its share of cost with a 3% 20-year loan from the Virginia Resources Authority.

In June, 2008, the County obtained \$800,000 Lease Revenue financing on behalf of the homeowners of the Hidden Lake Subdivision for dam renovations through the Virginia Resources Authority. Homeowners are assessed an ad valorem tax of \$0.22 per \$100 of assessed valuation, with collections designated for debt service on the financing. These bonds sold at a premium, yielding an additional \$35,348 for project purposes.

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, 2008 is \$2,260,000.

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 \$650,000 remaining special assessment debt, the County has guaranteed to pay this debt.

The County has moral obligation pledges as follows:

- \$750,000 Virginia Resources Authority loan secured by the Stafford Regional Airport to fund various site improvements;
- \$2,500,000 over the next 20 years to the Rappahannock Area YMCA for the new North Stafford branch YMCA.

Note 5. LONG-TERM DEBT (Continued)

B. PRIMARY GOVERNMENT – BUSINESS-TYPE ACTIVITIES

| | Amounts Payable at June 30, 2007 | Increases | Decreases | Amounts Payable at June 30, 2008 | Amounts Due within One Year |
|---|---|-------------------|-----------------------|---|--|
| Bonds Payable: | | | | | |
| Revenue bonds | \$ 18,875,000 | \$ - | \$ (3,285,000) | \$ 15,590,000 | \$ 3,350,000 |
| Plus deferred amounts for bond premiums | <u>542,164</u> | <u>-</u> | <u>(121,929)</u> | <u>420,235</u> | <u>-</u> |
| Bonds payable including deferred amounts for bond premiums/ (discounts) | 19,417,164 | - | (3,406,929) | 16,010,235 | 3,350,000 |
| Less deferred loss on refunding | <u>(709,050)</u> | <u>151,939</u> | <u>-</u> | <u>(557,111)</u> | <u>-</u> |
| Total bonds payable | <u>18,708,114</u> | <u>151,939</u> | <u>(3,406,929)</u> | <u>15,453,124</u> | <u>3,350,000</u> |
| Compensated absences | <u>1,086,446</u> | <u>804,322</u> | <u>(848,769)</u> | <u>1,041,999</u> | <u>504,419</u> |
| Business-type activities long- term liabilities | <u>\$ 19,794,560</u> | <u>\$ 956,261</u> | <u>\$ (4,255,698)</u> | <u>\$ 16,495,123</u> | <u>\$ 3,854,419</u> |

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

| Year Ending June 30, | Revenue Bonds | |
|---------------------------------|----------------------|---------------------|
| | Principal | Interest |
| 2009 | 3,350,000 | 544,823 |
| 2010 | 3,435,000 | 533,268 |
| 2011 | 2,920,000 | 411,580 |
| 2012 | 3,205,000 | 277,500 |
| 2013 | 670,000 | 117,250 |
| 2014-2016 | <u>2,010,000</u> | <u>150,750</u> |
| Total | <u>\$ 15,590,000</u> | <u>\$ 2,035,171</u> |

| Revenue Bonds | <u>Outstanding Balance June 30, 2008</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 \$51,441 | \$ 5,308,559 |
| \$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 \$85,435 | <u>10,144,565</u> |
| Total Bonds Payable | <u>\$ 15,453,124</u> |

Note 5. LONG-TERM DEBT (Continued)

C. COMPONENT UNIT – Stafford County Public Schools

The following is a summary of long-term liability activity of the Component unit- SCPS for the year ended June 30, 2008:

| | Amounts Payable at June 30, 2007 | Increases | Decreases | Amounts Payable at June 30, 2008 | Amounts Due within One Year |
|--------------------------------|--|------------|--------------|--|-----------------------------------|
| Governmental Activities | | | | | |
| Capital Lease | \$ 3,204,186 | \$ - | \$ (322,495) | \$ 2,881,691 | \$ 268,828 |
| **Compensated absences | 4,533,266 | 552,403 | - | 5,085,669 | 387,367 |
| SCPS long-term liabilities | \$ 7,737,452 | \$ 552,403 | \$ (322,495) | \$ 7,967,360 | \$ 656,195 |

** The Operating Fund is used to liquidate the liability for compensated absences.

| | Amounts Payable at June 30, 2007 | Increases | Decreases | Amounts Payable at June 30, 2008 | Amounts Due within One Year |
|---------------------------------|--|-----------|-----------|--|-----------------------------------|
| Business-Type Activities | | | | | |
| Compensated absences | \$ 120,864 | \$ 16,277 | \$ - | \$ 137,141 | \$ 6,056 |

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 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 limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local 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/2006annurept.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 has assumed this 5% member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its 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

NOTE 6. BENEFIT PENSION PLAN (Continued)

contribution rate for the fiscal year ended 2008 was 13.77% of annual covered payroll.

Stafford County Public Schools' contribution rate for non-professional employees for the fiscal year ended 2008 was 15.30% of annual covered payroll.

Total contributions to the VRS State Teachers Pool for the years ended June 30, 2006, June 30, 2007 and June 30, 2008 were \$14,212,166, and \$18,209,670, and 20,463,048 respectively, representing 11.62%, and 14.2% , 15.3% respectively, of the covered payroll for the three years then ended.

C. ANNUAL PENSION COST

For fiscal year 2008, the County's annual pension cost of \$6,145,450 was equal to the County's required and actual contributions. The required contributions were determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County'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 unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years.

Trend Information for Stafford County is as follows:

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|------------------------------|--------------------------------------|--|-----------------------------------|
| June 30, 2006 | \$ 4,563,248 | 100.00% | \$ - |
| June 30, 2007 | 5,321,396 | 100.00% | - |
| June 30, 2008 | 6,145,450 | 100.00% | - |

Trend information for the Component Unit – Stafford County Public Schools' non-professional employees is as follows:

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|------------------------------|--------------------------------------|--|-----------------------------------|
| June 30, 2006 | \$ 1,012,982 | 100.00% | \$ - |
| June 30, 2007 | 1,295,417 | 100.00% | - |
| June 30, 2008 | 1,322,906 | 100.00% | - |

Note 7. OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description

Name of Plan: Stafford County Retired Employees Health Insurance Plan (SCREHIP)
Identification of Plan: Single-Employer Defined Benefit Plan
Administering Entity: Stafford County

The County provides post-employment healthcare insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, employee/retiree contributions and employer contributions are determined by the County through its personnel compensation plan. They may be amended by action of the governing body – the Board of Supervisors. The plan does not issue a separate financial report. Required supplementary information and trend information are included in the County's annual financial report (this document).

B. Benefits Provided

All retiree healthcare benefits are provided through the County's self-insured health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services, mental and nervous care, vision care, dental care and prescriptions. To be eligible for benefits, an employee must qualify for retirement under the Virginia Retirement System (VRS).

C. Membership

At June 30, 2008 membership consisted of:

| | |
|--|------------|
| Retirees and beneficiaries currently receiving benefits | 82 |
| Terminated employees entitled to benefits but not yet receiving them | - |
| Active employees | <u>784</u> |
| Total | <u>866</u> |

D. Funding Policy

The County's employee and retiree healthcare contribution rates are set as policy by the Board of Supervisors. There is no charge for employee only coverage for those employees hired prior to June 30, 2007. For employees hired subsequent to that date, the contribution rate is 10% of the employee only premium. After five (5) years of service there is no charge for employee coverage.

Dependent coverage for employees hired prior to June 30, 2007 is 5% of the premium for the selected benefit level (child, children, spouse, or family). Employees hired subsequent to that date contribute 20% of the premium for the selected benefit level.

VRS eligible retirees receive a monthly health insurance credit (HIC) of \$3.00 for each year of service up to a maximum of \$45.00 per month. The HIC applies to and reduces the retiree contribution. For retirees with fifteen (15) years or more of service to the County, the contribution rate is the HIC. The County contributes the remainder of the retiree only premium. Dependent coverage is covered by the retiree at stated plan rates.

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

E. Annual OPEB Costs and Net OPEB Obligation

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the County's annual OPEB cost for the year, the amount contributed to the plan and changes in the County's net OPEB obligation to SCREHIP:

| | |
|--|---------------------|
| Annual required contribution | \$ 4,338,000 |
| Contribution made | <u>(372,000)</u> |
| Increase in Net OPEB obligation | 3,966,000 |
| Net OPEB obligation, beginning of year | - |
| Net OPEB obligation, end of year | <u>\$ 3,966,000</u> |

The County's annual OPEB cost, the percentage of annual IPEB cost contributed to the plan and the net OPEB obligation for 2008 were as follows:

| Fiscal Year <u>Ended</u> | Annual <u>OPEB Cost</u> | Percentage of Annual OPEB <u>Cost Contributed</u> | Net OPEB <u>Obligation</u> |
|-----------------------------|----------------------------|---|-------------------------------|
| June 30, 2008 | \$ 4,338,000 | 8.6 % | \$ 3,966,000 |

F. Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was unfunded. The unfunded actuarial accrued liability (UAAL) for benefits was \$37.2 million. The covered payroll (annual payroll of active employees covered by the plan was \$41.0 million, and the ratio of the UAAL to the covered payroll was 90.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information from the first actuarial valuation. Subsequent reports will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

G. Actuarial Methods and Assumptions

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

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

In the July 1, 2007 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the unfunded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after ten (10) years. Both rates include a 4.5 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2008 was 29 years.

Note 8. INTERFUND AND COMPONENT UNIT RECEIVABLE / PAYABLE

Individual fund receivable and payable balances at June 30, 2008 are summarized as follows:

| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Receivable</u> |
|--|-------------------------|--|-------------------------|
| <u>Receivable Fund:</u> | | | |
| Primary Government | | | |
| General Fund | \$ - | \$ 337,627 | \$ 337,627 |
| Water and Sewer Fund | <u>418,536</u> | <u>-</u> | <u>418,536</u> |
| Total Primary Government | <u>418,536</u> | <u>337,627</u> | <u>756,163</u> |
| Component Unit – Stafford County Public Schools | <u>42,076,901</u> | <u>-</u> | <u>42,076,901</u> |
| Total Payable | <u>\$ 42,495,437</u> | <u>\$ 337,627</u> | <u>\$ 42,833,064</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 Component Unit – School Board, School Operating Fund represents the accrued portion of the local appropriation.

The interfund payable from Nonmajor Governmental Funds to the General Fund was interest earned on the 1994 Parks Bond.

Note 9. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the County totaled \$29,941,963 for fiscal year 2008. Sources of these revenues were as follows:

| | <u>Commonwealth</u> | <u>Federal</u> |
|---|----------------------|---------------------|
| Primary Government | | |
| Governmental Funds: | | |
| General Fund | \$ 24,911,576 | \$ 3,812,311 |
| Transportation Fund | 1,197,359 | 18,732 |
| E-911 | 414,054 | - |
| Asset Forfeiture Fund | 67,786 | - |
| Tourism Fund | <u>5,000</u> | <u>-</u> |
| Total Governmental Funds | <u>26,595,775</u> | <u>3,831,043</u> |
| Business Type Funds: | | |
| Water and Sewer Fund | <u>1,857,407</u> | <u>-</u> |
| Total Business Type Funds | <u>1,857,407</u> | <u>-</u> |
| Total Primary Government | <u>\$ 28,453,182</u> | <u>\$ 3,831,043</u> |
| Component Unit – Stafford County | | |
| Public Schools | | |
| Governmental Funds: | | |
| School Operating Fund | \$ 4,232,347 | \$ 1,014,803 |
| School Nutrition Fund | <u>-</u> | <u>120,623</u> |
| Total Component Unit | <u>\$ 4,232,347</u> | <u>\$ 1,135,426</u> |

Note 10. INTERFUND TRANSFERS

A summary of interfund transfer activity is presented as follows:

| | Primary Government | | | | | | |
|-----------------------------------|---------------------|---------------------|----------------------|-------------------------------|--|----------------------|--|
| | General Fund | Transportation Fund | Hidden Lake Dam Fund | General Capital Projects Fund | Parks & Recreation Capital Projects Fund | Total Transferred In | |
| <u>Transfer To Fund:</u> | | | | | | | |
| Primary Government | | | | | | | |
| General Fund | \$ - | \$ 32,114 | \$ 74,748 | \$ 5,452,197 | \$ 2,358,145 | \$ 7,917,204 | |
| Transportation Fund | 44,380 | - | - | - | - | 44,380 | |
| E-911 Fund | 671,651 | - | - | - | - | 671,651 | |
| General Capital Projects Fund | 2,500,310 | - | - | - | - | 2,500,310 | |
| Water and Sewer Fund | 13,713 | - | - | - | - | 13,713 | |
| Total Primary Government | <u>3,230,054</u> | <u>32,114</u> | <u>74,748</u> | <u>5,452,197</u> | <u>2,358,145</u> | <u>11,147,258</u> | |
| Component Unit – School Board | | | | | | | |
| School Capital Projects Fund | 328,948 | - | - | - | - | 328,948 | |
| Total Component Unit School Board | <u>412,745</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>447,045</u> | |
| Total Transferred Out | <u>\$ 3,642,799</u> | <u>\$ 32,114</u> | <u>\$ 74,748</u> | <u>\$ 5,452,197</u> | <u>\$ 2,358,145</u> | <u>\$11,476,206</u> | |

The transfer from the General Fund to the Transportation Fund was for defaulted securities to complete road improvements.

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 to provide temporary funding for capital projects in advance of permanent funding.

The transfer from the General Fund to the Water and Sewer Fund was for defaulted securities to complete infrastructure.

The transfer from the General Fund to the Component Unit - School Board Capital Projects Fund was proffered funds for various school capital projects.

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

The transfers from the Hidden Lake Dam Fund, General Capital Projects Fund, and Parks & Recreation Capital Projects Fund were reimbursements to the General Fund for temporary funding of capital projects.

Note 11. COMMITMENTS, CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

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 \$819,789 in Fiscal Year 2008. Other funds had no significant leases.

At June 30, 2008, the County had contractual commitments of \$12.7 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 October 21, 2008 the Stafford County Board of Supervisors authorized participation in the Fall 2008 Virginia Public School Authority issuance and sale of General Obligation School Bonds, in a principal amount not to exceed \$1.7 million. Proceeds of this issue will be used to finance building renovations for several schools.

The County is named as defendant 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, 2008 will not be material to the County's financial position.

On November 4, 2008, Stafford county voters authorized the Board of Supervisors to seek general obligation bond financing for transportation related projects in an amount not to exceed \$70 million.

At June 30, 2008, the Component Unit – Stafford County Public Schools had contractual commitments of \$9.9 million for the Capital Projects Fund for construction and renovation of several schools.

Note 12. 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 equity interest as of June 30, 2008 was \$7,062,301.

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

Note 12. JOINT VENTURES (Continued)

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 \$6.2 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2008 represents the cumulative amount reported to date based on the percentage of use 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 2008. 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, 2008 totaled \$5,408,460.

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

Note 12. JOINT VENTURES (Continued)

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, 2007, Stafford County's appropriation to the Regional Library was \$4,666,775.

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 13. RISK MANAGEMENT

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 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, 2008, the account had a balance of \$1,126,525.

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>2008</u> | <u>2007</u> |
|----------------------------------|---------------------|--------------------|
| Unpaid claims, beginning | \$ 7,54,552 | \$ 661,564 |
| Incurred claims (including IBNR) | 9,644,873 | 8,214,768 |
| Claim payments | <u>(9,256,922)</u> | <u>(8,121,780)</u> |
| Unpaid claims, ending | <u>\$ 1,142,503</u> | <u>\$ 754,552</u> |

Note 13. RISK MANAGEMENT (Continued)

COMPONENT UNIT – Stafford County Public Schools

Stafford County Public Schools carries commercial insurance for all risks of loss, except for workers' compensation. Like the County, it 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, Stafford County Public Schools revised its health insurance plan to fully retain the associated risk. The risk financing is accounted for in the Health Benefits Fund. Premiums are paid for all full-time employees 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>2008</u> | <u>2007</u> |
|----------------------------------|----------------------|---------------------|
| Unpaid claims, beginning | \$ 3,443,000 | \$ 3,241,000 |
| Incurred claims (including IBNR) | 19,887,537 | 18,486,216 |
| Claim payments | <u>(19,843,015)</u> | <u>(18,284,216)</u> |
| Unpaid claims, ending | <u>\$ 3,487,522</u> | <u>\$ 3,443,000</u> |

Note 14. 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, 2008, this issue was pending.

Note 15. PENDING GASB STATEMENTS

In July 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The statement defines the characteristics of intangible assets and reporting requirements. The statement is effective for fiscal periods beginning after June 15, 2009. The statement has not been implemented by the County.

In June 2009, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires governments to measure derivative instruments at fair value as assets or liabilities in accrual-based financial statements. The Statement is effective for fiscal periods beginning after June 15, 2009. The statement has not been implemented by the County.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|------------------|----------------|----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| General property taxes | \$ 151,151,613 | \$ 151,151,613 | \$ 151,725,707 | \$ 574,094 |
| Other local taxes | 34,096,360 | 34,096,360 | 28,130,198 | (5,966,162) |
| Permits, privilege fees and regulatory licenses | 6,562,198 | 6,562,198 | 5,011,135 | (1,551,063) |
| Fines and forfeitures | 942,400 | 942,400 | 729,448 | (212,952) |
| Use of money and property | 1,662,330 | 1,662,330 | 1,587,283 | (75,047) |
| Charges for services | 7,100,063 | 7,100,063 | 5,226,463 | (1,873,600) |
| Miscellaneous | 2,791,586 | 2,990,879 | 2,794,023 | (196,856) |
| Intergovernmental | 28,532,780 | 28,941,422 | 28,127,700 | (813,722) |
| Total revenues | 232,839,330 | 233,447,265 | 223,331,957 | (10,115,308) |
| Expenditures | | | | |
| Current operating: | | | | |
| General government: | | | | |
| Board of Supervisors | 873,553 | 645,960 | 615,565 | (30,395) |
| Clerk of the Board | 224,143 | 226,514 | 226,514 | - |
| County Administrator | 667,668 | 765,303 | 765,303 | - |
| Public Information | 535,378 | 532,383 | 531,883 | (500) |
| County Attorney | 1,205,968 | 1,608,131 | 1,552,880 | (55,251) |
| Human Resources | 690,100 | 673,164 | 605,206 | (67,958) |
| Commissioner of the Revenue | 2,816,574 | 2,765,368 | 2,752,667 | (12,701) |
| Treasurer | 2,032,824 | 2,158,824 | 2,094,136 | (64,688) |
| Finance | 2,139,609 | 2,091,244 | 1,945,504 | (145,740) |
| Budget | 386,472 | 379,484 | 352,740 | (26,744) |
| Computer Services | 1,847,472 | 1,835,574 | 1,817,909 | (17,665) |
| Geographic Information Systems | 649,915 | 571,405 | 558,606 | (12,799) |
| Electoral Board and Registrar | 441,223 | 446,983 | 389,696 | (57,287) |
| | 14,510,899 | 14,700,337 | 14,208,609 | (491,728) |
| Judicial administration: | | | | |
| Circuit Court | 92,570 | 113,242 | 113,240 | (2) |
| General District Court | 100,360 | 100,360 | 95,440 | (4,920) |
| Juvenile and Domestic Relations District Court | 77,700 | 77,700 | 62,712 | (14,988) |
| Clerk of the Circuit Court | 1,833,468 | 2,062,754 | 1,786,442 | (276,312) |
| Magistrate | 16,010 | 16,010 | 4,353 | (11,657) |
| Commonwealth Attorney | 2,793,131 | 2,773,056 | 2,748,315 | (24,741) |
| Court Deputies | 2,292,694 | 2,191,566 | 2,141,368 | (50,198) |
| | 7,205,933 | 7,334,688 | 6,951,870 | (382,818) |
| Public safety: | | | | |
| Policing and investigating | 14,637,498 | 14,677,743 | 14,374,995 | (302,748) |
| Emergency management | 12,916,244 | 12,031,484 | 11,222,947 | (808,537) |
| Volunteer rescue squads | 159,961 | 171,946 | 104,581 | (67,365) |
| Volunteer fire departments | 938,264 | 2,505,344 | 2,363,124 | (142,220) |
| Care and confinement of prisoners | 5,408,460 | 5,408,460 | 5,408,460 | - |
| 15th District Court Unit | 327,547 | 328,018 | 328,018 | - |
| Rappahannock Juvenile Detention | 1,883,530 | 1,936,582 | 1,936,581 | (1) |
| Code compliance | 5,097,648 | 4,791,790 | 4,458,855 | (332,935) |
| Animal control | 849,971 | 859,282 | 830,704 | (28,578) |
| Litter control | 237,739 | 246,932 | 244,457 | (2,475) |
| | 42,456,862 | 42,957,581 | 41,272,722 | (1,684,859) |
| Public works: | | | | |
| Engineering | 720,017 | 712,276 | 307,404 | (404,872) |
| Maintenance of general buildings and grounds and general properties | 4,171,111 | 4,097,730 | 3,711,785 | (385,945) |
| | 4,891,128 | 4,810,006 | 4,019,189 | (790,817) |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|--------------------|--------------------|----------------------|---|
| | Original | Final | | |
| Health and social services: | | | | |
| Local health department | \$ 618,122 | \$ 618,122 | \$ 618,122 | \$ - |
| Public assistance | 12,673,559 | 12,974,851 | 12,349,399 | (625,452) |
| Other | 1,574,965 | 1,088,936 | 1,001,367 | (87,569) |
| | <u>14,866,646</u> | <u>14,681,909</u> | <u>13,968,888</u> | <u>(713,021)</u> |
| Parks, recreation and cultural: | | | | |
| Administration | 3,652,740 | 4,075,190 | 4,059,316 | (15,874) |
| Community programs | 262,755 | 151,915 | 150,480 | (1,435) |
| Sports programs | 196,267 | 126,819 | 126,819 | - |
| Gymnastics program | 604,000 | 500,746 | 500,745 | (1) |
| Pool program | 799,938 | 519,777 | 519,777 | - |
| Senior citizens | 144,434 | 103,880 | 103,880 | - |
| Seasonal | 279,832 | 309,900 | 309,900 | - |
| Cultural programs | 18,445 | 20,184 | 20,184 | - |
| Regional library | 4,726,775 | 4,666,775 | 4,666,775 | - |
| | <u>10,685,186</u> | <u>10,475,186</u> | <u>10,457,876</u> | <u>(17,310)</u> |
| Community development: | | | | |
| Planning and community development | 3,213,380 | 2,923,123 | 2,303,200 | (619,923) |
| Planning commission | 63,700 | 91,450 | 91,450 | - |
| Zoning board | 499,981 | 499,981 | 489,510 | (10,471) |
| Economic development | 1,140,921 | 1,140,715 | 1,008,489 | (132,226) |
| Other | 622,602 | 433,721 | 433,720 | (1) |
| Cooperative extension program | 225,764 | 209,961 | 190,029 | (19,932) |
| | <u>5,766,348</u> | <u>5,298,951</u> | <u>4,516,398</u> | <u>(782,553)</u> |
| Appropriation to School Board: | | | | |
| School operating | 102,317,432 | 102,317,432 | 100,817,432 | (1,500,000) |
| School capital projects | - | 412,745 | 328,948 | (83,797) |
| | <u>102,317,432</u> | <u>102,730,177</u> | <u>101,146,380</u> | <u>(1,583,797)</u> |
| Capital outlay | <u>308,504</u> | <u>1,812,709</u> | <u>1,490,888</u> | <u>(321,821)</u> |
| Debt service: | | | | |
| Principal | 19,507,504 | 19,199,886 | 18,820,682 | (379,204) |
| Interest and fiscal charges | 15,734,069 | 15,545,029 | 15,316,836 | (228,193) |
| | <u>35,241,573</u> | <u>34,744,915</u> | <u>34,137,518</u> | <u>(607,397)</u> |
| Total expenditures | <u>238,250,511</u> | <u>239,546,459</u> | <u>232,170,338</u> | <u>(7,376,121)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(5,411,181)</u> | <u>(6,099,194)</u> | <u>(8,838,381)</u> | <u>(2,739,187)</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds of indebtedness | - | 1,099,264 | 1,099,263 | (1) |
| Transfers in | 40,000 | 51,000 | 7,917,204 | 7,866,204 |
| Transfers out | (1,036,651) | (3,325,947) | (3,230,045) | 95,902 |
| Total other financing sources (uses), net | <u>(996,651)</u> | <u>(2,175,683)</u> | <u>5,786,422</u> | <u>7,962,105</u> |
| Net change in fund balance | (6,407,832) | (8,274,877) | (3,051,959) | 5,222,918 |
| Fund balance, beginning | <u>6,407,832</u> | <u>8,274,877</u> | <u>24,701,103</u> | <u>16,426,226</u> |
| Fund balance, ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 21,649,144</u> | <u>\$ 21,649,144</u> |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2008**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|------------------|--------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Other local taxes - fuel sales tax | \$ 3,797,715 | \$ 3,797,715 | \$ 4,600,260 | \$ 802,545 |
| Use of money | 180,000 | 180,000 | 103,988 | (76,012) |
| Miscellaneous | - | - | 446,543 | 446,543 |
| Intergovernmental | 1,100,000 | 1,100,000 | 1,216,091 | 116,091 |
| Total revenues | <u>5,077,715</u> | <u>5,077,715</u> | <u>6,366,882</u> | <u>1,289,167</u> |
| Expenditures | | | | |
| Current operating: | | | | |
| General government | 3,159,194 | 3,470,924 | 3,395,011 | (75,913) |
| Capital outlay | <u>1,918,521</u> | <u>5,477,517</u> | <u>603,574</u> | <u>(4,873,943)</u> |
| Total expenditures | <u>5,077,715</u> | <u>8,948,441</u> | <u>3,998,585</u> | <u>(4,949,856)</u> |
| Deficiency of revenues under expenditures | <u>-</u> | <u>(3,870,726)</u> | <u>2,368,297</u> | <u>6,239,023</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 44,380 | 44,380 | - |
| Transfers out | <u>-</u> | <u>(40,000)</u> | <u>(32,114)</u> | <u>7,886</u> |
| Total other financing sources, net | <u>-</u> | <u>4,380</u> | <u>12,266</u> | <u>7,886</u> |
| Net change in fund balance | - | (3,866,346) | 2,380,563 | 6,246,909 |
| Fund balance, beginning | <u>-</u> | <u>3,866,346</u> | <u>4,566,095</u> | <u>699,749</u> |
| Fund balance, ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,946,658</u> | <u>\$ 6,946,658</u> |

SCHEDULE OF FUNDING PROGRESS

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, 2005 | \$ 57,982,005 | \$ 75,944,924 | \$ 17,962,919 | 76.35% | \$ 28,585,983 | 62.84% |
| June 30, 2006 | 64,523,721 | 81,561,806 | 17,038,085 | 79.11% | 32,842,159 | 51.88% |
| June 30, 2007 | 75,620,072 | 92,435,045 | 16,814,973 | 81.81% | 39,459,470 | 42.61% |

SCHEDULE OF FUNDING PROGRESS

Other Post-Employment Benefit Plan

For the Primary Government:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry-Age Normal | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|---|-----------------|--------------------|--|
| July 1, 2007 | \$ - | \$ 37,174,000 | \$ 37,174,000 | 0.00% | \$ 41,017,681 | 90.63% |

The County implemented GASB Statement No. 45 for the fiscal year ended June 30, 2008. Information for prior years is not available. Information for prior years is not available.

COUNTY OF STAFFORD, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008**

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 June 19, 2007, 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, 2008.

OTHER SUPPLEMENTARY INFORMATION

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.

Garrisonville Road Service District Fund

Accounts for ad valorem tax receipts from property owners in the district to pay debt service for road improvements in the district.

Warrenton Road Service District Fund

Accounts for ad valorem tax receipts from property owners in the district to pay debt service for road improvements in the district.

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.

Wetlands Fund

Accounts for wetlands mitigation fees and associated disbursements.

Hidden Lake Dam Fund

Accounts for ad valorem tax receipts from property owners in the Hidden Lake subdivision to pay debt service for replacement of the dam.

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, 2008

| | Special Revenue | | | | | |
|---|-----------------------------------|---------------------------------|--|--|------------------|-----------------------------|
| | Road Impact Fee - West Fund | Road Impact Fee - SE Fund | Garrisonville Rd Service District Fund | Warrenton Rd Service District Fund | E-911 Fund | Asset Forfeiture Fund |
| ASSETS | | | | | | |
| Equity in pooled cash and investments | \$ 2,256,207 | \$ 649,322 | \$ 499,678 | \$ 687,643 | \$ 19,762 | \$ 297,111 |
| Receivables, net of allowance for uncollectibles: | | | | | | |
| Property taxes | - | - | 17,569 | 15,911 | - | - |
| Accounts receivable | - | - | - | - | 305 | - |
| Due from Primary government | - | - | - | - | - | - |
| Intergovernmental receivables | - | - | - | - | 59,295 | - |
| Prepaid items | - | - | - | - | 1,200 | - |
| Total assets | <u>\$ 2,256,207</u> | <u>\$ 649,322</u> | <u>\$ 517,247</u> | <u>\$ 703,554</u> | <u>\$ 80,562</u> | <u>\$ 297,111</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 16,034 | \$ 1,126 |
| Accrued salaries and benefits | - | - | - | - | 64,011 | - |
| Retainage | - | - | - | - | - | - |
| Deposits | - | - | - | - | - | - |
| Unearned revenue | - | - | 9,041 | 13,272 | - | - |
| Due to other funds | - | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>9,041</u> | <u>13,272</u> | <u>80,045</u> | <u>1,126</u> |
| Fund Balances: | | | | | | |
| Reserved for: | | | | | | |
| Debt service | - | - | - | - | - | - |
| Drug enforcement | - | - | - | - | - | 295,985 |
| Unreserved: | | | | | | |
| Designated: | | | | | | |
| Encumbrances | - | - | - | - | - | - |
| Community development | 2,256,207 | 649,322 | 508,206 | 690,282 | - | - |
| Capital improvements | - | - | - | - | - | - |
| Undesignated | - | - | - | - | 517 | - |
| Total fund balances | <u>2,256,207</u> | <u>649,322</u> | <u>508,206</u> | <u>690,282</u> | <u>517</u> | <u>295,985</u> |
| Total liabilities and fund balances | <u>\$ 2,256,207</u> | <u>\$ 649,322</u> | <u>\$ 517,247</u> | <u>\$ 703,554</u> | <u>\$ 80,562</u> | <u>\$ 297,111</u> |

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

| | Special Revenue | | | Capital Projects | | Total |
|---|---------------------|------------------|----------------------------|--------------------------------------|---|-----------------------------------|
| | Tourism Fund | Wetlands Fund | Hidden Lake Dam Fund | Parks and Recreation Bond Fund | Lake Arrowhead Sanitary District Fund | Nonmajor Governmental Funds |
| ASSETS | | | | | | |
| Equity in pooled cash and investments | 1,922,072 | 492 | - | \$ - | \$ 3,470 | \$ 6,335,757 |
| Restricted assets: | | | | | | |
| Cash | - | - | 777,325 | 3,920,177 | - | 4,697,502 |
| Receivables, net of allowance for uncollectibles: | | | | | | |
| Property taxes | - | - | 2,871 | - | - | 36,351 |
| Accounts receivable | 126,511 | - | - | - | - | 126,816 |
| Due from Primary government | - | - | - | - | - | 59,295 |
| Intergovernmental receivables | - | - | - | - | - | 1,200 |
| Total assets | <u>\$ 2,048,583</u> | <u>\$ 492</u> | <u>\$ 780,196</u> | <u>\$ 3,920,177</u> | <u>\$ 3,470</u> | <u>\$ 11,256,921</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 11,562 | \$ - | \$ 17,942 | \$ 26,093 | \$ - | \$ 72,757 |
| Accrued salaries and benefits | 4,784 | - | - | - | - | 68,795 |
| Retainage | - | - | - | 287,742 | - | 287,742 |
| Deposits | - | - | - | 2,100 | - | 2,100 |
| Unearned revenue | - | - | 2,236 | - | - | 24,549 |
| Due to other funds | - | - | - | 337,627 | - | 337,627 |
| Total liabilities | <u>16,346</u> | <u>-</u> | <u>20,178</u> | <u>653,562</u> | <u>-</u> | <u>793,570</u> |
| Fund Balances: | | | | | | |
| Reserved for: | | | | | | |
| Debt service | - | - | 60,288 | - | - | 60,288 |
| Drug enforcement | - | - | - | - | - | 295,985 |
| Unreserved: | | | | | | |
| Designated: | | | | | | |
| Encumbrances | 131,838 | - | 699,050 | 296,700 | - | 1,127,588 |
| Community development | 9,910 | - | - | - | 3,470 | 4,117,397 |
| Capital improvements | - | - | - | 2,107,912 | - | 2,107,912 |
| Undesignated | 1,890,489 | 492 | 680 | 862,003 | - | 2,754,181 |
| Total fund balances | <u>2,032,237</u> | <u>492</u> | <u>760,018</u> | <u>3,266,615</u> | <u>3,470</u> | <u>10,463,351</u> |
| Total liabilities and fund balances | <u>\$ 2,048,583</u> | <u>\$ 492</u> | <u>\$ 780,196</u> | <u>\$ 3,920,177</u> | <u>\$ 3,470</u> | <u>\$ 11,256,921</u> |

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

YEAR ENDED JUNE 30, 2008

| | Special Revenue | | | | | |
|--|-----------------------------------|---------------------------------|--|--|------------------|-----------------------------|
| | Road Impact Fee - West Fund | Road Impact Fee - SE Fund | Garrisonville Rd Service District Fund | Warrenton Rd Service District Fund | E-911 Fund | Asset Forfeiture Fund |
| REVENUES | | | | | | |
| Property taxes | \$ - | \$ - | \$ 502,533 | \$ 682,344 | \$ - | \$ - |
| Other local taxes | 104,195 | 80,671 | - | - | 1,613,962 | - |
| Use of money and property | 89,794 | 24,863 | 5,673 | 7,938 | - | 12,355 |
| Charges for services | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | 237 | - |
| Intergovernmental | - | - | - | - | 414,054 | 67,786 |
| Total revenues | <u>193,989</u> | <u>105,534</u> | <u>508,206</u> | <u>690,282</u> | <u>2,028,253</u> | <u>80,141</u> |
| EXPENDITURES | | | | | | |
| Current operating: | | | | | | |
| Judicial administration | - | - | - | - | - | 9,974 |
| Public safety | - | - | - | - | 2,699,390 | 35,329 |
| Parks, recreation and cultural | - | - | - | - | - | - |
| Community development | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,699,390</u> | <u>45,303</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>193,989</u> | <u>105,534</u> | <u>508,206</u> | <u>690,282</u> | <u>(671,137)</u> | <u>34,838</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bond proceeds | - | - | - | - | - | - |
| Transfers in | - | - | - | - | 671,651 | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>671,651</u> | <u>-</u> |
| Net change in fund balances | 193,989 | 105,534 | 508,206 | 690,282 | 514 | 34,838 |
| Fund balance, beginning | <u>2,062,218</u> | <u>543,788</u> | <u>-</u> | <u>-</u> | <u>3</u> | <u>261,147</u> |
| Fund balance ending | <u>\$ 2,256,207</u> | <u>\$ 649,322</u> | <u>\$ 508,206</u> | <u>\$ 690,282</u> | <u>\$ 517</u> | <u>\$ 295,985</u> |

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

YEAR ENDED JUNE 30, 2008

| | Special Revenue | | | Capital Projects | | Total Nonmajor Governmental Funds |
|--|---------------------|------------------|----------------------------|--------------------------------------|---|--|
| | Tourism Fund | Wetlands Fund | Hidden Lake Dam Fund | Parks and Recreation Bond Fund | Lake Arrowhead Sanitary District Fund | |
| REVENUES | | | | | | |
| Property taxes | \$ - | \$ - | \$ 36,380 | \$ - | \$ - | \$ 1,221,257 |
| Other local taxes | 1,231,717 | - | - | - | - | 3,030,545 |
| Use of money and property | - | - | 886 | 120,017 | - | 261,526 |
| Charges for services | - | 492 | - | - | - | 492 |
| Miscellaneous | - | - | - | 30,000 | - | 30,237 |
| Intergovernmental | 5,000 | - | - | - | - | 486,840 |
| Total revenues | <u>1,236,717</u> | <u>492</u> | <u>37,266</u> | <u>150,017</u> | <u>-</u> | <u>5,030,897</u> |
| EXPENDITURES | | | | | | |
| Current operating: | | | | | | |
| Judicial administration | - | - | - | - | - | 9,974 |
| Public safety | - | - | - | - | - | 2,734,719 |
| Parks, recreation and cultural | - | - | - | 4,882,312 | - | 4,882,312 |
| Community development | 694,626 | - | 630 | - | - | 695,256 |
| Debt service | - | - | <u>37,272</u> | - | - | <u>37,272</u> |
| Total expenditures | <u>694,626</u> | <u>-</u> | <u>37,902</u> | <u>4,882,312</u> | <u>-</u> | <u>8,359,533</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>542,091</u> | <u>492</u> | <u>(636)</u> | <u>(4,732,295)</u> | <u>-</u> | <u>(3,328,636)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bond proceeds | - | - | 835,402 | 4,645,000 | - | 5,480,402 |
| Transfers in | - | - | - | - | - | 671,651 |
| Transfers out | - | - | <u>(74,748)</u> | <u>(2,358,145)</u> | - | <u>(2,432,893)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>760,654</u> | <u>2,286,855</u> | <u>-</u> | <u>3,719,160</u> |
| Net change in fund balances | 542,091 | 492 | 760,018 | (2,445,440) | - | 390,524 |
| Fund balance, beginning | <u>1,490,146</u> | <u>-</u> | <u>-</u> | <u>5,712,055</u> | <u>3,470</u> | <u>10,072,827</u> |
| Fund balance ending | <u>\$ 2,032,237</u> | <u>\$ 492</u> | <u>\$ 760,018</u> | <u>\$ 3,266,615</u> | <u>\$ 3,470</u> | <u>\$ 10,463,351</u> |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2008**

| 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 | \$ 1,600,000 | \$ 1,600,000 | \$ 1,613,962 | \$ 13,962 |
| Miscellaneous | - | - | 237 | 237 |
| Intergovernmental | 399,654 | 399,654 | 414,054 | 14,400 |
| Total revenues | 1,999,654 | 1,999,654 | 2,028,253 | 28,599 |
| Expenditures | | | | |
| Current operating: | | | | |
| Public safety | 3,036,305 | 3,036,305 | 2,699,390 | (336,915) |
| Excess (deficiency) of revenues over (under) expenditures | (1,036,651) | (1,036,651) | (671,137) | 365,514 |
| Other financing sources (uses) | | | | |
| Transfers in | 1,036,651 | 1,036,651 | 671,651 | 365,000 |
| Net change in fund balance | - | - | 514 | 514 |
| Fund balance, beginning | - | - | 3 | 3 |
| Fund balance, ending | \$ - | \$ - | 517 | 517 |
| Asset Forfeiture Fund: | | | | |
| Revenues | | | | |
| Use of money and property | \$ - | \$ - | \$ 12,355 | \$ 12,355 |
| Intergovernmental | - | - | 67,786 | 67,786 |
| Total revenues | - | - | 80,141 | 80,141 |
| Expenditures | | | | |
| Current operating: | | | | |
| Judicial administration | 17,530 | 17,530 | 9,974 | (7,556) |
| Public safety | 21,500 | 121,500 | 35,329 | (86,171) |
| Total expenditures | 39,030 | 139,030 | 45,303 | (93,727) |
| Excess (deficiency) of revenues over (under) expenditures | (39,030) | (139,030) | 34,838 | 173,868 |
| Net change in fund balance | (39,030) | (139,030) | 34,838 | 173,868 |
| Fund balance, beginning | 39,030 | 139,030 | 261,147 | 122,117 |
| Fund balance, ending | \$ - | \$ - | \$ 295,985 | \$ 295,985 |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2008**

| PRIMARY GOVERNMENT | Budgeted Amounts | | Actual Amounts | Final Budget Over (Under) |
|--|-------------------|--------------------|---------------------|------------------------------|
| | Original | Final | | |
| Special Revenue Funds: | | | | |
| Tourism Fund: | | | | |
| Revenues | | | | |
| Other local taxes | \$ 1,165,041 | \$ 1,165,041 | \$ 1,231,717 | \$ 66,676 |
| Intergovernmental | 5,000 | 5,000 | 5,000 | - |
| Total revenues | <u>1,170,041</u> | <u>1,170,041</u> | <u>1,236,717</u> | <u>66,676</u> |
| Expenditures | | | | |
| Current operating: | | | | |
| Community development | <u>810,041</u> | <u>961,985</u> | <u>694,626</u> | <u>(267,359)</u> |
| Excess of revenues over expenditures | <u>360,000</u> | <u>208,056</u> | <u>542,091</u> | <u>334,035</u> |
| Net change in fund balance | 360,000 | 208,056 | 542,091 | 334,035 |
| Fund balance, beginning | <u>100,000</u> | <u>251,944</u> | <u>1,490,146</u> | <u>1,238,202</u> |
| Fund balance, ending | <u>\$ 460,000</u> | <u>\$ 460,000</u> | <u>\$ 2,032,237</u> | <u>\$ 1,572,237</u> |
| Capital Projects Funds: | | | | |
| Parks and Recreation Bond Fund: | | | | |
| Revenues | | | | |
| Use of money | \$ - | \$ - | \$ 120,017 | \$ 120,017 |
| Miscellaneous | - | 30,000 | 30,000 | - |
| Total revenues | <u>-</u> | <u>30,000</u> | <u>150,017</u> | <u>120,017</u> |
| Expenditures | | | | |
| Current operating: | | | | |
| Capital Outlay | <u>-</u> | <u>7,192,945</u> | <u>4,882,312</u> | <u>(2,310,633)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>(7,162,945)</u> | <u>(4,732,295)</u> | <u>2,430,650</u> |
| Other financing sources (uses) | | | | |
| Bond proceeds | - | 4,645,000 | 4,645,000 | - |
| Transfers out | <u>-</u> | <u>(2,358,145)</u> | <u>(2,358,145)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>2,286,855</u> | <u>2,286,855</u> | <u>-</u> |
| Net change in fund balance | - | (4,876,090) | (2,445,440) | 2,430,650 |
| Fund balance, beginning | <u>-</u> | <u>4,876,090</u> | <u>5,712,055</u> | <u>835,965</u> |
| Fund balance, ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,266,615</u> | <u>\$ 3,266,615</u> |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2008**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|---|------------------|---------------|----------------|---|
| | Original | Final | | |
| PRIMARY GOVERNMENT | | | | |
| Capital Projects Funds: | | | | |
| General Capital Projects Fund: | | | | |
| Revenues | | | | |
| Use of money | \$ 467,000 | \$ 467,000 | \$ 1,206,212 | \$ 739,212 |
| Expenditures | | | | |
| Current operating: | | | | |
| Capital Outlay | 2,467,000 | 118,109,488 | 29,675,168 | (88,434,320) |
| Debt service: | | | | |
| Fiscal charges | - | 11,410,102 | 980,525 | (10,429,577) |
| Appropriation to School Board: | | | | |
| School capital projects | 18,751,720 | 41,611,720 | 22,861,950 | (18,749,770) |
| Total expenditures | 21,218,720 | 171,131,310 | 53,517,643 | (117,613,667) |
| Deficiency of revenues under expenditures | (20,751,720) | (170,664,310) | (52,311,431) | 118,352,879 |
| Other financing sources | | | | |
| Transfers in | - | 2,500,301 | 2,500,301 | - |
| Transfers out | - | (5,068,428) | (5,452,197) | (383,769) |
| Issuance of debt: | | | | |
| Bonds | 18,751,720 | 149,187,456 | 70,985,335 | (78,202,121) |
| Bond premiums | - | - | 1,179,286 | 1,179,286 |
| Capital leases | 2,000,000 | 2,000,000 | 2,655,519 | 655,519 |
| Total other financing sources | 20,751,720 | 148,619,329 | 71,868,244 | (76,751,085) |
| Net change in fund balance | - | (22,044,981) | 19,556,813 | 41,601,794 |
| Fund balance, beginning | - | 22,044,981 | 20,640,079 | (1,404,902) |
| Fund balance, ending | \$ - | \$ - | \$ 40,196,892 | \$ 40,196,892 |

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.

George Washing Regional Commission Fund

Stafford county acts as fiscal agent for the George Washington Regional Commission payroll function. This fund records the payroll expense and tracks the reimbursement receipts for this activity.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

| | Agency Funds | | | |
|---------------------------------|-----------------------------|-------------------------------------|--|---------------------|
| | Celebrate Virginia North | Lake Arrowhead Sanitary District | George Washington Regional Commission | Totals |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and short-term investments | \$ 1,222,576 | \$ 498,537 | \$ - | \$ 1,721,113 |
| Receivables: | | | | |
| Property taxes | 13,187 | 160,479 | - | 173,666 |
| Accounts | - | 22,169 | 44,654 | 66,823 |
| Total current assets | <u>1,235,763</u> | <u>681,185</u> | <u>44,654</u> | <u>1,961,602</u> |
| Noncurrent assets: | | | | |
| Cash with fiscal agent | - | 198,541 | - | 198,541 |
| Total assets | <u>\$ 1,235,763</u> | <u>\$ 879,726</u> | <u>\$ 44,654</u> | <u>\$ 2,160,143</u> |
| LIABILITIES | | | | |
| Accrued salaries and benefits | \$ - | \$ - | \$ 44,534 | \$ 44,534 |
| Reserve for future expenditures | - | - | 120 | 120 |
| Reserve for bondholders | 1,235,763 | 879,726 | - | 2,115,489 |
| Total liabilities | <u>\$ 1,235,763</u> | <u>\$ 879,726</u> | <u>\$ 44,654</u> | <u>\$ 2,160,143</u> |

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED JUNE 30, 2008

| | Balance June 30, 2007 | Additions | Deductions | Balance June 30, 2008 |
|--|--------------------------|---------------------|-----------------------|--------------------------|
| <u>Celebrate Virginia North Fund</u> | | | | |
| ASSETS | | | | |
| Cash and short-term investments | \$ 1,019,697 | \$ 2,225,397 | \$ (2,022,518) | \$ 1,222,576 |
| Property taxes receivable | 5,992 | 24,269 | (17,074) | 13,187 |
| Total assets | <u>\$ 1,025,689</u> | <u>\$ 2,249,666</u> | <u>\$ (2,039,592)</u> | <u>\$ 1,235,763</u> |
| LIABILITIES | | | | |
| Reserve for bondholders | <u>\$ 1,025,689</u> | <u>\$ 2,319,004</u> | <u>\$ (2,108,930)</u> | <u>\$ 1,235,763</u> |
| <u>Lake Arrowhead Sanitary District Fund</u> | | | | |
| ASSETS | | | | |
| Cash and short-term investments | \$ 312,429 | \$ 186,108 | \$ - | \$ 498,537 |
| Property taxes receivable | 190,355 | 11,389 | (41,265) | 160,479 |
| Accounts receivable | - | 22,169 | - | 22,169 |
| Cash with fiscal agent | 389,009 | 55,577 | (246,045) | 198,541 |
| Total assets | <u>\$ 891,793</u> | <u>\$ 275,243</u> | <u>\$ (287,310)</u> | <u>\$ 879,726</u> |
| LIABILITIES | | | | |
| Reserve for bondholders | <u>\$ 891,793</u> | <u>\$ 275,243</u> | <u>\$ (287,310)</u> | <u>\$ 879,726</u> |
| <u>George Washington Regional Commission</u> | | | | |
| ASSETS | | | | |
| Accounts receivable | <u>\$ 167,096</u> | <u>\$ 44,654</u> | <u>\$ (167,096)</u> | <u>\$ 44,654</u> |
| LIABILITIES | | | | |
| Accrued salaries and benefits | \$ 35,879 | \$ 44,534 | \$ (35,879) | \$ 44,534 |
| Reserve for future expenditures | 131,217 | - | (131,097) | 120 |
| Total liabilities | <u>\$ 167,096</u> | <u>\$ 44,534</u> | <u>\$ (166,976)</u> | <u>\$ 44,654</u> |
| <u>Totals - All Fiduciary Funds</u> | | | | |
| ASSETS | | | | |
| Cash and short-term investments | \$ 1,332,126 | \$ 2,411,505 | \$ (2,022,518) | \$ 1,721,113 |
| Accounts receivable | 167,096 | 66,823 | (167,096) | 66,823 |
| Property taxes receivable | 196,347 | 35,658 | (58,339) | 173,666 |
| Cash with fiscal agent | 389,009 | 55,577 | (246,045) | 198,541 |
| Total assets | <u>\$ 2,084,578</u> | <u>\$ 2,569,563</u> | <u>\$ (2,493,998)</u> | <u>\$ 2,160,143</u> |
| LIABILITIES | | | | |
| Accrued salaries and benefits | \$ 35,879 | \$ 44,534 | \$ (35,879) | \$ 44,534 |
| Reserve for future expenditures | 131,217 | - | (131,097) | 120 |
| Reserve for bondholders | 1,917,482 | 2,594,247 | (2,396,240) | 2,115,489 |
| Total liabilities | <u>\$ 2,084,578</u> | <u>\$ 2,638,781</u> | <u>\$ (2,563,216)</u> | <u>\$ 2,160,143</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, 2008**

ASSETS

| | |
|--------------------------------------|---------------------|
| Restricted cash and cash equivalents | \$ 1,260,267 |
| Total assets | <u>\$ 1,260,267</u> |

LIABILITIES

Current liabilities:

| | |
|---------------------------|------------------|
| Deposits | <u>1,275,228</u> |
| Total current liabilities | <u>1,275,228</u> |

NET ASSETS

| | |
|----------------------------------|---------------------|
| Unrestricted | <u>(14,961)</u> |
| Total net assets | <u>(14,961)</u> |
| Total liabilities and net assets | <u>\$ 1,260,267</u> |

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT
WIDEWATER COMMUNITY DEVELOPMENT AUTHORITY
YEAR ENDED JUNE 30, 2008**

| | |
|-----------------------------|---------------------------|
| Operating revenues: | |
| Property taxes | \$ <u>12</u> |
| Operating expenses: | |
| Refunds | <u>441,119</u> |
| Operating income | <u>(441,107)</u> |
| Change in net assets | (441,107) |
| Total net assets, beginning | <u>426,146</u> |
| Total net assets, ending | <u><u>\$ (14,961)</u></u> |

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 - 2008 (1)
(accrual basis of accounting)
(unaudited) (2)

| | Fiscal Year | | | | | | |
|--|-------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</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 | \$ 32,895,897 | \$ 10,604,891 |
| Restricted | 1,052,067 | 1,023,400 | 1,614,704 | 1,545,450 | 1,318,218 | 1,379,409 | 1,484,829 |
| Unrestricted (deficit) | (134,119,298) | (131,139,071) | (173,293,436) | (179,309,524) | (194,432,777) | (226,391,509) | (216,822,496) |
| Total governmental activities net assets | <u>\$ (107,648,126)</u> | <u>\$ (99,168,197)</u> | <u>\$ (143,571,365)</u> | <u>\$ (140,827,493)</u> | <u>\$ (186,291,701)</u> | <u>\$ (192,116,203)</u> | <u>\$ (204,732,776)</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 | \$ 183,788,210 | \$ 208,473,170 |
| Restricted | 979,716 | 2,011,415 | - | 11,065,752 | 11,396,183 | 11,695,567 | 11,912,732 |
| Unrestricted | 69,533,013 | 75,507,706 | 76,283,039 | 69,560,456 | 80,458,112 | 64,474,149 | 52,270,192 |
| Total business-type activities net assets | <u>\$ 172,382,430</u> | <u>\$ 186,333,792</u> | <u>\$ 199,339,832</u> | <u>\$ 218,590,304</u> | <u>\$ 241,920,397</u> | <u>\$ 259,957,926</u> | <u>\$ 272,656,094</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 | \$ 216,684,107 | \$ 219,078,061 |
| Restricted | 2,031,783 | 3,034,815 | 1,614,704 | 12,611,202 | 12,714,401 | 13,074,976 | 13,397,561 |
| Unrestricted (deficit) | (64,586,285) | (55,631,365) | (97,010,397) | (109,749,068) | (113,974,665) | (161,917,360) | (164,552,304) |
| Total primary government net assets | <u>\$ 64,734,304</u> | <u>\$ 87,165,595</u> | <u>\$ 55,768,467</u> | <u>\$ 77,762,811</u> | <u>\$ 55,628,696</u> | <u>\$ 67,841,723</u> | <u>\$ 67,923,318</u> |
| Component unit: | | | | | | | |
| Component unit - Widenwater CDA | | | | | | | |
| Restricted | \$ 129,440 | \$ 157,185 | \$ 208,653 | \$ 341,506 | \$ 422,371 | \$ 426,146 | \$ (14,961) |
| Total component unit - Widenwater CDA net assets | <u>\$ 129,440</u> | <u>\$ 157,185</u> | <u>\$ 208,653</u> | <u>\$ 341,506</u> | <u>\$ 422,371</u> | <u>\$ 426,146</u> | <u>\$ (14,961)</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.

COUNTY OF STAFFORD, VIRGINIA

Table S-2
Page 1 of 3

CHANGES IN NET ASSETS
Fiscal Years 2002 - 2008 (1)
(accrual basis of accounting)
(unaudited) (2)

| | Fiscal Year | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| Primary government: | | | | | | | |
| Expenses | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 8,815,778 | \$ 9,501,695 | \$ 9,380,584 | \$ 11,537,549 | \$ 5,934,279 | \$ 14,320,059 | \$ 14,985,255 |
| Judicial administration | 3,242,523 | 3,645,112 | 4,051,602 | 4,575,589 | 5,484,964 | 6,259,936 | 7,134,996 |
| Public safety | 21,554,310 | 25,017,855 | 27,018,180 | 31,085,473 | 36,405,012 | 40,408,595 | 47,572,866 |
| Public works | 2,124,067 | 2,435,958 | 2,658,003 | 3,666,239 | 2,050,631 | 3,375,036 | 4,925,416 |
| Health and social services | 9,718,333 | 10,690,114 | 10,860,558 | 12,172,857 | 12,534,771 | 12,853,899 | 14,279,036 |
| Parks, recreation and cultural | 6,523,471 | 5,846,435 | 6,980,492 | 6,364,800 | 7,898,191 | 10,117,611 | 11,386,966 |
| Community development | 2,057,321 | 2,594,082 | 2,682,723 | 3,763,355 | 5,417,064 | 5,114,537 | 5,537,404 |
| Appropriation to School Board | 76,945,140 | 74,469,124 | 135,344,754 | 102,306,484 | 153,719,718 | 117,225,152 | 124,008,330 |
| Transportation | 1,409,410 | 1,043,080 | 3,444,264 | 1,998,682 | 7,333,030 | 2,293,299 | 3,438,628 |
| Interest | 8,766,244 | 9,804,562 | 10,369,246 | 11,367,776 | 11,864,125 | 15,903,856 | 16,383,754 |
| 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> | <u>227,871,980</u> | <u>249,652,651</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> | <u>25,694,334</u> | <u>28,186,943</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> | <u>\$ 253,566,314</u> | <u>\$ 277,839,594</u> |
| Program revenues | | | | | | | |
| Governmental activities: | | | | | | | |
| Charges for services: | | | | | | | |
| General government | - | \$ 176,550 | \$ 160,199 | \$ 405,787 | \$ 214,435 | \$ 184,244 | 3,619 |
| Judicial administration | 479,048 | 771,383 | 905,839 | 1,077,149 | 1,218,732 | 728,369 | 482,221 |
| Public safety | 3,886,048 | 4,891,277 | 5,724,699 | 6,159,315 | 7,469,813 | 6,505,497 | 5,772,896 |
| Health and social services | 76,875 | 72,345 | 80,625 | 72,088 | 72,325 | 50,120 | 34,375 |
| Parks, recreation and cultural | 1,041,836 | 1,144,581 | 1,306,205 | 1,421,089 | 1,465,902 | 1,428,532 | 1,370,845 |
| Community development | 683,579 | 170,993 | 380,965 | 684,653 | 915,784 | 919,603 | 2,207,172 |
| Operating grants and contributions | | | | | | | |
| General government | 536,879 | 489,410 | 514,665 | 529,116 | 549,804 | 604,780 | 681,802 |
| Judicial administration | 1,344,975 | 1,035,512 | 1,035,082 | 1,197,742 | 1,471,532 | 1,914,556 | 1,737,551 |
| Public safety | 3,802,350 | 3,831,876 | 4,377,325 | 4,488,873 | 5,053,688 | 5,106,827 | 5,231,094 |
| Public works | - | - | - | 272,722 | - | - | - |
| Health and social services | 5,389,947 | 6,198,646 | 6,705,538 | 6,804,248 | 7,324,716 | 7,650,173 | 7,960,391 |
| Parks, recreation and cultural | - | - | - | 31,000 | 9,000 | - | - |
| Community development | 125,279 | 194,429 | 13,983 | 5,000 | 5,000 | 104,382 | 84,908 |
| Transportation | - | 22,400 | - | 1,117,486 | - | 716,564 | 452,413 |
| 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 | <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> | <u>25,913,647</u> | <u>26,019,287</u> |

COUNTY OF STAFFORD, VIRGINIA

Table S-2
Page 2 of 3

CHANGES IN NET ASSETS
Fiscal Years 2002 - 2008 (1)
(accrual basis of accounting)
(unaudited) (2)

| | Fiscal Year | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Business-type activities: | | | | | | | |
| Charges for services | \$ 15,350,637 | \$ 14,879,161 | \$ 15,882,524 | \$ 16,349,586 | \$ 18,908,872 | \$ 20,457,137 | \$ 21,204,730 |
| Operating grants and contributions | - | - | 87,713 | - | 15,000 | 65,702 | 1,857,407 |
| Capital grants and contributions | 22,255,450 | 18,367,766 | 16,463,535 | 22,302,622 | 24,254,354 | 18,775,970 | 14,462,419 |
| Total business-type activities program | 37,606,087 | 33,246,927 | 32,433,772 | 38,652,208 | 43,178,226 | 39,298,809 | 37,524,556 |
| Total primary government program revenues | \$ 54,972,903 | \$ 53,454,129 | \$ 53,638,897 | \$ 65,247,040 | \$ 68,948,957 | \$ 65,212,456 | \$ 63,543,843 |
| Net (expense)/revenue (3) | | | | | | | |
| Governmental activities | \$ (123,789,781) | \$ (124,654,297) | \$ (191,976,587) | \$ (162,243,972) | \$ (222,871,054) | \$ (201,958,333) | \$ (223,633,364) |
| Business activities | 19,092,177 | 12,456,626 | 12,196,607 | 17,249,943 | 19,649,877 | 13,604,475 | 9,337,613 |
| Total primary government net expense | \$ (104,697,604) | \$ (112,197,671) | \$ (179,779,980) | \$ (144,994,029) | \$ (203,221,177) | \$ (188,353,858) | \$ (214,295,751) |
| General revenues and other changes in net assets | | | | | | | |
| Governmental activities: | | | | | | | |
| Taxes | | | | | | | |
| General property taxes | \$ 85,426,081 | \$ 93,176,182 | \$ 102,313,689 | \$ 112,385,362 | \$ 119,255,939 | \$ 134,602,576 | \$ 154,022,352 |
| Other local taxes | 23,658,116 | 24,816,046 | 29,694,805 | 35,434,590 | 40,352,470 | 37,760,751 | 37,621,091 |
| Unrestricted grants and contributions | 9,634,265 | 12,132,969 | 12,903,423 | 12,925,795 | 14,141,680 | 13,133,856 | 12,918,794 |
| Investment earnings | 703,383 | 953,799 | 442,784 | 1,151,048 | 1,849,825 | 5,014,147 | 2,960,670 |
| Miscellaneous | 2,742,452 | 2,366,015 | 2,072,290 | 3,138,769 | 5,340,574 | 5,622,502 | 3,507,598 |
| Gain (loss) on sale of property | (7,980) | (14,321) | - | - | - | - | - |
| Transfers | 388,761 | 76,572 | 146,428 | (47,720) | - | - | (13,713) |
| Extraordinary items | - | - | - | - | 336,580 | - | - |
| Total governmental activities | 122,545,078 | 133,507,262 | 147,573,419 | 164,987,844 | 181,277,068 | 196,133,832 | 211,016,792 |
| Business-type activities | | | | | | | |
| Investment earnings | 2,473,016 | 1,423,391 | 796,090 | 1,751,827 | 3,061,335 | 3,735,172 | 3,266,902 |
| Miscellaneous | - | 147,917 | 159,771 | 200,982 | 200,344 | 697,882 | 79,940 |
| Transfers | (388,761) | (76,572) | (146,428) | 47,720 | - | - | 13,713 |
| Total business-type activities | 2,084,255 | 1,494,736 | 809,433 | 2,000,529 | 3,261,679 | 4,433,054 | 3,360,555 |
| Total primary government | \$ 124,629,333 | \$ 135,001,998 | \$ 148,382,852 | \$ 166,988,373 | \$ 184,538,747 | \$ 200,566,886 | \$ 214,377,347 |
| Change in net assets | | | | | | | |
| Primary government: | | | | | | | |
| Governmental activities | \$ (1,244,703) | \$ 8,852,965 | \$ (44,403,168) | \$ 2,743,872 | \$ (41,593,986) | \$ (5,824,502) | (12,616,573) |
| Business-type activities | \$ 21,176,432 | 13,951,362 | 13,006,040 | 19,250,472 | 22,911,556 | 18,037,529 | 12,698,168 |
| Total primary government | \$ 19,931,729 | \$ 22,804,327 | \$ (31,397,128) | \$ 21,994,344 | \$ (18,682,430) | \$ 12,213,027 | \$ 81,595 |
| Total primary government | | | | | | | |
| Net assets, beginning (4) | \$ 44,802,575 | \$ 64,734,304 | \$ 87,538,631 | \$ 56,141,503 | \$ 78,135,847 | \$ 55,628,696 | 67,841,723 |
| Net assets, ending | \$ 64,734,304 | \$ 87,538,631 | \$ 56,141,503 | \$ 78,135,847 | \$ 59,453,417 | \$ 67,841,723 | \$ 67,923,318 |

CHANGES IN NET ASSETS
Fiscal Years 2002 - 2008 (1)
(accrual basis of accounting)
(unaudited) (2)

| | Fiscal Year | | | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| Component unit - Wideswater CDA | | | | | | | |
| Total change in net assets | \$ 29,471 | \$ 27,745 | \$ 51,468 | \$ 132,853 | \$ 80,865 | \$ 3,775 | (441,108) |
| Net assets, beginning | 99,969 | 129,440 | 157,185 | 208,653 | 341,506 | 422,371 | 426,146 |
| Net assets, ending | <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> | <u><u>\$ 426,146</u></u> | <u><u>(14,962)</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) 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) 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.

COUNTY OF STAFFORD, VIRGINIA

Table S-3

FUNDS BALANCES, GOVERNMENTAL FUNDS

Fiscal Years 1999-2008

(modified accrual basis of accounting)

(unaudited) (1)

| | Fiscal Year | | | | | | | | | |
|----------------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| General Fund | | | | | | | | | | |
| Reserved | \$ 2,640,220 | \$ 4,667,769 | \$ 5,592,201 | \$ 3,036,123 | \$ 3,372,419 | \$ 4,254,360 | \$ 3,222,625 | \$ 1,368,198 | \$ 1,118,262 | \$ 2,843,111 |
| Unreserved | | | | | | | | | | |
| Designated | 517,451 | 254,024 | 1,031,583 | 8,022,118 | 6,354,494 | 6,457,203 | 12,703,770 | 12,292,979 | 6,407,832 | 416,833 |
| Undesignated | 2,982,818 | 6,663,682 | 11,716,705 | 13,511,420 | 13,704,601 | 19,224,667 | 25,639,124 | 19,189,249 | 17,175,009 | 18,389,200 |
| Total General Fund | <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> | <u>24,701,103</u> | <u>21,649,144</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | 2,369,011 | 233,800 | 542,533 | 901,499 | 3,544,233 | 1,674,452 | 1,710,935 | 257,039 | 261,148 | 295,985 |
| Unreserved | | | | | | | | | | |
| Designated | | | | | | | | | | |
| Special revenue funds | - | 55,650 | 46,819 | 2,057,720 | 1,230,743 | 4,669,633 | 3,873,957 | 3,015,288 | 6,492,813 | 9,075,142 |
| Capital projects funds | 116,453 | 2,113,030 | 3,195,881 | 10,897,638 | 6,994,625 | 5,857,033 | 544,868 | 47,616,579 | 26,377,422 | 44,348,885 |
| Undesignated | | | | | | | | | | |
| Special revenue funds | 986,785 | 1,945,446 | 1,736,865 | 2,888,397 | 5,427,520 | 1,444,164 | 1,670,990 | 1,093,257 | 2,147,618 | 3,886,889 |
| Capital projects funds | - | - | - | - | 151,034 | 243,988 | 415,620 | 609,177 | - | - |
| Total all other government funds | <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> | <u>35,279,001</u> | <u>57,606,901</u> |
| Total fund balances | <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> | <u>\$ 59,980,104</u> | <u>\$ 79,256,045</u> |

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

COUNTY OF STAFFORD, VIRGINIA

Table S-4

Page 1 of 2

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 1999-2008

(modified accrual basis of accounting)

(unaudited) (1)

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|---------------------|---------------------|-------------------|------------------|------------------|------------------|-------------------|---------------------|-------------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Revenues | | | | | | | | | | |
| General property taxes | \$ 67,107,740 | \$ 71,989,953 | \$ 78,377,578 | \$ 83,210,821 | \$ 91,456,045 | \$ 101,258,961 | \$ 111,353,798 | \$ 121,622,651 | \$ 135,859,852 | \$ 152,946,964 |
| Other local taxes | 15,623,794 | 18,206,189 | 21,058,168 | 23,658,116 | 24,816,046 | 29,694,805 | 34,543,355 | 38,312,276 | 35,490,473 | 35,761,003 |
| Permits, privilege fees and regulatory licenses | 1,846,647 | 2,154,090 | 3,042,396 | 3,383,535 | 3,689,647 | 4,431,676 | 5,847,703 | 7,174,717 | 6,277,427 | 5,011,135 |
| Fines and forfeitures | 292,386 | 272,436 | 395,582 | 482,193 | 657,077 | 833,105 | 772,566 | 867,114 | 905,693 | 729,448 |
| Use of money and property | 829,774 | 754,797 | 1,029,403 | 703,383 | 953,799 | 442,784 | 1,151,048 | 1,849,825 | 5,014,147 | 3,159,009 |
| Charges for services | 1,205,884 | 1,238,935 | 1,449,347 | 2,301,658 | 2,880,405 | 3,293,751 | 4,090,615 | 4,349,136 | 4,147,093 | 5,226,955 |
| Miscellaneous | 1,775,279 | 3,379,985 | 2,736,752 | 2,681,086 | 2,366,015 | 2,072,290 | 3,138,769 | 5,675,388 | 5,390,303 | 3,270,803 |
| Intergovernmental | 12,690,940 | 13,908,978 | 19,973,827 | 20,833,695 | 23,905,242 | 25,550,016 | 27,099,260 | 29,563,403 | 29,987,465 | 29,830,631 |
| Total revenues | 101,372,444 | 111,905,363 | 128,063,053 | 137,254,487 | 150,724,276 | 167,577,388 | 187,997,114 | 209,414,510 | 223,072,453 | 235,935,948 |
| Expenditures | | | | | | | | | | |
| Current operating: | | | | | | | | | | |
| General government | 8,797,427 | 7,915,037 | 8,723,252 | 8,814,108 | 9,664,490 | 10,282,188 | 11,444,218 | 13,065,292 | 15,286,072 | 17,603,620 |
| Judicial administration | 2,409,099 | 2,750,110 | 3,221,424 | 3,179,481 | 3,560,595 | 4,002,419 | 4,525,802 | 5,419,062 | 6,167,640 | 6,961,844 |
| Public safety | 15,809,426 | 18,181,433 | 20,080,311 | 21,894,334 | 25,414,534 | 27,021,222 | 30,125,219 | 33,323,162 | 39,192,264 | 44,007,441 |
| Public works | 1,366,416 | 1,482,619 | 1,615,966 | 1,681,590 | 1,996,871 | 2,265,499 | 2,805,045 | 3,304,353 | 3,501,246 | 4,019,189 |
| Health and social services | 7,068,974 | 6,867,439 | 6,978,259 | 9,648,764 | 10,674,505 | 10,859,186 | 12,132,314 | 12,549,758 | 13,039,756 | 13,968,888 |
| Parks, recreation and cultural | 4,465,235 | 4,808,796 | 5,932,445 | 6,195,911 | 6,575,213 | 6,601,474 | 7,780,027 | 8,483,121 | 10,873,546 | 15,340,188 |
| Community development | 1,900,127 | 1,998,985 | 2,144,110 | 1,962,153 | 2,481,699 | 2,698,930 | 3,513,087 | 5,064,579 | 5,160,842 | 5,211,654 |
| Appropriation to school board: | | | | | | | | | | |
| School operation | - | - | - | 67,944,160 | 66,325,132 | 71,114,803 | 72,932,530 | 89,547,690 | 95,985,884 | 100,817,432 |
| School capital projects | - | - | - | 8,127,383 | 8,143,992 | 64,229,951 | 29,373,954 | 64,172,028 | 21,239,268 | 23,190,898 |
| Capital outlay | 265,124 | 319,908 | 898,293 | 2,425,317 | 3,250,016 | 8,508,047 | 9,650,094 | 22,666,254 | 26,678,955 | 31,769,630 |
| Debt service | | | | | | | | | | |
| Principal | 1,406,406 | 1,385,802 | 1,453,046 | 1,396,068 | 13,596,057 | 20,078,351 | 15,438,223 | 16,233,105 | 20,274,620 | 18,820,682 |
| Interest and fiscal charges | 834,662 | 841,371 | 807,529 | 832,574 | 9,156,119 | 8,859,992 | 12,045,756 | 12,142,734 | 14,945,078 | 16,334,633 |
| Total expenditures | 44,322,896 | 46,551,500 | 51,854,635 | 134,101,843 | 160,839,223 | 236,522,062 | 211,766,269 | 285,971,138 | 272,345,171 | 298,046,099 |
| Excess of revenues over (under) expenditures | 57,049,548 | 65,353,863 | 76,208,418 | 3,152,644 | (10,114,947) | (68,944,674) | (23,769,155) | (76,556,628) | (49,272,718) | (62,110,151) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Issuance of debt | - | - | - | - | - | - | 27,595,000 | 100,590,000 | 20,359,366 | 78,744,286 |
| Issuance of capital leases | 478,000 | - | - | - | - | - | 1,102,700 | 8,434,211 | 3,451,690 | 2,655,519 |
| Bond premium | - | - | - | 50,324 | 580,512 | 2,620,702 | 1,075,564 | 2,949,267 | - | - |
| Payments to fiscal agent | - | - | - | (4,077,382) | - | - | - | - | - | - |
| Transfers in | 32,892 | 396,600 | 867,769 | 421,988 | 212,712 | 348,385 | 390,109 | 927,731 | 8,529,884 | 11,133,536 |
| Transfers out | (61,547,064) | (59,429,800) | (70,295,023) | (33,227) | (136,140) | (201,957) | (437,829) | (927,731) | (8,529,884) | (11,147,249) |
| 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) | (61,036,172) | (59,033,200) | (68,339,490) | 13,103,255 | 9,579,701 | 71,990,505 | 29,725,544 | 111,973,478 | 23,811,056 | 81,386,092 |
| Net change in fund balances | \$ (3,986,624) | \$ 6,320,663 | \$ 7,868,928 | 16,255,899 | (535,246) | 3,045,831 | 5,956,389 | 35,416,850 | (25,461,662) | 19,275,941 |
| Fund balance, beginning (3) | n/a | n/a | n/a | 25,059,016 | 41,314,915 | 40,779,669 | 43,825,500 | 50,024,916 | 85,441,766 | 59,980,104 |
| Fund balance, ending (3) | n/a | n/a | n/a | \$ 41,314,915 | \$ 40,779,669 | \$ 43,825,500 | \$ 49,781,889 | \$ 85,441,766 | \$ 59,980,104 | \$ 79,256,045 |

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 1999-2008

(modified accrual basis of accounting)

(unaudited) (1)

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Total debt service | \$ 2,241,068 | \$ 2,227,173 | \$ 2,260,575 | \$ 2,228,642 | \$ 22,752,176 | \$ 28,938,343 | \$ 27,483,979 | \$ 28,375,839 | \$ 35,219,698 | \$ 36,576,441 |
| Total expenditures | \$ 44,322,896 | \$ 46,551,500 | \$ 51,854,635 | \$ 134,101,843 | \$ 160,839,223 | \$ 236,522,062 | \$ 211,766,269 | \$ 285,971,138 | \$ 272,345,171 | \$ 298,046,099 |
| Less: Capital outlay | 2,545,049 | 1,742,507 | 3,019,575 | 2,854,263 | 5,267,975 | 7,484,816 | 10,768,840 | 26,514,511 | 29,508,946 | 31,769,630 |
| Non-capital expenditures | <u>\$ 41,777,847</u> | <u>\$ 44,808,993</u> | <u>\$ 48,835,060</u> | <u>\$ 131,247,580</u> | <u>\$ 155,571,248</u> | <u>\$ 229,037,246</u> | <u>\$ 200,997,429</u> | <u>\$ 259,456,627</u> | <u>\$ 242,836,225</u> | <u>\$ 266,276,469</u> |
| Debt service as a percentage of noncapital expenditures | <u>5.36%</u> | <u>4.97%</u> | <u>4.63%</u> | <u>1.70%</u> | <u>14.62%</u> | <u>12.63%</u> | <u>13.67%</u> | <u>10.94%</u> | <u>14.50%</u> | <u>13.74%</u> |

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

(2) For the years 1999 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 for 2006.

COUNTY OF STAFFORD, VIRGINIA

Table S-5

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE REAL PROPERTY
Calendar Years 1999 - 2008
(unaudited) (1)

| <u>Calendar Year</u> | <u>Residential Real Property</u> | <u>Commercial and Industrial Real Property</u> | <u>Agricultural Real Property</u> | <u>Total Taxable Assessed Real Property</u> | <u>Percentage Growth Total Taxable Assessed Real Property</u> | <u>Nontaxable Real Property</u> | <u>Total Direct Real Estate Tax Rate (3)</u> |
|----------------------|----------------------------------|--|-----------------------------------|---|---|---------------------------------|--|
| 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 |
| 2007 | 14,653,745,227 | 1,804,449,827 | 1,019,445,450 | 17,477,640,504 | 3.3% | 1,444,115,400 | 0.70 |
| 2008 (2) | 13,336,800,600 | 2,441,417,369 | 1,183,223,200 | 16,961,441,169 | -3.0% | 1,630,949,000 | 0.84 |

(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 1999 - 2008
(unaudited) (2)

| Calendar Year | Real Estate | Personal Property (4) | Merchants Capital | Machinery and Tools | Mobile Homes (5) | Aircraft (6) |
|------------------|-------------|--------------------------|----------------------|------------------------|---------------------|--------------|
| 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 |
| 2007 | 0.70 | 5.49 | 0.50 | 0.75 | 0.70 | 3.00 |
| 2008 (3) | 0.84 | 5.49 | 0.50 | 0.75 | 0.84 | 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 2008 vs 1999

(unaudited) (1)

| Tax Payer | Type of Business | Calendar Year 2008 | | | Calendar Year 1999 | | |
|---------------------------------------|------------------|-----------------------|------|----------------------------|-----------------------|------|----------------------------|
| | | Assessed Valuation | Rank | % Total Assessed Valuation | Assessed Valuation | Rank | % Total Assessed Valuation |
| Silver Companies, Inc | Commercial | \$ 245,410,800 | 1 | 1.4% | \$ 22,976,000 | 7 | 0.5% |
| The Garrett Companies | Commercial | 119,206,702 | 2 | 0.7% | - | | |
| Dominion Virginia Power | Utility | 100,819,532 | 3 | 0.6% | 74,337,651 | 1 | 1.5% |
| Northern Stafford Associates LC | Commercial | 95,723,600 | 4 | 0.6% | - | | |
| Government Employees Insurance Co | Commercial | 83,368,840 | 5 | 0.5% | 38,330,870 | 3 | 0.8% |
| Stafford Marketplace LLC | Commercial | 77,710,700 | 6 | 0.5% | - | | |
| ACPRE ACS Realty LLC | Commercial | 68,574,600 | 7 | 0.4% | - | | |
| Pulte Home Corp | Commercial | 66,182,500 | 8 | 0.4% | - | | |
| Vine Place II Associates LP | Commercial | 50,796,700 | 9 | 0.3% | - | | |
| MTH Stafford Corp | Commercial | 42,218,600 | 10 | 0.2% | - | | |
| McLane/Mid-Atlantic Inc, McLane Foods | Commercial | | | | 69,059,670 | 2 | 1.4% |
| GTE South, Inc. | Utility | - | | | 24,418,136 | 6 | 0.5% |
| Wal-Mart Real Estate Business Trust | Retail | - | | | 24,582,970 | 5 | 0.5% |
| Bell Atlantic | Utility | - | | | 21,381,617 | 8 | 0.4% |
| United Dominion Realty Trust | Commercial | - | | | 26,607,200 | 4 | 0.5% |
| RAMCO VA Properties LLC | Commercial | - | | | 18,036,600 | 9 | 0.4% |
| Widewater Associates | Commercial | - | | | 16,150,800 | 10 | 0.3% |
| Totals | | <u>\$ 950,012,574</u> | | 5.6% | <u>\$ 335,881,514</u> | | 6.9% |
| Total taxable assessed real property | | \$ 16,961,441,169 | | | \$ 4,847,842,700 | | |

(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 1999 - 2008

(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 |
| 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 | 94,744,404 | 96.22% | 2,733,401 | 97,477,805 | 98.42% |
| 2007 | 110,625,880 | 1,193,666 | 111,819,546 | 106,471,292 | 96.24% | 3,079,111 | 109,550,403 | 97.97% |
| 2008 | 127,394,700 | 2,466,572 | 124,928,128 | 121,206,262 | 95.14% | 3,187,518 | 124,393,780 | 99.57% |

(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 1999 - 2008

(unaudited) (1)

| Fiscal Year | Governmental Activities | | | | | | Business-Type Activities | Total Direct Debt | Total Direct Debt | | |
|-------------|------------------------------|-------------------------|----------------|-------------------------------|----------------|-----------|------------------------------|--|--|-----------------------------------|---------------------------------|
| | General Obligation Bonds (3) | Lease Revenue Bonds (3) | Literary Loans | Certificates of Participation | Capital Leases | VRA Loan | General Obligation Bonds (3) | General Bonded Direct Debt Outstanding | Percentage of Assessed Real Property Value (4) | Percentage of Personal Income (5) | Outstanding Debt Per Capita (6) |
| 1999 (2) | 131,744,100 | - | 8,150,000 | 10,215,000 | 1,304,423 | - | 2,005,000 | 153,418,523 | 3.16% | 6.08% | 1,625 |
| 2000 (2) | 142,455,238 | - | 7,510,000 | 9,475,000 | 985,645 | - | 1,533,043 | 161,958,926 | 3.08% | 6.09% | 1,752 |
| 2001 (2) | 147,477,917 | - | 11,045,466 | 8,700,000 | 1,711,663 | - | 1,045,922 | 169,980,968 | 3.07% | 5.79% | 1,728 |
| 2002 | 160,729,171 | 6,500,000 | 10,702,974 | 7,895,000 | 2,930,094 | - | 552,947 | 189,310,186 | 2.94% | 6.09% | 1,816 |
| 2003 | 157,970,215 | 6,500,000 | 9,946,825 | 7,055,000 | 2,611,758 | - | - | 184,083,798 | 2.66% | 5.55% | 1,684 |
| 2004 | 214,581,437 | - | 9,190,676 | 6,180,000 | 3,276,709 | - | - | 233,228,822 | 2.53% | 6.43% | 2,037 |
| 2005 | 229,012,371 | - | 8,509,527 | 5,265,000 | 3,701,401 | - | - | 246,488,299 | 2.52% | 6.24% | 2,091 |
| 2006 (7) | 266,483,041 | 47,030,000 | 7,678,378 | 4,310,000 | 11,062,986 | - | - | 336,564,405 | 1.99% | 8.11% | 2,801 |
| 2007 | 272,722,829 | 47,030,000 | 6,922,229 | 3,310,000 | 12,401,196 | - | - | 342,386,254 | 1.96% | 7.81% | 2,779 |
| 2008 | 280,101,263 | 92,995,000 | 6,241,080 | 2,260,000 | 12,687,152 | 9,500,000 | - | 403,784,495 | 2.38% | 9.06% | 3,288 |

(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 & Overlapping Debt Ratios****Fiscal Years 1999 - 2008****(unaudited) (1)**

| Fiscal Year | Total Direct Debt | Stafford County Portion of Overlapping Debt | | Total Direct & Overlapping Debt | Total Direct & Overlapping Debt | | |
|--------------------|---|--|---|---|---|--|--|
| | General Bonded Direct Debt Outstanding | Joint Activity Rappahannock Regional Jail (2) | Joint Activity Juvenile Detention Center (3) | General Bonded Direct & Overlapping Debt Outstanding | Percentage of Assessed Real Property Value (4) | Percentage of Personal Income (5) | Outstanding Debt Per Capita (6) |
| 1999 | \$ 153,418,523 | \$ 18,940,040 | \$ - | \$ 172,358,563 | 3.56% | 6.83% | 1,826 |
| 2000 | 162,018,148 | 18,940,040 | 2,688,000 | 183,646,188 | 3.50% | 6.91% | 1,987 |
| 2001 | 170,028,055 | 18,940,040 | 2,605,649 | 191,573,744 | 3.46% | 6.53% | 1,947 |
| 2002 | 189,357,273 | 18,642,540 | 2,523,298 | 210,523,111 | 3.27% | 6.78% | 2,020 |
| 2003 | 184,125,835 | 18,333,140 | 2,440,947 | 204,899,922 | 2.97% | 6.18% | 1,874 |
| 2004 | 233,265,489 | 18,009,460 | 2,358,596 | 253,633,545 | 2.75% | 6.99% | 2,215 |
| 2005 | 246,519,255 | 17,673,880 | 2,276,247 | 266,469,382 | 2.73% | 6.74% | 2,261 |
| 2006 | 336,564,405 | 17,334,939 | 2,160,080 | 356,059,424 | 2.10% | 8.58% | 2,965 |
| 2007 | 343,386,254 | 16,968,188 | 2,084,045 | 362,438,487 | 2.07% | 8.27% | 2,942 |
| 2008 | 403,784,495 | 16,584,766 | 2,008,010 | 422,377,271 | 2.49% | 9.48% | 3,440 |

(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 & 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 & Overlapping Debt/Population (See Table S-14).

COUNTY OF STAFFORD, VIRGINIA

Table S-11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2008

(unaudited) (1)

| | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Direct and Overlapping Debt |
|--------------------------------------|---------------------|---------------------------------------|--|
| Direct debt: | | | |
| General Government | | | |
| General obligation bonds (2) | \$ 280,101,263 | 100.0% | \$ 280,101,263 |
| Lease revenue bonds (2) | 92,995,000 | 100.0% | 92,995,000 |
| Literary loans | 6,241,080 | 100.0% | 6,241,080 |
| Certificates of participation | 2,260,000 | 100.0% | 2,260,000 |
| Capital leases | 12,687,152 | 100.0% | 12,687,152 |
| VRA | 9,500,000 | 100.0% | 9,500,000 |
| Total general government direct debt | 403,784,495 | | 403,784,495 |
| Overlapping Debt: | | | |
| Regional Joint Activities | | | |
| Rappahannock Regional Jail | 34,820,000 | 47.6% | 16,584,766 |
| Juvenile Detention Center | 5,976,220 | 33.6% | 2,008,010 |
| Total regional joint ventures | 40,796,220 | | 18,592,776 |
| Total overlapping debt | 40,796,220 | | 18,592,776 |
| Total direct and overlapping debt | \$ 444,580,715 | | \$ 422,377,271 |

(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.

COUNTY OF STAFFORD, VIRGINIA

Table S-12
Page 1 of 3

DEBT MARGIN INFORMATION
Fiscal Years 1999 - 2008
(unaudited) (1)

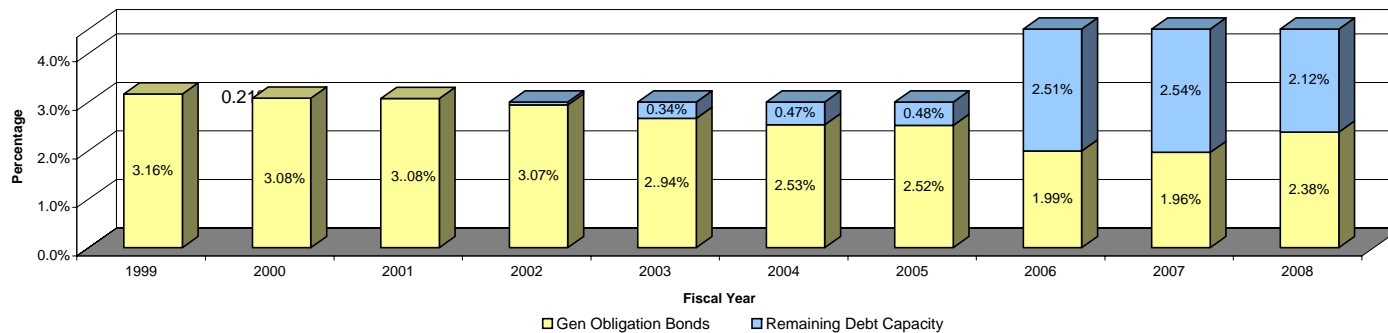
On June 21, 2005, the Board of Supervisors adopted new "Principles of High Performance Financial Management" as a means to strategically plan and account for the County's financial resources, ensure a balanced tax burden from residential and commercial resources and to maintain or upgrade the County's 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 | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|-------------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Assessed value of taxable real property | \$ 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 | ##### | ##### | \$ 16,961,441,169 |
| Debt limit, 4.5% of assessed value* * (3% prior to June 21, 2005) | \$145,435,281 | \$157,500,325 | \$166,091,212 | \$193,313,976 | \$207,309,206 | \$276,333,693 | \$439,721,353 | \$761,511,477 | \$786,493,823 | \$763,264,853 |
| Tax-supported general obligation debt (2) | \$153,418,523 | \$161,958,926 | \$169,980,968 | \$189,310,186 | \$184,083,798 | \$233,228,822 | \$246,488,299 | \$336,564,407 | \$342,386,254 | \$403,784,495 |
| % of assessed real property | 3.16% | 3.08% | 3.07% | 2.94% | 2.66% | 2.53% | 2.52% | 1.99% | 1.96% | 2.38% |
| Debt margin (3) | \$ (7,983,242) | \$ (4,458,601) | \$ (3,889,756) | \$ 4,003,790 | \$ 23,225,408 | \$ 43,104,871 | \$ 193,233,054 | \$ 424,947,070 | \$ 444,107,569 | \$ 359,480,358 |

Total Debt to Assessed Value of Property
not to exceed 4.5%



The limit of debt service to assessed value was increased to 4.5% 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) The tax-supported general obligation debt includes general obligation bonds (including VPSA), lease-revenue bonds (issued for the construction of public safety projects), literary loans, certificates of participation, capital leases and VRS taxable re

(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
Page 2 of 3

DEBT MARGIN INFORMATION

Fiscal Years 1999 - 2008

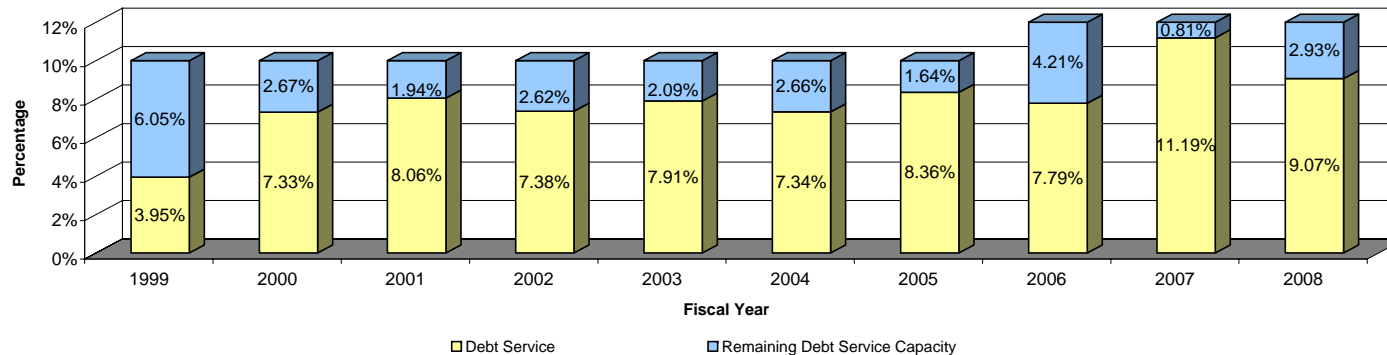
(unaudited) (1)

Debt Limitation 2:

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

| | Fiscal Year | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| General government budget | \$ 203,684,271 | \$ 219,799,752 | \$ 220,254,239 | \$ 246,297,712 | \$ 261,684,257 | \$ 278,816,785 | \$ 303,822,605 | \$ 364,107,872 | \$ 314,664,138 | \$ 392,970,905 |
| Debt limit, 12% of general government budget* | | | | | | | | | | |
| * (10% prior to June 21, 2005) | \$20,368,427 | \$21,979,975 | \$22,025,424 | \$24,629,771 | \$26,168,426 | \$27,881,679 | \$30,382,261 | \$43,692,945 | \$37,759,697 | \$47,156,509 |
| Debt service expenditure (2) | \$14,154,799 | \$16,117,059 | \$17,759,023 | \$18,178,458 | \$20,688,234 | \$20,475,624 | \$25,413,847 | \$28,375,839 | \$35,219,698 | \$35,651,348 |
| Percentage of the general government budget | 6.95% | 7.33% | 8.06% | 7.38% | 7.91% | 7.34% | 8.36% | 7.79% | 11.19% | 9.07% |
| Debt service margin (3) | \$ 6,213,628 | \$ 5,862,916 | \$ 4,266,401 | \$ 6,451,313 | \$ 5,480,192 | \$ 7,406,055 | \$ 4,968,414 | \$ 15,317,106 | \$ 2,539,999 | \$ 11,505,161 |

Debt Service to General Expenditures
not to exceed 12%



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.

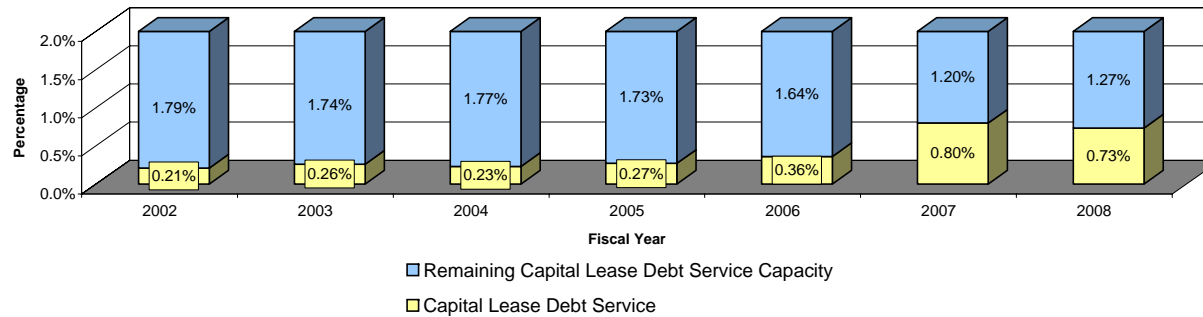
(4) General government is defined in the adopted Principles of High Performance Financial Management as General Fund plus the School Operating Fund less the School Transfer.

DEBT MARGIN INFORMATION
Fiscal Years 1998 - 2007
(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 | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| General government budget | \$ 203,684,271 | \$ 219,799,752 | \$ 220,254,239 | \$ 246,297,712 | \$ 261,684,257 | \$ 278,816,785 | \$ 303,822,605 | \$ 364,107,872 | \$ 314,664,138 | \$ 392,970,905 |
| Capital lease debt service limit, 2% of general government budget | | | | | | | | | | |
| County limit | 1,357,895 | 1,465,332 | 1,468,362 | 1,641,985 | 1,744,562 | 1,858,779 | 2,025,484 | 2,427,386 | 2,097,761 | 2,619,806 |
| School Board limit | 2,715,790 | 2,930,663 | 2,936,723 | 3,283,969 | 3,489,123 | 3,717,557 | 4,050,968 | 4,854,771 | 4,195,521 | 5,239,611 |
| Total debt service limitation | 4,073,685 | 4,395,995 | 4,405,085 | 4,925,954 | 5,233,685 | 5,576,336 | 6,076,452 | 7,282,157 | 6,293,283 | 7,859,418 |
| Amount of debt service applicable to limit | | | | | | | | | | |
| County | n/a | 376,050 | 408,023 | 523,313 | 678,408 | 650,134 | 665,675 | 774,517 | 877,602 | 694,586 |
| School Board | n/a | - | - | - | - | - | 149,652 | 519,333 | 1,635,858 | 2,186,443 |
| Total debt service applicable to limit | n/a | 376,050 | 408,023 | 523,313 | 678,408 | 650,134 | 815,327 | 1,293,850 | 2,513,460 | 2,881,029 |
| Capital lease debt service as a percentage of general government budget | n/a | 0.17% | 0.19% | 0.21% | 0.26% | 0.23% | 0.27% | 0.36% | 0.80% | 0.73% |
| Debt service margin (2) | \$ 4,073,685 | \$ 4,019,945 | \$ 3,997,062 | \$ 4,402,641 | \$ 4,555,277 | \$ 4,926,202 | \$ 5,261,125 | \$ 5,988,307 | \$ 3,779,823 | \$ 4,978,389 |

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 1999 - 2008

(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 | |
| 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 |
| 2007 | 33,940,137 | 17,499,110 | 16,441,027 | 3,185,000 | 877,635 | 4,062,635 | 4.05 |
| 2008 | 30,602,106 | 19,215,236 | 11,386,870 | 3,285,000 | 747,220 | 4,032,220 | 2.82 |

(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 1999 - 2008

(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) | Total Taxable Assessed Real Property (8) |
|-------------|----------------|--------------------------|------------------------|-----------------------|-----------------------------------|--------------------------------|--|
| 1999 | 94,400 | 46,664 | 22,328 | 1.5% | 2,522,462 | 26,721 | 4,847,842,700 |
| 2000 | 92,446 | 48,134 | 24,246 | 1.7% | 2,658,655 | 28,759 | 5,250,010,820 |
| 2001 | 98,060 | 50,469 | 24,938 | 2.2% | 2,935,524 | 29,936 | 5,536,373,720 |
| 2002 | 103,606 | 53,713 | 25,874 | 2.9% | 3,105,569 | 29,975 | 6,443,799,200 |
| 2003 | 108,994 | 56,872 | 26,164 | 2.9% | 3,310,801 | 30,376 | 6,910,306,879 |
| 2004 | 113,173 | 59,954 | 28,837 | 2.5% | 3,644,396 | 32,202 | 9,211,123,100 |
| 2005 | 116,545 | 61,803 | 30,398 | 2.4% | 3,967,308 | 34,041 | 9,771,585,620 |
| 2006 | 118,384 | 63,703 | 32,260 | 2.4% | 4,207,840 | 35,544 | 16,922,477,273 |
| 2007 | 120,723 | 65,031 | 34,542 | 2.6% | 4,294,238 | 35,571 | 17,477,640,504 |
| 2008 | 122,800 | 66,123 | 34,502 | 3.4% | 4,455,430 | 36,282 | 16,961,441,169 |

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

(2) Population figures (1999 - 2007) provided by the U.S. Census Count. 2008 estimate provided by Stafford County Economic Development & Legislation Department.

(3) The Civilian Labor Force represents the number of people that live in Stafford Count. 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 (Current year: Year-to-Date average).

(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 (1999-2006) provided by the Virginia Employment Commission (VEC). (<http://velma.virtuallmi.com>) Per capita personal income figures (2007-2008): Estimate provided by Stafford County Finance Department assuming a growth of 2 %.

(8) 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 2008 vs 1999

(unaudited) (1)

| Employer | Industry | Fiscal Year 2008 | | | Fiscal Year 1999 | | |
|--|----------------------------|------------------|------|--------------------------------------|------------------|------|--------------------------------------|
| | | Employees | Rank | Percentage of Total County Workforce | Employees | Rank | Percentage of Total County Workforce |
| Stafford County School System | Education | 4,437 | 1 | 6.7% | 2,502 | 2 | 5.4% |
| GEICO, Government Employees Ins Insurance | | 3,998 | 2 | 6.0% | 3,148 | 1 | 6.7% |
| FBI Academy (Stafford Facilities) | Government Services | 985 | 3 | 1.5% | - | | |
| Stafford County Government | County Government | 845 | 4 | 1.3% | 602 | 5 | 1.3% |
| McLane Mid Atlantic | Retail Distribution | 710 | 5 | 1.1% | 800 | 3 | 1.7% |
| Fredericksburg Auto Auction | Auction | 540 | 6 | 0.8% | - | | |
| Intuit | Computer Services | 275 | 7 | 0.4% | 450 | 6 | 1.0% |
| Hilldrup Transfer and Storage, Inc | Van Line Services | 230 | 8 | 0.3% | 210 | 8 | 0.5% |
| MTC Services Corp | Engineering Consultants | 202 | 9 | 0.3% | - | | |
| Marconi Technology | Telecommunication Equipmen | 125 | 10 | 0.2% | - | | |
| Capital One Bank | Financial | - | | | 660 | 4 | 1.4% |
| Brake Parts | Electronic Auto Parts | - | | | 300 | 7 | 0.6% |
| McLane Foods Inc | Foodservice | - | | | 202 | 9 | 0.4% |
| Virginia Electric & Power Company Ir Utility | | - | | | 153 | 10 | 0.3% |
| Total 10 Largest Employers | | 12,222 | | 18.5% | 8,672 | | 18.6% |
| Total Civilian Labor Force | | 66,123 | | | 46,664 | | |

(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 or any retail.)

Source: Stafford County Economic Development & Legislation Department.

COUNTY OF STAFFORD, VIRGINIA

Table S-17

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION

Fiscal Years 1999 - 2008

(unaudited) (1)

| Function/Program Employees: | Full-time Equivalent Employees as of June 30 | | | | | | | | | |
|--|--|------|------|------|------|------|------|------|------|------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Primary Government: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | 111 | 110 | 111 | 115 | 117 | 117 | 123 | 131 | 134 | 122 |
| Judicial administration | 25 | 29 | 30 | 30 | 35 | 35 | 39 | 46 | 50 | 48 |
| Public safety (2) | 148 | 167 | 187 | 187 | 216 | 219 | 243 | 265 | 302 | 302 |
| Public services | 8 | 10 | 10 | 10 | 14 | 14 | 20 | 24 | 19 | 23 |
| Health and welfare | 45 | 48 | 48 | 50 | 50 | 52 | 55 | 60 | 60 | 53 |
| Parks, recreation and cultural (3) | 23 | 23 | 24 | 24 | 25 | 25 | 29 | 32 | 32 | 34 |
| Community development | 48 | 48 | 51 | 51 | 59 | 59 | 66 | 75 | 83 | 71 |
| Transportation | - | - | - | - | - | - | 1 | 1 | 2 | 5 |
| Total governmental activities employees | 408 | 435 | 461 | 467 | 516 | 521 | 576 | 634 | 682 | 658 |
| Business-type activities: | | | | | | | | | | |
| Utilities | 93 | 105 | 113 | 117 | 120 | 120 | 133 | 134 | 139 | 126 |
| Total business-type activities employees | | | | | | | | | | |
| Total primary government employees | 501 | 540 | 574 | 584 | 636 | 641 | 709 | 768 | 821 | 784 |
| Volunteers: | | | | | | | | | | |
| Public safety | 600 | 600 | 300 | 300 | 300 | 300 | 300 | 250 | 250 | 546 |

(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 1999 - 2008

(unaudited) (1)

| Function/Program | Fiscal Year | | | | | | | | | |
|--|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Governmental Activities: | | | | | | | | | | |
| General government | | | | | | | | | | |
| Commissioner of Revenue | | | | | | | | | | |
| Taxpayers assisted at real estate and personal property counters | 19,000 | 19,831 | 19,919 | 21,000 | 23,000 | 17,983 | 23,000 | 24,000 | 15,258 | 12,022 |
| Building permits reviewed | 3,299 | 3,200 | 3,461 | 3,500 | 4,168 | 3,500 | 4,000 | 3,300 | 2,756 | 2,177 |
| State income tax returns processed | 28,641 | 23,761 | 22,853 | 23,000 | 21,530 | 16,082 | 20,000 | 18,000 | 13,295 | 10,125 |
| Personal property records processed | 46,720 | 46,720 | 48,444 | 51,500 | 53,000 | 55,000 | 65,000 | 65,000 | 61,528 | 58,658 |
| Finance | | | | | | | | | | |
| Landfill bills processed | 212 | 212 | 212 | 248 | 242 | 250 | 300 | 252 | 297 | 351 |
| Water and sewer bills generated | 257,000 | 267,000 | 283,523 | 297,000 | 314,609 | 326,265 | 341,670 | 358,993 | 372,221 | 379,640 |
| Accounts payable transactions processed (9) | 43,500 | 45,000 | 49,848 | 50,000 | 27,416 | 64,881 | 61,501 | 55,094 | 42,036 | 42,215 |
| Department of Human Resources | | | | | | | | | | |
| Number of new hires | n/a | 274 | 221 | 290 | 263 | 264 | 249 | 332 | 373 | 334 |
| Number of positions recruited | 239 | 85 | 65 | 95 | 91 | 137 | 294 | 264 | 481 | 145 |
| Public Services | | | | | | | | | | |
| Total facilities maintained (sq ft) (10) | 186,250 | 186,250 | 186,250 | 220,335 | 186,250 | 220,335 | 222,696 | 225,046 | 231,999 | 421,134 |
| Registrar | | | | | | | | | | |
| Voters served at polling places | 11,974 | 27,423 | 33,876 | 21,779 | 23,480 | 14,112 | 45,970 | 26,497 | 34,000 | 55,535 |
| Treasurer | | | | | | | | | | |
| Real estate and personal property bills processed | 163,089 | 165,026 | 165,777 | 174,585 | 215,219 | 221,758 | 237,971 | 241,148 | 245,845 | 249,203 |
| Auto decals processed | 75,910 | 77,000 | 78,030 | 79,000 | 83,570 | 85,000 | 115,725 | 133,249 | - | - |
| Water and sewer bills processed | 252,000 | 260,000 | 260,400 | 261,000 | 241,000 | 320,000 | 331,703 | 339,528 | 361,142 | 366,941 |
| Judicial administration | | | | | | | | | | |
| Victims' services, both direct & indirect | 1,115 | 775 | 1,200 | 1,000 | 915 | 1,000 | 805 | 849 | 1,076 | 1,031 |
| Public safety | | | | | | | | | | |
| Requests for law enforcement service (responded) | 60,314 | 64,983 | 65,188 | 66,904 | 72,531 | 73,759 | 70,611 | 73,390 | 73,112 | 73,376 |
| Number of arrests | 5,675 | 4,676 | 5,568 | 6,232 | 6,381 | 6,764 | 7,170 | 6,144 | 7,451 | 7,695 |
| Number of fire and EMS calls (3) | 16,051 | 16,422 | 17,220 | 18,218 | 17,945 | 20,698 | 21,799 | 21,806 | 22,984 | 23,707 |

COUNTY OF STAFFORD, VIRGINIA

Table S-18
Page 2 of 3

OPERATING INDICATORS BY FUNCTION

Fiscal Years 1999 - 2008

(unaudited) (1)

| Function/Program | Fiscal Year | | | | | | | | | |
|---|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Social Services | | | | | | | | | | |
| Benefit applications received | 3,500 | 3,700 | 4,000 | 4,000 | 4,080 | 4,275 | 4,369 | 7,612 | 9,167 | 10,190 |
| CPS complaints investigated (4) | 385 | 415 | 415 | 400 | 338 | 395 | 395 | 400 | 469 | 501 |
| Food stamp households served | 789 | 800 | 820 | 900 | 1,025 | 1,200 | 1,341 | 1,413 | 1,615 | 1,797 |
| Foster care children served | 150 | 160 | 160 | 158 | 158 | 157 | 140 | 138 | 127 | 143 |
| Parks, recreational and cultural | | | | | | | | | | |
| Programs offered: gymnastics | 100 | 115 | 400 | 420 | 1,280 | 915 | 1,250 | 1,210 | 1,355 | 1,550 |
| Programs offered: senior citizens | 75 | 78 | 80 | 82 | 87 | 90 | 95 | 102 | 103 | 165 |
| Programs offered: sports/recreation | 125 | 135 | 145 | 150 | 165 | 325 | 335 | 340 | 494 | 390 |
| Programs offered: aquatics | 115 | 120 | 325 | 325 | 452 | 531 | 556 | 572 | 696 | 625 |
| Acres maintained | 750 | 760 | 775 | 775 | 872 | 906 | 906 | 1,000 | 1,000 | 1,162 |
| Community development | | | | | | | | | | |
| Code Administration | | | | | | | | | | |
| Permits issues | 24,374 | 24,715 | 28,131 | 19,230 | 20,093 | 22,676 | 21,817 | 21,396 | 15,335 | 11,931 |
| Chesapeake bay building permits reviewed (6) | 1,335 | 1,200 | 1,250 | 1,350 | 2,000 | 2,560 | 2,400 | 3,650 | 2,402 | 1,765 |
| Building inspections performed | 36,043 | 35,220 | 47,260 | 39,626 | 42,659 | 43,306 | 43,503 | 53,709 | 42,302 | 35,024 |
| Zoning site development inspections | 316 | 225 | 270 | 439 | 257 | 377 | 477 | 205 | 571 | 281 |
| E&S control inspections performed (5) | 9,268 | 10,517 | 10,493 | 23,634 | 20,898 | 14,247 | 22,709 | 11,336 | 16,393 | 13,004 |
| Zoning enforcement inspections performed | 977 | 1,014 | 822 | 392 | 807 | 811 | 965 | 1,075 | 958 | 1,037 |
| Economic Development/Legislative Affairs | | | | | | | | | | |
| At-place employment | 22,328 | 24,246 | 24,938 | 25,874 | 26,164 | 28,837 | 30,398 | 32,260 | 32,602 | 34,502 |
| Unemployment rate | 1.5% | 1.7% | 2.2% | 2.9% | 2.9% | 2.5% | 2.4% | 2.4% | 2.7% | 3.5% |
| Businesses in the County | 1,365 | 1,406 | 1,478 | 1,561 | 1,640 | 1,793 | 1,948 | 2,030 | 2,072 | 2,234 |
| Legislative bills reviewed for action/response | 2,802 | 3,175 | 2,856 | 2,907 | 2,827 | 3,108 | 2,950 | 3,287 | 3,069 | 3,323 |
| Planning | | | | | | | | | | |
| Addresses issued (7) | 2,860 | 2,600 | 2,500 | 2,600 | 1,943 | 2,558 | 2,667 | 2,161 | 1,748 | 1,013 |
| Subdivision applications processed | 264 | 250 | 268 | 250 | 391 | 416 | 801 | 834 | 726 | 582 |
| Site plans processed (8) | 114 | 102 | 67 | 80 | 145 | 153 | 384 | 381 | 367 | 373 |

OPERATING INDICATORS BY FUNCTION

Fiscal Years 1999 - 2008

(unaudited) (1)

| Function/Program | Fiscal Year | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| Business-Type Activities: | | | | | | | | | | |
| Water & Sewer Utilities | | | | | | | | | | |
| Billions of gallons of water treated per year | 2.798 | 3.057 | 3.288 | 2.986 | 3.310 | 3.361 | 3.280 | 3.768 | 4.080 | 3.837 |
| Water storage (mg) | 14.295 | 14.295 | 14.295 | 15.295 | 15.800 | 15.800 | 15.800 | 15.800 | 16.650 | 16.500 |
| Billions of gallons of wastewater treated per year | 2.290 | 2.465 | 2.581 | 2.138 | 2.229 | 2.784 | 2.983 | 2.973 | 3.234 | 2.972 |
| Number of customer accounts served | 21,035 | 21,781 | 21,781 | 24,762 | 26,472 | 27,745 | 29,116 | 30,553 | 31,314 | 31,849 |

(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 & Domestic Relations Court and Probation Violation Cases Tried.

(3) EMS = Emergency Medical Services

(4) CPS = Child Protection Services

(5) E&S = Erosion & 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) Beginning with FY08 the number of accounts payable transactions includes checks and purchasing cards.

(10) Beginning with FY08 the total of sq ft maintained includes owned and rental property.

CAPITAL ASSET STATISTICS BY FUNCTION
Fiscal Years 1999 - 2008
(unaudited) (1)

Page 1 of 2

[illegible]

CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Years 1999 - 2008

(unaudited) (1)

| Function/Program | Fiscal Year | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| Parks, recreation and cultural (cont.) | | | | | | | | | | |
| Private marinas | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Skateboard parks | 0 | 0 | 0 | 2 | 2 | 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 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Community development | | | | | | | | | | |
| Libraries (3) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

(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, not all stations are owned by the County.

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

(4) County owned facilities only.

COMPLIANCE SECTION



**Independent Auditor's 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 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 County of Stafford, Virginia (County) as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 16, 2009. We did not audit the financial statements of the County of Stafford School Board. The financial statements for County of Stafford School Board were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these entities is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 08-01 and 08-02.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County in a separate letter dated January 15, 2009.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Clifton Henderson LLP".

Calverton, Maryland
January 16, 2009



**Clifton
Gunderson LLP**
Certified Public Accountants & Consultants

**Independent Auditor's Report on Compliance
With Requirements Applicable to Each Major Program
on Internal Control Over Compliance and Schedule of Expenditures
of Federal Awards in Accordance With OMB Circular A-133**

To the Honorable Members of the Board 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, 2008. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County 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, 2008.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and

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material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the 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 as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 16, 2009. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

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

A handwritten signature in cursive script that reads "Clifton Henderson LLP".

Calverton, Maryland
January 16, 2009

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

| 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 | | |
| Food Stamp Program | 10.561 | \$ 541,926 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | |
| Pass Through Payments: | | |
| Department of Social Services | | |
| Social Services Block Grant | 93.667 | \$ 464,670 |
| Child Care Assistance | | |
| Child Care and Development Block Grant | 93.575 | 502,977 |
| Child Care Mandatory and Matching Funds | | |
| of the Child Care and Development Fund | 93.596 | 596,515 |
| Administration for Children and Families | | |
| Chafee Education and Training Vouchers Program | 93.599 | 1,816 |
| Child Welfare Services - State Grants | 93.645 | 3,093 |
| Promoting Safe and Stable Families | 93.556 | 62,938 |
| Temporary Assistance for Needy Families | 93.558 | 277,187 |
| Refugee and Entrant Assistance - | | |
| State Administered Programs | 93.566 | 3,126 |
| Low-Income Home Energy Assistance | 93.568 | 5,811 |
| Foster Care Title IV-E | 93.658 | 412,948 |
| Adoption Assistance | 93.659 | 186,471 |
| Chafee Foster Care Independent Living | 93.674 | 13,433 |
| State Children's Insurance Program | 93.767 | 10,223 |
| Medical Assistance Program (Medicaid; Title XIX) | 93.778 | 411,894 |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES | | <u>2,953,102</u> |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | |
| Pass Through Payments: | | |
| Americorp | 94.006 | <u>23,178</u> |
| DEPARTMENT OF DEFENSE | | |
| Direct Payments: | | |
| Office of Chief Engineer | | |
| Department of the Army | | |
| Payments in Lieu of Real Estate Taxes | 12.112 | 3,227 |
| Office of Economic Adjustment | | |
| Community Economic Adjustment Diversification Planning | 12.614 | <u>79,908</u> |
| TOTAL DEPARTMENT OF DEFENSE | | <u>83,135</u> |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

| Federal Grantor/Recipient State Agency/Program Title | CFDA Number | Expenditures | |
|--|----------------|---------------|----------------------------|
| U.S. DEPARTMENT OF JUSTICE | | | |
| Direct Payments: | | | |
| Edward Byrne Memorial Formula Grant Program | 16.579 | \$ 28,524 | |
| Bulletproof Vest partnership Program | 16.607 | 3,375 | |
| Public Safety Partnership and Community Policing Grant | 16.710 | 58,326 | |
| Office of Juvenile Justice and Delinquency Prevention | | | |
| Cal Ripkin Sr. Foundation | 16.541 | <u>6,700</u> | |
| TOTAL U.S. DEPARTMENT OF JUSTICE | | | <u>\$ 96,925</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| Direct Payments: | | | |
| Federal Highway Administration | | | |
| Highway Planning and construction | 20.205 | 18,769 | |
| Pass Through Payments: | | | |
| Department of Motor Vehicles | | | |
| State and Community Highway Safety (Section 402) | 20.600 | <u>71,857</u> | |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION | | | <u>90,626</u> |
| DEPARTMENT OF HOMELAND SECURITY | | | |
| Pass Through Payments: | | | |
| Department of Emergency Management | | | |
| Emergency Management Performance Grants | 97.042 | 24,623 | |
| Citizen Corps | 97.053 | 1,929 | |
| State Homeland Security Program | 97.073 | 4,572 | |
| Law Enforcement Terrorism Prevention Program | 97.074 | <u>34,892</u> | |
| TOTAL DEPARTMENT OF HOMELAND SECURITY | | | <u>66,016</u> |
| GRAND TOTAL FEDERAL FINANCIAL ASSISTANCE | | | <u>\$ 3,854,908</u> |

COUNTY OF STAFFORD, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2008

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 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 Care.

COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- | | | | | |
|---|--------|-----|--------|----|
| • Material weakness (es) identified | _____ | Yes | _____✓ | No |
| • Significant deficiency (ies) 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 weakness (es) identified | _____ | Yes | _____✓ | No |
| • Significant deficiency (ies) 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, 2008**

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 93.558 | Temporary Assistance for Needy Families |
| 93.658 | Foster Care Title IV |
| 93.667 | Social Service Block Grant |

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

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. Significant deficiencies in Internal Control

Finding 8-01 Monthly reconciliations between the Treasurer's Office and Finance were not consistently performed during the year.

Condition: During the audit we were unable to substantiate noncash transactions. We noted that the monthly reconciliations between the Treasurer's Office and Finance were not consistently performed and reconciling items were not resolved until well after year-end.

Criteria: Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over account reconciliation and review to ensure the accuracy and reliability of the financial records and reports.

Cause: There is a lack of adequately trained personnel to manage and reconcile the Treasurer's records to the County's H.T.E. general ledger accounting system.

Effect: The financial records and reports could possibly be misstated. Errors may not be identified timely.

Recommendation: We recommend that more timely reconciliations take place, at least within the 60 day policy currently in place, in order to identify, investigate, and adjust potential errors in a timely manner.

Management's
Response: The Finance Department and the Treasurer's Office have implemented monthly communications in order to confirm financial transactions are properly recorded. In addition, a Finance Office employee has been assigned responsibility for cash reconciliations within the County general ledger accounting system.

COUNTY OF STAFFORD, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008 (Continued)**

| | |
|------------------------|--|
| Finding 08-02: | The County does not have adequate segregation of duties over the preparation and review of the financial statements. |
| Condition: | The preparer of the financial statements also performed the detailed review of the financial statements. |
| Criteria: | Internal Control-Integrated Framework (COSO Report) requires adequate segregation of duties between performance, review and record keeping to ensure the preparation of reliable financial statements. |
| Cause: | In previous years, the Finance Department experienced turnover in its management staff, and the County did not re-establish procedures for reviewing the financial statements. |
| Effect: | The financial records and reports could possibly be misstated. |
| Recommendation: | We recommend the County implement procedures to ensure that a quality control review is performed over financial statements. |
| Management's Response: | Due to budget reductions two (2) accountant positions remained unfilled throughout FY 2008. These positions would assist in preparation and review of the financial statements. To compensate for this, considerable effort was made to create system generated financial statements. These reports were analyzed and reviewed by two (2) qualified Finance Department employees. We have recently filled one of the accountant positions and that person will be involved in the process going forward. |

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, 2008**

None noted



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Balance Empowerment Service Teamwork