

STAFFORD COUNTY, VIRGINIA
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FISCAL YEAR 2009



(July 1, 2008 - June 30, 2009)

Prepared by Stafford County, Virginia Finance Department

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Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

**COUNTY OF STAFFORD, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009**

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INTRODUCTORY SECTION

BOARD OF SUPERVISORS

GEORGE H. SCHWARTZ
CHAIRMAN

HARRY E. CRISP, II
VICE CHAIRMAN

M. S. "JOE" BRITO

MARK DUDENHEFER

PAUL V. MILDE, III

CORD A. STERLING

ROBERT "BOB" WOODSON



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COUNTY ADMINISTRATOR
ANTHONY J. ROMANELLO, ICMA-CM

November 30, 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) 2009 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, 2009, 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, 2009, 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 chief administrative officer 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 1,100 students were enrolled in these programs during 2008-2009.

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 revenue to support them. Work sessions are scheduled to refine the proposal and align it with goals and objectives. Public hearings are 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 sections labeled "Required Supplementary Information" and "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 March 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 Risk Manager 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 and pre-paid items. 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.

The Board's financial policy, *Principles of High Performance Financial Management*, adopted in FY 2005, defines the fund balance policy for the General Fund. The policy sets the minimum unreserved, undesignated 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, 2009 the unreserved, undesignated fund balance in the General Fund was \$30.5 million or 13.1% of the fiscal year 2009 general revenues.

In FY 2007 there was a discrepancy between transfers in and out for the Component Unit-School Board. Working with our external auditors, the issue has been resolved resulting in a \$6.2 million restatement of General Fund beginning fund balance for our FY 2009 statements. For FY 2007 and FY 2008 General Fund unreserved, undesignated fund balance was reported at 8.2% and 8.2% of general revenues, respectively. In retrospect, unreserved, undesignated fund balance for FY 2007 and FY 2008 would have met policy guidelines at 11.1% and 11.0%, respectively.

The FY 2008 General Fund budget called for \$6.4 million use of fund balance (shown in FY 2007 as designated for future expenditures). Subsequent to the adoption and appropriation of the FY 2008 budget, analysis and projection of FY 2008 financial conditions revealed that pursuing this plan would cause the General Fund undesignated fund balance to fall below policy minimum or 10% of General Fund revenue. To mitigate this situation, the County reduced FY 2008 expenditure budgets by \$3.9 million and restored the use of fund balance.

Early in FY 2009 the Board and staff recognized that the local economic climate would not sustain the operating budget that was adopted for the year. In addition, we were committed to restoring the general fund balance to policy level. A budget and finance work group was established to monitor revenues and expenditures on a weekly basis. This group worked with departments and agencies to determine operational reductions to bring expenditures in line with revised revenue projections and restore fund balance. The proposed reductions were presented to the Board in October 2008. The work group continued to meet and monitor operating results, and crafted additional adjustments throughout the year.

The Board's financial policy limits 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, 2009, net bonded debt was 2.24% of assessed real property value. Debt service expenditures were 10.81% of budgeted general government expenditures.

In August 2008 the Board reviewed and updated its financial policies. Highlights of the updated policy include the creation of an Audit and Finance Committee, budget reviews with required monthly reports and quarterly financial reviews, and five-year projections as part of the budget process.

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 for public facilities. On January 22, 2009 the Board adopted the 2010-2015 CIP. It totals \$498.2 million and is comprised of County projects of \$176.0 million, school projects of \$105.3 million and Utilities Fund projects of \$216.9 million. A variety of funding sources including general obligation bonds, revenue bonds, capital leases, grants 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 and multi-year operating impacts 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

While the recession has impacted our housing values and spending patterns, Stafford County's location, rural character, suburban conveniences, strong educational system and superior quality of life continue to make it an attractive, vital community. Initiatives undertaken in the areas of economic development, business retention and redevelopment will enhance the County's position as economic conditions improve.

According to the Virginia Employment Commission, Stafford's unemployment rate at June 30, 2009 (through the second quarter of 2009) was 5.7%, while the State of Virginia and national rates were 7.3% and 9.7% respectively. This low unemployment rate is due to a relatively high skilled and educated labor force and

continued business growth in the County. There are more than 2,200 businesses located in Stafford, employing nearly 35,000 people. The private sector retail, professional and business services, and health care industries have contributed significantly to that growth, adding over 400 businesses between January 2006 and March 2009. Overall, nearly one million square feet of new commercial space was added in 2008-2009, with an additional two and a half million square feet in various stages of development. These key economic indicators have made Stafford a leader in the Commonwealth:

- 1st in job growth for localities with a labor force of over 30,000
- 3rd highest business growth
- 5th highest wage growth

Stafford County's Department of Economic Development and the Economic Development Authority have been proactive in promoting the County as a business friendly community and recruiting potential businesses. They developed a Strategic Plan and seek to attract a variety of business sectors to achieve a diversified business community.

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 has been developed and used to gauge outreach opportunities and follow-up visits are 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 designed to attract defense related contractors in anticipation of the 2011 Base Realignment and Closure (BRAC) program. Two Class-A office buildings have been built and are fully leased. Construction of a third office building located on the Marine Corps Base is 50% complete. 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 a nationally recognized defense contractor is the major tenant. Planning continues for the residential and retail components of this project. The historic courthouse area is envisioned as a pedestrian-friendly community center. Government services are currently provided there. The County has been awarded two grants, totaling approximately \$1 million, for streetscaping improvements in the area. Proposed future construction includes a retail center and cultural facilities. In February 2009 Medix Health Systems opened its full service, 100-bed acute care Stafford Hospital Center. The impact of the facility goes beyond the hospital itself. Future construction in and around the area will eventually bring support service businesses to 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 a major transportation corridor (Rt. 610). The reconfiguration of I-95 Exit 140 in central Stafford is in the design phase. 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. Three new hotels were built in 2009. Marketing tools include the Stafford Visitor Center, a tourism website and a comprehensive brochure highlighting the many historical and recreational venues.

MAJOR INITIATIVES

In order to keep the Board apprised of the County's operating financial results staff began producing a monthly financial report. The report compares budget to actual results, in dollars and percentage, for major revenue sources and departmental expenditures. A short narrative explains variances. There is also a quarterly presentation at a Board worksession during which financial results are reviewed and projections are presented as well as plans to deal with them.

When the FY 2010 budget was adopted in April 2009, 7% of the operating budget for schools and county departments was withheld from appropriation. Full appropriation will be made only after a comprehensive mid-year review if revenue is projected to support it.

In November 2008, Stafford voters approved a local bond referendum for the issuance of a maximum of \$70 million general obligation debt to finance several transportation improvement projects. Staff has been working with a Board committee and consulting engineers to determine timelines and costs.

Significant progress has been made on several projects financed by the 2008 lease revenue bonds. These include an emergency radio communications system upgrade, construction of a regional library branch to serve residents in the southern area of the county, courthouse renovations to accommodate increased court activity and construction of two soccer fields.

In the Public Safety arena, the Board recognized the need for additional fire and rescue coverage in a northern section of the county. Staff began the process of acquiring a suitable site and in November 2008 began responding to calls from a rented facility. In May 2009, the county completed construction of a \$4.6 million fire and rescue station located in the courthouse area. This facility replaces an aged fire station and consolidated fire and rescue services for the central Stafford area.

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, 2008. This was the County's twenty-seventh 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.

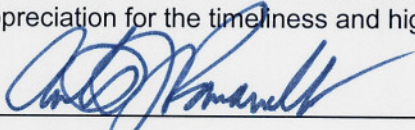
Distinguished Budget Presentation Award - The GFOA has also awarded the County its Distinguished Budget Award for the last twenty years, including the 2009 fiscal year budget. In order to receive this award, a governmental unit must publish a budget document that is an exceptional policy document, operations guide, financial plan and communications medium.

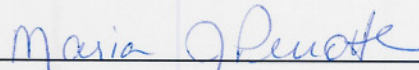
For an overview of the County's financial condition and financial highlights for FY2009, please refer to the Management's Discussion and Analysis, located in the Financial Section of this document.

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.

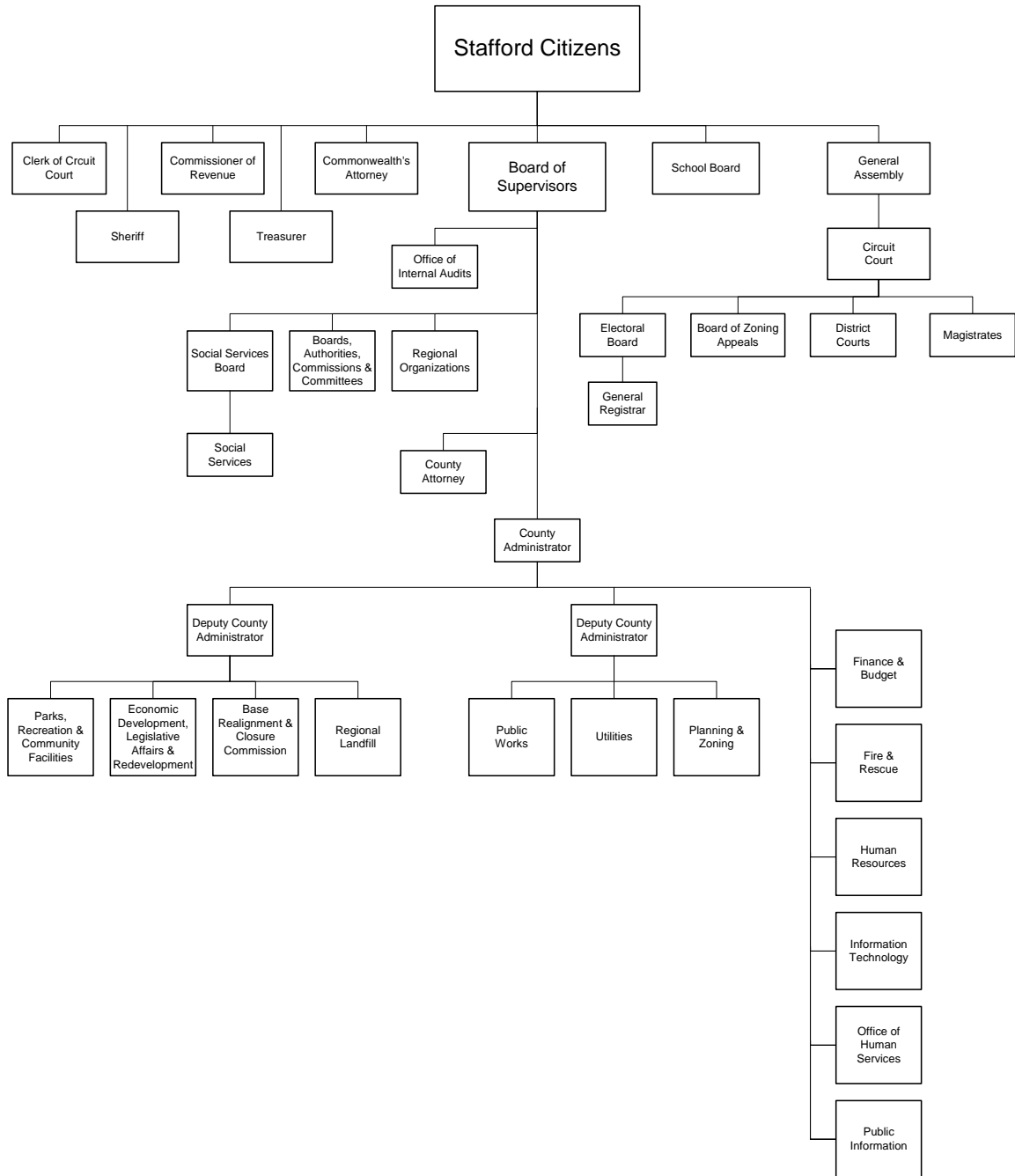
Preparation of the Comprehensive Annual Financial Report was made possible by the dedicated and professional staff of the County Finance and Budget Office, the School Board Financial Services staff, the Commissioner of the Revenue and the Treasurer. All of these individuals have our sincere thanks and 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



COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS

BOARD OF SUPERVISORS

George H. Schwartz, Chairman	Falmouth District
Harry E. Crisp, II, Vice Chairman	George Washington District
M. S. "Joe" Brito	Hartwood 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	Executive Director of Organizational Development
Joseph L. Howard, Jr.	County Attorney
Harry L. Critzer	Director of Public Utilities
Nancy A. Collins	Budget Division Director
Keith C. Dayton	Director of Public Works
David W. Noel	Director of Information Technology
J. Robert Brown	Fire Chief
Maria J. Perrotte	Chief Financial Officer
Joseph K. Gilkerson	Human Resources Administrator
Christopher J. Hoppe	Director of Parks, Recreation and Community Facilities
Jeffrey A. Harvey	Director of Planning and Community Development
Michael J. Muse	Director of 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, 2008

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 stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

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 discretely presented component unit, 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, 2009, 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 100 percent of the assets, net assets, and revenues of the discretely presented component unit. 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Stafford, Virginia, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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
November 30, 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, 2009. 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 \$95.4 million (*net assets*).
- The County's total net assets increased by \$21.2 million, with governmental activities increasing by \$17.3 million and business-type activities increasing by \$3.9 million.
- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$71.6 million. Of the \$71.6 million, \$39.4 million is available for spending at the County's discretion (*undesignated fund balances*).
- Undesignated fund balance for the General Fund increased by \$12.1 million to \$30.5 million.
- The County's net debt decreased by \$23.2 million during the current fiscal year. The net decrease was the result of new debt less principal payments made during the year. New debt consisted of \$1.7 million of VPSA debt for school renovation projects and \$.6 million in capital leases for a replacement fire truck.

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 for which the County is financially accountable. Financial information for this component unit 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 five fiduciary funds – Widewater Fund, Celebrate Virginia North Fund, Lake Arrowhead Sanitary District Fund, George Washington

Regional Commission Fund and the Retired Employees Health Insurance Plan Trust 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 and post-employment health care benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the 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 \$95.4 million at the close of fiscal year 2009. By far, the largest portion of the County's net assets (\$254.5 million) reflects its investment in capital assets net of depreciation (e.g., land, buildings, vehicles, distribution and collections systems, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its citizens (e.g., law enforcement, fire and emergency medical services, libraries, water and wastewater services). Consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the related debt must be provided by other sources since the capital assets cannot be used to liquidate the liabilities (the assets are not generally sold or otherwise disposed of during their useful life).

An additional portion of the County's net assets (\$12.2 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 property and equipment.

The net increase in business-type activities net assets includes \$5.9 million in donated capital assets accepted into the water and sewer utility system, a net loss of \$6.5 million and \$4.5 million nonoperating contributions (availability fees and developer pro-rata fees) which 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

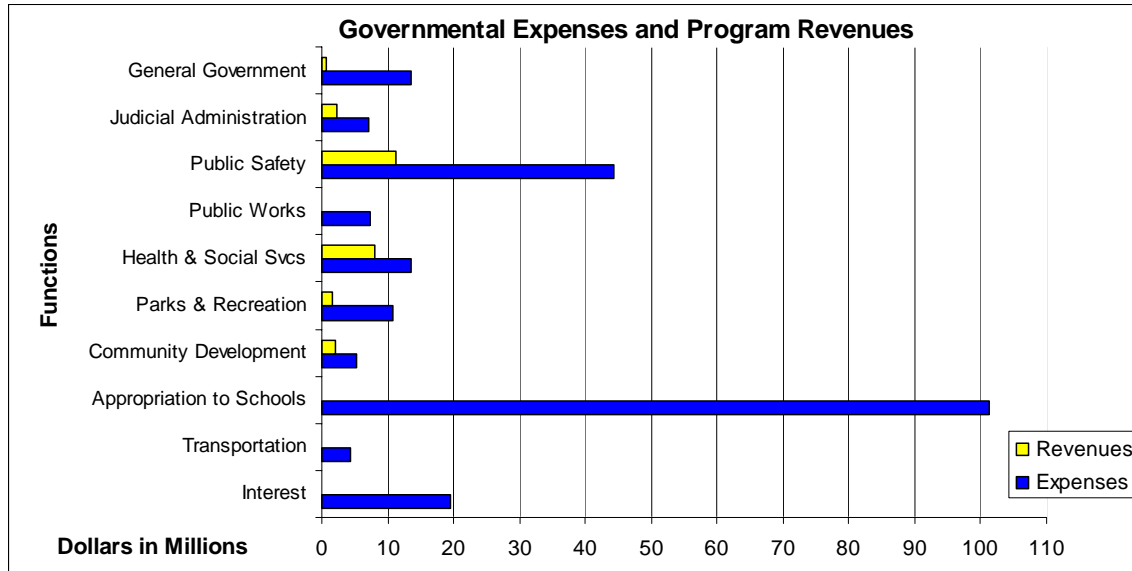
(in millions)	Governmental		Business-type		Total		Component Unit	
	Activities		Activities		Primary Government		School Board	
	2009	2008	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 146.1	\$ 162.6	\$ 63.6	\$ 75.4	\$ 209.7	\$ 238.0	\$ 81.3	\$ 91.1
Capital assets	<u>144.3</u>	<u>130.4</u>	<u>236.5</u>	<u>224.1</u>	<u>380.8</u>	<u>354.5</u>	<u>379.9</u>	<u>375.7</u>
Total assets	<u>290.4</u>	<u>293.0</u>	<u>300.1</u>	<u>299.5</u>	<u>590.5</u>	<u>592.5</u>	<u>461.2</u>	<u>466.8</u>
Current liabilities	94.5	94.5	14.2	13.5	108.7	108.0	50.4	52.7
Noncurrent liabilities	<u>377.3</u>	<u>397.1</u>	<u>9.3</u>	<u>13.3</u>	<u>386.6</u>	<u>410.4</u>	<u>16.1</u>	<u>13.5</u>
Total liabilities	<u>471.8</u>	<u>491.6</u>	<u>23.5</u>	<u>26.8</u>	<u>495.3</u>	<u>518.4</u>	<u>66.5</u>	<u>66.2</u>
Net Assets:								
Invested in capital assets, net of related debt	29.6	10.6	224.9	208.5	254.5	219.1	377.3	372.8
Restricted	.2	1.5	12.0	11.9	12.2	13.4	-	-
Unrestricted	<u>(211.0)</u>	<u>(210.5)</u>	<u>39.7</u>	<u>52.3</u>	<u>(171.3)</u>	<u>(158.3)</u>	<u>17.5</u>	<u>27.8</u>
Total net assets	<u>\$ (181.2)</u>	<u>\$ (198.5)</u>	<u>\$ 276.6</u>	<u>\$ 272.7</u>	<u>\$ 95.4</u>	<u>\$ 74.2</u>	<u>\$ 394.8</u>	<u>\$ 400.6</u>

Statement of Activities
Governmental Activities

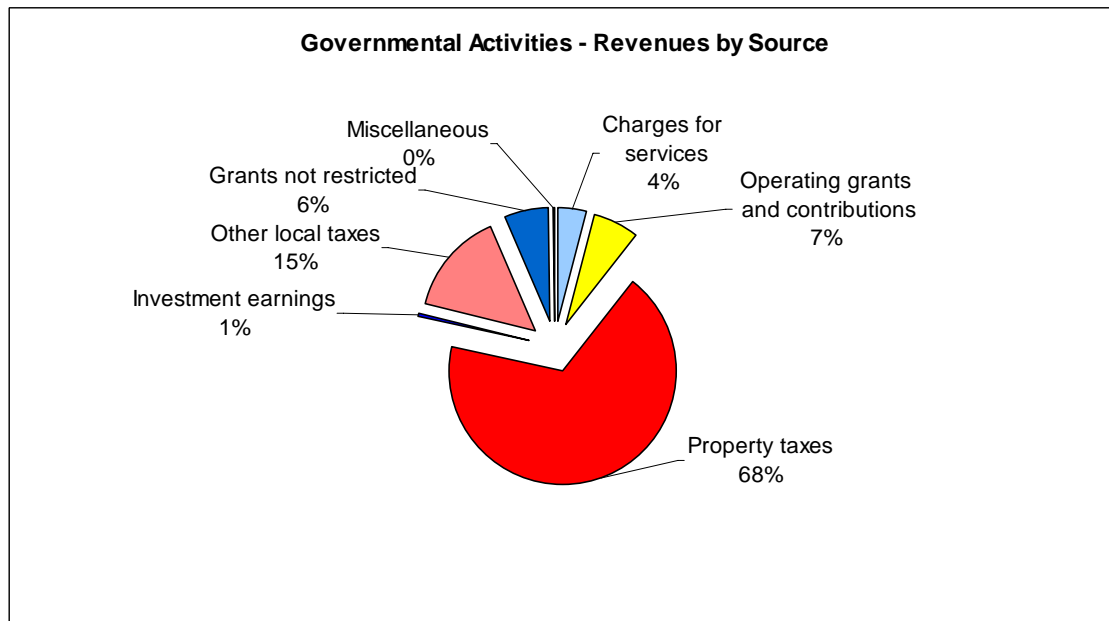
The increase in net assets attributable to the County's governmental activities totaled \$17.3 million for fiscal year 2009. Generally, net asset changes are the result of the difference between revenues and expenses. For fiscal year 2009 revenues of \$244 million represent an increase of \$7 million over the prior year, while expenses of \$227.0 million decreased \$22.6 million for the same period. A summary of key elements follows:

- Program revenues remained constant in comparison to the prior year, with charges for services increasing \$200 thousand and operating grants decreasing by a like amount.
- General property taxes collected were \$165.3 million, an increase of \$11.3 million. The increase was due to growth in the commercial tax base and a modified equalized tax rate to off-set declining property values.
- Other local taxes decreased by approximately \$1.8 million. 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.
- Investment earnings decreased \$1.5 million compared to the prior year due to declining interest rates; and the decrease in miscellaneous revenue, approximately \$2.8 million, is attributed to a reclassification of revenues to the grants and contributions not restricted category.
- Expenses for governmental activities recorded a decrease of \$22.6 million compared to the prior year. Much of the decrease is attributed to a decrease in capital expenditures (two of three major public safety projects were completed in the prior year, and the school system delayed several projects). Also, the County reduced department budgets by \$6.7 million to off-set anticipated revenue shortfalls, and the schools reduced their anticipated local appropriation by \$3.3 million.

The following graph compares the County's fiscal year 2009 expenses by function to associated program revenues for governmental activities.



The following graph illustrates the County's fiscal year 2009 governmental revenues by source.



Business-type Activities

The increase in net assets attributable to the County's business-type activities totaled \$3.9 million for fiscal year 2009. 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 through user charges. Nevertheless, operating revenues were less than operating expenses for fiscal year 2009, resulting in a net loss of \$8.1 million, primarily due to user fees failing to keep pace with operating costs. The net asset increase was primarily due to nonoperating contributions (availability fees and pro-rata fees) of \$4.5 million and donated capital assets of \$5.9 million. The following is a summary of relevant financial results for fiscal year 2009:

- The Water and Sewer Fund implemented a rate increase of 9% in fiscal 2009 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 \$21.8 million, which were \$.6 million more than the prior fiscal year. This increase was primarily due to the user rate increase mentioned above, but also includes additional service to new customers.
- Availability and pro-rata fees totaled \$4.5 million which is a \$1.5 million decrease compared to the prior year. Availability and pro-rata 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 \$5.9 million, a \$2.5 million decrease compared to the prior year, again reflecting the slowdown in residential development.
- Expenses totaled \$30.6 million which were \$2.4 million higher than the prior year. This can be attributed to increases in personnel benefits costs, materials and supplies, operating utilities and depreciation expense.

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

Summary of Activities

(in millions)	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit School Board	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenues:								
Program revenues:								
Charges for services	\$ 10.1	\$ 9.9	\$ 21.8	\$ 21.2	\$ 31.9	\$ 31.1	\$ 18.0	\$ 10.7
Operating grants and contributions	16.0	16.2	-	1.8	16.0	18.0	152.8	146.1
Capital grants and contributions	-	-	10.4	14.5	10.4	14.5	-	-
General Revenues:								
General property taxes	165.3	154.0	-	-	165.3	154.0	-	-
Other local taxes	35.8	37.6	-	-	35.8	37.6	-	-
Grants not restricted	14.7	12.9	-	-	14.7	12.9	101.2	124.0
Investment earnings	1.4	2.9	2.5	3.2	3.9	6.1	.4	1.0
Miscellaneous	.7	3.5	.1	.1	.8	3.6	1.6	1.5
Total revenues	<u>244.0</u>	<u>237.0</u>	<u>34.8</u>	<u>40.8</u>	<u>278.8</u>	<u>277.8</u>	<u>274.0</u>	<u>283.3</u>
Expenses:								
General government	13.6	15.0	-	-	13.6	15.0	-	-
Judicial administration	7.1	7.1	-	-	7.1	7.1	-	-
Public safety	44.3	47.6	-	-	44.3	47.6	-	-
Public works	7.4	4.9	-	-	7.4	4.9	-	-
Health and social services	13.5	14.3	-	-	13.5	14.3	-	-
Parks, recreation and cultural	10.8	11.4	-	-	10.8	11.4	-	-
Community development	5.2	5.5	-	-	5.2	5.5	-	-
Appropriation to schools	101.2	124.0	-	-	101.2	124.0	279.8	269.3
Transportation	4.4	3.4	-	-	4.4	3.4	-	-
Interest	19.5	16.4	-	-	19.5	16.4	-	-
Water and sewer	-	-	30.6	28.1	30.6	28.1	-	-
Total expenses	<u>227.0</u>	<u>249.6</u>	<u>30.6</u>	<u>28.1</u>	<u>257.6</u>	<u>277.7</u>	<u>279.8</u>	<u>269.3</u>
Change in net assets before transfers	17.0	(12.6)	4.2	12.7	21.2	.1	(5.8)	14.0
Transfers	.3	-	(.3)	-	-	-	-	-
Change in net assts	<u>17.3</u>	<u>(12.6)</u>	<u>3.9</u>	<u>12.7</u>	<u>21.2</u>	<u>.1</u>	<u>(5.8)</u>	<u>14.0</u>
Net assets, (deficit) beginning, as restated	<u>(198.5)</u>	<u>(185.9)</u>	<u>272.7</u>	<u>259.9</u>	<u>74.2</u>	<u>74.0</u>	<u>400.6</u>	<u>386.6</u>
Net assets, (deficit) ending	<u>\$ (181.2)</u>	<u>\$ (198.5)</u>	<u>\$ 276.6</u>	<u>\$ 272.7</u>	<u>\$ 95.4</u>	<u>\$ 74.1</u>	<u>\$ 394.8</u>	<u>\$ 400.6</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 unanticipated expenditures.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$71.6 million, a decrease of \$14.0 million in comparison with the prior year. Of the \$71.6 million, \$39.4 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 and drug enforcement activities. 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 \$13.6 million during fiscal year 2009. This was due primarily to

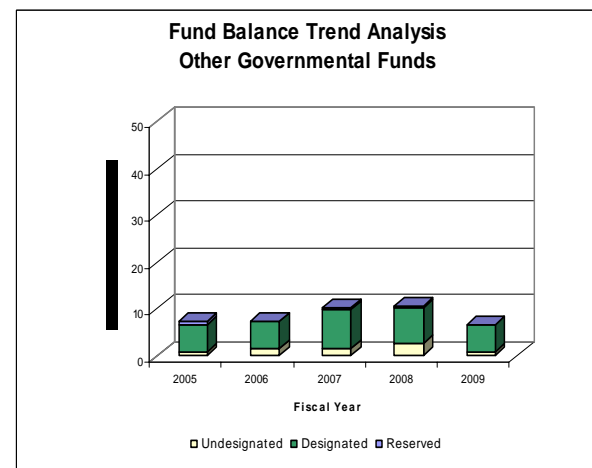
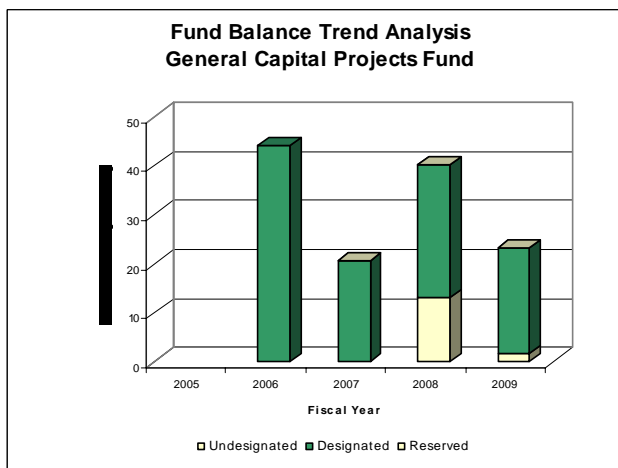
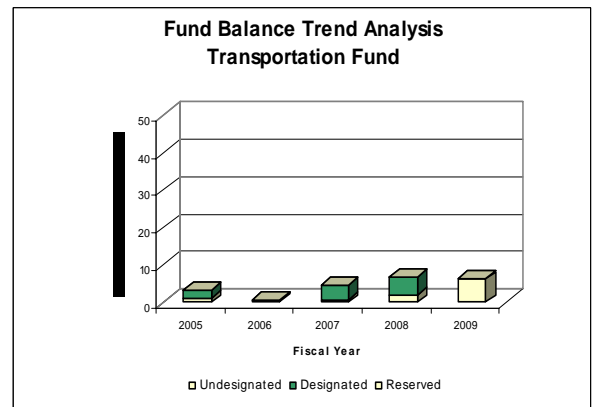
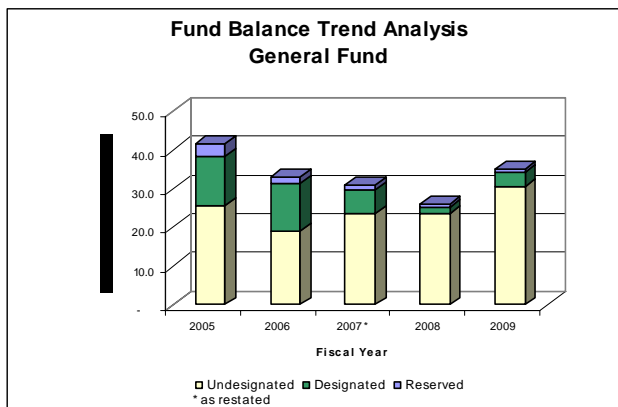
management's commitment to maintain undesignated fund balance at or above stated policy levels and frequent, in-depth analysis of revenue collection and expenditure patterns, which resulted in departmental budget reductions.

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 \$6.3 million, a decrease of \$.6 million compared to the prior year. Of the \$6.3 million, \$0.1 million is designated for encumbrances. The remaining undesignated balance is available for County-wide road improvement projects.

Total fund balance for the General Capital Projects Fund at year end was \$23.3 million, a \$16.9 million decrease compared to prior year. The decrease is due to expenditure of lease revenue bond proceeds for various capital projects. \$21.6 million is designated for encumbrances. The undesignated portion (\$1.7 million) represents residual project balances plus interest.

The County also has eleven non-major governmental funds. In total, fund balance is \$6.8 million, a \$3.7 million decrease compared to prior year. Of the \$6.8 million, \$.3 is reserved, \$5.5 million is designated for encumbrances, capital improvements and community development projects, and \$1.0 million is undesignated.

The following graphs illustrate fund balance trends for the County's governmental funds for fiscal years 2005 through 2009.



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 \$3.9 million during fiscal year 2009. Capital assets, net of depreciation and related debt increased \$16.4 million. Restricted net assets increased by at \$90 thousand and unrestricted net assets decreased by \$12.6 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 \$(5.8) million. This was due to decreases in program revenues and increases in program expenditures. Funds transferred from the County General Fund include a local appropriation and 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 for expenditures resulted in an increase of \$4.2 million between the original budget and the final budget. Significant budget amendments included:

- \$2.0 million in re-appropriated encumbrances and incomplete commitments to allow completion of ongoing projects.
- \$1.0 million in State and Federal grants for public safety and community development activities.
- \$1.2 million from debt reserve to fund early retirement of certificates of participation.

General Fund revenues, excluding transfers, increased \$9.8 million over the prior year amount. General property taxes increased \$12.2 million due to an increase in commercial property values and a modified equalized property tax rate. Other local taxes decreased by \$1.2 million due to the decline in sales tax revenue and property transfer recordation. Licenses and permits decreased \$.4 million due to declining construction activity. The \$.8 million decrease in use of money and property receipts reflects the decline of market interest rates.

General Fund expenditures, excluding transfers, recorded a decrease of \$3.4 million compared to the prior year amount. Only expenditures for debt service recorded an increase over the prior year. All other General Fund functions recorded decreases compared to the prior year due to several measures taken to reduce expenditures:

- Discretionary spending cuts
- A reduction-in-force
- A hiring freeze

The following tables compare General Fund revenues and expenditures for fiscal year 2009 with the previous fiscal year.

General Fund Revenues	(in millions) FY 2009	FY 2008	Increase (Decrease)
General property taxes	\$ 163.9	\$ 151.7	\$ 12.2
Other local taxes	26.9	28.1	(1.2)
Licenses and permits	4.6	5.0	(.4)
Use of money and property	.8	1.6	(.8)
Charges for services	5.4	5.2	.2
Other	3.6	3.7	(.1)
Intergovernmental	<u>28.0</u>	<u>28.1</u>	<u>(.1)</u>
Total revenues	<u>\$ 233.2</u>	<u>\$ 223.4</u>	<u>\$ 9.8</u>

General Fund Expenditures	(in millions) FY 2009	FY 2008	Increase (Decrease)
General government	\$ 12.8	\$ 14.2	\$ (1.4)
Judicial administration	6.9	7.0	(.1)
Public safety	39.1	39.9	(.8)
Public works	4.0	4.0	-
Health and social services	13.3	14.0	(.7)
Parks, recreation and cultural	9.9	10.5	(.6)
Community development	4.4	4.5	(.1)
Education	99.5	102.7	(3.2)
Capital outlay	.1	1.5	(1.4)
Debt service	<u>40.4</u>	<u>35.5</u>	<u>4.9</u>
Total expenditures	<u>\$ 230.4</u>	<u>\$ 233.8</u>	<u>\$ (3.4)</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, 2009, totals \$380.8 million, net of accumulated depreciation. This represents an increase of \$26.5 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 acquisitions during the current fiscal year included the following:

- Governmental activities completion of public safety facilities.
- Governmental activities construction in progress for a radio communications system upgrade and park facilities construction.
- Governmental activities beginning construction of a new library facility and renovation of courthouse judicial offices and courtrooms.
- 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 2009. Additional information on the County's capital assets can be found in Note 4.

Primary Government Capital Assets (in millions)	Balance June 30, 2008	Net Additions/ Deletions	Balance June 30, 2009
Governmental Activities:			
Capital assets not being depreciated:			
Land	\$ 29.1	\$.1	\$ 29.2
Construction in progress	15.6	11.1	26.7
Capital assets being depreciated:			
Land improvements	13.7	.8	14.5
Buildings and building improvements	76.6	6.2	82.8
Furniture, fixtures and equipment	11.6	.9	12.5
Vehicles	14.1	1.0	15.1
Accumulated depreciation	(30.4)	(6.1)	(36.5)
Total governmental capital assets	<u>\$ 130.3</u>	<u>\$ 14.0</u>	<u>\$ 144.3</u>

	Balance June 30, 2008	Net Additions/ Deletions	Balance June 30, 2009
Business-type Activities:			
Capital assets not being depreciated:			
Land	\$ 13.2	\$ 4.7	\$ 17.9
Construction in progress	49.4	(7.7)	41.7
Capital assets being depreciated:			
Land improvements	.4	-	.4
Buildings and building improvements	3.7	.1	3.8
Distribution and collection systems	238.4	23.2	261.6
Furniture, fixtures and equipment	13.1	1.8	14.9
Vehicles	2.9	(.2)	2.7
Accumulated depreciation	(97.1)	(9.4)	(106.5)
Total business-type capital assets	<u>\$ 224.0</u>	<u>\$ 12.5</u>	<u>\$ 236.5</u>

Long-term debt: At the end of the current fiscal year, County governmental activities reported total bonded debt outstanding of \$397.6 million. Of this amount, \$274.2 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 decrease in total debt of \$19.9 million during the fiscal year. Issuances for FY 2009 included \$1.7 million general obligation bonds for school renovation projects and a \$.6 million capital lease for a fire truck.

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 \$12.2 million at the end of the current fiscal year. These bonds are secured by water and sewer revenues. The net decrease of \$3.4 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 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 2009</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2008</u>
General obligation bonds, net	\$ 274.2	\$ 288.1	\$ -	\$ -	\$ 274.2	\$ 288.1
Lease revenue bonds	91.9	93.0	-	-	91.9	93.0
Capital leases	10.6	12.7	-	-	10.6	12.7
Other	14.6	17.9	-	-	14.6	17.9
Revenue bonds	-	-	12.2	15.6	12.2	15.6
Compensated absences	6.3	5.8	1.0	1.0	7.3	6.8
Total bonds payable	<u>\$ 397.6</u>	<u>\$ 417.5</u>	<u>\$ 13.2</u>	<u>\$ 16.6</u>	<u>\$ 410.8</u>	<u>\$ 434.1</u>

Factors Influencing Future Budgets

Key factors that are expected to impact future budgets include:

- Declining local and State revenue sources.
- 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.

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.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	School Board
ASSETS				
Current assets:				
Cash, cash equivalents and temporary cash investments	\$ 84,284,558	\$ 45,914,488	\$ 130,199,046	\$ 28,676,176
Receivables, net of allowance for uncollectibles	23,207,080	4,539,948	27,747,028	5,240,226
Due from primary government	-	-	-	40,611,671
Internal balances	(418,536)	418,536	-	-
Inventory	13,524	610,416	623,940	576,665
Prepays	626,214	-	626,214	-
Total current assets	<u>107,712,840</u>	<u>51,483,388</u>	<u>159,196,228</u>	<u>75,104,738</u>
Noncurrent assets:				
Restricted cash and cash equivalents	30,351,334	12,002,547	42,353,881	6,239,913
Investment in joint venture	6,428,386	-	6,428,386	-
Financing costs, net of accumulated amortization	1,769,785	91,349	1,861,134	-
Capital assets:				
Land	29,187,862	17,896,885	47,084,747	26,673,700
Construction in progress	26,684,151	41,674,033	68,358,184	11,176,577
Land improvements	14,464,963	409,598	14,874,561	32,559,288
Buildings and building improvements	82,827,806	3,851,897	86,679,703	398,029,811
Distribution and collection systems	-	261,593,292	261,593,292	635,154
Furniture, fixtures and equipment	12,515,579	14,878,342	27,393,921	8,267,426
Vehicles	15,134,559	2,694,053	17,828,612	18,959,423
Less accumulated depreciation	<u>(36,478,869)</u>	<u>(106,481,203)</u>	<u>(142,960,072)</u>	<u>(116,397,730)</u>
Total noncurrent assets	<u>182,885,556</u>	<u>248,610,793</u>	<u>431,496,349</u>	<u>386,143,562</u>
Total assets	<u>\$ 290,598,396</u>	<u>\$ 300,094,181</u>	<u>\$ 590,692,577</u>	<u>\$ 461,248,300</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 3,035,867	\$ 1,963,928	\$ 4,999,795	\$ 6,440,469
Retainage payable	409,026	501,057	910,083	615,015
Accrued salaries and benefits	2,052,208	365,802	2,418,010	37,569,253
Accrued insurance claims	1,115,840	93,457	1,209,297	3,857,848
Accrued interest	8,286,502	142,064	8,428,566	-
Arbitrage liability	682,526	114,631	797,157	-
Other accrued liabilities	657,333	9,926	667,259	-
Unearned revenue	1,838,756	-	1,838,756	11,762
Due to component unit	40,611,771	-	40,611,771	-
Deposits	10,421,694	7,173,604	17,595,298	-
Current portion of long-term debt	<u>25,389,871</u>	<u>3,877,215</u>	<u>29,267,086</u>	<u>1,893,582</u>
Total current liabilities	<u>94,501,394</u>	<u>14,241,684</u>	<u>108,743,078</u>	<u>50,387,929</u>
Noncurrent liabilities:				
Noncurrent portion of long-term debt	372,293,934	9,278,617	381,572,551	7,606,861
Other post-employment benefits	<u>4,975,829</u>	<u>13,015</u>	<u>4,988,844</u>	<u>8,460,519</u>
Total noncurrent liabilities	<u>377,269,763</u>	<u>9,291,632</u>	<u>386,561,395</u>	<u>16,067,380</u>
Total liabilities	<u>471,771,157</u>	<u>23,533,316</u>	<u>495,304,473</u>	<u>66,455,309</u>
NET ASSETS				
Invested in capital assets, net of related debt	29,631,901	224,899,611	254,531,512	377,290,792
Restricted:				
Debt service	-	4,864,547	4,864,547	-
Drug enforcement	256,965	-	256,965	-
Construction and maintenance	-	7,138,000	7,138,000	-
Unrestricted	<u>(211,061,627)</u>	<u>39,658,707</u>	<u>(171,402,920)</u>	<u>17,502,199</u>
Total net assets (deficit)	<u>(181,172,761)</u>	<u>276,560,865</u>	<u>95,388,104</u>	<u>394,792,991</u>
Total liabilities and net assets	<u>\$ 290,598,396</u>	<u>\$ 300,094,181</u>	<u>\$ 590,692,577</u>	<u>\$ 461,248,300</u>

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

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 13,641,852	\$ 965	\$ 659,751	\$ -
Judicial administration	7,087,591	388,935	1,959,943	-
Public safety	44,273,261	6,143,041	5,109,088	-
Public works	7,437,815	67,927	-	-
Health and social services	13,527,646	310,308	7,742,158	-
Parks, recreation and cultural	10,750,553	1,642,351	2,220	-
Community development	5,241,060	1,550,465	448,890	-
Appropriation to School Board:				
School operating	99,474,959	-	-	-
School capital projects	1,719,370	-	-	-
Transportation	4,405,170	500	41,940	-
Interest	19,486,762	-	-	-
Total governmental activities	<u>227,046,039</u>	<u>10,104,492</u>	<u>15,963,990</u>	<u>-</u>
Business-type activities:				
Water and Sewer	<u>30,617,305</u>	<u>21,816,692</u>	<u>-</u>	<u>10,434,253</u>
Total primary government	<u>\$ 257,663,344</u>	<u>\$ 31,921,184</u>	<u>\$ 15,963,990</u>	<u>\$ 10,434,253</u>
Component unit:				
Stafford County School Board	<u>\$ 279,829,235</u>	<u>\$ 17,996,927</u>	<u>\$ 152,758,520</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, as restated

Net assets (deficit), ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	School Board
\$ (12,981,136)	\$ -	\$ (12,981,136)	\$ -
(4,738,713)	-	(4,738,713)	-
(33,021,132)	-	(33,021,132)	-
(7,369,888)	-	(7,369,888)	-
(5,475,180)	-	(5,475,180)	-
(9,105,982)	-	(9,105,982)	-
(3,241,705)	-	(3,241,705)	-
(99,474,959)	-	(99,474,959)	-
(1,719,370)	-	(1,719,370)	-
(4,362,730)	-	(4,362,730)	-
(19,486,762)	-	(19,486,762)	-
(200,977,557)	-	(200,977,557)	-
-	1,633,640	1,633,640	-
(200,977,557)	1,633,640	(199,343,917)	-
<u>\$ (109,073,788)</u>	-	-	<u>(109,073,788)</u>
165,287,706	-	165,287,706	-
10,288,383	-	10,288,383	-
3,587,601	-	3,587,601	-
8,733,518	-	8,733,518	-
2,239,127	-	2,239,127	-
172,035	-	172,035	-
3,061,247	-	3,061,247	-
1,149,448	-	1,149,448	-
5,203,051	-	5,203,051	-
54,608	-	54,608	-
1,239,128	-	1,239,128	-
117,226	-	117,226	-
14,707,388	-	14,707,388	101,194,329
1,449,560	2,473,329	3,922,889	411,486
709,672	80,250	789,922	1,631,563
282,448	(282,448)	-	-
<u>218,282,146</u>	<u>2,271,131</u>	<u>220,553,277</u>	<u>103,237,378</u>
17,304,588	3,904,771	21,209,359	(5,836,410)
<u>(198,477,349)</u>	<u>272,656,094</u>	<u>74,178,745</u>	<u>400,629,401</u>
<u>\$ (181,172,761)</u>	<u>\$ 276,560,865</u>	<u>\$ 95,388,104</u>	<u>\$ 394,792,991</u>

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	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	\$ 74,967,058	\$ 2,680,329	\$ -	\$ 6,636,991	\$ 84,284,378
Restricted assets:					
Cash	2,294,608	-	1,738,291	202,975	4,235,874
Cash with fiscal agents	5,000	2,923,386	22,745,844	441,230	26,115,460
Receivables, net of allowance for uncollectibles:					
Property taxes	16,137,146	-	-	76,182	16,213,328
Accounts	1,876,547	-	-	106,191	1,982,738
Intergovernmental	4,036,503	746,063	-	228,448	5,011,014
Due from other funds	-	-	-	24,586	24,586
Inventory	13,524	-	-	-	13,524
Prepaid expenditures	626,214	-	-	-	626,214
Total assets	<u>\$ 99,956,600</u>	<u>\$ 6,349,778</u>	<u>\$ 24,484,135</u>	<u>\$ 7,716,603</u>	<u>\$ 138,507,116</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,494,961	\$ 32,306	\$ 1,160,020	\$ 348,581	\$ 3,035,868
Retainage payable	3,788	-	55,038	350,200	409,026
Deposits	10,417,531	2,063	-	2,100	10,421,694
Accrued salaries and benefits	1,955,719	12,779	7,126	76,584	2,052,208
Other accrued liabilities	541,075	-	-	116,258	657,333
Due to other funds	443,122	-	-	-	443,122
Due to component unit	40,611,771	-	-	-	40,611,771
Deferred revenue	9,210,152	-	-	63,945	9,274,097
Total liabilities	<u>64,678,119</u>	<u>47,148</u>	<u>1,222,184</u>	<u>957,668</u>	<u>66,905,119</u>
Fund Balances:					
Reserved for:					
Debt service	300,000	-	-	58,568	358,568
Drug enforcement	-	-	-	256,965	256,965
Pre-paid items	626,214	-	-	-	626,214
Unreserved:					
Designated:					
Encumbrances:					
General Fund	659,894	-	-	-	659,894
Special Revenue Funds:					
Transportation	-	121,967	-	-	121,967
Community Development	-	-	-	51,504	51,504
Capital Projects Funds	-	-	21,591,582	87,633	21,679,215
Capital improvements:					
Special Revenue Funds:					
Transportation	-	-	-	-	-
Community Development	-	-	-	5,246,087	5,246,087
Capital Projects Funds	-	-	-	64,930	64,930
Future expenditures:					
General Fund - PDR program	299,242	-	-	-	299,242
General Fund - Parks/capital	1,103,496	-	-	-	1,103,496
General Fund - Grants/capital	1,750,974	-	-	-	1,750,974
Undesignated	30,538,661	-	-	-	30,538,661
Undesignated, Special Revenue Funds	-	6,180,663	-	993,248	7,173,911
Undesignated, Capital Projects Funds	-	-	1,670,369	-	1,670,369
Total fund balances	<u>35,278,481</u>	<u>6,302,630</u>	<u>23,261,951</u>	<u>6,758,935</u>	<u>71,601,997</u>
Total liabilities and fund balances	<u>\$ 99,956,600</u>	<u>\$ 6,349,778</u>	<u>\$ 24,484,135</u>	<u>\$ 7,716,603</u>	<u>\$ 138,507,116</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, 2009**

Total fund balances- total governmental funds **\$ 71,601,997**

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	\$ 180,814,920	
Less accumulated depreciation	<u>(36,478,869)</u>	
Net capital assets		144,336,051

Deferred revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds. 7,435,342

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

Investment in joint venture	6,428,386	
Financing costs	1,995,251	
Less accumulated amortization	<u>(225,286)</u>	
		8,198,351

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	(91,890,000)	
General obligation bonds	(275,796,065)	
Literary loans	(5,484,931)	
Capital leases	(10,601,729)	
Compensated absences	(6,301,808)	
Deferred amounts for bond premiums	(7,656,768)	
Deferred loss on refunding	47,496	
Arbitrage liability	(682,526)	
Accrued insurance claims	(1,115,840)	
Interest payable	(8,286,502)	
Net other post-employment benefits obligation	(4,975,829)	
		<u>(412,744,502)</u>

Net Assets (Deficit) of Governmental Activities **\$ (181,172,761)**

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, 2009

	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 163,904,669	\$ -	\$ -	\$ 1,022,399	\$ 164,927,068
Other local taxes	26,910,318	3,587,601	-	3,435,937	33,933,856
Permits, privilege fees and regulatory licenses	4,646,243	-	-	-	4,646,243
Fines and forfeitures	691,102	-	-	-	691,102
Use of money and property	830,348	54,261	639,291	145,070	1,668,970
Charges for services	5,361,466	-	-	1,244	5,362,710
Miscellaneous	2,869,841	247	80,745	41,536	2,992,369
Intergovernmental	27,956,248	714,329	250,000	564,913	29,485,490
Total revenues	<u>233,170,235</u>	<u>4,356,438</u>	<u>970,036</u>	<u>5,211,099</u>	<u>243,707,808</u>
EXPENDITURES					
Current operating:					
General government	12,834,076	4,297,908	-	-	17,131,984
Judicial administration	6,858,215	-	-	15,470	6,873,685
Public safety	39,058,554	-	-	2,741,031	41,799,585
Public works	3,988,036	-	-	-	3,988,036
Health and social services	13,302,169	-	-	-	13,302,169
Parks, recreation and cultural	9,885,429	-	-	1,980,533	11,865,962
Community development	4,439,005	-	-	1,422,415	5,861,420
Appropriation to School Board:					
School operating	99,474,959	-	-	-	99,474,959
School capital projects	14,517	-	1,704,853	-	1,719,370
Capital outlay	112,675	729,352	15,864,573	-	16,706,600
Debt service:					
Principal	22,360,830	-	-	-	22,360,830
Interest and fiscal charges	18,059,534	-	1,077,329	32,006	19,168,869
Total expenditures	<u>230,387,999</u>	<u>5,027,260</u>	<u>18,646,755</u>	<u>6,191,455</u>	<u>260,253,469</u>
Deficiency of revenues under expenditures	<u>2,782,236</u>	<u>(670,822)</u>	<u>(17,676,719)</u>	<u>(980,356)</u>	<u>(16,545,661)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	4,732,168	58,146	64,618	-	4,854,932
Transfers out	(140,316)	(31,354)	(1,676,752)	(2,724,062)	(4,572,484)
Issuance of debt:					
Bonds	-	-	1,700,000	-	1,700,000
Bond premiums	-	-	4,853	-	4,853
Capital leases	-	-	649,060	-	649,060
Total other financing sources (uses), net	<u>4,591,852</u>	<u>26,792</u>	<u>741,779</u>	<u>(2,724,062)</u>	<u>2,636,361</u>
Net change in fund balances	7,374,088	(644,030)	(16,934,940)	(3,704,418)	(13,909,300)
Fund balance, beginning, as restated	<u>27,904,391</u>	<u>6,946,658</u>	<u>40,196,892</u>	<u>10,463,351</u>	<u>85,511,292</u>
Fund balance, ending	<u>\$ 35,278,479</u>	<u>\$ 6,302,628</u>	<u>\$ 23,261,952</u>	<u>\$ 6,758,933</u>	<u>\$ 71,601,992</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, 2009**

Net change in fund balances - total governmental funds **\$ (13,909,300)**

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	\$ 20,488,695	
Less depreciation expense	<u>(6,369,388)</u>	
Excess of capital outlay over depreciation		14,119,307

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		(81,624)
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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	360,368	
Change in joint venture investment	<u>(633,909)</u>	
		(273,541)

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	(1,700,000)	
Bond premium	(4,853)	
Capital lease financing	(649,060)	
Debt issuance costs	7,788	
Arbitrage	(247,582)	
Principal repayments:		
General obligation debt	19,626,347	
Capital leases	<u>2,734,483</u>	
		19,767,123

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	(359,069)	
Compensated absences	(479,629)	
Accrued insurance claims	(54,820)	
Amortization of premium, financing costs and deferred loss on refunding, net	280,970	
Change in net other post-employment benefits obligation	<u>(1,704,829)</u>	
		(2,317,377)

Change in net assets of governmental activities **\$ 17,304,588**

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	Business Type Activity - Enterprise Fund <u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Equity in pooled cash and investments	\$ 45,914,488
Receivables, net of allowance for uncollectibles	4,539,948
Due from other funds	418,536
Inventory	610,416
Total current assets	<u>51,483,388</u>
Noncurrent assets:	
Restricted cash and cash equivalents	12,002,547
Financing costs, net of accumulated amortization	91,349
Capital assets:	
Land	17,896,885
Construction in progress	41,674,033
Land improvements	409,598
Buildings and building improvements	3,851,897
Distribution and collection systems	261,593,292
Furniture, fixtures and equipment	14,878,342
Vehicles	2,694,053
Less accumulated depreciation	<u>(106,481,203)</u>
Total capital assets (net of accumulated depreciation)	<u>236,516,897</u>
Total noncurrent assets	<u>248,610,793</u>
Total assets	<u>\$ 300,094,181</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,963,928
Retainage payable	501,057
Accrued salaries and benefits	365,802
Accrued interest	142,064
Other liabilities	218,014
Deposits	7,173,604
Current portion of long-term debt	<u>3,877,215</u>
Total current liabilities	<u>14,241,684</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	9,278,617
Other post-employment benefits	<u>13,015</u>
	<u>9,291,632</u>
Total liabilities	<u>23,533,316</u>
NET ASSETS	
Invested in capital assets, net of related debt	224,899,611
Restricted:	
Debt service	4,864,547
Construction and maintenance	7,138,000
Unrestricted	<u>39,658,707</u>
Total net assets	<u>276,560,865</u>
Total liabilities and net assets	<u>\$ 300,094,181</u>
<i>The accompanying notes are an integral part of these financial statements.</i>	

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	Business-Type Activity - Enterprise Fund
	<u>Water and Sewer Fund</u>
Operating revenues:	
Charges for services	\$ 21,816,692
Miscellaneous	68,365
Total operating revenues	<u>21,885,057</u>
Operating expenses:	
Personnel services	10,754,702
Contractual services	2,035,334
Materials and supplies	3,701,910
Heat, light and power	1,772,499
Telecommunication and internal services	1,572,553
Miscellaneous	465,407
Depreciation	<u>9,637,921</u>
Total operating expenses	<u>29,940,326</u>
Operating loss	<u>(8,055,269)</u>
Nonoperating revenues (expenses):	
Interest and investment revenue	2,473,329
Interest expense	(676,979)
Gain on disposal of capital assets	<u>11,885</u>
Total nonoperating revenues, net	<u>1,808,235</u>
Net transfers	<u>(282,448)</u>
Loss before contributions	<u>(6,529,482)</u>
Capital contributions:	
Donated capital assets	5,862,792
Availability fees	3,460,298
Prorata fees	<u>1,111,163</u>
Total capital contributions	<u>10,434,253</u>
Change in net assets	3,904,771
Total net assets, beginning	<u>272,656,094</u>
Total net assets, ending	<u>\$ 276,560,865</u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	Business-Type Activity - Enterprise Fund Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 21,058,092
Other receipts	68,365
Payments to suppliers	(8,791,360)
Payments to employees	(11,411,040)
Net cash provided by operating activities	924,057
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers, net	(282,448)
Net cash used in capital and related financing activities	(282,448)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(16,216,971)
Principal paid on revenue bond maturities	(3,350,000)
Interest paid on revenue bonds	(634,823)
Availability fees and prorata fees	4,571,461
Net cash used in capital and related financing activities	(15,630,333)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	2,473,329
Net decrease in cash and cash equivalents	(12,515,395)
Cash and cash equivalents, beginning	70,432,430
Cash and cash equivalents, ending	\$ 57,917,035
Equity in pooled cash and investments	\$ 45,914,488
Restricted cash and cash equivalents	12,002,547
Total cash and cash equivalents	\$ 57,917,035
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (8,119,535)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	9,637,921
Change in assets and liabilities:	
Increase in accounts receivable	(630,147)
Increase in inventory	(57,217)
Increase in accounts payable and accrued liabilities	240,790
Decrease in unearned revenue	(27,232)
Decrease in deposits	(101,221)
Decrease in compensated absences	(19,302)
Total adjustments	9,043,592
Net cash provided by operating activities	\$ 924,057

Supplemental disclosure of noncash capital and related financing activities:
The Water and Sewer Fund received donated assets in 2009 valued at \$5,862,792.

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Agency Funds</u>	<u>Post-employment Trust Fund</u>
ASSETS		
Current assets:		
Cash and short-term investments	\$ 2,628,220	\$ 1,467,098
Receivables:		
Property taxes	727,865	-
Accounts	309,147	-
Total assets	<u>\$ 3,665,232</u>	<u>\$ 1,467,098</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 207,816	\$ -
Accrued salaries and benefits	55,440	-
Other liabilities	45,891	-
Reserve for future expenses	1,260,267	-
Reserve for bondholders	2,095,818	-
Total liabilities	<u>\$ 3,665,232</u>	<u>-</u>
NET ASSETS		
Held in trust for other post-employment benefits		<u>\$ 1,467,098</u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
POST-EMPLOYMENT TRUST FUND
JUNE 30, 2009

	Retired Employees Health Insurance Plan Trust Fund
ADDITIONS	
Employer contributions	\$ 1,472,000
Investments:	
Interest	98
Dividends	-
Net increase (decrease) in fair market value of investments	-
Total investment earnings	98
Less investment expense	-
Net investment earnings	98
Total additions	1,472,098
DEDUCTIONS	
Benefits	-
Administration	5,000
Total deductions	5,000
Change in Net Assets	1,467,098
Net Assets held in trust for Post-Employment Benefits	
Beginning of year	-
End of year	\$ 1,467,098

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

NOTES TO THE FINANCIAL STATEMENTS

COUNTY OF STAFFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

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 Unit:

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 one component unit.

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or trust). 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 2009.

(1) Governmental Funds

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

a. General Fund is the primary operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major governmental fund.

b. Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The County's Special Revenue Funds consist of the following:

- 1. Transportation Fund** – accounts for the receipt and disbursement of the regional two percent motor fuels tax and developer contributions to be used for a variety of County transportation projects. The Transportation Fund is a major governmental fund.
- 2. Road Impact Fee - West Fund** – accounts for impact fee receipts from new development in a designated service area in the western portion of the County. Disbursements from this fund are for road improvements attributable to the new development.
- 3. Road Impact Fee - South East Fund** – accounts for impact fee receipts from new development in a designated service area in the southeastern portion of the County. Disbursements from this fund are for road improvements attributable to the new development.
- 4. 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

(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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.
- d. Widewater Community Development Fund** (Agency Fund) – this fund was originally created by the Board of Supervisors in 1995 as a community development authority to finance the construction of a roadway and related improvements to serve the Widewater district. Circumstances surrounding the development of the Widewater area and related transportation requirements have changed since the CDA was established. In 2006 the Board of Supervisors repealed its ordinances that established the tax district and the developer traffic impact fees. During 2008 property owners within the district were issued refunds for taxes paid. The traffic impact fees have been reserved for future transportation related projects in the County.
- e. Retired Employees Health Insurance Trust** (Trust Fund) – accounts for the activities of the County's other post-employment benefit trust, which provides health insurance coverage for the County's retirees.

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, fines and rents are recorded as revenue when received. General purpose entitlement revenues are recognized in the period to which the entitlement applies.

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
General Capital Projects Fund

Component Unit – School Board

School Operating Fund
School Nutrition Fund
School Health Benefits Fund
School Workers Compensation Insurance Fund
School Capital Projects Fund
School Grant Fund

4. The budget for the proprietary fund serves as a guide to the County and not as legally binding limitations.
5. 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.
6. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. 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, 2009. Individual amendments were not material in relation to the original appropriations.
8. By law, total expenditures by fund may not, and did not, exceed appropriations in fiscal year 2009.
9. At the close of the fiscal year, all appropriations lapse for budget items other than capital projects and grants. Appropriations designated for capital projects and grants remain in effect for the life of the project or grant, or until the Board changes or eliminates the appropriation by an ordinance or resolution.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

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 is 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.

G. 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (FASB) statements and interpretations (issued prior to November 30, 1989) except for those that conflict with or contradict GASB pronouncements. Business-type activities also apply FASB pronouncements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

P. USE OF ESTIMATES

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

Note 2. DEPOSITS AND INVESTMENTS

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

INVESTMENTS: Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes; bankers’ acceptances, repurchase agreements, the State Treasurer’s Local Government Investment Pool (LGIP) and the Commonwealth of Virginia State Non-Arbitrage Program (SNAP).

Note 2. DEPOSITS AND INVESTMENTS (Continued)

The Treasurer has invested proceeds of the Water and Sewer System Refunding Bonds-Series 2002, Parks and Recreation Bonds-Series 2002, Public Safety Lease Revenue Bonds-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, 2009 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, 2009 and the ratings are presented below using the Standard & Poor's rating scale.

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

<u>Investments</u> <u>Value</u>	<u>AAAm</u>	<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>A</u>	<u>BBB</u>	<u>BBB-</u>
U. S. Agencies	\$ -	\$34,085,624	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial Paper	-	-	-	-	-	-	-	-
Municipal Bonds	-	-	1,417,852	-	-	-	-	-
Corporate Notes and Bonds	-	8,644,657	1,219,170	567,440	1,769,260	1,347,402	1,482	212,053
Money Market	-	1,520,295	-	-	-	-	-	-
LGIP	88,526,290	-	-	-	-	-	-	-
SNAP	23,187,073	-	-	-	-	-	-	-

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.

Note 2. DEPOSITS AND INVESTMENTS (Continued)

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, 2009, 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	\$ 4,500,565	\$ 13,266,901	\$ 16,318,158
Municipal Bonds	500,015	516,225	401,612
Corporate Obligations	2,191,016	776,796	10,793,652
Money Market	1,520,795	-	-

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>
LGIP	4,689,340
SNAP	4,783,819

Note 3. RECEIVABLES

Receivables at June 30, 2009 consist of the following:

Primary Government

	General Fund	Transportation Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Totals
Property taxes	\$ 20,251,404	\$ -	\$ 78,716	\$ -	\$ 20,330,120
Accounts	1,876,547	-	106,191	5,011,660	6,994,398
Intergovernmental	<u>4,036,503</u>	<u>746,063</u>	<u>228,448</u>	<u>-</u>	<u>5,011,014</u>
Gross Receivables	26,164,454	746,063	413,355	5,011,660	32,335,532
Less:					
Allowance for uncollectible accounts	<u>(4,114,258)</u>	<u>-</u>	<u>(2,534)</u>	<u>(471,712)</u>	<u>(4,588,504)</u>
Net Receivables	<u>\$ 22,050,196</u>	<u>\$ 746,063</u>	<u>\$ 410,821</u>	<u>\$ 4,539,948</u>	<u>\$ 27,747,028</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 7,371,396	\$ -
Advance collection of 2008-2009 taxes	-	113,004
Ground lease	-	1,697,143
Other	<u>-</u>	<u>28,609</u>
	<u>\$ 7,371,396</u>	<u>\$ 1,838,756</u>

Component Unit – Stafford County Public Schools

	<u>Operating Fund</u>	<u>Food and Nutrition Services Fund</u>	<u>Grants Fund</u>	<u>Capital Projects Fund</u>	<u>Fleet Services Fund</u>	<u>Totals</u>
Accounts receivable	\$ 298,849	\$ 16,113	\$ 615	\$ 4,987	\$ 5,043	\$ 325,607
Intergovernmental	3,597,616	171,456	1,145,547	-	-	4,914,619
Due from Primary Government	<u>40,611,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,611,771</u>
Net Receivables	<u>\$ 44,508,236</u>	<u>\$ 187,569</u>	<u>\$ 1,146,162</u>	<u>\$ 4,987</u>	<u>\$ 5,043</u>	<u>\$ 45,851,997</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, 2009:

PRIMARY GOVERNMENT Governmental Activities

	Balance June 30, 2008	Increases	Decreases	Reclassifications	Balance June 30, 2009
Capital assets not being depreciated:					
Land	\$ 29,136,817	\$ 51,045	\$ -	\$ -	\$ 29,187,862
Construction in progress	<u>15,579,406</u>	<u>13,508,423</u>	<u>(65,048)</u>	<u>(2,338,630)</u>	<u>26,684,151</u>
Total capital assets not being depreciated	<u>44,716,223</u>	<u>13,559,468</u>	<u>(65,048)</u>	<u>(2,338,630)</u>	<u>55,872,013</u>
Capital assets being depreciated:					
Land improvements	13,683,141	537,392	-	244,430	14,464,963
Buildings and building improvements	76,643,535	4,460,781	-	1,723,490	82,827,806
Furniture, fixtures and equipment	11,633,786	511,083	-	370,710	12,515,579
Vehicles	<u>14,075,714</u>	<u>1,432,574</u>	<u>(373,729)</u>	<u>-</u>	<u>15,134,559</u>
Total capital assets being depreciated	<u>116,036,176</u>	<u>6,941,830</u>	<u>(373,729)</u>	<u>2,338,630</u>	<u>124,942,907</u>
Less accumulated depreciation for:					
Land improvements	(5,604,172)	(762,454)	-	-	(6,366,626)
Buildings and building improvements	(9,745,916)	(2,687,340)	-	-	(12,433,256)
Furniture, fixtures and equipment	(8,146,487)	(979,684)	-	-	(9,126,171)
Vehicles	<u>(6,917,787)</u>	<u>(1,939,910)</u>	<u>304,881</u>	<u>-</u>	<u>(8,552,816)</u>
Total accumulated depreciation	<u>(30,414,362)</u>	<u>(6,369,388)</u>	<u>304,881</u>	<u>-</u>	<u>(36,478,869)</u>
Total capital assets being depreciated, net	<u>85,621,814</u>	<u>572,442</u>	<u>(68,848)</u>	<u>2,338,630</u>	<u>88,464,038</u>
Total capital assets, governmental activities	<u>\$ 130,338,037</u>	<u>\$ 14,131,910</u>	<u>\$ (133,896)</u>	<u>\$ -</u>	<u>\$ 144,336,051</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 457,150
Judicial administration	83,365
Public safety	2,220,374
Public works	2,709,305
Health and social services	9,979
Parks, recreation and cultural	788,748
Community development	84,274
Transportation	<u>16,193</u>
Total	<u>\$ 6,369,388</u>

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for Primary Government's business-type activities for the fiscal year ended June 30, 2009:

PRIMARY GOVERNMENT

Business-type Activities

Water and Sewer Fund

	Balance June 30, 2008	Increases	Decreases	Reclassifications	Balance June 30, 2009
Capital assets not being depreciated:					
Land	\$ 13,170,950	\$ 4,725,935	\$ -	\$ -	\$ 17,896,885
Construction in progress	<u>49,430,543</u>	<u>10,529,761</u>	-	<u>(18,286,271)</u>	<u>41,674,033</u>
Total capital assets not being depreciated	<u>62,601,493</u>	<u>15,255,696</u>	-	<u>(18,286,271)</u>	<u>59,570,918</u>
Capital assets being depreciated:					
Land improvements	409,598	-	-	-	409,598
Buildings and building improvements	3,736,150	115,747	-	-	3,851,897
Distribution and collection systems	238,433,212	6,203,760	-	16,956,320	261,593,292
Furniture, fixtures and equipment	13,075,987	472,404	-	1,329,951	14,878,342
Vehicles	<u>2,859,011</u>	<u>44,041</u>	<u>(208,999)</u>	-	<u>2,694,053</u>
Total capital assets being depreciated	<u>258,513,958</u>	<u>6,835,952</u>	<u>(208,999)</u>	<u>18,286,271</u>	<u>283,427,182</u>
Less accumulated depreciation for:					
Land improvements	(227,420)	(13,498)	-	-	(240,918)
Buildings and building improvements	(1,334,881)	(109,384)	-	-	(1,444,265)
Distribution and collection systems	(86,140,369)	(8,034,132)	-	-	(94,174,501)
Furniture, fixtures and equipment	(7,238,364)	(1,260,834)	-	-	(8,499,198)
Vehicles	<u>(2,111,247)</u>	<u>(220,073)</u>	<u>208,999</u>	-	<u>(2,122,321)</u>
Total accumulated depreciation	<u>(97,052,281)</u>	<u>(9,637,921)</u>	<u>208,999</u>	-	<u>(106,481,203)</u>
Total capital assets being depreciated, net	<u>161,461,677</u>	<u>(2,801,969)</u>	-	-	<u>176,945,979</u>
Total capital assets, business-type activities	<u>\$ 224,063,170</u>	<u>\$ 12,453,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,516,897</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, 2009:

COMPONENT UNIT – Stafford County Public Schools Governmental Activities

	Balance June 30, 2008	Increases	Decreases	Reclassifications	Balance June 30, 2009
Capital assets not being depreciated:					
Land	\$ 25,503,642	\$ 100,485	\$ -	\$ 1,032,216	26,636,343
Construction in progress	<u>35,558,822</u>	<u>13,884,891</u>	<u>(782,060)</u>	<u>(37,485,076)</u>	<u>11,176,577</u>
Total capital assets not being depreciated	<u>61,062,464</u>	<u>13,985,376</u>	<u>(782,060)</u>	<u>(36,452,860)</u>	<u>37,812,920</u>
Capital assets being depreciated:					
Land improvements	24,785,673	622,912	(27,705)	6,235,438	31,616,318
Buildings and building improvements	365,399,636	1,546,925	-	29,882,510	396,829,071
Furniture, fixtures and equipment	6,789,141	1,181,971	(148,491)	334,912	8,157,533
Vehicles	18,913,669	115,476	(102,999)	-	18,926,146
Distribution and collection systems	<u>635,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>635,154</u>
Total capital assets being depreciated	<u>416,523,273</u>	<u>3,467,284</u>	<u>(279,195)</u>	<u>36,452,860</u>	<u>456,164,222</u>
Less accumulated depreciation for:					
Land improvements	(3,862,524)	(1,486,691)	6,546	-	(5,342,669)
Buildings and building improvements	(85,367,549)	(9,170,597)	-	-	(94,538,146)
Furniture, fixtures and equipment	(3,698,042)	(724,349)	145,236	-	(4,277,155)
Vehicles	(10,281,325)	(927,875)	102,999	-	(11,106,201)
Distribution and collection systems	<u>(261,507)</u>	<u>(37,235)</u>	<u>-</u>	<u>-</u>	<u>(298,742)</u>
Total accumulated depreciation	<u>(103,470,947)</u>	<u>(12,346,747)</u>	<u>254,781</u>	<u>-</u>	<u>(115,562,913)</u>
Total capital assets being depreciated, net	<u>313,052,326</u>	<u>(8,879,463)</u>	<u>(24,414)</u>	<u>36,452,860</u>	<u>340,601,309</u>
Total capital assets, governmental activities	<u>\$ 374,114,790</u>	<u>\$ 5,105,913</u>	<u>\$ (806,474)</u>	<u>\$ -</u>	<u>\$ 378,414,229</u>

Depreciation expense was charged to governmental functions as follows:

Operating Fund:	
Total School Operating Fund	\$ 12,324,743
Food and Nutrition Services Fund:	
Other operations	<u>22,004</u>
Total	<u>\$ 12,346,747</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, 2009:

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

Proprietary Fund - Fleet Services	<u>Balance June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated:					
Land	\$ <u>37,357</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>37,357</u>
Capital assets being depreciated:					
Land improvements	942,971	-	-	-	942,970
Buildings and building improvements	1,200,739	-	-	-	1,200,740
Furniture, fixtures and equipment	104,054	5,839	-	-	109,893
Vehicles	<u>33,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,277</u>
Total capital assets being depreciated	<u>2,281,041</u>	<u>5,839</u>	<u>-</u>	<u>-</u>	<u>2,286,880</u>
Less accumulated depreciation for:					
Land improvements	(83,698)	(47,514)	-	-	(131,212)
Buildings and building improvements	(617,799)	(35,590)	-	-	(653,389)
Furniture, fixtures and equipment	(33,541)	(7,947)	-	-	(41,488)
Vehicles	<u>(4,568)</u>	<u>(4,160)</u>	<u>-</u>	<u>-</u>	<u>(8,728)</u>
Total accumulated depreciation	<u>(739,606)</u>	<u>(95,211)</u>	<u>-</u>	<u>-</u>	<u>(834,817)</u>
Total capital assets being depreciated, net	<u>1,541,435</u>	<u>(89,372)</u>	<u>-</u>	<u>-</u>	<u>1,452,063</u>
Total capital assets, business-type activities	\$ <u>1,578,792</u>	\$ <u>(89,372)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,489,420</u>

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, 2009:

	<u>Amounts Payable at June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2009</u>	<u>Amounts Due within One Year</u>
Bonds Payable:					
General obligation bonds	\$ 280,101,263	\$ 1,700,000	\$ (15,152,457)	\$ 266,648,806	\$15,181,866
Lease revenue Bonds	92,995,000	-	(1,105,000)	91,890,000	3,685,000
Plus deferred amounts for bond premiums	<u>8,018,782</u>	<u>4,853</u>	<u>(366,867)</u>	<u>7,656,768</u>	<u>-</u>
Bonds payable including deferred amounts for bond premiums	381,115,045	1,704,853	(16,624,324)	366,195,574	18,866,866
Less deferred loss on refunding	<u>(55,756)</u>	<u>8,260</u>	<u>-</u>	<u>(47,496)</u>	<u>-</u>
Total bonds payable	381,059,289	1,713,113	(16,624,324)	366,148,078	18,866,866
Literary loans	6,241,080	-	(756,149)	5,484,931	656,149
Certificates of participation	2,260,000	-	(2,260,000)	-	-
VRA loan	9,500,000	-	(352,741)	9,147,259	363,402
Capital leases	12,687,152	649,060	(2,734,483)	10,601,729	2,823,730
**Compensated absences	<u>5,822,179</u>	<u>5,041,414</u>	<u>(4,561,785)</u>	<u>6,301,808</u>	<u>2,679,724</u>
Governmental activities long- term liabilities	<u>\$ 417,569,700</u>	<u>\$ 7,403,587</u>	<u>\$ (27,289,482)</u>	<u>\$ 397,683,805</u>	<u>\$ 25,389,871</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>
2010	15,181,866	12,999,528	3,685,000	4,334,850
2011	14,907,306	12,200,420	3,735,000	4,158,850
2012	14,419,536	11,430,915	3,785,000	4,008,810
2013	13,954,830	10,694,349	3,490,000	3,856,805
2014	13,764,735	9,979,483	3,530,000	3,716,550
2015-2019	66,321,880	39,398,667	18,280,000	16,303,220
2020-2024	52,258,653	24,111,239	18,110,000	11,949,884
2025-2029	51,800,000	11,974,124	13,675,000	8,054,522
2030-2034	24,040,000	1,894,141	15,105,000	4,251,906
2035-2037	<u>-</u>	<u>-</u>	<u>8,495,000</u>	<u>684,731</u>
Total	<u>\$ 266,648,806</u>	<u>\$ 134,682,866</u>	<u>\$ 91,890,000</u>	<u>\$ 61,320,917</u>

Note 5. LONG-TERM DEBT (Continued)

Year Ending June 30,	<u>Literary Loans</u>	
	Principal	Interest
2010	656,149	164,548
2011	656,149	144,863
2012	511,149	126,529
2013	466,149	109,845
2014	466,149	95,860
2015-2019	2,080,745	269,533
2020-2022	<u>648,441</u>	<u>38,906</u>
Total	<u>\$ 5,484,931</u>	<u>\$ 950,084</u>

Year Ending June 30,	<u>Capital Leases</u>		<u>VRA Loan</u>	
	Principal	Interest	Principal	Interest
2010	2,823,730	441,685	363,402	271,713
2011	2,496,843	324,189	374,386	260,729
2012	1,628,668	226,977	385,702	249,413
2013	1,327,619	156,323	397,360	237,755
2014	750,454	101,254	409,370	225,745
2015-2019	1,574,415	163,921	2,240,100	935,475
2020-2024	-	-	2,599,728	575,847
2025-2028	<u>-</u>	<u>-</u>	<u>2,377,211</u>	<u>163,248</u>
Total	<u>\$ 10,601,729</u>	<u>\$ 1,414,349</u>	<u>\$ 9,147,259</u>	<u>\$ 2,919,925</u>

General Obligation Bonds

**Outstanding
Balance
June 30, 2009**

\$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 \$24,004 \$ 7,174,004

\$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 (\$41,892) 1,408,108

Total General Obligation Bonds 8,582,112

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..... \$ 370,000

\$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..... 420,000

\$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 711,895

\$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 236,154

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2009**

\$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	\$ 1,235,000
\$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	830,000
\$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	430,000
\$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	1,790,000
\$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	2,025,000
\$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	985,017
\$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	1,380,000
\$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	210,000
\$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	980,000
\$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	817,758
\$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	2,560,000
\$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	2,625,000
\$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	2,110,000
\$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	3,780,000

Outstanding

Note 5. LONG-TERM DEBT (Continued)**Balance
June 30, 2009**

\$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.....	\$ 5,760,000
\$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	2,289,854
\$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	4,900,000
\$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	9,900,000
\$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	5,650,132
\$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	5,520,000
\$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	2,540,000
\$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.....	6,565,000
\$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 \$110,588.....	6,281,554
\$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 \$72,478	1,947,478
\$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 \$48,399	1,308,399
\$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 \$352,425	5,527,425
\$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 \$1,496,048	49,476,048

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2009**

\$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 \$252,637	\$ 4,524,667
\$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 \$266,608	7,991,608
\$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 \$318,607	9,168,607
\$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 \$571,247	17,281,247
\$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 \$246,355	9,411,355
\$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 \$584,646	39,864,646
\$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 \$60,660	6,095,660
\$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 \$330,604	13,670,604
\$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 \$327,082	10,717,082
\$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 \$393,478.....	11,893,478
\$1,700,000 issued December 11,2008, maturing annually in varying installments of \$35,000 to \$120,000 through July 15, 2033, interest varying from 4.1% to 5.4% payable semi-annually including net premium of \$4,746	<u>1,704,746</u>
Total Virginia Public School Authority General Obligation Bonds	<u>263,485,414</u>

Note 5. LONG-TERM DEBT (Continued)

Lease Revenue Bonds	Outstanding Balance June 30, 2009
\$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 \$1,794,586	\$ 48,009,586
\$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 \$362,388	45,237,388
\$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 \$33,578	<u>833,578</u>
Total Lease Revenue Bonds	<u>94,080,552</u>
Total Bonds Payable	<u>\$ 366,148,078</u>
 State Literary Fund Loans	
These loans bear interest at 3.00%, payable semiannually, the proceeds of which were used for school construction.	
\$1,500,000 issued July 15, 1990, due in annual installments of \$75,000 through July 15, 2010	150,000
\$1,400,000 issued November 1, 1990, due in annual installments of \$70,000 through November 1, 2011	140,000
\$900,000 issued May 15, 1992, due in annual installments of \$45,000 through May 15, 2012	135,000
\$5,000,000 issued November 1, 1997 due in annual installments of \$250,000 through November 1, 2017	2,250,000
\$4,322,974 issued August 15, 2001, due in annual installments of \$216,149 through August 15, 2021	<u>2,809,931</u>
Total State Literary Fund Loans	<u>\$ 5,484,931</u>
 VRA Loan	
\$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	<u>\$ 9,147,259</u>

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2009****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	\$ 202,792
\$530,000 issued January 1, 2001, maturing annually in installments of \$53,000 through December 1, 2011; interest at 4.45%, payable semi-annually	159,000
\$582,000 issued June 14,, 2001, maturing semi-annually in varying installments of \$19,790 to \$40,4813 through June 14, 2011; interest at 6.27%; payable semi-annually	99,812
\$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	92,953
\$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	259,920
\$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	34,524
\$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	433,172
\$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	1,061,539
\$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	585,767
\$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.....	878,960
\$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	88,786
\$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	86,095
\$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.....	1,272,002
\$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	405,537
\$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	456,229
\$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	445,620

NOTE 5. LONG-TERM DEBT (continued)**Outstanding
Balance
June 30, 2009****Capital Leases (continued)**

\$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	230,941
\$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	206,195
\$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	73,896
\$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	228,651
\$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	266,989
\$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	334,362
\$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	1,014,367
\$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	114,635
\$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	324,610
\$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	595,602
\$649,060 issued April 23, 2009, maturing semi-annually in varying installments of \$53,604 to \$77,511, interest at 4.14% payable semi-annually	<u>649,060</u>
Total Capital Leases	<u>\$ 10,601,729</u>

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:

	<u>Governmental Activities</u>
Asset:	
Land	\$ 89,386
Building	918,614
Software systems	5,101,690
Vehicles	14,110,104
Less: Accumulated depreciation	<u>(6,654,425)</u>
Total	<u>\$ 13,545,369</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. On June 8, 2009, the County paid off the balance of this liability.

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, 2008	Increases	Decreases	Amounts Payable at June 30, 2009	Amounts Due within One Year
Bonds Payable:					
Revenue bonds	\$ 15,590,000	\$ -	\$ (3,350,000)	\$ 12,240,000	\$ 3,435,000
Plus deferred amounts for bond premiums	<u>420,235</u>	<u>-</u>	<u>(121,929)</u>	<u>298,306</u>	<u>-</u>
Bonds payable including deferred amounts for bond premiums/ (discounts)	16,010,235	-	(3,471,929)	12,538,306	3,435,000
Less deferred loss on refunding	<u>(557,111)</u>	<u>151,939</u>	<u>-</u>	<u>(405,172)</u>	<u>-</u>
Total bonds payable	15,453,124	151,939	(3,471,929)	12,133,134	3,435,000
Compensated absences	<u>1,041,999</u>	<u>933,019</u>	<u>(952,320)</u>	<u>1,022,698</u>	<u>442,215</u>
Business-type activities long- term liabilities	<u>\$ 16,495,123</u>	<u>\$ 1,084,958</u>	<u>\$ (4,424,249)</u>	<u>\$ 13,155,832</u>	<u>\$ 3,877,215</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
2010	3,435,000	533,268
2011	2,920,000	411,580
2012	3,205,000	277,500
2013	670,000	117,250
2014	670,000	83,750
2015-2016	<u>1,340,000</u>	<u>67,000</u>
Total	<u>\$ 12,240,000</u>	<u>\$ 1,490,348</u>

Revenue Bonds	<u>Outstanding Balance June 30, 2009</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 \$44,730	\$ 4,645,270
\$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 \$62,136	<u>7,487,864</u>
Total Bonds Payable	<u>\$ 12,133,134</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, 2009:

	<u>Amounts Payable at June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2009</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Capital Lease	\$ 2,881,691	\$ -	\$ (268,834)	\$ 2,612,857	\$ 280,422
**Compensated absences	5,085,669	199,256	(14,030)	5,270,895	447,825
SCPS long-term liabilities	<u>\$ 7,967,360</u>	<u>\$ 199,256</u>	<u>\$ (282,864)</u>	<u>\$ 7,883,752</u>	<u>\$ 728,247</u>

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

	<u>Amounts Payable at June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2009</u>	<u>Amounts Due within One Year</u>
Business-Type Activities					
Compensated absences	\$ 137,142	\$ 932	\$ (2,077)	\$ 135,997	\$ 6,983

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2009 was 13.73% of annual covered payroll. The Schedule of Funding Progress for the County's defined benefit pension plan is presented in Exhibit XIV in the Required Supplementary section immediately following the Notes to the Financial Statements.

Stafford County Public Schools' contribution rate for non-professional employees for the fiscal year ended 2009 was 14.54% of annual covered payroll.

Total contributions to the VRS State Teachers Pool for the years ended June 30, 2007, June 30, 2008 and June 30, 2009 were \$18.2 million, \$20.5 million and \$18.9 million respectively, representing 14.2%, 15.3% and 13.8% respectively, of the covered payroll for the three years then ended.

C. ANNUAL PENSION COST

For fiscal year 2009, the County's annual pension cost of \$6,081,160 was equal to the County's required and actual contributions. The required contributions were determined as part of the June 30, 2008 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, 2007	\$ 5,321,396	100.00%	\$ -
June 30, 2008	6,145,450	100.00%	-
June 30, 2009	6,081,160	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, 2007	\$ 1,295,417	100.00%	\$ -
June 30, 2008	1,322,906	100.00%	-
June 30, 2009	1,348,859	100.00%	-

Note 7. OTHER POST-EMPLOYMENT BENEFITS

Primary Government:

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, 2009 membership consisted of:

Retirees and beneficiaries currently receiving benefits	87
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>795</u>
Total	<u>882</u>

D. Funding Policy

The County's employee and retiree healthcare contribution rates are set as policy by the Board of Supervisors. Until July 1, 2009, there was 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.

Dependent coverage for employees hired prior to June 30, 2007 is 10% 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. These premiums changed as of July 1, 2009 as well.

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)

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 (ARC)	\$ 2,694,000
Amortization of NOO	(207,000)
Interest on NOO	278,000
Annual OPEB Cost (AOC)	<u>\$ 2,765,000</u>
NOO, beginning of year	\$ 3,966,000
Current year AOC	2,765,000
Contribution made	<u>(1,742,156)</u>
NOO, end of year	<u>\$ 4,988,844</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 were as follows:

Fiscal Year	Annual	Percentage	Net OPEB
<u>Ended</u>	<u>OPEB Cost</u>	<u>of Annual OPEB</u>	<u>Obligation</u>
June 30, 2009	\$ 2,765,000	Cost Contributed 63.0%	\$ 4,988,844

E. Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was partially funded by a \$1,050,000 contribution by the Water and Sewer Fund. The unfunded actuarial accrued liability (UAAL) for benefits was \$18.4 million. The covered payroll (annual payroll of active employees covered by the plan was \$41.6 million, and the ratio of the UAAL to the covered payroll was 44.2 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 for the County's postemployment defined benefit plan is included in the Required Supplementary section immediately following the Notes to the Financial Statements. It presents trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

F. 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, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.0 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 8.0 percent initially, reduced by decrements to an ultimate rate of 5.7 percent after ten (10) years. Both rates include a 3.2 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, 2009 was 28 years. Amortization periods used are closed.

Component Unit – Stafford County Public Schools:

A. Plan Description

Stafford County Public Schools' post-employment medical plan is a single-employer defined benefit health care plan which offers health insurance for retired employees. The plan is administered by the School Board of Stafford County, Virginia and has no separate financial report.

Plan participants are eligible for coverage based upon normal retirement at age 65 with 5 years of service or at age 50 with 30 years of service or early retirement at age 50 with 10 years of service or at age 55 with 5 years of service in accordance with the eligibility provisions of the Virginia Retirement System (VRS) retirement plan.

In addition, plan participants are also eligible to receive a health insurance credit (HIC) based upon retirement at age 50 for up to a minimum of 10 years and a maximum of 30 years of service, with the employer contribution (subsidy) percentages ranging from 15% to 100%. The HIC represents a subsidy of post-employment health care premiums for retirees, which is applied only to individual medical coverage. Retirees may elect to continue spousal and/or dependent coverage upon retirement, but they must pay the entire cost of that coverage.

The employer's subsidized portion of the participants' benefit is determined after any credit given to the retiree from the VRS. For inactive participants, the VRS subsidy amount paid to retirees was used. For active participants, the HIC provided by VRS was determined by multiplying the participants' years of service (up to a maximum of 30 years) by \$1.50 for non-professional employees and \$3.50 for professional employees.

Pre-Medicare retirees may continue to remain in one of the three options for medical and prescription drug coverage offered to active participants. Once the participant is Medicare eligible they can continue with the Medicare carve-out plan, which is offered secondary to Medicare.

B. Funding Policy

The School Board establishes employer contribution rates for plan participants as part of the annual budget process. The School Board also determines whether to partially or fully fund the plan during the annual budget process.

As of June 30, 2009, the unfunded actuarial accrued liability (UAAL) for benefits was \$49.6 million. The covered payroll (annual payroll of active employees covered by the plan was \$106.0 million, and the ratio of the UAAL to the covered payroll was 46.7 percent.

C. Annual OPEB Costs and Net OPEB Obligation

The Schools' 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.

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

The following table shows the components of the Schools' annual OPEB cost for the year, the amount contributed to the plan and changes in the net OPEB obligation.

Annual required contribution (ARC)	\$ 5,418,000
Amortization of NOO	(309,683)
Interest on NOO	<u>409,556</u>
Annual OPEB Cost (AOC)	<u>\$ 5,517,873</u>
NOO, beginning of year	\$ 7,122,704
Current year AOC	5,517,873
Contribution made	<u>(3,021,706)</u>
NOO, end of year	<u>\$ 9,618,871</u>

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 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, 2009	\$ 5,517,873	73.9%	\$ 9,618,871

Note 8. INTERFUND AND COMPONENT UNIT RECEIVABLE / PAYABLE

Individual fund receivable and payable balances at June 30, 2009 are summarized as follows:

	Receivable Fund:			<u>Total Payable</u>
	Nonmajor Governmental <u>Funds</u>	Water and Sewer <u>Fund</u>	Component Unit Stafford County <u>Public Schools</u>	
Primary Government General Fund	\$ 24,586	\$ 418,536	\$ 40,611,771	\$ 41,054,893

The interfund payable from the General Fund to Nonmajor Governmental Funds was remaining transfers due to the Asset Forfeiture and Tourism Funds based on results of operations in FY 2009.

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.

Note 9. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the County totaled \$182,244,010 for fiscal year 2009. Sources of these revenues were as follows:

	<u>Commonwealth</u>	<u>Federal</u>
Primary Government		
Governmental Funds:		
General Fund	\$ 23,186,865	\$ 4,769,383
Transportation Fund	672,389	41,940
E-911	470,878	-
Asset Forfeiture Fund	41,035	48,000
Tourism Fund	5,000	-
General Capital Projects Fund	250,000	-
Total Governmental Funds	<u>24,626,167</u>	<u>4,859,323</u>
Total Primary Government	<u>24,626,167</u>	<u>4,859,323</u>
 Component Unit – Stafford County		
Public Schools		
Governmental Funds:		
School Operating Fund	\$ 138,239,478	\$ 2,398,651
School Nutrition Fund	176,196	3,585,177
School Grants Fund	306,026	8,052,992
Total Component Unit	<u>138,721,700</u>	<u>14,036,820</u>
Total	<u>\$ 163,347,867</u>	<u>\$ 18,896,143</u>

Note 10. INTERFUND TRANSFERS

A summary of interfund transfer activity is presented as follows:

	Primary Government						
	General Fund	Transportation Fund	Tourism Fund	General Capital Projects Fund	Parks & Recreation Capital Projects Fund	Water and Sewer Fund	Total Transferred In
Transfer To Fund:							
Primary Government							
General Fund	\$ -	\$ 31,354	\$ 1,491,385	\$ 1,676,752	\$ 1,232,677	\$ 300,000	\$ 4,732,168
Transportation Fund	58,146	-	-	-	-	-	58,146
General Capital Projects Fund	64,618	-	-	-	-	-	64,618
Water and Sewer Fund	17,552	-	-	-	-	(17,552)	-
Total Primary Government	<u>140,316</u>	<u>31,354</u>	<u>1,491,385</u>	<u>1,676,752</u>	<u>1,232,677</u>	<u>282,448</u>	<u>4,854,932</u>
Component Unit – School Board							
School Capital Projects Fund	14,517	-	-	-	-	-	14,517
Total Component Unit School Board	<u>14,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,517</u>
Total Transferred Out	<u>\$ 154,833</u>	<u>\$ 31,354</u>	<u>\$ 1,491,385</u>	<u>\$ 1,676,752</u>	<u>\$ 1,232,677</u>	<u>\$ 282,448</u>	<u>\$ 4,869,449</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 General Capital Projects Fund was proffers collected for various capital projects.

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 General Capital Projects Fund and Parks & Recreation Capital Projects Fund were drawdowns of project balances and accumulated interest on bond proceeds. The funds were used to off-set debt service expenditures for the projects.

The transfer from the Water and Sewer Fund to the General Fund was a payment in lieu of taxes on property held by the Water and Sewer Fund.

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 \$851,825 in Fiscal Year 2009. Other funds had no significant leases.

At June 30, 2009, the County had contractual commitments of \$57.6 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.

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, 2009 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. As of June 30, 2009, no bonds had been issued. Staff is seeking estimates for several proposed projects in preparation for seeking bonded funding.

On October 21, 2009, the County's water and sewer enterprise fund participated in the sale of Virginia Resources Authority (VRA) revenue bonds in the amount of \$2.4million to finance the upgrade of its Little Falls Run Wastewater Treatment Plant enhanced nutrient reduction facility.

At June 30, 2009, the Component Unit – Stafford County Public Schools had contractual commitments of \$1.8 million for the Capital Projects Fund for construction and renovation of several schools.

On November 3, 2009, Stafford County voters authorized the Board of Supervisors to seek general obligation bond financing for parks and recreation related projects in an amount not to exceed \$29 million.

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, 2009 was \$6,428,386.

Note 12. JOINT VENTURES (Continued)

State and federal laws and regulations require the Board to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting the waste, the Board reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$6.2 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2009 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 2009. 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, 2009 totaled \$5,246,158.

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:

Note 12. JOINT VENTURES (Continued)

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

The Regional Library Board is empowered to budget and expend funds and to execute contracts. Eighty percent of the Library's operating revenues are derived from annual appropriations by the participating jurisdictions. The remaining twenty percent is derived from fines, fees, donations and State grants. For the year ended June 30, 2009, Stafford County's appropriation to the Regional Library was \$4,584,972.

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, 2009, the account had a balance of \$1,133,858.

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>2009</u>	<u>2008</u>
Unpaid claims, beginning	\$ 1,142,503	\$ 754,552
Incurred claims (including IBNR)	9,864,212	9,644,873
Claim payments	<u>(9,797,418)</u>	<u>(9,256,922)</u>
Unpaid claims, ending	<u>\$ 1,209,297</u>	<u>\$ 1,142,503</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>2009</u>	<u>2008</u>
Unpaid claims, beginning	\$ 3,998,000	\$ 3,443,000
Incurred claims (including IBNR)	21,546,009	20,398,015
Claim payments	(21,406,009)	(19,843,015)
Unpaid claims, ending	<u>\$ 4,138,000</u>	<u>\$ 3,998,000</u>

Note 14. PRIOR PERIOD ADJUSTMENT

The fund balance for the General Fund was understated as of June 30, 2007 due to a transfer from the Component Unit-School Board that was not recorded in the general ledger.

	<u>General Fund</u>
Fund balance June 30, 2007, as previously reported	\$ 24,701,103
Effect of recording transfer from Component Unit-School Board	6,255,247
Fund balance June 30, 2007, as restated	<u>\$ 31,956,350</u>

	<u>Governmental Activities</u>
Net assets June 30, 2007, as previously reported	\$ (192,116,203)
Effect of recording transfer from Component Unit-School Board	6,255,247
Net assets June 30, 2007, as restated	<u>\$ (185,860,956)</u>

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*, requiring 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.

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement establishes a hierarchy of fund balance classifications and clarifies the definitions of individual governmental fund types. The Statement is effective for fiscal periods beginning after June 15, 2010. The County plans to implement this statement effective with the FY 2011 budget.



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REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
General property taxes	\$ 165,957,645	\$ 165,957,645	\$ 163,904,669	\$ (2,052,976)
Other local taxes	28,208,349	28,208,349	26,910,318	(1,298,031)
Permits, privilege fees and regulatory licenses	6,108,972	6,108,972	4,646,243	(1,462,729)
Fines and forfeitures	909,200	931,700	691,102	(240,598)
Use of money and property	1,724,030	1,724,030	830,348	(893,682)
Charges for services	6,652,617	6,694,702	5,361,466	(1,333,236)
Miscellaneous	2,583,254	2,760,145	2,869,841	109,696
Intergovernmental	27,404,827	28,347,638	27,956,248	(391,390)
Total revenues	239,548,894	240,733,181	233,170,235	(7,562,946)
Expenditures				
Current operating:				
General government:				
Board of Supervisors	747,592	786,060	777,675	(8,385)
Clerk of the Board	218,129	215,149	215,117	(32)
County Administrator	591,819	534,228	518,469	(15,759)
Public Information	540,606	535,774	489,584	(46,190)
County Attorney	1,127,044	1,223,532	1,154,814	(68,718)
Human Resources	607,777	651,074	617,230	(33,844)
Commissioner of the Revenue	2,647,347	2,633,306	2,612,169	(21,137)
Treasurer	1,972,089	1,944,911	1,855,015	(89,896)
Finance	1,929,402	1,926,048	1,810,793	(115,255)
Budget	371,218	360,081	354,308	(5,773)
Computer Services	1,766,848	1,676,537	1,517,491	(159,046)
Geographic Information Systems	568,266	529,668	506,735	(22,933)
Electoral Board and Registrar	396,435	424,618	404,676	(19,942)
	13,484,572	13,440,986	12,834,076	(606,910)
Judicial administration:				
Circuit Court	181,805	181,805	169,168	(12,637)
General District Court	86,550	125,050	116,644	(8,406)
Juvenile and Domestic Relations District Court	75,400	75,400	58,970	(16,430)
Clerk of the Circuit Court	1,723,129	2,024,713	1,722,447	(302,266)
Magistrate	13,307	22,485	16,567	(5,918)
Commonwealth Attorney	2,809,051	2,807,851	2,784,583	(23,268)
Court Deputies	2,202,633	2,198,550	1,989,836	(208,714)
	7,091,875	7,435,854	6,858,215	(577,639)
Public safety:				
Policing and investigating	15,179,308	15,329,760	14,546,400	(783,360)
Emergency management	12,443,631	12,478,065	11,553,844	(924,221)
Volunteer rescue squads	170,823	194,998	138,015	(56,983)
Volunteer fire departments	830,750	830,352	790,708	(39,644)
Care and confinement of prisoners	5,379,575	5,246,158	5,246,158	-
15th District Court Unit	331,793	329,244	300,514	(28,730)
Rappahannock Juvenile Detention	1,932,923	1,768,979	1,768,979	-
Code compliance	4,226,466	4,391,841	3,910,216	(481,625)
Animal control	855,590	831,824	774,293	(57,531)
Litter control	202,368	29,427	29,427	-
	41,553,227	41,430,648	39,058,554	(2,372,094)
Public works:				
Engineering	311,506	233,416	125,498	(107,918)
Maintenance of general buildings and grounds and general properties	4,506,895	4,237,634	3,862,538	(375,096)
	4,818,401	4,471,050	3,988,036	(483,014)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Health and social services:				
Local health department	\$ 618,122	\$ 599,578	\$ 599,578	\$ -
Public assistance	12,569,216	12,452,527	11,718,057	(734,470)
Other	1,441,973	4,730,252	984,534	(3,745,718)
	<u>14,629,311</u>	<u>17,782,357</u>	<u>13,302,169</u>	<u>(4,480,188)</u>
Parks, recreation and cultural:				
Administration	4,224,263	3,920,681	3,781,236	(139,445)
Community programs	165,668	131,582	94,700	(36,882)
Sports programs	166,000	142,500	118,964	(23,536)
Gymnastics program	518,350	527,502	507,613	(19,889)
Pool program	603,510	486,315	391,209	(95,106)
Senior citizens	108,939	99,004	93,757	(5,247)
Seasonal	285,866	285,866	292,794	6,928
Cultural programs	20,184	20,184	20,184	-
Regional library	4,726,775	4,584,972	4,584,972	-
	<u>10,819,555</u>	<u>10,198,606</u>	<u>9,885,429</u>	<u>(313,177)</u>
Community development:				
Planning and community development	2,296,819	2,601,681	2,030,913	(570,768)
Planning commission	93,700	93,700	93,515	(185)
Zoning board	505,779	502,789	489,268	(13,521)
Economic development	1,021,762	1,292,504	1,195,968	(96,536)
Other	433,331	426,705	426,176	(529)
Cooperative extension program	215,854	209,378	203,165	(6,213)
	<u>4,567,245</u>	<u>5,126,757</u>	<u>4,439,005</u>	<u>(687,752)</u>
Appropriation to School Board:				
School operating	102,774,959	102,774,959	99,474,959	(3,300,000)
School capital projects	-	14,516	14,517	1
	<u>102,774,959</u>	<u>102,789,475</u>	<u>99,489,476</u>	<u>(3,299,999)</u>
Capital outlay	-	158,548	112,675	(45,873)
Debt service:				
Principal	21,290,273	22,360,832	22,360,830	(2)
Interest and fiscal charges	19,039,476	19,130,213	18,059,534	(1,070,679)
	<u>40,329,749</u>	<u>41,491,045</u>	<u>40,420,364</u>	<u>(1,070,681)</u>
Total expenditures	<u>240,068,894</u>	<u>244,325,326</u>	<u>230,387,999</u>	<u>(13,937,327)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(520,000)</u>	<u>(3,592,145)</u>	<u>2,782,236</u>	<u>(6,374,381)</u>
Other Financing Sources (Uses)				
Transfers in	520,000	559,181	4,732,168	4,172,987
Transfers out	-	(140,316)	(140,316)	-
Total other financing sources (uses), net	<u>520,000</u>	<u>418,865</u>	<u>4,591,852</u>	<u>4,172,987</u>
Net change in fund balance	-	(3,173,280)	7,374,088	10,547,368
Fund balance, beginning, as restated	21,649,144	21,649,144	27,904,571	6,255,427
Fund balance, ending	<u>\$ 21,649,144</u>	<u>\$ 18,475,864</u>	<u>\$ 35,278,659</u>	<u>\$ 16,802,795</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Other local taxes - fuel sales tax	\$ 4,556,411	\$ 4,556,411	\$ 3,587,601	\$ (968,810)
Use of money	-	-	54,261	54,261
Miscellaneous	-	58,146	247	(57,899)
Intergovernmental	750,000	750,000	714,329	(35,671)
Total revenues	<u>5,306,411</u>	<u>5,364,557</u>	<u>4,356,438</u>	<u>(1,008,119)</u>
Expenditures				
Current operating:				
General government	4,008,131	4,484,585	4,297,908	(186,677)
Capital outlay	<u>1,258,280</u>	<u>5,785,099</u>	<u>729,352</u>	<u>(5,055,747)</u>
Total expenditures	<u>5,266,411</u>	<u>10,269,684</u>	<u>5,027,260</u>	<u>(5,242,424)</u>
Deficiency of revenues under expenditures	<u>40,000</u>	<u>(4,905,127)</u>	<u>(670,822)</u>	<u>4,234,305</u>
Other Financing Sources (Uses)				
Transfers in	-	-	58,146	58,146
Transfers out	<u>(40,000)</u>	<u>(40,000)</u>	<u>(31,354)</u>	<u>8,646</u>
Total other financing sources, net	<u>(40,000)</u>	<u>(40,000)</u>	<u>26,792</u>	<u>66,792</u>
Net change in fund balance	-	(4,945,127)	(644,030)	4,301,097
Fund balance, beginning	<u>6,946,658</u>	<u>6,946,658</u>	<u>6,946,658</u>	<u>-</u>
Fund balance, ending	<u>\$ 6,946,658</u>	<u>\$ 2,001,531</u>	<u>\$ 6,302,628</u>	<u>\$ 4,301,097</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, 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%	41,017,681	40.99%
June 30, 2008	87,205,369	103,643,257	16,437,888	84.14%	41,566,255	39.55%

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%
July 1, 2009	1,050,000	19,400,000	18,350,000	5.41%	41,566,255	44.15%

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

COUNTY OF STAFFORD, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2009

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Supervisors annually adopts budgets for the General Fund, and Special Revenue Funds of the primary government. All appropriations are legally controlled at the department level for the General Fund and Special Revenue Funds. On April 22, 2008, 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, 2009.

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, 2009

	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	\$ 2,387,801	\$ 686,625	\$ 1,018,008	\$ 1,363,606	-	\$ 249,754
Receivables, net of allowance for uncollectibles:						
Property taxes	-	-	24,913	47,080	-	-
Accounts receivable	-	-	-	-	267	1,558
Intergovernmental receivables	-	-	-	-	227,368	1,080
Due from other funds	-	-	-	-	-	4,678
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 2,387,801</u>	<u>\$ 686,625</u>	<u>\$ 1,042,921</u>	<u>\$ 1,410,686</u>	<u>\$ 227,635</u>	<u>\$ 257,070</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 221,005	\$ 20,667	\$ 105
Accrued salaries and benefits	-	-	-	-	71,465	-
Retainage	-	-	-	-	-	-
Other accrued liabilities	-	-	-	-	116,258	-
Deposits	-	-	-	-	-	-
Deferred revenue	-	-	15,841	45,100	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>15,841</u>	<u>266,105</u>	<u>208,390</u>	<u>105</u>
Fund Balances:						
Reserved for:						
Debt service	-	-	-	-	-	-
Drug enforcement	-	-	-	-	-	256,965
Unreserved:						
Designated:						
Encumbrances:						
Special revenue funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
Capital improvements:						
Special revenue funds	2,387,801	686,625	1,027,080	1,144,581	-	-
Capital projects funds	-	-	-	-	-	-
Undesignated:						
Special revenue funds	-	-	-	-	19,245	-
Capital projects funds	-	-	-	-	-	-
Total fund balances	<u>2,387,801</u>	<u>686,625</u>	<u>1,027,080</u>	<u>1,144,581</u>	<u>19,245</u>	<u>256,965</u>
Total liabilities and fund balances	<u>\$ 2,387,801</u>	<u>\$ 686,625</u>	<u>\$ 1,042,921</u>	<u>\$ 1,410,686</u>	<u>\$ 227,635</u>	<u>\$ 257,070</u>

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	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	926,167	1,560	-	\$ -	\$ 3,470	\$ 6,636,991
Restricted assets:						
Cash	-	-	87,975	115,000	-	202,975
Cash w/fiscal agent	-	-	45,227	396,003	-	441,230
Receivables, net of allowance for uncollectibles:						
Property taxes	-	-	4,189	-	-	76,182
Accounts receivable	104,366	-	-	-	-	106,191
Intergovernmental receivables	-	-	-	-	-	228,448
Due from other funds	19,908	-	-	-	-	24,586
Total assets	<u>\$ 1,050,441</u>	<u>\$ 1,560</u>	<u>\$ 137,391</u>	<u>\$ 511,003</u>	<u>\$ 3,470</u>	<u>\$ 7,716,603</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 22,413	\$ -	\$ 40,699	\$ 43,692	\$ -	\$ 348,581
Accrued salaries and benefits	5,077	-	42	-	-	76,584
Retainage	-	-	34,082	316,118	-	350,200
Other accrued liabilities	-	-	-	-	-	116,258
Deposits	-	-	-	2,100	-	2,100
Deferred revenue	-	-	3,004	-	-	63,945
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>27,490</u>	<u>-</u>	<u>77,827</u>	<u>361,910</u>	<u>-</u>	<u>957,668</u>
Fund Balances:						
Reserved for:						
Debt service	-	-	58,568	-	-	58,568
Drug enforcement	-	-	-	-	-	256,965
Unreserved:						
Designated:						
Encumbrances:						
Special revenue funds	50,508	-	996	-	-	51,504
Capital projects funds	-	-	-	87,633	-	87,633
Capital improvements:						
Special revenue funds	-	-	-	-	-	5,246,087
Capital projects funds	-	-	-	61,460	3,470	64,930
Undesignated:						
Special revenue funds	972,443	1,560	-	-	-	993,248
Capital projects funds	-	-	-	-	-	-
Total fund balances	<u>1,022,951</u>	<u>1,560</u>	<u>59,564</u>	<u>149,093</u>	<u>3,470</u>	<u>6,758,935</u>
Total liabilities and fund balances	<u>\$ 1,050,441</u>	<u>\$ 1,560</u>	<u>\$ 137,391</u>	<u>\$ 511,003</u>	<u>\$ 3,470</u>	<u>\$ 7,716,603</u>

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

YEAR ENDED JUNE 30, 2009

	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	\$ -	\$ -	\$ 507,849	\$ 439,431	\$ -	\$ -
Other local taxes	91,371	25,855	-	-	2,169,263	-
Use of money and property	40,223	11,447	11,025	14,867	-	4,678
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	220	2,135
Intergovernmental	-	-	-	-	470,878	89,035
Total revenues	<u>131,594</u>	<u>37,302</u>	<u>518,874</u>	<u>454,298</u>	<u>2,640,361</u>	<u>95,848</u>
EXPENDITURES						
Current operating:						
Judicial administration	-	-	-	-	-	15,470
Public safety	-	-	-	-	2,621,634	119,397
Parks, recreation and cultural	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,621,634</u>	<u>134,867</u>
Excess (deficiency) of revenues over (under) expenditures	<u>131,594</u>	<u>37,302</u>	<u>518,874</u>	<u>454,298</u>	<u>18,727</u>	<u>(39,019)</u>
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	131,594	37,302	518,874	454,298	18,727	(39,019)
Fund balance, beginning	<u>2,256,207</u>	<u>649,322</u>	<u>508,206</u>	<u>690,282</u>	<u>517</u>	<u>295,985</u>
Fund balance ending	<u>\$ 2,387,801</u>	<u>\$ 686,624</u>	<u>\$ 1,027,080</u>	<u>\$ 1,144,580</u>	<u>\$ 19,244</u>	<u>\$ 256,966</u>

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

YEAR ENDED JUNE 30, 2009

	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	\$ -	\$ -	\$ 75,119	\$ -	\$ -	\$ 1,022,399
Other local taxes	1,149,448	-	-	-	-	3,435,937
Use of money and property	-	-	6,324	56,506	-	145,070
Charges for services	176	1,068	-	-	-	1,244
Miscellaneous	-	-	-	39,181	-	41,536
Intergovernmental	5,000	-	-	-	-	564,913
Total revenues	<u>1,154,624</u>	<u>1,068</u>	<u>81,443</u>	<u>95,687</u>	<u>-</u>	<u>5,211,099</u>
EXPENDITURES						
Current operating:						
Judicial administration	-	-	-	-	-	15,470
Public safety	-	-	-	-	-	2,741,031
Parks, recreation and cultural	-	-	-	1,980,533	-	1,980,533
Community development	672,525	-	749,890	-	-	1,422,415
Debt service	-	-	32,006	-	-	32,006
Total expenditures	<u>672,525</u>	<u>-</u>	<u>781,896</u>	<u>1,980,533</u>	<u>-</u>	<u>6,191,455</u>
Excess (deficiency) of revenues over (under) expenditures	<u>482,099</u>	<u>1,068</u>	<u>(700,453)</u>	<u>(1,884,846)</u>	<u>-</u>	<u>(980,356)</u>
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(1,491,385)	-	-	(1,232,677)	-	(2,724,062)
Total other financing sources (uses)	<u>(1,491,385)</u>	<u>-</u>	<u>-</u>	<u>(1,232,677)</u>	<u>-</u>	<u>(2,724,062)</u>
Net change in fund balances	(1,009,286)	1,068	(700,453)	(3,117,523)	-	(3,704,418)
Fund balance, beginning	<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>
Fund balance ending	<u>\$ 1,022,951</u>	<u>\$ 1,560</u>	<u>\$ 59,565</u>	<u>\$ 149,092</u>	<u>\$ 3,470</u>	<u>\$ 6,758,933</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2009**

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	\$ 2,404,651	\$ 2,404,651	\$ 2,169,263	\$ (235,388)
Miscellaneous	240	240	220	(20)
Intergovernmental	428,501	455,516	470,878	15,362
Total revenues	<u>2,833,392</u>	<u>2,860,407</u>	<u>2,640,361</u>	<u>(220,046)</u>
Expenditures				
Current operating:				
Public safety	<u>2,833,392</u>	<u>2,860,407</u>	<u>2,621,634</u>	<u>(238,773)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>18,727</u>	<u>18,727</u>
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>18,727</u>	<u>18,727</u>
Fund balance, beginning	<u>517</u>	<u>517</u>	<u>517</u>	<u>-</u>
Fund balance, ending	<u>\$ 517</u>	<u>\$ 517</u>	<u>19,244</u>	<u>18,727</u>
Asset Forfeiture Fund:				
Revenues				
Use of money and property	\$ -	\$ -	\$ 4,678	\$ 4,678
Miscellaneous	-	-	2,135	2,135
Intergovernmental	-	-	89,035	89,035
Total revenues	<u>-</u>	<u>-</u>	<u>95,848</u>	<u>95,848</u>
Expenditures				
Current operating:				
Judicial administration	20,000	20,000	15,470	(4,530)
Public safety	100,000	150,000	119,397	(30,603)
Total expenditures	<u>120,000</u>	<u>170,000</u>	<u>134,867</u>	<u>(35,133)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,000)</u>	<u>(170,000)</u>	<u>(39,019)</u>	<u>130,981</u>
Net change in fund balance	<u>(120,000)</u>	<u>(170,000)</u>	<u>(39,019)</u>	<u>130,981</u>
Fund balance, beginning	<u>295,985</u>	<u>295,985</u>	<u>295,985</u>	<u>-</u>
Fund balance, ending	<u>\$ 175,985</u>	<u>\$ 125,985</u>	<u>\$ 256,966</u>	<u>\$ 130,981</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2009**

PRIMARY GOVERNMENT	Budgeted Amounts		Actual Amounts	Final Budget Over (Under)
	Original	Final		
Special Revenue Funds:				
Tourism Fund:				
Revenues				
Other local taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,149,448	\$ (50,552)
Charges for services	-	-	176	176
Intergovernmental	5,000	5,000	5,000	-
Total revenues	<u>1,205,000</u>	<u>1,205,000</u>	<u>1,154,624</u>	<u>(50,376)</u>
Expenditures				
Current operating:				
Community development	<u>1,162,042</u>	<u>1,393,881</u>	<u>672,525</u>	<u>(721,356)</u>
Excess of revenues over expenditures	<u>42,958</u>	<u>(188,881)</u>	<u>482,099</u>	<u>670,980</u>
Other financing sources (uses)				
Transfers out	<u>(480,000)</u>	<u>(1,511,293)</u>	<u>(1,491,385)</u>	<u>19,908</u>
Net change in fund balance	<u>(437,042)</u>	<u>(1,700,174)</u>	<u>(1,009,286)</u>	<u>690,888</u>
Fund balance, beginning	<u>2,032,237</u>	<u>2,032,237</u>	<u>2,032,237</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,595,195</u>	<u>\$ 332,063</u>	<u>\$ 1,022,951</u>	<u>\$ 690,888</u>
Capital Projects Funds:				
Parks and Recreation Bond Fund:				
Revenues				
Use of money	\$ -	\$ -	\$ 56,506	\$ 56,506
Miscellaneous	-	39,181	39,181	-
Total revenues	<u>-</u>	<u>39,181</u>	<u>95,687</u>	<u>56,506</u>
Expenditures				
Current operating:				
Capital Outlay	<u>-</u>	<u>2,333,463</u>	<u>1,980,533</u>	<u>(352,930)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(2,294,282)</u>	<u>(1,884,846)</u>	<u>409,436</u>
Other financing sources (uses)				
Transfers out	<u>-</u>	<u>(1,232,678)</u>	<u>(1,232,677)</u>	<u>1</u>
Total other financing sources (uses)	<u>-</u>	<u>(1,232,678)</u>	<u>(1,232,677)</u>	<u>1</u>
Net change in fund balance	<u>-</u>	<u>(3,526,960)</u>	<u>(3,117,523)</u>	<u>409,437</u>
Fund balance, beginning	<u>3,266,615</u>	<u>3,266,615</u>	<u>3,266,615</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,266,615</u>	<u>\$ (260,345)</u>	<u>\$ 149,092</u>	<u>\$ 409,437</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual Amounts	
PRIMARY GOVERNMENT				
Capital Projects Funds:				
General Capital Projects Fund:				
Revenues				
Use of money	\$ 885,000	\$ 885,000	\$ 639,291	\$ (245,709)
Miscellaneous	-	-	80,745	80,745
Intergovernmental	-	-	250,000	250,000
Total revenues	885,000	885,000	970,036	85,036
Expenditures				
Current operating:				
Capital Outlay	2,885,000	92,411,726	15,864,573	(76,547,153)
Debt service:				
Fiscal charges	-	6,973,698	1,077,329	(5,896,369)
Appropriation to School Board:				
School capital projects	17,361,000	21,841,000	1,704,853	(20,136,147)
Total expenditures	20,246,000	121,226,424	18,646,755	(102,579,669)
Deficiency of revenues under expenditures	(19,361,000)	(120,341,424)	(17,676,719)	102,664,705
Other financing sources				
Transfers in	-	64,618	64,618	-
Transfers out	-	(2,675,697)	(1,676,752)	998,945
Issuance of debt:				
Bonds	17,361,000	21,841,000	1,700,000	(20,141,000)
Bond premiums	-	-	4,853	4,853
Capital leases	2,000,000	2,000,000	649,060	(1,350,940)
Total other financing sources	19,361,000	21,229,921	741,779	(20,488,142)
Net change in fund balance	-	(99,111,503)	(16,934,940)	82,176,563
Fund balance, beginning	40,196,892	40,196,892	40,196,892	-
Fund balance, ending	\$ 40,196,892	\$ (58,914,611)	\$ 23,261,952	\$ 82,176,563

FIDUCIARY FUNDS:

Agency Funds:

Widewater Fund

This fund was originally created by the Board of Supervisors in 1995 as a community development authority to finance the construction of a roadway and related improvements to serve the Widewater district. Circumstances surrounding the development of the Widewater area and related transportation requirements have changed since the CDA was established. In 2006 the Board of Supervisors repealed its ordinances that established the tax district and the developer traffic impact fees. During 2008 property owners within the district were issued refunds for taxes paid. The traffic impact fees have been reserved for future transportation related projects in the County.

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, 2009

	Agency Funds				
	Widewater	Celebrate Virginia North	Lake Arrowhead Sanitary District	George Washington Regional Commission	Totals
ASSETS					
Current assets:					
Cash and short-term investments	\$ 1,260,267	\$ 793,181	\$ 574,772	\$ -	\$ 2,628,220
Receivables:					
Property taxes	-	569,505	158,360	-	727,865
Accounts	-	-	-	309,147	309,147
Total assets	<u>\$ 1,260,267</u>	<u>\$ 1,362,686</u>	<u>\$ 733,132</u>	<u>\$ 309,147</u>	<u>\$ 3,665,232</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 207,816	\$ 207,816
Accrued salaries and benefits	-	-	-	55,440	55,440
Other liabilities	-	-	-	45,891	45,891
Reserve for future expenditures	1,260,267	-	-	-	1,260,267
Reserve for bondholders	-	1,362,686	733,132	-	2,095,818
Total liabilities	<u>\$ 1,260,267</u>	<u>\$ 1,362,686</u>	<u>\$ 733,132</u>	<u>\$ 309,147</u>	<u>\$ 3,665,232</u>

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**
YEAR ENDED JUNE 30, 2009

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
<u>Widewater Fund</u>				
ASSETS				
Cash and short-term investments	\$ 1,260,267	\$ -	\$ -	\$ 1,260,267
LIABILITIES				
Reserve for future expenditures	\$ 1,260,267	\$ -	\$ -	\$ 1,260,267
<u>Celebrate Virginia North Fund</u>				
ASSETS				
Cash and short-term investments	\$ 1,222,576	\$ 2,118,825	\$ (2,548,220)	\$ 793,181
Property taxes receivable	13,187	578,084	(21,766)	569,505
Total assets	\$ 1,235,763	\$ 2,696,908	\$ (2,569,985)	\$ 1,362,686
LIABILITIES				
Reserve for bondholders	\$ 1,235,763	\$ 4,613,898	\$ (4,486,975)	\$ 1,362,686
<u>Lake Arrowhead Sanitary District Fund</u>				
ASSETS				
Cash and short-term investments	\$ 498,537	\$ 317,175	\$ (240,940)	\$ 574,772
Property taxes receivable	160,479	63,669	(65,788)	158,360
Accounts receivable	22,169	-	(22,169)	-
Cash with fiscal agent	198,541	-	(198,541)	-
Total assets	\$ 879,726	\$ 380,844	\$ (527,438)	\$ 733,132
LIABILITIES				
Reserve for bondholders	\$ 879,726	\$ 201,475	\$ (348,070)	\$ 733,132
<u>George Washington Regional Commission</u>				
ASSETS				
Accounts receivable	\$ 44,654	\$ 309,147	\$ (44,654)	\$ 309,147
LIABILITIES				
Accounts payable	\$ -	\$ 378,678	\$ (170,862)	\$ 207,816
Accrued salaries and benefits	44,534	96,828	(85,922)	55,440
Other liabilities	-	56,555	(10,664)	45,891
Reserve for future expenditures	120	-	(120)	-
Total liabilities	\$ 44,654	\$ 532,061	\$ (267,568)	\$ 309,147
<u>Totals - All Fiduciary Agency Funds</u>				
ASSETS				
Cash and short-term investments	\$ 2,981,380	\$ 2,436,000	\$ (2,789,159)	\$ 2,628,220
Property taxes receivable	173,666	641,752	(87,554)	727,865
Accounts receivable	66,823	309,147	(66,823)	309,147
Cash with fiscal agent	198,541	-	(198,541)	-
Total assets	\$ 3,420,410	\$ 3,386,899	\$ (3,142,077)	\$ 3,665,232
LIABILITIES				
Accounts payable	\$ -	\$ 378,678	\$ (170,862)	\$ 207,816
Accrued salaries and benefits	44,534	96,828	(85,922)	55,440
Other liabilities	-	56,555	(10,664)	45,891
Reserve for future expenditures	1,260,387	-	(120)	1,260,267
Reserve for bondholders	2,115,489	4,815,373	(4,835,044)	2,095,818
Total liabilities	\$ 3,420,410	\$ 5,347,434	\$ (5,102,612)	\$ 3,665,232



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

STATISTICAL SECTION

STATISTICAL SECTION

(unaudited)

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

Contents

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

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

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

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

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

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

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

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

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

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

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



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

COUNTY OF STAFFORD, VIRGINIA

Table S-1

NET ASSETS BY COMPONENT

Fiscal Years 2002 - 2009 (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>	<u>2009</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	\$ 29,631,901
Restricted	1,052,067	1,023,400	1,614,704	1,545,450	1,318,218	1,379,409	1,484,829	256,965
Unrestricted (deficit)	(134,119,298)	(131,139,071)	(173,293,436)	(179,309,524)	(194,432,777)	(226,391,509)	(216,822,496)	(211,061,627)
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>	<u>\$ (181,172,761)</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	\$ 224,899,611
Restricted	979,716	2,011,415	-	11,065,752	11,396,183	11,695,567	11,912,732	12,002,547
Unrestricted	69,533,013	75,507,706	76,283,039	69,560,456	80,458,112	64,474,149	52,270,192	39,658,707
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>	<u>\$ 276,560,865</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	\$ 254,531,512
Restricted	2,031,783	3,034,815	1,614,704	12,611,202	12,714,401	13,074,976	13,397,561	12,259,512
Unrestricted (deficit)	(64,586,285)	(55,631,365)	(97,010,397)	(109,749,068)	(113,974,665)	(161,917,360)	(164,552,304)	(171,402,920)
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>	<u>\$ 95,388,104</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 - 2009 (1)
(accrual basis of accounting)
(unaudited) (2)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
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	\$ 13,641,852
Judicial administration	3,242,523	3,645,112	4,051,602	4,575,589	5,484,964	6,259,936	7,134,996	7,087,591
Public safety	21,554,310	25,017,855	27,018,180	31,085,473	36,405,012	40,408,595	47,572,866	44,273,261
Public works	2,124,067	2,435,958	2,658,003	3,666,239	2,050,631	3,375,036	4,925,416	7,437,815
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	13,527,646
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	10,750,553
Community development	2,057,321	2,594,082	2,682,723	3,763,355	5,417,064	5,114,537	5,537,404	5,241,060
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	101,194,329
Transportation	1,409,410	1,043,080	3,444,264	1,998,682	7,333,030	2,293,299	3,438,628	4,405,170
Interest	8,766,244	9,804,562	10,369,246	11,367,776	11,864,125	15,903,856	16,383,754	19,486,762
Change in equity - joint venture	-	(186,518)	391,306	-	-	-	-	-
Total governmental activities expenses	141,156,597	144,861,499	213,181,712	188,838,804	248,641,785	227,871,980	249,652,651	227,046,039
Total business-type activities expenses	18,513,910	20,790,301	20,237,165	21,402,265	23,528,349	25,694,334	28,186,943	30,617,305
Total primary government expenses	\$ 159,670,507	\$ 165,651,800	\$ 233,418,877	\$ 210,241,069	\$ 272,170,134	\$ 253,566,314	\$ 277,839,594	\$ 257,663,344
Program revenues								
Governmental activities:								
Charges for services:								
General government	-	\$ 176,550	\$ 160,199	\$ 405,787	\$ 214,435	\$ 184,244	3,619	965
Judicial administration	479,048	771,383	905,839	1,077,149	1,218,732	728,369	482,221	388,935
Public safety	3,886,048	4,891,277	5,724,699	6,159,315	7,469,813	6,505,497	5,772,896	6,143,041
Public works	-	-	-	-	-	-	-	67,927
Health and social services	76,875	72,345	80,625	72,088	72,325	50,120	34,375	310,308
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	1,642,351
Community development	683,579	170,993	380,965	684,653	915,784	919,603	2,207,172	1,550,465
Transportation	-	-	-	-	-	-	-	500
Operating grants and contributions								
General government	536,879	489,410	514,665	529,116	549,804	604,780	681,802	659,751
Judicial administration	1,344,975	1,035,512	1,035,082	1,197,742	1,471,532	1,914,556	1,737,551	1,959,943
Public safety	3,802,350	3,831,876	4,377,325	4,488,873	5,053,688	5,106,827	5,231,094	5,109,088
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	7,742,158
Parks, recreation and cultural	-	-	-	31,000	9,000	-	-	2,220
Community development	125,279	194,429	13,983	5,000	5,000	104,382	84,908	448,890
Transportation	-	22,400	-	1,117,486	-	716,564	452,413	41,940
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	17,366,816	20,207,202	21,205,125	26,594,832	25,770,731	25,913,647	26,019,287	26,068,482

COUNTY OF STAFFORD, VIRGINIA

Table S-2
Page 2 of 3

CHANGES IN NET ASSETS
Fiscal Years 2002 - 2009 (1)
(accrual basis of accounting)
(unaudited) (2)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
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	\$ 21,816,692
Operation 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	10,434,253
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	32,250,945
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	\$ 58,319,427
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)	\$ (200,977,557)
Business activities	19,092,177	12,456,626	12,196,607	17,249,943	19,649,877	13,604,475	9,337,613	1,633,640
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)	\$ (199,343,917)
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	\$ 165,287,706
Other local taxes	23,658,116	24,816,046	29,694,805	35,434,590	40,352,470	37,760,751	37,621,091	35,845,372
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	14,707,388
Investment earnings	703,383	953,799	442,784	1,151,048	1,849,825	5,014,147	2,960,670	1,449,560
Miscellaneous	2,742,452	2,366,015	2,072,290	3,138,769	5,340,574	5,622,502	3,507,598	709,672
Gain (loss) on sale of property	(7,980)	(14,321)	-	-	-	-	-	-
Transfers	388,761	76,572	146,428	(47,720)	-	-	(13,713)	282,448
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	218,282,146
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	2,473,329
Miscellaneous	-	147,917	159,771	200,982	200,344	697,882	79,940	80,250
Transfers	(388,761)	(76,572)	(146,428)	47,720	-	-	13,713	(282,448)
Total business-type activities	2,084,255	1,494,736	809,433	2,000,529	3,261,679	4,433,054	3,360,555	2,271,131
Total primary government	\$ 124,629,333	\$ 135,001,998	\$ 148,382,852	\$ 166,988,373	\$ 184,538,747	\$ 200,566,886	\$ 214,377,347	\$ 220,553,277
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)	\$ 17,304,588
Business-type activities	21,176,432	13,951,362	13,006,040	19,250,472	22,911,556	18,037,529	12,698,168	3,904,771
Total primary government	\$ 19,931,729	\$ 22,804,327	\$ (31,397,128)	\$ 21,994,344	\$ (18,682,430)	\$ 12,213,027	\$ 81,595	\$ 21,209,359
Total primary government								
Net assets, beginning (4), (5)	\$ 44,802,575	\$ 64,734,304	\$ 87,538,631	\$ 56,141,503	\$ 78,135,847	\$ 55,628,696	\$ 67,841,723	\$ 74,178,745
Net assets, ending	\$ 64,734,304	\$ 87,538,631	\$ 56,141,503	\$ 78,135,847	\$ 59,453,417	\$ 67,841,723	\$ 67,923,318	\$ 95,388,104

CHANGES IN NET ASSETS
Fiscal Years 2002 - 2009(1)
(accrual basis of accounting)
(unaudited) (2)

- (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.
- (5) In 2009, the beginning net assets balance for the General Government was restated to reflect an adjusted prior year transfer from the Component Unit-School Board.

COUNTY OF STAFFORD, VIRGINIA

Table S-3

FUNDS BALANCES, GOVERNMENTAL FUNDS

Fiscal Years 2000-2009

(modified accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 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	\$ 926,214
Unreserved										
Designated	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	3,813,606
Undesignated	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	30,538,661
Total General Fund	<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>	<u>35,278,481</u>
All Other Governmental Funds										
Reserved	233,800	542,533	901,499	3,544,233	1,674,452	1,710,935	257,039	261,148	295,985	315,533
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	5,419,558
Capital projects funds	2,113,030	3,195,881	10,897,638	6,994,625	5,857,033	544,868	47,616,579	26,377,422	44,354,683	21,744,145
Undesignated										
Special revenue funds	1,945,446	1,736,865	2,888,397	5,427,520	1,444,164	1,670,990	1,093,257	2,147,618	3,881,091	7,173,911
Capital projects funds	-	-	-	151,034	243,988	415,620	609,177	-	-	1,670,369
Total all other government funds	<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>	<u>36,323,516</u>
Total fund balances	<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>	<u>\$ 71,601,997</u>

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

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 2000-2009

(modified accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
General property taxes	\$ 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	\$ 164,927,068
Other local taxes	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	33,933,856
Permits, privilege fees and regulatory licenses	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	4,646,243
Fines and forfeitures	272,436	395,582	482,193	657,077	833,105	772,566	867,114	905,693	729,448	691,102
Use of money and property	754,797	1,029,403	703,383	953,799	442,784	1,151,048	1,849,825	5,014,147	3,159,009	1,668,970
Charges for services	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	5,362,710
Miscellaneous	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	2,992,369
Intergovernmental	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	29,485,490
Total revenues	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	243,707,808
Expenditures										
Current operating:										
General government	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	17,131,984
Judicial administration	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	6,873,685
Public safety	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	41,799,586
Public works	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	3,988,036
Health and social services	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	13,302,169
Parks, recreation and cultural	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	11,865,961
Community development	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	5,861,420
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	99,474,959
School capital projects	-	-	8,127,383	8,143,992	64,229,951	29,373,954	64,172,028	21,239,268	23,190,898	1,719,370
Capital outlay	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	16,706,600
Debt service										
Principal	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	22,360,830
Interest and fiscal charges	841,371	807,529	832,574	9,156,119	8,859,992	12,045,756	12,142,734	14,945,078	16,334,633	19,168,869
Total expenditures	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	260,253,469
Excess of revenues over (under) expenditures	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)	(16,545,661)
Other Financing Sources (Uses)										
Issuance of debt	-	-	-	-	-	27,595,000	100,590,000	20,359,366	78,744,286	1,704,853
Issuance of capital leases	-	-	-	-	-	1,102,700	8,434,211	3,451,690	2,655,519	649,060
Bond premium	-	-	50,324	580,512	2,620,702	1,075,564	2,949,267	-	-	-
Payments to fiscal agent	-	-	(4,077,382)	-	-	-	-	-	-	-
Transfers in	396,600	867,769	421,988	212,712	348,385	390,109	927,731	8,529,884	11,133,536	4,854,932
Transfers out	(59,429,800)	(70,295,023)	(33,227)	(136,140)	(201,957)	(437,829)	(927,731)	(8,529,884)	(11,147,249)	(4,572,484)
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)	(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	2,636,361
Net change in fund balances	\$ 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	(13,909,300)
Fund balance, beginning (3)	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	85,511,292
Fund balance, ending (3)	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	\$ 71,601,992

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 2000-2009

(modified accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total debt service	\$ 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	\$ 41,529,699
Total expenditures	\$ 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	\$ 260,253,469
Less: Capital outlay	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	16,706,600
Non-capital expenditures	\$ 44,808,993	\$ 48,835,060	\$ 131,247,580	\$ 155,571,248	\$ 229,037,246	\$ 200,997,429	\$ 259,456,627	\$ 242,836,225	\$ 266,276,469	\$ 243,546,869
Debt service as a percentage of noncapital expenditures	4.97%	4.63%	1.70%	14.62%	12.63%	13.67%	10.94%	14.50%	13.74%	17.05%

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

(2) For the years 2000 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 were 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.

In 2009, the beginning fund balance was restated. See Footnote 14 of the Financial Statements for 2009.

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE REAL PROPERTY**Calendar Years 2000 - 2009****(unaudited) (1)**

Calendar Year	Residential Real Property	Commercial and Industrial Real Property	Agricultural Real Property	Total Taxable Assessed Real Property	Percentage Growth Total Taxable Assessed Real Property	Nontaxable Real Property	Total Direct Real Estate Tax Rate (3)
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
2009	13,551,370,880	2,462,260,239	1,101,805,900	17,115,437,019	0.9%	1,709,946,500	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 2000 - 2009
(unaudited) (2)

Calendar Year	Real Estate	Personal Property (4)	Merchants Capital	Machinery and Tools	Mobile Homes (5)	Aircraft (6 & 8)	Recreational Vehicles/ Trailers; Watercraft & Business Property (7)
2000 (3)	1.18	5.49	0.50	0.75	1.18	5.49	5.49
2001	1.18	5.49	0.50	0.75	1.18	5.49	5.49
2002 (3)	1.14	5.49	0.50	0.75	1.14	3.00	5.49
2003	1.14	5.49	0.50	0.75	1.14	3.00	5.49
2004 (3)	0.97	5.49	0.50	0.75	0.97	3.00	5.49
2005	0.97	5.49	0.50	0.75	0.97	3.00	5.49
2006 (3)	0.63	5.49	0.50	0.75	0.63	3.00	5.49
2007	0.70	5.49	0.50	0.75	0.70	3.00	5.49
2008 (3)	0.84	5.49	0.50	0.75	0.84	3.00	5.49
2009	0.84	6.89	0.50	0.75	0.84	-	5.49

(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 \$2.76 per \$100 of fair market value.

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

(6) Beginning in calendar year 2002, aircraft has a separate rate set.
In years prior to 2002, aircraft was taxed at the personal property rate.

(7) Beginning in calendar year 2009, recreational vehicles / trailers, watercraft and business property have a separate rate set.
In years prior to 2009, they were taxed at the personal property rate.

(8) The tax for aircraft was eliminated in calendar year 2009.

Source: Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA

Table S-7

PRINCIPAL PROPERTY TAX PAYERS

Calendar Years 2009 vs 2000

(unaudited) (1)

Tax Payer	Type of Business	Calendar Year 2009			Calendar Year 2000		
		Assessed Valuation	Rank	% Total Assessed Valuation	Assessed Valuation	Rank	% Total Assessed Valuation
Silver Companies, Inc	Commercial	\$ 213,922,400	1	1.2%			
The Garrett Companies	Commercial	116,707,002	2	0.7%			
Dominion Virginia Power	Utility	102,618,870	3	0.6%	80,647,044	1	1.5%
Northern Stafford Associates LC	Commercial	94,034,600	4	0.5%			
Government Employees Insurance Co	Commercial	85,466,460	5	0.5%	52,110,670	3	1.0%
Stafford Marketplace LLC	Commercial	77,710,700	6	0.5%			
McLane/Mid-Atlantic Inc, McLane Foods	Commercial	76,103,060	7	0.4%	59,957,380	2	1.1%
ACPRE ACS Realty LLC	Commercial	68,574,600	8	0.4%			
Pulte Home Corp	Commercial	60,900,900	9	0.4%			
United Dominion Realty Trust	Commercial	60,294,600	10	0.4%	28,261,950	4	0.5%
GTE South, Inc.	Utility	-			26,214,199	5	0.5%
Wal-Mart	Commercial	-			24,713,230	6	0.5%
Bell Atlantic VA, Inc.	Utility	-			24,474,356	7	0.5%
RAMCO VA Properties LLC	Commercial	-			21,080,000	8	0.4%
Celebrate VA, England Run Comm LTD, England Run LTD Part., Silver Comm, Silver Dev Co, Silver Prop II LLC, Silver Prop VI LLC, Silver Retirement Com II LLC, Silver Retirement Com LLC, Retirement Commercial	Commercial	-			16,855,200	9	0.3%
Widewater Association	Commercial	-			16,336,200	10	0.3%
Totals		<u>\$ 956,333,192</u>		5.6%	<u>\$ 350,650,229</u>		6.7%
Total taxable assessed real property		\$ 17,115,437,019			\$ 5,250,010,820		

(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 2000 - 2009

(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
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%
2009	136,676,772	1,070,130	135,606,642	131,464,801	96.19%	4,085,110	135,549,911	99.96%

(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 2000 - 2009

(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)
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%	5.77%	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%	6.06%	1,816
2003	157,970,215	6,500,000	9,946,825	7,055,000	2,611,758	-	-	184,083,798	2.66%	5.54%	1,684
2004	214,581,437	-	9,190,676	6,180,000	3,276,709	-	-	233,228,822	2.53%	6.32%	2,037
2005	229,012,371	-	8,509,527	5,265,000	3,701,401	-	-	246,488,299	2.52%	6.13%	2,095
2006 (7)	266,483,041	47,030,000	7,678,378	4,310,000	11,062,986	-	-	336,564,405	1.99%	7.84%	2,801
2007	272,722,829	47,030,000	6,922,229	3,310,000	12,401,196	-	-	342,386,254	1.96%	7.61%	2,836
2008	280,101,263	92,995,000	6,241,080	2,260,000	12,687,152	9,500,000	-	403,784,495	2.38%	8.73%	3,317
2009	266,648,806	91,890,000	5,409,931	-	10,601,729	9,147,259	-	383,697,725	2.24%	8.06%	3,125

(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 2000 - 2009****(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)
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%	6.51%	1,947
2002	189,357,273	18,642,540	2,523,298	210,523,111	3.27%	6.74%	2,020
2003	184,125,835	18,333,140	2,440,947	204,899,922	2.97%	6.17%	1,874
2004	233,265,489	18,009,460	2,358,596	253,633,545	2.75%	6.88%	2,215
2005	246,519,255	17,673,880	2,276,247	266,469,382	2.73%	6.63%	2,264
2006	336,564,405	17,334,939	2,160,080	356,059,424	2.10%	8.30%	2,963
2007	343,386,254	16,968,188	2,084,045	362,438,487	2.07%	8.06%	3,002
2008	403,784,495	16,584,766	2,008,010	422,377,271	2.49%	9.13%	3,470
2009	383,697,725	16,184,674	1,931,975	401,814,374	2.35%	8.44%	3,272

(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, 2009

(unaudited) (1)

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Direct debt:			
General Government			
General obligation bonds (2)	\$ 266,648,806	100.0%	\$ 266,648,806
Lease revenue bonds (2)	91,890,000	100.0%	91,890,000
Literary loans	5,409,931	100.0%	5,409,931
Capital leases	10,601,729	100.0%	10,601,729
VRA	9,147,259	100.0%	9,147,259
Total general government direct debt	<u>383,697,725</u>		<u>383,697,725</u>
Overlapping Debt:			
Regional Joint Activities			
Rappahannock Regional Jail	33,980,000	47.6%	16,184,674
Juvenile Detention Center	<u>5,749,925</u>	33.6%	<u>1,931,975</u>
Total regional joint ventures	<u>39,729,925</u>		<u>18,116,649</u>
Total overlapping debt	<u>39,729,925</u>		<u>18,116,649</u>
Total direct and overlapping debt	<u>\$ 423,427,650</u>		<u>\$ 401,814,374</u>

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

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

DEBT MARGIN INFORMATION
Fiscal Years 2000 - 2009
(unaudited) (1)

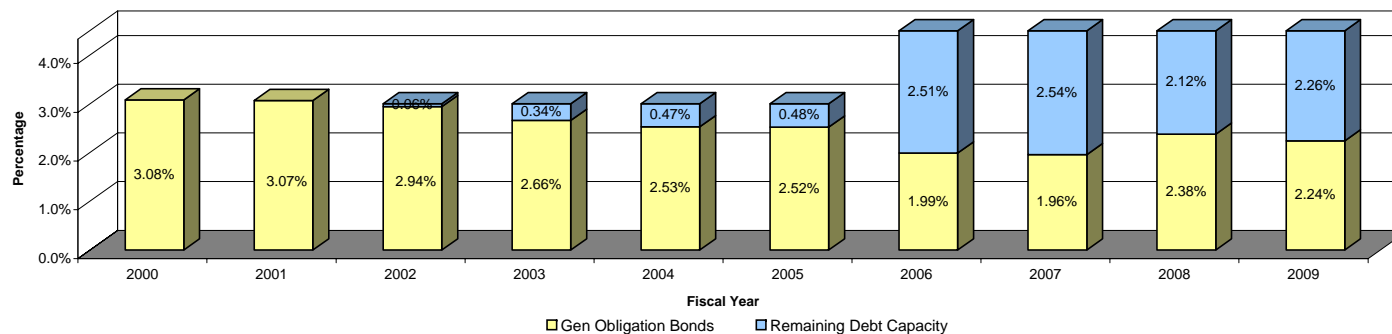
On June 21, 2005, the Board of Supervisors adopted new "Principles of High Performance Financial Management" as a means to strategically plan and account for the County's financial resources, ensure a balanced tax burden from residential and commercial resources and to maintain or upgrade the County's 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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Assessed value of taxable real property	\$ 5,250,010,820	\$ 5,536,373,720	\$ 6,443,799,200	\$ 6,910,306,879	\$ 9,211,123,100	\$ 9,771,585,620	\$ 16,922,477,273	\$ 17,477,640,504	\$ 16,961,441,169	\$ 17,115,437,019
Debt limit, 4.5% of assessed value*										
* (3% prior to June 21, 2005)	\$ 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	\$ 770,194,666
Tax-supported general obligation debt (2)	\$ 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	\$ 383,697,725
% of assessed real property	3.08%	3.07%	2.94%	2.66%	2.53%	2.52%	1.99%	1.96%	2.38%	2.24%
Debt margin (3)	\$ (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	\$ 386,496,941

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 refunding bonds. Any impact of premiums and/or losses on refunding are excluded from these numbers

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

COUNTY OF STAFFORD, VIRGINIA

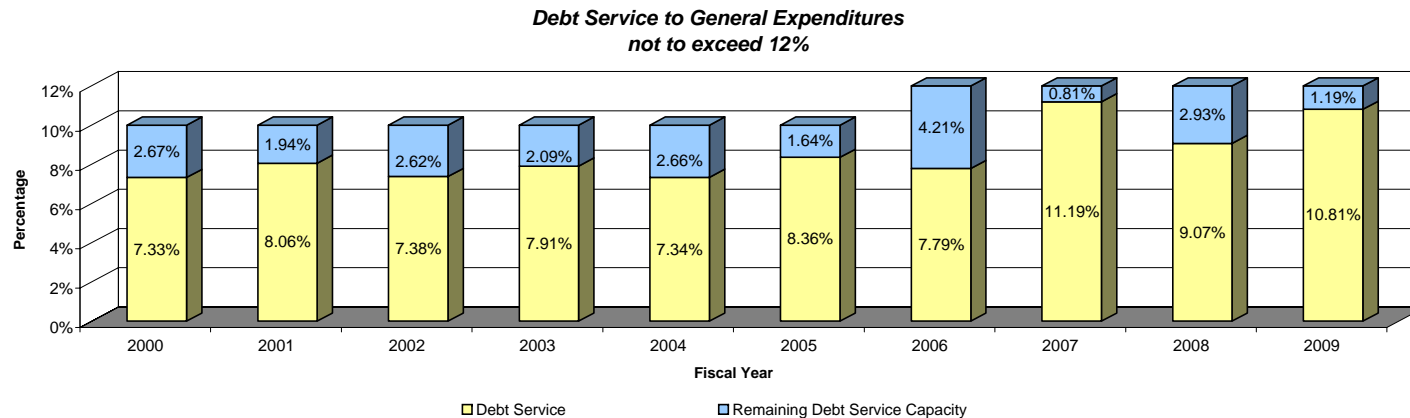
Table S-12
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DEBT MARGIN INFORMATION
Fiscal Years 2000 - 2009
(unaudited) (1)

Debt Limitation 2:

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government budget	\$ 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	\$ 384,090,478
Debt limit, 12% of general government budget*										
* (10% prior to June 21, 2005)	\$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	\$46,090,857
Debt service expenditure (2)	\$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	\$41,529,699
Percentage of the general government budget	7.33%	8.06%	7.38%	7.91%	7.34%	8.36%	7.79%	11.19%	9.07%	10.81%
Debt service margin (3)	\$ 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	\$ 4,561,158



(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.

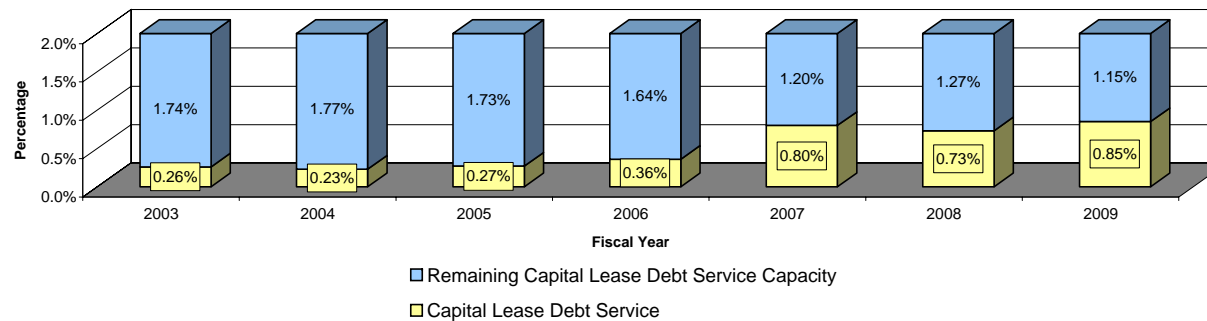
(4) General government is defined in the adopted Principles of High Performance Financial Management as General Fund plus the School Operating Fund less the School Transfer.

DEBT MARGIN INFORMATION
Fiscal Years 2000 - 2009
(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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government budget	\$ 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	\$ 384,090,478
Capital lease debt service limit, 2% of general government budget										
County limit	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	2,560,603
School Board limit	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	5,121,206
Total debt service limitation	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	7,681,810
Amount of debt service applicable to limit										
County	376,050	408,023	523,313	678,408	650,134	665,675	774,517	877,602	694,586	1,077,855
School Board	-	-	-	-	-	149,652	519,333	1,635,858	2,186,443	2,186,443
Total debt service applicable to limit	376,050	408,023	523,313	678,408	650,134	815,327	1,293,850	2,513,460	2,881,029	3,264,298
Capital lease debt service as a percentage of general government budget	0.17%	0.19%	0.21%	0.26%	0.23%	0.27%	0.36%	0.80%	0.73%	0.85%
Debt service margin (2)	\$ 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	\$ 4,417,512

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 2000 - 2009

(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	
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	30,567,806	19,904,541	10,663,265	3,285,000	747,220	4,032,220	2.64
2009	28,929,847	20,302,405	8,627,442	3,350,000	622,713	3,972,713	2.17

(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 2000 - 2009

(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)
2000	92,446	48,134	24,246	1.7%	2,658,839	28,761	5,250,010,820
2001	98,376	50,537	24,938	2.2%	2,943,803	29,924	5,536,373,720
2002	104,232	53,466	25,874	3.0%	3,123,208	29,964	6,443,799,200
2003	109,341	56,071	26,164	3.1%	3,320,030	30,364	6,910,306,879
2004	114,513	59,459	28,837	2.8%	3,687,891	32,205	9,211,123,100
2005	117,674	62,173	30,398	2.7%	4,021,156	34,172	9,771,585,620
2006	120,170	64,157	32,260	2.4%	4,291,511	35,712	16,922,477,273
2007	120,723	65,002	34,542	2.6%	4,497,535	37,255	17,477,640,504
2008	121,736	66,222	35,037	3.4%	4,625,968	38,000	16,961,441,169
2009	122,800	66,487	34,174	5.4%	4,759,728	38,760	17,115,437,019

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

(2) Population figures (2000 - 2008) provided by the U.S. Census Count. 2009 estimate provided by Stafford County Economic Development & Legislative Affairs 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 (2000-2007) provided by the Virginia Employment Commission (VEC). (<http://velma.virtuallmi.com>) Per capita personal income figures (2008-2009): 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 reassessments done in 2006 and 2008 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 2009 vs 2000
(unaudited) (1)

Employer	Industry	Fiscal Year 2009			Fiscal Year 2000		
		Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
Stafford County School System	Education	1,000+	1	2.9%	1,000+	2	4.1%
GEICO, Government Employees Insurance	Insurance	1,000+	2	2.9%	1,000+	1	4.1%
FBI Academy (Stafford Facilities)	Government Services	1,000+	3	2.9%	-		
Stafford County Government	County Government	500 - 999	4	2.2%	500 - 999	5	3.1%
McLane Mid Atlantic	Retail Distribution	500 - 999	5	2.2%	500 - 999	4	3.1%
Fredericksburg Auto Auction	Auction	250 - 499	6	1.1%	-		
Intuit	Computer Services	250 - 499	7	1.1%	500 - 999	6	3.1%
MTC Services Corp	Engineering Consultants	100 - 249	8	0.5%	-		
Ocean Systems Eng	Engineering Consultants	100 - 249	9	0.5%	-		
TRW Inc	Engineering Consultants	100 - 249	10	0.5%	-		
Capital One Bank	Financial	-			500 - 999	3	3.1%
Brake Parts	Electronic Auto Parts	-			250 - 499	7	1.5%
Hilldrup Transfer and Storage, Inc	Van Line Services	-			100 - 249	8	1.5%
Market Fare Foods Inc	Foodservice	-			100 - 249	9	0.7%
Virginia Electric & Power Company Inc	Utility	-			100 - 249	10	0.7%
Total 10 Largest Employers		<u>4,800 - 6,743+</u>		<u>16.9%</u>	<u>4,550 - 7,242+</u>		<u>24.3%</u>
Total County Employment		<u>34,174</u>			<u>24,246</u>		

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

(2) Percentage of Total County Employment is based on the midpoints in the ranges given.

(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.

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION

Fiscal Years 2000 - 2009

(unaudited) (1)

Function/Program Employees:	Full-time Equivalent Employees as of June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Primary Government:										
Governmental activities:										
General government	110	111	115	117	117	123	131	134	122	116
Judicial administration	29	30	30	35	35	39	46	50	48	48
Public safety (2)	167	187	187	216	219	243	265	302	302	302
Public services	10	10	10	14	14	20	24	19	23	24
Health and welfare	48	48	50	50	52	55	60	60	53	53
Parks, recreation and cultural (3)	23	24	24	25	25	29	32	32	34	34
Community development	48	51	51	59	59	66	75	83	71	68
Transportation	-	-	-	-	-	1	1	2	5	5
Total governmental activities employees	435	461	467	516	521	576	634	682	658	650
Business-type activities:										
Utilities	105	113	117	120	120	133	134	139	126	141
Total business-type activities employees										
Total primary government employees	540	574	584	636	641	709	768	821	784	791
Volunteers:										
Public safety	600	300	300	300	300	300	250	250	546	634

(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 2000 - 2009

(unaudited) (1)

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental Activities:										
General government										
Commissioner of Revenue										
Taxpayers assisted at real estate and personal property counters	19,831	19,919	21,000	23,000	17,983	23,000	24,000	15,258	12,022	14,890
Building permits reviewed	3,200	3,461	3,500	4,168	3,500	4,000	3,300	2,756	2,177	1,465
State income tax returns processed	23,761	22,853	23,000	21,530	16,082	20,000	18,000	13,295	10,125	12,984
Personal property records processed	46,720	48,444	51,500	53,000	55,000	65,000	65,000	61,528	58,658	61,539
Finance										
Landfill bills processed	212	212	248	242	250	300	252	297	351	348
Water and sewer bills generated	267,000	283,523	297,000	314,609	326,265	341,670	358,993	372,221	379,640	372,128
Accounts payable transactions processed (9)	45,000	49,848	50,000	27,416	64,881	61,501	55,094	42,036	42,215	34,794
Department of Human Resources										
Number of new hires	274	221	290	263	264	249	332	373	342	187
Number of positions recruited	85	65	95	91	137	294	264	481	291	192
Public Services										
Total facilities maintained (sq ft) (10)	186,250	186,250	220,335	186,250	220,335	222,696	225,046	231,999	421,134	427,381
Registrar										
Voters served at polling places	27,423	33,876	21,779	23,480	14,112	45,970	26,497	34,000	25,000	58,493
Treasurer										
Real estate and personal property bills processed	165,026	165,777	174,585	215,219	221,758	237,971	241,148	245,845	249,203	255,801
Auto decals processed	77,000	78,030	79,000	83,570	85,000	115,725	133,249	-	-	-
Water and sewer bills processed	260,000	260,400	261,000	241,000	320,000	331,703	339,528	361,142	366,941	372,158
Judicial administration										
Victims' services, both direct & indirect	775	1,200	1,000	915	1,000	805	849	1,076	1,332	1,182
Public safety										
Requests for law enforcement service (responded)	64,983	65,188	66,904	72,531	73,759	70,611	73,390	73,112	72,096	71,464
Number of arrests	4,676	5,568	6,232	6,381	6,764	7,170	6,144	7,451	7,486	7,530
Number of fire and EMS calls (3)	16,422	17,220	18,218	17,945	20,698	21,799	21,806	22,984	23,707	21,734

COUNTY OF STAFFORD, VIRGINIA

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OPERATING INDICATORS BY FUNCTION

Fiscal Years 2000 - 2009

(unaudited) (1)

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Social Services										
Benefit applications received	3,700	4,000	4,000	4,080	4,275	4,369	4,597	4,877	5,857	7,329
CPS complaints investigated (4)	415	415	400	338	395	395	400	469	501	515
Food stamp households served	800	820	900	1,025	1,200	1,341	1,413	1,615	1,797	2,203
Foster care children served	160	160	158	158	157	140	138	127	143	116
Parks, recreational and cultural										
Programs offered: gymnastics	115	400	420	1,280	915	1,250	1,210	1,355	1,550	1,630
Programs offered: senior citizens	78	80	82	87	90	95	102	103	165	308
Programs offered: sports/recreation	135	145	150	165	325	335	340	494	390	505
Programs offered: aquatics	120	325	325	452	531	556	572	696	625	598
Acres maintained	760	775	775	872	906	906	1,000	1,000	1,162	1,162
Community development										
Public Works										
Permits issues (11)	24,715	28,131	19,230	20,093	22,676	21,817	21,396	15,335	11,931	3,405
Chesapeake bay building permits reviewed (6)	1,200	1,250	1,350	2,000	2,560	2,400	3,650	2,402	1,765	1,308
Building inspections performed	35,220	47,260	39,626	42,659	43,306	43,503	53,709	42,302	35,024	24,499
E&S control inspections performed (5)	10,517	10,493	23,634	20,898	14,247	22,709	11,336	16,393	13,004	9,926
Economic Development/Legislative Affairs										
At-place employment	24,246	24,938	25,874	26,164	28,837	30,398	32,260	34,542	35,037	34,174
Unemployment rate	1.7%	2.2%	3.0%	3.1%	2.8%	2.7%	2.4%	2.6%	3.4%	5.4%
Businesses in the County	1,406	1,478	1,561	1,640	1,793	1,948	2,061	2,155	2,248	2,231
Legislative bills reviewed for action/response	3,175	2,856	2,907	2,827	3,108	2,950	3,287	3,069	3,323	2,577
Planning and Zoning										
Addresses issued (7)	2,600	2,500	2,600	1,943	2,558	2,667	2,161	1,748	1,013	1,369
Subdivision applications processed	250	268	250	391	416	801	834	726	582	415
Site plans processed (8)	102	67	80	145	153	384	381	367	373	235
Zoning site development inspections	225	270	439	257	377	477	205	571	281	835
Zoning enforcement inspections performed	1,014	822	392	807	811	965	1,075	958	1,037	887

OPERATING INDICATORS BY FUNCTION

Fiscal Years 2000 - 2009

(unaudited) (1)

Function/Program	Fiscal Year									
	<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>	<u>2009</u>
Business-Type Activities:										
Water & Sewer Utilities										
Billions of gallons of water treated per year	3.057	3.288	2.986	3.310	3.361	3.280	3.768	4.080	4.081	3.825
Water storage (mg)	14.295	14.295	15.295	15.800	15.800	15.800	15.800	16.645	16.645	16.645
Billions of gallons of wastewater treated per year	2.465	2.581	2.138	2.229	2.784	2.983	2.973	3.234	3.106	3.079
Number of customer accounts served	21,781	21,781	24,762	26,472	27,745	29,116	30,553	31,314	31,849	32,296

(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.

(11) Beginning with FY09 Public Works modified the methodology for counting building permits from counting all fee categories as permits to just counting actual permits.

This change in methodology contributed to the unusual steep decline in the number of permits issued in FY09.

Table S-19

CAPITAL ASSET STATISTICS BY FUNCTION

(unaudited) (1)

[illegible]

CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Years 2000 - 2009

(unaudited) (1)

Function/Program	Fiscal Year									
	<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>	<u>2009</u>
Parks, recreation and cultural (cont.)										
Private marinas	5	5	5	5	5	5	5	5	5	5
Skateboard parks	0	0	2	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	3	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.



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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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 30, 2009. We did not audit the financial statements of the County of Stafford School Board. The financial statements for the 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 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.

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 deficiency, Finding 09-01, described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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 consider the significant deficiency described above to be a material weakness.

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*.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response 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 black ink that reads "Clifton Gunderson LLP". The signature is written in a cursive, flowing style.

Calverton, Maryland
November 30, 2009

**Independent Auditor's Report on Compliance
With Requirements Applicable to Each Major Program
and 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, 2009. 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, 2009.

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

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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 30, 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.

Clifton Henderson LLP

Calverton, Maryland
November 30, 2009

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

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	\$ 574,163
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Pass Through Payments:		
Department of Social Services		
Social Services Block Grant	93.667	\$ 186,811
Child Care Assistance		
Child Care and Development Block Grant	93.575	485,408
Child Care Mandatory and Matching Funds		
of the Child Care and Development Fund	93.596	475,108
Administration for Children and Families		
Adoption Incentive Payments	93.603	7,145
ARRA - Child Care and Development Block Grant	93.713	4,658
Child Welfare Services - State Grants	93.645	2,609
Promoting Safe and Stable Families	93.556	7,164
Temporary Assistance for Needy Families	93.558	414,892
Refugee and Entrant Assistance -		
State Administered Programs	93.566	1,906
Low-Income Home Energy Assistance	93.568	10,681
Foster Care Title IV-E	93.658	440,058
ARRA - Foster Care Title IV-E	93.658	24,190
Adoption Assistance	93.659	197,999
ARRA - Adoption Assistance	93.659	20,772
Chafee Foster Care Independent Living	93.674	15,794
State Children's Insurance Program	93.767	38,426
Medical Assistance Program (Medicaid; Title XIX)	93.778	392,657
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>2,726,279</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Pass Through Payments:		
Americorp	94.006	<u>20,383</u>
DEPARTMENT OF DEFENSE		
Direct Payments:		
Office of Economic Adjustment		
Community Economic Adjustment Diversification Planning	12.614	<u>193,890</u>
TOTAL DEPARTMENT OF DEFENSE		<u>193,890</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009**

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Expenditures	
U.S. DEPARTMENT OF JUSTICE			
Direct Payments:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 962	
Bulletproof Vest partnership Program	16.607	2,025	
Public Safety Partnership and Community Policing Grant	16.710	701	
Office of Juvenile Justice and Delinquency Prevention			
Cal Ripkin Sr. Foundation	16.541	26,484	
TOTAL U.S. DEPARTMENT OF JUSTICE			\$ 30,172
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Federal Highway Administration			
Highway Planning and construction	20.205	41,328	
Pass Through Payments:			
Department of Motor Vehicles			
State and Community Highway Safety (Section 402)	20.600	86,391	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			127,719
DEPARTMENT OF HOMELAND SECURITY			
Direct Payments:			
National Urban Search and Rescue Response System	97.025	30,953	
Pass Through Payments:			
Department of Emergency Management			
Port Security Grant Program	97.056	24,623	
Law Enforcement Terrorism Prevention Program	97.074	29,200	
TOTAL DEPARTMENT OF HOMELAND SECURITY			84,776
DEPARTMENT OF COMMERCE			
Pass Through Payments:			
Department of Emergency Services			
National Telecommunications And Information Administration			
Public Safety Interoperable Communications Grant Program	11.555		115,173
DEPARTMENT OF EDUCATION			
Pass Through Payments:			
State Compensation Board			
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397		949,578
GRAND TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 4,822,134

COUNTY OF STAFFORD, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2009

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, 2009

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- | | | | | |
|---|-------------------------------------|-----|-------------------------------------|----|
| • Material weakness (es) identified | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| • Significant deficiency (ies) identified that are not considered to be material weaknesses | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No |
| • Noncompliance material to financial statements | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No |

Federal Awards

Internal control over major programs:

- | | | | | |
|---|--------------------------|-----|-------------------------------------|----|
| • Material weakness (es) identified | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No |
| • Significant deficiency (ies) identified that are not considered to be material weaknesses | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | 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? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No |
|--|--------------------------|-----|-------------------------------------|----|

COUNTY OF STAFFORD, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.397	Government Service Recovery Act
93.658	Foster Care Title IV
93.659	Adoption Services
93.575, 93.596, 93.713	Child Care Cluster

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. Material weakness in Internal Control

Finding 9-01 A prior period adjustment was necessary to correct an error that occurred in fiscal year 2007. .

Condition: During the current year audit, evidence regarding an error in prior period balances was discovered resulting in a prior period adjustment in the amount of \$6,255,247.

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

Cause: Lack of proper reconciliation of intergovernmental activity between the County and School Board resulting from miscommunication during the closing process in fiscal year 2007.

Effect: The County's equity in pooled cash and net assets/fund balance were understated.

Recommendation: We recommend that the intergovernmental activity between the County and School Board (including the due to/due from accounts and transfers to/from) be reconciled and any variances investigated and resolved in a timely manner. It is further recommended that enhanced communication procedures between the County and School Board be developed.

COUNTY OF STAFFORD, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009 (Continued)**

Management's
Response:

Processes have been identified and procedures have been implemented to improve the accuracy and timeliness of School journal entries to enable monthly reconciliation and verification of intergovernmental activities. County Finance is performing monthly cash reconciliations between the financial system and the Treasurer's cash balance. The County Finance Department and Treasurer's Office have implemented monthly communication with the School Board Finance Department. The County has requested reciprocal communication from the School Administration.

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, 2009**

None noted



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