

STAFFORD COUNTY, VIRGINIA
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FISCAL YEAR 2010



(July 1, 2009 - June 30, 2010)

Prepared by Stafford County, Virginia Finance Department

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Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

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Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

INTRODUCTORY SECTION

Board of Supervisors

Mark Dudenhefer

Chairman

Paul V. Milde, III

Vice Chairman

Harry E. Crisp, II

Gary F. Snellings

Cord A. Sterling

Susan B. Stimpson

Robert "Bob" Woodson



County Administrator

Anthony J. Romanello, ICMA-CM

December 8, 2010

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

We are submitting the Comprehensive Annual Financial Report (CAFR) of the County of Stafford, Virginia (County) for Fiscal Year (FY) 2010 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 (GAAP), 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.

Cherry Bekaert and Holland LLP, a firm of licensed certified public accountants, audited the County's financial 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, 2010, 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, 2010, 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 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 discrete component unit. Stafford County Public Schools (education) 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 the County's auditor and their own 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 1,200 students were enrolled in these programs during 2009-2010. In August 2009, Germanna Community College opened a fourth location, designed as a workforce development center, in the northern section of the County. The center is a partnership with the County's Economic Development Authority and serves approximately 1,000 students.

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, with durations and increments as allowed by the Code of Virginia and the County's investment policy. These include savings accounts, certificates of deposits, 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 prepaid 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 incomplete commitments and special programs or projects. During FY 2010 the Board created three new designations:

- Revenue Stabilization Fund – one half of one percent of general fund revenue – to be used during times of economic downturns when reduced revenues create fiscal stress.
- Capital Projects Reserve – \$1.5M for capital needs.
- Stafford Opportunity Fund – \$0.5M to enhance and promote economic development opportunities.

These designations are in addition to maintenance of undesignated fund balance at policy levels. Use of these funds requires Board appropriation and must be for one-time, non-recurring expenditures. All three designations were fully funded according to policy guidelines for FY 2010.

The Board's financial policy, *Principles of High Performance Financial Management*, was adopted in FY 2005. The policy defines the fund balance levels for the General Fund and sets debt capacity parameters in order to provide for overall stability and financial planning purposes. It is reviewed and updated every two years, at a minimum. One of the Board's goals for FY 2010 was to strengthen its financial position. The revised policy sets the minimum unreserved, undesignated fund balance for the General Fund at eleven percent (11%) of General Fund revenues for FY 2010, and sets a goal of twelve percent (12%) for FY 2015. At June 30, 2010 the unreserved, undesignated fund balance in the General Fund was \$26.3 million or 11.03% of the fiscal year 2010 revenues.

The Board's financial policy limits net tax supported bonded debt to no more than 3.5% of assessed real property value, with a goal to reach 3% by 2015. General obligation debt as a percentage of taxable real property assessed value for FY 2010 was 2.86%. General Fund debt service expenditures are not to exceed 11% of budgeted expenditures, with a goal to reach 10% by 2015. Debt service expenditures were 10.63% of budgeted expenditures for FY 2010.

Other highlights of the updated policy include the adoption of a charter for the Budget 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 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 June 15, 2010 the Board adopted the 2011-2014 CIP. It totals \$544.9 million and is comprised of County projects of \$223.0 million, school projects of \$85.3 million and Utilities Fund projects of \$236.6 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 four-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, 2010 (through the second quarter of 2010) was 5.8%, while the State of Virginia and national rates were 7.1% and 9.6% respectively. This comparatively 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 more than 35,000 people. The private sector retail, professional and business services, and health care industries have contributed significantly to that growth. Nearly 400,000 square feet of new commercial space will be completed in 2010. There are more than 80 commercial projects in various stages of development. These key economic indicators have made Stafford a leader in the Commonwealth:

- 3rd fastest job growth for localities with a labor force of over 30,000
- 3rd highest business growth for localities with more than 2,000 establishments

Stafford County's Department of Economic Development, the Economic Development Authority and the County Board of Supervisors have been proactive in promoting the County as a business friendly community. Initiatives during the past year included:

- Creation of a Ten-Point Economic Development Plan – the Board's strategic plan to grow business in the County
- Repeal of the aircraft tax – airport hangars are fully leased at Stafford Regional Airport
- Repeal of the Business Professional Occupational License (BPOL) tax – Stafford is the largest locality in the State without a BPOL tax
- Development Process Administrator position – to assist businesses with development issues
- Established the Stafford Opportunity Fund – to assist with business development efforts
- Designation of the Stafford Technology Zone – authorized by the State, and one of 29 existing in the Commonwealth
- Stafford Workforce and Education Partnership (SWEP) – cooperative effort with the school system, Germanna Community College, the University of Mary Washington and the private sector to make professional training resources available to community businesses

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 visits over 300 county businesses a year to seek feedback on the local business climate. A survey has been developed and will be used to gauge outreach opportunities.

Due to the 2005 Base Realignment and Closure (BRAC) recommendations, Marine Corps Base Quantico is undergoing a large expansion. A new 700,000 square foot office building is under construction in the County. Military investigative agencies will relocate approximately 2,700 jobs to this facility beginning in the spring of 2011. A second office building is under construction to accommodate the anticipated ripple effect.

The County also has established commercial and industrial areas in its northern, central and southern sectors. The northern area, located near the Marine Base at Boswell's Corner, has been designed to attract defense related contractors. Two Class-A office buildings have been built and are fully leased. A federal grant has been secured to address anticipated traffic congestion.

The central sector includes a variety of retail, government and health care facilities. 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, office 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 three grants, totaling approximately \$1.7 million, for streetscaping improvements in the area. Proposed future construction includes a retail center and cultural facilities. Stafford Hospital Center, a full service, 100-bed acute care facility, is located in this area. 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. Adjacent retail centers are occupied by nationally recognized businesses. The concept for future development is for a town center style 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. Two new hotels opened in the County. Marketing tools include the Stafford Visitor Center, a tourism website and a comprehensive brochure highlighting the many historical and recreational venues. In addition, grants have been sought to begin educational programming and development of historical venues.

MAJOR INITIATIVES

The Finance and Budget staff continues its efforts to keep the Board apprised of the County's financial operations through a variety of efforts. A monthly financial 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 was made only after a comprehensive mid-year review. This practice was used for FY 2011 as well. Appropriation of the withheld budget will be considered after a mid-year review of financial position and if revenue is projected to support it.

Staff developed an internal communication tool, *Stafcon*, to convey the economic state of the County to operational departments. Various conditions trigger expected reactions to manage the projected scenarios.

Financial policies were reviewed and updated to maintain the County's AA bond rating.

In November 2009, Stafford voters approved a local bond referendum for the issuance of a maximum of \$29 million general obligation debt to finance several parks and recreation projects. Staff has been working with a Board committee to determine timelines and costs.

Significant progress has been made on several projects financed by the 2008 lease revenue bonds. These include courthouse renovations to accommodate increased court activity, construction of a regional library branch to serve residents in the southern area of the county, and an emergency radio communications system upgrade. The courthouse renovations were substantially complete by the end of December 2009 which allowed the courts to begin using the new courtrooms for their January docket. Construction of the new library progressed on schedule and under budget. It opened in October 2010.

During FY 2008 the County, in partnership with the State Department of Conservation and Recreation, acquired 1,700 acres of environmentally sensitive wetlands known as Crow's Nest. Phase 2 of this project was completed in July 2009 when the State acquired an additional 1,100 acres.

The County has been working on a Purchase of Development Rights pilot program for several years. During FY 2010 a \$600,000 purchase was made that will permanently preserve nearly 98 acres from future development.

The County's Water and Sewer Utility Fund received was awarded \$8 million in state grants to upgrade its Aquia and Little Falls Run wastewater treatment facilities. \$3.5 million of that amount was received in FY 2010 with the balance to be received in FY 2011.

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, 2009. This was the County's twenty-eighth 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.

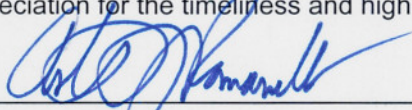
Distinguished Budget Presentation Award - The GFOA has also awarded the County its Distinguished Budget Award for the last twenty-one years, including the 2010 fiscal year budget. In order to receive this award, a governmental unit must publish a budget document that is an exceptional policy document, operations guide, financial plan and communications medium.

For an overview of the County's financial condition and financial highlights for FY2010, please refer to the Management's Discussion and Analysis, located in the Financial Section of this document.

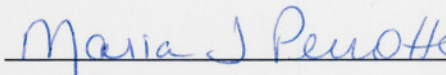
ACKNOWLEDGEMENTS

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

Mark Dudenhefer, Chairman	Garrisonville District
Paul V. Milde, III, Vice Chairman	Aquia District
Harry E. Crisp, II	George Washington District
Gary F. Snellings	Hartwood District
Cord A. Sterling	Rock Hill District
Susan B. Stimpson	Falmouth 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, 2009

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, appearing to read "Jeffrey R. Enos".

Executive Director



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

FINANCIAL SECTION



Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Stafford County, Virginia, (the "County") as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Stafford County, Virginia, as of June 30, 2010, 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 December 8, 2010, 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, Budgetary Comparison Schedules for the General Fund and Transportation Fund, and the Schedules of Funding Progress – Pension Plan and Other Post-Employment Benefits Plan are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County. The combining and individual nonmajor fund financial statements, including the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Bekaert + Holland, LLP

Richmond, Virginia
December 8, 2010

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, 2010. 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 \$134.8 million (*net assets*).
- The County's total net assets increased by \$39.4 million, with governmental activities increasing by \$34.7 million and business-type activities increasing by \$4.7 million.
- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$63.4 million. Of the \$63.4 million, \$28.2 million is available for spending at the County's discretion (*undesignated fund balances*).
- The Board of Supervisors created fund balance designations to set aside funds for revenue stabilization, capital needs and to promote and enhance economic development opportunities.
- The County's net general government debt decreased by \$16.9 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 \$5.7 million of VPSA debt for school renovation projects and \$0.2 million in capital leases for a mass casualty support vehicle and a computer system upgrade. The County's Water and Sewer Fund (business-type activity) issued \$33.3 million in debt for wastewater treatment system upgrades at two treatment facilities.

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 and statistical 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; 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., accrued revenues 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 government-wide Statement of Net Assets and between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide 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 water and sewer 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 governmental activities. 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 \$134.8 million at the close of fiscal year 2010. By far, the largest portion of the County's net assets (\$277.6 million) reflects its investment in capital assets net of depreciation (e.g., land, buildings, vehicles, distribution and collections systems, and equipment); less any related outstanding debt used to acquire those assets. 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 (\$12.8 million) represents resources that are subject to external restrictions on how they may be used. These restrictions include debt service, construction and maintenance, and Federal drug enforcement constraints.

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. Of the \$155.7 million net asset deficit, \$233.0 is related to debt for school property and equipment.

The net increase in business-type activities net assets includes \$1.8 million in donated capital assets accepted into the water and sewer utility system, a net loss of \$7.3 million and \$10.2 million nonoperating contributions (availability fees, developer pro-rata fees and state grants) 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 As of June 30, 2010 and 2009 (\$ in millions)								
	Primary Government							
	Governmental Activities		Business-Type Activities		Total Primary		Component Unit	
	2010	2009	2010	2009	2010	2009	2010	2009
Assets:								
Current and other assets	\$ 132.8	\$ 146.1	\$ 78.0	\$ 63.6	\$ 210.8	\$ 209.7	\$ 82.9	\$ 81.3
Capital assets (net)	<u>172.5</u>	<u>144.3</u>	<u>256.4</u>	<u>236.5</u>	<u>428.9</u>	<u>380.8</u>	<u>373.9</u>	<u>379.9</u>
Total assets	<u>\$ 305.3</u>	<u>\$ 290.4</u>	<u>\$ 334.4</u>	<u>\$ 300.1</u>	<u>\$ 639.7</u>	<u>\$ 590.5</u>	<u>\$ 456.8</u>	<u>\$ 461.2</u>
Liabilities:								
Other liabilities	\$ 89.5	\$ 94.5	\$ 14.2	\$ 14.2	\$ 103.7	\$ 108.7	\$ 50.0	\$ 50.4
Long-term liabilities	<u>362.3</u>	<u>377.3</u>	<u>38.9</u>	<u>9.3</u>	<u>401.2</u>	<u>386.6</u>	<u>19.6</u>	<u>16.1</u>
Total liabilities	<u>\$ 451.8</u>	<u>\$ 471.8</u>	<u>\$ 53.1</u>	<u>\$ 23.5</u>	<u>\$ 504.9</u>	<u>\$ 495.3</u>	<u>\$ 69.6</u>	<u>\$ 66.5</u>
Net assets:								
Invested in capital assets,								
Net of related debt	\$ 63.3	\$ 29.6	\$ 214.3	\$ 224.9	\$ 277.6	\$ 254.5	\$ 371.6	\$ 377.3
Restricted	.7	.2	12.1	12.0	12.8	12.2	-	-
Unrestricted	<u>(210.5)</u>	<u>(211.0)</u>	<u>54.9</u>	<u>39.7</u>	<u>(155.6)</u>	<u>(171.3)</u>	<u>15.6</u>	<u>17.5</u>
Total net assets	<u>\$ (146.5)</u>	<u>\$ (181.2)</u>	<u>\$ 281.3</u>	<u>\$ 276.6</u>	<u>\$ 134.8</u>	<u>\$ 95.4</u>	<u>\$ 387.2</u>	<u>\$ 394.8</u>

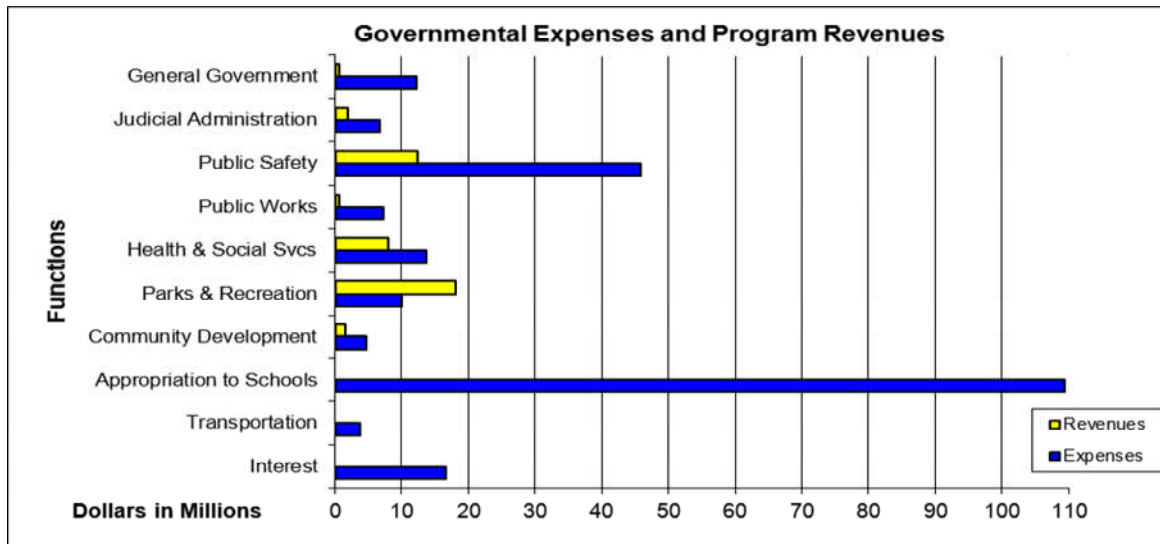
Statement of Activities Governmental Activities

The increase in net assets attributable to the County's governmental activities totaled \$34.7 million for fiscal year 2010. Generally, net asset changes are the result of the difference between revenues and expenses. For fiscal year 2010 revenues of \$265 million represent an increase of \$21 million over the prior year, while expenses increased \$3.3 million to \$230.3 million for the same period. A summary of key elements follows:

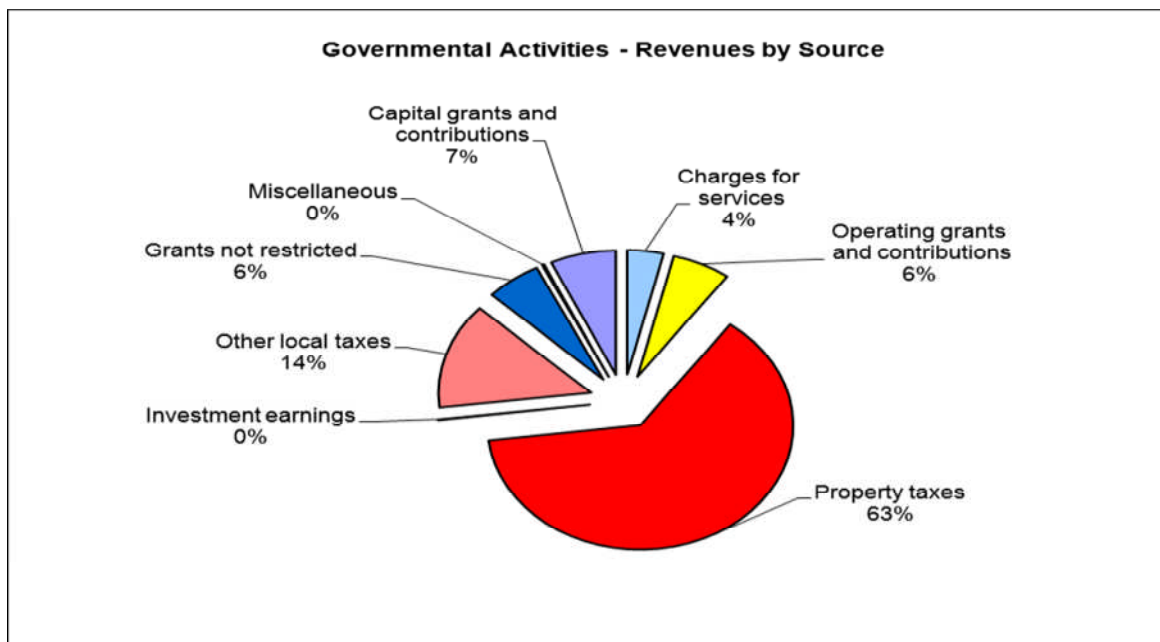
- Capital grants and contributions account for \$17 million of the increase in program revenue. \$16.6 million of this amount represents donated assets (land, buildings and equipment) from the dissolved Park Authority.
- General property taxes collected were \$168.1 million, an increase of \$2.8 million. The increase was due to personal property (vehicles) retaining its value.
- Other local taxes increased by \$1.1 million. Meals and fuels taxes each recorded increases of \$400 thousand. Occupancy taxes on hotel stays and road impact fees from commercial developers each increased \$150 thousand over the previous year.
- Investment earnings continued to decline, reflecting the decline in interest rates.

- Expenses for governmental activities recorded a net increase of \$3.3 million compared to the prior year. Most governmental activities recorded decreases which reflect budget reductions made in response to the economic slowdown. The local appropriation to schools increased \$8.1 million. This appropriation is in two parts, operations support and proceeds from borrowings for capital improvements. Operations support increased minimally over the prior year amount. The public safety function recorded an increase due to expenses related to significant winter storms. The health and social services function increased \$200 thousand. This increase is reflective of additional citizens seeking public assistance.

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 \$4.7 million for fiscal year 2010. 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 2010, resulting in a net loss of \$7.3 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, pro-rata fees and state grants) and donated capital assets. The following is a summary of relevant financial results for fiscal year 2010:

- The Water and Sewer Fund implemented a rate increase of 9% in fiscal 2010 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 \$22.7 million, which were \$.9 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 \$6.8 million which is a \$2.2 million increase compared to the prior year. Availability and pro-rata fees are paid by the developer of a subdivision and then passed on to the new homeowner.
- State grants for wastewater facility upgrades totaled \$3.5 million.
- Donated capital assets (infrastructure completed by developers and accepted by the County) totaled \$1.8 million, a \$4.0 million decrease compared to the prior year, reflecting the slowdown in residential development.
- Expenses totaled \$31.0 million which were \$.4 million higher than the prior year. This can be attributed to increases in personnel benefits costs 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.

Change in Net Assets For the Fiscal Year Ended June 30, 2010 and 2009 (\$ in millions)								
	Primary Government						Component Unit School Board	
	Governmental Activities		Business-Type Activities		Total Primary			
	2010	2009	2010	2009	2010	2009	2010	2009
Revenues:								
Program revenues:								
Charges for services	\$ 10.2	\$ 10.1	\$ 22.7	\$ 21.8	\$ 32.9	\$ 31.9	\$ 22.0	\$ 18.0
Operating grants and contributions	16.4	16.0	3.5	-	19.9	16.0	140.1	152.8
Capital grants and contributions	17.0	-	8.6	10.4	25.6	10.4	-	-
General revenues:								
General property taxes	168.1	165.3	-	-	168.1	165.3	-	-
Other local taxes	36.9	35.8	-	-	36.9	35.8	-	-
Grants not restricted	15.6	14.7	-	-	15.6	14.7	103.2	101.2
Investment earnings	.2	1.4	.9	2.5	1.1	3.9	-	.4
Miscellaneous	.6	.7	-	.1	.6	.8	1.8	1.6
Total revenues	<u>\$ 265.0</u>	<u>\$ 244.0</u>	<u>\$ 35.7</u>	<u>\$ 34.8</u>	<u>\$ 300.7</u>	<u>\$ 278.8</u>	<u>\$ 267.1</u>	<u>\$ 274.0</u>
Expenses:								
General government	\$ 12.3	\$ 13.6	\$ -	\$ -	\$ 12.3	\$ 13.6	\$ -	\$ -
Judicial administration	6.7	7.1	-	-	6.7	7.1	-	-
Public safety	45.9	44.3	-	-	45.9	44.3	-	-
Public works	7.3	7.4	-	-	7.3	7.4	-	-
Health and social services	13.7	13.5	-	-	13.7	13.5	-	-
Parks, recreation and cultural	10.1	10.8	-	-	10.1	10.8	-	-
Community development	4.6	5.2	-	-	4.6	5.2	-	-
Appropriation to schools	109.3	101.2	-	-	109.3	101.2	275.3	279.8
Transportation	3.8	4.4	-	-	3.8	4.4	-	-
Interest	16.6	19.5	-	-	16.6	19.5	-	-
Water and sewer	-	-	31.0	30.6	31.0	30.6	-	-
Total expenses	<u>\$ 230.3</u>	<u>\$ 227.0</u>	<u>\$ 31.0</u>	<u>\$ 30.6</u>	<u>\$ 261.3</u>	<u>\$ 257.6</u>	<u>\$ 275.3</u>	<u>\$ 279.8</u>
Change in net assets before transfers	\$ 34.7	\$ 17.0	\$ 4.7	\$ 4.2	\$ 39.4	\$ 21.2	\$ (8.2)	\$ (5.8)
Transfers	-	.3	-	(.3)	-	-	-	-
Change in net assets	<u>\$ 34.7</u>	<u>\$ 17.3</u>	<u>\$ 4.7</u>	<u>\$ 3.9</u>	<u>\$ 39.4</u>	<u>\$ 21.2</u>	<u>\$ (8.2)</u>	<u>\$ (5.8)</u>
Net assets (deficit) beginning	(181.2)	(198.5)	276.6	272.7	95.4	74.2	394.8	400.6
Net assets (deficit) ending	<u>\$(146.5)</u>	<u>\$ (181.2)</u>	<u>\$281.3</u>	<u>\$276.6</u>	<u>\$ 134.8</u>	<u>\$ 95.4</u>	<u>\$ 386.6</u>	<u>\$ 394.8</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 \$63.4 million, a decrease of \$8.2 million in comparison with the prior

year. Of the \$63.4 million, \$28.2 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 expenditures and the intent to liquidate contracts and purchase orders (encumbrances) of the prior fiscal year. During FY 2010 the Board of supervisors established three designated reserves:

- Revenue Stabilization Fund – to be used during economic downturns when reduced revenues create fiscal stress.
- Capital Projects Reserve – for future capital needs.
- Stafford Opportunity Fund – to enhance and promote economic development opportunities.

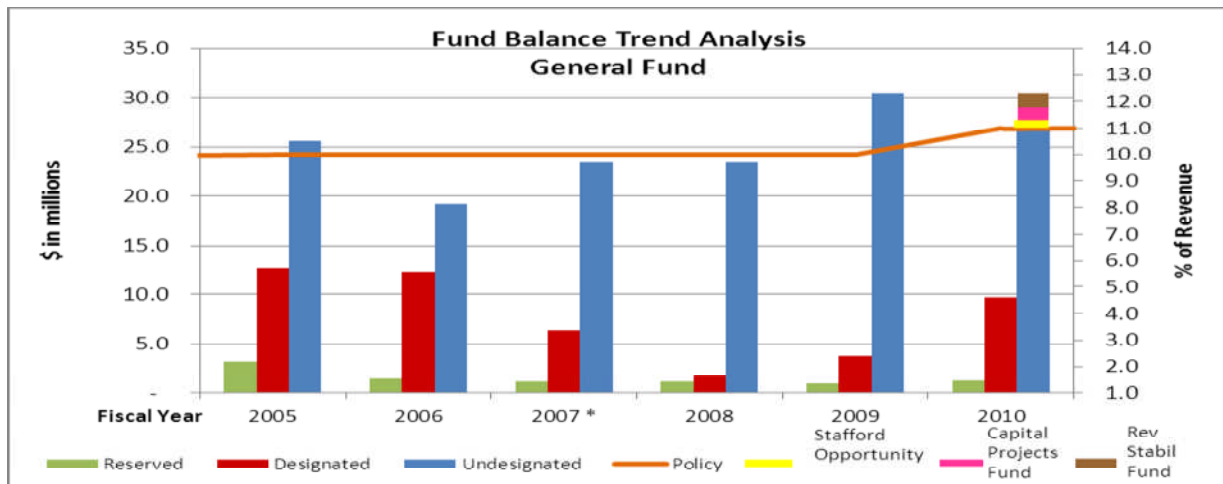
The General Fund is the primary operating fund of the County. The total fund balance of the County's General Fund increased \$1.7 million during fiscal year 2010. This was due primarily to management's commitment to maintain undesignated fund balance at or above stated policy levels and frequent, in-depth analysis of revenue collection and expenditure patterns, which resulted in departmental budget reductions.

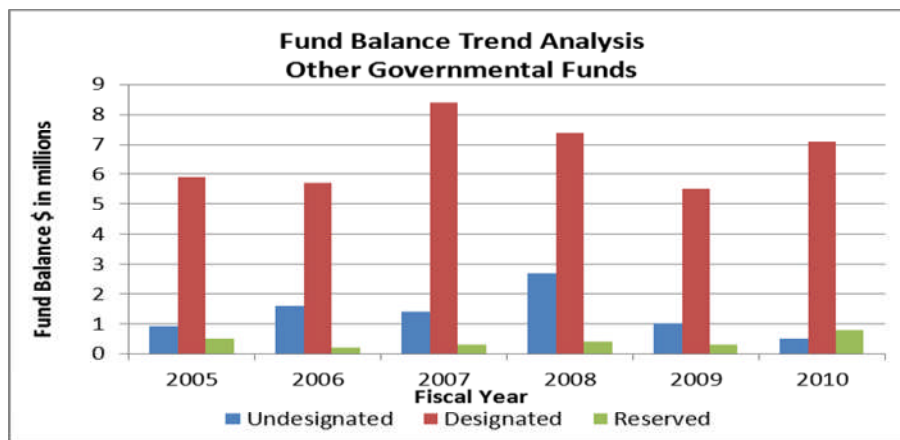
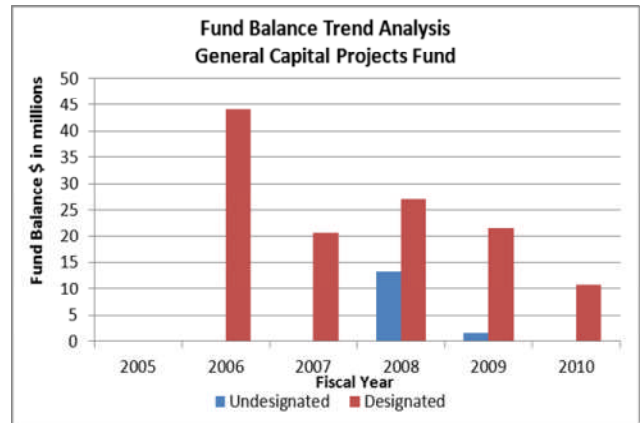
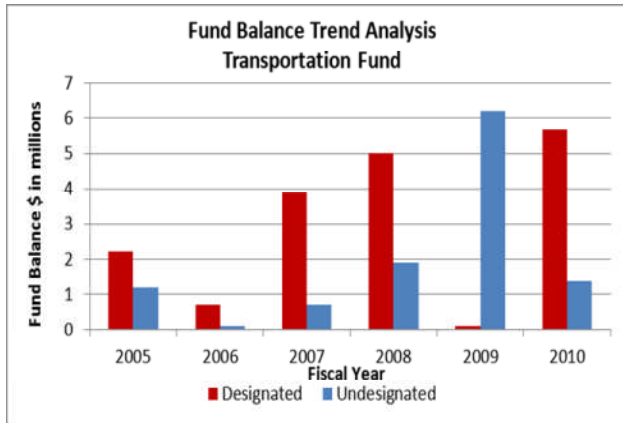
In addition to the General Fund the County has two major governmental funds, the Transportation Fund and the General Capital Projects Fund. Total fund balance for the Transportation Fund at year end was \$7.1 million, an increase of \$.8 million compared to the prior year. Of the \$7.1 million, \$.6 million is designated for encumbrances, \$5.1 million is designated for specific road improvement projects and \$1.4 million is undesignated. The increase in fund balance is attributed to an increase in fuels tax revenue (\$.3 million) and a decrease in expenditures (\$1.1 million).

Total fund balance for the General Capital Projects Fund at year end was \$10.8 million, a \$12.5 million decrease compared to prior year. The decrease is due to expenditure of lease revenue bond proceeds for various capital projects. Fund balance represents outstanding encumbrances.

The County also has eleven non-major governmental funds. In total, fund balance is \$8.4 million, a \$1.7 million increase compared to prior year. Of the \$8.4 million, \$.8 million is reserved for debt service and drug enforcement activities, \$.6 million is designated for special revenue encumbrances, \$6.5 million is designated for special revenue capital projects and \$.5 million is undesignated.

The following graphs illustrate fund balance trends for the County's governmental funds for fiscal years 2005 through 2010.





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 \$4.7 million during fiscal year 2010. Capital assets, net of depreciation and related debt decreased \$10.6 million. Restricted net assets increased by at \$.1 million and unrestricted net assets increased by \$15.2 million. A summary of the Water and Sewer Fund operations for the year was previously provided in the discussion of business-type activities.

Component Unit – School Board: The change in net assets for the component unit School Board was \$(7.6) 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 for operations 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 \$7.7 million between the original budget and the final budget. Significant budget amendments included:

- \$2.5 million in re-appropriated encumbrances and incomplete commitments to allow completion of ongoing projects.
- \$1.1 million from capital reserves for parks projects.
- \$1.4 million for public safety and school employee bonuses.
- \$2.7 million for various state and federal grants.

General Fund revenues, excluding transfers, increased \$5.0 million over the prior year amount. General property taxes increased \$3.7 million due to personal property (vehicles) holding their value. Other local taxes had a net increase of \$.1 million due mostly to the strength of meals tax receipts. The licenses and permits, use of money and property and charges for services categories each recorded decreases. These decreases reflect the overall economy. The “other” category includes several miscellaneous items. The largest among them is defaulted securities recognized as revenue and used to off-set expenditures to complete projects defaulted by developers. While there were decreases in revenues from the state, the net increase is the result of grants sought mostly from federal sources.

General Fund expenditures, excluding transfers, recorded a net increase of \$5.3 million compared to the prior year amount. The two functions that were held harmless from spending cuts, public safety and education, account for the increase. Public safety functions incurred heavy expenditures for the significant winter storms. 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

The following tables compare General Fund revenues and expenditures for fiscal year 2010 with the previous fiscal year.

General Fund Comparison Revenues and Expenditures FY 2009 – FY 2010 (\$ in millions)			
	<u>FY 2010</u>	<u>FY 2009</u>	<u>Increase (Decrease)</u>
<u>Revenues:</u>			
General property taxes	\$ 167.6	\$ 163.9	\$ 3.7
Other local taxes	27.0	26.9	.1
Licenses and permits	4.0	4.6	(.6)
Use of money and property	.4	.8	(.4)
Charges for services	5.0	5.4	(.4)
Other	5.5	3.6	1.9
Intergovernmental	<u>28.7</u>	<u>28.0</u>	<u>.7</u>
Total revenues	<u>\$ 238.2</u>	<u>\$ 233.2</u>	<u>\$ 5.0</u>
<u>Expenditures:</u>			
General government	\$ 11.8	\$ 12.8	\$ (1.0)
Judicial administration	6.5	6.9	(.4)
Public safety	42.1	39.1	3.0
Public works	4.4	4.0	.4
Health and social services	13.6	13.3	.3
Parks, recreation and cultural	9.3	9.9	(.6)
Community development	4.5	4.4	.1
Education	103.2	99.5	3.7
Capital outlay	.1	.1	-
Debt service	<u>40.2</u>	<u>40.4</u>	<u>(.2)</u>
Total expenditures	<u>\$ 235.7</u>	<u>\$ 230.4</u>	<u>\$ 5.3</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, 2010, totals \$428.8 million, net of accumulated depreciation. This represents an increase of \$48.0 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 donated parks land, buildings and equipment.
- Governmental activities completion of artificial turf soccer fields.
- Governmental activities construction in progress for a radio communications system upgrade and a new library facility.
- Governmental activities 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 2010. Additional information on the County's capital assets can be found in Note 4.

Change in Capital Assets (\$ in millions)			
	Balance June 30, 2009	Net Additions And Deletions	Balance June 30, 2010
<u>Governmental Activities:</u>			
Land	\$ 29.2	\$ 16.3	\$ 45.5
Other intangible	-	.6	.6
Construction in progress	26.7	3.8	30.5
Capital assets not being depreciated	<u>55.9</u>	<u>20.7</u>	<u>76.6</u>
Land improvements	14.5	9.3	23.8
Buildings and building improvements	82.8	2.6	85.4
Furniture, fixtures and equipment	12.5	(.2)	12.3
Vehicles	15.1	-	15.1
Capital assets being depreciated	<u>124.9</u>	<u>11.7</u>	<u>136.6</u>
Less accumulated depreciation	<u>(36.5)</u>	<u>(4.2)</u>	<u>(40.7)</u>
Net capital assets being depreciated	<u>88.4</u>	<u>7.5</u>	<u>95.9</u>
Governmental activities capital assets	<u>\$ 144.3</u>	<u>\$ 28.2</u>	<u>\$ 172.5</u>

Change in Capital Assets (\$ in millions)			
	Balance <u>June 30, 2009</u>	Net Additions <u>And Deletions</u>	Balance <u>June 30, 2010</u>
<u>Business-Type Activities:</u>			
Land	\$ 17.9	\$ (.8)	\$ 18.7
Other intangible	-	3.9	3.9
Construction in progress	<u>41.7</u>	<u>14.4</u>	<u>56.1</u>
Capital assets not being depreciated	<u>59.6</u>	<u>7.5</u>	<u>78.7</u>
Land improvements	.4	-	.4
Buildings and building improvements	3.8	-	3.8
Distribution and collection systems	261.6	10.6	272.2
Furniture, fixtures and equipment	14.9	(.5)	14.4
Vehicles	<u>2.7</u>	<u>-</u>	<u>2.7</u>
Capital assets being depreciated	<u>283.4</u>	<u>10.1</u>	<u>293.5</u>
Less accumulated depreciation	<u>(106.5)</u>	<u>(9.4)</u>	<u>(115.9)</u>
Net capital assets being depreciated	<u>176.9</u>	<u>.7</u>	<u>177.6</u>
Business-type activities capital assets	<u>\$ 236.5</u>	<u>\$ 18.2</u>	<u>\$ 256.3</u>

Long-term debt: At the end of the current fiscal year, County governmental activities reported total bonded debt outstanding of \$74.7 million. Of this amount, \$264.9 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). County governmental activities had a net decrease in total debt of \$16.9 million during the fiscal year. Issuances for FY 2010 included \$5.7 million general obligation bonds for school renovation projects and \$.2 million capital lease for a mass casualty support vehicle and a computer system upgrade.

The County's bond rating remains stable at:

- AA Fitch Ratings
- Aa2 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 \$42.0 million at the end of the current fiscal year. These bonds are secured by water and sewer revenues. The water and sewer utility issued \$33.3 million in revenue bonds for wastewater treatment plant upgrades at two facilities.

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.

Summary of Changes in Long-Term Debt (\$ in millions)			
	<u>June 30, 2009</u>	<u>Net Increase (Decrease)</u>	<u>June 30, 2010</u>
<u>Governmental Activities:</u>			
General obligation bonds, net	\$ 274.3	\$ (9.4)	\$ 264.9
Lease revenue bonds	91.9	(3.7)	88.2
Capital leases	10.6	(2.6)	8.0
Other	14.6	(1.0)	13.6
Compensated absences	<u>6.3</u>	<u>(.2)</u>	<u>6.1</u>
Total long-term debt	<u>\$ 397.7</u>	<u>\$ (16.9)</u>	<u>\$ 380.8</u>
<u>Business-Type Activities:</u>			
Revenue bonds, net	\$ 12.1	\$ (3.4)	\$ 8.7
VRA loans	-	33.3	33.3
Compensated absences	<u>1.0</u>	<u>.1</u>	<u>1.1</u>
Total long-term debt	<u>\$ 13.1</u>	<u>\$ 30.0</u>	<u>\$ 43.1</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.



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	School Board
ASSETS				
Current assets:				
Cash, cash equivalents and temporary cash investments	\$ 85,009,153	\$ 42,553,137	\$ 127,562,290	\$ 28,891,153
Receivables, net of allowance for uncollectibles	22,321,319	4,495,172	26,816,491	8,693,297
Due from primary government	-	-	-	37,407,456
Internal balances	(418,536)	418,536	-	-
Inventory	2,054	556,990	559,044	567,767
Prepays	935,274	-	935,274	96,820
Total current assets	<u>107,849,264</u>	<u>48,023,835</u>	<u>155,873,099</u>	<u>75,656,493</u>
Noncurrent assets:				
Restricted cash and cash equivalents	17,330,300	29,937,034	47,267,334	6,615,701
Investment in joint venture	5,962,171	-	5,962,171	-
Financing costs, net of accumulated amortization	1,700,911	57,093	1,758,004	-
Capital assets:				
Land	45,453,542	18,702,604	64,156,146	26,877,316
Construction in progress	30,457,026	56,138,285	86,595,311	4,868,002
Other intangible assets	622,552	3,907,395	4,529,947	-
Subtotal non-depreciable capital assets	<u>76,533,120</u>	<u>78,748,284</u>	<u>155,281,404</u>	<u>31,745,318</u>
Land improvements	23,792,396	409,598	24,201,994	35,766,598
Buildings and building improvements	85,391,143	3,851,897	89,243,040	405,153,233
Distribution and collection systems	-	272,218,082	272,218,082	635,154
Furniture, fixtures and equipment	8,370,222	14,217,772	22,587,994	8,350,212
Technology infrastructure	61,665	-	61,665	777,696
Software	3,894,057	187,574	4,081,631	432,393
Vehicles	15,069,785	2,672,665	17,742,450	20,305,130
Less accumulated depreciation	<u>(40,684,348)</u>	<u>(115,922,031)</u>	<u>(156,606,379)</u>	<u>(129,217,490)</u>
Subtotal depreciable capital assets	<u>95,894,920</u>	<u>177,635,557</u>	<u>273,530,477</u>	<u>342,202,926</u>
Total noncurrent assets	<u>197,421,422</u>	<u>286,377,968</u>	<u>483,799,390</u>	<u>380,563,945</u>
Total assets	<u>\$ 305,270,686</u>	<u>\$ 334,401,803</u>	<u>\$ 639,672,489</u>	<u>\$ 456,220,438</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,643,835	\$ 1,748,021	\$ 4,391,856	\$ 7,634,439
Retainage payable	387,523	1,110,484	1,498,007	172,284
Accrued salaries and benefits	2,105,741	382,782	2,488,523	37,356,493
Accrued insurance claims	1,214,388	113,834	1,328,222	4,157,462
Accrued interest	7,329,362	118,831	7,448,193	-
Arbitrage liability	710,887	98,467	809,354	-
Other accrued liabilities	478,380	9,926	488,306	-
Unearned revenue	1,964,039	-	1,964,039	18,838
Due to component unit	37,407,456	-	37,407,456	-
Deposits	10,401,049	7,233,670	17,634,719	-
Current portion of long-term debt	<u>24,775,876</u>	<u>3,381,717</u>	<u>28,157,593</u>	<u>697,986</u>
Total current liabilities	<u>89,418,536</u>	<u>14,197,732</u>	<u>103,616,268</u>	<u>50,037,502</u>
Noncurrent liabilities:				
Noncurrent portion of long-term debt	356,023,803	39,709,066	395,732,869	7,166,617
Other post-employment benefits	6,300,573	(854,155)	5,446,418	12,434,140
Total noncurrent liabilities	<u>362,324,376</u>	<u>38,854,911</u>	<u>401,179,287</u>	<u>19,600,757</u>
Total liabilities	<u>451,742,912</u>	<u>53,052,643</u>	<u>504,795,555</u>	<u>69,638,259</u>
NET ASSETS				
Invested in capital assets, net of related debt	63,339,727	214,291,000	277,630,727	371,615,809
Restricted:				
Debt service	-	4,866,987	4,866,987	-
Drug enforcement	777,238	-	777,238	-
Construction and maintenance	-	7,298,560	7,298,560	6,615,701
Unrestricted	<u>(210,589,191)</u>	<u>54,892,613</u>	<u>(155,696,578)</u>	<u>8,350,669</u>
Total net assets (deficit)	<u>(146,472,226)</u>	<u>281,349,160</u>	<u>134,876,934</u>	<u>386,582,179</u>
Total liabilities and net assets	<u>\$ 305,270,686</u>	<u>\$ 334,401,803</u>	<u>\$ 639,672,489</u>	<u>\$ 456,220,438</u>

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

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 12,261,364	\$ 1,108	\$ 591,090	\$ -
Judicial administration	6,703,566	277,479	1,697,023	-
Public safety	45,897,812	6,691,261	5,795,343	-
Public works	7,326,583	70,097	-	601,983
Health and social services	13,664,321	292,027	7,752,214	-
Parks, recreation and cultural	10,096,206	1,754,006	-	16,453,700
Community development	4,603,445	1,077,860	579,847	-
Appropriation to School Board:				
School operating	103,189,962	-	-	-
School capital projects	6,189,827	-	-	-
Transportation	3,770,803	28,890	10,729	-
Interest	16,617,439	-	-	-
Total governmental activities	<u>230,321,328</u>	<u>10,192,728</u>	<u>16,426,246</u>	<u>17,055,683</u>
Business-type activities:				
Water and Sewer	<u>31,035,605</u>	<u>22,675,662</u>	<u>3,496,906</u>	<u>8,644,800</u>
Total primary government	<u>\$ 261,356,933</u>	<u>\$ 32,868,390</u>	<u>\$ 19,923,152</u>	<u>\$ 25,700,483</u>
Component unit:				
Stafford County School Board	<u>\$ 275,344,685</u>	<u>\$ 21,992,880</u>	<u>\$ 140,144,414</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

Total general revenues

Change in net assets

Net assets (deficit), beginning

Net assets (deficit), ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	School Board
\$ (11,669,166)	\$ -	\$ (11,669,166)	\$ -
(4,729,064)	-	(4,729,064)	-
(33,411,208)	-	(33,411,208)	-
(6,654,503)	-	(6,654,503)	-
(5,620,080)	-	(5,620,080)	-
8,111,500	-	8,111,500	-
(2,945,738)	-	(2,945,738)	-
(103,189,962)	-	(103,189,962)	-
(6,189,827)	-	(6,189,827)	-
(3,731,184)	-	(3,731,184)	-
(16,617,439)	-	(16,617,439)	-
(186,646,671)	-	(186,646,671)	-
-	3,781,763	3,781,763	-
(186,646,671)	3,781,763	(182,864,908)	-
			\$ (113,207,391)
168,106,174	-	168,106,174	-
9,798,938	-	9,798,938	-
3,943,817	-	3,943,817	-
8,980,886	-	8,980,886	-
2,312,394	-	2,312,394	-
308,624	-	308,624	-
3,003,559	-	3,003,559	-
1,295,345	-	1,295,345	-
5,600,607	-	5,600,607	-
49,263	-	49,263	-
1,213,049	-	1,213,049	-
359,693	-	359,693	-
15,599,795	-	15,599,795	103,189,962
205,052	964,691	1,169,743	24,374
570,010	41,841	611,851	1,782,243
221,347,206	1,006,532	222,353,738	104,996,579
34,700,535	4,788,295	39,488,830	(8,210,812)
(181,172,761)	276,560,865	95,388,104	394,792,991
\$ (146,472,226)	\$ 281,349,160	\$ 134,876,934	\$ 386,582,179

COUNTY OF STAFFORD, VIRGINIA

Exhibit III

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	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	\$ 72,950,075	\$ 3,191,218	\$ -	\$ 8,867,860	\$ 85,009,153
Restricted assets:					
Cash	2,296,653	-	1,615,128	53,589	3,965,370
Cash with fiscal agents	5,000	2,701,632	10,658,298	-	13,364,930
Receivables, net of allowance for uncollectibles:					
Property taxes	14,432,517	-	-	64,141	14,496,658
Accounts	1,677,802	218,445	25,000	135,755	2,057,002
Intergovernmental	4,765,082	1,002,577	-	-	5,767,659
Due from other funds	522,322	-	-	1,503	523,825
Inventory	2,054	-	-	-	2,054
Prepaid expenditures	935,274	-	-	-	935,274
Total assets	<u>\$ 97,586,779</u>	<u>\$ 7,113,872</u>	<u>\$ 12,298,426</u>	<u>\$ 9,122,848</u>	<u>\$ 126,121,925</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,444,548	\$ 10,895	\$ 1,098,875	\$ 89,517	\$ 2,643,835
Retainage payable	37,668	676	336,004	13,175	387,523
Deposits	10,401,049	-	-	-	10,401,049
Accrued salaries and benefits	2,088,759	-	11,389	5,593	2,105,741
Other accrued liabilities	478,380	-	-	-	478,380
Due to other funds	420,039	-	-	522,322	942,361
Due to component unit	37,407,456	-	-	-	37,407,456
Deferred revenue	8,289,111	-	-	50,713	8,339,824
Total liabilities	<u>60,567,010</u>	<u>11,571</u>	<u>1,446,268</u>	<u>681,320</u>	<u>62,706,169</u>
Fund Balances:					
Reserved for:					
Debt service	300,000	-	-	54,554	354,554
Drug enforcement	-	-	-	755,977	755,977
Inventory	2,054	-	-	-	2,054
Pre-paid items	935,274	-	-	-	935,274
Unreserved:					
Designated:					
Encumbrances:					
General Fund	1,892,725	-	-	-	1,892,725
Special Revenue Funds:					
Transportation	-	659,031	-	192,524	851,555
Drug enforcement	-	-	-	21,262	21,262
Community Development	-	-	-	395,765	395,765
Capital Projects Funds	-	-	10,852,158	-	10,852,158
Capital improvements:					
Special Revenue Funds:					
Transportation	-	5,080,267	-	6,464,746	11,545,013
General Fund designations:					
Revenue stabilization	1,187,671	-	-	-	1,187,671
Capital Projects Reserve	1,500,000	-	-	-	1,500,000
Stafford Opportunity Fund	500,000	-	-	-	500,000
Future expenditures - Grants/capital	4,433,828	-	-	-	4,433,828
Undesignated	26,268,217	-	-	-	26,268,217
Undesignated, Special Revenue Funds	-	1,363,003	-	556,700	1,919,703
Total fund balances	<u>37,019,769</u>	<u>7,102,301</u>	<u>10,852,158</u>	<u>8,441,528</u>	<u>63,415,756</u>
Total liabilities and fund balances	<u>\$ 97,586,779</u>	<u>\$ 7,113,872</u>	<u>\$ 12,298,426</u>	<u>\$ 9,122,848</u>	<u>\$ 126,121,925</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, 2010**

Total fund balances- total governmental funds **\$ 63,415,756**

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	\$ 213,112,388	
Less accumulated depreciation	<u>(40,684,348)</u>	
Net capital assets		172,428,040

Deferred revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.		6,375,785
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Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Investment in joint venture	5,962,171	
Financing costs	2,004,251	
Less accumulated amortization	<u>(303,340)</u>	
		7,663,082

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	(88,205,000)	
General obligation bonds	(265,990,797)	
Literary loans	(4,828,782)	
Capital leases	(7,978,053)	
Compensated absences	(6,100,586)	
Deferred amounts for bond premiums	(7,735,698)	
Deferred loss on refunding	39,237	
Arbitrage liability	(710,887)	
Accrued insurance claims	(1,214,388)	
Interest payable	(7,329,362)	
Net other post-employment benefits obligation	(6,300,573)	
		<u>(396,354,889)</u>

Net Assets (Deficit) of Governmental Activities		\$ <u>(146,472,226)</u>
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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, 2010

	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 167,562,711	\$ -	\$ -	\$ 1,204,858	\$ 168,767,569
Other local taxes	26,987,554	3,943,817	-	3,952,596	34,883,967
Permits, privilege fees and regulatory licenses	4,058,796	-	-	-	4,058,796
Fines and forfeitures	729,490	-	-	-	729,490
Use of money and property	385,173	6,533	54,013	19,488	465,207
Charges for services	4,991,577	-	-	2,263	4,993,840
Miscellaneous	4,754,984	12,903	5,000	4,332	4,777,219
Intergovernmental	28,722,135	779,888	-	884,413	30,386,436
Total revenues	<u>238,192,420</u>	<u>4,743,141</u>	<u>59,013</u>	<u>6,067,950</u>	<u>249,062,524</u>
EXPENDITURES					
Current operating:					
General government	11,794,097	4,002,270	-	-	15,796,367
Judicial administration	6,476,303	-	-	9,373	6,485,676
Public safety	42,149,367	-	-	2,666,804	44,816,171
Public works	4,382,841	-	-	-	4,382,841
Health and social services	13,564,781	-	-	-	13,564,781
Parks, recreation and cultural	9,347,681	-	173,965	558,056	10,079,702
Community development	4,521,530	-	-	-	4,521,530
Appropriation to School Board:					
School operating	103,189,962	-	-	-	103,189,962
School capital projects	-	-	6,189,827	-	6,189,827
Capital outlay	87,491	48,985	13,885,081	438,467	14,460,024
Debt service:					
Principal	22,436,779	-	-	25,000	22,461,779
Interest and fiscal charges	17,799,543	-	4,532	35,906	17,839,981
Total expenditures	<u>235,750,375</u>	<u>4,051,255</u>	<u>20,253,405</u>	<u>3,733,606</u>	<u>263,788,641</u>
Deficiency of revenues under expenditures	<u>2,442,045</u>	<u>691,886</u>	<u>(20,194,392)</u>	<u>2,334,344</u>	<u>(14,726,117)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	679,632	135,670	1,244,717	-	2,060,019
Transfers out	(1,380,387)	(27,883)	-	(651,749)	(2,060,019)
Issuance of debt:					
Bonds	-	-	5,740,000	-	5,740,000
Bond premiums	-	-	449,827	-	449,827
Capital leases	-	-	350,054	-	350,054
Total other financing sources (uses), net	<u>(700,755)</u>	<u>107,787</u>	<u>7,784,598</u>	<u>(651,749)</u>	<u>6,539,881</u>
Net change in fund balances	1,741,290	799,673	(12,409,794)	1,682,595	(8,186,236)
Fund balance, beginning	35,278,479	6,302,628	23,261,952	6,758,933	71,601,992
Fund balance, ending	<u>\$ 37,019,769</u>	<u>\$ 7,102,301</u>	<u>\$ 10,852,158</u>	<u>\$ 8,441,528</u>	<u>\$ 63,415,756</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, 2010**

Net change in fund balances - total governmental funds **\$ (8,186,236)**

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	\$ 17,834,948	
Donated assets	16,620,710	
Less depreciation expense	<u>(6,236,697)</u>	
Excess of capital outlay over depreciation		28,218,961

In the statement of activities, only the gain (loss) on capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the cost of the capital assets sold.

(126,973)

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	(811,373)	
Change in joint venture investment	<u>(466,215)</u>	
		(1,277,588)

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	(5,740,000)	
Bond premium	(449,827)	
Capital lease financing	(200,054)	
Debt issuance costs	9,000	
Arbitrage	(28,361)	
Principal repayments:		
General obligation debt	19,638,050	
Capital leases	<u>2,823,730</u>	
		16,052,538

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	957,140	
Compensated absences	201,222	
Accrued insurance claims	(98,548)	
Amortization of premium, financing costs and deferred loss on refunding, net	284,763	
Change in net other post-employment benefits obligation	<u>(1,324,744)</u>	
		19,833

Change in net assets of governmental activities **\$ 34,700,535**

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

COUNTY OF STAFFORD, VIRGINIA

Exhibit VII

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010**

	Business Type Activity - Enterprise Fund Water and Sewer Fund
ASSETS	
Current assets:	
Equity in pooled cash and investments	\$ 42,553,137
Receivables, net of allowance for uncollectibles	4,495,172
Due from other funds	418,536
Inventory	556,990
Total current assets	<u>48,023,835</u>
Noncurrent assets:	
Restricted cash and cash equivalents	29,937,034
Financing costs, net of accumulated amortization	57,093
Capital assets:	
Land	18,702,604
Construction in progress	56,138,285
Other intangible assets	3,907,395
Land improvements	409,598
Buildings and building improvements	3,851,897
Distribution and collection systems	272,218,082
Furniture, fixtures and equipment	14,217,772
Vehicles	2,672,665
Software	187,574
Less accumulated depreciation	<u>(115,922,031)</u>
Total capital assets (net of accumulated depreciation)	<u>256,383,841</u>
Total noncurrent assets	<u>286,377,968</u>
Total assets	<u>\$ 334,401,803</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,748,021
Retainage payable	1,110,484
Accrued salaries and benefits	382,782
Accrued interest	118,831
Other liabilities	222,227
Deposits	7,233,670
Current portion of long-term debt	<u>3,381,717</u>
Total current liabilities	<u>14,197,732</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	39,709,066
Other post-employment benefits	<u>(854,155)</u>
	<u>38,854,911</u>
Total liabilities	<u>53,052,643</u>
NET ASSETS	
Invested in capital assets, net of related debt	214,291,000
Restricted:	
Debt service	4,866,987
Construction and maintenance	7,298,560
Unrestricted	<u>54,892,613</u>
Total net assets	<u>281,349,160</u>
Total liabilities and net assets	<u>\$ 334,401,803</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	Business-Type Activity - Enterprise Fund <u>Water and Sewer Fund</u>
Operating revenues:	
Charges for services	\$ 22,675,662
Miscellaneous	41,841
Total operating revenues	<u>22,717,503</u>
Operating expenses:	
Personnel services	10,685,129
Contractual services	1,877,176
Materials and supplies	3,536,522
Heat, light and power	1,363,217
Telecommunication and internal services	1,793,701
Miscellaneous	1,112,808
Depreciation	10,163,563
Total operating expenses	<u>30,532,116</u>
Operating loss	<u>(7,814,613)</u>
Nonoperating revenues (expenses):	
Interest and investment revenue	964,691
Interest expense	(215,749)
Loss on disposal of capital assets	(287,740)
Total nonoperating revenues, net	<u>461,202</u>
Loss before contributions	<u>(7,353,411)</u>
Capital contributions:	
Donated capital assets	1,826,736
State reimbursement for capital projects	3,496,906
Availability fees	6,321,083
Prorata fees	496,981
Total capital contributions	<u>12,141,706</u>
Change in net assets	4,788,295
Total net assets, beginning	<u>276,560,865</u>
Total net assets, ending	<u><u>\$ 281,349,160</u></u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	Business-Type Activity - Enterprise Fund Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 22,780,504
Other revenues	41,841
Other expenses	(1,112,808)
Payments to suppliers	(8,546,054)
Payments to employees	(10,616,050)
Net cash provided by operating activities	<u>2,547,433</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(27,836,367)
Principal paid on revenue bond maturities	(3,435,000)
Interest paid on revenue bonds	(238,982)
OPEB trust fund contributions	(1,050,000)
Proceeds from indebtedness	33,287,842
State reimbursement	3,496,906
Proceeds from sale of fixed assets	18,549
Availability fees and prorata fees	6,818,064
Net cash used in capital and related financing activities	<u>11,061,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	<u>964,691</u>
Net decrease in cash and cash equivalents	14,573,136
Cash and cash equivalents, beginning	<u>57,917,035</u>
Cash and cash equivalents, ending	<u>\$ 72,490,171</u>
Equity in pooled cash and investments	\$ 42,553,137
Restricted cash and cash equivalents	<u>29,937,034</u>
Total cash and cash equivalents	<u>\$ 72,490,171</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (7,814,613)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	10,163,563
Increase in OPEB liability	182,830
Change in assets and liabilities:	
Decrease in accounts receivable	44,776
Increase in accrued liabilities	21,193
Decrease in inventory	53,426
Decrease in accounts payable	(215,907)
Increase in deposits	60,066
Increase in compensated absences	52,099
Total adjustments	<u>10,362,046</u>
Net cash provided by operating activities	<u>\$ 2,547,433</u>

Supplemental disclosure of noncash capital and related financing activities:
The Water and Sewer Fund received donated assets in 2010 valued at \$1,826,736.

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Agency Funds</u>	<u>Post-employment Trust Fund</u>
ASSETS		
Current assets:		
Cash and short-term investments	\$ 2,359,012	\$ 2,690,962
Receivables:		
Property taxes	1,199,752	-
Accounts	<u>281,926</u>	<u>12</u>
Total assets	<u>\$ 3,840,690</u>	<u>\$ 2,690,974</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 164,109	\$ -
Accrued salaries and benefits	55,755	-
Other liabilities	62,062	-
Reserve for future expenses	1,783,190	-
Reserve for bondholders	<u>1,775,574</u>	<u>-</u>
Total liabilities	<u>\$ 3,840,690</u>	<u>-</u>
NET ASSETS		
Held in trust for other post-employment benefits		<u>\$ 2,690,974</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, 2010

	Retired Employees Health Insurance Plan Trust Fund
ADDITIONS	
Employer contributions	\$ 1,050,000
Investments:	
Interest	76
Net increase (decrease) in fair market value of investments	175,864
Total investment earnings	175,940
Less investment expense	(1,689)
Net investment earnings	174,251
Total additions	1,224,251
DEDUCTIONS	
Administration	375
Change in Net Assets	1,223,876
Net Assets held in trust for Post-Employment Benefits	
Beginning of year	1,467,098
End of year	\$ 2,690,974

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, 2010

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 125,892.

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 as 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 that they are legally separate from the primary government. The component unit discussed below is included in the County's financial report because of the significance of its operational or financial relationship with the County.

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 unit is presented in a separate column in the government-wide financial statements to emphasize that it is 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 government-wide Statement of Activities is reported using the economic resources measurement focus and accrual basis of accounting which reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2010.

(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.
 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
- 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 current financial resources. Generally, only current assets and current liabilities are included on the balance sheet for this presentation. 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 other 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.

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 include the cost of sales and services, administrative expenses, and depreciation on

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
Road Impact Fee - West
E-911 Fund
Asset Forfeiture Fund
Tourism Fund
Hidden Lake Dam Fund
General Capital Projects Fund

Component Unit – School Board

School Operating Fund
School Nutrition Fund
School Grant Fund
School Capital Projects Fund
State Fiscal Stabilization 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, 2010. 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 2010.
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 municipal bonds, corporate notes and bonds and obligations of the federal government which are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. Investment earnings are allocated to the various funds based on equity in the investment pool.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 June 2008.

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, as well as an operating reserve for repair, renewal and rehabilitation of capital assets.

Generally, the County uses restricted assets first 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.

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 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 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.

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:

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
	<u>Governmental Funds</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
Software	3 – 5 years	5 years
Technology infrastructure	5 years	20 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>Component Unit – School Board</u>
	<u>Water and Sewer</u>	<u>Fleet Services</u>
	<u>Fund</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
Software	3 – 5 years	5 years

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

I. REAL ESTATE AND PERSONAL PROPERTY DATA

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

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

J. COMPENSATED ABSENCES

County employees accumulate vacation time and sick leave depending upon their length of service. The County has established accumulated leave balance thresholds for vacation and compensatory leave. There is no threshold on accumulated sick leave. Vacation leave up to the established threshold and a portion of sick leave time is payable upon termination of employment. Compensatory time earned by County employees up to the established threshold is also payable upon termination of employment. The current and long-term portions of the governmental funds' accumulated vacation, sick leave, and compensatory time for 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Of the \$155.7 million net asset deficit, \$233.0 million is attributed to debt for school property and equipment.

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 – segregated for satisfying debt service requirements.

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

Inventory – reserved for allocation to operations

Pre-paid Items – segregated for expenditures applicable to future accounting periods.

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.

General Fund Designations – the Board of Supervisors has established three reserves:

Revenue Stabilization – to reduce fiscal stress in times of economic downturn

Capital Projects – for future capital projects

Stafford Opportunity Fund – to promote economic development in the County

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).

The Treasurer has invested proceeds of the 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 invests 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, 2010 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, 2010 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:

Investments	Value				
	AAA/AAAm	AA+	AA	AA-	BBB-
U. S. Agencies	\$ 36,851,119	\$ -	\$ -	\$ -	\$ -
Municipal Bonds	-	403,050	1,217,776	-	-
Corporate Notes and Bonds	8,098,870	731,249	35,596	530,357	188,562
Money Market	2,571,251	-	-	-	-
LGIP	56,404,447	-	-	-	-
SNAP	10,658,298	-	-	-	-

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, 2010, 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.

Investment Type	Investment Maturities		
	<90 days	91-365 days	365+ days
US Agencies	\$ 1,713,359	\$ 11,371,014	\$ 23,766,746
Municipal Bonds	403,530	1,217,296	-
Corporate Obligations	-	3,193,353	6,391,281
Money Market	2,571,251	-	-

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:

	Value
Investments	AAA
VACo/VML Pooled OPEB Trust	\$ 2,236,275
LGIP	4,739,291
SNAP	6,615,701

Note 3. RECEIVABLES

Receivables at June 30, 2010 consist of the following:

Primary Government

	General Fund	Transportation Fund	General Capital Projects Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Totals
Property taxes	\$ 18,359,405	\$ -	\$ -	\$ 65,794	\$ -	\$ 18,425,199
Accounts	1,677,802	218,445	25,000	135,755	4,590,976	6,647,978
Intergovernmental	<u>4,765,082</u>	<u>1,002,577</u>	<u>-</u>	<u>-</u>	<u>436,995</u>	<u>6,204,654</u>
Gross Receivables	24,802,289	1,221,022	25,000	201,549	5,027,971	31,277,831
Less:						
Allowance for uncollectible accounts	<u>(3,926,888)</u>	<u>-</u>	<u>-</u>	<u>(1,653)</u>	<u>(532,799)</u>	<u>(4,461,340)</u>
Net Receivables	<u>\$ 20,875,401</u>	<u>\$ 1,221,022</u>	<u>\$ 25,000</u>	<u>\$ 199,896</u>	<u>\$ 4,495,172</u>	<u>\$ 26,816,491</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	\$ 6,325,072	\$ -
Advance collection of 2010-2011 taxes	-	194,400
Ground lease	-	1,671,429
Other	<u>-</u>	<u>98,210</u>
	<u>\$ 6,325,072</u>	<u>\$ 1,964,039</u>

Component Unit – Stafford County Public Schools

	Operating Fund	Nutrition Services Fund	Grants Fund	State Fiscal Stabilization Fund	Capital Projects Fund	Health Benefits Fund	Fleet Services Fund	Totals
Accounts receivable	\$ 264,366	\$ 40,422	\$ 4,952	\$ -	\$ 26,292	\$ 48,473	\$ 592	\$ 385,097
Intergovernmental	4,731,312	234,333	1,473,980	1,868,575	-	-	-	8,308,200
Due from Primary Government	<u>37,407,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,407,456</u>
Net Receivables	<u>\$ 42,403,134</u>	<u>\$ 274,755</u>	<u>\$ 1,478,932</u>	<u>\$ 1,868,575</u>	<u>\$ 26,292</u>	<u>\$ 48,473</u>	<u>\$ 592</u>	<u>\$ 46,700,753</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, 2010:

PRIMARY GOVERNMENT Governmental Activities

	Balance June 30, 2009	Increases	Decreases	Reclassifications	Balance June 30, 2010
Capital assets not being depreciated:					
Land	\$ 29,187,862	\$ 16,273,500	\$ -	\$ (7,820)	\$ 45,453,542
Intangible Asset - Other	-	614,732	-	7,820	622,552
Construction in progress	<u>26,684,151</u>	<u>12,756,227</u>	<u>(44,779)</u>	<u>(8,938,573)</u>	<u>30,457,026</u>
Total capital assets not being depreciated	<u>55,872,013</u>	<u>29,644,459</u>	<u>(44,779)</u>	<u>(8,938,573)</u>	<u>76,533,120</u>
Capital assets being depreciated:					
Land improvements	14,464,963	818,875	-	8,508,558	23,792,396
Buildings and building improvements	82,827,806	2,133,322	-	430,015	85,391,143
Furniture, fixtures and equipment	12,515,579	824,111	(1,254,202)	(3,715,266)	8,370,222
Intangible Asset - Software	-	178,791	-	3,715,266	3,894,057
Technology Infrastructure	-	61,665	-	-	61,665
Vehicles	<u>15,134,559</u>	<u>794,436</u>	<u>(859,210)</u>	<u>-</u>	<u>15,069,785</u>
Total capital assets being depreciated	<u>124,942,907</u>	<u>4,811,200</u>	<u>(2,113,412)</u>	<u>8,938,573</u>	<u>136,579,268</u>
Less accumulated depreciation for:					
Land improvements	(6,366,626)	(916,603)	-	-	(7,283,229)
Buildings and building improvements	(12,433,256)	(2,820,526)	-	-	(15,253,782)
Furniture, fixtures and equipment	(9,126,171)	(616,355)	1,239,517	3,314,592	(5,188,417)
Intangible Asset - Software	-	(281,747)	-	(3,314,592)	(3,596,339)
Technology Infrastructure	-	(6,166)	-	-	(6,166)
Vehicles	<u>(8,552,816)</u>	<u>(1,595,300)</u>	<u>791,701</u>	<u>-</u>	<u>(9,356,415)</u>
Total accumulated depreciation	<u>(36,478,869)</u>	<u>(6,236,697)</u>	<u>2,031,218</u>	<u>-</u>	<u>(40,684,348)</u>
Total capital assets being depreciated, net	<u>88,464,038</u>	<u>(1,425,497)</u>	<u>(82,194)</u>	<u>8,938,573</u>	<u>95,894,920</u>
Total capital assets, governmental activities	<u>\$ 144,336,051</u>	<u>\$ 28,218,962</u>	<u>\$ (126,973)</u>	<u>\$ -</u>	<u>\$ 172,428,040</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 478,651
Judicial administration	111,496
Public safety	1,799,114
Public works	2,774,070
Health and social services	6,368
Parks, recreation and cultural	913,875
Community development	72,335
Transportation	80,788
Total	<u>\$ 6,236,697</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, 2010:

PRIMARY GOVERNMENT

Business-type Activities

Water and Sewer Fund

	Balance June 30, 2009	Increases	Decreases	Reclassifications	Balance June 30, 2010
Capital assets not being depreciated:					
Land	\$ 17,896,885	\$ 986,455	\$ -	\$ (180,737)	\$ 18,702,604
Intangible Asset - Other	-	3,726,658	-	180,737	3,907,395
Construction in progress	<u>41,674,033</u>	<u>22,763,078</u>	-	<u>(8,298,825)</u>	<u>56,138,285</u>
Total capital assets not being depreciated	<u>59,570,918</u>	<u>27,476,191</u>	-	<u>(8,298,825)</u>	<u>78,748,284</u>
Capital assets being depreciated:					
Land improvements	409,598	-	-	-	409,598
Buildings and building improvements	3,851,897	-	-	-	3,851,897
Distribution and collection systems	261,593,292	2,325,964	-	8,298,825	272,218,082
Furniture, fixtures and equipment	14,878,342	263,923	(736,918)	(187,574)	14,217,772
Intangible Asset - Software	-	-	-	187,574	187,574
Vehicles	<u>2,694,053</u>	<u>206,452</u>	<u>(227,840)</u>	-	<u>2,672,665</u>
Total capital assets being depreciated	<u>283,427,182</u>	<u>2,796,339</u>	<u>(964,758)</u>	<u>8,298,825</u>	<u>293,557,588</u>
Less accumulated depreciation for:					
Land improvements	(240,918)	(11,843)	-	-	(252,761)
Buildings and building improvements	(1,444,265)	(112,173)	-	-	(1,556,438)
Distribution and collection systems	(94,163,678)	(8,504,183)	-	-	(102,667,861)
Furniture, fixtures and equipment	(8,510,021)	(1,255,543)	430,629	149,974	(9,184,962)
Intangible Asset - Software	-	(18,800)	-	(149,974)	(168,774)
Vehicles	<u>(2,122,321)</u>	<u>(196,755)</u>	<u>227,840</u>	-	<u>(2,091,235)</u>
Total accumulated depreciation	<u>(106,481,203)</u>	<u>(10,099,297)</u>	<u>658,469</u>	-	<u>(115,922,031)</u>
Total capital assets being depreciated, net	<u>176,945,979</u>	<u>(7,302,958)</u>	<u>\$ (306,289)</u>	<u>8,298,825</u>	<u>177,635,557</u>
Total capital assets, business-type activities	<u>\$ 236,516,897</u>	<u>\$ 20,173,233</u>	<u>\$ (306,289)</u>	<u>\$ -</u>	<u>\$ 256,383,841</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, 2010:

COMPONENT UNIT – Stafford County Public Schools Governmental Activities

	Balance June 30, 2009	Increases	Decreases	Reclassifications	Balance June 30, 2010
Capital assets not being depreciated:					
Land	\$ 26,636,343	\$ 248,370	\$ -	\$ (44,754)	\$ 26,839,959
Computers not placed in service	-	119,260	-	-	119,260
Construction in progress	11,176,577	2,134,143	(547,666)	(7,895,052)	4,868,002
Total capital assets not being depreciated	37,812,920	2,501,773	(547,666)	(7,939,806)	31,827,221
Capital assets being depreciated:					
Land improvements	31,616,318	1,173,269	-	2,034,041	34,823,628
Buildings and building improvements	396,829,071	1,290,598	-	5,866,075	403,985,744
Furniture, fixtures and equipment	7,808,821	469,588	(169,302)	-	8,109,107
Vehicles	18,926,146	1,764,000	(418,293)	-	20,271,853
Software	282,804	70,864	-	-	353,668
Technology infrastructure	65,908	672,098	-	39,690	777,696
Distribution and collection systems	635,154	-	-	-	635,154
Total capital assets being depreciated	456,164,222	5,440,417	(587,595)	7,939,806	468,956,850
Less accumulated depreciation for:					
Land improvements	(5,342,669)	(1,744,824)	-	-	(7,087,493)
Buildings and building improvements	(94,538,146)	(9,875,592)	-	-	(104,413,738)
Furniture, fixtures and equipment	(4,196,387)	(675,250)	163,770	-	(4,707,867)
Vehicles	(11,106,201)	(905,034)	418,292	-	(11,592,943)
Software	(76,983)	(63,647)	-	-	(140,630)
Technology infrastructure	(3,785)	(21,090)	-	-	(24,875)
Distribution and collection systems	(298,742)	(37,235)	-	-	(335,977)
Total accumulated depreciation	(115,562,913)	(13,322,672)	582,062	-	(128,303,523)
Total capital assets being depreciated, net	340,601,309	(7,882,255)	(5,533)	7,939,806	340,653,327
Total capital assets, governmental activities	\$ 378,414,229	\$ (5,380,482)	\$ (553,199)	\$ -	\$ 372,480,548

Depreciation expense was charged to governmental functions as follows:

School Operating Fund	\$ 1,817,001
Nutrition Services Fund	26,553
Grants Fund	31,967
Construction Fund	11,447,151
Total	\$ 13,322,672

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, 2010:

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

Proprietary Fund - Fleet Services	Balance June 30, 2009	Increases	Decreases	Reclassifications	Balance June 30, 2010
Capital assets not being depreciated:					
Land	\$ 37,357	\$ -	\$ -	\$ -	\$ 37,357
Capital assets being depreciated:					
Land improvements	942,970	-	-	-	942,970
Buildings and building improvements	1,200,740	-	(33,251)	-	1,167,489
Furniture, fixtures and equipment	109,893	11,952	-	-	121,845
Vehicles	33,277	-	-	-	33,277
Software	-	78,725	-	-	78,725
Total capital assets being depreciated	<u>2,286,880</u>	<u>90,677</u>	<u>(33,251)</u>	<u>-</u>	<u>2,344,306</u>
Less accumulated depreciation for:					
Land improvements	(131,212)	(47,515)	-	-	(178,727)
Buildings and building improvements	(653,389)	(34,664)	23,525	-	(664,528)
Furniture, fixtures and equipment	(41,488)	(8,464)	-	-	(49,952)
Vehicles	(8,728)	(4,160)	-	-	(12,888)
Software	-	(7,872)	-	-	(7,872)
Total accumulated depreciation	<u>(834,817)</u>	<u>(102,675)</u>	<u>23,525</u>	<u>-</u>	<u>(913,967)</u>
Total capital assets being depreciated, net	<u>1,452,063</u>	<u>(11,998)</u>	<u>(9,726)</u>	<u>-</u>	<u>1,430,339</u>
Total capital assets, business-type activities	<u>\$ 1,489,420</u>	<u>\$ (11,998)</u>	<u>\$ (9,726)</u>	<u>\$ -</u>	<u>\$ 1,467,696</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, 2010:

	Amounts Payable at June 30, 2009	Increases	Decreases	Amounts Payable at June 30, 2010	Amounts Due within One Year
Bonds Payable:					
General obligation bonds	\$ 266,648,806	\$ 5,740,000	\$ (15,181,866)	\$ 257,206,940	\$ 14,907,306
Lease revenue Bonds	91,890,000	-	(3,685,000)	88,205,000	3,735,000
Plus deferred amounts for bond premiums	<u>7,656,768</u>	<u>449,827</u>	<u>(370,897)</u>	<u>7,735,698</u>	<u>-</u>
Bonds payable including deferred amounts for bond premiums	366,195,574	6,189,827	(19,237,763)	353,147,638	18,642,306
Less deferred loss on refunding	<u>(47,496)</u>	<u>8,260</u>	<u>-</u>	<u>(39,236)</u>	<u>-</u>
Total bonds payable	<u>366,148,078</u>	<u>6,198,087</u>	<u>(19,237,763)</u>	<u>353,108,402</u>	<u>18,642,306</u>
Literary loans	5,484,931	-	(656,149)	4,828,782	656,149
VRA loan	9,147,259	-	(363,402)	8,783,857	374,386
Capital leases	10,601,729	200,054	(2,823,730)	7,978,053	2,547,914
**Compensated absences	<u>6,301,808</u>	<u>4,563,992</u>	<u>(4,765,214)</u>	<u>6,100,586</u>	<u>2,555,119</u>
Governmental activities long-term liabilities	<u>\$ 397,683,805</u>	<u>\$ 10,962,133</u>	<u>\$ (27,846,258)</u>	<u>\$ 380,799,680</u>	<u>\$ 24,775,874</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:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 14,907,306	\$ 12,364,153	\$ 3,735,000	\$ 4,158,850
2012	14,699,536	11,670,215	3,785,000	4,008,810
2013	14,244,830	10,923,506	3,490,000	3,856,805
2014	14,069,735	10,195,067	3,530,000	3,716,550
2015	13,954,044	9,471,381	3,570,000	3,574,689
2016-2020	66,399,050	36,793,165	18,520,000	15,489,821
2021-2025	51,972,439	21,987,818	16,860,000	11,070,051
2026-2030	50,950,000	9,542,949	14,085,000	7,348,564
2031-2035	16,010,000	974,229	14,820,000	3,451,912
2036-2037	-	-	5,810,000	309,225
Total	<u>\$ 257,206,940</u>	<u>\$ 123,922,483</u>	<u>\$ 88,205,000</u>	<u>\$ 56,985,277</u>

Note 5. LONG-TERM DEBT (Continued)

Year Ending June 30,	<u>Literary Loans</u>	
	Principal	Interest
2011	\$ 656,149	\$ 144,863
2012	511,149	126,529
2013	466,149	109,845
2014	466,149	95,860
2015	466,149	81,876
2016-2020	1,830,745	207,111
2021-2022	<u>432,292</u>	<u>19,453</u>
Total	<u>\$ 4,828,782</u>	<u>\$ 785,537</u>

Year Ending June 30,	<u>Capital Leases</u>		<u>VRA Loan</u>	
	Principal	Interest	Principal	Interest
2011	\$ 2,547,914	\$ 329,423	\$ 374,386	\$ 260,729
2012	1,681,142	230,810	385,702	249,413
2013	1,381,534	158,714	397,360	237,755
2014	771,431	102,383	409,370	225,745
2015	445,728	68,591	421,743	213,372
2016-2020	1,150,304	95,821	2,307,807	867,768
2021-2025	-	-	2,678,304	497,271
2026-2028	<u>-</u>	<u>-</u>	<u>1,809,185</u>	<u>96,160</u>
Total	<u>\$ 7,978,053</u>	<u>\$ 985,742</u>	<u>\$ 8,783,857</u>	<u>\$ 2,648,213</u>

General Obligation Bonds

**Outstanding
Balance
June 30, 2010**

\$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 \$22,121	\$ 6,622,121
\$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 (\$34,606)	<u>1,060,394</u>
Total General Obligation Bonds	<u>7,682,515</u>

Virginia Public School Authority General Obligation Bonds

\$2,875,000 issued August 30, 1990, maturing annually in varying installments of \$150,000 - \$190,000 through July 15, 2010; interest at 6.47% to 7.10%, payable semiannually.....	\$ 190,000
\$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.....	210,000
\$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	482,666

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2010**

\$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	\$ 179,833
\$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	890,000
\$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	595,000
\$6,260,000 issued November 18, 1993, maturing annually in varying installments of \$30,000 - \$325,000 through December 15, 2013; interest at 4.70% to 5.00%, payable semiannually	260,000
\$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	855,000
\$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	1,620,000
\$2,794,068 issued November 22, 1994, maturing annually in varying installments of \$134,520 - \$178,092 through July 15, 2014; interest at 6.10% to 6.60%, payable semiannually	1,150,000
\$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	833,420
\$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	180,000
\$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	840,000
\$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	707,271
\$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	2,240,000
\$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	2,295,000
\$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	1,875,000
\$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	3,360,000

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2010**

\$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	\$ 5,180,000
\$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	2,074,943
\$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	4,410,000
\$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	9,000,000
\$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	5,169,912
\$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	5,060,000
\$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	2,325,000
\$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	6,060,000
\$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	5,822,920
\$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 \$66,849	1,806,849
\$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 \$44,775	1,214,775
\$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 \$327,023	5,157,023
\$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 \$1,418,735	47,983,735

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2010**

\$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 \$235,015	\$ 4,252,646
\$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 \$253,190	7,768,190
\$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 \$302,962	8,907,962
\$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 \$543,870	16,818,870
\$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 \$235,157	9,165,157
\$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 \$558,071	38,898,071
\$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 \$57,948	5,942,948
\$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 \$316,142	13,361,142
\$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 \$313,078	10,473,078
\$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 \$377,004.....	11,642,004
\$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 \$4,552	1,669,552
\$5,740,000 issued May 13, 2010, maturing annually in varying installments of \$280,000to \$510,000 through July 15, 2025, interest varying from 3.05% to 5.05%, payable semi-annually, including net premium of \$445,883.....	<u>6,185,883</u>
Total Virginia Public School Authority General Obligation Bonds	<u>255,113,850</u>

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2010****Lease Revenue Bonds**

\$47,030,000 issued June 27, 2006, maturing annually in varying installments of \$815,000 to \$2,985,000 through August 1, 2036, interest varying from 4.00% to 5.25%, payable semi-annually, including premium of \$1,728,119	\$ 47,093,119
\$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 \$347,110.....	42,412,110
\$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 \$31,808.....	<u>806,808</u>
Total Lease Revenue Bonds	<u>90,312,037</u>
Total Bonds Payable	<u>\$ 353,108,402</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.....	\$ 75,000
\$1,400,000 issued November 1, 1990, due in annual installments of \$70,000 through November 1, 2011	70,000
\$900,000 issued May 15, 1992, due in annual installments of \$45,000 through May 15, 2012	90,000
\$5,000,000 issued November 1, 1997 due in annual installments of \$250,000 through November 1, 2017	2,000,000
\$4,322,974 issued August 15, 2001, due in annual installments of \$216,149 through August 15, 2021	<u>2,593,782</u>
Total State Literary Fund Loans	<u>\$ 4,828,782</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>\$ 8,783,857</u>
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Note 5. LONG-TERM DEBT (Continued)

**Outstanding
Balance
June 30, 2010**

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	\$ 166,384
\$530,000 issued January 1, 2001, maturing annually in installments of \$53,000 through December 1, 2011; interest at 4.45%, payable semi-annually	106,000
\$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	51,445
\$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	59,152
\$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	132,003
\$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	21,053
\$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	367,224
\$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	770,694
\$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	198,381
\$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.....	448,167
\$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.....	45,754
\$203,121 issued May 19, 2006, maturing semi-annually in varying installments of \$18,553 to \$22,166 through June 1, 2011; interest at 6.22%, payable semi-annually.....	43,898
\$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.....	973,110
\$533,800 issued June 28, 2007, maturing semi-annually in varying installments of \$30,496 to \$46,836, through June 28, 2014; interest at 6.711%; payable semi-annually	334,769
\$600,525 issued June 28, 2007, maturing semi-annually in varying installments of \$34,308 to \$52,691, through June 28, 2014; interest at 6.711%, payable semi-annually	376,615
\$586,560 issued June 28, 2007, maturing semi-annually in varying installments of \$33,510 to \$51,465, through June 28, 2014; interest at 6.711%, payable semi-annually	367,857

NOTE 5. LONG-TERM DEBT (continued)**Outstanding
Balance
June 30, 2010**

Capital Leases (continued)	
\$247,345 issued June 28, 2007, maturing semi-annually in varying installments of \$9,950 to \$15,126, through June 28, 2017; interest at 4.458%, payable semi-annually	\$ 84,219
\$118,217 issued June 28, 2007, maturing semi-annually in varying installments of \$10,733 to \$12,974, through June 28, 2012; interest at 4.259%, payable semi-annually	50,294
\$273,936 issued June 28, 2007, maturing semi-annually in varying installments of \$11,020 to \$16,752, through June 28, 2017; interest at 4.458%, payable semi-annually	204,023
\$427,124 issued June 28, 2007, maturing semi-annually in varying installments of \$38,777 to \$46,875, through June 28, 2012; interest at 4.259%, payable semi-annually	181,716
\$410,245 issued June 27, 2008, maturing semi-annually in varying installments of \$37,578 to \$44,652, through June 27, 2013; interest at 3.87%, payable semi-annually	255,515
\$1,104,603 issued June 27, 2008, maturing semi-annually in varying installments of \$44,630 to \$67,296, through June 27, 2018; interest at 4.37%, payable semi-annually	920,145
\$140,651 issued June 27, 2008, maturing semi-annually in varying installments of \$12,883 to \$15,309, through June 27, 2013; interest at 3.87%, payable semi-annually	87,602
\$350,020 issued June 27, 2008, maturing semi-annually in varying installments of \$12,492 to \$23,622, through June 27, 2018; interest at 6.82%, payable semi-annually	297,438
\$650,000 issued June 6, 2008, maturing semi-annually in varying installments of \$26,939 to \$38,736, through June 6, 2018; interest at 3.86%, payable semi-annually	539,085
\$649,060 issued April 23, 2009, maturing semi-annually in varying installments of \$53,604 to \$77,511, through April 23, 2019; interest at 4.14%, payable semi-annually	595,456
\$98,171 issued February 25, 2010, maturing semi-annually in varying installments of \$15,848 to \$16,884, through February 25, 2013; interest at 2.55%, payable semi-annually	98,171
\$101,883 issued June 25, 2010, maturing semi-annually in varying installments of \$9,515 to 10,889, through June 25, 2015; interest at 3.02%, payable semi-annually	<u>101,883</u>
Total Capital Leases	<u>\$ 7,978,053</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	4,535,678
Vehicles	14,211,987
Less: Accumulated depreciation	<u>(7,044,918)</u>
Total	<u>\$ 12,710,747</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 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.

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

	<u>Amounts Payable at June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2010</u>	<u>Amounts Due within One Year</u>
Bonds Payable:					
Revenue bonds	\$ 12,240,000	\$ -	\$(3,435,000)	\$ 8,805,000	\$ 2,920,000
VRA Loans	-	33,287,841	-	33,287,841	-
Plus deferred amounts for bond premiums	<u>298,306</u>	<u>-</u>	<u>(121,929)</u>	<u>176,377</u>	<u>-</u>
Bonds payable including deferred amounts for bond premiums/ (discounts)	12,538,306	33,287,841	(3,556,929)	42,269,218	2,920,000
Less deferred loss on refunding	<u>(405,172)</u>	<u>151,939</u>	<u>-</u>	<u>(253,233)</u>	<u>-</u>
Total bonds payable	<u>12,133,134</u>	<u>33,439,780</u>	<u>(3,556,929)</u>	<u>42,015,985</u>	<u>2,920,000</u>
Compensated absences	<u>1,022,698</u>	<u>948,336</u>	<u>(896,237)</u>	<u>1,074,797</u>	<u>461,717</u>
Business-type activities long- term liabilities	<u>\$ 13,155,832</u>	<u>\$ 34,388,116</u>	<u>\$(4,453,166)</u>	<u>\$ 43,090,782</u>	<u>\$ 3,381,717</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,	<u>Revenue Bonds</u>		<u>VRA Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 2,920,000	\$ 411,580	\$ -	\$ -
2012	3,205,000	277,500	692,730	613,378
2013	670,000	117,250	1,407,230	698,161
2014	670,000	83,750	1,436,850	668,541
2015	670,000	50,250	1,467,196	638,196
2016-2020	670,000	16,750	7,818,102	2,708,852
2021-2025	-	-	8,698,505	1,828,453
2026-2030	-	-	9,696,544	830,438
2031	<u>-</u>	<u>-</u>	<u>2,070,684</u>	<u>34,708</u>
Total	<u>\$ 8,805,000</u>	<u>\$ 957,080</u>	<u>\$ 33,287,841</u>	<u>\$ 7,190,289</u>

Revenue Bonds	<u>Outstanding Balance June 30, 2010</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	\$ 3,981,980
\$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>4,746,164</u>
Total Revenue Bonds	<u>\$ 8,728,144</u>

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2010****VRA Bonds**

\$23,681,363 Water and Sewer Revenue Bond, issued July 8, 2009, maturing in varying semi-annual installments of \$1,043,784 to \$1,401,685 through March 1, 2031, interest at 3.35%, payable semi-annually..... \$ 23,681,362

\$9,606,479 Water and Sewer Revenue Bond issued July 27, 2009, maturing in varying semi-annual installments of \$348,903 to \$668,999 through March 1, 2031, interest at 3.05%, payable semi-annually 9,606,479

Total VRA Bonds **33,287,841**

Total Water and Sewer Bonds **\$ 42,015,985**

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, 2010:

	<u>Amounts Payable at June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2010</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Capital Lease	\$ 2,612,857	\$ -	\$ (280,422)	\$ 2,332,435	\$ 292,517
**Compensated absences	<u>5,270,895</u>	<u>97,542</u>	<u>(52,959)</u>	<u>5,315,478</u>	<u>394,866</u>
SCPS long-term liabilities	<u>\$ 7,883,752</u>	<u>\$ 97,542</u>	<u>\$ (333,381)</u>	<u>\$ 7,647,913</u>	<u>\$ 687,383</u>

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

	<u>Amounts Payable at June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2010</u>	<u>Amounts Due within One Year</u>
Business-Type Activities					
Compensated absences	<u>\$ 135,997</u>	<u>\$ 3,620</u>	<u>\$ (11,696)</u>	<u>\$ 127,921</u>	<u>\$ 10,603</u>

Note 6. DEFINED BENEFIT PENSION PLAN**A. PLAN DESCRIPTION**

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

All full-time, salaried permanent employees of participating employers 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 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). 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 adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year.

Note 6. BENEFIT PENSION PLAN (Continued)

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/Publications/2009-Annual-Report.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 5.00% of their annual salary to the VRS. The County has assumed this 5% member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2010 was 13.77% of annual covered payroll.

Stafford County Public Schools' contribution rate for professional and non-professional employees for the fiscal year ended 2010 was 13.81% and 14.54% respectively, of annual covered payroll.

Total contributions to the VRS State Teachers Pool for the years ended June 30, 2008, June 30, 2009 and June 30, 2010 were \$20.5 million, \$18.9 million and \$15.7 million respectively, representing 15.3%, 13.8% and 11.2% respectively, of the covered payroll for the three years then ended.

C. ANNUAL PENSION COST

For fiscal year 2010, the County's annual pension cost of \$5,711,457 was equal to the County's required and actual contributions. The required contributions were determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's 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 projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

Trend Information for Stafford County is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 6,145,450	100.00%	-
June 30, 2009	6,081,160	100.00%	-
June 30, 2010	5,711,457	100.00%	-

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 1,322,906	100.00%	\$ -
June 30, 2009	1,348,849	100.00%	-
June 30, 2010	1,323,860	100.00%	-

D. FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2009, the most recent actuarial valuation date, the County plan was 83.13% funded. For the County the actuarial accrued liability for benefits was \$111,913,308, and the actuarial value of the assets was \$93,029,919, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,883,389. The covered payroll (annual payroll for active employees covered by the plan) was \$41,519,138, and the ratio of the UAAL to the covered payroll was 43.58%.

As of June 30, 2009, the most recent actuarial valuation date, the School plan was 83.11% funded. For the Schools the actuarial accrued liability for benefits was \$19,741,420, and the actuarial value of the assets was \$16,407,925, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,333,495. The covered payroll (annual payroll for active employees covered by the plan) was \$9,355,749, and the ratio of the UAAL to the covered payroll was 35.63%.

The schedule of funding progress, presented as Required Supplementary Information in Exhibit XIV following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

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 Exhibit XV.

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).

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

C. Membership

At June 30, 2010 membership consisted of:

Retirees and beneficiaries currently receiving benefits	99
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>815</u>
Total	<u>914</u>

D. Funding Policy

The County's employee and retiree healthcare contribution rates are set as policy by the Board of Supervisors. Beginning July 1, 2009, the County offered a choice of health care options for its active and retired employees. The options differ based on level of coverage. All plan participants, active and retirees, are required to pay a portion of the monthly premium. The monthly premium is based on dependent coverage.

VRS eligible retirees receive a monthly health insurance credit (HIC) of \$1.50 for each year of service up to a maximum of \$45.00 per month. The HIC is applied to and reduces the retiree contribution. For retirees with fifteen (15) years or more of service to the County, the HIC covers the retiree's share of the premium. The County contributes the remainder of the retiree only premium. Dependent coverage is covered by the retiree at stated plan rates.

Medicare eligible retirees with 15 years of service to the County must be enrolled in Medicare Parts A and B to be eligible to participate in the County's health insurance plan. Payment for Medicare Parts A and B is the responsibility of the retiree.

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 (NOO) to SCREHIP:

Annual required contribution (ARC)	\$ 2,219,000
Amortization of NOO	(207,000)
Interest on NOO	<u>293,998</u>
Annual OPEB Cost (AOC)	<u>\$ 2,305,998</u>
NOO, beginning of year	\$ 4,988,844
Current year AOC	2,305,998
Contribution made	<u>(1,848,424)</u>
NOO, end of year	<u>\$ 5,446,418</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Actuarial Accrued Liability	Funded Ratio
June 30, 2010	\$ 2,305,998	66.8%	\$ 5,446,418	\$ 19,400,000	10.82%

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

E. Funded Status and Funding Progress

As of July 1, 2010, the plan was partially funded by a \$2,100,000 contribution by the Water and Sewer Fund. The actuarially accrued liability (AAL) was \$19.4 million. The unfunded actuarial accrued liability (UAAL) for benefits was \$17.3 million. The covered payroll (annual payroll of active employees covered by the plan was \$41.5 million, and the ratio of the UAAL to the covered payroll was 41.7 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.

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, 2010 was 27 years. Amortization periods used are closed.

Component Unit – Stafford County Public Schools:

A. Plan Description

Stafford County Public Schools' post-employment medical plan (the 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.

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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, 2010, 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.

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	(418,212)
Interest on NOO	553,085
Annual OPEB Cost (AOC)	<u>\$ 5,552,873</u>
NOO, beginning of year	\$ 9,618,871
Current year AOC	5,552,873
Contribution made	<u>(2,737,604)</u>
NOO, end of year	<u>\$ 12,434,140</u>

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Actuarial Accrued Liability	Funded Ratio
June 30, 2010	\$ 5,552,873	49.3%	\$ 12,434,140	\$ 50,636,479	4.4%

Note 8. INTERFUND AND COMPONENT UNIT RECEIVABLE / PAYABLE

Individual fund receivable and payable balances at June 30, 2010 are summarized as follows:

<u>Primary Government</u>	<u>Receivable Fund:</u>				<u>Total Payable</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Component Unit Stafford County Public Schools</u>	
General Fund	\$ -	\$ 1,503	\$ 418,536	\$ 37,407,456	\$ 37,827,495
Tourism Fund	522,322	-	-	-	522,322
Total	<u>\$ 522,322</u>	<u>\$ 1,503</u>	<u>\$ 418,536</u>	<u>\$ 37,407,456</u>	<u>\$ 38,349,817</u>

The interfund payable from the General Fund to Nonmajor Governmental Funds was a transfer due to the Asset Forfeiture Fund based on results of operations in FY 2010.

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

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

The interfund payable from the Tourism Fund to the General Fund represents the 2% local option occupancy tax to support County operations.

Note 9. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the County totaled \$174,027,756 for fiscal year 2010. Sources of these revenues were as follows:

	<u>Commonwealth</u>	<u>Federal</u>
Primary Government		
Governmental Funds:		
General Fund	\$ 23,366,272	\$ 5,355,863
Transportation Fund	769,159	10,729
E-911	272,209	-
Asset Forfeiture Fund	44,338	561,365
Tourism Fund	6,500	-
Total Governmental Funds	<u>24,458,479</u>	<u>5,927,957</u>
Proprietary Fund:		
Water and Sewer Fund	<u>3,496,906</u>	-
Total Primary Government	<u>27,955,385</u>	<u>5,927,957</u>
Component Unit – Stafford County Public Schools		
Governmental Funds:		
State Fiscal Stabilization Fund	\$ -	\$ 3,475,042
School Operating Fund	118,932,246	2,138,986
School Nutrition Fund	174,982	3,870,627
School Grants Fund	225,649	11,326,882
Total Component Unit	<u>119,332,877</u>	<u>20,811,537</u>
Total	<u>\$ 147,288,262</u>	<u>\$ 26,739,494</u>

Note 10. INTERFUND TRANSFERS

A summary of interfund transfer activity is presented as follows:

Primary Government					
	General Fund	Transportation Fund	Tourism Fund	Parks & Recreation Capital Projects Fund	Total Transferred In
Transfer To Fund:					
Primary Government					
General Fund	\$ -	\$ 27,883	\$ 522,322	\$ 129,427	\$ 679,632
Transportation Fund	135,670	-	-	-	135,670
General Capital Projects Fund	1,244,717	-	-	-	1,244,717
Total Transferred Out	<u>\$ 1,380,387</u>	<u>\$ 27,883</u>	<u>\$ 522,322</u>	<u>\$ 129,427</u>	<u>\$ 2,060,019</u>

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

The transfer from the General Fund to the General Capital Projects Fund was proffers collected for the library construction project and remaining bond proceeds for Parks projects.

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

The transfer from the Tourism Fund to the General Fund was the 2% local option occupancy tax for support of County operations.

The transfer from the Parks & Recreation Capital Projects Fund to the General Fund was a drawdown of remaining project balances and accumulated interest on bond proceeds.

Note 11. COMMITMENTS, CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

At June 30, 2010 the County had contractual commitments of \$89.4 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 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, 2010 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, 2010, no bonds had been issued. Staff is seeking estimates for several proposed projects in preparation for seeking bonded funding.

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. As of June 30, 2010, no bonds had been issued. Staff is seeking estimates for several proposed projects in preparation for seeking bonded funding.

During FY 2010 the Stafford County Board of supervisors designated \$500,000 of unreserved fund balance for a Stafford Opportunity Fund. These funds are designated to enhance economic development opportunities in the County. On September 21, 2010, the Board authorized transfer of \$33,333 from this fund to the Economic Development Authority contingent upon satisfaction of certain performance measures.

On July 8, 2010, Stafford County participated in the sale of Virginia Public School Authority Qualified School Construction Bonds in the amount of \$1.3 million. These proceeds will be used to finance building renovations for several schools.

On October 5, 2010, the Stafford County Board of supervisors authorized participation in the Fall 2010 Virginia Public School Authority issuance and sale of General obligation School Bonds, in a principal amount \$8.2 million. Proceeds of this issue will be used to finance building renovations for several schools.

At June 30, 2010, the Component Unit – Stafford County Public Schools had contractual commitments of \$3.6 million for the Capital Projects Fund for construction of various projects.

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

Note 12. JOINT VENTURES (Continued)

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, 2010 was \$5,962,171.

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, 2010 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 2010. 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

Before the Authority was created, the jail facility was operated by Stafford County. 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, 2010 totaled \$6,467,461.

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.

Note 12. JOINT VENTURES (Continued)

C. CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

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

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

The Regional Library Board is empowered to budget and expend funds and to execute contracts. Eighty percent of the Library's operating revenues are derived from annual appropriations by the participating jurisdictions. The remaining twenty percent is derived from fines, fees, donations and State grants. For the year ended June 30, 2010, Stafford County's appropriation to the Regional Library was \$4,254,098.

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, 2010, the account had a balance of \$1,135,295.

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:

Note 13. RISK MANAGEMENT (Continued)

	<u>2010</u>	<u>2009</u>
Unpaid claims, beginning	\$ 1,209,297	\$ 1,142,503
Incurred claims (including IBNR)	9,545,035	9,864,212
Claim payments	<u>(9,426,110)</u>	<u>(9,797,418)</u>
Unpaid claims, ending	<u>\$ 1,328,222</u>	<u>\$ 1,209,297</u>

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. The total estimated workers' compensation insurance claims payable as of June 30, 2010 was \$239,916, of which \$151,147 was estimated to be current claims payable.

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>2010</u>	<u>2009</u>
Unpaid claims, beginning	\$ 3,434,279	\$ 3,487,522
Incurred claims (including IBNR)	22,083,764	21,352,766
Claim payments	<u>(21,511,727)</u>	<u>(21,406,009)</u>
Unpaid claims, ending	<u>\$ 4,006,316</u>	<u>\$ 3,434,279</u>

Note 14. OPERATING LEASES

Stafford County leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases were \$1,113,615 for the year ended June 30, 2010. The future minimum lease payments for these leases are as follows:

Year Ending June 30	<u>General Government</u>	<u>Water and Sewer Fund</u>
2011	\$ 740,863	\$ 208,946
2012	758,024	216,368
2013	589,125	224,702
2014	601,726	232,730
2015	614,705	241,079
2016-2020	<u>3,140,325</u>	<u>125,000</u>
	<u>\$ 6,444,768</u>	<u>\$ 1,248,825</u>

During FY 2010 Stafford County entered into a lessor arrangement with a local non-profit for use of its Chatham Office Building. The initial term of the lease is one year with the option for annual renewals. Annual rental revenue is \$15,600.

Note 15. PENDING GASB STATEMENTS

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 prepared its FY 2011 budget in accordance with this statement.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The Statement is effective for fiscal periods beginning after June 15, 2010. The County has not implemented this statement.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF STAFFORD, VIRGINIA

Exhibit XII
Page 1 of 2SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
General property taxes	\$ 165,392,750	\$ 165,392,750	\$ 167,562,711	\$ 2,169,961
Other local taxes	29,760,650	29,760,650	26,987,554	(2,773,096)
Permits, privilege fees and regulatory licenses	4,691,950	4,691,950	4,058,796	(633,154)
Fines and forfeitures	738,000	738,000	729,490	(8,510)
Use of money and property	1,149,977	1,175,914	385,173	(790,741)
Charges for services	5,103,026	5,133,214	4,991,577	(141,637)
Miscellaneous	4,632,481	5,884,567	4,754,984	(1,129,583)
Intergovernmental	26,996,829	29,397,185	28,722,135	(675,050)
Total revenues	238,465,663	242,174,230	238,192,420	(3,981,810)
Expenditures				
Current operating:				
General government:				
Board of Supervisors	629,120	623,457	566,028	(57,429)
Clerk of the Board	214,638	273,930	261,493	(12,437)
County Administrator	494,393	504,867	504,630	(237)
Public Information	487,961	510,704	468,420	(42,284)
County Attorney	1,062,337	1,042,147	884,116	(158,031)
Human Resources	647,057	650,517	608,629	(41,888)
Commissioner of the Revenue	2,724,039	2,748,181	2,602,371	(145,810)
Treasurer	1,924,227	1,964,838	1,842,952	(121,886)
Finance	1,151,978	1,150,871	1,139,071	(11,800)
Budget	361,124	366,124	365,978	(146)
Computer Services	1,507,162	1,756,713	1,613,485	(143,228)
Geographic Information Systems	584,364	594,936	590,951	(3,985)
Electoral Board and Registrar	386,290	390,686	345,973	(44,713)
	12,174,690	12,577,971	11,794,097	(783,874)
Judicial administration:				
Circuit Court	162,984	163,384	163,333	(51)
General District Court	106,431	106,031	99,309	(6,722)
Juvenile and Domestic Relations District Court	67,396	67,396	45,950	(21,446)
Clerk of the Circuit Court	1,662,479	1,819,237	1,563,374	(255,863)
Magistrate	12,549	14,950	6,740	(8,210)
Commonwealth Attorney	2,800,725	2,847,846	2,775,422	(72,424)
Court Deputies	2,110,876	1,901,267	1,822,175	(79,092)
	6,923,440	6,920,111	6,476,303	(443,808)
Public safety:				
Policing and investigating	14,765,033	16,856,018	15,268,801	(1,587,217)
Emergency management	12,506,434	13,889,963	12,642,867	(1,247,096)
Volunteer rescue squads	146,408	149,291	121,708	(27,583)
Volunteer fire departments	677,342	670,750	615,181	(55,569)
Care and confinement of prisoners	6,467,461	6,467,461	6,467,461	-
15th District Court Unit	360,207	360,207	340,043	(20,164)
Rappahannock Juvenile Detention	1,758,054	1,758,054	1,669,561	(88,493)
Code compliance	3,442,487	4,656,804	4,189,046	(467,758)
Animal control	919,277	925,717	834,699	(91,018)
	41,042,703	45,734,265	42,149,367	(3,584,898)
Public works:				
Engineering	439,356	452,004	178,396	(273,608)
Maintenance of general buildings and grounds and general properties	4,161,614	4,743,309	4,204,445	(538,864)
	4,600,970	5,195,313	4,382,841	(812,472)

COUNTY OF STAFFORD, VIRGINIA

Exhibit XII
Page 2 of 2SCHEDULE 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	\$ 570,146	\$ 570,146	\$ 570,146	\$ -
Public assistance	12,636,700	12,694,624	11,304,636	(1,389,988)
Other	2,462,326	2,005,628	1,689,999	(315,629)
	<u>15,669,172</u>	<u>15,270,398</u>	<u>13,564,781</u>	<u>(1,705,617)</u>
Parks, recreation and cultural:				
Administration	3,651,355	4,183,694	3,628,134	(555,560)
Community programs	135,746	140,034	110,975	(29,059)
Sports programs	147,500	154,298	109,106	(45,192)
Gymnastics program	576,580	582,163	507,770	(74,393)
Pool program	489,635	481,281	397,797	(83,484)
Senior citizens	90,886	114,336	114,264	(72)
Seasonal	357,222	351,660	207,371	(144,289)
Cultural programs	18,166	18,166	18,166	-
Regional library	4,254,098	4,254,098	4,254,098	-
	<u>9,721,188</u>	<u>10,279,730</u>	<u>9,347,681</u>	<u>(932,049)</u>
Community development:				
Planning and community development	1,882,785	2,507,339	2,373,900	(133,439)
Planning commission	112,700	119,300	113,874	(5,426)
Zoning board	509,266	507,568	486,309	(21,259)
Economic development	870,179	1,100,129	953,035	(147,094)
Other	401,182	406,630	406,630	-
Cooperative extension program	196,426	200,053	187,782	(12,271)
	<u>3,972,538</u>	<u>4,841,019</u>	<u>4,521,530</u>	<u>(319,489)</u>
Appropriation to School Board:				
School operating	102,736,533	103,808,533	103,189,962	(618,571)
Capital outlay	198,400	112,262	87,491	(24,771)
Debt service:				
Principal	23,168,741	23,591,789	22,436,779	(1,155,010)
Interest and fiscal charges	18,277,288	17,854,240	17,799,543	(54,697)
	<u>41,446,029</u>	<u>41,446,029</u>	<u>40,236,322</u>	<u>(1,209,707)</u>
Total expenditures	<u>238,485,663</u>	<u>246,185,631</u>	<u>235,750,375</u>	<u>(10,435,256)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,000)</u>	<u>(4,011,401)</u>	<u>2,442,045</u>	<u>(6,453,446)</u>
Other Financing Sources (Uses)				
Transfers in	520,000	649,427	679,632	30,205
Transfers out	-	(1,380,387)	(1,380,387)	-
Total other financing sources (uses), net	<u>520,000</u>	<u>(730,960)</u>	<u>(700,755)</u>	<u>30,205</u>
Net change in fund balance	500,000	(4,742,361)	1,741,290	6,483,651
Fund balance, beginning	-	5,305,803	35,278,479	29,972,676
Fund balance, ending	<u>\$ 500,000</u>	<u>\$ 563,442</u>	<u>\$ 37,019,769</u>	<u>\$ 36,456,327</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Other local taxes - fuel sales tax	\$ 3,942,270	\$ 3,942,270	\$ 3,943,817	\$ 1,547
Use of money	35,000	35,000	6,533	(28,467)
Miscellaneous	-	-	12,903	12,903
Intergovernmental	668,000	976,017	779,888	(196,129)
Total revenues	<u>4,645,270</u>	<u>4,953,287</u>	<u>4,743,141</u>	<u>(210,146)</u>
Expenditures				
Current operating:				
General government	3,819,819	4,738,099	4,002,270	(735,829)
Capital outlay	785,451	1,850,540	48,985	(1,801,555)
Debt service:				
Interest and fiscal charges	-	101,050	-	(101,050)
Total expenditures	<u>4,605,270</u>	<u>6,689,689</u>	<u>4,051,255</u>	<u>(2,638,434)</u>
Deficiency of revenues under expenditures	<u>40,000</u>	<u>(1,736,402)</u>	<u>691,886</u>	<u>2,428,288</u>
Other Financing Sources (Uses)				
Transfers in	-	135,670	135,670	-
Transfers out	<u>(40,000)</u>	<u>(40,000)</u>	<u>(27,883)</u>	<u>12,117</u>
Total other financing sources, net	<u>(40,000)</u>	<u>95,670</u>	<u>107,787</u>	<u>12,117</u>
Net change in fund balance	-	(1,640,732)	799,673	2,440,405
Fund balance, beginning	<u>-</u>	<u>1,640,732</u>	<u>6,302,628</u>	<u>4,661,896</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,102,301</u>	<u>\$ 7,102,301</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, 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%
June 30, 2009	93,029,919	111,913,308	18,883,389	83.13%	41,519,138	45.48%

For the Component Unit School Board:

June 30, 2007	12,924,290	16,463,072	3,538,782	78.50%	9,275,202	38.15%
June 30, 2008	15,105,330	18,143,961	3,038,631	83.25%	9,423,081	32.25%
June 30, 2009	16,407,925	19,741,420	3,333,495	83.11%	9,355,749	35.63%

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	2,100,000	19,400,000	17,300,000	10.82%	41,519,138	41.67%

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

For Component Unit School Board:

July 1, 2007	\$ -	\$ 7,967,000	\$ 7,967,000	0.00%	\$ 103,300,000	7.71%
July 1, 2008	1,058,479	50,636,479	49,578,000.00	2.90%	106,020,819	46.76%

The School Board 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, 2010**

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 21, 2009, 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, 2010.

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.

COUNTY OF STAFFORD, VIRGINIA

Schedule I

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	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	\$ 2,581,281	\$ 767,944	\$ 1,533,185	\$ 1,762,671	-	\$ 779,639
Receivables, net of allowance for uncollectibles:						
Property taxes	-	-	18,889	40,262	-	-
Accounts receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	1,503
Total assets	<u>\$ 2,581,281</u>	<u>\$ 767,944</u>	<u>\$ 1,552,074</u>	<u>\$ 1,802,933</u>	<u>\$ -</u>	<u>\$ 781,142</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,903
Accrued salaries and benefits	-	-	-	-	-	-
Retainage	-	-	-	-	-	-
Deferred revenue	-	-	8,852	38,110	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>8,852</u>	<u>38,110</u>	<u>-</u>	<u>3,903</u>
Fund Balances:						
Reserved for:						
Debt service	-	-	-	-	-	-
Drug enforcement	-	-	-	-	-	755,977
Unreserved:						
Designated:						
Encumbrances:						
Special revenue funds	192,524	-	-	-	-	21,262
Capital improvements:						
Special revenue funds	2,388,757	767,944	1,543,222	1,764,823	-	-
Undesignated:						
Special revenue funds	-	-	-	-	-	-
Total fund balances	<u>2,581,281</u>	<u>767,944</u>	<u>1,543,222</u>	<u>1,764,823</u>	<u>-</u>	<u>777,239</u>
Total liabilities and fund balances	<u>\$ 2,581,281</u>	<u>\$ 767,944</u>	<u>\$ 1,552,074</u>	<u>\$ 1,802,933</u>	<u>\$ -</u>	<u>\$ 781,142</u>

COUNTY OF STAFFORD, VIRGINIA

Schedule 1
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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	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	
ASSETS						
Equity in pooled cash and investments	1,439,317	3,823	-	\$ -	\$ -	\$ 8,867,860
Restricted assets:						
Cash	-	-	53,589	-	-	53,589
Receivables, net of allowance for uncollectibles:						
Property taxes	-	-	4,990	-	-	64,141
Accounts receivable	135,755	-	-	-	-	135,755
Due from other funds	-	-	-	-	-	1,503
Total assets	<u>\$ 1,575,072</u>	<u>\$ 3,823</u>	<u>\$ 58,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,122,848</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 85,614	\$ -	\$ -	\$ -	\$ -	\$ 89,517
Accrued salaries and benefits	5,319	-	274	-	-	5,593
Retainage	13,175	-	-	-	-	13,175
Deferred revenue	-	-	3,751	-	-	50,713
Due to other funds	<u>522,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,322</u>
Total liabilities	<u>626,430</u>	<u>-</u>	<u>4,025</u>	<u>-</u>	<u>-</u>	<u>681,320</u>
Fund Balances:						
Reserved for:						
Debt service	-	-	54,554	-	-	54,554
Drug enforcement	-	-	-	-	-	755,977
Unreserved:						
Designated:						
Encumbrances:						
Special revenue funds	395,765	-	-	-	-	609,551
Capital improvements:						
Special revenue funds	-	-	-	-	-	6,464,746
Undesignated:						
Special revenue funds	<u>552,877</u>	<u>3,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>556,700</u>
Total fund balances	<u>948,642</u>	<u>3,823</u>	<u>54,554</u>	<u>-</u>	<u>-</u>	<u>8,441,528</u>
Total liabilities and fund balances	<u>\$ 1,575,072</u>	<u>\$ 3,823</u>	<u>\$ 58,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,122,848</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	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	\$ -	\$ -	\$ 512,637	\$ 616,173	\$ -	\$ -
Other local taxes	280,525	79,168	-	-	2,297,558	-
Use of money and property	7,531	2,152	3,505	4,069	-	1,503
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	232
Intergovernmental	-	-	-	-	272,210	605,703
Total revenues	<u>288,056</u>	<u>81,320</u>	<u>516,142</u>	<u>620,242</u>	<u>2,569,768</u>	<u>607,438</u>
EXPENDITURES						
Current operating:						
Judicial administration	-	-	-	-	-	9,373
Public safety	-	-	-	-	2,589,013	77,791
Community development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	94,576	-	-	-	-	-
Total expenditures	<u>94,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,589,013</u>	<u>87,164</u>
Excess (deficiency) of revenues over (under) expenditures	<u>193,480</u>	<u>81,320</u>	<u>516,142</u>	<u>620,242</u>	<u>(19,245)</u>	<u>520,274</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	-	-	-
Net change in fund balances	193,480	81,320	516,142	620,242	(19,245)	520,274
Fund balance, beginning	<u>2,387,801</u>	<u>686,624</u>	<u>1,027,080</u>	<u>1,144,581</u>	<u>19,245</u>	<u>256,965</u>
Fund balance ending	<u>\$ 2,581,281</u>	<u>\$ 767,944</u>	<u>\$ 1,543,222</u>	<u>\$ 1,764,823</u>	<u>\$ -</u>	<u>\$ 777,239</u>

COUNTY OF STAFFORD, VIRGINIA

Schedule II

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**COMBINING STATEMENT OF REVENUES,
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**
YEAR ENDED JUNE 30, 2010

	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	\$ -	\$ -	\$ 76,048	\$ -	\$ -	\$ 1,204,858
Other local taxes	1,295,345	-	-	-	-	3,952,596
Use of money and property	-	-	144	584	-	19,488
Charges for services	-	2,263	-	-	-	2,263
Miscellaneous	2,000	-	-	2,100	-	4,332
Intergovernmental	6,500	-	-	-	-	884,413
Total revenues	<u>1,303,845</u>	<u>2,263</u>	<u>76,192</u>	<u>2,684</u>	<u>-</u>	<u>6,067,950</u>
EXPENDITURES						
Current operating:						
Judicial administration	-	-	-	-	-	9,373
Public safety	-	-	-	-	-	2,666,804
Community development	534,289	-	20,297	-	3,470	558,056
Debt service	-	-	60,906	-	-	60,906
Capital outlay	<u>321,542</u>	<u>-</u>	<u>-</u>	<u>22,349</u>	<u>-</u>	<u>438,467</u>
Total expenditures	<u>855,831</u>	<u>-</u>	<u>81,203</u>	<u>22,349</u>	<u>3,470</u>	<u>3,733,606</u>
Excess (deficiency) of revenues over (under) expenditures	<u>448,014</u>	<u>2,263</u>	<u>(5,011)</u>	<u>(19,665)</u>	<u>(3,470)</u>	<u>2,334,344</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	<u>(522,322)</u>	<u>-</u>	<u>-</u>	<u>(129,427)</u>	<u>-</u>	<u>(651,749)</u>
Net change in fund balances	(74,308)	2,263	(5,011)	(149,092)	(3,470)	1,682,595
Fund balance, beginning	<u>1,022,950</u>	<u>1,560</u>	<u>59,565</u>	<u>149,092</u>	<u>3,470</u>	<u>6,758,933</u>
Fund balance ending	<u>\$ 948,642</u>	<u>\$ 3,823</u>	<u>\$ 54,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,441,528</u>

COUNTY OF STAFFORD, VIRGINIA

Schedule III
Page 1 of 3**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2010**

PRIMARY GOVERNMENT	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Special Revenue Funds:				
Road Impact Fee - West				
Revenues:				
Other local taxes	\$ 95,000	\$ 95,000	\$ 280,525	\$ 185,525
Use of money	30,000	30,000	7,531	(22,469)
Total revenues	<u>125,000</u>	<u>125,000</u>	<u>288,056</u>	<u>163,056</u>
Expenditures				
Current operating:				
Capital outlay	<u>1,800,000</u>	<u>1,800,000</u>	<u>94,576</u>	<u>(1,705,424)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,675,000)</u>	<u>(1,675,000)</u>	<u>193,480</u>	<u>1,868,480</u>
Net change in fund balance	(1,675,000)	(1,675,000)	193,480	1,868,480
Fund balance, beginning	<u>1,675,000</u>	<u>1,675,000</u>	<u>2,387,801</u>	<u>712,801</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,581,281</u>	<u>\$ 2,581,281</u>
E-911 Fund				
Revenues:				
Other local taxes - E-911 service tax	\$ 2,411,241	\$ 2,411,241	\$ 2,297,558	\$ (113,683)
Miscellaneous	240	240	-	(240)
Intergovernmental	<u>420,900</u>	<u>2,360,220</u>	<u>272,210</u>	<u>(2,088,010)</u>
Total revenues	<u>2,832,381</u>	<u>4,771,701</u>	<u>2,569,768</u>	<u>(2,201,933)</u>
Expenditures				
Current operating:				
Public safety	<u>2,832,381</u>	<u>4,798,716</u>	<u>2,589,013</u>	<u>(2,209,703)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(27,015)</u>	<u>(19,245)</u>	<u>7,770</u>
Net change in fund balance	-	(27,015)	(19,245)	7,770
Fund balance, beginning	<u>-</u>	<u>27,015</u>	<u>19,245</u>	<u>(7,770)</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>

COUNTY OF STAFFORD, VIRGINIA

Schedule III
Page 2 of 3**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2010**

PRIMARY GOVERNMENT	Budgeted Amounts		Actual Amounts	Final Budget Over (Under)
	Original	Final		
Special Revenue Funds:				
Asset Forfeiture Fund:				
Revenues				
Use of money and property	\$ -	\$ -	\$ 1,503	\$ 1,503
Miscellaneous	-	-	232	232
Intergovernmental	-	-	605,703	605,703
Total revenues	-	-	607,438	607,438
Expenditures				
Current operating:				
Judicial administration	5,000	9,530	9,373	(157)
Public safety	100,000	100,000	77,791	(22,209)
Total expenditures	105,000	109,530	87,164	(22,366)
Excess (deficiency) of revenues over (under) expenditures	(105,000)	(109,530)	520,274	629,804
Net change in fund balance	(105,000)	(109,530)	520,274	629,804
Fund balance, beginning	105,000	109,530	256,965	147,435
Fund balance, ending	\$ -	\$ -	\$ 777,239	\$ 777,239
Tourism Fund:				
Revenues				
Other local taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,295,345	\$ 95,345
Miscellaneous	-	-	2,000	2,000
Intergovernmental	5,000	5,000	6,500	1,500
Total revenues	1,205,000	1,205,000	1,303,845	98,845
Expenditures				
Current operating:				
Community development	725,000	762,916	534,289	(228,627)
Capital outlay	-	882,642	321,542	(561,100)
	725,000	1,645,558	855,831	(789,727)
Excess (deficiency) of revenues over (under) expenditures	480,000	(440,558)	448,014	888,572
Other financing sources (uses)				
Transfers out	(480,000)	(480,000)	(522,322)	(42,322)
Net change in fund balance	-	(920,558)	(74,308)	846,250
Fund balance, beginning	-	920,558	1,022,950	102,392
Fund balance, ending	\$ -	\$ -	\$ 948,642	\$ 948,642

COUNTY OF STAFFORD, VIRGINIA

Schedule III
Page 3 of 3**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2010**

PRIMARY GOVERNMENT	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Special Revenue Funds:				
Hidden Lake Fund:				
Revenues:				
Property taxes	\$ 72,938	\$ 72,938	\$ 76,049	\$ 3,111
Use of money	-	-	144	144
Total revenues	<u>72,938</u>	<u>72,938</u>	<u>76,193</u>	<u>3,255</u>
Expenditures:				
Current operating:				
Community development	12,031	30,772	20,297	(10,475)
Capital outlay	-	26,539	-	(26,539)
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>35,907</u>	<u>35,907</u>	<u>35,906</u>	<u>(1)</u>
Total expenditures	<u>72,938</u>	<u>118,218</u>	<u>81,203</u>	<u>(37,015)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(45,280)</u>	<u>(5,010)</u>	<u>40,270</u>
Net change in fund balance	-	(45,280)	(5,010)	40,270
Fund balance, beginning	-	45,280	59,564	14,284
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,554</u>	<u>\$ 54,554</u>
Capital Projects Funds:				
Parks and Recreation Bond Fund:				
Revenues				
Use of money	\$ -	\$ -	\$ 584	\$ 584
Miscellaneous	-	-	2,100	2,100
Total revenues	<u>-</u>	<u>-</u>	<u>2,684</u>	<u>2,684</u>
Expenditures				
Current operating:				
Capital Outlay	<u>-</u>	<u>110,462</u>	<u>22,349</u>	<u>(88,113)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(110,462)</u>	<u>(19,665)</u>	<u>90,797</u>
Other financing sources (uses)				
Transfers out	-	(129,427)	(129,427)	-
Total other financing sources (uses)	<u>-</u>	<u>(129,427)</u>	<u>(129,427)</u>	<u>-</u>
Net change in fund balance	-	(239,889)	(149,092)	90,797
Fund balance, beginning	-	239,889	149,092	(90,797)
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
PRIMARY GOVERNMENT				
Capital Projects Funds:				
General Capital Projects Fund:				
Revenues				
Use of money	\$ 297,374	\$ 297,374	\$ 54,013	\$ (243,361)
Miscellaneous	-	-	5,000	5,000
Total revenues	297,374	297,374	59,013	(238,361)
Expenditures				
Current operating:				
Parks, recreation and cultural	-	1,240,923	173,965	(1,066,958)
Capital Outlay	16,173,369	51,693,502	13,885,081	(37,808,421)
Debt service:				
Fiscal charges	-	-	4,532	4,532
Appropriation to School Board:				
School capital projects	18,620,405	24,805,405	6,189,827	(18,615,578)
Total expenditures	34,793,774	77,739,830	20,253,405	(57,486,425)
Deficiency of revenues under expenditures	(34,496,400)	(77,442,456)	(20,194,392)	57,248,064
Other financing sources				
Transfers in	-	1,244,717	1,244,717	-
Issuance of debt:				
Bonds	32,906,400	39,091,400	5,740,000	(33,351,400)
Bond premiums	-	-	449,827	449,827
Capital leases	1,590,000	1,590,000	350,054	(1,239,946)
Total other financing sources	34,496,400	41,926,117	7,784,598	(34,141,519)
Net change in fund balance	-	(35,516,339)	(12,409,794)	23,106,545
Fund balance, beginning	-	35,516,339	23,261,952	(12,254,387)
Fund balance, ending	\$ -	\$ -	\$ 10,852,158	\$ 10,852,158



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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, 2010

	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	\$ 707,168	\$ 391,577	\$ -	\$ 2,359,012
Receivables:					
Property taxes	-	1,068,406	131,346	-	1,199,752
Accounts	-	-	-	281,926	281,926
Total assets	<u>\$ 1,260,267</u>	<u>\$ 1,775,574</u>	<u>\$ 522,923</u>	<u>\$ 281,926</u>	<u>\$ 3,840,690</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 164,109	\$ 164,109
Accrued salaries and benefits	-	-	-	55,755	55,755
Other liabilities	-	-	-	62,062	62,062
Reserve for future expenditures	1,260,267	-	522,923	-	1,783,190
Reserve for bondholders	-	1,775,574	-	-	1,775,574
Total liabilities	<u>\$ 1,260,267</u>	<u>\$ 1,775,574</u>	<u>\$ 522,923</u>	<u>\$ 281,926</u>	<u>\$ 3,840,690</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<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	\$ 793,181	\$ 2,073,787	\$ (2,159,800)	\$ 707,168
Property taxes receivable	569,505	1,866,522	(1,367,621)	1,068,406
Total assets	<u>\$ 1,362,686</u>	<u>\$ 3,940,309</u>	<u>\$ (3,527,421)</u>	<u>\$ 1,775,574</u>
LIABILITIES				
Reserve for bondholders	\$ 1,362,686	\$ 3,940,449	\$ (3,527,561)	\$ 1,775,574
<u>Lake Arrowhead Sanitary District Fund</u>				
ASSETS				
Cash and short-term investments	\$ 574,772	\$ 605,156	\$ (788,351)	\$ 391,577
Property taxes receivable	158,360	42,501	(69,515)	131,346
Total assets	<u>\$ 733,132</u>	<u>\$ 647,657</u>	<u>\$ (857,866)</u>	<u>\$ 522,923</u>
LIABILITIES				
Reserve for future expenditures	\$ 733,132	\$ 53,430	\$ (263,639)	\$ 522,923
<u>George Washington Regional Commission</u>				
ASSETS				
Accounts receivable	\$ 309,147	\$ 281,926	\$ (309,147)	\$ 281,926
LIABILITIES				
Accounts payable	\$ 207,816	\$ 164,109	\$ (207,816)	\$ 164,109
Accrued salaries and benefits	55,440	55,755	(55,440)	55,755
Other liabilities	45,891	16,171	-	62,062
Total liabilities	<u>\$ 309,147</u>	<u>\$ 236,035</u>	<u>\$ (263,256)</u>	<u>\$ 281,926</u>
<u>Totals - All Fiduciary Agency Funds</u>				
ASSETS				
Cash and short-term investments	\$ 2,628,220	\$ 2,678,943	\$ (2,948,151)	\$ 2,359,012
Property taxes receivable	727,865	1,909,023	(1,437,136)	1,199,752
Accounts receivable	309,147	281,926	(309,147)	281,926
Total assets	<u>\$ 3,665,232</u>	<u>\$ 4,869,892</u>	<u>\$ (4,694,434)</u>	<u>\$ 3,840,690</u>
LIABILITIES				
Accounts payable	\$ 207,816	\$ 164,109	\$ (207,816)	\$ 164,109
Accrued salaries and benefits	55,440	55,755	(55,440)	55,755
Other liabilities	45,891	16,171	-	62,062
Reserve for future expenditures	1,993,399	53,430	(263,639)	1,783,190
Reserve for bondholders	1,362,686	3,940,449	(3,527,561)	1,775,574
Total liabilities	<u>\$ 3,665,232</u>	<u>\$ 4,229,914</u>	<u>\$ (4,054,456)</u>	<u>\$ 3,840,690</u>



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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.



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NET ASSETS BY COMPONENT

Fiscal Years 2002 - 2010 (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>	<u>2010</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	\$ 63,339,727
Restricted	1,052,067	1,023,400	1,614,704	1,545,450	1,318,218	1,379,409	1,484,829	256,965	777,238
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)	(210,589,191)
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>	<u>\$ (146,472,226)</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	\$ 214,291,000
Restricted	979,716	2,011,415	-	11,065,752	11,396,183	11,695,567	11,912,732	12,002,547	12,165,547
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	54,892,613
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>	<u>\$ 281,349,160</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	\$ 277,630,727
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	12,942,785
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)	(155,696,578)
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>	<u>\$ 134,876,934</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 - 2010 (1)
(accrual basis of accounting)
(unaudited) (2)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 12,261,364
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	6,703,566
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	45,897,812
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	7,326,583
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	13,664,321
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	10,096,206
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	4,603,445
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	109,379,789
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	3,770,803
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	16,617,439
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	230,321,328
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	31,035,605
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	\$ 261,356,933
Program revenues									
Governmental activities:									
Charges for services:									
General government	-	\$ 176,550	\$ 160,199	\$ 405,787	\$ 214,435	\$ 184,244	3,619	965	1,108
Judicial administration	479,048	771,383	905,839	1,077,149	1,218,732	728,369	482,221	388,935	277,479
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	6,691,261
Public works	-	-	-	-	-	-	-	67,927	70,097
Health and social services	76,875	72,345	80,625	72,088	72,325	50,120	34,375	310,308	292,027
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	1,754,006
Community development	683,579	170,993	380,965	684,653	915,784	919,603	2,207,172	1,550,465	1,077,860
Transportation	-	-	-	-	-	-	-	500	28,890
Operating grants and contributions									
General government	536,879	489,410	514,665	529,116	549,804	604,780	681,802	659,751	591,090
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	1,697,023
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	5,795,343
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	7,752,214
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	579,847
Transportation	-	22,400	-	1,117,486	-	716,564	452,413	41,940	10,729
Capital grants and contributions									
General government	-	407,800	-	1,312,406	-	-	-	-	-
Public works	-	800,000	-	-	-	-	-	-	601,983
Parks, recreation and cultural	-	-	-	1,016,158	-	-	-	-	16,453,700
Total governmental program revenues	17,366,816	20,207,202	21,205,125	26,594,832	25,770,731	25,913,647	26,019,287	26,068,482	43,674,657

COUNTY OF STAFFORD, VIRGINIA

Table S-2

Page 2 of 3

CHANGES IN NET ASSETS
Fiscal Years 2002 - 2010 (1)
(accrual basis of accounting)
(unaudited) (2)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 22,675,662
Operating grants and contributions	-	-	87,713	-	15,000	65,702	1,857,407	-	3,496,906
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	8,644,800
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	34,817,368
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	\$ 78,492,025
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)	\$ (186,646,671)
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	3,781,763
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)	\$ (182,864,908)
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	\$ 168,106,174
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	36,866,175
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	15,599,795
Investment earnings	703,383	953,799	442,784	1,151,048	1,849,825	5,014,147	2,960,670	1,449,560	205,052
Miscellaneous	2,742,452	2,366,015	2,072,290	3,138,769	5,340,574	5,622,502	3,507,598	709,672	570,010
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	221,347,206
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	964,691
Miscellaneous	-	147,917	159,771	200,982	200,344	697,882	79,940	80,250	41,841
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	1,006,532
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	\$ 222,353,738
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	\$ 34,700,535
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	4,788,295
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	\$ 39,488,830
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	\$ 95,388,104
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	\$ 134,876,934

COUNTY OF STAFFORD, VIRGINIA**Table S-2**
Page 3 of 3**CHANGES IN NET ASSETS**
Fiscal Years 2002 - 2010(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.

FUNDS BALANCES, GOVERNMENTAL FUNDS

Fiscal Years 2001-2010

(modified accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	<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>	<u>2010</u>
General Fund										
Reserved	\$ 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	\$ 1,237,328
Unreserved										
Designated	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	9,514,224
Undesignated	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	26,268,217
Total General Fund	<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>	<u>37,019,769</u>
All Other Governmental Funds										
Reserved	542,533	901,499	3,544,233	1,674,452	1,710,935	257,039	261,148	295,985	315,533	810,531
Unreserved										
Designated										
Special revenue funds	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	12,813,595
Capital projects funds	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	10,852,158
Undesignated										
Special revenue funds	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	1,919,703
Capital projects funds	-	-	151,034	243,988	415,620	609,177	-	-	1,670,369	-
Total all other government funds	<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>	<u>26,395,987</u>
Total fund balances	<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>	<u>\$ 63,415,756</u>

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

COUNTY OF STAFFORD, VIRGINIA

Table S-4

Page 1 of 2

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 2001-2010

(modified accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
General property taxes	\$ 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	\$ 168,767,569
Other local taxes	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	34,883,967
Permits, privilege fees and regulatory licenses	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	4,058,796
Fines and forfeitures	395,582	482,193	657,077	833,105	772,566	867,114	905,693	729,448	691,102	729,490
Use of money and property	1,029,403	703,383	953,799	442,784	1,151,048	1,849,825	5,014,147	3,159,009	1,668,970	465,207
Charges for services	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	4,993,840
Miscellaneous	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	4,777,219
Intergovernmental	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	30,386,436
Total revenues	<u>128,063,053</u>	<u>137,254,487</u>	<u>150,724,276</u>	<u>167,577,388</u>	<u>187,997,114</u>	<u>209,414,510</u>	<u>223,072,453</u>	<u>235,935,948</u>	<u>243,707,808</u>	<u>249,062,524</u>
Expenditures										
Current operating:										
General government	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	15,796,367
Judicial administration	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	6,485,676
Public safety	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	44,816,171
Public works	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	4,382,841
Health and social services	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	13,564,781
Parks, recreation and cultural	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	10,079,702
Community development	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	4,521,530
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	103,189,962
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	6,189,827
Capital outlay	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	14,460,024
Debt service										
Principal	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	22,461,779
Interest and fiscal charges	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	17,839,981
Total expenditures	<u>51,854,635</u>	<u>134,101,843</u>	<u>160,839,223</u>	<u>236,522,062</u>	<u>211,766,269</u>	<u>285,971,138</u>	<u>272,345,171</u>	<u>298,046,099</u>	<u>260,253,469</u>	<u>263,788,641</u>
Excess of revenues over (under) expenditures	<u>76,208,418</u>	<u>3,152,644</u>	<u>(10,114,947)</u>	<u>(68,944,674)</u>	<u>(23,769,155)</u>	<u>(76,556,628)</u>	<u>(49,272,718)</u>	<u>(62,110,151)</u>	<u>(16,545,661)</u>	<u>(14,726,117)</u>
Other Financing Sources (Uses)										
Issuance of debt	-	-	-	-	27,595,000	100,590,000	20,359,366	78,744,286	1,704,853	6,189,827
Issuance of capital leases	-	-	-	-	1,102,700	8,434,211	3,451,690	2,655,519	649,060	350,054
Bond premium	-	50,324	580,512	2,620,702	1,075,564	2,949,267	-	-	-	-
Payments to fiscal agent	-	(4,077,382)	-	-	-	-	-	-	-	-
Transfers in	867,769	421,988	212,712	348,385	390,109	927,731	8,529,884	11,133,536	4,854,932	2,060,019
Transfers out	(70,295,023)	(33,227)	(136,140)	(201,957)	(437,829)	(927,731)	(8,529,884)	(11,147,249)	(4,572,484)	(2,060,019)
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)	<u>(68,339,490)</u>	<u>13,103,255</u>	<u>9,579,701</u>	<u>71,990,505</u>	<u>29,725,544</u>	<u>111,973,478</u>	<u>23,811,056</u>	<u>81,386,092</u>	<u>2,636,361</u>	<u>6,539,881</u>
Net change in fund balances	<u>\$ 7,868,928</u>	<u>16,255,899</u>	<u>(535,246)</u>	<u>3,045,831</u>	<u>5,956,389</u>	<u>35,416,850</u>	<u>(25,461,662)</u>	<u>19,275,941</u>	<u>(13,909,300)</u>	<u>(8,186,236)</u>
Fund balance, beginning (3)	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	71,601,992
Fund balance, ending (3)	n/a	<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>\$ 71,601,992</u>	<u>\$ 63,415,756</u>

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 2001-2010

(modified accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total debt service	\$ 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	\$ 40,301,760
Total expenditures	\$ 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	\$ 263,788,641
Less: Capital outlay	3,019,575	2,854,263	5,267,975	7,484,816	10,768,840	26,514,511	29,508,946	38,200,394	20,488,695	17,834,948
Non-capital expenditures	\$ 48,835,060	\$ 131,247,580	\$ 155,571,248	\$ 229,037,246	\$ 200,997,429	\$ 259,456,627	\$ 242,836,225	\$ 259,845,705	\$ 239,764,774	\$ 245,953,693
Debt service as a percentage of noncapital expenditures	4.63%	1.70%	14.62%	12.63%	13.67%	10.94%	14.50%	14.08%	17.32%	16.39%

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

(2) For the year 2001, the amount used for capital outlay was obtained from the increase to the General Fixed Asset Accounts.
For the years 2002 through 2010, 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.

COUNTY OF STAFFORD, VIRGINIA

Table S-5

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE REAL PROPERTY
Calendar Years 2001 - 2010
(unaudited) (1)

<u>Calendar Year</u>	<u>Residential Real Property</u>	<u>Commercial and Industrial Real Property</u>	<u>Agricultural Real Property</u>	<u>Total Taxable Assessed Real Property (4)</u>	<u>Percentage Growth Total Taxable Assessed Real Property</u>	<u>Nontaxable Real Property</u>	<u>Total Direct Real Estate Tax Rate (3)</u>
2001	4,352,709,820	814,764,500	368,899,400	5,297,857,620	5.5%	912,650,300	1.18
2002 (2)	5,143,139,800	914,306,300	386,353,100	6,184,376,500	16.7%	1,071,966,600	1.14
2003	5,558,075,479	974,267,800	377,963,600	6,663,645,179	7.7%	1,101,844,400	1.14
2004 (2)	7,530,691,700	1,233,804,100	446,627,300	8,920,052,900	33.9%	1,190,906,100	0.97
2005	8,008,477,670	1,311,858,550	451,249,400	9,499,678,248	6.5%	1,197,340,200	0.97
2006 (2)	13,787,026,663	1,998,640,060	1,136,810,550	16,293,674,473	71.5%	1,414,690,900	0.63
2007	14,334,990,827	2,123,204,227	1,019,445,450	16,913,237,529	3.8%	1,444,115,400	0.70
2008 (2)	12,992,885,100	2,785,332,869	1,183,223,200	16,226,491,762	-4.1%	1,630,949,000	0.84
2009	13,207,302,880	2,806,328,239	1,101,805,900	16,313,534,929	0.5%	1,709,946,500	0.84
2010 (2)	9,850,345,400	2,514,103,100	634,355,800	12,555,580,113	-23.0%	1,563,254,000	1.10

(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.

(4) Total Taxable Assessed value has been adjusted for land use deferral

Source: Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA

Table S-6

DIRECT AND OVERLAPPING TAX RATES (1)
Calendar Years 2001 - 2010
(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)
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
2010 (3)	1.10	6.89	0.50	0.75	1.10	-	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 2010 vs 2001

(unaudited) (1)

Tax Payer	Type of Business	Calendar Year 2010			Calendar Year 2001		
		Assessed Valuation	Rank	% Total Assessed Valuation	Assessed Valuation	Rank	% Total Assessed Valuation
Silver Companies, Inc	Commercial	\$ 143,965,700	1	1.1%			
Dominion Virginia Electric & Power Co	Utility	111,401,180	2	0.9%	77,461,428	1	1.4%
Government Employees Insurance Co	Commercial	82,419,740	3	0.6%	53,322,450	3	1.0%
The Garrett Companies	Commercial	74,703,100	4	0.6%			
Stafford Marketplace LLC	Commercial	66,630,100	5	0.5%			
United Dominion Realty Trust	Commercial	61,780,900	6	0.5%	29,726,530	4	0.5%
ACP RE ACS Realty LLC	Commercial	54,270,700	7	0.4%			
Stafford Lake Associates LP	Commercial	51,158,500	8	0.4%			
Northern Stafford Associates LC	Commercial	50,583,700	9	0.4%			
Pulte Home Corp	Commercial	47,575,400	10	0.4%			
McLane/Mid-Atlantic Inc, McLane Foods	Commercial				63,527,320	2	1.1%
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				26,619,800	5	0.5%
Verizon South Inc	Utility				25,409,173	6	0.5%
Wal-Mart	Commercial				24,822,320	7	0.4%
Verizon Virginia Inc	Utility				22,974,871	8	0.4%
RAMCO VA Properties LLC	Commercial				21,080,000	9	0.4%
Lakewood Associates	Commercial				10,657,240	10	0.2%
Totals		<u>\$ 744,489,020</u>		5.7%	<u>\$ 355,601,132</u>		6.4%
Total taxable assessed real property		\$ 12,998,904,300			\$ 5,536,373,720		

(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 2001 - 2010
(unaudited) (1)

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	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
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%
2010 (2)	138,836,401	430,065	138,406,336	133,418,693	96.10%	7,238,628	140,657,321	101.63%

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

(2) Beginning in fiscal year 2010, Garrisonville Rd, Warrenton Rd, and Hidden Lake Dam Service Districts are included.

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

COUNTY OF STAFFORD, VIRGINIA

Table S-9

RATIOS OF OUTSTANDING DEBT BY TYPE

Direct Debt Ratios

Fiscal Years 2001 - 2010

(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)	Revenue Bonds (8)	Total Primary Government	Percentage of Assessed Real Property Value (4)	Percentage of Personal Income (5)	Outstanding Debt Per Capita (6)
2001 (2)	147,477,917	-	11,045,466	8,700,000	1,711,663	-	1,045,922	38,045,000	208,025,968	3.76%	7.07%	2,115
2002	160,729,171	6,500,000	10,702,974	7,895,000	2,930,094	-	552,947	35,150,000	224,460,186	3.48%	7.19%	2,153
2003	157,970,215	6,500,000	9,946,825	7,055,000	2,611,758	-	-	31,625,000	215,708,798	3.12%	6.50%	1,973
2004	214,581,437	-	9,190,676	6,180,000	3,276,709	-	-	28,435,000	261,663,822	2.84%	7.10%	2,285
2005	229,012,371	-	8,509,527	5,265,000	3,701,401	-	-	25,145,000	271,633,299	2.78%	6.76%	2,308
2006 (7)	266,483,041	47,030,000	7,678,378	4,310,000	11,062,986	-	-	22,060,000	358,624,405	2.12%	8.36%	2,984
2007	272,722,829	47,030,000	6,922,229	3,310,000	12,401,196	-	-	18,875,000	361,261,254	2.07%	8.03%	2,992
2008	280,101,263	92,995,000	6,241,080	2,260,000	12,687,152	9,500,000	-	15,590,000	419,374,495	2.47%	9.07%	3,445
2009	266,648,806	91,890,000	5,484,931	-	10,601,729	9,147,259	-	12,240,000	396,012,725	2.31%	8.32%	3,225
2010	257,206,940	88,205,000	4,828,782	-	7,978,053	8,783,857	-	42,092,841	409,095,473	3.15%	7.62%	3,012

(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.

(8) In 2010, Revenue Bonds for Business-Type Activities were included to show the total primary government's outstanding debt. Prior years were restated.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING**Fiscal Years 2001 - 2010****(unaudited) (1)**

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property (2)	Outstanding Debt Per Capita (3)
2001	147,477,917	2.36%	\$ 1,499
2002	160,729,171	2.28%	1,542
2003	157,970,215	2.08%	1,445
2004	214,581,437	2.48%	1,874
2005	229,012,371	2.49%	1,946
2006	266,483,041	2.60%	2,218
2007	272,722,829	2.30%	2,259
2008	280,101,263	2.05%	2,301
2009	266,648,806	1.95%	2,171
2010	257,206,940	1.86%	2,043

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

(2) See Assessed Value and Actual Value of Taxable Real Property, Table S-5.

Percentage = Outstanding General Bonded Debt / Taxable Assessed Real Property Value X Tax rate.

(3) Population data can be found Taxable Real Property Value (See Table S-14).on Demographic and Economic Statistics (Table S-14).

COUNTY OF STAFFORD, VIRGINIA

Table S-11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2010

(unaudited) (1)

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Direct debt:			
General Government			
General obligation bonds (2)	\$ 257,206,940	100.0%	\$ 257,206,940
Lease revenue bonds (2)	88,205,000	100.0%	88,205,000
Literary loans	4,828,782	100.0%	4,828,782
Capital leases	7,978,053	100.0%	7,978,053
VRA	8,783,857	100.0%	8,783,857
School Leases	2,332,435	100.0%	2,332,435
Total general government direct debt	<u>369,335,067</u>		<u>369,335,067</u>
Overlapping Debt:			
Regional Joint Activities			
Rappahannock Regional Jail	33,657,500	47.6%	16,031,067
Juvenile Detention Center	5,523,630	33.6%	1,855,940
Total regional joint ventures	<u>39,181,130</u>		<u>17,887,007</u>
Total overlapping debt	<u>39,181,130</u>		<u>17,887,007</u>
Total direct and overlapping debt	<u>\$ 408,516,197</u>		<u>\$ 387,222,074</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.

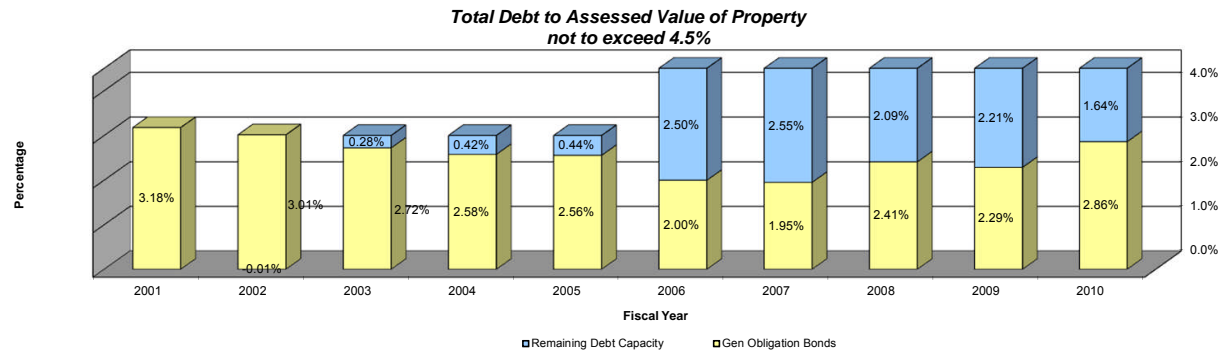
DEBT MARGIN INFORMATION
Fiscal Years 2001 - 2010
(unaudited) (1)

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed value of taxable real property	\$ 5,297,857,620	\$ 6,184,376,500	\$ 6,663,645,179	\$ 8,920,052,900	\$ 9,499,678,248	\$ 16,293,674,473	\$ 16,913,237,529	\$ 16,226,491,762	\$ 16,313,534,929	\$ 12,555,580,113
Debt limit, 4.5% of assessed value* * (3% prior to June 21, 2005)	\$158,935,729	\$185,531,295	\$199,909,355	\$267,601,587	\$427,485,521	\$733,215,351	\$761,095,689	\$730,192,129	\$734,109,072	\$565,001,105
Tax-supported general obligation debt (2)	\$168,269,305	\$186,380,092	\$181,472,040	\$229,952,113	\$242,786,898	\$325,501,419	\$329,985,058	\$391,097,343	\$373,095,996	\$359,024,579
% of assessed real property	3.18%	3.01%	2.72%	2.58%	2.56%	2.00%	1.95%	2.41%	2.29%	2.86%
Debt margin (3)	\$ (9,333,576)	\$ (848,797)	\$ 18,437,315	\$ 37,649,474	\$ 184,698,623	\$ 407,713,932	\$ 431,110,631	\$ 339,094,786	\$ 361,013,076	\$ 205,976,526



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 VPSSA), lease-revenue bonds (issued for the construction of public safety projects), literary loans, certificates of participation 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.

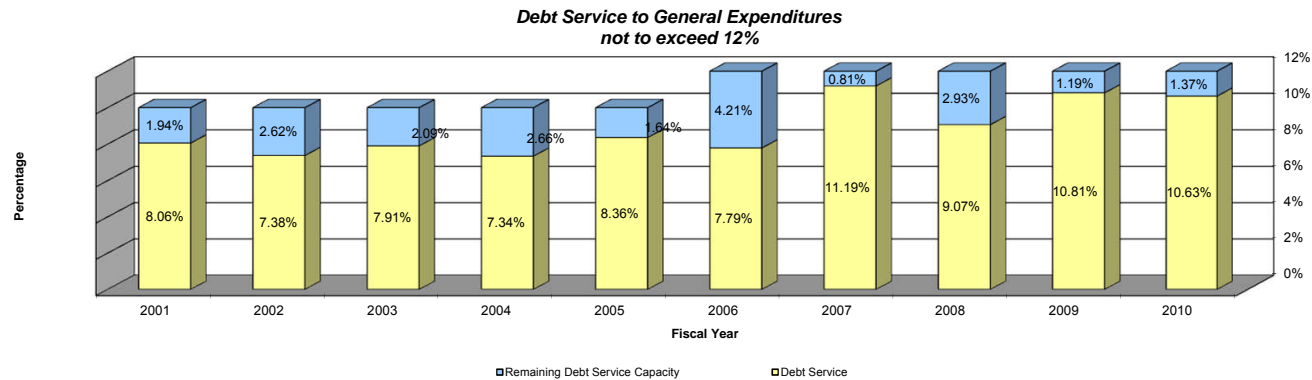
COUNTY OF STAFFORD, VIRGINIA

Table S-12
Page 2 of 3**DEBT MARGIN INFORMATION**
Fiscal Years 2001 - 2010
(unaudited) (1)

Debt Limitation 2:

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government budget (4)	\$ 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	\$ 381,759,337
Debt limit, 12% of general government budget*										
* (10% prior to June 21, 2005)	\$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	\$45,811,120
Debt service expenditure (2)	\$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	\$40,585,901
Percentage of the general government budget	8.06%	7.38%	7.91%	7.34%	8.36%	7.79%	11.19%	9.07%	10.81%	10.63%
Debt service margin (3)	\$ 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	\$ 5,225,219



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

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

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

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

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

COUNTY OF STAFFORD, VIRGINIA

Table S-12

DEBT MARGIN INFORMATION

Fiscal Years 2001 - 2010

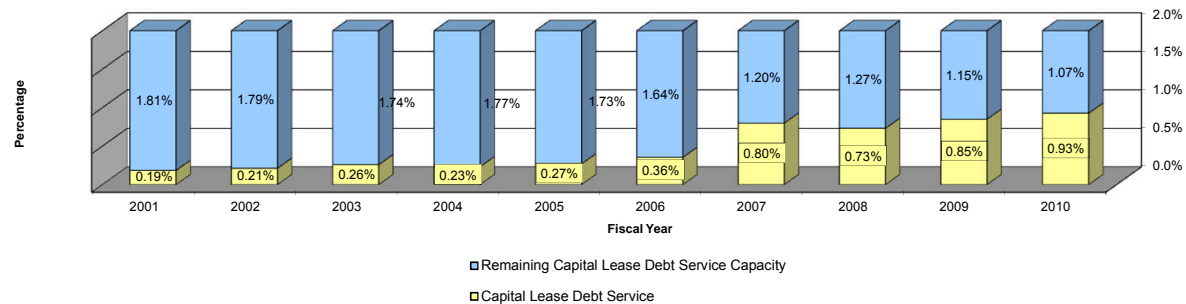
(unaudited) (1)

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government budget	\$ 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	\$ 381,759,337
Capital lease debt service limit, 2% of general government budget										
County limit	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	2,545,062
School Board limit	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	5,090,124
Total debt service limitation	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	7,635,187
Amount of debt service applicable to limit										
County	408,023	523,313	678,408	650,134	665,675	774,517	877,602	694,586	1,077,855	1,079,087
School Board	-	-	-	-	149,652	519,333	1,635,858	2,186,443	2,186,443	2,466,865
Total debt service applicable to limit	408,023	523,313	678,408	650,134	815,327	1,293,850	2,513,460	2,881,029	3,264,298	3,545,952
Capital lease debt service as a percentage of general government budget	0.19%	0.21%	0.26%	0.23%	0.27%	0.36%	0.80%	0.73%	0.85%	0.93%
Debt service margin (2)	\$ 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	\$ 4,089,235

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.

COUNTY OF STAFFORD, VIRGINIA

Table S-13

PLEDGED REVENUE COVERAGE: WATER AND SEWER FUND
Fiscal Years 2001 - 2010
(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	
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
2010	30,500,257	20,306,248	10,194,009	3,435,000	510,034	3,945,034	2.58

(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 2001 - 2010

(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)
2001	98,376	50,537	24,938	2.2%	2,943,803	29,924	5,297,857,620
2002	104,232	53,466	25,874	3.0%	3,123,208	29,964	6,184,376,500
2003	109,341	56,071	26,164	3.1%	3,320,030	30,364	6,663,645,179
2004	114,513	59,459	28,837	2.8%	3,687,891	32,205	8,920,052,900
2005	117,674	62,173	30,398	2.7%	4,021,156	34,172	9,499,678,248
2006	120,170	64,157	32,260	2.4%	4,291,511	35,712	16,293,674,473
2007	120,723	65,002	34,542	2.6%	4,497,535	37,255	16,913,237,529
2008	121,736	66,222	35,037	3.4%	4,625,968	38,000	16,226,491,762
2009	122,800	66,487	34,174	5.4%	4,759,728	38,760	16,313,534,929
2010	125,892	69,297	35,064	5.7%	4,977,140	39,535	12,555,580,113

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

(2) Population figures (2001 - 2009) provided by the U.S. Census Count. 2010 estimate provided by Weldon Cooper Center as of July 1, 2009.

(3) The Civilian Labor Force represents the number of people that live in Stafford County. Figures are based on a calendar year.
Source: Virginia Employment Commission. (Current year: Year-to-Date average). 2010 estimate is for July 2010.

(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. 2010 figure is as of 4th QTR 2009. 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.
Source: 2010 estimate is for July 2010. (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 (2001-2007) provided by the Virginia Employment Commission (VEC). (<http://velma.virtualmi.com>)
Per capita personal income figures (2008-2010): 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 2010 vs 2001

(unaudited) (1)

Employer	Industry	Fiscal Year 2010			Fiscal Year 2001		
		Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
GEICO, Government Employees Insurance	Insurance	4,000	1	2.9%	1000+	1	4.1%
Stafford County School System	Education	3,637	2	2.9%	2,867	2	4.1%
FBI Academy (Stafford Facilities)	Government Services	2,000	3	2.9%			
Stafford County Government	County Government	775	4	2.2%	686	5	3.1%
McLane Mid Atlantic	Retail Distribution	600	5	2.2%	500-999	4	3.1%
Stafford Hospital Center	Medical	450	6	1.1%			
QinetiQ	Engineering Consultants	300	7	1.1%			3.1%
Fredericksburg Auto Auction	Auction	300	8	0.5%			
BAE	Engineering Consultants	300	9	0.5%			
L-3 Communications	Engineering Consultants	200	10	0.5%			
Capital One Bank	Financial	-			1000+	3	3.1%
Intuit	Computer Services	-			250-499	6	1.5%
Dogwood Retirement Center	Retirement Center	-			250-499	7	1.5%
Hilldrup Transfer and Storage, Inc	Van Line Services	-			100-249	8	0.7%
Brake Parts	Electronic Auto Parts	-			100-249	9	0.7%
Virginia Electric & Power Company	Utility	-			100-249	10	0.7%
Total 10 Largest Employers		12,562		36.8%	6,853 - 8,297+		31.2%
Total County Employment		34,174			24,246		

(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: 2010 Data is from Stafford County Economic Development & Legislation Department. 2001 Data is from the Virginia Employment Commission.

COUNTY OF STAFFORD, VIRGINIA

Table S-17

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
Fiscal Years 2001 - 2010
(unaudited) (1)

Function/Program Employees:	Full-time Equivalent Employees as of June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Primary Government:										
Governmental activities:										
General government	111	115	117	117	123	131	134	122	116	105
Judicial administration	30	30	35	35	39	46	50	48	48	47
Public safety (2)	187	187	216	219	243	265	302	302	302	314
Public services (4)	10	10	14	14	20	24	19	23	24	-
Health and welfare	48	50	50	52	55	60	60	53	53	51
Parks, recreation and community facilities (3)	24	24	25	25	29	32	32	34	34	56
Community development	51	51	59	59	66	75	83	71	68	67
Transportation (5)	-	-	-	-	1	1	2	5	5	-
Total governmental activities employees	461	467	516	521	576	634	682	658	650	640
Business-type activities:										
Utilities	113	117	120	120	133	134	139	126	141	135
Total business-type activities employees										
Total primary government employees	574	584	636	641	709	768	821	784	791	775
Volunteers:										
Public safety	300	300	300	300	300	250	250	546	634	461

(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.

(4) Beginning in fiscal year 2010, Public services was reclassified to Parks, recreation and community facilities.

(5) Beginning in fiscal year 2010, Transportation was reclassified to Community development.

OPERATING INDICATORS BY FUNCTION
Fiscal Years 2001 - 2010
(unaudited) (1)

Function/Program	Fiscal Year									
	<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>	<u>2010</u>
Governmental Activities:										
General government										
Commissioner of Revenue										
Taxpayers assisted at real estate and personal property counters	19,919	21,000	23,000	17,983	23,000	24,000	15,258	12,022	14,890	12,765
Building permits reviewed	3,461	3,500	4,168	3,500	4,000	3,300	2,756	2,177	1,465	1,604
State income tax returns processed	22,853	23,000	21,530	16,082	20,000	18,000	13,295	10,125	12,984	11,160
Personal property records processed	48,444	51,500	53,000	55,000	65,000	65,000	61,528	58,658	61,539	71,453
Finance										
Landfill bills processed	212	248	242	250	300	252	297	351	348	293
Accounts payable transactions processed (9)	49,848	50,000	27,416	64,881	61,501	55,094	42,036	42,215	34,794	42,105
Department of Human Resources										
Number of new hires	221	290	263	264	249	332	373	342	187	206
Number of positions recruited	65	95	91	137	294	264	481	291	192	93
Public Services										
Total facilities maintained (sq ft) (10)	186,250	220,335	220,335	220,335	222,696	225,046	231,999	421,134	427,381	433,427
Registrar										
Voters served at polling places	33,876	21,779	23,480	14,112	45,970	26,497	34,000	25,000	58,493	50,000
Treasurer										
Real estate and personal property bills processed	165,777	174,585	215,219	221,758	237,971	241,148	245,845	249,203	255,801	265,003
Auto decals processed	78,030	79,000	83,570	85,000	115,725	133,249	-	-	-	-
Water and sewer bills processed	260,400	261,000	241,000	320,000	331,703	339,528	361,142	366,941	372,158	377,978
Judicial administration										
Victims' services, both direct & indirect	1,200	1,000	915	1,000	805	849	1,076	1,332	1,182	1,345
Public safety										
Requests for law enforcement service (responded)	65,188	66,904	72,531	73,759	70,611	73,390	73,112	72,096	71,464	70,941
Number of arrests	5,568	6,232	6,381	6,764	7,170	6,144	7,451	7,486	7,530	7,216
Number of fire and EMS calls (3)	17,220	18,218	17,945	20,698	21,799	21,806	22,984	23,707	21,734	20,648

COUNTY OF STAFFORD, VIRGINIA

Table S-18
Page 2 of 3

OPERATING INDICATORS BY FUNCTION

Fiscal Years 2001 - 2010

(unaudited) (1)

Function/Program	Fiscal Year									
	<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>	<u>2010</u>
Social Services										
Benefit applications received	4,000	4,000	4,080	4,275	4,369	4,597	4,877	5,857	7,329	7,907
CPS complaints investigated (4)	415	400	338	395	395	400	469	501	515	521
Food stamp households served	820	900	1,025	1,200	1,341	1,413	1,615	1,797	2,203	2,942
Foster care children served	160	158	158	157	140	138	127	143	116	88
Parks, recreational and cultural										
Programs offered: gymnastics	400	420	1,280	915	1,250	1,210	1,355	1,550	1,630	2,000
Programs offered: senior citizens	80	82	87	90	95	102	103	165	308	376
Programs offered: sports/recreation	145	150	165	325	335	340	494	390	505	1,051
Programs offered: aquatics	325	325	452	531	556	572	696	625	598	550
Acres maintained	775	775	872	906	906	1,000	1,000	1,162	1,162	1,432
Community development										
Public Works										
Permits issues (11)	28,131	19,230	20,093	22,676	21,817	21,396	15,335	11,931	3,405	3,157
Chesapeake bay building permits reviewed (6)	1,250	1,350	2,000	2,560	2,400	3,650	2,402	1,765	1,308	1,558
Building inspections performed	47,260	39,626	42,659	43,306	43,503	53,709	42,302	35,024	24,499	25,740
E&S control inspections performed (5)	10,493	23,634	20,898	14,247	22,709	11,336	16,393	13,004	9,926	7,256
Economic Development/Legislative Affairs										
At-place employment	24,938	25,874	26,164	28,837	30,398	32,260	34,542	35,037	34,174	35,064
Unemployment rate	2.2%	3.0%	3.1%	2.8%	2.7%	2.4%	2.6%	3.4%	5.4%	5.7%
Businesses in the County	1,478	1,561	1,640	1,793	1,948	2,061	2,155	2,248	2,231	2,259
Legislative bills reviewed for action/response	2,856	2,907	2,827	3,108	2,950	3,287	3,069	3,323	2,577	2,964
Planning and Zoning										
Addresses issued (7)	2,500	2,600	1,943	2,558	2,667	2,161	1,748	1,013	1,369	486
Subdivision applications processed	268	250	391	416	801	834	726	582	415	205
Site plans processed (8)	67	80	145	153	384	381	367	373	235	145
Zoning site development inspections	270	439	257	377	477	205	571	281	835	152
Zoning enforcement inspections performed	822	392	807	811	965	1,075	958	1,037	887	1,130

OPERATING INDICATORS BY FUNCTION
Fiscal Years 2001 - 2010
(unaudited) (1)

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Business-Type Activities:										
Water & Sewer Utilities										
Billions of gallons of water treated per year	3.288	2.986	3.310	3.361	3.280	3.768	4.080	4.081	3.825	3.504
Water storage (mg)	14.295	15.295	15.800	15.800	15.800	15.800	16.645	16.645	16.645	16.645
Billions of gallons of wastewater treated per year	2.581	2.138	2.229	2.784	2.983	2.973	3.234	3.106	3.079	3.418
Number of customer accounts served	21,781	24,762	26,472	27,745	29,116	30,553	31,314	31,849	32,296	32,803
Water and sewer bills generated	283,523	297,000	314,609	326,265	341,670	358,993	372,221	379,640	372,128	377,998

(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 and 2010, 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.

COUNTY OF STAFFORD, VIRGINIA

Table S-19
Page 2 of 2

CAPITAL ASSET STATISTICS BY FUNCTION
Fiscal Years 2001 - 2010
(unaudited) (1)

Function/Program	Fiscal Year									
	<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>	<u>2010</u>
Parks, recreation and cultural (cont.)										
Private marinas	5	5	5	5	5	5	5	5	5	5
Skateboard parks	0	2	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	3	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.
 (5) Regional parks & regional acreage was added to county parks & county acreage in fiscal year 2010.



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COMPLIANCE SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Stafford County, Virginia (the "County") as of and for the year ended June 30, 2010, and have issued our report thereon dated December 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct

and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Stafford in a separate letter dated December 8, 2010.

This report is intended for the information of the Finance and Budget Committee, the Board of Supervisors, management, 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.

Cherry, Bekaert + Holland, LLP

Richmond, Virginia
December 8, 2010



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

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

Compliance

We have audited the compliance of Stafford County, Virginia, (the "County"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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 material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that that there is a possibility material compliance with a type of compliance requirement of a federal program will not be prevented detected and corrected on a timely basis.

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

This report is intended for the information of the Finance and Budget Committee, the Board of Supervisors, management, 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.

Cherry, Bekaert + Holland, LLP

Richmond, Virginia
December 8, 2010

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

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	\$ 616,766	
ARRA - Supplemental Nutrition Assistance	10.561	31,306	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 648,072
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass Through Payments:			
Department of Social Services			
Social Services Block Grant	93.667	\$ 158,870	
Child Care Assistance			
Child Care and Development Block Grant	93.575	493,816	
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596	442,597	
ARRA - Child Care and Development Block Grant	93.713	156,957	
Administration for Children and Families			
Chafee Education and Training Vouchers Program	93.599	2,003	
Adoption Incentive Payments	93.603	1,634	
Child Welfare Services - State Grants	93.645	1,635	
Temporary Assistance for Needy Families	93.558	453,033	
Refugee and Entrant Assistance -			
State Administered Programs	93.566	6,204	
Low-Income Home Energy Assistance	93.568	14,464	
Foster Care Title IV-E	93.658	431,962	
ARRA - Foster Care Title IV-E	93.658	27,175	
Adoption Assistance	93.659	265,091	
ARRA - Adoption Assistance	93.659	30,131	
Chafee Foster Care Independence Program	93.674	15,440	
State Children's Insurance Program	93.767	25,352	
Medical Assistance Program (Medicaid; Title XIX)	93.778	379,238	
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			2,905,602
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Direct Payments:			
Americorp	94.006		3,629
DEPARTMENT OF DEFENSE			
Direct Payments:			
Office of Economic Adjustment			
Community Economic Adjustment Assistance for Advance Planning	12.614	206,863	
Department of the Army			
Payments to States in Lieu of Real Estate Taxes	12.112	5,429	
TOTAL DEPARTMENT OF DEFENSE			212,292
DEPARTMENT OF ENERGY			
Direct payments:			
ARRA - Energy, Efficiency and Conservation Block Grant Program	81.128		434,973

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Expenditures	
U.S. DEPARTMENT OF JUSTICE			
Direct Payments:			
Bulletproof Vest partnership Program	16.607	\$ 3,825	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	60,812	
Edward Byrne Memorial Justice Assistance Grant Program-ARRA	16.804	120,240	
Juvenile Justice and Delinquency Prevention - Cal Ripkin Sr. Foundation	16.541	9,519	
Pass Through Payments:			
Office of Juvenile Justice and Delinquency Prevention Internet Crimes Against Children (2009-SN-B9-K011)	16.543	7,500	
Office of Justice Programs ARRA - Violence Against Women Formula Grant (10-A6109VS09)	16.588	<u>75,704</u>	
TOTAL U.S. DEPARTMENT OF JUSTICE			\$ 277,600
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Federal Highway Administration Highway Planning and construction	20.205	10,729	
Pass Through Payments:			
Department of Motor Vehicles State and Community Highway Safety (Section 402) (TR-2010-50228-3848)	20.600	<u>69,040</u>	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			79,769
DEPARTMENT OF HOMELAND SECURITY			
Direct Payments:			
Homeland Security Grant Program	97.067	256	
Staffing for Adequate Fire and Rescue Response	97.083	30,177	
National Urban Search and Rescue Response System	97.205	11,784	
Assistance to Firefighters Grant	97.044	275,988	
State Homeland Security Grant	97.073	4,770	
Pass Through Payments:			
Department of Emergency Management Emergency Management Performance Grant (2010-EP-EO-0039)	97.042	24,623	
Disaster Grants - Public Assistance	97.036	<u>74,535</u>	
TOTAL DEPARTMENT OF HOMELAND SECURITY			422,133
DEPARTMENT OF COMMERCE			
Pass Through Payments:			
Department of Emergency Services National Telecommunications And Information Administration Public Safety Interoperable Communications Grant Program (2009-PU-T9-K009)	11.555	<u>49,827</u>	
DEPARTMENT OF EDUCATION			
Pass Through Payments:			
State Compensation Board ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act (2009-SU-B9-0033)	84.397	<u>232,054</u>	
GRAND TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 5,265,951

COUNTY OF STAFFORD, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2010

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.

Component Unit, Stafford County Public Schools has a separate Single Audit. They issue a separate set of financial statements which includes an audit of Federal awards.

COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **UNQUALIFIED OPINION**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **NONE REPORTED**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **NO**
4. Noncompliance, which is material to the financial statements: **NO**
5. Significant deficiencies in internal control over major programs: **NONE REPORTED**
6. Material weaknesses in internal control over major programs: **NO**
7. The type of report issued on compliance for major programs: **UNQUALIFIED OPINION**
8. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **NO**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.561	Food Stamp Program
10.561	ARRA – Supplemental Nutrition Assistance
12.614	Community Economic Adjustment Diversification Planning
16.804	ARRA – Grants to Local Governments
81.128	ARRA - Energy Efficiency and Conservation Block Grant
84.397	Government Service Recovery Act
93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance Program (Medicaid; TitleXIX)
97.044	Assistance to Firefighters

10. Dollar threshold used to distinguish between type A and type B programs: \$300,000
11. Stafford County was determined not to be a low risk auditee.

COUNTY OF STAFFORD, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

B. Findings – Financial Statement Audit

NONE

C. Findings and Questioned Costs-Major Federal Awards

NONE

D. Resolution of Prior Year's Findings

1. Finding 9-01- Material Weakness in Internal Control related to lack of proper reconciliation of intergovernmental activity between the County and the School Board resulting from miscommunication during the closing process in fiscal year 2007. The County's equity in pooled cash and net assets/fund balance were understated.

Procedures have been put into place to ensure the reconciliation of intergovernmental activity, and this activity has been reconciled for fiscal year 2010, however continued attention needs to be paid to the communications issues that led to the breakdown in order to prevent future breakdowns.

COUNTY OF STAFFORD, VIRGINIA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

Finding 9-01	<p>Material weakness in Internal Control related to reconciliation of intergovernmental activity between the County and the Schools.</p> <p>The county has implemented procedures to ensure the reconciliation of the intergovernmental activity between the County and the Schools. For the current year, the intergovernmental activity between the County and the Schools has been reconciled.</p>
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